



Hess Midstream LP Announces Updated Guidance

March 17, 2020

Highlights

- **Updating Hess Midstream's full year 2020 net income guidance to \$420 - \$440 million, and 2020 Adjusted EBITDA Guidance to \$690 - \$710 million, a reduction at the midpoint of approximately 4% compared to previous guidance, due to lower expected throughput volumes resulting from basin-wide lower rig activity.**
- **Increasing first quarter 2020 guidance for net income to \$115 - \$120 million and Adjusted EBITDA to \$180 - \$185 million, due to strong year to date performance.**
- **Reducing 2020-21 expansion capital expenditures by an aggregate \$200 million compared to our previous plan, including reductions of \$75 million, or 20%, in 2020, and \$125 million, or 55%, in 2021.**
- **Increasing expected 2020 Free Cash Flow to \$415 - \$435 million, an increase at the midpoint of 12% compared to previous guidance, primarily due to the reduction in planned capital expenditures.**
- **Reiterating guidance of 25% growth in Adjusted EBITDA in 2021, compared to full year 2020, resulting from the annual rate redetermination mechanism at the end of 2020 and growing minimum volume commitments ("MVCs") in 2021.**
- **Announcing expected annual Free Cash Flow in 2021 and 2022 of approximately \$750 million, with greater than 90% MVC revenue protection, fully funding interest and growing distributions, without incremental debt or equity.**
- **Preserving financial strength, future growth and enhancing long term sustainability by moderating targeted annual distribution growth rate per share to 5%, while increasing targeted distribution coverage to approximately 1.4x, and retaining optionality for the return of capital to shareholders.**

HOUSTON--(BUSINESS WIRE)-- Hess Midstream LP (NYSE: HESM) ("Hess Midstream") today provided updated financial and operational guidance in line with updated expectations for Hess Corporation ("Hess") production and third-party throughput volumes from lower rig activity in the Bakken.

Updated Operational Guidance

John Gatling, President and Chief Operating Officer of Hess Midstream said, "With strong year to date performance, reductions in planned capital expenditures and the strength of our contract structure offsetting lower drilling activity by Hess with an expected increase in future tariff rates, we expect our financial outlook to be effectively protected. Through our disciplined actions, we have clear visibility to increasing free cash flow and are leveraging our strong financial position to preserve future growth optionality."

Hess Midstream has updated full year 2020 volume guidance, incorporating Hess's previously announced updated guidance to reduce Bakken rig activity commencing in the second quarter of 2020 as well as lower expected third-party activity. Driven by strong performance in the year to date, full year 2020 guidance for crude gathering, crude terminalling, and water gathering throughput volumes is unchanged while gas gathering and gas processing volumes are expected to be modestly lower than previous guidance.

Consistent with Hess's expected reduced activity and our focus on preserving balance sheet strength, Hess Midstream is reducing 2020 expansion capital by approximately \$75 million, or 20%, to \$260 million from previously announced guidance, primarily due to fewer expected well connects and the deferral or cancellation of certain gas compression activities. Full year 2020 maintenance capital guidance of \$15 million is unchanged. Hess Midstream also plans to reduce expected 2021 expansion capital expenditures relative to its previous 2021 plan by approximately \$125 million, or 55%, to approximately \$100 million.

Hess Midstream's planned 150 MMcf/d expansion of the Tioga Gas Plant to a total processing capacity of 400 MMcf/d is progressing ahead of schedule with plant tie-ins expected to be conducted during the previously announced third quarter maintenance turnaround and facility construction now expected to be completed by the end of 2020. Full incremental capacity from the planned expansion is expected to be available in 2021, commensurate with the completion of third-party natural gas liquids and residue gas takeaway lines, and strategically positions Hess Midstream to capture incremental third-party volumes north of the Missouri River. In addition, under Hess Midstream's existing contracts with Hess, Hess Midstream earns a contracted return on capital deployed for the Tioga Gas Plant expansion.

Updated Financial Guidance

"Hess Midstream's substantial historical invested capital combined with our contract structure including an annual rate redetermination drive our expected 25% growth in Adjusted EBITDA from 2020 to 2021," said Jonathan Stein, Chief Financial Officer of Hess Midstream. "We are proactively moderating our annualized distribution growth rate per share to 5%, a level at which we expect to be able to fully fund our distributions from free cash flow with no incremental debt through 2022 and beyond, with increased targeted 1.4x distribution coverage, while preserving optionality for the return of capital to shareholders."

Hess Midstream expects full year 2020 net income of approximately \$420 million to \$440 million and Adjusted EBITDA of approximately \$690 million

to \$710 million. Consistent with the expected volume profile, the reduction in 2020 net income and Adjusted EBITDA relative to previous guidance is primarily expected in the fourth quarter of 2020. Hess Midstream also expects 2020 Free Cash Flow of \$415 million to \$435 million, an increase of \$45 million from prior guidance.

Driven by strong volume performance in the year to date, Hess Midstream is raising first quarter 2020 guidance for net income to \$115 million to \$120 million and Adjusted EBITDA to \$180 million to \$185 million.

Hess Midstream's contracts with Hess are 100% fee based and designed to minimize direct commodity price exposure through the combination of MVCs that provide ongoing near-term downside protection and an annual fee recalculation that updates tariff rates for changes in actual and forecasted volumes and capital to maintain a targeted contractual return on capital deployed, including approximately \$4 billion of historical invested capital. MVCs have already been set through 2022 and, once set, can only be increased and not reduced.

As a result of the annual rate recalculation at the end of 2020, Hess Midstream is expecting an approximate 25% increase in Adjusted EBITDA in 2021 relative to 2020 guidance. Together with planned capital reductions, Hess Midstream expects annual Free Cash Flow of approximately \$750 million for 2021 and 2022 with greater than 90% revenue protection from previously set MVCs.

Preserving long-term sustainability and financial strength, Hess Midstream is proactively lowering its targeted annualized distribution growth rate per share to 5% through 2022. In 2020, Hess Midstream expects to have at least 1.2x distribution coverage in each quarter, except for the third quarter, when the planned Tioga Gas Plant turnaround is expected to occur. In both 2021 and 2022, Hess Midstream expects increased distribution coverage of approximately 1.4x and plans to fully fund interest and distributions with Free Cash Flow without any incremental debt.

Year Ending Quarter Ending
December 31, 2020 March 31, 2020
(Unaudited)

Financials (in millions)

Net income	\$	420 - 440	\$	115 - 120
Adjusted EBITDA	\$	690 - 710	\$	180 - 185
Distributable cash flow	\$	580 - 600	\$	155 - 160
Expansion capital	\$	260		
Maintenance capital	\$	15		
Free cash flow	\$	415 - 435		

Year Ending
December 31, 2020

Throughput volumes (in thousands)

Gas gathering - Mcf of natural gas per day	290 - 300 ⁽¹⁾
Crude oil gathering - barrels of oil per day	125 - 135
Gas processing - Mcf of natural gas per day	275 - 285 ⁽¹⁾
Crude terminals - barrels of oil per day	150 - 160
Water gathering - barrels of liquids per day	55 - 65

(1) Gas gathering and gas processing throughput volumes in 2020 guidance each reflect an approximate 30 million cubic feet per day reduction due to the planned Tioga Gas Plant turnaround.

About Hess Midstream

Hess Midstream LP is a fee-based, growth-oriented midstream company that operates, develops and acquires a diverse set of midstream assets to provide services to Hess Corporation and third-party customers. Hess Midstream owns oil, gas and produced water handling assets that are primarily located in the Bakken and Three Forks Shale plays in the Williston Basin area of North Dakota. More information is available at www.hessmidstream.com.

Reconciliation of U.S. GAAP to Non-GAAP Measures

In addition to our financial information presented in accordance with U.S. generally accepted accounting principles ("GAAP"), management utilizes certain additional non-GAAP measures to facilitate comparisons of past performance and future periods. "Adjusted EBITDA" presented in this release is defined as reported net income (loss) before net interest expense, income tax expense, depreciation and amortization and our proportional share of depreciation of our equity affiliates, as further adjusted to eliminate the impact of certain items that we do not consider indicative of our ongoing operating performance, such as transaction costs, other income and other non-cash, non-recurring items, if applicable. "Distributable Cash Flow" ("DCF") is defined as Adjusted EBITDA less net interest, excluding amortization of deferred financing costs, cash paid for federal and state income taxes and maintenance capital expenditures. DCF does not reflect changes in working capital balances. "Free cash flow" is defined as Adjusted EBITDA less capital expenditures. We believe that investors' understanding of our performance is enhanced by disclosing these measures as they may assist in assessing our operating performance as compared to other publicly traded companies in the midstream energy industry, without regard to historical cost basis or, in the case of Adjusted EBITDA, financing methods, and assessing the ability of our assets to generate sufficient cash flow to make distributions to our shareholders. These measures are not, and should not be viewed as, a substitute for GAAP net income or cash flow from operating activities and should not be considered in isolation. Reconciliations of reported net income (GAAP) to Adjusted EBITDA and free cash flow, and net cash provided by operating activities (GAAP) to DCF, are provided below.

Guidance	
Year Ending	Quarter Ending
December 31, 2020	March 31, 2020
(Unaudited)	

(in millions)

Reconciliation of Adjusted EBITDA and Distributable Cash Flow to net income:

Net income	\$	420 - 440	\$	115 - 120
Plus:				
Depreciation expense*		155		38
Interest expense, net		105		25
Income tax expense		10		2
Adjusted EBITDA	\$	690 - 710	\$	180 - 185
Less:				
Interest, net, and maintenance capital expenditures		110		25
Distributable cash flow	\$	580 - 600	\$	155 - 160
Adjusted EBITDA	\$	690 - 710		
Less:				
Capital expenditures		275		
Free cash flow	\$	415 - 435		

*Includes proportional share of equity affiliates' depreciation

Forward Looking Statements

This press release contains "forward-looking statements" within the meaning of U.S. federal securities laws. Words such as "anticipate," "estimate," "expect," "forecast," "guidance," "could," "may," "should," "would," "believe," "intend," "project," "plan," "predict," "will," "target" and similar expressions identify forward-looking statements, which are not historical in nature. Our forward-looking statements may include, without limitation: our future financial and operational results; our business strategy; our industry; our expected revenues; our future profitability; our projected budget and capital expenditures (including for maintenance or expansion projects and environmental expenditures), including our planned expansion of the Tioga Gas Plant, and the impact of such expenditures on our performance; the result of annual rate redeterminations under existing contracts with Hess; and future economic and market conditions in the oil and gas industry. Forward-looking statements are based on our current understanding, assessments, estimates and projections of relevant factors and reasonable assumptions about the future. Forward-looking statements are subject to certain known and unknown risks and uncertainties that could cause actual results to differ materially from our historical experience and our current projections or expectations of future results expressed or implied by these forward-looking statements. When considering these forward-looking statements, you should keep in mind the risk factors and other cautionary statements in the filings made by Hess Midstream with the U.S. Securities and Exchange Commission ("SEC"), which are available to the public. Hess Midstream undertakes no obligation to, and does not intend to, update these forward-looking statements to reflect events or circumstances occurring after this press release. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release.

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