Hess Midstream LP Announces 2021 Guidance

January 25, 2021

Guidance highlights include:

- ***2021 net income of $590—$620 million and Adjusted EBITDA[1] of $860—$890 million, resulting in Distributable Cash Flow[1] of $750—$780 million.***
- ***Capital expenditures expected to reduce to $160 million in 2021, reflecting lower ongoing capital levels following the completion of major construction at the Tioga Gas Plant expansion.***
- ***Hess Midstream LP expects to generate Adjusted Free Cash Flow[1] of approximately $610—$640 million, in 2021, sufficient to fully fund our targeted distributions with excess of approximately $100 million.***
- ***Completed annual tariff rate redetermination process and established minimum volume commitments ("MVCs") for 2023 implying continued revenue growth through increasing MVCs in 2022 and expected organic volume growth in 2023. In 2021 and 2022, Hess Midstream LP expects approximately 95% minimum volume commitment revenue protection.***
- ***Hess Midstream LP exercised its renewal options for additional 10-year terms for certain crude oil gathering, terminaling, storage, gas processing and gas gathering commercial agreements with Hess Corporation, extending these agreements through December 31, 2033.***
- ***Extended targeted annual distribution per share growth of at least 5% through 2023 with expected annual distribution coverage greater than 1.4x.***
- ***In 2022 and 2023, Hess Midstream LP expects continued growth in Adjusted EBITDA and Adjusted Free Cash Flow generation sufficient to fully fund growing distributions, creating additional capital allocation flexibility.***

HOUSTON--(BUSINESS WIRE)--Jan. 25, 2021-- Hess Midstream LP (NYSE: HESM) ("Hess Midstream") today provided 2021 guidance and announced its 2021 capital budget.

John Gatling, President and Chief Operating Officer of Hess Midstream said, "We enter 2021 with Hess planning to add a rig in the Bakken and our plans to further enhance our gas capture capability, driving future growth for Hess Midstream. We are in a unique position with visible growth, excess cash flow and a contract structure that generates 100% fee-based revenues with downside protection through 2033."

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[1] Adjusted EBITDA, Distributable Cash Flow and Adjusted Free Cash Flow are non-GAAP measures. Adjusted Free Cash Flow reported in this release reflects Hess Midstream's new definition of Adjusted Free Cash Flow of Distributable Cash Flow less expansion capital expenditures and ongoing contributions to equity investments, which is calculated in a manner consistent with similar measures used by other publicly traded midstream energy companies. Definitions and reconciliations of these non-GAAP measures to GAAP reporting measures appear in the following pages of this release.

Full Year 2021 Guidance

Hess Midstream financial guidance incorporates the outcomes of the year-end tariff rate recalculation and nomination process conducted with Hess Corporation ("Hess") under Hess Midstream's commercial agreements with Hess.

Hess Midstream expects full year 2021 net income of between $590 million and $620 million and Adjusted EBITDA of between $860 million and $890 million. Hess Midstream expects full year 2021 Distributable Cash Flow to range between $750 million and $780 million, resulting in a distribution coverage ratio of at least 1.4x.

In 2021, Hess Midstream expects to generate Adjusted Free Cash Flow of between $610 million and $640 million and approximately $100 million, after funding distributions that are targeted to grow at least 5% per annum on a distribution per share basis. In addition, Hess Midstream expects leverage to be approximately 2x Adjusted EBITDA on a full year basis providing capital allocation flexibility.

Full year 2021 financial guidance includes approximately 95% minimum volume commitment revenue, as Hess Midstream's physical volumes are generally expected to be at or below minimum volume commitment levels.

In 2021, full year gas gathering volumes are anticipated to average 285 to 295 MMcf/d and gas processing volumes are expected to average 270 to 280 MMcf/d. Gas gathering and gas processing throughput volumes in 2021 guidance each reflect an approximate 30 MMcf/d reduction due to the planned Tioga Gas Plant turnaround in the third quarter.

Crude oil gathering volumes are anticipated to average 110 to 120 MBbl/d in 2021, and crude oil terminaling volumes are expected to average 120 to 130 MBbl/d, supported by Hess' announced plan to add an additional rig in the Bakken by the end of the first quarter.

Water gathering volumes are expected to average 60 to 70 MBbl/d for full year 2021.

Third parties are expected to comprise approximately 10% of total gas and 15% of total crude oil throughput volumes for 2021.

Full Year 2021 Capital Guidance

Hess Midstream expects 2021 capital expenditures of $160 million, reflecting lower ongoing capital levels following the completion of major construction at the Tioga Gas Plant expansion. Approximately $140 million is allocated to expansion capital expenditures, with an estimated $20 million allocated to maintenance capital expenditures.

Approximately $90 million of the 2021 capital budget is allocated to gas compression, with activities focused on the construction of two new greenfield compressor stations and associated pipeline infrastructure, which, when online in 2022 will initially provide an additional 64 MMcf/d of gas compression capacity, further enhancing gas capture capability and supporting Hess' development in the basin. Approximately $10 million is allocated for the completion of export tie-ins for the Tioga Gas Plant expansion, with approximately $40 million allocated to gathering system well connects to service Hess and third-party customers.

Maintenance capital is primarily in respect of the planned maintenance turnaround at the Tioga Gas Plant.

Full year 2021 guidance is summarized below:

		Year Ending December 31, 2021 (Unaudited)
Financials (*in millions*)		
Net income	$	590 – 620
Adjusted EBITDA	$	860 – 890
Distributable cash flow	$	750 – 780
Expansion capital expenditures	$	140
Maintenance capital expenditures	$	20
Adjusted free cash flow	$	610 – 640

	Year Ending December 31, 2021 (Unaudited)
Throughput volumes	
Gas gathering* - MMcf of natural gas per day	285 – 295
Crude oil gathering - MBbl of crude oil per day	110 – 120
Gas processing* - MMcf of natural gas per day	270 – 280
Crude terminals - MBbl of crude oil per day	120 – 130
Water gathering - MBbl of liquids per day	60 – 70

**Gas gathering and gas processing throughput volumes in 2021 guidance each reflect an approximate 30 MMcf of natural gas per day reduction due to the planned Tioga Gas Plant turnaround.*

Long-Term Financial Metrics

Hess Midstream has targeted distribution per share growth of at least 5% through 2023 with expected annual distribution coverage greater than 1.4x.

In 2022 and 2023, Hess Midstream expects continued growth in Adjusted EBITDA and Adjusted Free Cash Flow generation sufficient to fully fund growing distributions without incremental debt or equity while creating additional capital allocation flexibility, including return of capital to shareholders.

Minimum Volume Commitments

As part of the annual nomination process set forth in our long-term commercial contracts, Hess' MVCs were reviewed and updated, based upon the nomination of Hess' and third-party throughput volumes contracted through Hess. MVCs are set annually at 80% of Hess' nomination for the three years following each nomination. Once set, MVCs for each year can only be increased and not reduced.

As part of the process, MVCs for 2023 were set at 80% of nominated volumes reflecting expected organic throughput volume growth across all systems relative to 2021 volume guidance driven by increased gas capture and ongoing gathering system well connects. MVCs for 2023 imply expected organic volumetric growth relative to 2021 volume guidance as well as revenue growth from expected 2023 volumes relative to 2022 MVC levels. Hess Midstream has approximately 95% MVC revenue protection through 2022.

	Hess Minimum Volume Commitments		
	2021	2022	2023
Gas Gathering Agreement - MMcf of natural gas per day	323	360	303
Crude Oil Gathering Agreement - MBbl of crude oil per day	130	117	98
Gas Processing and Fractionation Agreement - MMcf of natural gas per day	292	345	292
Terminaling and Export Services Agreement - MBbl of crude oil per day	153	145	113
Water Services Agreement - MBbl of liquids per day	84	67	61

Commercial Agreements

On December 30, 2020, Hess Midstream exercised its renewal options to extend for additional 10-year terms, through December 31, 2033, certain crude oil gathering, terminaling, storage, gas processing and gas gathering commercial agreements with Hess. There were no changes to any provisions of the existing commercial agreements as a result of the exercise of the renewal options. For the remaining water gathering and disposal agreements as well as the remaining gas gathering agreement, Hess Midstream has the sole option to renew these agreements for an additional term that is exercisable at a later date.

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" or "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. We previously reported the non-GAAP measure of "free cash flow", which we defined as Adjusted EBITDA less capital expenditures. As this definition varied from other definitions of free cash flow, we determined it was appropriate to discontinue reporting free cash flow as previously defined and to report Adjusted Free Cash Flow beginning with the fourth quarter of 2020. We define "Adjusted Free Cash Flow" as DCF less expansion capital expenditures and ongoing contributions to equity investments. 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 Adjusted EBITDA, DCF and Adjusted Free Cash Flow to reported net income (GAAP) is provided below. Hess Midstream is unable to project net cash provided by operating activities with a reasonable degree of accuracy because this metric includes the impact of changes in operating assets and liabilities related to the timing of cash receipts and disbursements that may not relate to the period in which the operating activities occur. Therefore, Hess Midstream is unable to provide projected net cash provided by operating activities, or the related reconciliation of projected Adjusted Free Cash Flow to projected net cash provided by operating activities without unreasonable effort.

		Guidance
		Year Ending December 31, 2021
		(Unaudited)
(in millions)		
Reconciliation of Adjusted EBITDA, distributable cash flow and Adjusted free cash flow to net income:		
Net income	$	590 – 620
Plus:		
Depreciation expense*		160
Interest expense, net		100
Income tax expense		10
Adjusted EBITDA	$	860 – 890
Less:		
Interest, net, and maintenance capital expenditures		110
Distributable cash flow	$	750 – 780
Less:		
Expansion capital expenditures		140
Adjusted free cash flow	$	610 – 640

**Includes proportional share of equity affiliates' depreciation*

Cautionary Note Regarding Forward-looking Information

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 maintenance or expansion projects; our projected budget and capital expenditures and the impact of such expenditures on our performance; 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. The following important factors could cause actual results to differ materially from those in our forward-looking statements: the direct and indirect effects of the COVID-19 global pandemic and other public health developments on our business and those of our business partners, suppliers and customers, including Hess; the ability of Hess and other parties to satisfy their obligations to us, including Hess' ability to meet its drilling and development plans on a timely basis or at all and the operation of joint ventures that we may not control; our ability to generate sufficient cash flow to pay current and expected levels of distributions; reductions in the volumes of crude oil, natural gas, natural gas liquids ("NGLs") and produced water we gather, process, terminal or store; fluctuations in the prices and demand for crude oil, natural gas and NGLs, including as a result of the COVID-19 global pandemic; changes in global economic conditions and the effects of a global economic downturn on our business and the business of our suppliers, customers, business partners and lenders; our ability to comply with government regulations or make capital expenditures required to maintain compliance, including our ability to obtain or maintain permits necessary for capital projects in a timely manner, if at all, or the revocation or modification of existing permits; our ability to successfully identify, evaluate and timely execute our capital projects, investment opportunities and growth strategies, whether through organic growth or acquisitions; costs or liabilities associated with federal, state and local laws, regulations and governmental actions applicable to our business, including legislation and regulatory initiatives relating to environmental protection and safety, such as spills, releases, pipeline integrity and measures to limit greenhouse gas emissions; our ability to comply with the terms of our credit facility, indebtedness and other financing arrangements, which, if accelerated, we may not be able to repay; reduced demand for our midstream services, including the impact of weather or the availability of the competing third-party midstream gathering, processing and transportation operations; potential disruption or interruption of our business due to catastrophic events, such as accidents, severe weather events, labor disputes, information technology failures, constraints or disruptions and cyber-attacks; any limitations on our ability to access debt or capital markets on terms that we deem acceptable, including as a result of weakness in the oil and gas industry or negative outcomes within commodity and financial markets; liability resulting from litigation; and other factors described in Item 1A—Risk Factors in our Annual Report on Form 10-K and any additional risks described in our other filings with the Securities and Exchange Commission.

As and when made, we believe that our forward-looking statements are reasonable. However, given these risks and uncertainties, caution should be taken not to place undue reliance on any such forward-looking statements since such statements speak only as of the date when made and there can be no assurance that such forward-looking statements will occur and actual results may differ materially from those contained in any forward-looking statement we make. Except as required by law, we undertake no obligation to publicly update or revise any forward-looking statements, whether because of new information, future events or otherwise.

For Hess Midstream LP

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