Hess Midstream LP Announces 2022 Guidance

January 25, 2022

Guidance highlights include:

- *2022 net income of $630—$660 million, Adjusted EBITDA[1] of $970—$1,000million and Distributable Cash Flow[1] of $840—$870million.*
- *2022 capital expenditures expected to be approximately $235 million, focused on expansion of gas compression capacity and gathering system well connects to meet Hess Corporation's accelerated pace of development in the Bakken.*
- *Hess Midstream LP expects to generate Adjusted Free Cash Flow[1] of approximately $615—645 million in 2022, more than sufficient to fully fund targeted distributions. In addition, Hess Midstream LP expects leverage to be approximately 2.6x Adjusted EBITDA on a full-year basis, which is expected to provide capital allocation flexibility in 2022.*
- *Completed annual tariff rate redetermination process and established minimum volume commitments ("MVCs") for 2024. MVCs for 2024 reflect expected organic throughput volume growth across all systems relative to 2022 volume guidance. MVCs for 2023 were generally revised higher, providing visibility of expected volume and revenue growth relative to 2022 MVC levels. Hess Midstream LP expects approximately 95% MVC revenue protection in 2022.*
- *Hess Midstream LP is extending its annual distribution per share growth target of 5% through 2024 with expected annual distribution coverage greater than 1.4x.*
- *Hess Midstream LP is extending its previously announced expectation of continued growth in Adjusted EBITDA through 2024 and continued Adjusted Free Cash Flow generation sufficient to fully fund growing distributions and provide capital allocation flexibility.*

HOUSTON--(BUSINESS WIRE)--Jan. 25, 2022-- Hess Midstream LP (NYSE: HESM) ("Hess Midstream") today provided 2022 guidance and announced its 2022 capital budget.

"We are poised for continued volume and Adjusted EBITDA growth after a strong finish to 2021. The tie-in of our newly expanded Tioga Gas Plant gives us the capacity to capture further volume growth and drive free cash flow, creating an opportunity to return additional capital to our shareholders," said John Gatling, President and Chief Operating Officer of Hess Midstream. "We remain focused on operational and commercial execution to capture increasing gas volumes, which are expected to increase by more than 30% by 2024 relative to 2021 based on Hess' current nominations."

(1) Adjusted EBITDA, Distributable Cash Flow and Adjusted Free Cash Flow are non-GAAP measures. Definitions and reconciliations of these non-GAAP measures to GAAP reporting measures appear in the following pages of this release.

Full Year 2022 Guidance

Hess Midstream's 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 2022 net income of between $630 million and $660 million and Adjusted EBITDA of between $970 million and $1,000 million. Hess Midstream expects full year 2022 Distributable Cash Flow to range between $840 million and $870 million, resulting in a distribution coverage ratio of greater than 1.5x.

In 2022, Hess Midstream expects to generate Adjusted Free Cash Flow of between $615 million and $645 million and approximately $90 million after funding distributions that are targeted to grow 5% per annum on a distribution per share basis. In addition, Hess Midstream expects leverage to be approximately 2.6x Adjusted EBITDA on a full year basis, which is expected to provide capital allocation flexibility.

Full year 2022 financial guidance includes approximately 95% MVC revenue, as Hess Midstream's physical volumes are generally expected to be at or below MVC levels.

In 2022, full year gas gathering volumes are anticipated to average 350 to 365 million cubic feet ("MMcf") of natural gas per day and gas processing volumes are expected to average 330 to 345 MMcf of natural gas per day, reflecting Hess' announced three-rig program in the Bakken.

Crude oil gathering volumes are anticipated to average 100 to 105 thousand barrels ("MBbl") per day of crude oil in 2022, and crude oil terminaling volumes are expected to average 110 to 115 MBbl of crude oil per day.

Water gathering volumes are expected to average 70 to 75 MBbl of water per day for full year 2022.

Full Year 2022 Capital Guidance

Hess Midstream expects 2022 capital expenditures of approximately $235 million, reflecting increased activity to meet Hess' accelerated pace of development in the Bakken. Approximately $225 million is allocated to expansion capital expenditures, with an estimated $10 million allocated to maintenance capital expenditures.

Approximately $135 million of the 2022 capital budget is allocated to gas compression, with activities focused on the completion of two new greenfield compressor stations and associated pipeline infrastructure, which are expected to provide, in aggregate, an additional 85 MMcf per day of gas compression capacity when brought online during the year. In addition, Hess Midstream expects to initiate construction on a third greenfield compressor station, which is expected to provide an additional 65 MMcf per day of gas compression capacity when brought online in 2023, further enhancing gas capture capability and supporting Hess' development in the basin. Reflecting increasing drilling activity by Hess, approximately $90 million is allocated to gathering system well connects to service Hess and third-party customers.

Full year 2022 guidance is summarized below:

		Year Ending December 31, 2022 (Unaudited)
Financials (*in millions*)		
Net income	$	630 – 660
Adjusted EBITDA	$	970 – 1,000
Distributable cash flow	$	840 – 870
Expansion capital expenditures	$	225
Maintenance capital expenditures	$	10
Adjusted free cash flow	$	615 – 645

	Year Ending December 31, 2022 (Unaudited)
Throughput volumes	
Gas gathering - MMcf of natural gas per day	350 – 365
Crude oil gathering - MBbl of crude oil per day	100 – 105
Gas processing - MMcf of natural gas per day	330 – 345
Crude terminals - MBbl of crude oil per day	110 – 115
Water gathering - MBbl of water per day	70 – 75

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 on Hess' volume nominations, which are based on Hess' expectations of its own volumes 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 2024 were set at 80% of nominated volumes, reflecting expected organic throughput volume growth across all systems relative to 2022 volume guidance. Hess' 2024 nomination for gas processing set at year-end 2021 was 425 MMcf of natural gas per day, resulting in the MVC at 80% of the nomination of 340 MMcf of natural gas per day. Throughput volume growth is driven primarily by the acceleration of Hess' development plan, including increasing gas capture resulting from planned investments in regional gas compression projects that are expected to commence service during 2022 and 2023. Reflective of Hess' accelerated development plan, MVCs for 2023 were revised higher across the majority of our systems, providing visibility of expected revenue growth relative to 2022 MVC levels. Hess Midstream expects approximately 95% MVC revenue protection in 2022.

	Hess Minimum Volume Commitments		
	2022	2023	2024
Gas Gathering Agreement- MMcf of natural gas per day	363	317	351
Crude Oil Gathering Agreement- MBbl of crude oil per day	117	100	100
Gas Processing and Fractionation Agreement- MMcf of natural gas per day	345	302	340
Terminaling and Export Services Agreement - MBbl of crude oil per day	145	113	114
Water Services Agreement - MBbl of water per day	67	70	85

Long-Term Financial Metrics

Hess Midstream is targeting 5% distribution per share growth through 2024 with expected annual distribution coverage greater than 1.4x, including greater than 1.5x distribution coverage in 2022.

In 2023 and 2024, 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 potential return of capital to shareholders. Hess Midstream continues to expect gas gathering and processing to comprise approximately 75% of total affiliate revenues excluding passthrough revenues, with 2023 and 2024 gas gathering and gas processing MVCs providing visibility to expected future revenue growth.

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 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 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) are 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, 2022
		(Unaudited)
(in millions)		
Reconciliation of Adjusted EBITDA, Distributable Cash Flow and Adjusted Free Cash Flow to net income:		
Net income	$	630 – 660
Plus:		
Depreciation expense*		190
Interest expense, net		130
Income tax expense		20
Adjusted EBITDA	$	970 – 1,000
Less:		
Interest, net, and maintenance capital expenditures		130
Distributable cash flow	$	840 – 870
Less:		
Expansion capital expenditures		225
Adjusted free cash flow	$	615 – 645

**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, its ability to deliver its nominated volumes to us, 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; the actual volumes we gather, process, terminal or store for Hess in excess of our MVCs and relative to Hess' nominations; 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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