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Q4 2020 Hess Midstream LP Earnings Call

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## PRESENTATION

**Operator**

Good day, ladies and gentlemen, and welcome to the Fourth Quarter 2020 Hess Midstream Conference Call. I'm Sarah, and I will be your operator for today. (Operator Instructions)

As a reminder, this conference call is being recorded for replay purposes. I would now like to turn the conference over to Jennifer Gordon, Vice President of Investor Relations. Please proceed.

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**Jennifer Gordon** ***Hess Midstream LP - Director of IR***

Thank you, Sarah. Good afternoon, everyone, and thank you for participating in our fourth quarter earnings conference call. Our earnings release was issued this morning and appears on our website, www.hessmidstream.com. Today's conference call contains projections and other forward-looking statements within the meaning of the federal securities laws. These statements are known -- are subject to known and unknown risks and uncertainties that may cause actual results to differ from those expressed or implied in such statements. These risks include those set forth in the Risk Factors section of Hess Midstream's filings with the SEC.

Also on today's conference call, we may discuss certain non-GAAP financial measures. A reconciliation of the differences between these non-GAAP financial measures and the most directly comparable GAAP financial measures can be found in the earnings release. With me today are John Gatling, President and Chief Operating Officer; and Jonathan Stein, Chief Financial Officer.

In compliance with social distancing protocols as a result of COVID-19, we are conducting the call remotely, so please bear with us. In case there are audio issues, we will be posting transcripts of each speakers' prepared remarks on www.hessmidstream.com following their presentations. I'll now turn the call over to John Gatling.

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**John A. Gatling** ***Hess Midstream LP - President & COO of Hess Midstream GP LLC***

Thanks, Jennifer. Good afternoon, everyone, and welcome to Hess Midstream's Fourth Quarter 2020 Conference Call. Today, I'll review our operating performance and highlights as we continue to execute our strategy, provide details regarding our 2021 plans and discuss Hess Corporation's latest results and outlook for the Bakken. Jonathan will then review our financial results.

2020 was another year of strong performance and strategic execution for Hess Midstream in an exceptionally challenging macro environment. First, we are most proud of maintaining safe and reliable operations throughout this unprecedented pandemic. Hess and Hess Midstream implemented comprehensive COVID-19 health and safety measures, including health screenings, extended work schedules for rotational employees and social distancing initiatives based on government and public health agency recommendations. The safety of our workforce and the communities where we operate is and will continue to be our top priority.

Despite the macro headwinds throughout 2020, Hess Midstream delivered very strong operational performance. Achieving year-on-year double-digit percentage increases in volumes across all our systems, resulting in annual adjusted EBITDA growth of 36% compared to full year 2019. Hess Midstream also completed the investment phase for a series of strategically important projects during 2020, further enhancing our gas capture capability and providing the platform for future growth.

In December of last year, we completed construction activities for the Tioga Gas Plant expansion. The expanded plant, including the residue and natural gas liquids takeaway pipelines will be tied in during the maintenance turnaround currently planned to commence in the third quarter of 2021. Increasing Hess Midstream's total Bakken processing capacity to 500 million cubic foot per day, double the system capacity at the time of our IPO in 2017.

Over the past 12 months, we've also completed several other projects that enhance our gas capture capability, which enabled immediate volume growth. We successfully completed expansions of 2 existing compressor stations and restarted 2 additional legacy compression facilities, increasing gas gathering capacity by 70 million cubic foot per day or approximately 30% over 2019. These projects were delivered on time and on budget as we continue to leverage our lean manufacturing capabilities and a standard design philosophy, eliminating waste and reducing cycle time and cost.

Incremental gas compression together with consistently reliable performance at our processing plants, enabled increased gas capture in 2020 and positions Hess Midstream for future volume growth as we continue to support Hess and our other customers in meeting North Dakota state flare reduction targets.

Reflecting this positive outlook, our longer-term guidance, as shown by our 2023 minimum volume commitments, which was released earlier this week, highlights that organic volumes from Hess and third parties are expected to grow above current MVC levels once again. In addition to our gas capture performance, our crude oil assets, which are key components of our integrated service offering continue to perform well. Our fully integrated crude oil system, located North and South of the Missouri River, has capability to transport oil by pipe and rail, giving Hess and third-party customers valuable export reliability and optionality.

Furthermore, our water services business made great progress in 2020, achieving significant growth in gathering throughputs as we extended our system. Reduced truck volumes and delivered material improvements in operational efficiency and brought new saltwater disposal facilities into service at very competitive costs. Furthermore, supporting our long-term growth, the renewal of our agreements with Hess Corporation continues to provide Hess Midstream a contract structure with 100% fee-based revenues and volume protection through 2033.

Now turning to Hess Midstream's fourth quarter 2020 performance. Gas Processing volumes averaged 317 million cubic foot per day as strong performance from Hess Corporation and our newly available gas gathering capacity, coupled with mild weather, drove results above expectations. Crude terminaling volumes were 132,000 barrels of oil per day, in line with guidance. Third parties contributed approximately 10% of our gas and oil volumes for the fourth quarter, approximately flat with the third quarter and in line with expectations.

Water gathering volumes averaged 81,000 barrels of water per day in the fourth quarter, a modest increase from the third quarter as we continue to capture incremental water into our expanding gathering system. The strong end of the year enabled us to exceed our throughput and financial guidance for the fourth quarter and full year 2020.

Now turning to Hess Upstream highlights. Earlier today, Hess reported strong fourth quarter production results with Bakken production averaging 189,000 barrels of oil equivalent per day, an increase of approximately 9% above the year ago quarter. Reflecting the strong performance of plug-and-perf completions, increased gas capture and the quality of Hess' acreage position. For full year 2020, Bakken net production averaged 193,000 barrels of oil equivalent per day compared to 152,000 barrels of oil equivalent per day in 2019 and well above the original full year guidance of 180,000 barrels of oil equivalent per day, despite dropping from 6 rigs to 1 rig in May of last year.

Hess continues to maintain a robust inventory of more than 1,800 drilling locations in the Bakken that can generate attractive returns at current oil prices, representing approximately 60 rig years of activity. With WTI prices now in the range of $50 per barrel, has plans to add a second operated drilling rig during the first quarter. For the full year 2021, Hess forecasts Bakken net production to average approximately 170,000 barrels of oil equivalent per day.

Turning to Hess Midstream guidance. Our complete financial and operational guidance was released earlier this week and is available on our website. For full year 2021, we expect gas processing volumes to average between 270 million and 280 million cubic foot per day. This guidance incorporates the previously announced 45-day TGP maintenance turnaround, which is planned to commence in the third quarter, reducing our annual gas gathering and processing volumes by approximately 30 million cubic foot per day. As we progress the turnaround planning activities, we will continue to closely monitor potential COVID-19 risks. Our full year guidance anticipates that third parties will contribute approximately 10% and of our gas volumes, consistent with levels we achieved in the fourth quarter of 2020.

Turning to our crude oil assets. For full year 2021, we anticipate crude terminaling volumes to average between 120 and 130 thousand barrels of oil per day. Third-party throughputs are expected to comprise approximately 15% of our total crude oil volumes. As the physical volumes of most of our systems are at or below MVC levels, our revenue forecast is approximately 95% revenue protected giving a high degree of confidence to our guidance, which projects adjusted EBITDA in the range of $860 million to $890 million, an increase of approximately 17% at the midpoint compared to full year 2020.

We expect first quarter gas, oil and water volumes to each be modestly lower compared to fourth quarter 2020, reflecting production declines and potentially seasonal winter weather conditions.

Turning to Hess Midstream's 2021 capital program. With the completion of the greenfield construction activities at TGP, we plan a reduction in capital expenditures on an ongoing basis relative to prior years, which -- with activities focused on gas compression, capacity additions, system optimization and well pad interconnects. Full year 2021 capital expenditures are expected to total $160 million, approximately 35% lower than full year 2020. Expansion capital is planned to be $140 million, comprising of $90 million in gas compression and $40 million in gas gathering and well pad interconnects and approximately $10 million in gas processing as we tie in residue in the liquids export to the TGP expansion.

Compression capital is focused on construction of 2 new greenfield compressor stations, which went online in 2022, will provide a further 64 million cubic foot per day of gas compression capacity, expandable to approximately 130 million cubic foot per day, further improving gas capture capability and supporting Hess' development in the basin.

In summary, Hess Midstream is an increasingly differentiated story in the sector, with volume growth, free cash flow, growing dividend and contract protection through 2033. We remain focused on executing our strategy to drive long-term and sustainable growth.

I'll now turn the call over to Jonathan to review our financial results and guidance.

**Jonathan C. Stein** ***Hess Midstream LP - CFO of Hess Midstream GP LLC***

Thanks, John, and good afternoon, everyone. As John described, we are proud with the progress we made in 2020 on executing our strategy, continuing our track record of delivering strong results and demonstrating how both our contract structure and financial strength differentiate our business model. During 2020, our conservative financial strategy, combined with proactive reductions in capital expenditures enabled us to respond quickly and successfully navigate through a challenging macro environment.

Our fourth quarter results, again, beat our quarterly guidance, and we completed 2020 with full year adjusted EBITDA of $749 million, representing 36% growth compared to 2019, with leverage of 2.6x adjusted EBITDA below our 3x target and clearly differentiated from our peers.

For the fourth quarter of 2020, net income was $132 million compared to $116 million for the third quarter. Adjusted EBITDA for the fourth quarter was $199 million, compared to $182 million for the third quarter. The change in adjusted EBITDA relative to the third quarter was primarily attributable to the following: total revenues increased by $9 million, primarily driven by increased gas capture, including an increase in processing revenues of approximately $7 million and an increase in gathering revenues of approximately $2 million. Total operating expenses, including G&A, but excluding depreciation and amortization and pass-through costs, were lower, increasing adjusted EBITDA by approximately $9 million including lower seasonal maintenance activity in our gathering segment of approximately $6 million and lower maintenance activity in our processing segment of approximately $3 million as work related to the deferred turnaround was completed in the third quarter. LM4 proportional share of earnings and depreciation, net of processing fees, decreased adjusted EBITDA by approximately $1 million. Resulting in fourth quarter adjusted EBITDA of $199 million, exceeding the top end of our guidance range by approximately 8%, primarily due to higher-than-expected gas capture volume and lower-than-expected maintenance activity.

Fourth quarter maintenance capital expenditures were less than $1 million and net interest, excluding amortization of deferred finance costs, was approximately $22 million. The result was that distributable cash flow was approximately $177 million for the fourth quarter, covering our distribution by approximately 1.4x. On January 25, we announced our fourth quarter distribution that increased 5% on an annualized basis. This increase represents our 14th consecutive quarterly distribution increase since our IPO.

Expansion capital expenditures in the fourth quarter were $50 million. As I highlighted earlier, at quarter end, debt was approximately $1.9 billion, representing leverage of approximately 2.6x adjusted EBITDA on a trailing 12-month basis and below our conservative 3x adjusted EBITDA target.

Turning to our commercial agreement. On December 30, 2020, Hess Midstream exercised its renewal option to extend for an additional 10-year period through December 31, 2033, its crude oil gathering, terminaling, gas processing, storage service and certain gas gathering commercial agreements with Hess. There were no changes to any terms of the commercial agreement as a result of the exercise of the renewal option.

At the end of 2020, we also completed our nomination process with Hess and update our tariff rate for 2021 and all forward years. As with prior cycles, the nomination process considered changes in actual and forecasted volumes and CapEx to maintain our contractual targeted return on capital deployed. Tariffs increased in 2021, primarily from lower expected volumes compared to the previous year's nomination as Hess reduced rig activity in the Bakken.

As part of this process, we also established a new MVC for 2023 based on 80% nominated volume fee system in that year. In our recent guidance release, we provided MVCs for the year 2021 through 2023. Our MVCs provide line of sight to expected long-term growth in system throughput and incremental revenue growth each year through a combination of increasing MVCs and higher expected physical volumes through 2023. For example, looking at gas processing, we expect physical volumes to be generally at or below MVCs in 2021 and 2022. During which time, our MVCs grow from 292 million cubic feet per day in 2021 to 345 million cubic feet per day in 2022.

In addition, the MVCs for 2033 -- 2023 is set at 292 million cubic feet per day, which when grossed up from the 80% to the 100% nominated level, implies an expected volume of 365 million cubic feet per day. An increase compared to the 2022 MVC of 345 million cubic feet per day.

Turning to 2021. In line with prior guidance, we expect at the midpoint full year 2021 net income of $605 million and adjusted EBITDA of $875 million. Representing annual growth of approximately 17% from full year 2020, primarily from our annual rate redetermination and increasing 2021 MVCs, which provide approximately 95% protection to our revenues.

The expected increase in adjusted EBITDA, combined with lower ongoing capital expenditures, is expected at the midpoint to generate adjusted free cash flow of $625 million, with our definition of adjusted free cash flow, updated to be distributable cash flow less expansion CapEx. We continue to target annual distribution per share growth of at least 5% in 2021, with approximately 1.4x distribution coverage and expect to maintain an adjusted EBITDA margin consistent with our historical margin of greater than 75%.

Highlighting our financial strength, we have the ability to fully fund our distribution with adjusted free cash flow in excess of approximately $100 million. With this positive adjusted free cash flow after distribution, together with expected leverage of approximately 2x adjusted EBITDA on a full year basis in 2021 that is below our conservative 3x adjusted EBITDA target, we maintain significant financial flexibility.

For the first quarter of 2021, in particular, we expect net income to be approximately $150 million to $160 million. And adjusted EBITDA to be approximately $215 million to $225 million, an approximate 10% increase in adjusted EBITDA at the midpoint relative to the fourth quarter of 2020 based on higher tariff rates and seasonally lower OpEx.

First quarter maintenance capital expenditures and net interest, excluding amortization of deferred finance costs are expected to be approximately $25 million. Resulting in expected distributable cash flow of approximately $190 million to $200 million, delivering distribution coverage at the midpoint of the range of approximately 1.5x.

As John described, we anticipate commencing a maintenance turnaround at TGP in the third quarter, during which time, we will incur higher operating expenses and maintenance capital resulting in expected distribution coverage below our full year guidance of 1.4x for the period of the turnaround. The trial is expected to last 45 days and has been fully incorporated into our 2021 volume and financial guidance. As a reminder, Hess Midstream will receive MVC payments during the turnaround.

Our contract structure and financial strength enable us to also provide visibility and stability to our forward trajectory beyond 2021. Our revenues continue to be 95% protected by generally increasing MVCs in 2022, and we expect continued higher volumes, higher revenues in 2023 as physical volumes are expected to be above MVCs. With this increase in expected revenue and lower ongoing capital spending focused primarily on well connect and targeted compression project, we have a unique level of visibility across our financial metrics in 2022 and 2023, including continued growth in adjusted EBITDA and adjusted free cash flow; targeted distribution per share growth of at least 5%; and fully funding our growing distribution with adjusted free cash flow and without incremental debt or equity funding.

The combination of positive adjusted free cash flow after distributions and leverage below our conservative 3x adjusted EBITDA target provides us with significant financial flexibility for accretive capital allocation, including potential return of capital to shareholders. In summary, with our strategic asset base, visible financial metrics and unique contract structure, we have a differentiated value proposition across the Midstream sector, with visible financial metrics, including line of sight to expected revenue growth, supported by growing MVCs, protecting 95% of revenue in 2021 and 2022 and implied volume growth in 2023. Adjusted EBITDA growth of approximately 17% in 2021 with continued growth in 2022 and 2023. Adjusted free cash flow of approximately $625 million at the midpoint of our guidance in 2021, with continued growth expected in 2022 and 2023. And continued positive adjusted free cash flow after fully funding distribution growing at least 5% annually on a per share basis through 2023.

This concludes my remarks. We'll be happy to answer any questions. I will now turn the call over to the operator.

## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions)

Your first question comes from the line of Brian Reynolds with UBS.

**Brian Patrick Reynolds** ***UBS Investment Bank, Research Division - Associate Analyst***

This is Brian Reynolds on for Shneur. I have a 2-part question around capital allocation and your thoughts around M&A. Given recent comments in the Biden administration around the permitting pause on federal lands, how should we think about potential acquisition of GoM assets from Hess in '21 given limited expected activity? Does this pause your prior discussions?

**John A. Gatling** ***Hess Midstream LP - President & COO of Hess Midstream GP LLC***

Yes, sure. Thanks, Brian, for the question. So we continue to evaluate. As we mentioned previously, we're continuing to evaluate Gulf of Mexico. Hess has very attractive assets, and we're definitely interested in continuing the partnership with Hess. But we're obviously very aware of the political climate, and we're continuing to monitor that. And that will be part of the evaluation process that we're in the process of working through.

So again, we still think the assets are of high quality. And as John Hess and Greg Hill mentioned in their earnings call, energy is still going to play a big role in the future. So from our perspective, it's still attractive. But again, we're continuing to monitor the political environment and any impacts that the Biden administration may place on the industry.

**Brian Patrick Reynolds** ***UBS Investment Bank, Research Division - Associate Analyst***

Great. And just kind of a quick follow-up on capital allocation. Just given your free cash flow profile for 2021, are you guys considering different growth opportunities for Hess outside of the Gulf of Mexico assets? And if not, should we expect a return of capital to unitholders through a form of buybacks from sponsors or would Hess Midstream consider special distribution?

**John A. Gatling** ***Hess Midstream LP - President & COO of Hess Midstream GP LLC***

Yes. Sure. Thanks, Brian. Again, I'll kind of kick off the question and then hand it over to Jonathan. We're not really interested in any kind of corporate acquisition at this time. We're continuing to look at the natural acquisitions where there are strategic bolt-ons to our focused areas. I mean, obviously, the Bakken is a natural place where we're looking for those high-value opportunities to bolt-on some assets. Again, because of our structure and how we're set up, the growth ahead of us we're really not having to chase growth. So we can be very disciplined at how we kind of attack those opportunities.

And as I mentioned, we'll continue to evaluate the Gulf of Mexico and make a determination or how that fits into the broader portfolio. Again, just as a reminder, our cost of service structure, which we very much favor but -- favor that contract structure. If we were to do any acquisitions, or in particular, if we were to acquire the Gulf of Mexico assets, we would expect a very similar structure. So downside protection is a key component to those asset acquisition evaluations. As far as the capital structure question, I'll hand it over to Jonathan to speak to some of that.

**Jonathan C. Stein** ***Hess Midstream LP - CFO of Hess Midstream GP LLC***

Thanks, John. I'd just add, I think in terms of our financial strategy, we'll continue to be very disciplined as we've been in the past. Certainly, we're in a position with being free cash flow positive now after dividends really going forward at this point as well as decreasing leverage relative to our already conservative 3x EBITDA leverage target, that gives us significant financial flexibility for accretive opportunities like John described, but also return on capital to shareholders.

Along that lines within that return of capital, there is multiple options, as you mentioned, both in terms of distribution along those lines or potentially buybacks on the sponsors. We certainly are looking at both of them. They each have different criteria in terms of execution and timing. But we are really in a unique and differentiated position with the flexibility that we have. And we'll continue to make disciplined choices in terms of how we use that flexibility in terms of our choices and how we do return of capital to shareholders.

**Operator**

Your next question comes from the line of Jeremy Tonet with JPMorgan.

**Vinay Chitteti** ***JPMorgan Chase & Co, Research Division - Analyst***

This is Vinay on for Jeremy. Just wanted to quickly follow-up on the bolt-on transactions, which you talked about and tested in the Bakken. Again, there is regulatory uncertainty with the DAPL. And we did discuss previously how it's not going to impact Hess Midstream. But just want to understand, given the DAPL uncertainty and the federal land risk, how you guys are positioned well to take any opportunities in the Bakken? And also, kind of give any thoughts on how the third-party activity is going on South versus North of the river right now?

**John A. Gatling** ***Hess Midstream LP - President & COO of Hess Midstream GP LLC***

Sure. So maybe let me just address the DAPL question first because I know it's been -- there's been some recent developments there. Just from our perspective, from a Hess Midstream perspective, it doesn't really impact us all -- directly all that much. I mean if you think about how our structure is, from a terminaling perspective, whether we export via pipe or export via rail, it really is -- it's the same for us. We kind of have that postage stamp approach to how we handle the terminaling.

So if oil is delivered to the pipe terminal, it gets the same fee as it does when it hits the rail terminal. And then just as a reminder, we've had a continuing operation at the rail terminal throughout the duration of Hess Midstream. Even in the -- even when oil prices were much lower and the activity was lower, our rail terminal maintained operation, consistent operation through the duration of that. So we feel like we're in a very, very strong position to provide Hess and our other customers, export optionality and flexibility.

And as you mentioned, we have terminaling capabilities at both North of the Missouri River and South of Missouri River and the ability to move product North and South. So again, I think our strategic infrastructure is -- really provides a lot of support for Hess and our customers.

And then as far as the third-party question comes back, I mean, we're continuing to see -- as oil prices strengthen, we're continuing to see additional activity in the basin. Hess is adding a rig, and there's also been some other producers that have talked about increasing activity in the basin as well. And again, I think because of our strategic infrastructure, physical location and how we span both North and South of the river, we can just add tremendous flexibility to all of our customers. And in particular, Hess is in a very strong position from the standpoint of we can -- we have the capability of exporting all of Hess' hydrocarbons and also meet some third-party capacities as well.

**Jonathan C. Stein** ***Hess Midstream LP - CFO of Hess Midstream GP LLC***

This is Jonathan. Just thing I'd just add, I think, just to highlight, similar, not last year, obviously, we -- despite what was happening in the external environment, we still delivered that 36% increase in EBITDA. And this year, we have the 17% increase that we have talked about. And so despite -- there are certainly some uncertainties at DAPL and things like that. And as John described, we are, because of the contract structure, really protected from most of that. And if you really look at our line of sight to what's going to occur, we really have clear line of sight to revenue growth whether through -- as I talked about on the script in terms of increasing MVCs and then expected higher volumes in 2023, that are implied by those MVCs. And of course, even if volumes come in lower in 2023, then we have the rate reset at that point. Together with the fact that, as John described, our capital costs are at lower levels going forward.

So the ability now to have the visibility that we have to being free cash flow positive after distributions on an ongoing forward basis, supported by growing free cash flow and growing EBITDA, is really unique position and it allows us to navigate even if there are uncertainties that are out there as we've done in the past.

**John A. Gatling** ***Hess Midstream LP - President & COO of Hess Midstream GP LLC***

Yes. And maybe one thing that I did forget to mention as well. And John Hess and Greg Hill mentioned it in the -- in their earnings call earlier today. There's still very limited impact in the Bakken on federal lands. There's only about 2% of the Bakken production within Hess' portfolio that's exposed. So from that perspective, we feel like again that Hess and even other producers in the basin have a favorable position from that perspective.

**Vinay Chitteti** ***JPMorgan Chase & Co, Research Division - Analyst***

Got it. Just wanted to quickly follow-up on the gas capture opportunity here. I mean, you guys did add quite a bit of completion capacity this year and are projecting more additions going forward in 2021 as well. Any guidance you could give on how much is -- the opportunity set is available right now in Hess acreage? Or is it more from the third-party assets? Or what -- just want to understand that.

**John A. Gatling** ***Hess Midstream LP - President & COO of Hess Midstream GP LLC***

Sure. Yes. And I would say that, that has been a huge win for us in 2020, and we're very proud and excited of what we delivered last year and see a lot of opportunity in the future. The team just did an amazing job from an infrastructure, operational perspective that just really integrated all of that additional capacity in a -- combination of the Midstream team along with Hess Upstream, just did a great job gathering as much of the gas as we possibly could.

When we build infrastructure, we build infrastructure with a line of sight to growth. It's not just speculative, it's focused and very disciplined approach to how we build infrastructure. So I've kind of highlighted some of the increases in capacity that we're expecting -- that we've realized, but we're also expecting to see rolling into 2021 and 2022. And as you can see from the MVC profile that we've got in 2023, that we are continuing to expect to see growth as a result of Hess adding a rig. And then as Greg mentioned earlier today on the earnings call, depending on oil price, there's definitely an interest from Hess to get up to 4 rigs. There's 1,800 well locations remaining that are economic at current prices, and Hess is definitely interested in developing those.

So our infrastructure plan is really linked to Hess' development plan along with our other third-party customers. So again, I think I've given a little bit of indication of where that's heading and then I think our MVCs gives a little bit of visibility into that growth profile that we're expecting.

If Hess or other producers decides to increase further, we'll obviously be looking at opportunities to continue to grow our infrastructure to support that as well. But again, we really like to stay focused on line of sight around that growth. And that's been our history over the last several years and will be into the future.

**Operator**

Our next question comes from the line of Spiro Dounis with Crédit Suisse.

**Douglas Baker Irwin** ***Crédit Suisse AG, Research Division - Research Analyst***

This is Doug on for Spiro. Maybe just a follow-up real quick on Bakken activity. And you just touched on this a little bit. But I know Hess has talked about adding a second rig and basically keeping production flat this year. And do you see inventories high in the basin overall, but just in general rigs don't seem to be coming back terribly quickly. Just curious at what point kind of over the next year do we need to see rigs start coming back in order to being able to maintain or even grow volumes?

**Editor**

This transcript is incomplete due to an audio issue. The following summary is not a verbatim representation and has been provided by the Company.

**John A. Gatling** ***Hess Midstream LP - President & COO of Hess Midstream GP LLC***

Yes. [It sounds like] (corrected by company after the call) you're kind of bringing up more of a macro basin question. As I mentioned before, we've got a lot of line of sight to what Hess' plans are and our third-party customers. And we're very well positioned to support that growth trajectory. Hess has already announced adding a [second rig to the Bakken] (corrected by company after the call). And as Greg mentioned, again, just to highlight that around the interest to add even more rigs back to the basin. I mean, I think it's pretty exciting stuff when you hear the President and Chief Operating Officer of Hess, talking about getting back potentially [to four rigs with the ability to deliver 200 mboepd for 10 years. We have a good understanding of Hess' and our third-party customers development plans and our near-term infrastructure plan is set to support their growth objectives. If they elect to add more rigs, we can absolutely support that as well. As you can see from our 2023 MVCs, we're seeing growth from increasing activity and continued focus on gas capture. Jonathan, anything you'd like to add...]

**Jonathan C. Stein** ***Hess Midstream LP - CFO of Hess Midstream GP LLC***

[Thanks, John. And to highlight that even in the case if Hess maintained 2 rigs going forward, there would be no change to our plan and we would continue to be free cash flow positive after distributions for the foreseeable future. How would that work? I described in my comments the visibility that we have through 2023. With capital at lower ongoing levels and increasing EBITDA through 2023 driven by increasing MVCs and higher expected volumes in 2023 driven by increasing gas capture, we can fully fund our distribution from free cash flow. And, even if we had lower volumes in 2023, our rate reset would support our expected EBITDA with higher rates. Beyond 2023, with Hess being able to maintain flat production at 175 BOE/D going forward, our rates steadily increasing in the second term while continuing to be protected by MVCs and continuing lower levels of ongoing capital, we are able to continue to be free cash flow positive after distributions on a long term basis even in the scenario where Hess stays at 2 rigs going forward.]

**Editor**

End of non-verbatim summary.

**Operator**

Thank you very much. This concludes today's conference call. Thank you for your participation. You may now disconnect. Everyone, have a great day.

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