December 9, 2019

Antero Resources Announces Midstream Fee Reductions and Asset Sale Program

DENVER, Dec. 9, 2019 /PRNewswire/ -- **Antero Resources Corporation** (NYSE: AR) ("Antero Resources" or the "Company") today announced that it has entered into agreements expected to reduce its gathering, processing and transportation costs by approximately $350 million over the next four years. The agreements include a growth incentive fee program with Antero Midstream Corporation ("Antero Midstream" or "AM") that aligns with the Company's current 8% to 10% compound annual production growth plan through 2021 and additional agreements with other third party midstream providers. Antero Resources also announced commencement of an asset sale program targeting $750 million to $1 billion in proceeds to be completed in 2020. The asset sale program was initiated with a $100 million sale of AM shares to Antero Midstream. The amendment to the gathering agreement and the share repurchase with Antero Midstream were negotiated and recommended by the Conflicts Committees of Antero Midstream and Antero Resources and approved by both Boards of Directors.

Highlights Include:

- **$350 million of midstream fee reductions expected between 2020 and 2023**
- **Announced asset sale program target of $750 million to $1 billion to be completed in 2020 to reduce debt**
  - **Asset sales could consist of lease acreage, minerals, producing properties, hedge restructuring or sale of AM shares to Antero Midstream**
  - **Initiated asset sales with the sale of $100 million of AM shares to Antero Midstream, with proceeds used to repurchase senior notes at a discount to par**
- **Repurchased $215 million notional amount of unsecured notes due in 2021 and 2022 during the fourth quarter of 2019 at a 17% weighted average discount**
  - **Reduced absolute debt by $37 million and annualized interest expense by over $5 million**
- **As a result of the midstream fee reductions and the previously announced well and operating cost savings, Antero expects a $0.15 per Mcfe reduction in its 2020 all-in cash operating costs as compared to 2019**

    - **By 2022 the Company is targeting a $0.35 per Mcfe reduction in all-in cash operating costs compared to 2019, reflecting further reductions in gathering, processing and transportation expense, lease operating expense, general and administrative and net marketing expense**
- **Revised 2020 free cash flow target to positive free cash flow from a previous forecast outspend of $100 to $150 million, driven by the announced reductions in cost structure and improved NGL pricing outlook**

Commenting on the announcements, Paul Rady, Chairman and CEO said, "The midstream fee reductions further demonstrate our ongoing commitment to reducing Antero's cost structure. In aggregate with the previously disclosed $300 million well cost and operating cost savings, we are now targeting a $375 million overall reduction in Antero's capital and operating costs in 2020 as compared to previous expectations. These cost savings further support our moderate growth strategy as we fill the majority of our premium firm transportation commitments by 2022. With these cost savings we now project being free cash flow neutral in 2020 and 2021 combined, and sustained positive free cash flow in 2022 and thereafter, assuming current strip pricing."

Commenting on the asset sale program, Glen Warren, President and CFO said "Antero is in the advantageous position of having a variety of options available for asset monetizations. These options include undeveloped leasehold, minerals, producing properties, an extensive hedge book and midstream ownership. The proceeds of asset sales will be used for debt reduction. Meeting the asset sale target is expected to result in a low 2-times leverage and robust liquidity of approximately $2.3 billion by year-end 2020, assuming no further senior note repurchases."

Gathering, Processing and Transportation Costs

Through negotiations with Antero Midstream and other third party midstream providers, Antero Resources has entered into agreements expected to reduce its gathering, processing and transportation costs "GP&T" and net marketing expense by a combined $350 million in aggregate in the 2020 through 2023 period. As a result of these reductions and production growth into a portion of its unutilized firm transportation, Antero expects its GP&T and net marketing expense to be reduced by a combined $0.10 per Mcfe in 2020.

Under the new amendment to the gathering agreement with Antero Midstream, low pressure gathering fees from January 1, 2020 through December 31, 2023 will be reduced based on Antero Resources achieving increasing volumetric targets on low pressure volumes gathered by Antero Midstream. The growth incentive thresholds were structured in a manner that aligns with Antero Resources' plan to grow 8% to 10% through 2021 in order to fill its premium firm transportation portfolio and invest at maintenance capital levels thereafter. The amendment also extended the term of the agreement by an additional four years to 2038. There are no incremental minimum volume commitments associated with this agreement.

Asset Sale Summary

Antero Resources is targeting $750 million to $1 billion of asset sales to be completed in 2020. Assets under consideration include lease acreage, minerals, producing properties, hedge portfolio restructuring and Antero Midstream shares. Antero Resources has 584,000 net acres of leasehold in the Appalachian Basin with an 84% average net revenue interest.

The Company also holds 5,000 net mineral acres with an average royalty of 16%. The company had net production of 3.4 Bcfe/d in the third quarter of 2019 and had 10.4 Tcfe of proved developed producing reserves as of December 31, 2018. The Company's mark-to-market hedge value was $780 million as of December 6, 2019.

The company initiated the asset sale program through the agreed sale of $100 million of Antero Midstream common stock to Antero Midstream. The number of shares sold will be based on a formulaic pricing mechanism taking into account both historical and future market pricing of Antero Midstream shares. Prior to the $100 million sale, the market value of Antero Resources' ownership of Antero Midstream was $715 million, based on the December 6, 2019 closing price. Proceeds from the sale of the Antero Midstream shares will be used to reduce borrowings under the Company's revolver that were incurred in recent senior note repurchases. Antero Midstream also announced that it has $175 million of capacity remaining under its share repurchase program that could be used to repurchase additional Antero Midstream shares held by the Company.

Debt Repurchase

Antero repurchased $215 million notional amount of debt during the fourth quarter at a 17% weighted average discount price. The debt repurchase program occurred under a 10b5-1 plan and included the 2021 senior notes, but focused primarily on the 2022 senior notes. Following the repurchases, Antero's pro forma debt was reduced by $37 million and net interest expense was reduced by over $5 million on an annualized basis.

Glen Warren, CFO and President of Antero Resources said, "The midstream fee reductions announced today combined with the improvement in NGL prices and outlook during the quarter has resulted in a free cash flow neutral profile through 2021 and positions Antero to generate positive free cash flow on a sustained basis beginning in 2022. The asset sale program is expected to meaningfully reduce debt and result in low 2-times leverage by the end of 2020. Today's announcement significantly enhances our credit profile which remains strong with $1.6 billion of liquidity following the bond repurchases and a $1.9 billion borrowing base cushion above the $2.6 billion of lender commitments."

Financial and Legal Advisors

Goldman Sachs and Co. LLC and Richards, Layton, and Finger acted as financial and legal advisors, respectively, to the Conflicts Committee of Antero Midstream. Baird and Potter, Anderson, and Corroon acted as financial and legal advisors, respectively, to the Conflicts Committee of Antero Resources.

Non-GAAP Financial Measures

Net Debt

Net Debt is calculated as total debt less cash and cash equivalents. Management uses Net Debt to evaluate the Company's financial position, including its ability to service its debt obligations.

Adjusted EBITDAX

Adjusted EBITDAX as defined by the Company represents income or loss, including noncontrolling interests, before interest expense, interest income, gains or losses from commodity derivatives and marketing derivatives, but including net cash receipts or payments on derivative instruments included in derivative gains or losses other than proceeds from derivative monetizations, income taxes, impairment, depletion, depreciation, amortization, and accretion, exploration expense, equity-based compensation, gain or loss on early extinguishment of debt, gain or loss on sale of assets, gain or loss on changes in the fair value of contingent acquisition consideration, contract termination and rig stacking costs, and equity in earnings or loss of Antero Midstream. Adjusted EBITDAX also includes distributions received from limited partner interests in Antero Midstream common units prior to the closing of the simplification transaction on March 12, 2019.

The GAAP financial measure nearest to Adjusted EBITDAX is net income or loss including noncontrolling interest that will be reported in Antero's condensed consolidated financial statements. While there are limitations associated with the use of Adjusted EBITDAX described below, management believes that this measure is useful to an investor in evaluating the Company's financial performance because it:

- is widely used by investors in the oil and gas industry to measure a company's operating performance without regard to items excluded from the calculation of such term, which can vary substantially from company to company depending upon accounting methods and book value of assets, capital structure and the method by which assets were acquired, among other factors;
- helps investors to more meaningfully evaluate and compare the results of Antero's operations from period to period by removing the effect of its capital structure from its operating structure; and
- is used by management for various purposes, including as a measure of Antero's operating performance, in presentations to the Company's board of directors, and as a basis for strategic planning and forecasting. Adjusted EBITDAX is also used by the board of directors as a performance measure in determining executive compensation.

There are significant limitations to using Adjusted EBITDAX as a measure of performance, including the inability to analyze the effect of certain recurring and non-recurring items that materially affect the Company's net income, the lack of comparability of results of operations of different companies and the different methods of calculating Adjusted EBITDAX reported by different companies. In addition, Adjusted EBITDAX provides no information regarding a company's capital structure, borrowings, interest costs, capital expenditures, and working capital movement or tax position.

The Company has not provided projected net income or a reconciliation of projected Adjusted EBITDAX to projected net income, the most comparable financial measure calculated in accordance with GAAP, because the Company does not provide guidance with respect to income tax expense, depletion and depreciation expense or the revenue impact of changes in the projected fair value of derivative instruments prior to settlement. Therefore, projected net income and a reconciliation of projected adjusted EBITDA to projected net income, are not available without unreasonable effort.

Free Cash Flow

Free Cash Flow as presented in this release and defined by the Company represents Cash Flow from Operations, less drilling and completion capital and leasehold capital. Free Cash

Flow includes the $125 million earnout payment expected from Antero Midstream in 2020 associated with the water drop down transaction that occurred in 2015.

Free Cash Flow is a useful indicator of the Company's ability to internally fund its activities and to service or incur additional debt. There are significant limitations to using Free Cash Flow as a measure of performance, including the inability to analyze the effect of certain recurring and non-recurring items that materially affect the Company's net income, the lack of comparability of results of operations of different companies and the different methods of calculating Free Cash Flow reported by different companies. Free Cash Flow does not represent funds available for discretionary use because those funds may be required for debt service, land acquisitions and lease renewals, other capital expenditures, working capital, income taxes, exploration expenses, and other commitments and obligations.

The Company has not provided projected Cash Flow from Operations or reconciliations of Free Cash Flow to projected Cash Flow from Operations, the most comparable financial measure calculated in accordance with GAAP. The Company is unable to project Cash Flow from Operations for any future period 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 occurred. The Company is unable to project these timing differences with any reasonable degree of accuracy without unreasonable efforts.

However, Antero is able to forecast Drilling and Completion capital and leasehold capital, each of which is a reconciling item between Free Cash Flow and its most comparable GAAP financial measure. Antero is targeting Drilling and Completion Capital of $1.15 Billion to $1.2 Billion in each of 2020 and 2021. For leasehold capital, Antero is targeting $50 million in 2020.

Antero Resources is an independent natural gas and oil company engaged in the acquisition, development and production of unconventional liquids-rich natural gas properties located in the Appalachian Basin in West Virginia and Ohio. The Company's website is located at www.anteroresources.com.

This release includes "forward-looking statements." Such forward-looking statements are subject to a number of risks and uncertainties, many of which are not under Antero Resources' control. All statements, except for statements of historical fact, made in this release regarding activities, events or developments Antero Resources expects, believes or anticipates will or may occur in the future, such as those regarding expected results, future commodity prices, future production targets, realizing potential future fee rebates or reductions, including those related to certain levels of production, future earnings, leverage targets and debt repayment, future capital spending plans, asset monetization opportunities and pricing, improved and/or increasing capital efficiency, estimated realized natural gas, NGL and oil prices, expected drilling and development plans, projected well costs and cost savings initiatives, future financial position, future marketing opportunities, and expectations regarding the amount and timing of jury awards, the receipt of which are subject to final orders and the resolutions of appeals processes, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All forward-looking statements speak only as of the date of this release. Although Antero Resources believes that the plans, intentions and expectations reflected in or suggested by the forward-looking statements are reasonable, there is no *assurance that these plans, intentions or expectations will be achieved. Therefore, actual outcomes and results could materially differ from what is expressed, implied or forecast in such statements. Except as required by law, Antero Resources expressly disclaims any obligation to and does not intend to publicly update or revise any forward-looking statements.*

Antero Resources cautions you that these forward-looking statements are subject to all of the risks and uncertainties, incident to the exploration for and development, production, gathering and sale of natural gas, NGLs and oil most of which are difficult to predict and many of which are beyond the Antero Resources' control. These risks include, but are not limited to, commodity price volatility, inflation, lack of availability of drilling and production equipment and services, environmental risks, drilling and other operating risks, regulatory changes, the uncertainty inherent in estimating natural gas and oil reserves and in projecting future rates of production, cash flow and access to capital, the timing of development expenditures, and the other risks described under the heading "Item 1A. Risk Factors" in Antero Resources' Annual Report on Form 10-K for the year ended December 31, 2018.

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