



Antero Midstream Announces \$100 Million Share Repurchase and Growth Incentive Fee Program with Antero Resources

DENVER, Dec. 9, 2019 /PRNewswire/ --**Antero Midstream Corporation** (NYSE: AM) ("Antero Midstream" or the "Company") today announced that it has agreed to repurchase \$100 million of Antero Midstream shares from Antero Resources Corporation ("Antero Resources"). In addition, Antero Midstream and Antero Resources have agreed to a growth incentive fee program where Antero Midstream will provide a reduction in low pressure gathering fees for volumes gathered from January 1, 2020 through December 31, 2023 subject to achieving increasing volumetric targets. The growth incentive fee program aligns with Antero Resources' current 8% to 10% compound annual net production growth plan in 2020 and 2021. The share repurchase and growth incentive fee reduction transactions have been negotiated and recommended by the Conflicts Committees of Antero Midstream and Antero Resources and approved by both Boards of Directors.



Highlights Include:

- **Agreed to repurchase \$100 million of Antero Midstream shares from Antero Resources, saving over \$20 million in total dividends in 2020 assuming the targeted \$1.23 per share dividend**
- **Agreed to a growth incentive program with Antero Resources which involves fee reductions contingent upon low pressure gathering volume growth**
 - **Based on Antero Resources' previously announced 2020 production growth target, Antero Midstream expects this will result in a \$45 to \$50 million reduction in low pressure gathering revenues in 2020**
- **Reduced 2020 capital budget target by \$75 to \$100 million to a range of \$300 to \$325 million**
- **Targeting Net Debt to Adjusted EBITDA in the mid-to-high 3-times range in 2020**
- **Targeting a DCF coverage ratio of approximately 1.1x in 2020 and 1.1x to 1.3x in 2021 and 2022**

Paul Rady, Chairman and CEO said, "The growth incentive fee program supports a stronger Antero Resources with an enhanced cash flow and liquidity profile, which facilitates the continued development and increasing gathering, compression, and processing volumes on Antero Midstream dedicated acreage."

Mr. Rady further added, "Antero Resources has announced that it believes that this growth incentive fee program, in conjunction with midstream fee restructurings agreed to with other third parties, supports ongoing development and a moderate growth profile that fills Antero Resources' premium firm transportation capacity to attractively priced markets. In addition, Antero Resources has announced that the fee restructurings, planned asset sales and improvement in NGL prices and outlook during the quarter allow it to target a 2020 budget that generates positive free cash flow and results in leverage in the low 2-times range."

Share Repurchase Summary

Antero Midstream agreed to repurchase \$100 million of Antero Midstream common stock from Antero Resources. The number of shares to be purchased will be based on a formulaic pricing mechanism taking into account both the historical and future market pricing of Antero Midstream shares. Including the \$25 million of shares repurchased on

the open market in the third quarter of 2019, Antero Midstream will have repurchased approximately \$125 million of shares to-date in 2019. Based on the targeted \$1.23 per share dividend in 2020, the \$125 million of shares repurchased to-date reduces the Company's total dividend payments by over \$25 million annually. Antero Midstream will have \$175 million of remaining capacity under its share repurchase program that could be used to repurchase shares in the open market or additional Antero Midstream shares held by Antero Resources.

2020 Capital Budget Update

Due to additional optimization of the midstream infrastructure buildout, Antero Midstream is now targeting a 2020 capital program of approximately \$300 to \$325 million. This represents a \$75 to \$100 million, or 22% reduction, compared to the previous target of \$375 to \$425 million. Antero Resources' previously announced preliminary 2020 target of 110 to 120 completions in 2020, with an average lateral length of 12,100 feet is unchanged. Both Antero Resources and Antero Midstream expect to finalize their respective capital budgets early in the first quarter of 2020 following Board approval. Formal guidance is expected to be released following Board approval.

Growth Incentive Fee Program Summary

Antero Midstream and Antero Resources have agreed to a growth incentive fee program where Antero Midstream will provide fee reductions to Antero Resources from January 1, 2020 through December 31, 2023, contingent upon Antero Resources achieving volumetric growth targets on low pressure gathering. Antero Midstream's compression, high pressure gathering, and fresh water delivery fees remain unchanged. In addition, Antero Midstream and Antero Resources agreed to extend the gathering and compression contract term for four additional years. The decision to provide a fee reduction on low pressure gathering services was driven by the strong rates of return on low pressure gathering projects. These returns have improved materially relative to expectations at the time the gathering and compression agreement was signed in 2014 due to more wells per pad, longer laterals and higher estimated ultimate recoveries per foot. In addition, Antero Midstream believes that the growth incentive fee program will drive continued throughput growth from Antero Resources supporting Antero Midstream's gathering, compression, processing, fractionation and fresh water delivery businesses.

The following table summarizes the low pressure gathering thresholds and associated reduction in low pressure gathering fees that will be realized on a quarterly basis. The growth incentive targets were structured in a manner that aligns with Antero Resources' plan to grow net production 8% to 10% through 2021 in order to fill its premium firm transportation portfolio. The initial threshold approximates Antero Midstream's third quarter 2019 low pressure volumes. If actual low pressure volumes are below the lowest tier for the respective calendar years, Antero Resources will not receive a reduction in low pressure gathering fees.

Calendar Year 2020	Low Pressure Gathering Volume Threshold (MMcf/d)	Quarterly Fee Reduction (\$MM)
First Quarter 2020	> 2,700	\$12
Second Quarter 2020	> 2,700	\$12
Third Quarter 2020	> 2,800	\$12
Fourth Quarter 2020	> 2,900	\$12
Calendar Years 2021 - 2023		
Threshold 1	> 2,900 and < 3,150	\$12
Threshold 2	> 3,150 and < 3,400	\$15.5
Threshold 3	> 3,400	\$19

Michael Kennedy, CFO of Antero Midstream said, "The fee reduction, share repurchase and capital budget update announced today result in a net cash flow positive impact to Antero Midstream in 2020 of approximately \$60 to \$65 million. This allows Antero Midstream to target a 2020 DCF coverage ratio of approximately 1.1x in 2020 assuming the targeted \$1.23 per share annual dividend. Importantly, Antero Midstream expects to maintain a strong balance sheet with net debt to Adjusted EBITDA in the mid-to-high 3-times range in 2020 with no need to access the capital markets to deliver on its organic growth plan."

Financial and Legal Advisors

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

Non-GAAP Financial Measures and Definitions

Antero Midstream uses non-GAAP financial measures in this press release. Antero Midstream uses Adjusted EBITDA as an important indicator of Antero Midstream's performance. Antero Midstream defines Adjusted EBITDA as net income before amortization of customer relationships, impairment expense, interest expense, provision for income taxes (benefit), depreciation expense, accretion, equity-based compensation expense, excluding equity in earnings of unconsolidated affiliates, and including cash distributions from unconsolidated affiliates.

Antero Midstream uses Adjusted EBITDA to assess:

- the financial performance of Antero Midstream's assets, without regard to financing methods, capital structure or historical cost basis;
- its operating performance and return on capital as compared to other publicly traded companies in the midstream energy sector, without regard to financing or capital structure; and
- the viability of acquisitions and other capital expenditure projects.

Antero Midstream's defines Distributable Cash Flow as Adjusted EBITDA less interest paid, decrease in cash reserved for bond interest, income tax withholding upon vesting of Antero Midstream Partners LP equity-based compensation awards, ongoing maintenance capital expenditures paid, and AMGP general and administrative expenses. Antero Midstream uses Distributable Cash Flow as a performance metric to compare the cash generating performance of Antero Midstream from period to period and to compare the cash generating performance for specific periods to the cash dividends (if any) that are expected to be paid to shareholders. Distributable Cash Flow does not reflect changes in working capital balances. Antero Midstream defines DCF Coverage ratio as Distributable Cash Flow divided by dividends declared.

Adjusted EBITDA and Distributable Cash Flow are non-GAAP financial measures. The GAAP measure most directly comparable to Adjusted EBITDA and Distributable Cash Flow is Net Income. The non-GAAP financial measures of Adjusted EBITDA and Distributable Cash Flow should not be considered as alternatives to the GAAP measure of Net Income. Adjusted EBITDA and Distributable Cash Flow are not presentations made in accordance with GAAP and have important limitations as an analytical tool because they include some, but not all, items that affect Net Income and Adjusted EBITDA. You should not consider Adjusted EBITDA and Distributable Cash Flow in isolation or as a substitute for analyses of results as reported under GAAP. Antero Midstream's definition of Adjusted EBITDA and Distributable Cash Flow may not be comparable to similarly titled measures of other companies.

Antero Midstream defines Net Debt as total debt less cash and cash equivalents. Antero Midstream views Net Debt as an important indicator in evaluating Antero Midstream's financial leverage.

Included in this press release are certain 2020 through 2023 target projections. Antero Midstream has not included a reconciliation of Adjusted EBITDA, Distributable Cash Flow, and DCF Coverage to the nearest GAAP financial measure for 2019 because it cannot do so without unreasonable effort and any attempt to do so would be inherently imprecise.

Antero Midstream Corporation is a Delaware corporation that owns, operates and develops midstream gathering, compression, processing and fractionation assets located in West Virginia and Ohio, as well as integrated water assets that primarily service Antero Resources Corporation's properties. The Company's website is located at www.anteromidstream.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 Midstream's control. All statements, except for statements of historical fact, made in this release regarding activities, events or developments Antero Midstream expects, believes or anticipates will or may occur in the future, such as Antero Midstream's ability to execute its business plan and return capital to its shareholders, the expected benefits of the growth incentive fee program, the savings resulting from Antero Midstream's repurchase of Antero Resources' shares, information regarding long-term financial and operating outlooks for Antero Midstream and Antero Resources and information regarding Antero Resources' expected future growth and its ability to meet its drilling and development plan 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 Midstream 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 Midstream expressly disclaims any obligation to and does not intend to publicly update or revise any forward-looking statements.

Antero Midstream 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 Antero Midstream's control. These risks include, but are not limited to, Antero Resources' expected future growth, Antero Resources' ability to meet its drilling and development plan, commodity price volatility, Antero Midstream's ability to execute its business strategy, competition and governmental regulations, actions taken by third party producers, operators, processors and transporters, 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 Midstream's Annual Report on Form 10-K for the year ended December 31, 2018 and Quarterly Report on Form 10-Q for the quarter ended September 30, 2019.

For more information, contact Michael Kennedy – CFO of Antero Midstream at (303) 357-6782 or mkennedy@anteroresources.com.

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