

December 18, 2018



# Antero Resources Announces \$357 Million Hedge Monetization, Return of Capital and Fourth Quarter Update

DENVER, Dec. 18, 2018 /PRNewswire/ --**Antero Resources (NYSE: AR)** ("Antero" or the "Company") announced today that it has monetized a portion of its natural gas hedge position for \$357 million. In addition, Antero has repurchased \$129 million worth of shares of its common stock quarter-to-date, or 3% of shares outstanding.



## Hedge Monetization Highlights:

- **Monetized \$357 million of value in its natural gas hedge portfolio**
  - Generated \$235 million of net proceeds through the unwinding of 68% of April through December 2019 swap volumes, which were replaced with collars with a floor of \$2.50/MMBtu and a ceiling of \$3.38/MMBtu
  - Generated \$122 million of net proceeds by resetting 70% of 2020 swap contract prices from \$3.25/MMBtu to \$3.00/MMBtu
- **Resulting hedge portfolio protects 100% of 2019 and greater than 50% of 2020 targeted natural gas production with an average \$3.00/MMBtu floor**
  - For the last 3 quarters of 2019, 68% of expected natural gas sales will have upside to an average \$3.38/MMBtu
- **Proceeds used to repay bank debt with a stand-alone leverage target below 2.2x at year-end 2018**

## Share Repurchase Activity:

- Repurchased 9.1 million shares for \$129 million quarter-to-date
- Average repurchase price was \$14.10 per share
- Share repurchases were funded primarily from free cash flow generated during the quarter

## Fourth Quarter 2018 Update:

- The increase in natural gas prices and sales point improvement has

## **substantially offset the cash flow impact from lower oil and NGL prices**

Glen Warren, President and CFO, commented, "The monetization and restructuring of a portion of our hedge portfolio allows Antero to further delever, while maintaining upside to the natural gas strip in 2019. Antero was able to capture a portion of the value in its 2019 fixed price swaps. We believe that futures prices do not accurately reflect current low storage levels and strong demand growth fundamentals. This monetization builds upon the delevering process that we started in 2017 with our initial hedge monetization. At that time, Antero had a stand-alone leverage ratio of 3.2x. The monetization will further strengthen our balance sheet as we target a stand-alone leverage profile below 2.2x by year-end 2018."

Mr. Warren continued, "In addition, the sharp increase in natural gas prices this fall and the shift of more of our gas to Midwest markets due to the opening of the ET Rover Sherwood Lateral in November substantially offset the negative impact of lower oil and natural gas liquids ("NGL") prices during the fourth quarter. The repurchase of \$129 million of our stock, or 3% of shares outstanding, was primarily funded through the free cash flow we are generating this quarter, delivering on our stated goal of returning the majority of free cash flow to our shareholders. Given our discounted valuation based on our firm value to EBITDAX multiple and NAV metrics, we believe repurchasing shares is an attractive use of capital."

### **Hedge Monetization Details**

Antero monetized a portion of its natural gas hedge portfolio for \$235 million in net proceeds via an early settlement of 68% of its April through December 2019 swaps, replacing the monetized volumes with collars. The 1.575 Bcf/d of new collars for the April through December 2019 period have a \$2.50 per MMBtu floor and a ceiling ranging from \$3.31 to \$3.54 per MMBtu. The monetization allows Antero to maintain a low risk profile with a floor of \$2.50 per MMBtu during the period, while enabling the Company to participate in the upside to current strip pricing during that period. The Company also reset 70% of its 2020 fixed price swaps from \$3.25 per MMBtu to \$3.00 per MMBtu for proceeds of \$122 million.

Proceeds from the monetization were used to repay a portion of borrowings under Antero's revolving credit facility. Total volume hedged remains unchanged, with approximately greater than 70% of the Company's targeted 2019 and 2020 natural gas production hedged. Antero plans for 2019 drilling and completion capital spend to remain within cash flow from operations assuming current strip pricing.

### **Share Repurchase Activity**

Quarter-to-date, Antero has repurchased 9.1 million shares for \$129 million, comprising about 3% of shares outstanding. The weighted average repurchase price was \$14.10 per share. The previously announced \$600 million open market share repurchase program is authorized through the first quarter of 2020, subject to leverage thresholds. Leverage reduction continues to be a priority and Antero is forecasting stand-alone leverage below 2.2x at year-2018. The \$600 million program is expected to be funded with cash proceeds from the following:

- At least \$300 million in expected cash proceeds related to the midstream simplification, which is expected to close in the first quarter of 2019 (cash amount may be increased depending on the cash election of AM public unitholders)

- Expected free cash flow generated during 4Q 2018 through 1Q 2020
- The first \$125 million tranche of Antero Midstream water earn-out payments expected in early 2020

## Fourth Quarter 2018 Update

On November 3, 2018, the ET Rover Pipeline lateral to the Sherwood processing complex in West Virginia entered into service, increasing Antero's access to premium-priced Midwest markets with no additional transport fees. Antero projects that approximately 30% of its natural gas will be sold into the Midwest market during the fourth quarter of 2018, an increase from 16% before the Rover Sherwood Lateral in-service date. In addition to the increased sales into premium-priced Midwest markets, Antero expects to produce approximately 400 MMcf/d of unhedged natural gas volumes during the fourth quarter. The positive impacts from the increased exposure to rising natural gas prices and Midwest regional pricing during the quarter substantially offset the decline in oil and NGL prices.

The following table summarizes Antero's natural gas hedge position as of December 17, 2018, following the hedge monetizations and restructuring:

| Period                                               | Natural Gas<br>MMBtu/d | Average<br>Index price<br>(\$/MMBtu) |
|------------------------------------------------------|------------------------|--------------------------------------|
| <u>1Q 2019:</u>                                      |                        |                                      |
| NYMEX Henry Hub Swap - Unchanged                     | 2,330,000              | \$3.62                               |
| <u>2Q 2019:</u>                                      |                        |                                      |
| NYMEX Henry Hub Swap - Unchanged                     | 755,000                | \$3.26                               |
| NYMEX Henry Hub Call – Short Position - Restructured | 1,575,000              | \$3.31                               |
| NYMEX Henry Hub Put – Long Position - Restructured   | 1,575,000              | \$2.50                               |
| 2Q 2019 Total                                        | 2,330,000              | –                                    |
| <u>3Q 2019:</u>                                      |                        |                                      |
| NYMEX Henry Hub Swap - Unchanged                     | 755,000                | \$3.32                               |
| NYMEX Henry Hub Call – Short Position - Restructured | 1,575,000              | \$3.31                               |
| NYMEX Henry Hub Put – Long Position - Restructured   | 1,575,000              | \$2.50                               |
| 3Q 2019 Total                                        | 2,330,000              | –                                    |
| <u>4Q 2019:</u>                                      |                        |                                      |
| NYMEX Henry Hub Swap - Unchanged                     | 755,000                | \$3.45                               |
| NYMEX Henry Hub Call – Short Position - Restructured | 1,575,000              | \$3.54                               |
| NYMEX Henry Hub Put – Long Position - Restructured   | 1,575,000              | \$2.50                               |
| 4Q 2019 Total                                        | 2,330,000              | –                                    |
| 2020 NYMEX Henry Hub Swap - Reset                    | 1,417,500              | \$3.00                               |
| 2021 NYMEX Henry Hub Swap - Unchanged                | 710,000                | \$3.00                               |
| 2022 NYMEX Henry Hub Swap - Unchanged                | 850,000                | \$3.00                               |
| 2023 NYMEX Henry Hub Swap - Unchanged                | 90,000                 | \$2.91                               |

## Presentation

An updated company presentation is expected to be posted to the Company's website today. The presentation can be found at [www.anteroresources.com](http://www.anteroresources.com) on the homepage. Information on the Company's website does not constitute a portion of this press release.

*Antero 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](http://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 beyond Antero's control. All statements, except for statements of historical fact, made in this release regarding activities, events or developments Antero expects, believes or anticipates will or may occur in the future, such as those regarding future commodity prices, future production targets, completion of natural gas or natural gas liquids transportation projects, future earnings, future capital spending plans, improved and/or increasing capital efficiency, continued utilization of existing infrastructure, gas marketability, estimated realized natural gas, natural gas liquids and oil prices, acreage quality, access to multiple gas markets, expected drilling and development plans (including the number, type, lateral length and location of wells to be drilled, the number and type of drilling rigs and the number of wells per pad), projected well costs, future financial position, future technical improvements and future marketing opportunities, 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 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.*

*Antero cautions you that these forward-looking statements are subject to all of the risks and uncertainties, most of which are difficult to predict and many of which are beyond the Antero's control, incident to the exploration for and development, production, gathering and sale of natural gas, NGLs and oil. 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's Annual Report on Form 10-K for the year ended December 31, 2017.*

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