Antero Resources

# Second Quarter 2020 Earnings Call Presentation

JULY 30, 2020

# Legal Disclaimer

This presentation includes "forward-looking statements." Such forward-looking statements are subject to a number of risks and uncertainties, many of which are not under AR's control. All statements, except for statements of historical fact, made in this presentation regarding activities, events or developments AR expects, believes or anticipates will or may occur in the future, such as those regarding expected results, 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 and cost savings initiatives, future financial position, the amount and timing of any litigation settlements or awards, future technical improvements, future marketing and asset monetization opportunities, and the amount and timing of any contingent payments 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 presentation. Although AR 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, AR expressly disclaims any obligation to and does not intend to publicly update or revise any forward-looking statements.

AR cautions you that these forward-looking statements are subject to all of the risks and uncertainties incident to the exploration for and the development, production, gathering and sale of natural gas, NGLs and oil, most of which are difficult to predict and many of which are beyond AR's 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, impacts of world health events, including the COVID-19 pandemic, potential shut-ins of production due to lack of downstream demand or storage capacity, and the other risks described under the heading "Item 1A. Risk Factors" in AR's Annual Report on Form 10-K for the year ended December 31, 2019 and its Quarterly Report on Form 10-Q for the quarter ended June 30, 2020.

This presentation also includes Free Cash Flow, which is a financial measure that is not calculated in accordance with U.S. generally accepted accounting principles ("GAAP"). Please see Antero Definitions "Antero Non-GAAP Measures" for the definition of this measure as well as certain additional information regarding this measure.

Antero Resources Corporation is denoted as "AR" in the presentation and Antero Midstream Corporation is denoted as "AM", which are their respective New York Stock Exchange ticker symbols.

# Cost Reduction Momentum

**Drilling and completion efficiencies and midstream cost savings are expected to result in approximately $616 million of savings in 2020 compared to AR's 2019 initial budget**

## Cost Savings Update

## 2020 Savings (1)

### *Well Cost Reduction Progress*

- 2020 D&C of $705/lateral foot, a 27% reduction from $970/ft at the beginning of 2019
- $750 MM revised D&C capital budget for 2020, a ~$400 MM reduction from the initial budget and 41% below 2019, with no change to production guidance

**$334 MM**

**($970/ft - $705/ft) x 12,000' = $3.18 MM**
**$3.18 MM per well x 105 wells = $334 MM**

+

### *Water Savings Driving LOE Lower*

- 2Q20 represented a 38% reduction from 2019
- Expect to save $90 MM in 2020 as a result of increased blending operations combined with reduced trucking costs

**$90 MM**

**~54% reduction from 2019**

+

### *GP&T and Net Marketing Expense Reduction*

- $68 MM of midstream fee reductions in 2020 with Antero Midstream and other third party midstream providers
- Targeting $100 MM reduction in 2020 net marketing expense (1)

**$168 MM**

+

### *G&A Cost Reduction*

- 18% reduction due to headcount reductions in 2019, natural employee attrition and a reduction across the board in expenses

**$24 MM**

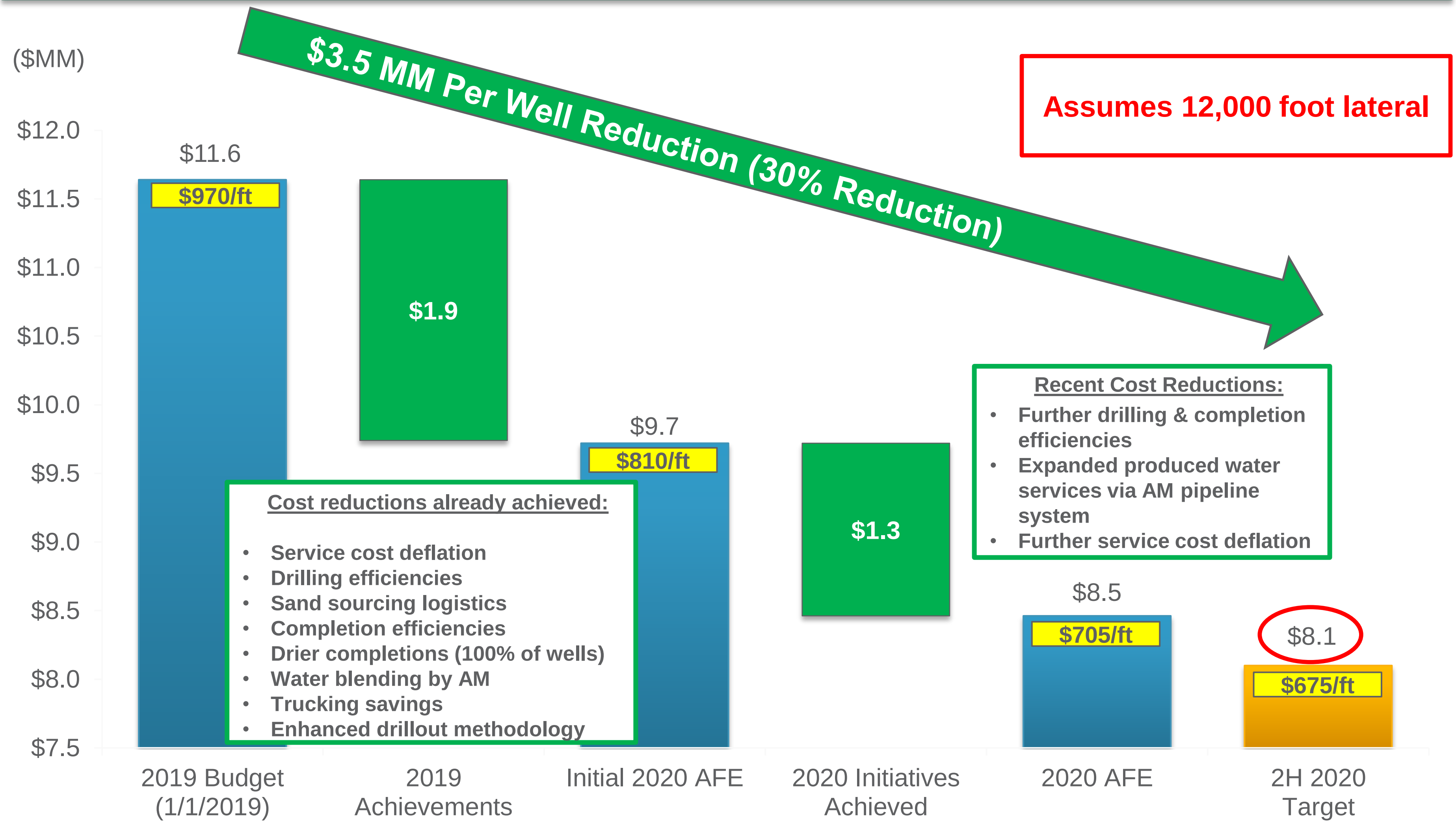
**Grand Total Cost Reset for 2020** = **~$616 MM**

*Note: Cost reductions are based on 2020 guidance vs original 2019 guidance*
*1) Based on midpoint 2020 guidance.*

# Marcellus Well Cost Reductions

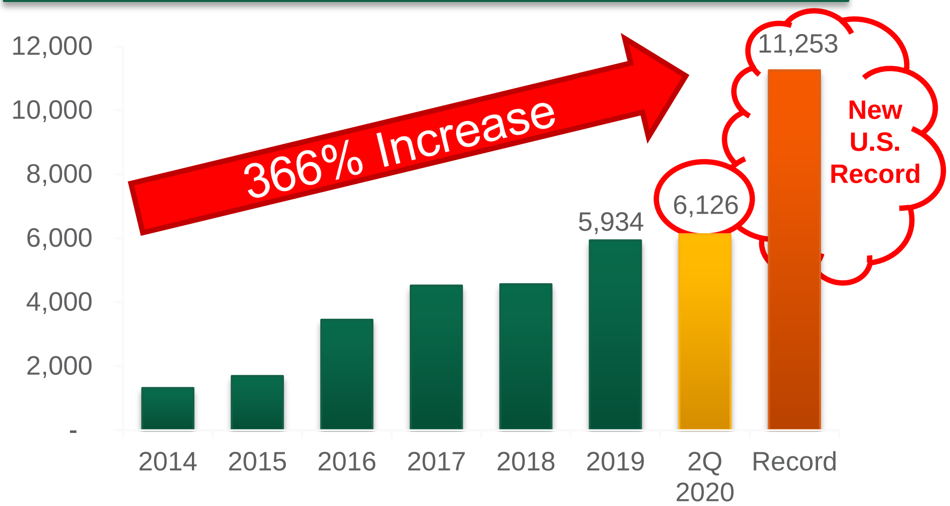
- **Significant Reduction in Well Costs already "in-hand"**
  - Reduced well costs by ~30% ($3.5 million per well)

**Marcellus Well Cost Reductions (January 2019 AFE to Current 2020)**

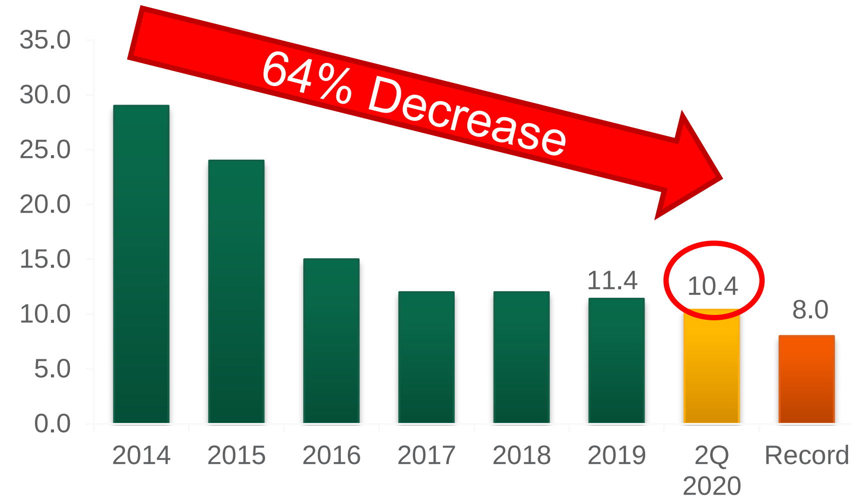


# Marcellus Drilling and Completion Efficiencies

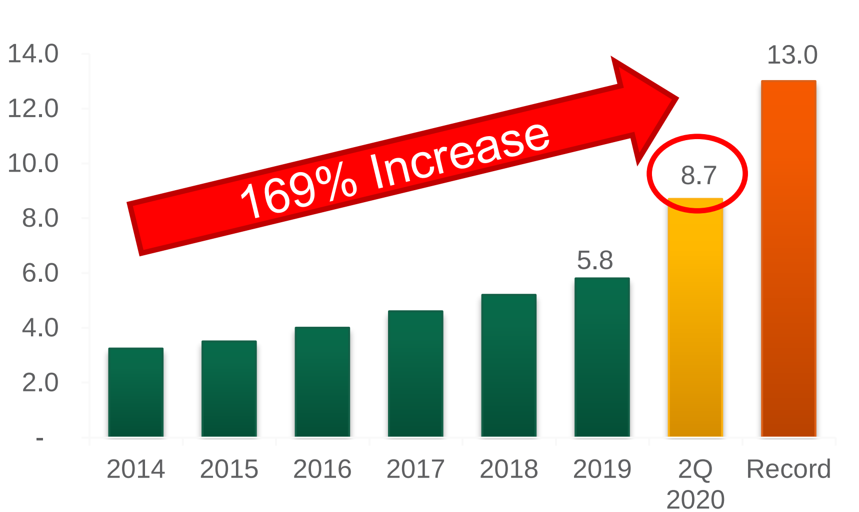
## Lateral Drilling Feet per Day



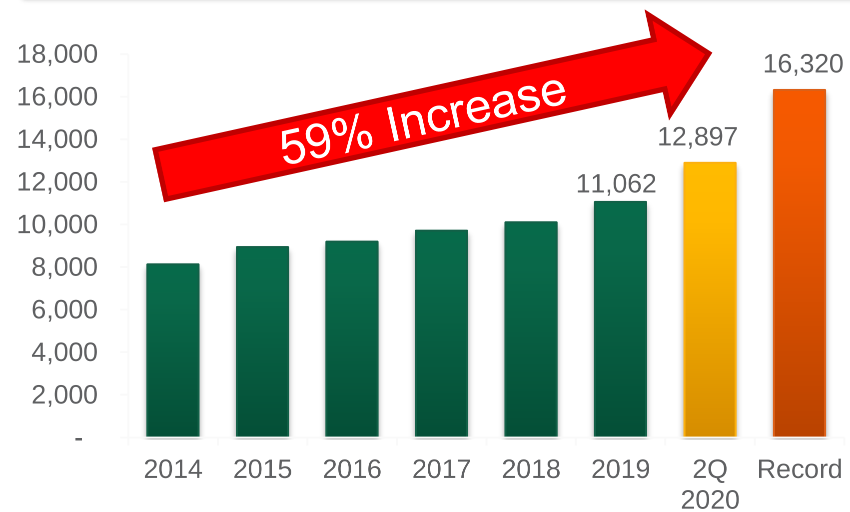

## Drilling Days – Spud to Spud




## Completion Stages per Day




## Average Lateral Length per Well

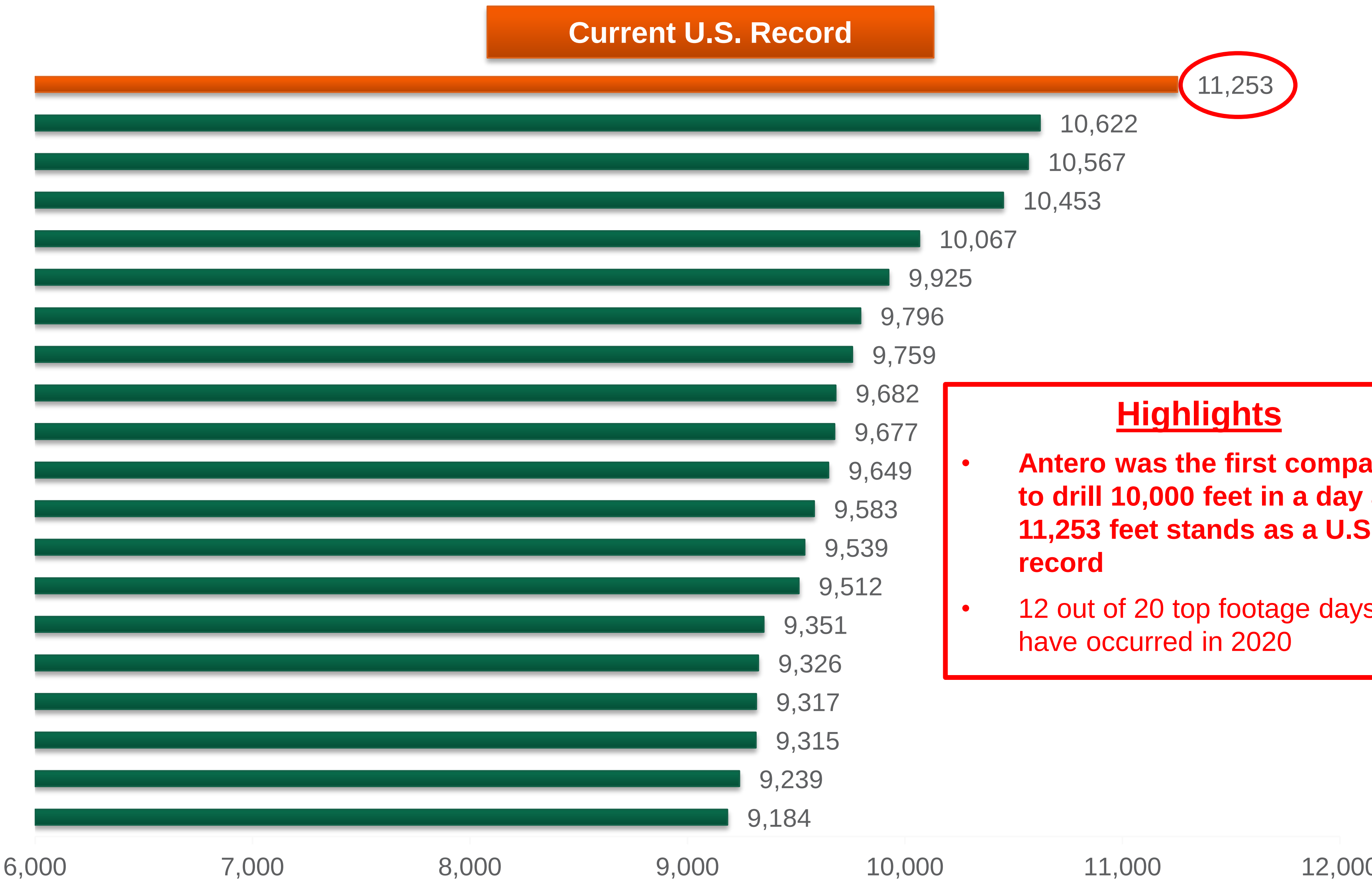



*Note: Percentage increase and decrease arrows represent change in Marcellus data from 2014 through 2Q 2020.*

# Outstanding Drilling Efficiencies

**Antero has continued to push the limits with respect to lateral feet drilled in a 24 hour period**

## Antero Top 20 Lateral Footage Days



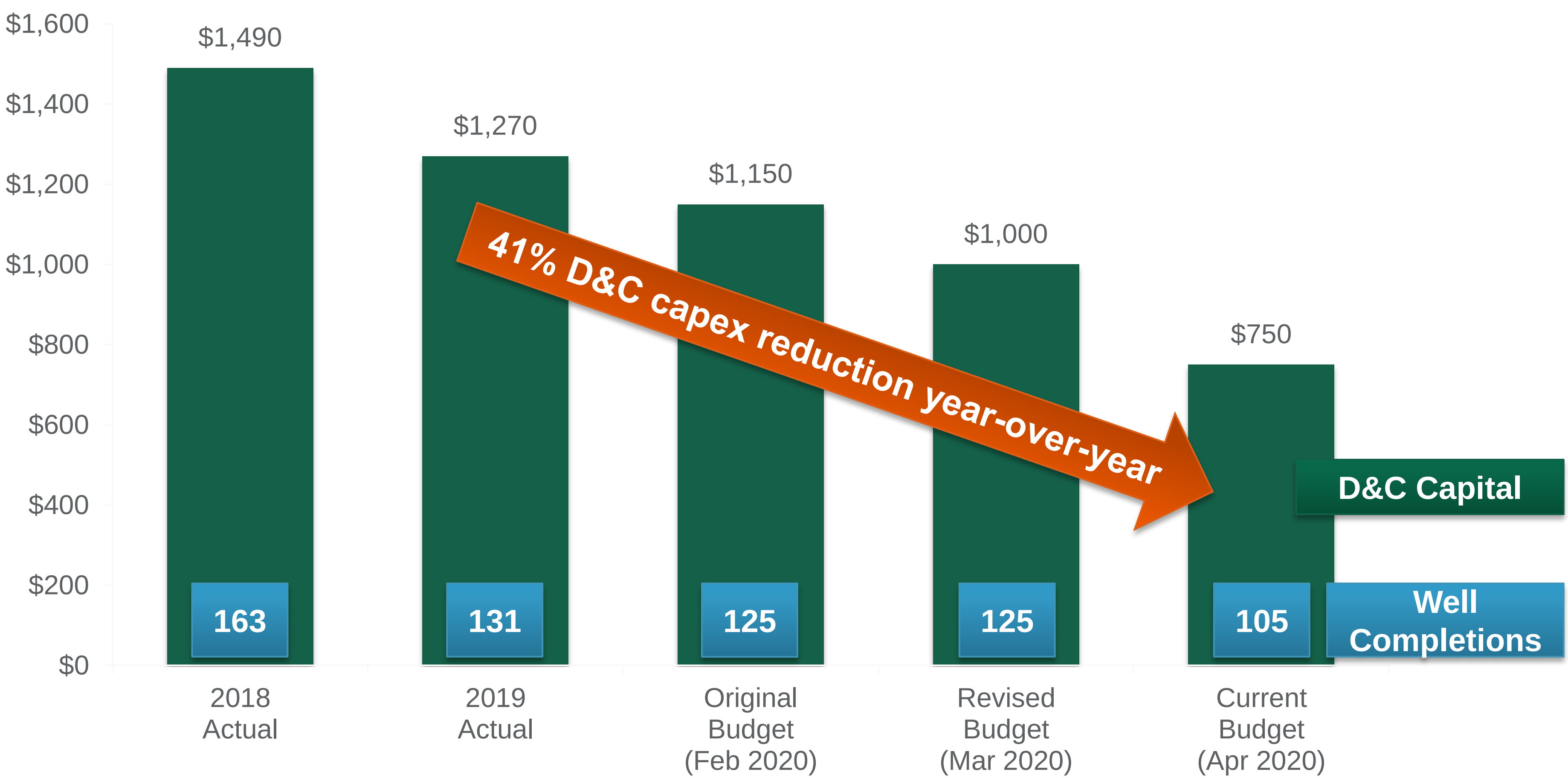

**Highlights**

- **Antero was the first company to drill 10,000 feet in a day and 11,253 feet stands as a U.S. record**
- 12 out of 20 top footage days have occurred in 2020

# Efficiency and Cost Momentum Leads to Lower Capital

**Through drilling and completion efficiencies, midstream cost savings, service cost deflation and deferral of completions Antero has reduced its D&C capex budget by 41% year-over-year**

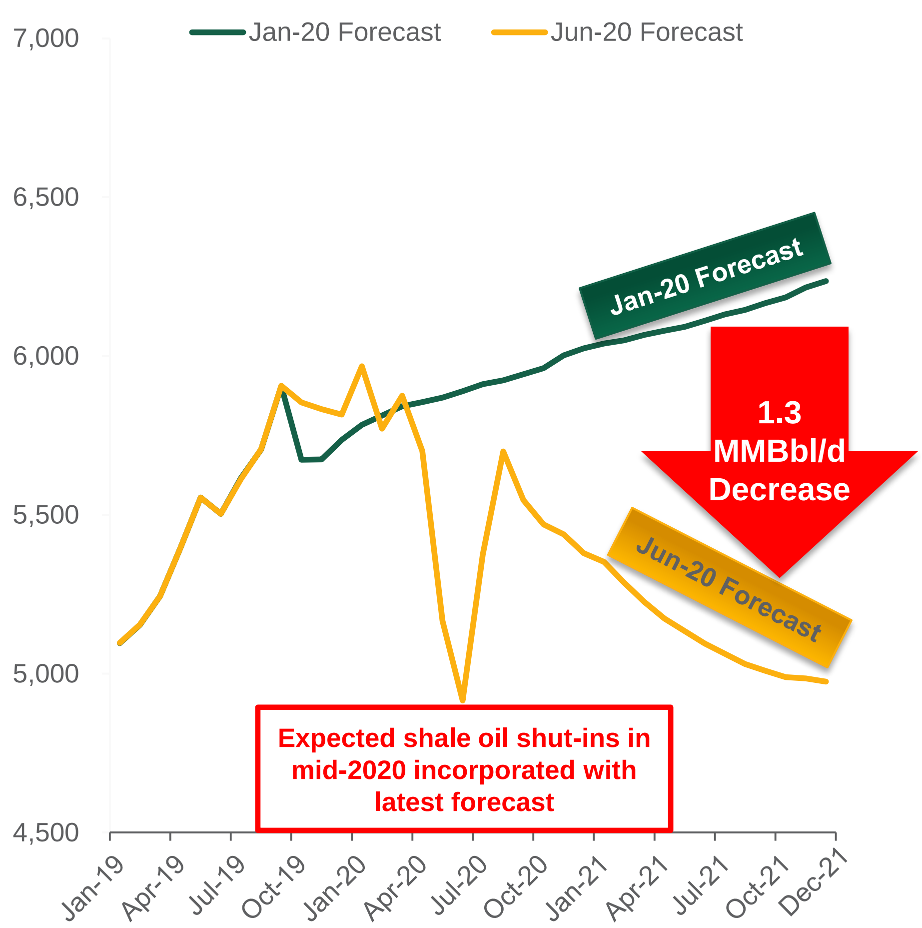
## Antero D&C Capex ($MM)



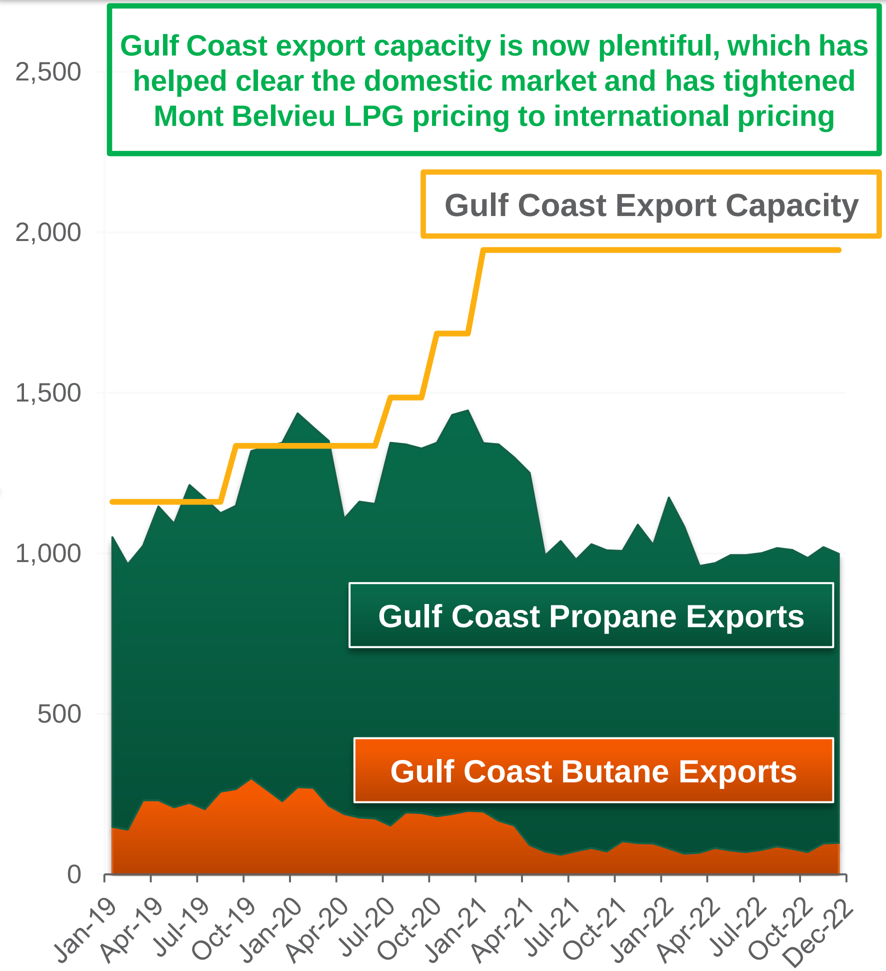
# Material Impact to NGL Production in the U.S.

**The oil price decline is expected to have a pronounced impact on NGL supply where two-thirds of the supply comes from shale oil plays**

## U.S. NGL Production Forecast (MBbl/d)



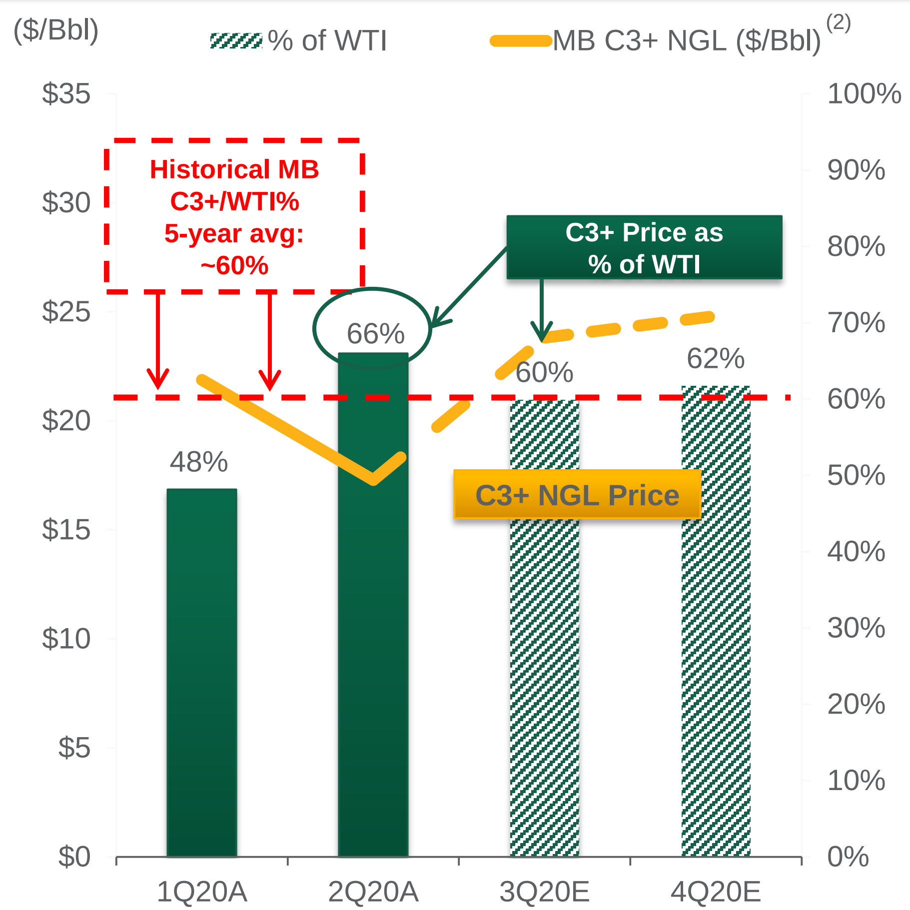

## LPG Export Capacity



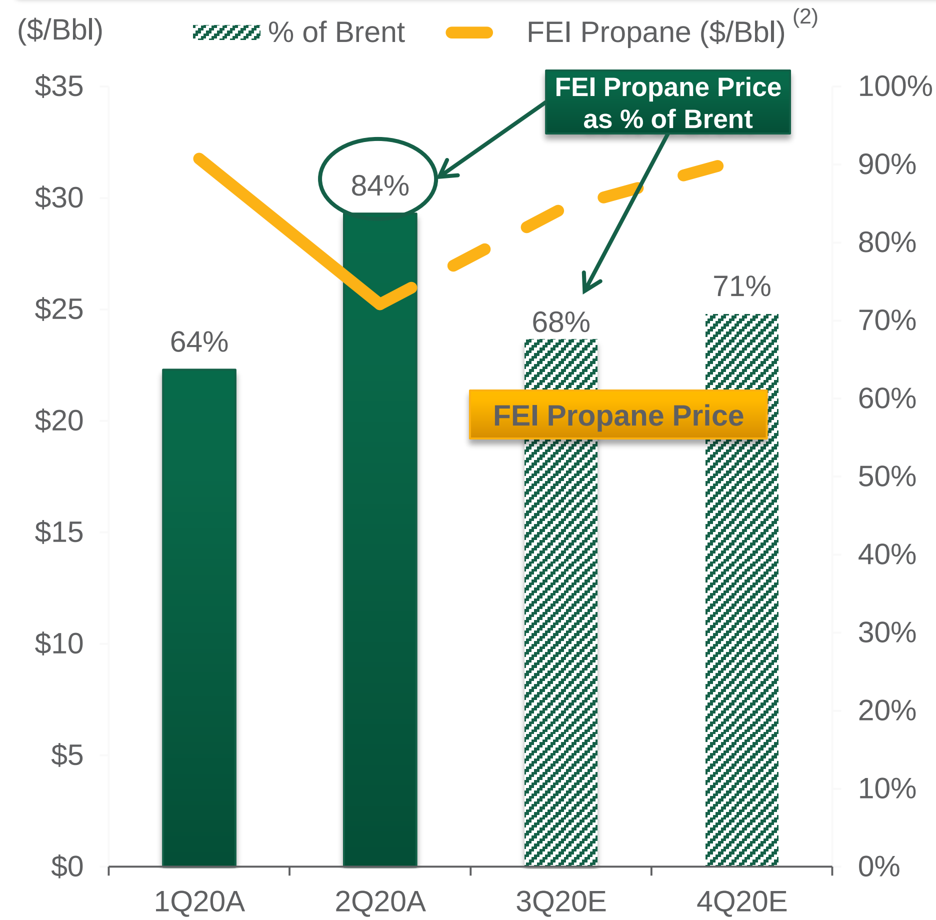

*Note: Represents Platts Analytics data as of June 29, 2020.*

**Domestic and international LPG prices are improving on a relative basis to crude oil, driven by resilient global demand for LPG from petrochemicals and res/comm**

## C3+ NGL Prices & % of WTI (1)




## Far East Index (FEI) Propane Prices & % of Brent



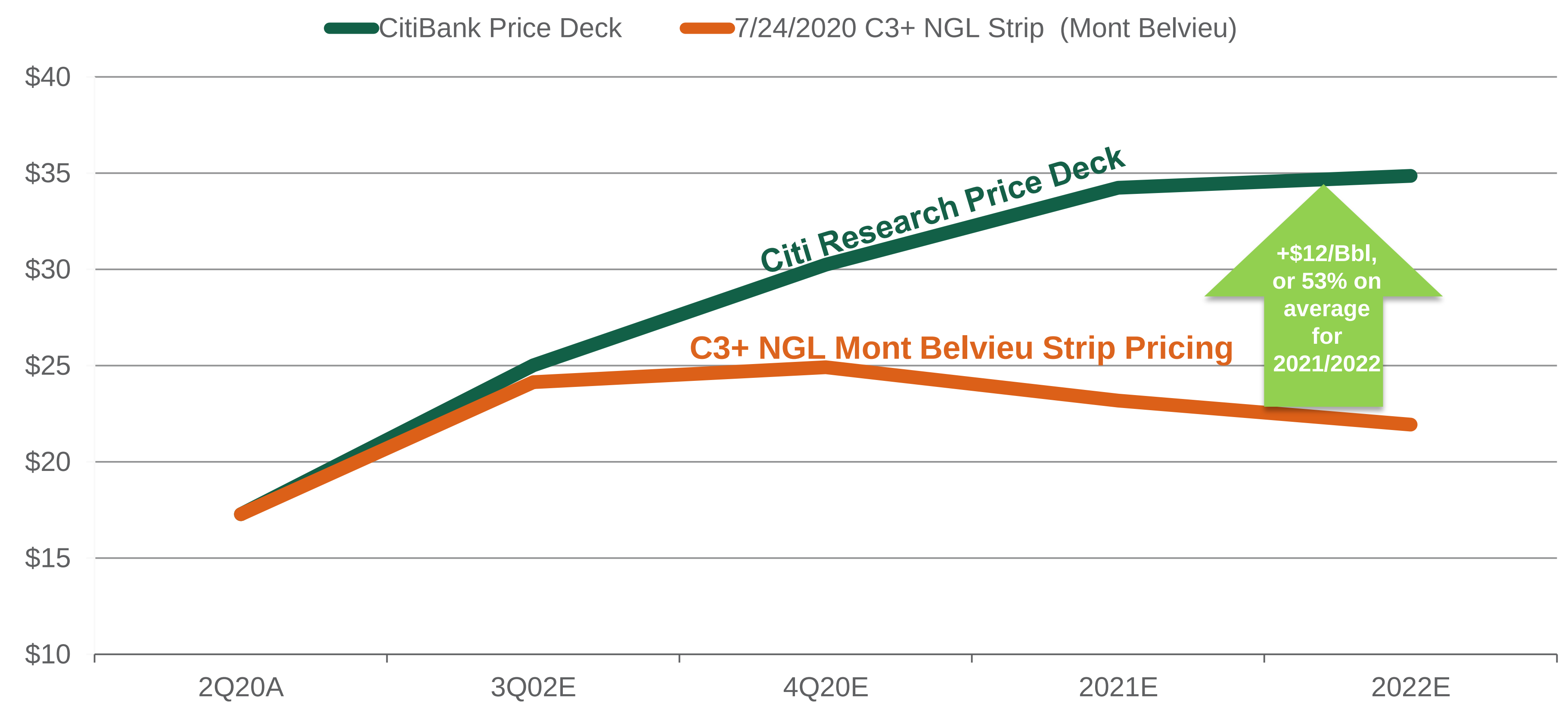

*Source: ICEdata Mont Belvieu, Far East Index, WTI and Brent strip pricing as of 7/24/2020*

1) *Based on Antero C3+ NGL component barrel consists of 56% C3 (propane), 10% isobutane (Ic4), 17% normal butane (Nc4) and 17% natural gasoline (C5+).*

2) *Forecasted C3+ NGLs represent ICEdata Mont Belvieu strip pricing as of 7/24/2020. Forecasted FEI propane represents ICEdata Far East Index propane strip pricing as of 7/24/2020.*

- **Limited liquidity in the futures market for C3+ NGL products often does not capture anticipated value further out in the curve**
- **A bottoms-up analysis of supply/demand fundamentals suggests NGL prices have significant upside to the current strip**

## Citi C3+ NGL Mont Belvieu Price Deck vs Current Strip [1]

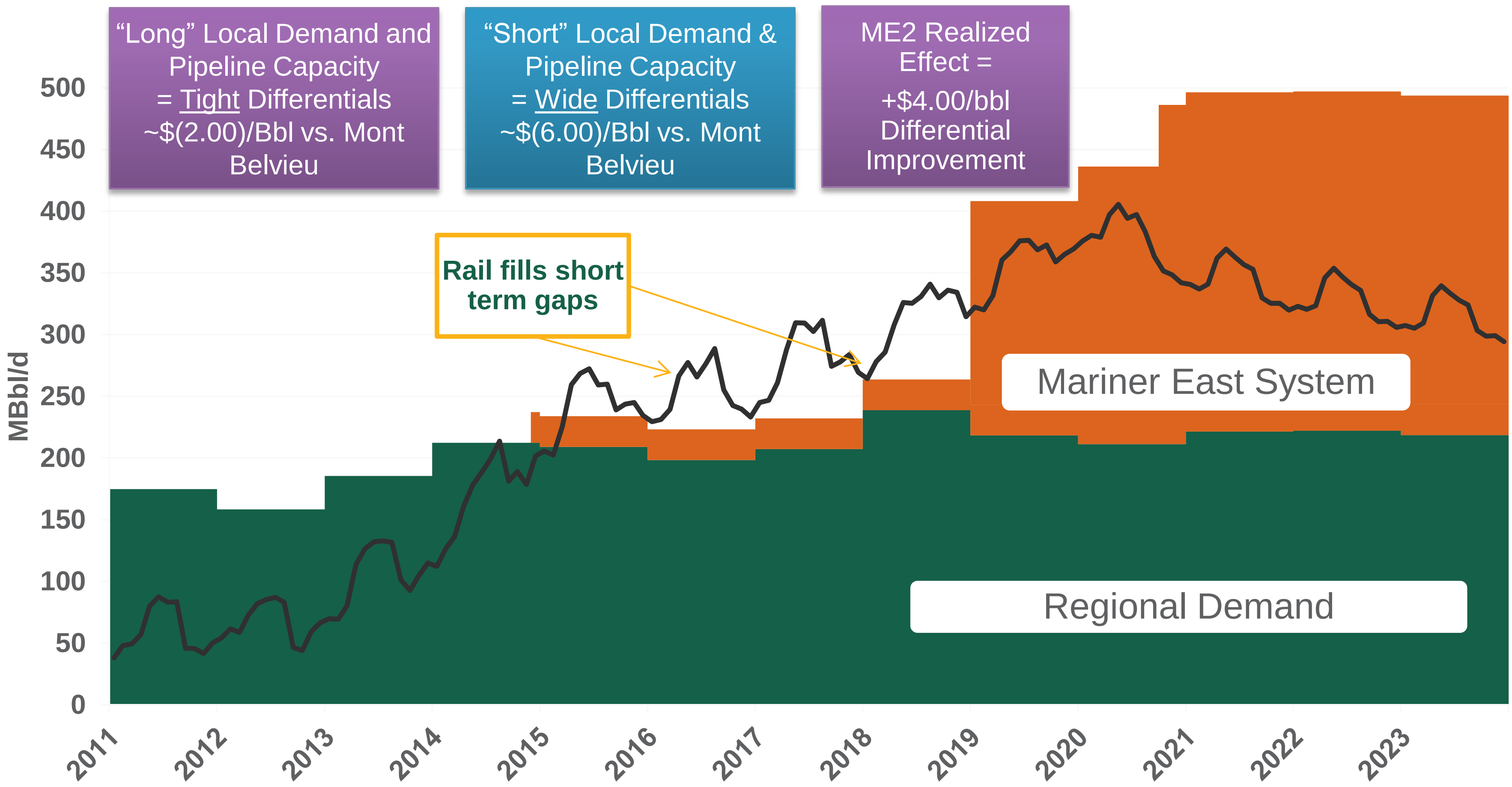



1) *Based on Antero C3+ NGL component barrel consists of 56% C3 (propane), 10% isobutane (Ic4), 17% normal butane (Nc4) and 17% natural gasoline (C5+). Citi Research price deck published 6/29/2020. ICEdata Mont Belvieu strip pricing as of 7/24/2020.*

# Northeast LPG Supply & Demand

- **Northeast LPG markets became oversupplied in 2015 and were forced to transport via rail, which was relieved by Mariner East 2 in early 2019**
- **The Northeast is now "long" LPG pipeline takeaway capacity with more capacity expected to come on line in 1Q 2021 on ME2**

## Northeast LPG NGL Supply vs. Demand & Takeaway Capacity (Excluding Rail)




*Source: Supply, demand and capacity via S&P Global Platts estimates. Differentials and ME2 effect per Antero Company Estimates.*

- **Natural gas and NGL prices should strengthen over the coming quarters as global demand remains resilient while supply declines materially (assuming current oil price strip)**
  - **For oil and the derived transportation fuels, some of the demand destruction from the pandemic may be permanent while supply is abundant**

## U.S. Natural Gas

### Supply

- Longer-term 5.5 Bcf/d reduction by YE 2020 and 8.0 Bcf/d aggregate reduction by YE 2021 due to decline in associated gas (Permian, Eagle Ford, SCOOP/STACK)
- Flat production from gas producers who will stick to capital discipline

### Demand

- Near and medium-term 4 Bcf/d decline due to pandemic
- 4 Bcf/d-plus reduction in LNG exports over summer of 2020 due to cargo cancellations

### Outlook for Natural Gas

- Significant U.S. associated gas production decline both medium and long-term with limited medium-term demand destruction

## U.S. NGLs

### Supply

- U.S. NGL production is projected to decline by ~1 MMBbl/d through 2021, driven by reduced drilling activity in shale oil basins
- International NGL production "associated" with OPEC oil production decreasing due to OPEC+ supply cut
- Lower global refinery utilization results in a decline in NGL supply as a byproduct of refining

### Demand

- Resilient domestic and international demand from petrochem and residential/commercial sectors
- Rising living standards in developing countries, particularly in Asia, create an inelastic demand pull for LPG and NGL derivative products
- Asian economies are expected to recover sooner from COVID-19 pandemic and Chinese tariffs on LPG were lifted in early 2020

### Outlook for NGLs

- The impact of a decline in shale oil activity on "associated NGL" production is expected to be even more pronounced than the impact on associated gas production while global NGL demand remains stable
- Increasing U.S. export capacity expected to tighten Mont Belvieu pricing to international pricing

*Sources: July EIA Short Term Energy Outlook and S&P Global Platts estimates. LPG is comprised of NGL components propane and butane.*

# Significant Reduction in Drilling Rigs

- **Since March 6th, the total U.S. rig count has declined by 526 rigs, or ~69%**
  - **NGL production "associated" with shale oil activity represents 66% of total U.S. NGL production and is expected to decline due to the recent collapse in oil prices and rig count**

## U.S. Oil & Gas Drilling Rig Count Since 3/6/2020

| | 3/6/2020 | 7/24/2020 | Change Since 3/6/20 Rigs | Change Since 3/6/20 % | Current Dry Gas Production Bcf/d (1) | Current NGL Production MBbls/d (2) |
|---|---|---|---|---|---|---|
| **Oil Focused** | | | | | | |
| Permian | 429 | 137 | (292) | (68%) | 11.4 | 1,780 |
| Eagle Ford | 79 | 12 | (67) | (85%) | 5.0 | 600 |
| Bakken | 52 | 12 | (40) | (77%) | 1.8 | 413 |
| SCOOP/STACK | 41 | 11 | (30) | (73%) | 3.2 | 311 |
| DJ Niobrara | 28 | 4 | (24) | (86%) | 2.4 | 446 |
| ***Total*** | ***629*** | ***176*** | ***(453)*** | ***(72%)*** | ***23.8*** | ***3,550*** |
| **Appalachia/Haynesville** | | | | | | |
| Marcellus | 32 | 23 | (9) | (28%) | 26.5 | 822 |
| Haynesville | 41 | 33 | (8) | (20%) | 11.7 | 46 |
| Utica | 14 | 8 | (6) | -43% | 6.1 | 143 |
| ***Total*** | ***87*** | ***64*** | ***(23)*** | ***(26%)*** | ***44.3*** | ***1,011*** |
| **Other** | **50** | **-** | **(50)** | **(100%)** | **19.5** | **885** |
| **Total U.S.** | **766** | **240** | **(526)** | **(69%)** | **87.5** | **5,446** |

**27% of U.S. dry gas production**

**65% of U.S. NGL production**

**Down 9% from 3/6/20**

**Down 11% from 3/6/20**

**51% of U.S. dry gas production**

**19% of U.S. NGL production**

**Rig reduction led by oil focused areas with a 453 rig, or 72% reduction since March 6th**

*Source: Baker Hughes and S&P Global Platts.*

1) *Current dry gas production per Platts as of 7/27/2020. Other production represents Platts' "Other US Production" + offshore production.*

2) *NGL production per Platts monthly average C2+ NGL estimate for June 2020 as of 6/29/2020. Assumes ~2.7 MMBbl/d of ethane, or 46% of total C2+ NGL forecast.*

# Significant Reduction in Completion Crews

## Since March 6th, U.S. completion crew count has declined by 237 crews, or 75%

### U.S. Oil & Gas Drilling Completion Crew Count Since 3/6/2020

| | 3/6/2020 | 7/24/2020 | Change Since 3/6/20 Completion Crews | Change Since 3/6/20 % | Current Dry Gas Production Bcf/d [1] | Current NGL Production MBbls/d [2] |
|---|---|---|---|---|---|---|
| **Oil Focused** | | | | | | |
| Permian | 125 | 37 | (88) | (70%) | 11.4 | 1,780 |
| Eagle Ford | 44 | 4 | (40) | (91%) | 5.0 | 600 |
| Bakken | 31 | 4 | (27) | (87%) | 1.8 | 413 |
| SCOOP/STACK | 28 | 3 | (25) | (89%) | 3.2 | 311 |
| DJ Niobrara | 19 | 3 | (16) | (84%) | 2.4 | 446 |
| ***Total*** | ***247*** | ***51*** | ***(196)*** | ***(79%)*** | ***23.8*** | ***3,550*** |
| **Appalachia/Haynesville** | | | | | | |
| Appalachia | 26 | 23 | (3) | (12%) | 32.6 | 965 |
| Haynesville | 18 | 3 | (15) | (83%) | 11.7 | 46 |
| ***Total*** | ***44*** | ***26*** | ***(18)*** | ***(41%)*** | ***44.3*** | ***1,011*** |
| **Other** | **26** | **3** | **(23)** | **(88%)** | **19.5** | **885** |
| **Total U.S.** | **317** | **80** | **(237)** | **(75%)** | **87.5** | **5,446** |

**27% of U.S. dry gas production**

**Down 9% from 3/6/20**

**65% of U.S. NGL production**

**Down 11% from 3/6/20**

**51% of U.S. dry gas production**

**19% of U.S. NGL production**

**Completion crew count reduction led by oil focused areas with a 196, or 79% crew reduction since March 6th**

**NGL production "associated" with shale oil activity represents 65% of total U.S. NGL production and is expected to decline due to the collapse in oil prices and rig count**

*Source: Primary Vision and S&P Global Platts. Appalachia completion crew count based on Antero internal estimate to address discrepancies in Primary Vision data for Appalachia.*

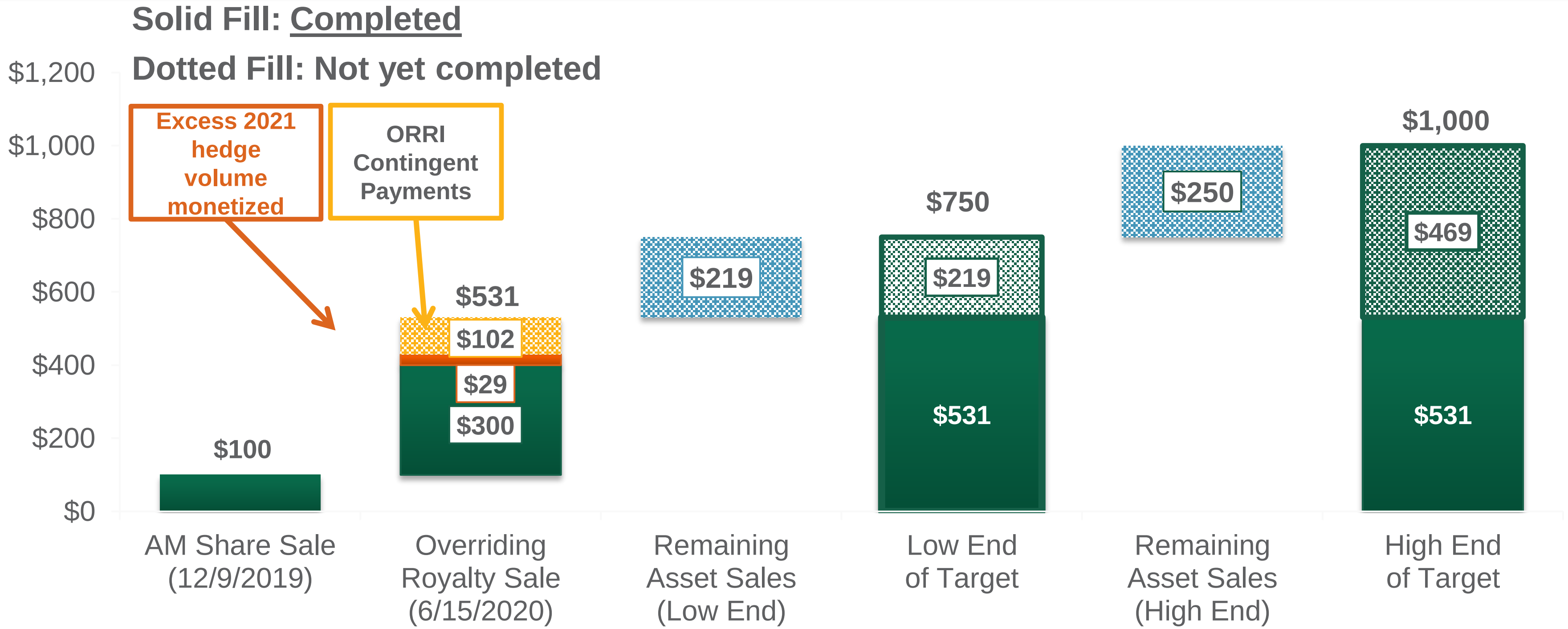
1) *Current dry gas production represents Platts production as of 7/27/2020. Other production represents Platts' "Other US Production" + offshore production.*

2) *NGL production represents Platts monthly average C2+ NGL estimate for June 2020. Estimate as of 6/29/2020. Assumes ~2.7 MMBbl/d of ethane, or 46% of total C2+ NGL forecast.*

**In December 2019, AR announced plans to target $750 MM – $1 B of asset sales to enhance its liquidity and reduce total debt. The components are:**

1. AM Share Sales - $100 MM completed in December 2019
2. $402 MM Overriding Royalty Sale (assumes $102 MM in contingent payments)
3. $29 MM hedge monetization
4. Remaining Targeted Asset Sales (VPP, AM, minerals, etc.)

## Antero Asset Sale Buildup - $MM




**In addition to asset sales, repurchasing senior notes at a discount to par within the credit facility has reduced AR's total debt by $155 MM**

# Asset Monetization Opportunity Set

**AR entered the year with multiple assets that could be monetized to address maturities and reduce debt, including producing properties, undeveloped leasehold, overriding royalty, minerals, hedges and midstream ownership**

## Asset Monetization Opportunity Set
## Targeting $750 MM to $1 B

### E&P Assets

#### Land / PDP

- 531,000 net acres in Appalachia
- 84% NRI
- 19 Tcfe of Proved Reserves (12/31/19)
- 3.5 Bcfe/d of net production (2Q20)
- VPPs

#### Minerals

- ~5,000 net mineral acres
- Highest realized prices in Appalachia due to FT and liquids
- ✓ Completed $402 MM ORRI transaction June 2020 (3)

### Financial / Midstream Assets

#### Hedge Portfolio

- ~1.7 Tcfe of natural gas hedges with a current hedge value of ~$475 MM (1)
- 5.9 MMBbls of crude oil hedges with a current value of ~$110 MM (1)
- ✓ Monetized $29 MM July 2020

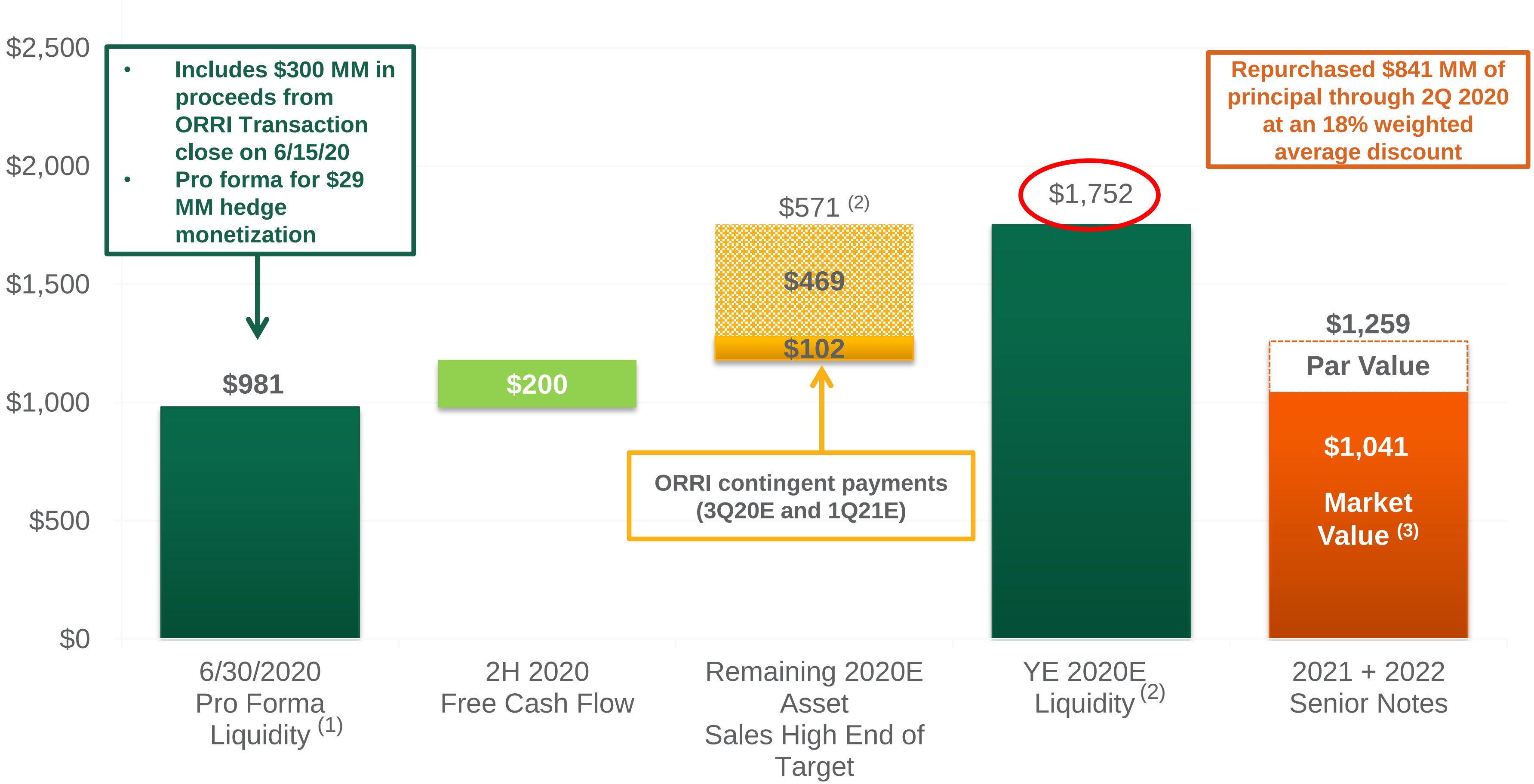
#### AM Ownership

- Current market value of $800 MM (2)
- ✓ Divested $100 MM in December 2019
- AM had ~$150 MM remaining under its share repurchase program as of 6/30/20

1) *Based on hedge position and strip pricing as of 6/30/2020, pro forma for $29 million hedge monetization in July 2020.*
2) *Based on AM share price of $5.78/share as of 7/27/2020.*

## Antero Resources plans to have substantial capacity to address its November 2021 and December 2022 bond maturities through asset sales and cost and activity reductions

### AR 2020 Liquidity Outlook ($MM)




*Note: Free Cash Flow is a non-GAAP term. Represents Cash Flow from Operations, less Drilling and Completion capital and leasehold capital. See appendix for more information.*

1) *6/30/20 pro forma liquidity represents borrowing availability under AR's credit facility based on $2.64 billion of lender commitments, $730 million of letters of credit and $926 million of borrowings as of 06/30/2020 and is pro forma for ~$32 million of borrowings for debt repurchases in July 2020 and $29 million hedge monetization.*
2) *$571 million of 2020E asset sales target represents amount needed to achieve high end of asset sales target of $1 billion, net of the $429 million already achieved. The analysis above Includes $51 million ORRI contingent payment expected in 2021 for illustrative purposes to measure liquidity up against 2021 + 2022 senior note maturities.*
3) *Forecasted year-end 2020 liquidity assumes no change in bank credit facility.*
4) *Market value based on bond pricing as of 7/27/2020 of $94.75 for the senior notes due in 2021 and $74.75 for the senior notes due in 2022.*

## Producer strength is a key attribute for a sustainable development plan:

| | |
|---|---|
| **Cost Reduction Initiatives** | AR has targeted ~$616 MM in reductions to 2020 capital and operating expenses |
| **Asset Sale Initiatives** | AR has closed $531 MM of asset sales since December with more to come |
| **World Class Hedge Book** | ~94% and ~100% of projected natural gas production hedged in 2020 and 2021 at $2.87 and $2.77/MMBtu, respectively (1) |
| **Free Cash Flow** | 2020 D&C capital of $750 MM with ~$200 MM in projected Free Cash Flow in 2H20(2) |
| **Robust Liquidity** | Ample liquidity of ~$1.0 B (3) to address the 2021s and, including asset sales, to address 2022s |

## The AR business model delivers multiple ways to "Win"

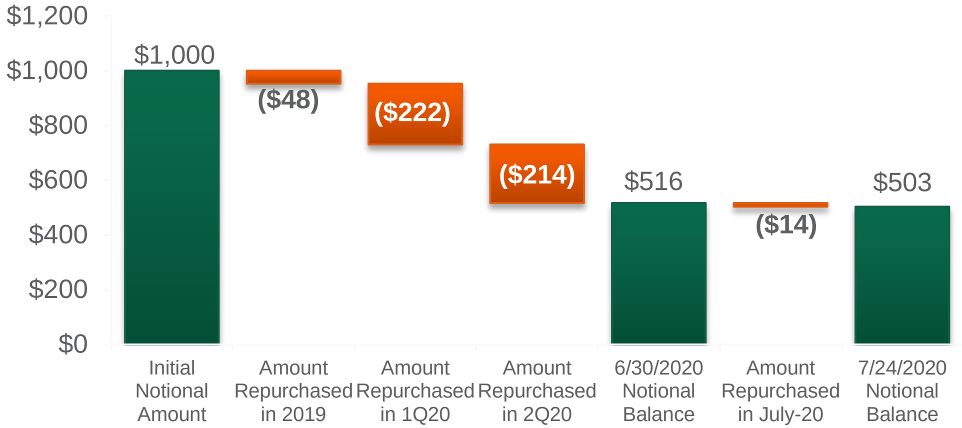
(1) *Percentage hedged represents percent of expected natural gas production hedged based on natural gas production guidance of 2.375 Bcf/d in 2020 and flat in 2021.*
(2) *Based on strip pricing as of 7/27/2020. See appendix for more information.*
(3) *Liquidity represents borrowing availability under AR's credit facility based on $2.64 Bn of credit commitments, $730 million of letters of credit and $926 million of borrowings as of 6/30/20.*

# Appendix

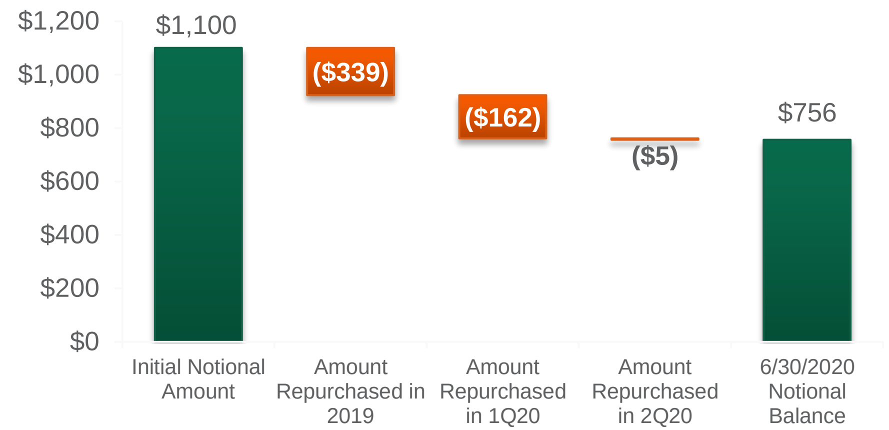
MPLX Hopedale, OH Fractionation Complex

**In total, Antero has repurchased ~$497 MM notional amount of its 2021s and ~$344 MM notional amount of its 2022s in the open market at an ~18% weighted average discount**

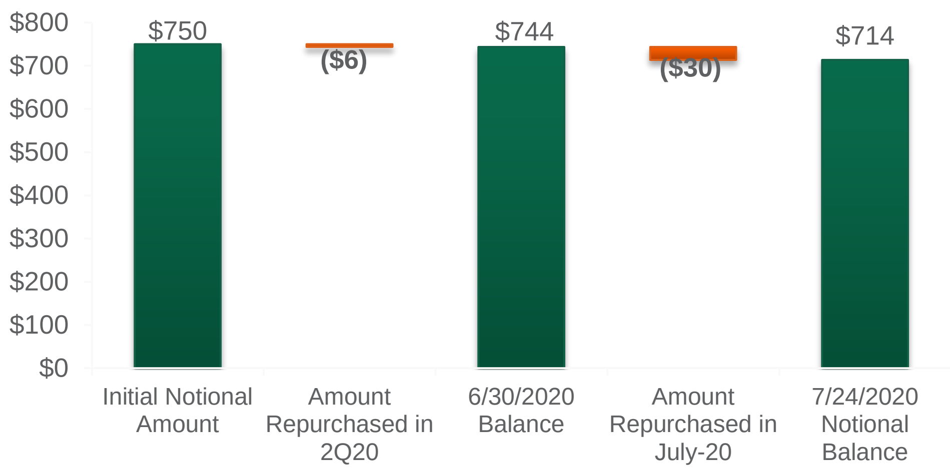
## Senior Notes Due November 2021



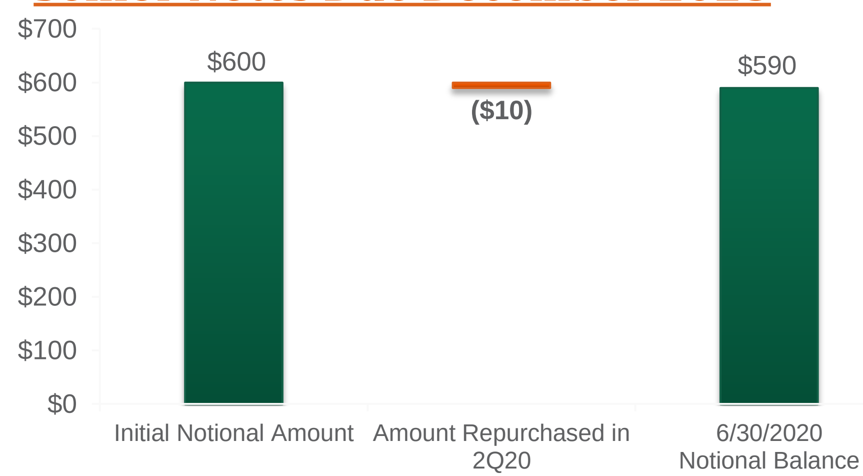

## Senior Notes Due December 2022




## Senior Notes Due November 2023

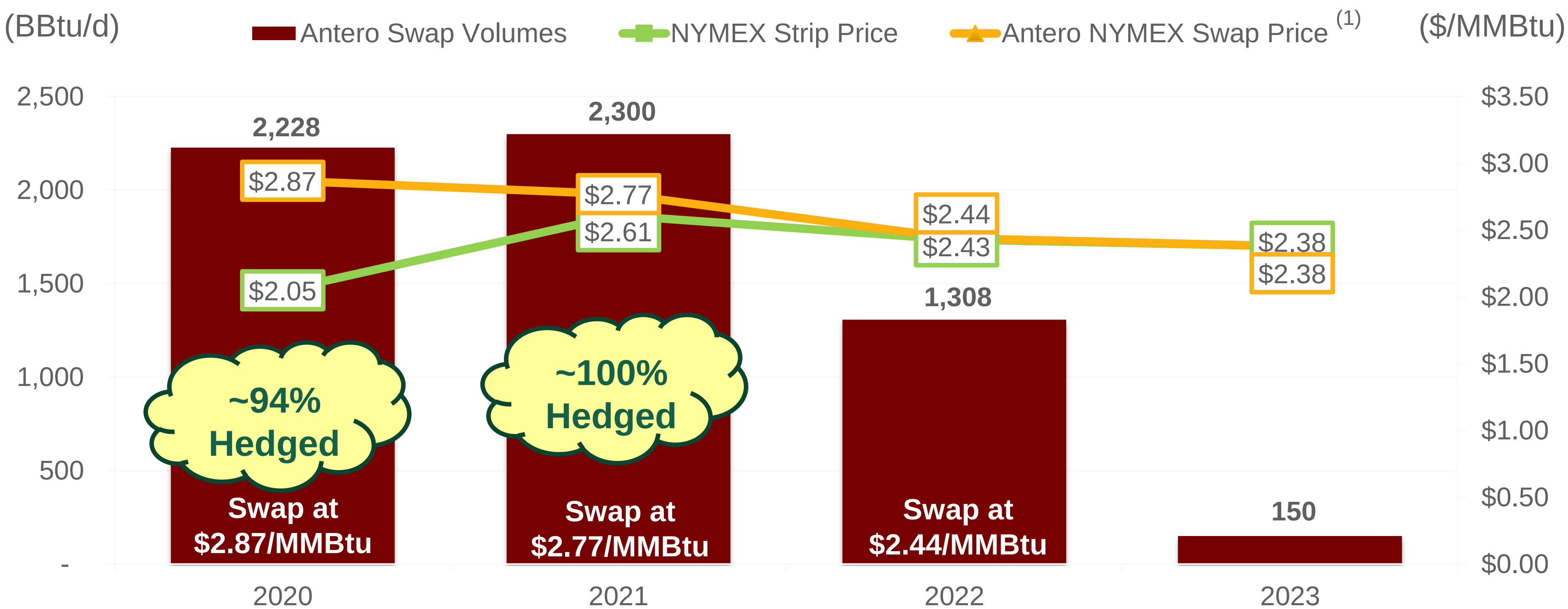



## Senior Notes Due December 2025



## AR monetized 100 BBtu/d of its 2021 hedges for proceeds of $29 million, attributable to the volumes included in the recently announced ORRI transaction

### Antero Natural Gas Hedge Profile [1]




**~$475 MM Forecasted Hedge Value [1]**

*Note: Percentage hedged represents percent of expected natural gas production hedged based on natural gas production guidance of 2.375 Bcf/d in 2020 and flat production in 2021.*
*1) Strip pricing and hedge position as of 6/30/2020 pro forma for $29 million hedge monetization in July 2020 (only for natural gas hedges - excludes liquids).*

# Antero Non-GAAP Measures

**Free Cash Flow:**

Free Cash Flow is a measure of financial performance not calculated under GAAP and should not be considered in isolation or as a substitute for cash flow from operating, investing, or financing activities, as an indicator of cash flow, or as a measure of liquidity. The Company defines Free Cash Flow as Cash Flow from Operations, less drilling and completion capital and leasehold capital plus earnout payments.

The Company has not provided projected Cash Flow from Operations or a reconciliation 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. Targeted 2020 Free Cash Flow is based on current strip pricing and assumes that dividends from Antero Midstream remain flat for the year for aggregate annual dividends from Antero Midstream of $171 million in 2020. Antero Midstream previously announced that in light of the uncertain conditions impacting the energy industry, Antero Midstream will continue to evaluate its capital budget as well as the appropriate amount of capital that is returned to shareholders through dividends and share repurchases in order to maintain its financial profile.

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.