

# Hess Corporation



**GOLDMAN SACHS ENERGY CONFERENCE**

January 7, 2020

# Forward-Looking Statements & Other Information

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This presentation contains projections and other 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. These projections and statements reflect the company's current views with respect to future events and financial performance.

No assurances can be given, however, that these events will occur or that these projections will be achieved, and actual results could differ materially from those projected as a result of certain risk factors. A discussion of these risk factors is included in the company's periodic reports filed with the Securities and Exchange Commission.

We use certain terms in this presentation relating to reserves other than proved, such as unproved resources. Investors are urged to consider closely the disclosure relating to proved reserves in Hess' Form 10-K for the year ended December 31, 2018, available from Hess Corporation, 1185 Avenue of the Americas, New York, New York 10036 c/o Corporate Secretary and on our website at [www.hess.com](http://www.hess.com). You can also obtain this form from the SEC on the EDGAR system.

This presentation includes certain non-GAAP financial measures, including Cash Return on Capital Employed (CROCE), EBITDAX, and Debt to EBITDAX. These Non-GAAP financial measures should be considered only as supplemental to, and not as superior to, financial measures prepared in accordance with GAAP. Please refer to the Appendix of this presentation for a reconciliation of the non-GAAP financial measures included in this presentation to the most directly comparable financial measures prepared in accordance with GAAP.

# Hess Strategic Priorities



*World class assets ... focus on returns... capital discipline... significant free cash flow growth*

# Why Hess?



## Focused, High Return Portfolio

- Balance between growth engines and cash engines – leverage to Brent oil pricing
- ~20% cash flow CAGR, >10% production CAGR, through 2025<sup>1</sup>
- Structurally lowering costs to <\$40/bbl Brent portfolio breakeven – CROCE >30% by 2025

## World Class Guyana Position

- >6.0 BBOE gross discovered resources – multi billion barrels remaining exploration potential
- First oil December 2019 – potential for at least 5 FPSOs and >750 MBOD gross by 2025
- Industry leading financial returns and cost metrics

## Bakken Growth Engine & Major FCF Generator

- Top tier operator with 15 years drilling inventory<sup>2</sup> that generates average IRR of >50%
- Successful transition to high intensity plug and perf increases NPV by ~\$1 billion
- Net production grows to ~200 MBOED by 2021, generates >\$1 B annual FCF post 2020

## Compelling Financial Returns

- Industry leading cash flow growth through 2025 – with low execution risk
- Return on capital increases substantially – CROCE grows more than 250% through 2025<sup>1</sup>
- Priority to increase return of capital to shareholders from growth in free cash flow

***Portfolio delivers robust financial returns, production growth and free cash flow***

# Sustainability Focus Across Our Company

Values drive value...



## Safety

- ✓ **Reduced workforce recordable incident rate** by 23% and **workforce lost time incident rate** by 33% over the past five years
- ✓ **Achieved historical best severe safety incident rate**, with a 42% reduction over the past five years
- ✓ **Employees and contractors share common goal** of zero safety incidents

## Climate Change & Environment

- ✓ **Have reduced absolute Scope 1 and Scope 2 greenhouse gas (GHG) emissions** by 64%, on an equity basis, over the past 11 years
- ✓ On track to meet our 2020 targets to **reduce flaring intensity by 50% and GHG emissions intensity by 25%** compared to 2014 levels
- ✓ **Board evaluates sustainability risks and global scenarios** in making strategic decisions

## Social Responsibility

- ✓ Guided by **commitments to international voluntary initiatives** including the U.N. Global Compact
- ✓ Invest in community programs with a focus on **education, workforce development and environmental stewardship**
- ✓ Committed to having a **positive impact on the communities where we operate**



**10** consecutive years  
Leadership status



**10** consecutive years on  
North America Index



**10** consecutive years on  
USA ESG Leaders Index



**FTSE4Good**  
Oil & gas **top** performer



**No. 1** oil & gas company  
**12** consecutive years on list



**10** years ranked  
as a top employer



Oil & gas **top** performer



**1** of only **5** oil & gas  
companies on list

**Industry leader in ESG performance and disclosure**

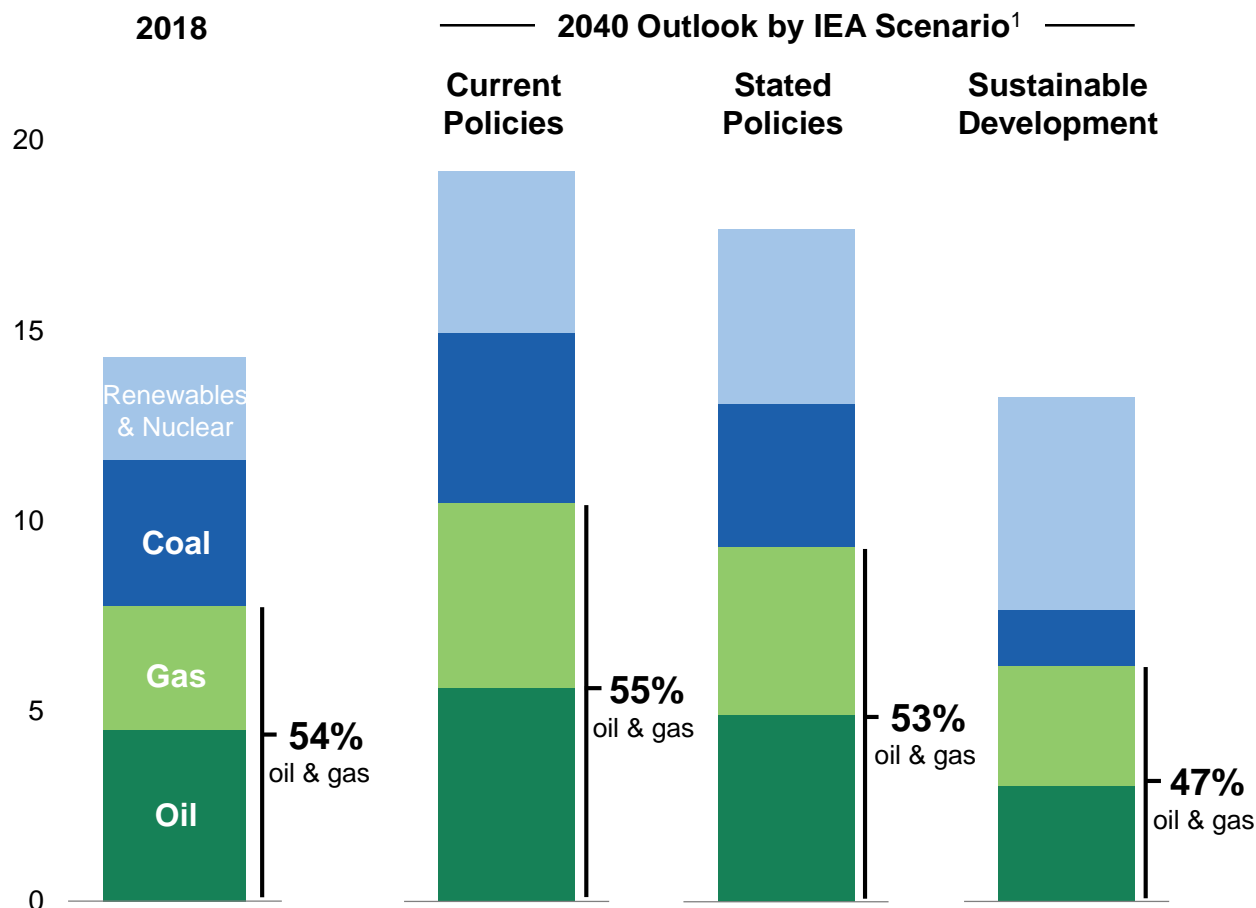
# Global Energy Demand

Oil & gas essential to meeting global energy demand...



## Primary Energy Demand Outlook (IEA)

BTOE



Energy demand led by population and GDP growth increases 25% through 2040<sup>2</sup>

Developing economies – predominantly Asia – drive global growth

Oil demand driven by transportation and petrochemicals

Oil & gas maintain meaningful share in all scenarios

**Hess favorably positioned with portfolio breakeven <\$40/bbl Brent by 2025**

Source: IEA World Energy Outlook 2019. BTOE refers to billion tonnes of oil equivalent. (1) Current Policies Scenario represents business-as-usual and does not incorporate announced energy-related policies. Stated Policies Scenario is the central scenario and represents the impact of announced policies. Sustainable Development Scenario reflects major changes that would be required to reach energy-related Sustainable Development Goals of the United Nations (including rapid reduction of emissions in line with Paris agreement) (2) Total primary energy demand growth from 2018 to 2040 in the Stated Policies Scenario.



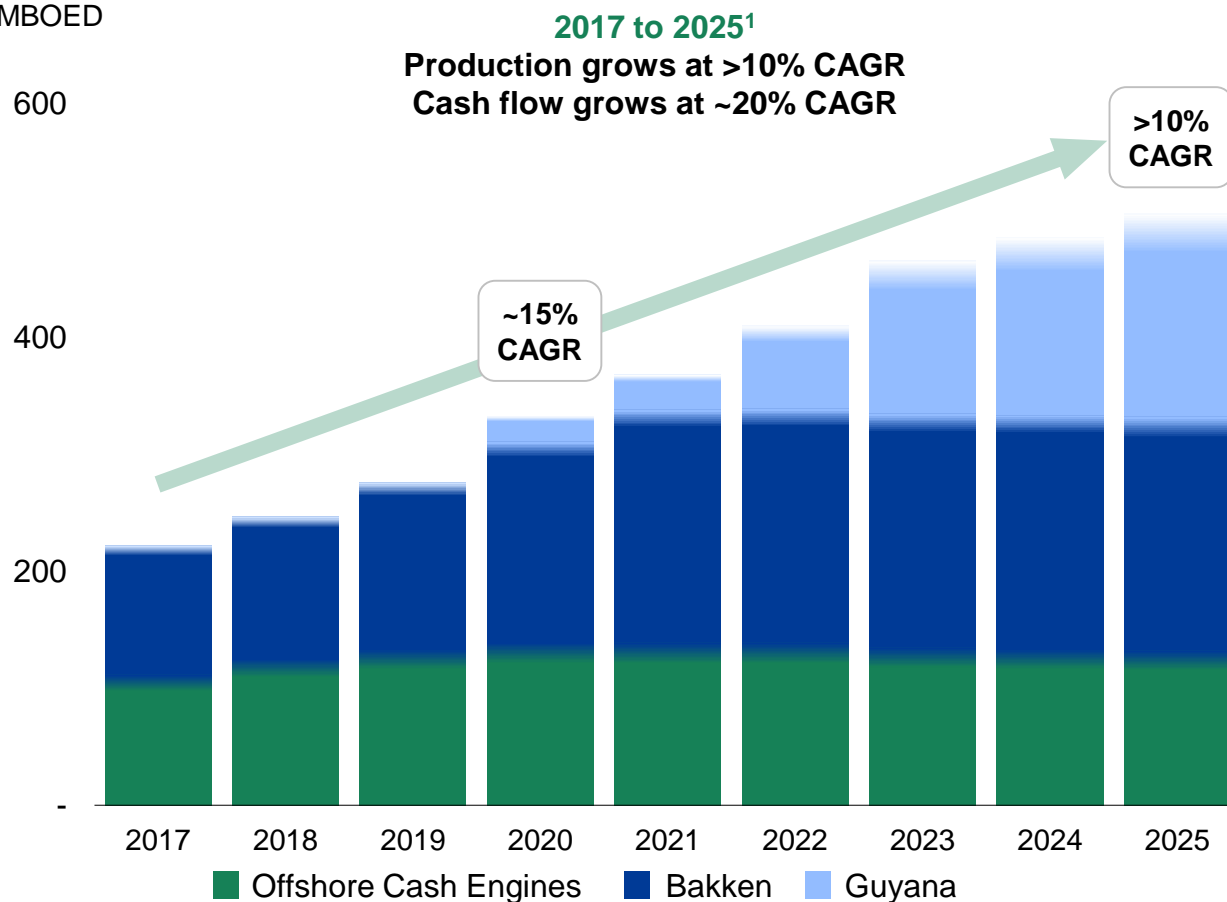
# Sustained Growth in Production & Cash Flow

~20% cash flow CAGR outpaces >10% production CAGR through 2025...



## Production<sup>1</sup>

MBOED



**Guyana growing to >750 MBOD gross by 2025**

**Bakken growing to ~200 MBOED net by 2021**

**Oil production grows at ~14% CAGR through 2025<sup>1</sup>**

**Offshore cash engines provide stable production to 2025 and beyond**

*High return investments driving material production growth and cash generation*

(1) 2017 production pro forma for assets sales, excluding Libya. Cash flow at \$65/bbl Brent / \$60/bbl WTI.

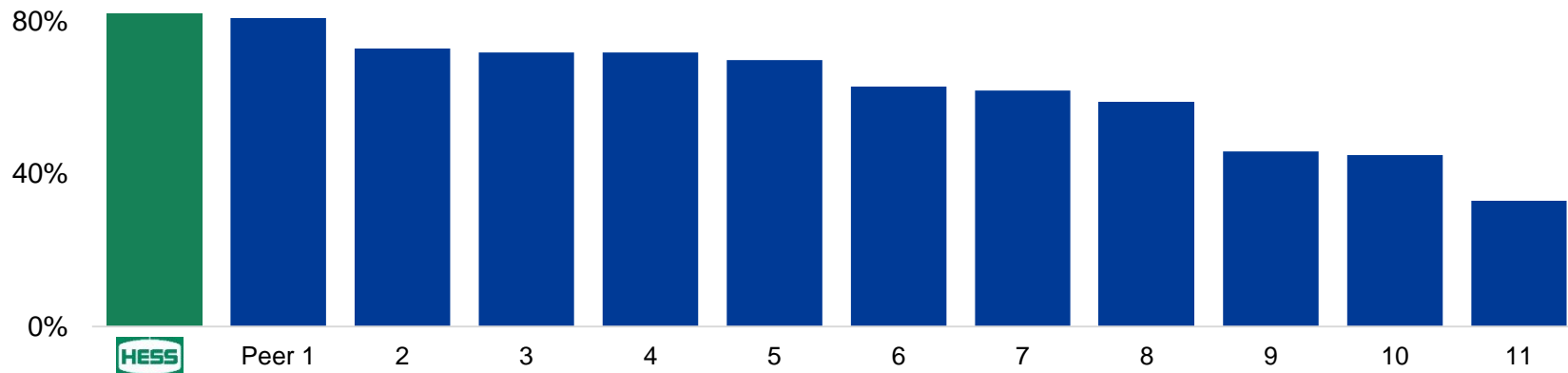
# Leverage to High Value Brent Oil

Leading liquids weighted resource base...



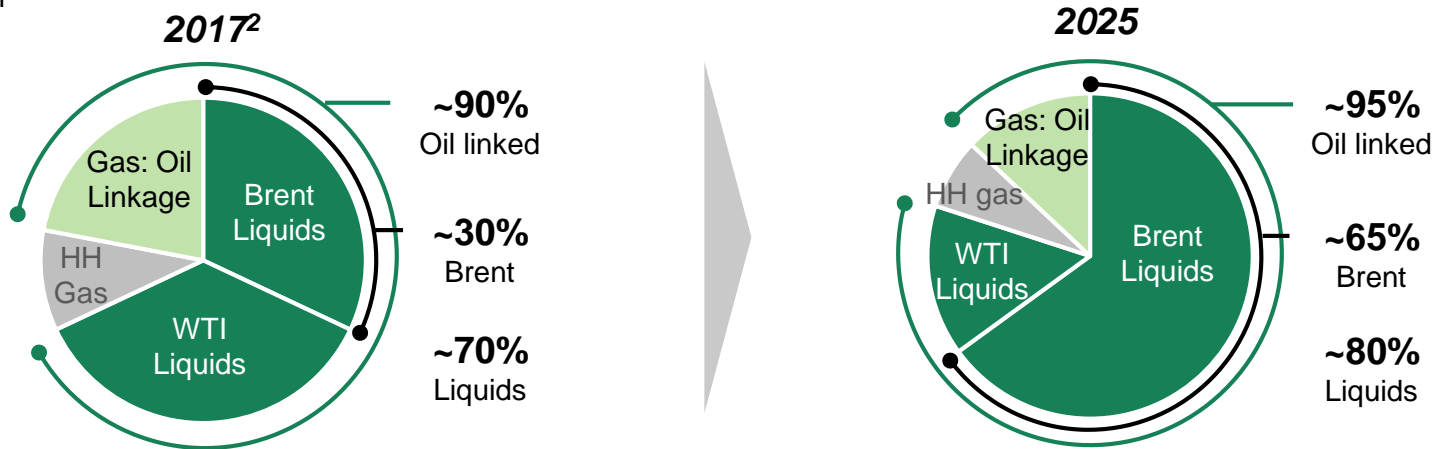
## Leading Liquids Weighting Among Peers

Liquids % of Commercial Resources<sup>1</sup>



## Pricing Exposure

% of production



*Leading liquids position to drive superior returns*

(1) Wood Mackenzie estimates, 4Q 2019 dataset. (2) 2017 production pro forma for asset sales, excluding Libya.

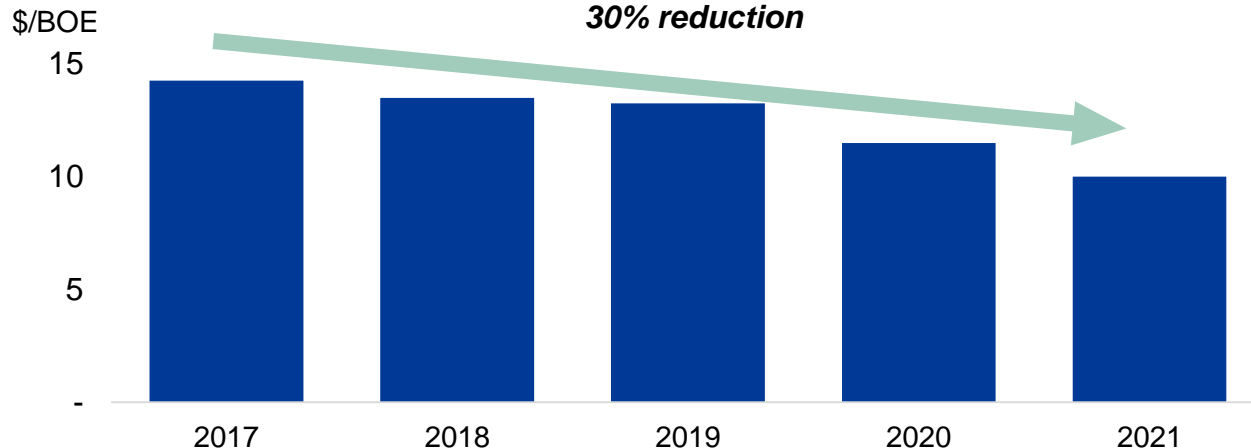


# Continuing Reduction in Unit Costs

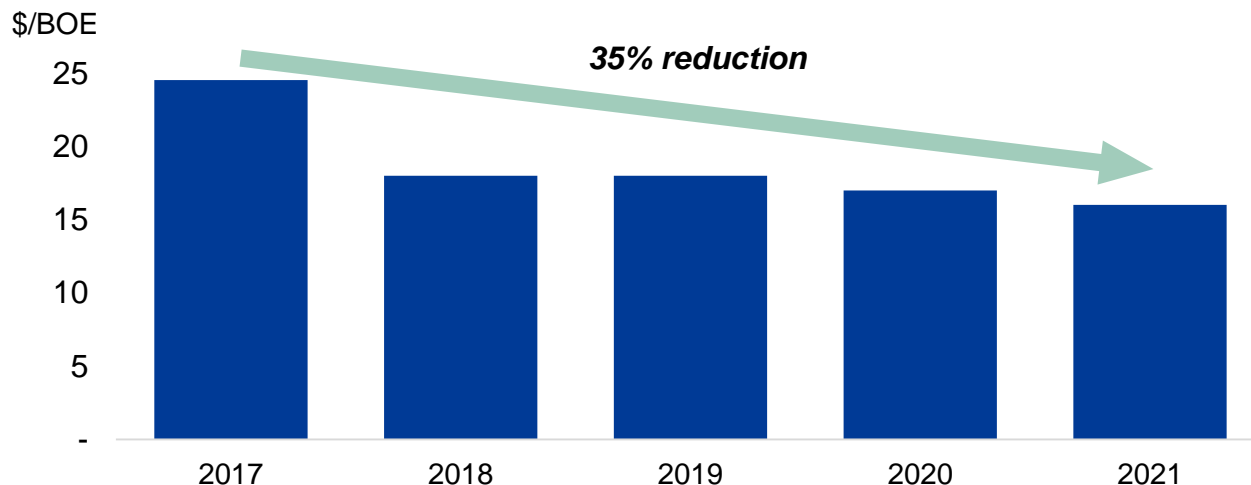
Significant cost reductions, improved profitability...



## Cash Costs<sup>1</sup>



## DD&A



Investing in low unit cost assets

Divested higher cost assets

50% workforce reduction since 2014

30% Cash Cost reduction to < \$10/BOE

35% DD&A reduction to ~\$15/BOE

***Lower unit costs drive margin expansion and improving profitability***

(1) Cash unit production costs exclude transportation costs included in realized hydrocarbon prices.

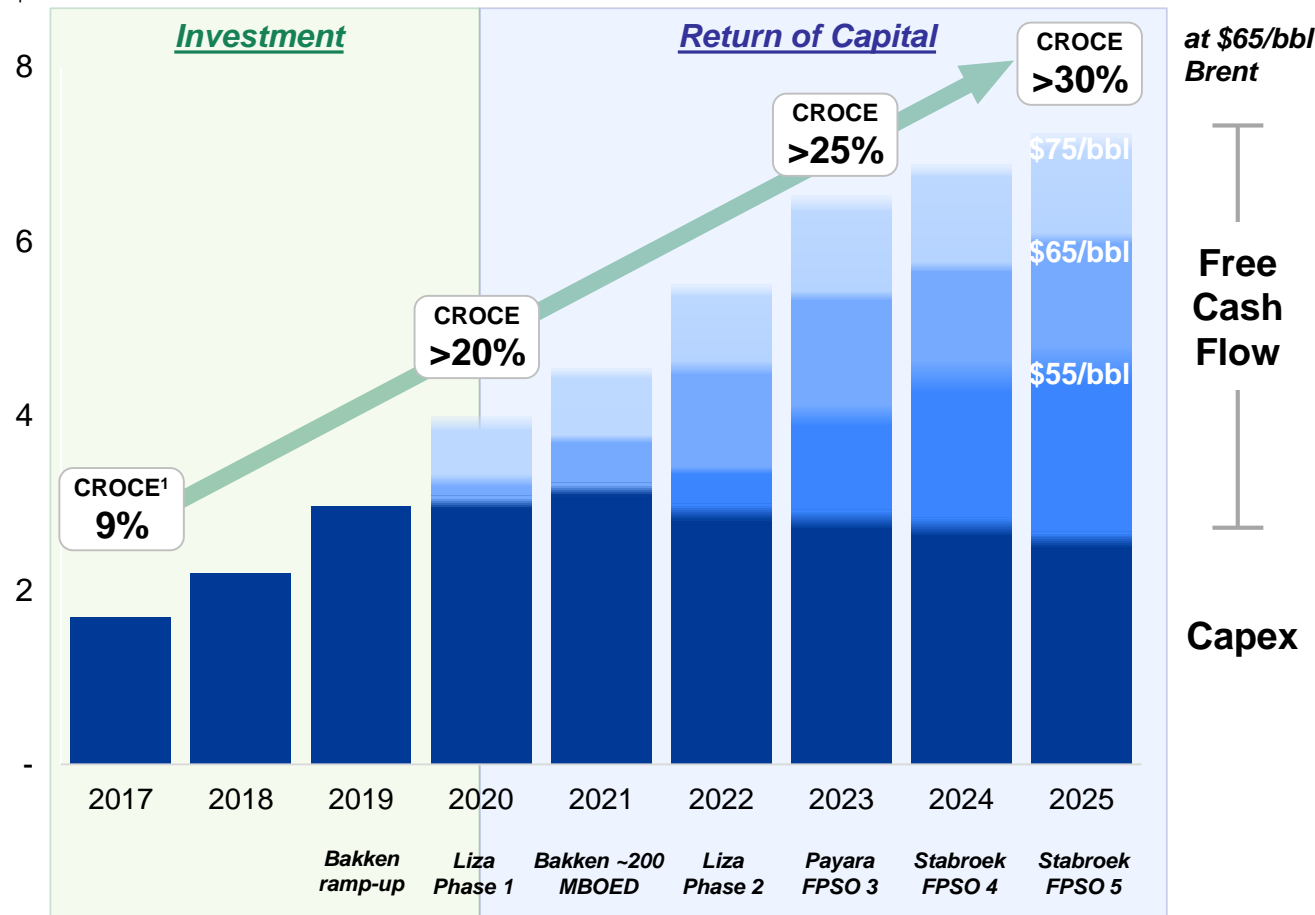
# Significant Free Cash Flow Growth

Cash returns increase more than 250% by 2025...



## CFFO

\$ billions



**Significant cash flow growth ~20% CAGR through 2025<sup>2</sup>**

**E&P Capital averages ~\$3 billion from 2019-2025**

**CFFO >200% of capital by 2025<sup>3</sup>**

**<\$40/bbl Brent portfolio breakeven by 2025**

**Significant free cash flow growth enables increasing returns to shareholders**

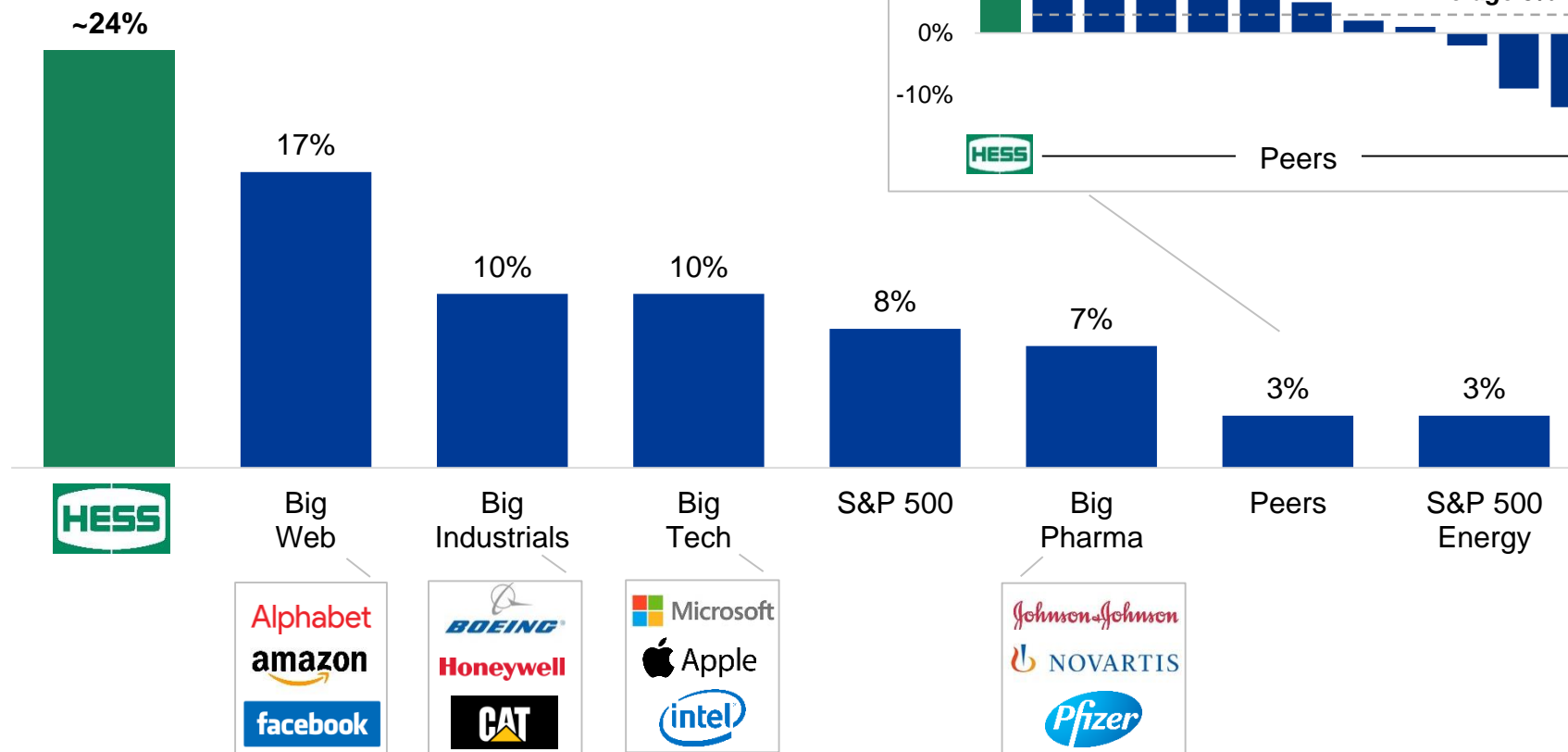
(1) CROCE: Calculated as CFFO plus after-tax interest divided by the average of total equity plus total debt, 2017 CROCE pro forma for asset sales, excluding Libya at \$65/bbl Brent / \$60/bbl WTI. See Appendix for GAAP reconciliation (2) Cash flow growth is from 2017 pro forma for asset sales, excluding Libya (3) At \$65/bbl Brent / \$60/bbl WTI

# Portfolio Delivers Market Leading Cash Flow Growth

~24% cash flow CAGR to 2021 leads peers and key sectors of S&P 500...



## CFFO CAGR<sup>1</sup> 2018 to 2021



**Among the strongest cash flow growth in the market**

(1) CAGR: Compound Annual Growth Rate. Source: Capital IQ, Bloomberg, IBES; market data as of 12/17/2019. Hess per management assumptions at \$65/bbl Brent / \$60/bbl WTI. Industry and peer group average metrics shown. Peers include Apache Corporation, Chesapeake Energy, Continental Resources, ConocoPhillips, Devon Energy, EOG Resources, Marathon Oil, Murphy Oil, Noble Energy, Occidental Petroleum and Pioneer Natural Resources. Big Web includes Alphabet, Amazon and Facebook. Big Tech includes Apple, Intel and Microsoft. Big Industrials includes Boeing, Caterpillar and Honeywell. Big Pharma includes J&J, Novartis and Pfizer.

# Guyana: Stabroek Block

>15% of Conventional Oil Discovered Globally Since 2015...



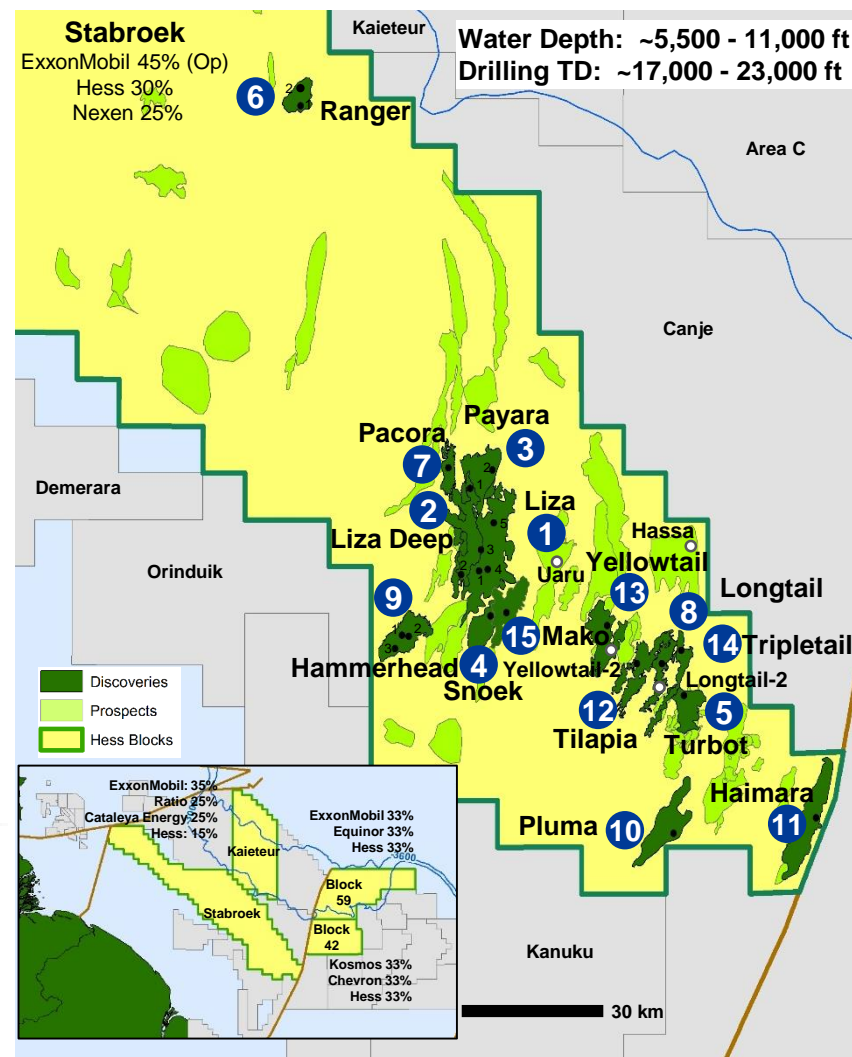
## Asset Highlights

- Hess 30% interest;  
(Operator: **ExxonMobil**)
- 6.6 million acres (equal to 1,150 GoM blocks) and low entry cost
- 15 major discoveries to date:
 

① Liza	⑥ Ranger	⑪ Haimara
② Liza Deep	⑦ Pacora	⑫ Tilapia
③ Payara	⑧ Longtail	⑬ Yellowtail
④ Snoek	⑨ Hammerhead	⑭ Tripletail
⑤ Turbot	⑩ Pluma	⑮ Mako
- Exceptional reservoir quality and low development costs
- Liza Phase 1 \$35/bbl breakeven oil price
- Liza Phase 2 \$25/bbl breakeven oil price

## Next Steps

- Drill Uaru-1 exploration well
- Perform drillstem test at Yellowtail-1 and drill and test Yellowtail-2 well
- Drill and test Longtail-2 well



**>6.0 BBOE gross discovered recoverable resource with multi billion barrels exploration upside**

# Guyana: Stabroek Block

World class investment opportunity...



## ✓ Among industry's largest offshore oil discoveries in the past decade

- >6.0 BBOE gross discovered recoverable resource
- Multi billion barrels of unrisks exploration upside

## ✓ Exceptional reservoir quality / low development costs

- ~\$35/bbl Brent breakeven for Liza Phase 1, ~\$6/BOE development costs
- ~\$25/bbl Brent breakeven for Liza Phase 2, ~\$7/BOE development costs

## ✓ Shallow producing horizons

- Less than ½ drilling time and costs vs. typical offshore deepwater exploration

## ✓ Attractive development timing

- Near bottom of offshore services cost cycle, 30% decrease in drilling costs
- Liza Phase 1 gross development costs reduced from \$4.4 billion to \$3.7 billion

## ✓ Operated by ExxonMobil

- One of most experienced developers in the world for this type of project

*Truly transformational investment opportunity for Hess*

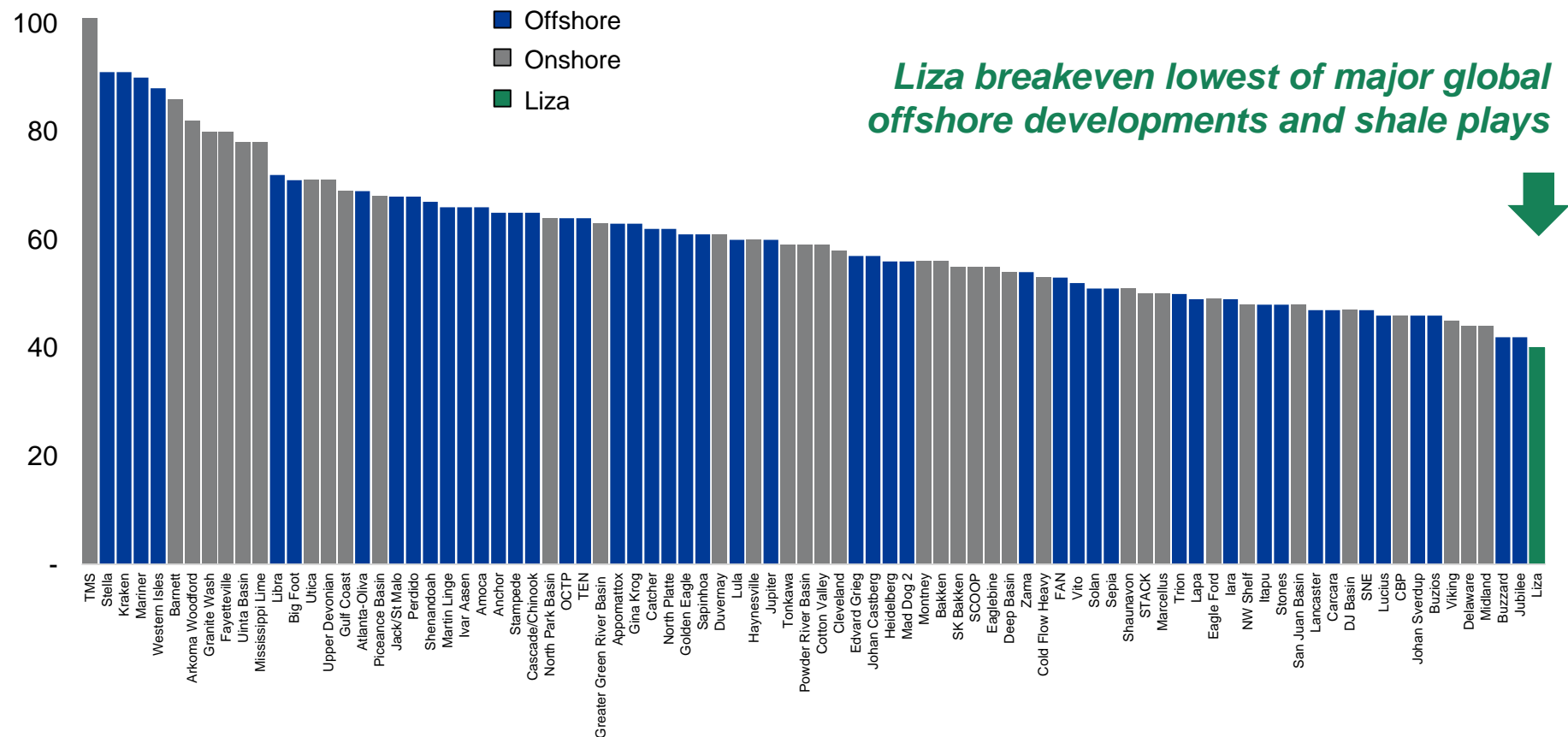
# Guyana: Stabroek Block

Industry leading breakevens...



## Project Breakevens: 50 Top Offshore Developments & Shale Plays<sup>1</sup>

RS Energy Group; \$/bbl WTI



*Liza breakeven lowest of global offshore developments and shale plays*

(1) RS Energy Group OFFSHORE FIRST CLASS The L.I.Z.A Framework (January 2018); onshore single well breakeven include facility and G&A costs and exclude acquisition costs.

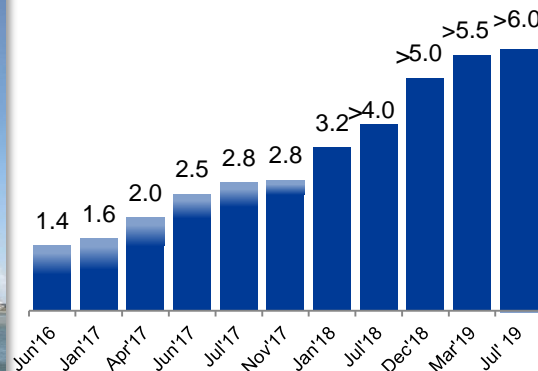
# Guyana: Stabroek Block

Guyana resources >6.0 BBOE and growing rapidly...



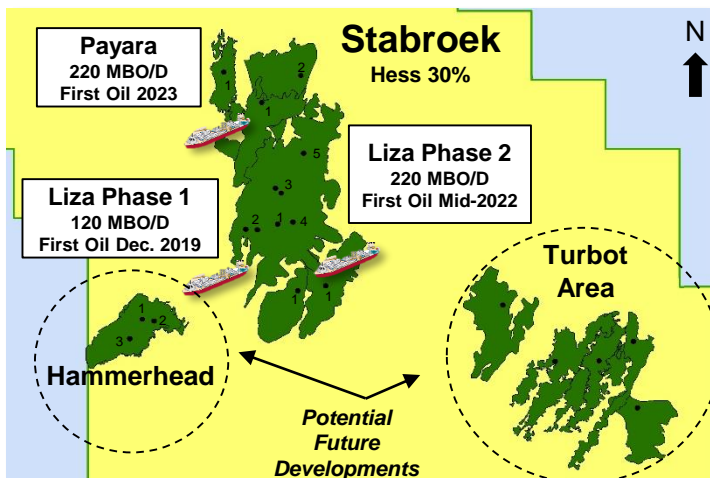
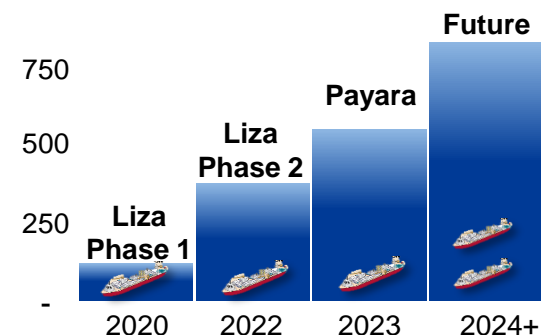
## Discovered Recoverable Resource

Cumulative BBOE<sup>1</sup>



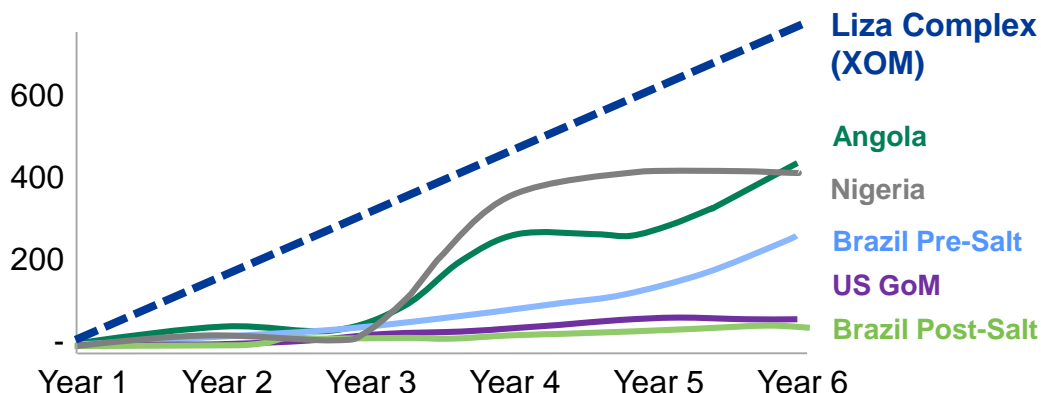
## Guyana Production Capacity

Gross Production Capacity; Cum. MBOD<sup>1</sup>



## Production Ramp-up: Key Deepwater Areas<sup>2</sup>

MBOD; Indexed to first oil



**Discovery to first oil in less than 5 years, continued success supports a minimum of 5 FPSOs**

(1) XOM and Hess public disclosures (2) Wood Mackenzie.



# Gulf of Mexico

Significant free cash flow generation, high returns with upside...

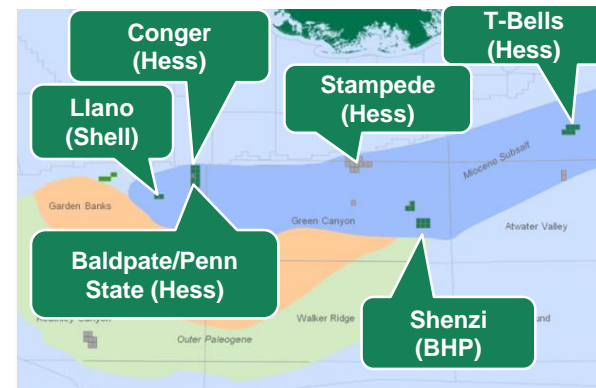


## Strategic/ Portfolio Context

- Sustain net production ~65 MBOED through 2025 through infills & tiebacks
- Platform for future growth through greenfield exploration

## Asset Highlights

- Completed successful tieback at the Llano Field
- Esx oil discovery to be tied-back to Tubular Bells production facilities; first oil in 1Q20
- Oldfield prospect spud on December 1, 2019
- Extensive inventory of high return infill and tiebacks to producing hubs



**>80**  
leasehold blocks  
in the GoM

**>15**  
opportunities  
being matured

**50-100%+**  
incremental rate  
of return<sup>1</sup>



**Substantial cash engine and platform for future growth**

(1) For tiebacks to producing hubs at \$65/bbl Brent / \$60/bbl WTI.

# South East Asia: JDA and North Malay Basin

Stable long term free cash flow generation...

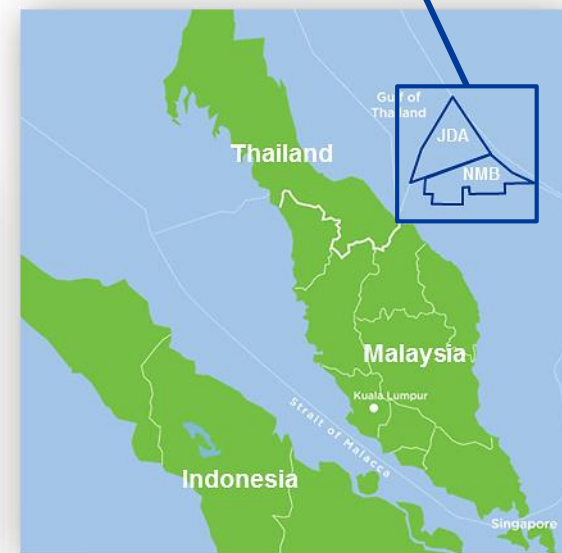
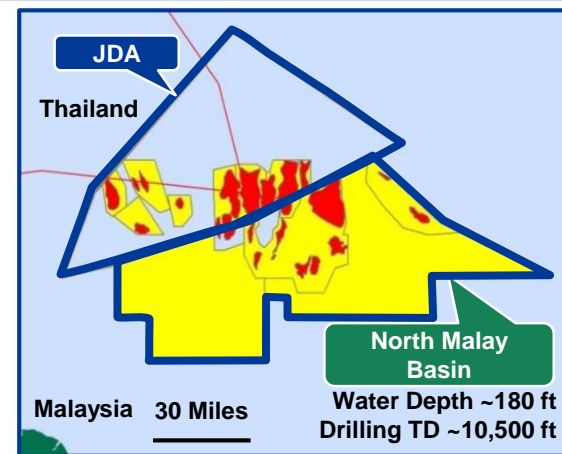


## Strategic/ Portfolio Context

- Established operator, strong partnership with PETRONAS
- Phased infill development drilling sustains net production of ~60-70 MBOED

## Asset Highlights

- Long term Gas Sales Agreement with Take or Pay
- Production Sharing Contract provides downside protection in low oil price environment
- JDA PSC to 2029, NMB PSC to 2033



**Stable long term cash generation... Production Sharing Contract provides low price resilience**

# Bakken

Leading acreage position in the core of the play...



## Strategic/ Portfolio Context

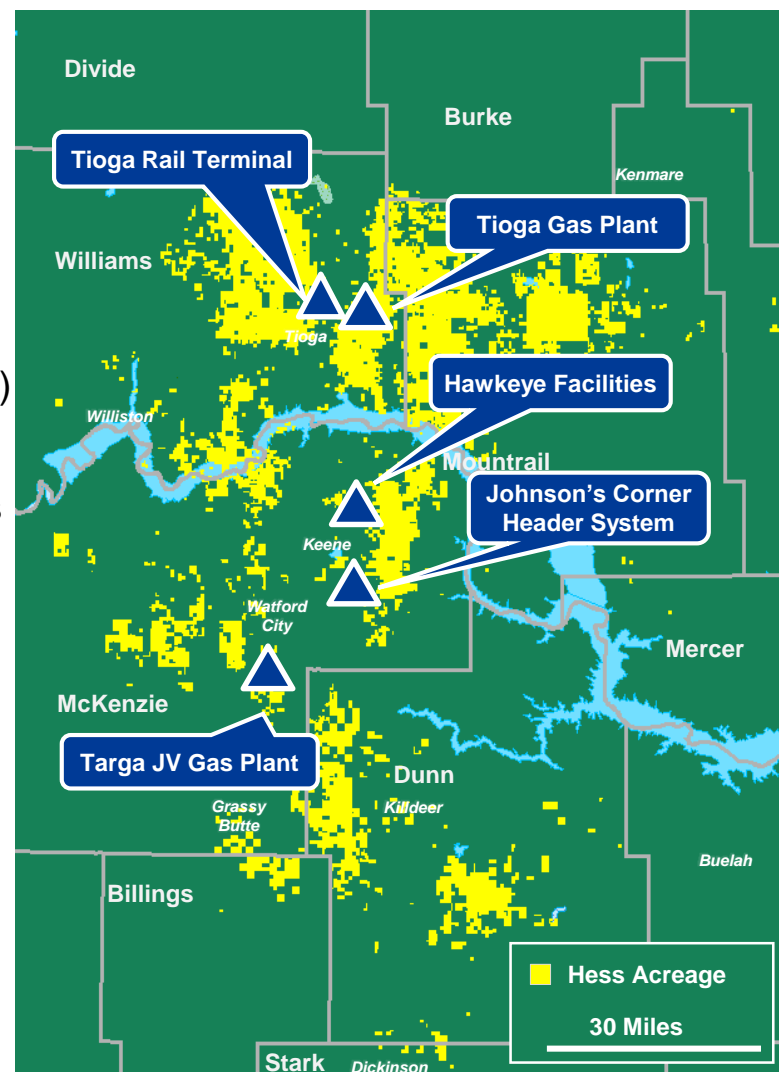
- Leading acreage position in core Middle Bakken and Three Forks
- Focus on efficiencies via Lean principles to enhance returns
- Advantaged infrastructure delivers incremental value on production

## Current Metrics

- ~550,000 net acres (Hess ~75% WI, operator)
- 2019 net production: ~150 MBOED
- Successful transition to plug & perf increases NPV by ~\$1 billion
- 6 rigs through 2020, 4 rigs 2021+
- Capital efficient ~20% production CAGR; grows to ~200 MBOED by 2021
- Avg. 2019 IP180: >120 MBO
- 2019 Bakken E&P Capex: ~\$1.4 B

## Resource Metrics

- Net EUR: ~2.3 BBOE
- ~2.0 BBOE yet to produce
- >3,000 future operated drilling locations

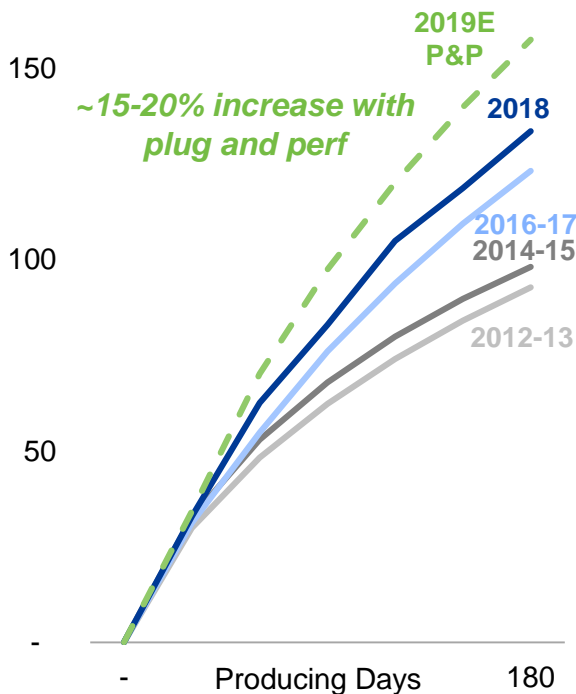


*Large scale, advantaged position with low drilling costs*

### Improving Type Curves in the Core

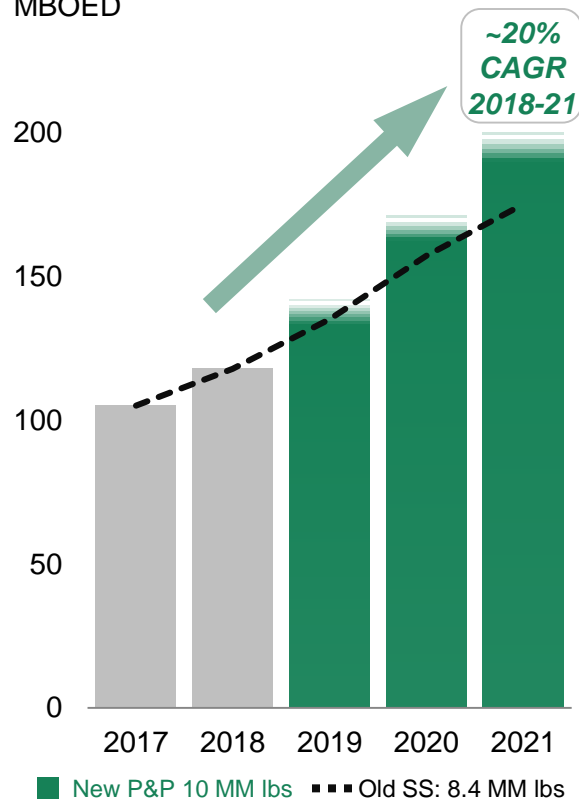
#### Type Curves

Average IP180 Cum. Oil Curve; MBO;  
Keene area



### Production Increases to ~200 MBOED by 2021

#### Bakken Production MBOED



### Premier Bakken Position

15 years drilling inventory that generates average IRR of >50%<sup>1</sup>

Production ramps to ~200 MBOED by 2021, ~20% CAGR

Successful transition to plug & perf increases NPV by ~\$1 billion<sup>1</sup>

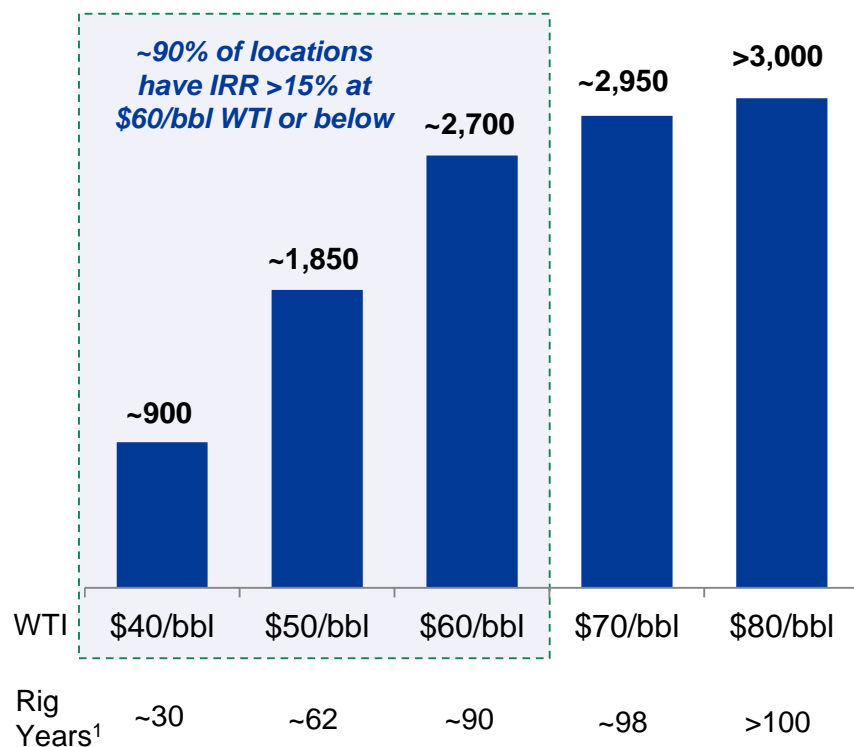
Generates >\$1 billion of annual FCF post 2020<sup>1</sup>

**High return investment opportunity providing significant growth in production and free cash flow**

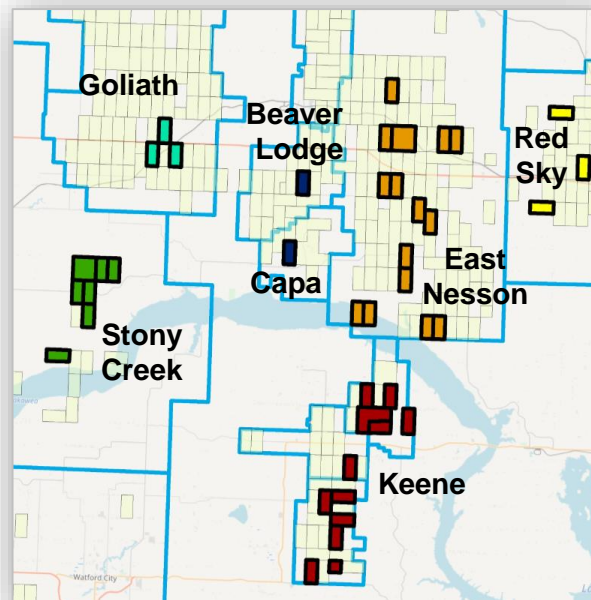
### Significant Inventory of High Return Locations

#### Number of Locations with IRRs at 15% or Above

Gross number of economic locations at various WTI prices<sup>1</sup>



### Focused 2019 Bakken Development Well Plan



**Full P&P shift with 6 rigs running in 2019**

(up from ~4.8 rigs in 2018)

**~155 wells online in 2019**

(+55% from ~100 wells in 2018)

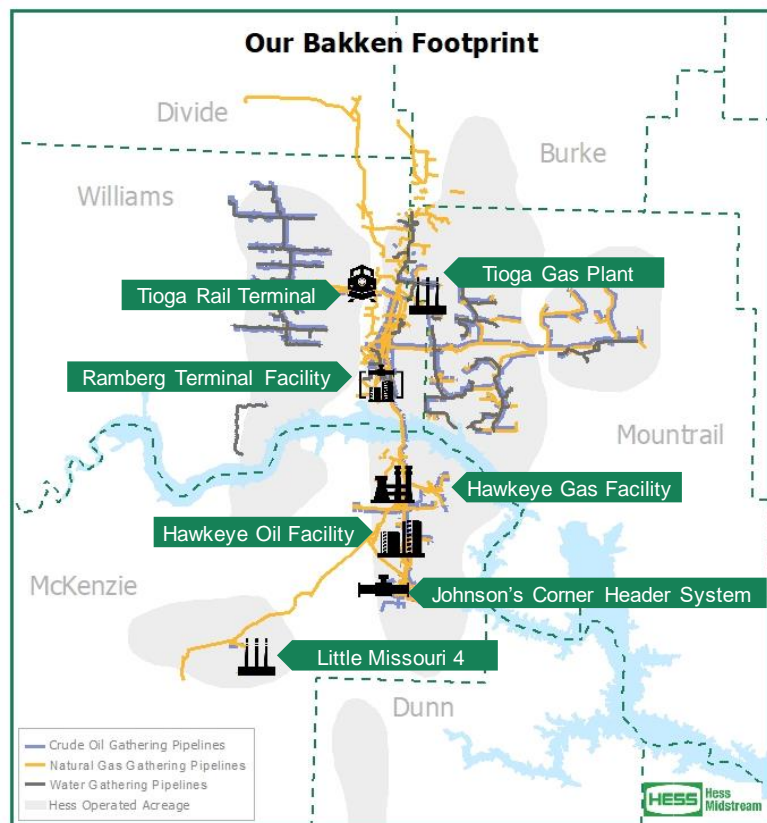
	Keene	Stony Creek	East Nesson	Beaver Lodge/Capa	Other <sup>2</sup>
EUR (MBOE)	~1,350	~1,300	~1,100	~1,100	~950
IP180 Oil (MBO)	~150	~135	~115	~100	~80
IRR (%) <sup>3</sup>	>100%	~80%	~60%	~70%	~45%
2019 wells online	~45	~25	~40	~20	~25

**Tighter well spacing... higher EUR recovery per DSU... higher DSU NPV... higher asset value**

(1) Point forward January 2019, locations generating >15% after tax return. Assumes ~30 wells/rig-year. Includes Middle Bakken and Three Forks (2) Other includes Goliath, Red Sky, Buffalo Wallow

(3) At \$65/bbl Brent / \$60/bbl WTI.





### Strategic infrastructure supporting Hess' development

- Export flexibility provides access to highest value markets
- ~70% volume currently linked to Brent based pricing
- 350 MMCFD gas processing capacity, 380 MBD crude oil gathering
- Integrated service offering – crude oil gathering & terminaling, gas gathering & processing, water handling

### Significant Midstream value

- Completed Hess Midstream Up-C conversion in Q419
- New structure provides improved visibility to material ownership value
- Visible organic growth, scale, and broad investor base support incremental valuation uplift potential
- Retain operational control to support upstream growth

**~\$3.3 billion**

Cash proceeds from Hess Midstream transactions

**~\$2.9 billion**

Retained Hess Midstream equity value <sup>1</sup>

**Strategic infrastructure supports production growth while generating significant proceeds & value**

(1) Based on Hess' retained HESM ownership of 47.0% and HESM closing price as of December 17, 2019.

# Financial Strength and Priorities

Strong cash position, hedges & industry leading cash flow growth...

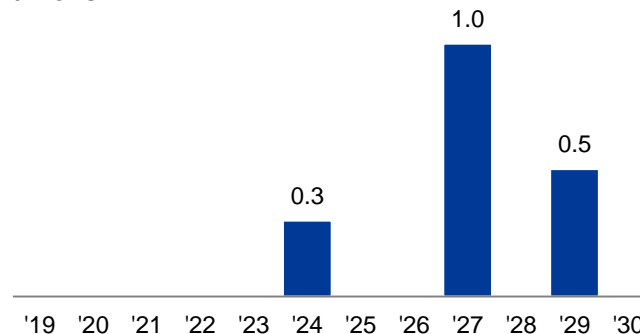


## Robust Liquidity Position

- \$5.7 B of liquidity
  - \$1.9 B cash at September 30, 2019
  - \$3.5 B undrawn revolving credit facility
  - \$0.4 B committed lines
- No significant near-term debt maturities

## Near Term Debt Maturities

\$ billions

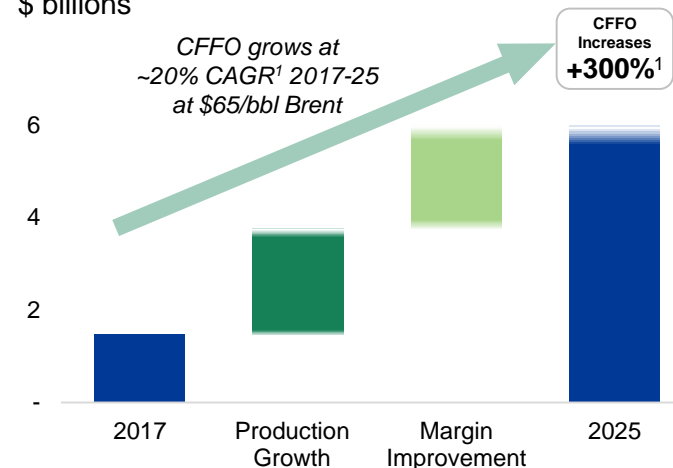


## Strong Balance Sheet

- Strong cash position
- Maintain investment grade credit rating
  - S&P BBB-, Fitch BBB-, Moody's Ba1
- 150 MBOD hedged in 2020
  - 130 MBOD with \$55/bbl WTI put options
  - 20 MBOD with \$60/bbl Brent put options

## CFFO

\$ billions



## Prioritize Return of Capital to Shareholders

- Disciplined capital allocation driving industry leading Cash Flow growth
- Free Cash Flow growth allows increasing shareholder returns through dividends and share repurchases

**World class assets... focus on returns... capital discipline... significant free cash flow growth**

(1) Cash flow growth/increase is from 2017 pro forma for asset sales, excluding Libya at \$65/bbl Brent / \$60/bbl WTI.



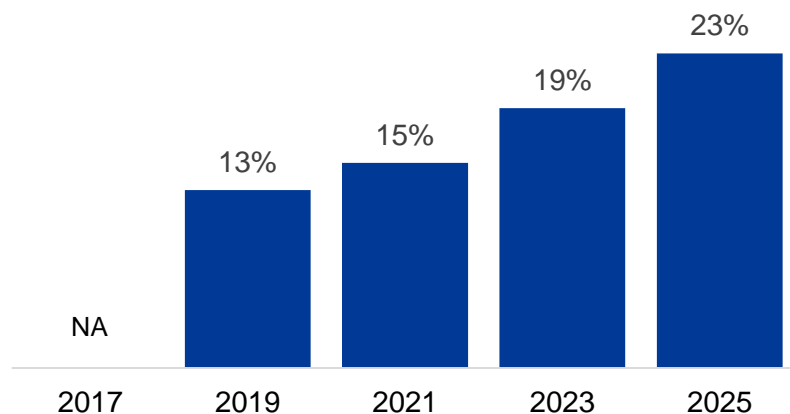
# Hess Performance Dashboard

High return projects drives superior shareholder returns & cash flow...



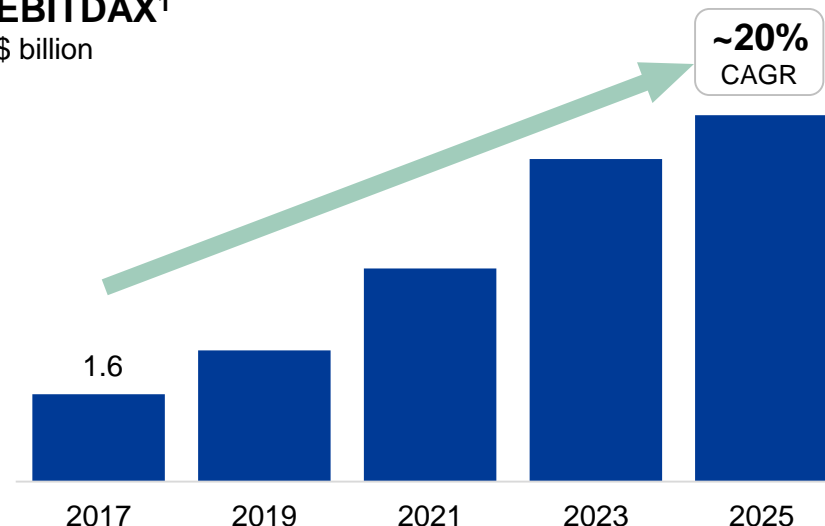
## Debt-adjusted Production Growth<sup>1</sup>

CAGR from 2017 pro forma

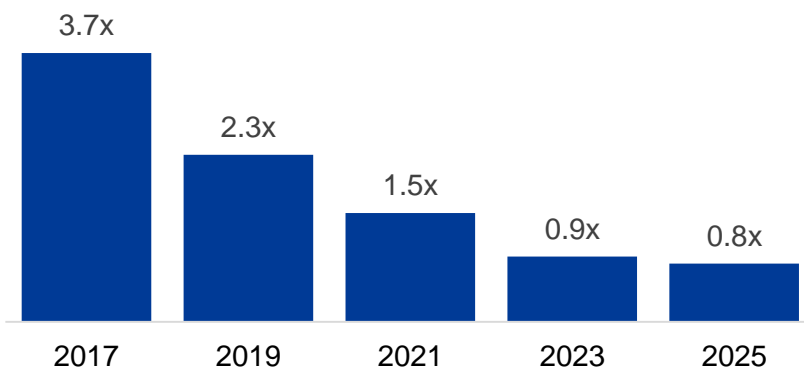


## EBITDAX<sup>1</sup>

\$ billion

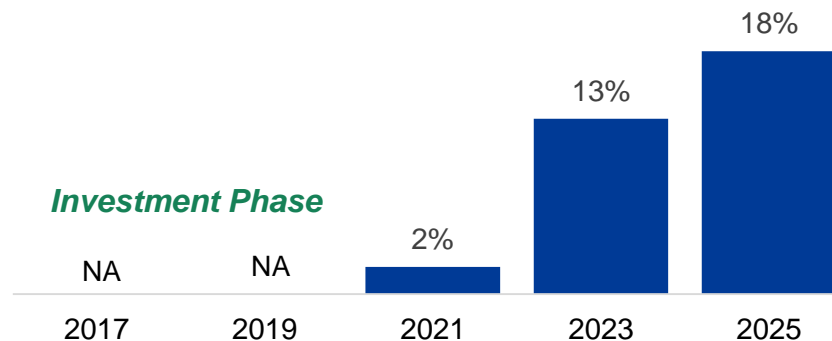


## Debt/EBITDAX<sup>1</sup>



## Free Cash Flow Yield<sup>2</sup>

% of Market Cap



**Portfolio delivers growth and free cash flow with increasing returns to shareholders**

(1) At \$65/bbl Brent / \$60/bbl WTI, 2017 pro forma for asset sales, excluding Libya. Debt-adjusted shares: Free cash flow for period divided by share price at 9/30/2019 plus ending shares outstanding. See Appendix for GAAP reconciliation. Debt includes finance lease obligations. (2) Market capitalization as of 9/30/2019, free cash flow at \$65/bbl Brent / \$60/bbl WTI. Free cash flow yield: Free cash flow divided by market capitalization.

# Transformative Inflection Point



- Industry leading cash flow growth through 2025 – with low execution risk
- Return on capital increases substantially – CROCE by over 3.5x to >30% by 2025
- Portfolio breakeven decreases to <\$40/bbl Brent by 2025
- Bakken positioned to generate >\$1B annual FCF post 2020
- Guyana world class investment – industry leading financial returns & cost metrics
- Prioritize return of capital to shareholders from increasing free cash flow

***Portfolio delivers strong financial returns, production growth and free cash flow***



# Appendix: Reconciliations of Non-GAAP Measures



## Cash Return on Capital Employed Ratio

	December 31, 2017
<i>(in millions)</i>	Hess Consolidated
Net cash provided by (used in) operating activities	\$945
Add: Changes in operating assets and liabilities	\$780
Less: Pro forma adjustments <sup>1</sup>	\$(257)
Add: Interest expense	\$325
<b>Cash Return</b>	<b>\$1,793</b>
2016 Total Debt & Total Equity	\$22,397
2017 Total Debt & Total Equity	\$19,331
<b>Average Capital Employed</b>	<b>\$20,864</b>
 <b>Cash Return on Capital Employed</b>	 <b>9%</b>

(1) Adjusted for asset sales, Libya, and reflects \$65/bbl Brent / \$60/bbl WTI.

# Appendix: Reconciliations of Non-GAAP Measures



## Debt/EBITDAX

	December 31, 2017
<i>(in millions)</i>	Hess Consolidated
Net income (loss)	\$(3,941)
Add: Provision (benefit) for income taxes	\$(1,837)
Add: Impairment	\$4,203
Add: Depreciation, depletion and amortization	\$2,883
Add: Interest expense	\$325
Add: Exploration expenses, including dry holes and lease impairments	\$507
Add: Non-cash (gains) losses on commodity derivatives, net	\$97
Less: Pro forma adjustments <sup>1</sup>	\$(596)
<b>EBITDAX</b>	<b>\$1,641</b>
 Total Hess Consolidated Debt	 \$6,977
Less: Midstream Debt	\$(980)
<b>Hess Corporation Debt</b>	<b>\$5,997</b>
 <b>Debt/EBITDAX</b>	 <b>3.7x</b>

(1) Adjusted for asset sales, Libya, Midstream noncontrolling interest and reflects \$65/bbl Brent / \$60/bbl WTI.

