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EQT Announces 2018 Operational Forecast

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Volume Growth of 17% Forecast Within Cash Flow

PITTSBURGH--(BUSINESS WIRE)--EQT Corporation (NYSE:EQT) today announced the Company's 2018 capital expenditure (CAPEX) forecast of $2.4 billion, which includes $2.2 billion for well development and $150 million for acreage fill-ins and bolt-on leasing. Based on current pricing and synergy capture, the 2018 drilling program is expected to be fully funded through adjusted operating cash flow attributable to EQT.

"We have already begun to realize synergies associated with completion of the Rice Energy acquisition, which include an estimated $100 million reduction in our projected corporate G&A expenses," stated Steve Schlotterbeck, EQT's president and chief executive officer. "Initial development plans for our consolidated acreage target a 50% increase in average lateral lengths, which is exceeded with 12,600 foot laterals projected in Pennsylvania, resulting in a 40% reduction in per unit LOE and production SG&A expenses. These cost structure and capital efficiency improvements support a more compelling investment proposition, as we shift from maximizing volume growth to focusing on capital returns and returning cash to shareholders."

EQT forecasts 2018 production sales volume of 1,520 – 1,560 Bcfe. The 2018 drilling program anticipates a 15% increase in production sales volume in 2019. It is anticipated that the 2019 development plan will be funded entirely by the cash flow provided by EQT Production.

EQT's 2018 CAPEX forecast excludes CAPEX for its retained midstream assets, as well as for EQT Midstream Partners, LP (NYSE:EQM) and Rice Midstream Partners LP (NYSE:RMP), master limited partnerships controlled by EQT Corporation and consolidated in EQT's financial statements. EQM and RMP announced their 2018 CAPEX forecasts today in a separate news release, which can be found at www.eqtmidstreampartners.com and www.ricemidstream.com, respectively.

MARCELLUS DEVELOPMENT

In 2018, the Company plans to drill 139 Marcellus wells with an average lateral length of 11,800 feet – all of which will be on multi-well pads to maximize operational efficiency and well economics. The program will focus on the Company's core Marcellus acreage, which is targeting 111 wells in Pennsylvania and 28 wells in West Virginia. During the year, the Company plans to turn-in-line (TIL) 160 –170 Marcellus wells.

OHIO UTICA DEVELOPMENT

The Company plans to drill 38 gross (25 net) Ohio Utica wells with an average lateral length of 11,300 feet. The Company plans to TIL 40 – 50 gross wells during the year.

UPPER DEVONIAN DEVELOPMENT

The Company plans to drill 19 Upper Devonian wells with an average lateral length of 15,600 feet. These wells will be limited to co-development on Marcellus pads in Pennsylvania. The Company plans to TIL 20 – 25 wells during the year.

RICE DEBT REPLACEMENT SAVINGS

As a result of the replacement of $1.3 billion of Rice senior notes with lower coupon investment grade debt, EQT expects to realize annual interest savings of approximately $45 million.

HAYWOOD H18 WELL

Earlier this week, the company turned in line the longest lateral completed to date by any operator in the Marcellus. The Haywood H18 well in Washington County, PA has a completed lateral length of 17,400 feet and will develop 42 Bcfe of reserves. Laterals of this length are projected to have development costs of $0.36 / Mcfe and will generate an IRR greater than 70% at $3.00 NYMEX. The company plans to drill 27 Marcellus wells at 17,000 feet or longer in 2018.

2018 GUIDANCE

Based on current NYMEX natural gas prices, adjusted operating cash flow attributable to EQT is projected to be $2,350 - $2,450 million for 2018, which includes $325 – $375 million from EQT's interests in EQT GP Holdings, LP (NYSE:EQGP) and RMP. See the Non-GAAP Disclosures section for important information regarding the non-GAAP financial measures included in this news release, including reasons why EQT is unable to provide a projection of its 2018 net cash provided by operating activities, the most comparable financial measure to adjusted operating cash flow attributable to EQT and to EQT Production, calculated in accordance with GAAP.

PRODUCTION

	Q3 2017		2018	Difference
Total production sales volume (Bcfe)			1,520 – 1,560	
Liquids sales volume, excluding ethane (Mbbls)			13,400 – 13,800	
Ethane sales volume (Mbbls)			4,900 – 5,200	
Marcellus / Upper Devonian Rigs			10	
Top-hole rigs			4	
Frac Crews			10	
Unit Costs ($ / Mcfe)				
Gathering to EQM and RMP	$ 0.47	$	0.48 – 0.50	4%
Transmission to EQM	$ 0.23	$	0.11 – 0.13	(48)%
Third-party gathering and transmission	$ 0.45	$	0.42 – 0.44	(4)%
LOE, excluding production taxes	$ 0.13	$	0.07 – 0.09	(38)%
Production taxes	$ 0.07	$	0.06 – 0.08	–
SG&A	$ 0.19	$	0.10 – 0.12	(42)%
DD&A	$ 1.03	$	1.16 – 1.18	14%
Development costs ($ / Mcfe)	$ 0.58*	$	0.44	(24)%
Average differential ($ / Mcf)		$	(0.50) – (0.30)	
Net marketing services ($MM)		$	50 – 65	

**Full-year 2017 estimate*

FINANCIAL

Adjusted operating cash flow attributable to EQT Production ($MM) $ 2,285 – 2,335

HEDGING

The Company's total natural gas production hedge positions through 2020 are

	2018	2019	2020
NYMEX Swaps			
Total Volume (Bcf)	439	174	211
Average Price per Mcf (NYMEX)	$ 3.16	$ 3.07	$ 3.06
Collars			
Total Volume (Bcf)	117	66	—

Average Floor Price per Mcf (NYMEX)	$ 3.28	$ 3.15	$ –
Average Cap Price per Mcf (NYMEX)	$ 3.78	$ 3.68	$ –
Puts (Long)			
Total Volume (Bcfe)	10	7	–
Average Floor Price per Mcf (NYMEX)	$ 2.91	$ 2.94	$ –

- The Company also sold calendar 2018 and 2019 calls/swaptions for approximately 75 and 45 Bcf at a strike price of $3.48 and $3.69 per Mcf, respectively
- For 2018 the Company sold puts for approximately 3 Bcf at a strike price of $2.63 per Mcf
- The average price is based on a conversion rate of 1.05 MMBtu/Mcf

YEAR-END 2017 EARNINGS CALL INFORMATION

The Company intends to release full-year 2017 earnings and host a live webcast for security analysts on February 15, 2018. The webcast will be available at www.eqt.com and will begin at 10:30 a.m. ET.

Non-GAAP Disclosures

Adjusted Operating Cash Flow Attributable to EQT and Adjusted Operating Cash Flow Attributable to EQT Production

Adjusted operating cash flow attributable to EQT and adjusted operating cash flow attributable to EQT Production are non-GAAP supplemental financial measures that are presented as indicators of an oil and gas exploration and production company's ability to internally fund exploration and development activities and to service or incur additional debt. EQT includes this information because management believes that changes in operating assets and liabilities relate to the timing of cash receipts and disbursements and therefore may not relate to the period in which the operating activities occurred. Adjusted operating cash flow attributable to EQT is EQT's net cash provided by operating activities, less changes in other assets and liabilities, adjusted to exclude EQM and RMP adjusted EBITDA (non-GAAP supplemental financial measures described below), plus EQM and RMP interest expense plus the EQGP and RMP cash distributions payable to EQT. Management believes that removing the impact on operating cash flows of the public unitholders of EQM, EQGP and RMP that is otherwise required to be consolidated in EQT's results provides useful information to an EQT investor. As used in this news release, adjusted operating cash flow attributable to EQT Production means the EQT Production segment's total operating revenues less the EQT Production segment's cash operating expense, less gains (losses) on derivatives not designated as hedges, plus net cash settlements received (paid) on derivatives not designated as hedges, plus premiums received (paid) for derivatives that settled during the period, plus EQT Production asset impairments (if applicable). Adjusted operating cash flow attributable to EQT and adjusted operating cash flow attributable to EQT Production should not be considered as alternatives to net cash provided by operating activities presented in accordance with GAAP.

EQT has not provided projected net cash provided by operating activities or a reconciliation of projected adjusted operating cash flow attributable to EQT or projected adjusted operating cash flow attributable to EQT Production to projected net cash provided by operating activities, the most comparable financial measure calculated in accordance with GAAP. EQT is unable to project net cash provided by operating activities 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. EQT is unable to project these timing differences with any reasonable degree of accuracy without unreasonable efforts such as predicting the timing of its and customers' payments, with accuracy to a specific day, three or more months in advance. Furthermore, EQT does not provide guidance with respect to its average realized price or income taxes, among other items, that are reconciling items between net cash provided by operating activities and adjusted operating cash flow attributable to EQT and adjusted operating cash flow attributable to EQT Production, as applicable. Natural gas prices are volatile and out of EQT's control, and the timing of transactions and the income tax effects of future transactions and other items are difficult to accurately predict. Therefore, EQT is unable to provide projected net cash provided by operating activities, or the related reconciliation of projected adjusted operating cash flow attributable to EQT and projected operating cash flow attributable to EQT Production to projected net cash provided by operating activities, without unreasonable effort.

EQT Midstream Partners Adjusted EBITDA

As used in this news release, EQT Midstream Partners (EQM) adjusted EBITDA means EQM's net income plus EQM's net interest expense, depreciation and amortization expense, income tax expense (benefit) (if applicable), preferred interest payments received post-conversion, and non-cash long-term compensation expense less EQM's equity income, AFUDC-equity, pre-acquisition capital lease payments for Allegheny Valley Connector, LLC (AVC), and adjusted EBITDA of assets prior acquisition. EQM adjusted EBITDA is a non-GAAP supplemental financial measure that management and external users of EQT's consolidated financial statements, such as industry analysts, investors, lenders and rating agencies, use to assess the effects of the noncontrolling interests in relation to:

- EQT's operating performance as compared to other companies in its industry;
- the ability of EQT's assets to generate sufficient cash flow to make distributions to its investors;
- EQT's ability to incur and service debt and fund capital expenditures; and
- the viability of acquisitions and other capital expenditure projects and the returns on investment of various investment opportunities.

EQT believes that EQM adjusted EBITDA provides useful information to investors in assessing EQT's financial condition and results of operations. EQM adjusted EBITDA should not be considered as an alternative to EQM's net income, operating income, or any other measure of financial performance or liquidity presented in accordance with GAAP. EQM adjusted EBITDA has important limitations as an analytical tool because it excludes some, but not all, items that affect EQM's net income. Additionally, because EQM adjusted EBITDA may be defined differently by other companies in EQT's or EQM's industries, the definition of EQM adjusted EBITDA may not be comparable to similarly titled measures of other companies, thereby diminishing the utility of the measure.

Rice Midstream Partners Adjusted EBITDA

As used in this news release, Rice Midstream Partners (RMP) adjusted EBITDA means RMP's net income (loss) plus RMP's net interest expense, depreciation expense, amortization of intangible assets, non-cash equity compensation expense, amortization of deferred financing costs and other nonrecurring items. RMP adjusted EBITDA is a non-GAAP supplemental financial measure that management and external users of EQT's consolidated financial statements, such as industry analysts, investors, lenders and rating agencies, use to assess the effects of the noncontrolling interests in relation to:

- EQT's operating performance as compared to other companies in its industry;
- the ability of EQT's assets to generate sufficient cash flow to make distributions to its investors;
- EQT's ability to incur and service debt and fund capital expenditures; and
- the viability of acquisitions and other capital expenditure projects and the returns on investment of various investment opportunities.

EQT believes that RMP adjusted EBITDA provides useful information to investors in assessing EQT's financial condition and results of operations. RMP adjusted EBITDA should not be considered as an alternative to RMP's net income, operating income, or any other measure of financial performance or liquidity presented in accordance with GAAP. RMP adjusted EBITDA has important limitations as an analytical tool because it excludes some, but not all, items that affect RMP's net income. Additionally, because RMP adjusted EBITDA may be defined differently by other companies in EQT's or RMP's industries, the definition of RMP adjusted EBITDA may not be comparable to similarly titled measures of other companies, thereby diminishing the utility of the measure.

About EQT Corporation:

EQT Corporation is an integrated energy company with emphasis on Appalachian area natural gas production, gathering, and transmission. With nearly 130 years of experience and a long-standing history of good corporate citizenship, EQT is the largest producer of natural gas in the United States. As a leader in the use of advanced horizontal drilling technology, EQT is committed to minimizing the impact of drilling-related activities and reducing its overall environmental footprint. Through safe and responsible operations, EQT is helping to meet the nation's growing demand for clean-burning energy, while continuing to provide a rewarding workplace and enrich the communities where its employees live and work. EQT owns a 90% limited partner interest in EQT GP Holdings, LP, which owns the general partner interest, all of the incentive distribution rights, and a portion of the limited partner interests in EQT Midstream Partners, LP. EQT also owns a 28% limited partner interest and all of the incentive distribution rights in Rice Midstream Partners LP.

Visit EQT Corporation at www.EQT.com and to learn more about EQT's sustainability efforts, please visit https://csr.eqt.com.

About EQT Midstream Partners:

EQT Midstream Partners, LP is a growth-oriented limited partnership formed by EQT Corporation to own, operate, acquire, and develop midstream assets in the Appalachian Basin. The Partnership provides midstream services to EQT Corporation and third-party companies through its strategically located transmission, storage, and gathering systems that service the Marcellus and Utica regions. The Partnership owns approximately 950 miles of FERC-regulated interstate pipelines; and also owns approximately 1,800 miles of high and low pressure gathering lines.

Visit EQT Midstream Partners, LP at www.eqtmidstreampartners.com.

About EQT GP Holdings:

EQT GP Holdings, LP is a limited partnership that owns the general partner interest, all of the incentive distribution rights, and a portion of the limited partner interests in EQT Midstream Partners, LP. EQT Corporation owns the general partner interest and a 90% limited partner interest in EQT GP Holdings, LP.

Visit EQT GP Holdings, LP at www.eqtmidstreampartners.com.

About Rice Midstream Partners:

Rice Midstream Partners LP is a fee-based, growth-oriented limited partnership formed to own, operate, develop and acquire midstream assets in the Appalachian basin. RMP provides midstream services to EQT Corporation and third-party companies through its natural gas gathering, compression and water assets in the rapidly developing dry gas cores of the Marcellus and Utica Shales.

Visit Rice Midstream Partners LP at www.ricemidstream.com.

Cautionary Statements

Disclosures in this news release contain certain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. Statements that do not relate strictly to historical or current facts are forward-looking. Without limiting the generality of the foregoing, forward-looking statements contained in this news release specifically include the expectations of plans, strategies, objectives and growth and anticipated financial and operational performance of the Company and its subsidiaries, including guidance regarding the Company's strategy to develop its Marcellus, Ohio Utica, Upper Devonian and other reserves; drilling plans and programs (including the number, type, average lateral length and location of wells to be drilled or turned-in-line, the number and type of drilling rigs, the number of frac crews and the number of multi-pad wells); projected production sales volume and growth rates (including liquids sales volume and growth rates); projected unit costs, G&A expenses, expense reductions, average differential and net marketing services revenue; projected adjusted operating cash flow attributable to EQT and projected adjusted operating cash flow attributable to EQT Production; projected capital expenditures, capital budget, and sources of funds for capital expenditures; return on capital; and projected cash flows, including the ability to fund the 2018 drilling program through cash from operations, and projected cash flows resulting from the Company’s partnership interests in EQGP and RMP. These statements involve risks and uncertainties that could cause actual results to differ materially from projected results. Accordingly, investors should not place undue reliance on forward-looking statements as a prediction of actual results. The Company has based these forward-looking statements on current expectations and assumptions about future events. While the Company considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks and uncertainties, many of which are difficult to predict and beyond the Company's control. The risks and uncertainties that may affect the operations, performance and results of the Company's business and forward-looking statements include, but are not limited to, those set forth under Item 1A, "Risk Factors" of the Company's Form 10-K for the year ended December 31, 2016, as updated by any subsequent Form 10-Qs.

Any forward-looking statement speaks only as of the date on which such statement is made and the Company does not intend to correct or update any forward-looking statement, whether as a result of new information, future events or otherwise.

Information in this news release regarding EQGP and its subsidiaries, including EQM, and RMP and its subsidiaries, is derived from publicly available information published by the partnerships.

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Contact:

EQT analyst inquiries:
Patrick Kane, 412-553-7833
Chief Investor Relations Officer
pkane@eqt.com
or
EQT Midstream Partners or Rice Midstream Partners analyst inquiries:
Nate Tetlow, 412-553-5834
Investor Relations Director
ntetlow@eqt.com
or
Media inquiries:
Natalie Cox, 412-395-3941
Corporate Director, Communications
ncox@eqt.com

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