# CONE Midstream Partners LP

# 3Q 2016 Earnings

November 4, 2016

CONE Midstream Partners LP

# Disclaimer – Forward Looking Statements

This presentation contains forward-looking statements within the meaning of the federal securities laws. Statements that are predictive in nature, that depend upon or refer to future events or conditions or that include the words "believe," "expect," "anticipate," "intend," "estimate" and other expressions that are predictions of or indicate future events and trends and that do not relate to historical matters identify forward-looking statements. Forward-looking statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict, and there can be no assurance that actual outcomes and results will not differ materially from those expected by our management. Factors that could cause our actual results to differ materially from the results contemplated by such forward-looking statements include, among others: the effects of changes in market prices of natural gas, NGLs and crude oil on our Sponsors' drilling and development plans on our dedicated acreage and the volumes of natural gas and condensate that are produced on our dedicated acreage; changes in our Sponsors' drilling and development plans in the Marcellus Shale and Utica Shale; our Sponsors' ability to meet their drilling and development plans in the Marcellus Shale and Utica Shale; the demand for natural gas and condensate gathering services; changes in general economic conditions; competitive conditions in our industry; actions taken by third-party operators, gatherers, processors and transporters; our ability to successfully implement our business plan; and our ability to complete internal growth projects on time and on budget. You should not place undue reliance on our forward-looking statements. Although forward-looking statements reflect our good faith beliefs at the time they are made, forward-looking statements involve known and unknown risks, uncertainties and other factors, including the factors described under "Risk Factors" and "Forward-Looking Statements" in our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, which may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, unless required by law.

This presentation also contains non-GAAP financial measures. A reconciliation of these measures to the most directly comparable GAAP measures is available in the appendix to this presentation.

# Q3 Highlights – Another Quarter of Solid Performance

- **Bottom line results ahead of internal expectations**
- **Increases over prior year (3Q 2015):**
  - Revenue (gross) up 13%
  - Net CNNX Volumes up 31%
  - Net Income to CNNX up 20%
  - Adjusted EBITDA (gross) up 12%
  - Adjusted EBITDA net to CNNX up 22%
  - Distributable Cash Flow up 19%
- **Continued focus on cost optimization and operating efficiencies**
  - Unit operating expense net of power approximately 7.8¢/MMBtue
- **Distribution increase of 3.5% (annualized growth rate of 15.4%)**
- **Distribution coverage of 1.47x (on declared amount)**
- **Cash flow positive – capital expenditures funded from operating cash**
- **$41 million total debt on balance sheet**
  - 0.35x debt (net of cash-on-hand)/LTM Adjusted EBITDA

# Inventory of Wells Drilled But Not Connected

| | Anchor | Growth | Additional | Total | Wet | Dry |
|---|---|---|---|---|---|---|
| **Inventory 12/31/15** | 60 | 0 | 62 | 122 | 68 | 54 |
| **2016 Well Connections** | | | | | | |
| **Q1 TIL** | 26 | 0 | 0 | 26 | 0 | 26 |
| **Q2 TIL** | 8 | 0 | 6 | 14 | 6 | 8 |
| **Q3 TIL** | 1 | 0 | 0 | 1 | 0 | 1 |
| **Scheduled Q4** | 6 | 0 | 0 | 6 | 0 | 6 |
| **Total 2016 TIL** | 41 | 0 | 6 | 47 | 6 | 41 |
| **Inventory 12/31/16** | 19 | 0 | 56 | 75 | 62 | 13 |
| **Projected 12/31/16 Inventory Ownership** | | | | 53 | | |
| **CONSOL** | | | | 22 | | |
| **Noble** | | | | | | |

Note: Does not include 28 wells that have been top-hole drilled or prospective additions to inventory from CONSOL's announced resumption of drilling activity.

# Split of Sponsors’ Upstream JV a Win-Win-Win

- **What Doesn’t Change:**
  - Total acreage dedicated to CONE by CONSOL and Noble
  - Gathering Rates
  - Fundamental terms and conditions of gas gathering agreements
  - Right of First Offer (“ROFO”) on remaining acreage positions owned by CONSOL and Noble
  - Sponsors’ ownership of GP and LP interests in CONE
  - Strong, positive working relationship with both Sponsors
  - Safe, reliable, cost-efficient service provided to our shippers
- **What Does Change:**
  - Sponsors’ ownership of acreage dedications and ROFO acreage positions
  - Sponsors’ ability to make investment decisions becomes independent, eliminating Joint Development Committee
- **Potential Upsides for CONE:**
  - Faster pace / increase in total development activity on acreage dedicated to CONE
  - Potential improved ability to attract / add third party business
  - Longer planning horizon provides improved forward visibility

# Appendix

# CONSOL Recap of Exchange Agreement Shows Split of Acreage Positions

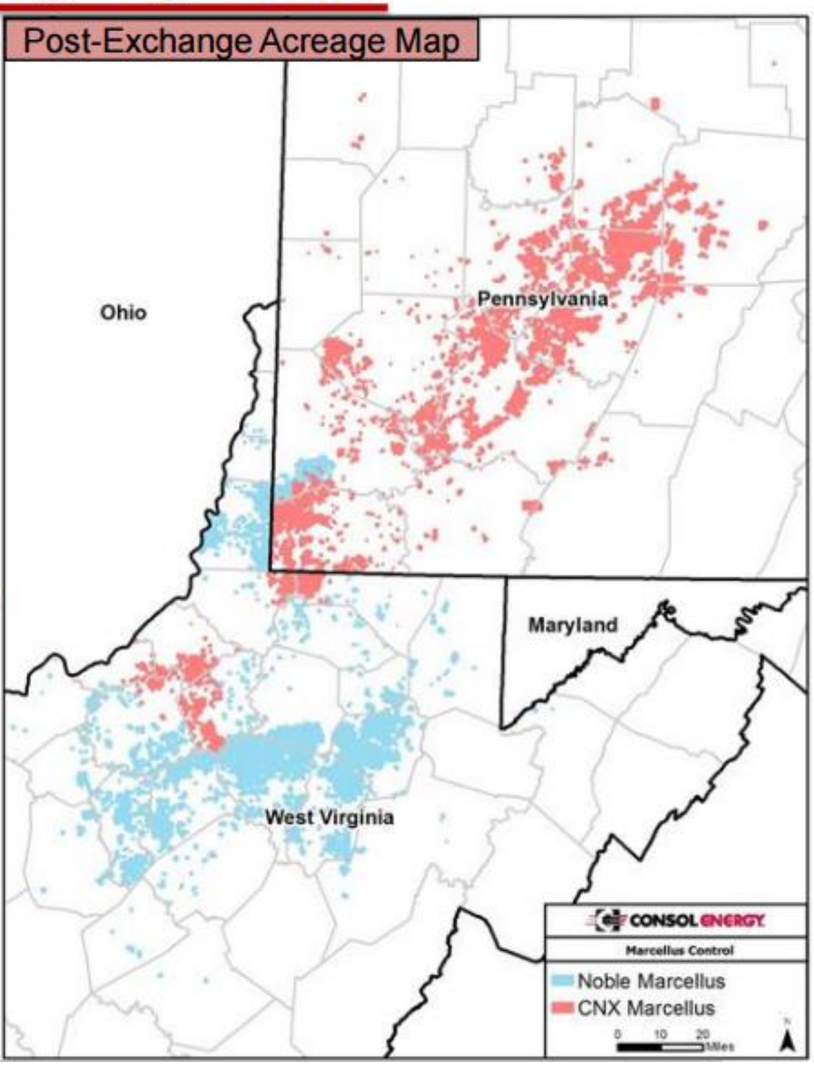
CONSOL ENERGY
AMERICA'S ENERGY STARTS HERE.

## Marcellus Joint Venture (JV) Exchange Agreement

1. Exchange agreement of jointly owned Oil & Gas properties, consisting of:
   - Developed properties with associated current production of 1,070 MMcfe/d, net to the JV. CNX and NBL to receive net production of ~620 and ~450 MMcfe/d, respectively
   - Undeveloped properties, including 75 drilled but uncompleted locations (DUCs), and ~669,000 Marcellus Shale acres, net to the JV
     - CNX to receive 53 DUCs and ~306,000 net Marcellus Shale acres
     - NBL to receive 22 DUCs and ~363,000 net Marcellus Shale acres
   - CONSOL will receive a disproportionately greater value in the property exchange, with the difference equal to ~$275 million
2. Cash payment from NBL to CNX equal to ~$205 million
3. Cancellation of remaining drilling "carry" obligation due from NBL to CNX equal to $1.6 billion; "carry" was only to be paid when Henry Hub natural gas price was equal to or greater than $4/MMBtu for 3 consecutive months, with an annual limit of $400 million
4. Anticipate closing in Q4 2016; effective as of October 1, 2016

**Firm Transportation (FT) and Processing Commitments:**

- NBL and CNX have agreed to work with the pipelines to reallocate firm transportation to better align with the upstream assets
- The targeted reallocation between CNX and NBL attempts to be value neutral to both parties, while optimizing firm capacity to post-alignment production expectations
- No material changes to previous financial FT and processing commitments
  - No NGL sales commitments were impacted by the NBL transaction




Source: CONSOL Energy Analyst Call Presentation – Oct 31, 2016

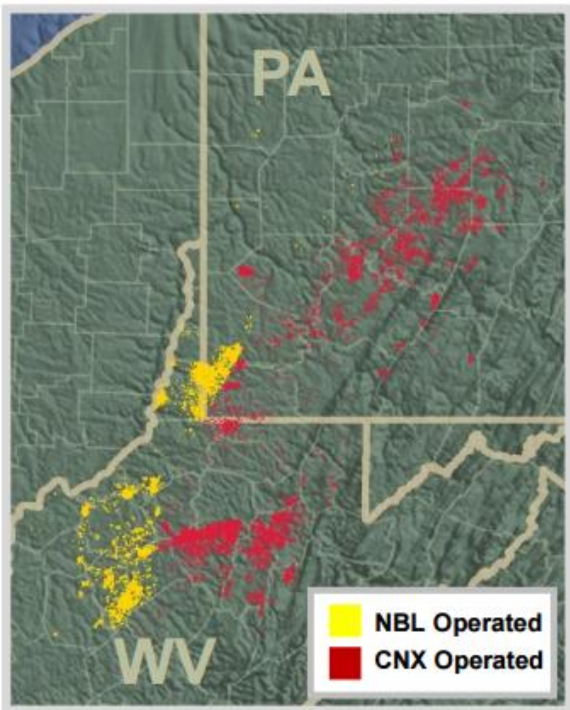
# Noble Sees Value Maximization for All Parties from JV Split

## Marcellus Joint Venture Separation

NBL

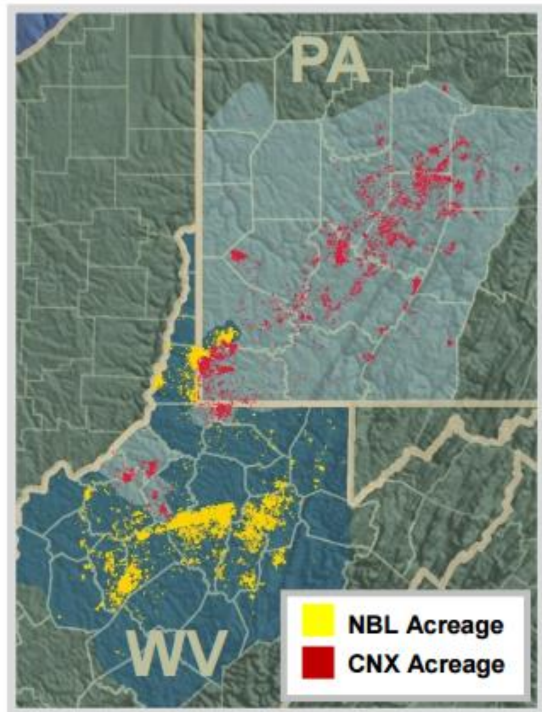
***Enhancing control over pace and scale of development***

**Before**




- NBL - 50% WI in 669,000 gross acres
- NBL - 535 MMcfe/d net production
- $1.6 B carry obligation and JV/JDA with CNX

**After**




- NBL - 100% WI in 363,000 net acres
- NBL - 450 MMcfe/d net production
- Carry obligation removed, JV/JDA dissolved

**Maximizes Value and Flexibility For All Parties**

- 100% working interest in retained acreage

**Maintain Premium Position in the Best U.S. Gas Basin**

- 363,000 net acres
- Keep core areas in Majorsville, Moundsville and North Ninevah

**No Changes in CONE Ownership Structure**

- All acreage remains dedicated to CONE
- No modifications to fee structure or long-term contracts

Source: Noble Energy Earnings Call Presentation – November 2, 2016

# Non-GAAP Financial Measures

**EBITDA and Adjusted EBITDA**

We define EBITDA as net income (loss) before net interest expense, depreciation and amortization, and Adjusted EBITDA as EBITDA adjusted for non-cash items which should not be included in the calculation of distributable cash flow. EBITDA and Adjusted EBITDA are used as supplemental financial measures by management and by external users of our financial statements, such as investors, industry analysts, lenders and ratings agencies, to assess:

- our operating performance as compared to those of other companies in the midstream energy industry, without regard to financing methods, historical cost basis or capital structure;
- the ability of our assets to generate sufficient cash flow to make distributions to our partners;
- our 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.

We believe that the presentation of EBITDA and Adjusted EBITDA provides information that is useful to investors in assessing our financial condition and results of operations. The GAAP measures most directly comparable to EBITDA and Adjusted EBITDA are net income and net cash provided by operating activities. EBITDA and Adjusted EBITDA should not be considered an alternative to net income, net cash provided by (used in) operating activities or any other measure of financial performance or liquidity presented in accordance with GAAP. EBITDA and Adjusted EBITDA exclude some, but not all, items that affect net income or net cash, and these measures may vary from those of other companies. As a result, EBITDA and Adjusted EBITDA as presented below may not be comparable to similarly titled measures of other companies.

**Distributable Cash Flow**

We define distributable cash flow as Adjusted EBITDA less net income attributable to noncontrolling interest, net cash interest paid and maintenance capital expenditures. Distributable cash flow does not reflect changes in working capital balances.

Distributable cash flow is used as a supplemental financial measure by management and by external users of our financial statements, such as investors, industry analysts, lenders and ratings agencies, to assess:

- the ability of our assets to generate cash sufficient to support our indebtedness and make future cash distributions to our unitholders; and
- the attractiveness of capital projects and acquisitions and the overall rates of return on alternative investment opportunities.

We believe that the presentation of distributable cash flow in this report provides information useful to investors in assessing our financial condition and results of operations. The GAAP measures most directly comparable to distributable cash flow are net income and net cash provided by operating activities. Distributable cash flow should not be considered an alternative to net income, net cash provided by operating activities or any other measure of financial performance or liquidity presented in accordance with GAAP. Distributable cash flow excludes some, but not all, items that affect net income or net cash, and these measures may vary from those of other companies. As a result, our distributable cash flow may not be comparable to similarly titled measures of other companies.

The partnership does not provide financial guidance for projected net income or changes in working capital, and, therefore, is unable to provide a reconciliation of its Adjusted EBITDA and distributable cash flow projections to net income, operating income, or net cash flow provided by operating activities, the most comparable financial measures calculated in accordance with GAAP.

**Reconciliation to GAAP Measures** (Amounts in $ Millions)

| | 2015 | | | | | 2016 | | |
|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Total | Q1 | Q2 | Q3 |
| Net Income | $ 21.2 | $ 24.9 | $ 33.6 | $ 35.8 | $ 115.5 | $ 37.3 | $ 24.5 | $ 36.4 |
| Add: Interest Expense | 0.1 | 0.0 | 0.2 | 0.6 | 0.8 | 0.4 | 0.4 | 0.3 |
| Add: Depreciation Expense | 3.0 | 3.7 | 3.8 | 4.6 | 15.1 | 4.8 | 5.2 | 5.4 |
| Add: Non-Cash Unit Based Compensation | 0.1 | 0.1 | 0.1 | 0.1 | 0.4 | 0.1 | 0.2 | 0.2 |
| Add: Inventory revaluation | - | - | - | - | - | - | 10.1 | - |
| Adjusted EBITDA | 24.4 | 28.7 | 37.7 | 41.1 | 131.8 | 42.7 | 40.3 | 42.3 |
| Less: Net Income Attributable to Noncontrolling Interest | 7.0 | 10.0 | 14.0 | 13.3 | 44.4 | 12.5 | 1.3 | 12.8 |
| Less: Depreciation, Interest Expense and Inventory revaluation Attributable to Noncontrolling Interest | 1.2 | 1.7 | 1.7 | 2.6 | 7.1 | 2.5 | 12.1 | 2.8 |
| Adjusted EBITDA Attributable to General and Limited Partner Ownership Interest in CONE Midstream Partners LP | $ 16.2 | $ 17.0 | $ 21.9 | $ 25.2 | $ 80.3 | $ 27.7 | $ 26.9 | $ 26.8 |
| Less: Interest Expense, Net | $ 0.0 | $ 0.0 | $ 0.1 | $ 0.2 | $ 0.4 | $ 0.2 | $ 0.3 | $ 0.2 |
| Less: Ongoing Maintenance Capital Expenditures, Net of Expected Reimbursements | 2.0 | 2.1 | 2.3 | 2.6 | 9.0 | 2.8 | 3.1 | 3.3 |
| Distributable Cash Flow | $ 14.1 | $ 14.9 | $ 19.5 | $ 22.4 | $ 70.9 | $ 24.6 | $ 23.6 | $ 23.3 |

Note: Totals may not foot due to rounding.



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