NEWS RELEASE

Fitch Assigns Antero Resources First Time 'BBB-' Rating; Outlook Stable

1/8/2018

Fitch Ratings-New York-08 January 2018: Fitch Ratings has assigned a first time Long-Term Issuer Default Rating (IDR) of 'BBB-' to Antero Resources Corporation (NYSE: AR). Fitch has also assigned a 'BBB-' rating to the senior secured credit facility and 'BBB-' to Antero's senior unsecured notes. Fitch rates the senior secured revolver pari-passu with the unsecured bonds due to the security fall away provisions in the credit agreement upon attainment of full investment grade (IG) status at the IDR level. The Rating Outlook is Stable.

Fitch views AR credit metrics and profile on a stand-alone basis and emphasizes deconsolidated financial metrics, but notes the strategic linkage of AR to Antero Midstream (AM), its midstream subsidiary. Approximately $3.4 billion in debt, excluding debt at AM, is affected by today's rating actions. The full list of rating actions follows at the end of this press release.

KEY RATING DRIVERS

The rating is supported by AR's ownership of extensive acreage in the core of the low cost, gas rich Marcellus and Utica shales, track record of retaining operational momentum during periods of weak natural gas prices due to a robust hedge book that supports production growth and strong cash netbacks, ample liquidity, exposure to natural gas liquids (NGLs), firm transportation arrangement contracts with secure take-away capacity to more competitive markets outside of Appalachia, an integrated business model with AM, focus towards returns-driven FCF generation, and stated commitment to a more conservative financial policy including maintaining debt/EBITDA in the low 2x range. AR meets Fitch's guidelines for IG Exploration and Production (E&P) companies.

Contiguous Acreage, Longer Laterals drives Capital Efficiency Gains: AR is a leader in drilling longer laterals in Appalachia, where it owns 636,000 net acres and proved reserves of 15.4 Tcfe as of June 30, 2017 and Dec. 31, 2016 respectively. Fitch expects ARs' contiguous Appalachia footprint will continue to drive efficiency gains through the use of longer laterals, and manufacturing style production, resulting in overall costs improvements, reduced cycle times and improving type curves for hydrocarbon recovery. The company estimates it holds over 30% of the core drilling inventory in Appalachia for lateral lengths greater than 10,000 feet. Fitch expects that AR's drilling and completion budgets should remain measured in the next three years as more advanced completions are brought on line. The use of longer laterals and pad drilling will increase capital efficiency, allowing the company to target a 20% compounded annual growth rate (CAGR) for production growth between year-end 2017 and 2020 with measured capex increases. AR's contiguous resource base facilitates repeatable, consistent asset development that provides visibility of volume growth and cash flows.

Robust Natural Gas Hedging Strategy: AR's hedging strategy involves actively hedging future natural gas production at attractive prices, on a rolling five to six year schedule, insulating the company from natural gas price volatility. AR's hedge book as of Sept. 30, 2017 is distributed as follows: 2.027 Bcfe/day hedged at $3.52/mcf in 2018, 2.330 Bcfe/day hedged at $3.50/mcf in 2019, and 1.418 Bcfe/day hedged at $3.25/mcf in 2020. Overall, AR has 2.9 Tcfe hedged through year end 2023 at an average natural gas price of $3.36/mcf relative to Fitch's base case natural gas price assumption of $3.00/mcf in 2018, 2019 and $3.25/mcf in 2020. As of Sept. 30, 2017, AR had a sizeable mark to market unrealized hedge gain of $1.2 billion based on NYMEX strip pricing at that time, and Fitch does not expect further liquidation of unrealized hedging gains in the forecast period. AR's hedging strategy and low all in costs supports production consistency even in a weak price environment.

Improving Credit Metrics. Share Holder Returns Possible: Fitch expects Antero's credit profile to further improve over the forecast period. Fitch forecasts a consolidated debt/EBITDA of 3.0x in 2018, and slightly declines to 2.7x and 2.8x in 2019 and 2020 respectively. On a de-consolidated basis, debt/EBITDA is forecast to decline to 2.6x in 2018 from 2.9x at year end 2017, which improves modestly to 2.2x and 2.0x in 2019 and 2020 respectively, under Fitch's base case price assumptions. Fitch believes management is likely to maintain a debt/EBITDA ratio in the low 2x range before executing shareholder return plans.

Commitment to FCF Generation: AR has a long track record of negative FCF generation due to an aggressive production growth schedule, and the commensurate amount of capex required to expand its production base. Management expects to focus on FCF generation in the next few years. Fitch expects improvement in AR's FCF profile during the forecast period and that AR will fund capex needs with cash from operations. Some form of share-holder friendly activity is possible as FCF generation increases relative to historical levels. However, AR has publicly committed to maintaining balance sheet flexibility as a priority over shareholder returns.

Integrated Business Model and Strategic Linkage: Fitch notes the strategic linkage of AR to AM, its midstream subsidiary. All of AR's acreage is dedicated to AM for gathering, processing and water handling services. Fitch believes AM can fund itself organically without support from the parent. Furthermore, Fitch believes that due to the strong operational and strategic ties between both entities, that any challenges at AM could adversely impact AR.

This risk is offset by the financial flexibility that AM provides to AR, as the company can monetize AM units to fund liquidity needs or reduce debt.

Concentrated Basin Focus: AR is a dual shale based company with Marcellus acreage that is adjacent to the Utica acreage. The company has been at the forefront of drilling longer laterals. Fitch believes that this provides a unique competitive advantage from a cost per well stand point. Furthermore, unlike some of its Appalachian peers, AR has an additional advantage with the presence of pooling clauses on its' leases, reducing logistical obstacles to the drilling of longer laterals on adjoining tracts of leased land. Although AR operates in the core of the Marcellus and Utica shales, Utica acreage contains more mature gas or dry gas, compared with the Marcellus acreage which is more 'wet gas' with the presence of NGLs. 75% of AR's drilling budget focuses on Marcellus acreage, and the company has benefited since NGL realizations as a percentage of WTI have been improving due to positive secular trends. Despite these unique advantages, Fitch believes that AR could be exposed to operational/disruption risks, since all of its fortunes are concentrated in two adjacent shale plays. Fitch believes that AR's management has built tremendous expertise in the Marcellus/Utica and is unlikely to diversify into a different shale location, but will continue to focus on coring up within the Marcellus/Utica area, and drilling longer laterals in a cost efficient way to attain incremental scale. Fitch notes that the concentrated basin focus likely places a rating limit on AR at the 'BBB-' level in line with Fitch's views on companies with strong credit metrics, and similar operational and geographical profiles with concentrated assets and a strategically significant midstream subsidiary.

Exposure to NGLs: Fitch recognizes that recent NGL price realizations of over 60% of WTI in some cases are roughly twice recent historical trough levels, but believes our moderated NGL price assumptions in our rating case, reduced natural gas commodity price volatility due to robust hedge coverage, and forecasted improving leverage profile help mitigate the credit risk of lower NGL price realizations. While current outlook for NGL pricing remains strong, AR is more exposed to oil price volatility in a lower for longer environment as NGLs are generally calculated as a percentage of the WTI benchmark, and typically more difficult to hedge compared with crude oil or natural gas exposure.

DERIVATION SUMMARY

AR is a natural gas producer, with NGLs representing approximately 30% of total production in the forecast period due to its focus on drilling liquids rich wet gas Marcellus acreage, where 75% of the current capex budget is currently allocated. This liquids rich production profile, is higher than its' natural gas peers as of Sept. 30, 2017; EQT (BBB-/Stable - 13% of total production), Southwestern (BB/Stable - 10% of total production) and Range Resources (Not Publicly Rated - 29% of total production), and drives incremental cash-flows to AR as a result of improving price realizations boosted by a stable to rising oil price environment, and positive domestic and international secular trends for NGLs.

AR's credit metrics compare favourably to Marcellus/Utica-focused, gas-oriented peers. Consolidated leverage of

3.3x as of LTM Sept. 30, 2017 is higher than EQT at 2.9x, but lower than Southwestern at 4.1x, and Range Resources at 3.6x. AR's upstream metrics demonstrate IG characteristics as calculated by Fitch, with debt/proved reserves (on an mcf basis) at $0.30/mcf on Sept. 30, 2017, compared with $0.17/mcf for EQT, and $0.85/mcf for Southwestern in the same period.

KEY ASSUMPTIONS

Fitch's key assumptions within our rating case for the issuer include:
--WTI oil price of $50/barrel in 2018, $52.50/bbl in 2019, $55/bbl in 2020 and long term price assumption of $55/bbl.
--Henry Hub gas price of $3.00/mcf in 2018 and 2019, $3.25/mcf in 2020 and long-term price assumption of $3.25/mcf.
--Consolidated capex of approximately $2 billion in 2018, rising at a measured pace in the out years, and reflecting efficiency gains due to drilling of longer laterals.
--20% CAGR production growth rate between year-end 2017 and 2020, with NGLs contributing approximately one third of total production volumes during the forecast period.
--Geographical differentials tighten in 2017 and remain stable during the forecast period. NGL Price realizations assumed at 45% throughout the forecast period.
--Existing hedge profile is incorporated into cash flow forecasts. No additional hedge monetizations assumed in the forecast period.

RATING SENSITIVITIES

Future Developments That May, Individually or Collectively, Lead to Positive Rating Action
--Mid-cycle AR Debt/EBITDA around 1.5x - 1.8x;
--Demonstrated commitment to maintaining a disciplined financial policy, including credit neutral funding for upstream production growth;
--Sustained improvement in NGL realizations relative to benchmarks;
--Increased geographical diversification and/or commodity mix diversification;
--Attaining a production profile approaching 3.0 bcfe/day or 500 mboe/day equivalent.
Future Developments That May, Individually or Collectively, Lead to Negative Rating Action
--Mid-cycle AR leverage above 2.3 - 2. 5x on a sustained basis;
--Management actions that indicates a deviation from stated financial policy such as the initiation of debt funded share buy backs or other shareholder activities inconsistent with the expected FCF profile.

LIQUIDITY

Strong Liquidity Position: AR has historically maintained strong liquidity. However, its' liquidity profile typically comprised minimal levels of cash on the balance sheet, and a large revolving credit facility supported by a stable borrowing base secured by its' oil and gas properties and subject to redeterminations at least annually. As of Sept, 30, 2017, the borrowing base was $4.75 billion, and total commitments were $4.0 billion. AR had $25 million outstanding under the revolving credit facility at the end of the quarter and had cash of $21.5 million on the balance sheet as of Sept. 30, 2017.

Amendment to Revolving Credit Facility and Springing Maturity: AR amended its revolving credit facility on Oct. 26, 2017 to reduce the commitment level to $2.5 billion from $4.0 billion due to expectations for improved FCF generation. The next borrowing base redetermination is in March 2018. The maturity date of the credit facility is the earlier of Oct. 26, 2022 and the date that is 91 days prior to the maturity date of any series of AR's senior notes, unless such notes are refinanced. There was no change to the financial ratio covenants.

No Near Term Maturities: AR does not have any maturities until the currently callable $1.0 billion 5.375% senior notes due 2021.

Overall, Fitch expects AR will maintain financial flexibility and robust liquidity, as the company targets stable production growth and positive FCF generation.

FULL LIST OF RATING ACTIONS

Fitch has assigned the following first-time ratings:

Antero Resources Corporation
--Long-Term IDR BBB-;
--Senior Secured Credit Facility 'BBB-';
--Senior unsecured notes 'BBB-'.

The Rating Outlook is Stable.

Contact:

Primary Analyst
Joan Okogun
Senior Director
+1-212-908-0384
Fitch Ratings, Inc.
33 Whitehall Street
New York, NY 10004

Secondary Analyst
Dino Kritikos
Senior Director
+1-312-368-3150

Committee Chairperson
Shalini Mahajan
Managing Director
+1-212-908-0351

Summary of Financial Statement Adjustments Fitch has made no material adjustments that are not disclosed within the company's public filings.

Media Relations: Alyssa Castelli, New York, Tel: +1 (212) 908 0540, Email: alyssa.castelli@fitchratings.com; Benjamin Rippey, New York, Tel: +1 646 582 4588, Email: benjamin.rippey@fitchratings.com.

Additional information is available on www.fitchratings.com

Applicable Criteria

Corporate Rating Criteria (pub. 07 Aug 2017)

Additional Disclosures

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy