

Analyst Report: Hess Corporation (HES)

Industries: Energy, Oil & Gas, Oil Exploration & Production

Hess Corporation offers a compelling long-term growth story driven by its world-class Guyana assets, though tempered by significant development capital requirements and exposure to volatile commodity markets.

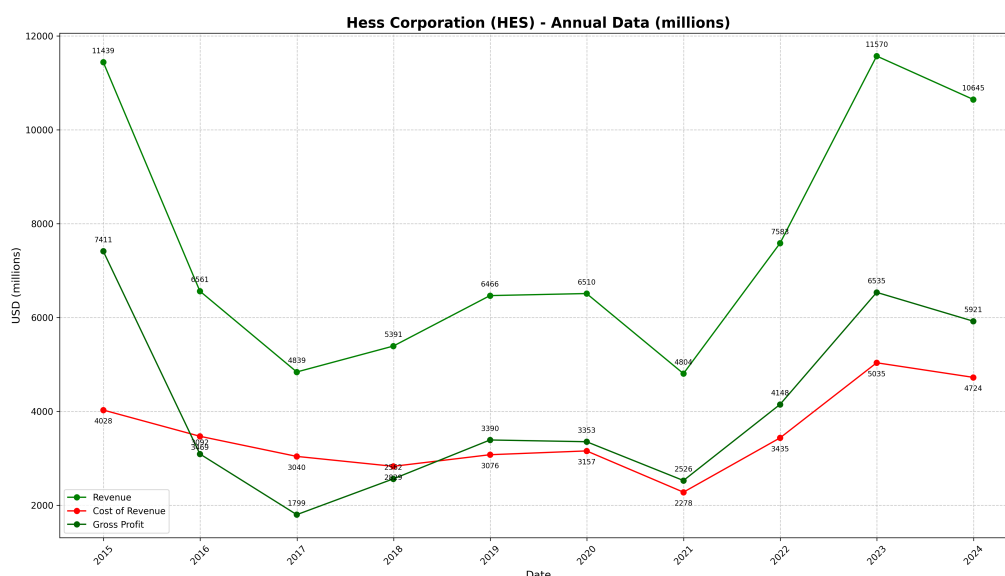
Forward Valuations	Bullish	Bearish
Implied Option Valuation	\$140.00 - \$160.00	\$120.00 - \$135.00
Sum of the Parts	\$155.00 - \$175.00	\$115.00 - \$130.00
Relative Multiples	\$150.00 - \$165.00	\$110.00 - \$125.00
Discounted Cash Flow	\$145.00 - \$170.00	\$100.00 - \$125.00

SUMMARY DATA (ANNUAL)

52-Week High (USD)	161.69
52-Week Low (USD)	123.79
Shares (M)	305.90
EPS (USD)	4.52
Dividend (USD)	1.75
Revenue (USDm)	10,645
Cost of Revenue (USDm)	4,724
Gross Profit (USDm)	5,921
EBIT (USDm)	2,593

OUTLOOK

Over the next two quarters, Hess Corporation's outlook will be significantly shaped by progress on its Guyana development projects and prevailing global commodity prices. Investors will closely monitor updates on production volumes from existing and upcoming phases in Guyana, expected to provide clarity on the trajectory of revenue and cash flow growth. The company's capital expenditure guidance for the remainder of the year will also be a key focus, indicating the pace of investment and its impact on free cash flow. Geopolitical developments affecting oil supply and demand will continue to influence market sentiment and the company's realized prices.



1. Executive Summary

Hess Corporation's investment case is currently defined by the significant growth potential of its Guyana assets, juxtaposed with the inherent volatility of the energy sector and the substantial capital required for development. The company's financial performance, while showing improved profitability in recent years driven by higher commodity prices and initial Guyana production, has been marked by periods of significant losses and negative free cash flow due to heavy investment cycles. The stock price has reflected this dynamic, exhibiting considerable volatility over the past twelve months, with notable upward moves followed by pullbacks, suggesting a tension between long-term growth optimism and near-term market sensitivity.

Media coverage, though not specifically focused on Hess in the provided headlines, highlights broader industry concerns around commodity price fluctuations, regulatory environments, and geopolitical factors. This suggests that investor sentiment towards Hess is likely being shaped more by these macro and sector-wide narratives than by company-specific news flow, potentially leading to sentiment that lags or diverges from the company's underlying operational progress in Guyana. The market's focus on external factors could either amplify or dampen the impact of Hess's fundamental performance.

The bull case for Hess is compellingly tied to the successful, timely, and cost-effective development of its world-class Guyana assets. Continued production increases from this low-cost basin are expected to drive substantial revenue and free cash flow growth, leading to margin expansion and potentially a re-rating of the stock multiple. Operational efficiencies in other segments like the Bakken also contribute to this positive outlook. The potential for significant free cash flow generation as capital intensity eventually moderates provides a clear path for enhanced shareholder returns and balance sheet strength.

Conversely, the bear case emphasizes the significant execution risk associated with large-scale offshore developments and the company's exposure to volatile commodity prices. Delays, cost overruns, or a sustained downturn in oil prices could severely impact profitability, free cash flow, and the ability to fund future growth, potentially leading to a de-rating of the stock. Geopolitical instability and regulatory changes in key operating regions also pose credible downside risks that could disrupt operations or negatively affect project economics.

Hess Corporation represents a valuation disconnect relative to fundamentals, contingent on successful execution in Guyana.

2. Business Description

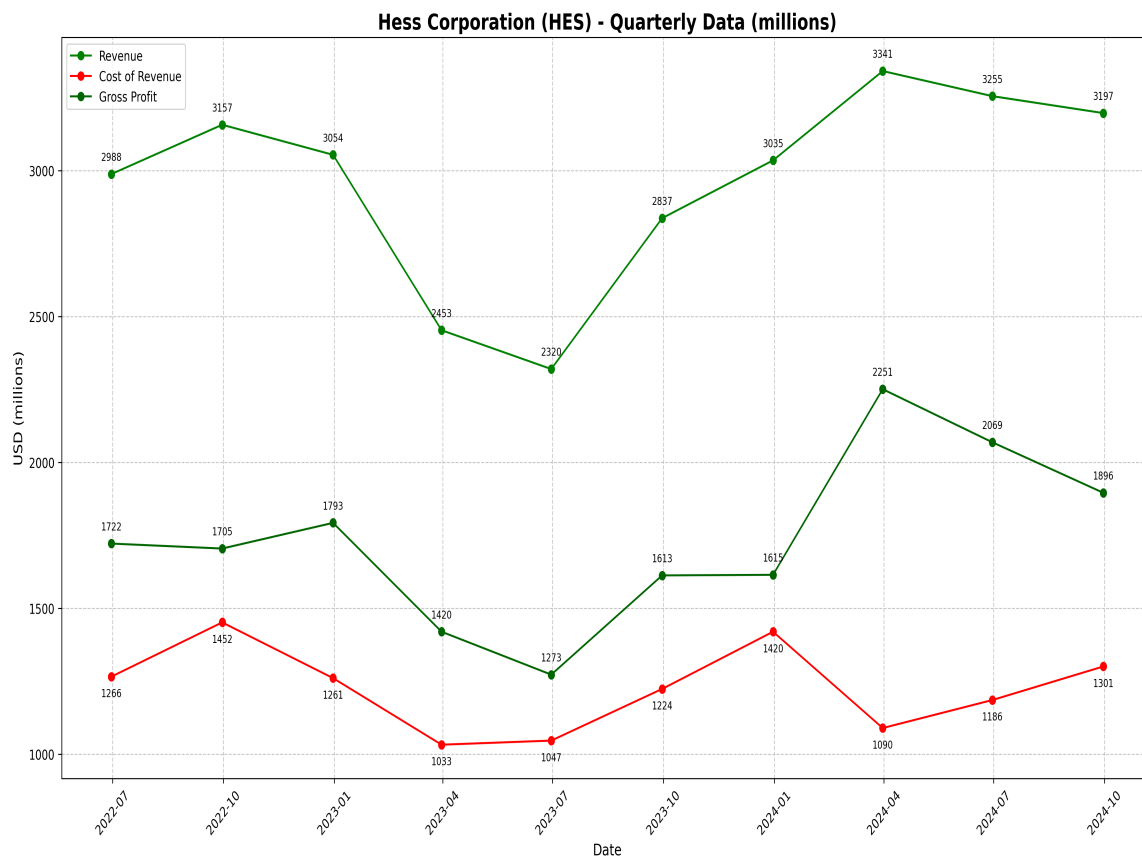
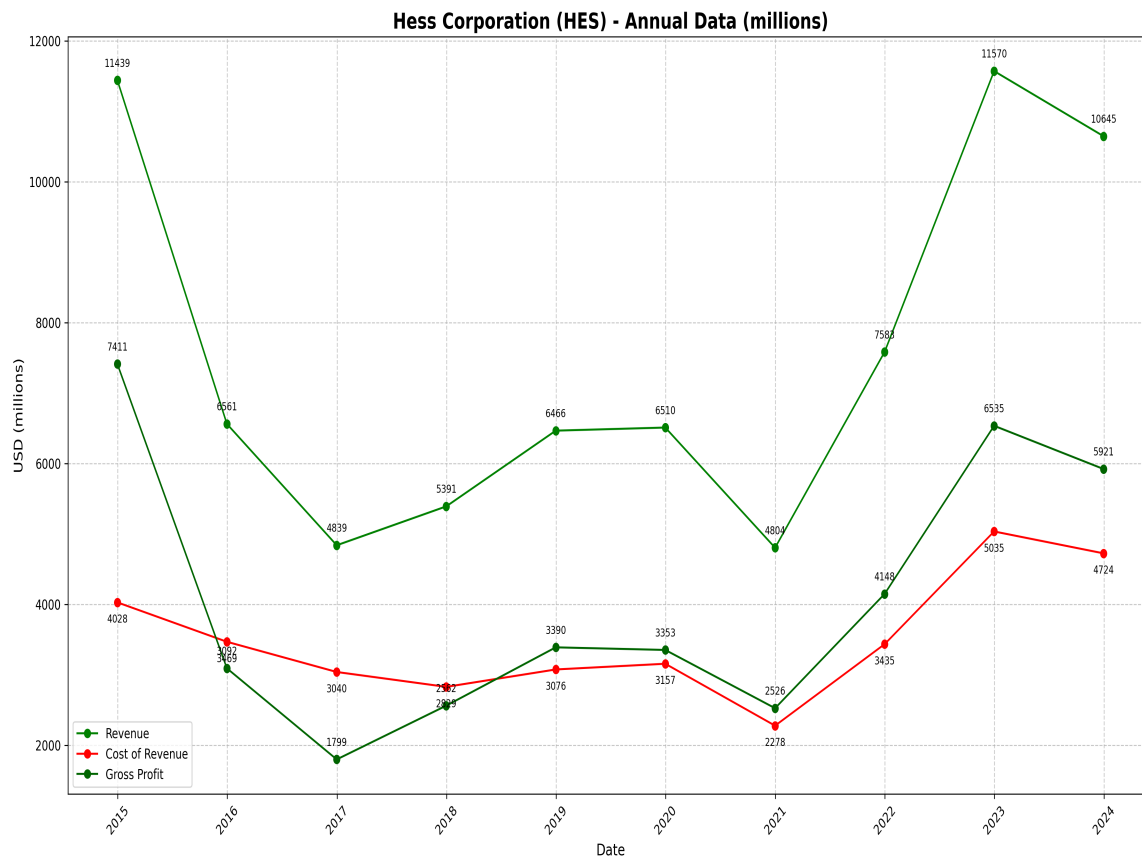
Hess Corporation is a global independent energy company primarily engaged in the exploration and production of crude oil and natural gas. The company operates through two main segments: Exploration and Production (E&P;) and Midstream. The E&P; segment is focused on finding and producing oil and gas, with key assets in Guyana, the Bakken Shale in North Dakota, the Gulf of Mexico, and offshore Malaysia and Thailand. The Midstream segment provides fee-based services, including gathering, compressing, and processing natural gas and fractionating, storing, and terminaling natural gas liquids and crude oil, primarily in the Bakken Shale. This segment is operated through Hess Midstream LP, a consolidated subsidiary. The strategic logic appears centered on developing high-return, large-scale conventional assets like Guyana while maintaining a presence in established unconventional plays like the Bakken, complemented by stable midstream infrastructure. The business model's strength lies in its significant stake in the rapidly expanding, low-cost production in Guyana, which offers substantial growth potential and favorable economics. Structural risks include the inherent cyclicality of commodity prices, significant capital intensity required for large-scale projects, and potential regulatory or political risks in the regions where it operates, particularly concerning environmental regulations and resource nationalism.

3. Financial Analysis

Hess Corporation's financial performance over the past decade has been significantly influenced by the volatile nature of commodity markets and substantial investments in key development projects. Revenue fluctuated considerably, peaking at USD 11.57 billion in 2022 before declining to USD 10.65 billion in 2023. Prior years saw lower revenues, particularly in 2020 (USD 4.80 billion) during a period of depressed prices, contrasting sharply with USD 11.44 billion in 2014. Profitability has also been inconsistent, with net income showing wide swings. The company reported significant losses from 2015 through 2020, including a low of USD -6.13 billion in 2016 and USD -3.09 billion in 2020. This trend reversed sharply with the recovery in commodity prices, leading to net income of USD 559 million in 2021, USD 2.10 billion in 2022, and USD 1.38 billion in 2023. Operating margins have followed a similar pattern, improving substantially in recent years after periods of significant operating losses. Gross profit margins, while variable, generally improved from the mid-30s percent range in downturns to the mid-50s percent range in stronger markets. Operating expenses have remained a significant factor, particularly research and development and selling, general, and administrative costs, though their impact relative to revenue has varied with price cycles.

Capital allocation has been heavily weighted towards capital expenditures, reflecting the company's focus on developing its asset base, particularly in Guyana and the Bakken. Annual capital expenditures have been substantial, reaching USD -4.11 billion in 2023 and USD -2.73 billion in 2022, following several years of multi-billion dollar investments. This high level of investment has often resulted in negative free cash flow, as seen in 2023 (USD -166 million) and several prior years. However, periods of strong commodity prices, like 2022, allowed for significant free cash flow generation (USD 1.22 billion). The company has maintained a consistent dividend payment, typically USD 1.00 to USD 1.75 per share annually in recent years, demonstrating a commitment to shareholder returns despite investment needs. Debt levels have remained relatively stable over the past few years, with total debt around USD 9-9.6 billion from 2020 to 2023, representing a significant but manageable leverage position given the scale of assets. Liquidity, as indicated by cash and equivalents, has fluctuated but generally remained robust, ending 2023 with USD 1.69 billion.

Working capital management shows typical patterns for the industry, with receivables and inventory levels fluctuating with sales and operational activity. The balance sheet reflects a significant investment in property, plant, and equipment, which has grown consistently over the decade, reaching USD 18.26 billion in 2023, underscoring the capital-intensive nature of the business. The accumulation of retained earnings has been volatile, reflecting the periods of losses and subsequent profitability. Overall, the financial trajectory shows a company emerging from a period of significant investment and market challenges into one of improved profitability and cash generation, heavily influenced by global energy prices and the success of major development projects.



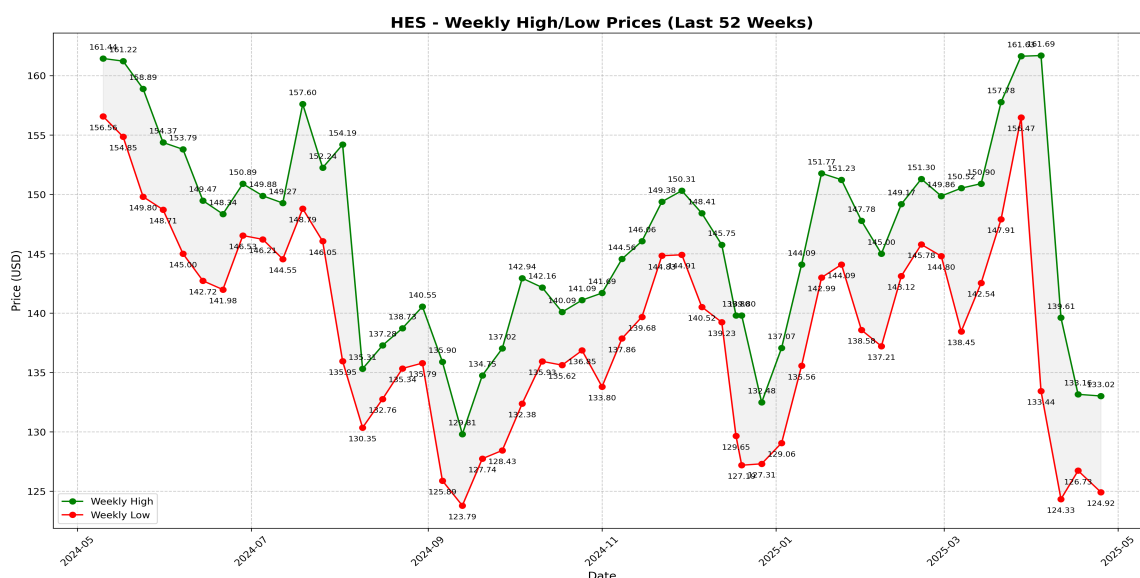
BALANCE SHEET, LAST 10 YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Assets (USDm)	24,007	21,695	20,515	18,821	21,782	21,433	23,112	28,621	34,157	38,407
Total Debt (USDm)	9,598	9,150	9,141	9,075	7,932	6,672	6,977	6,806	6,592	5,987
Shares (M)	305.90	308.10	307.40	304.80	301.20	298.20	314.10	309.90	283.60	307.70
EPS (USD)	4.52	6.80	1.82	-10.15	-1.37	-1.10	-13.12	-19.92	-10.78	7.63
Dividend (USD)	1.75	1.50	1	1	1	1	1	1	1	1
Revenue (USDm)	10,645	11,570	7,583	4,804	6,510	6,466	5,391	4,839	6,561	11,439
Cost of Revenue (USDm)	4,724	5,035	3,435	2,278	3,157	3,076	2,829	3,040	3,469	4,028
Gross Profit (USDm)	5,921	6,535	4,148	2,526	3,353	3,390	2,562	1,799	3,092	7,411
EBIT (USDm)	2,593	3,688	1,640	-2,636	433	452	-5,586	-3,572	-4,014	3,384

BALANCE SHEET, LAST 10 QUARTERS

	2024 Q3	2024 Q2	2024 Q1	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2022 Q4	2022 Q3	2022 Q2
Total Assets (USDm)	26,233	25,810	24,719	24,007	23,201	22,230	21,938	21,695	21,643	21,180
Total Debt (USDm)	9,510	9,884	9,643	9,598	9,303	9,264	9,220	9,150	9,070	9,093
Shares (M)	306.90	306.90	306.40	306.20	306.10	306	305.40	306.30	307.60	309.70
EPS (USD)	1.62	2.47	3.17	1.35	1.65	0.39	1.13	1.62	1.67	2.15
Dividend (USD)	0.50	0.44	0.44	0.44	0.44	0.44	0.44	0.38	0.38	0.38
Revenue (USDm)	3,197	3,255	3,341	3,035	2,837	2,320	2,453	3,054	3,157	2,988
Cost of Revenue (USDm)	1,301	1,186	1,090	1,420	1,224	1,047	1,033	1,261	1,452	1,266
Gross Profit (USDm)	1,896	2,069	2,251	1,615	1,613	1,273	1,420	1,793	1,705	1,722
EBIT (USDm)	868	1,159	1,433	711	836	401	645	913	922	1,116

4. Stock Technical Analysis



Over the last twelve months, Hess Corporation's stock has demonstrated notable volatility, trading within a wide range. The price reached a high of approximately USD 161.69 in early April 2025, following a period of upward momentum in March 2025. This peak was preceded by a low point around USD 123.79 in September 2024. The stock experienced a general upward trend from September 2024 through May 2025, albeit with several significant pullbacks and periods of consolidation. For instance, after reaching highs in May 2024, the price saw a decline into the summer months before the September low.

The price action indicates periods of strong buying interest, particularly in late 2024 and early 2025, pushing the stock towards its twelve-month highs. Conversely, there were clear instances of selling pressure or profit-taking, such as the decline observed from the May 2024 highs into the third quarter of 2024. Volume data, where visible, suggests that some of the larger price movements, both upward and downward, were accompanied by increased trading activity, potentially indicating conviction behind those moves. However, without specific volume figures for each period, this remains an inference based on typical market behavior.

The stock's performance appears sensitive to broader market conditions and potentially company-specific news, although the provided data does not explicitly link price movements to specific earnings dates or headlines. The trading range observed, from the low USD 120s to the low USD 160s, highlights the significant price swings experienced by investors over the past year. The recent price levels in April 2025, trading between approximately USD 125 and USD 133, represent a notable retreat from the peak seen earlier in the month, suggesting that the upward momentum encountered resistance.

5. Industry Analysis

Hess Corporation operates primarily within the global upstream oil and gas industry, focusing on exploration and production. This sector is characterized by significant capital intensity, long project lead times, and high sensitivity to volatile commodity prices driven by global supply and demand dynamics, geopolitical events, and macroeconomic conditions. The industry can be broadly segmented by asset type (conventional vs. unconventional), geographic region, and stage of development (exploration, development, production). Hess participates in both conventional (Guyana, Gulf of Mexico, Malaysia/Thailand) and unconventional (Bakken Shale) plays.

The industry is currently navigating complex regulatory and macroeconomic pressures. Environmental regulations, particularly those related to carbon emissions and methane, are increasing costs and influencing investment decisions. Geopolitical tensions, as highlighted in media coverage regarding Russia and global trade policies, directly impact supply chains, energy security concerns, and price volatility. Inflationary pressures affect the cost of labor, materials, and services required for exploration and production activities. Trade policies, such as tariffs discussed in recent headlines, can also influence the economics of energy production and equipment sourcing.

The competitive landscape includes major integrated oil companies and other independent E&P firms. Competition exists for access to prospective acreage, capital, technology, and skilled labor. Companies differentiate themselves through portfolio quality, operational efficiency, technological adoption (e.g., advanced drilling techniques, seismic imaging), and capital discipline. While specific peer data is not provided, Hess's strategic focus on high-impact, low-cost developments like Guyana positions it differently from companies solely focused on mature basins or higher-cost production methods. Growth drivers for the industry include global energy demand growth, particularly in emerging markets, and the need to replenish reserves through successful exploration and development. However, the energy transition and increasing focus on renewable energy sources represent a long-term structural challenge and potential headwind for the sector. Hess appears to be positioning itself as a leader in developing large-scale conventional resources with favorable economics, potentially placing it ahead of peers more heavily reliant on higher-cost production or facing steeper decline rates.

6. Current Media Coverage & Stories

Media coverage surrounding Hess Corporation appears to be heavily influenced by broader macroeconomic and geopolitical themes, particularly those impacting the energy sector. While specific headlines directly mentioning Hess are limited in the provided data, the dominant narratives revolve around global energy markets, regulatory environments, and international trade dynamics, all of which are highly relevant to an oil and gas exploration and production company. Themes such as fluctuating oil and gas rig counts, discussions around tariffs impacting producer spending, and geopolitical tensions affecting energy supply and demand are prominent.

The tone of these broader industry headlines is mixed. Reports on increasing US drillers adding rigs suggest potential for increased supply, which could be viewed neutrally to negatively for prices depending on demand context. Conversely, discussions about tariffs pinching demand and forecasting drops in producer spending, as seen in commentary related to Baker Hughes, introduce a bearish element for the sector outlook. Geopolitical events, such as Russia's actions and US foreign policy discussions, add a layer of uncertainty and potential volatility to the energy market narrative.

Given Hess's significant operations in areas like the Bakken and Guyana, these industry-wide themes directly shape investor perception of the company. While the headlines don't provide company-specific sentiment, the prevailing media environment suggests that investors are likely focused on the impact of global supply/demand balances, trade policies, and geopolitical stability on Hess's operational costs, revenue potential, and investment outlook. The absence of specific Hess-related news in the provided sample might indicate a period where the company's narrative is subsumed within larger sector trends, or that major company-specific events have not recently dominated headlines.

7. Drivers & Challenges

Hess Corporation's forward-looking prospects are significantly tied to the continued successful development and production ramp-up from its assets in Guyana. This represents a major opportunity, as the Guyana basin is a world-class, low-cost resource that can drive substantial revenue and free cash flow growth over the next several years, even in a moderate commodity price environment. The phased development of multiple production vessels in Guyana provides a clear pathway for increasing production volumes and realizing economies of scale. Successful execution of these projects, including bringing new phases online on schedule and within budget, is a key upside driver. Additionally, the company's position in the Bakken shale offers potential for optimization and efficient production, contributing to stable cash flow.

However, significant risks temper this outlook. The capital intensity of the Guyana developments is substantial, requiring ongoing multi-billion dollar investments, which can strain free cash flow in the short to medium term, as evidenced by negative free cash flow in 2023. Execution risk associated with large-scale offshore projects, including potential delays, cost overruns, or operational challenges, could negatively impact financial performance and investor sentiment. Furthermore, the company remains exposed to the inherent volatility of global commodity prices. A significant downturn in oil and gas prices, driven by macroeconomic weakness, increased supply, or accelerated energy transition policies, would directly impact revenue, profitability, and the economics of its development projects. Geopolitical risks in the regions of operation, while not explicitly detailed in headlines for Hess, are a constant factor in the global energy industry and could potentially disrupt operations or impact market access.

8. Bull Case

A bullish scenario for Hess Corporation centers on the successful and timely execution of its world-class development projects, particularly in Guyana. Continued production ramp-up from new phases in Guyana, characterized by low lifting costs and high-quality crude, would significantly boost revenue and operating income, even if commodity prices remain stable or see only modest increases. This volume-driven growth, combined with operational efficiencies in the Bakken and other assets, could lead to substantial margin expansion. The operating leverage inherent in increasing production from large-scale, low-cost fields would translate directly into stronger profitability and free cash flow generation.

Quantitatively, the bull case anticipates accelerated earnings growth and a significant increase in free cash flow as capital expenditures related to the initial phases of Guyana development begin to moderate relative to rising production. This improved financial performance could support increased shareholder returns through higher dividends or potential share buybacks, further enhancing per-share metrics. From a valuation perspective, sustained strong operational performance and free cash flow generation could lead to a re-rating of the stock multiple, as investors gain confidence in the long-term earnings power and asset quality. The market might assign a premium to Hess's unique growth profile compared to peers with less compelling development pipelines.

Risk mitigation in this scenario assumes that major project execution risks are successfully managed, and that geopolitical or regulatory headwinds do not significantly impede operations or market access. It also assumes that while commodity prices may remain volatile, they stay within a range that supports profitable production and reinvestment. The bull case is fundamentally driven by the realization of value embedded in the Guyana assets through effective project management and favorable market conditions.

9. Bear Case

A bearish scenario for Hess Corporation is primarily driven by risks related to project execution, commodity price volatility, and potential geopolitical or regulatory challenges. Delays or cost overruns in the multi-billion dollar Guyana development projects would directly impact capital efficiency, push out the timeline for production growth, and negatively affect free cash flow generation. Given the scale of investment required, any significant setback in these key projects could lead to substantial downward revisions in earnings estimates and investor confidence.

Quantifiable risks include the potential for margin compression if commodity prices decline significantly, eroding the profitability of production across all assets, including the otherwise low-cost Guyana barrels. A sustained period of low prices would reduce revenue, operating income, and free cash flow, potentially limiting the company's ability to fund its capital program or service its existing debt. This could necessitate scaling back investments, which would in turn slow future growth prospects. Market perception could deteriorate rapidly if the company misses production targets, experiences operational issues, or if the broader energy market sentiment turns negative due to global economic slowdown or policy shifts favoring renewables more aggressively.

Near-term catalysts for a bearish outcome could include disappointing quarterly production results, upward revisions to capital expenditure forecasts, or negative developments related to the regulatory or political environment in key operating regions. The bear case highlights the inherent leverage to commodity prices and the execution risk associated with large-scale, complex development projects as the primary threats to the investment thesis, potentially leading to a de-rating of the stock multiple as investors price in higher uncertainty and lower future profitability.

10. Forward Valuation

Valuation of Hess Corporation presents a range of outcomes depending on assumptions regarding future commodity prices, production growth, and operational efficiency, particularly related to the Guyana assets. A Discounted Cash Flow analysis requires projections of future cash flows, which are highly sensitive to these variables. In a bullish DCF scenario, assuming robust production growth from Guyana, stable or moderately increasing commodity prices, and efficient capital deployment, future free cash flows would be substantial, leading to a higher intrinsic value per share. Conversely, a bearish DCF scenario, incorporating potential project delays, lower-than-expected production rates, and conservative commodity price forecasts, would result in significantly lower projected cash flows and thus a lower intrinsic value. The wide range in potential DCF outcomes reflects the high operational and market leverage inherent in the business.

Relative Multiples analysis compares Hess to its peers based on metrics like Price-to-Earnings, Enterprise Value-to-EBITDA, or Price-to-Book. A bullish multiples scenario might assume that Hess deserves a premium multiple due to its unique growth profile from Guyana, leading to a higher valuation based on current or forward earnings/EBITDA. A bearish multiples scenario might apply a discount due to execution risk, commodity price sensitivity, or perceived geopolitical risks, resulting in a lower valuation relative to peers. The applicability of this method depends heavily on identifying truly comparable peers and the market's current sentiment towards the sector.

Sum-of-the-Parts (SOTP) valuation would involve valuing the E&P; segment (potentially broken down by region like Guyana, Bakken, etc.) and the Midstream segment separately. The Midstream segment, with its fee-based structure, might be valued using different multiples or a different DCF approach than the upstream assets. A bullish SOTP would assign higher values to the individual components based on optimistic assumptions for each, while a bearish SOTP would use more conservative assumptions, particularly for the upstream assets which are more exposed to price volatility and development risk. This method can highlight potential value discrepancies not apparent in a consolidated view.

An Implied Volatility-Adjusted Price Band, derived from historical stock price movements over the past twelve months, reflects the market's expectation of future price swings. The observed high and low prices over the past year (USD 161.69 and USD 123.79) provide a historical range. A bullish scenario within this band might project the price towards the upper end or slightly beyond the recent high, driven by positive momentum and catalysts. A bearish scenario would see the price gravitate towards the lower end of the historical range or potentially break below it if negative sentiment or risks materialize. This method provides a market-based perspective on potential price movement based on historical volatility and recent trends.