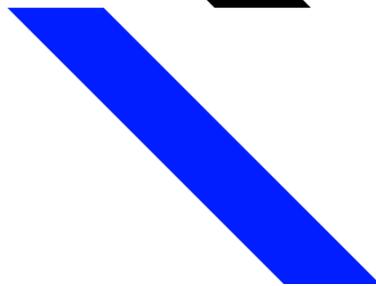
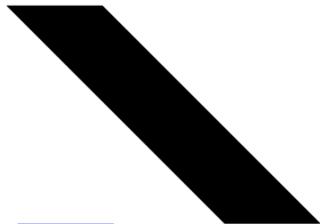
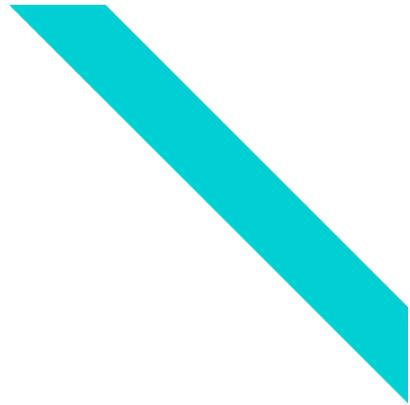


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Q3 2024 USA COMPRESSION PARTNERS LP EARNINGS CALL

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CORPORATE PARTICIPANTS

- **Christopher Porter** *USA Compression Partners LP - Associate General Counsel, Assistant Secretary*
- **Clint Green** *USA Compression Partners LP - President and Chief Executive Officer*
- **Eric Scheller, CFA** *USA Compression Partners LP - Chief Operating Officer, Vice President*

CONFERENCE CALL PARTICIPANTS

- **Operator**
- **Eli Jossen** *JPMorgan - Analyst*
- **Doug Irwin** *Citi - Analyst*
- **James Rollyson** *Raymond James - Analyst*
- **Gabe Moreen** *Mizuho - Analyst*

PRESENTATION

Operator

Good morning. Welcome to USA Compression Partners' third quarter 2024 earnings conference call. During today's call, all parties will be in listen-only mode. At the conclusion of management prepared remarks, the call will be open for Q&A. (Operator Instructions). This conference is being recorded today, November 5, 2024.

I now would like to turn the call over to Chris Porter, Vice President, General Counsel, and Secretary.

Christopher Porter *USA Compression Partners LP - Associate General Counsel, Assistant Secretary*

Good morning, everyone, and thank you for joining us. This morning, we released our operational and financial results for the quarter ending September 30, 2024. You can find a copy of our earnings release as well as a recording of this call in the investor relations section of our website at usacompression.com.

During this call, our management will reference certain non-GAAP measures. You will find definitions and reconciliations of these non-GAAP measures to the most comparable US GAAP measures in our earnings release.

As a reminder, our conference call will include forward-looking statements. These statements are based on management's current beliefs and include projections and expectations regarding our future performance and other forward-looking matters. Actual results may differ materially from these statements.

Please review the risk factors included in this morning's earnings release and in our other public filings. Please note that the information provided on this call speaks only to management's views as of today, November 5, 2024, and may no longer be accurate at the time of a replay.

Before I turn the call over to Clint Green, President and CEO of USA Compression, I would like to welcome him to the USA Compression family. Clint has a long history in the compression and midstream space, working at Hanover Compression, CDM, and leading SEC Energy for a period of time. Clint has continually risen through the ranks within the Energy Transfer Organization, and I

think we are fortunate that USAC is his next stop.

With that, I will turn the call over to Clint.

Clint Green USA Compression Partners LP - President and Chief Executive Officer

Thank you, Chris. Good morning, everyone, and thank you for joining our call. Chris and I are joined on the call by Eric Scheller, our COO. First, I want to thank everyone at USA for the hospitality and warm welcome over the past month. I've had the opportunity to meet some talented people, and I'm more excited than ever to join this team.

Second, I want to thank Eric Long. As you all know, Eric was a special leader that grew the company from a single compression unit to one of the largest independent compression companies in the country. I look forward to continuing what he started.

Third, I am excited to have Chris Paulsen join us as CFO on November 18. Chris brings a long history of E&P experience, most recently as the Senior Vice President of Business Development and Strategy at Pioneer Natural Resources.

I believe Chris's prior experience will help USA Compression continue driving the business, not only financially, but through continued development given his experience in the E&P space. I am looking forward to working with Chris, and as we further develop our long-term financial strategy.

Finally, I wanted to touch on our third quarter results we released this morning. Our third quarter ended with records in revenue, adjusted gross margin, adjusted EBITDA, distributable cash flow, and average revenue generating horsepower.

These results reflect a very supportive environment in the compression service space, allowing for an increased pricing as we continue to deploy horsepower. We expect this trend to continue as we see strong demand for compression services from our customers.

We will continue to strategically evaluate growth opportunities going forward with a focus on creating additional customer and unit holder value. Before turning the call over to Eric Scheller to discuss third quarter results,

I would like to also update you on an internal organization initiative to streamline back office operations. We have made the decision to implement the Energy Transfer Shared Services Model at USA Compression. There will be more to come on this in the future quarters.

With that, I will turn the call over to Eric Scheller, our Chief Operating Officer, to discuss our third quarter highlights.

Eric Scheller, CFA USA Compression Partners LP - Chief Operating Officer, Vice President

Thanks, Clint, and good morning all. We were pleased to deliver to our unitholders another excellent quarter of financial and operational results. The continuing pricing improvements, up to an all-time high averaging \$20.60 per horsepower, for the third quarter primarily drove our continued revenue growth.

Our revenue increased 2% in sequential quarters and 11% compared to the year-ago period. Our third quarter margins were approximately 66%. Regarding the financial results, our third quarter 2024 net income was \$19.3 million.

Operating income was \$75.7 million. Net cash provided by operating activities was \$48.5 million. And cash interest expense, net, was \$47.1 million. Cash interest expenses increased by approximately a \$0.5 million on a sequential quarter basis, primarily due to higher average outstanding borrowings.

However, higher cash interest expense was mitigated by \$2 million of cash payments received under our \$700 million notional principal fixed rate interest rate swap during the quarter. We monetized our position in the swap during the third quarter for \$0.4 million. Our leverage ratio also continued its downward trend, reducing to 4.2 times.

Turning to operational results, our total fleet horsepower at the end of the quarter was approximately 3.9 million horsepower, essentially flat to the prior quarter. Our revenue generating horsepower increased by 1% on a sequential quarter basis, primarily due to the conversion of current fleet idle units to active status.

Our average utilization for the third quarter was 94.6%, essentially flat to the prior quarter, and a 1% increase compared to the third quarter of 2023. Third quarter 2024 expansion capital expenditures were \$34.1 million. And our maintenance capital expenditures

were \$9.1 million.

Expansion capital spending primarily consisted of reconfiguration and make ready of idle units. We also expect additional and ongoing conversion of current fleet idle units to active status. Throughout the remainder of 2024, we anticipate the deployment of up to 10,000 horsepower of existing uncontracted fleet assets at capital costs below those of new organic growth equipment builds.

Finally, I would like to reaffirm our financial guidance for the full year 2024. As a reminder, our net income range is \$105 million to \$125 million. Adjusted EBITDA is \$565 million to \$585 million and distributable cash flow range is \$345 million to \$365 million.

Additionally, we are increasing our expansion capital expenditures for the full year 2024 to between \$240 million and \$250 million, primarily due to the cost associated with preparing active compression units that are returned by a customer for redeployment and the increased cost on the idle to active fleet conversion.

And with that, I will turn the call back to Clint for concluding remarks.

Clint Green USA Compression Partners LP - President and Chief Executive Officer

Thank you, Eric. My first few weeks at USA Compression have been incredible. I've enjoyed getting to meet so many wonderful folks and seeing some from earlier in my career at CDM. We expect to file our Form 10-Q with the SEC as early as this afternoon.

And with that, we will open the call to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Jeremy Tonet, JPMorgan.

Eli Jossen JPMorgan - Analyst

Hey, this is Eli on for Jeremy. Congrats on the strong quarter, guys. I wanted to start on the CapEx raise and maybe thinking about how we should interpret this for 2025 spend. Is some of this pulled forward or relatively, should we expect a lower spend next year? Just thinking about puts and takes for growth opportunities and where you kind of see the business run rate growth CapEx spend right now? Thanks.

Clint Green USA Compression Partners LP - President and Chief Executive Officer

Yeah, good morning, Eli. This is Clint. Yeah, that's a good question. And we are going to lay out our '25 capital plan at normal times, which is, we state our fourth quarter earnings next year. We will become more capital disciplined and moving through next year. But we will also look for opportunities that become accretive to the company and its investors.

Eli Jossen JPMorgan - Analyst

Fair enough. And then maybe just on the broader compression market, I know we're continuing to see strong pricing, which you mentioned in the opening remarks. And that's translating to those strong dollars per horsepower metrics. So, should we continue to think about upside to these levels as well or might be nearing a ceiling just in terms of how high those metrics can go?

Eric Scheller, CFA USA Compression Partners LP - Chief Operating Officer, Vice President

Eli, this is Eric. I think the structural compression market for me is really strong, is robust, supporting the gas flows that we're seeing for demand pulls through the system. Frankly, I don't see any meaningful trend to changing the trend of the revenue. We continue to see people continuing to want the horsepower, want to hold it for longer and really aggressively making that market work for us.

Eli Jossen JPMorgan - Analyst

All right, thanks. I'll leave it there.

Operator

Doug Irwin, Citi.

Doug Irwin Citi - Analyst

Hey, thanks for the question and welcome aboard, Clint. I wanted to maybe touch on the idle to active conversion strategy and some of the increased costs that you pointed to this quarter. And I'm curious if some of these costs, if they're more persistent, if that changes the way you kind of think about the strategy of conversions versus new builds moving forward. And then if he could maybe just remind us how much idle capacity you still have across the fleet that could be brought back online?

Eric Scheller, CFA USA Compression Partners LP - Chief Operating Officer, Vice President

This is Eric. So let me break it down into a couple easier pieces. You saw utilization continues to run at highest rates we've ever had. We have near on the large horsepower, almost at the end of our available stuff. So we are always looking for opportunity to either buy new, buy from customers, to optimize working capital, to get all units out in order to serve our customers. We continue to work through that.

On the second question concerning the capital, I think we did see a large amount of churn coming through the system. When system units come back and they go to different regions that have different requirements, we do have to enhance for either environmental or for operational reasons the asset before they're redeployed. Churn has been coming up as we've optimized the fleet. We're happy to put those units out at higher prices, recognizing that we did have to enhance the technology that went with them.

Doug Irwin Citi - Analyst

Got it. That's helpful. Thanks. And then maybe just a higher level question for you, Clint. I realize you're only a few weeks into the job, but I'm just wondering if you could talk about maybe what excites you the most about the business moving forward. Maybe if anything surprised you since you've joined and then just maybe if we should expect any broader strategic changes here over the near term?

Clint Green USA Compression Partners LP - President and Chief Executive Officer

Yeah. So I think that first off, thank you for that. And the most exciting thing I see here is I started with CDM back in 1999, which became USA Compression. So I've gotten to see a lot of folks that I started out with years ago. I believe there's a huge opportunity going forward.

I think, today's Election Day and I think that depending on which way the change in administration, if we stay with maybe the administration that we have today, we have a huge opportunity for our dual drive technology with a bigger push for electrification. If we get a different administration, we could see the permits for LNG export lifted and that could drive huge demand across our industry.

Doug Irwin Citi - Analyst

Got it. I'll leave it there. Thanks for the time.

Operator

James Rollyson, Raymond James.

James Rollyson Raymond James - Analyst

Hey, good morning, everyone, and welcome aboard also, Clint. Maybe just circling back to the CapEx. So just trying to understand the obviously you guys over time get units back from time-to-time and go through this. You said transitioning from one basin to another. Just curious kind of what happened in this case, how much horsepower was impacted.

It's just a relatively large change in CapEx. So I feel like maybe this was a little bit unexpected that you got units back, but just trying to get a little more color around kind of the situation and what happened. And if this is somewhat of a one off situation outside of what you normally see?

Clint Green USA Compression Partners LP - President and Chief Executive Officer

Yeah. I'll start answering this and may pass it off to Eric Scheller here in just a second. But -- so I think one of the drivers was there was equipment that was in the in the yards or in the in the field that were brought out of the field to be reworked. And that cost was ended up being more than was budgeted or expected. And I think that was the main driver for the CapEx or that is the main driver for the CapEx increase. And Eric, I'll let you add to any of that.

Eric Scheller, CFA USA Compression Partners LP - Chief Operating Officer, Vice President

Yeah, I think the other thing that drove some of it was that there was unbudgeted capital that we used to deploy units that we had purchased from third parties. We're always opportunistic in how we think about growing revenue and EBITDA.

These were units with pretty big ability to move gas, help a customer. And we are opportunistic. And when we did the first quarter capital, that was not included in our estimates. And so that's the other activity that was associated with capital burn for the year.

James Rollyson Raymond James - Analyst

Got it. And presumably based on your history, the return profile there is justifiable. Or I assume you wouldn't spend the money, but maybe just help us as you spend this capital, you'll have some -- it should be, I presume, a nice step up in active horsepower once you get through this capital program. Any -- I know it's not '25 yet, but any color just kind of on magnitude so we can think about how this CapEx is being deployed in terms of future revenue and profit benefits?

Eric Scheller, CFA USA Compression Partners LP - Chief Operating Officer, Vice President

Yeah, I think that the return certainly for those assets were commensurate with the hurdles that our general partners established for us, otherwise, we would not spend that capital. The other part for how we think about how this rolls to '25 and where it impacts. That will come out, I think, in the first quarter as Clint had previously indicated.

James Rollyson Raymond James - Analyst

Got it. And then just one last little one. Related party revenue was a bit higher than usual this quarter. Just seeing if there's anything unusual there or if there's something that's like this is a one offer, if that's more stable?

Christopher Porter USA Compression Partners LP - Associate General Counsel, Assistant Secretary

Yeah, Jim, it's Chris Porter. I think what you're seeing there a little bit is Energy Transfer Acquisition of WTG. They continue to become a bigger and bigger customer as far as they are acquiring some of our customers. And that's what's really causing that. And you'll obviously see that going forward as they remain a customer of ours.

James Rollyson Raymond James - Analyst

Got it. Thank you, Chris. Appreciate the color.

Operator

Gabe Moreen, Mizuho.

Gabe Moreen Mizuho - Analyst

Hey, good morning, everyone and welcome, Clint. I just wanted to ask a little bit. I know it's a little bit previewed here in terms of the Energy Transfer Shared Services Agreement. Is that strictly going to be on the G&A line? I know the last question was a little bit about the commercial relationship there. So I'm just curious if you could expand a bit more on timing, magnitude and sort of see how you see the shared services thing proceeding?

Clint Green USA Compression Partners LP - President and Chief Executive Officer

Yeah, Gabe, thank you for that. Yeah, the shared services early on, we're still trying to get our arms around it. But we do see it as a shared service and become a bigger part or having Energy Transfer's support as we move forward with a separately run company. But we'll dig into it a little deeper and probably in that first quarter of guidance, we'll explain more of what we think will come with that.

Gabe Moreen Mizuho - Analyst

Thanks, Clint. And then maybe I can ask a little bit on M&A and kind of your approach. And I know there's been talking about that opportunistic purchases of horsepower. But I'm thinking about bigger M&A within compression there's been obviously a couple of larger deals that have gone down over the last couple of quarters. Just curious kind of what your appetite or approach might be to something like that? And yes, just I'll leave it at that.

Clint Green USA Compression Partners LP - President and Chief Executive Officer

Yeah, sir. So we don't comment on M&A, but I will say we look for opportunities.

Gabe Moreen Mizuho - Analyst

Understood. Thanks, Clint. Appreciate it.

Operator

There's no further question at this time. And that includes today's call. Thank you all for joining. And you may now disconnect.

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