



# **USA Compression Partners, LP (NYSE: USAC)**

## **Acquisition of S&R Compression Rental Fleet**

August 13, 2013

# Disclaimer

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This presentation contains forward-looking statements relating to the Partnership's operations that are based on management's current expectations, estimates and projections about its operations. You can identify forward-looking statements by words such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "should", "will", "would" or similar words. You should consider these statements carefully because they discuss our plans, targets, strategies, prospects and expectations concerning our business, operating results, financial condition and other similar matters. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, some of which are beyond our control and are difficult to predict. These include risks relating to changes in the long-term supply of and demand for natural gas and crude oil, actions taken by our customers, competitors and third party operators, competitive conditions in our industry, and the factors set forth under the heading "Risk Factors" incorporated by reference from our Annual Report on Form 10-K filed with the Securities and Exchange Commission, and if applicable, our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Before you invest in our common units, you should be aware that the occurrence of any such event could have a material adverse effect on our business, results of operation and financial position and you should not place undue reliance on these forward –looking statements. Any forward-looking statement made by us in this presentation speaks only as of the date on which we make it. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Unpredictable or unknown factors not discussed herein could have material adverse effects on forward-looking statements.

**Pending S&R Compression Acquisition.** Our pending acquisition of the S&R Compression assets may not be consummated. The closing of the acquisition is subject to certain customary closing conditions, and the acquisition may, in certain circumstances, be terminated. In addition, we may not be able to integrate the acquired assets with our existing fleet and to realize anticipated benefits.

# Transaction Overview

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**USA Compression Partners has agreed to acquire \$187 million of compression assets used in crude oil production**

- USA Compression Partners, LP has agreed to acquire compression assets from S&R Compression, LLC, an entity owned by Argonaut Private Equity, an affiliate of George B. Kaiser, for approximately \$187 million
  - Assets consist of 983 compression units comprising ~138,000 HP
  - New-build fleet with average age of 2.2 years
  - Located predominantly in the Mid-Continent: Oklahoma and Texas
  - Smaller-horsepower units primarily used in gas lift operations in connection with crude oil production
- As consideration, the Kaiser affiliate will receive approximately 7.4 million USAC common units representing 20% pro forma L.P. ownership
  - Along with Riverstone, the Kaiser affiliate has agreed to reinvest its distributions in additional common units through the quarter ended June 30, 2014
  - Immediately strengthens USAC's balance sheet
- Closing expected in Third Quarter 2013

*USAC expects the transaction to be immediately accretive to distributable cash flow per unit*

# Transaction Highlights

*S&R Compression acquisition provides product and customer diversification while retaining USAC's focus on infrastructure assets with stable cash flows*

## Quality Asset Base

- Scale: 983 compression units representing ~138,000 HP (140HP/unit)
- Young fleet: average age of 2.2 years
- 64 highly-skilled employees
- Long-standing customer relationships
- Units fabricated to very high standards; quality OEM partners

## Attractive Market

- Smaller units (max 380 HP) primarily used in gas-lift applications (crude oil production)
- Mid-Continent focus: OK & TX represent >86% of HP
- Presence in Granite Wash and Mississippi Lime plays
- Strong customer base of active oil producers and cost-advantaged natural gas producers

## Additional Growth Opportunities

- Minimal product overlap between USAC and S&R
- Ability to cross-sell full range of high-quality products to an expanding customer base
- Ongoing agreement to purchase units from S&R fabrication represents attractive organic build program

## Strategic Investor

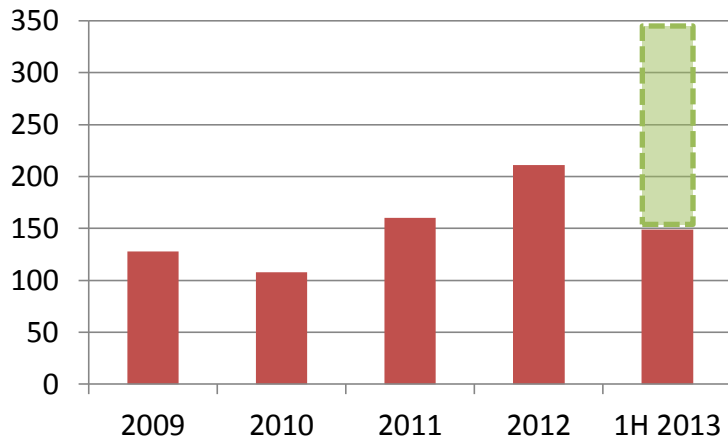
- Kaiser affiliate to become strategic investor in USAC, owning 20% of post-closing LP equity
- Committing to reinvest distributions via DRIP through Q2 2014
- USAC gains the benefit of the Kaiser organization's oil & gas industry experience

# S&R Compression Fleet Overview

## Asset Details

- 983 compression units; ~138,000 horsepower
- HP range up to 380HP
- Fabricated by S&R Compression
- Focused on the Mid-Continent (Oklahoma and Texas) with additional units in Arkansas, Louisiana, Kentucky and Kansas
- Diverse customer base; >70 customers

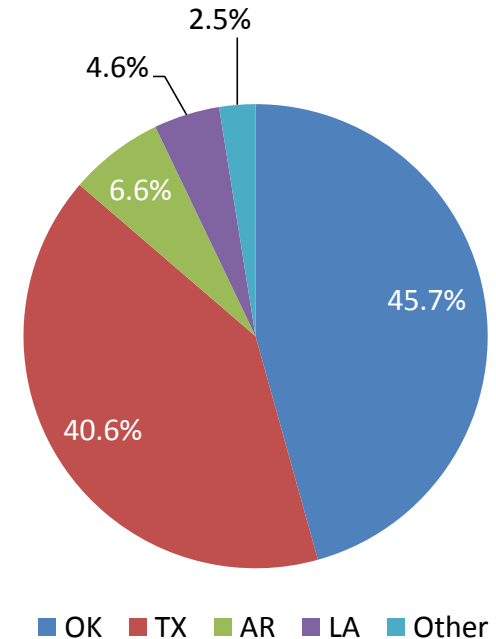
## S&R Annual Unit Production



Note: Dotted box represents new build units USAC has committed to purchase for remainder of 2013.

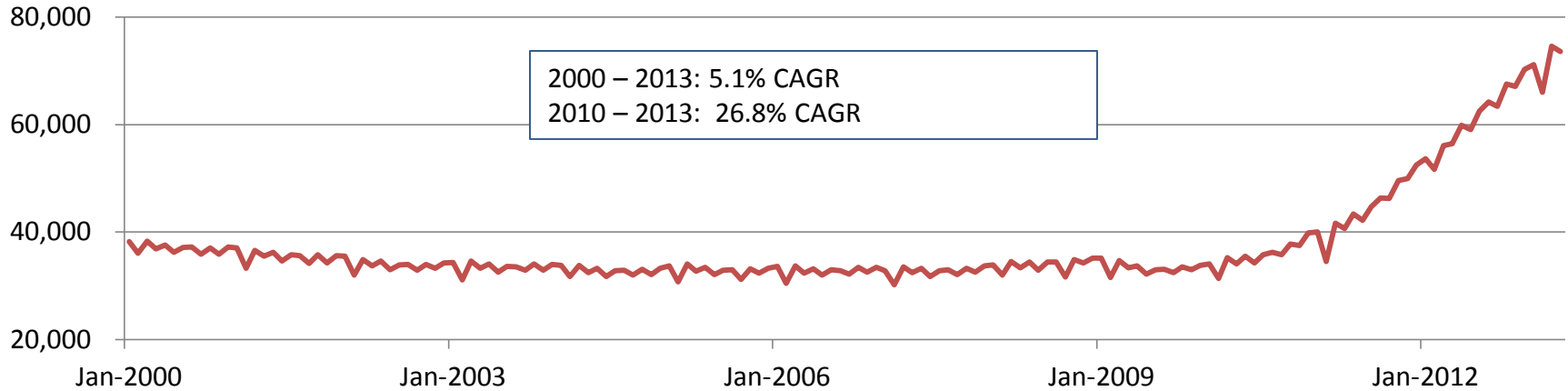
## State-by-State Presence

- Strong presence in the Granite Wash, Woodford Shale, Tonkawa and Mississippi Lime plays
- Market demand is following the oil drilling activity

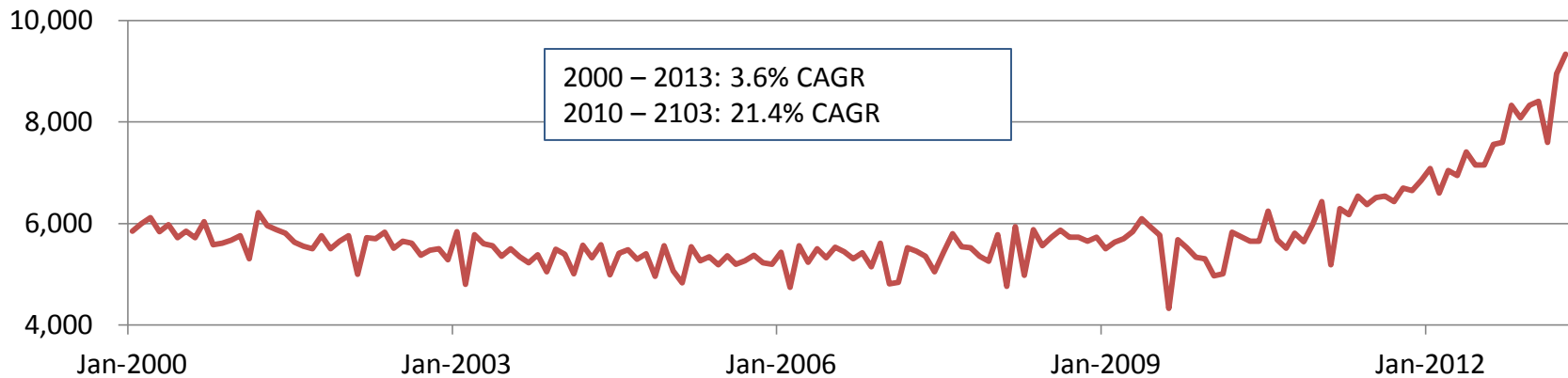


# Mid-Continent Crude Oil Production

## Crude Oil Production – TX (mm bbls) <sup>(1)</sup>



## Crude Oil Production – OK (mm bbls) <sup>(1)</sup>



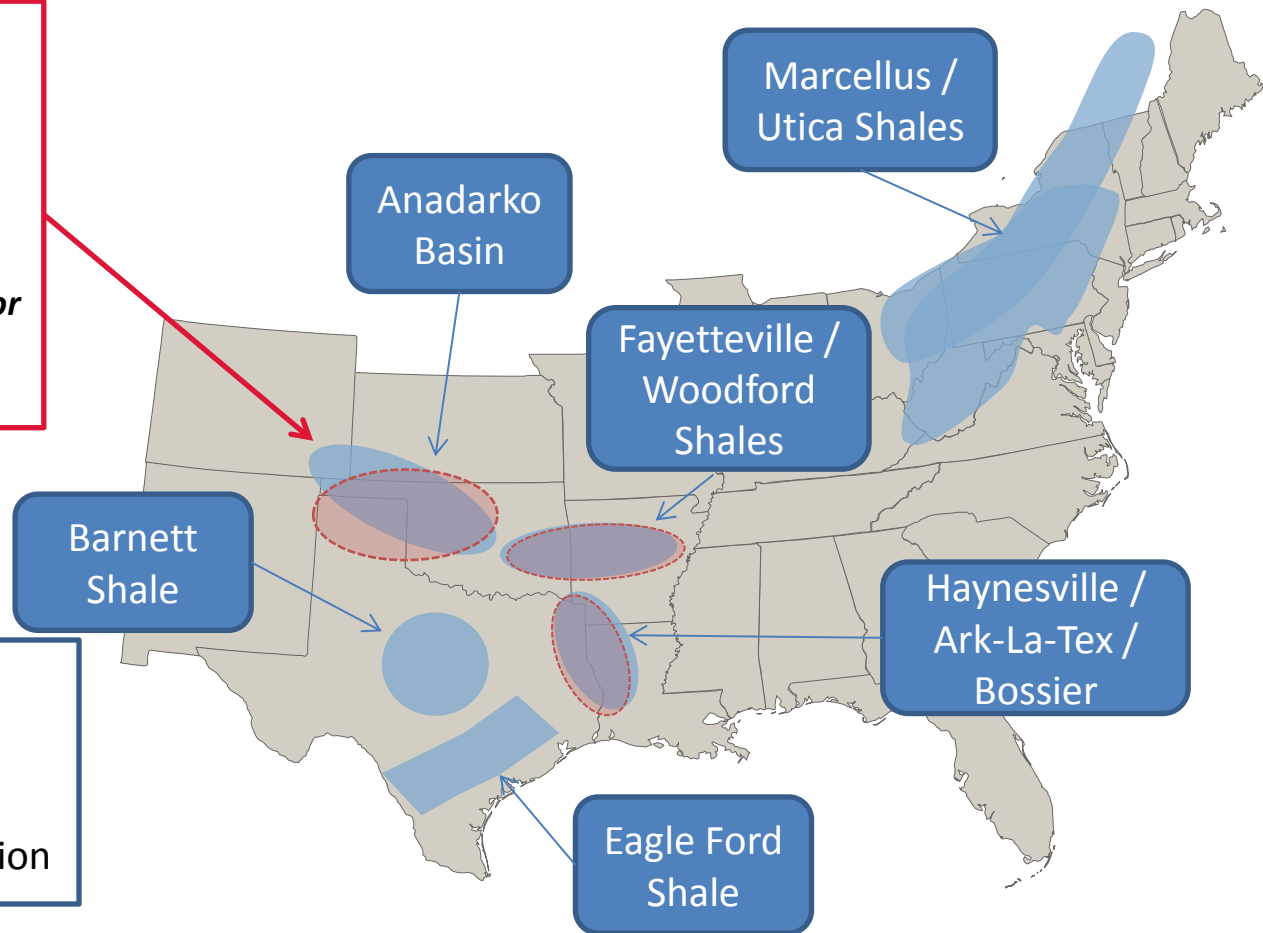
<sup>(1)</sup> Source: EIA. 2013 data represents results through April. CAGRS assume run rate growth for 2013.

# Growth Opportunities

*Minimal overlap in product offering presents attractive growth potential – expanding fleet offerings and accessing a larger customer base*

***S&R's established Mid-Continent footprint complements USAC; USAC's geographic breadth opens up opportunities for S&R product offerings in major producing areas across the US***

● USAC Geographical Presence  
● S&R Focus Region



# Fleet Comparison

*S&R Compression rental fleet will complement USAC's existing infrastructure-focused business and help create a larger, more diversified compression business*

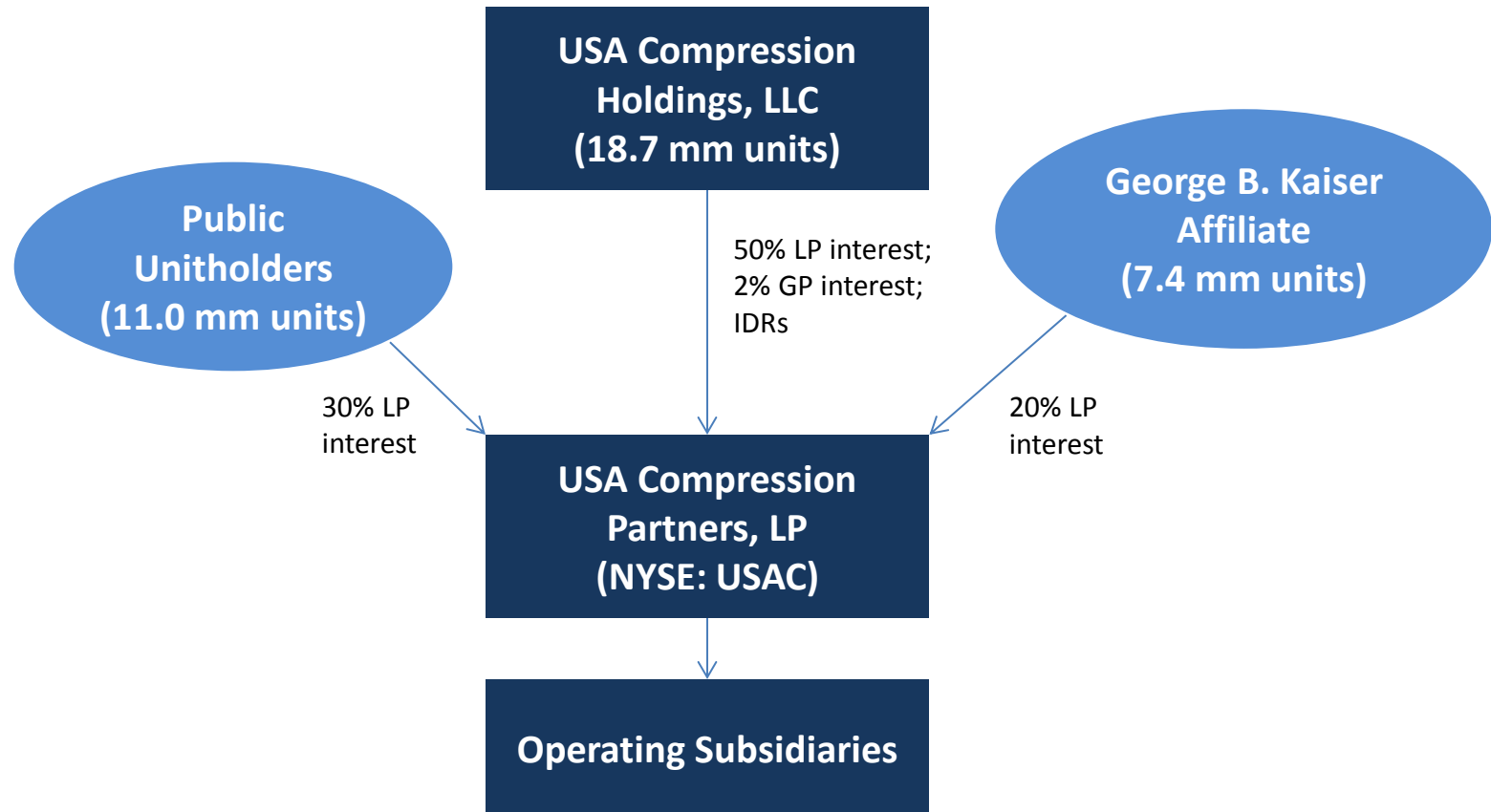
	USA Compression <sup>(1)</sup>	S&R Compression Assets <sup>(1)</sup>	Combined
Units	1,001	983	1,984
Horsepower	~968,000	~138,000	~1,106,000
Average Age of Fleet	~6 years	~2.2 years	~5.7 years
Employees	265	64	329
Operating Regions	Mid-Continent, Marcellus/Utica, Eagle Ford, Fayetteville, Haynesville	Mid-Continent, Fayetteville, Haynesville	Meaningful presence across major oil and gas plays
Average HP Utilization	94%	95%	94%
Infrastructure Assets	✓	✓	✓
Macro Drivers	Low-cost gas production	Gas-lift in crude oil production	Overall commodity activity

*(1) Fleet data for USAC and S&R Compression assets as of June 30, 2013.*



# Pro Forma Ownership Structure

*Argonaut Private Equity, a Kaiser Affiliate, Will Become a Significant USAC Unitholder*



*Note: Unit counts are approximate as of August 9, 2013 and include an estimated impact of DRIP participation for the Q2 2013 distribution, to be paid August 14, 2013. LP interest percentages reflect percentage of LP units only.*

# Pro Forma Financial Impact

*Transaction Immediately Strengthens USAC's Balance Sheet*

(\$ in mm)	Pro Forma <sup>(1)</sup>	
	Q4 2013E	FY 2013E
Adjusted EBITDA	\$27	\$95
DCF	\$20	\$68
Debt / EBITDA	4.1x	

*(1) Pro forma amounts reflect estimated results assuming USAC had owned the S&R Compression assets being acquired for the stated period.*

# USAC Key Investment Highlights

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## Exposure to Strategic Producing Regions

- USAC will own and operate assets in prolific oil and gas shale basins benefitting from ongoing midstream build-out
- S&R adds meaningful presence in gas-lift crude oil production, driven by strong commodity prices
- Continued organic development through presence in areas of natural gas processing

## Critical Midstream Infrastructure

- Continued focus on *infrastructure-oriented* compression applications; compression is critical to transporting hydrocarbons to end markets
- Shale gas continues to reward flexible compression providers
- Gas lift operations are increasingly being applied, given favorable commodity outlook

## Stable Cash Flows with Visible Growth

- Infrastructure nature of assets results in compression units remaining in the field well beyond initial contract term
- Order backlog and demand indications provide visible growth
- Continued strong utilization history drives Return on Capital Employed

## Strategic Customer Relationships

- Services provided to large, high quality midstream and upstream customers
- Continued outsourcing of service providers creates strategic opportunities for USAC
- USAC and S&R salesforces maintain long-standing customer relationships in all operating regions – significant barrier to entry

# Basis of Representation; Explanation of Non-GAAP Measures

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EBITDA, a measure not defined under U.S. generally accepted accounting principles (“GAAP”), is defined by USAC as net income attributable to USAC’s unitholders before interest and debt expense, income taxes, and depreciation and amortization. Adjusted EBITDA, which also is a non-GAAP measure, is defined by USAC as net income before interest expense, income taxes, depreciation expense, impairment of compression equipment, share based compensation expense, restructuring charges and management fees. Management of USAC views Adjusted EBITDA as one of their primary management tools to assess (i) the financial performance of USAC assets without regard to the impact of financing methods, capital structure or historical cost basis of those assets (ii) the viability of capital expenditure projects and the overall rates of return on alternative investment opportunities, (iii) the ability of USAC assets to generate cash sufficient to make debt payments and to make distributions and (iv) operating performance as compared to those of other companies in the industry without regard to the impact of financing methods and capital structure.

Distributable cash flow (“DCF”), which is a financial measure included in this presentation, is another measure not defined under GAAP. USAC defines DCF as net income (loss) plus non-cash interest expense, depreciation and amortization expense, impairment of compression equipment charges, and non-cash SG&A costs, less maintenance capital expenditures. USAC believes DCF is an important measure of operating performance because it allows management, investors and others to compare basic cash flows they generate (prior to the establishment of any retained cash reserves by their general partner) to the cash distributions they expect to pay their unitholders. Using DCF, management can quickly compute the coverage ratio of estimated cash flows to planned cash distributions. USAC’s DCF may not be comparable to a similarly titled measure of another company because other entities may not calculate DCF in the same manner.

# Basis of Representation; Explanation of Non-GAAP Measures

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This presentation references forward-looking estimates of Adjusted EBITDA and DCF, including Adjusted EBITDA and DCF projected to be generated by the acquisition of the S&R Compression rental fleet. A reconciliation of estimated Adjusted EBITDA and DCF to GAAP net income is not provided because GAAP net income generated by the S&R Compression rental fleet for the applicable periods is not accessible. USAC has not yet completed the necessary valuation of the various assets to be acquired, a determination of the useful lives of those assets for accounting purposes, the determination of the final GAAP purchase price of the assets (which will be based on the closing date value of the common units issued as consideration) or of an allocation of the purchase price among the various assets. Accordingly, the amount of depreciation and amortization that will be included in the additional net income generated as a result of the acquisition of the S&R Compression rental fleet is not accessible or estimable at this time. The amount of such additional resulting depreciation and amortization could be significant, such that the amount of additional net income would vary substantially from the amount of projected Adjusted EBITDA and DCF. A reconciliation of estimated Adjusted EBITDA and DCF to GAAP net cash provided by operating activities is not provided because GAAP net cash provided by operating activities is not accessible on a forward-looking basis. The items necessary to estimate GAAP net cash provided by operating activities that are not included in net income, in particular the change in operating assets and liabilities amounts, are not accessible or estimable at this time. USAC does not anticipate the changes in operating assets and liabilities amounts to be material, but changes in accounts receivable, accounts payable, accrued liabilities and deferred revenue could be significant, such that the amount of net cash provided by operating activities would vary substantially from the amount of projected Adjusted EBITDA and net income.

USAC believes that investors benefit from having access to the same financial measures used by USAC management. Further, USAC believes that these measures are useful to investors because they are one of the bases for comparing USAC's operating performance with that of other companies with similar operations, although USAC's measures may not be directly comparable to similar measures used by other companies.