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USAC.N - USA Compression Partners LP Investor Call

EVENT DATE/TIME: DECEMBER 01, 2025 / 2:00PM GMT

CORPORATE PARTICIPANTS

Micah Green *USA Compression Partners LP - President, Chief Executive Officer of General Partner*

Christopher Paulsen *USA Compression Partners LP - Chief Financial Officer, Vice President, Treasurer of General Partner*

CONFERENCE CALL PARTICIPANTS

James Rollyson *Raymond James - Analyst*

Elias Jossen *JPMorgan Chase & Co - Analyst*

Nathaniel Pendleton *Texas Capital - Analyst*

Gabriel Moreen *Mizuho Securities USA LLC - Analyst*

Elvira Scotto *RBC Capital Markets Inc - Analyst*

Selman Akyol *Stifel, Nicolaus & Company Inc - Analyst*

PRESENTATION

Operator

Good morning, and welcome to USA Compression Partners' December 2025 investor conference call. (Operator Instructions) This conference is being recorded today, December 1, 2025.

I would now like to turn the call over to Clint Green, President and CEO. Please go ahead.

Micah Green - USA Compression Partners LP - President, Chief Executive Officer of General Partner

Thank you, operator, and thank you all for joining us today. During this call, we will reference certain non-GAAP measures -- forward-looking statements. Please review the related legends included in our presentation discussing this transaction found on our website.

As you all have seen -- now have seen, we are excited to discuss our acquisition of J-W Power Company, a largely private-held provider of compression services with a storied history dating back to the 1960s. This represents an exciting opportunity to increase our geographic footprint across the US and expand our existing customer relationships while acquiring new ones.

We especially want to thank the Westerman family for entrusting us with the assets and for their commitment to the combined company going forward as owners of common units. Together, our two companies bring decades of experience in contract compression and a shared focus on exceptional people, a strong culture, reliable equipment and superior service, consistent with our four pillars.

With that, I will turn the call over to Chris Paulsen to discuss the merits of the transaction in further detail.

Christopher Paulsen - USA Compression Partners LP - Chief Financial Officer, Vice President, Treasurer of General Partner

Thanks, Clint. I'll start on page 2 of the presentation. The transaction will be funded with \$430 million in cash initially via the existing credit facility and approximately 18.3 million USAC common units issued to the seller. This represents an attractive valuation of approximately 5.8 times 2026 estimated adjusted EBITDA.

Notably, while we anticipate meaningful synergies associated with the combined business in the fullness of time, we have assumed no synergies upon announcement. The majority of J-W's adjusted EBITDA is tied to its 800,000-plus active contract compression horsepower, which is primarily mid to large and will increase our active fleet to roughly 4.4 million horsepower on a pro forma basis.

Noncontract compression adjusted EBITDA is approximately 10% of the total and is attributable to the AMS and manufacturing businesses. The transaction is expected to close in the first quarter of 2026 and will be subject to customary closing conditions, including regulatory approval.

Turning to page 3. J-W allows us to increase the scale and product offering, expand long-term customer relationships and improved geographic presence, all while priced at an attractive valuation. J-W's assets are complementary to our own with over 300 customers across the US.

In the near term, we expect this asset will deliver meaningful accretion in 2026 on a DCF basis, and will move us below 4 times leverage on a pro forma basis.

J-W also provides a strong pipeline for continued organic growth. We expect active horsepower to grow roughly 2% by year-end 2026 driven by newly contracted horsepower and dependent upon our post-close finalized capital budget.

Turning to slide 4. In slide 4, you can see that J-W provides 70% of the contract compression fleet that is mid to large horsepower with 46% of the HP greater than 1,000 horsepower. The fleet historically serviced both gas lift and gathering with a slightly higher proportion tied to the wellhead. The fleet is relatively evenly spread across our existing operations in the US and provides us new access to the Bakken.

Total acquired horsepower is approximately 1.05 million, of which we anticipate over 900,000 horsepower is readily deployable with limited additional capital to make ready idle units. Approximately 90% of the expected adjusted EBITDA in 2026 is tied to the contract compression business with expected gross margins nearing 60% for contract compression in AMS.

While this is lower than our baseline average, we are confident that through combined best practices, we can streamline operations and incrementally improve our operating margins over time.

Finally, page 5 shows our pro forma active fleet mix by basin and unit size. The hatched areas represent basins where we currently have an operating presence whereas the blue areas are new, including portions of the Bakken, Uinta, and Arkoma Basins.

In each hashed area, we expect to meaningfully enhance operational efficiencies through improved materials and fluids cost and route management. We cannot be more excited about the addition of J-W Power to the USAC portfolio. Its field operations are well respected throughout the industry and horsepower offerings complement our own.

As mentioned, we anticipate closing the transaction early Q1, and we'll look to provide pro forma adjusted EBITDA and capital numbers at that time.

I will now open up to Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Jim Rollyson, Raymond James.

James Rollyson - Raymond James - Analyst

Congrats on the deal. Chris, maybe starting with you, just can you give us a little bit of kind of trailing 12-month context on kind of revenues, EBITDA, and I think the 10% mix was related to EBITDA? But just maybe a little bit of history kind of we know where we're coming from to then project where we're going.

Christopher Paulsen - USA Compression Partners LP - Chief Financial Officer, Vice President, Treasurer of General Partner

Yes. Good question, Jim. So as we look forward into 2026, we mentioned that we're looking to grow new horsepower approximately 2%. That horsepower number in terms of what's currently contemplated within the J-W legacy assets is about 40,000 new horsepower, of which over 60% of that's contracted at the moment.

Looking back historically and relatively, the last 12 months, the number has been just south of \$140 million on an adjusted EBITDA basis. And again, most of that increase on a relative basis for 2026 is tied to that new horsepower.

James Rollyson - Raymond James - Analyst

Got it. That's helpful. And then, Clint, obviously, J-W has been around for a long time. Would love to just hear your thoughts on kind of how you got this transaction? And as you think about it, you mentioned geographic diversity, but love to hear beyond just kind of geographic footprint. And what's your thoughts that this brings to the table? Does it bring a lot of new customers of the 300? I imagine there's a lot of overlap there.

Is it more tied to new growth opportunities? Is there any technologies or the manufacturing and AMS business that you kind of wanted to grow into and this helps you? Or is this more of a -- kind of gets you more scale, gives you some growth opportunity and helps deleveraging with a bunch of synergies? Just kind of curious of your approach there.

Micah Green - USA Compression Partners LP - President, Chief Executive Officer of General Partner

Yes. Thank you, Jim. It's really all of that, right? At investor conferences and over the last year, we've talked about if we were going to do a deal, it would need to be deleveraging, it would need to be accretive. It would need to be DCF -- improved DCF. We feel like that this does all of that.

We also like being the footprint in the basins that it gives us opportunities to work in. With the AMS business, we've been pushing to grow that business here over the last year, and this helps us with that. It gives us opportunity there as well. So I think the best way to sum it up is we like the whole enchilada.

Operator

Eli Jossen, JPMorgan.

Elias Jossen - JPMorgan Chase & Co - Analyst

Just wanted to start on the kind of age and utilization of the horsepower versus your existing fleet. Can you just kind of provide some high-level color on how these assets from a utilization and uptime perspective compare to what you already have?

Christopher Paulsen - USA Compression Partners LP - Chief Financial Officer, Vice President, Treasurer of General Partner

Sure, Eli. Yes. In terms of utilization, I think in the context of historical utilization, we have to decide what is that appropriate count of total horsepower. As we indicated in the slide deck, we're about -- the total horsepower being delivered associated with the transaction is about 1.05 million. We also distinguish between that and indicate that in excess of 900,000, we believe is readily deployable with some limited capital tied to it.

So if you tag that in and look at kind of where that number is, if you just simply look at 850,000 into 900,000 that would kind of be the relative utilization on what we would say is a comparable basis. Ultimately, we will get in with the assets and determine whether or not that number is 900,000 or 950,000 or whatever the case may be.

In terms of service offerings and the comparable service offerings, their uptime requirements are no different than our own, no different than many of our peers at the same time. The assets themselves are on average kind of similar age as our existing.

The contract terms, I would draw a distinction there. They have tended towards shorter contract terms on average, whereas our average contract term nears 30 months, theirs is probably half that. And so that is something that we're going to look towards as we go about recontracting in the next 12 months.

And with that, we'll also be moving towards MLP qualified income with the recontracting. So there's some synergies that we would hope to achieve as it relates to that. Obviously, some additional tax synergies in time as we move to MLP qualified income.

So hopefully, that addresses your questions. If you have anything that I did not address, please let me know.

Elias Jossen - *JPMorgan Chase & Co - Analyst*

No, that's super helpful color. And then maybe just one more. So I think there's some helpful splits and pie charts in the deck, but if we think about the upstream versus midstream exposure for the acquired assets, if you can provide a little bit of color on that and also just how that tied into the acquisition decision as well?

Christopher Paulsen - *USA Compression Partners LP - Chief Financial Officer, Vice President, Treasurer of General Partner*

Yes. I'll just say this. We think that the gas gathering versus the -- what I would call gas lift or upstream component is somewhat similar with our own with a little bit heavier weight towards the gas lift side. I mean, when we looked at this acquisition, what was exciting to us, frankly, was its geographic presence across the US.

And while it incremented our Permian presence and continue to increase our Permian presence, in fact, on a pro forma basis, moved that just below 40%. These other areas are areas that are really going to be necessary to see the gas growth into the second half of this decade.

And so as we look forward to 2028, 2029, 2030, various third-party reports really show the growth in wells drilled in some of these other basins within the greater Rockies, within the Greater Mid-Continent, within the greater Northeast. And so that in and of itself is exciting. But certainly, having a little bit smaller proportion of what we would call small horsepower relative to our own fleet creates some more horsepower nearer to the wellhead.

Operator

Nate Pendleton, Texas Capital.

Nathaniel Pendleton - *Texas Capital - Analyst*

Congrats on a great acquisition. Following this acquisition and the improving distributable cash flow, can you talk about how you're looking at balancing further growth, accelerated deleveraging and the distribution? I know it's early, but any thoughts there would be helpful.

Christopher Paulsen - USA Compression Partners LP - Chief Financial Officer, Vice President, Treasurer of General Partner

Yes. One of the things that we need to do is combine both assets once this deal closes and the expectations, hopefully, well before February time frame. And then in February, come out with our combined capital budget in the same way and timing that we normally do.

As we do that, our capital priorities remain the same. I mean, we want to draw leverage below 4 times sustainably. And then we want to look at opportunistic growth with that. And so we had a horsepower number in mind, separate and distinct from this asset. As I mentioned, this asset has 40,000 horsepower that will be deployed and could be deployed to these particular -- to the contract compression space tied to the manufacturing business.

We anticipate utilizing all of that. And then we need to decide what the pro forma numbers will be for USAC sub total. But again, we're looking at keeping leverage at or below 4 times and then finding ways to continue to grow that relative coverage. And then at a point in time, decide what the priorities are beyond that.

Micah Green - USA Compression Partners LP - President, Chief Executive Officer of General Partner

And Nate, just to add to that, we're going to maintain our capital discipline we've been talking about it.

Nathaniel Pendleton - Texas Capital - Analyst

Got it. I really appreciate the detail there. And then maybe just a quick follow-up. Just drilling down a bit on the fleet. Can you talk about the composition, specifically electric motor drive? And are the others mostly cat aerial or any color there?

Christopher Paulsen - USA Compression Partners LP - Chief Financial Officer, Vice President, Treasurer of General Partner

The vast majority is CAT/Ariel. We will improve our relative electric components. Part of the manufacturing business has been retrofitting electric on smaller units, 690 horsepower units and below in some cases, so mid to small horsepower. So we will improve that.

I would expect for that to continue. We'll kind of provide some more fulsome numbers on electric. But again, within our capital budget for 2026, and we haven't arrived at the final proportion for that. But I would tell you that that electric would be extremely limited. And so as needed and as required by our customers, we're delivering electric. But overall, for 2026, the electric appetite was not immense.

Operator

Gabe Moreen, Mizuho.

Gabriel Moreen - Mizuho Securities USA LLC - Analyst

Just had a couple of quick follow-ups. One is any divestitures, whether basins or HP types contemplated after this acquisition? I'm just curious.

Micah Green - USA Compression Partners LP - President, Chief Executive Officer of General Partner

Not at this time, Gabe. We'll continue to evaluate that as we move through it, but not at this time.

Gabriel Moreen - *Mizuho Securities USA LLC - Analyst*

And then I was just curious, you mentioned a lot of new customers here, but as far as your existing basins where there is overlap with J-W Power, any shared customers here where you think they're one on one could equal three here in terms of more market share with some of those producer customers given this acquisition?

Christopher Paulsen - *USA Compression Partners LP - Chief Financial Officer, Vice President, Treasurer of General Partner*

What was interesting about it, one, is the contract tenor of the customers. When we look at the top 10, it's real similar to our own in terms of the time frame. But what was interesting was as it relates to top 10, the relative limited overlap.

So 300 customers amongst the top 10, limited overlap, really limited overlap in many of the top 20 customers. And so to your point, I think the calculus is actually a very positive one and not one where we necessarily have a great intensity -- customer intensity rate for any one customer.

Operator

Elvira Scotto, RBC Capital Markets.

Elvira Scotto - *RBC Capital Markets Inc - Analyst*

Can you talk about -- I know you gave the acquisition multiple kind of without synergies. But can you talk about some of the potential synergies or cost savings that you expect over time from this acquisition?

Christopher Paulsen - *USA Compression Partners LP - Chief Financial Officer, Vice President, Treasurer of General Partner*

Sure. Elvira, I'll take that one. The synergies, we're pretty reasonably excited about the potential for synergies. I think we'll be more apt to be able to speak to those upon close. I'll tell you, we'll look across the landscape and find out where we can improve in terms of the gross margin side. I think some of that improvement is going to come from simple things like we had a lot of contract labor throughout a good portion of this year, had some open positions through a portion of this year.

We would -- we had budgeted for some open positions next year. And I think through this process, we'll be able to fill those with J-W employees. So we're excited about that. And in turn, I think margins will improve.

There are things that, again, in the fullness of time as we move MLP qualified contracts over, I think there will be some ability to minimize some of the cash taxes associated with the assets that were historically tied to them. When I say minimize and defer some of those cash taxes, that probably is better said.

And then between the two companies, we really made some meaningful impact in terms of our shared services offering with ET. I think we'll have some immediate impacts with some things like HR, IT platforms and so forth.

Keep in mind, as we mentioned on that last call, our healthcare costs have come in and improved quite substantially. Our 401(k) and benefits package, I think, is a really strong offering. And so I think once we integrate some of the J-W platform into the shared services offering, I think we'll have some improvements to talk about.

I think we'll be, again, better positioned to discuss that upon the transaction close and maybe be able to put forward some synergy numbers over the next six months or so.

Operator

(Operator Instructions) Selman Akyol, Stifel.

Selman Akyol - Stifel, Nicolaus & Company Inc - Analyst

Just a couple of quick ones. Just to confirm, there was no debt acquired with this transaction?

Christopher Paulsen - USA Compression Partners LP - Chief Financial Officer, Vice President, Treasurer of General Partner

Yes. So this will be -- this is kind of what we would call a cash -- a debt-free, cash-free transaction. The legacy J-W asset did have an ABL tied to it. That ABL will go away with the transaction. And again, we'll fund a portion of this initially through our ABL and then decision whether or not we want to approach anything different with more of a fixed proportion going forward.

Selman Akyol - Stifel, Nicolaus & Company Inc - Analyst

Understood. And then -- and I know this is small, but I'm just curious more than anything else. They had some enhanced oil recovery compression. And I'm just wondering, is there any difference in terms of margins, growth outlook, pricing, anything different there that we should be aware of?

Christopher Paulsen - USA Compression Partners LP - Chief Financial Officer, Vice President, Treasurer of General Partner

No. I think CNG, EOR are part of the specialized manufacturing business. I think they are different and exciting packages for J-W relative to some other manufacturers. Ultimately, EOR is the better way to probably say that is really big, big units.

And so that's a lot of horsepower on location and on site. And so they take some reasonable time to build. But the long and short of that is they're just big, big units.

Operator

And that concludes the question-and-answer session. With that, I would like to turn the call back to Clint Green for closing comments.

Micah Green - USA Compression Partners LP - President, Chief Executive Officer of General Partner

Yes. Thank you all for dialing in. As you can see, we're extremely excited about this opportunity. And just to close it out, we'd really like to thank the Westerman family for entrusting us for this. We're excited about carrying on the legacy and the history.

And we'll be back with more updates later on. Thank you all very much.

Operator

This does conclude our call today. Thank you all for joining. You may now disconnect.

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