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PRESENTATION

Operator

Good morning. Welcome to USA Compression Partners' second-quarter 2025 earnings conference call. (Operator Instructions) This conference is being recorded today, August 6, 2025.

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

Christopher Porter - *USA Compression Partners LP - Vice President, General Counsel, Secretary*

Good morning, everyone, and thank you for joining us. This morning, we released our operational and financial results for the quarter ending June 30, 2025. 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 in this call speaks only to management's views as of today, August 6, 2025, and may no longer be accurate at the time of a replay.

I will now turn the call over to Clint Green, President and CEO of USA Compression.

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

Thank you, Chris, and good morning, and thank you for joining our call.

We are pleased to deliver a record-setting quarter for revenues and average revenue per horsepower while also maintaining consistent margins and utilization. Despite bearish macro commentary related to GDP, tariffs, inflation, and commodities that could have presented headwinds for our quarter, our business continues to march forward with strong execution in the first half of the year.

While certain of our E&P customers took a brief pause in Q2 as WTI dipped below $60 and Henry Hub marched lower, most have shown a resolve into the back half of this year and into '26 to support their current levels of production. For example, our contracted horsepower in the Northeast in Q4 is expected to be 5% higher than today. As we look to 2026, we believe we have significant reason for optimism given the number of RFQs in the pipeline. Bear in mind, our top 10 customers comprise over 45% of our revenues, and most are expected to grow production next year, not just maintain it.

In the longer term, we still expect to see significant growth in the natural gas demand from AI, cloud services, and related power needs as major tech firms continue to significantly increase budgets to expand their infrastructure. Three of the largest tech firms in the US are anticipated to spend over $265 billion in capital this year combined, largely to expand their infrastructure for AI and cloud services. In addition, new data center investments are continuously being announced. In the last several weeks alone, two new data center complexes tied to natural gas generation were announced, one totaling 4.4 gigawatts and another at 190 megawatts.

Coming alongside tech and private equity investments, utilities are also investing over $200 billion this year to meet this growing power demand, substantially more than any year since 2000. We continue to believe that the only way to provide suitable, consistent, and clean energy to power these needs is natural gas, and our country needs compression to get it there.

Turning to US oil and gas production. The July EIA short-term energy outlook showed considerable natural gas growth projections, including annualized gas growth of 6% in the Permian. Natural gas out of the Northeast and the Haynesville is also expected to grow. Finally, crude oil production in the Permian continues to stay resilient and above the average for the first half of the last year, despite a lower rig count.

At the corporate level, we are beginning to reap the benefits from our new shared services model with Energy Transfer. For example, we have seen licensing savings and enhanced functionality from our IT group and expect to reap the benefits of larger centralized procurement organizations moving forward. We are just two quarters into the process, and it's too early to understand the full impact of shared services, but we like what we see thus far.

Operationally, we have acquired approximately 48,000 new horsepower in 2025, the majority of which will be delivered before year-end. We anticipate 10,000 of this horsepower will be online January of 2026, and we'll update our 2025 capital forecast in Q3 to the extent deliveries hit next year. We continue to seek and have success with buy and contract back opportunities as additional ways to grow horsepower.

Although our average total active horsepower was down slightly on a sequential quarter basis, our large horsepower continues to be nearly fully utilized. Across the fleet, the majority of the unit releases for the quarter have been recontracted, and we anticipate Q4 active horsepower to exceed 3.6 million, which would represent a new record for the company.

In terms of day-to-day operations, we continue to focus on our three biggest costs: parts, labor, and lube oil. For several of our most costly parts, we are revisiting certain vendor discussions to solve for optimal quality, cost, and warranty coverage. Although labor costs increased in the quarter due to overtime and contract labor, we expect these costs to reduce going forward as we fill these needs with internal hires through enhanced recruiting efforts. We also anticipate seeing significant savings in our lube oil costs related to our new agreement with a large lube oil vendor.

To date, tariffs have had minimal impacts on our business as the manufacturing of most components we utilize originate in the US. Lead times also have not materially changed from historical averages, with our engines currently running 34 to 45 weeks and compressors 24 to 28 weeks. As I previously stated, we are still getting quotes for Q1 or Q2 2026 delivery at the moment, as parts inventories are generally around six months and we would likely not see any material inventory impacts from tariffs until next year at the earliest.

With that, I will turn the call over to Chris Paulsen, our Chief Financial Officer, to discuss our second-quarter highlights and our 2025 guidance in more detail.

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

Thanks, Clint.

In the quarter, our sales teams continue to build upon pricing improvements up to an all-time high, averaging $21.31 per horsepower for the second quarter, a 1% increase in sequential quarters and 5% increase compared to the year-ago period. Average active horsepower remained flattish at 3.55 million. Our second-quarter adjusted gross margins were 65.4%.

Regarding the consolidated financial results, our second-quarter 2025 net income was $28.6 million. Operating income was $76.6 million. Net cash provided by operating activities was $124.2 million, and cash interest expense, net was $45.4 million. Our leverage ratio is currently at 4.08 times.

Turning to operational results. Our total fleet horsepower at the end of the quarter was approximately 3.9 million horsepower, essentially unchanged to the prior quarter. Our average revenue-generating horsepower also was flat on a sequential quarter basis and up 1% from a year ago. Our average utilization for the second quarter was 94.4%, consistent with the prior quarter.

Second-quarter 2025 expansion capital expenditures were $18.1 million, and our maintenance capital expenditures were $11.7 million. Expansion capital spending primarily consisted of reconfiguration and make-ready capital of existing units, while maintenance capital expenditures were higher in the first half of the year as we prioritized preventive maintenance efforts tied to annual intervals. For the remainder of the year, most capital will be focused on reconfigurations and new horsepower, largely in Q4.

In the quarter, 100,000 preferred units were converted into approximately 5 million common units. Only 80,000 preferred units now remain.

Turning to 2025 guidance. We maintain our adjusted EBITDA range of $590 million to $610 million, distributable cash flow range of $350 million to $370 million, expansion capital range of $120 million to $140 million, and maintenance capital between $38 million and $42 million. As Clint mentioned, to the extent expansion capital is expected to move into Q1 2026 due to new compression delivery dates, we will provide an update to expansion capital in the Q3 call.

As discussed in prior calls, we continue to maintain our leverage ratio and expect it to marginally increase later in the year as we fund new growth projects that are backend-loaded. Our target remains at or below 4x debt to EBITDA.

Since last quarter, spreads have remained tight and yields have come in. This creates a more compelling backdrop to revisit a refinancing of our September 2027 notes sometime in Q4. Of immediate focus is our ABL, which we hope to extend prior to the next quarterly call.

We have chosen the admin agent and have received strong unsolicited inbounds for many banks who would like to upsize or maintain their commitment levels. This provides a degree of confidence that our current borrowing costs will be improved.

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

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

Thanks, Chris.

Our disciplined growth strategy continues to serve our investors and customers well. On a final note, I would like to congratulate our employees in the Rockies who have recently received a safety and operational excellence award from one of our top 10 customers. Our employees make us who we are, and this is just another indication that we have the best in the business.

And with that, I will open the call up to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Doug Irwin, Citi.

Douglas Irwin - *Citi Infrastructure Investments LLC - Analyst*

Hey. Thanks for the question. I wanted to start with gross margin. You saw some pretty solid price increases this quarter, but it seems like it was more or less offset by increased OpEx, which you already touched on it a bit in the prepared remarks. So I was just wondering if you could maybe expand on where you see overall gross margins trending from here, particularly as you bring on some new horsepower that's presumably higher margin.

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

Yeah. Doug, this is Clint Green. Thank you for that question. I'm going to introduce Chris Wauson. He's our Chief Operating Officer. I'm going to let him answer that question.

Christopher Wauson - *USA Compression Partners LP - Vice President, Chief Operating Officer*

Thank you, Clint. Yes, sir. Chris Wauson here. Just as a reminder, over the past four years, gross margins generally jumped around between 65% to 67%, and this quarter is no different.

On the parts front, we're reviewing certain consumption patterns, and associated warranties to determine a better path forward. But on the labor side of things, we are actively recruiting to fill roles and currently incurring higher overtime expense, but we have a full-time recruiter that is addressing that, and our goal is to get to 100% staffing. So to really answer your question, as we get through the year, we anticipate GP to get more in line and fall into the historicals that you've previously seen.

Douglas Irwin - *Citi Infrastructure Investments LLC - Analyst*

Got it. That's helpful. And then as a follow-up, Clint, you mentioned an expected increase in contracted horsepower in the Northeast throughout the rest of the year. Just curious how much of the existing fleet is on long-term contracts today versus maybe being more month to month? And do you see more potential to sign more kind of longer-term contracts on this -- on the existing horsepower? And maybe you can just talk about kind of what you're seeing with regard to term and pricing for some of those contracts that have been signed.

Christopher Wauson - *USA Compression Partners LP - Vice President, Chief Operating Officer*

Yes, sir. It's Chris Wauson again. We currently see in around typically 25% to 30% of our business in the Northeast is month to month. Our average contract return rate's really good. We have a lot of opportunity up there, so we will see a better dollar per horsepower of revenue than we've previously seen, so that's positive for us, and we're going to see that throughout the rest of the year. A lot of those starts are Q3 and into Q4, so a positive outlook for the remaining half in the Northeast.

Douglas Irwin - *Citi Infrastructure Investments LLC - Analyst*

Great. That's all for me. Thanks.

Operator

Connor Jensen, Raymond James.

Connor Jensen - *Raymond James - Analyst*

Hey, guys. Thanks for taking my call. I was just wondering if there was an update on sold or retired equipment during the quarter with the average horsepower down just a bit.

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

So can you repeat that? I couldn't understand exactly what you said. Sorry about that.

Connor Jensen - *Raymond James - Analyst*

Yeah. I was just wondering if there was an update on the sold or retired equipment during the quarter and how we should expect this to trend over the back half of the year.

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

Yeah. Connor, this is Chris Paulsen. Really, no update in terms of sold equipment. There were no material sales in terms of equipment for the quarter.

As mentioned, our utilization's down slightly for the quarter. And frankly, for the month of June, if you look at the average utilization, it was essentially flat. Again, as we look forward to the second half of this year, and in particular into Q4, we anticipate a pretty meaningful movement in terms of overall active horsepower.

Connor Jensen - *Raymond James - Analyst*

Got it. And then, G&A was notably lower this quarter. Is that a function of the shared services work that you've done with Energy Transfer? And is it possible for it to stay at this level? Or what should we expect from that?

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

Yeah, great question. So as Clint intimated, we're still early in the shared services process. We don't want to get in front of our skis as it relates to forecast just yet. So the G&A for the quarter, I think, is in line with expectations, and we could see it move up and/or down a little bit over the next several quarters. Again, as we mentioned, for 2026, in a full annualized outlook, we're anticipating around $5 million of annualized savings, but it's been a little bit lumpy as we embark upon the shared services process, as we are going through the SAP integration process as well.

So I wouldn't read too much into Q2. But further and projecting out, we certainly anticipate some savings, and we really appreciated some of the maturation that's come with the affiliation with Energy Transfer. Again, areas like IT, we've really seen some material improvements in terms of our licensing costs, security, et cetera, as well on the centralized procurement side. I would expect that to pay very reasonable dividends going into next year with some of the contracting and bid strategies that they've put forward.

Connor Jensen - *Raymond James - Analyst*

Got it. Makes sense. Thanks, guys.

Operator

Elvira Scotto, RBC Capital Markets.

Elvira Scotto - *RBC Capital Markets Inc - Analyst*

Hi. Good morning, everyone. In your press release and some of the comments that you made on the call today, you noted strong demand for your compression services across oil and gas-producing basins. Where do you see the greatest increase in demand? And I know you talked about the Northeast, but are you seeing some significant incremental demand in the gas-producing basins?

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

Yeah. So this is Clint again. We're seeing, in the dry gas basins, RFQs have definitely picked up, which leads us to believe that more contracting will happen in those basins, while the Permian and elsewhere have stayed about the same or a little better. But the dry gas basins are definitely picking up.

We saw that in -- our market digested this OPEC+ hike over the weekend of $65 WTI, and that enables the producers to feel better going into 2026. We typically see that our producers start awarding contracts in September and through the end of November once their budgets are finalized. We've also seen an increase in large station bid rate, as well as small horsepower units in gassier areas. So it's kind of across the board everywhere with demand growing the way it has.

Operator

Eli Jossen, JPMorgan.

Eli Jossen - *JPMorgan Chase & Co - Analyst*

Hey, guys. Thanks for taking my questions. Maybe just to start on the electric motor drive side, I think it's been a little bit less topical in recent quarters. Can you just kind of give us an update if there's any shift in the compression market from within the electric to gas side and any gas power constraints that you're seeing that might be impacting that?

Christopher Wauson - *USA Compression Partners LP - Vice President, Chief Operating Officer*

Yes, sir. It's Chris Wauson. I'll take that one. So we are seeing just a shift -- we had some electric drive opportunities late Q4, Q1, and those talks honestly have subsided, and natural gas engine-driven compressors are still top of the list.

Eli Jossen - *JPMorgan Chase & Co - Analyst*

Got it. And then maybe just quickly on the capital structure side, you guys are obviously near the leverage target, and I know you're probably looking at a refinancing of some notes coming up. But just beyond that, is there any consideration for distribution upside? Or how do you kind of see the capital allocation waterfall beyond that refinancing?

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

Hey, Eli. This is Chris Paulsen. Great question. So again, as 50 straight quarters have really played out, the distribution is sacrosanct, and we've been pretty clear about that. Our distribution coverage has been in kind of the 1.4 to 1.5 times range here very recently. And obviously, the preferred interest as it relates to that is starting to play out and be a much smaller portion of the overall story.

We still would like to see coverage increase a little bit while pushing down relative leverage. To the degree that we can push down relative leverage, it really increases the amount of cash that we have for the business and growing the business, but also as it relates to distributions longer term.

So today, in terms of ordering and priority, again, maintain the distribution to move towards 4 times leverage or below. And the way in which we plan to do that, again, is looking at refinancing the ABL. I think we'll increase the relative floating percentage in terms of our total story. So we may modestly increase the size of our ABL facility while we may modestly decrease the size of our long-term notes outstanding. And in turn, I think we initially cut our interest cost by doing so at the margin and then continue to grow our way into a lower relative coverage ratio in time and then move forward from there.

Eli Jossen - *JPMorgan Chase & Co - Analyst*

Awesome. Thanks.

Operator

Brian DiRubbio, Baird.

Brian DiRubbio - *Robert W. Baird & Co. Incorporated - Analyst*

Good morning, gentlemen. Just to talk about CapEx and the investments, do you see any substantial change in the cost to acquire new horsepower today versus just the last two years?

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

Yeah, it keeps going up. It's like everything else. Caterpillar engines and eggs, both are more expensive than they were two years ago. It seems to have stabilized here in the recent term, but we have seen significant increase over the last couple of years.

Brian DiRubbio - *Robert W. Baird & Co. Incorporated - Analyst*

Are you able to get pricing for that? I know that was a big topic about two years ago. This is some of the first wave of price increases you went through and the industry was able to get some pricing. Pricing appears to be slowing down a little bit, so I would love to get your thoughts there.

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

Yeah. I mean, I'll let Chris finish this, but I'll start and say that, right now, we're able to get the margin needed to build new equipment. It's not as easy as it might have been a couple of years ago, but it's still there.

So Chris, do you have anything to add?

Christopher Wauson - *USA Compression Partners LP - Vice President, Chief Operating Officer*

Yeah, I'll add a little bit to that. Thanks, Clint. One thing just to keep in mind is, Q2, the market softened a bit. We saw customers move to more of an optimization effort rather than just growth, growth, growth. As Clint mentioned, we're still getting the returns we need for the capital, but it's not as easy as it once was. But things are still positive, that's for sure.

Brian DiRubbio - *Robert W. Baird & Co. Incorporated - Analyst*

Fair enough. Then just one follow-up housekeeping question. Stock comp was a benefit this quarter. Did that fully hit the SG&A line? Or is that in cost of goods sold too?

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

Fully on the SG&A side.

Brian DiRubbio - *Robert W. Baird & Co. Incorporated - Analyst*

Okay. So net-net, actually, SG&A costs on a cash basis were up then. Is that correct? My math is correct?

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

I've got to look at the math. Maybe marginally, so I'd really call it flattish.

Brian DiRubbio - *Robert W. Baird & Co. Incorporated - Analyst*

Okay, that's helpful. Thank you. Appreciate it.

Operator

Robert Mosca, Mizuho Securities.

Robert Mosca - *Mizuho Securities USA LLC - Associate*

Hey. Good morning, everyone. I just want to revisit the prepared remarks. I think you referenced buy and contract opportunities. I think that's something that's been brought up in the past. But wondering, what you're seeing now, is that different from what you might have seen last year? And how are you approaching that opportunity? And could you give us an idea of how large you would expect a package like that to be?

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

Well, I'll start and let Chris add on to this. But I don't know that it's up any from last year. We've just been able to pick up some horsepower at different times, mostly from producers that want to get the capital out of their asset and then turn around and pay a contracted back for a term. I don't know that I would say it's up any.

Chris, I'll let you --

Christopher Wauson - *USA Compression Partners LP - Vice President, Chief Operating Officer*

No, I wouldn't say it's up. It's kind of flattish, but there are opportunities out there. And the deals that make the most sense for us, we're going to absolutely chase and take advantage of it and apply that service to our customers. But it's flat from last year.

Robert Mosca - *Mizuho Securities USA LLC - Associate*

Got it. Okay, appreciate that. And then, maybe in referencing the CapEx outlook, maybe spilling into '26, is that being driven by maybe customers looking to bring on production a bit later? Or is there anything else to call out on timing?

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

It really was driven by when we ordered the units, would they hit right towards the end of the fourth quarter or the beginning of the first quarter? And that's really where we're at with that is just when the unit delivers and when we can get them online and get them started up.

Robert Mosca - *Mizuho Securities USA LLC - Associate*

Got it. Appreciate the time today.

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

Thank you.

Operator

That concludes our Q&A session. I'll now turn the conference back over to President and Chief Executive Officer, Mr. Clint Green, for closing remarks.

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

Thank you. I would like to thank all of you for joining our call today.

USA Compression has been undergoing significant changes throughout 2025, but our recontracting rate is up, and we expect the back half of the year to be even better. We see this as proof that demand growth is real and here to stay. Just this morning, Kelcy Warren said that the US natural gas market has flipped from a supply-based market to a demand-based market. He is right, and this cements our message that natural gas is here to stay for the foreseeable future.

I hope everyone has a great day, and thank you for joining our call.

Operator

This concludes today's conference call. You may now disconnect.
