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USAC.N - Q4 2025 USA Compression Partners LP Earnings Call

EVENT DATE/TIME: FEBRUARY 17, 2026 / 4:00PM GMT

## CORPORATE PARTICIPANTS

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

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

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

## CONFERENCE CALL PARTICIPANTS

**Douglas Irwin** *Citi Infrastructure Investments LLC - Analyst*

**James Rollyson** *Raymond James - Analyst*

**Gabriel Moreen** *Mizuho Securities USA LLC - Analyst*

**Nate Pendleton** *Texas Capital Securities - Vice President-Sales & Trading*

## PRESENTATION

### Operator

Good morning. Welcome to USA Compression Partners fourth-quarter 2025 earnings conference call. (Operator Instructions) This conference is being recorded today, February 17, 2026. I now would like to turn the call over to Clint Green, President and Chief Executive Officer.

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

Good morning, everyone, and thank you for joining us. With me today is Chris Paulsen Senior Vice President and Chief Financial Officer; Chris Wauson, Senior Vice President and Chief Operating Officer; and other members of our leadership team.

This morning, we released our operational and financial results for the year and quarter ending December 31, 2025. Today's call will contain forward-looking statements based on our current beliefs and certain non-GAAP measures. Please refer to our earnings release and SEC filings for reconciliations, definitions of non-GAAP measures and related risk factors.

Please note that the historical information presented excludes the results of J-W Power acquisition, which closed on January 12.

With that, I would like to congratulate the team for closing the J-W transaction. With this transaction, we are leaning into the USA Compression name with broader reach all across this great country. The transaction makes us a clear choice for operators who want a provider with a reputation of high-quality reliable service in every major oil and gas basin in the US and across all horsepower classes.

I want to highlight the tremendous year we had across our operations, commercial and finance organizations. On the safety front, we recorded a TRIR of 0.39, which is approximately half of the industry average. We delivered full year adjusted EBITDA of \$613.8 million. and DCF of \$385.7 million, both are records for the company. We maintained high average utilization in excess of 94% throughout the year and ended the year at 94.5%.

Finally, we refinanced our ABL in one of our senior notes, significantly reducing our weighted average borrowing cost and improving strategic flexibility. These accomplishments occurred as the company embraced a new leadership team, a change in headquarters, a new shared services model and new ERP platform.

The resilience and grit showcased across our organization in 2025 gave us confidence to pursue and now integrate the J-W acquisition in 2026. Last year, the energy macro environment stabilized following early tariff discussions, but the development pace slowed in the Permian as rigs continue to reduce throughout the year in response to lower oil prices. Of note, while oil production flattened in the last half of the year, natural gas continued to move upward, ending approximately 9% higher year-over-year.

We continue to be bullish on the Permian longer term. With the acquisition of J-W, we maintain a large presence and have increased our active horsepower in the Permian to around 1.7 million. We have also increased our horsepower in oil and liquids-rich basins as well as major gas basins like the Marcellus, Utica and Haynesville, which returned to growth in 2025. This growth was tied to increased local demand, additional infrastructure debottlenecking and a higher average natural gas price of \$3.52 per MMBtu. This is a 56% increase from the prior year.

We are encouraged by these fundamentals and believe the acquisition of J-W strengthens our leadership within these natural gas basins. The broader compression industry continues to forge ahead with strong margins and a disciplined approach to new compression capital and USA Compression is no different. Of note, lead times for new equipment have increased to over two years, which presents a new set of opportunities and challenges that our team continues to work through.

In 2026, we have budgeted approximately 105,000 new horsepower, representing a 2% increase in active horsepower with half of that new horsepower under contract. We also have new units contracted for the first half of 2027 and are in active discussions to procure additional horsepower in 2027.

With that, I will turn the call over to Chris Wauson, our Chief Operating Officer.

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

Thanks, Clint. Since the close of the transaction on January 12, we have begun planning to optimize route management, inventory, contracts and operational structures to begin to realize synergies as early as this year. As we have previously noted, we moved forward with the go-live of a new ERP system in Q1 of 2026 for the legacy USA Compression assets and now plan to integrate the J-W assets during 2026.

We will have modest onetime costs associated with the transaction in 2026, but expect to lay the groundwork for substantial synergy capture by 2027. Our assessment is still ongoing, but at this time, we anticipate approximately \$10 million to \$20 million in annual run rate synergies that will be achieved by the end of 2027. We expect these synergies to create improvements in both operating margins and G&A with the additional potential for commercial synergies as we better serve our combined customer base.

As we discussed in our announcement we are excited about increasing the extent and depth of our asset offering and customer base. Customer retention and review of existing contracts are top of mind and we have already begun moving contracts under USA Compression MSAs, and we'll work to extend average contract duration throughout this year.

We hope our customers will realize the best of both organizations. I am personally excited to see the strength of our organization growth, especially across the Mid-Continent, the Rockies and Northeast with the addition of the J-W assets. We will focus on continuing to be the operator of choice across these basins and others providing customers commercial and operational consistency across the US.

No other contract compression company in the market can support its customers' diverse horsepower and geographic needs like USA compression can to date. Finally, with the acquisition of J-W, we acquired approximately 200,000 idle horsepower that will undergo significant review over the course of the next year. As we indicated in December's J-W acquisition call, we believe approximately 50,000 horsepower readily deployable with limited capital spend.

As it relates to the remainder, we will analyze the best path, including potential monetization of a portion of the horsepower. We also acquired a manufacturing business that provides strong optionality for third-party sales and internal reconfigurations.

I will now turn it over to Chris Paulsen to discuss our 2025 financial results in detail and our 2026 guidance.

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

Thanks, Chris. In Q4, we increased pricing to an all-time high, averaging \$21.69 per horsepower, a 1% increase in sequential quarters and a 4% increase compared to the year ago period. Average active horsepower increased approximately 1% relative to Q3 to \$3.579 million. Our fourth quarter adjusted gross margins came in at 66.8%, right on historical trend.

Regarding the consolidated financial results, our fourth quarter 2025 net income was \$27.8 million, operating income was \$76.6 million, net cash provided by operating activities was \$139.5 million and cash interest expense net was \$43.4 million. Our leverage ratio at the end of the fourth quarter was 4.0x.

Turning to operational results. Our total fleet horsepower at the end of the quarter was approximately 3.9 million horsepower, adding approximately 21,000 horsepower as compared to the prior quarter. Our average utilization for the fourth quarter was 94.5%, a slight increase compared to the prior quarter. Fourth quarter 2025 expansion capital expenditures were \$40 million and our maintenance capital expenditures were \$7.8 million. Expansion capital spending in Q4 primarily consisted of new units.

Turning to 2025 full-year results. We ended the year with adjusted EBITDA of \$613.8 million. We also ended the year with distributable cash flow of \$385.7 million, above the recently increased guidance, in part due to the final preferred unit conversion in December. Maintenance capital ended at \$39.4 million and expansion capital was \$117.6 million, both towards the lower end of previously provided guidance.

Looking ahead and with the contribution full year of J-W, we are forecasting adjusted EBITDA of \$770 million to \$800 million and distributable cash flow of \$480 million to \$510 million. Maintenance capital range is forecasted to be \$60 million to \$70 million, allowing for consistent preventative maintenance intervals across our combined fleet. Expansion capital range is \$230 million to \$250 million, which includes just over 100,000 new horsepower or over 2% of our active fleet being added and panel upgrade for improved telemetry practices.

The expansion capital range also includes approximately \$40 million of other capital, including vehicles, tools, investments in technology and other items. This expanded growth capital budget relative to prior years will enable us to better respond to the needs of our broader customer base and enable us to get new horsepower in both the Permian and the Northeast. The net result of our budget should enable us to improve upon our debt metrics with our near-term targets at 3.75x debt-to-EBITDA quarter improvement over the next 12 months.

We remain committed to managing debt levels and will remain open to transactions that can further delever the balance sheet and are accretive to unitholders. We also continue to evaluate our capital structure in its fixed versus floating proportion as it relates to DCF and business certainty. Today, at current Fed rates, our borrowing costs are improved by approximately 50 basis points by utilizing our ABL relative to our most recent notes refinance. We also have approximately \$0.5 billion of capacity, not including the \$300 million of additional accordion.

Overall, I'm very pleased with the operational momentum we carry into the 2026 with the legacy USA Compression business and the J-W Power assets. In the near term, the addition of J-W assets will reduce our aggregate gross margin for the contract compression business. Our clear goal is to more closely align those margins with our own over the next two years, contributing to the synergies Chris Wauson spoke of earlier.

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

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

Thank you, Chris. I want to thank all of our employees for the advanced planning and early integration efforts that have taken place across the two companies. We are honored to be part of the J-W Power legacy and are confident it will be improved going forward given the broader reach and resources of USA Compression. It is our goal to provide the same level of excellence throughout every region in the US, something that continues to set us apart.

I will now open the call up to questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions)

Doug Irwin, Citigroup.

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### Douglas Irwin - Citi Infrastructure Investments LLC - Analyst

I just wanted to start with the growth CapEx guidance here. Could you maybe just help dissect a bit how much of that \$250 million growth budget is tied to kind of organic base growth versus maybe the backlog inherited from J-W Power and then just curious if this level is kind of the right way to think about your run rate moving forward for CapEx, particularly as we kind of think about the potential impact of two-year lead times here.

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

Yes. Great question. Appreciate that. So just to break down the growth capital this year a little bit, about \$205 million of growth capital is tied in with the typical compression business, both new units, make ready and reconfigurations. Approximately \$150 million of that \$205 million is tied to new units. So as we mentioned in the call, approximately 105,000 new units overall.

And we have another just less than \$40 million in other capital tied to vehicles, IT tools, et cetera. We're really trying to add consistency across our fleet as it relates to the other capital. We think there is a scenario by which that can come in lower -- but hopefully, overall, that kind of breaks down what we call growth and expansion capital.

And then related to your other question and apologies as it relates to your other question in terms of percentage growth going forward as we mentioned, this year is approximately around 2% growth overall relative to our active horsepower.

As it relates to 2027, those long lead times do make for difficult planning. The beauty of our manufacturing entity is that it does allow us to start to dissect some of that a little bit differently than we have in the past as we've kind of been beholden to packagers. Today, we do have manufacturing capacity in 2027. We're trying to load up that relative capacity.

We have about 10,000 horsepower already contracted for that capacity. We're looking to utilize probably the remainder of that capacity for our own compression next year. And certainly, as it relates to smaller horsepower, and I say smaller, it's still around 1,500 horsepower or so. The lead times are less. It's really some of those really large 2,500 horsepower plus packages that are the long lead times. So we do have some flexibility as it relates to that. And frankly, this year, we've even packaged smaller horsepower than 1,000 horsepower.

So we'll continue to listen to our customers talk about their needs and be responsive as it relates to kind of the horsepower for 2027 and decide whether or not that number is kind of 1.5% to 2% range that we've been in over the last several years.

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### Douglas Irwin - Citi Infrastructure Investments LLC - Analyst

Got it. That's helpful detail. I just wanted to follow up on some of the comments made in the prepared remarks about just some of the actions you've taken to improve the balance sheet and then J-W Power is obviously accretive from a leverage perspective as well. Just curious if

these actions kind of impact the way you think about the right level of distribution coverage moving forward and whether they might give you some runway to start thinking about potentially growing the distribution from here.

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**Unidentified Company Representative**

Yes. Great question. So last year was really about, as you noted, kind of making sure that our balance sheet trajectory we set along the right path. We were able to do that transaction and able to put the cash forward because we did go through the process of a refinance beforehand. We went through an ABL restructuring and grew that relative ABL and as I mentioned, we also have capacity to even expand it further with our accordion feature of around \$300 million. So we're on the right track as it relates to our balance sheet and the relative improvement there.

3.75x, I think is a worthy goal in the near term. The question is, do we move down further from there to 3.5x. I ultimately would like to be there, but we also need to balance. As you noted, the fact that our distribution coverage has continued to improve. And net of the dividends that were -- or distribution, excuse me, that were paid a week ago, our number on a normalized basis is 1.55x. We did pay the Westerman family, some units associated with Q4 that was factored into that 1.36x and those units were ultimately repaid.

So our normalized number is about 1.55x on Q4. We're looking for that number to be in the 1.6x plus range next year -- or this coming year that is. And as that number starts to expand beyond 1.6x and grow beyond there, we need to continue to have conversations with all of our unitholders as to what the right answer is in terms of distribution growth.

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**Operator**

James Rollyson, Raymond James.

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**James Rollyson - Raymond James - Analyst**

Just to circle back to the capacity adds of 105,000, it's in the budget for this year. Maybe just kind of give can really sway how things lay out across the quarters? If you could talk about the timing of delivery and when you expect that capacity to actually be in the field.

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

Yes. I'll start and then Chris Wauson will probably add into that. I think most of what's coming on this year is in the back half of the year, July forward. Chris, do you have anything to add to that?

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

Yes. So thanks, Clint. So majority of the horsepower, there's a little bit that triples in Q3, but mainly the bulk of the horsepower comes in late Q3 into Q4. So we'll see good numbers of growth in the back half of the year.

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**James Rollyson - Raymond James - Analyst**

Got you. And maybe just kind of following up on your comments. It seems like every call I hear on compression lately, the lead times getting longer and longer. Wondering if that's showing up, you go back two, three, four years, and obviously, you guys like Cat had really ramped up the cost of equipment which was translating into higher pricing for everybody on new orders.

And then it seems like as we were originally kind of late last year, prices were just more inflationary like typical annual CAD increases. But I'm curious, as lead times continue to stretch out, are you seeing that? Or do you expect to see that translate at some point into higher equipment costs again like a bigger step up?

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

I don't think that any manufacturer ever misses the opportunity to increase prices. But yes, the main driver in the lead times is Caterpillar engines and the data center demand for generation has driven that lead time out. We still have some other options with some other manufacturers out there. They're not as sought after, what have you. I expect we'll see some type of increase at some point this year. I haven't heard of one yet. But I'm sure one will come down later on this year.

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**Operator**

Gabe Moreen, Mizuho.

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**Gabriel Moreen** - Mizuho Securities USA LLC - Analyst

Obviously, one of your competitors recently announced a pretty big step out into the distributed power space. Just wondering kind of your latest thinking on potentially evaluating that space, whether it's something you're looking at or reconsider?

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

Yes. Gabe, it's Clint. Yes, absolutely. We believe the distributed power business and the compression business are a lot alike. You have mechanical equipment that has to run or hasn't guaranteed run time, several synergies with the type of folks you need to work on it. So we've definitely evaluated several of those over the last 18 months or 12 months, what have you.

We put them into our model. The ones we've looked at haven't quite met the requirements that we wanted for whether -- to make our model like we wanted it to be. And so we haven't jumped out there yet, but we are always evaluating that. It's a business we think that we could drive the same type of margins out of that we do in the compression business.

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**Gabriel Moreen** - Mizuho Securities USA LLC - Analyst

Got you. And then maybe if I can pivot a little bit to the 50% of the new HP for 2016 being placed. Can you just talk about what expectations for placing the rest of it? And sorry, if I missed it. Is that going to be next quarter, quarter after kind of what you're hearing from customers about demand from that HP which you haven't signed up customers yet for?

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

It's Chris Wauson. I'll take that one. We strive for kind of consistent margins and our new unit growth has primarily been focused on our Tier 1 customers. So I'm pretty confident that the remaining balance of what we have available will get contracted up here in the near future. So we look forward to working through that for our customers.

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**Operator**

Nate Pendleton, Texas Capital Bank.

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**Nate Pendleton** - *Texas Capital Securities - Vice President-Sales & Trading*

Congrats On the strong year. I wanted to go back for a moment to the new unit time lines. How do those time lines impact your longer-term horsepower growth strategy, is it organic or inorganic? And could we see the time lines impact contract compression pricing with customers in the near term?

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

It's Chris Wauson. With the lead times pushing out for a new package at 120-plus weeks, it gets challenging, right? It's not going to affect our 2026 growth, but in 2027 we are working to secure that and figure that out, picking up the manufacturing business with J-W that gives us a lot of optionality that Chris Paulsen spoke to earlier. We do have around 10,000 horsepower already contracted into '27. So we are looking at every angle to work through that and add growth. So we're going to continue to push for that as well.

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

I want to add that the size of the J-W manufacturing business is it's almost the exact same size as our expected growth over the next couple of years. We're not looking to expand that manufacturing facility or go out and try to sell a huge amount of packages, but we want to be able to fund some of our own growth internally. And give us that flexibility that we need to, when packages move out to 100 weeks that we can still provide for our customers.

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**Nate Pendleton** - *Texas Capital Securities - Vice President-Sales & Trading*

Got it. Appreciate that detail. And then as my follow-up, in the prepared remarks, Chris Paulsen mentioned expansion CapEx, including the new telemetry being added to units. Can you get any more detail on what that can entail for customers?

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

Yes, I'll take that. It's Chris Wauson. One thing we're looking at is always looking for efficiencies to drive efficiencies. And with that, we have to invest in our units. So panel upgrades, unit upgrades is huge.

So it allows us to have some dashboards to really see what's going on without having employees out there on site 24/7. So that gives you a little color as to what that looks like, but it's our eyes and ears basically without folks on the ground.

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

I'm going to add to that, too. It also gives us the ability to manage how our folks -- when they leave to go work on a piece of equipment that's down, maybe it got called out in the middle of the night, they can have the right parts. That's where we're trying to get to with this with some form of AI going forward. And this is the first step in our business to move that direction.

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**Operator**

(Operator Instructions) I will turn the call back over to Clint Green, President and Chief Executive Officer, for closing remarks.

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

Yes. Just to add a little bit there, I want to explain how happy we are with the J-W acquisition, how excited we are to be able to get into all those basins and then the excitement that we have for the overall gas industry, and the way that the demand from data centers and LNG. It's real. It's coming online. We're excited to be in this business at this time and look forward to creating unitholder value as we move forward. Thank you, all, for joining our call and good day.

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**Operator**

Ladies and gentlemen, that concludes today's call. Thank you, all, for joining. You may now disconnect.

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