



Exterran Corporation Announces First Quarter 2020 Results

May 11, 2020

*Results In-Line with Expectations
Product Sales Backlog Ended Quarter at \$648 million, Up Over 130% Sequentially
Over \$200 million in Contract Operation Bookings, Backlog at Quarter End was \$1.35 billion
Over \$430 Million in Liquidity with No Near-Term Maturities*

HOUSTON, May 11, 2020 (GLOBE NEWSWIRE) -- Exterran Corporation (NYSE: EXTN) ("Exterran" or the "Company") today reported first quarter financial results.

Andrew Way, Exterran's President and Chief Executive Officer commented, "We had a strong commercial start to the year with over \$450 million of product sales bookings along with over \$200 million of Contract Operations bookings, and a new sizeable contract within Aftermarket Services. Along with these commercial successes, our crisis management group's early planning allowed all of our critical operations to remain open and operational throughout the quarter. This has allowed us to aggressively address the challenges our industry is facing with the COVID-19 pandemic and with the impacts associated with oil price declines. We continue to monitor the impact of COVID-19 on our operations with a focus on the health and well-being of our employees and the communities where we work and serve."

"During these times we have planned for a range of scenarios for our business, as we cannot predict the depth and duration of the COVID-19 pandemic and the ancillary fallout in oil prices. We are seeing logistical and supply chain challenges throughout our organization due to travel restrictions and border closures. We are taking actions to reduce costs to ensure the long-term strength of the organization. This includes, adjusting our cost structure where necessary, including reducing CEO salary and Board compensation, eliminating discretionary spending, and scrutinizing our maintenance and other capital expenditures. That said, backed by our strong contracted backlog, over \$430 million in liquidity, low leverage, and no near-term maturities, we believe we are well positioned to succeed through this downturn and as the industry recovers."

Net loss from continuing operations was \$18.2 million, or \$0.56 per share, on revenue of \$210.4 million for the first quarter of 2020. This compares to net loss from continuing operations of \$80.2 million, or \$2.45 per share, on revenue of \$272.7 million for the fourth quarter of 2019 and net loss from continuing operations of \$5.6 million, or \$0.16 per share, on revenue of \$351.4 million for the first quarter of 2019. Net loss was \$18.3 million for the first quarter of 2020, as compared to net loss of \$79.8 million for the fourth quarter of 2019 and net loss of \$5.4 million for the first quarter of 2019. EBITDA, as adjusted, was \$33.8 million for the first quarter of 2020, as compared to \$47.3 million for the fourth quarter of 2019 and \$50.2 million for the first quarter of 2019. Loss before taxes was \$8.8 million as compared to loss before taxes of \$75.2 million for the fourth quarter of 2019 and income before taxes of \$3.6 million for the first quarter of 2019.

Selling, general and administrative expenses were \$38.1 million in the first quarter of 2020, as compared with \$37.5 million in the fourth quarter of 2019 and \$43.5 million in the first quarter of 2019. The year over year reduction was driven primarily by aggressive cost reductions and improved efficiencies it has executed. The company also recorded additional restructuring charges of \$1.2 million.

Contract Operations Segment

Contract operations revenue in the first quarter of 2020 was \$94.8 million, a 2% decrease from fourth quarter of 2019 revenue of \$96.5 million and an 11% increase from first quarter of 2019 revenue of \$85.7 million.

Contract operations gross margin in the first quarter of 2020 was \$63.3 million, a 3% increase from the fourth quarter of 2019 gross margin of \$61.6 million and an 11% increase from the first quarter of 2019 gross margin of \$57.1 million. Gross margin percentage in the first quarter of 2020 was 67%, as compared with 64% in the fourth quarter of 2019 and 67% in the first quarter of 2019.

Aftermarket Services Segment

Aftermarket services revenue in the first quarter of 2020 was \$27.9 million, a 24% decrease from fourth quarter of 2019 revenue of \$36.9 million and a 2% increase from first quarter of 2019 revenue of \$27.3 million.

Aftermarket services gross margin in the first quarter of 2020 was \$6.7 million, a 26% decrease from the fourth quarter of 2019 gross margin of \$9.1 million and a 2% increase from the first quarter of 2019 gross margin of \$6.6 million. Gross margin percentage in the first quarter of 2020 was 24%, as compared with 25% in the fourth quarter of 2019 and 24% in the first quarter of 2019.

Revenue decline was driven by the typical seasonality that we see during the first quarter along with some logistical challenges that arose late in the quarter due to COVID-19 travel and supply chain restrictions.

Product Sales Segment

Product sales revenue in the first quarter of 2020 was \$87.7 million, a 37% decrease from fourth quarter of 2019 revenue of \$139.3 million, and a 63% decrease from first quarter of 2019 revenue of \$238.4 million.

Product sales gross margin in the first quarter of 2020 was \$3.2 million, a 73% decrease from fourth quarter of 2019 gross margin of \$12.0 million and an 89% decrease as compared to the first quarter of 2019 gross margin of \$28.9 million. Gross margin percentage in the first quarter of 2020 was 4%, as compared with 9% in the fourth quarter of 2019 and 12% in the first quarter of 2019.

Revenue declined sequentially driven by the low backlog we had entering the quarter. Margin declined sequentially driven by negative mix and expected under absorption costs.

Product sales backlog was \$648.3 million at March 31, 2020, as compared to \$278.0 million at December 31, 2019 and \$553.5 million at March 31,

2019. Product sales bookings for the first quarter of 2020 were \$458.0 million, resulting in a book-to-bill ratio of 522%. This compares to bookings of \$108.8 million for the fourth quarter of 2019 and bookings of \$86.2 million for the first quarter of 2019.

Conference Call Information

The Company will host a conference call at 10:00 a.m. Central Time on Monday, May 11, 2020. The call can be accessed from the Company's website at www.exterran.com or by telephone at 877-524-8416. For those who cannot listen to the live call, a telephonic replay will be available through May 18, 2020 and may be accessed by calling 877-660-6853 and using the pass code 13701979. A presentation will also be posted on the Company's website prior to the conference call.

About Exterran Corporation

Exterran Corporation (NYSE: EXTN) is a global systems and process company offering solutions in the oil, gas, water and power markets. We are a leader in natural gas processing and treatment and compression products and services, providing critical midstream infrastructure solutions to customers throughout the world. Exterran Corporation is headquartered in Houston, Texas and operates in approximately 25 countries.

For more information, contact:

Blake Hancock, Vice President of Investor Relations, at 281-854-3043

Or visit www.exterran.com

Non-GAAP and Other Financial Information

Gross margin is defined as revenue less cost of sales (excluding depreciation and amortization expense). Gross margin percentage is defined as gross margin divided by revenue. The Company evaluates the performance of its segments based on gross margin for each segment.

EBITDA, as adjusted, a non-GAAP measure, is defined as net income (loss) excluding income (loss) from discontinued operations (net of tax), cumulative effect of accounting changes (net of tax), income taxes, interest expense (including debt extinguishment costs), depreciation and amortization expense, impairment charges, restructuring and other charges, non-cash gains or losses from foreign currency exchange rate changes recorded on intercompany obligations, expensed acquisition costs and other items. EBITDA, as adjusted, excludes the benefit of the two previously announced sales of our Venezuelan assets.

Adjusted net income (loss) from continuing operations and diluted adjusted net income (loss) from continuing operations per common share, non-GAAP measures, are defined as net income (loss) and earnings per share, excluding the impact of income (loss) from discontinued operations (net of tax), cumulative effect of accounting changes (net of tax), impairment charges (net of tax), restructuring and other charges (net of tax), the benefit of the previously announced sale of our joint ventures' Venezuelan assets, the effect of income tax adjustments that are outside of the Company's anticipated effective tax rates and other items.

See tables below for additional information concerning non-GAAP financial information, including a reconciliation of the non-GAAP financial information presented in this press release to the most directly comparable financial information presented in accordance with GAAP. Non-GAAP financial information supplements should be read together with, and are not an alternative or substitute for, the Company's financial results reported in accordance with GAAP. Because non-GAAP financial information is not standardized, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures having the same or similar names.

Forward-Looking Statements

All statements in this release (and oral statements made regarding the subjects of this release) other than historical facts are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. These statements may include words such as "guidance," "anticipate," "estimate," "expect," "forecast," "project," "plan," "intend," "believe," "confident," "may," "should," "can have," "likely," "future" and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. Examples of forward-looking information in this release include, but are not limited to: Exterran's financial and operational strategies and ability to successfully effect those strategies; Exterran's expectations regarding future economic and market conditions; the expected impact of COVID-19 and oil price declines on Exterran's business; Exterran's financial and operational outlook and ability to fulfill that outlook; demand for Exterran's products and services and growth opportunities for those products and services; and statements regarding industry activity levels and infrastructure build-out opportunities.

These forward-looking statements rely on a number of assumptions concerning future events and are subject to a number of uncertainties and factors, many of which are outside Exterran's control, which could cause actual results to differ materially from such statements. As a result, any such forward-looking statements are not guarantees of future performance or results. While Exterran believes that the assumptions concerning future events are reasonable, it cautions that there are inherent difficulties in predicting certain important factors that could impact the future performance or results of its business. Among the factors that could cause results to differ materially from those indicated by such forward-looking statements are: conditions in the oil and natural gas industry, including a sustained imbalance in the level of supply or demand for oil or natural gas or a sustained low price of oil or natural gas, which could depress or reduce the demand or pricing for Exterran's natural gas compression and oil and natural gas production and processing equipment and services; reduced profit margins or the loss of market share resulting from competition or the introduction of competing technologies by other companies; economic or political conditions in the countries in which Exterran does business, including civil developments such as uprisings, riots, terrorism, kidnappings, violence associated with drug cartels, legislative changes and the expropriation, confiscation or nationalization of property without fair compensation; risks associated with natural disasters, pandemics and other public health crisis, and other catastrophic events outside of Exterran's control, including the continued spread and impact of, and the response to, the COVID-19 pandemic; changes in currency exchange rates, including the risk of currency devaluations by foreign governments, and restrictions on currency repatriation; risks associated with cyber-based attacks or network security breaches; changes in international trade relationships, including the imposition of trade restrictions or tariffs relating to any materials or products (such as aluminum and steel) used in the operation of Exterran's business; risks associated with Exterran's operations, such as equipment defects, equipment malfunctions, environmental discharges and natural disasters; the risk that counterparties will not perform their obligations under their contracts with Exterran or other changes that could impact Exterran's ability to recover its fixed asset investment; the financial condition of Exterran's customers; Exterran's ability to timely and cost-effectively obtain components necessary to conduct its business; employment and workforce factors, including Exterran's ability to hire, train and retain key employees; Exterran's ability to implement its business and financial objectives, including: (i) winning profitable new business, (ii) timely and cost-effective execution of projects, (iii) enhancing or maintaining Exterran's asset utilization, particularly with respect to its fleet of compressors and other assets, (iv) integrating acquired businesses, (v) generating sufficient cash to satisfy Exterran's operating needs, existing capital commitments and other contractual cash obligations, including Exterran's debt obligations, and (vi) accessing the financial markets at an acceptable cost; Exterran's ability to accurately estimate its costs

and time required under its fixed price contracts; liability related to the use of Exterran's products and services; changes in governmental safety, health, environmental or other regulations, which could require Exterran to make significant expenditures; and Exterran's level of indebtedness and ability to fund its business.

These forward-looking statements are also affected by the risk factors, forward-looking statements and challenges and uncertainties described in Exterran's Annual Report on Form 10-K for the year ended December 31, 2019, and other filings with the Securities and Exchange Commission available on the Securities and Exchange Commission's website www.sec.gov. A discussion of these risks is expressly incorporated by reference into this release. Except as required by law, Exterran expressly disclaims any intention or obligation to revise or update any forward-looking statements whether as a result of new information, future events or otherwise.

EXTERRAN CORPORATION

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	Three Months Ended		
	March 31, 2020	December 31, 2019	March 31, 2019
Revenues:			
Contract operations	\$ 94,788	\$ 96,481	\$ 85,700
Aftermarket services	27,909	36,909	27,302
Product sales	87,660	139,299	238,444
	210,357	272,689	351,446
Costs and expenses:			
Cost of sales (excluding depreciation and amortization expense):			
Contract operations	31,460	34,880	28,591
Aftermarket services	21,181	27,793	20,718
Product sales	84,439	127,296	209,535
Selling, general and administrative	38,052	37,524	43,452
Depreciation and amortization	32,610	45,888	38,217
Impairments	—	65,484	—
Restatement related charges	—	28	48
Restructuring and other charges	1,188	746	384
Interest expense	9,953	10,426	8,163
Other (income) expense, net	294	(2,208)	(1,245)
	219,177	347,857	347,863
Income (loss) before income taxes	(8,820)	(75,168)	3,583
Provision for income taxes	9,330	5,081	9,140
Loss from continuing operations	(18,150)	(80,249)	(5,557)
Income (loss) from discontinued operations, net of tax	(154)	412	163
Net loss	\$ (18,304)	\$ (79,837)	\$ (5,394)
Basic net loss per common share:			
Loss from continuing operations per common share	\$ (0.56)	\$ (2.45)	\$ (0.16)
Income from discontinued operations per common share	—	0.01	0.01
Net loss per common share	\$ (0.56)	\$ (2.44)	\$ (0.15)
Diluted net loss per common share:			
Loss from continuing operations per common share	\$ (0.56)	\$ (2.45)	\$ (0.16)
Income from discontinued operations per common share	—	0.01	0.01
Net loss per common share	\$ (0.56)	\$ (2.44)	\$ (0.15)
Weighted average common shares outstanding used in net loss per common share:			
Basic	32,653	32,714	35,646
Diluted	32,653	32,714	35,646

EXTERRAN CORPORATION

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	March 31, 2020	December 31, 2019
ASSETS		

Current assets:		
Cash and cash equivalents	\$ 18,138	\$ 16,683
Restricted cash	14	19
Accounts receivable, net	196,298	202,337
Inventory, net	137,881	143,538
Contract assets	41,554	46,537
Other current assets	24,982	22,477
Current assets associated with discontinued operations	4,388	4,332
Total current assets	423,255	435,923
Property, plant and equipment, net	815,064	844,410
Operating lease right of use assets	27,343	26,783
Deferred income taxes	10,102	13,994
Intangible and other assets, net	82,424	93,300
Long-term assets held for sale	624	624
Long-term assets associated with discontinued operations	2,786	2,970
Total assets	\$ 1,361,598	\$ 1,418,004

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable, trade	\$ 84,970	\$ 123,444
Accrued liabilities	95,229	104,081
Contract liabilities	106,399	82,854
Current operating lease liabilities	7,079	6,268
Current liabilities associated with discontinued operations	8,562	9,998
Total current liabilities	302,239	326,645
Long-term debt	455,341	443,587
Deferred income taxes	742	993
Long-term contract liabilities	145,211	156,262
Long-term operating lease liabilities	31,515	30,958
Other long-term liabilities	45,877	49,263
Long-term liabilities associated with discontinued operations	1,045	758
Total liabilities	981,970	1,008,466
Total stockholders' equity	379,628	409,538
Total liabilities and stockholders' equity	\$ 1,361,598	\$ 1,418,004

EXTERRAN CORPORATION

UNAUDITED SUPPLEMENTAL INFORMATION

(In thousands, except percentages)

	Three Months Ended		
	March 31, 2020	December 31, 2019	March 31, 2019
Revenues:			
Contract operations	\$ 94,788	\$ 96,481	\$ 85,700
Aftermarket services	27,909	36,909	27,302
Product sales	87,660	139,299	238,444
	\$ 210,357	\$ 272,689	\$ 351,446
Gross margin:			
Contract operations	\$ 63,328	\$ 61,601	\$ 57,109
Aftermarket services	6,728	9,116	6,584
Product sales	3,221	12,003	28,909
Total	\$ 73,277	\$ 82,720	\$ 92,602
Gross margin percentage:			
Contract operations	67	% 64	% 67
Aftermarket services	24	% 25	% 24
Product sales	4	% 9	% 12
Total	35	% 30	% 26

Selling, general and administrative % of revenue	\$ 38,052 18	\$ 37,524 % 14	\$ 43,452 % 12	%
EBITDA, as adjusted % of revenue	\$ 33,810 16	\$ 47,269 % 17	\$ 50,157 % 14	%
Capital expenditures	\$ 17,025	\$ 21,156	\$ 76,354	
Revenue by Geographical Regions:				
North America	\$ 58,539	\$ 109,281	\$ 181,005	
Latin America	76,797	79,673	78,487	
Middle East and Africa	55,713	70,005	82,791	
Asia Pacific	19,308	13,730	9,163	
Total revenues	\$ 210,357	\$ 272,689	\$ 351,446	
	As of			
	March 31, 2020	December 31, 2019	March 31, 2019	
Contract Operations Backlog:				
Contract operations services	\$ 1,352,627	\$ 1,252,001	\$ 1,357,411	
Product Sales Backlog:				
Compression equipment	\$ 142,679	\$ 160,946	\$ 367,226	
Processing and treating equipment	465,535	69,912	161,206	
Production equipment	15	593	—	
Other product sales	40,051	46,501	25,059	
Total product sales backlog	\$ 648,280	\$ 277,952	\$ 553,491	

EXTERRAN CORPORATION
UNAUDITED NON-GAAP FINANCIAL MEASURES
(In thousands, except per share amounts)

	Three Months Ended			
	March 31, 2020	December 31, 2019	March 31, 2019	
Non-GAAP Financial Information—Reconciliation of Income (loss) before income taxes to Total gross margin:				
Income (loss) before income taxes	\$ (8,820	) \$ (75,168	) \$ 3,583	
Selling, general and administrative	38,052	37,524	43,452	
Depreciation and amortization	32,610	45,888	38,217	
Impairments	—	65,484	—	
Restatement related charges	—	28	48	
Restructuring and other charges	1,188	746	384	
Interest expense	9,953	10,426	8,163	
Other (income) expense, net	294	(2,208	) (1,245)
Total gross margin ⁽¹⁾	\$ 73,277	\$ 82,720	\$ 92,602	
Non-GAAP Financial Information—Reconciliation of Net loss to EBITDA, as adjusted:				
Net loss	\$ (18,304	) \$ (79,837	) \$ (5,394)
(Income) loss from discontinued operations, net of tax	154	(412	) (163)
Depreciation and amortization	32,610	45,888	38,217	
Impairments	—	65,484	—	
Restatement related charges	—	28	48	
Restructuring and other charges	1,188	746	384	
Interest expense	9,953	10,426	8,163	
Gain on currency exchange rate remeasurement of intercompany balances	(1,121	) (135	) (238)
Provision for income taxes	9,330	5,081	9,140	
EBITDA, as adjusted ⁽²⁾	\$ 33,810	\$ 47,269	\$ 50,157	
Non-GAAP Financial Information—Reconciliation of Net loss to Adjusted net loss from continuing operations:				
Net loss	\$ (18,304	) \$ (79,837	) \$ (5,394)

(Income) loss from discontinued operations, net of tax	154	(412	) (163)
Loss from continuing operations	(18,150	) (80,249	) (5,557)
Adjustment for items:				
Impairments	—	65,484	—	
Restatement related charges	—	28	48	
Restructuring and other charges	1,188	746	384	
Tax impact of adjustments ⁽³⁾	—	(613	) (73)
Adjusted net loss from continuing operations ⁽⁴⁾	\$ (16,962	) \$ (14,604	) \$ (5,198)
Diluted loss from continuing operations per common share	\$ (0.56	) \$ (2.45	) \$ (0.16)
Adjustment for items, after-tax, per diluted common share	0.04	2.00	0.01	
Diluted adjusted net loss from continuing operations per common share ^{(4) (5)}	\$ (0.52	) \$ (0.45	) \$ (0.15)

(1) Management evaluates the performance of each of the Company's segments based on gross margin. Total gross margin, a non-GAAP measure, is included as a supplemental disclosure because it is a primary measure used by our management to evaluate the results of revenue and cost of sales (excluding depreciation and amortization expense), which are key components of our operations. Management believes total gross margin is important supplemental information for investors because it focuses on the current performance of our operations and excludes the impact of the prior historical costs of the assets acquired or constructed that are utilized in those operations, the indirect costs associated with our SG&A activities, the impact of our financing methods, restatement related charges (recoveries), restructuring and other charges and income taxes. In addition, the inclusion of depreciation and amortization expense may not accurately reflect the costs required to maintain and replenish the operational usage of our assets and therefore may not portray the costs from current operating activity.

(2) Management believes EBITDA, as adjusted, is an important measure of operating performance because it allows management, investors and others to evaluate and compare our core operating results from period to period by removing the impact of our capital structure (interest expense from outstanding debt), asset base (depreciation and amortization), our subsidiaries' capital structure (non-cash gains or losses from foreign currency exchange rate changes on intercompany obligations), tax consequences, impairment charges, restatement related charges (recoveries), restructuring and other charges, expensed acquisition costs and other items. Management uses EBITDA, as adjusted, as supplemental measures to review current period operating performance, comparability measures and performance measures for period to period comparisons. In addition, the Company's compensation committee has used EBITDA, as adjusted, in evaluating the performance of the Company and management and in evaluating certain components of executive compensation, including performance-based annual incentive programs.

(3) The tax impacts of adjustments were based on the Company's statutory tax rates applicable to each item in the appropriate taxing jurisdictions. Using statutory tax rates for presentation of the non-GAAP measures allows a consistent basis for investors to understand financial performance of the Company across historical periods. The overall effective tax rate on adjustments was impacted by the inability to recognize tax benefits from charges in jurisdictions that are in cumulative-loss positions.

(4) Management believes adjusted net income (loss) from continuing operations and diluted adjusted net income (loss) from continuing operations per common share provides useful information to investors because it allows management, investors and others to evaluate and compare our core operating results from period to period by removing the impact of impairment charges, restructuring and other charges, restatement related charges (recoveries), expensed acquisition costs and other items not appropriately reflective of our core business.

(5) Diluted adjusted net income (loss) from continuing operations per common share, was computed using the two-class method to determine the net income (loss) per share for each class of common stock and participating security (certain of our restricted stock and restricted stock units) according to participation rights in undistributed earnings.



Source: Exterran Corporation