UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

(MARK ONE)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED September 30, 2021

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM TO

Commission File No. 001-36875

EXTERRAN CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**47-3282259**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
11000 Equity Drive **Houston Texas**	**77041**
(Address of principal executive offices)	(Zip Code)

(281) 836-7000
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report) **Not Applicable**

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Ticker symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value per share	EXTN	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Number of shares of the common stock of the registrant outstanding as of October 27, 2021: 33,303,552 shares.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

EXTERRAN CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except par value and share amounts)
(unaudited)

	September 30, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 57,520	$ 40,318
Restricted cash	2,460	3,410
Accounts receivable, net of allowance of $10,307, and $10,803, respectively	179,594	198,028
Inventory (Note 4)	104,020	109,837
Contract assets (Note 2)	65,710	32,642
Other current assets	18,346	19,810
Current assets associated with discontinued operations (Note 3)	21,713	25,325
Total current assets	449,363	429,370
Property, plant and equipment, net (Note 5)	631,413	733,222
Long-term contract assets (Note 2)	18,169	33,563
Operating lease right-of-use assets	22,150	25,428
Deferred income taxes	7,949	8,866
Intangible and other assets, net	72,387	71,436
Long-term assets associated with discontinued operations (Note 3)	1,687	1,606
Total assets	$ 1,203,118	$ 1,303,491
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable, trade	$ 60,303	$ 60,078
Accrued liabilities	123,254	94,404
Contract liabilities (Note 2)	92,493	100,123
Current operating lease liabilities	5,454	6,340
Current liabilities associated with discontinued operations (Note 3)	3,422	13,707
Total current liabilities	284,926	274,652
Long-term debt (Note 6)	572,547	562,325
Deferred income taxes	2,275	1,014
Long-term contract liabilities (Note 2)	56,763	80,499
Long-term operating lease liabilities	26,966	29,868
Other long-term liabilities	43,454	57,159
Long-term liabilities associated with discontinued operations (Note 3)	1,007	2,142
Total liabilities	987,938	1,007,659
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Preferred stock, $0.01 par value per share; 50,000,000 shares authorized; zero issued	—	—
Common stock, $0.01 par value per share; 250,000,000 shares authorized; 38,041,255 and 37,804,206 shares issued, respectively	380	378
Additional paid-in capital	752,772	750,506
Accumulated deficit	(499,919)	(418,529)
Treasury stock — 4,737,703 and 4,665,560 common shares, at cost, respectively	(57,742)	(57,431)
Accumulated other comprehensive income	19,689	20,908
Total stockholders' equity (Note 11)	215,180	295,832
Total liabilities and stockholders' equity	$ 1,203,118	$ 1,303,491

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

EXTERRAN CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

(unaudited)

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Revenues (Note 2):				
Contract operations	$ 83,362	$ 81,679	$ 251,874	$ 254,412
Aftermarket services	24,633	30,435	79,154	83,337
Product sales	53,304	57,397	112,634	123,613
	161,299	169,511	443,662	461,362
Costs and expenses:				
Cost of sales (excluding depreciation and amortization expense):				
Contract operations	27,790	24,548	78,898	79,754
Aftermarket services	19,379	23,135	62,813	63,336
Product sales	46,755	54,263	99,437	125,581
Selling, general and administrative	34,938	29,959	101,199	95,049
Depreciation and amortization	43,889	36,630	132,097	100,887
Impairment (Note 8)	—	1,695	7,959	1,695
Restructuring and other charges (Note 9)	(62)	238	192	3,550
Interest expense	10,479	9,623	30,800	29,214
Gain on extinguishment of debt (Note 6)	—	(780)	—	(3,424)
Other (income) expense, net	(1,074)	1,178	(1,172)	(1,169)
	182,094	180,489	512,223	494,473
Loss before income taxes	(20,795)	(10,978)	(68,561)	(33,111)
Provision for (benefit from) for income taxes (Note 10)	(5,187)	5,745	11,105	18,970
Loss from continuing operations	(15,608)	(16,723)	(79,666)	(52,081)
Loss from discontinued operations, net of tax (Note 3)	(695)	(998)	(1,724)	(15,833)
Net loss	$ (16,303)	$ (17,721)	$ (81,390)	$ (67,914)
Basic and diluted net loss per common share (Note 13):				
Loss from continuing operations per common share	$ (0.47)	$ (0.51)	$ (2.41)	$ (1.59)
Loss from discontinued operations per common share	(0.02)	(0.03)	(0.05)	(0.48)
Net loss per common share	$ (0.49)	$ (0.54)	$ (2.46)	$ (2.07)
Weighted average common shares outstanding used in net loss per common share (Note 13):				
Basic and diluted	33,068	32,806	33,024	32,742

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

EXTERRAN CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net loss	$ (16,303)	$ (17,721)	$ (81,390)	$ (67,914)
Other comprehensive loss:				
Foreign currency translation adjustment	(2,021)	(2,080)	(1,219)	(16,866)
Comprehensive loss	$ (18,324)	$ (19,801)	$ (82,609)	$ (84,780)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

EXTERRAN CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)

(unaudited)

	Common Stock	'Additional Paid-in Capital	Accumulated Deficit	Treasury Stock	Accumulated Other Comprehensive Income	Total
Balance, January 1, 2020	$ 375	$ 747,622	$ (317,238)	$ (56,567)	$ 35,346	$ 409,538
Net loss			(18,304)			(18,304)
Foreign currency translation adjustment					(11,056)	(11,056)
Treasury stock purchased				(835)		(835)
Stock-based compensation, net of forfeitures	2	283				285
Balance, March 31, 2020	$ 377	$ 747,905	$ (335,542)	$ (57,402)	$ 24,290	$ 379,628
Net loss			(31,889)			(31,889)
Foreign currency translation adjustment					(3,730)	(3,730)
Treasury stock purchased				(10)		(10)
Stock-based compensation, net of forfeitures	1	1,120				1,121
Balance, June 30, 2020	$ 378	$ 749,025	$ (367,431)	$ (57,412)	$ 20,560	$ 345,120
Net loss			(17,721)			(17,721)
Foreign currency translation adjustment					(2,080)	(2,080)
Treasury stock purchased				(12)		(12)
Stock-based compensation, net of forfeitures		669				669
Balance, September 30, 2020	$ 378	$ 749,694	$ (385,152)	$ (57,424)	$ 18,480	$ 325,976
Balance, January 1, 2021	$ 378	$ 750,506	$ (418,529)	$ (57,431)	$ 20,908	$ 295,832
Net loss			(29,873)			(29,873)
Foreign currency translation adjustment					(2,417)	(2,417)
Treasury stock purchased				(310)		(310)
Stock-based compensation, net of forfeitures	2	1,471				1,473
Balance, March 31, 2021	$ 380	$ 751,977	$ (448,402)	$ (57,741)	$ 18,491	$ 264,705
Net loss			(35,214)			(35,214)
Foreign currency translation adjustment					3,219	3,219
Stock-based compensation, net of forfeitures		431				431
Balance, June 30, 2021	$ 380	$ 752,408	$ (483,616)	$ (57,741)	$ 21,710	$ 233,141
Net loss			(16,303)			(16,303)
Foreign currency translation adjustment					(2,021)	(2,021)
Treasury stock purchased				(1)		(1)
Stock-based compensation, net of forfeitures	-	364				364
Balance, September 30, 2021	$ 380	$ 752,772	$ (499,919)	$ (57,742)	$ 19,689	$ 215,180

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

EXTERRAN CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Cash flows from operating activities:		
Net loss	$ (81,390)	$ (67,914)
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation and amortization	132,097	100,887
Impairment	7,959	1,695
Amortization of deferred financing costs	1,991	1,871
Loss from discontinued operations, net of tax	1,724	15,833
Provision for doubtful accounts	825	4,449
Gain on sale of property, plant and equipment	(738)	(269)
(Gain) loss on remeasurement of intercompany balances	810	(3,822)
(Gain) loss on foreign currency derivatives	2,030	(27)
Gain on extinguishment of debt	—	(3,424)
Stock-based compensation expense	2,268	2,075
Deferred income tax expense	48	2,779
Changes in assets and liabilities:		
Accounts receivable and notes	17,301	(10,777)
Inventory	5,682	3,695
Contract assets and contract liabilities, net	(60,969)	(18,230)
Other current assets	986	5,271
Accounts payable and other liabilities	7,230	(13,517)
Other	1,378	5,097
Net cash provided by continuing operations	39,232	25,672
Net cash used in discontinued operations	(9,614)	(19,884)
Net cash provided by operating activities	29,618	5,788
Cash flows from investing activities:		
Capital expenditures	(23,585)	(65,852)
Proceeds from sale of property, plant and equipment	844	240
Net cash used in continuing operations	(22,741)	(65,612)
Net cash used in discontinued operations	—	(882)
Net cash used in investing activities	(22,741)	(66,494)
Cash flows from financing activities:		
Proceeds from borrowings of debt	164,400	305,000
Repayments of debt	(154,292)	(229,560)
Purchases of treasury stock (Note 11)	(311)	(857)
Net cash provided by financing activities	9,797	74,583
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(422)	(750)
Net increase in cash, cash equivalents and restricted cash	16,252	13,127
Cash, cash equivalents and restricted cash at beginning of period	43,728	16,702
Cash, cash equivalents and restricted cash at end of period	$ 59,980	$ 29,829
Supplemental disclosure of non-cash transactions:		
Accrued capital expenditures	$ 11,047	$ 2,529

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

EXTERRAN CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Description of Business and Basis of Presentation

Description of Business

Exterran Corporation (together with its subsidiaries, "Exterran Corporation," the "Company," "our," "we" or "us"), a Delaware corporation formed in March 2015, is a global sustainable systems and process company offering solutions in the oil, gas, water and power markets. We are a leader in natural gas processing and treatment, produced water treatment and compression products, solutions and services, providing critical midstream infrastructure solutions to customers throughout the world while helping them reduce their flaring, emissions and fresh water usage. We provide our products, solutions, and services to a global customer base consisting of companies engaged in all aspects of the oil and natural gas industry, including large integrated oil and natural gas companies, national oil and natural gas companies, independent oil and natural gas producers and oil and natural gas processors, gatherers and pipeline operators. Our manufacturing facilities are located in the United States of America ("U.S."), Singapore and the United Arab Emirates. We operate in three primary business lines: contract operations, aftermarket services and product sales. In our contract operations business line, we provide processing, treating, compression and water treatment services through the operation of our natural gas and crude oil production and process equipment and natural gas compression equipment and water treatment equipment for our customers. In our aftermarket services business line, we sell parts and components and provide operations, maintenance, repair, overhaul, upgrade, startup and commissioning and reconfiguration services to customers who own their own oil and natural gas compression, production, processing, treating and related equipment. In our product sales business line, we design, engineer, manufacture, install and sell equipment used in the treating and processing of crude oil, natural gas, natural gas compression packages and water to our customers throughout the world and for use in our contract operations business line. We also offer our customers, on either a contract operations basis or a sale basis, the engineering, design, project management, procurement and construction services necessary to incorporate our products into production, processing and compression facilities, which we refer to as integrated projects.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Exterran Corporation included herein have been prepared in accordance with generally accepted accounting principles in the U.S. ("GAAP") for interim financial information and the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP are not required in these interim financial statements and have been condensed or omitted. Management believes that the information furnished includes all adjustments of a normal recurring nature that are necessary to fairly state our consolidated financial position, results of operations and cash flows for the periods indicated. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements presented in our Annual Report on Form 10-K for the year ended December 31, 2020. That report contains a comprehensive summary of our accounting policies. The interim results reported herein are not necessarily indicative of results for a full year.

We refer to the consolidated financial statements collectively as "financial statements," and individually as "balance sheets," "statements of operations," "statements of comprehensive income (loss)," "statements of stockholders' equity" and "statements of cash flows" herein.

In March 2020, the World Health Organization declared the outbreak of the novel coronavirus ("COVID-19") a pandemic. The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains and created significant volatility and disruption across most industries. Efforts to mitigate the spread of COVID-19 have also resulted in decreased energy demand and additional weakness in energy pricing. To help control the spread of the virus and protect the health and safety of our employees and customers, we began temporarily closing our locations or modifying operating hours in our locations around the world. This was in response to governmental requirements including "stay-at-home" orders and similar mandates and in some of our locations, we voluntarily went beyond the requirements of local government authorities. The broader implications of COVID-19 on our long-term future results of operations and overall financial condition remains uncertain. Due to the rapid market deterioration during the three months ended March 31, 2020, we concluded that a trigger existed and that we should evaluate our long-term assets for impairment. Therefore, we updated our impairment analysis and concluded that no impairment existed during the three months ended March 31, 2020. No triggering events were identified subsequent to March 31, 2020, related to the ongoing COVID-19 pandemic.

Recent Accounting Pronouncements

We consider the applicability and impact of all Accounting Standard Updates ("ASUs"). ASUs not listed below were assessed and determined to be not applicable.

Recently Adopted Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740) ("ASU 2019-12"): Simplifying the Accounting for Income Taxes.* The update simplifies the accounting for income taxes and is effective for annual and interim periods beginning after December 15, 2020, with early adoption permitted. On January 1, 2021, we adopted this update. The adoption of this update was immaterial to our financial statements.

In June 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848) ("ASU 2020-04")*. Topic 848 is effective for fiscal years and interim periods beginning as of March 12, 2020 through December 31, 2022. This update provides optional guidance for a limited period of time to ease the potential burden in accounting for reference rate reform on financial reporting. It is elective and applies to all entities, subject to meeting certain criteria, that have contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The adoption of ASU 2020-04 did not have a material impact to our financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

There are no recently issued accounting pronouncements not yet adopted that we are aware of at this time that would have a material impact on the Company.

Note 2 - Revenue

Disaggregation of Revenue

The following tables present disaggregated revenue by products and services lines and by geographical regions for the three and nine months ended September 30, 2021 and 2020 (in thousands):

Revenue by Products and Services	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Contract Operations Segment:				
Contract operations services [1]	$ 83,362	$ 81,679	$ 251,874	$ 254,412
Aftermarket Services Segment:				
Operation and maintenance services [1]	$ 11,655	$ 12,966	$ 36,171	$ 38,184
Part sales [2]	10,680	11,490	33,000	31,999
Other services [1]	2,298	5,979	9,983	13,154
Total aftermarket services	$ 24,633	$ 30,435	$ 79,154	$ 83,337
Product Sales Segment:				
Compression equipment [1] [3]	$ 5,795	$ 40,300	$ 13,767	$ 73,654
Processing and treating equipment [1]	41,825	14,220	85,715	34,836
Other product sales [1] [2]	5,684	2,877	13,152	15,123
Total product sales revenues	$ 53,304	$ 57,397	$ 112,634	$ 123,613
Total revenues	$ 161,299	$ 169,511	$ 443,662	$ 461,362

(1) Revenue recognized over time.
(2) Revenue recognized at a point in time.
(3) Compression equipment includes sales to customers outside of the U.S. The compression fabrication business for sales to U.S. customers that was previously included in our product sales segment is now included in discontinued operations.

Revenue by Geographical Regions	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
North America	$ 2,099	$ 13,364	$ 11,524	$ 31,694
Latin America	68,507	60,302	197,717	195,451
Middle East and Africa	81,034	69,682	200,192	177,768
Asia Pacific	9,659	26,163	34,229	56,449
Total revenues	$ 161,299	$ 169,511	$ 443,662	$ 461,362

The North America region is primarily comprised of our operations in the U.S. The Latin America region is primarily comprised of our operations in Argentina, Bolivia, Brazil and Mexico. The Middle East and Africa region is primarily comprised of our operations in Bahrain, Iraq, Oman, Nigeria and the United Arab Emirates. The Asia Pacific region is primarily comprised of our operations in China, Indonesia, Singapore and Thailand.

The following table summarizes the expected timing of revenue recognition from unsatisfied performance obligations (commonly referred to as backlog) as of September 30, 2021 (in thousands):

	Contract Operations Segment	Product Sales Segment
Remainder of 2021	$ 79,586	$ 76,553
2022	247,050	195,242
2023	251,867	59,787
2024	230,749	16,045
2025	209,521	17,557
Thereafter	414,537	—
Total backlog	$ 1,433,310	$ 365,184

Certain of our aftermarket services contracts are subject to cancellation or modification at the election of the customer.

If the primary component of our contract operations contracts is the lease component, the contracts are accounted for as operating leases. For these contracts, revenues are recognized on a straight-line basis. As of September 30, 2021, the total value of our contracts operations backlog accounted for as operating leases was approximately $504.2 million, of which $10 million is expected to be recognized in the remainder of 2021, $44 million is expected to be recognized in 2022, $104 million is expected to be recognized in 2023, $94 million is expected to be recognized in 2024 and $79 million is expected to be recognized in 2025. Contract operations revenue recognized as operating leases for the nine months ended September 30, 2021 was approximately $27 million. Our product sales backlog includes contracts where there is a significant financing component. As of September 30, 2021, we had approximately $43 million expected to be recognized in future periods as interest income within our product sales segment.

Contract Assets and Contract Liabilities

The following table provides information about accounts receivables, net, contract assets and contract liabilities from contracts with customers (in thousands):

	September 30, 2021	December 31, 2020
Accounts receivables, net	$ 179,594	$ 198,028
Contract assets and contract liabilities:		
Current contract assets	65,710	32,642
Long-term contract assets	18,169	33,563
Current contract liabilities	92,493	100,123
Long-term contract liabilities	56,763	80,499

During the nine months ended September 30, 2021, revenue recognized from contract operations services included $52.0 million of revenue deferred in previous periods. Revenue recognized during the nine months ended September 30, 2021 from product sales performance obligations partially satisfied in previous periods was $87.8 million, of which $27.7 million was included in billings in excess of costs at the beginning of the period. The increase in current contract assets during the nine months ended September 30, 2021 is primarily due to the timing of milestone billings in the Middle East and Africa region. The decrease in long-term contract assets during the nine months ended September 30, 2021 was primarily due to the timing of milestones billings in the Middle East and Africa region. The decrease in current contract liabilities during the nine months ended September 30, 2021 was primarily driven by the progression of product sales projects and the timing of milestones billings in the Middle East and Africa region. The decrease in long-term contract liabilities during the nine months ended

September 30, 2021 was primarily driven by the acceleration of deferred revenue on two separate contracts due to a change in the terms in the Latin America region.

Allowance for Doubtful Accounts

The Company estimates its reserves using information about past events, current conditions and risk characteristics of each customer, and reasonable and supportable forecasts relevant to assessing risk associated with the collectability of accounts receivables, contract assets and long-term note receivables. The Company's customer base has generally similar collectability risk characteristics, although larger customers may have lower risk than smaller independent customers. The allowance for doubtful accounts as of September 30, 2021 and changes for the nine months then ended are as follows (in thousands):

Balance at December 31, 2020	$	10,803
Write-offs during the period		(496)
Balance at September 30, 2021	$	10,307

Note 3 - Discontinued Operations

We have continued to work toward our strategy to be a company that leverages technology and operational excellence to provide complete systems and process solutions in energy and industrial applications. Over the past several years, we have made significant progress in this journey by taking actions to protect our core business, develop important organizational capabilities, commercialize new products, solutions, and services and implement new processes to position Exterran for success. We are focused on optimizing our portfolio of products and services to better serve our global customers while providing a more attractive investment option for our investors. As we continue on this path, we decided that our U.S. compression fabrication business was non-core to our strategy, and during the third quarter of 2020, we entered into an agreement to sell the assets used to operate the business which closed on November 2, 2020. We did not sell certain items in inventory, which we expect to liquidate over time. During the third quarter of 2020, this business met the held for sale criteria and is now reflected as discontinued operations in our financial statements for all periods presented. The U.S. compression fabrication business was previously included in our product sales segment and has been reclassified to discontinued operations in our financial statements for all periods presented. Compression revenue from sales to international customers continues to be included in our product sales segment.

In addition, in connection with our review of options for the U.S. compression fabrication business, we reviewed the assets in this business compared to our estimate of future cash flows and recorded impairments of $6.5 million during the nine months ended September 30, 2020 to adjust the carrying value to our estimate of fair market value.

In the first quarter of 2016, we began executing the exit of our Belleli EPC business that has historically been comprised of engineering, procurement and construction for the manufacture of tanks for tank farms and the manufacture of evaporators and brine heaters for desalination plants in the Middle East (referred to as "Belleli EPC" or the "Belleli EPC business" herein) by ceasing the bookings of new orders. As of the fourth quarter of 2017, we had substantially exited our Belleli EPC business and, in accordance with GAAP, it is reflected as discontinued operations in our financial statements for all periods presented. Although we have reached mechanical completion on all remaining Belleli EPC contracts, we are still subject to risks and uncertainties potentially resulting from warranty obligations, customer or supplier claims against us, settlement of claims against customers, completion of demobilization activities and litigation developments. The facility previously utilized to manufacture products for our Belleli EPC business has been repurposed to manufacture product sales equipment. As such, certain personnel, buildings, equipment and other assets that were previously related to our Belleli EPC business remain a part of our continuing operations. As a result, activities associated with our ongoing operations at our repurposed facility are included in continuing operations.

The following table summarizes the operating results of discontinued operations (in thousands):

	Three Months Ended September 30, 2021			Three Months Ended September 30, 2020		
	Belleli EPC	US Compression	Total	Belleli EPC	US Compression	Total
Revenue	$ —	$ 2,944	$ 2,944	$ 1,100	$ 27,434	$ 28,534
Cost of sales (excluding depreciation and amortization expense)	—	3,324	3,324	84	25,371	25,455
Selling, general and administrative	234	—	234	(70)	1,387	1,317
Depreciation and amortization	—	—	—	—	443	443
Restructuring and other charges	—	305	305	—	2,336	2,336
Other (income) expense, net	3	—	3	(52)	—	(52)
Provision for (benefit from) income taxes	(227)	—	(227)	33	—	33
Income (loss) from discontinued operations, net of tax	$ (10)	$ (685)	$ (695)	$ 1,105	$ (2,103)	$ (998)

	Nine Months Ended September 30, 2021			Nine Months Ended September 30, 2020		
	Belleli EPC	US Compression	Total	Belleli EPC	US Compression	Total
Revenue	$ —	$ 2,997	$ 2,997	$ 1,224	$ 117,565	$ 118,789
Cost of sales (excluding depreciation and amortization expense)	55	3,496	3,551	268	109,316	109,584
Selling, general and administrative	478	413	891	144	8,743	8,887
Depreciation and amortization	—	—	—	—	1,767	1,767
Impairments	—	—	—	—	6,512	6,512
Restructuring and other charges	—	305	305	—	7,889	7,889
Other (income) expense, net	37	59	96	(3)	—	(3)
Provision for (benefit from) income taxes	(122)	—	(122)	(14)	—	(14)
Income (loss) from discontinued operations, net of tax	$ (448)	$ (1,276)	$ (1,724)	$ 829	$ (16,662)	$ (15,833)

The following table summarizes the balance sheet data for discontinued operations (in thousands):

	September 30, 2021			December 31, 2020		
	Belleli EPC	US Compression	Total	Belleli EPC	US Compression	Total
Accounts receivable	$ 268	$ 3,065	$ 3,333	$ 268	$ 3,171	$ 3,439
Inventory	—	17,964	17,964	—	21,107	21,107
Contract assets	—	234	234	—	458	458
Other current assets	182	—	182	213	108	321
Total current assets associated with discontinued operations	450	21,263	21,713	481	24,844	25,325
Property, Plant, and Equipment	—	—	—	—	—	—
Intangible and other assets, net	1,687	—	1,687	1,606	—	1,606
Total assets associated with discontinued operations	$ 2,137	$ 21,263	$ 23,400	$ 2,087	$ 24,844	$ 26,931
Accounts payable	$ 35	$ 173	$ 208	$ 139	$ 5,093	$ 5,232
Accrued liabilities	2,750	244	2,994	2,939	5,037	7,976
Contract liabilities	197	23	220	197	302	499
Total current liabilities associated with discontinued operations	2,982	440	3,422	3,275	10,432	13,707
Other long-term liabilities	722	285	1,007	765	1,377	2,142
Total liabilities associated with discontinued operations	$ 3,704	$ 725	$ 4,429	$ 4,040	$ 11,809	$ 15,849

Note 4 - Inventory

Inventory consisted of the following amounts (in thousands):

	September 30, 2021	December 31, 2020
Parts and supplies	$ 61,699	$ 65,576
Work in progress	39,150	41,020
Finished goods	3,171	3,241
Inventory	$ 104,020	$ 109,837

Note 5 - Property, Plant and Equipment, Net

Property, plant and equipment, net, consisted of the following (in thousands):

	September 30, 2021	December 31, 2020
Compression equipment, processing facilities and other fleet assets[(1)]	$ 1,519,537	$ 1,562,528
Land and buildings	51,151	50,908
Transportation and shop equipment	54,065	54,763
Computer software	63,394	54,486
Other	40,372	40,305
	1,728,519	1,762,990
Accumulated depreciation	(1,097,106)	(1,029,768)
Property, plant and equipment, net	$ 631,413	$ 733,222

(1) In the first quarter of 2021, we evaluated the salvage values of our property, plant and equipment. As a result of this evaluation, we changed the salvage values for our compression equipment to a maximum salvage value of 5% from 15%. During the three and nine months ended September 30, 2021, we recorded an increase to depreciation expense of approximately $1.0 million and $3.1 million, respectively as a result of this change in salvage value.

Note 6 - Debt

Debt consisted of the following (in thousands):

	September 30, 2021	December 31, 2020
Revolving credit facility due October 2023	$ 226,000	$ 216,500
8.125% senior notes due May 2025	350,000	350,000
Other	608	—
Unamortized deferred financing costs of 8.125% senior notes	(3,453)	(4,175)
Total debt	573,155	562,325
Less: Amounts within one year[(1)]	(608)	—
Long-term debt	$ 572,547	$ 562,325

(1)Short-term debt and the current portion of long-term debt are included in accrued liabilities in our balance sheets.

Revolving Credit Facility Due October 2023

We and our wholly owned subsidiary, Exterran Energy Solutions, L.P. (“EESLP”), are parties to an amended and restated credit agreement (the “Amended Credit Agreement”) consisting of a $650.0 million revolving credit facility expiring in October 2023.

As of September 30, 2021, we had $226.0 million in outstanding borrowings and $53.4 million in outstanding letters of credit under our revolving credit facility. At September 30, 2021, taking into account guarantees through letters of credit, we had undrawn capacity of $370.6 million under our revolving credit facility. Our Amended Credit Agreement limits our Total Debt to EBITDA ratio (as defined in the Amended Credit Agreement) on the last day of the fiscal quarter to no greater than 4.50 to 1.0. As a result of this limitation, $143.3 million of the $370.6 million of undrawn capacity under our revolving credit facility was available for additional borrowings as of September 30, 2021.

The Amended Credit Agreement contains various covenants with which we, EESLP and our respective restricted subsidiaries must comply, including, but not limited to, limitations on the incurrence of indebtedness, investments, liens on assets, repurchasing equity, making distributions, transactions with affiliates, mergers, consolidations, dispositions of assets and other provisions customary in similar types of agreements. We are required to maintain, on a consolidated basis, a minimum interest coverage ratio (as defined in the Amended Credit Agreement) of 2.25 to 1.00; a maximum total leverage ratio (as defined in the Amended Credit Agreement) of 4.50 to 1.00; and a maximum senior secured leverage ratio (as defined in the Amended Credit Agreement) of 2.75 to 1.00. As of September 30, 2021, we maintained a 6.3 to 1.0 interest coverage ratio, a 3.6 to 1.0 total leverage ratio and a 1.4 to 1.0 senior secured leverage ratio. As of September 30, 2021, we were in compliance with all financial covenants under the Amended Credit Agreement.

8.125% Senior Notes Due May 2025

In April 2017, our 100% owned subsidiaries EESLP and EES Finance Corp. issued $375.0 million aggregate principal amount of 8.125% senior unsecured notes due 2025 (the “2017 Notes”) which have $350.0 million outstanding as of September 30, 2021. We guarantee the 2017 Notes on a senior unsecured basis. We may redeem the 2017 Notes at any time in cash, in whole or part, at certain redemption prices, including the applicable make-whole premium plus accrued and unpaid interest, if any, to the date of redemption.

During the nine months ended September 30, 2020, we purchased and retired $24.0 million principal amount of our 2017 Notes for $20.6 million including $0.3 million of accrued interest. During the nine months ended September 30, 2020, we recognized a gain on extinguishment of debt of $3.4 million, which was calculated as the difference between the repurchase price and the carrying amount of the 2017 Notes, partially offset by $0.2 million in related deferred financing costs.

Note 7 - Fair Value Measurements

The accounting standard for fair value measurements and disclosures establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into the following three categories:

- *Level 1* — Quoted unadjusted prices for identical instruments in active markets to which we have access at the date of measurement.
- *Level 2* — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets. Level 2 inputs are those in markets for which there are few transactions, the prices are not current, little public information exists or prices vary substantially over time or among brokered market makers.
- *Level 3* — Model derived valuations in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are those inputs that reflect our own assumptions regarding how market participants would price the asset or liability based on the best available information.

Recurring Fair Value Measurements

The following table presents our assets and liabilities measured at fair value on a recurring basis as of September 30, 2021 and December 31, 2020, with pricing levels as of the date of valuation (in thousands):

	September 30, 2021			December 31, 2020		
	(Level 1)	(Level 2)	(Level 3)	(Level 1)	(Level 2)	(Level 3)
Foreign currency derivatives liabilities	$ —	$ —	$ —	$ —	$ —	$ (247)

We are exposed to market risks associated with changes in foreign currency exchange rates, including foreign currency exchange rate changes recorded on intercompany obligations. From time to time, we may enter into foreign currency hedges to manage existing exposures to foreign exchange risk related to assets and liabilities recorded on our balance sheets including intercompany activity. During the nine months ended September 30, 2021, we recognized a loss of $2.0 million, on forward currency exchange contracts. As of September 30, 2021, we do not have derivative financial instruments outstanding to mitigate foreign currency risk.

Nonrecurring Fair Value Measurements

The following table presents our assets and liabilities measured at fair value on a nonrecurring basis during the nine months ended September 30, 2021 and 2020, with pricing levels as of the date of valuation (in thousands):

	Nine Months Ended September 30, 2021			Nine Months Ended September 30, 2020		
	(Level 1)	(Level 2)	(Level 3)	(Level 1)	(Level 2)	(Level 3)
Impaired long-lived assets (1)	$ —	$ —	$ —	$ —	$ —	$ —
Long-term note receivable (2)	—	—	12,481	—	—	11,165

(1) Our estimate of the fair value of the impaired long-lived assets as of September 30, 2021, were primarily based on the expectation that these assets are unlikely to generate future cash flows either through continuation of this contract or through proceeds from the sale of the assets and thus they were written down to zero.

(2) Our estimate of the fair value of a note receivable was discounted based on a settlement period of eight years and a discount rate of 12.5%. The undiscounted value of the note receivable, including interest, as of September 30, 2021 was $15.7 million.

Financial Instruments

Our financial instruments consist of cash, restricted cash, receivables, payables and debt. At September 30, 2021 and December 31, 2020, the estimated fair values of cash, restricted cash, receivables and payables approximated their carrying amounts as reflected in our balance sheets due to the short-term nature of these financial instruments.

The fair value of the 2017 Notes was estimated based on model derived calculations using market yields observed in active markets, which are Level 2 inputs. As of September 30, 2021 and December 31, 2020, the carrying amount of the 2017 Notes, excluding unamortized deferred financing costs, of $350.0 million was estimated to have a fair value of $334.8 million and $297.0 million, respectively. Due to the variable rate nature of our revolving credit facility, the carrying value as of September 30, 2021 and December 31, 2020 approximated the fair value as the rate was comparable to the then-current market rate at which debt with similar terms could have been obtained.

Note 8 - Impairments

We review long-lived assets, including property, plant and equipment and identifiable intangibles that are being amortized, for impairment whenever events or changes in circumstances, indicate that the carrying amount of an asset may not be recoverable.

During the three months ended September 30, 2021, there were no events, or changes in circumstances to indicate that the carrying amount of an asset may not be recoverable. During the second quarter of the nine months ended September 30, 2021, we determined that there was no visibility to continuing a contract with a customer in the Latin America region. This contract included installation costs, deferred start-up costs and demobilization costs that were previously capitalized where it is highly unlikely we will generate future cash flows. As a result, during the nine months ended September 30, 2021, we recorded an $8.0 million asset impairment to reduce the book value of these assets to zero, which is its estimated fair value as of September 30, 2021.

Note 9 - Restructuring and Other Charges

The energy industry’s focus on cash flow, capital discipline and improving returns has caused delays in the timing of new equipment orders. As a result, in the third quarter of 2019, we announced a cost reduction plan primarily focused on workforce reductions. During the three months ended September 30, 2021, we released an unused portion of previously expensed restructuring charges of $0.1 million and during the three months ended September 30, 2020, we incurred restructuring and other charges associated with these activities of $0.2 million. During the nine months ended September 30, 2021 and 2020, we incurred restructuring and other charges associated with these activities of $0.2 million and $3.6 million, respectively. These charges are reflected as restructuring and other charges in our statements of operations and accrued liabilities on our balance sheets. The cost reduction plan is expected to be completed in the fourth quarter of 2021 and we expect to settle these charges in cash.

The following table summarizes the changes to our accrued liability balance related to restructuring and other charges for the nine months ended September 30, 2021 and 2020 (in thousands):

	Cost Reduction Plan
Beginning balance at January 1, 2020	$ 2,281
Additions for costs expensed, net	3,550
Reductions for payments	(3,791)
Foreign exchange impact	(393)
Ending balance at September 30, 2020	$ 1,647
Beginning balance at January 1, 2021	$ 1,351
Additions for costs expensed, net	192
Reductions for payments	(1,428)
Foreign exchange impact	74
Ending balance at September 30, 2021	$ 189

The following table summarizes the components of charges included in restructuring and other charges in our statements of operations for the three and nine months ended September 30, 2021 and 2020 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Employee termination benefits	$ (62)	$ 238	$ 121	$ 986
Legal fees	—	—	71	2,564
Consulting fees	—	—	—	—
Total restructuring and other charges	$ (62)	$ 238	$ 192	$ 3,550

The following table summarizes the components of charges included in restructuring and other charges incurred since the announcement of the cost reduction plan in the third quarter of 2019 (in thousands):

	Total
Employee termination benefits	$ 6,365
Legal fees	71
Consulting fees	3,205
Total restructuring and other charges	$ 9,641

Note 10 - Provision for Income Taxes

Our effective tax rate is affected by recurring items, such as tax rates in foreign jurisdictions and the relative amounts of income we earn, or losses we incur, in those jurisdictions. It is also affected by discrete items that may occur in any given year but are not consistent from year to year. Our effective tax rate is also affected by valuation allowances recorded against loss carryforwards in the U.S. and certain other jurisdictions, foreign withholding taxes and changes in foreign currency exchange rates.

The following items had the most significant impact on the difference between our statutory U.S. federal income tax rate of 21% and our effective tax rate of 24.9% for the three months ended September 30, 2021: (i) a 16.2% positive impact resulting from foreign currency devaluations in Argentina, (ii) a (4.3)% negative impact resulting from foreign taxes in excess of the U.S. tax rate and other rate drivers, (iii) a 4.3% positive impact resulting from deemed inclusions in the U.S. and (iv) a (9.8)% negative impact resulting from an addition of valuation allowances against U.S. deferred tax assets.

The following items had the most significant impact on the difference between our statutory U.S. federal income tax rate of 21% and our effective tax rate of (16.2)% for the nine months ended September 30, 2021: (i) a (3.1)% negative impact resulting from foreign currency devaluations in Argentina, (ii) a (15.2)% negative impact resulting from foreign taxes in excess of the U.S. tax rate and other rate drivers, (iii) a (7.1)% negative impact resulting from deemed inclusions in the U.S. and (iv) a (7.5)% negative impact resulting from an addition of valuation allowances against U.S. deferred tax assets.

Our effective tax rate increased for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 primarily due to an increase in valuation allowances recorded in the U.S., an increase in foreign taxes in excess of the U.S. tax rate, an increase in deemed inclusions in the U.S., a decrease in the FIN 48 reserve and a decrease in tax related to foreign exchange movement in Argentina.

Note 11 - Stockholders' Equity

Share Repurchase Program

On February 20, 2019, our board of directors approved a share repurchase program under which the Company is authorized to purchase up to $100.0 million of its outstanding common stock through February 2022. The timing and method of any repurchases under the program will depend on a variety of factors, including prevailing market conditions among others. Purchases under the program may be suspended or discontinued at any time and we have no obligation to repurchase any amount of our common shares under the program. Shares of common stock acquired through the repurchase program are held in treasury at cost. During the nine months ended September 30, 2021 and 2020, we did not repurchase any shares under this program. As of September 30, 2021, the remaining authorized repurchase amount under the share repurchase program was $57.7 million.

Additionally, treasury stock purchased during the nine months ended September 30, 2021 and 2020 included shares withheld to satisfy employees' tax withholding obligations in connection with vesting of restricted stock awards.

Note 12 - Stock-Based Compensation

Stock Options

There were no stock options granted during the nine months ended September 30, 2021 and 2020.

Restricted Stock, Restricted Stock Units and Performance Units

For grants of restricted stock, restricted stock units and performance units, we recognize compensation expense over the applicable vesting period equal to the fair value of our common stock at the grant date. Grants of restricted stock, restricted stock units and performance units generally vest over two or three years proportionately on each grant date anniversary.

The table below presents the changes in restricted stock, restricted stock units and performance units for our common stock during the nine months ended September 30, 2021.

	Equity Awards		Liability Awards	
	Shares (in thousands)	Weighted Average Grant-Date Fair Value Per Share	Shares (in thousands)	Weighted Average Grant-Date Fair Value Per Share
Non-vested awards, January 1, 2021	320	$ 16.02	1,198	$ 9.35
Granted	227	4.76	1,446	4.84
Vested	(294)	12.85	(371)	14.02
Cancelled	(11)	17.42	(55)	6.25
Non-vested awards, September 30, 2021	242	9.25	2,218	5.71

As of September 30, 2021, we estimate $6.6 million of unrecognized compensation cost related to unvested restricted stock, restricted stock units and performance units issued to our employees to be recognized over the weighted-average vesting period of 1.2 years.

Note 13 - Net Income (Loss) Per Common Share

Basic net income (loss) per common share is computed using the two-class method, which is an earnings allocation formula that determines net income (loss) per share for each class of common stock and participating security according to dividends declared and participation rights in undistributed earnings. Under the two-class method, basic net income (loss) per common share is determined by dividing net income (loss) after deducting amounts allocated to participating securities, by the weighted average number of common shares outstanding for the period. Participating securities include unvested restricted stock and restricted stock units that have non-forfeitable rights to receive dividends or dividend equivalents, whether paid or unpaid. During periods of net loss from continuing operations, no effect is given to participating securities because they do not have a contractual obligation to participate in our losses.

Diluted net income (loss) per common share is computed using the weighted average number of common shares outstanding adjusted for the incremental common stock equivalents attributed to outstanding options to purchase common stock and non-participating restricted stock units, unless their effect would be anti-dilutive.

The following table presents a reconciliation of basic and diluted net loss per common share for the three and nine months ended September 30, 2021 and 2020 (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Numerator for basic and diluted net loss per common share:				
Loss from continuing operations	$ (15,608)	$ (16,723)	$ (79,666)	$ (52,081)
Loss from discontinued operations, net of tax	(695)	(998)	(1,724)	(15,833)
Less: Net income attributable to participating securities	—	—	—	—
Net loss — used in basic and diluted net loss per common share	$ (16,303)	$ (17,721)	$ (81,390)	$ (67,914)
Weighted average common shares outstanding including participating securities	33,417	33,152	33,328	33,147
Less: Weighted average participating securities outstanding	(349)	(346)	(304)	(405)
Weighted average common shares outstanding — used in basic net loss per common share	33,068	32,806	33,024	32,742
Net dilutive potential common shares issuable:				
On exercise of options and vesting of restricted stock units	*	*	*	*
Weighted average common shares outstanding — used in diluted net loss per common share	33,068	32,806	33,024	32,742
Net loss per common share:				
Basic and diluted	$ (0.49)	$ (0.54)	$ (2.46)	$ (2.07)

* Excluded from diluted net income (loss) per common share as their inclusion would have been anti-dilutive.

The following table shows the potential shares of common stock issuable for the three and nine months ended September 30, 2021 and 2020 that were excluded from computing diluted net loss per common share as their inclusion would have been anti-dilutive (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net dilutive potential common shares issuable:				
On exercise of options where exercise price is greater than average market value	—	30	—	39
Net dilutive potential common shares issuable	—	30	—	39

Note 14 - Commitments and Contingencies

Contingencies

We have agreements with financial institutions under which approximately $53.4 million of letters of credit or bank guarantees were outstanding as of September 30, 2021. These are put in place in certain situations to guarantee our performance obligations under contracts with counterparties.

In addition to U.S. federal, state and local and foreign income taxes, we are subject to a number of taxes that are not income-based. As many of these taxes are subject to audit by the taxing authorities, it is possible that an audit could result in additional taxes due. We accrue for such additional taxes when we determine that it is probable that we have incurred a liability and we can reasonably estimate the amount of the liability. As of September 30, 2021 and December 31, 2020, we had accrued $1.5 million and $3.5 million, respectively, for the outcomes of non-income-based tax audits. We do not expect that the ultimate resolutions of these audits will result in a material variance from the amounts accrued. We do not accrue for unasserted claims for tax audits unless we believe the assertion of a claim is probable, it is probable that it will be determined that the claim is owed and we can reasonably estimate the claim or range of the claim. We do not have any unasserted claims from non-income based tax audits that we have determined are probable of assertion. We also believe the likelihood is remote that the impact of potential unasserted claims from non-income-based tax audits could be material to our financial position, but it is possible that the resolution of future audits could be material to our results of operations or cash flows for the period in which the resolution occurs.

Our business can be hazardous, involving unforeseen circumstances such as uncontrollable flows of natural gas or well fluids and fires or explosions. As is customary in our industry, we review our safety equipment and procedures and carry insurance against some, but not all, risks of our business. Our insurance coverage includes property damage, general liability, commercial automobile liability and other coverage we believe is appropriate. We believe that our insurance coverage is customary for the industry and adequate for our business; however, losses and liabilities not covered by insurance would increase our costs.

Additionally, we are substantially self-insured for workers' compensation and employee group health claims in view of the relatively high per-incident deductibles we absorb under our insurance arrangements for these risks. Losses up to the deductible amounts are estimated and accrued based upon known facts, historical trends and industry averages.

Litigation and Claims

On December 19, 2020, we initiated arbitration in the International Court of Arbitration of the International Chamber of Commerce ("ICC") against Iberoamericana de Hidrocarburos, S.A. De C.V. ("IHSA") to collect approximately $38 million owed to us under three agreements, plus future lost profits, interest, attorneys' fees, and other damages as allowed under the contracts and/or Mexican law. The three agreements relate to contract operation services provided to IHSA by Exterran. After we stopped providing services due to IHSA's nonpayment, on December 29, 2020, IHSA filed a lawsuit in the 129th Judicial District Court of Harris County, Texas, for tortious interference with a contract and prospective business relationships, claiming damages for lost profits, lost production, loss of equipment, loss of business opportunity, damage to business reputation and attorneys' fees. On March 2, 2021, after we moved IHSA's lawsuit to the United States District Court for the Southern District of Texas, IHSA voluntarily dismissed the lawsuit. On May 11, 2021, IHSA again filed a similar claim in the 164th Judicial District Court of Harris County, Texas, for tortious interference with a contract and prospective business relationships, seeking damages in excess of $1 million. We moved IHSA's lawsuit to the United States District Court for the Southern District of Texas, where it is currently pending. The court granted Exterran's motion to compel arbitration and stayed the lawsuit. On April 27, 2021, IHSA answered Exterran's request for arbitration before the ICC and included a counterclaim for approximately $27 million allegedly resulting from breach of contract, operational deficiencies, lost production, and lost profit. On September 13, 2021, IHSA served Exterran with a lawsuit filed with a court in Mexico seeking approximately $4.5 million for allegedly missing or damaged equipment. In addition, IHSA has orally threatened to draw certain bonds totaling approximately $12 million under one of the contracts for contract operation services. Based on currently available information we believe IHSA's claims are without merit; however, IHSA's claim are in the early stages and the results cannot be predicted with certainty.

On July 5, 2021, Inesco Ingenieria & Construccion, S.A. ("Inesco") filed a Demand for Arbitration in the ICC against Exterran Bolivia S.R.L. claiming it is owed approximately $13 million for certain goods and services allegedly provided to Exterran, delay damages, and increased expenses. Based on currently available information we believe Inesco's claims are without merit; however, the results cannot be predicted with certainty.

In the ordinary course of business, we are involved in various pending or threatened legal actions. While management is unable to predict the ultimate outcome of these actions, it believes that any ultimate liability arising from any of these actions will not have a material adverse effect on our financial position, results of operations or cash flows. However, because of the inherent uncertainty of litigation and arbitration proceedings, we cannot provide assurance that the resolution of any particular claim or proceeding to which we are a party will not have a material adverse effect on our financial position, results of operations or cash flows.

Note 15 - Reportable Segments

Our chief operating decision maker manages business operations, evaluates performance and allocates resources based upon the type of product or service provided. We have three reportable segments: contract operations, aftermarket services and product sales. In our contract operations segment, we provide processing, treating, compression and water treatment services through the operation of our natural gas and crude oil production and process equipment, natural gas compression equipment and water treatment equipment for our customers. In our aftermarket services segment, we sell parts and components and provide operations, maintenance, repair, overhaul, upgrade, startup and commissioning and reconfiguration services to customers who own their own oil and natural gas compression, production, processing, treating and related equipment. In our product sales segment, we design, engineer, manufacture, install and sell equipment used in the treating and processing of crude oil, natural gas and water as well as natural gas compression packages to our customers throughout the world and for use in our contract operations business line.

We evaluate the performance of our segments based on adjusted gross margin for each segment. Revenue only includes sales to external customers. We do not include intersegment sales when we evaluate our segments' performance.

The following table presents revenue and other financial information by reportable segment for the three and nine months ended September 30, 2021 and 2020 (in thousands):

Three Months Ended September 30,	Contract Operations	Aftermarket Services	Product sales [2]	Reportable Segments Total
2021				
Revenue	$ 83,362	$ 24,633	$ 53,304	$ 161,299
Adjusted gross margin[1]	55,572	5,254	6,549	67,375
2020				
Revenue	$ 81,679	$ 30,435	$ 57,397	$ 169,511
Adjusted gross margin[1]	57,131	7,300	3,134	67,565

Nine Months Ended September 30,	Contract Operations	Aftermarket Services	Product sales [2]	Reportable Segments Total
2021				
Revenue	$ 251,874	$ 79,154	$ 112,634	$ 443,662
Adjusted gross margin(1)	172,976	16,341	13,197	202,514
2020				
Revenue	$ 254,412	$ 83,337	$ 123,613	$ 461,362
Adjusted gross margin(1)	174,658	20,001	(1,968)	192,691

(1) Adjusted gross margin is defined as revenue less cost of sales (excluding depreciation and amortization expense).

(2) The U.S. compression fabrication business that was previously included in our product sales segment is now included in discontinued operations.

The following table reconciles total gross margin to total adjusted gross margin (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenues	$ 161,299	$ 169,511	$ 443,662	$ 461,362
Cost of sales (excluding depreciation and amortization expenses)	93,924	101,946	241,148	268,671
Depreciation and amortization [1]	42,008	35,182	126,861	96,489
Total gross margin	25,367	32,383	75,653	96,202
Depreciation and amortization [1]	42,008	35,182	126,861	96,489
Total adjusted gross margin	$ 67,375	$ 67,565	$ 202,514	$ 192,691

(1) Represents the portion only attributable to cost of sales.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) is designed to provide a reader of Exterran’s financial statements with a narrative from the perspective of management. The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited financial statements and the notes thereto included in the Condensed Consolidated Financial Statements in Part I, Item 1 (“Financial Statements”) of this report and in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2020.

Disclosure Regarding Forward-Looking Statements

This report contains “forward-looking statements” intended to qualify for the safe harbors from liability established by the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact contained in this report are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), including, without limitation, statements regarding our business growth strategy and projected costs; future financial position; the sufficiency of available cash flows to fund continuing operations; the expected amount of our capital expenditures; anticipated cost savings, future revenue, adjusted gross margin and other financial or operational measures related to our business and our primary business segments; the future value of our equipment; and plans and objectives of our management for our future operations. You can identify many of these statements by looking for words such as “believe,” “expect,” “intend,” “project,” “anticipate,” “estimate,” “will continue” or similar words or the negative thereof.

Such forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from those anticipated as of the date of this report. Although we believe that the expectations reflected in these forward-looking statements are based on reasonable assumptions, no assurance can be given that these expectations will prove to be correct. Known material factors that could cause our actual results to differ materially from the expectations reflected in these forward-looking statements include the risk factors described in our Annual Report on Form 10-K for the year ended December 31, 2020, and those set forth from time to time in our filings with the Securities and Exchange Commission (“SEC”), which are available through our website at *www.exterran.com* and through the SEC’s website at *www.sec.gov*, as well as the following risks and uncertainties:

- 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 our 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 we do 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 our control, including the impact of, and the response to, the ongoing 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 our business;
- risks associated with our operations, such as equipment defects, equipment malfunctions and environmental discharges;
- the risk that counterparties will not perform their obligations under their contracts with us or other changes that could impact our ability to recover our fixed asset investment;
- the financial condition of our customers;
- our ability to timely and cost-effectively obtain components necessary to conduct our business;
- employment and workforce factors, including our ability to hire, train and retain key employees;
- our ability to implement our business and financial objectives, including:
  - winning profitable new business;
  - timely and cost-effective execution of projects;

    - enhancing or maintaining our asset utilization, particularly with respect to our fleet of compressors and other assets;
    - integrating acquired businesses;
    - generating sufficient cash to satisfy our operating needs, existing capital commitments and other contractual cash obligations, including our debt obligations; and
    - accessing the financial markets at an acceptable cost;
- our ability to accurately estimate our costs and time required under our fixed price contracts;
- liability related to the use of our products, solutions and services;
- changes in governmental safety, health, environmental or other regulations, which could require us to make significant expenditures; and
- risks associated with our level of indebtedness, inflation and our ability to fund our business.

All forward-looking statements included in this report are based on information available to us on the date of this report. Except as required by law, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained throughout this report.

General

Exterran Corporation (together with its subsidiaries, "Exterran Corporation," the "Company," "our," "we" or "us"), a Delaware corporation formed in March 2015, is a global sustainable systems and process company offering solutions in the oil, gas, water and power markets. We are a leader in natural gas processing and treatment, produced water treatment and compression products, solutions and services, providing critical midstream infrastructure solutions to customers throughout the world while helping them reduce their flaring, emissions and fresh water usage. Our manufacturing facilities are located in the United States of America ("U.S."), Singapore and the United Arab Emirates.

We provide our products, solutions and services to a global customer base consisting of companies engaged in all aspects of the oil and natural gas industry, including large integrated oil and natural gas companies, national oil and natural gas companies, independent oil and natural gas producers and oil and natural gas processors, gatherers and pipeline operators. We operate in three primary business lines: contract operations, aftermarket services and product sales. The nature and inherent interactions between and among our business lines provide us with opportunities to cross-sell and offer integrated product and service solutions to our customers.

In our contract operations business line, we provide processing, treating, compression and water treatment services through the operation of our natural gas and crude oil production and process equipment, natural gas compression equipment and water treatment equipment for our customers. In our aftermarket services business line, we sell parts and components and provide operations, maintenance, repair, overhaul, upgrade, startup and commissioning and reconfiguration services to customers who own their own oil and natural gas compression, production, processing, treating and related equipment. In our product sales business line, we design, engineer, manufacture, install and sell equipment used in the treating and processing of crude oil, natural gas and water as well as natural gas compression packages to our customers throughout the world and for use in our contract operations business line. We also offer our customers, on either a contract operations basis or a sale basis, the engineering, design, project management, procurement and construction services necessary to incorporate our products into production, processing and compression facilities, which we refer to as integrated projects.

We have continued to work toward our strategy to be a company that leverages our sustainable technology offering in treating natural gas and produced water to help our customers better utilize their natural resources while enhancing our operational excellence to provide complete systems and process solutions in energy and industrial applications. Over the past several years, we have made significant progress in this journey by taking actions to protect our core business, develop important organizational capabilities, commercialize new products, solutions and services and implement new processes to position Exterran for success. We have optimized our portfolio of products, solutions and services to better serve our global customers and help them improve their environmental impacts while providing a more attractive investment option for our investors. As we continue on this path, we decided that our U.S. compression fabrication business was non-core to our strategy, and during the third quarter of 2020, we entered into an agreement to sell the business which closed on November 2, 2020. We did not sell certain items in inventory, which we expect to liquidate over time. During the third quarter of 2020, this business met the held for sale criteria and is also now reflected as discontinued operations in our financial statements for all periods presented. The U.S. compression fabrication business was previously included in our product sales segment and had been reclassified to discontinued operations in our financial statements for all periods presented. Compression revenue from sales to international customers continues to be included in our product sales segment.

Our chief operating decision maker manages business operations, evaluates performance and allocates resources based on the Company's three primary business lines, which are also referred to as our segments. In order to more efficiently and effectively identify and serve our customer needs, we classify our worldwide operations into four geographic regions. The North America region is primarily comprised of our operations in the U.S. The Latin America region is primarily comprised of our operations in Argentina, Bolivia, Brazil and Mexico. The Middle East and Africa region is primarily comprised of our operations in Bahrain, Iraq, Oman, Nigeria and the United Arab Emirates. The Asia Pacific region is primarily comprised of our operations in China, Indonesia, Singapore and Thailand.

We refer to the condensed consolidated financial statements collectively as "financial statements," and individually as "balance sheets," "statements of operations," "statements of comprehensive income (loss)," "statements of stockholders' equity" and "statements of cash flows" herein.

Financial Results of Operations

Overview

Industry Conditions and Trends

Our business environment and corresponding operating results are affected by the level of energy industry spending for the exploration, development and production of oil and natural gas reserves along with spending within the midstream space. Spending by oil and natural gas exploration and production companies and midstream providers is dependent upon these companies' forecasts regarding the expected future supply, demand and pricing of oil and natural gas products as well as their estimates of risk-adjusted costs to find, develop, produce, transport and treat these reserves. Although we believe our contract operations business is typically less impacted by short-term commodity prices than certain other energy products, solutions and service providers, changes in oil and natural gas exploration and production spending normally result in changes in demand for our products, solutions and services.

Beginning in 2019, there has been a shift in the industry that was exacerbated by the COVID-19 pandemic. The COVID-19 pandemic created a demand shock to the system that further exacerbated the supply demand imbalance that was already taking place. In response, exploration and production producers and midstream providers have shifted their focus from growth to one emphasizing cash flow and returns. This has caused a significant reduction in their capital spending plans in order to drive incremental cash flow and has put constraints on the amount of new projects that customers sanction. We believe this is likely to continue to persist throughout the remainder of 2021, particularly in the U.S. While the exact timing of the rebalancing of supply and demand remains uncertain, macro indicators (including favorable commodity prices) suggest this is beginning to improve, and the number of opportunities available to us is also increasing.

Our Performance Trends and Outlook

Our revenue, earnings and financial position are affected by, among other things, market conditions that impact demand and pricing for natural gas compression, oil and natural gas production and processing and produced water treatment solutions along with our customers' decisions to use our products, solutions and services, use our competitors' products and services or own and operate the equipment themselves.

Aggregate booking activity levels for our product sales segment in North America and international markets during the nine months ended September 30, 2021 were $12.5 million, which represents a decrease of 97% compared to the nine months ended September 30, 2020. The decrease in bookings was primarily driven by the impact of energy industry conditions and the COVID-19 pandemic. During the first quarter of 2020, we recorded a large processing plant booking in the Middle East. Fluctuations in the size and timing of customers' requests for bid proposals and awards of new contracts tend to create variability in booking activity levels from period to period.

Historically, oil, natural gas and natural gas liquids prices and the level of drilling and exploration activity in North America have been volatile. The Henry Hub spot price for natural gas was $5.94 per MMBtu at September 30, 2021, which was 152% and 258% higher than the prices at December 31, 2020 and September 30, 2020, respectively, and the U.S. natural gas liquid composite price was $8.44 per MMBtu for the month of September 2021, which was 47% and 78% higher than the prices for the month of December 2020 and September 2020, respectively. In addition, the West Texas Intermediate crude oil spot price as of September 30, 2021 was 52% and 83% higher than the price at December 31, 2020 and at September 30, 2020, respectively. Volatility in demand for energy and in commodity prices as well as an industry trend towards disciplined capital spending and improving returns have caused timing uncertainties in demand for our products recently. These uncertainties have caused delays in the timing of new equipment orders and lower bookings in our product sales segment. Booking activity levels for our product sales segment in North America during the nine months ended September 30, 2021 were $5.6 million, up from $1.3 million in nine months ended September 30, 2020.

Longer-term fundamentals in our international markets partially depend on international oil and gas infrastructure projects, many of which are based on the longer-term plans of our customers that can be driven by their local market demand and local pricing for natural gas. As a result, we believe our international customers make decisions based more on longer-term fundamentals that may be less tied to near term commodity prices than our North American customers. We believe the demand for our products, solutions and services in international markets will continue, and we expect to have opportunities to grow our international businesses. Booking activity levels for our product sales segment in international markets during the nine months ended September 30, 2021 were $6.9 million, down from $449.2 million in the nine months ended September 30, 2020.

The timing of customer orders and change in activity levels by our customers is difficult to predict given our customers longer-term decision making. As a result, our ability to project the anticipated activity level and timing of awards for our business, and particularly our product sales segment, is limited. We continue to monitor the global energy markets and industry capital spending levels, and will continue to control our expense levels as necessary to protect our profitability. Additionally, volatility in commodity prices could continue to delay investments by our customers in significant projects, which could result in a material adverse effect on our business, financial condition, results of operations and cash flows.

Our level of capital spending largely depends on the demand for our contract operations services and the equipment required to provide such services to our customers. Based on opportunities we anticipate in international markets, we expect to invest more capital in our contract operations business in 2021 than we did in 2020.

A decline in demand for oil and natural gas or prices for those commodities, or instability and rationalization of capital funding in the global energy markets could continue to cause a reduction in demand for our products and services. We review long-lived assets, including property, plant and equipment and identifiable intangibles that are being amortized, for impairment whenever events or changes in circumstances, including the removal of compressor units from our active fleet, indicate that the carrying amount of an asset may not be recoverable.

Impact of COVID-19 on our Business

In March 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains and created significant volatility and disruption across most industries. Efforts to mitigate the spread of COVID-19 have also resulted in decreased energy demand and additional weakness in energy pricing.

The Company took proactive steps earlier in the first quarter of 2020 to enable and verify the ability to ensure the safety of our employees while still carrying on the majority of business functions. These steps included:

- Establishing a daily global operating process to identify, monitor and discuss impacts to our business whether originating from governmental actions or as a direct result of employee illness;
- Investing in additional IT capabilities to enable employees to work remotely;
- Closing operations where and until assessments were completed to ensure we could operate in a safe manner; and
- Reestablishing operations once safety mechanisms were in place. This included the acquisition of additional personal protective equipment and establishing screening and other workplace processes.

To date our actions in response to the pandemic and the primary impacts on our business are summarized below:

- As most of our operations are considered essential by local government authorities, our service operations that are provided under long-term contracts have to a large extent continued to operate under substantially normal conditions;
- We are following local governmental guidance for viral spread mitigation, including having many of our employees who would traditionally work in an office work from home;
- We have put in place additional health and safety measures to protect our employees, customers and other parties who are working at our operating sites;

- Although early in 2020 we recorded significant new product sales bookings, more recently we have seen a decrease in purchasing activity from our customers which we believe is due to both the work at home mitigation measures our customers are also taking and uncertainty in commodity prices, causing us to lower our expectations for additional new bookings in the near term;
- Given travel restrictions and other mitigation efforts, certain of our employees were not able to travel to work assignments, therefore although we have taken additional steps to be able to continue to provide services required by our customers, some services were delayed until mitigation measures were eased;
- As our operations have been impacted by lower product sale bookings in 2019 and 2020, we started cost reduction efforts even prior to the current pandemic and have continued our efforts to optimize our cost structure to align with the expected demand in our business including making work force reductions;
- We are continuing to have discussions with customers at their request to reduce their costs by collaborating with them on how we can manage costs and/or optimize the projects performance to potentially improve our and their results;
- We evaluated our accounts receivable and given the current energy environment and expected impact to the financials of our customers, we increased our reserve for uncollectible accounts by $4.8 million during the year ended December 31, 2020;
- Given COVID-19’s impact on demand for energy and decreased commodity prices which impact our customer’s capital spending, during the three months ended March 31, 2020, we tested our long-term assets for impairment and concluded that no impairment was indicated;
- As many of our suppliers increased delivery times including as a result of disruptions, we are working with customers on revising expected due-dates for delivery, and have pushed out the timing of our recognition of revenue and adjusted gross margin on certain projects as a result of these and other delays caused by the pandemic; and
- We have participated in certain COVID-19 tax incentive programs in certain jurisdictions in which we operate. These primarily allowed a delay in filing and/or paying of taxes for short periods of time. In the U.S., we filed a request for refund and received a $4.9 million Alternative Minimum Tax refund in 2020, which was earlier than originally scheduled due to the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). We have not participated in any government sponsored loan programs under the CARES Act.

We are unable to predict the impact that COVID-19 and the governmental and third party response to the COVID-19 pandemic and its variant strains will have on our long-term financial position and operating results due to numerous uncertainties. The long-term impact of the pandemic on our customers and the global economy will depend on various factors, including the scope, severity and duration of the pandemic. A prolonged economic downturn or recession resulting from the pandemic could adversely affect many of our customers which could, in turn, adversely impact our business, financial condition and results of operations. We will continue to assess the evolving impact of the COVID-19 pandemic; whether due to the spread of any variants of the virus or otherwise; and intend to make adjustments to its responses accordingly.

Operating Highlights

The following table summarizes our contract operations and product sales backlog (in thousands):

	September 30, 2021	December 31, 2021	September 30, 2020
Contract Operations Backlog:			
Contract operations services	$ 1,433,310	$ 1,100,929	$ 1,208,139
Product Sales Backlog:			
Compression equipment[(1)]	6,291	10,218	18,165
Processing and treating equipment	334,406	425,292	447,109
Other product sales	24,487	29,835	31,380
Total product sales backlog	$ 365,184	$ 465,345	$ 496,654

(1) Compression equipment includes sales to customers outside of the U.S. The compression fabrication business for sales to U.S. customers, that was previously included in our product sales segment, is now included in discontinued operations.

Summary of Results

As discussed in Note 3 to the Financial Statements, the results from continuing operations for all periods presented exclude the results of our Belleli EPC business and our U.S. compression fabrication business. Those results are reflected in discontinued operations for all periods presented.

Revenue.

Revenue during the three months ended September 30, 2021 and 2020 was $161.3 million and $169.5 million, respectively. The decrease in revenue during the three months ended September 30, 2021 compared to the three months ended September 30, 2020 was due to decreases in revenue in the aftermarket services and product sales segments, partially offset by an increase in the contract operations segment. The increase in our contract operations segment was primarily due to an increase in the acceleration of deferred revenue due to a contract change in Latin America, partially offset by a decrease in the Asia Pacific region due to contract stops. The decrease in aftermarket services revenue was primarily due to decreases in revenue in the Asia Pacific region related to part sales. The decrease in our product sales segment was primarily due to decreases in compression revenue, partially offset by increases in processing and treating revenue.

Revenue during the nine months ended September 30, 2021 and 2020 was $443.7 million and $461.4 million, respectively. The decrease in revenue during the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 was due to decreases in revenue in all three segments. The decrease in our contract operations segment was primarily due to a decrease in revenue in the Latin America region, partially offset by an increase in revenue in the Middle East and Africa region. The overall decrease in contract operations revenue was due to contract stops, the sale of equipment pursuant to a purchase option exercised by a customer during the prior year period, partially offset by the acceleration of deferred revenue on two separate contracts due to a change in the terms. The decrease in our product sales segment was primarily due to decreases in compression and water revenue partially offset by increases in processing and treating revenue. The decrease in aftermarket services revenue was primarily due to decreases in revenue related to operation and maintenance and overhaul services partially offset by increases in part sales.

Net loss.

We generated a net loss of $16.3 million and $17.7 million during the three months ended September 30, 2021 and 2020, respectively. The decrease in net loss during the three months ended September 30, 2021 compared to the three months ended September 30, 2020 was primarily due to decreases in income taxes, impairment expense and restructuring expense and increases in adjusted gross margin for our product sales segment and in other income. This was partially offset by increases in depreciation and amortization expense, selling, general and administrative ("SG&A") expense and interest expense and decreases in adjusted gross margin for our contract operations and aftermarket services segments and a decrease in the gain on extinguishment of debt.

We generated a net loss of $81.4 million and $67.9 million during the nine months ended September 30, 2021 and 2020, respectively. The increase in net loss during the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 was primarily due to increases in depreciation and amortization expense, SG&A expense and interest expense, an $8.0 million impairment recognized in the current year period, a decrease in adjusted gross margin of our aftermarket service and contract operations segments and a decrease in gain on extinguishment of debt. This was partially offset by a decrease in loss from discontinued operations, net of tax, an increase in adjusted gross margin for our product sales segment and a decrease in income taxes and restructuring expense. Net loss during the nine months ended September 30, 2021 included loss from discontinued operations, net of tax, of $1.7 million and net loss during the nine months ended September 30, 2020 included loss from discontinued operations, net of tax, of $15.8 million due to our U.S. compression fabrication business activity.

EBITDA, as adjusted.

Our EBITDA, as adjusted, was $35.1 million and $35.8 million during the three months ended September 30, 2021 and 2020, respectively. EBITDA, as adjusted, during the three months ended September 30, 2021 compared to the three months ended September 30, 2020 decreased primarily due to an increase in SG&A expense and decreases in adjusted gross margin for our contract operations and aftermarket segments, partially offset by an increase in adjusted gross margin for our product sales segment.

Our EBITDA, as adjusted, was $103.3 million and $95.0 million during the nine months ended September 30, 2021 and 2020, respectively. EBITDA, as adjusted, during the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 increased primarily due to an increase in adjusted gross margin for our product sales segment, partially offset by a decrease in adjusted gross margin for our contract operations and aftermarket service segments and an increase in SG&A expense.

EBITDA, as adjusted, is a non-GAAP financial measure. For a reconciliation of EBITDA, as adjusted, to net loss, its most directly comparable financial measure calculated and presented in accordance with GAAP, please read "— Non-GAAP Financial Measures" included elsewhere in this Quarterly Report.

The Three Months Ended September 30, 2021 Compared to the Three Months Ended September 30, 2020

Contract Operations

(dollars in thousands)

	Three Months Ended September 30,			
	2021	2020	Change	% Change
Revenue	$ 83,362	$ 81,679	$ 1,683	2 %
Cost of sales (excluding depreciation and amortization expense)	27,790	24,548	3,242	13 %
Adjusted gross margin	$ 55,572	$ 57,131	$ (1,559)	(3)%
Adjusted gross margin percentage [(1)]	67 %	70 %	(3)%	(4)%

(1) Defined as adjusted gross margin divided by revenue.

The increase in revenue during the three months ended September 30, 2021 compared to the three months ended September 30, 2020 was primarily due to an increase of $3.1 million due to the start-up of a project that was not operating in the prior year period and an increase of $5.2 million primarily driven by the acceleration of deferred revenue recognized resulting from a change in the remaining term of a contract in the third quarter of 2020. These revenue increases were partially offset by decreases of approximately $4.2 million due to contract stops primarily in the Middle East and Africa region and $1.5 million impact of devaluation on the Argentine Peso during the current year period. Adjusted gross margin decreased during the three months ended September 30, 2021 compared to the three months ended September 30, 2020 primarily due to repairs and maintenance incurred in the Latin America region. The change in the remaining term of the contract noted above resulted in additional costs during the three months ended September 30, 2021 in the form of depreciation expense, which is excluded from adjusted gross margin. Adjusted gross margin percentage during the three months ended September 30, 2021 compared to the three months ended September 30, 2020 decreased primarily due to an increase in operating expenditures in the current year period as explained above, partially offset by the increase in deferred revenue recognized resulting from the change in the remaining terms of the contracts noted above.

Aftermarket Services

(dollars in thousands)

	Three Months Ended September 30,			
	2021	2020	Change	% Change
Revenue	$ 24,633	$ 30,435	$ (5,802)	(19)%
Cost of sales (excluding depreciation and amortization expense)	19,379	23,135	(3,756)	(16)%
Adjusted gross margin	$ 5,254	$ 7,300	$ (2,046)	(28)%
Adjusted gross margin percentage	21 %	24 %	(3)%	-13 %

The decrease in revenue during the three months ended September 30, 2021 compared to the three months ended September 30, 2020 was primarily due to a decrease in part sales in the Asia Pacific region and a decrease in overhaul services in the Middle East and Africa region. Adjusted gross margin during the three months ended September 30, 2021 compared to the three months ended September 30, 2020 decreased primarily due to the revenue decreases explained above. Adjusted gross margin percentage during the three months ended September 30, 2021 compared to the three months ended September 30, 2020 decreased primarily due to the product mix.

Product Sales

(dollars in thousands)

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Change	% Change
Revenue	$ 53,304	$ 57,397	$ (4,093)	(7)%
Cost of sales (excluding depreciation and amortization expense)	46,755	54,263	(7,508)	(14)%
Adjusted gross margin	$ 6,549	$ 3,134	$ 3,415	109 %
Adjusted gross margin percentage	12 %	5 %	7 %	140 %

The decrease in revenue during the three months ended September 30, 2021 compared to the three months ended September 30, 2020 was primarily due to a decrease of $30.9 million in compression revenue mainly in the Middle East and Africa and in the Asia Pacific regions due to the completion of projects prior to the current quarter. This was partially offset by increases of $27.6 million in processing and treating revenue. The increase in processing and treating revenue was due to an increase of $37.5 million for a project in the Middle East and Africa region, partially offset by a decrease of $9.9 million in the North America region due to a decrease in activity. Adjusted gross margin increased during the three months ended September 30, 2021 compared to the three months ended September 30, 2020 due to higher expenses on a specific project in the prior year period. Adjusted gross margin percentage increased during the three months ended September 30, 2021 compared to the three months ended September 30, 2020 due to the higher expenses discussed above during the prior year period and a shift in product mix during the current year period.

Costs and Expenses

(dollars in thousands)

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Change	% Change
Selling, general and administrative	$ 34,938	$ 29,959	$ 4,979	17 %
Depreciation and amortization	43,889	36,630	7,259	20 %
Impairment	—	1,695	(1,695)	(100)%
Restructuring and other charges	(62)	238	(300)	(126)%
Interest expense	10,479	9,623	856	9 %
Gain on extinguishment of debt	—	(780)	780	(100)%
Other (income) expense, net	(1,074)	1,178	(2,252)	(191)%

Selling, general and administrative

SG&A expense increased during the three months ended September 30, 2021 compared to the three months ended September 30, 2020 primarily due to increases in compensation, legal expenses and network related expenses in the current year period. SG&A expense as a percentage of revenue was 22% and 18% during the three months ended September 30, 2021 and 2020, respectively.

Depreciation and amortization

Depreciation and amortization expense during the three months ended September 30, 2021 compared to the three months ended September 30, 2020 increased primarily due to approximately $5.7 million of additional depreciation expense recognized in the current year period on a contract operations project due to changes in the remaining terms of a contract during the third quarter of the prior year and approximately $2.2 million in depreciation for equipment on a contract operations project that was not operating in the prior year. This was partially offset by a decrease of $1.7 million in the Middle East and Africa region for a project that ended. Additionally, in the first quarter of 2021, we evaluated the salvage values of our property, plant and equipment. As a result of this evaluation, we changed the salvage values for our compression equipment to a maximum salvage value of 5% from 15%. During the three months ended September 30, 2021, we recorded an increase to depreciation expense of approximately $1.0 million as a result of this change in salvage value.

Impairment

During the third quarter of 2020, we impaired certain assets due to the termination of a contract operations project where it was not cost effective to move the assets and attempt to utilize them with a different customer. As a result, we removed these assets from the fleet and recorded an impairment of $1.7 million during the three months ended September 30, 2020.

Restructuring and other charges

The energy industry's focus on capital discipline and improving returns has caused delays in the timing of new equipment orders. As a result, in the third quarter of 2019, we announced a cost reduction plan primarily focused on workforce reductions. During the three months ended September 30, 2021, we released an unused portion of previously expensed restructuring charges of $0.1 million and during the three months ended September 30, 2020, we incurred restructuring and other charges of $0.2 million associated with these activities.

Interest expense

The increase in interest expense during the three months ended September 30, 2021 compared to the three months ended September 30, 2020 was primarily due to a higher average balance of long-term debt. During the three months ended September 30, 2021 and 2020, the average daily outstanding borrowings of long-term debt were $575.8 million and $503.4 million, respectively.

Extinguishment of debt

During the third quarter of 2020, we purchased and retired $5.0 million principal amount of our 8.125% senior unsecured notes due 2025 (the "2017 Notes"). for $4.3 million including $0.1 million of accrued interest. During the three months ended September 30, 2020, we recognized a gain on extinguishment of debt of $0.8 million, which was calculated as the difference between the repurchase price and the carrying amount of the 2017 Notes.

Other (income) expense, net

The change in other (income) expense, net, was primarily due to an increase in interest income of $3.5 million in the current year period. This was partially offset by foreign currency losses of $3.2 million during the three months ended September 30, 2021 compared to foreign currency losses of $2.3 million during the three months ended September 30, 2020. Foreign currency losses included translation losses of $1.6 million and gains of $0.6 million during the three months ended September 30, 2021 and 2020, respectively, related to the currency remeasurement of our foreign subsidiaries' non-functional currency denominated intercompany obligations.

Income Taxes

(dollars in thousands)

	Three Months Ended September 30,			
	2021	2020	Change	
Provision for (benefit from) income taxes	$ (5,187)	$ 5,745	$ (10,932)	(190)%
Effective tax rate	24.9%	(52.3)%	77.2%	(148)%

Our effective tax rate is affected by recurring items, such as tax rates in foreign jurisdictions and the relative amounts of income we earn, or losses we incur, in those jurisdictions. It is also affected by discrete items that may occur in any given year but are not consistent from year to year. Our effective tax rate is also affected by valuation allowances recorded against loss carryforwards in the U.S. and certain other jurisdictions, foreign withholding taxes and changes in foreign currency exchange rates.

The following items had the most significant impact on the difference between our statutory U.S. federal income tax rate of 21% and our effective tax rate of 24.9% for the three months ended September 30, 2021: (i) a 16.2% positive impact resulting from foreign currency devaluations in Argentina, (ii) a (4.3)% negative impact resulting from foreign taxes in excess of the U.S. tax rate and other rate drivers, (iii) a 4.3% positive impact resulting from deemed inclusions in the U.S. and (iv) a (9.8)% negative impact resulting from an addition of valuation allowances against U.S. deferred tax assets.

Discontinued Operations

(dollars in thousands)

	Three Months Ended September 30,			
	2021	2020	Change	% Change
Loss from discontinued operations, net of tax	$ (695)	$ (998)	$ 303	(30)%

Loss from discontinued operations, net of tax, includes our Belleli EPC business and our U.S. compression fabrication business.

Loss from discontinued operations, net of tax, during the three months ended September 30, 2021 compared to the three months ended September 30, 2020 was flat overall, however there was a $1.4 million decrease in loss for U.S. compression and a $1.1 million increase in loss for Belleli EPC. For further details on our discontinued operations, see Note 3 to the Financial Statements.

The Nine Months Ended September 30, 2021 Compared to the Nine Months Ended September 30, 2020

Contract Operations

(dollars in thousands)

	Nine Months Ended September 30,			
	2021	2020	Change	% Change
Revenue	$ 251,874	$ 254,412	$ (2,538)	(1)%
Cost of sales (excluding depreciation and amortization expense)	78,898	79,754	(856)	(1)%
Adjusted gross margin	$ 172,976	$ 174,658	$ (1,682)	(1)%
Adjusted gross margin percentage (1)	69%	69%	0%	0%

(1) Defined as adjusted gross margin divided by revenue.

The decrease in revenue during the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 was primarily due to approximately $21.5 million in contract stops, $5.3 million impact of devaluation on the Argentine Peso during the current year period and $10.0 million from the sale of equipment pursuant to a purchase option exercised by a customer during the prior year period. These revenue decreases were partially offset by an increase of $9.0 million due to the start-up of a project that was not operating in the prior year period, and an increase of $25.1 million primarily driven by an increase of deferred revenue recognized resulting from a change in the remaining term of a contract in the third quarter of 2020 and the early termination of a contract in the current year period. Adjusted gross margin decreased during the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 due to the revenue changes explained above. The change in the remaining terms of the contracts noted above resulted in additional costs during the nine months ended September 30, 2021 in the form of depreciation expense, which is excluded from adjusted gross margin. Adjusted gross margin percentage during the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 remained flat.

Aftermarket Services

(dollars in thousands)

	Nine Months Ended September 30,			
	2021	2020	Change	% Change
Revenue	$ 79,154	$ 83,337	$ (4,183)	(5)%
Cost of sales (excluding depreciation and amortization expense)	62,813	63,336	(523)	(1)%
Adjusted gross margin	$ 16,341	$ 20,001	$ (3,660)	(18)%
Adjusted gross margin percentage	21%	24%	(3)%	-13%

The decrease in revenue during the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 was primarily due to a decrease in operation and maintenance and overhaul services in the Middle East and Africa region, partially offset by an increase in part sales in the Asia Pacific region. Adjusted gross margin and adjusted gross margin percentage during the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 decreased primarily due to the product mix with part sales historically having lower margins than other areas of our aftermarket services business.

Product Sales

(dollars in thousands)

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020	Change	% Change
Revenue	$ 112,634	$ 123,613	$ (10,979)	(9)%
Cost of sales (excluding depreciation and amortization expense)	99,437	125,581	(26,144)	(21)%
Adjusted gross margin	$ 13,197	$ (1,968)	$ 15,165	(771)%
Adjusted gross margin percentage	12%	(2)%	14%	(700)%

The decrease in revenue during the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 was primarily due to decreases of $54.9 million and $9.0 million in compression revenue and water solutions revenue, respectively, partially offset by an increase of $50.9 million in processing and treating equipment revenue. The decrease in compression revenue was mainly due to a decrease in revenue in the Middle East and Africa region in the current year period and the completion of projects in the Asia Pacific region during the first quarter of 2021. The decrease in water solutions revenue was due to projects in the Middle East and Africa region. The increase in processing and treating equipment revenue were due to projects in the Middle East and Africa region partially offset by a decrease in the North America region due to less activity. Adjusted gross margin increased during the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 due to higher expenses on a specific project in the prior year period. Adjusted gross margin percentage increased during the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 due to the higher expenses discussed above during the prior year period and a shift in product mix during the current year period.

Costs and Expenses

(dollars in thousands)

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020	Change	% Change
Selling, general and administrative	$ 101,199	$ 95,049	$ 6,150	6%
Depreciation and amortization	132,097	100,887	31,210	31%
Impairment	7,959	1,695	6,264	370%
Restructuring and other charges	192	3,550	(3,358)	(95)%
Interest expense	30,800	29,214	1,586	5%
Gain on extinguishment of debt	—	(3,424)	3,424	(100)%
Other (income) expense, net	(1,172)	(1,169)	(3)	—

Selling, general and administrative

SG&A expense increased during the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 primarily due to increases in compensation, legal and network related expenses in the current year period, partially offset by a decrease in allowance for doubtful accounts recorded during the prior year period primarily due to the expected impact of COVID-19 on our customers. SG&A expense as a percentage of revenue was 23% and 21% during the nine months ended September 30, 2021 and 2020, respectively.

Depreciation and amortization

Depreciation and amortization expense during the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 increased primarily due to approximately $23.6 million of additional depreciation expense recognized in the current year period on two contract operations projects due to changes in the remaining terms of a contract during the third quarter of 2020 and the early termination of a contract in the current year period, and approximately $6.2 million in depreciation for equipment on a contract operations project that was not operating in the prior year period. This was partially offset by a decrease of $1.7 million in the Middle East and Africa region for a project that ended. Additionally, in the first quarter of 2021, we evaluated the salvage values of our property, plant and equipment. As a result of this evaluation, we changed the salvage values for our compression equipment to a maximum salvage value of 5% from 15%. During the nine months ended September 30, 2021, we recorded an increase to depreciation expense of approximately $3.1 million as a result of this change in salvage value. The estimated increase in depreciation expense during 2021 will be approximately $5 million.

Impairment

During the nine months ended September 30, 2021, we determined that there was no visibility to continuing a contract with a customer in the Latin America region. This contract included installation costs, deferred start-up costs and demobilization costs that were previously capitalized where it is highly unlikely we will generate future cash flows. As a result, we recorded an $8.0 million asset impairment to reduce the book value of these assets to zero, which is its estimated fair value as of September 30, 2021.

Restructuring and other charges

The energy industry's focus on capital discipline and improving returns has caused delays in the timing of new equipment orders. As a result, in the third quarter of 2019, we announced a cost reduction plan primarily focused on workforce reductions. We incurred restructuring and other charges associated with these activities of $0.2 million and $3.6 million during the nine months ended September 30, 2021 and 2020, respectively.

Interest expense

The increase in interest expense during the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 was primarily due to a higher average balance of long-term debt. During the nine months ended September 30, 2021 and 2020, the average daily outstanding borrowings of long-term debt were $580.1 million and $496.7 million, respectively.

Extinguishment of debt

During the nine months ended September 30, 2020, we purchased and retired $24.0 million principal amount of our 2017 Notes for $20.6 million including $0.3 million of accrued interest. During the nine months ended September 30, 2020, we recognized a gain on extinguishment of debt of $3.4 million, which was calculated as the difference between the repurchase price and the carrying amount of the 2017 Notes, partially offset by $0.2 million in related deferred financing costs.

Other (income) expense, net

The change in other expense, net, was primarily due to an increase of $8.4 million in interest income in the current year period. This is almost fully offset by foreign currency losses $8.2 million during the nine months ended September 30, 2021 compared to foreign currency losses of $2.0 million during the nine months ended September 30, 2020 as well as an increase of $2.1 million in derivative losses in the current year period. Foreign currency losses included translation losses of $0.8 million and gains of $3.8 million during the nine months ended September 30, 2021 and 2020, respectively, related to the currency remeasurement of our foreign subsidiaries' non-functional currency denominated intercompany obligations.

Income Taxes

(dollars in thousands)

	Nine Months Ended September 30,			
	2021	2020	Change	% Change
Provision for income taxes	$ 11,105	$ 18,970	$ (7,865)	(41)%
Effective tax rate	(16.2)%	(57.3)%	41.1%	(72)%

Our effective tax rate is affected by recurring items, such as tax rates in foreign jurisdictions and the relative amounts of income we earn, or losses we incur, in those jurisdictions. It is also affected by discrete items that may occur in any given year but are not consistent from year to year. Our effective tax rate is also affected by valuation allowances recorded against loss carryforwards in the U.S. and certain other jurisdictions, foreign withholding taxes and changes in foreign currency exchange rates.

The following items had the most significant impact on the difference between our statutory U.S. federal income tax rate of 21% and our effective tax rate of (16.2)% for the nine months ended September 30, 2021: (i) a (3.1)% negative impact resulting from foreign currency devaluations in Argentina, (ii) a (15.2)% negative impact resulting from foreign taxes in excess of the U.S. tax rate and other rate drivers, (iii) a (7.1)% negative impact resulting from deemed inclusions in the U.S. and (iv) a (7.5)% negative impact resulting from an addition of valuation allowances against U.S. deferred tax assets.

Discontinued Operations

(dollars in thousands)

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020	Change	% Change
Loss from discontinued operations, net of tax	$ (1,724)	$ (15,833)	$ 14,109	(89)%

Loss from discontinued operations, net of tax, includes our Belleli EPC business and our U.S. compression fabrication business.

Loss from discontinued operations, net of tax, during the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 decreased due to a $15.4 million decrease in loss from U.S. compression. The decrease in loss in U.S. compression business was primarily driven by the decrease in activity for the business, and $6.5 million impairment recorded during the nine months ended September 30, 2020. This was partially offset by a $1.3 million increase in loss from Belleli EPC. For further details on our discontinued operations, see Note 3 to the Financial Statements.

Liquidity and Capital Resources

Our unrestricted cash balance was $57.5 million at September 30, 2021 compared to $40.3 million at December 31, 2020. Working capital increased to $164.4 million at September 30, 2021 from $154.7 million at December 31, 2020. The increase in working capital was primarily due to decreases in contract liabilities and current liabilities associated with discontinued operations, and increases in cash and contract assets, partially offset by an increase in accrued liabilities and decreases in accounts receivable and inventory. The decrease in contract liabilities was primarily driven by the progression of product sales projects and the timing of milestones billings in the Middle East and Africa region. The decrease in current liabilities associated with discontinued operations was driven by the decrease in activities in our U.S. compression fabrication business. The increase in cash is explained below within the operating, investing and financing activities. The increase in contract assets is due to the timing of milestone billings in the Middle East and Africa region. The increase in accrued liabilities was primarily due to progression of product sales projects in the Middle East and Africa region. The decrease in accounts receivables was due to timing of collections primarily in the Middle East and Africa region. The decrease in inventory was primarily driven by the progression of product sales activity.

Our cash flows from operating, investing and financing activities, as reflected in the statements of cash flows, are summarized in the following table (in thousands):

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Net cash provided by (used in) continuing operations:		
Operating activities	$ 39,232	$ 25,672
Investing activities	(22,741)	(65,612)
Financing activities	9,797	74,583
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(422)	(750)
Discontinued operations	(9,614)	(20,766)
Net change in cash, cash equivalents and restricted cash	$ 16,252	$ 13,127

Operating Activities. The increase in net cash provided by operating activities during the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 was primarily attributable to improved working capital and improved adjusted gross margin for our product sales segment. Working capital changes during the nine months ended September 30, 2021 included an increase of $17.3 million in accounts receivable and notes, an increase of $5.7 million in inventory, a decrease of $61.0 million in contract assets and contract liabilities, net, and an increase of $7.2 million in accounts payable and accrued liabilities. Working capital changes during the nine months ended September 30, 2020 included a decrease of $18.2 million in contract assets and contract liabilities, net, a decrease of $10.8 million in accounts receivable and notes and a decrease of $13.5 million in accounts payable and accrued liabilities.

Investing Activities. The decrease in net cash used in investing activities during the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 was primarily attributable to a $42.2 million decrease in capital expenditures. The decrease in capital expenditures was primarily driven by the timing of awards and growth in capital expenditures for new contract operations projects.

Financing Activities. The decrease in net cash provided by financing activities during the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 was primarily attributable to a decrease in net borrowings of $65.3 million on our long-term debt.

Discontinued Operations. The decrease in net cash used in discontinued operations during the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 was primarily attributable to working capital changes related to our U.S. compression fabrication business.

Capital Requirements. Our contract operations business is capital intensive, requiring significant investment to maintain and upgrade existing operations. Our capital spending is primarily dependent on the demand for our contract operations services and the availability of the type of equipment required for us to render those contract operations services to our customers. Our capital requirements have consisted primarily of, and we anticipate will continue to consist of, the following:

- growth capital expenditures, which are made to expand or to replace partially or fully depreciated assets or to expand the operating capacity or revenue generating capabilities of existing or new assets, whether through construction, acquisition or modification; and
- maintenance capital expenditures, which are made to maintain the existing operating capacity of our assets and related cash flows further extending the useful lives of the assets.

The majority of our growth capital expenditures are related to installation costs on contract operations services projects and acquisition costs of new compressor units and processing and treating equipment that we add to our contract operations fleet. In addition, growth capital expenditures can include the upgrading of major components on an existing compressor unit where the current configuration of the compressor unit is no longer in demand and the compressor unit is not likely to return to an operating status without the capital expenditures. These latter expenditures substantially modify the operating parameters of the compressor unit such that it can be used in applications for which it previously was not suited. Maintenance capital expenditures are related to major overhauls of significant components of a compressor unit, such as the engine, compressor and cooler, that return the components to a “like new” condition, but do not modify the applications for which the compressor unit was designed.

We generally invest funds necessary to manufacture contract operations fleet additions when our idle equipment cannot be reconfigured to economically fulfill a project’s requirements and the new equipment expenditure is expected to generate economic returns over its expected useful life that exceeds our targeted return on capital. We currently plan to spend approximately $55 million to $65 million in capital expenditures during 2021, including (1) approximately $35 million to $45 million on contract operations growth capital expenditures based on contracts currently in our backlog and (2) approximately $20 million on equipment maintenance capital related to our contract operations business and other capital expenditures.

Historically, we have financed capital expenditures with a combination of net cash provided by operating and financing activities. Our ability to access the capital markets may be restricted at the time when we would like, or need, to do so, which could have an adverse impact on the cost and access to capital and our ability to maintain our operations and to grow. For example, COVID-19 disrupted the broader financial markets and the capital markets for energy service related companies continue to be impacted. If any of our lenders become unable to perform their obligations under the Amended Credit Agreement, our borrowing capacity under our revolving credit facility could be reduced. Inability to borrow additional amounts under our revolving credit facility could limit our ability to fund our future growth and operations. Based on current market conditions, we expect that net cash provided by operating activities and borrowings under our revolving credit facility will be sufficient to finance our operating expenditures, capital expenditures and other contractual cash obligations, including our debt obligations. However, if net cash provided by operating activities and borrowings under our revolving credit facility are not sufficient, we may seek additional debt or equity financing.

The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains and financial markets and created significant volatility and disruption across most industries. Efforts to mitigate the spread of COVID-19 have also resulted in decreased energy demand and additional weakness in energy pricing. The broader implications of COVID-19 on our customers and our long-term future results of operations and overall financial condition remains uncertain.

Long-Term Debt. We and our wholly owned subsidiary, Exterran Energy Solutions, L.P. (“EESLP”), are parties to an amended and restated credit agreement (the “Amended Credit Agreement”) consisting of a $650.0 million revolving credit facility expiring in October 2023.

During the nine months ended September 30, 2021 and 2020, the average daily borrowings of long-term debt were $580.1 million and $496.7 million, respectively. The weighted average annual interest rate on outstanding borrowings under our revolving credit facility at September 30, 2021 and 2020 was 3.1% and 2.4%, respectively. LIBOR and certain other “benchmarks” have been subject of national, international and other regulatory guidance and proposals for reform. In particular, on July 27, 2017, the United Kingdom’s Financial Conduct Authority (the “FCA”), which regulates LIBOR, publicly announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. On March 5, 2021, the FCA announced that USD LIBOR will no longer be published after June 30, 2023. It is unclear whether, at that time, LIBOR will cease to exist or if new methods of calculating LIBOR will be established. Central banks and regulators in a number of major jurisdictions (for example, U.S., United Kingdom, European Union, Switzerland, and Japan) have convened working groups to find and implement the transition to suitable replacement benchmarks. The Alternative Reference Rates Committee, a steering committee consisting of large U.S. financial institutions convened by the U.S. Federal Reserve Board and the Federal Reserve Bank of New York, has recommended replacing LIBOR with the Secured Overnight Financing Rate ("SOFR"), an index supported by short-term Treasury repurchase agreements. We are continuing to evaluate and monitor financial and non-financial impacts and risks that may result when LIBOR rates are no longer published.

As of September 30, 2021, we had $53.4 million in outstanding letters of credit under our revolving credit facility, and taking into account guarantees through outstanding letters of credit, we had undrawn capacity of $370.6 million under our revolving credit facility. Our Amended Credit Agreement limits our Total Debt to EBITDA ratio (as defined in the Amended Credit Agreement) on the last day of the fiscal quarter to no greater than 4.50 to 1.0. As a result of this limitation, $143.3 million of the $370.6 million of undrawn capacity under our revolving credit facility was available for additional borrowings as of September 30, 2021.

We have agreements with financial institutions under which approximately $47.5 million of letters of credit or bank guarantees were outstanding as of September 30, 2021. These are put in place in certain situations to guarantee our performance obligations under contracts with counterparties.

The Amended Credit Agreement contains various covenants with which we, EESLP and our respective restricted subsidiaries must comply, including, but not limited to, limitations on the incurrence of indebtedness, investments, liens on assets, repurchasing equity, making distributions, transactions with affiliates, mergers, consolidations, dispositions of assets and other provisions customary in similar types of agreements. We are required to maintain, on a consolidated basis, a minimum interest coverage ratio (as defined in the Amended Credit Agreement) of 2.25 to 1.00; a maximum total leverage ratio (as defined in the Amended Credit Agreement) of 4.50 to 1.00; and a maximum senior secured leverage ratio (as defined in the Amended Credit Agreement) of 2.75 to 1.00. As of September 30, 2021, we maintained a 6.3 to 1.0 interest coverage ratio, a 3.6 to 1.0 total leverage ratio and a 1.4 to 1.0 senior secured leverage ratio. As of September 30, 2021, we were in compliance with all financial covenants under the Amended Credit Agreement.

In April 2017, our 100% owned subsidiaries EESLP and EES Finance Corp. issued the 8.125% senior unsecured notes due 2025 (the "2017 Notes"), which consisted of $375.0 million aggregate principal amount of the senior unsecured notes which have $350.0 million outstanding as of September 30, 2021. We guarantee the 2017 Notes on a senior unsecured basis. We may redeem the 2017 Notes at any time in cash, in whole or part, at certain redemption prices, including the applicable make-whole premium plus accrued and unpaid interest, if any, to the date of redemption.

During the nine months ended September 30, 2020, we purchased and retired $24.0 million principal amount of our 2017 Notes for $20.6 million including $0.3 million of accrued interest. During the nine months ended September 30, 2020, we recognized a gain on extinguishment of debt of $3.4 million, which was calculated as the difference between the repurchase price and the carrying amount of the 2017 Notes, partially offset by $0.2 million in related deferred financing costs.

We may from time to time seek to retire, extend or purchase our outstanding debt through cash purchases and/or exchanges for equity securities, in open market purchases, privately negotiated transactions or otherwise. Such extensions, repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

Unrestricted Cash. Of our $57.5 million unrestricted cash balance at September 30, 2021, $56.2 million was held by our non-U.S. subsidiaries. In the event of a distribution of earnings to the U.S. in the form of dividends, we may be subject to foreign withholding taxes. We do not believe that the cash held by our non-U.S. subsidiaries has an adverse impact on our liquidity because we expect that the cash we generate in the U.S., the available borrowing capacity under our revolving credit facility and the repayment of intercompany liabilities from our non-U.S. subsidiaries will be sufficient to fund the cash needs of our U.S. operations for the foreseeable future.

Share Repurchase Program. On February 20, 2019, our board of directors approved a share repurchase program under which the Company is authorized to purchase up to $100.0 million of its outstanding common stock through February 2022. The timing and method of any repurchases under the program will depend on a variety of factors, including prevailing market conditions among others. Purchases under the program may be suspended or discontinued at any time and we have no obligation to repurchase any amount of our common shares under the program.

Shares of common stock acquired through the repurchase program are held in treasury at cost. During the nine months ended September 30, 2021 and 2020, we did not repurchase any shares under this program. As of September 30, 2021, the remaining authorized repurchase amount under the share repurchase program was $57.7 million.

Dividends. We do not currently anticipate paying cash dividends on our common stock. We currently intend to retain our future earnings to support the growth and development of our business. The declaration of any future cash dividends and, if declared, the amount of any such dividends, will be subject to our financial condition, earnings, capital requirements, financial covenants, applicable law and other factors our board of directors deems relevant.

Supplemental Guarantor Financial Information

In April 2017, our 100% owned subsidiaries EESLP and EES Finance Corp. (together, the “Issuers”) issued the 2017 Notes, which consisted of $375.0 million aggregate principal amount senior unsecured notes which have $350.0 million outstanding as of September 30, 2021. The 2017 Notes are fully and unconditionally guaranteed on a joint and several senior unsecured basis by Exterran Corporation (“Parent”). The 2017 Notes and Parent’s guarantee are:

- Senior unsecured obligations of each of the Issuers and the Parent, as applicable;
- Equal in right of payment with all of the existing and future senior unsecured indebtedness and senior unsecured guarantees of each of the Issuers and the Parent, as applicable;
- Senior in right of payment to all subordinated indebtedness and subordinated guarantees of each of the Issuers and the Parent, as applicable;
- Effectively junior in right of payment to all existing and future secured indebtedness and secured guarantees of each of the Issuers and the Parent, as applicable, to the extent of the value of the assets securing such indebtedness or guarantees; and
- Structurally junior in right of payment to all existing and future indebtedness, guarantees and other liabilities (including trade payables) and any preferred equity of each of the Parent’s subsidiaries (other than the Issuers) that are not guarantors of the 2017 Notes.

Parent’s guarantee will be automatically and unconditionally released and discharged upon (i) the merger of the Parent into the Issuers, (ii) a legal defeasance, covenant defeasance or satisfaction and discharge of the indenture governing the 2017 Notes or (iii) the liquidation or dissolution of the Parent, provided in each case no default or event of default has occurred and is continuing under the indenture governing the 2017 Notes.

Federal bankruptcy and state fraudulent transfer laws permit a court to void all or a portion of the obligations of the Parent pursuant to its guarantee, or to subordinate the Parent’s obligations under its guarantee to claims of the Parent’s other creditors, reducing or eliminating the ability to recover under the guarantee. Although laws differ among jurisdictions, in general, under applicable fraudulent transfer or conveyance laws, the guarantee could be voided as a fraudulent transfer or conveyance if (i) the guarantee was incurred with the intent of hindering, delaying or defrauding creditors or (ii) the Parent received less than reasonably equivalent value or fair consideration in return for incurring the guarantee and either (x) the Parent was insolvent or rendered insolvent by reason of the incurrence of the guarantee or subsequently became insolvent for other reasons, (y) the incurrence of the guarantee left the Parent with an unreasonably small amount of capital to carry on the business, or (z) the Parent intended to, or believed that it would, incur debts beyond its ability to pay such debts as they mature. A court would likely find that Parent did not receive reasonably equivalent value or fair consideration for its guarantee if it determined that the Parent did not substantially benefit directly or indirectly from the issuance of the 2017 Notes. If a court were to void a guarantee, noteholders would no longer have a claim against the Parent. In addition, the court might direct noteholders to repay any amounts that you already received from the Parent. Parent’s guarantee contains a provision intended to limit the Parent’s liability under the guarantee to the maximum amount that the Parent could incur without causing the incurrence of obligations under its guarantee to be deemed a fraudulent transfer. This provision may not be effective to protect the guarantee from being voided under fraudulent transfer law.

All consolidated subsidiaries of Exterran other than the Issuers are collectively referred to as the “Non-Guarantor Subsidiaries.” The 2017 Notes are structurally subordinated to any indebtedness and other liabilities (including trade payables) of any of the Non-Guarantor Subsidiaries. The Non-Guarantor Subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due pursuant to the 2017 Notes, or to make any funds available therefor, whether by dividends, loans, distributions or other payments. Holders of the 2017 Notes will have no claim as a creditor against any Non-Guarantor Subsidiaries. In the event of bankruptcy, liquidation or reorganization of any of the Non-Guarantor Subsidiaries, such subsidiaries will pay current outstanding obligations to the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Parent or the Issuers. As a result, in the context of a bankruptcy, liquidation or reorganization, holders of the 2017 Notes would likely receive less, ratably, than holders of indebtedness and other liabilities (including trade payables of such entities).

The Parent and EESLP are also parties to our credit agreement, which covenants with which the Parent, EESLP and our respective restricted subsidiaries must comply, including, but not limited to, limitations on the incurrence of indebtedness, investments, liens on assets, repurchasing equity, making distributions, transactions with affiliates, mergers, consolidations, dispositions of assets and other provisions customary in similar types of agreements. These covenants may impact the ability of the Parent and EESLP to repay the 2017 Notes or amounts owing under Parent's guarantee.

Summarized Financial Information (in thousands)

As a result of the Parent's guarantee, we are presenting the following summarized financial information for the Issuers' and Parent (collectively referred to as the "Obligated Group") pursuant to Rule 13-01 of Regulation S-X, *Guarantors and Issuers of Guaranteed Securities Registered or Being Registered*. For purposes of the following summarized financial information, transactions between the Parent and the Issuers, presented on a combined basis, have been eliminated and information for the Non-Guarantor Subsidiaries have been excluded. Amounts due from or due to the Non-Guarantor Subsidiaries and other related parties, as applicable, have been separately presented within the summarized financial information.

	September 30, 2021
Summarized Statement of Operations:	
Revenues[(1)]	$ 69,139
Cost of sales[(1)]	46,016
Loss from continuing operations	(159,986)
Net loss	(161,262)

(1) Includes $0.1 million of revenue for intercompany sales from the Obligated Group the Non-Guarantor Subsidiaries during the nine months ended September 30, 2021.

	September 30, 2021	December 31, 2020
Summarized Balance Sheet:		
ASSETS		
Intercompany receivables due from non-guarantors	$ 207,504	$ 206,267
Total current assets	333,536	334,675
Total long-term assets	198,174	230,334
LIABILITIES AND STOCKHOLDERS' EQUITY		
Intercompany payables due to non-guarantors	$ 361,832	$ 362,221
Total current liabilities	456,765	439,707
Long-term liabilities	623,399	613,994

Non-GAAP Financial Measures

We define EBITDA, as adjusted, 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, gain on extinguishment of debt, and other items. We believe 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 our 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, restructuring and other charges, expensed acquisition costs, gain on extinguishment of debt, and other items. Management uses EBITDA, as adjusted, as a supplemental measure to review current period operating performance, comparability measures and performance measures for period to period comparisons. In addition, the 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. Our EBITDA, as adjusted, may not be comparable to a similarly titled measure of another company because other entities may not calculate EBITDA in the same manner.

EBITDA, as adjusted, is not a measure of financial performance under GAAP, and should not be considered in isolation or as an alternative to net income (loss), cash flows from operating activities or any other measure determined in accordance with GAAP. Items excluded from EBITDA, as adjusted, are significant and necessary components to the operation of our business, and, therefore, EBITDA, as adjusted, should only be used as a supplemental measure of our operating performance.

The following table reconciles our net loss to EBITDA, as adjusted (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net loss	$ (16,303)	$ (17,721)	$ (81,390)	$ (67,914)
Loss from discontinued operations, net of tax	695	998	1,724	15,833
Depreciation and amortization	43,889	36,630	132,097	100,887
Impairment	—	1,695	7,959	1,695
Restructuring and other charges	(62)	238	192	3,550
Interest expense	10,479	9,623	30,800	29,214
Gain on extinguishment of debt	—	(780)	—	(3,424)
(Gain) loss on currency exchange rate remeasurement of intercompany balances	1,620	(624)	810	(3,822)
Provision for (benefit from) income taxes	(5,187)	5,745	11,105	18,970
EBITDA, as adjusted	$ 35,131	$ 35,804	$ 103,297	$ 94,989

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks associated with changes in foreign currency exchange rates due to our significant international operations. While the majority of our revenue contracts are denominated in, or indexed to, the U.S. dollar, certain contracts or portions of certain contracts, most notably within our contract operations segment, are exposed to foreign currency fluctuations. Approximately 60% of revenues in our contract operations segment are denominated in the U.S. dollar. The currencies for which we have our largest exchange rate exposures are related to changes in the Argentine Peso and the Brazilian Real. During the nine months ended September 30, 2021, the Argentine Peso depreciated by approximately 15% and the Brazilian Real depreciated by approximately 4%. The impact of foreign currency risk on income for these contracts is generally mitigated by matching costs with revenues in the same currency.

Additionally, the net assets and liabilities of these operations are exposed to changes in foreign currency exchange rates. These operations may also have net assets and liabilities not denominated in their functional currency, which exposes us to changes in foreign currency exchange rates that impact income. We recorded foreign currency losses of $8.2 million and $2.0 million in our statements of operations during the nine months ended September 30, 2021 and 2020, respectively. Our foreign currency losses and gains are primarily due to exchange rate fluctuations related to monetary asset balances denominated in currencies other than the functional currency, including foreign currency exchange rate changes recorded on intercompany obligations. Foreign currency losses and gains included translation losses of $0.8 million and gains of $3.8 million during the nine months ended September 30, 2021 and 2020, respectively, related to the functional currency remeasurement of our foreign subsidiaries' non-functional currency denominated intercompany obligations. During the nine months ended September 30, 2021, we entered into forward currency exchange contracts to mitigate exposures in U.S. dollars related to the Argentine Peso. As a result of entering into these contracts, we recognized losses of $2.0 million during the nine months ended September 30, 2021. Changes in exchange rates may create gains or losses in future periods to the extent we maintain net assets and liabilities not denominated in the functional currency.

As of September 30, 2021, we do not have any derivative financial instruments outstanding to mitigate foreign currency risk. In the future, we may utilize derivative instruments to manage the risk of fluctuations in foreign currency exchange rates that could potentially impact our future earnings and forecasted cash flows.

Item 4. Controls and Procedures

This Item 4 includes information concerning the controls and controls evaluation referred to in the certifications of our Chief Executive Officer and Chief Financial Officer required by Rule 13a-14 of the Exchange Act included in this Quarterly Report as Exhibits 31.1 and 31.2.

Management's Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to management to allow timely decisions regarding required disclosures.

In connection with the preparation of this Quarterly Report on Form 10-Q, our management, under the supervision and with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2021. Based on that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed in reports that we file or submit under the Exchange Act is accumulated and communicated to management, and made known to our principal executive officer and principal financial officer, on a timely basis to ensure that it is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the last fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

In the ordinary course of business, we are involved in various pending or threatened legal actions. While management is unable to predict the ultimate outcome of these actions, it believes that any ultimate liability arising from any of these actions will not have a material adverse effect on our financial position, results of operations or cash flows. However, because of the inherent uncertainty of litigation and arbitration proceedings, we cannot provide assurance that the resolution of any particular claim or proceeding to which we are a party will not have a material adverse effect on our financial position, results of operations or cash flows.

For further details on the current legal proceedings, see Note 14 to the Financial Statements.

Item 1A. Risk Factors

There have been no material changes or updates to our risk factors that were previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) Not applicable.

(b) Not applicable.

(c) The following table summarizes our repurchases of equity securities during the three months ended September 30, 2021:

Period	Total Number of Shares Repurchased(1)	Average Price Paid Per Unit	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Approximate Dollar Value of Shares yet to be Purchased Under the Publicly Announced Plans or Programs (2)
July 1, 2021 - July 31, 2021	293	$ 4.21	—	$ 57,726,011
August 1, 2021 - August 31, 2021	—	—	—	57,726,011
September 1, 2021 - September 30, 2021	—	—	—	57,726,011
Total	293	$ 4.21	—	$ 57,726,011

(1) There were no shares withheld to satisfy employees' tax withholding obligations in connection with vesting of restricted stock awards during the period.

(2) On February 20, 2019, our board of directors approved a share repurchase program, under which the Company is authorized to purchase up to $100.0 million of its outstanding common stock through February 2022. The timing and method of any repurchases under the program will depend on a variety of factors, including prevailing market conditions among others. Purchases under the program may be suspended or discontinued at any time, and we have no obligation to repurchase any amount of our common shares under the program. Shares of common stock acquired through the repurchase program are held in treasury at cost.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description
22.1*	List of Guarantor Subsidiaries, incorporated by reference to Exhibit 22.1 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2020
31.1*	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002
32.2**	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 1010).

* Filed herewith.

** Furnished, not filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	Exterran Corporation	
Date: November 3, 2021	By:	/s/ DAVID A. BARTA
		David A. Barta
		Senior Vice President and Chief Financial Officer
		(Principal Financial Officer)

Exhibit 31.1

Certification
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Andrew J. Way, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Exterran Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2021

By: /s/ ANDREW J. WAY
Name: Andrew J. Way
Title: Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Certification
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, David A. Barta, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Exterran Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2021

By: /s/ DAVID A. BARTA

Name: David A. Barta
Title: Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certification of CEO Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Exterran Corporation (the “Company”) for the quarter ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Andrew J. Way, as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ANDREW J. WAY

Name:	Andrew J. Way
Title:	President and Chief Executive Office

Date: November 3, 2021

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

Certification of CFO Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Exterran Corporation (the "Company") for the quarter ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), David A. Barta, as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DAVID A. BARTA

Name:	David A. Barta
Title:	Senior Vice President and Chief Financial Officer

Date: November 3, 2021

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.