



A SYSTEMS AND PROCESS COMPANY



Photo courtesy of Marathon Petroleum Corporation

# Exterran Corporation 3Q20 Earnings Presentation

# Forward Looking Statements



All statements in this presentation (and oral statements made regarding the subjects of this presentation) other than historical facts are forward looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. These statements may include words such as “guidance,” “anticipate,” “estimate,” “expect,” “forecast,” “project,” “plan,” “intend,” “believe,” “confident,” “may,” “should,” “can have,” “likely,” “future” and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. These forward looking statements rely on a number of assumptions concerning future events and are subject to a number of uncertainties and factors that could cause actual results to differ materially from such statements, many of which are outside the control of Exterran Corporation (“Exterran”, the “company”, “we,” “our” or “us”) which could cause actual results to differ materially from such statements. Examples of forward looking information in this presentation include, but are not limited to: the industry fundamentals, including the overall outlook, our expectations regarding future economic and market conditions and trends; our operational and financial strategies, including our planned capital expenditures; our financial and operational outlook; demand and growth opportunities for our products and services.

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

Any forward looking statement speaks only as of the date on which such statement is made and obligation to correct or update any forward looking statement, whether as a result of new information, future events, or otherwise, except as required by applicable law. These forward looking statements are also affected by the risk factors, forward looking statements and challenges and uncertainties described in the 2019 Form 10-K for the year ended December 31, 2019, and those set forth from time to time in our filings with the Securities and Exchange Commission, which are currently available on the SEC’s website, [www.sec.gov](http://www.sec.gov). The discussion of these risks is specifically incorporated by reference into this presentation. Except as required by law, we expressly disclaim any intention or obligation to revise or update any forward looking statements whether as a result of new information, future events or otherwise.

## Quarter Highlights

---

- ✔ EBITDA, as adjusted of \$35.8 million, with EBITDA margin, as adjusted of 21%<sup>(1)</sup>; U.S. compression fabrication moved to discontinued operations
- ✔ Exterran Contract Operations (ECO) backlog ended at \$1.21 billion
- ✔ Product Sales backlog at the end of the quarter was \$497 million, compared to \$547 million at the end of 2Q20
- ✔ Leverage was 3.5x<sup>(2)</sup> with available liquidity of \$174 million
- ✔ Renewed a Latin American ECO contract for 6 years worth \$80 million; no incremental CAPEX required

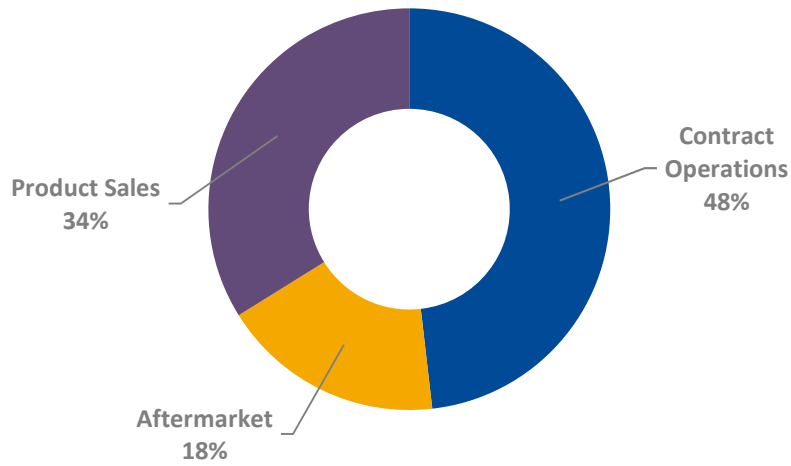
(1) See appendix for detailed reconciliation of EBITDA, as adjusted, and EBITDA, as adjusted, margin.

(2) Calculated as, Total Leverage Ratio as defined in our credit agreement as Total Indebtedness to EBITDA (as further defined in our credit agreement).

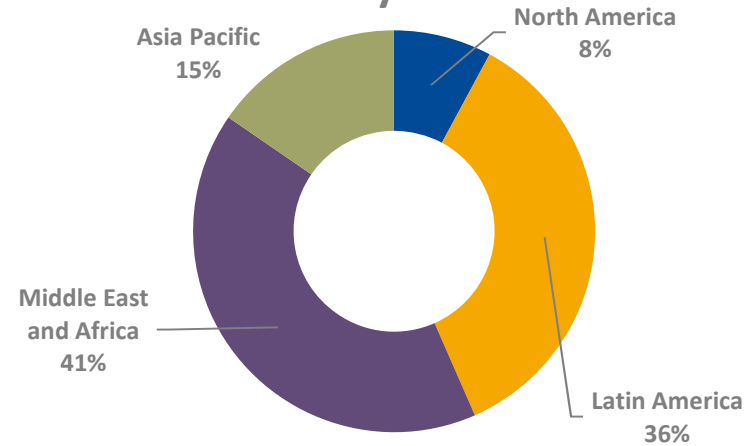
# 3Q 2020 Revenue Mix



## Revenue by Segment



## Revenue by Geomarket



	2Q 2020	3Q 2020	Seq Δ	3Q 2019	YoY Δ
Contract Operations	\$78	\$82	5%	\$96	-15%
Aftermarket	\$25	\$30	22%	\$35	-13%
Product Sales	\$28	\$57	104%	\$55	5%
<b>Total Revenues</b>	<b>\$131</b>	<b>\$170</b>	<b>29%</b>	<b>\$186</b>	<b>-9%</b>

Gross Margin <sup>(1)</sup>	2Q 2020	3Q 2020	Seq Δ	3Q 2019	YoY Δ
Contract Operations	\$54	\$57	5%	\$62	-8%
Aftermarket	\$6	\$7	22%	\$9	-17%
Product Sales	-\$4	\$3	-173%	\$7	-53%
<b>Total Gross Margin</b>	<b>\$56</b>	<b>\$68</b>	<b>21%</b>	<b>\$77</b>	<b>-13%</b>

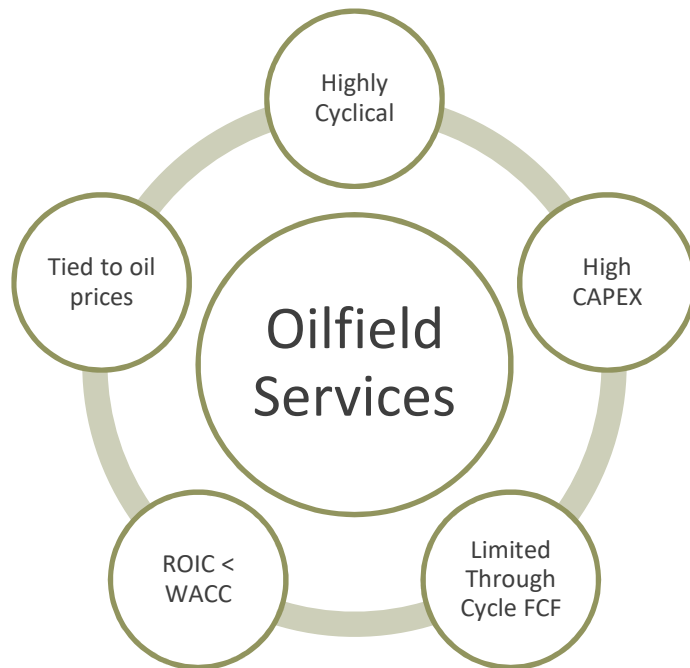
Gross Margin % <sup>(1)</sup>	2Q 2020	3Q 2020	Seq Δ (bps)	3Q 2019	YPY Δ (bps)
Contract Operations	70%	70%	41	64%	564
Aftermarket	24%	24%	9	25%	-127
Product Sales	-15%	5%	2064	12%	-660
<b>Total Gross Margin %</b>	<b>43%</b>	<b>40%</b>	<b>-280</b>	<b>42%</b>	<b>-173</b>

Revenue by Geomarket	2Q 2020	3Q 2020	Seq Δ	3Q 2019	YPY Δ
North America	\$9	\$13	43%	\$22	-39%
Latin America	\$58	\$60	3%	\$86	-30%
Middle East and Africa	\$52	\$70	33%	\$67	5%
Asia Pacific	\$11	\$26	138%	\$11	129%
<b>Total Revenues</b>	<b>\$131</b>	<b>\$170</b>	<b>29%</b>	<b>\$186</b>	<b>-9%</b>

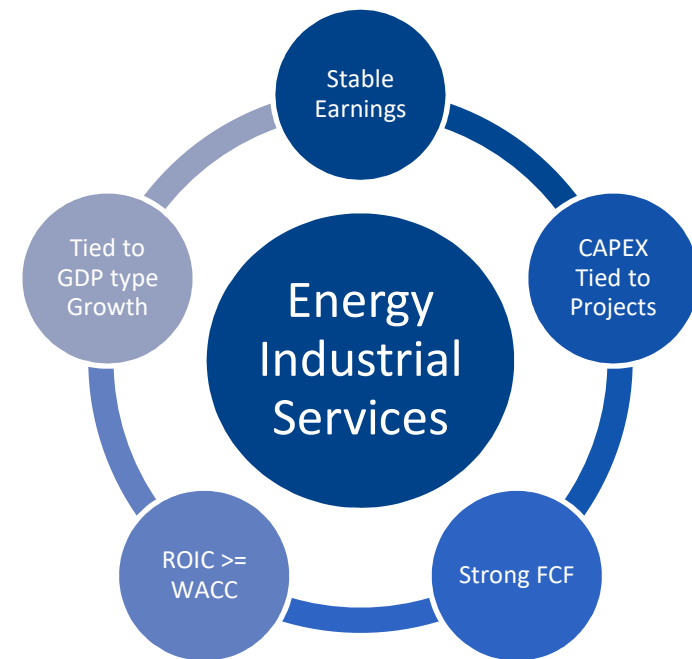
\* U.S. compression fabrication moved to discontinued operations

(1) See appendix for detailed reconciliation of Total Gross Margin and Total Gross Margin %.

## Current View = Oilfield Service Company



## Strategic View = Energy Industrial Services



**Create Sustainable Long-Term Stakeholder Value**

## ACCOUNTABILITY

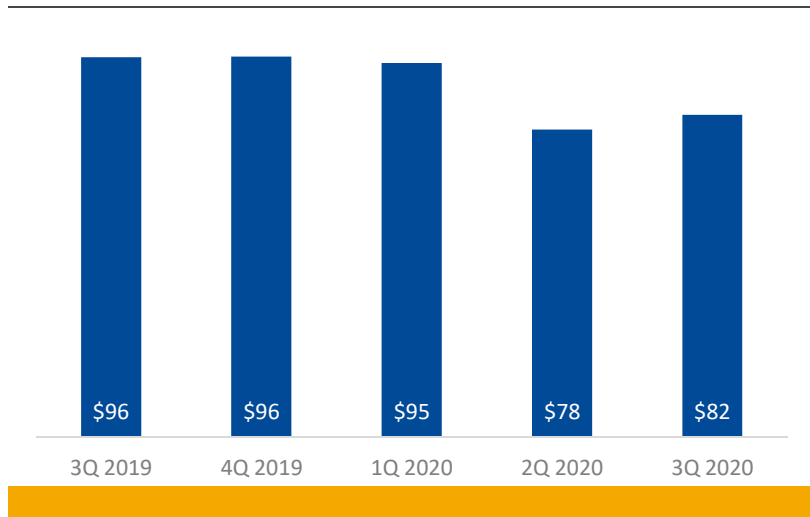
We take responsibility  
for our actions.

# Financial Overview

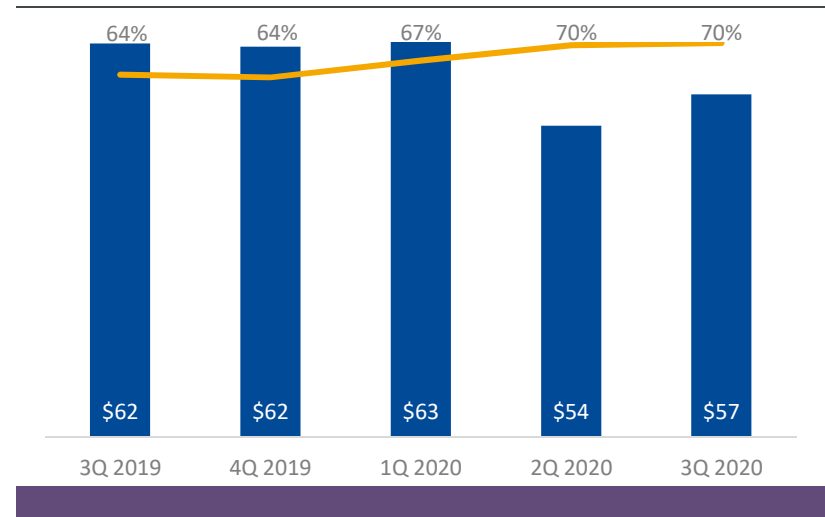
# Exterran Contract Operations (ECO)



### Revenue (\$MM)



### Gross Margin<sup>(1)</sup> (\$MM) and Gross Margin %



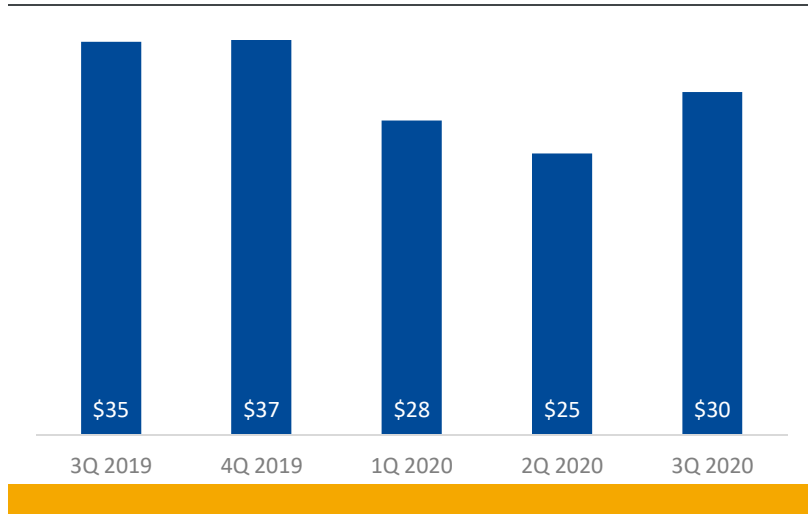
- Revenue up 5% sequentially with margin flat sequentially
- ECO backlog of \$1.21 billion at end of 3Q20

(1) Gross margin is defined as revenue less cost of sales (excluding depreciation and amortization expense). Gross margin percentage is defined as gross margin divided by revenue.

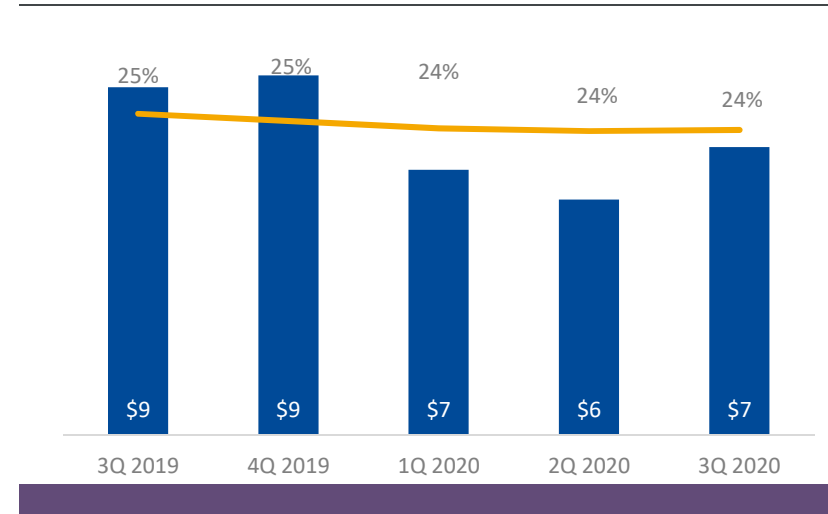
# Aftermarket Services (AMS)



### Revenue (\$MM)



### Gross Margin<sup>(1)</sup> (\$MM) and Gross Margin %



- Revenue up 22% sequentially driven largely increase in activity in Latin America and Asia Pacific
- Continued improvement in COVID restrictions creating more mobility

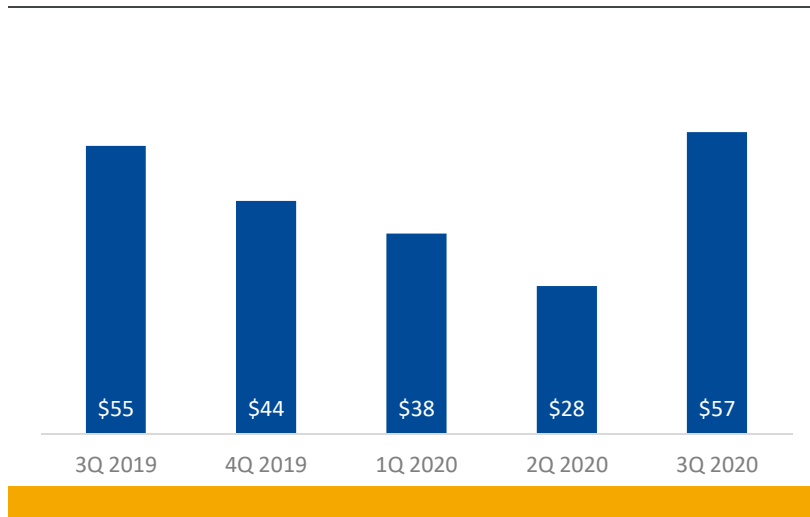
(1) Gross margin is defined as revenue less cost of sales (excluding depreciation and amortization expense). Gross margin percentage is defined as gross margin divided by revenue.



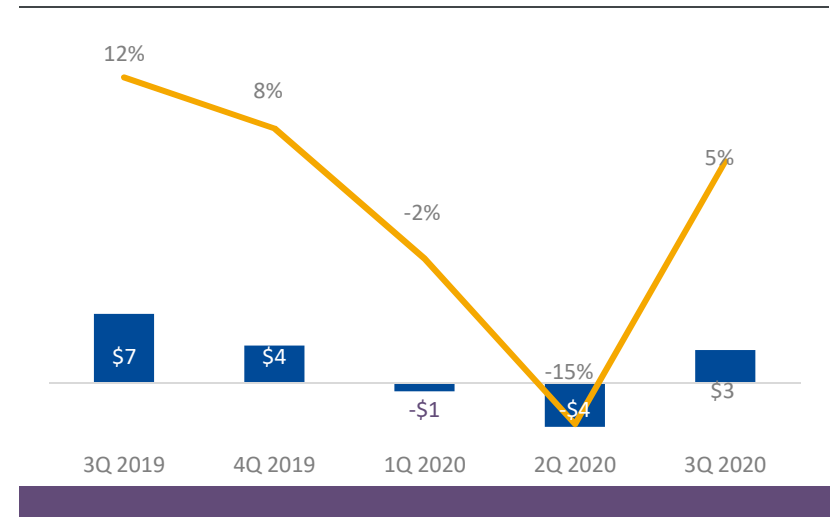
# Product Sales



Revenue (\$MM)\*



Gross Margin<sup>(1)</sup> (\$MM) and Gross Margin %\*



- Revenue up 104% with margin rate up 2064 bps
- Revenue increased sequentially driven by incremental activity in our international locations. Margin increased due to improved absorption of fixed costs
- Backlog for quarter ended at \$497 million

\* U.S. compression fabrication moved to discontinued operations

(1) Gross margin is defined as revenue less cost of sales (excluding depreciation and amortization expense). Gross margin percentage is defined as gross margin divided by revenue.

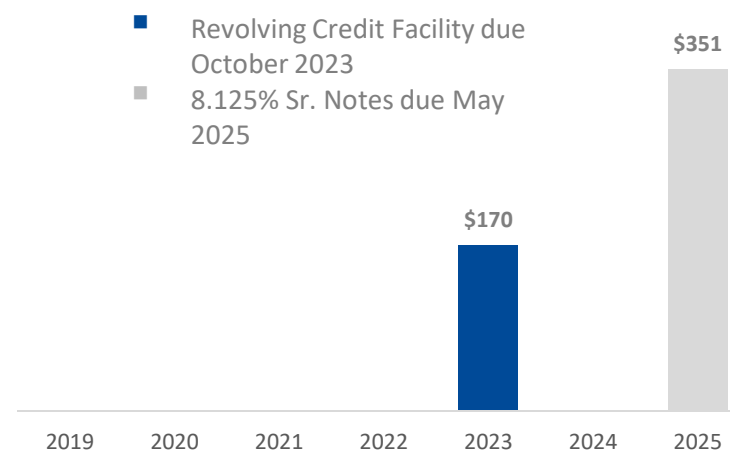
# Debt and Liquidity



## Liquidity Summary

In Millions	September 30, 2020
Revolving Credit Facility Capacity	\$700
Borrowings Under Facility	(\$170)
Letters of Credit	(\$12)
Revolving Credit Facility Availability	\$146
Cash	\$28
<b>Total Liquidity</b>	<b>\$174</b>

## Debt Maturity Schedule (\$MM)



- ✓ 2020 committed gross growth CAPEX slated around \$55-65 million
- ✓ Total CAPEX of \$75-85 million
- ✓ Reimbursable CAPEX around \$7 million

- ✓ Leverage ratio<sup>(1)</sup> at quarter end was 3.5x

(1) Calculated as, Total Leverage Ratio as defined in our credit agreement as Total Indebtedness to EBITDA (as further defined in our credit agreement).

**Capital Discipline Focused with No Near-Term Maturities**

# Currently Expected Outlook



## 4Q20 Guidance

- EBITDA, as adjusted, in the high \$30 million range
- SG&A between \$30-31 million

## 2020 Guidance

- Interest expense \$35-40 million
- Cash taxes around \$20 million

**Continued Focus on Cash Generation and Maintaining Balance Sheet**

## COURAGE

We act as leaders to  
face challenges boldly  
and with confidence.

# Appendix

# Non-GAAP Financial Measures

---

Exterran Corporation:

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

Gross Margin is defined as revenue less cost of sales (excluding depreciation and amortization expense). Gross margin percentage is defined as gross margin divided by revenue. The Company evaluates the performance of its segments based on gross margin in each segment. Total gross margin, a non-GAAP measure, is included as supplemental information.

EBITDA, as adjusted margin, is a non-GAAP measure, defined as EBITDA, as adjusted, divided by revenue.

# Non-GAAP Financial Measures



## EBITDA, as adjusted and EBITDA, as adjusted Margin Reconciliation

(\$ in thousands)

	Q3-2020
Net loss	\$ (17,721)
Loss from discontinued operations, net of tax	998
Depreciation and amortization	36,630
Impairments	1,695
Restructuring and other charges	238
Interest expense	9,623
Gain on extinguishment of debt	(780)
Gain on currency exchange rate remeasurement of intercompany balances	(624)
Provision for income taxes	5,745
EBITDA, as adjusted	<u>\$ 35,804</u>

Revenue	169,511
% of revenue	21%

# Non-GAAP Financial Measures

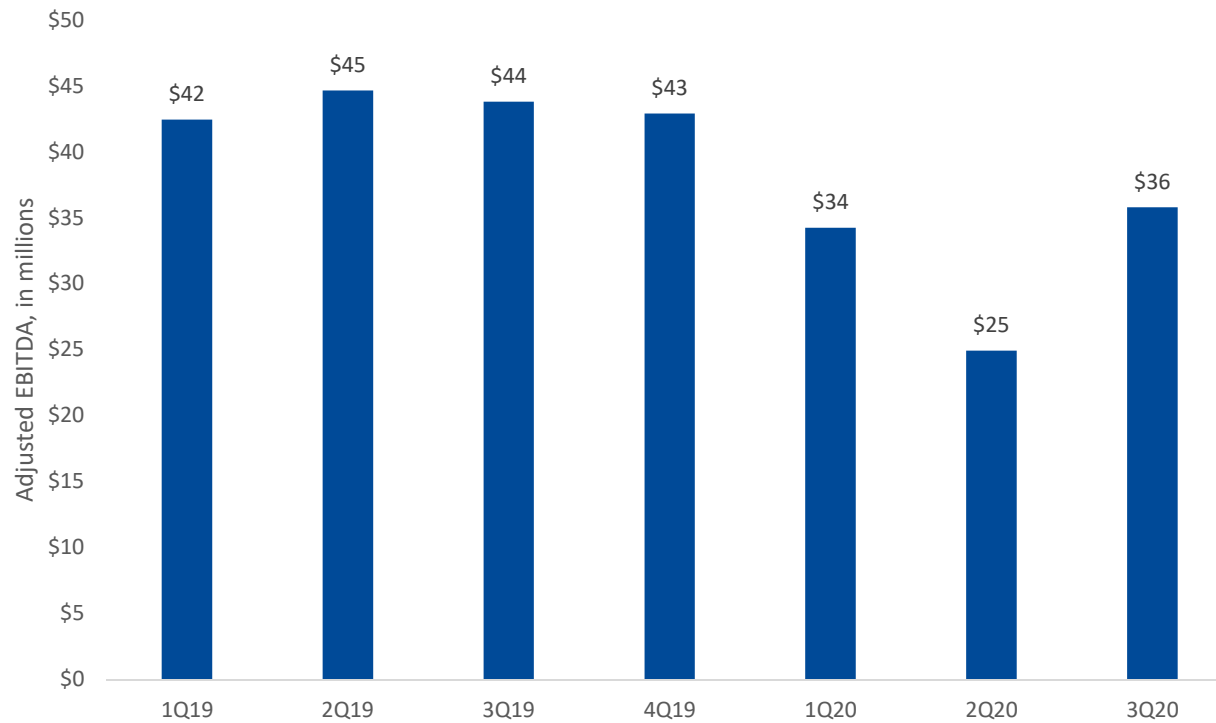


## Gross Margin Reconciliation

(\$ in thousands)

	Q3-2019	Q2-2020	Q3-2020
Loss before income taxes	\$ (12,517)	\$ (15,390)	\$ (10,978)
Selling, general and administrative	32,308	31,530	29,959
Depreciation and amortization	41,106	32,306	36,630
Impairments	2,970	-	1,695
Restructuring and other charges	1,257	3,105	238
Interest expense	10,103	9,638	9,623
Gain on extinguishment of debt	-	(2,644)	(780)
Other (income) expense, net	2,101	(2,641)	1,178
Total gross margin	<u>\$ 77,328</u>	<u>\$ 55,904</u>	<u>\$ 67,565</u>

# Pro-forma EXTN Adjusted EBITDA



\*Adjusted to exclude U.S. compression fabrication



# Pro-forma EXTN Reconciliation



(\$ in thousands)	Q1-19	Q2-19	Q3-19	Q4-19	Q1-20	Q2-20	Q3-20
<b>Net income (loss)</b>	(5,394)	(7,306)	(9,841)	(79,837)	(18,304)	(31,889)	(17,721)
(Income) loss from discontinued operations, net of tax	(6,699)	(13,844)	(3,153)	18,345	2,231	12,603	997
Depreciation and amortization	37,061	35,283	41,106	44,852	31,951	32,306	36,630
Long-lived asset impairment	-	5,919	2,970	43,677	-	-	1,695
Restatement related charges (recoveries), net	20	-	-	28	-	-	-
Restructuring and other charges	384	4,701	1,257	(148)	207	3,105	238
Interest expense	8,163	9,928	10,103	10,426	9,953	9,638	9,623
Gain on extinguishment of debt	-	-	-	-	-	(2,644)	(780)
(Gain) loss on currency exchange rate remeasurement of intercompany balances	(238)	(591)	884	(135)	(1,121)	(2,077)	(625)
Provision for income taxes	9,140	10,592	477	5,081	9,330	3,894	5,745
<b>EBITDA, as adjusted</b>	<b>42,437</b>	<b>44,682</b>	<b>43,803</b>	<b>42,290</b>	<b>34,247</b>	<b>24,937</b>	<b>35,803</b>

\*Adjusted to exclude U.S. compression fabrication

# U.S. Compression Fabrication Information

