



A SYSTEMS AND PROCESS COMPANY



Photo courtesy of Marathon Petroleum Corporation

Exterran Corporation 1Q19 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”, “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.

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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 2018 Form 10-K for the year ended December 31, 2018, 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. 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.

Financial Highlights



- ✔ EBITDA, as adjusted⁽¹⁾ for 1Q19 of \$50.2 million, with EBITDA, as adjusted margin of 14%
- ✔ Exterran Contract Operations (ECO) backlog ended 1Q19 at \$1.36 billion
- ✔ Book to bill within Product Sales was 0.4x for 1Q19, a slow start to the year and a focus on capital disciplined from customers drove slower orders
- ✔ Operating cash flow was \$49 million for 1Q19. Leverage⁽²⁾ was 1.9x at the end of 1Q19
- ✔ Bought back \$4.7 million in shares during the quarter

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

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

1Q19 Key Operational Highlights



Latin America ECO Progressing

- Opportunities across region moving forward
- Wins in Argentina during the quarter
- Other opportunities this year in the region



Middle East Projects

- Large Iraq project progressing well
- Strong operating performance on existing plants
- Solid returns and cash flow from new projects



EWS Commercial Win

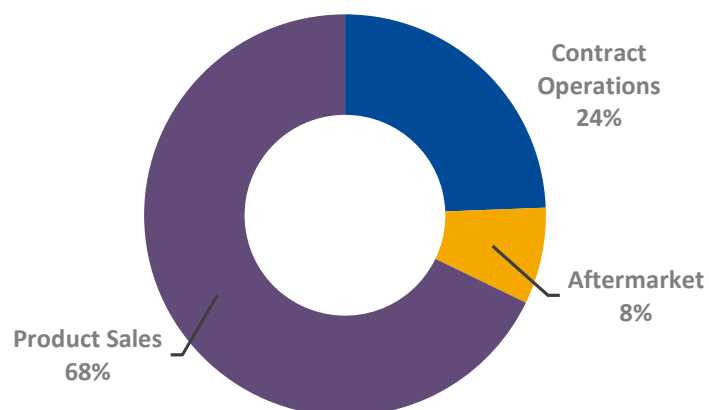
- First U.S. ECO win for EWS
- Several other pilots expected to be deployed
- Further discussions with large NAM E&Ps and international customers underway



1Q 2019 Revenue Mix



Revenue by Segment



	4Q 2018	1Q 2019	Seq Δ	1Q 2018	YoY Δ
Contract Operations	\$88	\$86	-3%	\$96	-11%
Aftermarket	\$32	\$27	-15%	\$26	4%
Product Sales	\$212	\$238	13%	\$228	5%
Total Revenues	\$332	\$351	6%	\$350	0%

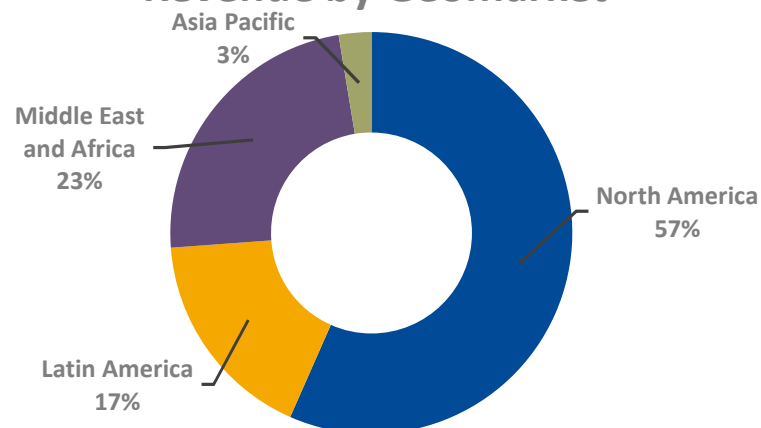
Gross Margin⁽¹⁾

	4Q 2018	1Q 2019	Seq Δ	1Q 2018	YoY Δ
Contract Operations	\$62	\$57	-7%	\$61	-7%
Aftermarket	\$7	\$7	-8%	\$7	-12%
Product Sales	\$27	\$29	9%	\$27	6%
Total Gross Margin	\$95	\$93	-3%	\$96	-3%

Gross Margin %⁽¹⁾

	4Q 2018	1Q 2019	Seq Δ (bps)	1Q 2018	YoY Δ (bps)
Contract Operations	70%	67%	-318	63%	331
Aftermarket	22%	24%	190	28%	-423
Product Sales	13%	12%	-44	12%	18
Total Gross Margin %	29%	26%	-234	27%	-98

Revenue by Geomarket

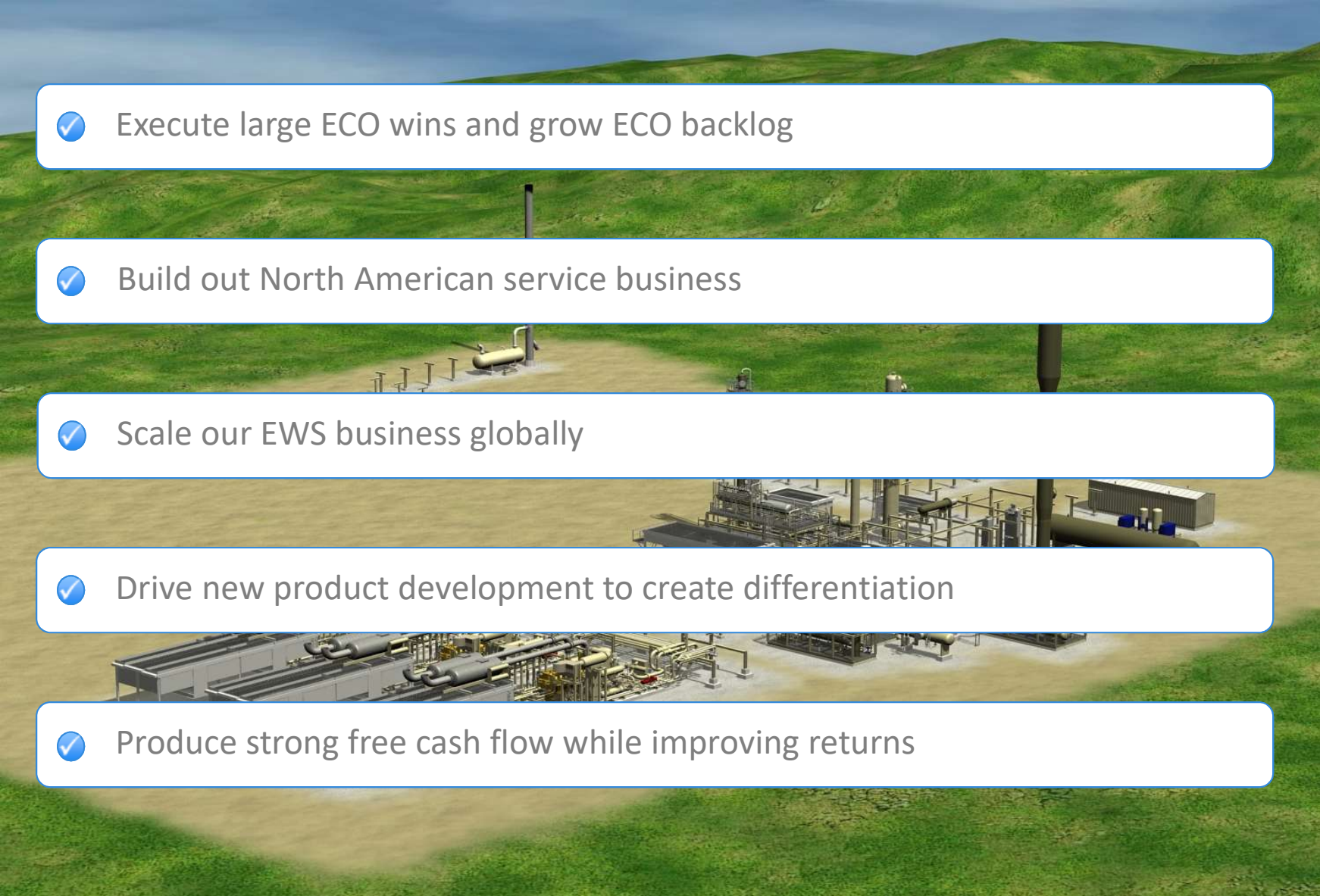


Revenue by Geomarket	4Q 2018	1Q 2019	Seq Δ	1Q 2018	YoY Δ
North America	\$190	\$199	5%	\$232	-14%
Latin America	\$69	\$61	-12%	\$68	-11%
Middle East and Africa	\$64	\$83	29%	\$26	217%
Asia Pacific	\$10	\$9	-5%	\$24	-63%
Total Revenues	\$332	\$351	6%	\$350	0%

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

2019 Strategic Priorities



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- The background of the slide is a 3D rendering of an industrial facility, possibly a refinery or chemical plant, situated in a lush green field. The facility includes various pipes, tanks, and structures. In the distance, there are rolling green hills under a blue sky with some clouds.
- ✓ Execute large ECO wins and grow ECO backlog
 - ✓ Build out North American service business
 - ✓ Scale our EWS business globally
 - ✓ Drive new product development to create differentiation
 - ✓ Produce strong free cash flow while improving returns

CUSTOMER FOCUS

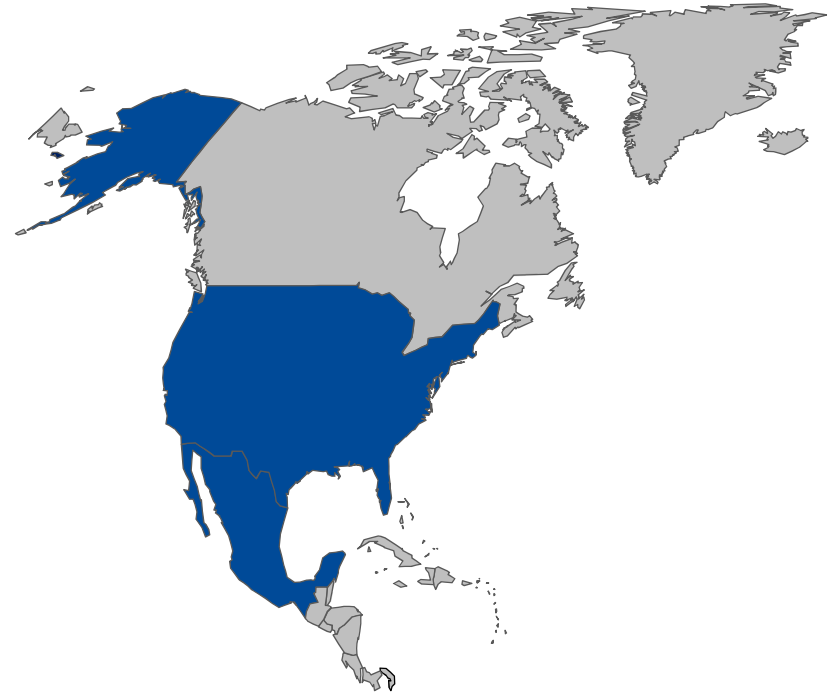
We do what we say
and what is right for
our customers.

Macro Overview

North America



- The U.S. remains one of our most robust markets given the demand for compression and processing and treating facilities.
- Significant natural gas growth over next several years provides good visibility into P&T needs.
- Focus on capital deployment causing delays in orders.
- Produced water treatment continues to gain traction around the industry.



Latin America



- Argentina - Vaca Muerta continuing momentum with additional opportunities to put assets to work in the country.
- Brazil – IOC investments are a leading indicator for future growth.
- Bolivia – interregional gas agreements and field developments signal continued demand.



Middle East/Africa



- Robust region for EXTN with the largest capital growth opportunities internationally.
- Oman – demand across product lines strong, including EWS.
- Kuwait – large opportunities on the horizon driven by continued investments.
- Iraq, North Africa, Bahrain, and other African countries showing greater potential.



Asia Pacific



- FPSO market is showing signs of resurgence.
- Regional expertise is an advantage in upcoming AMS opportunities, specifically around FPSO upgrades.
- LNG demand in the region could prove to be large longer-term play.



ACCOUNTABILITY

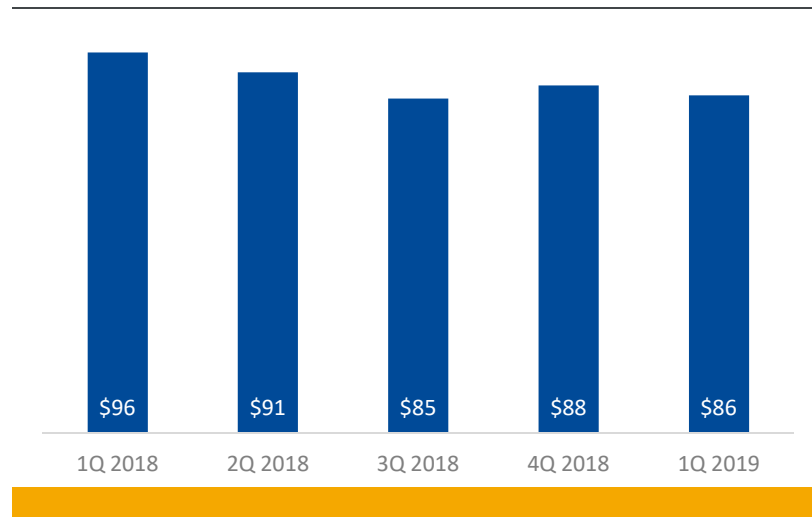
We take responsibility
for our actions.

Financial Overview

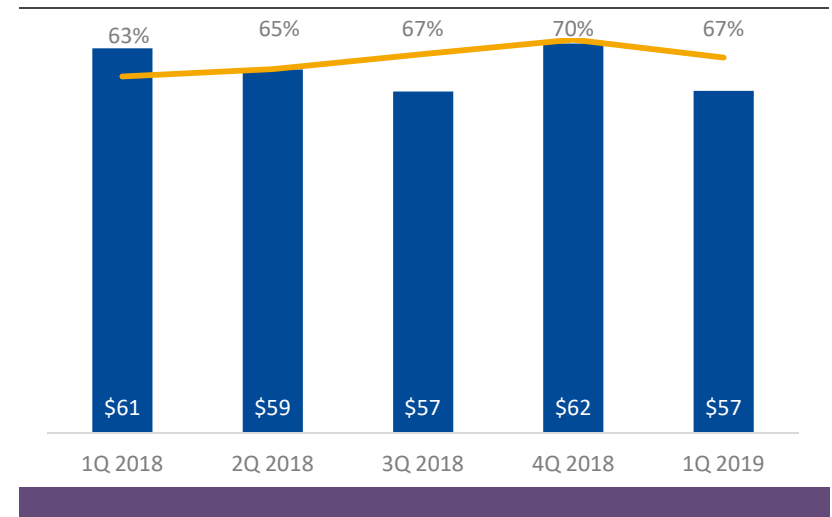
Exterran Contract Operations (ECO)



Revenue (\$MM)



Gross Margin⁽¹⁾ (\$MM) and Margin (%)



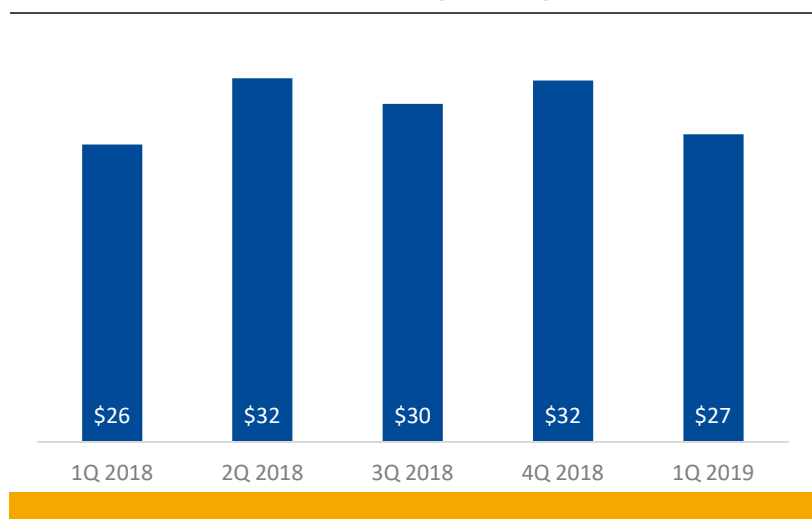
- Revenue was down 3% sequentially and margin rate was down 318 bps
- Margin rate declined to more normalized levels, as expected
- ECO Backlog stands at \$1.36 billion

(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.

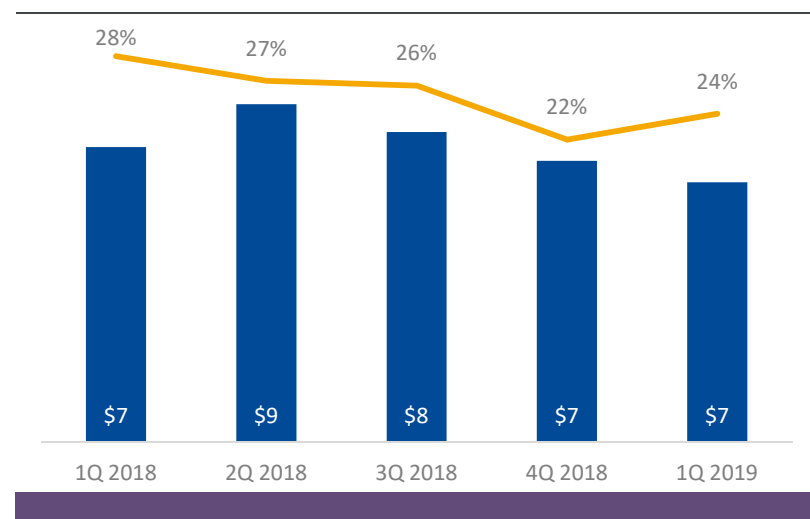
Aftermarket Services (AMS)



Revenue (\$MM)



Gross Margin⁽¹⁾ (\$MM) and Margin (%)



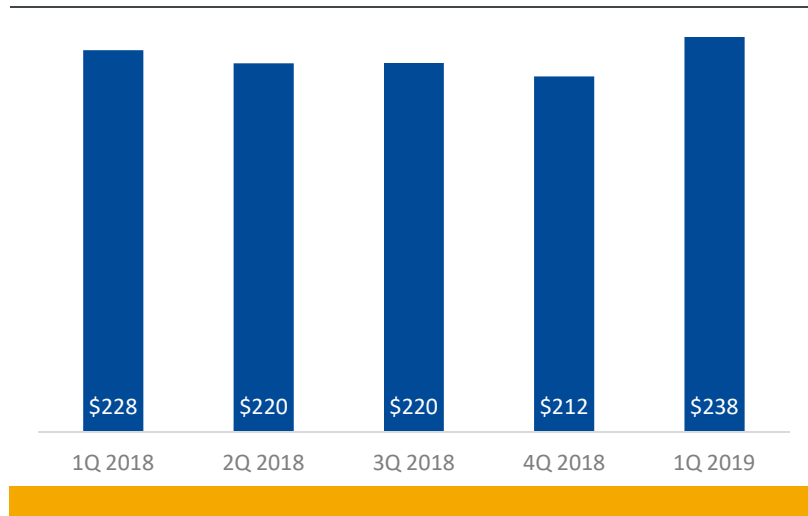
- Revenue was down 15% sequentially while margin rate increased 190 bps
- Seasonal impact to parts sales drove revenue decline
- Focus on core business as we exit non-strategic contracts and expand O&M

(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.

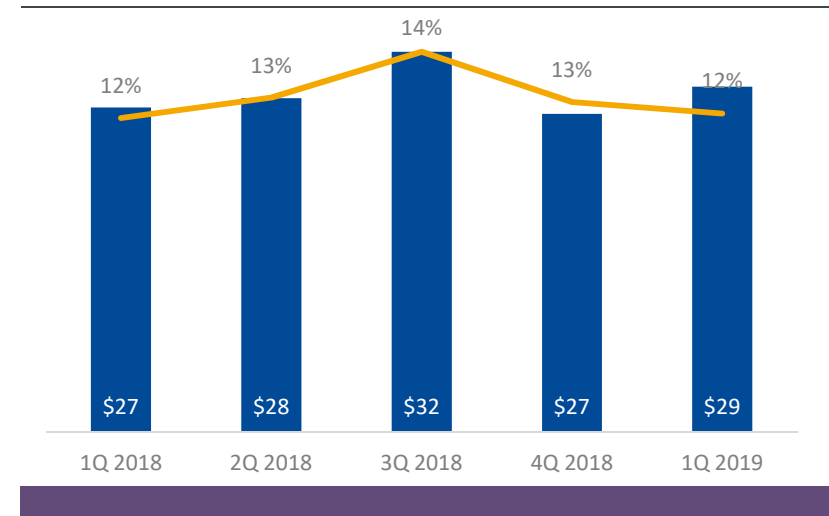
Product Sales



Revenue (\$MM)



Gross Margin⁽¹⁾ (\$MM) and Margin (%)



- Revenue was up 13% with margin rate down 44 bps
- Negative mix drove the margin rate slightly lower
- Backlog for the quarter ended at \$554 million

(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.

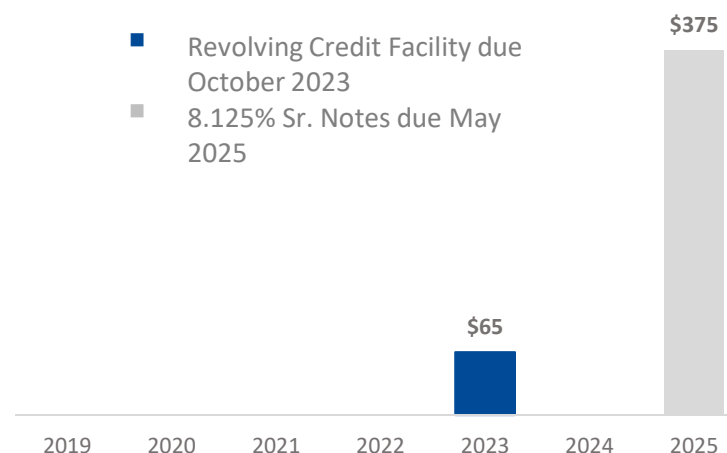
Debt and Liquidity



Liquidity Summary

In Millions	March 31, 2019
Revolving Credit Facility Capacity	\$700
Borrowings Under Facility	(\$65)
Letters of Credit	(\$55)
Revolving Credit Facility Availability	\$548
Cash	\$19
Total Liquidity	\$567

Debt Maturity Schedule (\$MM)



- ✓ 2019 committed growth CAPEX slated around \$170 million
- ✓ Total CAPEX of around \$205-215 million
- ✓ Reimbursable CAPEX of \$115 million

- ✓ Optimal leverage between 2.0x-2.5x (1.9x 1Q19)

Capital Discipline Focused on Driving Shareholder Value

2Q 2019 Outlook



2Q19 Contract Operations

- **Revenue** around \$90 million
- **Gross margin** in the low to mid 60% range

2Q19 Aftermarket

- **Revenue** should be around \$30 million
- **Gross margin** in the low to mid 20% range

2Q19 Product Sales

- **Revenue** up mid single digits sequentially
- **Gross margin** rate relatively flat sequentially

Other Corporate Items

- **2Q19 SG&A** should be roughly \$45 million
- **Cash taxes** for 2019 should be around \$30 million
- **CAPEX** for full year 2019 is expected to be between \$205-\$215 million and we expect reimbursables to be around \$115 million for the full year. Net CAPEX around \$90-100 million.

Continued Operational Focus to Drive Solid Results

COURAGE

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

Appendix

Non-GAAP Financial Measures



Exterran Corporation:

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

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

Free Cash Flow, a non-GAAP measure, is defined as net cash flow provided by operating activities from continuing operations less capital expenditures.

Non-GAAP Financial Measures



EBITDA, as adjusted and EBITDA, as adjusted Margin Reconciliation

(\$ in thousands)

Q1-2019

Net loss	\$	(5,394)
Income from discontinued operations, net of tax		(163)
Depreciation and amortization		38,217
Restatement related charges		48
Restructuring and other charges		384
Interest expense		8,163
Gain on currency exchange rate remeasurement of intercompany balances		(238)
Provision for income taxes		9,140
EBITDA, as adjusted	\$	<u>50,157</u>

Revenue	351,446
% of revenue	14%

Non-GAAP Financial Measures



Gross Margin Reconciliation

(\$ in thousands)

	Q1-2018	Q4-2018	Q1-2019
Income before income taxes	\$ 9,430	\$ 11,092	\$ 3,583
Selling, general and administrative	44,242	44,674	43,452
Depreciation and amortization	31,029	31,601	38,217
Long-lived asset impairment	1,804	-	-
Restatement related charges	621	42	48
Restructuring and other charges	-	311	384
Interest expense	7,219	7,430	8,163
Other (income) expense, net	1,420	145	(1,245)
Total gross margin	<u>\$ 95,765</u>	<u>\$ 95,295</u>	<u>\$ 92,602</u>

Free Cash Flow Reconciliation

(\$ in thousands)

Net cash flow provided by operating activities from continuing operations	\$ 49,025
Less: Capital Expenditures	<u>76,354</u>
Free Cash Flow	<u>\$ (27,329)</u>