



A SYSTEMS AND PROCESS COMPANY



Photo courtesy of Marathon Petroleum Corporation

Exterran Corporation 4Q19 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.

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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 4Q19 of \$47.3 million, with EBITDA, as adjusted margin of 17%
- ✔ Exterran Contract Operations (ECO) backlog ended 4Q19 at \$1.3 billion
- ✔ Book to bill within Product Sales was 0.78x for 4Q19. Total orders of \$109 million
- ✔ Operating cash flow from continuing operations was \$55 million for 4Q19
Leverage⁽²⁾ was 2.1x at end of 4Q19
- ✔ Repurchased 3.5 million shares for \$42.3 million in aggregate during 2019

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

Key Highlights



Continued Water Momentum

- Opportunity pipeline exceeds \$400 million
- 2019 bookings in excess of \$50 million



ECO Backlog Strength

- Backlog at December 31, 2019 was \$1.3 billion
- Renewal opportunities between \$300-400 million
- Opportunity set sits north of \$2 billion



U.S. Compression Review

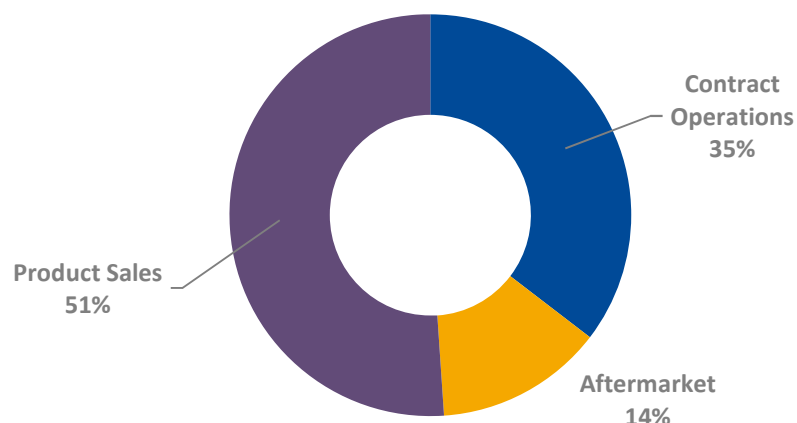
- Finalizing strategic review for U.S. compression fabrication business
- Will no longer be part of core business model on go-forward basis



4Q 2019 Revenue Mix



Revenue by Segment

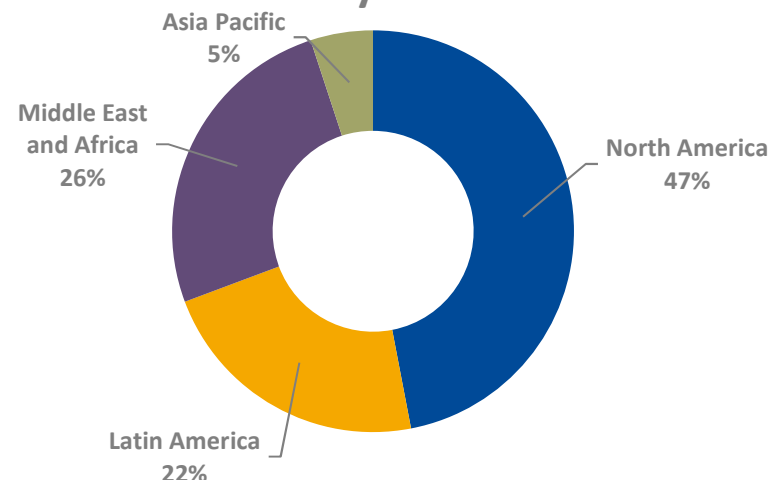


	3Q 2019	4Q 2019	Seq Δ	4Q 2018	YoY Δ
Contract Operations	\$96	\$96	0%	\$88	9%
Aftermarket	\$35	\$37	6%	\$32	15%
Product Sales	\$171	\$139	-19%	\$212	-34%
Total Revenues	\$302	\$273	-10%	\$332	-18%

Gross Margin ⁽¹⁾					
Contract Operations	\$62	\$62	0%	\$62	0%
Aftermarket	\$9	\$9	3%	\$7	28%
Product Sales	\$18	\$12	-34%	\$27	-55%
Total Gross Margin	\$89	\$83	-7%	\$95	-13%

Gross Margin % ⁽¹⁾		Seq Δ (bps)		YoY Δ (bps)	
Contract Operations	64%	64%	-46	70%	-597
Aftermarket	25%	25%	-56	22%	248
Product Sales	11%	9%	-205	13%	-394
Total Gross Margin %	29%	30%	91	29%	164

Revenue by Geomarket




Revenue by Geomarket	3Q 2019	4Q 2019	Seq Δ	4Q 2018	YoY Δ
North America	\$157	\$128	-18%	\$190	-32%
Latin America	\$67	\$61	-10%	\$69	-12%
Middle East and Africa	\$67	\$70	5%	\$64	9%
Asia Pacific	\$11	\$14	20%	\$10	43%
Total Revenues	\$302	\$273	-10%	\$332	-18%

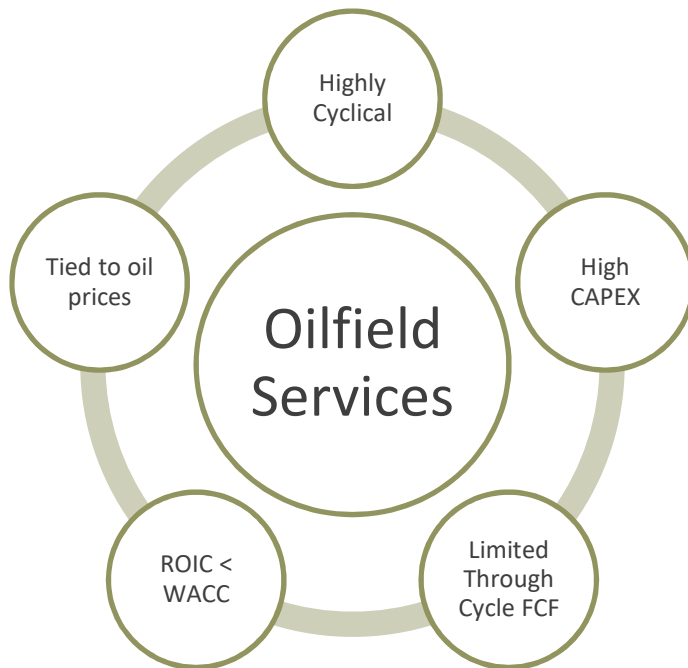
(1) See appendix for detailed reconciliation of Total Gross Margin.

2020 Strategic Priorities

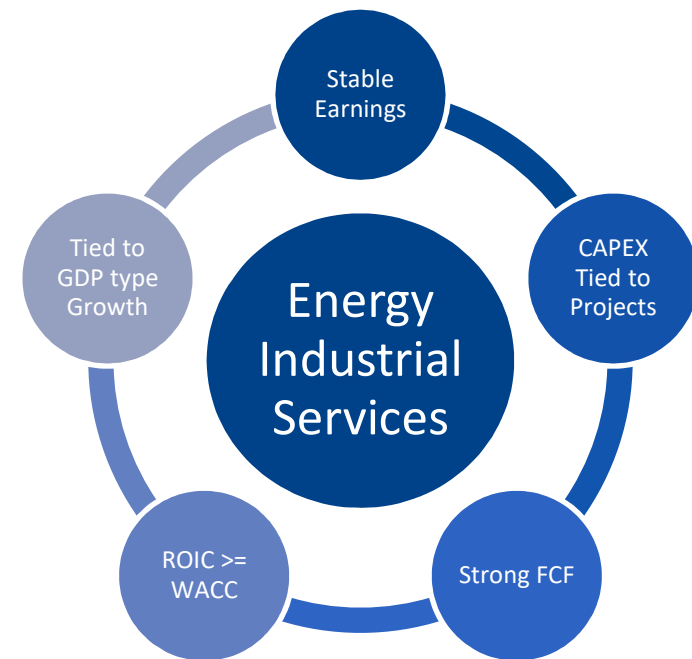


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- The background of the slide is a 3D rendering of an industrial facility, possibly a water treatment plant or a gas processing plant, situated in a lush green landscape with rolling hills under a blue sky. The facility includes various pipes, tanks, and structural elements.
- ✓ Continue focus on expanding water treatment business globally
 - ✓ Complete strategic review of U.S. compression fabrication business
 - ✓ Strengthen ECO backlog driving improved corporate margins and returns
 - ✓ Differentiate business model and return profile relative to traditional peer set
 - ✓ Expound on companies sustainability value proposition

Current View = Oilfield Service Company



Strategic View = Energy Industrial Services



Create Sustainable Stakeholder Value

ACCOUNTABILITY

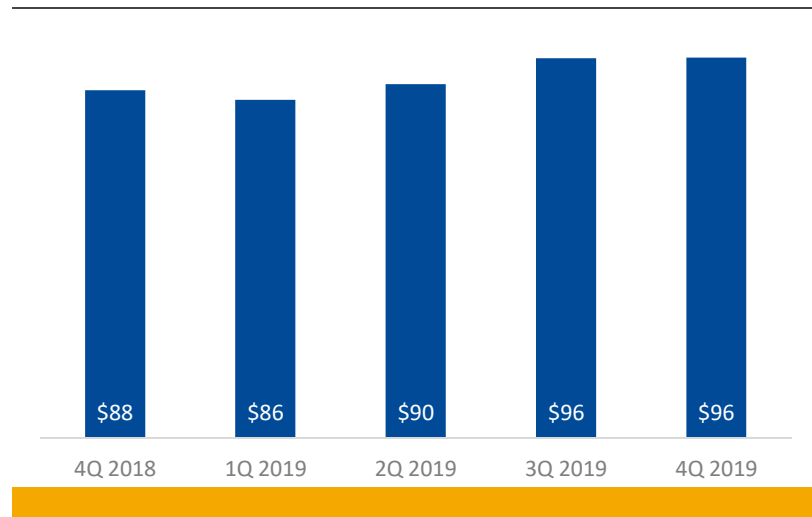
We take responsibility
for our actions.

Financial Overview

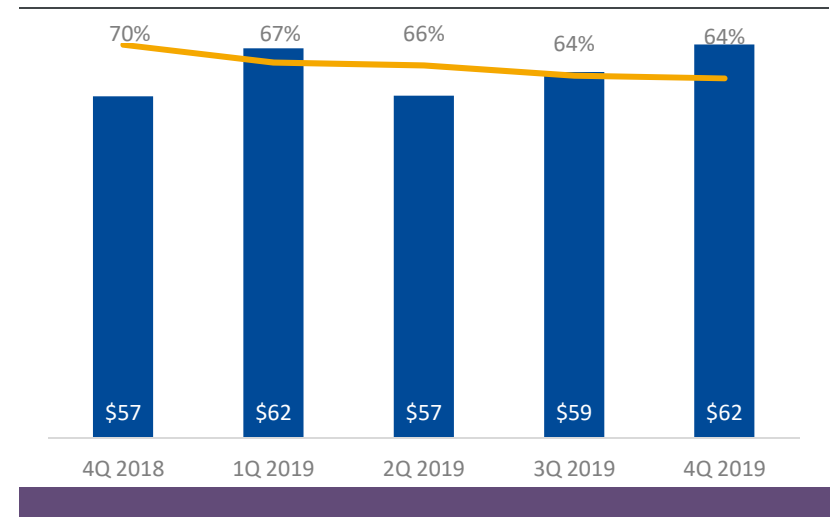
Exterran Contract Operations (ECO)



Revenue (\$MM)



Gross Margin⁽¹⁾ (\$MM) and Margin (%)



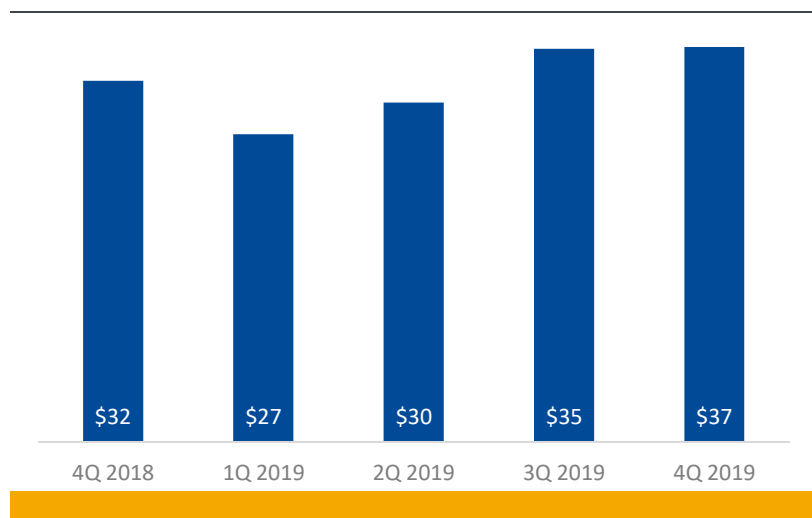
- Revenue and margin flat sequentially given limited fluctuations in operations
- Y/Y revenue increase driven by impact of projects coming on-line
- ECO backlog of \$1.3 billion at end of 4Q19

(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.

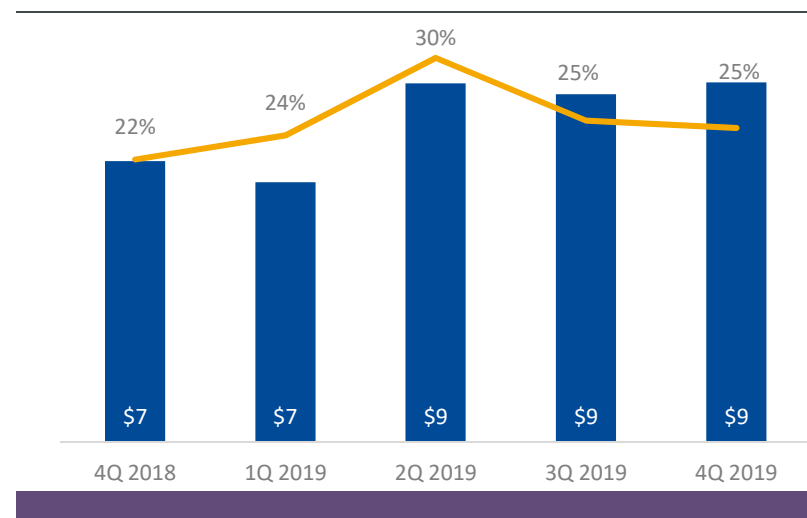
Aftermarket Services (AMS)



Revenue (\$MM)



Gross Margin⁽¹⁾ (\$MM) and Margin (%)



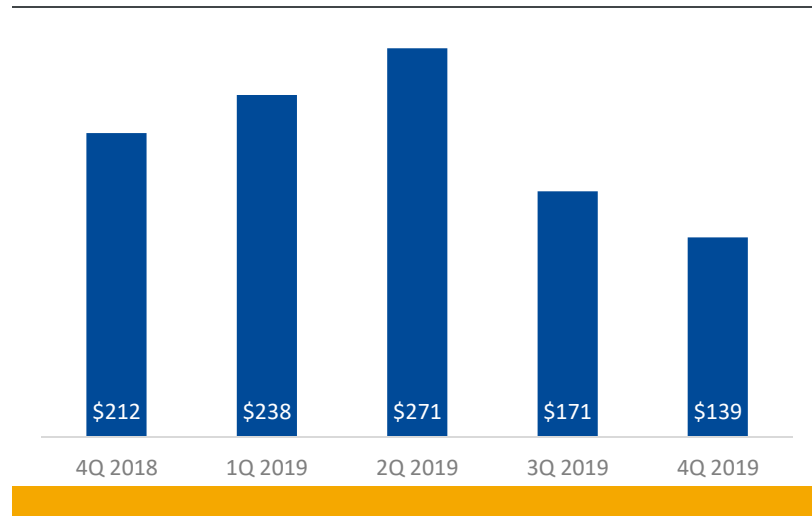
- Revenue up 6% sequentially and margin rate flat
- Revenue increase due to pickup in parts sales

(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.

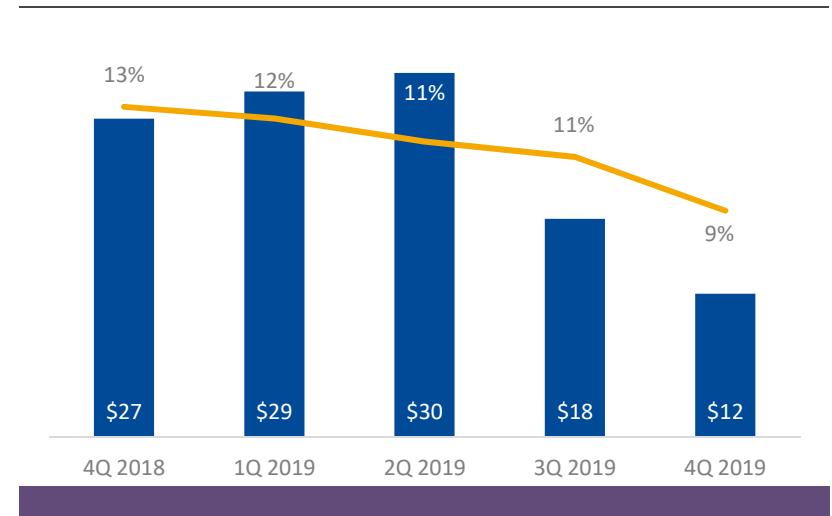
Product Sales



Revenue (\$MM)



Gross Margin⁽¹⁾ (\$MM) and Margin (%)



- Revenue down 19% with margin rate down 205 bps
- Negative mix and slowing volume drove margin rate lower
- Backlog for quarter ended at \$278 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.

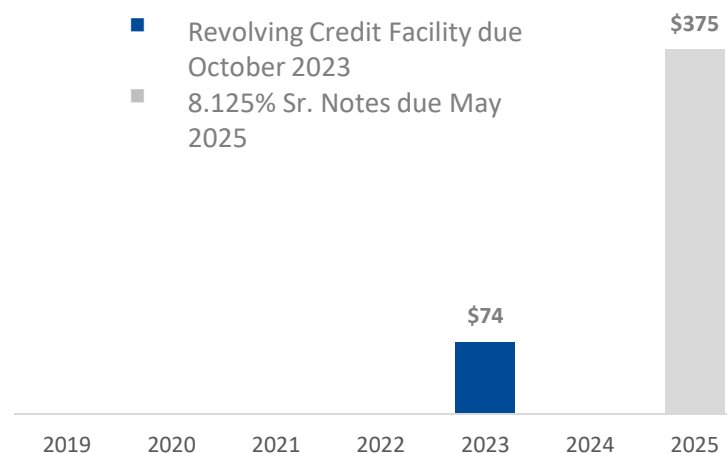
Debt and Liquidity



Liquidity Summary

In Millions	December 31, 2019
Revolving Credit Facility Capacity	\$700
Borrowings Under Facility	(\$74)
Letters of Credit	(\$24)
Revolving Credit Facility Availability	\$513
Cash	\$17
Total Liquidity	\$530

Debt Maturity Schedule (\$MM)



- ✓ 2020 committed gross growth CAPEX slated around \$60-70 million
- ✓ Total CAPEX of around \$85-95 million
- ✓ Reimbursable CAPEX between \$20-25 million

- ✓ Leverage ratio at quarter end was 2.1x

Capital Discipline Focused on Driving Shareholder Value

Currently Expected Outlook



1Q20 Contract Operations	1Q20 Aftermarket	1Q20 Product Sales
<ul style="list-style-type: none">▪ Revenue in the mid-\$90 million range▪ Gross margin in the low to mid 60% range	<ul style="list-style-type: none">▪ Revenue in the mid to high \$20 million range▪ Gross margin in the mid 20% range	<ul style="list-style-type: none">▪ Revenue in the \$90-100 million range▪ Over \$5 million in under absorption
2020 Contract Operations	2020 Aftermarket	2020 Product Sales
<ul style="list-style-type: none">▪ Revenue between \$330 and \$350 million▪ Gross margin in the low to mid 60% range	<ul style="list-style-type: none">▪ Revenue between \$125-\$135 million▪ Gross margin in the mid 20% range	<ul style="list-style-type: none">▪ Wild card is orders for 2020▪ Guidance for 2020 assumes primarily what is in backlog
2020 Other Corporate Guidance		
<ul style="list-style-type: none">▪ SG&A between \$140-150 million▪ Interest expense \$35-40 million▪ Cash taxes between \$20-25 million▪ 2020 EBITDA, as adjusted, between \$155-175 million		

Continued Operational Focus to Maintain Balance Sheet Strength

COURAGE

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

Appendix

2019 U.S. Compression Fabrication



Income Statement

- 2019 revenue was around 65% of total Product Sales revenue
- Backlog as of 12/31/2019 was \$106 million

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)

Q4-2019

Net loss	\$	(79,837)
Income from discontinued operations, net of tax		(412)
Depreciation and amortization		45,888
Impairments		65,484
Restatement related charges		28
Restructuring and other charges		746
Interest expense		10,426
Gain on currency exchange rate remeasurement of intercompany balances		(135)
Provision for income taxes		5,081
EBITDA, as adjusted	\$	<u>47,269</u>

Revenue	272,689
% of revenue	17%

Non-GAAP Financial Measures



Gross Margin Reconciliation

(\$ in thousands)

	Q4-2018	Q3-2019	Q4-2019
Income (loss) before income taxes	\$ 11,092	\$ (7,818)	\$ (75,168)
Selling, general and administrative	44,674	37,702	37,524
Depreciation and amortization	31,601	42,133	45,888
Impairments	-	2,970	65,484
Restatement related charges	42	-	28
Restructuring and other charges	311	1,794	746
Interest expense	7,430	10,103	10,426
Other (income) expense, net	145	2,101	(2,208)
Total gross margin	<u>\$ 95,295</u>	<u>\$ 88,985</u>	<u>\$ 82,720</u>

Free Cash Flow Reconciliation

Net cash flow provided by operating activities from continuing operations	\$ 55,203
Less: Capital Expenditures	<u>21,156</u>
Free Cash Flow	<u>\$ 34,047</u>