



CSI COMPRESSCO LP ANNOUNCES FIRST QUARTER 2022 RESULTS

THE WOODLANDS, Texas, May 13, 2022 /PRNewswire/ -- CSI Compressco LP ("CSI," or the "Partnership") (NASDAQ: CCLP) today announced first quarter 2022 results.

The operating results presented throughout this document include the operating results of Spartan Treating (as defined in our 10-K filed March 14, 2022) due to the previously reported acquisition on November 10, 2021. As the Partnership and Spartan Treating were under common control at the time of Spartan's acquisition of the Partnership's general partner, the results of operations have been combined for the Partnership and Spartan Treating from the date of common control, which was January 29, 2021. As a result, operating results and certain financial metrics for the first quarter 2021 vary from what we previously reported.

First Quarter 2022 Results:

- Total revenues were \$80.0 million compared to \$69.8 million in the first quarter 2021.
- Contract services revenue increased to \$62.8 million in the first quarter 2022 compared to \$56.2 million in the first quarter 2021.
- Net loss was \$6.6 million compared to a net loss of \$12.9 million in the first quarter 2021.
- Adjusted EBITDA was \$26.9 million compared to \$23.3 million in the first quarter 2021.
- Compression fleet utilization increased to 81.4% compared to 76.2% in the first quarter 2021.
- Operating horsepower increased to 973,428 compared to 900,328 in the first quarter 2021.
- Distributable cash flow was \$10.3 million compared to \$6.6 million in the first quarter 2021.
- Distribution coverage ratio was 7.3x in the first quarter 2022 compared to 13.6x in the first quarter 2021.
- First quarter of 2022 distribution of \$0.01 per common unit will be paid on May 13, 2022.

Management Commentary

"During the first quarter of 2022, we began to see the positive effects of the increase in activity levels from our customers. This improvement has led to revenue growth from both higher utilization and improved pricing. This revenue growth, along with our proactive management of costs, resulted in an increase in Adjusted EBITDA compared to both the fourth quarter of 2021 and the first quarter of 2021. We have orders to redeploy a significant percentage of our idle fleet over the balance of the year. In addition, while we have existing orders for additional new high horsepower units to be delivered over the remainder of this year, our incremental capital expenditure focus for the near term will be deploying our available fleet as efficiently as possible, which includes converting existing units to electric motor-drive" commented John Jackson, Chief Executive Officer of CSI Compressco.

"Supply chain issues continue to persist across many industries, including the compression sector, but we have been able to be nimble and navigate these issues with our suppliers and our people. This has allowed us to redeploy equipment in a cost-effective manner this year. We expect the remainder of 2022 to be very active and expect utilization to continue to improve throughout the year. We set our first 1,250 horsepower electric motor-drive unit in the first quarter of 2022. Our inquiry level for electric motor-drive units continues to expand. In addition to our existing orders, we have numerous customers exploring the amount, timing and size of their plans for deploying electric motor-drive units. To date, we have been able to convert older existing units to electric drive and expect to continue these efforts throughout this year and into 2023".

"We implemented our new ERP system effective January 1, 2022. While these conversions are never easy, we have completed our first quarter using the new system. I am very thankful to all of our employees who put an enormous amount of effort into the transition to a new system while still executing their normal workload. We expect to optimize our use of this system over the next couple of quarters and expect to be proficient and efficient in the 2nd half of the year".

Net cash provided by operating activities was \$11.8 million in the first quarter, compared to net cash provided by operating activities of \$11.5 million in the first quarter of 2021. Distributable cash flow in the first quarter was \$10.3 million, resulting in a distribution coverage ratio of 7.3x.

This press release includes the following financial measures that are not presented in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"): Adjusted EBITDA, distributable cash flow, distribution coverage ratio, free cash flow, and net leverage ratio. Please see Schedules B-E for reconciliations of these non-GAAP financial measures to the most directly comparable U.S. GAAP measures.

Unaudited results of operations for the quarter ended March 31, 2022 compared to the prior quarter and the corresponding prior year quarter are presented in the table below.

	Three Months Ended			Q1-2022 v Q4-2021	Q1-2022 v Q1-2021
	Mar 31, 2022	Dec 31, 2021	Mar 31, 2021		
	(In Thousands, except percentage changes)				
Net loss	\$ (6,570)	\$ (17,236)	\$ (12,895)	62 %	49 %
Adjusted EBITDA	\$ 26,885	\$ 26,381	\$ 23,268	2 %	16 %
Distributable cash flow	\$ 10,332	\$ 9,254	\$ 6,589	12 %	57 %
Net cash provided by operating activities	\$ 11,770	\$ 4,155	\$ 11,544	183 %	(2) %
Free cash flow	\$ 5,835	\$ (21,287)	\$ 7,136	— %	(18) %

As of March 31, 2022, total compressor fleet horsepower was 1,195,755 and fleet horsepower in service was 973,428 for an overall fleet utilization rate of 81.4% (we define the overall service fleet utilization rate as the service compressor fleet horsepower in service divided by the total compressor fleet horsepower). Idle horsepower equipment under repair is not considered utilized, but we do count units on standby as utilized when the client is being billed a standby service rate.

Balance Sheet

Cash on hand at the end of the first quarter was \$17.3 million. At the end of the first quarter, \$58.5 million was outstanding on the Partnership's credit facilities. Our debt consists of \$400.0 million of first lien secured bonds due in 2025 and \$172.7 million of second lien secured bonds due in 2026. Net leverage ratio at the end of the quarter was 5.9X.

Capital Expenditures - 2022 Expectations

We expect capital expenditures for 2022 to be between \$50.0 million and \$60.0 million. These capital expenditures include approximately \$18.0 million and \$22.0 million of maintenance capital expenditures, approximately \$24.0 million and \$28.0 million of capital expenditures primarily associated with the expansion of our contract services fleet, and \$8.0 million and \$10.0 million of capital expenditures related to investments in technology, primarily software and systems.

First Quarter 2022 Cash Distribution on Common Units

On April 19, 2022, the board of directors of our General Partner declared a cash distribution attributable to the quarter ended March 31,

2022 of \$0.01 per outstanding common unit. This distribution equates to a distribution of \$0.04 per outstanding common unit on an annualized basis. This distribution will be paid on May 13, 2022 to each of the holders of common units of record as of the close of business on April 30, 2022. The distribution coverage ratio for the first quarter of 2022 was 7.3x.

Conference Call

CSI will host a conference call to discuss first quarter results today, May 13, 2022, at 10:30 a.m. Eastern Time. The phone number for the call is 1-866-374-8397. The conference call will also be available by live audio webcast and may be accessed through CSI's website at www.csicompressco.com. An audio replay of the conference call will be available at 1-877-344-7529, conference number 10167271, for one week following the conference call and the archived webcast will be available through CSI's website for thirty days following the conference call.

CSI Overview

CSI provides services including natural gas compression and treating services. Natural gas compression equipment is used for natural gas and oil production, gathering, artificial lift, production enhancement, transmission, processing, and storage. We also provide a variety of natural gas treating services. Our compression business includes a fleet of approximately 4,800 compressor packages providing approximately 1.2 million in aggregate horsepower, utilizing a full spectrum of low-, medium-, and high-horsepower engines. Our treating fleet includes amine units, gas coolers, and related equipment. Our aftermarket business provides compressor package overhaul, repair, engineering and design, reconfiguration and maintenance services, as well as the sale of compressor package parts and components manufactured by third-party suppliers. Our customers operate throughout many of the onshore producing regions of the United States, as well as in a number of international locations including Mexico, Canada, Argentina, Egypt and Chile. CSI's general partner is owned by Spartan Energy Partners.

Forward-Looking Statements

This news release contains "forward-looking statements" and information based on our beliefs and those of our general partner, CSI Compressco GP LLC. Forward-looking statements in this news release are identifiable by the use of the following words and other similar words: "anticipates," "assumes," "believes," "budgets," "could," "estimates," "expectations," "expects," "forecasts," "goal," "intends," "may," "might," "plans," "predicts," "projects," "schedules," "seeks," "should," "targets," "will," and "would." These forward-looking statements include statements, other than statements of historical fact, including anticipated return of standby equipment to in service, the redeployment of idle fleet compressors, joint-bidding on potential projects with Spartan, commodity prices and demand for CSI's equipment and services and other statements regarding CSI's beliefs, expectations, plans, prospects and other future events, performance, and other statements that are not purely historical. Such forward-looking statements reflect our current views with respect to future events and financial performance, and are based on assumptions that we believe to be reasonable, but such forward-looking statements are subject to numerous risks and uncertainties, including but not limited to: economic and operating condition that are outside of our control, including the trading price of our common units; the severity and duration of the COVID-19 pandemic and related economic repercussions and the resulting negative impact on the demand for oil and gas, operational challenges relating to the COVID-19 pandemic and efforts to mitigate the spread of the virus, including logistical challenges, remote work arrangements, and supply chain disruptions, other global or national health concerns; the current significant surplus in the supply of oil and the ability of OPEC and other oil producing nations to agree on and comply with supply limitations; the duration and magnitude of the unprecedented disruption in the oil and gas industry; the levels of competition we encounter; our dependence upon a limited number of customers and the activity levels of our customers; our ability to replace our contracts with our customers, which are generally short-term contracts; the availability of adequate sources of capital to us; our existing debt levels and our ability to obtain additional financing or refinancing; our ability to continue to make cash distributions, or increase cash distributions from current levels, after the establishment of reserves, payment of debt service and other contractual obligations; the restrictions on our business that are imposed under our long-term debt agreements; our operational performance; the credit and risk profile of Spartan Energy Partners; ability of our general partner to retain key personnel; risks related to acquisitions and our growth strategy; the availability of raw materials and labor at reasonable prices; risks related to our foreign operations; the effect and results of litigation, regulatory matters, settlements, audits, assessments, and contingencies; or potential material weaknesses in the future; information technology risks, including the risk of cyberattack; and other risks and uncertainties contained in our Annual Report on Form 10-K and our other filings with the U.S. Securities and Exchange Commission ("SEC"), which are available free of charge on the SEC website at www.sec.gov. The risks and uncertainties referred to above are generally beyond our ability to control and we cannot predict all the risks and uncertainties that could cause our actual results to differ from those indicated by the forward-looking statements. If any of these risks or uncertainties materialize, or if any of the underlying assumptions prove incorrect, actual results may vary from those indicated by the forward-looking statements, and such variances may be material. All subsequent written and verbal forward-looking statements made by or attributable to us or to persons acting on our behalf are expressly qualified in their entirety by reference to these risks and uncertainties. You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to update or revise any forward-looking statements we may make, except as may be required by law.

Reconciliation of Non-GAAP Financial Measures

The Partnership includes in this release the non-GAAP financial measures Adjusted EBITDA, distributable cash flow, distribution coverage ratio, free cash flow, and net leverage ratio. Adjusted EBITDA is used as a supplemental financial measure by the Partnership's management to:

- assess the Partnership's ability to generate available cash sufficient to make distributions to the Partnership's unitholders and general partner;
- evaluate the financial performance of its assets without regard to financing methods, capital structure or historical cost basis;
- measure operating performance and return on capital as compared to those of our competitors; and
- determine the Partnership's ability to incur and service debt and fund capital expenditures.

The Partnership defines Adjusted EBITDA as earnings before interest, taxes, depreciation and amortization, and before certain charges, including impairments, bad debt expense attributable to bankruptcy of customers, equity compensation, non-cash costs of compressors sold, gain on extinguishment of debt, write-off of unamortized financing costs, and excluding, severance and other non-recurring or unusual expenses or charges.

Distributable cash flow is used as a supplemental financial measure by the Partnership's management, as it provides important information relating to the relationship between our financial operating performance and our cash distribution capability. Additionally, the Partnership uses distributable cash flow in setting forward expectations and in communications with the board of directors of our general partner. The Partnership defines distributable cash flow as Adjusted EBITDA less current income tax expense, maintenance capital expenditures, interest expense, and severance expense, plus non-cash interest expense.

The Partnership believes that the distribution coverage ratio provides important information relating to the relationship between the Partnership's financial operating performance and its cash distribution capability. The Partnership defines the distribution coverage ratio as the ratio of distributable cash flow to the total quarterly distribution payable, which includes, as applicable, distributions payable on all outstanding common units, the general partner interest and the general partner's incentive distribution rights.

The Partnership defines free cash flow as net cash provided by operating activities less capital expenditures, net of sales proceeds. Management primarily uses this metric to assess our ability to retire debt, evaluate our capacity to further invest and grow, and measure our performance as compared to our peer group of companies.

The Partnership defines net leverage ratio as net debt (the sum of the carrying value of long-term and short-term debt on its consolidated balance sheet, less cash, excluding restricted cash on the consolidated balance sheet and excluding outstanding letters of credit) divided by Adjusted EBITDA for calculating net leverage (Adjusted EBITDA as reported externally adjusted for certain items to comply with its credit agreement) for the trailing twelve-month period. Management primarily uses this metric to assess the Partnership's ability to borrow, reduce debt, add to cash balances, pay distributions, and fund investing and financing activities.

These non-GAAP financial measures should not be considered an alternative to net income, operating income, cash flows from operating activities or any other measure of financial performance presented in accordance with U.S. GAAP. These non-GAAP financial measures may not be comparable to Adjusted EBITDA, distributable cash flow, free cash flow or other similarly titled measures of other entities, as other entities may not calculate these non-GAAP financial measures in the same manner as CSI. Management compensates for the limitation of these non-GAAP financial measures as an analytical tool by reviewing the comparable U.S. GAAP measures, understanding the differences between the measures and incorporating this knowledge into management's decision-making process. Furthermore, these non-GAAP measures should not be viewed as indicative of the actual amount of cash that CSI has available for distributions or that the Partnership plans to distribute for a given period, nor should they be equated to available cash as defined in the Partnership's partnership agreement.

Schedule A - Income Statement

Results of Operations (unaudited)

	Three Months Ended		
	Mar 31, 2022	Dec 31, 2021	Mar 31, 2021
	(In Thousands, Except per Unit Amounts)		
Revenues:			
Contract services	\$ 62,807	\$ 62,031	\$ 56,237
Aftermarket services	12,868	13,591	11,034
Equipment rentals	3,500	3,395	2,025
Equipment sales	837	1,172	470
Total revenues	\$ 80,012	\$ 80,189	\$ 69,766
Cost of revenues (excluding depreciation and amortization expense):			
Cost of contract services	\$ 31,040	\$ 32,390	\$ 27,397
Cost of aftermarket services	10,633	11,914	9,545
Cost of equipment rentals	516	411	154
Cost of equipment sales	452	1,504	360
Total cost of revenues	\$ 42,641	\$ 46,219	\$ 37,456
Depreciation and amortization	19,359	19,572	19,134
Selling, general, and administrative expense	10,841	12,231	10,301
Interest expense, net	12,381	13,816	13,708
Other (income) expense, net	544	4,364	294
Loss before taxes and discontinued operations	\$ (5,754)	\$ (16,013)	\$ (11,127)
Provision for income taxes	816	1,234	1,706
Loss from continuing operations	\$ (6,570)	\$ (17,247)	\$ (12,833)
Loss from discontinued operations, net of taxes	\$ —	11	(62)
Net loss	\$ (6,570)	\$ (17,236)	\$ (12,895)
Net loss per basic and diluted common unit	\$ (0.05)	\$ (0.17)	\$ (0.27)

Schedule B - Reconciliation of Net Loss to Adjusted EBITDA, Distributable Cash Flow and Distribution Coverage Ratio

The following table reconciles net loss to Adjusted EBITDA, distributable cash flow and distribution coverage ratio for the three month periods ended March 31, 2022, December 31, 2021 and March 31, 2021:

Results of Operations (unaudited)

	Three Months Ended		
	Mar 31, 2022	Dec 31, 2021	Mar 31, 2021
	(In Thousands, except Ratios)		
Net loss	\$ (6,570)	\$ (17,236)	\$ (12,895)
Interest expense, net	12,381	13,816	13,708
Provision for income taxes	816	1,234	1,706
Depreciation and amortization	19,359	19,572	19,134
Non-cash cost of compressors sold	452	1,506	360
Equity compensation	342	479	833
Transaction costs	—	1,838	—
ERP Write off	—	4,635	—
Reorganization costs	—	754	—
Severance	—	—	114
Provision for income taxes, depreciation, amortization and impairments attributed to discontinued operations	—	(80)	—
Other	—	(137)	308
Adjusted EBITDA	\$ 26,885	\$ 26,381	\$ 23,268
Less:			
Current income tax expense	778	2,897	1,254
Maintenance capital expenditures	3,781	2,825	3,440
Interest expense	12,381	13,816	13,708
Severance and other	105	(137)	422
Plus:			
Non-cash items included in interest expense	492	2,274	2,145
Distributable cash flow	\$ 10,332	\$ 9,254	\$ 6,589
Cash distribution attributable to period	\$ 1,411	\$ 1,411	\$ 484
Distribution coverage ratio	7.3x	6.6x	13.6x

Schedule C - Reconciliation of Net Cash Provided by Operating Activities Operations to Free Cash Flow

The following table reconciles net cash provided by operating activities to free cash flow for the three month periods ended March 31, 2022, December 31, 2021 and March 31, 2021:

Results of Operations (unaudited)

	Three Months Ended		
	Mar 31, 2022	Dec 31, 2021	Mar 31, 2021
	(In Thousands)		
Net cash provided by operating activities	\$ 11,770	\$ 4,155	\$ 11,544
Capital expenditures, net of sales proceeds	(5,935)	(25,442)	(4,408)
Free cash flow	\$ 5,835	\$ (21,287)	\$ 7,136

Schedule D - Reconciliation to Adjusted EBITDA Margin (unaudited)

	Three Months Ended		
	Mar 31, 2022	Dec 31, 2021	Mar 31, 2021
	(In Thousands, except Margin %)		
Consolidated Revenue	\$ 80,012	\$ 80,189	\$ 69,766
Loss before taxes and discontinued operations	\$ (5,754)	\$ (16,013)	\$ (11,127)
Adjusted loss margin before taxes and discontinued operations	(7.2) %	(20.0) %	(15.9) %
Adjusted EBITDA (Schedule B)	\$ 26,885	\$ 26,381	\$ 23,268
Adjusted EBITDA Margin	33.6 %	32.9 %	33.4 %

Schedule E - Reconciliation of Net Loss to Adjusted EBITDA for Net Leverage Ratio Calculation (unaudited)

(in thousands, except ratios)

	Twelve Months Ended Mar 31, 2022
Net loss	\$ (43,994)
Interest expense, net	53,464
Provision for income taxes	4,108
Depreciation and amortization	78,458
Non-cash cost of compressors sold	3,459
Equity Compensation	1,795
ERP Write off	4,635
Transaction costs	1,943
Reorganization cost	754
Prior year sales tax adjustment	367
Manufacturing engine order cancellation charge	300
Provision for income taxes, depreciation, amortization and impairments attributed to discontinued operations	256
Other	(137)
Adjusted EBITDA	\$ 105,408

Debt Schedule

	Mar 31, 2022
7.50% First Lien Notes	\$ 400,000
10.00%/10.75% Second Lien Notes	172,717
Asset Based Loan	58,500
Finance Lease	7,837
Letters of Credit	2,114
Cash on Hand	(17,294)
Net Debt	\$ 623,874

Net Leverage Ratio (Net Debt/Adjusted EBITDA for Net Leverage Calculation)

5.9x

Schedule F - Balance Sheet

(in thousands)

ASSETS

Current assets:

Cash and cash equivalents

Trade accounts receivable, net of allowances for doubtful accounts of \$1,231 as of March 31, 2022 and \$1,223 as of December 31, 2021

Inventories

Prepaid expenses and other current assets

Total current assets

Property, plant, and equipment:

Land and building

Compressors and equipment

Vehicles

Construction in progress

Total property, plant, and equipment

Less accumulated depreciation

Net property, plant, and equipment

Other assets:

Intangible assets, net of accumulated amortization of \$34,411 as of March 31, 2022 and \$33,672 as of December 31, 2021

Operating lease right-of-use assets

Deferred tax asset

Other assets

Total other assets

Total assets

LIABILITIES AND PARTNERS' CAPITAL

Current liabilities:

Accounts payable

Accrued liabilities and other

Amounts payable to affiliates

Current liabilities associated with discontinued operations

Total liabilities
Other long-term liabilities
Long-term debt, net
Deferred tax liabilities
Operating lease liabilities
Other long-term liabilities
Total other liabilities
Commitments and contingencies
Partners' capital:
General partner interest
Common units (141,213,944 units issued and outstanding at March 31, 2022 and 140,386,811 units issued and outstanding at December 31, 2021)
Accumulated other comprehensive income (loss)
Total partners' capital
Total liabilities and partners' capital

SOURCE CSI Compressco LP

<https://ir.csicompressco.com/2022-05-13-CSI-COMPRESSCO-LP-ANNOUNCES-FIRST-QUARTER-2022-RESULTS>