



USA Compression Partners, LP (NYSE: USAC)

Updated May 12th, 2025 by Quinn Mohammed

Key Metrics

Current Price:	\$24	5 Year CAGR Estimate:	4.6%	Market Cap:	\$2.8 B
Fair Value Price:	\$22	5 Year Growth Estimate:	-2.0%	Ex-Dividend Date¹:	07/22/2025
% Fair Value:	110%	5 Year Valuation Multiple Estimate:	-1.9%	Dividend Payment Date¹:	08/02/2025
Dividend Yield:	8.7%	5 Year Price Target	\$20	Years of Dividend Growth:	0
Dividend Risk Score:	F	Sector:	Energy	Rating:	Sell

Overview & Current Events

USA Compression Partners, LP (USAC) is one of the largest independent providers of gas compression services to the oil and gas industry, with annual revenues of \$950 million (in 2024) and a market capitalization of \$2.8 billion. USAC was founded in 1998, completed its initial public offering in January 2013, and has paid a quarterly dividend continuously since the second quarter of 2013. The partnership is active in several shale plays throughout the U.S., including the Utica, Marcellus, and Permian Basin. It focuses primarily on infrastructure applications, including centralized high-volume natural gas gathering systems and processing facilities, requiring large horsepower compression units. It designs, operates, and maintains the compression units. USAC operate under fixed-fee, take-or-pay contracts, and does not have direct exposure to commodity prices.

In April 2018, USAC merged with CDM Compression. The merger provided better geographic diversification and access to areas where USAC was underrepresented. This merger essentially doubled the size of USAC.

Eric D. Long, the CEO and co-founder of USAC, stepped down from his position on October 2nd, 2024. He was replaced by Micah "Clint" Green, who was Senior VP, Construction and Project Execution for Energy Transfer LP, on October 3rd.

USAC reported first quarter 2025 results on May 6th, 2025. Revenues for the quarter rose to \$245 million compared to \$229 million in Q1 2024. Distributable cash flow increased from \$87 million to \$89 million in Q1. The distribution was held steady at \$0.525 per unit, in line with last year. And distributable cash flow coverage was 1.44X for the quarter, compared to 1.41X last year. Revenue generating horsepower was up year-over-year to 3.56 million.

Management reiterated its 2025 outlook for DCF and forecasts \$350 million to \$370 million. As a result, we are anticipating DCF per unit of \$3.05 for the year. Expansion capex is expected to be \$120 million to \$140 million.

Growth on a Per-Unit Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
DCFU	\$3.47	\$2.18	\$1.87	\$2.39	\$2.39	\$2.22	\$2.15	\$2.26	\$2.78	\$3.03	\$3.05	\$2.76
DPU	\$2.08	\$2.10	\$2.10	\$2.10	\$2.10	\$2.10	\$2.10	\$2.10	\$2.10	\$2.10	\$2.10	\$2.10
Units²	34.0	53.0	62.0	75.0	92.9	96.8	97.1	98.2	101.0	117.3	118.0	120.0

For several years, the partnership's growth on a per common unit basis had been rather stagnant. During 2020 to 2021, DCFU decreased as the pandemic impacted results. In 2022, the company returned to modest growth. In 2023, USAC generated phenomenal results, as its DCFU rose by 23% compared to 2022. Due to a history of effectively shrinking distributable cash flow per unit over the long term, and the cyclicity of the oil and gas industry, we estimate a -2% decline of distributable cash flow per unit from this high comparison base in the intermediate term. Recent growth has been due to increased activity and business, in part due to budget increases in the industry. The demand for energy and natural gas strengthened in 2021 and 2022, and in 2023 and 2024 the company had near-record utilization over 94%. Leadership expects the large-horsepower compression market will remain tight in 2025.

¹ Estimate based on last year.

² Unit count is in millions.

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At 2019-year end, virtually all issued units were outstanding, and management had indicated they intended to self-fund and not issue more equity but shares outstanding rose slightly amid the pandemic. And in 2024, EIG converted 64% of its preferred units into common units, which is the reason for the additional increase.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
P/DCFU	4.2	6.6	9	6.3	7.1	5.5	7.2	7.9	7.8	7.9	7.9	7.2
Avg. Yld.	11.3%	14.6%	12.5%	12.5%	12.7%	17.1%	13.6%	11.4%	9.8%	8.8%	8.7%	10.6%

Units are now trading slightly above its average P/DCFU at 7.9X, with the 5-year average being 7.2X. We estimate a fair-value P/DCFU of 7.2 as natural gas demands continue to grow, which is meaningfully below where USAC stands today. We see the yield as remaining strong, hovering near 10%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	60%	96%	112%	88%	88%	95%	98%	93%	75%	69%	69%	76%

The partnership has several competitive advantages. USAC is well established, and its average relationship with its top ten customers are longer than fourteen years. The company is run by a seasoned and stable management team, which has consistently achieved high utilization rates (a stable 91% average over the last decade) for its equipment. Lastly, it operates primarily in the large horsepower segment of the compression business, which has significant barriers to entry and tends to have longer contracts.

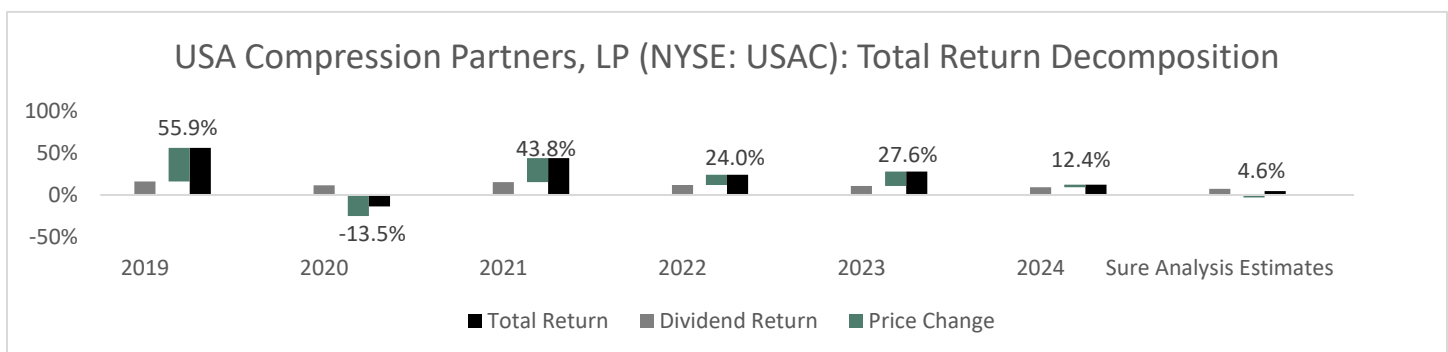
There are a number of favorable macro-factors that will accrue to the benefit of both USAC and its competitors: positive natural gas demand projections (per the U.S. EIA), an inherent benefit deriving from the shift toward gas production from shale (which comes in at lower pressure and therefore requires more compression than gas from wells), and an inherent benefit from the aging of production areas (declining field pressures require more compression).

The partnership has paid a dividend for 49 consecutive quarters since it first went public in 2013. It has also successfully reduced its leverage ratio since the beginning of 2022, when it was 5.1X, to approximately 4X in the first quarter 2025, which is within its target leverage ratio of 3.75X to 4.25X.

Final Thoughts & Recommendation

USAC provides an attractive yield of 8.7% today, and this yield will be the primary total return driver. Management has indicated a preference for increasing DCF coverage and de-levering, so dividend increases in the near term are unlikely. Despite not being directly exposed to commodity price fluctuations, unit price is certainly not immune from them, decreasing from a high of \$28 in Jan 2014 to a low of \$8 in February 2016. However, the dividend continued growing during this period, as capital spending slowed. While total expected returns are 4.6% annually, USAC earns a sell rating due to its lack of dividend growth.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	271	264	277	584	698	668	633	705	846	950
Gross Profit	104	-4	-15	156	240	223	199	234	315	373
Gross Margin	38.4%	-1.6%	-5.5%	26.7%	34.3%	33.4%	31.5%	33.2%	37.2%	39.2%
SG&A Exp.	41	23	25	69	64	60	56	61	73	73
D&A Exp.	85	155	167	214	231	239	239	237	246	265
Operating Profit	63	-27	-40	87	175	163	143	172	243	300
Operating Margin	23.2%	-10.2%	-14.5%	14.9%	25.1%	24.4%	22.7%	24.5%	28.7%	31.6%
Net Profit	-154	-27	-265	-11	39	-595	10	30	68	100
Net Margin	-57%	-10.2%	-95.7%	-1.8%	5.6%	-89.1%	1.6%	4.3%	8.0%	10.5%
Distr. Cash Flow	-164	68	-21	-40	129	184	220	126	33	136
Income Tax	1	0	2	-2	2	1	1	1	1	2

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	1,510	1,472	1,719	3,775	3,730	2,949	2,768	2,666	2,737	2746
Cash & Equivalents	0	0	4	0	0	0	0	0	0	0
Accounts Receivable	28	32	33	76	80	64	68	84	95	88
Inventories	19	30	33	89	92	85	86	94	115	134
Goodwill & Int. Ass.	115	111	452	1,012	983	334	304	275	246	216
Total Liabilities	791	743	54	1,918	2,073	2,134	2,190	2,305	2,554	2718
Accounts Payable	24	13	1	24	22	14	23	35	40	27
Long-Term Debt	729	685	0	1,759	1,852	1,927	1,973	2,107	2,336	2503
Partner's Equity	718	730	1665	1,856	1,658	815	578	361	183	28

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	-10.2%	-1.8%	-16.6%	-0.4%	1.0%	-17.8%	0.4%	1.1%	2.5%	3.6%
Return on Equity	-19.8%	-3.7%	-22.1%	-0.6%	2.2%	-48.1%	1.5%	6.5%	25.1%	94.5%
ROIC	-23.3%	-3.8%	-77.3%	-1.2%	2.2%	-31.5%	0.5%	1.5%	3.1%	4.1%
Units Out.	34.0	53.0	62.0	75.0	92.9	96.8	97.1	97.8	100.7	114.5
Revenue/Unit	5.62	4.35	4.45	7.23	7.23	6.90	6.52	7.21	8.41	8.30
DCF/Unit	-3.40	1.13	-0.34	-0.50	1.34	1.90	2.27	1.29	0.33	1.19

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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