

REFINITIV

# DELTA REPORT

## 10-Q

AROC WI - ARCHROCK, INC.  
10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	1484
CHANGES	73
DELETIONS	251
ADDITIONS	1160

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iso4217:USD  
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aroc:CompressorUnit  
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xbrli:shares  
aroc:segment

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-Q (Mark

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2024  
June 30, 2024

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File No. 001-33666

Archrock, Inc. (Exact

(Exact name of registrant as specified in its charter)

Delaware 74-3204509  
(State or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)  
or organization)

Delaware 74-3204509  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

9807 Katy Freeway, Suite 100, Houston, Texas 77024  
(Address

(Address of principal executive offices, zip code)

(281) 836-8000

(Registrant's

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of exchange on which registered
Common stock, \$0.01 par value per share	AROC	New York Stock Exchange

Title of each class	Trading Symbol	Name of exchange on which registered
Common stock, \$0.01 par value per share	AROC	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. If a smaller reporting company, indicate whether the registrant is also an emerging growth company. In Rule 12b-2 of the Exchange Act, the registrant selected one of the following categories: "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company."

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
	Emerging growth company

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for compliance with new or revised financial accounting standards. Yes ☐ No ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Number of shares of the common stock of the registrant outstanding as of April 24, 2024 July 24, 2024: 156,286,457 168,939,131 shares.

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## GLOSSARY

The following terms and abbreviations appearing in the text of this report have the meanings indicated below.

2023 Form 10-K	Annual Report on Form 10-K for the year ended December 31, 2023
Share Repurchase Program	Share repurchase program approved by our Board of Directors on April 27, 2023 that allowed us to repurchase up to \$50.0 million of outstanding common stock for a period of twelve months, which prior to its expiration was extended on April 25, 2024, for an additional twenty-four-month period and a replenishment of the authorized share repurchase amount to \$50.0 million.
2027 Notes	\$500.0 million of 6.875% senior notes due April 2027, issued in March 2019
2028 Notes	\$800.0 million of 6.25% senior notes due April 2028, \$500.0 million of which was issued in December 2019, \$300.0 million of which was issued in December 2020
Amended and Restated Credit Agreement	Amended and Restated Credit Agreement, dated May 16, 2023, which amended and restated that Credit Agreement, dated as of March 30, 2017, which governs the Credit Facility
Archrock, our, we, us	Archrock, Inc., individually and together with its wholly-owned subsidiaries
ASU	Accounting Standards Update
Credit Facility	\$750.0 million asset-based revolving credit facility due May 2028, as governed by the Amended and Restated Credit Agreement, dated May 16, 2023, which amended and restated that Credit Agreement, dated as of March 30, 2017
ECOTEC	Ecotec International Holdings, LLC
ESPP	Employee Stock Purchase Plan
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
Financial Statements	Condensed consolidated financial statements included in Part I Item 1 of this Quarterly Report on Form 10-Q
GAAP	U.S. generally accepted accounting principles
GHG	Greenhouse gases (carbon dioxide, methane and water vapor for example)
Hilcorp	Hilcorp Energy Company
Ionada	Ionada PLC
LIBOR	London Interbank Offered Rate
OTC	Over-the-counter, as related to aftermarket services parts and components
SEC	U.S. Securities and Exchange Commission
SG&A	Selling, general and administrative
SOFR	Secured Overnight Financing Rate

U.S.	United States of America
WACC	Weighted average cost of capital

## 

2013 Plan	2013 Stock Incentive Plan
2020 Plan	2020 Stock Incentive Plan
2023 Form 10-K	Annual Report on Form 10-K for the year ended December 31, 2023
2027 Notes	\$500.0 million of 6.875% senior notes due April 2027, issued in March 2019
2028 Notes	\$800.0 million of 6.25% senior notes due April 2028, \$500.0 million of which was is:
Amended and Restated Credit Agreement	Amended and Restated Credit Agreement, dated May 16, 2023, which amended and restat
Archrock, our, we, us	Archrock, Inc., individually and together with its wholly-owned subsidiaries
Archrock ELT	Archrock ELT LLC, an indirect, wholly owned subsidiary of Archrock
ASU	Accounting Standards Update
Credit Facility	\$750.0 million asset-based revolving credit facility due May 2028, as governed by tl
ECOTEC	Ecotec International Holdings, LLC
ESPP	Employee Stock Purchase Plan
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
Financial Statements	Condensed consolidated financial statements included in Part I Item 1 of this Quart
GAAP	U.S. generally accepted accounting principles
GHG	Greenhouse gases (carbon dioxide, methane and water vapor for example)
Hilcorp	Hilcorp Energy Company
Ionada	Ionada PLC
LIBOR	London Interbank Offered Rate
OTC	Over-the-counter, as related to aftermarket services parts and components
SEC	U.S. Securities and Exchange Commission
SG&A	Selling, general and administrative
Share Repurchase Program	Share repurchase program approved by our Board of Directors on April 27, 2023 that i
TOPS	Total Operations and Production Services, LLC, a portfolio company managed by certa
TOPS Acquisition	Transaction announced on July 22, 2024 pursuant to the asset purchase agreement ent
SOFR	Secured Overnight Financing Rate
U.S.	United States of America
WACC	Weighted average cost of capital

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## FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Form 10-Q" "Form 10-Q") contains "forward-looking statements" "forward-looking statements" intended to qualify for the safe harbors from liability established by the Private Securities Litigation Reform Act of 1995, including the words "believe," "expect," "intend," "project," "anticipate," "estimate," "will continue" or similar words or the neg

Such forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**Archrock, Inc.**

**Condensed Consolidated Balance Sheets**

(in

(in thousands, except par value and share amounts)

(unaudited)

	March 31, 2024	December 31, 2023
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 1,155	\$ 1,338
Accounts receivable, net of allowance of \$	105,295	124,069
496		
and \$		
587		
, respectively		
Inventory	80,358	81,761
Other current assets	6,898	5,989
Total current assets	193,706	213,157
Property, plant and equipment, net	2,332,009	2,301,982
Operating lease right-of-use assets	14,343	14,097
Intangible assets, net	28,737	30,182
Contract costs, net	35,967	37,739
Deferred tax assets	2,847	3,192
Other assets	47,467	47,733
Non-current assets of discontinued operations	7,868	7,868
Total assets	\$ 2,662,944	\$ 2,655,950
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities:</b>		
Accounts payable, trade	\$ 48,717	\$ 61,026
Accrued liabilities	98,751	85,381
Deferred revenue	5,778	5,736
Total current liabilities	153,246	152,143
Long-term debt	1,566,566	1,584,869
Operating lease liabilities	12,364	12,271
Deferred tax liabilities	15,986	4,921
Other liabilities	24,834	22,857
Non-current liabilities of discontinued operations	7,868	7,868

Total liabilities	1,780,864	1,784,929
Commitments and contingencies (Note 7)		
Equity:		
Preferred stock: \$	-	-
0.01		
par value per share,		
50,000,000		
shares authorized,		
zero		
issued		
Common stock: \$	1,657	1,650
0.01		
par value per share,		
250,000,000		
shares authorized,		
165,775,863		
and		
164,984,401		
shares issued, respectively		
Additional paid-in capital	3,474,777	3,470,576
Accumulated deficit	(	(
	2,485,399	2,499,931
	)	)
Treasury stock:	(	(
9,489,406	108,955	101,274
and	)	)
9,020,454		
common shares, at cost, respectively		
Total equity	882,080	871,021
Total liabilities and equity	\$ 2,662,944	\$ 2,655,950

## Assets

### Current assets:

Cash and cash equivalents

Accounts receivable, net of allowance of \$556 and \$587, respectively

Inventory

Other current assets

Total current assets

Property, plant and equipment, net

Operating lease right-of-use assets

Intangible assets, net

Contract costs, net

Deferred tax assets

Other assets

Non-current assets of discontinued operations

Total assets

## Liabilities and Stockholders' Equity

- Accounts payable, trade
- Accrued liabilities
- Deferred revenue
- Total current liabilities

Operating lease liabilities

Other liabilities

Total liabilities

Equity:

Common stock: \$0.01 par value per share, 250,000,000 shares authorized, 165,793,798 and 164,984,401 shares issued, respectively

Additional paid-in capital

Accumulated deficit

Treasury stock: 9,493,262 and 9,020,454 common shares, at cost, respectively

Total equity

Total liabilities and equity

5

**Archrock, Inc.**  
**Condensed Consolidated Statements of Operations**

(in

(in thousands, except per share amounts)

(unaudited)

	Three Months Ended	
	March 31,	
	2024	2023
Revenue:		
Contract operations	\$ 223,051	\$ 187,745
Aftermarket services	45,437	42,089
Total revenue	268,488	229,834
Cost of sales (excluding depreciation and amortization):		
Contract operations	77,743	79,482
Aftermarket services	35,000	33,908
Total cost of sales (excluding depreciation and amortization)	112,743	113,390
Selling, general and administrative	31,665	26,425
Depreciation and amortization	42,835	40,181
Long-lived and other asset impairment	2,568	2,569
Restructuring charges	-	1,047

Interest expense	27,334	26,581
Gain on sale of assets, net	(	(
	2,381	3,605
	)	)
Other (income) expense, net	139	603
Income before income taxes	53,585	22,643
Provision for income taxes	13,053	6,158
Net income	\$ 40,532	\$ 16,485
Basic and diluted earnings per common share	\$ 0.26	\$ 0.10
Weighted average common shares outstanding:		
Basic	154,187	154,116
Diluted	154,501	154,281

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Revenue:				
Contract operations	\$225,468	\$201,120	\$448,519	\$388,865
Aftermarket services	45,058	46,423	90,495	88,512
Total revenue	270,526	247,543	539,014	477,377
Cost of sales, exclusive of depreciation and amortization				
Contract operations	79,278	76,033	157,021	155,515
Aftermarket services	35,158	35,343	70,158	69,251
Total cost of sales, exclusive of depreciation and amortization	114,436	111,376	227,179	224,766
Selling, general and administrative	31,163	28,649	62,828	55,074
Depreciation and amortization	43,853	41,210	86,688	81,391
Long-lived and other asset impairment	4,401	2,892	6,969	5,461
Restructuring charges	—	(85)	—	962
Interest expense	27,859	28,630	55,193	55,211
Transaction-related costs	1,782	—	1,782	—
Gain on sale of assets, net	(576)	(1,176)	(2,957)	(4,781)
Other expense, net	128	1,463	267	2,066
Income before income taxes	47,480	34,584	101,065	57,227
Provision for income taxes	13,055	9,931	26,108	16,089
Net income	\$ 34,425	\$ 24,653	\$ 74,957	\$ 41,138
Basic and diluted earnings per common share	\$ 0.22	\$ 0.16	\$ 0.48	\$ 0.26
Weighted average common shares outstanding:				
Basic	154,496	154,358	154,342	154,234
Diluted	154,785	154,412	154,648	154,326

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**Archrock, Inc.**  
**Condensed Consolidated Statements of Equity**

(in

(in thousands, except shares and per share amounts)

(unaudited)

Additional							
Common		Paid-in	Accumulated	Treasury			
Stock		Stock					
	Amount	Shares	Capital	Deficit	Amount	Shares	Total
Balance at	\$ 1,634	163,439,013	\$ 3,456,777	\$ (	\$ (	(	\$ 860,693
December 31, 2022				2,509,133	88,585	7,810,548	
				)	)	)	
Shares withheld related to net	-	-	-	-	(	(	(
settlement of equity awards					3,773	383,766	3,773
					)	)	)
Cash	-	-	-	(	-	-	(
dividends (\$				23,852			23,852
0.150				)			)
per common							
share)							
Shares issued	1	20,251	169	-	-	-	170
under ESPP							
Stock-based compensation,	14	1,444,636	3,313	-	-	(	3,327
net of forfeitures						13,076	
						)	
Net	-	-	-	16,485	-	-	16,485
income							
Balance at	\$ 1,649	164,903,900	\$ 3,460,259	\$ (	\$ (	(	\$ 853,050
March 31, 2023				2,516,500	92,358	8,207,390	
				)	)	)	
Balance at	\$ 1,650	164,984,401	\$ 3,470,576	\$ (	\$ (	(	\$ 871,021
December 31, 2023				2,499,931	101,274	9,020,454	
				)	)	)	
Shares	-	-	-	-	(	(	(
repurchased					1,230	82,972	1,230
					)	)	)
Shares withheld related to net	-	-	-	-	(	(	(
settlement of equity awards					6,451	385,980	6,451
					)	)	)
Cash	-	-	-	(	-	-	(
dividends (\$				26,000			26,000
0.165				)			)
per common							
share)							
Shares issued	-	17,800	244	-	-	-	244
under ESPP							
Stock-based compensation,	7	773,662	3,957	-	-	-	3,964

net of forfeitures						
Net	-	-	-	40,532	-	- 40,532
income						
Balance at	\$ 1,657	165,775,863	\$ 3,474,777	\$ (	\$ (	\$ 882,080
March 31, 2024				2,485,399	108,955	9,489,406
				)	)	)

	Additional						
	Common Stock		Paid-in	Accumulated	Treasury Stock		
	Amount	Shares	Capital	Deficit	Amount	Shares	Total
Balance at March 31, 2023	\$ 1,649,164,903,900		\$3,460,259	\$ (2,516,500)	\$ (92,358)	(8,207,390)	\$ 853,050
Shares repurchased	—	—	—	—	(2,073)	(222,250)	(2,073)
Shares withheld related to net settlement of equity awards	—	—	—	—	(2)	(201)	(2)
Cash dividends (\$0.150 per common share)	—	—	—	(23,504)	—	—	(23,504)
Shares issued under ESPP	—	21,749	212	—	—	—	212
Stock-based compensation, net of forfeitures	—	14,600	3,197	—	—	(10,832)	3,197
Net income	—	—	—	24,653	—	—	24,653
Balance at June 30, 2023	<u>\$ 1,649,164,940,249</u>		<u>\$3,463,668</u>	<u>\$ (2,515,351)</u>	<u>\$ (94,433)</u>	<u>(8,440,673)</u>	<u>\$ 855,533</u>
Balance at March 31, 2024	\$ 1,657,165,775,863		\$3,474,777	\$ (2,485,399)	\$(108,955)	(9,489,406)	\$ 882,080
Shares repurchased	—	—	—	—	—	—	—
Shares withheld related to net settlement of equity awards	—	—	—	—	(11)	(597)	(11)
Cash dividends (\$0.165 per common share)	—	—	—	(25,819)	—	—	(25,819)
Shares issued under ESPP	—	17,317	308	—	—	—	308
Stock-based compensation, net of forfeitures	1	618	3,512	—	—	(3,259)	3,513
Net proceeds from issuance of common stock	—	—	—	—	—	—	—
Net income	—	—	—	34,425	—	—	34,425
Balance at June 30, 2024	<u>\$ 1,658,165,793,798</u>		<u>\$3,478,597</u>	<u>\$ (2,476,793)</u>	<u>\$(108,966)</u>	<u>(9,493,262)</u>	<u>\$ 894,496</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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### Archrock, Inc. Condensed Consolidated Statements of Cash Flows

(in thousands)

(unaudited)

Three Months Ended

March 31,



	2024	2023
<b>Cash flows from operating activities:</b>		
Net income	\$ 40,532	\$ 16,485
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
	Depreciation	Equity
(in thousands, except shares and amortization)	42,835	40,181
Long-lived and other asset impairment	2,568	2,569
Non-cash restructuring charges	-	927
Unrealized change in fair value of investment in unconsolidated affiliate	-	254
Inventory write-downs	199	216
Amortization of operating lease right-of-use assets	947	823
Amortization of deferred financing costs	1,193	1,288
Amortization of debt premium	(	(
	501	501
	)	)
Amortization of capitalized implementation costs	738	597
Stock-based compensation expense	3,964	3,327
Benefit from credit losses	(	(
	75	340
	)	)
Gain on sale of assets, net	(	(
	2,381	3,605
	)	)
Deferred income tax provision	12,460	5,881
Amortization of contract costs	5,768	5,090
Deferred revenue recognized in earnings	(	(
	2,859	4,476
	)	)
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable, net	19,819	7,632
Inventory	1,246	(
		4,131
		)
Other assets	(	609
	1,785	
	)	
Contract costs	(	(
	3,996	6,352
	)	)
Accounts payable and other liabilities	13,958	18,219
Deferred revenue	3,070	3,179
Other	2	(
		16
		)
Net cash provided by operating activities	137,702	87,856
<b>Cash flows from investing activities:</b>		
Capital expenditures	(	(
	99,755	84,392
	)	)
Proceeds from sale of property, equipment and other assets	13,844	28,726
Proceeds from insurance and other settlements	45	-
Investments in unconsolidated entities	(	(
	57	2,000
	)	)
Net cash used in investing activities	(	(

	85,923	57,666
	)	)
Cash flows from financing activities:		
Borrowings of long-term debt	244,525	158,850
Repayments of long-term debt	(	(
	263,050	160,100
	)	)
Dividends paid to stockholders	(	(
	26,000	23,852
	)	)
Repurchases of common stock	(	-
	1,230	
	)	
Taxes paid related to net per share settlement of equity awards	(	(
	6,451	3,773
	)	)
Proceeds from stock issued under ESPP	244	170
Net cash used in financing activities	(	(
	51,962	28,705
	)	)
Net increase (decrease) in cash and cash equivalents	(	1,485
	183	
	)	
Cash and cash equivalents, beginning of period	1,338	1,566
Cash and cash equivalents, end of period	\$ 1,155	\$ 3,051

amounts)  
(unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Treasury Stock		Total
	Amount	Shares			Amount	Shares	
Balance at December 31, 2022	\$ 1,634,163	439,013	\$ 3,456,777	\$ (2,509,133)	\$ (88,585)	(7,810,548)	\$ 860,693
Shares repurchased	—	—	—	—	(2,073)	(222,250)	(2,073)
Shares withheld related to net settlement of equity awards	—	—	—	—	(3,775)	(383,967)	(3,775)
Cash dividends (\$0.300 per common share)	—	—	—	(47,356)	—	—	(47,356)
Shares issued under ESPP	1	42,000	381	—	—	—	382
Stock-based compensation, net of forfeitures	14	1,459,236	6,510	—	—	(23,908)	6,524
Net income	—	—	—	41,138	—	—	41,138
Balance at June 30, 2023	\$ 1,649,164	164,940	\$ 3,463,668	\$ (2,515,351)	\$ (94,433)	(8,440,673)	\$ 855,533
Balance at December 31, 2023	\$ 1,650,164	164,984	\$ 3,470,576	\$ (2,499,931)	\$ (101,274)	(9,020,454)	\$ 871,021
Shares repurchased	—	—	—	—	(1,230)	(82,972)	(1,230)
Shares withheld related to net settlement of equity awards	—	—	—	—	(6,462)	(386,577)	(6,462)
Cash dividends (\$0.330 per common share)	—	—	—	(51,819)	—	—	(51,819)
Shares issued under ESPP	—	35,117	552	—	—	—	552
Stock-based compensation, net of forfeitures	8	774,280	7,469	—	—	(3,259)	7,477
Net income	—	—	—	74,957	—	—	74,957
Balance at June 30, 2024	\$ 1,658,165	165,793	\$ 3,478,597	\$ (2,476,793)	\$ (108,966)	(9,493,262)	\$ 894,496

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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**Archrock, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
(in thousands)  
(unaudited)

	Six Months Ended	
	June 30,	
	2024	2023
Cash flows from operating activities:		
Net income	\$ 74,957	\$ 41,138
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	86,688	81,391
Long-lived and other asset impairment	6,969	5,461
Unrealized change in fair value of investment in unconsolidated affiliate	—	1,996
Inventory write-downs	517	359
Amortization of operating lease right-of-use assets	1,827	1,649
Amortization of deferred financing costs	2,323	3,468
Amortization of debt premium	(1,003)	(1,003)
Amortization of capitalized implementation costs	1,562	1,202
Stock-based compensation expense	7,477	6,524
Provision for (benefit from) credit losses	5	(140)
Gain on sale of assets, net	(2,957)	(4,781)
Deferred income tax provision	24,900	15,417
Amortization of contract costs	11,725	10,250
Deferred revenue recognized in earnings	(5,606)	(8,754)
Changes in operating assets and liabilities:		
Accounts receivable, net	8,836	(5,462)
Inventory	2,073	(6,642)
Other assets	(4,004)	(2,109)
Contract costs	(9,660)	(12,398)
Accounts payable and other liabilities	(4,661)	(16,102)
Deferred revenue	6,315	7,106
Other	70	(172)
Net cash provided by operating activities	208,353	118,398
Cash flows from investing activities:		
Capital expenditures	(191,026)	(187,476)
Proceeds from sale of property, equipment and other assets	17,550	38,093
Proceeds from insurance and other settlements	45	437
Investments in unconsolidated entities	(57)	(2,000)

Net cash used in investing activities	(173,488)	(150,946)
Cash flows from financing activities:		
Borrowings of long-term debt	485,825	417,825
Repayments of long-term debt	(462,150)	(327,300)
Payments of debt issuance costs	–	(5,528)
Dividends paid to stockholders	(51,819)	(47,356)
Repurchases of common stock	(1,230)	(2,073)
Taxes paid related to net share settlement of equity awards	(6,462)	(3,775)
Proceeds from stock issued under ESPP	552	382
Net cash provided by (used in) financing activities	(35,284)	32,175
Net decrease in cash and cash equivalents	(419)	(373)
Cash and cash equivalents, beginning of period	1,338	1,566
Cash and cash equivalents, end of period	\$ 919	\$ 1,193

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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### Archrock, Inc.

#### Notes to Condensed Consolidated Financial Statements

##### 1. Description of Business and Basis of Presentation

We are an energy infrastructure company with a primary focus on midstream natural gas compression. We are a premier prov:

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instruc

##### 2. Recent Accounting Developments

###### Accounting Standards Updates Not Yet Implemented

###### Income Tax Disclosures

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which w:

###### Segment Reporting

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosi  
and related disclosures.

statements.

**Archrock, Inc.**

**Notes to Condensed Consolidated Financial Statements (continued)**

**Business Combinations -- Joint Venture Formations**

In August 2023, the FASB issued ASU 2023-05, to reduce diversity in practice and provide decision-useful information to :

**3. Inventory**

Inventory ~~is~~ was comprised of the ~~following~~:

	March 31,	December 31,
(in thousands)	2024	2023
Parts <del>following as of June 30, 2024</del> and supplies	\$ 68,176	\$ 70,759
Work in progress	12,182	11,002
Inventory	\$ 80,358	\$ 81,761

December 31, 2023:

(in thousands)	June 30, 2024	December 31, 2023
Parts and supplies	\$ 66,932	\$ 70,759
Work in progress	12,301	11,002
Inventory	\$ 79,233	\$ 81,761

**4. Property, Plant and Equipment, Net**

Property, plant and equipment, net ~~is~~ was comprised of the ~~following~~:

	March 31,	December 31,
(in thousands)	2024	2023
Compression equipment, facilities <del>following as of June 30, 2024</del> and other fleet assets	\$ 3,377,588	\$ 3,326,919
Land and buildings	31,019	30,169
Transportation and shop equipment	100,725	100,474
Computer hardware and software	77,705	77,532
Other	5,779	5,678
Property, plant and equipment	3,592,816	3,540,772
Accumulated depreciation	( 1,260,807 )	( 1,238,790 )
Property, plant and equipment, net	\$ 2,332,009	\$ 2,301,982

December 31, 2023:

(in thousands)	June 30, 2024	December 31, 2023
Compression equipment, facilities and other fleet assets	\$ 3,431,348	\$ 3,326,919
Land and buildings	31,570	30,169
Transportation and shop equipment	101,887	100,474
Computer hardware and software	77,711	77,532
Other	6,079	5,678
Property, plant and equipment	3,648,595	3,540,772
Accumulated depreciation	(1,276,526)	(1,238,790)
Property, plant and equipment, net	\$ 2,372,069	\$ 2,301,982

5. Investments in Unconsolidated Affiliates

Investments in which we are deemed to exert significant influence, but not control, are accounted for using the equity method.

In April 2022, we agreed to acquire for cash a 25% equity interest in ECOTEC, a company specializing in methane emissions detection, monitoring and management. We have \$1.7 million and \$2.0 million, respectively, related to the change in fair value of our investment (see Note 14). The investment, which is included in other assets in our condensed consolidated balance sheets.

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Archrock, Inc.  
Notes to Condensed Consolidated Financial Statements (continued)

For ownership interests that are not accounted for under the equity method and that do not have readily determinable fair value, we use the cost method.

In November 2023, we agreed to serve as the lead investor in a series A preferred financing round for Ionada, a global company. We invested \$4.3 million which includes our initial investment of \$3.8 million; and as of March 31, 2024, our fully diluted ownership interest was 10%, which is included in other assets in our condensed consolidated balance sheets. Subject to certain conditions, we will exercise our right to convert our ownership interest into common stock at a conversion price of \$24 per share over the next two years.

years.

## 6. Long-Term Debt

Long-term debt ~~is~~ was comprised of the following:

(in thousands)	March 31, 2024	following as of June 30, 2024, and	December 31, 2023
Credit Facility	\$ 268,500		\$ 287,025
6.25			
% senior notes due April 2028:			
Principal outstanding	800,000		800,000
Unamortized debt premium	8,023		8,524
Unamortized debt issuance costs	(	(	(
	6,647		7,081
	)		)
	801,376		801,443
6.875			
% senior notes due April 2027:			
Principal outstanding	500,000		500,000
Unamortized debt issuance costs	(	(	(
	3,310		3,599
	)		)
	496,690		496,401
Long-term debt	\$ 1,566,566		\$ 1,584,869

:

(in thousands)	June 30, 2024	December 31, 2023
Credit Facility	\$ 310,700	\$ 287,025
6.25% senior notes due April 2028:		
Principal outstanding	800,000	800,000
Unamortized debt premium	7,521	8,524
Unamortized debt issuance costs	(6,231)	(7,081)
	801,290	801,443
6.875% senior notes due April 2027:		
Principal outstanding	500,000	500,000
Unamortized debt issuance costs	(3,034)	(3,599)
	496,966	496,401
Long-term debt	\$ 1,608,956	\$ 1,584,869

As of March 31, 2024 June 30, 2024, there were \$

3.8

million \$4.1 million letters of credit outstanding under the Credit Facility and the applicable margin on borrowings outs % 2.1%. The weighted average annual interest rate on the outstanding balance under the Credit Facility was 7.8

% 7.6% and 7.7

% 7.7% at March 31, 2024 June 30, 2024 and December 31, 2023, respectively. We incurred \$

0.4

million and \$

0.5

million \$0.4 million of commitment fees on the daily unused amount of the Credit Facility during each of the three months and \$0.9 million during each of the six months ended June 30, 2024 and 2023.

As of March 31, 2024 June 30, 2024, we were in compliance with all covenants under our Amended and Restated Credit Facili

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## Archrock, Inc.

### Notes to Condensed Consolidated Financial Statements (continued)

#### Amended and Restated Credit Agreement

On May 16, 2023, we amended and restated our Credit Facility to, among other things:

extend the maturity date of the Credit Facility from November 8, 2024 to May 16, 2028 (or December 2, 2026 or December 3, 2027 if any portion of 2027 Notes and 2028 Notes, respectively, remain outstanding at such date);

change the referenced rate from LIBOR to SOFR so that borrowings under the Credit Facility bear interest at, based on our election, either a base rate or SOFR, plus an applicable margin; and

increase the portion of the Credit Facility available for the issuance of swing line loans from  
\$  
50.0  
million to  
\$  
75.0  
million.

- extend the maturity date of the Credit Facility from November 8, 2024 to May 16, 2028 (or December 2, 2026 or Dece
- change the referenced rate from LIBOR to SOFR so that borrowings under the Credit Facility bear interest at, basec
- increase the portion of the Credit Facility available for the issuance of swing line loans from \$50.0 million to \$

During the second quarter of 2023, we incurred \$

6.0

million \$6.0 million in transaction costs related to the Amended and Restated Credit Agreement, which were included in ot  
1.0

million \$1.0 million of unamortized deferred financing costs as a result of the Amended and Restated Credit Agreement, wh  
operations during the three and six months ended June 30, 2023.

#### 7. Commitments and Contingencies

##### Insurance Matters



Our business can be hazardous, involving unforeseen circumstances such as uncontrollable flows of natural gas or well fl

Additionally, we are substantially self-insured for workers' compensation and employee group health claims in vi

#### Tax Matters

We are subject to a number of state and local taxes that are not income-based. As many of these taxes are subject to aud:

4.1

million \$4.3 million and \$

3.9

million, \$3.9 million, respectively, accrued for the outcomes of non-income-based tax audits. We do not expect that the u

During the years ended December 31, 2022, and 2021, certain of our sales and use tax audits advanced from the audit revi

0.6

million \$0.6 million for these audits.

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#### Archrock, Inc.

#### Notes to Condensed Consolidated Financial Statements (continued)

#### Litigation and Claims

In the ordinary course of business, we are involved in various pending or threatened legal actions. While we are unable

#### 8. Stockholders' Equity

#### Share Repurchases

#### Share Repurchase Program

On April 27, 2023, our Board of Directors authorized a share repurchase program that allowed us to repurchase up to \$

50.0 \$50.0 million of outstanding common stock. Under the Share Repurchase Program, shares of our common stock may be rep

12.11 \$12.11 per share for an aggregate of \$

10.1 \$10.1 million. In connection with the extension, the Board of Directors replenished the amount of shares authorized

50.0 \$50.0 million. The actual timing, manner, number, and value of shares repurchased under the program will be determin

#### Shares Withheld to Cover

The 2020 Plan and 2013 Plan allow us to withhold shares upon vesting of restricted stock at the then-current market price

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#### Archrock, Inc.

#### Notes to Condensed Consolidated Financial Statements (continued)

The following table summarizes shares repurchased under the Share Repurchase Program:

	Three Months Ended
(dollars in thousands, except per share amounts)	March 31, 2024
Total cost of shares repurchased	\$ 1,230
Average price per share	\$ 14.83
Total number of shares repurchased	82,972

repurchased:

	Three Months Ended	
	June 30, 2024	
(dollars in thousands, except per share amounts)	Total Number of Shares Repurchased	Average Price per Share
Shares repurchased under the Share Repurchase Program	—	\$ —
Shares withheld related to net settlement of equity awards	597	17.72
Total	597	\$ 17.72

  

	Three Months Ended	
	June 30, 2023	
(dollars in thousands, except per share amounts)	Total Number of Shares Repurchased	Average Price per Share
Shares repurchased under the Share Repurchase Program	222,250	\$ 9.33
Shares withheld related to net settlement of equity awards	201	9.36
Total	222,451	\$ 9.33

#### Cash Dividends

The following table summarizes our dividends declared and paid in each of the quarterly periods of 2024 and 2023:

	Dividends per	
(dollars in thousands, except per share amounts)	Common Share	Dividends Paid
<b>2024</b>		
Q1	\$ 0.165	\$ 26,000
<b>2023</b>		
Q4	\$ 0.155	\$ 24,190
Q3	0.155	24,250
Q2	0.150	23,504
Q1	0.150	23,852

	Dividends per	
(dollars in thousands, except per share amounts)	Common Share	Dividends Paid
<b>2024</b>		
Q2	\$ 0.165	\$ 25,819
Q1	0.165	26,000
<b>2023</b>		
Q4	\$ 0.155	\$ 24,190

Q3	0.155	24,250
Q2	0.150	23,504
Q1	0.150	23,852

On **April 25, 2024** **July 25, 2024**, our Board of Directors declared a quarterly dividend of \$ **0.165** **\$0.165** per share of common stock to be paid on **May 14, 2024** **August 13, 2024** to stockholders of record at the close o **2024** **August 6, 2024**.

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### Archrock, Inc. Notes to Condensed Consolidated Financial Statements (continued)

#### 9. Revenue from Contracts with Customers

The following table presents our revenue from contracts with customers by segment and disaggregated by revenue source:

	Three Months Ended	
	March 31,	
(in thousands)	2024	2023
Contract operations:		
0	\$ 45,327	\$ 39,954
1,000		
horsepower per unit		
1,001	95,670	81,807
1,500		
horsepower per unit		
Over	81,865	65,714
1,500		
horsepower per unit		
Other	189	270
(1)		
Total contract operations revenue	223,051	187,745
(2)		
Aftermarket services:		
Services	25,438	21,249
OTC parts and components sales	19,999	20,840
Total aftermarket services revenue	45,437	42,089
(3)		
Total revenue	\$ 268,488	\$ 229,834

(1) Primarily relates to fees associated with owned non-compression equipment.

(2) Includes

	\$
1.1	
million and	
	\$
0.8	
million for the three months ended March 31, 2024	

(in thousands)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
<b>Contract operations:</b>				
0 – 1,000 horsepower per unit	\$ 45,334	\$ 43,176	\$ 90,661	\$ 83,130
1,001 – 1,500 horsepower per unit	94,687	88,008	190,357	169,814
Over 1,500 horsepower per unit	85,290	69,672	167,155	135,386
Other (1)	157	264	346	535
Total contract operations revenue (2)	225,468	201,120	448,519	388,865
<b>Aftermarket services:</b>				
Services	25,675	24,567	51,113	45,816
OTC parts and components sales	19,383	21,856	39,382	42,696
Total aftermarket services revenue (3)	45,058	46,423	90,495	88,512
<b>Total revenue</b>	<b>\$ 270,526</b>	<b>\$ 247,543</b>	<b>\$ 539,014</b>	<b>\$ 477,377</b>

(1) Primarily relates to fees associated with owned non-compression equipment.

(2) Includes \$1.1 million for each of the three months ended June 30, 2024, and 2023, and \$2.2 million and \$1.9 million for the six months ended June 30

(3) Services revenue within aftermarket services is recognized over time. OTC parts and components sales revenue is recognized at a point in time. All other contract operations revenue is recognized over time.

(3) Services revenue within aftermarket services is recognized over time. OTC parts and components sales revenue is recognized at a point in time.

See Note 16 ("Segment Information" Information) for further information on segments.

## Performance Obligations

As of March 31, 2024 June 30, 2024, we had \$ 569.7

million \$631.8 million of remaining performance obligations related to our contract operations segment, which will be rec

(in thousands)	2024	2025	2026	2027	2028	2029	Total
Remaining performance obligations	\$ 263,793	\$ 184,333	\$ 98,640	\$ 15,076	\$ 7,526	\$ 342	\$ 569,710

(in thousands)	2024	2025	2026	2027	2028	2029	Total
Remaining performance obligations	\$218,909	\$244,411	\$131,685	\$25,523	\$10,017	\$1,226	\$631,771

We do not disclose the aggregate transaction price for the remaining performance obligations for aftermarket services as

Contract Assets and Liabilities

Contract Assets

As March 31, 2024 June 30, 2024 and December 31, 2023, our receivables from contracts with customers, net of allowance for credit losses, were \$95.9 million, \$108.3 million and \$119.7 million, respectively.

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Archrock, Inc.

Notes to Condensed Consolidated Financial Statements (continued)

Allowance for Credit Losses

Our allowance for credit losses balance changed as follows during the three six months ended March 31, 2024 June 30, 2024:

(in thousands)	
Balance at beginning of period	\$ 587
Benefit from credit losses	( 75 )
Write-offs charged against allowance	( 16 )
Balance at end of period	\$ 496

(in thousands)	
Balance at beginning of period	\$ 587
Provision for credit losses	5
Write-offs charged against allowance	(36)
Balance at end of period	\$ 556

Contract Liabilities

Freight billings to customers for the transport of compression assets, customer-specified modifications of compression assets, and other services were \$7.2 million, \$7.7 million and \$7.0 million, respectively.

During the **three****six** months ended **March 31, 2024****June 30, 2024**, we deferred revenue of \$ **3.1****\$6.3** million and recognized \$ **2.9****\$5.6** million as revenue. The revenue recognized during the period primarily related to freight billings and miles

10. Long-Lived and Other Asset Impairment

We review long-lived assets, including property, plant and equipment and identifiable intangibles that are being amortized

Compression Fleet

We periodically review the future deployment of our idle compression assets for units that are not of the type, configuration

In connection with our review of our idle compression assets, we evaluate for impairment idle units that were culled from

The following table presents the results of our compression fleet impairment review as recorded in our contract operations

	Three Months Ended	
	March 31,	
(dollars in thousands)	2024	2023
Idle compressors retired from the active fleet	25	30
Horsepower of idle compressors retired from the active fleet	14,000	14,000
Impairment recorded on idle compressors retired from the active fleet	\$ 2,568	\$ 2,569

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
(dollars in thousands)	2024	2023	2024	2023
Idle compressors retired from the active fleet	40	15	65	45
Horsepower of idle compressors retired from the active fleet	32,000	9,000	46,000	23,000
Impairment recorded on idle compressors retired from the active fleet	\$ 4,401	\$2,892	\$ 6,969	\$ 5,461

See Note 14 ("Fair Value Measurements") for further details on fair value accounting.

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Archrock, Inc.  
Notes to Condensed Consolidated Financial Statements (continued)

11. Restructuring Charges

During the first quarter of 2023, a plan to further streamline our organization and more fully align our teams to improve **to** incur restructuring charges during the **three****six** months ended **March 31, 2024****June 30, 2024**, we expect to incur additional **0.1****\$0.1** million related to these restructuring activities.

The following table presents restructuring charges incurred by **segment** during **the three months ended March 31, 2023:**

	Contract		Aftermarket		
(in thousands)	Operations	Services	Other	Total	
	(1)				
Organizational restructuring	\$ 203	\$ -	\$ 844	\$ 1,047	
Total restructuring charges	\$ 203	\$ -	\$ 844	\$ 1,047	

(1) Represents expense incurred within our corporate function and not directly attributable to our segments.

segment:

(in thousands)	Contract Operations	Aftermarket Services	Other <sup>(1)</sup>	Total
<b>Three months ended June 30, 2023</b>				
Organizational restructuring	\$ (101)	\$ -	\$ 16	\$ (85)
Total restructuring charges	\$ (101)	\$ -	\$ 16	\$ (85)
<b>Six months ended June 30, 2023</b>				
Organizational restructuring	\$ 101	\$ -	\$ 861	\$ 962
Total restructuring charges	\$ 101	\$ -	\$ 861	\$ 962

<sup>(1)</sup> Represents expense incurred within our corporate function and not directly attributable to our segments.

The following table presents restructuring charges incurred by cost type:

Three Months Ended		
(in thousands)	March 31, 2024	
Organizational Restructuring		
Severance costs	\$	789
Consulting costs		258
Total restructuring costs	\$	1,047

	Three Months Ended June 30, 2023	Six Months Ended June 30, 2023
(in thousands)		
<b>Organizational Restructuring</b>		
Severance costs	\$ (85)	\$ 705
Consulting costs	-	257
Total restructuring costs	\$ (85)	\$ 962

## 12. Income Taxes

### Valuation Allowance

The amount of our deferred tax assets considered realizable could be adjusted if projections of future taxable income are not realized.

**Effective Tax Rate**

The year-to-date effective tax rate for the three six months ended March 31, 2024 June 30, 2024 differed significantly from the corresponding period of 2023.

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**Archrock, Inc.**

**Notes to Condensed Consolidated Financial Statements (continued)**

**Unrecognized Tax Benefits**

As of March 31, 2024 June 30, 2024, we believe it is reasonably possible that \$

3.3

million \$3.4 million of our unrecognized tax benefits, including penalties, interest and discontinued operations, will be

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**Archrock, Inc.**

**Notes to Condensed Consolidated Financial Statements (continued)**

**13. Earnings Per Common Share**

Basic earnings per common share is computed using the two-class method, which is an earnings allocation formula that determines the amount of earnings to be allocated to common stockholders.

Diluted earnings per common share is computed using the weighted average number of common shares outstanding adjusted for the effect of dilutive securities.

The following table shows the calculation of net income attributable to common stockholders, which is used in the calculation of earnings per common share.

	Three Months Ended	
	March 31,	
(in thousands)	2024	2023
Net income	\$ 40,532	\$ 16,485
Less: Allocation		

	Three Months Ended		Six Months Ended
	June 30,		June 30,
(in thousands)	2024	2023	2024
Net income	\$ 34,425	\$ 24,653	\$ 74,95
Less: Allocation of earnings to participating securities	(435)	(354)	(1,180)
Net income attributable to common stockholders	\$ 33,990	\$ 24,299	\$ 73,77
Less: Allocation of earnings to cash or share settled restricted stock units	(138)	—	(220)
Diluted net income attributable to common stockholders	\$ 33,852	\$ 24,299	\$ 73,55
Weighted average common shares outstanding used in basic earnings per common share	154,496	154,358	154,34
Effect of dilutive securities:			
Performance-based restricted stock units	287	54	30
ESPP shares	2	—	—



Weighted average common shares outstanding used in diluted earnings per common share	154,785	154,412	154,64
--	---------	---------	--------

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Archrock, Inc.		
Notes to participating securities	(	(
	748	735
	)	)
Net income attributable to common stockholders	\$ 39,784	\$ 15,750
Less: Allocation of earnings to cash or share settled restricted stock units	(	-
	85	
	)	
Diluted net income attributable to common stockholders	\$ 39,699	\$ 15,750
Weighted average common shares outstanding used in basic earnings per common share	154,187	154,116
Effect of dilutive securities:		
Performance-based restricted stock units	310	162
ESPP shares	4	3
Weighted average common shares outstanding used in diluted earnings per common share	154,501	154,281

Condensed Consolidated Financial Statements (continued)

14. Fair Value Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Investment in ECOTEC

As of **March 31, 2024****June 30, 2024**, we owned a **25**  
**%25%** equity interest in ECOTEC (see Note 5 ("Investments in Unconsolidated **Affiliates**"**Affiliates**)). We have elected t

The fair value determination of this investment primarily consisted of unobservable inputs, which creates uncertainty in

Additional quantitative information related to the  
 fair value of our investment in ECOTEC was \$  
**14.9**  
 million.

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Archrock, Inc.
Notes to Condensed Consolidated Financial Statements (continued)
This fair value measurement is classified as Level 3. The significant unobservable inputs are as follows:

--

Significant		Three Months Ended		Three Months Ended	
Unobservable		March 31, 2024		March 31, 2023	
Inputs		Range	Median	Range	Median
Valuation technique:					
Discounted cash flow	WACC	0.4	13.5	0.0	11.3
		% -	%	% -	%
		20.0		22.1	
		%		%	
Guideline public company	Revenue multiple	1.5	3.8	1.7	3.9
		x -	x	x -	x
		7.2		8.0	
		x		x	

	Significant Unobservable Inputs	Three Months Ended June 30, 2024		Three Months Ended June 30, 2023	
		Range	Median	Range	Median
Valuation technique:					
Discounted cash flow	WACC	0.4% - 20.0%	13.5%	0.0% - 17.4%	10.0%
Guideline public company	Revenue multiple	1.5x - 7.2x	3.8x	1.6x - 10.0x	4.0x

The reconciliation of changes in the fair value of our investment in ECOTEC is as follows:

Three Months Ended		
March 31,		
(in thousands)	2024	2023
Balance at beginning of period	\$ 14,905	\$ 12,803
Purchases of equity interests	-	2,000
Unrealized loss	-	(
(1)		254
		)
Balance at end of period	\$ 14,905	\$ 14,549

(1) Included in other expense (income), net in our unaudited condensed consolidated statement of operations.

See Note 5 ("Investments in Unconsolidated Affiliates") for further details.

(in thousands)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Balance at beginning of period	\$ 14,905	\$ 14,549	\$ 14,905	\$ 12,803
Purchases of equity interests	-	-	-	2,000
Unrealized loss (1)	-	(1,742)	-	(1,996)
Balance at end of period	\$ 14,905	\$ 12,807	\$ 14,905	\$ 12,807

(1) Included in other expense, net in our unaudited condensed consolidated statement of operations.

#### Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Investment in Ionada

As of March 31, 2024 June 30, 2024, we had a fully diluted ownership equity interest in Ionada of 10% (see Note 5 ("Investments in Unconsolidated Affiliates" Affiliates)). We have elected the fair value measurement 4.3 million. The reconciliation \$4.3 million, which includes our initial investment of changes in \$3.8 million and cumulative transacti Ionada is as follows:

	Three Months Ended	
	March 31,	
(in thousands)	2024	
Balance at beginning of period	\$ 4,205	
Purchases of equity interests	-	
Transaction costs capitalized as investment activity	57	
Cost basis	4,262	
Adjustments	-	
Carrying value	\$ 4,262	the investment. Subject to certain contractual
1.2 million	\$1.2 million	on November 1, 2024, \$
1.3 million	\$1.3 million	on November 1, 2025, and \$
4.8 million	\$4.8 million	prior to July 1, 2026, for a fully diluted ownership interest of 12
%,		
15		
%12%, 15% and 24		
%, 24%, respectively.		
	18	

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Archrock, Inc.  
Notes to Condensed Consolidated Financial Statements (continued)

Compressors

During the three six months ended March 31, 2024 June 30, 2024, we recorded nonrecurring fair value measurements related t

	March 31, 2024	December 31, 2023
(in thousands)		
Impaired compressors	\$ 263	\$ 1,423

(in thousands)	June 30, 2024	December 31, 2023
Impaired compressors	\$ 594	\$ 1,423

The significant unobservable inputs used to develop the above fair value measurements were weighted by the relative fair

	Range	Weighted Average
		(1)
Estimated net sale proceeds:		
As of March 31, 2024	\$ 0	\$ 50
	- \$ 211	per horsepower
As of December 31, 2023	\$ 0	\$ 50
	- \$ 294	per horsepower

(1) Calculated based on an estimated discount for market liquidity of 30% and 33% as of March 31, 2024 and December 31, 2023, respectively.

	Range	Weighted Average (1)
Estimated net sale proceeds:		
As of June 30, 2024	\$0 - \$211 per horsepower	\$51 per horsepower
As of December 31, 2023	\$0 - \$294 per horsepower	\$50 per horsepower

(1) Calculated based on an estimated discount for market liquidity of 26% and 33% as of June 30, 2024 and December 31, 2023, respectively.

See Note 10 ("Long-Lived and Other Asset Impairments") for further details.

#### Other Financial Instruments

The carrying amounts of our cash, accounts receivable and accounts payable approximate fair value due to the short-term nature of these instruments.

The carrying amount of borrowings outstanding under our Credit Facility approximates fair value due to the variable interest rate and the short-term nature of these instruments.

The fair value of our fixed rate debt is estimated using yields observable in active markets, which are Level 2 inputs, and the carrying amount of this debt approximates fair value.

	March 31, 2024	December 31, 2023
(in thousands)		
Carrying amount of fixed rate debt	\$ 1,298,066	\$ 1,297,844

(in thousands)	June 30, 2024	December 31, 2023
Carrying amount of fixed rate debt (1)	\$ 1,298,256	\$ 1,297,844
Fair value of fixed rate debt	1,295,000	1,289,000

(1) Fair value of fixed rate debt 1,294,000 1,289,000 (1) Carrying amounts are shown net of unamortized premium and deferred financing costs. See Note 6 ("Long-Ter

## 15. Related Party Transactions

From August 2019 to present, our Board of Directors has included a member affiliated with our customer Hilcorp or its sul

10.5

million and \$

9.1

million \$8.7 million during the three months ended March 31, 2024 June 30, 2024 and 2023, respectively, and \$20.4 million

3.6

million and \$

3.8

million \$3.8 million as of March 31, 2024 June 30, 2024 and December 31, 2023, respectively.

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## Archrock, Inc.

### Notes to Condensed Consolidated Financial Statements (continued)

## 16. Segment Information

We manage our business segments primarily based on the type of product or service provided. We have two segments that we

We evaluate the performance of our segments based on adjusted gross margin, defined as revenue less cost of sales, (excl

Summarized financial information for our reporting segments is shown below:

	Contract	Aftermarket	
(in thousands)	Operations	Services	Total
Three months ended March 31, 2024			
Revenue	\$ 223,051	\$ 45,437	\$ 268,488
Gross margin	145,308	10,437	155,745
Three months ended March 31, 2023			
Revenue	\$ 187,745	\$ 42,089	\$ 229,834
Gross margin	108,263	8,181	116,444

(in thousands)	Contract Operations	Aftermarket Services	Total
----------------	------------------------	-------------------------	-------

Three months ended June 30, 2024						
Revenue	\$	225,468	\$	45,058	\$	270,526
Adjusted gross margin		146,190		9,900		156,090
Three months ended June 30, 2023						
Revenue	\$	201,120	\$	46,423	\$	247,543
Adjusted gross margin		125,087		11,080		136,167
Six months ended June 30, 2024						
Revenue	\$	448,519	\$	90,495	\$	539,014
Adjusted gross margin		291,498		20,337		311,835
Six months ended June 30, 2023						
Revenue	\$	388,865	\$	88,512	\$	477,377
Adjusted gross margin		233,350		19,261		252,611

The following table reconciles total **adjusted** gross margin to income before income taxes:

Three Months Ended		
March 31,		
(in thousands)	2024	2023
Total gross margin	\$ 155,745	\$ 116,444
Less:		
Selling, general and administrative	31,665	26,425
Depreciation and amortization	42,835	40,181
Long-lived and other asset impairment	2,568	2,569
Restructuring charges	-	1,047
Interest expense	27,334	26,581
Gain on sale of assets, net	(	(
	2,381	3,605
	)	)
Other (income) expense, net	139	603
Income before income taxes	\$ 53,585	\$ 22,643

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(in thousands)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Total adjusted gross margin	\$ 156,090	\$ 136,167	\$ 311,835	\$ 252,611
Less:				
Selling, general and administrative	31,163	28,649	62,828	55,074
Depreciation and amortization	43,853	41,210	86,688	81,391
Long-lived and other asset impairment	4,401	2,892	6,969	5,461
Restructuring charges	-	(85)	-	962
Interest expense	27,859	28,630	55,193	55,211
Transaction-related costs	1,782	-	1,782	-
Gain on sale of assets, net	(576)	(1,176)	(2,957)	(4,781)

Other expense, net	128	1,463	267	2,066
Income before income taxes	<u>\$ 47,480</u>	<u>\$ 34,584</u>	<u>\$ 101,065</u>	<u>\$ 57,227</u>

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#### Archrock, Inc.

#### Notes to Condensed Consolidated Financial Statements (continued)

#### 17. Subsequent Events

##### TOPS Acquisition

On July 22, 2024, Archrock and Archrock ELT entered into a Purchase and Sale Agreement (the "Purchase and Sale Agreement"). The Transaction is expected to close by the end of 2024, subject to customary closing conditions, including (i) the absence of any material adverse change. The Purchase and Sale Agreement contains customary representations, warranties and covenants by the parties. The Purchase and Sale Agreement may be terminated, subject to certain exceptions, (i) upon the mutual written consent of the parties. In connection with the transactions contemplated by the Purchase and Sale Agreement, and as a condition precedent to the

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#### Archrock, Inc.

#### Notes to Condensed Consolidated Financial Statements (continued)

In connection with the Transaction, certain indirect equity holders of the Sellers who are current employees of TOPS (the

##### The Offering

On July 22, 2024, Archrock entered into an Underwriting Agreement (the "Underwriting Agreement") with J.P. Morgan Securities LLC. The Underwriting Agreement contains customary representations and warranties, agreements and obligations, closing conditions and other terms. The Offering was made pursuant to a shelf registration statement on Form S-3 (File No. 333-267523) (the "Registration Statement"). The Offering closed on July 24, 2024. The Company intends to use the approximately \$256.4 million of net proceeds from the

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ITEM 2. **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our **condensed consolidated financial statements** and the notes thereto included in this Form 10-Q and in conjunction with our **annual report**.

**OVERVIEW**

We are an energy infrastructure company with a pure-play focus on midstream natural gas compression. We are a premier provider of midstream natural gas compression services to our customers.

**Operating Highlights**

Three Months Ended		
March 31,		
(horsepower in thousands)	2024	2023
Total available horsepower (at period end)	3,780	3,729
(1)		
Total operating horsepower (at period end)	3,593	3,504
(2)		
Average operating horsepower	3,606	3,475
Horsepower utilization:		
Spot (at period end)	95 %	94 %
Average	96 %	93 %

(1) Defined as idle and operating horsepower. Includes new compressors completed by third party manufacturers that have been delivered to us.

(2) Defined as horsepower that is operating under contract and horsepower that is idle but under contract and generating revenue such as standby revenue.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
(horsepower in thousands)	2024	2023	2024	2023
Total available horsepower (at period end)(1)	3,806	3,770	3,806	3,770
Total operating horsepower (at period end)(2)	3,601	3,578	3,601	3,578
Average operating horsepower	3,605	3,549	3,607	3,513
Horsepower utilization:				
Spot (at period end)	95 %	95 %	95 %	95 %
Average	95 %	95 %	95 %	94 %

(1) Defined as idle and operating horsepower. Includes new compressors completed by third-party manufacturers that have been delivered to us.

(2) Defined as horsepower that is operating under contract and horsepower that is idle but under contract and generating revenue such as standby revenue.

**Non-GAAP Financial Measures**

Management uses a variety of financial and operating metrics to analyze our performance. These metrics are significant financial measures used by management to evaluate our performance.

We define **adjusted** gross margin as total revenue less cost of sales, **(excluding exclusive of depreciation and amortization)**.



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[Gross](#)

**Adjusted gross** margin has certain material limitations associated with its use as compared to net income. These limitations

The following table reconciles net income to **adjusted** gross margin:

	Three Months Ended	
	March 31,	
(in thousands)	2024	2023
Net income	\$ 40,532	\$ 16,485
Selling, general and administrative	31,665	26,425
Depreciation and amortization	42,835	40,181
Long-lived and other asset impairment	2,568	2,569
Restructuring charges	-	1,047
Interest expense	27,334	26,581
Gain on sale of assets, net	(2,381)	(3,605)
Other (income) expense, net	139	603
Provision for income taxes	13,053	6,158
<b>Gross</b>		

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
(in thousands)	2024	2023	2024	2023
Net income	\$ 34,425	\$ 24,653	\$ 74,957	\$ 41,138
Selling, general and administrative	31,163	28,649	62,828	55,074
Depreciation and amortization	43,853	41,210	86,688	81,391
Long-lived and other asset impairment	4,401	2,892	6,969	5,461
Restructuring charges	-	(85)	-	962
Interest expense	27,859	28,630	55,193	55,211
Transaction-related costs	1,782	-	1,782	-
Gain on sale of assets, net	(576)	(1,176)	(2,957)	(4,781)
Other expense, net	128	1,463	267	2,066
Provision for income taxes	13,055	9,931	26,108	16,089
<b>Adjusted gross margin</b>	<b>\$ 156,090</b>	<b>\$ 136,167</b>	<b>\$ 311,835</b>	<b>\$ 252,611</b>

The following table reconciles **adjusted gross** margin \$ 155,745 \$ 116,444

to gross margin, its most directly comparable GAAP measure:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
(in thousands)	2024	2023	2024	2023
Total revenues	\$ 270,526	\$ 247,543	\$ 539,014	\$ 477,377
Cost of sales, exclusive of depreciation and amortization	(114,436)	(111,376)	(227,179)	(224,766)
Depreciation and amortization	(43,853)	(41,210)	(86,688)	(81,391)
<b>Gross margin</b>	<b>112,237</b>	<b>94,957</b>	<b>225,147</b>	<b>171,220</b>

Depreciation and amortization	43,853	41,210	86,688	81,391
Adjusted gross margin	<u>\$ 156,090</u>	<u>\$ 136,167</u>	<u>\$ 311,835</u>	<u>\$ 252,611</u>

## RESULTS OF OPERATIONS

### Summary of Results

Revenue was \$268.5 million, \$270.5 million and \$229.8 million, \$247.5 million during the three months ended March 31, 2024, June 31, 2024, and June 30, 2024. See "Contract Operations" and "Aftermarket Services" for more information.

Net income was \$40.5 million, \$34.4 million and \$16.5 million, \$24.7 million during the three months ended March 31, 2024, June 31, 2024, and June 30, 2024.

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Net income was \$75.0 million and \$41.1 million during the six months ended June 30, 2024, and 2023, respectively. The increase in net income was primarily due to an increase in revenue and a decrease in cost of sales.

Three Months Ended March 31, 2024, June 30, 2024 Compared to Three Months Ended March 31, 2023

June 30, 2023

### Contract Operations

Three Months Ended			
	March 31,		Increase
(dollars in thousands)	2024	2023	(Decrease)
Revenue	\$ 223,051	\$ 187,745	19 %
Cost of sales (excluding depreciation and amortization)	77,743	79,482	(2) %
Gross margin	\$ 145,308	\$ 108,263	34 %
Gross margin percentage	65 %	58 %	7 %
(1)			

(1) Defined as gross margin divided by revenue.

Three Months Ended			
	June 30,		Increase
(dollars in thousands)	2024	2023	(Decrease)
Revenue	\$ 225,468	\$ 201,120	12 %
Cost of sales, exclusive of depreciation and amortization	79,278	76,033	4 %
Adjusted gross margin	\$ 146,190	\$ 125,087	17 %
Adjusted gross margin percentage (1)	65 %	62 %	3 %

(1) Defined as adjusted gross margin divided by revenue.

Revenue in our contract operations business increased primarily due to higher rates and an increase in average operating

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higher utilization at Archrock and across our industry.

The decrease in cost of sales, exclusive of depreciation and amortization, was primarily due to a \$4.8 million offset

## Aftermarket Services

	Three Months Ended		
	June 30,		Increase
(dollars in thousands)	2024	2023	(Decrease)
Revenue	\$ 45,058	\$ 46,423	(3)%
Cost of sales, exclusive of depreciation and amortization	35,158	35,343	(1)%
Adjusted gross margin	\$ 9,900	\$ 11,080	(11)%
Adjusted gross margin percentage <sup>(1)</sup>	22 %	24 %	(2)%

<sup>(1)</sup> Defined as adjusted gross margin divided by a \$1.5 million increase in total employee compensation expense and a \$0.8 million increase in parts expense.

## Aftermarket Services

	Three Months Ended		
	March 31,		Increase
(dollars in thousands)	2024	2023	(Decrease)
Revenue	\$ 45,437	\$ 42,089	8 %
Cost of sales (excluding depreciation and amortization)	35,000	33,908	3 %
Gross margin	\$ 10,437	\$ 8,181	28 %
Gross margin percentage	23 %	19 %	4 %

revenue.

Revenue in our aftermarket services business increased primarily due to a decrease in part sales, partially off partially offset by a decrease in part sales.

Gross demand.

Adjusted gross margin increased in our aftermarket services business as a result of increased revenue product sales.

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## Costs and Expenses

(in thousands)	Three Months Ended	
	March 31,	
	2024	2023
Selling, general and administrative	\$ 31,665	\$ 26,425
Depreciation and amortization	42,835	40,181

Long-lived and other asset impairment	2,568	2,569
Restructuring charges	-	1,047
Interest expense	27,334	26,581
Gain on sale of assets, net	(2,381)	(3,605)
Other expense (income), net	139	603

(in thousands)	Three Months Ended	
	June 30,	
	2024	2023
Selling, general and administrative	\$ 31,163	\$ 28,649
Depreciation and amortization	43,853	41,210
Long-lived and other asset impairment	4,401	2,892
Restructuring charges	-	(85)
Interest expense	27,859	28,630
Transaction-related costs	1,782	-
Gain on sale of assets, net	(576)	(1,176)
Other expense, net	128	1,463

*Selling, general and administrative.* The increase in SG&A includes included a \$3.4 million \$1.9 million increase in long-term expense, a \$0.3 million increase in short-term incentive employee compensation expense and a \$0.3 million reduction \$0.2 million fees.

*Depreciation and amortization.* The increase in depreciation and amortization expense was primarily due to fixed assets at

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*Long-lived and other asset impairment.* We periodically review the future deployment of our idle compressors for units that

(dollars)	Three Months Ended	
	March 31,	
	2024	2023

(dollars in thousands)	Three Months Ended	
	June 30,	
	2024	2023
Idle compressors retired from the active fleet	40	15
Horsepower of idle compressors retired from the active fleet	32,000	9,000
Impairment recorded on idle compressors retired from the active fleet	\$ 4,401	\$ 2,892

*Interest expense.* The decrease in thousands) 2024 2023  
*Idle compressors retired from interest expense* was primarily due to the active fleet 25  
*Horsepower write-off of idle compressors retired from* \$1.0 million of unamortized deferred financing costs as a result of  
*Impairment recorded on idle compressors retired from the active fleet* \$ 2,568 \$ 2,569

*Restructuring charges.*

Restructuring charges of \$1.0 million Amended and Restated Credit Agreement during the three months ended March 31, 2023 consisted of severance June 30, 2023, and consulting costs related to our restructuring activities. See Note 11 ("Restructuring Charges") for further details on these restructuring charges.

*Interest expense.*

The increase in interest expense was due to a higher lower average outstanding balance of long-term debt, partially offset

**Transaction-related costs.** We incurred \$1.8 million of legal and other professional fees during the three months ended June 30, 2024. **Gain on sale of assets, net.** The decrease in gain on sale of assets was primarily due to gains of \$2.2 million on compression asset sales and \$0.3 million on transportation asset sales during the three months ended June 30, 2024, compared to gains of \$3.3 million on compression asset sales and \$0.4 million on other assets during the three months ended June 30, 2023. **Other expense, net.** The increase in other expense, net was primarily due to a \$1.7 million unrealized change in the fair value of investments.

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**Provision for Income Taxes**

The increase in provision for income taxes was primarily due to the tax effect of the increase in book income, offset by the decrease in provision for income taxes due to the change in the effective tax rate.

	Three Months Ended		
	June 30,		Increase
(dollars in thousands)	2024	2023	(Decrease)
Provision for income taxes	\$ 13,055	\$ 9,931	31 %
Effective tax rate	27 %	28 %	(1)%

**Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023**

**Contract Operations**

	Six Months Ended		
(dollars in thousands)	June 30,		Increase
	2024	2023	(Decrease)
Revenue	\$ 448,519	\$ 388,865	15 %
Cost of sales, exclusive of depreciation and amortization	157,021	155,515	1 %
Adjusted gross margin	\$ 291,498	\$ 233,350	25 %
Adjusted gross margin percentage <sup>(1)</sup>	65 %	60 %	5 %

(1) Defined as adjusted gross margin divided by revenue.

Revenue in our contract operations business increased primarily due to higher rates and an increase in average operating leverage.

The increase in cost of sales, exclusive of depreciation and amortization, was primarily due to a \$5.2 million increase in the cost of sales, exclusive of depreciation and amortization, related to the acquisition of certain assets.

**Aftermarket Services**

	Six Months Ended		
	June 30,		Increase
(dollars in thousands)	2024	2023	(Decrease)
Revenue	\$ 90,495	\$ 88,512	2 %
Cost of sales, exclusive of depreciation and amortization	70,158	69,251	1 %
Adjusted gross margin	\$ 20,337	\$ 19,261	6 %
Adjusted gross margin percentage <sup>(1)</sup>	22 %	22 %	0 %

(1) Defined as adjusted gross margin divided by revenue.

Revenue in our aftermarket services business increased primarily due to higher levels of service activities driven by an increase in the number of service activities.

Adjusted gross margin increased in our aftermarket services business as a result of increased revenue which exceeded the

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**Costs and Expenses**

(in thousands)	Six Months Ended June 30,	
	2024	2023
Selling, general and administrative	\$ 62,828	\$ 55,074
Depreciation and amortization	86,688	81,391
Long-lived and other asset impairment	6,969	5,461
Restructuring charges	—	962
Interest expense	55,193	55,211
Transaction-related costs	1,782	—
Gain on sale of assets, net	(2,957)	(4,781)
Other expense, net	267	2,066

*Selling, general and administrative.* The increase in SG&A included primarily a \$5.7 million increase in long-term incentive

*Depreciation and amortization.* The increase in depreciation and amortization expense was primarily due to fixed assets at

*Long-lived and other asset impairment.* We periodically review the future deployment of our idle compressors for units that

(dollars in thousands)	Six Months Ended June 30,	
	2024	2023
Idle compressors retired from the active fleet	65	45
Horsepower of idle compressors retired from the active fleet	46,000	23,000
Impairment recorded on idle compressors retired from the active fleet	\$ 6,969	\$ 5,461

*Restructuring charges.* Restructuring charges of \$1.0 million during the six months ended June 30, 2023 consisted of severance

*Interest expense.* The decrease in interest expense was primarily due to the write-off of \$1.0 million of unamortized deferred

*Transaction-related costs.* We incurred \$1.8 million of legal and other professional fees during the six months ended June 30,

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*Gain on sale of assets, net.* The decrease in gain on sale of assets was primarily due to gains of \$2.5 million on comprehensive

*Other expense, net.* The increase in other expense, net was primarily due to a \$2.0 million unrealized change in the fair value of

**Provision for Income Taxes**

The increase in provision for income taxes was primarily due to the tax effect of the increase in book income and the li

Three Months Ended			
	March 31,		Increase
(dollars in thousands)	2024	2023	(Decrease)
Provision for income taxes	\$ 13,053	\$ 6,158	112 %
Effective tax rate	24 %	27 %	(3) %

Six Months Ended			
	June 30,		Increase
(dollars in thousands)	2024	2023	(Decrease)
Provision for income taxes	\$ 26,108	\$ 16,089	62 %
Effective tax rate	26 %	28 %	(2)%

## LIQUIDITY AND CAPITAL RESOURCES

### Overview

Our ability to fund operations, finance capital expenditures and pay dividends depends on the levels of our operating ca:  
We may from time to time seek to retire or purchase our outstanding debt through cash purchases and/or exchanges for equ:

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### Cash Requirements

Our contract operations business is capital intensive, requiring significant investment to maintain and upgrade existing

. operating expenses, namely employee compensation and benefits and inventory and lube oil purchases;

. growth capital expenditures;

. maintenance capital expenditures;

. interest on our outstanding debt obligations; and

. dividend payments to our stockholders.

- operating expenses, namely employee compensation and benefits, inventory and lube oil purchases;
- growth capital expenditures;
- maintenance capital expenditures;
- interest on our outstanding debt obligations;
- dividend payments to our stockholders; and
- shares repurchased under the Share Repurchase Program and to cover taxes required to be withheld on the vesting date

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### Capital Expenditures

**Growth Capital Expenditures.** The majority of our growth capital expenditures are related to the acquisition cost of new  
**Maintenance Capital Expenditures.** Maintenance capital expenditures are related to major overhauls of significant components  
**Projected Capital Expenditures.** While market activity continues to be strong, we currently anticipate reduced capital expenditures

### Dividends

On **April 25, 2024** **July 25, 2024**, our Board of Directors declared a quarterly dividend of \$0.165 per share of common stock

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### Share Repurchase Program

On **April 27, 2023**, our Board of Directors authorized a share repurchase program that allowed us to repurchase up to \$50.0 million of outstanding common stock. Under **Cash**

### Credit Facility

During the Share Repurchase Program, shares of our common stock may be repurchased periodically, including in the open market, privately negotiated transactions, or otherwise in accordance with applicable federal securities laws, at any time. On April 25, 2024, our Board of Directors approved an extension of the Share Repurchase Program upon expiry of the current authorization on April 27, 2024, for an additional twenty-four-month period. Through March 31, 2024, the Company had repurchased 833,346 common shares at an average price of \$12.11 per share for an aggregate of \$10.1 million. In connection with the extension, the Board of Directors replenished the amount of shares authorized for repurchase under the Share Repurchase Program, resulting in available capacity of \$50.0 million. The actual timing, manner, number, and value of shares repurchased under the program will be determined by us at our discretion. The following table summarizes shares repurchased under the Share Repurchase Program during the three **six** months ended March 31, 2024:

	Three Months Ended
(dollars in thousands, except per share amounts)	March 31, 2024
Total cost of shares repurchased	\$ 1,230
Average price per share	\$ 14.83
Total number of shares repurchased	82,972

### Sources of Cash

### Revolving Credit Facility



During the three months ended March 31, 2024 June 30, 2024 and 2023, our Credit Facility had an average debt balance of \$

As of March 31, 2024 June 30, 2024, we were in compliance with all covenants under our Credit Facility. Additionally, all

#### Cash Flows

Our cash flows, as reflected in our unaudited condensed consolidated statements of cash flows, are summarized below:

	Three Months Ended	
	March 31,	
(in thousands)	2024	2023
Net cash provided by (used in):		
Operating activities	\$ 137,702	\$ 87,856
Investing activities	(85,923)	(57,666)
Financing activities	(51,962)	(28,705)
Net increase (decrease) in cash and cash equivalents	\$ (183)	\$ 1,485

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	Six Months Ended	
	June 30,	
(in thousands)	2024	2023
Net cash provided by (used in):		
Operating activities	\$ 208,353	\$ 118,398
Investing activities	(173,488)	(150,946)
Financing activities	(35,284)	32,175
Net decrease in cash and cash equivalents	\$ (419)	\$ (373)

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#### Operating Activities

The increase in net cash provided by operating activities was primarily due to increased cash inflows of \$39.0 million \$6 increases was a decrease in accounts payable and other liabilities of \$4.3 million.

#### Investing Activities

The increase in net cash used in investing activities was primarily due to a \$15.4 million increase in capital expenditure

#### Financing Activities

The increase in change from net cash provided by financing activities to net cash used in financing activities was primary

#### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks associated with changes in the variable interest rate of our Credit Facility. A 1% increase in the variable interest rate would increase our interest expense by approximately \$0.1 million.

ITEM 4. CONTROLS AND PROCEDURES

This Item 4 includes information concerning the controls and controls evaluation referred to in the certifications of our Chief Executive Officer and Chief Financial Officer.

Management's Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in our periodic reports is recorded, processed, summarized and reported within the time periods specified in the SEC rules and regulations.

As of the end of the period covered by this Quarterly Report on Form 10-Q, our principal executive officer and principal financial officer have evaluated our disclosure controls and procedures and concluded that our disclosure controls and procedures were effective.

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Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the period covered by this Quarterly Report on Form 10-Q.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the ordinary course of business, we are involved in various pending or threatened legal actions. While we are unable to predict the outcome of these legal actions, we believe that the outcome of these legal actions will not have a material effect on our financial position, results of operations, or cash flows.

ITEM 1A. RISK FACTORS

There

Other than the following items, there have been no material changes or updates to the risk factors previously disclosed in our Annual Report on Form 10-K.

Risks Related to the TOPS Acquisition

We may not consummate the TOPS Acquisition.

The TOPS Acquisition is subject to the satisfaction or waiver of customary closing conditions, and we cannot assure you that we will be able to consummate the acquisition.

If the TOPS Acquisition is delayed, terminated or consummated on terms different than those described in the purchase agreement, we may not be able to achieve the expected benefits of the TOPS Acquisition. Under certain specified circumstances in which the purchase and sale agreement is terminated pursuant to its terms, Arch

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***We may not be able to achieve the expected benefits of the TOPS Acquisition. We may also encounter significant difficulties in integrating TOPS.***

Even if we consummate the TOPS Acquisition, we may not be able to achieve the expected benefits of the TOPS Acquisition.

- difficulties with the integration of the business of TOPS and workforce following the TOPS Acquisition;
- conditions in the oil and natural gas industry, including the level of production of, demand for or price of oil or natural gas;
- our reduced profit margins or the loss of market share resulting from competition or the introduction of competing companies;
- changes in economic or political conditions, including terrorism and legislative changes;
- the inherent risks associated with our operations, such as equipment defects, impairments, malfunctions and natural disasters;
- the risk that counterparties will not perform their obligations under our financial instruments;
- the financial condition of our customers;
- our ability to timely and cost-effectively obtain components necessary to conduct our business;
- employment and workforce factors, including our ability to hire, train and retain key employees;
- our ability to implement certain business and financial objectives, such as:
  - winning profitable new business;
  - growing our asset base and enhancing asset utilization;
  - integrating acquired businesses;
  - generating sufficient cash; and
  - accessing the capital markets at an acceptable cost;
- liability related to the use of our services;
- changes in governmental safety, health, environmental or other regulations, which could require us to make significant investments;
- the effectiveness of our control environment, including the identification of control deficiencies; and
- our level of indebtedness and ability to fund our business.

Many of these factors are outside of our control, and any one of them could result in increased costs and liabilities, decreased earnings and cash flow, and a decline in the market price of our common stock.

The market price of our common stock may decline as a result of the TOPS Acquisition if, among other things, the integration of TOPS is delayed, terminated or consummated on terms different than those described in the purchase agreement.

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***Any acquisitions we complete, including the TOPS Acquisition, are subject to substantial risks that could reduce our ability to pay dividends.***

Even if we do make acquisitions that we believe will increase the amount of cash available for distribution to our common stock, we may not be able to pay dividends.

- the assumption of unknown liabilities, losses or costs for which we are not indemnified or for which any indemnity may be insufficient;
- our inability to obtain satisfactory title to the assets we acquire; and
- the occurrence of other significant changes, such as impairment of long-lived assets, asset devaluation or restructuring costs.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES BY ISSUER AND USE OF PROCEEDS

## Sales of Unregistered Securities

None

## Purchase of Equity Securities by the Issuer and Affiliated Purchasers

The following table summarizes our share repurchase activity for the three months ended **March 31, 2024** **June 30, 2024**:

	Approximate Dollar			
	Value of Shares			
	Total Number of			That May Yet be
	Average	Shares Purchased	Purchased Under	
	Total Number	Price	as Part of Publicly	the Publicly
	of Shares	Paid per	Announced Plans	Announced Plans
(dollars in thousands, except per share amounts)	Purchased	Share	or Programs	or Programs
	(1)	(2)		
January 1, 2024 - January 31, 2024	346,568	\$ 15.72	82,972	\$ 39,910
February 1, 2024 - February 29, 2024	-	-	-	39,910
March 1, 2024 - March 31, 2024	122,384	18.27	-	39,910
Total	468,952	\$ 16.38	82,972	

(1) Represents shares of common stock purchased from employees to satisfy tax withholding obligations in connection with the vesting of restricted stock awards and shares repurchased under the Share Repurchase Program during the period. See Note 8 ("Stockholders' Equity") for further details on the Share Repurchase Program.

(2) Average price paid per share includes costs associated with the repurchase, as applicable.

	Approximate Dollar			
	Value of Shares			
	Total Number of			That May Yet be
	Average	Shares Purchased	Purchased Under	
	Total Number	Price	as Part of Publicly	the Publicly
	of Shares	Paid per	Announced Plans	Announced Plans
(dollars in thousands, except per share amounts)	Purchased (1)	Share(2)	or Programs	or Programs
April 1, 2024 - April 30, 2024	-	\$ -	-	\$ 39,910
May 1, 2024 - May 31, 2024	597	17.72	-	50,000
June 1, 2024 - June 30, 2024	-	-	-	50,000
Total	597	\$ 17.72	-	

(1) Represents shares of common stock purchased from employees to satisfy tax withholding obligations in connection with the vesting of restricted stock

(2) Average price paid per share includes costs associated with the repurchase, as applicable.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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## ITEM 5. OTHER INFORMATION

### Insider Trading Arrangements

During the three months ended **March 31, 2024** **June 30, 2024**, none of our directors or officers adopted or terminated a **"Rule 10b5-1"** trading arrangement, as each term is defined in Item 408(a) of Regulation S-K.

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## ITEM 6. EXHIBITS

The exhibits listed below are filed or furnished as part of this report:

3.1	Composite Certificate of Incorporation of Archrock, Inc., as amended as of November 3, 2015, (incorporated by reference to Exhibit 3.3 to Archrock Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015)
3.2	Fourth Amended and Restated Bylaws of Exterran Holdings, Inc., now Archrock, Inc. (incorporated by reference to Exhibit 3.1 of Archrock Inc.'s Current Report on Form 8-K filed on July 27, 2023)
10.1	Retention Incentive Agreement, dated January 25, 2024, by and between Archrock, Inc. and D. Bradley Childers, (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on January 26, 2024)
31.1*	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

3.1	<a href="#">Composite Certificate of Incorporation of Archrock, Inc., as amended as of November 3, 2015, (incorporated by reference to Exhibit 3.3 to Archrock Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015)</a>
3.2	<a href="#">Fourth Amended and Restated Bylaws of Exterran Holdings, Inc., now Archrock, Inc. (incorporated by reference to Exhibit 3.1 of Archrock Inc.'s Current Report on Form 8-K filed on July 27, 2023)</a>
31.1*	<a href="#">Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2*	<a href="#">Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1**	<a href="#">Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
32.2**	<a href="#">Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.1*	Interactive data files (formatted in Inline XBRL) pursuant to Rule 405 of Regulation S-T
104.1*	Cover page interactive data file (formatted in Inline XBRL) pursuant to Rule 406 of Regulation S-T

*	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

101.1*	Interactive data files (formatted in Inline
	XBRL) pursuant to Rule 405 of Regulation S-T
104.1*	Cover page interactive data file (formatted in
	Inline XBRL) pursuant to Rule 406 of Regulation S-T

Management contract or compensatory plan or arrangement.

- \* Filed herewith
- \*\*
- \*\*  
Furnished, not filed

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be si

Archrock, Inc.

By: /s/

Archrock, Inc.

By: /s/ Douglas S. Aron

Douglas S. Aron

Senior Vice President and Chief Financial Officer

(Principal Financial Officer)

By: /s/ Donna A. Henderson

Donna A. Henderson

Vice President and Chief Accounting Officer

(Principal Accounting Officer)

July 31, 2024

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**Certification**  
**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, D. Bradley Childers, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Archrock, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the registrant's financial condition and results of operations;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures, and we have done so:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed
  - b. designed such internal control over financial reporting, or caused such internal control over financial reporting
  - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions regarding the effectiveness of such controls and procedures
  - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by the report
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the auditors and the audit committee of the registrant, or to the board of directors if the registrant does not have an audit committee, all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record and report its financial data and any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2024

By: /s/ D. Bradley Childers

Name: D. Bradley Childers

Title: President and Chief Executive Officer  
 (Principal Executive Officer)

**Certification**  
**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Douglas S. Aron, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Archrock, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the registrant's financial condition and results of operations;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures, and we have done so:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed
  - b. designed such internal control over financial reporting, or caused such internal control over financial reporting

- c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report ou
  - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred du
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal contri
- a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the

Date: July 31, 2024

By: /s/ Douglas S. Aron

Name: Douglas S. Aron

Title: Senior Vice President and Chief Financial Officer  
(Principal Financial Officer)

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**Exhibit 32.1**

**Certification of CEO Pursuant to  
18 U.S.C. Section 1350,  
as Adopted Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of Archrock, Inc. (the "Company") for the quarter ended June 30, 20:

- 1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as i
- 2. the information contained in the Report fairly presents, in all material respects, the financial condition and result:

/s/ D. Bradley Childers

Name: D. Bradley Childers

Title: President and Chief Executive Officer

Date: July 31, 2024

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or

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**Exhibit 32.2**

**Certification of CFO Pursuant to  
18 U.S.C. Section 1350,  
as Adopted Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of Archrock, Inc. (the "Company") for the quarter ended June 30, 20:

By: /s/ Donna A. Henderson

Donna A. Henderson of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Sect

- 1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as i



2. the information contained in the Report fairly presents, in all material respects, the financial condition and result:

/s/ Douglas S. Aron

Name: Douglas S. Aron

Title: Senior Vice President and Chief Financial Officer

Date: July 31, 2024

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or  
(Principal Accounting Officer)

May 1, 2024

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{graphic omitted}

{graphic omitted}

will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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