UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(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

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 Number: 001-41732

Kodiak Gas Services, Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**83-3013440**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
9950 Woodloch Forest Drive, Suite 1900 The Woodlands, Texas	**77380**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (936) 539-3300

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.01 per share	**KGS**	**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 Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of May 9, 2024, the registrant had 84,294,141 shares of common stock, par value $0.01 per share, outstanding.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Report") contains "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Forward-looking statements can be identified by words such as: "anticipate," "intend," "plan," "goal," "seek," "believe," "project," "estimate," "expect," "strategy," "future," "likely," "may," "should," "will" and similar references to future periods. Examples of forward-looking statements include, among others, statements we make regarding:

- Expected operating results, such as revenue growth and earnings, and our ability to service our indebtedness;
- Anticipated levels of capital expenditures and uses of capital;
- Current or future volatility in the credit markets and future market conditions;
- Potential or pending acquisition transactions or other strategic transactions, the timing thereof, the receipt of necessary approvals to close such transactions, our ability to finance such transactions, and our ability to achieve the intended operational, financial and strategic benefits from any such transactions;
- Expected synergies and efficiencies to be achieved as a result of the CSI Acquisition;
- Expectations regarding leverage and dividend profile as a result of the CSI Acquisition, including the amount and timing of future dividend payments;
- Expectations of the effect on our financial condition of claims, litigation, environmental costs, contingent liabilities, and governmental and regulatory investigations and proceedings;
- Production and capacity forecasts for the natural gas and oil industry;
- Strategy for customer retention, growth, fleet maintenance, market position and financial results;
- Our interest rate hedges; and
- Strategy for risk management.

Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not place undue reliance on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the following:

- A reduction in the demand for natural gas and oil;
- The loss of, or the deterioration of the financial condition of, any of our key customers;
- Nonpayment and nonperformance by our customers, suppliers or vendors;
- Competitive pressures that may cause us to lose market share;
- The structure of our Compression Operations contracts and the failure of our customers to continue to contract for services after expiration of the primary term;
- Our ability to successfully integrate any acquired businesses, including CSI Compressco, and realize the expected benefits thereof;
- Our ability to fund purchases of additional compression equipment;
- A deterioration in general economic, business, geopolitical or industry conditions, including as a result of the conflict between Russia and Ukraine and the Israel-Hamas War, inflation and slow economic growth in the United States;
- A downturn in the economic environment, as well as inflationary pressures;
- Tax legislation and administrative initiatives or challenges to our tax positions;
- The loss of key management, operational personnel or qualified technical personnel;
- Our dependence on a limited number of suppliers;

- The cost of compliance with existing and new governmental regulations, including climate change legislation;
- The cost of compliance with regulatory initiatives and stakeholders' pressures, including environmental, social and governance scrutiny;
- The inherent risks associated with our operations, such as equipment defects and malfunctions;
- Our reliance on third-party components for use in our information technology systems;
- Legal and reputational risks and expenses relating to the privacy, use and security of employee and client information;
- Threats of cyber-attacks or terrorism;
- Agreements that govern our debt contain features that may limit our ability to operate our business and fund future growth and also increase our exposure to risk during adverse economic conditions;
- Volatility in interest rates;
- Our ability to access the capital and credit markets or borrow on affordable terms to obtain additional capital that we may require;
- The effectiveness of our disclosure controls and procedures; and
- Such other factors set forth in Part I, Item 1A, "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of this Report.

Any forward-looking statement made by us in this Report is based only on information currently available to us and speaks only as of the date on which it is made. Except as may be required by applicable law, we undertake no obligation to publicly update any forward-looking statement whether as a result of new information, future developments or otherwise.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

KODIAK GAS SERVICES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(in thousands, except share and per share data)

	As of March 31, 2024	As of December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 9,306	$ 5,562
Accounts receivable, net	143,237	113,192
Inventories, net	82,906	76,238
Fair value of derivative instruments	4,226	8,194
Contract assets	18,330	17,424
Prepaid expenses and other current assets	5,250	10,353
Total current assets	263,255	230,963
Property, plant and equipment, net	2,561,558	2,536,091
Operating lease right-of-use assets, net	32,444	33,716
Goodwill	305,553	305,553
Identifiable intangible assets, net	120,520	122,888
Fair value of derivative instruments	32,465	14,256
Other assets	636	639
Total assets	$ 3,316,431	$ 3,244,106
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 60,721	$ 49,842
Accrued liabilities	108,851	97,078
Contract liabilities	68,332	63,709
Total current liabilities	237,904	210,629
Long-term debt, net of unamortized debt issuance cost	1,828,259	1,791,460
Operating lease liabilities	33,901	34,468
Deferred tax liabilities	69,009	62,748
Other liabilities	2,385	2,148
Total liabilities	$ 2,171,458	$ 2,101,453
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Preferred stock, par value $0.01 par value; 50,000,000 shares of preferred stock authorized, zero issued as of March 31, 2024, and December 31, 2023, respectively	—	—
Common stock, par value $0.01 per share; 750,000,000 shares of common stock authorized, 77,434,577 and 77,400,000 shares of common stock issued and outstanding as of March 31, 2024, and December 31, 2023, respectively	774	774
Additional paid-in capital	965,732	963,760
Retained earnings	178,467	178,119
Total stockholders' equity	1,144,973	1,142,653
Total liabilities and stockholders' equity	$ 3,316,431	$ 3,244,106

See accompanying notes to the unaudited condensed consolidated financial statements.

KODIAK GAS SERVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(in thousands, except share and per share data)

	For the Three Months Ended March 31,	
	2024	**2023**
Revenues:		
Compression Operations	$ 193,399	$ 177,697
Other Services	22,093	12,415
Total revenues	215,492	190,112
Operating expenses:		
Cost of operations (exclusive of depreciation and amortization shown below):		
Compression Operations	65,882	62,770
Other Services	17,684	8,988
Depreciation and amortization	46,944	44,897
Selling, general and administrative	24,824	13,085
Loss on sale of property, plant and equipment	—	17
Total operating expenses	155,334	129,757
Income from operations	60,158	60,355
Other income (expenses):		
Interest expense, net	(39,740)	(68,662)
Gain (loss) on derivatives	19,757	(7,995)
Other expense	(68)	(31)
Total other expenses, net	(20,051)	(76,688)
Income (loss) before income taxes	40,107	(16,333)
Income tax expense (benefit)	9,875	(3,990)
Net income (loss)	$ 30,232	$ (12,343)
Basic and diluted earnings per share		
Basic net earnings (loss) per share	$ 0.39	$ (0.21)
Diluted net earnings (loss) per share	$ 0.39	$ (0.21)
Basic weighted average shares of common stock outstanding	77,432,283	59,000,000
Diluted weighted average shares of common stock outstanding	78,102,450	59,000,000

See accompanying notes to the unaudited condensed consolidated financial statements.

KODIAK GAS SERVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)
(in thousands, except share data)

	Common Shares								
	Shares		**Amount**		**Additional Paid- In Capital**		**Retained Earnings**		**Total Stockholders' Equity**
Balance, January 1, 2023	59,000,000	$	590	$	33,189	$	195,314	$	229,093
Equity compensation - profits interests	—		—		(193)		879		686
Net loss	—		—		—		(12,343)		(12,343)
Balance, March 31, 2023	59,000,000	$	590	$	32,996	$	183,850	$	217,436
Balance, January 1, 2024	77,400,000	$	774	$	963,760	$	178,119	$	1,142,653
Equity compensation - profits interests, net of forfeitures	—		—		—		161		161
Equity compensation - Omnibus Plan, net of forfeitures	—		—		2,687		—		2,687
Offering costs	—		—		(421)		—		(421)
Dividends and dividend equivalents paid to stockholders ($0.38 per common share)	—		—		—		(30,052)		(30,052)
Restricted Stock Units vested under the Omnibus Plan, net of 14,698 shares withheld for taxes	34,577		—		(294)		—		(294)
Net income	—		—		—		30,232		30,232
Other	—		—		—		7		7
Balance, March 31, 2024	77,434,577	$	774	$	965,732	$	178,467	$	1,144,973

See accompanying notes to the unaudited condensed consolidated financial statements.

KODIAK GAS SERVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(in thousands)

	Three Months Ended March 31,	
	2024	**2023**
Cash flows from operating activities:		
Net income (loss)	$ 30,232	$ (12,343)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	46,944	44,897
Stock-based compensation expense	2,848	879
Amortization of debt issuance costs	2,643	5,445
Non-cash lease expense	1,200	774
Provision for credit losses	85	2
Inventory reserve	126	125
Loss on sale of property, plant and equipment	—	17
Change in fair value of derivatives	(14,241)	17,934
Deferred tax provision (benefit)	6,261	(2,521)
Changes in operating assets and liabilities:		
Accounts receivable	(30,130)	(20,935)
Inventories	(6,794)	(2,993)
Contract assets	(906)	2,504
Prepaid expenses and other current assets	5,103	(7,522)
Accounts payable	(2,324)	(839)
Accrued and other liabilities	5,872	(9,741)
Contract liabilities	4,623	7,607
Net cash provided by operating activities	51,542	23,290
Cash flows from investing activities:		
Purchase of property, plant and equipment	(60,153)	(48,581)
Proceeds from sale of property, plant and equipment	—	32
Other	3	(25)
Net cash used in investing activities	(60,150)	(48,574)
Cash flows from financing activities:		
Borrowings on debt instruments	1,008,476	248,300
Payments on debt instruments	(957,975)	(197,569)
Payment of debt issuance cost	(7,594)	(31,878)
Offering costs	(446)	—
Cash paid for shares withheld to cover taxes	(294)	—
Dividends paid to stockholders	(29,815)	—
Net cash provided by financing activities	12,352	18,853
Net increase (decrease) in cash and cash equivalents	3,744	(6,431)
Cash and cash equivalents - beginning of period	5,562	20,431
Cash and cash equivalents - end of period	$ 9,306	$ 14,000
Supplemental cash disclosures:		
Cash paid for interest	$ 32,023	$ 67,419
Cash paid for taxes	$ —	$ —
Supplemental disclosure of non-cash investing activities:		
(Increase) decrease in accrued capital expenditures	$ (9,890)	$ 7,962
Supplemental disclosure of non-cash financing activities:		
Dividends equivalent	$ (237)	$ —
Accrued debt issuance cost	$ (8,752)	$ —

See accompanying notes to the unaudited condensed consolidated financial statements.

KODIAK GAS SERVICES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Organization and Description of Business

Kodiak Gas Services, Inc. (the “Company” or “Kodiak”) is an operator of contract compression infrastructure and related services in the U.S. The Company operates compression units under fixed-revenue contracts with upstream and midstream customers. The Company manages its business through two operating segments: Compression Operations and Other Services. Compression Operations consists of operating Company-owned and customer-owned compression infrastructure to enable the production, gathering and transportation of natural gas and oil. Other Services consists of station construction, maintenance and overhaul, plus other ancillary time and material-based offerings.

See Note 18 (“Segments”) to the Company’s condensed consolidated financial statements.

Merger with CSI Compressco

On April 1, 2024 (the “Closing Date”), the Company completed its acquisition of CSI Compressco LP (“CSI Compressco” and such acquisition, the “CSI Acquisition”), pursuant to the terms of that certain Agreement and Plan of Merger, dated as of December 19, 2023, by and among the Company; Kodiak Gas Services, LLC (“Kodiak Services”), a Delaware limited liability company and then wholly owned subsidiary of Kodiak; Kick Stock Merger Sub, LLC, a Delaware limited liability company and indirect, wholly owned subsidiary of Kodiak; Kick GP Merger Sub, LLC, a Delaware limited liability company and wholly owned subsidiary of Kodiak Services; Kick LP Merger Sub, LLC, a Delaware limited liability company and wholly owned subsidiary of Kodiak Services; CSI Compressco LP, a Delaware limited partnership; and CSI Compressco GP LLC (“CSI Compressco GP”), a Delaware limited liability company and the general partner of CSI Compressco (the “Merger Agreement”), See Note 20 (“Subsequent Events”) to the Company’s condensed consolidated financial statements for more information.

2. Basis of Presentation and Consolidation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and with the instructions to Form 10-Q and Article 10 of Regulation S-X for interim financial information. These unaudited condensed consolidated financial statements include the accounts of Kodiak and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated upon consolidation.

It is the Company’s opinion that all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. The Company’s results of operations for the interim periods presented are not necessarily indicative of the results that may be expected for the full year. For further information, refer to the Consolidated Financial Statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023. Certain prior period amounts have been reclassified to conform to the current period presentation.

Recently Issued Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures (“ASU 2023-07”), which improves reportable segment disclosure requirements through enhanced disclosures about significant segment expenses. The amendments in this update are effective for annual periods beginning after December 15, 2023, and interim periods within annual periods beginning after December 15, 2024. Early adoption is permitted. ASU 2023-07 is to be applied on a retrospective basis. The Company is currently evaluating the impact of this standard on its disclosures.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (“ASU 2023-09”), which is intended to enhance the transparency and decision usefulness of income tax disclosures. The amendments in ASU 2023-09 require the annual financial statements to include consistent categories, greater disaggregation of information in the rate reconciliation and income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective for the Company’s annual reporting periods beginning after December 15, 2024, with early adoption permitted, and should be applied on a prospective basis, with a retrospective option. The Company is currently evaluating the impact of this standard on its disclosures.

3. Revenue Recognition

The following table disaggregates the Company's revenue by type and timing of provision of services or transfer of goods*(in thousands)*:

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Services provided over time:		
Compression Operations	$ 191,719	$ 174,876
Other Services	18,553	5,399
Total services provided over time	210,272	180,275
Services provided or goods transferred at a point in time:		
Compression Operations	1,680	2,821
Other Services	3,540	7,016
Total services provided or goods transferred at a point in time	5,220	9,837
Total revenue	$ 215,492	$ 190,112

The Company derives its revenue from contracts with customers, which comprise the following revenue streams:

Compression Operations

Compression Operations consists of operating Company-owned and customer-owned compression infrastructure for the Company's customers, pursuant to fixed-revenue contracts, enabling the production, gathering and transportation of natural gas and oil.

Compression Operations for Kodiak-owned, as well as customer-owned, compressors are generally satisfied over time, as services are rendered for selected customer locations on a monthly basis and based upon specific performance criteria set forth in the applicable contract. Terms are typically one to seven years, and at the end of the term, transition to a month-to-month term if not cancelled by either party. The monthly service for a location is substantially the same service month to month and is promised consecutively over the contract term. The progress and performance of the service are measured consistently using a straight-line, time-based method; the performance obligations are satisfied evenly over the contract term as the customer simultaneously receives and consumes the benefits provided by the service. Consistent with Kodiak's satisfaction of its performance obligations, the customer renders payment for services over time in accordance with the terms of the contract.

If variable consideration exists, it is allocated to the distinct monthly service within the series to which such variable consideration relates. The Company has elected to apply the right to invoice practical expedient to recognize revenue for such variable consideration, as the invoice corresponds to the value transferred to the customer based on the Company's performance completed to date.

Service revenue earned primarily on freight and crane charges that are directly reimbursable by the Company's customers is recognized at the point in time the service is provided, and control is transferred to the customer. At such time, the customer has the ability to direct the use of the benefits of such service after the performance obligation is satisfied. The amount of consideration the Company receives and the amount of revenue the Company recognizes is based upon the invoice amount.

There are typically no material obligations for returns, refunds or warranties. The Company's standard contracts do not usually include non-cash consideration.

Other Services

Other Services consists of compressor station construction services provided to certain customers and services provided based on time, parts and/or materials with customers.

For most of the Company's construction contracts, the customer contracts with the Company to provide a service of integrating a significant set of tasks and components into a single contract. Hence, the entire contract is accounted for as one performance obligation. The Company recognizes revenue over time as the Company's performance creates or enhances an asset that the customer, in turn, controls as the asset is created or enhanced. For construction contracts, revenue is recognized using an input method. Measure of the progress towards satisfaction of the performance obligation is based on the actual amount of labor and material costs incurred. The amount of the transaction price recognized as revenue each reporting period is determined by multiplying the transaction price by the ratio of actual costs incurred to date to total estimated costs expected for the construction services. Payment terms and conditions vary by contract, but contract terms generally include a requirement of payment upon completion of a milestone. Judgment is involved in the estimation of the progress to completion. Any adjustments to the measure of the progress to completion is accounted for on a prospective basis. Changes to the scope of service are recognized as an adjustment to the transaction price in the period in which the change order is agreed upon and executed. Losses on construction contracts, if any, are recognized in the period when the estimated loss is determined. There have been no losses recognized in the three months ended March 31, 2024 and 2023.

Services provided based on time spent, parts and/or materials are generally short-term in nature and labor rates and parts pricing are agreed upon prior to commencing the service. The Company applies an estimated gross margin percentage, which is fixed based on historical time and materials-based service, to actual costs incurred. Since revenue is recognized when time is incurred, this revenue is recognized at a point and time when the service is rendered.

Contract Assets and Liabilities

The Company recognizes a contract asset when the Company has the right to consideration in exchange for goods or services transferred to a customer. Contract assets are transferred to trade receivables when the Company has right to bill. The Company had contract assets of $18.3 million and $17.4 million as of March 31, 2024, and December 31, 2023, respectively. There was a $3.6 million contract asset balance as of January 1, 2023.

The Company records contract liabilities when cash payments are received or due in advance of performance.The Company’s contract liabilities were $68.3 million and $63.7 million as of March 31, 2024, and December 31, 2023. As of January 1, 2024, and January 1, 2023, the beginning balances for contract liabilities were $63.7 million and $57.1 million, all of which was recognized as revenue in the three months ended March 31, 2024, and March 31, 2023, respectively.

Performance Obligations

As of March 31, 2024, the aggregate amount of transaction price allocated to unsatisfied performance obligations related to the Company’s revenue for the Compression Operations segment is $1.0 billion.

The Company expects to recognize these remaining performance obligations as follows *(in thousands)*:

	Remainder of 2024	2025	2026	2027	2028 and thereafter	Total
Remaining performance obligations	$ 469,869	$ 344,515	$ 151,988	$ 52,650	$ 10,535	$ 1,029,556

As of March 31, 2024, the aggregate amount of transaction price allocated to unsatisfied performance obligations related to the Company’s revenue for the Other Services segment is $20.4 million, of which $19.2 million is expected to be recognized by December 31, 2024.

4. Accounts Receivable, net

Accounts receivable, net consist of the following (*in thousands*):

	As of March 31, 2024	As of December 31, 2023
Accounts receivable	$ 151,287	$ 121,242
Allowance for credit losses	8,050	8,050
Accounts receivable, net	$ 143,237	$ 113,192

The allowances for credit losses were $8.1 million and $8.1 million as of March 31, 2024, and December 31, 2023, respectively, which represents the Company's best estimate of the amount of probable credit losses included within the Company's existing accounts receivable balance.

The changes in the Company's allowance for credit losses are as follows *(in thousands)*:

	Allowances for Credit Losses
Balance at January 1, 2023	$ 949
Current-period provision for expected credit losses	7,101
Write-offs charged against allowance	—
Balance at December 31, 2023	$ 8,050
Current-period provision for expected credit losses	85
Write-offs charged against allowance	(85)
Balance at March 31, 2024	$ 8,050

5. Inventories, net

Inventories consist of the following (*in thousands*):

	As of March 31, 2024	As of December 31, 2023
Non-serialized parts	$ 65,494	$ 62,784
Serialized parts	17,412	13,454
Total inventories, net	$ 82,906	$ 76,238

6. Property, Plant and Equipment, net

Property, plant and equipment, net consist of the following (*in thousands*):

	As of March 31, 2024	As of December 31, 2023
Compression equipment	$ 3,230,227	$ 3,166,214
Field equipment	19,945	19,286
Buildings and shipping containers	14,102	11,942
Technology hardware and software	11,404	11,161
Trailers and vehicles	10,366	9,885
Leasehold improvements	9,949	8,093
Furniture and fixtures	2,594	2,053
Land	743	743
Other	216	374
Total property, plant and equipment, gross	3,299,546	3,229,751
Less: accumulated depreciation	(737,988)	(693,660)
Property, plant and equipment, net	$ 2,561,558	$ 2,536,091

Depreciation expense was $44.6 million and $42.5 million for the three months ended March 31, 2024, and March 31, 2023, respectively, and is recorded within depreciation and amortization on the accompanying condensed consolidated statements of operations.

7. Goodwill and Identifiable Intangible Assets, net

There were no changes in the carrying amount of goodwill for the three months ended March 31, 2024. All goodwill was allocated to the Company's Compression Operations reporting unit.

The Company's identifiable intangible assets consist of the following as of March 31, 2024, and December 31, 2023 (*in thousands*):

	As of March 31, 2024			
	Original Cost	Accumulated Amortization	Net Amount	Remaining Weighted Average Amortization Period (years)
Trade name	$ 13,000	$ (3,343)	$ 9,657	14.9
Customer relationships	150,000	(39,137)	110,863	12.6
Total identifiable intangible assets	$ 163,000	$ (42,480)	$ 120,520	

	As of December 31, 2023			
	Original Cost	Accumulated Amortization	Net Amount	Remaining Weighted Average Amortization Period (years)
Trade name	$ 13,000	$ (3,181)	$ 9,819	15.1
Customer relationships	150,000	(36,931)	113,069	12.8
Total identifiable intangible assets	$ 163,000	$ (40,112)	$ 122,888	

Amortization expense was $2.4 million and $2.4 million for the three months ended March 31, 2024, and March 31, 2023, respectively, and is recorded within depreciation and amortization on the condensed consolidated statements of operations.

As of March 31, 2024, the following is a summary of future minimum amortization expense for identified intangible assets (*in thousands*):

	Amount
Years ending December 31,	
Remainder of 2024	$ 7,105
2025	9,474
2026	9,474
2027	9,474
2028	9,474
Thereafter	75,519
Total	$ 120,520

8. Long-Lived and Other Asset Impairment

Long-lived assets, including property, plant and equipment and other finite-lived identifiable intangible assets, are reviewed for impairment whenever events or changes in circumstances, including the removal of compressors from the active fleet, indicate that the carrying amount of an asset may not be recoverable. Such events may include significant changes in performance relative to expected operating results, significant changes in asset use, significant negative industry or economic trends, and changes in the Company's business strategy, among others. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to estimated future undiscounted net cash flows expected to be generated by the asset. Impairment losses are recognized in the period in which the impairment occurs and represent the excess of the asset carrying value over its estimated future discounted net cash flows. No impairment was recorded, and no triggering events were identified for the three-month periods ended March 31, 2024, and March 31, 2023.

9. Debt and Credit Facilities

Debt consists of the following *(in thousands)*:

	As of March 31, 2024	As of December 31, 2023
ABL Facility	$ 1,130,846	$ 1,830,346
2029 Senior Notes	750,000	—
Total debt outstanding	1,880,846	1,830,346
Less: unamortized deferred financing costs	(52,587)	(38,886)
Long-term debt, net of unamortized debt issuance cost	$ 1,828,259	$ 1,791,460

ABL Facility

On March 22, 2023, wholly owned subsidiaries of Kodiak entered into the Fourth Amended and Restated Credit Agreement with the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent (as amended or restated from time to time, the "ABL Credit Agreement" or "ABL Facility"), which mainly served to extend the maturity date from June 2024 to March 2028. The total facility size was increased from $2.1 billion to $2.2 billion to increase available liquidity under the facility. New lender fees and costs totaling $31.8 million were incurred and will be amortized over the life of the loan to interest expense. An additional $4.2 million in accrued interest related to exiting lenders was expensed and paid in the period. The remaining unamortized debt issuance costs of $1.2 million associated with the exiting lenders was written off in interest expense, net in the period. On May 31, 2023, the ABL Credit Agreement was amended to, among other things, permit distributions of overallotment proceeds from the Initial Public Offering ("IPO") and revise the terms related to the payment and prepayment of the Term Loan (as defined below). On June 27, 2023, the ABL Credit Agreement was further amended to remove the ability to make distributions related to overallotment proceeds from the IPO and to instead require prepayment of the obligations upon the issuance of any equity interests by Kodiak pursuant to the overallotment in the IPO. In connection with the IPO, the Company became a borrower under the ABL Facility. As of March 31, 2024, there were $1.0 million in letters of credit outstanding under the ABL Facility.

Pursuant to the ABL Credit Agreement, the Company must comply with certain restrictive covenants, including a minimum interest coverage ratio of 2.5x and a maximum Leverage Ratio (calculated based on the ratio of Consolidated Total Debt to Consolidated EBITDA, each as defined in the ABL Credit Agreement). The maximum Leverage Ratio is (i) 5.25 to 1.00 for the fiscal quarters ending September 30, 2023, and December 31, 2023, (ii) 5.00 to 1.00 for the fiscal quarter ending March 31, 2024, (iii) 4.75 to 1.00 for the fiscal quarter ending June 30, 2024, and (iv) 4.50 to 1.00 for each fiscal quarter ending on or after September 30, 2024. All loan amounts are collateralized by essentially all the assets of the Company. The Company was in compliance with all covenants as of March 31, 2024, and December 31, 2023.

The ABL Credit Agreement also restricts the Company's ability to: incur additional indebtedness and guarantee indebtedness; pay certain dividends or make other distributions or repurchase or redeem equity interests; prepay, redeem or repurchase certain debt; issue certain preferred units or similar equity securities; make loans and investments; sell, transfer or otherwise dispose of assets; incur liens; enter into transactions with affiliates; enter into agreements restricting the Company's restricted subsidiaries' ability to pay dividends; enter into certain swap agreements; amend certain organizational documents; enter into sale and leaseback transactions; and consolidate, merge or sell all or substantially all of the Company's assets.

The weighted average interest rate as of March 31, 2024, and December 31, 2023, was 7.68% and 8.08%, respectively, excluding the effect of interest rate swaps. The Company pays an annualized commitment fee of 0.25% on the unused portion of its ABL Facility if borrowings are greater than 50% of total commitments and 0.50% on the unused portion of the ABL Facility if borrowings are less than 50% of total commitments.

The ABL Facility is a "revolving credit facility" that includes a lock box arrangement whereby, under certain events, remittances from customers are forwarded to a bank account controlled by the administrative agent and are applied to reduce borrowings under the facility. One such event occurs if availability under the ABL Credit Agreement falls below a specified threshold (i.e., the greater of $200 million or 10% of the aggregate commitments at the time of measurement). As of March 31, 2024, and December 31, 2023, availability under the ABL Facility was in excess of the specified threshold, and, as such, the entire balance was classified as long term in accordance with its maturity.

Third Amendment to Fourth Amended and Restated Credit Agreement

On January 22, 2024, Kodiak entered into the Third Amendment to the ABL Credit Agreement (the “Third Amendment”). The Third Amendment, among other things, amended certain provisions of the ABL Facility (i) to accommodate the consummation of the transactions contemplated by the Merger Agreement and (ii) to account for the Company’s organizational structure after giving effect to the transactions contemplated by the Merger Agreement. Fees and costs totaling $2.9 million were incurred related to the Third Amendment and will be amortized over the life of the loan to interest expense. During the three months ended March 31, 2024, $2.0 million of the total amount was paid, with the remaining amount included in the accrued liabilities in the Company’s unaudited condensed consolidated balance sheet.

In addition, the Third Amendment amended the ABL Facility to (i) include a maximum secured leverage ratio, which will begin to be tested after the Company issues any unsecured indebtedness, to (x) 3.75 to 1.00 for the first four fiscal quarters after the Company issues any unsecured indebtedness and (y)3.25 to 1.00 for each fiscal quarter thereafter, (ii) modify the triggers for commencing a “cash dominion” period (i.e., a period when the Administrative Agent applies proceeds in the deposit accounts to reduce borrowings under the ABL Credit Agreement), such that a “cash dominion” period will commence if availability under the ABL Credit Agreement is less than $125 million for five consecutive business days or if certain types of events of default occur, (iii) include customary provisions relating to the designation of “unrestricted subsidiaries” (i.e., subsidiaries that are not required to become loan parties or be bound by the covenants contained in the ABL Credit Agreement), (iv) provide that only material domestic restricted subsidiaries are required to become guarantors and collateral grantors under the ABL Facility, and (v) permit the Company and its restricted subsidiaries to incur additional indebtedness and liens and to make additional investments, dividends, distributions, redemptions and dispositions.

Term Loan

A wholly owned subsidiary of Kodiak had a term loan (the “Term Loan”), pursuant to a credit agreement with unaffiliated unsecured lenders and Wells Fargo Bank, N.A., as administrative agent.

In May 2022, the Company completed a recapitalization and distribution of $838 million to the parent of Kodiak, primarily by increasing the borrowings from the ABL Facility by $225.0 million and the Term Loan by $600 million, pursuant to the Amended and Restated Term Loan Credit Agreement entered into by the Company on May 19, 2022 (as amended from time to time, the “Term Loan Credit Agreement”) and utilizing $13 million of cash on hand. New lender fees and costs totaling $14.6 million were incurred for this amendment and were amortized over the life of the loan to interest expense.

On March 31, 2023, the Company’s wholly owned subsidiary entered into the First Amendment to the Amended and Restated Term Loan Credit Agreement pursuant to which the maturity date was extended to September 22, 2028. Lender fees and costs totaling $0.8 million were incurred for this amendment and were amortized over the life of the loan to interest expense.

On June 29, 2023, the Company terminated all interest rate swaps and collars attributable to the Term Loan, recognized a gain on derivatives and received cash of $25.8 million during the period ended June 30, 2023 (the “Term Loan Derivative Settlement”). On July 3, 2023, in connection with the IPO, the Company used the net proceeds from the IPO, together with the proceeds resulting from the Term Loan Derivative Settlement and borrowings under the ABL Facility, to repay $300 million of borrowings outstanding under the Term Loan. Additionally, a subsidiary of Kodiak entered into a Novation, Assignment and Assumption Agreement (“Novation Agreement”) with Frontier TopCo Partnership, L.P., an affiliate of EQT AB and holder of record of Kodiak Gas Services, Inc. common stock (“Kodiak Holdings”), pursuant to which all of the Company’s remaining obligations under the Term Loan were assumed by Kodiak Holdings, and the Company’s obligations thereunder were terminated. The Company is no longer a borrower or guarantor under and is not otherwise obligated with respect to the debt outstanding under the Term Loan. As part of the $300 million repayment of the Term Loan, unamortized debt issuance costs of $4.4 million and fees of $2.4 million were recorded to loss on extinguishment for the year ended December 31, 2023. The carrying value of the Term Loan novated under the Novation Agreement of $689.8 million (comprised of $700.0 million of principal balance less $10.2 million of unamortized debt issuance costs) was considered an equity transaction with the parent and recorded to additional paid-in capital in the statement of stockholder's equity for the year ended December 31, 2023.

2029 Senior Notes

On February 2, 2024, Kodiak Services issued $750,000,000 aggregate principal amount of 7.25% senior notes due 2029 (the “2029 Senior Notes”), pursuant to an indenture, dated February 2, 2024, by and among the Company, and certain other subsidiary guarantors party thereto, and U.S. Bank Trust Company, National Association, as trustee. The Company’s 2029

Senior Notes are not subject to any mandatory redemption or sinking fund requirements. The 2029 Senior Notes are subject to redemption at a make-whole redemption price, inclusive of accrued and unpaid interest. This make-whole redemption price is determined as the higher of 100% of the principal amount of the notes or the present value of remaining principal and interest payments discounted semi-annually to the redemption date using the applicable treasury rate plus 0.50%. Before February 15, 2026, the Company has the option to redeem up to 40% of the aggregate principal amount of the Notes issued under this Indenture, limited to the net cash proceeds of one or more equity offerings. Following February 15, 2026, the Company retains the right to redeem all or a portion of the 2029 Senior Notes, with redemption prices expressed as percentages of the principal amount, along with accrued and unpaid interest.

The optional redemption percentages for the 2029 Senior Notes are as follows:

	Percentage
2026	103.625%
2027	101.813%
2028 and thereafter	100.000%

The indenture governing the Company's 2029 Senior Notes contain covenants that, among other things, limit the Company's ability to create liens securing certain indebtedness, enter into certain sale-leaseback transactions, or consolidate, merge or transfer certain assets. The covenants are subject to a number of important exceptions and qualifications. The Company was in compliance with these covenants at March 31, 2024. Fees and costs totaling $13.4 million were incurred related to the 2029 Senior Notes and will be amortized over the life of the loan to interest expense. During the three months ended March 31, 2024, $5.6 million of the total amount was paid, with the remaining amount included in the accrued liabilities in the Company's unaudited condensed consolidated balance sheet.

The proceeds from the 2029 Senior Notes were used to repay a portion of the outstanding indebtedness under the ABL Facility and to pay related fees and expenses in connection with the 2029 Senior Notes offering. In connection with the close of the CSI Acquisition on April 1, 2024, the Company used proceeds from additional draws on the ABL Facility to repay, terminate and/or redeem all of the CSI Compressco's existing long-term indebtedness and pay fees, costs, premiums and expenses related to the prepayment, notes offering and acquisition. See Note 20 ("Subsequent Events") to the Company's condensed consolidated financial statements for more details.

As of March 31, 2024, the scheduled maturities, without consideration of potential mandatory prepayments, of the Company's long-term debt were as follows (*in thousands*):

	Amount
Years ended December 31,	
2024	$ —
2025	—
2026	—
2027	—
2028	1,130,846
Thereafter	750,000
Total	$ 1,880,846

Debt Issuance Costs

Debt issuance costs of $52.6 million, as of March 31, 2024, are being amortized over the respective terms of the ABL Facility and 2029 Senior Notes. As of December 31, 2023, $38.9 million was amortized over the term of the ABL Facility. Amortization expense related to these costs of $2.6 million and $5.4 million for the three months ended March 31, 2024, and 2023, respectively, are included in interest expense in the accompanying condensed consolidated statements of operations.

10. Derivative Instruments

The Company has entered into interest rate swaps, exchanging variable interest rates for fixed interest rates. In prior periods, the Company entered into interest rate collars that fixed interest rates within a range through the simultaneous purchase of an interest rate cap and sale of an interest rate floor.The Company has not designated any derivative instruments as hedges for accounting purposes and does not enter into such instruments for speculative or trading purposes. The Company's derivative instruments are recognized on the unaudited condensed consolidated balance sheets at fair value and classified as current or long-term depending on the maturity date of the derivative instrument and whether the net carrying value is in a net asset or net liability position. Realized and unrealized gains and losses associated with the derivative instruments are recognized in gain (loss) on derivatives within the unaudited condensed consolidated statements of operations.

The table below summarizes information related to the notional amount and maturity dates for interest rate swaps at March 31, 2024:

Notional Amount	Effective date	Maturities
$225,000,000	12/14/2022	12/5/2024
$200,000,000	6/16/2022	6/14/2025
$125,000,000	5/2/2024	9/2/2025
$125,000,000	12/6/2024	12/6/2025
$75,000,000	6/15/2022	6/14/2026
$125,000,000	6/22/2022	6/22/2026
$125,000,000	12/6/2024	12/6/2026
$100,000,000	5/2/2024	3/2/2027
$75,000,000	6/14/2022	5/18/2027
$100,000,000	6/21/2022	5/19/2027
$200,000,000	7/8/2022	5/19/2027
$125,000,000	12/6/2024	12/6/2027

The following table summarizes the effects of the Company's derivative instruments in the condensed consolidated statements of operations (*in thousands*):

		March 31,	
	Location	2024	2023
Interest rate collars	Gain (loss) on derivatives	$ —	$ (6,292)
Interest rate swaps	Gain (loss) on derivatives	19,757	(1,703)
Total gain (loss) on derivatives		$ 19,757	$ (7,995)

11. Fair Value Measurements

The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, derivative instruments and long-term debt. The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable are representative of their respective Level 1 fair values due to the short-term maturity of these instruments.

The Company's ABL Facility applies floating interest rates to outstanding amounts; therefore, the carrying amount of the ABL Facility approximates its Level 3 fair value. The fair value of the 2029 Senior Notes is determined using Level 2 inputs, relying on quoted prices in less active markets.

The Company records derivative instruments at fair value using Level 2 inputs of the fair value hierarchy. The interest rate swaps are valued using a discounted cash flow analysis based on available market data on the expected cash flows of each derivative using observable inputs, including interest rate curves and credit spreads. See Note 10 ("Derivative Instruments") for more details.

The contingent consideration liability from a prior year acquisition is measured at fair value each reporting period, using Level 3 unobservable inputs (such as probability assessments of future cash flows), and changes in estimates of fair value are recognized in earnings.

The following table summarizes the fair value of the Company's interest rate swaps and contingent consideration (*in thousands*):

	Carrying Value	As of March 31, 2024 Level 1	Level 2	Level 3	Total
Interest rate swap- current	$ 4,226	$ —	$ 4,226	$ —	$ 4,226
Interest rate swap- non-current	32,465	—	32,465	—	32,465
Contingent consideration	—	—	—	3,673	3,673
2029 Senior Notes(1)	750,000	—	764,048	—	764,048

	Carrying Value	As of December 31, 2023 Level 1	Level 2	Level 3	Total
Interest rate swap- current	$ 8,194	$ —	$ 8,194	$ —	$ 8,194
Interest rate swap- non-current	14,256	—	14,256	—	14,256
Contingent consideration	3,673	—	—	3,673	3,673

(1) Carrying value and fair value exclude the deduction for the unamortized debt issuance costs, see Note 9 ("Debt and Credit Facility") for details.

12. Stockholders' Equity

Holders of the Company's common stock are entitled to one vote for each share. As of March 31, 2024, and December 31, 2023, there were 77,434,577 and 77,400,000 shares of common stock issued and outstanding, respectively. In the event of a liquidation, dissolution or winding up, holders of common stock are entitled to receive, ratably, the assets available for distribution to the stockholders after payment of all liabilities.

On July 3, 2023, 16,000,000 shares of common stock were issued and sold as part of the closing of the IPO, resulting in net proceeds of $230.8 million, after deducting expenses and underwriting discounts and commissions payable by the Company. On July 13, 2023, the underwriters exercised in full their option to purchase additional shares of common stock, pursuant to the underwriting agreement relating to the IPO. On July 13, 2023, the Company issued and sold an additional 2,400,000 shares of common stock. The Company received net proceeds of approximately $36.2 million, after deducting underwriting discounts and commissions payable. The net proceeds of each issuance and sale were used for repayment of existing indebtedness and general corporate purposes. After giving effect to these transactions, Kodiak had 77,400,000 shares of common stock issued and outstanding.

Class B and C Profits Interests

Prior to the IPO, Kodiak Holdings issued incentive awards to certain employees of Kodiak Services in the form of Class B incentive units ("Class B Units"). The Company records stock-based compensation expense associated with the Class B Units because of the employment relationship of the grantees with Kodiak Services.

On March 16, 2019, 61,098.4 Class B Units were authorized under the Kodiak Holdings 2019 Class B Unit Incentive Plan for grants to certain employees and non-employee board members. These Class B Units are intended to constitute "profits interests" for federal income tax purposes, but they constitute a substantive class of equity under GAAP. As of March 31, 2024, and December 31, 2023, there were 60,406.9 authorized Class B Units, and 57,058.5 were outstanding. There were no Class B Units granted in the three months ended March 31, 2024, or in 2023. Twenty-five percent (25%) of the Class B Units are subject to time vesting (the "Time-Vesting Units"), and the remaining seventy-five percent (75%) of the Class B Units are subject to performance vesting (the "Performance-Vesting Units"). Time-Vesting Units vest in equal annual installments on each of the five anniversaries of the applicable vesting commencement dates, subject to the Class B Unit holder's continuous service through each of the applicable vesting dates. Performance-Vesting Units vest based on the achievement of certain investor return metrics, subject to the Class B Unit holder's continuous service through the applicable vesting dates. Holders of Class B Units are entitled to distributions on vested awards in accordance with the Kodiak Holdings distribution waterfall. Class B Units are not subject to any conversion rights other than an automatic conversion to Class C incentive units ("Class C Units") in connection with certain terminations of employment. Each Class C Unit holder is eligible to receive distributions up to an amount equal to the fair market value of the corresponding converted Class B Unit on the date of conversion. As of March 31, 2024, no material conversions had occurred.

There are no performance hurdles associated with the Time-Vesting Units. The fair value of each incentive award was estimated on its applicable grant date using an option pricing model.

Stock compensation expense is recognized ratably over the vesting period of the awards. During the three months ended March 31, 2024, and 2023, approximately $0.2 million and $0.9 million, respectively, in stock compensation expense was recognized in selling, general and administrative expenses. As of March 31, 2024, there were 319.4 unvested Time-Vesting Units, representing $0.1 million in unrecognized stock compensation expense.

Preferred stock

Preferred stock consists of 50,000,000 authorized shares as of March 31, 2024, of which none were issued.

2023 Omnibus Incentive Plan

On June 20, 2023, Kodiak's Board of Directors authorized and adopted the Kodiak Gas Services, Inc. Omnibus Incentive Plan (the "Omnibus Plan") for employees, consultants and directors. The Omnibus Plan enables Kodiak's Board of Directors (or a committee authorized by Kodiak's Board of Directors) to award incentive and non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, stock awards, dividend equivalents, other stock-based awards, cash awards and substitute awards to align the interests of service providers, including the Company's named executive officers, with those of the Company's stockholders. A total of 6,375,000 shares of common stock have been reserved for issuance pursuant to awards under the Omnibus Plan. On June 29, 2023, Kodiak granted 1,297,188 shares of common stock equity awards to certain employees, including Kodiak's named executive officers, pursuant to awards under the Omnibus Plan. Additionally, on March 8, 2024, Kodiak granted 718,820 shares of common stock equity awards to certain employees, including Kodiak's named executive officers, pursuant to awards under the Omnibus Plan.

Restricted Stock Units

Of the total shares of common stock equity awards granted on June 29, 2023, and March 8, 2024, 985,313 and 457,053 shares, respectively, were granted pursuant to awards of time-based restricted stock units ("RSUs") that vest ratably over a three-year period, subject to continuous service through each vesting date and other conditions precedent.

On December 8, 2023, the Company provided employees who were eligible to receive cash payments of long-term incentive awards granted in January 2023 under the Company's 2020 Long-Term Incentive Plan (the "LTIP Plan") the opportunity to make an election to receive a grant of RSUs that vest ratably over a three-year period in lieu of cash payments. Upon exercising the employees' elections to convert the cash payments into RSUs, 138,430 RSUs were granted.

Performance Stock Units

Of the total shares of common stock equity awards granted on June 29, 2023, and March 8, 2024, 311,875 and 261,767 shares, respectively, were granted pursuant to awards of performance stock units ("PSUs") that cliff vest at the end of a three-year performance period, with the ultimate number of shares earned and issued ranging from 0 - 190% of the number of shares subject to the PSU award, subject to continuous service through the end of the performance period and other conditions precedent. The performance criteria for the PSUs are a combination of: (1) Discretionary Cash Flow ("DCF") (30% weight); (2) Consolidated Net Leverage Ratio ("CNLR") (30% weight); (3) Absolute Total Shareholders' Return ("ATSR") (30% weight); and (4) and ESG Scorecard (10% weight) (each as defined below), in each case, during the Performance Period.

DCF is calculated based on the three-year cumulative Adjusted EBITDA less net cash taxes, less net cash interest, less maintenance capital expenditures, all as reported in the financial statement reconciliations provided in the Company's public filings, measured over the performance period; CNLR is calculated as of the last day of the fiscal quarter at the end of the performance period, as the ratio of (a) Total Indebtedness (as defined in the ABL Credit Agreement) minus Cash, in each case, as of such date to (b) LQA Adjusted EBITDA (defined as EBITDA (as defined in the ABL Credit Agreement) for the fiscal quarter ending at the end of the performance period, multiplied by four). ATSR is determined on an annualized basis over the relevant performance period for the beginning and ending 20-day volume-weighted average price, as adjusted for dividends paid.

- The vesting of the PSUs based on DCF, CNLR, and ATSR will each be (i) 200% if the Company achieves performance at maximum; (ii) 100% if the Company achieves performance at target; (iii) 50% if the Company achieves performance at threshold level; and (iv) 0% if the Company achieves performance below threshold; and

- The vesting of the PSUs based on ESG Scorecard will be (i) 100% if the Company achieves ESG targets and (ii) 0% if the Company does not achieve ESG Scorecard.

With respect to each PSU, each PSU holder is granted associated dividend equivalents rights. In the event that the Company declares and pays a regular cash dividend, and on the record date for such dividend, the Company will accrue a dividend equivalent based on the number of PSUs expected to vest.

The following table summarizes award activity under the Omnibus Plan for the three-month period ending March 31, 2024:

	RSUs		PSUs	
	Number of RSUs	Weighted-Average Price	Number of PSUs	Weighted-Average Price
Outstanding at January 1, 2024	1,079,603	$ 16.29	311,875	$ 16.99
Granted	457,053	25.13	261,767	28.88
Vested or exercised	(34,577)	18.20	—	—
Forfeited or cancelled	(28,307)	17.14	—	—
Outstanding at March 31, 2024	1,473,772	$ 18.97	573,642	$ 22.42
Stock awards expected to vest	1,473,772	$ 18.97	573,642	$ 22.42

As of March 31, 2024, the total future compensation cost related to non-vested equity awards was approximately $33.2 million, assuming the performance-based restricted stock units vest at 100%, pursuant to the terms of the applicable award. During the three months ended March 31, 2024, approximately $2.7 million in stock compensation expense was recognized in selling, general and administrative expenses. There was no such expense recorded for the three months ended March 31, 2023.

Dividends

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

	Dividends per Common Share	Dividends Paid
		(in thousands)
2024		
Q1	$ 0.38	$ 29,815
2023		
Q4	$ 0.38	$ 29,793

On May 2, 2024, the Company's Board of Directors declared a cash dividend of $0.38 per share for the quarterly period ended March 31, 2024, which is payable on May 20, 2024, to shareholders of record as of the close of business on May 13, 2024 (the "Common Stock Dividend") and, in conjunction with the Common Stock Dividend, Kodiak Gas Services declared a distribution on its units of $0.38 per unit payable on May 20, 2024 to all unitholders of record of Kodiak Services as of the close of business on May 16, 2024.

13. Commitments and Contingencies

Accrued Capital Expenditures

As of March 31, 2024, and December 31, 2023, the Company has accrued capital expenditures of $40.4 million and $30.5 million, respectively. These amounts were included in accounts payable or accrued liabilities on the consolidated balance sheets.

Purchase Commitments

Purchase commitments primarily consist of future commitments to purchase new compression units that have been ordered but not yet received. As of March 31, 2024, these commitments amounted to $106.6 million, all of which is expected to be settled within the next twelve months.

Contingent Consideration

The Company agreed to pay, as contingent consideration, up to $3.7 million of certain past due accounts receivable acquired in connection with a prior acquisition in 2019, if collected, to the seller in that transaction. The Company records contingent consideration at the acquisition and end of reporting periods at fair value in accrued liabilities. As of March 31, 2024, and December 31, 2023, none of the outstanding receivables had been collected.

Sales Tax Contingency

Between October 2019 and April 2023, the Company received notices from the Texas Comptroller's office in regards to audits for periods ranging from December 2015 through December 2023. The audits pertain to whether the Company may owe sales tax on certain of its compression equipment that it had purchased during that time period. As of December 31, 2023, the Company had accrued a total amount of $28.8 million for this contingent liability. During the three months ended March 31, 2024, based on current information, the Company accrued an additional $0.4 million. As of March 31, 2024, the Company had a total of $29.2 million included as accrued liabilities on the condensed consolidated balance sheets.

Legal Matters

From time to time, the Company may become involved in various legal matters. Management believes that as of March 31, 2024, there are no legal matters whose resolution could have a material adverse effect on the unaudited condensed consolidated financial statements.

14. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following (*in thousands*):

	As of March 31, 2024	As of December 31, 2023
Prepaid insurance	$ 995	$ 2,353
Interest rate swap receivable	1,296	2,025
Prepaid vehicle allowance	1,149	1,130
Deferred project costs	—	737
Prepaid rent	532	532
Other	1,278	3,577
Total prepaid expenses and other current assets	$ 5,250	$ 10,353

15. Accrued Liabilities

Accrued liabilities consist of the following (*in thousands*):

	As of March 31, 2024	As of December 31, 2023
Sales tax liability	$ 29,171	$ 28,847
Accrued bonus	6,957	13,259
Accrued accounts payable	28,577	15,506
Accrued interest	13,393	8,313
Station project accrual	5,284	7,797
Accrued taxes	10,280	6,415
Accrued professional fees	3,015	6,015
Contingent consideration	3,673	3,673
Accrued payroll	1,519	3,321
Accrued insurance	—	856
Lease liabilities - current portion	3,065	—
Other	3,917	3,076
Total accrued liabilities	$ 108,851	$ 97,078

16. Income Taxes

For the three months ended March 31, 2024, the Company recorded income tax expense of $9.9 million, and for the three months ended March 31, 2023, the Company recorded income tax benefit of $4.0 million. The effective tax rate was approximately24.6% for the three months ended March 31, 2024, compared to24.4% for the three months ended March 31, 2023. The difference between the Company's effective tax rates for the three months ended March 31, 2024, and 2023 and the U.S. statutory tax rate of 21% was primarily due to state income taxes.

In August 2022, the U.S. Inflation Reduction Act of 2022 and the CHIPS and Science Act of 2022 were signed into law. These acts include, among other provisions, a corporate alternative minimum tax of 15%, an excise tax on the repurchase of corporate stock, various climate and energy provisions and incentives for investment in semiconductor manufacturing. These provisions are not expected to have a material impact on the Company's results of operations or financial position.

The Company did not have any uncertain tax benefits as of March 31, 2024, and December 31, 2023. For the three months ended March 31, 2024 and 2023, the Company had no accrued interest or penalties related to uncertain tax positions, andno amounts had been recognized in the condensed consolidated statements of operations.

17. Defined Contribution Plan

The Company maintains a defined contribution savings plan for its employees. The Company contributed $0.9 million and $0.8 million to the plan for the three months ended March 31, 2024, and 2023, respectively.

18. Segments

The Company manages its business throughtwo operating segments: Compression Operations and Other Services. Compression Operations consists of operating Company-owned and customer-owned compression infrastructure, pursuant to fixed-revenue contracts to enable the production, gathering and transportation of natural gas and oil. Other Services consists of a full range of contract services to support the needs of customers, including station construction, maintenance and overhaul, and other ancillary time and material-based offerings.

The Company evaluates performance and allocates resources based on the gross margin of each segment, which consists of revenues directly attributable to the specific segment (less all costs of service directly attributable to the specific segment, which includes cost of operations and depreciation and amortization). Depreciation and amortization for the Compression Operations segment was $46.9 million and $44.9 million for the three months ended March 31, 2024, and 2023, respectively. Revenue includes only sales to external customers. The following table represents financial metrics by segment (*in thousands*):

	Compression Operations	Other Services	Total
Three Months Ended March 31, 2024			
Revenue	$ 193,399	$ 22,093	$ 215,492
Gross margin	80,573	4,409	84,982
Total assets	3,262,665	53,766	3,316,431
Capital expenditures	60,153	—	60,153
Three Months Ended March 31, 2023			
Revenue	$ 177,697	$ 12,415	$ 190,112
Gross margin	70,030	3,427	73,457
Total assets	3,206,704	7,044	3,213,748
Capital expenditures	48,581	—	48,581

The following table reconciles total gross margin to income before income taxes (*in thousands*):

	Three Months Ended March 31,	
	2024	2023
Total gross margin	$ 84,982	$ 73,457
Selling, general and administrative expenses	(24,824)	(13,085)
Loss on sale of property, plant and equipment	—	(17)
Interest expense, net	(39,740)	(68,662)
Gain (loss) on derivatives	19,757	(7,995)
Other expense	(68)	(31)
Income (loss) before income taxes	$ 40,107	$ (16,333)

19. Earnings Per Share of Common Stock

Basic earnings per share is computed using the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share of common stock is computed by using the weighted average shares of common stock outstanding, including the dilutive effect of restricted shares based on an average share price during the period. For the three months ended March 31, 2024, 99,015 unvested performance stock units were not included in the calculation of the potential dilutive common shares for the period because to do so would be anti-dilutive. For the three months ended March 31, 2023, there were no anti-dilutive shares. The computations of basic and diluted earnings per share for the three months ended March 31, 2024, and 2023 are as follows:

	Three Months Ended March 31,	
(in thousands, except share and per share data)	2024	2023
Net income (loss)	$ 30,232	$ (12,343)
Basic weighted average shares of common stock	77,432,283	59,000,000
Effect of dilutive securities	670,167	—
Diluted weighted average shares of common stock	78,102,450	59,000,000
Basic earnings (loss) per share of common stock	$ 0.39	$ (0.21)
Diluted earnings (loss) per share of common stock	$ 0.39	$ (0.21)

20. Subsequent Events

On April 1, 2024 (the "Closing Date"), the Company completed the acquisition of 100% of the issued and outstanding partnership interests of CSI Compressco pursuant to the terms of the Merger Agreement for a total aggregated purchase price of $994.1 million, including the issuance of the equity shares described below and the repayment of $651.8 million of debt assumed in the acquisition using proceeds from the Company's ABL Facility. Under the Merger Agreement, CSI Compressco unitholders received 0.086 shares of Kodiak common stock for each CSI Compressco common unit owned and certain CSI Compressco unitholders meeting specified requirements (the "Electing Unitholders") elected to receive limited liability company units representing economic interests in Kodiak Services ("OpCo Units") (along with an equal number of shares of Kodiak's non-economic voting preferred stock), for each CSI Compressco common unit they held. Each OpCo Unit will be redeemable at the option of the holder for (i) one share of Kodiak common stock (along with cancellation of a corresponding share of preferred stock) or (ii) cash at Kodiak Services' election, following a six-month post-closing lock-up and subject to certain conditions. On or after April 1, 2029, Kodiak shall have the right to effect redemption of OpCo Units. The OpCo Units represent and will be accounted for as noncontrolling interests in Kodiak Services. Each share of preferred stock entitles the holder to one vote per share, voting proportionally with holders of Common Stock. The preferred stock lacks economic benefits beyond its par value of $0.01 per share (with a maximum value of $50,000), as it does not participate in earnings or cash dividends of Kodiak. Rather, it solely represents a voting share. Pursuant to the Merger Agreement, the Company issued 6,785,673 shares of common stock and 5,562,273 shares of preferred stock with an equal number of OpCo Units with an estimated fair value of $342.3 million based on the Company's stock price on April 1, 2024. Transaction costs of $7.9 million associated with the acquisition are included within selling, general and administrative expenses for the three months ended March 31, 2024. The Company will apply the acquisition method of accounting in accordance with ASC Topic 805, Business Combinations to account for the transaction and expect to record any purchase price accounting adjustments in the second quarter of 2024. The Company will record the assets acquired and liabilities assumed at their fair values as of the acquisition date. Due to the limited time since the closing of the acquisition, the valuation efforts and related acquisition accounting is incomplete at the time of the filing of these unaudited condensed consolidated financial statements. As a result, the Company is unable to provide amounts recognized as of the acquisition date for major classes of assets and liabilities acquired, including goodwill and other intangible assets. In addition, because the acquisition accounting is incomplete, the Company is unable to provide the supplemental pro forma revenue and earnings for the combined entity, as the pro forma adjustments are expected to primarily consist of estimates for the depreciation of property, plant and equipment acquired, amortization of identifiable intangible assets acquired and related income tax effects, which will result from the purchase price allocation and determination of the fair values for the assets acquired and liabilities assumed.

The Company entered into the following agreements concurrently with the closing of the acquisition.

Registration Rights Agreement

On the Closing Date, the Company entered into a registration rights agreement with the Electing Unitholders (the "Registration Rights Agreement"), pursuant to which, among other things, the Electing Unitholders were granted customary rights to require us to file and maintain the effectiveness of a shelf registration statement with respect to the resale of the Kodiak common stock received by the Electing Unitholders, and under certain circumstances, to require us to undertake underwritten offerings of such Kodiak common stock.

OpCo LLC Agreement

On the Closing Date, the Company entered into the Sixth Amended and Restated Limited Liability Company Agreement of Kodiak Services (the "OpCo LLC Agreement") with Kodiak Services and the Electing Unitholders. The Company will continue to operate its' business through Kodiak Services, which will continue to directly or indirectly hold all of the assets and operations of Kodiak and CSI Compressco. The Company is the sole managing member of Kodiak Services and are responsible for all operational, management and administrative decisions relating to Kodiak Services' business and will consolidate financial results of Kodiak Services and its subsidiaries. Kodiak Services is governed by the OpCo LLC Agreement.

Certificate of Designation

On March 28, 2024, the Company filed the Certificate of Designation of Series A Preferred Stock (the "Certificate of Designation") with the Delaware Secretary of State. On the Closing Date of the CSI Acquisition, the Company issued 5,562,273 shares of Series A Preferred Stock to the Electing Unitholders. The rights of holders of Series A Preferred Stock will be governed by the Company's charter and bylaws, the Certificate of Designation and Delaware law.

Supplemental Indenture

In connection with the CSI Acquisition, on April 2, 2024, the Company, Kodiak Services, the existing subsidiary guarantors and certain subsidiaries of Kodiak Services acquired in connection with the CSI Acquisition (the “New Subsidiary Guarantors”) entered into a supplemental indenture with U.S. Bank Trust Company, National Association, as trustee under the Indenture (as defined below), pursuant to which the New Subsidiary Guarantors agreed to guarantee the obligations under the Indenture.

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 unaudited condensed consolidated financial statements and related notes included elsewhere in this Report. The following discussion includes forward-looking statements that involve certain risks and uncertainties. For further information on items that could impact our future operating performance or financial condition, see the sections entitled "Risk Factors" section of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, and "Cautionary Note Regarding Forward-Looking Statements" in this Report. We assume no obligation to update any of these forward-looking statements, except as required by law. Unless otherwise indicated or the context otherwise requires, the historical financial information in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" reflects only the historical financial results of Kodiak Gas Services, Inc. and its consolidated subsidiaries and references to the "Company," "we," "our," or "us" are to Kodiak Gas Services, Inc. and its consolidated subsidiaries.

Overview

We are a leading operator of contract compression infrastructure in the U.S. Our compression operations ("Compression Operations") and related services are critical to our customers' ability to reliably produce, gather and transport natural gas and oil. We are a market leader in the Permian Basin, which is the largest producing natural gas and oil basin in the U.S. We operate our large horsepower compression units under stable, fixed-revenue contracts with many upstream and midstream customers. Our compression assets have long useful lives consistent with the expected production lives of the key regions where we operate. We believe our customer-centric business model positions us as the preferred contract compression operator for our customers and creates long-standing relationships. We strategically invest in the training, development and retention of our highly skilled and dedicated employees and believe their expertise and commitment to excellence enhances and differentiates our business model. Furthermore, we maintain an intense focus on being one of the most sustainable and responsible operators of contract compression infrastructure.

We manage our business through two operating segments: Compression Operations and Other Services. Compression Operations consists of operating Company-owned and customer-owned compression infrastructure to enable the production, gathering and transportation of natural gas and oil. Other Services consists of station construction, maintenance and overhaul, plus other ancillary time and material-based offerings. Our Other Services offerings are often cross sold with Compression Operations.

Recent Developments

CSI Acquisition

On April 1, 2024, we completed the acquisition of CSI Compressco, pursuant to the terms of the definitive merger agreement executed on December 19, 2023, creating the industry's largest contract compression fleet with revenue-generating horsepower of approximately 4.3 million. CSI Compressco unitholders received 0.086 shares of Kodiak common stock for each CSI Compressco common unit owned. The Electing Unitholders elected to receive 0.086 limited liability company units representing economic interests in Kodiak Services (along with an equal number of shares of non-economic voting preferred stock of Kodiak) for each CSI Compressco common unit they held. At the option of the holder, each such unit will be redeemable for one share of Kodiak common stock (along with cancellation of a corresponding share of preferred stock), following a six-month post-closing lock-up and subject to certain conditions. See Note 20 ("Subsequent Events") to our condensed consolidated financial statements for more information.

Enhancement and Standardization of Climate-Related Disclosures

In March 2024, the SEC adopted rules to enhance and standardize climate-related disclosures. The final rules require disclosure of the following information in the footnotes to financial statements, subject to certain materiality thresholds:

- Financial statement effects of severe weather events and other natural conditions;
- Impacts to estimates and assumptions used to produce financial statements associated with severe weather events and other natural conditions or any disclosed climate-related targets or transition plans; and
- Financial statement effects related to carbon offsets or renewable energy credits/certificates used as part of plans to achieve climate-related goals.

In addition, registrants will be required to disclose outside of financial statements information about the material impact of climate-related risks on strategy, business model and outlook; risk management processes for, and governance and oversight activities of those risks; and material climate-related targets or goals. Information related to material greenhouse gas emissions will be required for certain registrants but will not be required for us based on our current filer status.

The final rules include a phased-in compliance period for all registrants, with the compliance date dependent on the registrant's filer status and the content of the disclosure. Based on our current filer status, we will be required to comply with the final rules beginning with our annual report for the fiscal year beginning January 1, 2027. We are assessing the new climate-related disclosure rules, awaiting decisions on their legal status and determining an implementation plan to comply with the disclosure requirements in accordance with the prescribed timeline.

Operational Highlights

The following table summarizes certain horsepower, unit count and horsepower utilization percentages for our fleet for the periods presented.

	As of March 31,		
	2024	**2023**	**Percentage Change**
Operating Data (at period end):			
Fleet horsepower (1)	3,291	3,175	3.7 %
Revenue-generating horsepower (2)	3,286	3,169	3.7 %
Fleet compression units	3,091	3,041	1.6 %
Revenue-generating compression units	3,064	3,033	1.0 %
Revenue-generating horsepower per revenue-generating compression unit (3)	1,072	1,045	2.6 %
Horsepower utilization (4)	99.8 %	99.8 %	— %

(1) Fleet horsepower includes revenue-generating horsepower and idle horsepower, which is comprised of compression units that do not have a signed contract or are not subject to a firm commitment from our customer(s) and are no longer generating revenue. Fleet horsepower excludes 27,663 and 58,645 of non-marketable or obsolete horsepower as of March 31, 2024, and 2023, respectively.
(2) Revenue-generating horsepower includes (x) compression units that are operating under contract and generating revenue and (y) compression units which are available to be deployed, pursuant to a signed contract, or are subject to a firm commitment from our customer.
(3) Calculated as (i) revenue-generating horsepower divided by (ii) revenue-generating compression units at period end.
(4) Horsepower utilization is calculated as (i) revenue-generating horsepower divided by (ii) fleet horsepower.

Horsepower

The 3.7% increase in fleet horsepower and revenue-generating horsepower, respectively, were primarily attributable to the purchase and deployment of new compression units through organic growth with our existing customer base, as well as select new customers in the key regions in which we operate. The 2.6% increase in revenue-generating horsepower per revenue-generating compression unit was due to the purchase and deployment of new, large horsepower units.

Financial Results of Operations

Three Months Ended March 31, 2024, Compared to the Three Months Ended March 31, 2023

The following table presents selected financial and operating information for the periods presented*(in thousands)*:

	For the Three Months Ended March 31,		
	2024	2023	% Change
Revenues:			
Compression Operations	$ 193,399	$ 177,697	8.8 %
Other Services	22,093	12,415	78.0 %
Total revenues	215,492	190,112	13.4 %
Operating expenses:			
Cost of operations (exclusive of depreciation and amortization shown below):			
Compression Operations	65,882	62,770	5.0 %
Other Services	17,684	8,988	96.8 %
Depreciation and amortization	46,944	44,897	4.6 %
Selling, general and administrative expenses	24,824	13,085	89.7 %
Loss on sale of property, plant and equipment	—	17	(100.0)%
Total operating expenses	155,334	129,757	19.7 %
Income from operations	60,158	60,355	(0.3)%
Other income (expenses):			
Interest expense, net	(39,740)	(68,662)	(42.1)%
Gain (loss) on derivatives	19,757	(7,995)	(347.1)%
Other expense	(68)	(31)	119.4 %
Total other expenses	(20,051)	(76,688)	(73.9)%
Income (loss) before income taxes	40,107	(16,333)	(345.6)%
Income tax (benefit) expense	9,875	(3,990)	(347.5)%
Net income (loss)	$ 30,232	$ (12,343)	(344.9)%

Revenues and Sources of Income

Compression Operations

Compression Operations revenue increased $15.7 million (8.8%) for the three months ended March 31, 2024, compared to the three months ended March 31, 2023, of which $16.8 million of the increase was the result of an increase in average revenue-generating horsepower due to increased demand for our Compression Operations (consistent with increased operating activity in the oil and gas industry) and an increase in average monthly revenue per revenue-generating horsepower; partially offset by a $1.1 million decrease in freight and crane charges that are directly reimbursable by our customers.

Other Services

Other Services revenue increased $9.7 million (78.0%) for the three months ended March 31, 2024, compared to the three months ended March 31, 2023. This increase was primarily due to a $9.5 million increase in revenues from station construction services, mostly due to an increase in demand for and scope of station projects. Revenue also increased by $0.2 million from parts and service sales.

Operating Costs and Other Expenses

Compression Operations

Compression Operations expenses increased $3.1 million (5.0%) for the three months ended March 31, 2024, compared to the three months ended March 31, 2023. This was primarily due to a $1.9 million increase in direct labor expenses related to increased headcount and salaries, a $1.4 million increase in indirect expenses and a $0.7 million increase in direct expenses, driven by increases in pricing and volume of lubricant oil and coolant and parts to support increased activity; partially offset by a $0.9 million decrease in freight and crane charges that are directly reimbursable by our customers.

Other Services

Other Services expenses increased $8.7 million (96.8%) for the three months ended March 31, 2024, compared to the three months ended March 31, 2023. Substantially all, or $8.7 million of the increase, was due to an increase in expenses from station construction services, mostly due to an increase in demand for and scope of station projects.

Depreciation and Amortization

Depreciation and Amortization increased $2.0 million (4.6%) for the three months ended March 31, 2024, compared to the three months ended March 31, 2023. This increase was primarily due to an increase in compression equipment purchased, which resulted in increased depreciation associated with that equipment.

Selling, General and Administrative Expenses

Selling, General and Administrative Expenses increased $11.7 million (89.7%) for the three months ended March 31, 2024, compared to the three months ended March 31, 2023. This increase was due to a $8.5 million increase in professional fees, primarily related to transactions costs associated with the CSI Acquisition, a $2.0 million increase in stock compensation expense related to equity compensation plans, a $1.0 million increase in other overhead expenses, mostly consisting of insurance, entertainment and office expenses, a $0.1 million increase in labor and benefits and a $0.1 million increase in bad debt expense.

Interest Expense, Net

Interest Expense, Net decreased $28.9 million (42.1%) for the three months ended March 31, 2024, compared to the three months ended March 31, 2023. This decrease was primarily due to the extinguishment of the Term Loan (as defined below) in July 2023, partially offset by an increase in the effective interest rate on the ABL Facility, as well as interest on the 2029 Senior Notes.

Gain (Loss) on Derivatives

Gain (Loss) on Derivatives increased $27.8 million (347.1%) for the three months ended March 31, 2024, compared to the three months ended March 31, 2023. This increase was primarily related to a $14.3 million increase in the fair value of derivatives and an increase in cash received on derivatives of $5.5 million for the three months ended March 31, 2024, due to an increase in the long-term Secured Overnight Financing Rate (“SOFR”) yield curve, as compared to a $17.9 million decrease in the fair value of derivatives and cash received on derivatives of $9.9 million for the three months ended March 31, 2023, due to a decrease in the long-term SOFR yield curve.

Income Tax (Benefit) Expense

Income Tax Expense increased by $13.9 million (347.5%) for the three months ended March 31, 2024, compared to the three months ended March 31, 2023. This increase was primarily due to an increase in pre-tax income of $56.4 million for the three months ended March 31, 2024, compared to pre-tax loss for the three months ended March 31, 2023.

Liquidity and Capital Resources

Overview

Our ability to fund operations, finance capital expenditures, service our debt and pay dividends depends on our operating cash flows and access to the capital and credit markets. Our primary sources of liquidity are cash flows generated from our operations and our borrowing availability under the ABL Facility. Our cash flow is affected by numerous factors, including prices and demand for our compression infrastructure assets and services, conditions in the financial markets and various other factors. We believe cash generated by operating activities will be sufficient to service our debt, fund working capital, fund our estimated capital expenditures and, as our Board of Directors may determine from time to time in its discretion, pay dividends.

Cash Requirements

Capital Expenditures

The compression infrastructure business is capital intensive, requiring significant investment to expand, maintain and upgrade existing operations. Our capital requirements have consisted primarily of, and we anticipate that our capital requirements will continue to consist primarily of, the following:

- *Growth Capital Expenditures:* (1) capital expenditures made to expand the operating capacity or operating income capacity of assets by acquisition of additional compression units, (2) capital expenditures made to maintain the operating capacity or operating income capacity of assets by acquisition of replacement compression units and (3) capital expenditures on assets other than compression units required to operate the business—such as trucks, wash trailers, crane trucks, leasehold improvements, technology hardware and software and related implementation expenditures, furniture and fixtures, and other general items that are typically capitalized and have a useful life beyond one year. We make capital expenditures unrelated to our compression units (as described in clause (3) above) if and when necessary to support the operations of our revenue-generating horsepower.
- *Maintenance Capital Expenditures:* periodic capital expenditures incurred at predetermined operating intervals to maintain consistent and reliable operating capacity of our assets over the near term. Such maintenance capital expenditures typically involve overhauls of significant components of our compression units, such as the engine and compressor, pistons, rings, heads and bearings. These maintenance capital expenditures are predictable, and the majority of these expenditures are tied to a detailed, unit-by-unit schedule based on hours of operation or age. We utilize a disciplined and systematic asset management program whereby we perform major unit overhauls and engine replacements on a defined schedule based on hours of operation. As a result, our maintenance capital expenditures may vary considerably from year to year based on when such assets were added to the fleet. Maintenance capital expenditures, along with regularly scheduled preventive maintenance expenses, are typically sufficient to sustain the operating capacity of our assets over the full expected useful life of the compression units. Maintenance capital expenditures do not include expenditures to replace compression units when they reach the end of their useful lives.

The majority of our growth capital expenditures are related to the acquisition cost of new compression units. Maintenance capital expenditures are related to overhauls of significant components of our compression equipment, such as the engine and compressor, which return the components to a like-new condition without modifying the application for which the compression equipment was designed.

For the three months ended March 31, 2024, growth capital expenditures were $59.4 million and maintenance capital expenditures were $10.6 million. For the three months ended March 31, 2023, growth capital expenditures were $35.8 million and maintenance capital expenditures were $4.8 million. The increase in growth capital expenditures was primarily related to the timing of compression unit purchases necessary to support operating capacity demand. The increase in maintenance capital expenditures was primarily due to an increase in unit overhauls scheduled based on the age and operating hours of such units.

Dividends

Our Board of Directors may elect to declare cash dividends on our common stock, subject to our compliance with applicable law, and depending on, among other things, economic conditions, our financial condition, results of operations, projections, liquidity, earnings, legal requirements and restrictions in the agreements governing our indebtedness (as further discussed herein). The timing, amount and financing of dividends, if any, are subject to the discretion of our Board of Directors from time to time.

On May 2, 2024, our Board of Directors declared a quarterly cash dividend, which was paid on May 20, 2024, to stockholders of record, determined as of close of business on May 13, 2024 (the “Common Stock Dividend”) and, in conjunction with the Common Stock Dividend, Kodiak Gas Services declared a distribution on its units of $0.38 per unit, payable on May 20, 2024, to all unitholders of record of Kodiak Services as of the close of business on May 16, 2024.

Over the long-term, we expect to fund any dividends and our budgeted growth capital expenditures using our Discretionary Cash Flow. In the event our Discretionary Cash Flow is insufficient for the purpose of funding any such dividends and our budgeted growth capital expenditures for such period, we may fund such shortfall (i) with additional borrowings under our ABL Facility, which, as of March 31, 2024, had $1,068.1 million available (subject to the requirement that our availability, in the case of dividends, under the ABL Facility exceeds the greater of (x) 10% of the total commitments under the facility of $2.2 billion or (y) $200 million) or (ii) reduce our growth capital expenditures for such period. Any such additional borrowings under our ABL Facility will result in an increase in our interest expense for such period. Any such reduction in our growth capital expenditures may result in lower growth in our revenue-generating horsepower in future periods.

Contractual Obligations

Our material contractual obligations as of March 31, 2024, consisted of the following:

- Long-term debt of $1.9 billion, of which $1.1 billion is due in 2028 and $750.0 million is due in 2029.
- Purchase commitments of $106.6 million, all of which is expected to be settled within the next twelve months; primarily consisting of future commitments to purchase new compression units that have been ordered but not yet received. See Note 13 ("Commitments and Contingencies") to the condensed consolidated financial statements included elsewhere in this Report.

Other Commitments

As of March 31, 2024, other commitments include operating lease payments totaling $33.9 million.

As of December 31, 2023, other commitments include operating lease payments totaling $34.5 million.

Sources of Cash

Cash Flows

The following table summarizes our cash flows for the three months ended March 31, 2024, and 2023 (*in thousands*):

	Three months ended March 31,		
	2024	2023	$ Variance
Net cash provided by operating activities	$ 51,542	$ 23,290	$ 28,252
Net cash used in investing activities	(60,150)	(48,574)	(11,576)
Net cash provided by financing activities	12,352	18,853	(6,501)
Net increase (decrease) in cash and cash equivalents	$ 3,744	$ (6,431)	$ 10,175

Operating Activities

The $28.3 million increase in net cash provided by operating activities for the three months ended March 31, 2024, compared to the three months ended March 31, 2023, was primarily due to a $26.1 million decrease in interest expense, net of debt issuance cost amortization, and a $6.6 million increase in income from operations adjusted for non-cash operating activity and working capital changes. This increase was partially offset by a $4.4 million decrease in cash received on derivatives.

Investing Activities

The $11.6 million increase in net cash used in investing activities for the three months ended March 31, 2024, compared to the three months ended March 31, 2023, was primarily due to a $5.8 million increase in maintenance capital expenditures and a $5.8 million increase in growth capital expenditures, net of accrued capital expenditures.

Financing Activities

The $6.5 million decrease in net cash provided by financing activities for the three months ended March 31, 2024, compared to the three months ended March 31, 2023, was primarily due to an increase in dividends paid to stockholders of $29.8 million, $0.4 million increase in cash payments related to offering cost, an increase in net payments over borrowings on debt instruments of $0.3 million and cash paid for shares withheld to cover taxes of $0.3 million. This was offset by a decrease in payments of debt issuance costs of $24.3 million.

Description of Indebtedness

ABL Facility

As of January 1, 2022, a wholly owned subsidiary of Kodiak had a revolving asset-based loan credit facility (the “ABL Facility”) with unaffiliated secured lenders and JPMorgan Chase Bank, N.A., as administrative agent. On March 22, 2023, wholly owned subsidiaries of Kodiak entered into the Fourth Amended and Restated ABL Credit Agreement with the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent (as amended or restated from time to time, the “ABL Credit Agreement”), whereby the total facility (among other things) was increased to $2.2 billion and certain changes were made to our financial covenants and maturity date. On May 31, 2023, the ABL Credit Agreement was amended to, among other things, permit distributions of overallotment proceeds from the IPO and revise the terms related to the payment and prepayment of that certain Amended and Restated Credit Agreement, dated as of May 19, 2022, as amended by that certain First Amendment, dated March 31, 2023, among Kodiak Services, Frontier Intermediate Holding, LLC, Wells Fargo Bank, N.A., as Administrative Agent, and the lenders party thereto (the “Term Loan”). On June 27, 2023, the ABL Credit Agreement was further amended to remove the ability to make distributions related to overallotment proceeds from the IPO and to instead require prepayment of the obligations and cash collateralization of any letter of credit exposure upon the issuance of any equity interests by Kodiak pursuant to the overallotment in the IPO. In connection with the IPO, the Company became a borrower under the ABL Facility. As of March 31, 2024, there was $1.0 million in letters of credit outstanding under the ABL Facility. The maturity date of the ABL Facility is March 22, 2028. See Note 9 (“Debt and Credit Facilities”) to the condensed consolidated financial statements included elsewhere in this Report. The ABL Credit Agreement requires that we meet certain financial ratios.

Commencing with the first fiscal quarter ended March 31, 2024, we must maintain an interest coverage ratio (as defined in the ABL Credit Agreement) of not less than 2.50 to 1.00, determined as of the last day of each fiscal quarter.

Additionally, our Leverage Ratio (as defined in the ABL Credit Agreement), determined quarterly as of the last day of each fiscal quarter, may not exceed (i) 5.25 to 1.00 for the fiscal quarters ending September 30, 2023, and December 31, 2023, (ii) 5.00 to 1.00 for the fiscal quarter ending March 31, 2024, (iii) 4.75 to 1.00 for the fiscal quarter ending June 30, 2024, and (iv) 4.50 to 1.00 for each fiscal quarter ending on or after September 30, 2024.

All obligations under the ABL Facility are collateralized by essentially all the assets of the Company. We were in compliance with all covenants as of March 31, 2024, and December 31, 2023.

The ABL Credit Agreement also restricts the Company’s ability to: incur additional indebtedness and guarantee indebtedness; pay certain dividends or make other distributions or repurchase or redeem equity interests; prepay, redeem or repurchase certain debt; issue certain preferred units or similar equity securities; make loans and investments; sell, transfer or otherwise dispose of assets; incur liens; enter into transactions with affiliates; enter into agreements restricting the Company’s restricted subsidiaries’ ability to pay dividends; enter into certain swap agreements; amend certain organizational documents; enter into sale and leaseback transactions; and consolidate, merge or sell all or substantially all of the Company’s assets.

The applicable interest rate under the ABL Facility is (i) in the case of SOFR-based borrowings, the Term SOFR or Daily Simple SOFR rate then in effect (subject to a floor of 0%) plus 0.10% plus a spread that depends on our Leverage Ratio as of the most recent determination date, ranging from 2.00% if our Leverage Ratio is less than or equal to 3.00:1.00 to 3.00% if our Leverage Ratio is greater than 5.50:1.00 and (ii) in the case of prime rate-based borrowings, the prime rate (subject to a floor of 2.5%) plus a spread that depends on our Leverage Ratio as of the most recent determination date, ranging from 1.00% if our Leverage Ratio is less than or equal to 3.00:1.00 to 2.00% if our Leverage Ratio is greater than 5.50:1.00.

The weighted average interest rate as of March 31, 2024 and December 31, 2023, was 7.68% and 8.08%, respectively, excluding the effect of interest rate swaps. The Company pays an annualized commitment fee of 0.25% on the unused portion of its ABL Facility if borrowings are greater than 50% of total commitments and 0.50% on the unused portion of the ABL Facility if borrowings are less than 50% of total commitments**.**

Third Amendment to ABL Credit Agreement

On January 22, 2024, Kodiak, Kodiak Services and certain other subsidiaries of Kodiak entered into the Third Amendment to the ABL Credit Agreement (the “Third Amendment”), which amends the Existing ABL Credit Agreement. The Third Amendment, among other things, amended certain provisions of the Existing ABL Credit Agreement (i) to accommodate the consummation of the transactions contemplated by the Merger Agreement, (ii) to account for Kodiak’s organizational structure after giving effect to the transactions contemplated by the Merger Agreement and (iii) include a maximum secured leverage ratio of (x) 3.75 to 1.00 for the first four fiscal quarters after the Company issues any unsecured indebtedness and (y) 3.25 to 1.00 for each fiscal quarter thereafter,.

2029 Senior Notes

On February 2, 2024, Kodiak Services issued $750,000,000 aggregate principal amount of Kodiak Services' 7.250% senior notes due 2029 (the "2029 Senior Notes"), pursuant to an indenture, dated February 2, 2024, by and among the Company, and certain other subsidiary guarantors party thereto, and U.S. Bank Trust Company, National Association, as trustee.

The proceeds from the 2029 Senior Notes were used to repay a portion of the outstanding indebtedness under the ABL Facility and to pay related fees and expenses in connection with the notes offering. In connection with the close of the CSI Acquisition on April 1, 2024, the Company used proceeds from additional draws on the ABL Facility to repay $651.8 million of existing long-term indebtedness assumed in the CSI Acquisition.

Derivatives and Hedging Activities

To mitigate a portion of the exposure to fluctuations in the variable interest rate of the ABL Facility and the Term Loan, we have entered into various derivative instruments.

Our interest rate swaps exchange variable interest rates for fixed interest rates. We have not designated any derivative instruments as hedges for accounting purposes and do not enter into such instruments for speculative or trading purposes. See Note 10 ("Derivative Instruments") to the condensed consolidated financial statements included elsewhere in this Report.

Non-GAAP Financial Measures

Management uses a variety of financial and operating metrics to analyze our performance. These metrics are significant factors in assessing our operating results and profitability and include the non-GAAP financial measures of Adjusted Gross Margin, Adjusted Gross Margin Percentage, Adjusted EBITDA, Adjusted EBITDA Percentage, Discretionary Cash Flow and Free Cash Flow.

Adjusted Gross Margin and Adjusted Gross Margin Percentage

Adjusted Gross Margin is a non-GAAP financial measure. We define Adjusted Gross Margin as revenue less cost of operations, exclusive of depreciation and amortization expense. We define Adjusted Gross Margin Percentage as Adjusted Gross Margin divided by total revenues. We believe that Adjusted Gross Margin is useful as a supplemental measure of our operating profitability. Adjusted Gross Margin is impacted primarily by the pricing trends for service operations and cost of operations, including labor rates for service technicians, volume and per compression unit costs for lubricant oils and coolants, quantity and pricing of routine preventative maintenance on compression units and property tax rates on compression units. Adjusted Gross Margin should not be considered an alternative to, or more meaningful than, gross margin or any other measure of financial performance presented in accordance with GAAP. Moreover, Adjusted Gross Margin as presented may not be comparable to similarly titled measures of other companies. Because we capitalize assets, depreciation and amortization of equipment is a necessary element of our costs. To compensate for the limitations of Adjusted Gross Margin as a measure of our performance, we believe that it is important to consider gross margin determined under GAAP, as well as Adjusted Gross Margin, to evaluate our operating profitability.

Adjusted Gross Margin for Compression Operations

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
Total revenues	$ 193,399	$ 177,697
Cost of sales (excluding depreciation and amortization)	(65,882)	(62,770)
Depreciation and amortization	(46,944)	(44,897)
Gross margin	$ 80,573	$ 70,030
Gross margin percentage	41.7%	39.4%
Depreciation and amortization	46,944	44,897
Adjusted Gross Margin	$ 127,517	$ 114,927
Adjusted Gross Margin Percentage(1)	65.9%	64.7%

(1) Calculated using Adjusted Gross Margin for Compression Operations as a percentage of total Compression Operations revenues.

Adjusted Gross Margin for Other Services

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
Total revenues	$ 22,093	$ 12,415
Cost of sales (excluding depreciation and amortization)	(17,684)	(8,988)
Depreciation and amortization	—	—
Gross margin	$ 4,409	$ 3,427
Gross margin percentage	20.0%	27.6%
Depreciation and amortization	—	—
Adjusted Gross Margin	$ 4,409	$ 3,427
Adjusted Gross Margin Percentage(1)	20.0%	27.6%

(1) Calculated using Adjusted Gross Margin for Other Services as a percentage of total Other Services revenues.

Adjusted EBITDA and Adjusted EBITDA Percentage

We define Adjusted EBITDA as net income (loss) before interest expense, net; income tax expense (benefit); and depreciation and amortization; plus (i) loss on extinguishment of debt; (ii) loss (gain) on derivatives; (iii) equity compensation expense; (iv) transaction expenses; (v) loss (gain) on sale of assets; and (vi) impairment of compression equipment. We define Adjusted EBITDA Percentage as Adjusted EBITDA divided by total revenues. Adjusted EBITDA and Adjusted EBITDA Percentage are used as supplemental financial measures by our management and external users of our financial statements, such as investors, commercial banks and other financial institutions, to assess:

- the financial performance of our assets without regard to the impact of financing methods, capital structure or historical cost basis of our assets;
- the viability of capital expenditure projects and the overall rates of return on alternative investment opportunities;
- the ability of our assets to generate cash sufficient to make debt payments and pay dividends; and
- our operating performance as compared to those of other companies in our industry without regard to the impact of financing methods and capital structure.

We believe that Adjusted EBITDA and Adjusted EBITDA Percentage provide useful information because, when viewed with our GAAP results and the accompanying reconciliation, they provide a more complete understanding of our performance than GAAP results alone. We also believe that external users of our financial statements benefit from having access to the same financial measures that management uses in evaluating the results of our business.

Adjusted EBITDA and Adjusted EBITDA Percentage should not be considered as alternatives to, or more meaningful than, revenues, net income, operating income, cash flows from operating activities or any other measure of financial performance presented in accordance with GAAP as measures of operating performance and liquidity. Moreover, our Adjusted EBITDA and Adjusted EBITDA Percentage as presented may not be comparable to similarly titled measures of other companies.

Given we are a capital-intensive business, depreciation, impairment of compression equipment and the interest cost of acquiring compression equipment are necessary elements of our costs. To compensate for these items, we believe that it is important to consider both net income and net cash provided by operating activities determined under GAAP, as well as Adjusted EBITDA and Adjusted EBITDA Percentage, to evaluate our financial performance and our liquidity. Our Adjusted EBITDA and Adjusted EBITDA Percentage exclude some, but not all, items that affect net income and net cash provided by operating activities, and these measures may vary among companies. Management compensates for the limitations of Adjusted EBITDA and Adjusted EBITDA Percentage as an analytical tool by reviewing the comparable GAAP measures, understanding the differences between the measures and incorporating this knowledge into management's decision-making processes.

The following table reconciles net income (loss), the most directly comparable GAAP financial measure, to Adjusted EBITDA, its most directly comparable Non-GAAP financial measure, for each of the periods presented *(in thousands)*:

	Three Months Ended March 31,	
	2024	**2023**
Net income (loss)	$ 30,232	$ (12,343)
Interest expense, net	39,740	68,662
Income tax expense (benefit)	9,875	(3,990)
Depreciation and amortization	46,944	44,897
(Gain) loss on derivatives	(19,757)	7,995
Equity compensation expense(1)	2,848	879
Transaction expenses(2)	7,880	201
Gain on sale of property, plant and equipment	—	17
Adjusted EBITDA	$ 117,762	$ 106,318
Adjusted EBITDA Percentage	54.6 %	55.9 %

(1) For the three months ended March 31, 2024, and March 31, 2023, there were \$2.8 million and \$0.9 million of non-cash adjustments for equity compensation expense.

(2) Represents certain costs associated with non-recurring professional services, primarily related to the CSI Acquisition for the three months ended March 31, 2024, and other costs.

The following table reconciles net cash provided by operating activities to Adjusted EBITDA for each of the periods presented *(in thousands)*:

	Three Months Ended March 31,	
	2024	2023
Net cash provided by operating activities	$ 51,542	$ 23,290
Interest expense, net	39,740	68,662
Income tax expense (benefit)	9,875	(3,990)
Deferred tax provision	(6,261)	2,521
Cash received paid on derivatives	(5,516)	(9,939)
Transaction expenses(1)	7,880	201
Other(2)	(4,054)	(6,346)
Change in operating assets and liabilities	24,556	31,919
Adjusted EBITDA	$ 117,762	$ 106,318

(1) Represents certain costs associated with non-recurring professional services, primarily related to the CSI Acquisition for the three months ended March 31, 2024, and other costs.
(2) Includes amortization of debt issuance costs, non-cash lease expense, provision for credit losses and inventory reserve.

Discretionary Cash Flow

We define Discretionary Cash Flow as net cash provided by operating activities less (i) maintenance capital expenditures;(ii) gain (loss) on sale of property, plant and equipment; (iii) certain changes in operating assets and liabilities; and (iv) certain other expenses; plus (x) transaction expenses. We believe Discretionary Cash Flow is a useful liquidity and performance measure and supplemental financial measure for us in assessing our ability to pay cash dividends to our stockholders, make growth capital expenditures and assess our operating performance. Our ability to pay dividends is subject to limitations due to restrictions contained in our ABL Credit Agreement, as further described elsewhere herein. Discretionary Cash Flow is presented for supplemental informational purposes only and should not be considered a substitute for financial information presented in accordance with GAAP, such as revenues, net income, operating income (loss) or cash flows from operating activities. Discretionary Cash Flow as presented may not be comparable to similarly titled measures of other companies.

Free Cash Flow

We define Free Cash Flow as net cash provided by operating activities less (i) maintenance capital expenditures; (ii) gain (loss) on sale of property, plant and equipment; (iii) certain changes in operating assets and liabilities; (iv) certain other expenses; and (v) net growth capital expenditures; plus (x) transaction expenses; and (z) proceeds from sale of property, plant and equipment. We believe Free Cash Flow is a liquidity measure and useful supplemental financial measure for us in assessing our ability to pursue business opportunities and investments to grow our business and to service our debt. Free Cash Flow is presented for supplemental informational purposes only and should not be considered a substitute for financial information presented in accordance with GAAP, such as revenues, net income (loss), operating income (loss) or cash flows from operating activities. Free Cash Flow as presented may not be comparable to similarly titled measures of other companies.

The following table reconciles net cash provided by operating activities, to Discretionary Cash Flow and Free Cash Flow, for each of the periods presented *(in thousands):*

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Net cash provided by operating activities	$ 51,542	$ 23,290
Maintenance capital expenditures(1)	(10,642)	(4,803)
Transaction expenses(2)	7,880	201
Gain on sale of property, plant and equipment	—	17
Change in operating assets and liabilities	24,556	31,919
Other(3)	(1,411)	(918)
Discretionary Cash Flow	$ 71,925	$ 49,706
Growth capital expenditures(4)(5)	(59,401)	(35,816)
Proceeds from sale of property, plant and equipment	—	32
Free Cash Flow	$ 12,524	$ 13,922

(1) See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Cash Requirements—Capital Expenditures" for information regarding amounts designated as maintenance capital expenditures.
(2) Represents certain costs associated with non-recurring professional services, primarily related to the CSI Acquisition for the three months ended March 31, 2024, and other costs.
(3) Includes non-cash lease expense, provision for credit losses and inventory reserve.
(4) For the three months ended March 31, 2024, and 2023, growth capital expenditures include a $9.9 million increase and a $8.0 million decrease in accrued capital expenditures, respectively.
(5) For the three months ended March 31, 2024, and 2023, there were $5.8 million and $2.4 million of non-unit growth capital expenditures, respectively. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Cash Requirements—Capital Expenditures" for information regarding amounts designated as growth capital expenditures.

The following table reconciles net income (loss) to Discretionary Cash Flow and Free Cash Flow, for each of the periods presented *(in thousands):*

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Net income (loss)	$ 30,232	$ (12,343)
Depreciation and amortization	46,944	44,897
Change in fair value of derivatives	(14,241)	17,934
Deferred tax provision	6,261	(2,521)
Amortization of debt issuance costs	2,643	5,445
Equity compensation expense(1)	2,848	879
Transaction expenses(2)	7,880	201
Gain on sale of property, plant and equipment	—	17
Maintenance capital expenditures(3)	(10,642)	(4,803)
Discretionary Cash Flow	$ 71,925	$ 49,706
Growth capital expenditures (4)(5)	(59,401)	(35,816)
Proceeds from sale of property, plant and equipment	—	32
Free Cash Flow	$ 12,524	$ 13,922

(1) For the three months ended March 31, 2024, and 2023, there were $2.8 million and $0.9 million of non-cash adjustments for equity compensation expense, respectively.
(2) Represents certain costs associated with non-recurring professional services, primarily related to the CSI Acquisition for the three months ended March 31, 2024, and other costs.

(3) See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Cash Requirements—Capital Expenditures” for information regarding amounts designated as maintenance capital expenditures.
(4) For the three months ended March 31, 2024, and 2023, growth capital expenditures include a $9.9 million increase and a $8.0 million decrease in accrued capital expenditures, respectively.
(5) For the three months ended March 31, 2024, and 2023, there were $5.8 million and $2.4 million of non-unit growth capital expenditures, respectively. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Cash Requirements—Capital Expenditures” for information regarding amounts designated as growth capital expenditures.

Critical Accounting Policies and Estimates

For a discussion of our critical accounting estimates, see “Part II – Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Estimates” of our Annual Report on Form 10-K for the year ended December 31, 2023. There have been no significant changes to our critical accounting estimates since our Annual Report on Form 10-K for the year ended December 31, 2023.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk

Our primary exposure to interest rate risk results from outstanding borrowings under the ABL Facility, which has a floating interest rate component. We use interest rate derivative instruments to manage our exposure to fluctuations in these variable interest rate components.

As of March 31, 2024, and December 31, 2023, we had $1.1 billion and $1.8 billion, respectively, outstanding under the ABL Facility and $1.0 billion and $1.2 billion outstanding and effective notional amounts of floating to fixed interest rate swaps, respectively, which we attribute to our borrowings under our ABL Facility. Excluding the effect of interest rate swaps, the average annualized interest rate incurred on the ABL Facility for borrowings during the three months ended March 31, 2024, was approximately 8.22% and we estimate that a 1.0% increase in the applicable average interest rate for the three months ended March 31, 2024, would have resulted in an estimated $3.4 million increase in ABL-related interest expense.

Counterparty Risk

Our credit exposure generally relates to receivables for services provided and a counterparty’s failure to meet its obligations under a derivatives contract with the Company. If any significant customer of ours should have credit or financial problems resulting in a delay or failure to pay the amount due, it could have a material adverse effect on our business, financial condition, results of operations and cash flows. Additionally, if any significant vendor of ours should have financial problems or operational delays, it could have a material adverse effect on our business, financial condition, results of operations and cash flows. For example, an affiliate of one of our customers in the Powder River Basin has been undergoing a bankruptcy proceeding since 2019. Such customer has from time to time been late in remitting payment for our Compression Operations, which we have continued to deliver, and we are pursuing prompt payment of the amount owed. We do not expect the amount owed presents any material concentration risk. If payment is not timely remitted, we expect to suspend services to such customer.

The Company uses credit and other financial criteria to evaluate the credit standing of, and to select, counterparties to its derivative instruments. Although the Company does not obtain collateral or otherwise secure the fair value of its derivative instruments, associated credit risk is mitigated by the Company’s risk management policies and procedures.

Concentration Risk

For the three months ended March 31, 2024, and year ended December 31, 2023, our four largest customers accounted for approximately 38% and 37%, respectively, of our recurring revenues, with no single customer accounting for more than 14% for either ending period. If any significant customer of ours should discontinue their relationship with us, it could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Commodity Price Risk

Market risk is the risk of loss arising from adverse changes in market rates and prices. We do not take title to any natural gas or oil in connection with our services and, accordingly, have no direct exposure to fluctuating commodity prices. However, the demand for our Compression Operations depends upon the continued demand for, and production of, natural gas and oil. Sustained low natural gas or oil prices over the long term could result in a decline in the production of natural gas or oil, which could result in reduced demand for our Compression Operations.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As of March 31, 2024, an evaluation was performed under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as amended. Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of March 31, 2024.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we and our subsidiaries may be involved in various claims and litigation arising in the ordinary course of business. In management's opinion, the resolution of such matters is not expected to have a material adverse effect on our financial position, results of operations or cash flows. See Note 13 ("Sales Tax Contingency") to our unaudited condensed consolidated financial statements in Part I, Item 1 "Financial Statements" of this Report for more information on certain litigation.

Item 1A. Risk Factors.

There have been no material changes to the risk factors previously disclosed in Part I, Item 1A, "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

During the three months ended March 31, 2024, there were no unregistered sales of equity securities. On April 1, 2024, in connection with the CSI Acquisition, the Company issued 5,562,273 shares of Series A Preferred Stock to the Electing Unitholders. The foregoing securities were issued pursuant to the exemption from registration provided by Section (4)(a)(2) of the Securities Act of 1933, as amended.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information.

Securities Trading Plans of Directors and Executive Officers

During the three months ended March 31, 2024, none of our directors or "officers" (as such term is defined in Rule16a-1(f) under the Exchange Act) adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement" (as each term is defined in Item 408(a) of Regulation S-K).

Item 6. Exhibits.

Exhibit Number	Description
2.1	Agreement and Plan of Merger, dated as of December 19, 2023, by and among Kodiak Gas Services, Inc., Kick Stock Merger Sub, LLC, Kick LP Merger Sub, LLC, Kick GP Merger Sub, LLC, CSI Compressco LP and CSI Compressco GP (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed with the SEC on December 19, 2023).
3.1	Amended and Restated Certificate of Incorporation of Kodiak Gas Services, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the SEC on July 5, 2023).
3.2	Second Amended and Restated Bylaws of Kodiak Gas Services, Inc. (incorporated by reference to Exhibit 3.2 to the Registrant's Annual Report on Form 10-K (File No. 001-41732) filed with the SEC on March 7, 2024).
3.3	Certificate of Designations of Series A Preferred Stock of Kodiak Gas Services, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the SEC on April 1, 2024).
3.4	Certificate of Amendment of Certificate of Limited Partnership of CSI Compressco LP, effective March 26, 2024 (incorporated by reference to Exhibit 3.1 to Kodiak Gas Services, LLC's (as successor in interest to CSI Compressco LP) Current Report on Form 8-K filed with the SEC on April 1, 2024).

4.1	Registration Rights Agreement, dated as of July 3, 2023, by and among Kodiak Gas Services, Inc., Frontier TopCo Partnership, L.P. and each of the other signatories from time to time party thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on July 5, 2023).
4.2	Stockholders' Agreement, dated as of July 3, 2023, by and among Kodiak Gas Services, Inc. and Frontier TopCo Partnership, L.P. (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the SEC on July 5, 2023).
4.3	Indenture, dated as of February 2, 2024, by and among Kodiak Gas Services, LLC, the guarantors party thereto and U.S. Bank Trust Company, National Association, as trustee (including Form of Note) (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the SEC on February 2, 2024).
4.4	Registration Rights Agreement, dated as of April 1, 2024 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on April 1, 2024).
10.1	Third Amendment to Fourth Amended and Restated Credit Agreement, dated as of January 22, 2024, among Frontier Intermediate Holding, LLC, Kodiak Gas Services, LLC, the other obligors party thereto, the lenders party thereto, and JP Morgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on January 23, 2024).
10.2	Sixth Amended and Restated Limited Liability Company Agreement of Kodiak Gas Services, LLC, dated as of April 1, 2024 (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the SEC on April 1, 2024).
14.1*	Code of Business Conduct, as amended on May2024
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal 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 Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.
** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Kodiak Gas Services, Inc.

Date: May 9, 2024	By:	/s/ John B. Griggs
		John B. Griggs Executive Vice President and Chief Financial Officer (Principal Financial Officer)
Date: May 9, 2024	By:	/s/ Ewan W. Hamilton
		Ewan W. Hamilton Executive Vice President and Chief Accounting Officer (Principal Accounting Officer)

Exhibit 14.1

KODIAK
GAS SERVICES

CODE OF CONDUCT

Message from the CEO:

Kodiak's *Code of Conduct* outlines the responsibility and expectations of each and every one of us at Kodiak. In order to continue to be the best in the industry, Kodiak employees must act in a way that demonstrates the respect, honesty, integrity and character that has built Kodiak into the successful, world-class business that it is. Employees at Kodiak, from senior management to individual contributors, should take these values to heart and hold each other accountable.

We can only truly have a great company if we strive to be the best in all aspects of our business, including demonstrating the highest levels of honesty and integrity. It is up to each and every employee to ingrain these values into our culture and continue to make them the core of everything we do.

It is truly an honor to be a part of this great company and adherence to these standards will only help make us stronger, providing for a better future for everyone.

Sincerely,

Mickey McKee

May 2024

Contents

PUTTING OUR CODE OF CONDUCT TO WORK

All of Kodiak Gas Services, Inc.'s (individually, and together with its subsidiaries, the "Company" or "Kodiak") directors, officers, employees, independent contractors, consultants, and representatives are personally responsible for ensuring they conduct all business activities in accordance with this *Code of Conduct* (this "*Code*"). We also expect our suppliers, vendors, contractors, agents, service providers and partners, both domestically and internationally, to abide by the principles maintained in this *Code*. Managers of each functional group and operational area must take the steps necessary to assure full compliance with this *Code*.

This *Code* is intended to provide a source of guiding principles on how to conduct Kodiak's day-to-day activities responsibly and with integrity. Kodiak believes that corporate stewardship starts with Kodiak's value system and a principles-based approach to doing business. To us, this means operating our business in a manner that is open, honest and ethical, and that is respectful of human rights and the environment.

RESPONSIBILITIES OF KODIAK EMPLOYEES AND REPRESENTATIVES

Although you are not expected to know every law, rule or regulation that applies to the Company's operations, you are expected to comply with those laws which apply to your areas of responsibility. We expect you to seek advice whenever you are unsure about a situation. If you have questions, ask them. If you have concerns, raise them. In each case, you must exercise caution and be attentive and thoughtful regarding actions that may be illegal, unethical or contrary to this *Code* or applicable laws.

This *Code* reaffirms the importance of maintaining the highest standards of business ethics. Adherence to these standards by all Kodiak employees and representatives is the best way to ensure compliance and secure confidence in and support of our business. All Kodiak employees and representatives are responsible for their actions, and for conducting themselves with integrity.

Kodiak employees or representatives who have questions about the proper course of action in any given situation should consult your:

1. Supervisor or department leader (i.e., Vice President); or

2. Kodiak's Chief Legal Officer or Compliance Department ("Compliance")

If you feel uncomfortable discussing the proper course of action to be taken in a given situation with your supervisor or department leader, or if you have any other questions or issues relating to compliance with this *Code* or applicable laws, feel free to contact Compliance directly. You can reach Compliance by email (chiefcomplianceofficer@kodiakgas.com or compliance@kodiakgas.com) or by phone (832-924-7259). You can also contact the Chair of the Risk & Audit Committee of Kodiak's Board of Directors by email at auditchair@kodiakgas.com. However, if you wish to remain anonymous, you may use Kodiak's Compliance Hotline at:

1-844-989-1482
or
http://kodiakgas.ethicspoint.com

Violations of this *Code* will not be excused due to lack of understanding, confusion or ignorance concerning any provision of this *Code*. No person, regardless of status or title, shall direct, or be permitted to direct, a Kodiak employee or representative to commit an illegal, unethical or violative act. In addition, no person may justify an illegal or unethical act by claiming it was ordered by anyone else, including but not limited to, individuals in upper management, customers, vendors, the government, etc.

We must all work together to prevent violations of this *Code*. Situations may arise that raise many questions and make it difficult to know exactly what to do. If you encounter these situations, you should seek advice from your supervisor, department leader or Compliance.

HIGHER EXPECTATIONS FOR SUPERVISORS

While this *Code* applies to all Kodiak personnel, those persons who serve in a supervisory capacity and have other employees reporting to them (collectively, "Supervisors") have additional responsibilities related to this *Code*. Supervisors are responsible for promoting a culture of compliance and integrity. As leaders within Kodiak, Supervisors must:

- lead by example by complying with this *Code* at all times;
- enforce this *Code* consistently;
- help those you supervise to understand and follow the standards set forth in this *Code* and other Kodiak policies and procedures;
- stress the importance of participating in required training programs and executing required certifications;
- monitor the compliance and ethics of the people you supervise;
- use reasonable care to monitor third parties acting on behalf of Kodiak to ensure that they work in a manner consistent with this *Code*;
- support those who, in good faith, raise concerns or questions, even if they go outside the chain of command to do so;
- never take or allow retaliatory action against someone for reporting concerns in good faith; and
- deal with and report potential ethical or legal misconduct, whether you witness it yourself or receive a report about it.

ACKNOWLEDGEMENT STATEMENT

You are each required to complete and sign an acknowledgment statement affirming that you have read, understand and will comply with this *Code*. You will also be required to reaffirm your understanding of, and compliance with, this *Code* on a periodic basis by signing subsequent acknowledgment statements. Except where expressly prohibited by law, completing and returning a signed acknowledgment statement when requested by Kodiak is a condition of your employment.

REPORTING VIOLATIONS AND PROTECTION FROM RETALIATION

RESPONSES TO INVESTIGATIONS AND QUESTIONS

Every Kodiak employee is responsible for reporting violations of this *Code* or any other Kodiak policies or procedures, whether known or suspected. No disciplinary action will be taken against a Kodiak employee who in good faith reports a suspected violation or participates in an investigation. Suspected violations should be reported to your supervisor, department leader or Compliance. Kodiak employees are protected from retaliation for reporting a suspected violation even if the same turns out to be unsubstantiated.

The Compliance Department is primarily responsible for both internal and external investigations involving possible violations of this *Code* or applicable laws. Kodiak employees are expected to provide accurate information and to fully cooperate with any investigations. No Kodiak employee should interfere with or obstruct an investigation by providing false information, concealing or destroying information, or disclosing information about an investigation.

If a Kodiak employee is asked or required to be involved in any internal or external investigations, you should notify Compliance without delay.

If any lawyers, investigators, law enforcement officers or anyone else from outside the Company asks questions, requests information or wants to discuss any of the following subjects:

- bribery or corruption;
- economic sanctions;
- competition or antitrust laws;
- anti-boycott laws;
- accidents, injuries, property damage, or any financial or other information related to the Company; or
- any other formal questions or investigations,

you should immediately refer any such questions to your supervisor, department leader, Chief Legal Officer or Compliance so they can provide them with the relevant information. Please also refer to Kodiak's separate Whistleblower Policy, which is incorporated herein.

Kodiak will always cooperate to the best of its ability with the relevant authorities in any jurisdiction, and all Kodiak employees should at all times assist the Company in doing so.

Kodiak further encourages a culture where all persons or entities can raise concerns or report violations or suspected violations of law or regulations to governmental agencies and regulatory authorities without fear of retaliation or reprisals. All persons or entities may: (a) communicate, without notice to or approval by the Company, with governmental agencies and regulatory authorities; (b) participate in any investigation or proceeding that may be conducted by any governmental agency or regulatory authority, including providing documents or other information without notice to the Company; or (c) receive an award from any governmental agency or regulatory authority in connection with their providing such information or participating in any investigation or proceeding. This paragraph applies in all situations and is meant to clarify and supersede any and all prior statements, policies or procedures (including all other sections of this *Code*), as well as any contracts or agreements made by the Company with any persons or entities.

COMPLYING WITH THE LAW

LEGAL REQUIREMENTS

Every law, rule or regulation that applies to Kodiak must be followed at all times. With that in mind, Kodiak employees must keep in mind the following principles:

- Many laws, rules, regulations, court orders and regulatory commission orders govern Kodiak employees and the Company's representatives.
- Kodiak employees are responsible for understanding and applying the law(s) applicable to their jobs. Ignorance is no excuse for violating the law.
- Kodiak employees who are responsible for submitting statements, affidavits, data or documents in connection with legal or regulatory proceedings must ensure that all such submissions are true, accurate and complete in every respect.

Kodiak will conduct all its operations in accordance with, and will comply to the fullest extent with, all applicable laws, including the anti-corruption laws and economic sanctions highlighted below.

Kodiak employees who have questions about complying with these legal requirements or how the requirements affect their work should contact their supervisor, department leader or Compliance.

ANTI-BRIBERY AND ANTI-CORRUPTION LAWS

Kodiak does not, either on its own or through others, request, accept, offer or grant any advantage or anything of value in order to obtain or retain an undue or improper business advantage, regardless of whether the other party to the transaction is an individual, a company or a government official or agency. This applies to activities both in or outside the United States ("U.S.").

This prohibition applies to any kind of favor, gift, hospitality, travel, entertainment or other incentive except as provided in Kodiak's separate Anti-Bribery and Anti-Corruption Compliance Policy, which is incorporated herein. This policy applies even if the business transaction with the partner would have occurred without the thing of value being offered. Even the appearance of improper behavior must be avoided. If such an offer is made to you, report the matter immediately to your supervisors, department leader or Compliance. Observing such behavior by others never justifies a violation of these rules, nor does "cultural context"—"Everyone does it" never excused a breach of ethics, policy, procedure, law, rule or regulation.

MONEY LAUNDERING

Kodiak is prohibited under U.S. law from participating in transactions that facilitate criminals in giving the financial proceeds of criminal activities the appearance of legitimacy or that could involve the proceeds of illegal activity. In order to comply with these laws, no Kodiak employee or representative may accept a payment in cash for any service or products sold by Kodiak.

Payments tendered in cash to Kodiak shall be refused and the incident reported to Compliance or the Chief Financial Officer ("CFO") immediately.

ANTITRUST, COMPETITION AND TRADE LAWS AND REGULATIONS

At all times, Kodiak and its employees and representatives must comply with all antitrust, competition and trade laws and regulations.

U.S. law prohibits Kodiak from participating in foreign boycotts or embargoes that the U.S. government does not sanction. These "anti-boycott" laws have the effect of preventing U.S. companies from being used to implement foreign policies of other nations which run counter to U.S. policy. The anti-boycott laws were adopted to encourage, and in specified cases require, U.S. companies to refuse to participate in unsanctioned foreign boycotts.

In addition, the U.S. prohibits making agreements or reaching understandings with competitors to set minimum or maximum prices, or any term of sale affecting price; to allocate customers, products, services, employees or territories; or to set the supply or production levels for any product or service. To avoid even the appearance of such activities, Kodiak employees and representatives are **NOT** allowed to:

- exchange pricing or other competitive information with competitors or provide such information to a trade association without prior consultation with Compliance and the CFO;
- discuss such information with competitors at gatherings such as trade association meetings or standards bodies meetings;
- make agreements or reach understandings with competitors not to deal with any customer, supplier, or competitor, or any group of customers, suppliers or competitors, or set minimum resale prices of Kodiak products or services offered by independent distributors, retailers or other resellers; or
- agree to limit compensation of employees of different employing companies or agree not to hire another company's employees (except in the narrow circumstances where legally permissible, like the purchase of, or merger with, another company, with approval of the Chief Legal Officer).

COMPETITIVE INFORMATION

Competitive information should never be obtained illegally or unethically. Gathering information about competitors and the products and services they offer, as well as their employee compensation, enables Kodiak to compete effectively in a highly competitive environment. However, competitive information should never be obtained—directly or indirectly— by illegal or unethical means such as:

- misappropriating proprietary information;
- bribery;
- impersonating an employee, supplier or customer of a competitor; or
- hiring consultants to do so.

In general, Kodiak does not ask competitors to supply information about themselves, and Kodiak does not supply information to its competitors, except as necessary to conduct business transactions with them and as required by law. Kodiak employees and representatives must exercise caution in their dealings with competitors. For example, when attending trade shows, industry association meetings, or other meetings where competitors are present, Kodiak employees and representatives may not disclose or receive sensitive competitive information from competitors or their representatives.

In addition to the above, please see Kodiak's separate Anti-Bribery and Anti-Corruption Compliance Policy and Antitrust Compliance Policy, which are incorporated herein.

MAINTAINING OUR INTEGRITY

COMPANY RECORDS AND FINANCIAL REPORTING

All Kodiak records must be accurately prepared and maintained.

Kodiak is required by law and business necessity to create and maintain records that accurately reflect its business activities and establish its compliance with laws. All Kodiak employees must exercise due care in preparing Kodiak records. Making false entries or altering, concealing or prematurely destroying any Kodiak record or document is strictly prohibited.

Kodiak's financial records must accurately reflect transactions, and Kodiak's internal accounting controls must provide reasonable assurances that:

- transactions are carried out in an authorized manner;
- transactions are reported and recorded in a way that properly reflects the transaction, and that permits correct preparation of financial statements and accurate records of assets;
- access to assets is in accordance with management authorization; and
- comparisons between existing assets and records are made periodically, as appropriate, with action taken to correct discrepancies.

Kodiak's records and accounts are subject to regular internal and external audits to ensure compliance with this *Code*, and you must not make any false or misleading statements to any internal or external auditor with respect to Kodiak's records, accounts or financial statements.

Allegations or suspicions of questionable accounting, internal accounting control, or auditing matters, including financial reporting misrepresentations, should be referred immediately to Compliance and the CFO.

DISCLOSURE

Kodiak's periodic reports and other documents filed with the U.S. Securities and Exchange Commission (the "SEC"), including all financial statements and other financial information, must comply with applicable federal securities laws and SEC rules.

Each director, officer and employee who contributes in any way to the preparation or verification of Kodiak's financial statements and other financial information must ensure that Kodiak's books, records and accounts are accurately maintained. Each director, officer and employee must cooperate fully with Kodiak's accounting and internal audit departments, as well as Kodiak's independent public accountants and counsel.

Each director, officer and employee who is involved in Kodiak's disclosure process must:

1. be familiar with and comply with Kodiak's disclosure controls and procedures and its internal control over financial reporting; and

2. take all necessary steps to ensure that all filings with the SEC and all other public communications about the financial and business condition of Kodiak provide full, fair, accurate, timely and understandable disclosure, including ensuring that all information potentially relevant to the Company's disclosure process is timely made available to all directors, officers and employees who are involved in the Company's disclosure process.

SUSPECTED FRAUDULENT OR ILLEGAL CONDUCT

Fraudulent or otherwise illegal conduct committed on or off the job is prohibited. Fraudulent or illegal conduct includes, but is not limited to, any oral or written misrepresentation of facts, misappropriation of funds, theft, improper reporting of time or expenses, wrongfully claiming employee or dependent benefits, or any other dishonest acts, done on or off the job, and whether done while working for Kodiak or elsewhere. Kodiak employees arrested, or charged with illegal conduct that could result in criminal prosecution (a "Crime"), for conduct done on or off the job, must report the criminal charge in writing to their supervisor, department leader, Human Resources or Compliance promptly, or, if absent from work due to the arrest or charge, immediately upon returning to work.

A Kodiak employee's supervisor or department leader is also responsible for immediately notifying Human Resources or Compliance of known arrests and convictions. If a Kodiak employee charged with a Crime is awaiting trial for suspected criminal conduct done on or off the job, Kodiak may conduct an independent review of the facts and determine whether disciplinary or other employment action is warranted.

Kodiak employees who have questions about improper conduct or dishonest acts, on or off the job, should discuss these with their supervisor, department leader, Human Resources or Compliance. Concerns or suspected violations should be reported to Compliance.

CONFLICTS OF INTEREST

A conflict of interest arises when a Kodiak employee's personal interests conflict, or even appear to conflict, with his/her responsibilities to Kodiak. Conflicts of interest also arise when an employee, officer or director (or a member of his or her family) receives improper personal benefits as a result of his or her position at Kodiak.

All Kodiak employees must:

- avoid activities that create a conflict of interest—or the appearance of one;
- make business decisions that are in compliance with Kodiak's policies and procedures and in the best interests of Kodiak and its shareholders;
- never let business dealings on behalf of Kodiak be influenced or appear to be influenced by personal or family interests;
- do not use your job for improper personal gain or benefit, or create the impression that you are subject to such influence when making business decisions;
- report any situation to your supervisor, department leader, Human Resources or Compliance that involves a real or apparent conflict of interest, including those that involve relatives; and
- report to your supervisor, department leader, Human Resources or Compliance any outside activity that could create an actual or potential conflict of interest.

Conflict of interest rules governing a Kodiak employee's immediate family apply to their spouse, partner, children, children's spouses, father, mother, sisters, brothers or other family members in the same household. The relatives of a Kodiak employee's spouse or partner are also covered by these rules. Kodiak employees may not use any Kodiak assets, property, equipment or proprietary or confidential information to support any unauthorized outside activity, including the following:

- maintaining employment with a competitor;
- operating a business; or
- operating a business that provides products or services to a competitor or to Kodiak.

Loans to, or guarantees by Kodiak of obligations of, directors, officers, employees or their family members are of special concern. Loans to, or guarantees by Kodiak of obligations of, any director or executive officer are expressly prohibited.

Kodiak policy also prohibits Kodiak employees from (i) taking advantage of business opportunities reasonably available to Kodiak, (ii) taking for yourself business opportunities that are discovered through the use of Kodiak property, information or your position within Kodiak; (iii) using Kodiak property, information or your position for personal gain; and (iv) competing with Kodiak. Competing with Kodiak may involve engaging in the same line of business as Kodiak or any situation where you take away from Kodiak opportunities for sales or purchases of products or services. Any questions regarding this policy should be directed to your supervisor, department leader, Human Resources or Compliance. Please also refer to the Conflict of Interest Policy and Related Party Transactions Policy, which are incorporated herein.

RELATIONSHIPS WITH VENDORS, SUPPLIERS AND OTHERS

Kodiak awards business based on merit and without favoritism.

When selecting vendors and suppliers, make your choice objectively, selecting based on the needs of the business and the quality and cost of the products or services that they provide. If you work with any supplier, vendor or business partner, make sure they know about and uphold their commitment to this *Code*. Any purchasing activities must comply with the requirements of Kodiak's internal procurement practices.

GIFTS, MEALS AND ENTERTAINMENT

Kodiak employees or representatives may not seek a competitive advantage through the use of gifts or other personal incentives and may never offer or give a gift or any reward in exchange for a customer's business or any other improper advantage. Gifts, meals, entertainment or other personal incentives must never be given to obtain a business or competitive advantage.

This section of the *Code* and the Company's separate Anti-Bribery and Anti-Corruption Compliance Policy (which is incorporated herein) address guidelines for gifts, meals and entertainment to customers.

Gift-giving practices vary around the world. However, accepting a gift may create a conflict of interest or the appearance of a conflict of interest. Moreover, gifts given or accepted to obtain a business or competitive advantage may constitute a bribe or a kickback. Kodiak does not buy business but instead earns it on the strength of its service and commitment to customer satisfaction. In other contexts, such as during the holiday season or to celebrate an important event in a customer's or supplier's business or life, a gift may be given if it is properly authorized and appropriate.

Kodiak may offer meals or other modest or routine forms of entertainment to customers or suppliers as a courtesy during the course of conducting normal business. If a Kodiak employee is considering entertainment for customers or suppliers that is more than modest or routine, they should obtain the prior written consent from their respective functional or regional Vice President, the department's executive-level leader or Compliance, as applicable, in accordance with this *Code*.

Any meals or entertainment must be conducted in a manner consistent with Kodiak's policies, including this *Code* and the applicable internal expense approval process. Concerns or suspected violations should be reported to your supervisor, department leader or Compliance.

Excessive or lavish gifts may be considered a bribe, just like a cash payment. If you are uncertain or have any questions about whether a gift is inappropriate, you should consult with your supervisor, department leader or Compliance before giving/doing anything of value, no matter how nominal, without prior approval.

Gifts and entertainment will not be approved unless they are:

- not cash;
- of nominal value and not lavish or excessive;
- provided only as a courtesy or expression of gratitude;
- permitted under anti-corruption laws and our separate Anti-Bribery and Anti-Corruption Compliance Policy;

- of the type and value that are unequivocally customary and appropriate for the occasion; and
- infrequent.

Any gifts or entertainment must be accurately recorded in Kodiak's books and records.

ACCEPTING GIFTS AND GRATUITIES

Offers of gifts and entertainment from customers, suppliers and other business partners may also be a normal part of doing business and a way to build goodwill. Kodiak employees may accept meals, refreshments or other modest forms of hospitality or entertainment from customers or suppliers as a courtesy extended during the normal course of business, provided the entertainment:

- is for legitimate business purposes, such as building goodwill and strengthening working relationships;
- is not being offered to influence actions such as obtaining special treatment, an award of business, better prices, or improved terms of sale; and
- is not systematic and ongoing.

Kodiak strongly discourages and strictly limits the acceptance of gifts and gratuities from customers, vendors or other third parties who might seek to influence our actions. Gifts and gratuities from others might violate their own internal policies. Please refer to those policies when they are available.

As described below, gifts or gratuities may be accepted under appropriate circumstances, such as when the value of the gift is reasonably thought to be less than $250 (U.S.).

Kodiak employees must report the acceptance (or giving by them) of any gift or gratuity which is reasonably thought to be more than $250 (U.S.) to Compliance.

This subject can be confusing, but some rules are very clear. Kodiak employees are NEVER permitted under any circumstances to:

- solicit gifts, directly or indirectly, from customers or suppliers;
- accept gifts of cash of any value from anyone;
- accept any gratuity in return for services provided;
- accept payments, loans, bribes or kickbacks from anyone; or
- accept gifts from suppliers that are in the process of responding to a Kodiak request for a competitive quotation.

Kodiak employees should report suspected violations of the above restrictions directly to Compliance.

POLITICAL CONTRIBUTIONS

The U.S. government has laws regulating corporate contributions to political parties, campaigns and candidates in the form of cash or the use of corporate facilities, automobiles, computers, mail services or personnel. Any proposed corporate contributions must be in accordance with the Company's Public Policy Advocacy Policy, which is incorporated herein. Involvement and participation in political activities must be at an employee's choosing, on his or her own time, and at his or her own expense, and not in the name of or affiliated with the Company.

CHARITABLE DONATIONS

Kodiak believes in contributing to the communities in which it does business; however, improper payments to government officials are sometimes disguised as legitimate charitable contributions. Therefore, Kodiak must be certain that such donations are legitimate and not disguised illegal payments to government officials in violation of the U.S. Foreign Corrupt Practices Act of 1977 (as amended) or other applicable anti-corruption laws.

Charitable donations will only be made by Kodiak after the following procedures, guidelines and requirements are met:

- All donations should generate publicity or goodwill for Kodiak and demonstrate Kodiak's commitment to the community, whether local, regional, or national.
- Donations will only be authorized after Kodiak establishes that the charity is a bona-fide organization and not an entity controlled for the benefit of a government official.
- Documentation that substantiates Kodiak's donation, such as receipts, must be retained and forwarded to accounting so that the payment or expense may be accurately described and reflected in Kodiak's books and records.

All charitable contributions must be approved in accordance with the Company's Anti-Bribery and Anti-Corruption Compliance Policy and Public Policy Advocacy Policy, which are incorporated herein. We recommend that all charitable activities be administered through Kodiak Cares Foundation.

MAINTAINING COMPANY ASSETS, PROPRIETARY INFORMATION AND INTELLECTUAL PROPERTY

PROTECTING COMPANY ASSETS

You are a steward of Kodiak's assets. As such, you have the obligation to (i) use and maintain these assets with the utmost care and respect; (ii) protect and preserve Kodiak's assets and resources against loss, theft, waste, abuse or other misuse; and (iii) assist Kodiak in its efforts to control costs. Kodiak's assets include, but are not limited to, such things as electronic mail, computer systems, documents, equipment, facilities, information, logo and name, materials and supplies.

Personal use of Kodiak's assets on an occasional and limited basis may be acceptable, provided there are no measurable increased costs to Kodiak. The use of Kodiak's assets and resources for personal financial gain, however, is strictly prohibited.

You should promptly report any suspected loss, theft, waste, abuse or other misuse of Kodiak's assets to an immediate supervisor, the Chief Legal Officer or Compliance.

PROTECTING COMPANY PROPRIETARY INFORMATION

During your period of employment or other affiliation with Kodiak, you may become aware of sensitive material or proprietary information. This type of information is generally defined as any non-public information in Kodiak's possession. Such information is generally protected by law, and the use of that information outside of Kodiak is unlawful. To protect Kodiak's information and its legal rights, it is critical that the confidential and proprietary status of this information be maintained. The use or disclosure of confidential or proprietary information outside the ordinary course of Kodiak's business as directed by Kodiak's executive management team is strictly prohibited. This policy, along with the entirety of the *Code*, is subject to and controlled by the "Reporting Violations and Protection from Retaliation" section above.

RESPECTING THE PROPRIETARY INFORMATION OF OTHERS

E-MAIL AND INTERNET USAGE

It is always Kodiak's policy to respect the proprietary information and rights of others including vendors, suppliers, customers and competitors. Failure to respect the information of others violates this policy and could place you and Kodiak at significant legal and financial risk. If what appears to be the confidential information of a third party is sent to you or in some way comes into your possession, or you are aware that such confidential information has been sent or is in the possession of one or more of your colleagues, please bring the matter to the immediate attention of the Legal Department or Compliance.

For those Kodiak employees and others affiliated with Kodiak that have access to Kodiak's e-mail and internet systems, such access and use is intended for conducting Kodiak business only. Accessing sites or sending/receiving messages that are inappropriate, particularly those that are hateful or pornographic in nature, is strictly against Kodiak policy. This includes any material that describes or depicts sexual or sexually suggestive actions, appearances or poses, or that contains derogatory material about any racial, ethnic or other underrepresented group. Additionally, accessing, transmitting or displaying any form of discriminating materials is strictly prohibited, as well as downloading unapproved files onto any Kodiak system. This includes all types of materials that would be in conflict with or in violation of Kodiak's policies, including Kodiak's policies against discrimination and harassment.

CONFIDENTIAL INFORMATION

All copyrightable materials, inventions, trademarks, service materials, promotional and marketing ideas, processes or products related to Kodiak's business or any Kodiak employee's job, which is conceived or developed while employed by Kodiak, is by law and policy property of Kodiak, unless designated otherwise, in writing, by the Chief Legal Officer. You must disclose and identify to the Chief Legal Officer any new invention, works of authorship, technology advances or unique business solutions developed or discovered during your employment period promptly and in sufficient time so that Kodiak may determine whether to seek legal protection for such items.

All messages, files, documents and other types of information created by employees for Kodiak's use or purposes while using Kodiak's systems are Kodiak's property. Additionally, unless otherwise provided by applicable law, you have no right of privacy with respect to Kodiak's e-mail and internet systems. Kodiak owns all data related to the Company and reserves all legal rights to inspect, monitor and review any and all messages and information transmitted through, stored or contained in Kodiak's systems or networks, including but not limited to voicemail, phone logs, internet use, and network traffic, whether located on a Company device or an employee's personal device.

COMMUNICATIONS

In order to ensure that the information that is disseminated about Kodiak to the public is both accurate and consistent, Kodiak's Chief Executive Officer ("CEO"), or his or her designee(s), is/are Kodiak's spokesperson(s) for all communications with the public on Kodiak's behalf. No other person may provide information to the media; deliver any public or semipublic or oral address; or publish or cause to be published any paper, article, or other writing, any of which are related directly or indirectly to Kodiak or any business activity in which Kodiak is involved, without first obtaining the prior written approval of Kodiak's Chief Legal Officer or Compliance.

All Kodiak communications, whether internal or external, should be honest and forthright. Communications may include, but are not limited to, general internal reports and memoranda, advertising, marketing, media broadcasts, sales brochures and illustrations. Kodiak will provide accurate information when promoting its products and services. Misleading, false or exaggerated claims concerning our products and services, or those of our competitors, are unacceptable. These same principles must be adhered to when responding to inquiries from customers, fellow employees, the media, regulatory agencies and shareholders.

The publication or circulation, either internally or externally, of any oral or written statement that is false, derogatory, malicious or defamatory of any other person, and in particular, any of Kodiak's competitors, is prohibited.

THE WORK ENVIRONMENT

WORKPLACE HEALTH AND SAFETY

Kodiak strives to provide a safe and healthy work environment. Each employee has a responsibility to maintain a safe and healthy workplace through following applicable safety and health rules and practices and reporting accidents, injuries and unsafe equipment, practices or conditions. Kodiak expects persons performing services for the Company to perform their duties free from the influence of alcohol and drugs while on duty.

PROTECTING THE ENVIRONMENT

Kodiak is committed to conducting all of its business operations in a manner that promotes and maintains a clean, safe and healthy environment. It is Kodiak's policy to strictly abide by all applicable environmental laws and policies.

EQUAL EMPLOYMENT OPPORTUNITY WORKPLACE

As an equal opportunity employer, Kodiak affords equal employment opportunities to applicants and employees without regard to race, color, religion, national origin or ancestry, ethnicity, sex (including gender, pregnancy, sexual orientation and gender identity), age, physical or mental disability, citizenship, past, current, or prospective service in the uniformed services, genetic information, or any other characteristic protected under applicable law. Kodiak will not tolerate discrimination or harassing conduct, either in the workplace or in any other work-related environment, and is committed to establishing and maintaining a work environment in which all individuals are treated with dignity and respect. Kodiak's equal employment opportunity/non-discrimination commitment governs all terms, conditions and actions related to employment.

OTHER MATTERS

ENFORCEMENT

Kodiak may take disciplinary action against employees, officers and directors who fail to comply with this *Code* or fail to cooperate with any applicable investigation. In addition, any supervisor, manager or officer who directs, approves or condones violations of this *Code*, or fails to report the same, will be subject to disciplinary action. If the reporting person is involved in the *Code* violation, the fact that he or she voluntarily reported the violation will be given consideration by the Company in any resulting disciplinary action. Kodiak reserves the right to seek restitution of any bonus, commission or other compensation received by any Kodiak employee who engages in intentional, fraudulent or illegal conduct. A Kodiak employee dismissed for violating this *Code* is not eligible for re-employment, service as a consultant, contractor or temporary work with Kodiak. In the event such a former Kodiak employee is re-hired or becomes a Kodiak employee again by virtue of a future merger or acquisition, Kodiak reserves the right to dismiss the individual.

WAIVERS

The Board or the Audit & Risk Committee (in the case of a violation by a director or executive officer) or Compliance (in the case of a violation by any other person) may, in its discretion, waive any violation of this *Code*.

Any waiver for a director or an executive officer shall be disclosed as required by SEC and New York Stock Exchange rules. Any employee, officer or director who believes that a waiver may be necessary should contact Kodiak's Chief Compliance Officer.

This *Code* can be found on Kodiak's website at:

www.kodiakgas.com

This *Code* is not a contract of employment and does not create contractual rights of any kind between the Company and any of its employees, business partners, agents, distributors, consultants or any other third-party representatives or their respective officers, directors and employees. Kodiak reserves the right to amend, supplement, or discontinue this *Code* at any time with or without prior notice.

Exhibit 31.1

CERTIFICATION
PURSUANT TO RULE 13a-14 AND 15d-14
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Robert M. McKee, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kodiak Gas Services, 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 with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    c. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect the registrant’s internal control over financial reporting; and
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 registrant’s auditors and the audit committee of the registrant’s Board of directors (or persons performing the equivalent functions):
    a. 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, process, summarize and report financial information; and
    b. 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: May 9, 2024

/s/ Robert M. McKee

Name:	Robert M. McKee
Title:	President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION
PURSUANT TO RULE 13a-14 AND 15d-14
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, John B. Griggs, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kodiak Gas Services, 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 with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
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 registrant's auditors and the audit committee of the registrant's Board of directors (or persons performing the equivalent functions):
   a. 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, process, summarize and report financial information; and
   b. 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: May 9, 2024

/s/ John B. Griggs

Name:	John B. Griggs
Title:	Executive Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION
PURSUANT TO 18 U.S.C. 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

I, Robert M. McKee, President, Chief Executive Officer, and Director of Kodiak Gas Services, Inc. (the “Company”), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to my knowledge:

1. The Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2024 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2024

/s/ Robert M. McKee

Name:	Robert M. McKee
Title:	President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION
PURSUANT TO 18 U.S.C. 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

I, John B. Griggs, Executive Vice President and Chief Financial Officer of Kodiak Gas Services, Inc. (the “Company”), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to my knowledge:

1. The Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2024 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2024

/s/ John B. Griggs

Name:	John B. Griggs
Title:	Executive Vice President and Chief Financial Officer