

Non-GAAP Financial Measures

Cash Interest

Cash Interest is a supplemental non-GAAP financial measure that is used by management and external users of the Partnership's financial statements, such as industry analysts, investors, lenders and rating agencies. The Partnership defines Cash Interest as interest expense plus capitalized interest less amortization of deferred financing costs included in interest expense. Cash Interest is not a measure of interest expense as determined by GAAP. Management believes that the presentation of Cash Interest provides useful additional information to investors and analysts for assessing the interest charges incurred on our debt, excluding non-cash amortization, and our ability to maintain compliance with our debt covenants.

The following table presents a reconciliation of the GAAP financial measure of interest expense, net of capitalized interest, to the non-GAAP financial measure of Cash Interest for the periods presented:

	Three Months Ended December 31,		Year Ended December 31,	
	2020	2019 ⁽¹⁾	2020	2019 ⁽¹⁾
	(In thousands)			
Interest expense, net of capitalized interest	\$ 2,602	\$ 4,627	\$ 12,783	\$ 17,538
Capitalized interest	2	272	324	905
Amortization of deferred financing costs	(274)	(287)	(1,089)	(946)
Cash Interest	\$ 2,329	\$ 4,612	\$ 12,018	\$ 17,497
Less: Cash Interest attributable to Delaware Predecessor	—	(160)	—	(813)
Less: Cash Interest attributable to non-controlling interests	(3)	(3)	(12)	(11)
Cash interest attributable to Oasis Midstream Partners LP	\$ 2,326	\$ 4,449	\$ 12,006	\$ 16,673

(1) Retrospectively adjusted for transfer of net assets between entities under common control.

Adjusted EBITDA

Adjusted EBITDA is a supplemental non-GAAP financial measure that is used by management and external users of the Partnership's financial statements, such as industry analysts, investors, lenders and rating agencies. The Partnership defines Adjusted EBITDA as earnings before interest expense (net of capitalized interest), income taxes, depreciation, amortization, equity-based compensation expenses and other similar non-cash adjustments. Adjusted EBITDA should not be considered an alternative to net income, net cash provided by operating activities or any other measure of financial performance or liquidity presented in accordance with GAAP. Management believes that the presentation of Adjusted EBITDA provides information useful to investors and analysts for assessing the Partnership's results of operations, financial performance and its ability to generate cash from its business operations without regard to its financing methods or capital structure, coupled with the Partnership's ability to maintain compliance with its debt covenants. The GAAP measures most directly comparable to Adjusted EBITDA are net income and net cash provided by operating activities.

Distributable Cash Flow ("DCF") and Free Cash Flow ("FCF")

DCF and FCF are supplemental non-GAAP financial measures that are used by management and external users of the Partnership's financial statements, such as industry analysts, investors, lenders and rating agencies. The Partnership defines DCF as Adjusted EBITDA attributable to the Partnership less Cash Interest attributable to the Partnership and maintenance capital expenditures attributable to the Partnership. The Partnership defines FCF as DCF less expansion capital expenditures attributable to the Partnership and unitholder distributions. DCF and FCF should not be considered alternatives to net income, net cash provided by operating activities or any other measure of financial performance or liquidity presented in accordance with GAAP. Management believes that the presentation of DCF and FCF provide information useful to investors and analysts for assessing the Partnership's results of operations, financial performance and ability to generate cash from its business operations without regard to its financing methods or capital structure, coupled with the Partnerships ability to make distributions to its unitholders. The GAAP measures most directly comparable to DCF and FCF are net income and net cash provided by operating activities.

The following table presents reconciliations of the GAAP financial measures of net income and net cash provided by operating activities to the non-GAAP financial measures of Adjusted EBITDA, DCF and FCF for the periods presented:

	Three Months Ended December 31,		Year Ended December 31,	
	2020	2019 ⁽¹⁾	2020	2019 ⁽¹⁾
	(In thousands)			
Net income	\$ 69,256	\$ 63,451	\$ 66,313	\$ 215,231
Depreciation and amortization	9,076	9,533	40,237	36,358
Impairment	—	—	103,441	—
Equity-based compensation expenses	68	75	268	378
Interest expense, net of capitalized interest	2,602	4,627	12,783	17,538
Other non-cash adjustments ⁽²⁾	(28,900)	—	(885)	—
Adjusted EBITDA	52,102	77,686	222,157	269,505
Less: Adjusted EBITDA attributable to Delaware Predecessor	—	613	—	5,510
Less: Adjusted EBITDA attributable to non-controlling interests	17,247	27,657	77,802	105,053
Adjusted EBITDA attributable to Oasis Midstream Partners LP	34,855	49,416	144,355	158,942
Cash interest attributable to Oasis Midstream Partners LP	2,326	4,449	12,006	16,673
Maintenance capital expenditures attributable to Oasis Midstream Partners LP	1,715	1,752	4,376	8,346
Distributable cash flow	30,814	43,215	127,973	133,923
Expansion capital expenditures attributable to Oasis Midstream Partners LP	1,649	32,430	14,611	189,321
Unitholder distributions	19,285	18,149	77,140	66,613
Free cash flow	\$ 9,880	\$ (7,364)	\$ 36,222	\$(122,011)
Net cash provided by operating activities	\$ 47,164	\$ 76,961	\$ 213,569	\$ 252,539
Interest expense, net of capitalized interest	2,602	4,627	12,783	17,538
Changes in working capital	31,512	(3,615)	(2,219)	374
Other non-cash adjustments ⁽²⁾	(29,176)	(287)	(1,976)	(946)
Adjusted EBITDA	52,102	77,686	222,157	269,505
Less: Adjusted EBITDA attributable to Delaware Predecessor	—	613	—	5,510
Less: Adjusted EBITDA attributable to non-controlling interests	17,247	27,657	77,802	105,053
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Unitholder distributions	19,285	18,149	77,140	66,613
Free cash flow	\$ 9,880	\$ (7,364)	\$ 36,222	\$(122,011)
Distributions Declared				
Limited partners	\$ 18,258	\$ 18,258	\$ 73,033	\$ 68,106
General partner	1,027	1,027	4,107	2,472
Total distributions⁽³⁾	\$ 19,285	\$ 19,285	\$ 77,140	\$ 70,578
DCF coverage ratio	1.6 x	2.2 x	1.7 x	1.9 x

- (1) Retrospectively adjusted for transfer of net assets between entities under common control.
- (2) Three months ended December 31, 2020 includes non-cash gain associated with the permanent waiver of additional interest expense of \$28.0 million previously incurred in the first quarter of 2020. See “Waiver and Forbearance Agreement” above for additional information.
- (3) Represents distributions declared associated with earnings of the reporting period presented. Unitholder distributions are generally paid in the reporting period after the period of associated earnings.