

ProPetro Reports Financial Results for the Third Quarter of 2021

MIDLAND, TX, November 2, 2021, (Business Wire) – ProPetro Holding Corp. ("ProPetro" or "the Company") (NYSE: PUMP) today announced financial and operational results for the third quarter of 2021.

Third Quarter 2021 and Recent Highlights

- Total revenue for the quarter increased 15% to \$250 million compared to \$217 million for the second quarter of 2021.
- Net loss for the quarter improved over 40% to \$5 million, or \$0.05 per diluted share, compared to net loss of \$9 million, or \$0.08 per diluted share, for the second quarter of 2021.
- Adjusted EBITDA⁽¹⁾ for the quarter increased 18% to \$42 million compared to \$36 million for the second quarter of 2021.
- Effective utilization for the third quarter was 13.8 fleets compared to 13.1 fleets for the second quarter of 2021.
- Net cash provided by operating activities for the quarter of \$48 million as compared to \$44 million for the second quarter of 2021.
- Positive Free Cash Flow⁽²⁾ of approximately \$13 million as compared to positive Free Cash Flow of approximately \$16 million for the second quarter of 2021.

⁽¹⁾ Adjusted EBITDA is a Non-GAAP financial measure and is described and reconciled to net income (loss) in the table under "Non-GAAP Financial Measures."

⁽²⁾ Free cash flow ("FCF") is a Non-GAAP financial measure and is defined as net cash flow provided from operating activities less net cash used in investing activities. During the quarter ended September 30, 2021, net cash provided by operating activities of approximately \$48 million less net cash used in investing activities of approximately \$35 million resulted in free cash flow of approximately \$13 million. During the quarter ended June 30, 2021, net cash provided by operating activities of \$44 million less net cash used in investing activities of \$29 million resulted in free cash flow of approximately \$16 million.

Sam Sledge, Chief Executive Officer, commented, "Demand for ProPetro's services continued to increase in the third quarter. As activity normalizes, we see operators in the Permian placing more value on efficient service providers that can consistently deliver industry leading performance in the field. Due to tighter fundamentals in the pressure pumping space, modest net pricing increases for services were achieved across ProPetro's operations. I'm proud of the continued commitment to safety and efficient field performance that our team delivered during the quarter. Our results reflect this dedication to excellence that is ProPetro's hallmark."

"We also continued our commitment to converting our legacy fleet, over time, to ESG-friendly assets. Accordingly and notably, we accelerated a portion of our 2022 capital expenditures and announced an order for 50 Tier IV Dynamic Gas Blending ("DGB") dual-fuel pumping unit conversions for approximately \$74 million. DGB fleets remain highly utilized in our market and our customers are pleased with their performance. As previously communicated, these converted units, paired with our industry-leading operational performance, will continue to position us well in a frac market that is constrained for reliable, high-performing, and lower emissions fleets."

"Our dedication to profitable operations and ESG-friendly offerings was evident in the third quarter," David Schorlemer, Chief Financial Officer, commented. "After full delivery of the recently ordered dual-fuel conversions, we will have 86 Tier IV DGB units in our portfolio which, in today's market, are achieving higher relative pricing than our conventional diesel units. While not compromising our high quality conventional equipment, we maintain our resolve to support our customers by adding to our inventory of lower emissions equipment. Additionally, we believe we are operating all our fleets at industry-leading pumping productivity rates which is critical to operators focused on completions efficiencies and which ProPetro has become known for in our market."

Third Quarter 2021 Financial Summary

Revenue for the third quarter of 2021 was \$250 million compared to revenue of \$217 million for the second quarter of 2021. The 15% increase was attributable to our increased effectively utilized fleet count and improved pricing.

Cost of services, excluding depreciation and amortization of approximately \$34 million, for the third quarter of 2021 increased to \$189 million from \$163 million during the second quarter of 2021. Contributing to the increase were higher activity levels, reactivation costs of previously stacked equipment, wage increases and general cost inflation.

General and administrative expense of \$21 million for the third quarter of 2021 increased from \$18 million in the second quarter of 2021. General and administrative expense, exclusive of a net expense of \$2.0 million relating to non-recurring and non-cash items (insurance recovery legal settlement of \$1.0 million offset by stock-based compensation of \$3.0 million), was \$19 million, or 8% of revenue, for the third quarter of 2021 consistent with the second quarter of 2021.

Net loss for the third quarter of 2021 totaled \$5 million, or \$0.05 per diluted share, compared to net loss of \$9 million, or \$0.08 per diluted share, for the second quarter of 2021.

Adjusted EBITDA increased to \$42 million for the third quarter of 2021 from \$36 million for the second quarter of 2021. The sequential improvement in Adjusted EBITDA was primarily attributable to increased activity, improved pricing and profitability offset by reactivation costs of previously stacked equipment, wage increases and general cost inflation.

Liquidity and Capital Spending

As of September 30, 2021, total cash was \$85 million and the Company remained debt free. Total liquidity at the end of the third quarter of 2021 was \$154 million including cash and \$69 million of available capacity under the Company's revolving credit facility. As of October 29, 2021, total cash was \$91 million and the Company had no debt outstanding. Total liquidity as of October 29, 2021, was \$159 million including cash and \$68 million of available capacity under the Company's revolving credit facility.

Capital expenditures incurred during the third quarter of 2021 were \$53 million, the majority of which was maintenance spending. Capital expenditures paid (as appears in the Investing Activities section of the Statement of Cash Flows) in the third quarter were \$35 million. Based on our current and projected activity levels for 2021 along with strategic supply chain

investments previously announced, the Company expects full year 2021 incurred capital expenditures to be between \$155 million and \$165 million. Our full year incurred capital expenditure guidance includes approximately \$30 million associated with our recent accelerated purchase of 50 Tier IV DGB conversions. Full year capital expenditures paid may differ due to the timing of payments.

Outlook

Mr. Sledge concluded, "We anticipate pressure pumping fundamentals to continue to improve as we progress into 2022 and ProPetro is well prepared to react to the modest increase in activity that we expect in the months to come. Our focus is to remain capital disciplined and operate as the most efficient frac provider in the Permian Basin."

Conference Call Information

The Company will host a conference call at 8:00 AM Central Time on Wednesday, November 3, 2021, to discuss financial and operating results for the third quarter of 2021. The call will also be webcast on ProPetro's website at www.propetroservices.com. To access the conference call, U.S. callers may dial toll free 1-844-340-9046 and international callers may dial 1-412-858-5205. Please call ten minutes ahead of the scheduled start time to ensure a proper connection. A replay of the conference call will be available for one week following the call and can be accessed toll free by dialing 1-877-344-7529 for U.S. callers, 1-855-669-9658 for Canadian callers, as well as 1-412-317-0088 for international callers. The access code for the replay is 10160844.

About ProPetro

ProPetro Holding Corp. is a Midland, Texas-based oilfield services company providing pressure pumping and other complementary services to leading upstream oil and gas companies engaged in the exploration and production of North American unconventional oil and natural gas resources. For more information visit www.propetroservices.com.

Forward-Looking Statements

Except for historical information contained herein, the statements and information in this news release are forward-looking statements that are made pursuant to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. Statements that are predictive in nature, that depend upon or refer to future events or conditions or that include the words "may," "could," "plan," "project," "budget," "predict," "pursue," "target," "seek," "objective," "believe," "expect," "anticipate," "intend," "estimate," and other expressions that are predictions of, or indicate, future events and trends and that do not relate to historical matters identify forward-looking statements. Our forward-looking statements include, among other matters, statements about our business strategy, industry, future profitability, expected fleet utilization, sustainability efforts, the future performance of newly improved technology (such as our DuraStim® fleets), expected capital expenditures and the impact of such expenditures on our performance and capital programs. A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. We believe that we have chosen these assumptions or bases in good faith and that they are reasonable.

Although forward-looking statements reflect our good faith beliefs at the time they are made, forward-looking statements are subject to a number of risks and uncertainties that may cause actual events and results to differ materially from the forward-looking statements. Such risks and uncertainties include the volatility of oil prices, the operational disruption and market volatility resulting from the COVID-19 pandemic and other factors described in the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, particularly the "Risk Factors" sections of such filings, and other filings with the Securities and Exchange Commission (the "SEC"). In addition, the Company may be subject to currently unforeseen risks that may have a materially adverse impact on it, including matters related to shareholder litigation and the SEC investigation. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward-looking statements. Readers are cautioned not to place undue reliance on such forward-looking statements and are urged to carefully review and consider the various disclosures made in the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and other filings made with the SEC from time to time that disclose risks and uncertainties that may affect the Company's business. The forward-looking statements in this news release are made as of the date of this news release. ProPetro does not undertake, and expressly disclaims, any duty to publicly update these statements, whether as a result of new information, new developments or otherwise, except to the extent that disclosure is required by law.

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PROPETRO HOLDING CORP.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended		
	September 30, 2021	June 30, 2021	September 30, 2020
REVENUE - Service revenue	\$ 250,099	\$ 216,887	\$ 133,710
COSTS AND EXPENSES			
Cost of services (exclusive of depreciation and amortization)	188,690	162,837	99,592
General and administrative (inclusive of stock-based compensation)	21,348	17,529	21,817
Depreciation and amortization	33,531	33,243	37,467
Loss on disposal of assets	12,424	15,025	11,286
Total costs and expenses	255,993	228,634	170,162
OPERATING LOSS	(5,894)	(11,747)	(36,452)
OTHER EXPENSE:			
Interest expense	(143)	(159)	(137)
Other expense	(309)	(302)	(312)
Total other expense	(452)	(461)	(449)
LOSS BEFORE INCOME TAXES	(6,346)	(12,208)	(36,901)
INCOME TAX BENEFIT	1,279	3,697	7,717
NET LOSS	\$ (5,067)	\$ (8,511)	\$ (29,184)
NET LOSS PER COMMON SHARE:			
Basic	\$ (0.05)	\$ (0.08)	\$ (0.29)
Diluted	\$ (0.05)	\$ (0.08)	\$ (0.29)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:			
Basic	103,257	102,398	100,897
Diluted	103,257	102,398	100,897

PROPETRO HOLDING CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)
(Unaudited)

	September 30, 2021	December 31, 2020
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 84,601	\$ 68,772
Accounts receivable - net of allowance for credit losses of \$217 and \$1,497, respectively	149,650	84,244
Inventories	3,477	2,729
Prepaid expenses	5,197	11,199
Other current assets	14	782
Total current assets	242,939	167,726
PROPERTY AND EQUIPMENT - net of accumulated depreciation	853,928	880,477
OPERATING LEASE RIGHT-OF-USE ASSETS	486	709
OTHER NONCURRENT ASSETS:		
Other noncurrent assets	1,397	1,827
Total other noncurrent assets	1,397	1,827
TOTAL ASSETS	\$ 1,098,750	\$ 1,050,739
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 167,085	\$ 79,153
Accrued and other current liabilities	24,597	24,676
Operating lease liabilities	360	334
Total current liabilities	192,042	104,163
DEFERRED INCOME TAXES	63,701	75,340
NONCURRENT OPERATING LEASE LIABILITIES	192	465
Total liabilities	255,935	179,968
COMMITMENTS AND CONTINGENCIES (Note 10)		
SHAREHOLDERS' EQUITY:		
Preferred stock, \$0.001 par value, 30,000,000 shares authorized, none issued, respectively	—	—
Common stock, \$0.001 par value, 200,000,000 shares authorized, 103,259,971 and 100,912,777 shares issued, respectively	103	101
Additional paid-in capital	841,110	835,115
Retained earnings	1,602	35,555
Total shareholders' equity	842,815	870,771
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,098,750	\$ 1,050,739

PROPETRO HOLDING CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (33,953)	\$ (62,908)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	100,253	117,844
Impairment expense	—	16,654
Deferred income tax benefit	(11,639)	(15,490)
Amortization of deferred debt issuance costs	405	407
Stock-based compensation	8,405	5,968
Provision for credit losses	282	448
Loss on disposal of assets	40,500	39,875
Changes in operating assets and liabilities:		
Accounts receivable	(65,244)	117,072
Other current assets	325	2,598
Inventories	(747)	587
Prepaid expenses	6,027	4,741
Accounts payable	64,237	(97,380)
Accrued and other current liabilities	408	(11,996)
Accrued interest	—	(394)
Net cash provided by operating activities	109,259	118,026
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(87,700)	(86,509)
Proceeds from sale of assets	2,151	4,330
Net cash used in investing activities	(85,549)	(82,179)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of borrowings	—	(130,000)
Payment of finance lease obligation	—	(30)
Repayments of insurance financing	(5,473)	—
Proceeds from exercise of equity awards	3,365	—
Tax withholdings paid for net settlement of equity awards	(5,773)	(598)
Net cash used in financing activities	(7,881)	(130,628)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	15,829	(94,781)
CASH AND CASH EQUIVALENTS - Beginning of period	68,772	149,036
CASH AND CASH EQUIVALENTS - End of period	\$ 84,601	\$ 54,255

Reportable Segment Information

(in thousands)	Three Months Ended					
	September 30, 2021			June 30, 2021		
	Pressure Pumping	All Other	Total	Pressure Pumping	All Other	Total
Service revenue	\$ 245,641	\$ 4,458	\$ 250,099	\$ 213,461	\$ 3,426	\$ 216,887
Adjusted EBITDA	\$ 53,975	\$ (11,877)	\$ 42,098	\$ 46,826	\$ (11,133)	\$ 35,693
Depreciation and amortization	\$ 32,536	\$ 995	\$ 33,531	\$ 32,256	\$ 987	\$ 33,243
Capital expenditures	\$ 52,904	\$ 300	\$ 53,204	\$ 30,744	\$ 29	\$ 30,773

Non-GAAP Financial Measures

Adjusted EBITDA is not a financial measure presented in accordance with GAAP. We believe that the presentation of this non-GAAP financial measure provides useful information to investors in assessing our financial condition and results of operations. Net income (loss) is the GAAP measure most directly comparable to Adjusted EBITDA. Non-GAAP financial measures should not be considered as alternatives to the most directly comparable GAAP financial measure. Non-GAAP financial measures have important limitations as analytical tools because they exclude some, but not all, items that affect the most directly comparable GAAP financial measures. You should not consider Adjusted EBITDA in isolation or as a substitute for an analysis of our results as reported under GAAP. Because Adjusted EBITDA may be defined differently by other companies in our industry, our definitions of this non-GAAP financial measure may not be comparable to similarly titled measures of other companies, thereby diminishing their utility.

Reconciliation of Net Loss to Adjusted EBITDA

<i>(in thousands)</i>	Three Months Ended					
	September 30, 2021			June 30, 2021		
	Pressure Pumping	All Other	Total	Pressure Pumping	All Other	Total
Net income (loss)	\$ 9,058	\$ (14,125)	\$ (5,067)	\$ (809)	\$ (7,702)	\$ (8,511)
Depreciation and amortization	32,536	995	33,531	32,256	987	33,243
Interest expense	—	143	143	—	159	159
Income tax benefit	—	(1,279)	(1,279)	—	(3,697)	(3,697)
Loss on disposal of assets	12,381	43	12,424	15,379	(354)	15,025
Stock-based compensation	—	3,009	3,009	—	2,909	2,909
Other expense	—	309	309	—	302	302
Other general and administrative expense, net ⁽¹⁾	—	(972)	(972)	—	(3,737)	(3,737)
Adjusted EBITDA	<u>\$ 53,975</u>	<u>\$ (11,877)</u>	<u>\$ 42,098</u>	<u>\$ 46,826</u>	<u>\$ (11,133)</u>	<u>\$ 35,693</u>

- (1) Other general and administrative expense, (net) relates to nonrecurring professional fees paid to external consultants in connection with the Company's pending SEC investigation and shareholder litigation, net of insurance recoveries. During the three months ended September 30, 2021, and June 30, 2021, we received approximately \$1.4 million and \$5.1 million, respectively, from our insurance carriers in connection with the SEC investigation and Shareholder litigation.

<i>(in thousands)</i>	Three Months Ended	
	September 30, 2021	June 30, 2021
Cash from Operating Activities	\$ 47,779	\$ 44,472
Cash used in Investing Activities	(34,629)	(28,650)
Free Cash Flow	<u>\$ 13,150</u>	<u>\$ 15,822</u>