



Select Energy Services, Inc.

Historical Segment Results | May 7, 2019

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Factors that could cause our actual results to differ materially from the results contemplated by such forward-looking statements include, but are not limited to the factors discussed or referenced in the “Risk Factors” section of our Annual Report on Form 10-K (our “Form 10-K”) filed with the U.S. Securities and Exchange Commission (the “SEC”) on March 1, 2019. The information contained in this presentation has not been independently verified other than by the Company and no representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information contained herein and no reliance should be placed on it.

Additional Information and Where to Find It

For additional information regarding Select, please see our Form 10-K, Quarterly Reports on Form 10-Q and any recent Current Reports on Form 8-K, which are available at no charge at the SEC’s website, <http://www.sec.gov>. In addition, documents will also be available for free from the Company by contacting the Company at 1233 W Loop S, Suite 1400, Houston, TX 77027 or (713) 235-9500.

Non-GAAP Financial Measures

EBITDA, Adjusted EBITDA, gross profit before depreciation and amortization (D&A) and gross margin before D&A are not financial measures presented in accordance with GAAP. We define EBITDA as net income, plus interest expense, taxes and depreciation & amortization. We define Adjusted EBITDA as EBITDA plus/(minus) loss/(income) from discontinued operations, plus any impairment charges or asset write-offs pursuant to GAAP, plus/(minus) non-cash losses/(gains) on the sale of assets or subsidiaries, non-recurring compensation expense, non-cash compensation expense, and non-recurring or unusual expenses or charges, including severance expenses, transaction costs, or facilities-related exit and disposal-related expenditures, plus/(minus) foreign currency losses/(gains) and plus any inventory write-downs. We define gross profit before D&A as revenue less cost of revenue, excluding cost of sales D&A expense. We define gross margin before D&A as gross profit before D&A divided by revenue. EBITDA, Adjusted EBITDA, gross profit before D&A and gross margin before D&A are supplemental non-GAAP financial measures that we believe provide useful information to external users of our financial statements, such as industry analysts, investors, lenders and rating agencies because it allows them to compare our operating performance on a consistent basis across periods by removing the effects of our capital structure (such as varying levels of interest expense), asset base (such as depreciation and amortization) and non-recurring items outside the control of our management team. We present EBITDA, Adjusted EBITDA, gross profit before D&A and gross margin before D&A because we believe they provide useful information regarding the factors and trends affecting our business in addition to measures calculated under GAAP.

Net income is the GAAP measure most directly comparable to EBITDA and Adjusted EBITDA. Gross profit is the GAAP measure most directly comparable to gross profit before D&A. Our non-GAAP financial measures should not be considered as alternatives to the most directly comparable GAAP financial measure. Each of these non-GAAP financial measures has important limitations as an analytical tool due to exclusion of some but not all items that affect the most directly comparable GAAP financial measures. You should not consider EBITDA, Adjusted EBITDA or gross profit before D&A in isolation or as substitutes for an analysis of our results as reported under GAAP. Because EBITDA, Adjusted EBITDA and gross profit before D&A may be defined differently by other companies in our industry, our definitions of these non-GAAP financial measures may not be comparable to similarly titled measures of other companies, thereby diminishing their utility. For further discussion, please see “Item 6. Selected Financial Data” in our Annual Report on Form 10-K for the year ended December 31, 2018.

Revised Segment Structure Overview

With the intent to provide further transparency into our business, and in conjunction with the further development of our water-related infrastructure offering and the sale & winding down of certain operations within the Wellsite Services segment, we have revised our reportable segments to Water Services, Water Infrastructure, and Oilfield Chemicals

- + As a result of these changes, certain reclassifications have been made to the Company's prior period financial information in order to conform to the current period presentation
- + **Water Services**
 - Includes Select's services businesses including water transfer, flowback and well testing, fluids hauling, containment, and water treatment and monitoring
 - This segment also includes the operations of our rentals business, which was previously a part of the Wellsite Services segment
- + **Water Infrastructure**
 - Includes Select's infrastructure assets and ongoing infrastructure development projects, including operations associated with our water sourcing and pipelines, produced water gathering systems and salt water disposal wells
- + **Oilfield Chemicals**
 - Remains unchanged, includes our business that develops, manufactures and provides chemicals used in hydraulic fracturing, stimulation, cementing and well completions to leading pressure pumping service companies in the U.S.
- + **Corporate & Other**
 - Includes the remaining service lines that were previously a part of the Wellsite Services segment, including the operations of our Affirm subsidiary, our Canadian operations and our sand hauling business
 - We expect to conclude divesting or winding down these remaining operations over the course of Q2 2019

Historical Financial Summary by Segment

(\$ in millions)

	2018				2019
	Q1	Q2	Q3	Q4	Q1
<u>Revenue by Segment</u>					
Water Services	218,230	233,954	233,504	211,096	220,595
Water Infrastructure	54,057	55,727	65,877	54,454	53,616
Oilfield Chemicals	63,630	64,807	63,985	67,368	66,829
Corporate & Other ⁽¹⁾	40,478	38,759	33,604	29,400	21,606
Total Revenue	376,395	393,247	396,970	362,318	362,646
<u>Gross Profit before D&A</u>					
Water Services	53,600	57,383	55,862	48,394	57,474
Water Infrastructure	13,961	17,843	23,553	14,686	12,186
Oilfield Chemicals	6,546	6,307	7,512	5,971	7,302
Corporate & Other ⁽¹⁾	4,724	5,640	4,323	2,714	553
Total Gross Profit before D&A	78,831	87,173	91,250	71,765	77,515
<u>Gross Margin before D&A</u>					
Water Services	24.6%	24.5%	23.9%	22.9%	26.1%
Water Infrastructure	25.8%	32.0%	35.8%	27.0%	22.7%
Oilfield Chemicals	10.3%	9.7%	11.7%	8.9%	10.9%
Corporate & Other ⁽¹⁾	11.7%	14.6%	12.9%	9.2%	2.6%
Total Gross Margin before D&A	20.9%	22.2%	23.0%	19.8%	21.4%

(1) Prior periods include the results from operations divested in the first quarter of 2019

Historical Financial Summary by Segment (cont.)

(\$ in millions)

	2018				2019
	Q1	Q2	Q3	Q4	Q1
<u>D&A</u>					
Water Services	18,891	18,947	19,987	25,050	21,263
Water Infrastructure	5,037	5,219	5,960	6,826	6,089
Oilfield Chemicals	2,915	2,824	2,115	2,643	2,453
Corporate & Other ⁽¹⁾	4,039	3,455	3,791	2,838	1,713
Total D&A	30,882	30,445	31,853	37,357	31,518
<u>Gross Profit</u>					
Water Services	34,708	38,435	35,875	23,345	36,212
Water Infrastructure	8,924	12,624	17,593	7,860	6,097
Oilfield Chemicals	3,631	3,484	5,397	3,328	4,849
Corporate & Other ⁽¹⁾	686	2,185	532	(125)	(1,161)
Total Gross Profit	47,949	56,728	59,397	34,408	45,997
<u>Gross Margin</u>					
Water Services	15.9%	16.4%	15.4%	11.1%	16.4%
Water Infrastructure	16.5%	22.7%	26.7%	14.4%	11.4%
Oilfield Chemicals	5.7%	5.4%	8.4%	4.9%	7.3%
Corporate & Other ⁽¹⁾	1.7%	5.6%	1.6%	(0.4%)	(5.4%)
Total Gross Margin	12.7%	14.4%	15.0%	9.5%	12.7%

(1) Prior periods include the results from operations divested in the first quarter of 2019