

October 31, 2018



Mammoth Energy Services, Inc. Announces Third Quarter 2018 Operational and Financial Results

- **Record net income of \$69.5 million, or \$1.54 per diluted share**
- **Deployed infrastructure crews in support of Hurricanes Florence and Michael**
- **Entered into an amended and restated 5-year credit facility increasing borrowing base to \$185 million - Remains undrawn**
- **Declared quarterly dividend of \$0.125 per share**

OKLAHOMA CITY, Oct. 31, 2018 (GLOBE NEWSWIRE) -- Mammoth Energy Services, Inc. ("Mammoth" or the "Company") (NASDAQ: TUSK) today reported financial and operational results for the three and nine months ended September 30, 2018.

Financial Highlights for the Third Quarter 2018:

Total revenue was \$384.0 million for the three months ended September 30, 2018, down 28% sequentially from \$533.6 for the three months ended June 30, 2018 and up 157% from \$149.3 million for the three months ended September 30, 2017.

Net income for the three months ended September 30, 2018 was \$69.5 million, or \$1.54 on a fully diluted per share basis, a \$26.8 million increase from \$42.7 million for the three months ended June 30, 2018 and an improvement of \$70.3 million from a net loss of \$0.8 million for the three months ended September 30, 2017.

Adjusted EBITDA (as defined and reconciled below) was \$183.6 million for the three months ended September 30, 2018, an increase from \$148.6 million for the three months ended June 30, 2018 and from \$28.0 million for the three months ended September 30, 2017. Excluding the reversal of bad debt provisions of \$69.6 million, adjusted EBITDA was \$114.0 million for the three months ended September 30, 2018.

Arty Straehla, Mammoth's Chief Executive Officer, stated, "The third quarter marked two full years as a public company and was a record quarter on a net income basis. Over the past two years, we have more than doubled the size of our oil field services business and we have also created a large infrastructure organization that has a bright future that should complement our diversified growth for years to come. While the third quarter was challenging for oil field services, we were pleased with the execution in our infrastructure business. In addition, we finalized our amended and restated \$185 million five-year credit facility, which both increases our liquidity and gives us the flexibility to react quickly to identified opportunities. We continue our commitment to a balanced stockholder return through the approval of a regular quarterly dividend to be paid on November 15, 2018."

Pressure Pumping Services

Mammoth's pressure pumping division contributed revenues (inclusive of inter-segment revenues) of \$92.4 million on 1,594 stages for the three months ended September 30, 2018, a 9% decrease from \$101.4 million on 1,815 stages for the three months ended June 30, 2018, and a 21% increase from \$76.7 million on 1,617 stages for the three months ended September 30, 2017.

Infrastructure Services

Mammoth's infrastructure services segment contributed revenues of \$237.1 million for the three months ended September 30, 2018, a 34% decrease from \$360.3 million for the three months ended June 30, 2018 and a \$223.6 million increase from \$13.5 million the three months ended September 30, 2017.

Transmission and distribution crews answered the call for mutual aid following Hurricanes Florence and Michael and were deployed to both the eastern seaboard and the gulf coast.

Natural Sand Proppant Services

Mammoth's natural sand proppant division contributed revenues (inclusive of inter-segment revenues) of \$37.0 million for the three months ended September 30, 2018, a 30% decrease from \$52.8 million for the three months ended June 30, 2018 and up 13% from \$32.7 million for the three months ended September 30, 2017. The Company sold 598,438 tons of sand during the three months ended September 30, 2018, a 23% decrease from 777,850 during the three months ended June 30, 2018 and a 26% increase from 474,933 during the three months ended September 30, 2017.

During the third quarter of 2018, the Company completed the upgrade of certain equipment at its Piranha facility, which increased Mammoth's total sand processing capacity to approximately 4.4 million tons per year. Due to market conditions, our Muskie facility was temporarily idled during the third quarter of 2018 and we expect this to lower our blended production costs.

Contract Land and Directional Drilling Services

Mammoth's contract land and directional drilling services division contributed revenues (inclusive of inter-segment revenues) of \$15.9 million for the three months ended September 30, 2018, a 7% decrease from \$17.2 million for the three months ended June 30, 2018, and a 17% increase from \$13.6 million for the three months ended September 30, 2017. The average drilling day rate was \$17,170, \$17,229 and \$14,800, respectively, for the three months ended September 30, 2018, June 30, 2018 and September 30, 2017.

Mammoth anticipates that it will operate, on average, four to five rigs throughout 2018.

Other Services

Mammoth's other services, including coil tubing, pressure control, flowback, cementing, acidizing, equipment rentals, crude oil hauling, water transfer and remote accommodations, contributed revenues (inclusive of inter-segment revenues) of \$21.5 million for the three months ended September 30, 2018, a 7% increase from \$20.2 million for the three months ended June 30, 2018, and a 24% increase from \$17.4 million for the three months ended September 30, 2017.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses were a credit of \$45.3 million for the three months ended September 30, 2018, compared to \$65.1 million for the three months ended June 30, 2018, and \$8.0 million for the three months ended September 30, 2017.

Following is a breakout of SG&A expense (in thousands):

| | Three Months Ended | | | Nine Months Ended | |
|--|---------------------|-----------------|------------------|-------------------|------------------|
| | September 30, | | June 30, | September 30, | |
| | 2018 | 2017 | 2018 | 2018 | 2017 |
| Cash expenses: | | | | | |
| Compensation and benefits | \$ 14,864 | \$ 3,577 | \$ 10,978 | \$ 33,541 | \$ 8,958 |
| Professional services | 3,267 | 1,494 | 2,981 | 8,835 | 5,075 |
| Other ^(a) | 3,701 | 1,820 | 3,935 | 9,243 | 5,700 |
| Total cash SG&A expense | 21,832 | 6,891 | 17,894 | 51,619 | 19,733 |
| Non-cash expenses: | | | | | |
| Bad debt provision ^(b) | (68,333) | 103 | 28,263 | (14,543) | 78 |
| Equity based compensation ^(c) | — | — | 17,487 | 17,487 | — |
| Stock based compensation | 1,177 | 1,028 | 1,483 | 3,751 | 2,648 |
| Total non-cash SG&A expense | (67,156) | 1,131 | 47,233 | 6,695 | 2,726 |
| Total SG&A expense | <u>\$ (45,324)</u> | <u>\$ 8,022</u> | <u>\$ 65,127</u> | <u>\$ 58,314</u> | <u>\$ 22,459</u> |

- Includes travel-related costs, IT expenses, rent, utilities and other general and administrative-related costs.
- During the three months ended September 30, 2018, the Company received payment for amounts previously reserved in 2017. As a result, during the three months ended September 30, 2018, the Company reversed bad debt expense of \$16.0 million recognized in 2017 and \$53.6 million recognized in the first half of 2018. The Company expects to receive payment for the 2018 amounts once the Company files its 2018 Puerto Rico tax return and pays any taxes due as calculated by the return. The Company expects that the Puerto Rico 2018 tax return will be filed in mid-2019.
- Represents compensation expense for non-employee awards, which were issued and are payable by certain affiliates of Wexford (the sponsor level).

SG&A expenses, as a percentage of total revenue, were (12%) for the three months ended September 30, 2018 compared to 12% for the three months ended June 30, 2018 and 5% for the three months ended September 30, 2017. Excluding bad debt and non-employee non-cash equity compensation expenses, SG&A expenses as a percentage of total revenue were 6% for the three months ended September 30, 2018, compared to 4% for the three months ended June 30, 2018 and 5% for the three months ended September 30, 2017.

Liquidity

As of September 30, 2018, Mammoth had cash on hand totaling \$19.7 million and no borrowings outstanding under its revolving credit facility. As of September 30, 2018, the Company had approximately \$162.5 million of available borrowing capacity under its revolving credit facility, after giving effect to \$6.7 million of outstanding letters of credit, resulting in total liquidity of approximately \$182.2 million.

On October 19, 2018, Mammoth entered into an amended and restated five-year asset backed revolving credit facility led by PNC Capital Markets with a maximum revolving

advance amount at closing of \$185 million and the potential to increase the facility by up to an additional \$165 million.

Capital Expenditures

The following table summarizes Mammoth's capital expenditures by operating division for the periods indicated (in thousands):

| | Three Months Ended | | | Nine Months Ended | |
|---|--------------------|------------------|------------------|-------------------|-------------------|
| | September 30, | | June 30, | September 30, | |
| | 2018 | 2017 | 2018 | 2018 | 2017 |
| Pressure pumping services ^(a) | \$ 5,630 | \$ 19,581 | \$ 8,233 | \$ 21,729 | \$ 72,983 |
| Infrastructure services ^(b) | 21,737 | 8,055 | 40,778 | 78,293 | 12,013 |
| Natural sand proppant services ^(c) | 3,145 | 4,928 | 6,958 | 15,803 | 7,898 |
| Contract and directional drilling services ^(d) | 1,570 | 2,356 | 7,083 | 12,271 | 8,257 |
| Other ^(e) | 8,663 | 777 | 9,959 | 21,434 | 1,122 |
| Total capital expenditures | <u>\$ 40,745</u> | <u>\$ 35,697</u> | <u>\$ 73,011</u> | <u>\$ 149,530</u> | <u>\$ 102,273</u> |

- Capital expenditures primarily for pressure pumping equipment for the periods presented.
- Capital expenditures primarily for trucks and other equipment for the periods presented.
- Capital expenditures primarily for plant upgrades for the periods presented.
- Capital expenditures primarily for upgrades to our rig fleet and real estate purchases for the periods presented.
- Capital expenditures primarily for equipment for our rental and crude oil hauling businesses for periods presented.

Explanatory Note Regarding Financial Information

The financial information contained in this release should be read in conjunction with the financial information contained in Mammoth's Annual Report filed on Form 10-K with the Securities and Exchange Commission ("SEC") on February 28, 2018, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other filings.

The Company's Chief Executive Officer and Chief Financial Officer comprise the Company's Chief Operating Decision Maker function ("CODM"). Segment information is prepared on the same basis that the CODM manages the segments, evaluates the segment financial statements and makes key operating and resource utilization decisions. Segment evaluation is determined on a quantitative basis based on a function of operating income (loss) as well as a qualitative basis, such as nature of the product and service offerings and types of customers.

On June 5, 2017, the Company completed the acquisition of (1) Sturgeon Acquisitions, LLC and its wholly owned subsidiaries Taylor Frac LLC, Taylor RE, LLC and South River, LLC (collectively, "Sturgeon"), (2) Stingray Energy Services and (3) Stingray Cementing (together with Stingray Energy Services, the "Stingray Acquisition") in exchange for the issuance by Mammoth of an aggregate of 7,000,000 shares of its common stock.

Prior to the acquisition, the Company and Sturgeon were under common control and it is required under accounting principles generally accepted in the United States of America

("GAAP") to account for this common control acquisition in a manner similar to the pooling of interest method of accounting. Therefore, the Company's historical financial information has been recast to combine Sturgeon with the Company as if the acquisition had been completed at commencement of Sturgeon's operations on September 13, 2014.

Conference Call Information

Mammoth will host a conference call on Thursday, November 1, 2018 at 10:00 a.m. CDT (11:00 am EDT) to discuss its third quarter 2018 financial and operational results. The telephone number to access the conference call is 844-265-1561 in the U.S. and the international dial in is 216-562-0385. The conference ID for the call is 6888202. The conference call will also be webcast live on www.mammothenergy.com in the "Investors" section.

About Mammoth Energy Services, Inc.

Mammoth is an integrated, growth-oriented company serving both the oil and gas and the electric utility industries in North America and US territories. Mammoth's subsidiaries provide a diversified set of drilling and completion services to the exploration and production industry including pressure pumping, coil tubing, natural sand and proppant services as well as trucking, drilling, cementing, water transfer among others. In addition, its infrastructure division provides transmission, distribution and logistics services to various public and private owned utilities throughout the US and Puerto Rico.

For additional information about Mammoth, please visit its website at www.mammothenergy.com, where Mammoth routinely posts announcements, updates, events, investor information and presentations and recent news releases.

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Forward-Looking Statements and Cautionary Statements

This news release (and any oral statements made regarding the subjects of this release, including on the conference call announced herein) contains certain statements and information that may constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements. The words "anticipate," "believe," "ensure," "expect," "if," "intend," "plan," "estimate," "project," "forecasts," "predict," "outlook," "aim," "will," "could,"

“should,” “potential,” “would,” “may,” “probable,” “likely” and similar expressions, and the negative thereof, are intended to identify forward-looking statements. Without limiting the generality of the foregoing, forward-looking statements contained in this press release specifically include statements, estimates and projections regarding our business outlook and plans, future financial position, liquidity and capital resources, operations, performance, acquisitions, returns, capital expenditure budgets, costs and other guidance regarding future developments. Forward-looking statements are not assurances of future performance. These forward-looking statements are based on management’s current expectations and beliefs, forecasts for our existing operations, experience and perception of historical trends, current conditions, anticipated future developments and their effect on us, and other factors believed to be appropriate. Although management believes that the expectations and assumptions reflected in these forward-looking statements are reasonable as and when made, no assurance can be given that these assumptions are accurate or that any of these expectations will be achieved (in full or at all). Moreover, our forward-looking statements are subject to significant risks and uncertainties, including those described in our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other filings we make with the SEC, including those relating to our acquisitions and our contracts, many of which are beyond our control, which may cause actual results to differ materially from our historical experience and our present expectations or projections which are implied or expressed by the forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to: risks relating to economic conditions; volatility of crude oil and natural gas commodity prices; delays in or failure of delivery of current or future orders of specialized equipment; the loss of or interruption in operations of one or more key suppliers or customers; solvency of counterparties to our contracts and their ability to timely pay for our services; oil and gas market conditions; the effects of government regulation, permitting and other legal requirements, including new legislation or regulation of hydraulic fracturing; operating risks; the adequacy of our capital resources and liquidity; weather; litigation; competition in the oil and natural gas and infrastructure industries; and costs and availability of resources.

Investors are cautioned not to place undue reliance on any forward-looking statement which speaks only as of the date on which such statement is made. We undertake no obligation to correct, revise or update any forward-looking statement after the date such statement is made, whether as a result of new information, future events or otherwise, except as required by applicable law.

MAMMOTH ENERGY SERVICES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

| ASSETS | September 30, 2018 | December 31, 2017 |
|----------------------------------|-----------------------|----------------------|
| | (in thousands) | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 19,692 | \$ 5,637 |
| Accounts receivable, net | 390,824 | 243,746 |
| Receivables from related parties | 25,335 | 33,788 |
| Inventories | 19,185 | 17,814 |
| Prepaid expenses | 10,969 | 12,552 |
| Other current assets | 652 | 886 |
| Total current assets | 466,657 | 314,423 |

| | | |
|---|---------------------|-------------------|
| Property, plant and equipment, net | 434,785 | 351,017 |
| Sand reserves | 72,207 | 74,769 |
| Intangible assets, net - customer relationships | 3,021 | 9,623 |
| Intangible assets, net - trade names | 6,134 | 6,516 |
| Goodwill | 98,308 | 99,811 |
| Deferred income tax asset | — | 6,739 |
| Other non-current assets | 4,046 | 4,345 |
| Total assets | <u>\$ 1,085,158</u> | <u>\$ 867,243</u> |
| LIABILITIES AND EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 139,374 | \$ 141,306 |
| Payables to related parties | 1,402 | 1,378 |
| Accrued expenses and other current liabilities | 42,605 | 40,895 |
| Income taxes payable | 172,000 | 36,409 |
| Total current liabilities | <u>355,381</u> | <u>219,988</u> |
| Long-term debt | — | 99,900 |
| Deferred income tax liabilities | 33,601 | 34,147 |
| Asset retirement obligation | 3,155 | 2,123 |
| Other liabilities | 1,703 | 3,289 |
| Total liabilities | <u>393,840</u> | <u>359,447</u> |
| COMMITMENTS AND CONTINGENCIES | | |
| EQUITY | | |
| Equity: | | |
| Common stock, \$0.01 par value, 200,000,000 shares authorized, 44,755,678 and 44,589,306 issued and outstanding at September 30, 2018 and December 31, 2017, respectively | 448 | 446 |
| Additional paid in capital | 529,825 | 508,010 |
| Retained earnings | 164,165 | 2,001 |
| Accumulated other comprehensive loss | (3,120) | (2,661) |
| Total equity | <u>691,318</u> | <u>507,796</u> |
| Total liabilities and equity | <u>\$ 1,085,158</u> | <u>\$ 867,243</u> |

MAMMOTH ENERGY SERVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(unaudited)

| | Three Months Ended | | | Nine Months Ended | |
|--|--------------------|----------------|----------------|-------------------|----------------|
| | September 30, | | June 30, | September 30, | |
| | 2018 | 2017 | 2018 | 2018 | 2017 |
| (in thousands, except per share amounts) | | | | | |
| REVENUE | | | | | |
| Services revenue | \$ 346,368 | \$ 63,113 | \$ 455,545 | \$ 1,210,572 | \$ 119,864 |
| Services revenue - related parties | 18,933 | 56,861 | 40,611 | 108,632 | 134,426 |
| Product revenue | 14,955 | 15,276 | 27,708 | 67,703 | 29,043 |
| Product revenue - related parties | 3,787 | 14,055 | 9,730 | 24,979 | 39,200 |
| Total revenue | <u>384,043</u> | <u>149,305</u> | <u>533,594</u> | <u>1,411,886</u> | <u>322,533</u> |
| COST AND EXPENSES | | | | | |

Services cost of revenue (exclusive of depreciation, depletion, amortization and accretion of \$27,810, \$79,283, \$26,898, \$24,153 and \$57,642, respectively, for the three and nine months ended September 30, 2018, three month ended June 30, 2018 and three and nine months ended September 30, 2017)

| | | | | |
|---------|--------|---------|---------|---------|
| 216,670 | 89,346 | 302,283 | 809,932 | 191,911 |
|---------|--------|---------|---------|---------|

Services cost of revenue - related parties (exclusive of depreciation, depletion, amortization and accretion of \$0, \$0, \$0, \$0 and \$0, respectively, for the three and nine months ended September 30, 2018, three month ended June 30, 2018 and three and nine months ended September 30, 2017)

| | | | | |
|-------|---|-------|-------|-----|
| 1,425 | 9 | 2,428 | 5,645 | 701 |
|-------|---|-------|-------|-----|

Product cost of revenue (exclusive of depreciation, depletion, amortization and accretion of \$4,183, \$10,376, \$3,879, \$3,033 and \$6,599, respectively, for the three and nine months ended September 30, 2018, three month ended June 30, 2018 and three and nine months ended September 30, 2017)

| | | | | |
|--------|--------|--------|--------|--------|
| 29,470 | 25,178 | 35,117 | 97,917 | 57,759 |
|--------|--------|--------|--------|--------|

Selling, general and administrative

| | | | | |
|-----------|-------|--------|--------|--------|
| (45,761) | 7,667 | 64,595 | 56,916 | 21,473 |
|-----------|-------|--------|--------|--------|

Selling, general and administrative - related parties

| | | | | |
|-----|-----|-----|-------|-----|
| 437 | 355 | 532 | 1,398 | 986 |
|-----|-----|-----|-------|-----|

Depreciation, depletion, amortization and accretion

| | | | | |
|--------|--------|--------|--------|--------|
| 32,015 | 27,224 | 30,795 | 89,718 | 64,354 |
|--------|--------|--------|--------|--------|

Impairment of long-lived assets

| | | | | |
|-------|---|-----|-------|---|
| 4,582 | — | 187 | 4,769 | — |
|-------|---|-----|-------|---|

Total cost and expenses

| | | | | |
|---------|---------|---------|-----------|---------|
| 238,838 | 149,779 | 435,937 | 1,066,295 | 337,184 |
|---------|---------|---------|-----------|---------|

Operating income (loss)

| | | | | |
|---------|--------|--------|---------|-----------|
| 145,205 | (474) | 97,657 | 345,591 | (14,651) |
|---------|--------|--------|---------|-----------|

OTHER (EXPENSE) INCOME

Interest expense, net

| | | | | |
|--------|----------|--------|----------|----------|
| (458) | (1,420) | (959) | (2,654) | (2,929) |
|--------|----------|--------|----------|----------|

Bargain purchase gain, net of tax

| | | | | |
|---|---|---|---|-------|
| — | — | — | — | 4,012 |
|---|---|---|---|-------|

Other, net

| | | | | |
|--------|--------|--------|--------|--------|
| (400) | (320) | (486) | (914) | (707) |
|--------|--------|--------|--------|--------|

Total other (expense) income

| | | | | |
|--------|----------|----------|----------|-----|
| (858) | (1,740) | (1,445) | (3,568) | 376 |
|--------|----------|----------|----------|-----|

Income (loss) before income taxes

| | | | | |
|---------|----------|--------|---------|-----------|
| 144,347 | (2,214) | 96,212 | 342,023 | (14,275) |
|---------|----------|--------|---------|-----------|

Provision (benefit) for income taxes

| | | | | |
|--------|----------|--------|---------|----------|
| 74,835 | (1,413) | 53,512 | 174,265 | (7,323) |
|--------|----------|--------|---------|----------|

Net income (loss)

| | | | | |
|-----------|-----------|-----------|------------|-------------|
| \$ 69,512 | \$ (801) | \$ 42,700 | \$ 167,758 | \$ (6,952) |
|-----------|-----------|-----------|------------|-------------|

OTHER COMPREHENSIVE INCOME (LOSS)

Foreign currency translation adjustment, net of tax of (\$87), \$185, \$86, \$358 and \$812, respectively, for the three and nine months ended September 30, 2018, three month ended June 30, 2018 and three and nine months ended September 30, 2017)

| | | | | |
|-----|-----|--------|--------|-------|
| 327 | 628 | (325) | (459) | 1,037 |
|-----|-----|--------|--------|-------|

Comprehensive income (loss)

| | | | | |
|-----------|-----------|-----------|------------|-------------|
| \$ 69,839 | \$ (173) | \$ 42,375 | \$ 167,299 | \$ (5,915) |
|-----------|-----------|-----------|------------|-------------|

Net income (loss) per share (basic)

| | | | | |
|---------|------------|---------|---------|------------|
| \$ 1.55 | \$ (0.02) | \$ 0.95 | \$ 3.75 | \$ (0.17) |
|---------|------------|---------|---------|------------|

Net income (loss) per share (diluted)

| | | | | |
|---------|------------|---------|---------|------------|
| \$ 1.54 | \$ (0.02) | \$ 0.95 | \$ 3.73 | \$ (0.17) |
|---------|------------|---------|---------|------------|

Weighted average number of shares outstanding (basic)

| | | | | |
|--------|--------|--------|--------|--------|
| 44,756 | 44,502 | 44,737 | 44,718 | 40,526 |
|--------|--------|--------|--------|--------|

Weighted average number of shares outstanding (diluted)

| | | | | |
|--------|--------|--------|--------|--------|
| 45,082 | 44,502 | 45,059 | 45,012 | 40,526 |
|--------|--------|--------|--------|--------|

Dividends declared per share

| | | | | |
|----------|---|------|----------|---|
| \$ 0.125 | — | \$ — | \$ 0.125 | — |
|----------|---|------|----------|---|

MAMMOTH ENERGY SERVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

| | Nine Months Ended | |
|--|-------------------|-------------------|
| | September 30, | |
| | 2018 | 2017 |
| | (in thousands) | |
| Cash flows from operating activities: | | |
| Net income (loss) | \$ 167,758 | \$ (6,952) |
| Adjustments to reconcile net income (loss) to cash provided by operating activities: | | |
| Equity based compensation | 17,487 | — |
| Stock based compensation | 4,331 | 2,648 |
| Depreciation, depletion, accretion and amortization | 89,718 | 64,354 |
| Amortization of coil tubing strings | 1,473 | 2,144 |
| Amortization of debt origination costs | 299 | 299 |
| Bad debt expense | (14,543) | 117 |
| (Gain) loss on disposal of property and equipment | (185) | 126 |
| Gain on bargain purchase | — | (4,012) |
| Impairment of long-lived assets | 4,769 | — |
| Deferred income taxes | 6,418 | (8,151) |
| Changes in assets and liabilities, net of acquisitions of businesses: | | |
| Accounts receivable, net | (132,553) | (37,440) |
| Receivables from related parties | 8,453 | (12,081) |
| Inventories | (2,665) | (7,878) |
| Prepaid expenses and other assets | 1,814 | 2,644 |
| Accounts payable | (5,179) | 30,445 |
| Payables to related parties | 24 | 8 |
| Accrued expenses and other liabilities | (405) | 14,393 |
| Income taxes payable | 135,578 | (28) |
| Net cash provided by operating activities | <u>282,592</u> | <u>40,636</u> |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (144,898) | (102,273) |
| Purchases of property and equipment from related parties | (4,632) | — |
| Business acquisitions | (14,456) | (42,008) |
| Proceeds from disposal of property and equipment | 1,213 | 782 |
| Business combination cash acquired | — | 2,671 |
| Net cash used in investing activities | <u>(162,773)</u> | <u>(140,828)</u> |
| Cash flows from financing activities: | | |
| Borrowings from lines of credit | 77,000 | 118,850 |
| Repayments of lines of credit | (176,900) | (24,850) |
| Repayments of equipment financing note | (219) | — |
| Dividends paid | (5,594) | — |
| Repayment of acquisition long-term debt | — | (8,851) |
| Net cash (used in) provided by financing activities | <u>(105,713)</u> | <u>85,149</u> |
| Effect of foreign exchange rate on cash | <u>(51)</u> | <u>82</u> |
| Net change in cash and cash equivalents | 14,055 | (14,961) |
| Cash and cash equivalents at beginning of period | 5,637 | 29,239 |
| Cash and cash equivalents at end of period | <u>\$ 19,692</u> | <u>\$ 14,278</u> |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for interest | \$ 2,726 | \$ 2,300 |
| Cash paid for income taxes | \$ 32,269 | \$ 840 |
| Supplemental disclosure of non-cash transactions: | | |

| | | | | |
|---|----|--------|----|--------|
| Purchases of property and equipment included in accounts payable and accrued expenses | \$ | 21,124 | \$ | 13,648 |
| Acquisition of Sturgeon, Stingray Cementing LLC and Stingray Energy Services LLC | \$ | — | \$ | 23,091 |

MAMMOTH ENERGY SERVICES, INC.
SEGMENT INCOME STATEMENTS (unaudited)
(in thousands)

| Three months ended September 30, 2018 | Pressure Pumping | Infrastructure | Sand | Drilling | All Other | Eliminations | Total |
|---|-----------------------------|-----------------------|-------------|-----------------|------------------|---------------------|--------------|
| Revenue from external customers | \$ 91,595 | \$ 237,052 | \$ 18,742 | \$ 15,800 | \$ 20,854 | \$ — | \$ 384,043 |
| Intersegment revenues | 815 | — | 18,268 | 139 | 671 | (19,893) | — |
| Total revenue | 92,410 | 237,052 | 37,010 | 15,939 | 21,525 | (19,893) | 384,043 |
| Cost of revenue, exclusive of depreciation, depletion, amortization and accretion | 54,023 | 128,267 | 29,470 | 14,104 | 21,701 | — | 247,565 |
| Intersegment cost of revenues | 18,897 | 37 | 546 | 158 | 245 | (19,883) | — |
| Total cost of revenue | 72,920 | 128,304 | 30,016 | 14,262 | 21,946 | (19,883) | 247,565 |
| Selling, general and administrative | 4,335 | (54,200) | 1,618 | 1,362 | 1,561 | — | (45,324) |
| Depreciation, depletion, amortization and accretion | 12,665 | 6,591 | 4,184 | 4,327 | 4,248 | — | 32,015 |
| Impairment of long-lived assets | 143 | — | — | — | 4,439 | — | 4,582 |
| Operating income (loss) | 2,347 | 156,357 | 1,192 | (4,012) | (10,669) | (10) | 145,205 |
| Interest expense, net | 150 | 159 | 37 | 53 | 59 | — | 458 |
| Other expense | 2 | 181 | 199 | (5) | 23 | — | 400 |
| Income (loss) before income taxes | \$ 2,195 | \$ 156,017 | \$ 956 | \$ (4,060) | \$ (10,751) | \$ (10) | \$ 144,347 |

| Three months ended September 30, 2017 | Pressure Pumping | Infrastructure | Sand | Drilling | All Other | Eliminations | Total |
|---|-----------------------------|-----------------------|-------------|-----------------|------------------|---------------------|--------------|
| Revenue from external customers | \$ 75,705 | \$ 13,486 | \$ 29,332 | \$ 13,644 | \$ 17,138 | \$ — | \$ 149,305 |
| Intersegment revenues | 950 | — | 3,401 | — | 287 | (4,638) | — |
| Total revenue | 76,655 | 13,486 | 32,733 | 13,644 | 17,425 | (4,638) | 149,305 |
| Cost of revenue, exclusive of depreciation, depletion, amortization and accretion | 52,961 | 10,117 | 25,178 | 11,598 | 14,679 | — | 114,533 |
| Intersegment cost of revenues | 3,688 | — | 905 | 45 | — | (4,638) | — |
| Total cost of revenue | 56,649 | 10,117 | 26,083 | 11,643 | 14,679 | (4,638) | 114,533 |
| Selling, general and administrative | 2,511 | 886 | 1,841 | 1,374 | 1,410 | — | 8,022 |
| Depreciation, depletion, amortization and accretion | 13,039 | 1,039 | 3,034 | 5,036 | 5,076 | — | 27,224 |
| Operating income (loss) | 4,456 | 1,444 | 1,775 | (4,409) | (3,740) | — | (474) |
| Interest expense, net | 592 | 68 | 87 | 570 | 103 | — | 1,420 |
| Other expense | 120 | 10 | 98 | 39 | 53 | — | 320 |
| Income (loss) before income taxes | \$ 3,744 | \$ 1,366 | \$ 1,590 | \$ (5,018) | \$ (3,896) | \$ — | \$ (2,214) |

| Three months ended June 30, 2018 | Pressure Pumping | Infrastructure | Sand | Drilling | All Other | Eliminations | Total |
|--|-----------------------------|-----------------------|-------------|-----------------|------------------|---------------------|--------------|
| Revenue from external customers | \$ 100,333 | \$ 360,250 | \$ 37,439 | \$ 17,126 | \$ 18,446 | \$ — | \$ 533,594 |
| Intersegment revenues | 1,073 | — | 15,406 | 84 | 1,721 | (18,284) | — |
| Total revenue | 101,406 | 360,250 | 52,845 | 17,210 | 20,167 | (18,284) | 533,594 |
| Cost of revenue, exclusive of depreciation, depletion, amortization and accretion | 61,593 | 210,189 | 35,117 | 15,280 | 17,649 | — | 339,828 |
| Intersegment cost of revenues | 16,174 | 754 | 1,019 | (40) | 129 | (18,036) | — |
| Total cost of revenue | 77,767 | 210,943 | 36,136 | 15,240 | 17,778 | (18,036) | 339,828 |
| Selling, general and administrative | 20,822 | 39,786 | 1,787 | 1,591 | 1,141 | — | 65,127 |
| Depreciation, depletion, amortization and accretion | 13,829 | 4,094 | 3,881 | 5,349 | 3,642 | — | 30,795 |
| Impairment of long-lived assets | — | — | — | 187 | — | — | 187 |
| Operating income (loss) | (11,012) | 105,427 | 11,041 | (5,157) | (2,394) | (248) | 97,657 |
| Interest expense, net | 341 | 106 | 76 | 265 | 171 | — | 959 |
| Other expense | 80 | 330 | 36 | 32 | 8 | — | 486 |
| Income (loss) before income taxes | \$ (11,433) | \$ 104,991 | \$ 10,929 | \$ (5,454) | \$ (2,573) | \$ (248) | \$ 96,212 |

| Nine months ended September 30, 2018 | Pressure Pumping | Infrastructure | Sand | Drilling | All Other | Eliminations | Total |
|---|-----------------------------|-----------------------|-------------|-----------------|------------------|---------------------|--------------|
| Revenue from external customers | \$ 288,507 | \$ 922,761 | \$ 92,684 | \$ 48,154 | \$ 59,780 | \$ — | \$ 1,411,886 |
| Intersegment revenues | 6,447 | — | 48,186 | 225 | 4,807 | (59,665) | — |
| Total revenue | 294,954 | 922,761 | 140,870 | 48,379 | 64,587 | (59,665) | 1,411,886 |
| Cost of revenue, exclusive of depreciation, depletion, amortization and accretion | 182,228 | 532,532 | 97,917 | 43,859 | 56,958 | — | 913,494 |
| Intersegment cost of revenues | 50,473 | 2,582 | 5,851 | 280 | 479 | (59,665) | — |
| Total cost of revenue | 232,701 | 535,114 | 103,768 | 44,139 | 57,437 | (59,665) | 913,494 |
| Selling, general and administrative | 27,820 | 17,437 | 5,049 | 4,206 | 3,802 | — | 58,314 |
| Depreciation, depletion, amortization and accretion | 40,480 | 13,092 | 10,381 | 14,031 | 11,734 | — | 89,718 |
| Impairment of long-lived assets | 143 | — | — | 187 | 4,439 | — | 4,769 |
| Operating income (loss) | (6,190) | 357,118 | 21,672 | (14,184) | (12,825) | — | 345,591 |
| Interest expense, net | 995 | 341 | 193 | 713 | 412 | — | 2,654 |
| Other expense | 94 | 513 | 222 | 67 | 18 | — | 914 |
| Income (loss) before income taxes | \$ (7,279) | \$ 356,264 | \$ 21,257 | \$ (14,964) | \$ (13,255) | \$ — | \$ 342,023 |

| Nine months ended September 30, 2017 | Pressure Pumping | Infrastructure | Sand | Drilling | All Other | Eliminations | Total |
|---|-----------------------------|-----------------------|-------------|-----------------|------------------|---------------------|--------------|
| Revenue from external customers | \$ 166,082 | \$ 15,195 | \$ 68,244 | \$ 36,867 | \$ 36,145 | \$ — | \$ 322,533 |

| | | | | | | | |
|---|----------|--------|----------|--------------|-------------|----------|--------------|
| Intersegment revenues | 1,409 | — | 4,848 | — | 372 | (6,629) | — |
| Total revenue | 167,491 | 15,195 | 73,092 | 36,867 | 36,517 | (6,629) | 322,533 |
| Cost of revenue, exclusive of depreciation, depletion, amortization and accretion | 117,494 | 11,829 | 57,760 | 34,584 | 28,704 | — | 250,371 |
| Intersegment cost of revenues | 5,220 | — | 1,359 | 45 | 5 | (6,629) | — |
| Total cost of revenue | 122,714 | 11,829 | 59,119 | 34,629 | 28,709 | (6,629) | 250,371 |
| Selling, general and administrative | 6,691 | 1,241 | 6,315 | 4,102 | 4,110 | — | 22,459 |
| Depreciation, depletion, amortization and accretion | 31,823 | 1,379 | 6,603 | 14,978 | 9,571 | — | 64,354 |
| Operating income (loss) | 6,263 | 746 | 1,055 | (16,842) | (5,873) | — | (14,651) |
| Interest expense, net | 1,023 | 72 | 573 | 1,227 | 34 | — | 2,929 |
| Bargain purchase gain | — | — | (4,012) | — | — | — | (4,012) |
| Other expense | 127 | 10 | 252 | 263 | 55 | — | 707 |
| Income (loss) before income taxes | \$ 5,113 | \$ 664 | \$ 4,242 | \$ (18,332) | \$ (5,962) | \$ — | \$ (14,275) |

MAMMOTH ENERGY SERVICES, INC.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

Adjusted EBITDA

Adjusted EBITDA is a supplemental non-GAAP financial measure that is used by management and external users of the Company's financial statements, such as industry analysts, investors, lenders and rating agencies. Mammoth defines Adjusted EBITDA as net income (loss) before depreciation, depletion, amortization and accretion expense, impairment of long-lived assets, acquisition related costs, public offering costs, equity based compensation, stock based compensation, bargain purchase gain, interest expense, net, other (income) expense, net (which is comprised of the (gain) or loss on disposal of long-lived assets) and provision (benefit) for income taxes. The Company excludes the items listed above from net income (loss) in arriving at Adjusted EBITDA because these amounts can vary substantially from company to company within the energy service industry depending upon accounting methods and book values of assets, capital structures and the method by which the assets were acquired. Adjusted EBITDA should not be considered as an alternative to, or more meaningful than, net income (loss) or cash flows from operating activities as determined in accordance with GAAP or as an indicator of Mammoth's operating performance or liquidity. Certain items excluded from Adjusted EBITDA are significant components in understanding and assessing a company's financial performance, such as a company's cost of capital and tax structure, as well as the historic costs of depreciable assets, none of which are components of Adjusted EBITDA. Mammoth's computations of Adjusted EBITDA may not be comparable to other similarly titled measures of other companies. The Company believes that Adjusted EBITDA is a widely followed measure of operating performance and may also be used by investors to measure its ability to meet debt service requirements.

The following tables provide a reconciliation of Adjusted EBITDA to the GAAP financial measure of net income (loss) on a consolidated basis and for each of the Company's segments (in thousands):

Consolidated

| | Three Months Ended | | | Nine Months Ended | |
|--|--------------------|------------------|-------------------|-------------------|------------------|
| | September 30, | | June 30, | September 30, | |
| | 2018 | 2017 | 2018 | 2018 | 2017 |
| Reconciliation of Adjusted EBITDA to net income (loss): | | | | | |
| Net income (loss) | \$ 69,512 | \$ (801) | \$ 42,700 | \$ 167,758 | \$ (6,952) |
| Depreciation, depletion, accretion and amortization expense | 32,015 | 27,224 | 30,795 | 89,718 | 64,354 |
| Impairment of long-lived assets | 4,582 | — | 187 | 4,769 | — |
| Acquisition related costs | 99 | 264 | 77 | 130 | 2,455 |
| Public offering costs | 260 | — | 731 | 991 | — |
| Equity based compensation | — | — | 17,487 | 17,487 | — |
| Stock based compensation | 1,415 | 1,028 | 1,660 | 4,331 | 2,648 |
| Bargain purchase gain | — | — | — | — | (4,012) |
| Interest expense, net | 458 | 1,420 | 959 | 2,654 | 2,929 |
| Other expense, net | 400 | 320 | 486 | 914 | 707 |
| Provision (benefit) for income taxes | 74,835 | (1,413) | 53,512 | 174,265 | (7,323) |
| Adjusted EBITDA | <u>\$ 183,576</u> | <u>\$ 28,042</u> | <u>\$ 148,594</u> | <u>\$ 463,017</u> | <u>\$ 54,806</u> |

Pressure Pumping Services

| | Three Months Ended | | | Nine Months Ended | |
|--|--------------------|------------------|------------------|-------------------|------------------|
| | September 30, | | June 30, | September 30, | |
| | 2018 | 2017 | 2018 | 2018 | 2017 |
| Reconciliation of Adjusted EBITDA to net income (loss): | | | | | |
| Net income | \$ 2,195 | \$ 3,744 | \$ (11,433) | \$ (7,279) | \$ 5,113 |
| Depreciation and amortization expense | 12,665 | 13,039 | 13,829 | 40,480 | 31,823 |
| Impairment of long-lived assets | 143 | — | — | 143 | — |
| Acquisition related costs | 6 | 1 | 33 | 39 | 1 |
| Public offering costs | 61 | — | 202 | 263 | — |
| Equity based compensation | — | — | 17,487 | 17,487 | — |
| Stock based compensation | 400 | 428 | 453 | 1,271 | 1,202 |
| Interest expense | 150 | 592 | 341 | 995 | 1,023 |
| Other expense, net | 2 | 120 | 80 | 94 | 127 |
| Adjusted EBITDA | <u>\$ 15,622</u> | <u>\$ 17,924</u> | <u>\$ 20,992</u> | <u>\$ 53,493</u> | <u>\$ 39,289</u> |

Infrastructure Services

| | Three Months Ended | | | Nine Months Ended | |
|--|--------------------|-----------------|-------------------|-------------------|-----------------|
| | September 30, | | June 30, | September 30, | |
| | 2018 | 2017 | 2018 | 2018 | 2017 |
| Reconciliation of Adjusted EBITDA to net income (loss): | | | | | |
| Net income (loss) | \$ 78,405 | \$ 1,366 | \$ 52,359 | \$ 178,064 | \$ 664 |
| Depreciation and amortization expense | 6,591 | 1,039 | 4,094 | 13,092 | 1,379 |
| Acquisition related costs | — | 48 | 4 | (4) | 90 |
| Public offering costs | 123 | — | 360 | 483 | — |
| Stock based compensation | 555 | 29 | 606 | 1,618 | 29 |
| Interest expense | 159 | 68 | 106 | 341 | 72 |
| Other expense, net | 181 | 10 | 330 | 513 | 10 |
| Provision for income taxes | 77,612 | — | 52,632 | 178,200 | — |
| Adjusted EBITDA | <u>\$ 163,626</u> | <u>\$ 2,560</u> | <u>\$ 110,491</u> | <u>\$ 372,307</u> | <u>\$ 2,244</u> |

Natural Sand Proppant Services

| | Three Months Ended | | | Nine Months Ended | |
|--|--------------------|------|----------|-------------------|------|
| | September 30, | | June 30, | September 30, | |
| | 2018 | 2017 | 2018 | 2018 | 2017 |
| Reconciliation of Adjusted EBITDA to net income (loss): | | | | | |

| | | | | | |
|---|-----------------|-----------------|------------------|------------------|------------------|
| Net income | \$ 956 | \$ 1,566 | \$ 10,929 | \$ 21,257 | \$ 4,209 |
| Depreciation, depletion, accretion and amortization expense | 4,184 | 3,034 | 3,881 | 10,381 | 6,603 |
| Acquisition related costs | — | 167 | — | (38) | 2,121 |
| Public offering costs | 49 | — | 95 | 144 | — |
| Stock based compensation | 211 | 272 | 205 | 602 | 524 |
| Bargain purchase gain | — | — | — | — | (4,012) |
| Interest expense | 37 | 87 | 76 | 193 | 573 |
| Other expense, net | 199 | 98 | 36 | 222 | 252 |
| Provision for income taxes | — | 24 | — | — | 33 |
| Adjusted EBITDA | <u>\$ 5,636</u> | <u>\$ 5,248</u> | <u>\$ 15,222</u> | <u>\$ 32,761</u> | <u>\$ 10,303</u> |

Contract Land and Directional Drilling Services

| | Three Months Ended | | | Nine Months Ended | |
|--|--------------------|---------------|---------------|-------------------|--------------------|
| | September 30, | | June 30, | September 30, | |
| | 2018 | 2017 | 2018 | 2018 | 2017 |
| Reconciliation of Adjusted EBITDA to net income (loss): | | | | | |
| Net loss | \$ (4,060) | \$ (5,018) | \$ (5,454) | \$ (14,964) | \$ (18,332) |
| Depreciation and amortization expense | 4,327 | 5,036 | 5,349 | 14,031 | 14,978 |
| Impairment of long-lived assets | — | — | 187 | 187 | — |
| Acquisition related costs | — | (16) | — | — | 9 |
| Public offering costs | 10 | — | 34 | 44 | — |
| Stock based compensation | 132 | 138 | 301 | 540 | 430 |
| Interest expense, net | 53 | 570 | 265 | 713 | 1,227 |
| Other expense, net | (5) | 39 | 32 | 67 | 263 |
| Adjusted EBITDA | <u>\$ 457</u> | <u>\$ 749</u> | <u>\$ 714</u> | <u>\$ 618</u> | <u>\$ (1,425)</u> |

Other Services^(a)

| | Three Months Ended | | | Nine Months Ended | |
|--|--------------------|-----------------|-----------------|-------------------|-----------------|
| | September 30, | | June 30, | September 30, | |
| | 2018 | 2017 | 2018 | 2018 | 2017 |
| Reconciliation of Adjusted EBITDA to net income (loss): | | | | | |
| Net (loss) income | \$ (7,974) | \$ (2,459) | \$ (3,453) | \$ (9,320) | \$ 1,394 |
| Depreciation and amortization expense | 4,248 | 5,076 | 3,642 | 11,734 | 9,571 |
| Impairment of long-lived assets | 4,439 | — | — | 4,439 | — |
| Acquisition related costs | 93 | 65 | 40 | 133 | 236 |
| Public offering costs | 17 | — | 40 | 57 | — |
| Stock based compensation | 117 | 162 | 94 | 300 | 463 |
| Interest expense, net | 59 | 103 | 171 | 412 | 34 |
| Other expense, net | 23 | 53 | 8 | 18 | 55 |
| Provision (benefit) for income taxes | (2,777) | (1,437) | 880 | (3,935) | (7,356) |
| Adjusted EBITDA | <u>\$ (1,755)</u> | <u>\$ 1,563</u> | <u>\$ 1,422</u> | <u>\$ 3,838</u> | <u>\$ 4,397</u> |

(a) Includes results for our coil tubing, pressure control, flowback, cementing, acidizing, equipment rentals, crude oil hauling, water transfer and remote accommodations services and corporate related activities. Our corporate related activities do not generate revenue.

Adjusted Net Income and Adjusted Earnings per Share

Adjusted net income and adjusted earnings per share are supplemental non-GAAP financial measures that are used by management to evaluate the Company's operating and financial performance. Management believes these measures provide meaningful information about the Company's performance by excluding certain non-cash charges that may not be indicative of the Company's ongoing operating results, such as equity based compensation, that may not be indicative of the Company's ongoing operating results. Adjusted net income

and adjusted earnings per share should not be considered in isolation or as a substitute for net income and earnings per share prepared in accordance with GAAP and may not be comparable to other similarly titled measures of other companies. The following tables provide a reconciliation of adjusted net income and adjusted earnings per share to the GAAP financial measures of net income and earnings per share for the periods specified.

| | Three Months Ended | | Nine Months Ended | |
|---|--|-------------------|-------------------|--------------------|
| | September 30, | | September 30, | |
| | 2018 | 2017 | 2018 | 2017 |
| | (in thousands, except per share amounts) | | | |
| Net income, as reported | \$ 69,512 | \$ (801) | \$ 167,758 | \$ (6,952) |
| Equity based compensation | — | — | 17,487 | — |
| Adjusted net income | <u>\$ 69,512</u> | <u>\$ (801)</u> | <u>\$ 185,245</u> | <u>\$ (6,952)</u> |
| Basic earnings per share, as reported | \$ 1.55 | \$ (0.02) | \$ 3.75 | \$ (0.17) |
| Equity based compensation | — | — | 0.39 | — |
| Adjusted basic earnings per share | <u>\$ 1.55</u> | <u>\$ (0.02)</u> | <u>\$ 4.14</u> | <u>\$ (0.17)</u> |
| Diluted earnings per share, as reported | \$ 1.54 | \$ (0.02) | \$ 3.73 | \$ (0.17) |
| Equity based compensation | — | — | 0.39 | — |
| Adjusted diluted earnings per share | <u>\$ 1.54</u> | <u>\$ (0.02)</u> | <u>\$ 4.12</u> | <u>\$ (0.17)</u> |



Source: Mammoth Energy Services, Inc.