

# ProPetro Reports Results for the Third Quarter 2018

MIDLAND, Texas--(BUSINESS WIRE)-- ProPetro Holding Corp. ("ProPetro" or "the Company") (NYSE: PUMP) today announced financial and operational results for the third quarter of 2018.

## Third Quarter 2018 and Recent Highlights

- Total revenue for the quarter was \$434.0 million, as compared to \$459.9 million for the second quarter of 2018.
- Net income was \$46.3 million, or \$0.53 per diluted share, an increase of 18% from \$39.1 million, or \$0.45 per diluted share, for the second quarter of 2018.
- Adjusted EBITDA for the quarter was \$103.4 million, an increase of 8% from \$96.0 million for the second quarter of 2018.
- Active hydraulic horsepower ("HHP") deployed during the quarter and at quarter end was 860,000, or 19 fleets.
- The Company deployed one additional fleet in early October, increasing current total frac fleet capacity to 905,000 HHP, or 20 fleets.

*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."*

Dale Redman, Chief Executive Officer, commented, "ProPetro's success in the third quarter is a direct result of our differentiated, customer-centric business model. We remain extremely proud of our best-in-class team and the consistent results they produce. Our team supports some of the most effective and efficient operators in the upstream space, and we will remain closely focused on their needs as we finish 2018 strong and prepare for an exciting 2019."

## Third Quarter 2018 Financial Summary

Revenue for the third quarter of 2018 was \$434.0 million, or 6% lower than \$459.9 million for the second quarter of 2018. The decrease was primarily attributable to increased volumes of local sand. During the third quarter of 2018, 97.1% of total revenue was associated with pressure pumping services, compared to 96.9% in the second quarter.

Costs of services excluding depreciation and amortization for the third quarter of 2018 decreased to \$320.1 million from \$351.9 million during the second quarter of 2018 primarily due to increased volumes of local sand. As a percentage of pressure pumping segment revenues, pressure pumping costs of services decreased to 73.9% from 76.7% in the second quarter of 2018.

General and administrative expense was \$12.8 million as compared to \$14.2 million in the second quarter of 2018. The decrease was primarily attributable to normalizing costs after one-time expenses incurred in the second quarter. General and administrative expense, exclusive of stock-based compensation and deferred IPO bonus, was \$10.5 million, or 2.4% of revenue, for the third quarter of 2018.

Net income for the third quarter of 2018 totaled \$46.3 million, or \$0.53 per diluted share, versus \$39.1 million, or \$0.45 per diluted share, for the second quarter of 2018.

Adjusted EBITDA increased approximately 8% to \$103.4 million for the third quarter of 2018 from \$96.0 million in the previous quarter. Adjusted EBITDA margin for the third quarter of 2018 was 23.8%, as compared to 20.9% for the second quarter of 2018.

## Operational Highlights and Fleet Expansion

Active HHP deployed during the quarter and at quarter end was 860,000, or 19 fleets. Consistent with the Company's previously announced plans, ProPetro expanded its fracturing capacity by an additional 45,000 HHP, or one fleet, in October. This brings current and expected 2018 year-end capacity to 905,000 HHP or, or 20 fleets. This fleet is working under a dedicated agreement with a new customer.

The Company also deployed one new build cementing unit in September bringing total cementing capacity to 19 units. To support growing demand, ProPetro plans to further expand its cementing fleet capacity with one additional new-build unit that is targeted to commence operations by the end of the year.

## **Liquidity and Capital Spending**

As of September 30, 2018, total cash was \$78.2 million and total debt was \$89.1 million. Total liquidity at the end of the third quarter of 2018 was \$198.2 million, including cash and \$120.0 million of capacity under the Company's \$200 million revolving credit facility.

Capital expenditures incurred during the third quarter of 2018 were \$74.2 million. This reflects spending on ProPetro's growth initiatives as well as maintenance capital.

## **Outlook**

Mr. Redman concluded, "We remain confident in our ability to produce consistent results driven by our high performing workforce and close partnerships with a blue-chip customer base. The Permian Basin is the premier resource play in North America and we expect it will remain so for decades to come. We believe we are uniquely positioned for outperformance through the end of 2018 and beyond."

## **Conference Call Information**

The Company will host a conference call at 8:00 AM Central Time on Wednesday, November 7, 2018 to discuss financial and operating results for the third quarter of 2018 and recent developments. This call will also be webcast, along with a presentation slide deck on ProPetro's website at [www.propetro.com](http://www.propetro.com). The slide deck will be published on the website the morning of the call. 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 10124240.

## **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.

## **Forward-Looking Statements**

*The information above includes forward-looking statements within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. These forward-looking statements are subject to certain risks, uncertainties and assumptions identified above or as disclosed from time to time in the Company's filings with the Securities and Exchange Commission. As a result of these factors, actual results may differ materially from those indicated or implied by such forward-looking statements.*

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

	<b>Three Months Ended</b>		
	<b>September 30</b>	<b>June 30</b>	<b>September 30</b>
	<b>2018</b>	<b>2018</b>	<b>2017</b>
REVENUE - Service revenue	\$ 434,041	\$459,888	\$ 282,730
<b>COSTS AND EXPENSES</b>			
Cost of services (exclusive of depreciation and amortization)	320,146	351,888	225,433
General and administrative (inclusive of stock-based compensation)	12,821	14,178	11,106
Depreciation and amortization	23,217	21,276	14,745
Loss on disposal of assets	16,407	18,990	8,742
Total costs and expenses	372,591	406,332	260,026
OPERATING INCOME	61,450	53,556	22,704
<b>OTHER INCOME (EXPENSE):</b>			
Interest expense	(1,480)	(2,231)	(644)
Other expense	(93)	(182)	(191)
Total other income (expense)	(1,573)	(2,413)	(835)
INCOME BEFORE INCOME TAXES	59,877	51,143	21,869
INCOME TAX (EXPENSE)/BENEFIT	(13,592)	(12,052)	96
NET INCOME	\$ 46,285	\$ 39,091	\$ 21,965
<b>NET INCOME PER COMMON SHARE:</b>			
Basic	\$ 0.55	\$ 0.47	\$ 0.26
Diluted	\$ 0.53	\$ 0.45	\$ 0.25
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:</b>			
Basic	83,544	83,447	83,040
Diluted	86,878	86,878	86,264

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

	<u>September 30, 2018</u>	<u>December 31, 2017</u>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 78,164	\$ 23,949
Accounts receivable - net of allowance for doubtful accounts of \$457 and \$443, respectively	252,390	199,656
Inventories	6,681	6,184
Prepaid expenses	2,911	5,123
Other current assets	1,179	748
Total current assets	<u>341,325</u>	<u>235,660</u>
PROPERTY AND EQUIPMENT - Net of accumulated depreciation	586,218	470,910
OTHER NONCURRENT ASSETS:		
Goodwill	9,425	9,425
Intangible assets - net of amortization	85	301
Deferred revenue rebate - net of amortization	-	615
Other noncurrent assets	2,665	2,121
Total other noncurrent assets	<u>12,175</u>	<u>12,462</u>
TOTAL ASSETS	<u>\$ 939,718</u>	<u>\$ 719,032</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
CURRENT LIABILITIES:		
Accounts payable	\$ 250,074	\$ 211,149
Accrued liabilities	20,774	16,607
Current portion of long-term debt	9,088	15,764
Accrued interest payable	480	76
Total current liabilities	<u>280,416</u>	<u>243,596</u>
DEFERRED INCOME TAXES	39,958	4,881
LONG-TERM DEBT	80,000	57,178
OTHER LONG-TERM LIABILITIES	125	125
Total liabilities	<u>400,499</u>	<u>305,780</u>
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Common stock, \$0.001 par value, 200,000,000 shares authorized, 83,543,839 and 83,039,854 shares issued, respectively	84	83
Additional paid-in capital	611,348	607,466
Accumulated deficit	(72,213)	(194,297)
Total shareholders' equity	<u>539,219</u>	<u>413,252</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 939,718</u>	<u>\$ 719,032</u>

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

	Nine Months Ended September 30,	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 122,084	\$ 2,535
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	63,428	38,602
Deferred income tax expense	34,546	166
Amortization of deferred revenue rebate	615	1,385
Amortization of deferred debt issuance costs	295	3,322
Stock-based compensation	3,832	8,730
Loss on disposal of assets	42,898	28,971
Gain on interest rate swap	-	(226)
Changes in operating assets and liabilities:		
Accounts receivable	(52,734)	(44,868)
Other current assets	(431)	3,271
Inventories	(496)	(4,435)
Prepaid expenses	2,265	(910)
Accounts payable	26,378	41,564
Accrued liabilities and other current liabilities	7,384	589
Accrued interest	1,030	(23)
Net cash provided by operating activities	<u>251,094</u>	<u>78,673</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	(212,152)	(193,820)
Proceeds from sale of assets	3,280	4,237
Net cash used in investing activities	<u>(208,872)</u>	<u>(189,583)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from borrowings	77,378	27,112
Repayments of borrowings	(61,858)	(164,638)
Repayments of insurance financing	(3,218)	(2,900)
Payment of debt issuance costs	(360)	(1,653)
Proceeds from exercise of equity awards	51	-
Proceeds from IPO	-	185,500
Payment of IPO costs	-	(15,099)
Net cash provided by financing activities	<u>11,993</u>	<u>28,322</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	54,215	(82,588)
CASH AND CASH EQUIVALENTS — Beginning of period	23,949	133,596
CASH AND CASH EQUIVALENTS — End of period	<u>\$ 78,164</u>	<u>\$ 51,008</u>

## Reportable Segment Information

(\$ in thousands)	Three Months Ended					
	September 30, 2018			June 30, 2018		
	Pressure Pumping	All Other	Total	Pressure Pumping	All Other	Total
Service revenue	\$ 421,436	\$ 12,605	\$ 434,041	\$ 445,805	\$ 14,083	\$ 459,888
Adjusted EBITDA	\$ 105,069	\$ (1,701)	\$ 103,368	\$ 97,818	\$ (1,850)	\$ 95,968
Depreciation and amortization	\$ 22,026	\$ 1,191	\$ 23,217	\$ 20,042	\$ 1,234	\$ 21,276
Capital expenditures	\$ 73,143	\$ 1,060	\$ 74,203	\$ 68,106	\$ 2,437	\$ 70,543

## 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 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 Income (loss) to Adjusted EBITDA

(\$ in thousands)	Three Months Ended					
	September 30, 2018			June 30, 2018		
	Pressure Pumping	All Other	Total	Pressure Pumping	All Other	Total
Net income (loss)	\$ 66,493	\$(20,208)	\$ 46,285	\$ 57,524	\$(18,433)	\$ 39,091
Depreciation and amortization	22,026	1,191	23,217	20,042	1,234	21,276
Interest expense	-	1,480	1,480	-	2,231	2,231
Income tax expense	-	13,592	13,592	-	12,052	12,052
Loss on disposal of assets	16,117	290	16,407	19,823	(833)	18,990
Stock-based compensation	-	1,631	1,631	-	1,443	1,443
Other expense and legal settlement	-	93	93	2	198	200
Deferred IPO bonus expense	433	230	663	427	258	685
Adjusted EBITDA	\$ 105,069	\$ (1,701)	\$ 103,368	\$ 97,818	\$ (1,850)	\$ 95,968

View source version on businesswire.com: <https://www.businesswire.com/news/home/20181106005947/en/>

### ProPetro Holding Corp

Sam Sledge, 432-688-0012

Director of Investor Relations

[sam.sledge@propetroservices.com](mailto:sam.sledge@propetroservices.com)

Source: ProPetro Holding Corp.