

August 4, 2020



# ProPetro Reports Results for the Second Quarter 2020

MIDLAND, Texas--(BUSINESS WIRE)-- ProPetro Holding Corp. ("ProPetro" or "the Company") (NYSE: PUMP) today announced unaudited financial and operational results for the second quarter of 2020.

## Second Quarter 2020 and Recent Highlights

- Total revenue for the quarter was \$106.1 million compared to \$395.1 million for the first quarter of 2020.
- Net loss for the quarter was \$25.9 million, or \$0.26 per diluted share, versus a net loss of \$7.8 million, or \$0.08 per diluted share, for the first quarter of 2020.
- Adjusted EBITDA<sup>(1)</sup> for the quarter was \$25.4 million compared to \$74.9 million for the first quarter of 2020.
- Effective utilization for the second quarter was 4.0 fleets compared to 18.6 fleets for the first quarter of 2020.
- Became current in filing status with the Securities and Exchange Commission ("SEC") and regained compliance with the continued listing standards of the New York Stock Exchange ("NYSE") through filing of Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 on July 2, 2020.

*(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."*

Phillip Gobe, Chief Executive Officer, commented, "The global oil and gas industry faced unprecedented demand and supply disruptions during the second quarter as a result of the COVID-19 pandemic. We responded quickly to the dramatic decrease in well completions activity and future uncertainty in mid-March, which allowed us to mitigate the impact to our operational and financial results. In a volatile second quarter, our employees displayed their unwavering commitment to our loyal customers and stakeholders. The close collaboration between the ProPetro team and our customers has enabled solutions that help us remain competitive despite the challenging market conditions that we currently expect to gradually improve as we move through the remainder of 2020. I want to thank our customers, supply chain partners and teammates for outstanding toughness, perseverance and generosity. Of course, none of this would be possible without the safety of the community we operate in during the ongoing fight against COVID-19."

## Second Quarter 2020 Financial Summary

Revenue for the second quarter of 2020 was \$106.1 million compared to revenue of \$395.1 million for the first quarter of 2020. The decrease was primarily attributable to a steep decline in oilfield activity as well as decreased pricing for services. In the second quarter of 2020, \$32.6 million of revenue was generated from idle fees charged to a customer.

Cost of services, excluding depreciation and amortization of approximately \$40.2 million, for the second quarter of 2020 decreased to \$68.2 million comparable to \$300.8 million during the first quarter of 2020. The decrease was the result of the steep reduction in frac activity as described above.

General and administrative expense was \$20.3 million for the second quarter of 2020 compared to \$24.9 million during the first quarter of 2020. General and administrative expense, exclusive of \$4.8 million of non-recurring expense, and \$3.0 million of non-cash stock-based compensation expense and a \$3.8 million reduction in provisions for credit losses, was \$16.4 million, for the second quarter of 2020. This is comparable to the \$15.0 million in the first quarter of 2020. The increase of \$1.4 million in General and Administrative expense (exclusive of non-cash and non-recurring items) was primarily attributable to professional advisory fees incurred in connection with becoming current in our filing obligations with the SEC.

Net loss for the second quarter of 2020 totaled \$25.9 million, or \$0.26 per diluted share, versus net loss of \$7.8 million, or \$0.08 per diluted share, for the first quarter of 2020.

Adjusted EBITDA decreased to \$25.4 million for the second quarter of 2020 from \$74.9 million for the first quarter of 2020.

### **Liquidity and Capital Spending**

As of June 30, 2020, total cash was \$37.3 million and total debt was \$0.0 million compared to a net cash balance of \$33.7 million (including \$143.7 million in cash and \$110.0 million in total debt) as of March 31, 2020. Total liquidity at the end of the second quarter of 2020 was \$50.4 million including cash and \$13.1 million of available capacity under the Company's revolving credit facility.

As of July 31, 2020, total cash was \$22.6 million and total debt was \$0.0 million. Total liquidity as of July 31, 2020 was \$43.1 million including cash and \$20.5 million of available capacity under ProPetro's revolving credit facility. The Company's borrowing capacity under its revolving credit facility (which is determined monthly based on 85% of eligible accounts receivables, less customary reserves) has been adversely impacted by the decline in the Company's activity given current market conditions. ProPetro will continue to proactively manage its capital and liquidity needs.

Capital expenditures incurred during the second quarter of 2020 were \$11.9 million, substantially all of which was maintenance spending. Based on current activity forecasts, full year 2020 capital expenditures are expected to be below \$100 million and mostly comprised of maintenance spending, including \$15 million in previously deferred spending related to expectations of rising activity levels. Capital expenditures for the six months ended June 30, 2020 total \$54.7 million.

### **Outlook**

Mr. Gobe concluded, "While we believe that our effective utilization for the third quarter will be higher than the second quarter, the overall outlook for the remainder of 2020 remains uncertain as North American oilfield activity has yet to stabilize at a level conducive to earning a competitive return. The ProPetro team remains confident in our positioning based

on our strong customer relationships, debt-free balance sheet and deep bench of committed talent. As in the past, we remain focused on controlling costs and driving service quality and execution to create value for us and our customers at the wellhead. We believe the support of our customers and supply chain partners will drive our continued success as we remain squarely focused on the long-term development of the Permian Basin – one of the most prolific energy-producing regions in North America and where the Company is intensely focused.”

## **Current Filings**

With the filing of its March 31, 2020 Quarterly Report on July 2, 2020, the Company became current with its filing obligations with the SEC and regained compliance with the NYSE’s continued listing standards.

## **Conference Call Information**

The Company will host a conference call at 8:00 AM Central Time on Wednesday, August 5, 2020 to discuss preliminary financial and operating results for the second quarter of 2020. This call will also be webcast on ProPetro’s website at [www.propetroservices.com](http://www.propetroservices.com). To access the conference call, U.S. callers may dial toll free 844-340-9046 and international callers may dial 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 877-344-7529 for U.S. callers, 855-669-9658 for Canadian callers, as well as 412-317-0088 for international callers. The access code for the replay is 10145460.

## **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](http://www.propetroservices.com).

## **Forward-Looking Statements**

*Except for historical information contained herein, the statements 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, including statements regarding the future performance of newly improved technology (such as our DuraStim® fleets), our expected capital expenditures and our expected cost reductions. 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 and recent declines in 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 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.*

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

	<b>Three Months Ended</b>		
	<b>March</b>		
	<b>June 30,</b>	<b>31,</b>	<b>June 30,</b>
	<b>2020</b>	<b>2020</b>	<b>2019</b>
REVENUE - Service revenue	\$106,109	\$395,069	\$529,494
<b>COSTS AND EXPENSES</b>			
Cost of services (exclusive of depreciation and amortization)	68,193	300,848	386,218
General and administrative (inclusive of stock-based compensation)	20,331	24,937	27,889
Depreciation and amortization	40,173	40,205	35,482
Impairment expense	-	16,654	-
	8,734	19,854	31,198
Loss on disposal of assets			
Total costs and expenses	<u>137,431</u>	<u>402,498</u>	<u>480,787</u>
OPERATING INCOME (LOSS)	(31,322)	(7,429)	48,707
<b>OTHER EXPENSE:</b>			
Interest expense	(791)	(1,281)	(2,026)
Other expense	(267)	(3)	(276)
Total other expense	<u>(1,058)</u>	<u>(1,284)</u>	<u>(2,302)</u>
INCOME (LOSS) BEFORE INCOME TAXES	(32,380)	(8,713)	46,405
INCOME TAX (EXPENSE) BENEFIT	6,460	909	(10,272)
NET INCOME (LOSS)	<u>\$ (25,920)</u>	<u>\$ (7,804)</u>	<u>\$ 36,133</u>
<b>NET INCOME (LOSS) PER COMMON SHARE:</b>			
Basic	<u>\$ (0.26)</u>	<u>\$ (0.08)</u>	<u>\$ 0.36</u>
Diluted	<u>\$ (0.26)</u>	<u>\$ (0.08)</u>	<u>\$ 0.35</u>
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:</b>			
Basic	<u>100,821</u>	<u>100,687</u>	<u>100,425</u>
Diluted	<u>100,821</u>	<u>100,687</u>	<u>104,379</u>

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

	June 30, 2020	December 31, 2019
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 37,306	\$ 149,036
Accounts receivable - net of allowance for credit losses of \$1,497 and \$1,049, respectively	65,554	212,183
Inventories	2,805	2,436
Prepaid expenses	5,061	10,815
Other current assets	1,103	1,121
Total current assets	111,829	375,591
PROPERTY AND EQUIPMENT - Net of accumulated depreciation	978,749	1,047,535
OPERATING LEASE RIGHT-OF-USE ASSETS	851	989
OTHER NONCURRENT ASSETS:		
Goodwill	-	9,425
Other noncurrent assets	2,173	2,571
Total other noncurrent assets	2,173	11,996
TOTAL ASSETS	<u>\$1,093,602</u>	<u>\$1,436,111</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
CURRENT LIABILITIES:		
Accounts payable	\$ 31,233	\$ 193,096
Operating lease liabilities	317	302
Finance lease liabilities	-	2,831
Accrued and other current liabilities	27,719	36,343
Accrued interest payable	-	394
Total current liabilities	59,269	232,966
DEFERRED INCOME TAXES	95,268	103,041
LONG-TERM DEBT	-	130,000
NONCURRENT OPERATING LEASE LIABILITIES	636	799
Total liabilities	155,173	466,806
COMMITMENTS AND CONTINGENCIES		
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, 100,889,230 and 100,624,099 shares issued, respectively	101	101
Additional paid-in capital	829,477	826,629
Retained earnings	108,851	142,575
Total shareholders' equity	938,429	969,305
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$1,093,602</u>	<u>\$1,436,111</u>

**PROPETRO HOLDING CORP.**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

(Unaudited)

	<b>Six Months Ended</b>	
	<b>June 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ (33,724)	\$ 105,938
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	80,377	68,599
Impairment expense	16,654	-
Deferred income tax expense (benefit)	(7,773)	30,937
Amortization of deferred debt issuance costs	270	269
Stock-based compensation	3,433	4,669
Provision for credit losses	448	475
Loss on disposal of assets	28,588	50,425
Changes in operating assets and liabilities:		
Accounts receivable	146,181	(168,999)
Other current assets	1,613	596
Inventories	(369)	1,274
Prepaid expenses	5,833	1,417
Accounts payable	(135,592)	42,533
Accrued and other current liabilities	(8,635)	12,299
Accrued interest	(394)	419
Net cash provided by operating activities	<u>96,910</u>	<u>150,851</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	(80,702)	(325,881)
Proceeds from sale of assets	2,677	1,547
Net cash used in investing activities	<u>(78,025)</u>	<u>(324,334)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from borrowings	-	90,000
Repayments of borrowings	(130,000)	(10,000)
Payment of finance lease obligations	(30)	(123)
Repayments of insurance financing	-	(3,890)
Proceeds from exercise of equity awards	-	1,075
Tax withholdings paid for net settlement of equity awards	(585)	-
Net cash (used in) provided by financing activities	<u>(130,615)</u>	<u>77,062</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(111,730)</b>	<b>(96,421)</b>
<b>CASH AND CASH EQUIVALENTS — Beginning of period</b>	<b>149,036</b>	<b>132,700</b>
<b>CASH AND CASH EQUIVALENTS — End of period</b>	<b><u>\$ 37,306</u></b>	<b><u>\$ 36,279</u></b>

## Reportable Segment Information

(\$ in thousands)	Three Months Ended					
	June 30, 2020			March 31, 2020		
	Pressure Pumping	All Other	Total	Pressure Pumping	All Other	Total
Service revenue	\$ 103,815	\$ 2,294	\$106,109	\$ 386,919	\$ 8,150	\$395,069
Adjusted EBITDA	\$ 34,030	\$ (8,620)	\$ 25,410	\$ 78,664	\$ (3,741)	\$ 74,923
Depreciation and amortization	\$ 38,910	\$ 1,263	\$ 40,173	\$ 38,969	\$ 1,236	\$ 40,205
Capital expenditures	\$ 10,034	\$ 1,846	\$ 11,880	\$ 39,268	\$ 828	\$ 40,096

## 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 Income (loss) to Adjusted EBITDA

(\$ in thousands)	Three Months Ended					
	June 30, 2020			March 31, 2020		
	Pressure Pumping	All Other	Total	Pressure Pumping	All Other	Total
Net income (loss)	\$(13,528)	\$(12,392)	\$(25,920)	\$ 4,308	\$(12,112)	\$(7,804)
Depreciation and amortization	38,910	1,263	40,173	38,969	1,236	40,205
Impairment expense	-	-	-	15,559	1,095	16,654
Interest expense	-	791	791	1	1,280	1,281
Income tax expense (benefit)	-	(6,460)	(6,460)	-	(909)	(909)
Loss on disposal of assets	8,587	147	8,734	19,815	39	19,854
Stock-based compensation	-	2,962	2,962	-	471	471
Other expense	-	267	267	-	3	3
Other general and administrative expense <sup>(1)</sup>	-	4,802	4,802	-	5,135	5,135
Retention bonus and severance expense	61	-	61	12	21	33
<b>Adjusted EBITDA</b>	<b>\$ 34,030</b>	<b>\$ (8,620)</b>	<b>\$ 25,410</b>	<b>\$ 78,664</b>	<b>\$ (3,741)</b>	<b>\$74,923</b>

(1) Other general and administrative expense relates to nonrecurring professional fees paid to external consultants in connection with the Company's expanded audit committee review, SEC investigation and shareholders' litigation.

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