



Aris Water Solutions, Inc. – Earnings Presentation

First Quarter 2022

Forward-Looking Statements

This presentation contains “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. Examples of forward-looking statements include, but are not limited to, those regarding our business strategy, our industry, our future profitability, the various risks and uncertainties associated with the extraordinary market environment and impacts resulting from the volatility in global oil markets and the COVID-19 pandemic, anticipated Adjusted EBITDA, expected capital expenditures and the impact of such expenditures on performance, management changes, current and potential future long-term contracts and our future business and financial performance. In some cases, you can identify forward-looking statements by terminology such as “anticipate,” “guidance,” “preliminary,” “project,” “estimate,” “expect,” “continue,” “intend,” “plan,” “believe,” “forecast,” “outlook,” “future,” “potential,” “may,” “possible,” “could” and variations of such words or similar expressions. Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, by their nature, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. As a result, our actual results may differ materially from those contemplated by the forward-looking statements, including our projected Adjusted EBITDA. 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 risk factors discussed or referenced in our filings made from time to time with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

Industry and Market Data

Market and industry data and forecasts used in this presentation have been obtained from independent industry sources as well as from research reports prepared for other purposes. We also cite certain information from media and other third-party sources. Although we believe these third-party sources to be reliable, we have not independently verified the data obtained from these sources and we cannot assure you of the accuracy or completeness of the data. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and uncertainties as the other forward-looking statements in this presentation. Statements as to our market position are based on market data currently available to us, as well as management’s estimates and assumptions regarding the size of our markets within our industry. While we are not aware of any misstatements regarding our industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors. As a result, we cannot guarantee the accuracy or completeness of such information contained in this presentation.

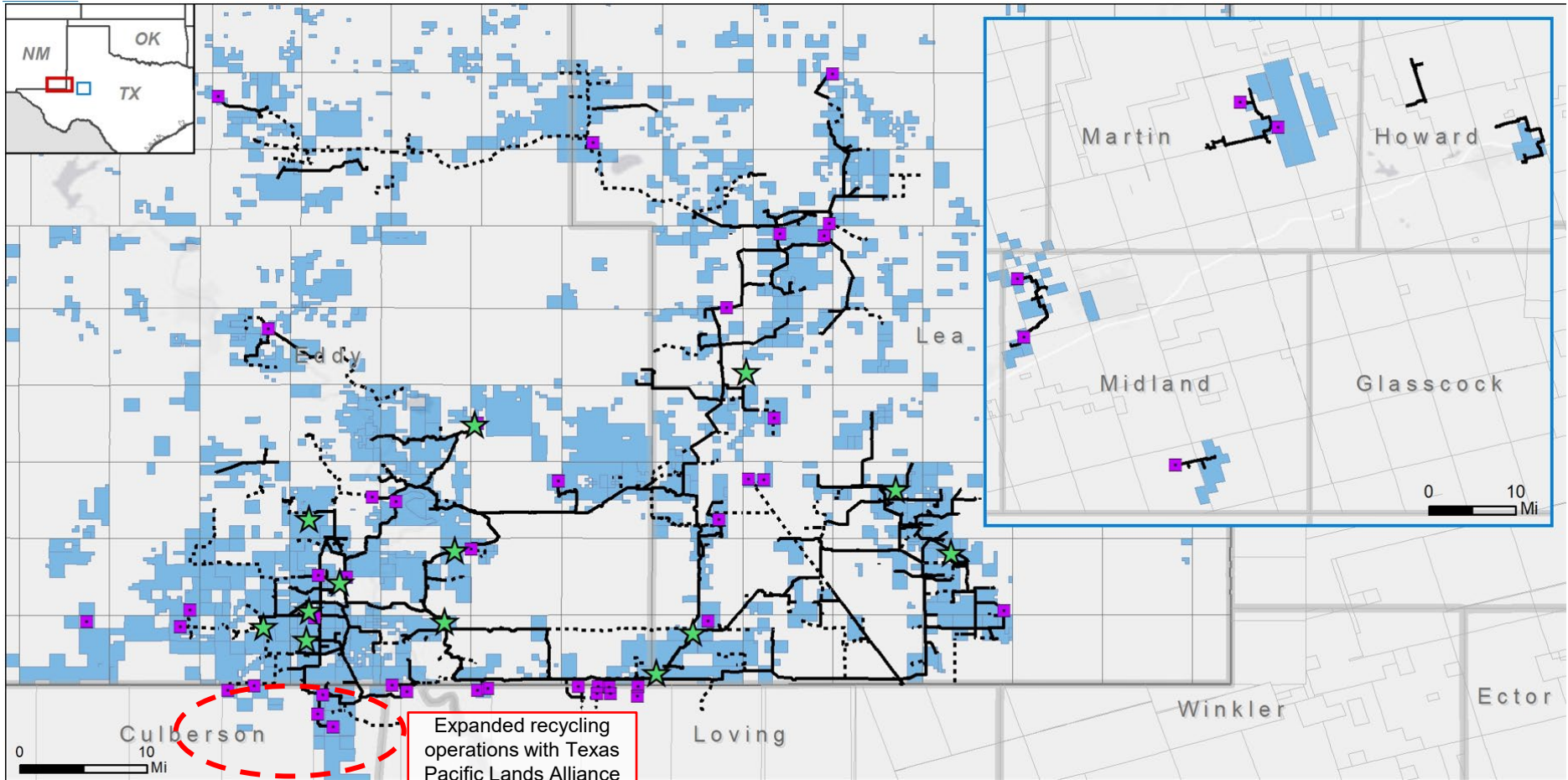
Non-GAAP Financial Measures

In this presentation, we use certain non-GAAP performance measures to evaluate current and past performance and prospects for the future to supplement our GAAP financial information presented in accordance with GAAP. These non-GAAP financial measures are important factors in assessing our operating results and profitability. A reconciliation of non-GAAP measures to the most directly comparable GAAP measures is contained in the appendix to this presentation.

Overview of Aris Water System



Asset Footprint



Expanded recycling operations with Texas Pacific Lands Alliance

Aris Infrastructure	
—	Produced Water Pipeline
⋯	Right of Way
■	Water Handling Facility
★	Water Recycling Facility
Customer Acreage	
■	Contracted

Asset Highlights as of March 31, 2022	
Miles of Pipeline	~684
Produced Water Handling Capacity	~1,200 kbwpd
Water Recycling Capacity	~1,100 kbwpd
Dedicated Acres	~633,000 ⁽¹⁾

(1) Includes dedicated acres from new long-term full cycle water management agreement with Chevron announced May 9, 2022. 3

Innovative, Full-Cycle Water Management

**Established ESG Leader
Pioneering Sustainability Solutions**

Leading Market Position in the Core of the Permian

Revenue Underpinned with Long-term Dedications from Blue Chip Customers

Conservative Capital Structure & Ability to Return Capital

Diverse, Talented, and Dedicated Team Leading the Water Management Industry



New Commercial Agreements

- ✓ **Signed long-term water management agreement with Chevron**
 - ↑ Adds core **Chevron acres** for water handling and recycling
- ✓ **Expansion of alliance with Texas Pacific Land Corporation**
 - ↑ Increased shallow interval **handling locations & recycling operations**

1Q 2022 Operational Highlights

- ✓ **Total water volumes of ~1.2 million barrels per day**
 - ↑ Up **45%** versus 1Q 2021
- ✓ **Recycled produced water volumes of ~273 thousand barrels per day**
 - ↑ Up **290%** versus 1Q 2021

1Q 2022 Financial Highlights

- ✓ **Revenue of \$71.0 million**
 - ↑ Up **54%** versus 1Q 2021
- ✓ **Adjusted EBITDA⁽¹⁾ of \$35.9 million**
 - ↑ Up **54%** versus 1Q 2021
- ✓ **Adjusted Operating Margin per Barrel⁽¹⁾ of \$0.42/bbl**
 - ↑ Up **10%** versus 1Q 2021
- ✓ **Capital Expenditures of \$9.7 million⁽²⁾**
 - ↓ Down **52%** versus 1Q 2021

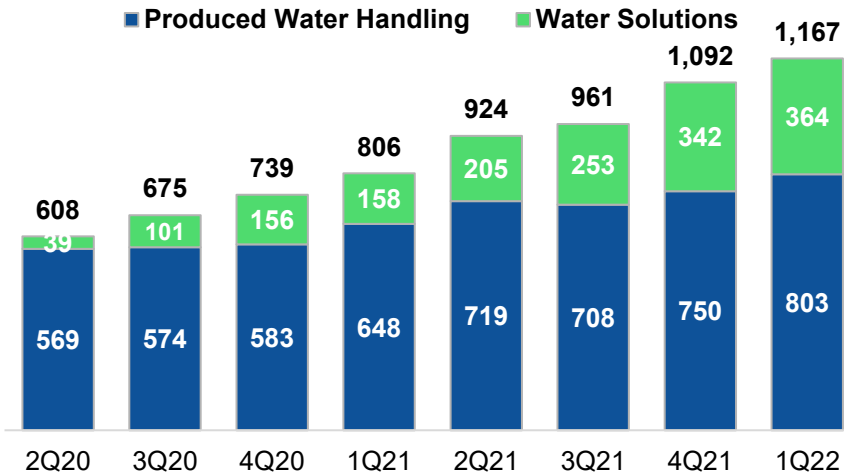
(1) Represents a non-GAAP measure. See definition and a reconciliation to the most directly comparable GAAP measure in the Appendix.

(2) Capital expenditures as calculated on a cash basis.

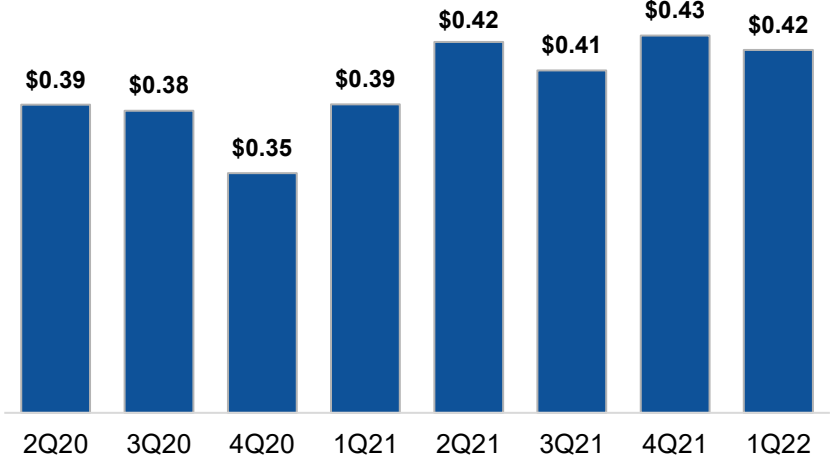
Sustained Growth & Operating Performance



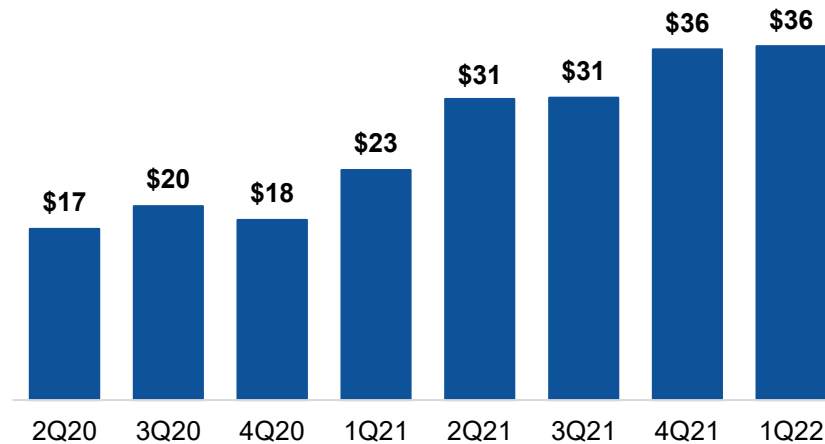
Volume Profile (kbwpd)



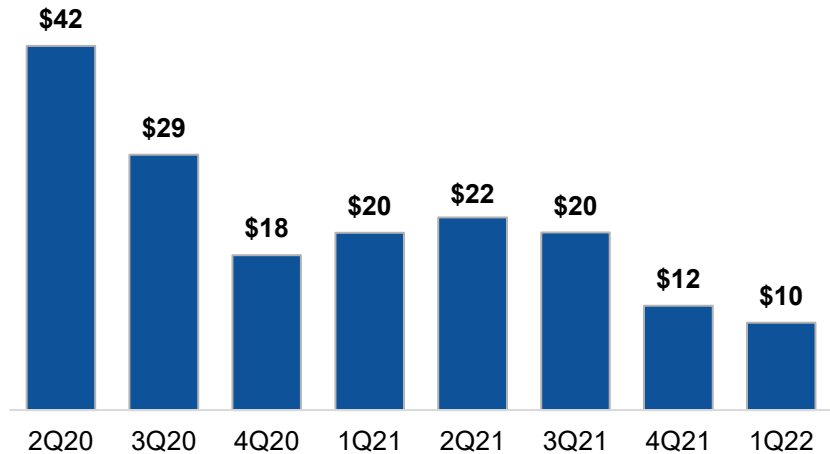
Adjusted Operating Margin / bbl ⁽¹⁾



Adjusted EBITDA ⁽¹⁾ (\$ millions)



CAPEX ⁽²⁾ (\$ millions)

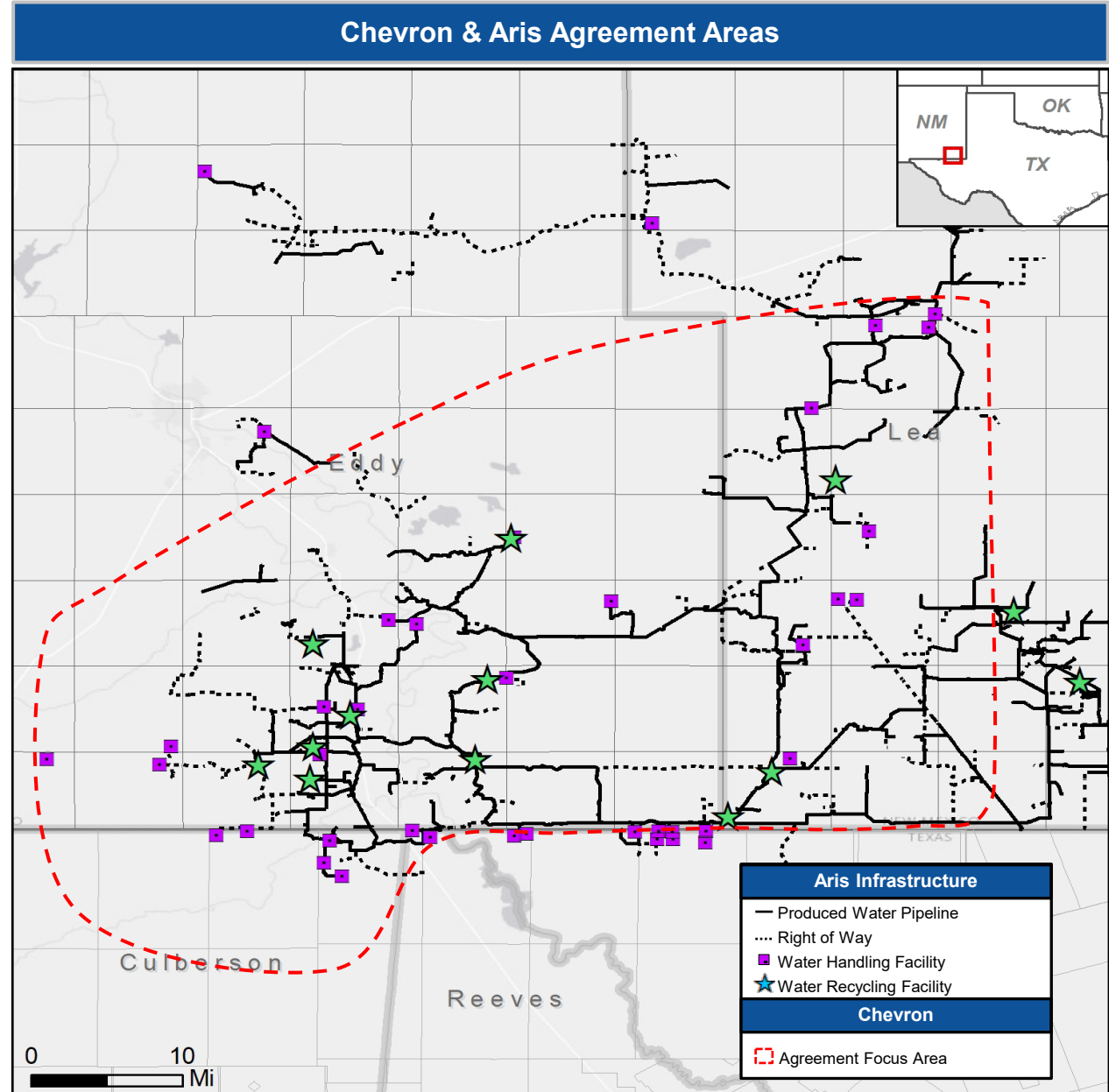


(1) Represents a non-GAAP measure. See a reconciliation to the most directly comparable GAAP measure in the Appendix.

(2) Capital expenditures as calculated on a cash basis.

New Long-Term Full Cycle Water Management Agreement

- On May 9, 2022, Aris announced a new **long-term water management agreement** with Chevron in the Northern Delaware Basin
- Under this significant agreement, Aris will provide **full-cycle produced water handling and recycling services** to Chevron
- Agreement area covers a portion of **Chevron's core acres in the Delaware Basin**, including acreage in Eddy and Lea Co., NM and Culberson and Reeves Co., TX
- Strengthens Aris's premier dedicated acreage position in the Northern Delaware Basin
- Facilitates Chevron's increased use of recycled water** in their operations and reduces their use of groundwater, **improving their water sustainability footprint**
- Solidifies Aris's position as the leading recycler in the Northern Delaware Basin



2022 Outlook: New Catalysts

1. Full-Cycle Chevron Agreement

- Expansion alongside a premier operator
- Attractive opportunity to invest incremental organic capital to capture long-term earnings
- Aris will construct additional recycling infrastructure, pipeline connections, and handling facilities in 2022 and early 2023 to meet Chevron's full-cycle water management needs

2. Outsized Growth in New Mexico Delaware Basin

- Activity continues to increase in the Northern Delaware Basin
- Increased demand for full-cycle water management solutions has created additional organic growth opportunities

Updated 2022 Outlook

Metric:	Prior 2022 Outlook:	Updated 2022 Outlook:
Adjusted EBITDA ⁽¹⁾	\$150.0 – \$160.0 million	\$165.0 - \$175.0 million
Capital Expenditures ⁽²⁾	\$80.0 – \$90.0 million	\$140.0 - \$150.0 million

Increased capital expenditures to capture Chevron agreement & additional growth from our long-term contracted customers

(1) Represents a non-GAAP measure. See definition and a reconciliation to the most directly comparable GAAP measure in the Appendix.

(2) Capital expenditures calculated on a cash basis.

Aris's Capital Allocation Framework

Aris has several compelling options for capital deployment:

- **High-Return Organic Growth**

- High-return capital opportunities to grow alongside existing customers as demonstrated by recent agreement with Chevron
- Opportunity to continue to add new customers with incremental capital

- **Return Capital to Shareholders**

- Announced a \$0.09/share dividend for 2Q 2022

- **Balance Sheet Management**

- Current leverage of ~2.3X ⁽¹⁾
- Long-term leverage target of 2.5-3.5X

- **Opportunistic, Strategic Acquisitions, Bolt-On Customer Connections**

- Disciplined and rigorous evaluation of acquisitions
- Key focus on strategic fit, technology & expertise, financial returns and customer quality

Operating Cash Flow

(-) Interest Expense

(-) Sustaining Capital

EXCESS CASH FLOW

Organic Growth

- High-Return Growth Capital

Return of Capital

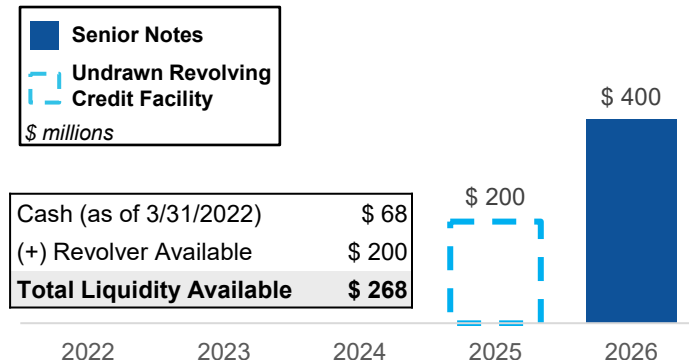
- Dividends
- Share Repurchases

Balance Sheet

- Cash to Balance Sheet and/or Debt Paydown


Strategic M&A


No Near-Term Maturities and Ample Liquidity




(1) Defined as net debt as of 3/31/2022 divided by annualized 1Q 2022 Adjusted EBITDA. Net debt is calculated as total debt less cash and cash equivalents.

ESG Highlights & Targets

- 

Successfully issued \$400 million of senior unsecured notes in a landmark issuance, pioneering the first Sustainability-Linked Bond (SLB) in the industry
- 

Set Sustainability Performance Target to recycle 85% and 98% of all barrels of water sold to our customers by 2025 and 2030 respectively
- 

Aris will publish its inaugural Corporate Responsibility Report on key Environmental, Social, and Governance metrics in 2Q 2022

ESG Key Metrics ⁽¹⁾

Environmental

- Scope 1 intensity decreased **47%** (*representing a 30% decrease in total Scope 1 emissions*)
- Our infrastructure provides a low-carbon water transportation option for operators
- Volume of water recycled increased **179%**

Social

- Minorities make up **60%** of employees and women make up **16%**
- **12%** decrease in Total Recordable Incident Rate (TRIR) for employees, 0 recordable incidents for contractors
- **50%** increase in average training hours per employee

Governance

- Women make up **50%** of the executive team, and minorities make up **25%**
- Our board of directors is comprised **25%** of women and **13%** of minorities
- **63%** of board is independent

(1) Statistics are annual for the year of 2021 unless percentage change, which is the year of 2021 vs. 2020. Personnel statistics as of 12/31/2021.



Appendix



Aris Water is the Pioneer of Cost-Effective, Full-Cycle Water Management



Full-Cycle Water Management

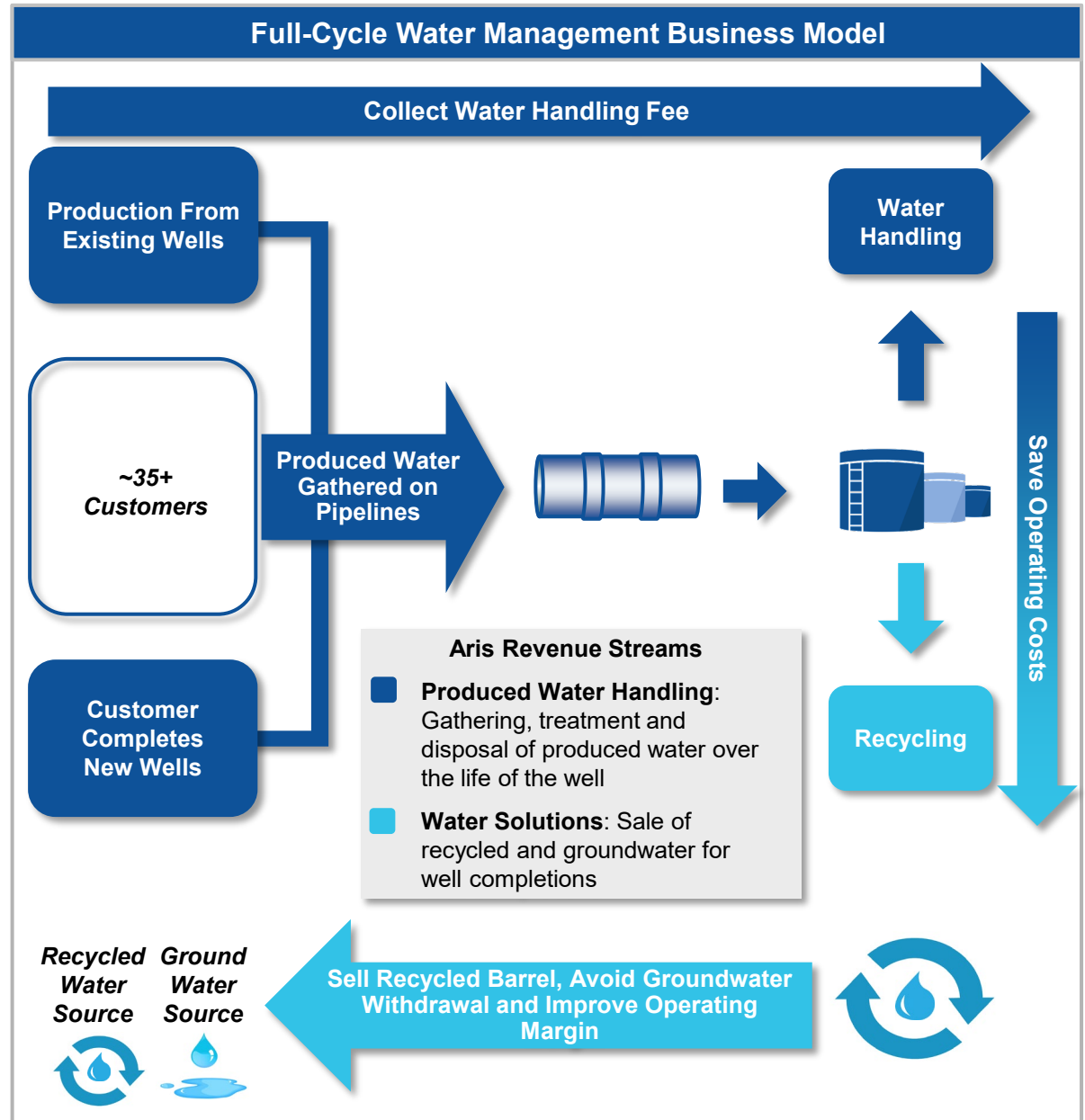
- Diverse revenue streams provide a reliable base business with significant upside potential
- Growing Permian Basin completion activity and produced water driving demand for our services
- Customers increasingly depend on our expansive network to achieve their sustainability goals

Commercial Advantages

- Significant contracted volumes of produced water gathered on our systems ensures reliable supply of recycled produced water
- Contracted Water Solutions relationships with our key customers provides visibility to growth

Operational Advantages

- Significant inventory of pipeline right of way, produced water handling and water recycling permits
- Prior capital investment on the gathering system enables water recycling and acts as a barrier to entry for potential competitors



Beneficial Reuse of Produced Water Outside of the Oil and Gas Industry



- Aris is working with customers, regulators, and academic institutions to pilot technologies for the beneficial reuse of treated produced water outside of oil and gas applications to minimize disposal
- Primary uses identified to-date for beneficial reuse include irrigation of non-consumptive crops, watershed management, and industrial process water

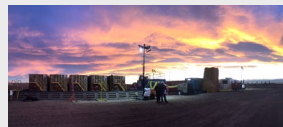
Texas A&M University Agricultural Study

- Aris is sponsoring a program with Texas A&M University to study the utilization of treated produced water for non-consumptive crop irrigation
- Applications include cotton or rangeland grasses and related carbon sequestration



Treatment Before Discharge

- Aris and its partners are working with regulators to implement a pilot program in New Mexico for treated water discharge
- Discharge technology has been successfully implemented in other basins
- Use for industrial process water



University of Texas – El Paso Regulatory Study

- Conducting biogeochemical and toxicology analyses to develop algorithms to predict the concentration of contaminants in an array of produced water samples
- Findings will be used to help create a regulatory framework governing the specifications required for beneficial re-use

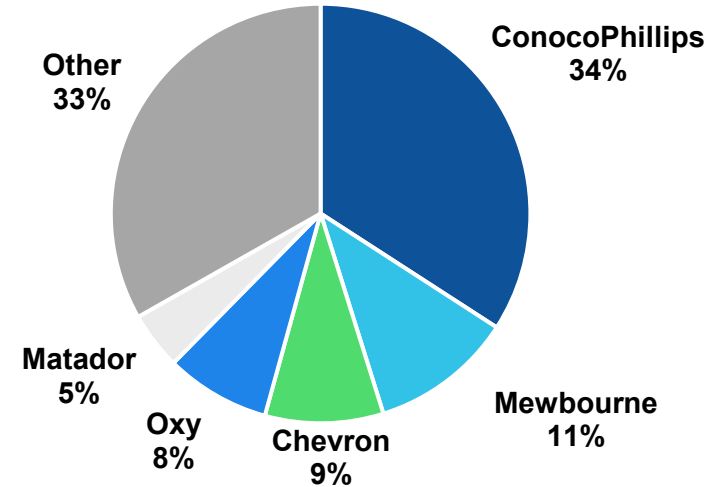
Department of Energy (“DOE”) Optimization Framework

- Aris is working with the DOE to develop software modeling tools for produced water management & beneficial re-use

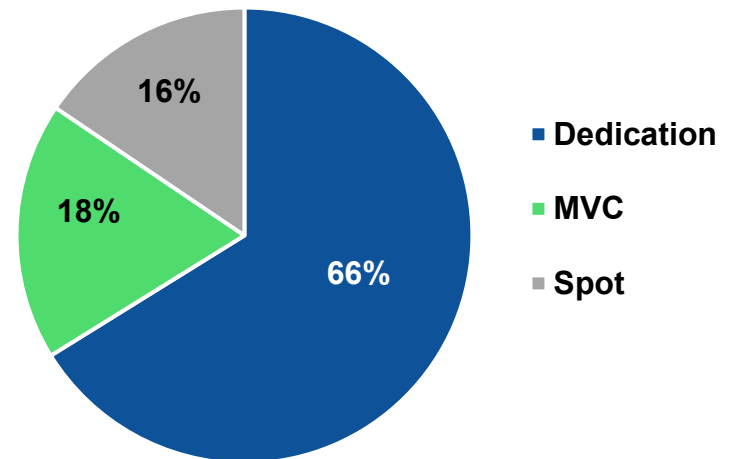
Contractual Underpinning

- **Provider of choice for leading, blue-chip E&P operators with a strong track record of repeat business**
 - >35 long-term customers
- **~84% of 1Q 2022 Produced Water Handling volume under long-term, fee-based contracts**
 - Spot volume capacity allows for incremental system utilization and pricing
- **Contract backlog provides long-term visibility**
 - ~9 years average remaining contract life⁽¹⁾
 - ~583,000 dedicated acres
 - >160 kbwpd of Minimum Volume Commitments (“MVC”)

1Q 2022 Top Customers by Revenue ⁽²⁾



1Q 2022 Volumes by Contract Type ⁽³⁾



(1) Represents produced water handling contracts

(2) Excludes skim oil revenue

(3) Represents produced water handling volumes

Appendix: Non-GAAP Financial Measures



Non-GAAP Financial Measures

We have included certain financial measures that are not calculated in accordance with GAAP in this presentation including Adjusted EBITDA, Adjusted Operating Margin and Adjusted Operating Margin per Barrel. We believe these non-GAAP financial measures provide information useful to investors in assessing our financial condition and results of operations, as well as providing investors with a means to compare our performance via an enhanced perspective of the operating performance of our assets and the cash our business is generating. However, these measures are not prescribed by GAAP and should not be considered as alternatives to GAAP net income (loss) or net cash provided by (used in) operating activities. Non-GAAP financial measures have important limitations as analytical tools and should not be viewed in isolation. These measures may be defined differently by other companies in our industry.

Adjusted EBITDA

We define Adjusted EBITDA as net income (loss) plus: interest expense; income taxes; depreciation, amortization and accretion expense; abandoned well costs, asset impairment and abandoned project charges; losses on the sale of assets; loss on debt modification; stock-based compensation expense; and non-recurring or unusual expenses or charges (including temporary power costs and IPO transaction bonus), less any gains on sale of assets.

We believe this presentation is used by investors and professional research analysts for the valuation, comparison, rating, and investment recommendations of companies within our industry. Additionally, we use this information for comparative purposes within our industry. Adjusted EBITDA is not a measure of financial performance under GAAP and should not be considered as a measure of liquidity or as an alternative to net income (loss). Adjusted EBITDA as defined by us may not be comparable to similarly titled measures used by other companies and should be considered in conjunction with net income (loss) and other measures prepared in accordance with GAAP, such as operating margin, operating income or cash flows from operating activities. Adjusted EBITDA should not be considered in isolation or as a substitute for an analysis of our results as reported under GAAP.

The following table sets forth a reconciliation of net income as determined in accordance with GAAP to Adjusted EBITDA for the periods indicated (\$ in thousands):

	Three Months Ended March 31,	
	2022	2021
Net income (loss)	\$ (6,617)	\$ 2,815
Interest expense, net	7,785	2,651
Income tax (benefit) expense	(840)	-
Depreciation, amortization and accretion	16,579	14,957
Abandoned well costs	-	-
Abandoned projects	2	211
Temporary power costs ⁽¹⁾	-	2,650
Impairment of long-lived asset	15,597	-
Loss on disposal of asset, net	554	44
Other non-operating expense	-	-
Settled litigation ⁽²⁾	-	-
Transaction costs ⁽³⁾	508	62
Stock-based compensation	2,337	-
Severance & other	-	-
Adjusted EBITDA	\$ 35,905	\$ 23,390

(1) In the past, we constructed assets in advance of permanent grid power infrastructure availability to secure long-term produced water handling contracts. As a result, we rented temporary power generation equipment that would not be necessary if grid power connections were available. Our estimated incremental impact of these temporary power expenses are calculated by taking temporary power and temporary rental expenses incurred during the period and subtracting estimated expenses that would have been incurred during such period had permanent grid power been available. Power infrastructure and permanent power availability rapidly expanded in the Permian Basin in 2020 and through the first half of 2021, and accordingly, we made significant progress in reducing these expenses. Our temporary power expenses were substantially eliminated by the end of the second quarter of 2021.

(2) Settled Litigation is primarily related to legal expenses associated with a right-of-way dispute that was successfully settled in arbitration.

(3) Transaction Costs are primarily related to certain advisory and legal expenses associated with a recapitalization process that was terminated in first quarter 2020 and acquisition expenses associated with Concho Lea County Acquisition in June 2020.

Appendix: Non-GAAP Financial Measures (cont'd)



We have included certain financial measures that are not calculated in accordance with GAAP in this presentation including Adjusted EBITDA, Adjusted Operating Margin and Adjusted Operating Margin per Barrel. We believe these non-GAAP financial measures provide information useful to investors in assessing our financial condition and results of operations, as well as providing investors with a means to compare our performance via an enhanced perspective of the operating performance of our assets and the cash our business is generating. However, these measures are not prescribed by GAAP and should not be considered as alternatives to GAAP net income (loss) or net cash provided by (used in) operating activities. Non-GAAP financial measures have important limitations as analytical tools and should not be viewed in isolation. These measures may be defined differently by other companies in our industry.

We define Adjusted EBITDA as net income (loss) plus: interest expense; income taxes; depreciation, amortization and accretion expense; abandoned well costs, asset impairment and abandoned project charges; losses on the sale of assets; loss on debt modification; stock-based compensation expense; and non-recurring or unusual expenses or charges (including temporary power costs and IPO transaction bonus), less any gains on sale of assets.

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Although we provide forecasts for the non-GAAP measure Adjusted EBITDA, we are not able to forecast the most directly comparable measure net income calculated and presented in accordance with GAAP without unreasonable effort. Certain elements of the composition of the GAAP net income are not predictable, making it impractical for us to forecast. Such elements include but are not limited to non-recurring gains or losses, unusual or non-recurring items, income tax benefit or expense, or one-time transaction costs, which could have a significant impact on the GAAP measure. As a result, no reconciliation of forecasted Adjusted EBITDA to forecasted GAAP net income is provided.

The following table sets forth a reconciliation of net income as determined in accordance with GAAP to Adjusted EBITDA for the periods indicated (\$ in thousands):

	Three Months Ended,							
	2Q 2020	3Q 2020	4Q 2020	1Q 2021	2Q 2021	3Q 2021	4Q 2021	1Q 2022
Net income (loss)	\$ (930)	\$ 1,062	\$ 282	\$ 2,815	\$ 4,561	\$ (20,743)	\$ 6,358	\$ (6,617)
Interest expense, net	1,675	2,099	2,310	2,651	7,324	7,880	7,618	7,785
Income tax (benefit) expense	2	9	8	-	2	(83)	379	(840)
Depreciation, amortization and accretion	10,289	11,751	12,498	14,957	15,215	15,378	15,217	16,579
Abandoned well costs	-	-	-	-	-	27,402	1,103	-
Abandoned projects	498	368	624	211	1,145	679	12	2
Temporary power costs ⁽¹⁾	3,898	3,548	2,310	2,650	1,603	-	-	-
Impairment of long-lived asset	-	-	-	-	-	-	-	15,597
Other non-operating expense	-	-	-	-	380	-	-	-
Loss on disposal of asset, net	67	15	51	44	173	8	50	554
Settled litigation ⁽²⁾	440	714	171	-	-	-	-	-
IPO Transaction Bonus	-	-	-	-	-	-	3,367	-
Transaction costs ⁽³⁾	1,352	172	118	62	15	253	5	508
Stock-based compensation	-	-	-	-	-	-	1,586	2,337
Severance & other	190	-	-	-	221	-	-	-
Adjusted EBITDA	\$ 17,481	\$ 19,738	\$ 18,372	\$ 23,390	\$ 30,639	\$ 30,774	\$ 35,695	\$ 35,905

(1) In the past, we constructed assets in advance of permanent grid power infrastructure availability to secure long-term produced water handling contracts. As a result, we rented temporary power generation equipment that would not be necessary if grid power connections were available. Our estimated incremental impact of these temporary power expenses are calculated by taking temporary power and temporary rental expenses incurred during the period and subtracting estimated expenses that would have been incurred during such period had permanent grid power been available. Power infrastructure and permanent power availability rapidly expanded in the Permian Basin in 2020 and through the first half of 2021, and accordingly, we made significant progress in reducing these expenses. Our temporary power expenses were substantially eliminated by the end of the second quarter of 2021.

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Appendix: Non-GAAP Financial Measures (cont'd)



Adjusted Operating Margin and Adjusted Operating Margin per Barrel

We define Adjusted Operating Margin as Gross Margin plus depreciation, amortization and accretion and temporary power costs. We define Adjusted Operating Margin per Barrel as Adjusted Operating Margin divided by total volumes.

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The following table sets forth a reconciliation of total revenue as determined in accordance with GAAP to Adjusted Operating Margin and Adjusted Operating Margin per Barrel for the periods indicated (\$ in thousands):

	Three Months Ended March 31,	
	2022	2021
Gross Margin ⁽¹⁾	\$ 27,719	\$ 10,478
Temporary Power Costs ⁽²⁾	-	2,650
Depreciation, Amortization and Accretion	16,579	14,957
Adjusted Operating Margin	\$ 44,298	\$ 28,085
Total Barrels Handled, Sold or Transferred (mmbw)	105	73
Adjusted Operating Margin per Barrel	\$ 0.42	\$ 0.39

(1) Gross Margin is calculated in accordance with GAAP as Total Revenue less Cost of Revenue for the applicable period.

(2) In the past, we constructed assets in advance of permanent grid power infrastructure availability to secure long-term produced water handling contracts. As a result, we rented temporary power generation equipment that would not be necessary if grid power connections were available. These estimates are calculated by taking temporary power and temporary rental expenses incurred during the period and subtracting estimated expenses that would have been incurred during such period had permanent grid power been available. Power infrastructure and permanent power availability rapidly expanded in the Permian Basin in 2020 and through the first half of 2021, and accordingly, we made significant progress in reducing these expenses. Our temporary power expenses were substantially eliminated by the end of the second quarter of 2021.

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	Three Months Ended,							
	2Q 2020	3Q 2020	4Q 2020	1Q 2021	2Q 2021	3Q 2021	4Q 2021	1Q 2022
Gross Margin ⁽¹⁾	\$ 7,193	\$ 8,498	\$ 8,635	\$ 10,478	\$ 18,917	\$ 20,624	\$ 27,551	\$ 27,719
Temporary Power Costs ⁽²⁾	3,898	3,548	2,310	2,650	1,603	-	-	-
Depreciation, Amortization and Accretion	10,289	11,751	12,498	14,957	15,215	15,378	15,217	16,579
Adjusted Operating Margin	\$ 21,380	\$ 23,797	\$ 23,443	\$ 28,085	\$ 35,735	\$ 36,002	\$ 42,768	\$ 44,298
Total Volumes (mmbw)	55	62	68	73	84	88	101	105
Adjusted Operating Margin per Barrel	\$0.39	\$0.38	\$0.35	\$0.39	\$0.42	\$0.41	\$0.43	\$0.42

(1) Gross Margin is calculated in accordance with GAAP as Total Revenue less Cost of Revenue for the applicable period.

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Appendix: Non-GAAP Financial Measures (cont'd)



Net Debt

We define Net Debt as Senior Sustainability-Linked Notes less Cash & Cash Equivalents.

	As of March 31,
	2022
Principal Amount of Debt	\$ 400,000
Less: Cash	(67,779)
Net Debt	\$ 332,221

	Three Months Ended
	March 31,
	2022
Adjusted EBITDA	\$ 35,905
x 4 Quarters	x 4
Annualized 1Q 2022 Adjusted EBITDA	\$ 143,620

	Current Leverage
	1Q 2022
Net Debt	\$ 332,221
Divided by: Annualized Q1 2022 Adjusted EBITDA	÷ \$ 143,620
Current Leverage Ratio as of March 31, 2022:	2.31X



Sustainable
Water
Management