

# ProPetro Reports Record Results for the Second Quarter 2018

***Increased Efficiency Helps Drive Q2 Adjusted EBITDA to ~\$96 Million and Related Margin of Almost 21%***

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

## **Second Quarter 2018 and Recent Highlights**

- Total revenue for the quarter increased approximately 19% to \$459.9 million, compared to \$385.2 million for the first quarter of 2018.
- Net income for the quarter was \$39.1 million, or \$0.45 per diluted share, as compared to \$36.7 million, or \$0.42 per diluted share, for the first quarter of 2018.
- Adjusted EBITDA for the quarter was \$96.0 million, up 25% from \$76.7 million for the first quarter of 2018.
- Frac fleet remained fully utilized, including deployment of one new-build fleet during the quarter. Period ending capacity was 860,000 HHP, or 19 fleets – more than a 5% increase as compared to 815,000 HHP at the end of the first quarter of 2018.
- As previously announced, the Company plans to take delivery of and deploy one additional fleet in the fourth quarter of 2018. This addition will increase 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, "Our success during the second quarter was a direct result of our continued collaboration with a blue-chip customer base that remains focused on driving efficiencies in their completion techniques coupled with the outstanding execution of our operations team. As we have discussed previously, we anticipate Permian completions to further evolve into a manufacturing approach for the foreseeable future. Through leveraging our proven business model and fully-utilized fleet, we believe ProPetro is solidly positioned for continued success in this environment."

## **Second Quarter 2018 Financial Summary**

Revenue for the second quarter of 2018 was \$459.9 million, or 19% higher than \$385.2 million for the first quarter of 2018. The increase was primarily attributable to increased fleet size as well as a more efficient job mix than the prior quarter. During the second quarter of 2018, 96.9% of total revenue was associated with pressure pumping services, compared to 97.4% in the first quarter.

Costs of services excluding depreciation and amortization for the second quarter of 2018 increased to \$351.9 million from \$298.1 million during the first quarter of 2018 primarily due to higher activity levels, increased fleet size, as well as an associated increase in headcount. As a percentage of pressure pumping segment revenues, pressure pumping costs of services remained relatively unchanged as compared to the first quarter of 2018.

General and administrative expense was \$14.2 million as compared to \$11.9 million in the first quarter of 2018. The increase was primarily attributable to higher payroll costs and stock compensation expense. General and administrative expense, exclusive of stock-based compensation and deferred IPO bonus, was \$12.0 million or 2.6% of revenue for the second quarter of 2018.

Net income for the second quarter of 2018 totaled \$39.1 million, or \$0.45 per diluted share, versus \$36.7 million, or \$0.42 per diluted share, for the first quarter of 2018.

Adjusted EBITDA increased approximately 25% to \$96.0 million for the second quarter of 2018 from \$76.7 million in the previous quarter. Adjusted EBITDA margin for the second quarter of 2018 was 21%, as compared to the approximately 20% for the first quarter of 2018.

### **Operational Highlights and Fleet Expansion**

Active HHP deployed during the quarter averaged 852,500, or 18.8 fleets, and active HHP at quarter end was 860,000, or 19 fleets, including an additional new-build 45,000 HHP fleet that commenced operations in April with a dedicated customer. As previously announced, to support continued demand for pressure pumping services, ProPetro plans to expand its fracturing capacity by an additional 45,000 HHP, or one fleet, in the fourth quarter of 2018, bringing 2018 year-end capacity to 905,000 HHP, or 20 fleets. This fleet will also work under a dedicated agreement with an existing customer.

The Company also deployed one new build cementing unit in July bringing total cementing capacity to 18 units. To support growing demand, ProPetro plans to further expand its cementing fleet capacity with two additional new-build units that are targeted to commence operations later this year.

### **Liquidity and Capital Spending**

As of June 30, 2018, total cash was \$27.1 million and total debt was \$105.7 million. Total liquidity at the end of the second quarter of 2018 was \$131.3 million, including cash and \$104.2 million of capacity under the Company's \$200 million revolving credit facility.

Capital expenditures incurred during the second quarter of 2018 were \$70.5 million, which reflects spending on ProPetro's growth initiatives as well as maintenance capital.

### **Outlook**

Mr. Redman concluded, "While there is significant discussion concerning transitory crude takeaway infrastructure constraints in the Permian, we believe we are best positioned for ongoing long-term outperformance given our industry-leading execution and service differentiation. Supported by our unique Permian focus, deep relationships and a best-in-class, fully-utilized frac fleet, we have a solid outlook well into 2019. As a result, we will

continue to evaluate opportunities to prudently invest in our business to support the needs of our customers and produce value for shareholders.”

### **Conference Call Information**

The Company will host a conference call at 8:00 AM Central Time on Wednesday, August 8, 2018 to discuss financial and operating results for the second quarter of 2018 and recent developments. This call will also be webcast, along with a presentation slide deck on ProPetro's website at [www.propetroservices.com](http://www.propetroservices.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 10120970.

### **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>June 30</b>	<b>March 31</b>	<b>June 30</b>
	<b>2018</b>	<b>2017</b>	<b>2017</b>
REVENUE - Service revenue	\$459,888	\$385,219	\$213,492
<b>COSTS AND EXPENSES</b>			
Cost of services (exclusive of depreciation and amortization)	351,888	298,122	176,777
General and administrative (inclusive of stock-based compensation)	14,178	11,944	7,916
Depreciation and amortization	21,276	18,936	12,706
Loss on disposal of assets	18,990	7,665	9,787
Total costs and expenses	406,332	336,667	207,186
OPERATING INCOME (LOSS)	53,556	48,552	6,306
<b>OTHER INCOME (EXPENSE):</b>			
Interest expense	(2,231)	(1,261)	(650)
Other expense	(182)	(230)	(627)
Total other income (expense)	(2,413)	(1,491)	(1,277)
INCOME (LOSS) BEFORE INCOME TAXES	51,143	47,061	5,029
INCOME TAX (EXPENSE)/BENEFIT	(12,052)	(10,353)	(108)
NET INCOME (LOSS)	<u>\$ 39,091</u>	<u>\$ 36,708</u>	<u>\$ 4,921</u>
<b>NET INCOME (LOSS) PER COMMON SHARE:</b>			
Basic	<u>\$ 0.47</u>	<u>\$ 0.44</u>	<u>\$ 0.06</u>
Diluted	<u>\$ 0.45</u>	<u>\$ 0.42</u>	<u>\$ 0.06</u>
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:</b>			
Basic	<u>83,447</u>	<u>83,081</u>	<u>83,040</u>
Diluted	<u>86,878</u>	<u>86,848</u>	<u>86,279</u>

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

	<b>June 30,</b>	<b>December</b>
	<b>2018</b>	<b>31, 2017</b>
<b>ASSETS</b>		
CURRENT ASSETS:		

Cash and cash equivalents	\$ 27,103	\$ 23,949
Accounts receivable - net of allowance for doubtful accounts of \$457 and \$443, respectively	316,498	199,656
Inventories	7,744	6,184
Prepaid expenses	3,451	5,123
Other current assets	1,131	748
Total current assets	355,927	235,660
PROPERTY AND EQUIPMENT - Net of accumulated depreciation	551,253	470,910
OTHER NONCURRENT ASSETS:		
Goodwill	9,425	9,425
Intangible assets - net of amortization	157	301
Deferred revenue rebate - net of amortization	-	615
Other noncurrent assets	2,253	2,121
Total other noncurrent assets	11,835	12,462
TOTAL ASSETS	<u>\$ 919,015</u>	<u>\$ 719,032</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
CURRENT LIABILITIES:		
Accounts payable	\$ 268,562	\$ 211,149
Accrued liabilities	26,329	16,607
Current portion of long-term debt	10,716	15,764
Accrued interest payable	506	76
Total current liabilities	306,113	243,596
DEFERRED INCOME TAXES	26,473	4,881
LONG-TERM DEBT	95,000	57,178
OTHER LONG-TERM LIABILITIES	126	125
Total liabilities	427,712	305,780
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Common stock, \$0.001 par value, 200,000,000 shares authorized, 83,543,646 and 83,039,854 shares issued, respectively	84	83
Additional paid-in capital	609,717	607,466
Accumulated deficit	(118,498)	(194,297)
Total shareholders' equity	491,303	413,252
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 919,015</u>	<u>\$ 719,032</u>

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

**Six Months Ended  
June 30,**

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	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ 75,799	\$ (19,431)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	40,211	23,857
Deferred income tax benefit	21,592	111
Amortization of deferred revenue rebate	615	923
Amortization of deferred debt issuance costs	191	3,240
Stock-based compensation	2,201	7,978
Loss on disposal of assets	27,804	20,229
(Gain) on interest rate swap	-	(199)
Changes in operating assets and liabilities:		
Accounts receivable	(116,843)	(32,641)
Other current assets	(383)	3,423
Inventories	(1,559)	(107)
Prepaid expenses	1,708	(2,321)
Accounts payable	59,109	(2,812)
Accrued liabilities and other current liabilities	12,941	(2,605)
Accrued interest	1,056	(108)
Net cash provided by operating activities	<u>124,442</u>	<u>(463)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	(152,191)	(112,630)
Proceeds from sale of assets	2,282	1,229
Net cash used in investing activities	<u>(149,909)</u>	<u>(111,401)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from borrowings	57,378	232
Repayments of borrowings	(25,230)	(163,128)
Repayments of insurance financing	(3,218)	(2,476)
Payment of debt issuance costs	(360)	(1,653)
Proceeds from exercise of equity awards	51	
Proceeds from IPO	-	185,500
Payment of deferred IPO costs	-	(15,099)
Net cash provided by financing activities	<u>28,621</u>	<u>3,376</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>3,154</b>	<b>(108,488)</b>
CASH AND CASH EQUIVALENTS — Beginning of period	23,949	133,596
CASH AND CASH EQUIVALENTS — End of period	<u>\$ 27,103</u>	<u>\$ 25,108</u>

## Reportable Segment Information

(\$ in thousands)	Three Months Ended					
	June 30, 2018			March 31, 2018		
	Pressure Pumping	All Other	Total	Pressure Pumping	All Other	Total
Service revenue	\$445,805	\$14,083	\$459,888	\$375,045	\$10,174	\$385,219
Adjusted EBITDA	\$97,818	\$(1,850)	\$95,968	\$79,063	\$(2,319)	\$76,744
Depreciation and amortization	\$20,042	\$1,234	\$21,276	\$17,763	\$1,173	\$18,936
Capital expenditures	\$68,106	\$2,437	\$70,543	\$77,435	\$2,519	\$79,954

## 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					
	June 30, 2018			March 31, 2018		
	Pressure Pumping	All Other	Total	Pressure Pumping	All Other	Total
Net income (loss)	\$ 57,524	\$(18,433)	\$39,091	\$ 52,934	\$(16,226)	\$36,708
Depreciation and amortization	20,042	1,234	21,276	17,763	1,173	18,936
Interest expense	-	2,231	2,231	-	1,261	1,261
Income tax expense	-	12,052	12,052	-	10,353	10,353
Loss on disposal of assets	19,823	(833)	18,990	7,828	(163)	7,665
Stock-based compensation	-	1,443	1,443	-	758	758
Other expense and legal settlement	2	198	200	-	231	231
Deferred IPO bonus expense	427	258	685	538	294	832
Adjusted EBITDA	<u>\$ 97,818</u>	<u>\$ (1,850)</u>	<u>\$95,968</u>	<u>\$ 79,063</u>	<u>\$ (2,319)</u>	<u>\$76,744</u>

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