

Atlas Energy Solutions Announces Third Quarter 2023 Results

AUSTIN, Texas--(BUSINESS WIRE)-- Atlas Energy Solutions Inc. (NYSE: AESI) ("Atlas" or the "Company") today reported financial and operating results for the third quarter of 2023.

Third Quarter 2023 Highlights

- Total sales of \$157.6 million
- Net income of \$56.3 million (36% Net Income Margin)
- Adjusted EBITDA of \$84.1 million (53% Adjusted EBITDA Margin) ⁽¹⁾
- Net cash provided by operating activities of \$55.4 million
- Adjusted Free Cash Flow of \$68.5 million (43% Adjusted Free Cash Flow Margin)⁽¹⁾
- Dune Express construction remains on-time and on-budget
- New Kermit facility wet plant commissioning activities are underway
- Maintained quarterly dividend of \$0.20 per share (\$0.15 per share fixed, \$0.05 per share variable), payable November 16, 2023

				Three Mon	ths E	nded		
	S	eptember 30, 2023		June 30, 2023	N	larch 31, 2023	D	ecember 31, 2022
		(unaud	ited,	in thousand	s, ex	cept percer	ntage	es)
Sales	\$	157,616	\$	161,788	\$	153,418	\$	149,865
Net income	\$	56,327	\$	71,211	\$	62,905	\$	62,583
Net Income Margin		36%		44%		41%		42%
Adjusted EBITDA	\$	84,078	\$	92,846	\$	84,033	\$	75,235
Adjusted EBITDA Margin		53%		57%		55%		50%
Net cash provided by operating activities	\$	55,406	\$	103,883	\$	54,235	\$	50,012
Adjusted Free Cash Flow	\$	68,521	\$	86,821	\$	79,271	\$	67,049
Adjusted Free Cash Flow Margin		43%		54%		52%		45%

Financial Summary

(1) Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Free Cash Flow and Adjusted Free Cash Flow Margin are non-GAAP financials measures. See Non-GAAP Financial Measures for a discussion of these measures and a reconciliation of these measures to our most directly comparable financial measures calculated and presented in accordance with GAAP.

Bud Brigham, Founder, Executive Chairman and CEO, commented, "This was another strong quarter for the Company. We generated \$84.1 million in Adjusted EBITDA and converted 81.5% of that Adjusted EBITDA to Adjusted Free Cash Flow."

Mr. Brigham continued, "The Dune Express remains on-time and on-budget, and we expect it to be up and running in the fourth quarter of 2024. We have ordered more than 90% of the equipment and materials for the project and have also contracted more than 80% of the installation and labor, which significantly reduces budget risk. To-date, we have taken

deliveries of more than 57-miles of conveyor belts and over 100-miles of fiber optic cable."

John Turner, President & CFO, added, "During the third quarter, we completed multiple important corporate initiatives, as previously announced. We closed the Up-C simplification transaction in October, which streamlines our organizational structure and eliminates the dual-class share structure. We also closed on the term loan refinancing, which simplifies our capital structure and provides additional liquidity. We believe these corporate initiatives, along with our continued strong margins and financial performance position the company optimally as oil prices have strengthened and market activity appears to be improving."

Third Quarter 2023 Financial Results

Third quarter 2023 total sales decreased \$4.2 million, or 2.6% when compared to the second quarter of 2023, to \$157.6 million. Product sales decreased \$10.4 million, or 8.3% when compared to the second quarter of 2023, to \$114.8 million, driven by a decrease in sales price. Given our heavily contracted position during the period, this sequential price decline is a function of higher-priced, shorter-duration contracts rolling off and being replaced by new contracts at lower rates as well as quarterly pricing resets on certain contracts. Service sales increased by \$6.3 million, or 17.1% when compared to the second quarter of 2023, to \$42.8 million. The increase in service sales was due to an increase in active jobs enabled by an increase in the number of trucks deployed and continued customer adoptions of our single- and multi-trailer logistics offerings, which was partially offset by marginally shorter haul distance for work performed during the quarter as customer activity was concentrated closer to our mines during the period.

Third quarter 2023 cost of sales (excluding depreciation, depletion and accretion expense) ("cost of sales") increased by \$4.3 million, or 6.7% when compared to the second quarter of 2023, to \$67.8 million. The increase in our cost of sales was primarily driven by higher trucking and last mile logistics costs resulting from the increased size of our fleet.

Selling, general and administrative expenses ("SG&A") for the third quarter of 2023 increased \$2.1 million, or 17.4% when compared to the second quarter of 2023, to \$14.3 million, driven primarily by \$3.3 million in non-recurring transaction costs related to the Up-C Simplification (defined below) and the refinancing of the 2023 Term Loan Credit Facility.

Net income for the third quarter of 2023 was \$56.3 million, and Adjusted EBITDA for the third quarter of 2023 was \$84.1 million.

Liquidity, Capital Expenditures and Other

As of September 30, 2023, the Company's total liquidity was \$438.4 million, which was comprised of \$264.5 million in cash and cash equivalents (held in cash, CDs, and one- and two-month Treasury bills), \$73.9 million of availability under the Company's ABL Facility, and \$100.0 million of availability under the Company's Delayed Draw Term Loan Facility; the Company had no borrowings outstanding under the ABL Facility and \$1.1 million of outstanding undrawn letters of credit.

Net cash used in investing activities was \$98.9 million during the third quarter of 2023, driven largely by costs associated with the construction of the new Kermit facility and payments for long-lead time equipment for the construction of the Dune Express. The construction of our new Kermit facility is progressing on-time and on-budget. We have started commissioning activities for the wet plant and expect the additional production

capacity to come online late in the fourth quarter of this year. We continue to expect the Dune Express to come online in the fourth quarter of 2024.

Quarterly Cash Dividend

On October 30, 2023, the Board of Directors (the "Board) of Atlas declared a dividend to common stockholders of \$0.20 per share, or approximately \$20.0 million in aggregate to shareholders. The dividend includes a \$0.15 per share base dividend and a \$0.05 per share variable dividend. The dividend will be payable on November 16, 2023 to shareholders of record at the close of business on November 9, 2023.

Subsequent Events

On October 2, 2023, the company completed the previously announced corporate reorganization (the "Up-C Simplification"). As a result of the Up-C Simplification, the company's previous dual class structure was eliminated and the company now trades under a single class of common stock.

As of October 30, 2023, Atlas had 100,025,584 shares of common stock outstanding.

Conference Call Information

The Company will host a conference call to discuss financial and operational results on Tuesday, October 31, 2023 at 9:00am Central Time (10:00am Eastern Time). Individuals wishing to participate in the conference call should dial (877) 407-4133. A live webcast will be available at https://ir.atlas.energy/. Please access the webcast or dial in for the call at least 10 minutes ahead of the start time to ensure a proper connection. An archived version of the conference call will be available on the Company's website shortly after the conclusion of the call.

The Company will also post an updated investor presentation titled "Investor Presentation October 2023", in addition to a "September 2023 Growth Projects Update" video, at https://ir.atlas.energy/ in the "Presentations" section under "News & Events" tab on the Company's Investor Relations webpage prior to the conference call.

About Atlas Energy Solutions

Our company was founded in 2017 by long-time E&P operators and led by Bud Brigham. Our experience as E&P operators, combined with our unique asset base and focus on using technology to deliver novel solutions to our customers' toughest challenges and missioncritical needs differentiates us as the proppant and logistics provider of choice in the Permian Basin.

Atlas is a leader in the proppant and proppant logistics industry and is currently solely focused on serving customers in the Permian Basin of West Texas and New Mexico, the most active oil and natural gas producing regions in North America. Our Kermit, TX and Monahans, TX facilities are strategically located and specifically designed to maximize reliability of supply and product quality, and our deployment of trucking assets and the Dune Express is expected to drive significant logistics efficiencies.

Our core mission is to maximize value for our stockholders by generating strong cash flow and allocating our capital resources efficiently, including providing a regular and durable return of capital to our investors through industry cycles. Further, we recognize that our longterm profitability is maximized by being good stewards of the environments and communities in which we operate. In our pursuit of this mission, we work to improve the processes involved in the development of hydrocarbons, which we believe will ultimately contribute to providing individuals with access to the energy they need to sustain or improve their quality of life in a clean, safe, and efficient manner. We take great pride in contributing positively to the development of the hydrocarbons that power our lives.

Cautionary Statement Regarding Forward-Looking Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Statements that are predictive or prospective in nature, that depend upon or refer to future events or conditions or that include the words "may," "assume," "forecast," "position," "strategy," "potential," "continue," "could," "will," "plan," "project," "budget," "predict," "pursue," "target," "seek," "objective," "believe," "expect," "anticipate," "intend," "estimate" and other expressions that are predictions of or indicate future events and trends and that do not relate to historical matters identify forward-looking statements. Examples of forward-looking statements include, but are not limited to, statements about our business strategy, our industry, our future operations and profitability, expected capital expenditures and the impact of such expenditures on our performance, statements about the Up-C Simplification, including its consequences and the anticipated benefits of the Up-C Simplification to the Company, statements about our financial position, production, revenues and losses, our capital programs, management changes, current and potential future long-term contracts and our future business and financial performance. Although forward-looking statements reflect our good faith beliefs at the time they are made, we caution you that these forward-looking statements are subject to a number of risks and uncertainties, most of which are difficult to predict and many of which are beyond our control. These risks include but are not limited to: commodity price volatility stemming from geopolitical conflicts and events; adverse developments affecting the financial services industry; our ability to complete growth projects, including the Dune Express, on time and on budget; the risk that stockholder litigation in connection with the Up-C Simplification may result in significant costs of defense, indemnification and liability; changes in general economic, business and political conditions, including changes in the financial markets; transaction costs; actions of OPEC+ to set and maintain oil production levels; the level of production of crude oil, natural gas and other hydrocarbons and the resultant market prices of crude oil; inflation; environmental risks; operating risks; regulatory changes; lack of demand; market share growth; the uncertainty inherent in projecting future rates of reserves; production; cash flow; access to capital; the timing of development expenditures; and other factors discussed or referenced in our filings made from time to time with the U.S. Securities and Exchange Commission ("SEC"), including those discussed under the heading "Risk Factors" in our prospectus, dated September 11, 2023, filed with the SEC pursuant to Rule 424(b) under the Securities Act on September 12, 2023 in connection with our Up-C Simplification, and any subsequently filed Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. 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 publicly 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.

Atlas Energy Solutions Inc. Condensed Consolidated Statements of Income (unaudited, in thousands, except per share data)

	Three Months Ended										
	Se	eptember 30, 2023	J	une 30, 2023	М	larch 31, 2023	De	ecember 31, 2022			
Product sales	\$	114,773	\$	125,216	\$	128,142	\$	121,881			
Service sales		42,843		36,572		25,276		27,984			
Total sales		157,616		161,788		153,418		149,865			
Cost of sales (excluding depreciation, depletion and accretion expense)		67,770		63,504		62,555		67,285			
Depreciation, depletion and accretion expense		10,221		9,433		8,519		7,791			
Gross profit		79,625		88,851		82,344		74,789			
Selling, general and administrative expense (including stock and unit-based compensation expense of \$1,414, \$1,624, \$622, and \$135, respectively.)		14,301		12,183		8,504		7,903			
Operating income		65.324		76,668		73,840		66,886			
Interest expense, net		(1,496)		(521)		(3,442)		(3,990)			
Other income		136		118		184		121			
Income before income taxes		63,964		76,265		70,582		63,017			
Income tax expense		7,637		5,054		7,677		434			
Net income	\$	56,327	\$	71,211	\$	62,905	\$	62,583			
Less: Pre-IPO net income attributable to Atlas Sand Company, LLC						54,561					
Less: Net income attributable to redeemable noncontrolling interest		26,887		32,693		6,610					
Net income attributable to Atlas Energy Solutions, Inc.	\$	29,440	\$	38,518	\$	1,734					
Net income per Class A common share											
Basic	\$	0.51	\$	0.67	\$	0.03					
Diluted	\$	0.51	\$	0.67	\$	0.03					
Weighted average Class A common shares outstanding											
Basic		57,237		57,148		57,148					
Diluted		57,928		57,420		57,408					

Atlas Energy Solutions Inc. Condensed Consolidated Statements of Cash Flows (unaudited, in thousands)

				Three Mon	ths E	nded		
	September 30, 2023		June 30, 2023		March 31, 2023		De	ecember 31, 2022
Operating activities:								
Net income	\$	56,327	\$	71,211	\$	62,905	\$	62,583
Adjustments to reconcile net income to net cash provided by operating activities:								
Depreciation, depletion and accretion expense		10,746		9,814		8,808		8,089
Amortization of debt discount		231		120		118		119
Amortization of deferred financing costs		79		104		87		110
Stock and unit-based compensation		1,414		1,624		622		135
Deferred income tax		9,432		5,819		3,808		(2)
Commodity derivatives gain		_		_		_		15

Settlements on commodity derivatives		_		141
Other	(42)	(21)	206	232
Changes in operating assets and liabilities:	(22,781)	15,212	(22,319)	(21,410)
Net cash provided by operating activities	55,406	 103,883	 54,235	 50,012
Investing activities:				
Purchases of property, plant and equipment	(98,858)	(85,895)	(60,940)	(35,428)
Net cash used in investing activities	(98,858)	(85,895)	(60,940)	(35,428)
Financing Activities:				
Net proceeds from IPO	_	_	303,426	_
Payment of offering costs	—	(4,439)	(1,581)	_
Member distributions prior to IPO	—	_	(15,000)	(15,000)
Principal payments on term loan borrowings	—	(8,347)	(8,226)	(7,987)
Prepayment fee on 2021 Term Loan Credit Facility	(2,649)	—	—	—
Issuance costs associated with debt financing	(3,645)	(222)	(530)	—
Payments under finance leases	(232)	(962)	(738)	(307)
Dividends paid to Class A common stockholders	(11,430)	(8,572)	—	_
Distributions paid to Atlas Sand Operating, LLC unitholders	(15,728)	(6,428)	—	—
Net cash provided by (used in) financing activities	 (33,684)	 (28,970)	 277,351	 (23,294)
Net increase (decrease) in cash and cash equivalents	(77,136)	(10,982)	270,646	(8,710)
Cash and cash equivalents, beginning of period	341,674	352,656	82,010	90,720
Cash and cash equivalents, end of period	\$ 264,538	\$ 341,674	\$ 352,656	\$ 82,010

Atlas Energy Solutions Inc. Condensed Consolidated Balance Sheets (in thousands)

		As of eptember 30, 2023	De	As of ecember 31, 2022
Annah	(L	inaudited)		
Assets				
Current assets:	¢	004 500	\$	00.040
Cash and cash equivalents	\$	264,538	Ф	82,010
Accounts receivable, including related parties		102,234		74,392
Inventories, prepaid expenses and other current assets		34,752		22,329
Total current assets		401,524		178,731
Property, plant and equipment, net		828,997		541,524
Right-of-use assets		4,456		23,222
Other long-term assets	_	4,294	-	7,522
Total assets	\$	1,239,271	\$	750,999
Liabilities, redeemable noncontrolling interest, and stockholders' and members' equity				
Current liabilities:				
Accounts payable, including related parties	\$	57,767	\$	31,799
Accrued liabilities and other current liabilities		42,792		36,289
Current portion of long-term debt				20,586
Total current liabilities		100,559		88,674
Long-term debt, net of discount and deferred financing costs		172,511		126,588
Deferred tax liabilities		48,679		1,906
Other long-term liabilities		6,363		22,474
Total liabilities		328,112		239,642
Redeemable noncontrolling interest		987,151		_
Total stockholders' and members' equity		(75,992)		511,357
Total liabilities, redeemable noncontrolling interest and stockholders' and members' equity	\$	1,239,271	\$	750,999

Non-GAAP Financial Measures

Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Free Cash Flow, Adjusted Free Cash Flow Margin, Adjusted Free Cash Flow Conversion and Maintenance Capital Expenditures are non-GAAP supplemental financial measures used by our management and by external users of our financial statements such as investors, research analysts and others, in the case of Adjusted EBITDA, to assess our operating performance on a consistent basis across periods by removing the effects of development activities, provide views on capital resources available to organically fund growth projects and, in the case of Adjusted Free Cash Flow, assess the financial performance of our assets and their ability to sustain dividends or reinvest to organically fund growth projects over the long term without regard to financing methods, capital structure, or historical cost basis.

These measures do not represent and should not be considered alternatives to, or more meaningful than, net income, income from operations, net cash provided by operating activities or any other measure of financial performance presented in accordance with GAAP as measures of our financial performance. Adjusted EBITDA and Adjusted Free Cash Flow have important limitations as analytical tools because they exclude some but not all items that affect net income, the most directly comparable GAAP financial measure. Our computation of Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Free Cash Flow, Adjusted Free Cash Flow Margin, Adjusted Free Cash Flow Conversion and Maintenance Capital Expenditures may differ from computations of similarly titled measures of other companies.

Non-GAAP Measure Definitions:

- We define Adjusted EBITDA as net income before depreciation, depletion and accretion, interest expense, income tax expense, stock and unit-based compensation, loss on extinguishment of debt, unrealized commodity derivative gain (loss), and non-recurring transaction costs. Management believes Adjusted EBITDA is useful because it allows management to more effectively evaluate the Company's operating performance and compare the results of its operations from period to period and against our peers without regard to financing method or capital structure. We exclude the items listed above from net income in arriving at Adjusted EBITDA because these amounts can vary substantially from company to company within our industry depending upon accounting methods and book values of assets, capital structures and the method by which the assets were acquired.
- We define **Adjusted EBITDA Margin** as Adjusted EBITDA divided by total sales.
- We define **Adjusted Free Cash Flow** as Adjusted EBITDA less Maintenance Capital Expenditures. Management believes that Adjusted Free Cash Flow is useful to investors as it provides a measure of the ability of our business to generate cash.
- We define **Adjusted Free Cash Flow Margin** as Adjusted Free Cash Flow divided by total sales.
- We define **Adjusted Free Cash Flow Conversion** as Adjusted Free Cash Flow divided by Adjusted EBITDA.
- We define **Maintenance Capital Expenditures** as capital expenditures excluding growth capital expenditures.

Atlas Energy Solutions Inc. – Supplemental Information Reconciliation of Adjusted EBITDA and Adjusted Free Cash Flow to Net Income (unaudited, in thousands)

	For the Three Months Ended									
	September 30, 2023		June 30, 2023		March 31, 2023		De	ecember 31, 2022		
Net Income	\$	56,327	\$	71,211	\$	62,905	\$	62,583		
Depreciation, depletion and accretion expense		10,746		9,814		8,808		8,089		
Interest expense		4,673		4,027		4,021		3,993		
Income tax expense		7,637		5,054		7,677		434		
EBITDA	\$	79,383	\$	90,106	\$	83,411	\$	75,099		
Stock and unit-based compensation		1,414		1,624		622		135		
Unrealized commodity derivative gain		_		_		_		1		
Non-recurring transaction costs		3,281		1,116		_		_		
Adjusted EBITDA	\$	84,078	\$	92,846	\$	84,033	\$	75,235		
Maintenance capital expenditures	\$	15,557	\$	6,025	\$	4,762	\$	8,186		
Adjusted Free Cash Flow	\$	68,521	\$	86,821	\$	79,271	\$	67,049		

Atlas Energy Solutions Inc. – Supplemental Information Reconciliation of Adjusted Free Cash Flow to Net Cash Provided by Operating Activities (unaudited, in thousands, except percentages)

			For	the Three M	/lontl	ns Ended		
	Se	September 30, 2023		June 30, 2023		arch 31, 2023	D	ecember 31, 2022
Net cash provided by operating activities	\$	55,406	\$	103,883	\$	54,235	\$	50,012
Current income tax expense (benefit)(1)		(1,795)		(765)		3,869		436
Change in operating assets and liabilities		22,781		(15,212)		22,319		21,410
Cash interest expense(1)		4,363		3,804		3,816		3,764
Maintenance capital expenditures(1)		(15,557)		(6,025)		(4,762)		(8,186)
Non-recurring transaction costs		3,281		1,116		_		—
Other		42		20		(206)		(387)
Adjusted Free Cash Flow	\$	68,521	\$	86,821	\$	79,271	\$	67,049
Adjusted EBITDA Margin		53%		57%		55%		50%
Adjusted Free Cash Flow Margin		43%		54%		52%		45%
Adjusted Free Cash Flow Conversion		81%		94%		94%		89%

 A reconciliation of the adjustment of these items used to calculate Adjusted Free Cash Flow to the Consolidated Financial Statements is included below.

Atlas Energy Solutions Inc. – Supplemental Information Reconciliation of Maintenance Capital Expenditures to Purchase of Property, Plant and Equipment (unaudited, in thousands)

				Three Mon	ths Ei	nded		
	September 30, June 30, 2023 2023			,	Ma	arch 31, 2023	December 31, 2022	
Maintenance capital expenditures, accrual basis reconciliation:								
Purchases of property, plant and equipment	\$	98,858	\$	85,895	\$	60,940	\$	35,428

Changes in operating assets and liabilities associated with				
investing activities(1)	40,153	20,996	6,811	6,031
Less: Growth capital expenditures	 (123,454)	 (100,866)	 (62,989)	 (33,273)
Maintenance Capital Expenditures, accrual basis	\$ 15,557	\$ 6,025	\$ 4,762	\$ 8,186

(1) Positive working capital changes reflect capital expenditures in the current period that will be paid in a future period. Negative working capital changes reflect capital expenditures incurred in a prior period but paid during the period presented.

Atlas Energy Solutions Inc. – Supplemental Information Reconciliation of Current Income Tax Expense to Income Tax Expense (unaudited, in thousands)

			Three Mon	ths E	nded		
	September 30, 2023		June 30, 2023		March 31, 2023		ember 31, 2022
Current tax expense reconciliation:						_	
Income tax expense	\$ 7,637	\$	5,054	\$	7,677	\$	434
Less: deferred tax expense	(9,432)		(5,819)		(3,808)		2
Current income tax expense (benefit)	\$ (1,795)	\$	(765)	\$	3,869	\$	436

Atlas Energy Solutions Inc. – Supplemental Information Cash Interest Expense to Income Expense, Net (unaudited, in thousands)

Three Months Ended											
30		30, June		March 31, 2023			cember 31, 2022				
		_									
\$	1,496	\$	521	\$	3,442	\$	3,990				
	(231)		(120)		(118)		(119)				
	(79)		(104)		(87)		(110)				
	3,177		3,507		579		3				
\$	4,363	\$	3,804	\$	3,816	\$	3,764				
		2023 \$ 1,496 (231) (79) 3,177	September 30, Ju 2023 \$ 1,496 \$ (231) (79) 3,177	September 30, 2023 June 30, 2023 \$ 1,496 \$ 521 (231) (120) (79) (104) 3,177 3,507	September 30, 2023 June 30, 2023 Ma \$ 1,496 \$ 521 \$ (231) (120) (104) (79) (104) 3,177	September 30, 2023 June 30, 2023 March 31, 2023 \$ 1,496 \$ 521 \$ 3,442 (231) (120) (118) (79) (104) (87) 3,177 3,507 579	September 30, 2023 June 30, 2023 March 31, 2023 De \$ 1,496 \$ 521 \$ 3,442 \$ (231) (120) (118) (79) (104) (87) 3,177 3,507 579 579 579 579				

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