

# Solaris Oilfield Infrastructure Announces Second Quarter 2022 Results

August 01, 2022

## Second Quarter 2022 Highlights

- Net income of \$8.3 million, or \$0.16 per diluted Class A share, for the quarter ended June 30, 2022; Adjusted pro forma net income of \$9.4 million, or \$0.20 per fully diluted share for the quarter ended June 30, 2022
- Adjusted EBITDA of \$21.1 million for the quarter ended June 30, 2022
- Paid a regular quarterly dividend of \$0.105 per share on June 17, 2022, Solaris' 15<sup>th</sup> consecutive quarterly dividend
- Surpassed \$100 million returned to shareholders in the form of dividends and stock buybacks since initiating the dividend in 2018

HOUSTON--(BUSINESS WIRE)-- Solaris Oilfield Infrastructure, Inc. (NYSE:SOI) ("Solaris" or the "Company"), a leading independent provider of supply chain management and logistics solutions designed to drive efficiencies and reduce costs for the oil and natural gas industry, today reported financial results for the second quarter 2022.

## Operational Update and Outlook

During the second quarter of 2022, an average of 84 mobile proppant management systems were fully utilized, which was up 12% from average first quarter 2022 levels.

"The Solaris team delivered on an impressive second quarter where we continued to see the positive impact of our top fill solutions and AutoBlend<sup>TM</sup> technology," Solaris' Chairman and Chief Executive Officer Bill Zartler commented. "We are enthusiastic about the benefits that we expect these technologies can provide for both Solaris and our customers moving forward. Our

strong results thus far in 2022 are supported by incremental returns with the investments we are making. We are also proud to now have returned over \$100 million to shareholders since 2018 and remain committed to paying our dividends and maintaining healthy liquidity.”

## **Second Quarter 2022 Financial Review**

Solaris reported net income of \$8.3 million, or \$0.16 per diluted Class A share, for second quarter 2022, compared to first quarter 2022 net income of \$5.7 million, or \$0.11 per diluted Class A share. Adjusted pro forma net income for second quarter 2022 was \$9.4 million, or \$0.20 per fully diluted share, compared to first quarter 2022 adjusted pro forma net income of \$4.8 million, or \$0.11 per fully diluted share. A description of adjusted pro forma net income and a reconciliation to net income attributable to Solaris, its most directly comparable generally accepted accounting principles (“GAAP”) measure, and the computation of adjusted pro forma earnings per fully diluted share are provided below.

Revenues were \$86.7 million for second quarter 2022, which were up 52% from first quarter 2022, driven by an increase in systems deployed, contribution from new technologies and last mile trucking logistics activity.

Adjusted EBITDA for second quarter 2022 was \$21.1 million, which was up 34% from first quarter 2022. The increase in Adjusted EBITDA was driven by an increase in the number of fully utilized systems, mix improvement, an increase in last mile logistics profitability and activity, and contribution from new technologies. A description of Adjusted EBITDA and a reconciliation to net income, its most directly comparable GAAP measure, is provided below.

## **Capital Expenditures, Free Cash Flow and Liquidity**

Capital expenditures in the second quarter 2022 were \$20.6 million. The Company still expects maintenance capital expenditures for full year 2022 to be approximately \$10 million. The Company is now narrowing the range of expected growth capital expenditures to between \$50 million and \$60 million for full year 2022, including investments in additional top fill and AutoBlend™ units, compared to the previously guided range of \$40 million to \$60 million.

Free cash flow (defined as net cash provided by operating activities less investment in property, plant and equipment) during second quarter 2022 was \$(4.4) million and reflects increased capital expenditures and working capital use of \$(4.2) million to support growth. Distributable cash flow (defined as Adjusted EBITDA less maintenance capital expenditures) was approximately \$20 million for the second quarter 2022 and covered quarterly dividend distributions of approximately \$4.9 million.

As of June 30, 2022, the Company had approximately \$15.4 million of cash on the balance sheet. The Company's credit facility remains undrawn, and total liquidity, including availability under the credit facility, was \$65.4 million as of the end of the second quarter 2022.

## **Shareholder Returns**

On May 12, 2022, the Company's Board of Directors declared a cash dividend of \$0.105 per share of Class A common stock, which was paid on June 17, 2022 to holders of record as of June 7, 2022. A distribution of \$0.105 per unit was also approved for holders of units in Solaris Oilfield Infrastructure, LLC ("Solaris LLC"). Since initiating the dividend in December 2018, the Company has paid 15 consecutive quarterly dividends. Cumulatively, the Company has returned approximately \$102 million in cash to shareholders through dividends and share repurchases since December 2018.

## **Conference Call**

The Company will host a conference call to discuss its second quarter 2022 results on Tuesday, August 2, 2022 at 8:00 a.m. Central Time (9:00 a.m. Eastern Time). To join the conference call from within the United States, participants may dial (844) 413-3978. To join the conference call from outside of the United States, participants may dial (412) 317-6594. When instructed, please ask the operator to be joined to the Solaris Oilfield Infrastructure, Inc. call. Participants are encouraged to log in to the webcast or dial in to the conference call approximately ten minutes prior to the start time. To listen via live webcast, please visit the Investor Relations section of the Company's website at <http://www.solarisoilfield.com>.

An audio replay of the conference call will be available shortly after the conclusion of the call and will remain available for approximately seven days. It can be accessed by dialing (877) 344-7529 within the United States or (412) 317-0088 outside of the United States. The conference call replay access code is 6639480. The replay will also be available in the Investor Relations section of the Company's website shortly after the conclusion of the call and will remain available for approximately seven days.

## **About Solaris Oilfield Infrastructure, Inc.**

Solaris Oilfield Infrastructure, Inc. (NYSE:SOI) provides mobile equipment that drives supply chain and execution efficiencies in the completion of oil and natural gas wells. Solaris' patented equipment and systems are deployed across oil and natural gas basins in the United States. Additional information is available on our website, [www.solarisoilfield.com](http://www.solarisoilfield.com).

## **Website Disclosure**

We use our website ([www.solarisoilfield.com](http://www.solarisoilfield.com)) as a routine channel of distribution of company information, including news releases, analyst presentations, and supplemental financial information, as a means of disclosing material non-public information and for complying with our disclosure obligations under the U.S. Securities and Exchange Commission's (the "SEC") Regulation FD. Accordingly, investors should monitor our website in addition to following press releases, SEC filings and public conference calls and webcasts. Additionally, we provide notifications of news or announcements on our investor relations website. Investors and others can receive notifications of new information posted on our investor relations website in real time by signing up for email alerts.

None of the information provided on our website, in our press releases, public conference calls and webcasts, or through social media channels is incorporated by reference into, or deemed to be a part of, this press release or will be incorporated by reference into any report or document we file with the SEC unless we expressly incorporate any such information by reference, and any references to our website are intended to be inactive textual references only.

## **Forward Looking Statements**

*This press release 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, 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, 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. 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. 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 factors discussed or referenced in our filings made from time to time with the SEC. 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.*

**SOLARIS OILFIELD INFRASTRUCTURE, INC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except per share data)  
**(Unaudited)**

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>	<b>March 31,</b>	<b>June 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Revenue	86,711	35,179	56,915	143,626 63,848
Operating costs and expenses:				
Cost of services (excluding depreciation and amortization)	61,237	25,135	37,671	98,908 44,341
Depreciation and amortization	7,132	6,752	6,929	14,061 13,445
Property tax contingency (1)	3,072	—	—	3,072 —
Selling, general and administrative	6,062	4,964	5,211	11,273 9,570
Other operating (income) expenses (2)	(1,114)	360	(309)	(1,423) 613
Total operating costs and expenses	76,389	37,211	49,502	125,891 67,969
Operating income (loss)	10,322	(2,032)	7,413	17,735 (4,121)
Interest expense, net	(88)	(55)	(79)	(167) (104)
Total other expense	(88)	(55)	(79)	(167) (104)
Income (loss) before income tax expense	10,234	(2,087)	7,334	17,568 (4,225)
Provision (benefit) for income taxes	1,945	(217)	1,612	3,557 (430)
Net income (loss)	8,289	(1,870)	5,722	14,011 (3,795)

Less: net (income) loss related to non-controlling interests	(2,836)	659	(2,220)	(5,056)	1,415
Net income (loss) attributable to Solaris	<u>\$ 5,453</u>	<u>\$ (1,211)</u>	<u>\$ 3,502</u>	<u>\$ 8,955</u>	<u>\$ (2,380)</u>
Earnings per share of Class A common stock - basic	<u>\$ 0.16</u>	<u>\$ (0.04)</u>	<u>\$ 0.11</u>	<u>\$ 0.27</u>	<u>\$ (0.08)</u>
Earnings per share of Class A common stock - diluted	<u>\$ 0.16</u>	<u>\$ (0.04)</u>	<u>\$ 0.11</u>	<u>\$ 0.27</u>	<u>\$ (0.08)</u>
Basic weighted average shares of Class A common stock outstanding	31,432	30,984	31,239	31,337	30,473
Diluted weighted average shares of Class A common stock outstanding	31,432	30,984	31,239	31,337	30,473

1)Property tax contingency represents a reserve related to an unfavorable Texas District Court ruling related to prior period property taxes. The ruling is currently under appeal.

2)Other (income) expense includes change in payable related to Tax Receivable Agreement, settlements for insurance claims, disposal of assets, and credit losses.

## **SOLARIS OILFIELD INFRASTRUCTURE, INC AND SUBSIDIARIES**

### **CONSOLIDATED BALANCE SHEETS**

**(In thousands, except per share amounts)**

**(Unaudited)**

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 15,351	\$ 36,497

Accounts receivable, net of allowances for credit losses of \$388 and \$746, respectively	66,854	33,120
Prepaid expenses and other current assets	6,422	9,797
Inventories	4,317	1,654
Total current assets	92,944	81,068
Property, plant and equipment, net	267,816	240,091
Non-current inventories	2,412	2,676
Operating lease right-of-use assets	3,908	4,182
Goodwill	13,004	13,004
Intangible assets, net	1,814	2,203
Deferred tax assets	60,198	62,942
Other assets	324	57
Total assets	\$ 442,420	\$ 406,223

### **Liabilities and Stockholders' Equity**

#### Current liabilities:

Accounts payable	\$ 24,319	\$ 9,927
Accrued liabilities	29,890	16,918
Current portion of payables related to Tax Receivable Agreement	1,210	1,210
Current portion of lease liabilities	742	717
Current portion of finance lease liabilities	556	31
Other current liabilities	1,827	496
Total current liabilities	58,544	29,299
Lease liabilities, net of current	6,239	6,702
Finance lease liabilities, net of current	1,244	70
Payables related to Tax Receivable Agreement	71,422	71,892
Other long-term liabilities	376	384
Total liabilities	137,825	108,347

#### Stockholders' equity:

Preferred stock, \$0.01 par value, 50,000 shares authorized, none issued and outstanding	—	—
Class A common stock, \$0.01 par value, 600,000 shares authorized, 31,517 shares issued and outstanding as of June 30, 2022 and	315	312

31,146 shares issued and outstanding as of December 31, 2021

Class B common stock, \$0.00 par value, 180,000 shares authorized, 13,674 shares issued and outstanding as of June 30, 2022 and 13,770 issued and outstanding as of December 31, 2021	—	—
Additional paid-in capital	200,354	196,912
Retained earnings	7,601	5,925
Total stockholders' equity attributable to Solaris and members' equity	208,270	203,149
Non-controlling interest	96,325	94,727
Total stockholders' equity	304,595	297,876
Total liabilities and stockholders' equity	\$ 442,420	\$ 406,223

**SOLARIS OILFIELD INFRASTRUCTURE, INC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)  
(Unaudited)

	Six Months Ended June 30,		Three Months Ended June 30,
	2022	2021	2022
Cash flows from operating activities:			
Net (loss) income	\$ 14,011	\$ (3,795)	\$ 8,289
Adjustment to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	14,061	13,445	7,132
Property tax contingency (1)	3,072	—	3,072
(Gain) loss on disposal of asset	(39)	117	(146)
Stock-based compensation	3,112	2,552	1,519
Amortization of debt issuance costs	98	88	58
Allowance for credit losses	(388)	599	(388)
Change in payables related to Tax Receivable Agreement	(654)	—	(654)
Deferred income tax expense (benefit)	3,101	(607)	1,646



Other	(178)	(146)	(177)
Changes in assets and liabilities:			
Accounts receivable	(33,346)	(13,697)	(20,809)
Prepaid expenses and other assets	5,098	(742)	3,381
Inventories	(3,457)	(1,085)	(2,305)
Accounts payable	7,902	7,239	2,862
Accrued liabilities	10,001	72	12,645
Net cash provided by operating activities	22,394	4,040	16,125
Cash flows from investing activities:			
Investment in property, plant and equipment	(32,326)	(7,716)	(20,550)
Cash received from insurance proceeds	860	6	629
Proceeds from disposal of assets	57	40	19
Net cash used in investing activities	(31,409)	(7,670)	(19,902)
Cash flows from financing activities:			
Distribution and dividend paid to Solaris LLC unitholders and Class A common shareholders	(9,777)	(9,594)	(4,890)
Payments under finance leases	(567)	(12)	(559)
Payments under insurance premium financing	(422)	(164)	(176)
Proceeds from stock option exercises	—	12	—
Payments related to debt issuance costs	(358)	—	(358)
Payments for shares withheld for taxes from RSU vesting and cancelled	(1,007)	(702)	(17)
Net cash used in financing activities	(12,131)	(10,460)	(6,000)
Net decrease in cash and cash equivalents	(21,146)	(14,090)	(9,777)
Cash and cash equivalents at beginning of period	36,497	60,366	25,128
Cash and cash equivalents at end of period	\$ 15,351	\$ 46,276	\$ 15,351
Non-cash activities			
Investing:			
Capitalized depreciation in property, plant and equipment	289	289	143
Capitalized stock based compensation	207	151	92

Property and equipment additions incurred but not paid at period-end	6,490	612	6,490
Property, plant and equipment additions transferred from inventory	1,058	536	483
Additions to fixed assets through finance leases	2,267	—	2,267
Financing:			
Insurance premium financing	1,331	738	1,331
Cash paid for:			
Interest	37	66	—
Income taxes	370	325	348

1)Property tax contingency represents a reserve related to an unfavorable Texas District Court ruling related to prior period property taxes. The ruling is currently under appeal.

## **SOLARIS OILFIELD INFRASTRUCTURE, INC AND SUBSIDIARIES**

### **RECONCILIATION AND CALCULATION OF NON-GAAP FINANCIAL AND OPERATIONAL MEASURES**

**(In thousands)**

**(Unaudited)**

#### **EBITDA AND ADJUSTED EBITDA**

We view EBITDA and Adjusted EBITDA as important indicators of performance. We define EBITDA as net income, plus (i) depreciation and amortization expense, (ii) interest expense and (iii) income tax expense, including franchise taxes. We define Adjusted EBITDA as EBITDA plus (i) stock-based compensation expense and (ii) certain non-cash items and extraordinary, unusual or non-recurring gains, losses or expenses.

We believe that our presentation of EBITDA and Adjusted EBITDA provides useful information to investors in assessing our financial condition and results of operations. Net income is the GAAP measure most directly comparable to EBITDA and Adjusted EBITDA. EBITDA and Adjusted EBITDA should not be considered alternatives to net income presented in accordance with GAAP. Because EBITDA and Adjusted EBITDA may be defined differently by other companies in our industry, our definitions of EBITDA and Adjusted EBITDA may not be comparable to similarly titled measures of other companies, thereby diminishing their utility.

The following table presents a reconciliation of net income to EBITDA and Adjusted EBITDA for each of the periods indicated.

	Three Months Ended			Six months ended	
	June 30,		March 31	June 30,	
	2022	2021	2022	2022	2021
Net income (loss)	\$ 8,289	\$(1,870)	\$ 5,722	\$14,011	\$(3,795)
Depreciation and amortization	7,132	6,752	6,929	14,061	13,445
Interest expense, net	88	55	79	167	104
Income taxes (1)	1,945	(217)	1,612	3,557	(430)
EBITDA	\$17,454	\$ 4,720	\$14,342	\$31,796	\$ 9,324
Property tax contingency (2)	3,072	—	—	3,072	—
Stock-based compensation expense (3)	1,519	1,353	1,593	3,112	2,552
Change in payables related to Tax Receivable Agreement (4)	(654)	—	—	(654)	—
Credit losses and adjustments to credit losses	(361)	316	(27)	(388)	599
Other (5)	34	109	(168)	(134)	141
Adjusted EBITDA	\$21,064	\$ 6,498	\$15,740	\$36,804	\$12,616

1)Federal and state income taxes.

2)Property tax contingency represents a reserve related to an unfavorable Texas District Court ruling related to prior period property taxes. The ruling is currently under appeal.

3)Represents stock-based compensation expense related to restricted stock awards.

4)Reduction in liability due to state tax rate change.

5)Other includes write off of prepaid purchase orders that were not fulfilled, loss on disposal of assets, gain on insurance claims and other settlements, and costs related to the evaluation of potential acquisitions.

#### **ADJUSTED PRO FORMA NET INCOME AND ADJUSTED PRO FORMA EARNINGS PER FULLY DILUTED SHARE**

Adjusted pro forma net income represents net income attributable to Solaris assuming the full exchange of all outstanding membership interests in Solaris LLC not held by Solaris Oilfield Infrastructure, Inc. for shares of Class A common stock, adjusted for certain non-recurring items that the Company doesn't believe directly reflect its core operations and may not be indicative of ongoing business operations. Adjusted pro forma earnings per fully diluted share is calculated by dividing adjusted pro forma net income by the weighted-average shares of Class A common stock outstanding, assuming the full exchange of all outstanding units of Solaris LLC ("Solaris LLC Units"), after giving effect to the dilutive effect of outstanding equity-based awards.

When used in conjunction with GAAP financial measures, adjusted pro forma net income and adjusted pro forma earnings per fully diluted share are supplemental measures of operating performance that the Company believes are useful measures to evaluate performance period over period and relative to its competitors. By assuming the full exchange of all outstanding Solaris LLC Units, the Company believes these measures facilitate comparisons with other companies that have different organizational and tax structures, as well as comparisons period over period because it eliminates the effect of any changes in net income attributable to Solaris as a result of increases in its ownership of Solaris LLC, which are unrelated to the Company's operating performance, and excludes items that are non-recurring or may not be indicative of ongoing operating performance.

Adjusted pro forma net income and adjusted pro forma earnings per fully diluted share are not necessarily comparable to similarly titled measures used by other companies due to different methods of calculation. Presentation of adjusted pro forma net income and adjusted pro forma earnings per fully diluted share should not be considered alternatives to net income and earnings per share, as determined under GAAP. While these measures are useful in evaluating the Company's performance, it does not account for the earnings attributable to the non-controlling interest holders and therefore does not provide a complete understanding of the net income attributable to Solaris. Adjusted pro forma net income and adjusted pro forma earnings per fully diluted share should be evaluated in conjunction with GAAP financial results. A reconciliation of adjusted pro forma net income to net income attributable to Solaris, the most directly comparable GAAP measure, and the computation of adjusted pro forma earnings per fully diluted share are set forth below.

Three Months Ended		Six months ended
June 30,	March 31	June 30,

	2022	2021	2022	2022	2021
Numerator:					
Net income (loss) attributable to Solaris	\$ 5,453	\$ (1,211)	\$ 3,502	\$ 8,955	\$ (2,380)
Adjustments:					
Reallocation of net income (loss) attributable to non-controlling interests from the assumed exchange of LLC Interests (1)	2,836	(659)	2,220	5,056	(1,415)
Property tax contingency (2)	3,072	—	—	3,072	—
Change in payables related to Tax Receivable Agreement (3)	(654)	—	—	(654)	—
Credit losses and adjustments to credit losses	(361)	316	(27)	(388)	599
Other (4)	34	109	(168)	(134)	141
Incremental income tax benefit (expense)	(1,006)	47	(703)	(1,708)	58
Adjusted pro forma net income (loss)	\$ 9,374	\$ (1,398)	\$ 4,824	\$14,199	\$ (2,997)
Denominator:					
Weighted average shares of Class A common stock outstanding	31,432	30,984	31,239	31,337	30,473
Adjustments:					
Assumed exchange of Solaris LLC Units for shares of Class A common stock (1)	15,132	14,701	14,794	14,964	15,095
Adjusted pro forma fully weighted average shares of Class A common stock outstanding - diluted	46,564	45,685	46,033	46,301	45,568
Adjusted pro forma earnings per share - diluted	\$ 0.20	\$ (0.03)	\$ 0.11	\$ 0.31	\$ (0.07)

(1) Assumes the exchange of all outstanding Solaris LLC Units for shares of Class A common stock at the beginning of the relevant reporting period, resulting in the elimination of the non-controlling interest and recognition of the net income attributable to non-controlling interests.

(2) Property tax contingency represents a reserve related to an unfavorable Texas District Court ruling related to prior period property taxes. The ruling is currently under appeal.

(3) Reduction in liability due to state tax rate change.

(4)Other includes write off of prepaid purchase orders that were not fulfilled, loss on disposal of assets, gain on insurance claims and other settlements, and costs related to the evaluation of potential acquisitions.

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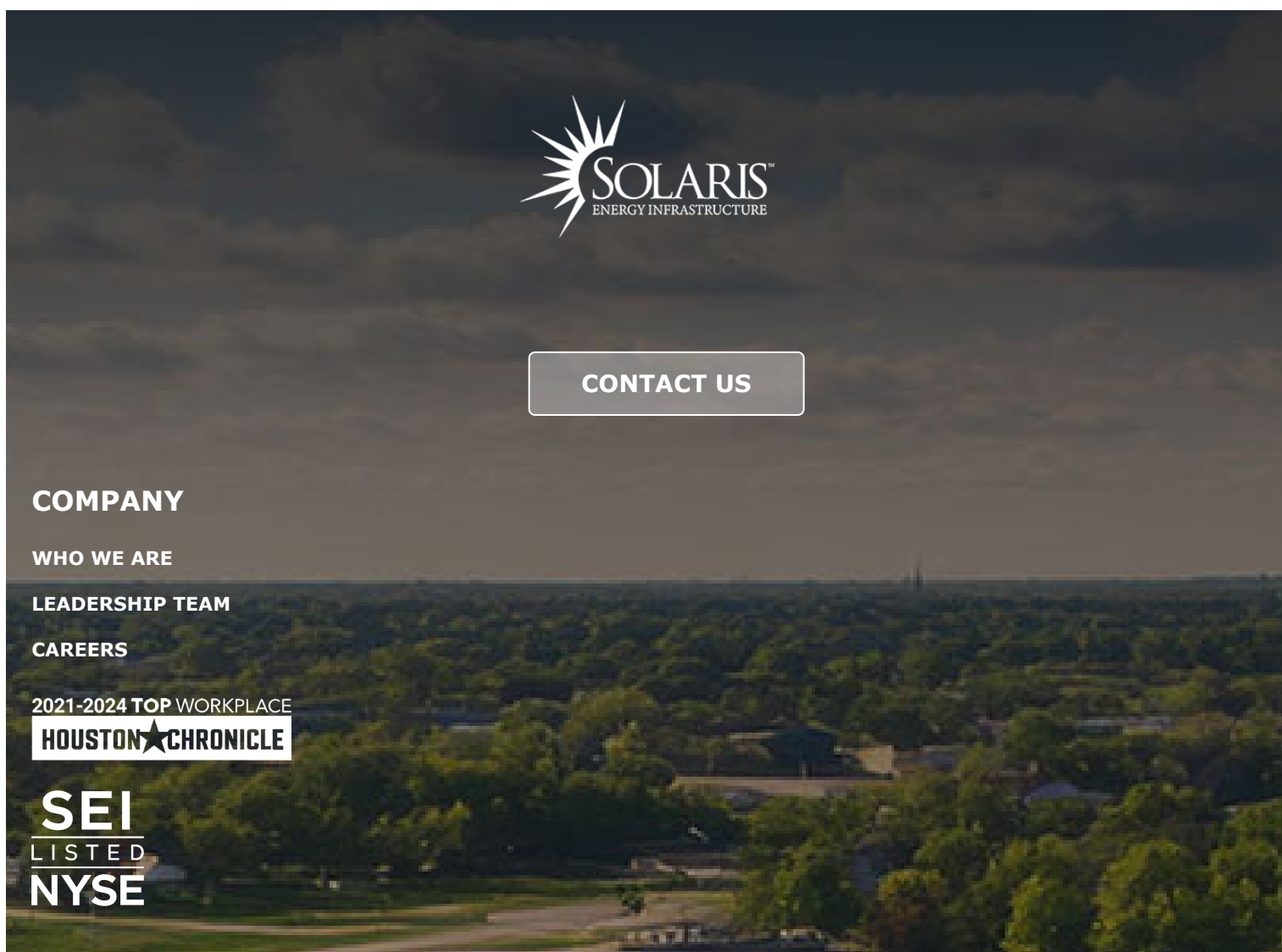
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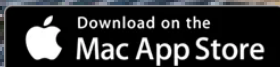
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