UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2024

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to
Commission File Number: 001-38090

SOLARIS OILFIELD INFRASTRUCTURE, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**81-5223109** (I.R.S. Employer Identification No.)
9651 Katy Freeway, Suite 300 **Houston, Texas** (Address of principal executive offices)	**77024** (Zip code)

(281) 501-3070
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, $0.01 par value	"SOI"	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer ☒
Non-accelerated filer	☐	Smaller reporting company ☒
		Emerging growth company ☐

If an emerging growth company indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of April 15, 2024, the registrant had 30,350,534 shares of Class A common stock, $0.01 par value per share, and 13,671,971 shares of Class B common stock, $0.00 par value per share, outstanding.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Quarterly Report") includes "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 in nature, that depend upon or refer to future events or conditions or that include the words "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. Our forward-looking statements include statements about our business strategy, our industry, our future profitability, our expected capital expenditures and the impact of such expenditures on our performance, management changes, current and potential future long-term contracts, the costs of being a publicly traded corporation, our capital programs and our future business and financial performance. In addition, our forward-looking statements address the various risks and uncertainties associated with extraordinary market environments and the expected impact on our businesses, results of operations, and earnings.

A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. We believe that we have chosen these assumptions or bases in good faith and that they are reasonable. You are cautioned not to place undue reliance on any forward-looking statements. You should also understand that it is not possible to predict or identify all such factors and should not consider the following list to be a complete statement of all potential risks and uncertainties. Factors that could cause our actual results to differ materially from the results contemplated by such forward-looking statements include:

- the level of domestic capital spending and access to capital markets by the oil and natural gas industry and uncertainty regarding the future actions of oil producers, including the members of the Organization of the Petroleum Exporting Countries (OPEC) and Russia and the actions taken to set, maintain or cut production levels;
- developments and uncertainty in the global economy and the resulting impacts to the demand and supply for crude oil and natural gas or volatility of oil and natural gas prices, and therefore the demand for the services we provide and the commercial opportunities available to us;
- geopolitical risks, including the war between Russia and Ukraine, the Israel and Hamas conflict and continued hostilities in the Middle East which could each affect the stability and continued recovery of oil and gas markets;
- consolidation amongst current or potential customers that could affect demand for our products and services;
- inflationary risks, increased interest rates, central bank policy, bank failures and associated liquidity risks and supply chain constraints, including changes in market price and availability of materials and labor;
- significant changes in the transportation industries or fluctuations in transportation costs or the availability or reliability of transportation that service our business;
- large or multiple customer defaults, including defaults resulting from actual or potential insolvencies;
- epidemics or pandemics, including the effects of related public health concerns and the impact of continued actions taken by governmental authorities and other third parties in response to pandemics and their impact on commodity prices, supply and demand considerations and storage capacity;
- technological advancements in well completion technologies and our ability to expand our product and service offerings;
- competitive conditions in our industry;
- inability to fully protect our intellectual property rights;

- actions taken by our customers, competitors and third-party operators;
- changes in the availability and cost of capital;
- our ability to successfully implement our business strategy;
- increases in tax rates or the enactment of taxes that specifically impact exploration and production related operations resulting in an increase in the amount of taxes owed by us;
- the effects of existing and future laws, rulings, governmental regulations and accounting standards and statements (or the interpretation thereof) on us and our customers;
- cyber-attacks targeting systems and infrastructure used by the oil and natural gas industry;
- the effects of future litigation;
- credit markets;
- business acquisitions;
- natural or man-made disasters and other external events that may disrupt our manufacturing operations;
- uncertainty regarding our future operating results; and
- plans, objectives, expectations and intentions contained in this Quarterly Report that are not historical.

All forward-looking statements speak only as of the date of this Quarterly Report. You should not place undue reliance on our forward-looking statements. Although forward-looking statements reflect our good faith beliefs at the time they are made, forward-looking statements involve known and unknown risks, uncertainties and other factors, including the factors described under Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2023, this Quarterly Report and in our other filings with the United States Securities and Exchange Commission (the “SEC”), which may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, unless required by law.

PART 1: FINANCIAL INFORMATION

Item 1: Financial Statements

SOLARIS OILFIELD INFRASTRUCTURE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per share amounts)
(Unaudited)

	March 31, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 3,424	$ 5,833
Accounts receivable, net of allowances for credit losses of $404 and $104, respectively	46,411	44,916
Accounts receivable - related party	2,721	2,378
Prepaid expenses and other current assets	3,405	4,342
Inventories	6,924	6,672
Assets held for sale	—	3,000
Total current assets	62,885	67,141
Property, plant and equipment, net	320,885	325,121
Non-current inventories	1,566	1,593
Non-current receivables, net of allowances of $862 and $862, respectively	1,663	1,663
Operating lease right-of-use assets	10,394	10,721
Goodwill	13,004	13,004
Intangible assets, net	521	702
Deferred tax assets	45,861	48,010
Other assets	291	342
Total assets	$ 457,070	$ 468,297
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 12,266	$ 12,654
Accrued liabilities	16,489	20,292
Current portion of payables related to Tax Receivable Agreement	2,684	—
Current portion of operating lease liabilities	1,381	1,385
Current portion of finance lease liabilities	2,495	2,462
Other current liabilities	—	408
Total current liabilities	35,315	37,201
Operating lease liabilities, net of current	11,251	11,541
Credit agreement	30,000	30,000
Finance lease liabilities, net of current	1,766	2,401
Payables related to Tax Receivable Agreement	68,846	71,530
Other long-term liabilities	44	44
Total liabilities	147,222	152,717
Commitments and contingencies (Note 9)		
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, 28,330 shares and 28,967 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively	283	290
Class B common stock, $0.00 par value, 180,000 shares authorized, 13,674 shares issued and outstanding as of March 31, 2024 and December 31, 2023	—	—
Additional paid-in capital	182,723	188,379
Retained earnings	17,125	17,314
Total stockholders' equity attributable to Solaris Oilfield Infrastructure, Inc.	200,131	205,983
Non-controlling interest	109,717	109,597
Total stockholders' equity	309,848	315,580
Total liabilities and stockholders' equity	$ 457,070	$ 468,297

The accompanying notes are an integral part of these condensed consolidated financial statements.

SOLARIS OILFIELD INFRASTRUCTURE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Revenue	$ 64,635	$ 77,828
Revenue - related parties	3,255	4,894
Total revenue	67,890	82,722
Operating costs and expenses:		
Cost of services (exclusive of depreciation and amortization)	39,887	53,223
Depreciation and amortization	9,934	8,417
Selling, general and administrative	7,990	6,538
Other operating (income) expense, net	123	(338)
Total operating costs and expenses	57,934	67,840
Operating income	9,956	14,882
Interest expense, net	(799)	(459)
Income before income tax expense	9,157	14,423
Provision for income taxes	(1,857)	(2,486)
Net income	7,300	11,937
Less: net income related to non-controlling interests	(2,983)	(4,368)
Net income attributable to Solaris Oilfield Infrastructure, Inc.	4,317	7,569
Less: income attributable to participating securities	(277)	(350)
Net income attributable to common shareholders	$ 4,040	$ 7,219
Earnings per share of Class A common stock – basic	$ 0.14	$ 0.23
Earnings per share of Class A common stock – diluted	$ 0.14	$ 0.23
Basic weighted-average shares of Class A common stock outstanding	28,587	31,214
Diluted weighted-average shares of Class A common stock outstanding	28,587	31,214

The accompanying notes are an integral part of these condensed consolidated financial statements.

SOLARIS OILFIELD INFRASTRUCTURE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In thousands, except per share amounts)
(Unaudited)

	Class A Common Stock		Class B Common Stock		Additional Paid-in	Retained	Non-controlling	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Earnings	Interest	Equity
Balance at December 31, 2023	28,967	$ 290	13,674	$ —	$ 188,379	$ 17,314	$ 109,597	$ 315,580
Share repurchases and retirements	(1,108)	(11)	—	—	(7,031)	(858)	(233)	(8,133)
Net effect of deferred tax asset and payables related to the vesting of restricted stock	—	—	—	—	(422)	—	—	(422)
Stock-based compensation	—	—	—	—	1,581	—	770	2,351
Vesting of restricted stock	653	6	—	—	1,731	—	(1,737)	—
Cancelled shares withheld for taxes from vesting of restricted stock	(182)	(2)	—	—	(1,515)	—	(22)	(1,539)
Distributions to non-controlling interest unitholders	—	—	—	—	—	—	(1,641)	(1,641)
Dividends paid ($0.12 per share of Class A common stock)	—	—	—	—	—	(3,648)	—	(3,648)
Net income	—	—	—	—	—	4,317	2,983	7,300
Balance at March 31, 2024	28,330	$ 283	13,674	$ —	$ 182,723	$ 17,125	$ 109,717	$ 309,848

The accompanying notes are an integral part of these condensed consolidated financial statements.

SOLARIS OILFIELD INFRASTRUCTURE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In thousands, except per share amounts)
(Unaudited)

	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Retained Earnings	Non-controlling Interest	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2022	31,641	317	13,674	—	202,551	12,847	101,414	317,129
Share repurchases and retirements	(1,641)	(17)	—	—	(10,543)	(3,295)	(572)	(14,427)
Net effect of deferred tax asset and payables related to the vesting of restricted stock	—	—	—	—	594	—	—	594
Stock-based compensation	—	—	—	—	1,494	—	660	2,154
Vesting of restricted stock	547	5	—	—	903	—	(908)	—
Cancelled shares withheld for taxes from vesting of restricted stock	(148)	(1)	—	—	(536)	(384)	(415)	(1,336)
Distributions to non-controlling interest unitholders	—	—	—	—	—	—	(1,985)	(1,985)
Dividends paid ($0.11 per share of Class A common stock)	—	—	—	—	—	(3,656)	—	(3,656)
Net income	—	—	—	—	—	7,569	4,368	11,937
Balance at March 31, 2023	30,399	$ 304	13,674	$ —	$ 194,463	$ 13,081	$ 102,562	$ 310,410

The accompanying notes are an integral part of these condensed consolidated financial statements.

SOLARIS OILFIELD INFRASTRUCTURE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Cash flows from operating activities:		
Net income	$ 7,300	$ 11,937
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,934	8,417
(Gain) loss on disposal of assets	12	(22)
Stock-based compensation	2,217	1,980
Amortization of debt issuance costs	43	31
Allowance for credit losses	300	—
Inventory write-off	223	—
Deferred income tax expense	1,727	2,329
Other	31	10
Changes in operating assets and liabilities:		
Accounts receivable	(1,795)	(3,581)
Accounts receivable - related party	(343)	1,086
Prepaid expenses and other current assets	951	905
Inventories	(448)	(4,071)
Accounts payable	(131)	2,042
Accrued liabilities	(3,146)	(3,122)
Payments pursuant to tax receivable agreement	—	(1,092)
Net cash provided by operating activities	16,875	16,849
Cash flows from investing activities:		
Investment in property, plant and equipment	(3,358)	(18,949)
Proceeds from disposal of property, plant and equipment	10	123
Net cash used in investing activities	(3,348)	(18,826)
Cash flows from financing activities:		
Share repurchases and retirements	(8,092)	(14,427)
Distributions to non-controlling interest unitholders	(1,641)	(1,985)
Dividends paid to Class A common stock shareholders	(3,648)	(3,656)
Payments under finance leases	(602)	(738)
Payments under insurance premium financing	(414)	(541)
Cancelled shares withheld for taxes from vesting of restricted stock	(1,539)	(1,336)
Borrowings under the credit agreement	4,000	18,000
Repayment of credit agreement	(4,000)	—
Net cash used in financing activities	(15,936)	(4,683)
Net decrease in cash and cash equivalents	(2,409)	(6,660)
Cash and cash equivalents at beginning of period	5,833	8,835
Cash and cash equivalents at end of period	$ 3,424	$ 2,175
Non-cash activities		
Investing:		
Capitalized depreciation in property, plant and equipment	$ 120	$ 129
Capitalized stock-based compensation	134	174
Property and equipment additions incurred but not paid at period-end	331	5,015
Reclassification of assets held for sale to property, plant and equipment	3,000	—
Additions to fixed assets through finance leases	—	933
Cash paid for:		
Interest	$ 758	$ 335
Income taxes	76	1

The accompanying notes are an integral part of these condensed consolidated financial statements.

SOLARIS OILFIELD INFRASTRUCTURE, INC.
Notes to the Condensed Consolidated Financial Statements
(Dollars in millions, except share and per share amounts)

1. Organization and Background of Business

Description of Business

We design and manufacture specialized equipment, which combined with field technician support, last mile and mobilization logistics services and our software solutions, enables us to provide a service offering that helps oil and natural gas operators and their suppliers drive efficiencies that reduce operational footprint and costs during the completion phase of well development. We service most active oil and natural gas basins in the United States.

2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

Solaris Oilfield Infrastructure, Inc. (either individually or together with its subsidiaries, as the context requires, “Solaris Inc.” or the “Company”) is the managing member of Solaris Oilfield Infrastructure, LLC (“Solaris LLC”) and is responsible for all operational, management and administrative decisions relating to Solaris LLC’s business. Solaris Inc. consolidates the financial results of Solaris LLC and its subsidiaries and reports a non-controlling interest related to the portion of the units in Solaris LLC (the “Solaris LLC Units”) not owned by Solaris Inc., which will reduce net income attributable to the holders of Solaris Inc.’s Class A common stock.

The accompanying interim unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) and pursuant to the rules and regulations of the United States Securities and Exchange Commission (“SEC”). These financial statements reflect all normal recurring adjustments that are necessary for fair presentation. Operating results for the three months ended March 31, 2024 and 2023 are not necessarily indicative of the results that may be expected for the full year or for any interim period.

The unaudited interim condensed consolidated financial statements do not include all information or notes required by GAAP for annual financial statements and should be read together with Solaris Inc.’s Annual Report on Form 10-K for the year ended December 31, 2023 and notes thereto.

All material intercompany transactions and balances have been eliminated upon consolidation.

Allowance for Credit Losses

In our determination of the allowance for credit losses, we pool receivables with similar risk characteristics and consider a number of current conditions, past events and other factors, including the length of time trade accounts receivable are past due, previous loss history, and the condition of the general economy and the industry as a whole, and apply an expected loss percentage. The expected credit loss percentage is determined using historical loss data adjusted for current conditions and forecasts of future economic conditions. Along with the expected credit loss percentage approach, the Company applies a case-by-case review on individual trade receivables when deemed appropriate. The related expense associated with the recognition of the allowance for credit losses was included in Other operating expense on our condensed consolidated statements of operations. Adjustments to the allowance may be required depending on how potential issues are resolved and when receivables are collected. Accounts deemed uncollectible are reflected as a write-off applied against the allowance for credit losses and occur when the financial condition of our customers deteriorate and result in an impairment on their ability to make payments, including the impact of customer bankruptcies.

The following activity related to our allowance for credit losses on customer receivables for the quarter ended March 31, 2024 reflects the estimated impact of the current economic environment on our receivable balance:

Balance, December 31, 2023	$	1.0
Provision for credit losses, net of recoveries		0.3
Write-offs		—
Balance, March 31, 2024	$	1.3

Revenue Recognition

The Company recognizes revenue in accordance with ASC Topic 606, Revenues from Contracts with Customers (“ASC Topic 606”). Under ASC Topic 606, revenue recognition is based on the transfer of control, or the customer’s ability to benefit from our services and products, in an amount that reflects the consideration expected to be received in exchange for those services and products. We assess our customers’ ability and intention to pay, which is based on a variety of factors, including historical payment experience and financial condition, and we typically charge our customers on a weekly or monthly basis. Contracts with customers are normally on thirty- to sixty-day payment terms.

Our contracts may contain bundled pricing covering multiple performance obligations, such as contracts containing a combination of systems, mobilization services and / or sand transportation coordination services. In these instances, we allocate the transaction price to each performance obligation identified in the contract based on relative stand-alone selling prices, or estimates of such prices, and recognize the related revenue as control of each individual product or service is transferred to the customer, in satisfaction of the corresponding performance obligations.

Variable consideration typically may relate to discounts, price concessions and incentives. The Company estimates variable consideration based on the amount of consideration we expect to receive. The Company accrues revenue on an ongoing basis to reflect updated information for variable consideration as performance obligations are met.

Disaggregation of Revenue

The following table summarizes revenues from our contracts disaggregated by revenue generating activity contained therein for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,			
	2024		2023	
Wellsite services	$	67.7	$	82.5
Transloading and Other		0.2		0.2
Total revenue	$	67.9	$	82.7

Fair Value Measurements

The Company’s financial assets and liabilities, as well as other recurring and nonrecurring fair value measurements such as goodwill impairment and long lived assets impairment, are to be measured using inputs from the three levels of the fair value hierarchy, of which the first two are considered observable and the last unobservable, which are as follows:

- Level 1 – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date;
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active or other inputs corroborated by observable market data for substantially the full term of assets or liabilities; and

- Level 3 – Unobservable inputs that reflect the Company’s assumptions that the market participants would use in pricing assets or liabilities based on the best information available.

The carrying amounts reported in the balance sheet for cash and cash equivalents, accounts receivable, prepaids and other current assets, accounts payable and accruals, and other current liabilities approximate their fair value due to their short-term nature. The carrying amounts of the Company’s borrowings under the credit agreement approximate fair value based on their nature, terms, and variable interest rates.

3. Property, Plant and Equipment

Property, plant and equipment consists of the following:

	March 31, 2024	December 31, 2023
Systems and related equipment	$ 440.5	$ 434.4
Systems in process	20.6	21.1
Vehicles	13.5	13.5
Machinery and equipment	5.8	5.8
Buildings	4.9	4.9
Computer hardware and software	3.9	3.9
Land	0.6	0.6
Furniture and fixtures	1.3	1.3
Property, plant and equipment, gross	$ 491.1	$ 485.5
Less: accumulated depreciation	(170.2)	(160.4)
Property, plant and equipment, net	$ 320.9	$ 325.1

During the three months ended March 31, 2024 and 2023, we recorded depreciation expense of $ 9.8 million and $8.2 million, respectively.

As of March 31, 2024, we have reclassified certain systems and related equipment amounting to $ 3.0 million that were previously classified as assets held for sale back to property, plant and equipment due to a change in plan of sale.

4. Accrued Liabilities

Accrued liabilities were comprised of the following at March 31, 2024 and December 31, 2023:

	March 31, 2024	December 31, 2023
Property, plant and equipment	$ 0.1	$ 0.8
Employee related expenses	3.6	7.6
Selling, general and administrative	0.9	1.3
Cost of services	4.7	3.5
Excise, franchise and sales taxes	1.6	1.5
Ad valorem taxes	5.6	5.6
Accrued liabilities	$ 16.5	$ 20.3

5. Senior Secured Credit Facility

We had $30.0 million borrowings outstanding under our senior secured credit facility as of March 31, 2024 and December 31, 2023, presented as “Credit agreement” in our condensed consolidated balance sheets.

As of March 31, 2024, we were in compliance with all covenants under our senior secured credit facility and have the ability to draw up to an additional $37.5 million.

6. Equity

Dividends

Solaris LLC paid dividend distributions totaling $5.3 million and $5.2 million to all Solaris LLC unitholders in the three months ended March 31, 2024 and 2023, respectively, of which $3.6 million and $3.7 million was paid to Solaris Inc. Solaris Inc. used the proceeds from the distributions to pay quarterly cash dividends to all holders of shares of Class A common stock.

Share Repurchase Program

On March 1, 2023, the Company's board of directors authorized a share repurchase plan to repurchase up to $ 50.0 million of the Company's Class A common stock until the plan terminates pursuant to its provisions. During the three months ended March 31, 2024, Solaris Inc. purchased and retired 1,108,349 shares of the Company's Class A common stock at an aggregate cost of $8.1 million, or $7.30 per share, under the share repurchase program. As of March 31, 2024, we had purchased and retired 4,272,127 shares of Class A common stock for $34.6 million, or $8.09 per share, resulting in $15.4 million remaining available for future repurchases authorized under the share repurchase plan. The 1% U.S. federal excise tax on certain repurchases of stock by publicly traded U.S. corporations enacted as part of the Inflation Reduction Act of 2022 applies to our share repurchase program.

Earnings Per Share

Basic earnings per share of Class A common stock is computed by dividing net income attributable to Solaris Inc. by the weighted-average number of shares of Class A common stock outstanding during the same period. Diluted earnings per share is computed giving effect to all potentially dilutive shares.

The following table sets forth the calculation of earnings per share for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,	
Basic earnings per share:	**2024**	**2023**
Numerator (in millions)		
Net income attributable to Solaris Oilfield Infrastructure, Inc.	$ 4.3	$ 7.6
Less: income attributable to participating securities (1)	(0.3)	(0.4)
Net income attributable to common stockholders	$ 4.0	$ 7.2
Denominator		
Weighted average number of unrestricted outstanding common shares used to calculate basic earnings per share	28,586,853	31,214,271
Diluted weighted-average shares of Class A common stock outstanding used to calculate diluted earnings per share	28,586,853	31,214,271
Earnings per share of Class A common stock - basic	$ 0.14	$ 0.23
Earnings per share of Class A common stock - diluted	$ 0.14	$ 0.23

(1) The Company's restricted shares of common stock are participating securities.

The following number of weighted-average potentially dilutive shares were excluded from the calculation of diluted earnings per share because the effect of including such potentially dilutive shares would have been antidilutive upon conversion:

	Three Months Ended March 31,	
	2024	2023
Class B common stock	13,671,971	13,671,971
Restricted stock awards	1,654,925	1,374,760
Performance-based restricted stock awards	209,890	176,898
Stock options	6,605	5,440
Total	15,543,391	15,229,069

7. Income Taxes

Income Taxes

Solaris Inc. is a corporation and, as a result, is subject to United States federal, state and local income taxes. Solaris LLC is treated as a partnership for United States federal income tax purposes and therefore does not pay United States federal income tax on its taxable income. Instead, the Solaris LLC unitholders, including Solaris Inc., are liable for United States federal income tax on their respective shares of Solaris LLC's taxable income reported on the unitholders' United States federal income tax returns. Solaris LLC is liable for income taxes in those states not recognizing its status as a partnership for United States federal income tax purposes.

For the three months ended March 31, 2024 and 2023, we recognized a combined United States federal and state expense for income taxes of $1.9 million and $2.5 million, respectively. The effective combined United States federal and state income tax rates were 20.3% and 17.2% for the three months ended March 31, 2024 and 2023, respectively. For the three months ended March 31, 2024 and 2023, our effective tax rate differed from the statutory rate primarily due to Solaris LLC's treatment as a partnership for United States federal income tax purposes.

The Company's deferred tax position reflects the net tax effects of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax reporting. The largest components of the Company's deferred tax position relate to the Company's investment in Solaris LLC and net operating loss carryovers. The Company recorded a deferred tax asset and additional paid-in capital for the difference between the book value and the tax basis of the Company's investment in Solaris LLC. This difference originates from the equity offerings of Class A common stock, exchanges of Solaris LLC Units (together with a corresponding number of shares of Class B common stock) for shares of Class A common stock, and issuances of Class A common stock, and corresponding Solaris LLC Units, in connection with stock-based compensation.

Based on our cumulative earnings history and forecasted future sources of taxable income, we believe that we will be able to realize our deferred tax assets in the future. As the Company reassesses this position in the future, changes in cumulative earnings history, excluding non-recurring charges, or changes to forecasted taxable income may alter this expectation and may result in an increase in the valuation allowance and an increase in the effective tax rate.

Section 382 of the Internal Revenue Code of 1986, contains rules that limit the ability of a company that undergoes an "ownership change" to utilize its net operating loss and tax credit carryovers and certain built-in losses recognized in years after the "ownership change." An "ownership change" is generally defined as any change in ownership of more than 50% of a corporation's stock over a rolling three-year period by stockholders that own (directly or indirectly) 5% or more of the stock of a corporation, or arising from a new issuance of stock by a corporation. If an ownership change occurs, Section 382 generally imposes an annual limitation on the use of pre-ownership change net operating loss carryovers to offset taxable income earned after the ownership change. We do not believe the Section 382 annual limitation related to historical ownership changes impacts our ability to utilize our net operating losses; however, if we were to experience a future ownership change our ability to use net operating losses may be impacted.

Payables Related to the Tax Receivable Agreement

On May 17, 2017, Solaris Inc. entered into a Tax Receivable Agreement (the "Tax Receivable Agreement") with the members of Solaris LLC. The Tax Receivable Agreement was later amended on June 27, 2023. As of March 31, 2024, our liability under the Tax Receivable Agreement was $71.5 million, representing 85% of the net cash savings in United States federal, state and local income tax or franchise tax that Solaris Inc. anticipates realizing in future years from certain increases in tax basis and certain tax benefits attributable to imputed interest as a result of Solaris Inc.'s acquisition (or deemed acquisition for United States federal income tax purposes) of Solaris LLC Units in connection with our initial public offering or pursuant to previous exercises of the Redemption Right or the Call Right (each as defined in the Solaris LLC Agreement) and additional tax basis arising from any payments Solaris Inc. makes under the Tax Receivable Agreement.

The projection of future taxable income involves significant judgment. Actual taxable income may differ from our estimates, which could significantly impact our liability under the Tax Receivable Agreement. Therefore, in accordance with ASC 450, Contingencies, we have recorded a liability under the Tax Receivable Agreement related to the tax savings we may realize from certain increases in tax basis and certain tax benefits attributable to imputed interest as a result of Solaris Inc.'s acquisition (or deemed acquisition for United States federal income tax purposes) of Solaris LLC Units in connection with the IPO or pursuant to previous exercises of the Redemption Right or the Call Right (each as defined in the Solaris LLC Agreement) and additional tax basis arising from any payments Solaris Inc. makes under the Tax Receivable Agreement. Solaris LLC may make cash distributions to Solaris Inc. in order for Solaris Inc. to satisfy its obligations under the Tax Receivable Agreement and will be required to distribute cash pro rata to each of the other members of Solaris LLC, in accordance with the number of Solaris LLC Units owned by each member at that time.

8. Concentrations

For the three months ended March 31, 2024, three customers accounted for 14%, 12% and 11% of the Company's revenues. For the three months ended March 31, 2023, three customers accounted for 13%, 12% and 11% of the Company's revenues. As of March 31, 2024, two customers accounted for 12% and 11% of the Company's accounts receivable. As of December 31, 2023, two customers accounted for 12% and 10% of the Company's accounts receivable.

For the three months ended March 31, 2024, one supplier accounted for 10% of the Company's total purchases. For the three months ended March 31, 2023, no supplier accounted for more than 10% of the Company's total purchases. As of March 31, 2024, three suppliers accounted for 19%, 13% and 11% of the Company's accounts payable. As of December 31, 2023, two suppliers accounted for 17% and 12% of the Company's accounts payable.

9. Commitments and Contingencies

Tax Matters

We are subject to a number of state and local taxes that are not income-based. As many of these taxes are subject to assessment and audit by the taxing authorities, it is possible that an assessment or audit could result in additional taxes due. We accrue additional taxes when we determine that it is probable that we will have incurred a liability and we can reasonably estimate the amount of the liability. On June 16, 2022, Cause Number CV20-09-372, styled Solaris Oilfield Site Services v. Brown County Appraisal District, was presented to the 35th District Court of Brown County, Texas. The 35th District Court of Brown County ruled in favor of Brown County Appraisal District regarding the disqualification of our equipment for certain property tax exemptions. On July 20, 2022, we filed an appeal with the Eleventh District of Texas – Eastland Court of Appeals, and an appellate hearing relating thereto was held on April 13, 2023. A final ruling from the Eastland Court of Appeals was received on April 18, 2024. The appellate court ruled in our favor and upheld most, but not all, of our disputed property tax exemptions. In connection therewith, we have recognized $3.1 million in accrued liabilities as of March 31, 2024. No additional contingencies were recognized during the three months ended March 31, 2024. If this decision is appealed to the Texas Supreme Court and is ultimately resolved against us, in whole or in part, it is possible that the resolution of this matter could be material to our condensed consolidated results of operations or cash flows.

Litigation and Claims

In the normal course of business, the Company is subjected to various claims, legal actions, contract negotiations and disputes. The Company provides for losses, if any, in the year in which they can be reasonably estimated. In management's opinion, there are currently no such matters outstanding that would have a material effect on the accompanying condensed consolidated financial statements other than the following.

On February 28, 2024, the Company was served with a lawsuit by Masaba Inc. in the Wyoming District Court related to alleged intellectual property infringement. The complaint seeks, among other relief, unspecified compensatory damages, rescission, pre-judgment and post-judgment interest, costs and expenses. The Company believes these claims are without merit and will vigorously defend against them. At this time, we are unable to predict the ultimate outcome of this case or estimate the range of possible loss, if any.

Purchase Obligations

In the normal course of business, the Company enters into purchase obligations for products and services, primarily related to equipment or parts for manufacturing equipment. As of March 31, 2024, we had purchase obligations of approximately $2.8 million payable within the next twelve months.

Other Commitments

The Company has executed a guarantee of lease agreement with Solaris Energy Management, LLC, a related party of the Company, related to the rental of office space. The total future guarantee under the guarantee of lease agreement with Solaris Energy Management, LLC is $2.7 million as of March 31, 2024. Refer to Note 10. "Related Party Transactions" for additional information regarding related party transactions recognized.

10. Related Party Transactions

The Company recognizes certain costs incurred in relation to transactions incurred in connection with the amended and restated administrative services agreement, dated May 17, 2017, between Solaris LLC and Solaris Energy Management, LLC, a company owned by William A. Zartler, the Chief Executive Officer and Chairman of the Board. These services include rent paid for office space, travel services, personnel, consulting and administrative costs. For the three months ended March 31, 2024 and 2023, Solaris LLC paid $0.1 million and $0.5 million, respectively, for these services, included in selling, general and administrative costs in the condensed consolidated statement of operations. As of March 31, 2024 and December 31, 2023, the Company included $0.1 million and $0.1 million, respectively, in prepaid expenses and other current assets on the condensed consolidated balance sheets.

As of March 31, 2024, THRC Holdings, LP, an entity managed by THRC Management, LLC (collectively "THRC"), held shares representing a 11.2% ownership of the Company's Class A common stock outstanding and 7.6% ownership of the total shares outstanding. THRC is affiliated with certain of the Company's customers, including ProFrac Services, LLC and certain of the Company's suppliers including Automatize Logistics, LLC, IOT-EQ, LLC and Cisco Logistics, LLC (together the "THRC Affiliates"). For the three months ended March 31, 2024 and 2023, the Company recognized revenues related to our service offering provided to the THRC Affiliates of $3.3 million and $4.9 million, respectively. Accounts receivable related to THRC Affiliates as of March 31, 2024 and December 31, 2023 was $2.7 million and $2.4 million, respectively. For the three months ended March 31, 2024 and 2023, the Company recognized cost of services provided by THRC Affiliates of $0.0 million and $1.1 million, respectively. There was $0.0 in accounts payable related to THRC Affiliates as of March 31, 2024 and December 31, 2023.

Solaris is the dedicated wellsite sand storage provider ("Services") to certain THRC Affiliates. Solaris provides volume-based pricing for the Services and may be required to pay up to $4.0 million in payments throughout a term ending in 2024, contingent upon the ability of these affiliates to meet minimum Services revenue thresholds. As of March 31, 2024 and December 31, 2023, there was no accounts payable to THRC Affiliates related to these services.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

References to "we," "us," "our," "Solaris Inc." or the "Company" refer to Solaris Oilfield Infrastructure, Inc. (either individually or together with its subsidiaries, as the context requires). The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the accompanying financial statements and related notes. The following discussion contains "forward-looking statements" that reflect our plans, estimates, beliefs and expected performance. Our actual results may differ materially from those anticipated as discussed in these forward-looking statements as a result of a variety of risks and uncertainties, including those described above in "Cautionary Statement Regarding Forward-Looking Statements" included elsewhere in this Quarterly Report and "Risk Factors" included in this Quarterly Report and in our Annual Report on Form 10-K for the year ended December 31, 2023, as updated by our subsequent filings with the SEC, all of which are difficult to predict. In light of these risks, uncertainties and assumptions, the forward-looking events discussed may not occur. We assume no obligation to update any of these forward-looking statements except as otherwise required by law.

Overview

We design and manufacture specialized equipment, which combined with field technician support, last mile and mobilization logistics services and our software solutions, enables us to provide a service offering that helps oil and natural gas operators and their suppliers drive efficiencies that reduce operational footprint and costs during the completion phase of well development. We service most active oil and natural gas basins in the United States.

Recent Trends and Outlook

Demand for our services is predominantly influenced by the level of oil and natural gas well drilling and completion activity in the U.S. Through mid-April 2024, U.S. drilling and completion activity, as measured by the Baker Hughes U.S. Land Rig Count, was down 1% year to date, which reflects the net impact of a slight increase in the number of oil-directed rigs and a 9% decrease in gas-directed rigs. Average WTI oil prices increased over 15% from the low-$70s per barrel range at year-end 2023 to the low-$80s per barrel range in April 2024. Average Henry Hub natural gas prices declined over 30% from the start of the year to below $2 per MMBtu, which was the primary driver of the decrease in gas-directed drilling activity.

For the first quarter ended March 31, 2024, our fully utilized total system count averaged 102 systems, which was roughly flat from 103 systems for the fourth quarter ended December 31, 2023 and was relatively in line with the Baker Hughes rig count trend. A small increase in pricing at the start of 2024 and incremental earnings from our new services allowed us to grow earnings despite the softness in drilling and completion activity. As a result, our operating profit grew over 8% sequentially despite the industry activity decline.

Today oil-directed drilling activity comprises over 80% of the total Baker Hughes U.S. Land rig count. Oil prices currently remain in the low-$80s per barrel range, which we believe should support a sustained level of oil-directed U.S. drilling and completion activity. For the remainder of 2024, we expect the Company's revenue and profitability to track the overall direction of U.S. drilling and completion activity, which we expect will be negatively impacted by low natural gas prices and industry efficiency gains, partially offset by stable oil-directed activity.

Our capital expenditures of approximately $3 million in first quarter 2024 were down over 50% compared to the fourth quarter of 2023. The Company continues to expect full year 2024 capital expenditures to be below $15 million, which reflects an over 75% decrease from total capital expenditures in 2023 following the completion of our prior growth capital program in 2023. This reduction in capital expenditures should allow us to generate significantly increased cash flow in 2024.

The sustainability of favorable supply-demand dynamics and a strong commodity environment will depend on multiple factors, including any supply chain disruptions, potential regulatory changes, uncertainty around a potential economic slowdown and potential impacts from geopolitical disruptions, including the war in Ukraine and continued conflicts in the Middle East. Additionally, consolidation can drive procurement strategy changes, which has historically resulted in both market share gains and losses for the Company. We expect both consolidation and financial discipline will likely continue to be important themes for the energy industry going forward.

Results of Operations

Three Months Ended March 31, 2024 Compared to Three Months Ended March 31, 2023

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Change
	(in thousands)		
Revenue	64,635	77,828	(13,193)
Revenue - related parties	3,255	4,894	(1,639)
Total revenue	67,890	82,722	(14,832)
Operating costs and expenses:			
Cost of services (exclusive of depreciation and amortization)	39,887	53,223	(13,336)
Depreciation and amortization	9,934	8,417	1,517
Selling, general and administrative	7,990	6,538	1,452
Other operating (income) expense, net	123	(338)	461
Total operating costs and expenses	57,934	67,840	(9,906)
Operating income	9,956	14,882	(4,926)
Interest expense, net	(799)	(459)	(340)
Income before income tax expense	9,157	14,423	(5,266)
Provision for income taxes	(1,857)	(2,486)	629
Net income	7,300	11,937	(4,637)
Less: net income related to non-controlling interests	(2,983)	(4,368)	1,385
Net income attributable to Solaris Oilfield Infrastructure, Inc.	$ 4,317	$ 7,569	$ (3,252)

Revenue

Revenue decreased $14.8 million, or 18%, to $67.9 million for the three months ended March 31, 2024 compared to $82.7 million for the three months ended March 31, 2023. The decrease in revenue is primarily related to a decrease in last mile tonnage for the three months ended March 31, 2024 compared to the three months ended March 31, 2023. The decrease in revenue was also due to a decrease in total fully utilized systems to 102 from 118 systems for the three months ended March 31, 2024 and March 31, 2023, respectively.

Cost of Services

Cost of services, excluding depreciation and amortization expense, decreased $13.3 million, or 25%, to $39.9 million for the three months ended March 31, 2024, compared to $53.2 million for the three months ended March 31, 2023. The decrease is primarily related to a decrease in last mile tonnage and lower system count for the three months ended March 31, 2024 compared to the three months ended March 31, 2023. Cost of services, excluding depreciation and amortization, as a percentage of revenue was 59% and 64% for the three months ended March 31, 2024 and 2023, respectively.

Depreciation and Amortization

Depreciation and amortization increased $1.5 million, or 18%, to $9.9 million for the three months ended March 31, 2024, compared to $8.4 million for the three months ended March 31, 2023. Depreciation increased primarily due to investment in capital spending to develop and upgrade the systems fleet, resulting in the addition of depreciable assets from March 31, 2023 to March 31, 2024.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $1.5 million, or 23%, to $8.0 million for the three months ended March 31, 2024 compared to $6.5 million for the three months ended March 31, 2023, primarily due to increase in salaries, benefits and wages by $0.9 million, of which $0.4 million is from stock-based compensation due to new grants of restricted stock awards.

Provision for Income Taxes

During the three months ended March 31, 2024, we recognized a combined United States federal and state expense for income taxes of $1.9 million, a decrease of $0.6 million as compared to the $2.5 million income tax expense we recognized during the three months ended March 31, 2023. This change was attributable to changes in operating gains. The effective combined United States federal and state income tax rates were 20.3% and 17.2% for the three months ended March 31, 2024 and 2023, respectively. The effective tax rate differed from the statutory rate primarily due to Solaris LLC's treatment as a partnership for United States federal income tax purposes.

Comparison of Non-GAAP Financial Measures

EBITDA and Adjusted EBITDA

We view EBITDA and Adjusted EBITDA as important indicators of performance. We use them to assess our results of operations because it allows us, our investors and our lenders to compare our operating performance on a consistent basis across periods by removing the effects of varying levels of interest expense due to our capital structure, depreciation and amortization due to our asset base and other items that impact the comparability of financial results from period to period. We present EBITDA and Adjusted EBITDA because we believe they provide useful information regarding trends and other factors affecting our business in addition to measures calculated under generally accepted accounting principles in the United States ("GAAP").

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 any extraordinary, unusual or non-recurring gains, losses or expenses.

EBITDA and Adjusted EBITDA should not be considered in isolation or as substitutes for an analysis of our results of operation and financial condition as reported in accordance with GAAP. 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 March 31,		
	2024	2023	Change
		(in thousands)	
Net income	$ 7,300	$ 11,937	$ (4,637)
Depreciation and amortization	9,934	8,417	1,517
Interest expense, net	799	459	340
Income taxes (1)	1,857	2,486	(629)
EBITDA	$ 19,890	$ 23,299	$ (3,409)
Stock-based compensation expense (2)	2,217	1,980	237
(Gain) loss on disposal of assets	12	(361)	373
Credit losses	300	—	300
Other (3)	268	200	68
Adjusted EBITDA	$ 22,687	$ 25,118	$ (2,431)

(1) United States federal and state income taxes.
(2) Represents stock-based compensation expense related to restricted stock awards and performance-based restricted stock units.
(3) Other includes the net effect of inventory write-offs, transaction costs and other settlements.

Three Months Ended March 31, 2024 Compared to Three Months Ended March 31, 2023: EBITDA and Adjusted EBITDA

EBITDA decreased $3.4 million to $19.9 million for the three months ended March 31, 2024 compared to $23.3 million for the three months ended March 31, 2023. Adjusted EBITDA decreased $2.4 million to $22.7 million for the three months ended March 31, 2024 compared to $25.1 million for the three months ended March 31, 2023. The changes in EBITDA and Adjusted EBITDA were primarily due to the changes in revenues and expenses, discussed above.

Liquidity and Capital Resources

Overview

Our primary sources of liquidity to date have been cash flows from operations, borrowings under our credit agreement and proceeds from equity offerings. Our primary uses of capital have been to fund ongoing operations, capital expenditures to support organic growth, including our fleet development and related maintenance and fleet upgrades, repurchase shares of Class A common stock in the open market, and pay dividends. Although no assurance can be given, depending upon market conditions and other factors, we may also have the ability to issue additional equity and debt if needed.

As of March 31, 2024, cash and cash equivalents totaled $3.4 million. We have $30.0 million in borrowings outstanding under that certain Amended and Restated Credit Agreement, dated as of April 28, 2023, as amended (the "Credit Agreement"). As of March 31, 2024, the Company has the ability to draw up to an additional $37.5 million under the amended Credit Agreement. We believe that our cash on hand, operating cash flow and available borrowings under our Credit Agreement will provide sufficient liquidity to address our future cash needs, including capital expenditures, working capital investments, and dividends for the next 12 months and beyond.

Share Repurchase Program

The Company's Board of Directors authorized a share repurchase program on March 1, 2023, with an approved limit of $50.0 million and no set term limits. During the three months ended March 31, 2024, we purchased and retired 1,108,349 shares of Class A common stock at an aggregate cost of $8.1 million, or $7.30 per share, under the share repurchase program. As of March 31, 2024, we have purchased and retired 4,272,127 shares of Class A common stock for $34.6 million, or $8.09 per share, resulting in $15.4 million remaining under the authorized share repurchase program.

All purchases made pursuant to the authorized share repurchase plan were made in accordance with applicable securities laws from time to time in the open-market or through private transactions, depending on market conditions. Going forward, future purchases may be made pursuant to a trading plan meeting the requirements of Rule 10b-18 or Rule 10b-5 under the Exchange Act, and may be discontinued at any time.

Cash Flows

The following table summarizes our cash flows for the periods indicated:

	Three Months Ended March 31,		
	2024	2023	Change
		(in thousands)	
Net cash provided by operating activities	$ 16,875	$ 16,849	$ 26
Net cash used in investing activities	(3,348)	(18,826)	15,478
Net cash used in financing activities	(15,936)	(4,683)	(11,253)
Net change in cash	$ (2,409)	$ (6,660)	$ 4,251

Significant Sources and Uses of Cash Flows

Operating Activities. Net cash provided by operating activities was $16.9 million for the three months ended March 31, 2024, compared to net cash provided by operating activities of $16.8 million for the three months ended March 31, 2023.

Investing Activities. Net cash used in investing activities was $3.3 million for the three months ended March 31, 2024, compared to net cash used in investing activities of $18.8 million for the three months ended March 31, 2023. The decrease in investing activities of $15.5 million is primarily due to a reduction in capital expenditures following the completion of our prior growth capital program in 2023.

Financing Activities. Net cash used in financing activities of $15.9 million for the three months ended March 31, 2024 was primarily related to the repurchase of shares for $8.1 million, quarterly dividends of $3.6 million to Class A common stock shareholders, distributions to Solaris LLC unitholders of $1.6 million, $1.5 million of payments related to taxes on the vesting of stock-based compensation and payments under finance leases and insurance of $1.0 million. Net cash used in financing activities of $4.7 million for the three months ended March 31, 2023 was primarily related to the repurchase of shares for $14.4 million, quarterly dividends of $3.7 million to Class A common stock shareholders, distributions to Solaris LLC unitholders of $2.0 million, payments under finance leases and insurance of $1.3 million, and $1.3 million of payments related to taxes on the vesting of stock-based compensation, partially offset by net borrowings under the Credit Agreement of $18.0 million.

Future Sources and Uses of Cash

Our material cash commitments consist primarily of obligations under our Credit Agreement, Tax Receivable Agreement, finance and operating leases for property and equipment, and purchase obligations as a part of normal operations. We have no material off balance sheet arrangements as of March 31, 2024, except for purchase commitments under supply agreements disclosed below.

As of March 31, 2024, we expect to pay approximately $0.1 million in commitment fees on our Credit Agreement within the next twelve months, calculated based on the unused portion of lender commitments, at the applicable commitment fee rate of 0.375%. As of March 31, 2024, if our borrowings under the Credit Agreement remain at $30.0 million, we expect to pay approximately $2.5 million in interest within the next twelve months, calculated based on the weighted average interest rate on the borrowings outstanding as of March 31, 2024 of approximately 8.32%.

As of March 31, 2024, we had purchase obligations of approximately $2.8 million payable within the next twelve months.

Critical Accounting Estimates

We had no material changes in our critical accounting estimates during the three months ended March 31, 2024, see Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates” in our Annual Report on Form 10-K for the year ended December 31, 2023 for additional information.

Off Balance Sheet Arrangements

We have no material off balance sheet arrangements. As such, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such financing arrangements, except for purchase commitments under supply agreements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

For quantitative and qualitative disclosures about market risk, see Part II, Item 7A. “Quantitative and Qualitative Disclosures about Market Risk” in our Annual Report on Form 10-K for the year ended December 31, 2023. Our exposure to market risk has not changed materially since December 31, 2023.

Credit Risk

The majority of our accounts receivable have payment terms of 60 days or less. As of March 31, 2024, two customers accounted for 12% and 11% of our total accounts receivable. As of December 31, 2023, two customers accounted for 12% and 10% of our total accounts receivable. We mitigate the associated credit risk by performing credit evaluations and monitoring the payment patterns of our customers. Please see Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2023 for more information regarding credit risk of our customers.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

In accordance with Exchange Act Rules 13a-15 and 15d-15, we have evaluated, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of March 31, 2024. Disclosure controls refer to controls and procedures designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file under the Exchange Act is accumulated and communicated by our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, and summarized and reported within the time periods specified in the rules and forms of the SEC. Based on the evaluation of our disclosure controls and procedures as of March 31, 2024, our principal executive officer and principal financial officer have concluded that, as of such date, our disclosure controls and procedures were effective in our internal control over financial reporting.

Changes in Internal Control over Financial Reporting

There were no changes in our system of internal control over financial reporting (as defined in Rule 13a-15(f) and Rule 15d-15(f) under the Exchange Act) during the quarter ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Due to the nature of our business, we may become, from time to time, involved in routine litigation or subject to disputes or claims related to our business activities. In the opinion of our management, there are no pending litigation, disputes or claims against us which, if decided adversely, will have a material adverse effect on our financial condition, cash flows or results of operations.

Please refer to the information in Note 9. Commitments and Contingencies included in the notes to unaudited condensed consolidated financial statements contained herein.

Item 1A. Risk Factors

Factors that could materially adversely affect our business, financial condition, operating results or liquidity and the trading price of our Class A common stock are described under Part I, Item 1A. “Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the SEC on February 27, 2024. As of the date of this filing, there have been no material updates to the risk factors previously disclosed in Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities

None.

Issuer Purchases of Equity Securities

The following table presents the total number of shares of our Class A common stock that we purchased during the three months ended March 31, 2024, and the average price paid per share:

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan (2)	Maximum Dollar Value of Shares that May Yet be Purchased Under the Plan (2)
January 1 - January 31	474,726	$ 7.17	474,726	$ 20,128,802
February 1 - February 28	633,623	7.40	633,623	15,440,555
March 1 - March 31	181,707	8.47	—	15,440,555
Total	1,290,056	$ 7.47	1,108,349	

(1) Includes 1,108,349 shares repurchased as part of the share repurchase program and 181,707 shares purchased to satisfy tax withholding obligations upon the vesting of restricted stock awarded to certain of our employees.

(2) On March 1, 2023, the Company’s board of directors authorized a plan to repurchase up to $50 million of our Class A common stock.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

During the three months ended March 31, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of Solaris Oilfield Infrastructure, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K (File No. 001-38090) filed with the Commission on May 23, 2017).
3.2	Certificate of Amendment of the Amended and Restated Certificate of Incorporation of Solaris Oilfield Infrastructure, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K (File No. 001-38090) filed with the Commission on May 22, 2023).
3.3	Amended and Restated Bylaws of Solaris Oilfield Infrastructure, Inc. (incorporated by reference to Exhibit 3.2 to the Registrant's Form 8-K (File No. 001-38090) filed with the Commission on May 23, 2017).
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104*	Cover Page Interactive Data File (Embedded within the Inline XBRL document and included in Exhibit 101)

* Filed herewith.

** Furnished herewith. Pursuant to SEC Release No. 33-8212, this certification will be treated as "accompanying" this Quarterly Report on Form 10-Q and not "filed" as part of such report for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of Section 18 of the Exchange Act, and this certification will not be deemed to be incorporated by reference into any filing under the Securities Act, except to the extent that the registrant specifically incorporates it by reference.

Certain schedules, annexes or exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K, but will be furnished supplementally to the SEC upon request.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

		SOLARIS OILFIELD INFRASTRUCTURE, INC.
April 26, 2024	By:	/s/ William A. Zartler William A. Zartler Chairman and Chief Executive Officer (Principal Executive Officer)
April 26, 2024	By:	/s/ Kyle S. Ramachandran Kyle S. Ramachandran President and Chief Financial Officer (Principal Financial Officer)

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13A-14(A) AND RULE 15D-14(A) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, William A. Zartler, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Solaris Oilfield Infrastructure, Inc. (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: April 26, 2024

/s/ William A. Zartler
William A. Zartler
Chairman and Chief Executive Officer (Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13A-14(A) AND RULE 15D-14(A) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Kyle S. Ramachandran, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Solaris Oilfield Infrastructure, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 26, 2024

/s/ Kyle S. Ramachandran
Kyle S. Ramachandran
President and Chief Financial Officer (Principal Financial Officer)

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (SUBSECTIONS (a) AND (b) OF SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), I, William A. Zartler, Chairman and Chief Executive Officer of Solaris Oilfield Infrastructure, Inc. (the "Company"), hereby certify, to my knowledge, that:

(1) the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 26, 2024

/s/ William A. Zartler
William A. Zartler
Chairman and Chief Executive Officer

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (SUBSECTIONS (a) AND (b) OF SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), I, Kyle S. Ramachandran, President and Chief Financial Officer of Solaris Oilfield Infrastructure, Inc. (the “Company”), hereby certify, to my knowledge, that:

(1) the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	April 26, 2024	/s/ Kyle S. Ramachandran
		Kyle S. Ramachandran
		President and Chief Financial Officer