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DELTA REPORT

10-Q

SOI - SOLARIS OILFIELD INFRASTR

10-Q - SEPTEMBER 30, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 805

■ CHANGES	290
■ DELETIONS	286
■ ADDITIONS	229

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 **June 30, 2023** **September 30, 2023**

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.)

9811 9651 Katy Freeway, Suite 700 300

Houston, Texas

(Address of principal executive offices)

77024

(Zip code)

(281) 501-3070

(Registrant's telephone number, including area code)

9811 Katy Freeway, Suite 700, Houston, Texas 77024

(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	<input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

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 **July 24, 2023** **October 25, 2023**, the registrant had **30,477,237** **30,581,265** 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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SOLARIS OILFIELD INFRASTRUCTURE, INC.

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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 and Russia;
- 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 in Ukraine and the conflict in Israel-Gaza region 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, rising 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;
- 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, 2022, 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.

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PART 1: FINANCIAL INFORMATION

Item 1: Financial Statements

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

	June 30,	December 31,			
	2023	2022			
Assets					
Current assets:					
Cash and cash equivalents	\$ 9,371	\$ 8,835			
Accounts receivable, net of allowances for credit losses of \$355 and \$385, respectively	56,103	64,543			
Accounts receivable - related party	6,788	4,925			
Prepaid expenses and other current assets	5,671	5,151			
Inventories	8,520	5,289			

Total current assets	86,453	88,743
Property, plant and equipment, net	325,441	298,160
Non-current inventories	2,097	1,569
Operating lease right-of-use assets	4,844	4,033
Goodwill	13,004	13,004
Intangible assets, net	1,066	1,429
Deferred tax assets	51,099	55,370
Other assets	326	268
Total assets	\$ 484,330	\$ 462,576
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 29,209	\$ 25,934
Accrued liabilities	17,024	25,252
Current portion of payables related to Tax Receivable Agreement	—	1,092
Current portion of operating lease liabilities	1,106	917
Current portion of finance lease liabilities	2,373	1,924
Other current liabilities	1,237	790
Total current liabilities	50,949	55,909
Operating lease liabilities, net of current	6,687	6,212
Borrowings under the credit agreement	43,000	8,000
Finance lease liabilities, net of current	3,582	3,429
Payables related to Tax Receivable Agreement	71,530	71,530
Other long-term liabilities	126	367
Total liabilities	175,874	145,447
Commitments and contingencies (Note 8)		
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, 28,968 shares issued and outstanding as of June 30, 2023 and 31,641 shares issued and outstanding as of December 31, 2022	290	317
Class B common stock, \$0.00 par value, 180,000 shares authorized, 13,674 shares issued and outstanding as of June 30, 2023 and 13,674 issued and outstanding as of December 31, 2022	—	—
Additional paid-in capital	186,647	202,551
Retained earnings	15,233	12,847
Total stockholders' equity attributable to Solaris	202,170	215,715
Non-controlling interest	106,286	101,414
Total stockholders' equity	308,456	317,129
Total liabilities and stockholders' equity	\$ 484,330	\$ 462,576
	September 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,451	\$ 8,835
Accounts receivable, net of allowances for credit losses of \$316 and \$385, respectively	48,295	64,543
Accounts receivable - related party	7,065	4,925
Prepaid expenses and other current assets	5,633	5,151
Inventories	7,447	5,289
Assets held for sale	3,000	—
Total current assets	74,891	88,743
Property, plant and equipment, net	327,427	298,160
Non-current inventories	1,856	1,569

Operating lease right-of-use assets	12,773	4,033
Goodwill	13,004	13,004
Intangible assets, net	884	1,429
Deferred tax assets	49,398	55,370
Other assets	275	268
Total assets	\$ 480,508	\$ 462,576
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 20,053	\$ 25,934
Accrued liabilities	18,002	25,252
Current portion of payables related to Tax Receivable Agreement	—	1,092
Current portion of operating lease liabilities	1,599	917
Current portion of finance lease liabilities	2,429	1,924
Other current liabilities	822	790
Total current liabilities	<u>42,905</u>	<u>55,909</u>
Operating lease liabilities, net of current	13,197	6,212
Borrowings under the credit agreement	37,000	8,000
Finance lease liabilities, net of current	3,029	3,429
Payables related to Tax Receivable Agreement	71,530	71,530
Other long-term liabilities	120	367
Total liabilities	167,781	145,447
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, 29,052 shares issued and outstanding as of September 30, 2023 and 31,641 shares issued and outstanding as of December 31, 2022	291	317
Class B common stock, \$0.00 par value, 180,000 shares authorized, 13,674 shares issued and outstanding as of September 30, 2023 and December 31, 2022	—	—
Additional paid-in capital	187,700	202,551
Retained earnings	16,811	12,847
Total stockholders' equity attributable to Solaris	204,802	215,715
Non-controlling interest	107,925	101,414
Total stockholders' equity	312,727	317,129
Total liabilities and stockholders' equity	\$ 480,508	\$ 462,576

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		Six Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Revenue	69,925	81,130	147,753	132,966
Revenue - related parties	7,277	5,581	12,171	10,660
Total revenue	77,202	86,711	159,924	143,626
Operating costs and expenses:				
Cost of services (excluding depreciation)	45,652	61,237	98,875	98,908
Depreciation and amortization	9,071	7,132	17,488	14,061
Property tax contingency	—	3,072	—	3,072
Selling, general and administrative	6,825	6,062	13,363	11,273
Other operating income	(125)	(1,114)	(463)	(1,423)
Total operating costs and expenses	61,423	76,389	129,263	125,891
Operating income	15,779	10,322	30,661	17,735
Interest expense, net	(879)	(88)	(1,338)	(167)
Total other expense	(879)	(88)	(1,338)	(167)
Income before income tax expense	14,900	10,234	29,323	17,568
Income tax expense	(2,659)	(1,945)	(5,145)	(3,557)
Net income	12,241	8,289	24,178	14,011
Less: net income related to non-controlling interests	(4,709)	(2,836)	(9,077)	(5,056)
Net income attributable to Solaris	\$ 7,532	\$ 5,453	\$ 15,101	\$ 8,955
Income per share of Class A common stock - basic	\$ 0.24	\$ 0.16	\$ 0.47	\$ 0.27
Income per share of Class A common stock - diluted	\$ 0.24	\$ 0.16	\$ 0.47	\$ 0.27
Basic weighted-average shares of Class A common stock outstanding	29,542	31,432	30,373	31,337
Diluted weighted-average shares of Class A common stock outstanding	29,542	31,432	30,373	31,337
Revenue	64,427	89,376	212,180	222,342
Revenue - related parties	5,249	2,949	17,420	13,609
Total revenue	69,676	92,325	229,600	235,951
Operating costs and expenses:				
Cost of services (excluding depreciation)	42,102	64,171	140,977	163,079
Depreciation and amortization	9,179	7,716	26,667	21,777
Property tax contingency	—	—	—	3,072
Selling, general and administrative	6,359	5,929	19,722	17,202
Impairment of fixed assets	1,423	—	1,423	—
Other operating (income)/expense, net	613	524	150	(899)
Total operating costs and expenses	59,676	78,340	188,939	204,231
Operating income	10,000	13,985	40,661	31,720
Interest expense, net	(1,057)	(141)	(2,395)	(308)
Total other expense	(1,057)	(141)	(2,395)	(308)
Income before income tax expense	8,943	13,844	38,266	31,412

Income tax expense	(1,305)	(2,332)	(6,450)	(5,889)
Net income	7,638	11,512	31,816	25,523
Less: net income related to non-controlling interests	(2,704)	(4,106)	(11,781)	(9,162)
Net income attributable to Solaris	\$ 4,934	\$ 7,406	\$ 20,035	\$ 16,361
Income per share of Class A common stock – basic	\$ 0.16	\$ 0.22	\$ 0.64	\$ 0.49
Income per share of Class A common stock – diluted	\$ 0.16	\$ 0.22	\$ 0.64	\$ 0.49
Basic weighted-average shares of Class A common stock outstanding	29,025	31,599	29,919	31,425
Diluted weighted-average shares of Class A common stock outstanding	29,025	31,599	29,919	31,425

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

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	Six Months Ended June 30, 2023									
	Class A		Class B		Additional				Non-	Total
	Common Stock		Common Stock		Paid-in	Retained	Treasury Stock		controlling	Stockholders'
	Shares	Amount	Shares	Amount	Capital	Earnings	Shares	Amount	Interest	Equity
Balance at January 1, 2023	31,641	317	13,674	—	202,551	12,847	—	—	101,414	317,129
Net effect of deferred tax asset and payables related to the stock repurchase and the vesting of restricted stock	—	—	—	—	594	—	—	—	—	594
Share and unit repurchases and retirements	(1,641)	(17)	—	—	(10,543)	(3,295)	—	—	(572)	(14,427)
Stock-based compensation	—	—	—	—	1,494	—	—	—	660	2,154
Vesting of restricted stock	547	5	—	—	903	—	—	—	(908)	—
Cancelled shares withheld for taxes from RSU vesting	(148)	(1)	—	—	(536)	(384)	—	—	(415)	(1,336)
Unitholder Distributions	—	—	—	—	—	—	—	—	(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	
Share and unit repurchases and retirements	(1,438)	(14)	—	—	(9,222)	(1,990)	—	—	(104)	(11,330)
Stock-based compensation	—	—	—	—	1,399	—	—	—	647	2,046
Vesting of restricted stock	10	1	—	—	16	—	—	—	(17)	—
Cancelled shares withheld for taxes from RSU vesting	(3)	(1)	—	—	(9)	(2)	—	—	(7)	(19)
Unitholder Distributions	—	—	—	—	—	—	—	—	(1,504)	(1,504)
Dividends paid (\$0.11 per share of Class A common stock)	—	—	—	—	—	(3,388)	—	—	—	(3,388)

Net income	—	—	—	—	—	7,532	—	—	4,709	12,241
Balance at June 30, 2023	28,968	\$ 290	13,674	\$ —	\$ 186,647	\$ 15,233	—	\$ 106,286	\$ 308,456	
Nine Months Ended September 30, 2023										
	Class A	Class B	Additional				Non-	Total		
	Common Stock	Common Stock	Paid-in	Retained	Treasury Stock	controlling	Stockholders'			
	Shares	Amount	Shares	Amount	Capital	Earnings	Shares	Amount	Interest	Equity
Balance at January 1, 2023	31,641	317	13,674	—	202,551	12,847	—	—	101,414	317,129
Net effect of deferred tax asset and payables related to the stock repurchase and the vesting of restricted stock	—	—	—	—	594	—	—	—	—	594
Share and unit repurchases and retirements	(1,641)	(17)	—	—	(10,543)	(3,295)	—	—	(572)	(14,427)
Stock-based compensation	—	—	—	—	1,494	—	—	—	660	2,154
Vesting of restricted stock	547	5	—	—	903	—	—	—	(908)	—
Cancelled shares withheld for taxes from RSU vesting	(148)	(1)	—	—	(536)	(384)	—	—	(415)	(1,336)
Unitholder Distributions	—	—	—	—	—	—	—	—	(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	
Share and unit repurchases and retirements	(1,438)	(14)	—	—	(9,222)	(1,990)	—	—	(104)	(11,330)
Stock-based compensation	—	—	—	—	1,399	—	—	—	647	2,046
Vesting of restricted stock	10	1	—	—	16	—	—	—	(17)	—
Cancelled shares withheld for taxes from RSU vesting	(3)	(1)	—	—	(9)	(2)	—	—	(7)	(19)
Unitholder Distributions	—	—	—	—	—	—	—	—	(1,504)	(1,504)
Dividends paid (\$0.11 per share of Class A common stock)	—	—	—	—	—	(3,388)	—	—	—	(3,388)
Net income	—	—	—	—	—	7,532	—	—	4,709	12,241
Balance at June 30, 2023	28,968	\$ 290	13,674	\$ —	\$ 186,647	\$ 15,233	—	\$ 106,286	\$ 308,456	
Net effect of deferred tax asset and payables related to the stock repurchase and the vesting of restricted stock	—	—	—	—	(536)	—	—	—	—	(536)
Stock-based compensation	—	—	—	—	1,387	—	—	—	653	2,040
Vesting of restricted stock	85	1	—	—	209	—	—	—	(210)	—
Cancelled shares withheld for taxes from RSU vesting	(1)	—	—	—	(7)	2	—	—	(4)	(9)
Unitholder Distributions	—	—	—	—	—	—	—	—	(1,504)	(1,504)
Dividends paid (\$0.11 per share of Class A common stock)	—	—	—	—	—	(3,358)	—	—	—	(3,358)
Net income	—	—	—	—	—	4,934	—	—	2,704	7,638
Balance at September 30, 2023	29,052	\$ 291	13,674	\$ —	\$ 187,700	\$ 16,811	—	\$ 107,925	\$ 312,727	

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

(In thousands)

(Unaudited)

Six Months Ended June 30, 2022										
	Class A		Class B		Additional			Non-		Total
	Common Stock		Common Stock		Paid-in	Retained	Treasury Stock		controlling	
	Shares	Amount	Shares	Amount	Capital	Earnings	Shares	Amount	Interest	
Balance at January 1, 2022	31,146	\$ 312	13,770	\$ —	\$ 196,912	\$ 5,925	—	\$ —	\$ 94,727	\$ 297,876
Net effect of deferred tax asset and payables related to the vesting of restricted stock	—	—	—	—	610	—	—	—	—	610
Stock-based compensation	—	—	—	—	1,188	—	—	—	520	1,708
Vesting of restricted stock	366	3	—	—	574	—	—	—	(577)	—
Cancelled shares withheld for taxes from RSU vesting	(96)	(1)	—	—	(302)	(388)	—	—	(299)	(990)
Unitholder Distributions	—	—	—	—	—	—	—	—	(1,446)	(1,446)
Dividends paid (\$0.105 per share of Class A common stock)	—	—	—	—	—	(3,441)	—	—	—	(3,441)
Net income	—	—	—	—	—	3,502	—	—	2,220	5,722
Balance at March 31, 2022	31,416	314	13,770	—	198,982	5,598	—	—	95,145	300,039
Exchange of Solaris LLC Units and shares of Class B common stock for shares of Class A common stock	96	1	(96)	—	683	—	—	—	(684)	—
Net effect of deferred tax asset and payables related to Tax Receivable Agreement from the exchange of Solaris LLC Units and shares of Class B common stock for shares of Class A common stock and the vesting of restricted stock	—	—	—	—	(437)	—	—	—	—	(437)
Stock-based compensation	—	—	—	—	1,121	—	—	—	490	1,611
Vesting of restricted stock	7	—	—	—	9	—	—	—	(9)	—
Cancelled shares withheld for taxes from RSU vesting	(2)	—	—	—	(4)	(6)	—	—	(7)	(17)
Solaris LLC distribution paid to Solaris LLC unitholders (other than Solaris Inc.) at \$0.105 per Solaris LLC Unit	—	—	—	—	—	—	—	—	(1,446)	(1,446)
Dividends paid (\$0.105 per share of Class A common stock)	—	—	—	—	—	(3,444)	—	—	—	(3,444)
Net income	—	—	—	—	—	5,453	—	—	2,836	8,289
Balance at June 30, 2022	31,517	\$ 315	13,674	\$ —	\$ 200,354	\$ 7,601	—	\$ —	\$ 96,325	\$ 304,595
Nine Months Ended September 30, 2022										
	Class A		Class B		Additional			Non-		Total
	Common Stock		Common Stock		Paid-in	Retained	Treasury Stock		controlling	
	Shares	Amount	Shares	Amount	Capital	Earnings	Shares	Amount	Interest	
Balance at January 1, 2022	31,146	\$ 312	13,770	\$ —	\$ 196,912	\$ 5,925	—	\$ —	\$ 94,727	\$ 297,876
Net effect of deferred tax asset and payables related to the vesting of restricted stock	—	—	—	—	610	—	—	—	—	610
Stock-based compensation	—	—	—	—	1,188	—	—	—	520	1,708
Vesting of restricted stock	366	3	—	—	574	—	—	—	(577)	—
Cancelled shares withheld for taxes from RSU vesting	(96)	(1)	—	—	(302)	(388)	—	—	(299)	(990)
Unitholder Distributions	—	—	—	—	—	—	—	—	(1,446)	(1,446)
Dividends paid (\$0.105 per share of Class A common stock)	—	—	—	—	—	(3,441)	—	—	—	(3,441)
Net income	—	—	—	—	—	3,502	—	—	2,220	5,722
Balance at March 31, 2022	31,416	314	13,770	—	198,982	5,598	—	—	95,145	300,039
Exchange of Solaris LLC Units and shares of Class B common stock for shares of Class A common stock	96	1	(96)	—	683	—	—	—	(684)	—

Net effect of deferred tax asset and payables related to Tax Receivable Agreement from the exchange of Solaris LLC Units and shares of Class B common stock for shares of Class A common stock and the vesting of restricted stock	—	—	—	—	(437)	—	—	—	—	(437)
Stock-based compensation	—	—	—	—	1,121	—	—	—	490	1,611
Vesting of restricted stock	7	—	—	—	9	—	—	—	(9)	—
Cancelled shares withheld for taxes from RSU vesting	(2)	—	—	—	(4)	(6)	—	—	(7)	(17)
Solaris LLC distribution paid to Solaris LLC unitholders (other than Solaris Inc.) at \$0.105 per Solaris LLC Unit	—	—	—	—	—	—	—	—	(1,446)	(1,446)
Dividends paid (\$0.105 per share of Class A common stock)	—	—	—	—	—	(3,444)	—	—	—	(3,444)
Net income	—	—	—	—	—	5,453	—	—	2,836	8,289
Balance at June 30, 2022	31,517	\$ 315	13,674	\$ —	\$ 200,354	\$ 7,601	—	\$ 96,325	\$ 304,595	
Net effect of deferred tax asset and payables related to Tax Receivable Agreement from the exchange of Solaris LLC Units and shares of Class B common stock for shares of Class A common stock and the vesting of restricted stock	—	—	—	—	(9)	—	—	—	—	(9)
Stock-based compensation	—	—	—	—	1,146	—	—	—	496	1,642
Vesting of restricted stock	130	1	—	—	258	—	—	—	(259)	—
Cancelled shares withheld for taxes from RSU vesting	(9)	—	—	—	(29)	(36)	—	—	(28)	(93)
Solaris LLC distribution paid to Solaris LLC unitholders (other than Solaris Inc.) at \$0.105 per Solaris LLC Unit	—	—	—	—	—	—	—	—	(1,436)	(1,436)
Dividends paid (\$0.105 per share of Class A common stock)	—	—	—	—	—	(3,462)	—	—	—	(3,462)
Net income	—	—	—	—	—	7,406	—	—	4,106	11,512
Balance at September 30, 2022	31,638	\$ 316	13,674	\$ —	\$ 201,720	\$ 11,509	—	\$ 99,204	\$ 312,749	

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

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SOLARIS OILFIELD INFRASTRUCTURE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)
(Unaudited)

	For the Six Months Ended	
	June 30,	
	2023	2022
Cash flows from operating activities:		
Net income	\$ 24,178	\$ 14,011
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	17,488	14,061

Property tax contingency	—	3,072
Gain on disposal of assets	(18)	(39)
Allowance for credit losses	(2)	(388)
Stock-based compensation	3,904	3,112
Amortization of debt issuance costs	71	98
Deferred income tax expense	4,853	3,101
Change in payables related to parties pursuant to Tax Receivable Agreement	—	(654)
Other	(162)	(178)
Changes in operating assets and liabilities:		
Accounts receivable	8,442	(33,008)
Accounts receivable - related party	(1,863)	(338)
Prepaid expenses and other assets	1,143	5,098
Inventories	(5,801)	(3,457)
Accounts payable	3,047	7,902
Accrued liabilities	(8,728)	10,001
Payments pursuant to tax receivable agreement	(1,092)	—
Net cash provided by operating activities	<u>45,460</u>	<u>22,394</u>
Cash flows from investing activities:		
Investment in property, plant and equipment	(40,130)	(32,326)
Cash received from insurance proceeds	69	860
Proceeds from disposal of assets	165	57
Net cash used in investing activities	<u>(39,896)</u>	<u>(31,409)</u>
Cash flows from financing activities:		
Share repurchases	(25,757)	—
Distribution to unitholders (includes distribution of \$3.0 million at \$0.11/unit and \$2.9 million at \$0.105/unit, respectively)	(3,489)	(2,892)
Dividend paid to Class A common stock shareholders	(7,044)	(6,885)
Borrowings under the credit agreement	35,000	—
Payments under finance leases	(1,326)	(567)
Payments under insurance premium financing	(966)	(422)
Payments related to debt issuance cost	(91)	(358)
Payments for shares withheld for taxes from RSU vesting and cancelled	(1,355)	(1,007)
Net cash used in financing activities	<u>(5,028)</u>	<u>(12,131)</u>
Net increase (decrease) in cash	536	(21,146)
Cash at beginning of period	<u>8,835</u>	<u>36,497</u>
Cash at end of period	<u>\$ 9,371</u>	<u>\$ 15,351</u>
Non-cash activities		
Investing:		
Capitalized depreciation in property, plant and equipment	202	289
Capitalized stock based compensation	296	207
Property and equipment additions incurred but not paid at period-end	3,402	6,490
Property, plant and equipment additions transferred from inventory	2,042	1,058
Additions to fixed assets through finance leases	1,926	2,267
Financing:		
Insurance premium financing	697	1,331
Cash paid for:		
Interest	1,028	37
Income Taxes	198	370
	For the Nine Months Ended	

	September 30,	
	2023	2022
Cash flows from operating activities:		
Net income	\$ 31,816	\$ 25,523
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	26,667	21,777
Impairment of fixed assets	1,423	—
Loss on disposal of assets	604	1,307
Allowance for credit losses	160	(420)
Stock-based compensation	5,830	4,665
Amortization of debt issuance costs	114	127
Deferred income tax expense	6,019	5,143
Change in payables related to parties pursuant to Tax Receivable Agreement	—	(654)
Other	(178)	(178)
Changes in operating assets and liabilities:		
Accounts receivable	16,088	(38,563)
Accounts receivable - related party	(2,140)	1,011
Prepaid expenses and other current assets	263	2,972
Inventories	(5,020)	(4,744)
Accounts payable	(6,469)	12,569
Accrued liabilities	(7,744)	10,305
Property tax contingency	—	3,072
Payments pursuant to tax receivable agreement	(1,092)	—
Net cash provided by operating activities	66,341	43,912
Cash flows from investing activities:		
Investment in property, plant and equipment	(57,117)	(59,527)
Cash received from insurance proceeds	122	1,308
Proceeds from disposal of assets	2,165	422
Net cash used in investing activities	(54,830)	(57,797)
Cash flows from financing activities:		
Share repurchases	(25,757)	—
Distribution to unitholders (includes distribution of \$4.5 million at \$0.11/unit and \$4.3 million at \$0.105/unit, respectively)	(4,993)	(4,327)
Dividend paid to Class A common stock shareholders	(10,402)	(10,348)
Borrowings under the credit agreement	35,000	9,000
Repayment of credit agreement	(6,000)	(3,000)
Payments under finance leases	(1,908)	(1,100)
Payments under insurance premium financing	(1,380)	(946)
Payments related to debt issuance cost	(91)	(358)
Payments for shares withheld for taxes from RSU vesting and cancelled	(1,364)	(1,100)
Net cash used in financing activities	(16,895)	(12,179)
Net decrease in cash and cash equivalents	(5,384)	(26,064)
Cash and cash equivalents at beginning of period	8,835	36,497
Cash and cash equivalents at end of period	\$ 3,451	\$ 10,433
Non-cash activities		
Investing:		
Capitalized depreciation in property, plant and equipment	202	424
Capitalized stock based compensation	410	296
Property and equipment additions incurred but not paid at period-end	588	3,436

Property, plant and equipment additions transferred from inventory	2,575	1,210
Additions to fixed assets through finance leases	2,012	4,554
Financing:		
Insurance premium financing	283	806
Cash paid for:		
Interest	2,079	102
Income Taxes	478	370

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

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SOLARIS OILFIELD INFRASTRUCTURE, INC.

Notes to the Condensed Consolidated Financial Statements
(Dollars in millions, except share data)

1. Organization and Background of Business

Description of Business

We design and manufacture specialized equipment, which combined with field technician support, last mile 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. Our equipment and services are deployed across 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 and ~~six~~ nine months ended ~~June 30, 2023~~ September 30, 2023 and 2022 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, 2022 and notes thereto.

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

Global Economic, Geopolitical and Market Conditions

The recent conflict in the Israel-Gaza region and the ongoing war in Ukraine each have the potential to disrupt the supply and demand for oil and natural gas across the globe. The degree to which these and other events outside of our control adversely impacts our results will depend on future developments, which are highly uncertain, cannot be predicted and are outside of our control. The timing, extent, trajectory and duration of their impacts upon our business and the industry in which we, our customers and vendors operate could impact any subsequent recovery of normal economic and operating conditions.

Use of Estimates

The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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The most significant estimates are related to stock-based compensation, useful lives and salvage values of long-lived assets, future cash flows associated with goodwill and long-lived asset impairment evaluations, net realizable value of inventory, income taxes, Tax Receivable Agreement liability, collectability of accounts receivable and estimates of allowance for credit losses and determination of the present value of lease payments and right-of-use assets.

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

Nonrecurring measurements

Certain assets are measured at fair value on a nonrecurring basis. These items are not measured at fair value on an ongoing basis but may be subject to fair value adjustments in certain circumstances. As of September 30, 2023, these assets include certain systems and related equipment that met the held for sale criteria upon entering into a non-binding sale agreement with a third party. These assets were recorded to assets held for sale at a total fair value of \$3.0 million in the unaudited condensed consolidated balance sheet. The Company determined the fair value based on the sale price included in the non-binding sale agreement, which is a Level 3 input. As the carrying value of the fixed assets classified as held for sale exceeded their fair value less estimated costs to sell, we recorded an impairment of \$1.4 million in the condensed consolidated statement of operations.

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

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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.

The majority of our contracts contain multiple performance obligations, such as work orders containing a combination of equipment, last mile logistics services, and labor services. 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. We measure progress using an input method based on resources consumed or expended relative to the total resources expected to be consumed or expended. 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 typically on thirty- to sixty-day payment terms.

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Disaggregation of Revenue

The following table summarizes revenues from our contracts disaggregated by revenue generating activity contained therein for the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022:

	Three Months Ended				Six Months Ended				Three Months Ended				Nine Months Ended			
	June 30,		June 30,		June 30,		June 30,		September 30,		September 30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Wellsite services	77.1	86.5	159.6	143.1	69.5	92.1	229.1	235.2								
Transloading and Other	0.1	0.2	0.3	0.5	0.2	0.2	0.5	0.8								
Total revenue	<u>77.2</u>	<u>86.7</u>	<u>159.9</u>	<u>143.6</u>	<u>69.7</u>	<u>92.3</u>	<u>229.6</u>	<u>236.0</u>								

Recently Issued Accounting Standards

In March 2020, the Financial Accounting Standards Board issued ASU No. 2020-04, Reference Rate Reform, which provided temporary optional guidance to companies impacted by the transition away from the London Interbank Offered Rate ("LIBOR"). The guidance provided certain expedites and exceptions to applying GAAP in order to lessen the potential accounting burden when contracts, hedging relationships, and other transactions that reference LIBOR as a benchmark rate are modified. The original guidance expired on December 31, 2022, and ASU No. 2022-06 extended the effective date of the guidance to December 31, 2024. As described more fully in Note 6.7, "Income Taxes," the Tax Receivable Agreement was amended on June 27, 2023, to replace the references to LIBOR.

3. Property, Plant and Equipment

Property, plant and equipment are stated at cost. We manufacture or construct most of our systems. During the manufacturing of these assets, they are reflected as systems in process until complete. Modifications to existing systems, including the expenditures for upgrades and enhancements that result in additional functionality, increased efficiency, or the extension of the estimated useful life, are capitalized.

As of September 30, 2023, we classified \$4.4 million of certain systems and related equipment, net of accumulated depreciation, to assets held for sale upon entering into a non-binding sale agreement with a third party. As the carrying value of the fixed assets classified as held for sale exceeded their fair value less estimated costs to sell, we recorded an impairment of \$1.4 million in the condensed consolidated statement of operations.

Property, plant and equipment consists of the following:

	September 30,	December 31,
	2023	2022
Systems and related equipment	\$ 404.4	\$ 369.3
Systems in process	44.0	30.1
Computer hardware and software	3.9	1.7
Machinery and equipment	5.7	5.4
Vehicles	14.2	13.2
Buildings	4.8	4.6
Land	0.6	0.6
Furniture and fixtures	1.3	0.4
Property, plant and equipment, gross	\$ 478.9	\$ 425.3
Less: accumulated depreciation	(151.5)	(127.1)
Property, plant and equipment, net	<u>\$ 327.4</u>	<u>\$ 298.2</u>

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including 4. Leases

The Company leases offices and storage from third-parties for our corporate and field locations under operating leases, which include commitments related to the expenditures for upgrades and enhancements that result in additional functionality, increased efficiency, or the extension of the estimated useful life, or the guarantee of lease agreement with Solaris Energy Management, LLC, a related party of the estimated useful life.

life, are capitalized. Property, Company, related to the rental of office space. Refer to Note 10. "Related Party Transactions" for additional information regarding related party transactions recognized. Upon completion of the primary term, both parties have substantive rights to terminate the leases. As a result, enforceable rights and obligations do not exist under the rental agreements subsequent to the primary term.

As of September 30, 2023 and December 31, 2022, the Company had property, plant and equipment consists under finance leases with a cost of the following: \$9.2 and \$7.2, respectively, and accumulated depreciation of \$2.7 and \$0.9, respectively.

The components of lease expense were as follows:

	June 30,	December 31,	
	2023	2022	
Systems and related equipment	\$ 402.0	\$ 369.3	
Systems in process	37.5	30.1	
Computer hardware and software	3.7	1.7	
Machinery and equipment	5.4	5.4	
Vehicles	14.1	13.2	
Buildings	4.6	4.6	
Land	0.6	0.6	
Furniture and fixtures	0.7	0.4	
Property, plant and equipment, gross	\$ 468.6	\$ 425.3	
Less: accumulated depreciation	(143.2)	(127.1)	
Property, plant and equipment, net	\$ 325.4	\$ 298.2	

	Three Months Ended	Three Months Ended	Nine Months Ended	Nine Months Ended
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	\$ 0.5	\$ 0.4	\$ 1.5	\$ 1.0
Operating lease cost (1)				
Finance lease cost				
Amortization of ROU assets	0.6	0.2	1.8	1.1
Interest on lease liabilities	0.1	0.1	0.3	0.1
Total finance lease cost	\$ 0.7	\$ 0.3	\$ 2.1	\$ 1.2

(1) Includes short term leases.

Future minimum lease payments under non-cancellable operating leases as of September 30, 2023 were as follows:

Year Ending December 31,	Operating Leases	Finance Leases
2023 (remainder of)	\$ 0.6	0.7
2024	2.6	2.7
2025	2.4	2.0
2026	2.3	0.5
2027	2.3	—
2028	2.0	—
Thereafter	9.5	—
Total future minimum lease payments	21.7	5.9
Less: effects of discounting	(6.9)	(0.4)
Total lease liabilities	\$ 14.8	\$ 5.5

Supplemental cash flow information related to leases were as follows:

	Nine Months Ended	Nine Months Ended
	September 30, 2023	September 30, 2022
Supplemental Cash Flows Information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 1.1	\$ 0.9
Financing cash flows from finance leases	1.9	1.1

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Other information related to leases was as follows:

	September 30,	December 31,
	2023	2022
Weighted Average Remaining Lease Term		
Operating leases	10.3 years	11.9 years
Finance leases	2.7 years	2.9 years
Weighted Average Discount Rate		
Operating leases	6.9%	6.3%
Finance leases	5.7%	5.7%

4.5. Senior Secured Credit Facility

On April 28, 2023, Solaris LLC executed Amendment No. 2 to the Amended and Restated Credit Agreement, by and among Solaris LLC, as borrower, each of the guarantors party thereto, each of the lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent (the "2023 Amendment") to the Amended and Restated Credit Agreement (the "Credit Agreement"), which was entered into on April 26, 2019, by and among Solaris LLC, as borrower, each of the guarantors party thereto, each of the lenders party thereto and Wells Fargo Bank, National Association, as administrative agent, and contained an initial \$50.0 borrowing facility. The 2023 Amendment introduced an additional \$25.0 facility (the "Additional Facility") to increase available borrowings under the Credit Agreement from \$50.0 to \$75.0 (the "Loan") while preserving the original accordion feature, to provide for a maximum of \$100.0 of total available capacity under the Credit Agreement. The 2023 Amendment also modified certain covenant requirements as more fully described in the 2023 Amendment. Amendment, certain covenant requirements were also modified. The 2023 Amendment contains a reducing revolver feature whereby the Additional Facility will reduce 15% beginning in the first quarter of 2024 through the fourth quarter of 2024 and 20% thereafter with the balance due at maturity. The Credit Agreement continues to have a maturity date of April 26, 2025.

As of June 30, 2023 September 30, 2023, we had \$43.0 \$37.0 borrowings outstanding under the Credit Agreement and have the ability to draw up to \$32.0, an additional \$38.0.

Our obligations under the Loan are generally secured by a pledge of substantially all the assets of Solaris LLC and its subsidiaries, and such obligations are guaranteed by Solaris LLC's domestic subsidiaries other than Immaterial Subsidiaries (as defined in the Credit Agreement). We have the option to prepay the loans at any time without penalty.

Borrowings under the Credit Agreement bear interest at either Term Secured Overnight Financing Rate ("SOFR") or an alternate base rate plus an applicable margin, and interest is payable quarterly for alternate base rate loans or the last business day of the interest period applicable to SOFR loans. The applicable margin ranges from 2.75% to 3.75% for SOFR loans and 1.75% to 2.75% for alternate base rate loans, in each case depending on our total leverage ratio and loan tranche. The Credit Agreement requires that we pay a quarterly commitment fee on undrawn amounts of the Loan, ranging from 0.375% to 0.5% depending upon the total leverage ratio. The weighted average interest rate on the borrowings outstanding as of **June 30, 2023** **September 30, 2023** was approximately **8.10%** **8.34%**.

The Credit Agreement requires that we maintain ratios of (i) consolidated EBITDA to interest expense of not less than 2.75 to 1.00, (ii) senior indebtedness to consolidated EBITDA of not more than 2.50 to 1.00 and (iii) the sum of 100% of eligible accounts, inventory and fixed assets to the total revolving exposure of not less than 1.00 to 1.00 when the total leverage ratio is greater than 2.00 to 1.00 and total revolving exposure under the Loan exceeds \$3.0. For the purpose of these tests, certain items are subtracted from indebtedness and senior indebtedness. EBITDA, as defined in the Credit Agreement, excludes certain noncash items and any extraordinary, unusual or nonrecurring gains, losses or expenses.

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The Credit Agreement also requires that we prepay any outstanding borrowings in the event our total consolidated cash balance exceeds \$20.0 on the last business day of every other calendar week, taking into account certain adjustments. Capital expenditures are not restricted unless borrowings under the Loan exceed \$5.0 for any 180 consecutive day period, in which case capital expenditures will be permitted up to \$100.0 plus any unused availability for capital expenditures from the immediately preceding fiscal year.

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As of **June 30, 2023** **September 30, 2023**, we were in compliance with all covenants under the Credit Agreement.

5.6. Equity

Dividends

Solaris LLC paid dividend distributions totaling \$4.9 and \$4.9 to all Solaris LLC unitholders in the three months ended **June 30, 2023** **September 30, 2023** and 2022, respectively, of which \$3.4 and **\$3.4** **\$3.5** was paid to Solaris Inc. Solaris LLC paid dividend distributions totaling **\$10.1** **\$14.9** and **\$9.7** **\$14.7** to all Solaris LLC unitholders in the **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022, respectively, of which **\$7.0** **\$10.4** and **\$6.9** **\$10.3** 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 2, 2023** **March 1, 2023**, the Company's board of directors authorized a share repurchase plan to repurchase up to \$50.0 of the Company's Class A common stock until the plan terminates pursuant to its provisions. During **No** shares were purchased and retired **during** the three months ended **June 30, 2023**, Solaris Inc. purchased and retired 1,437,500 shares of the Company's Class A

common stock for \$11.3, or \$7.89 average price per share, and, in connection therewith, Solaris LLC purchased and retired 1,437,500 Solaris LLC Units from the Company for the same amount. September 30, 2023. During the six nine months ended June 30, 2023 September 30, 2023, Solaris Inc. purchased and retired 3,078,500 shares of the Company's Class A common stock at an aggregate cost of \$25.8, or \$8.38 per share, under the share repurchase program. As of June 30, 2023 September 30, 2023, \$24.2 remains available for future repurchases authorized under the share repurchase plan. As enacted by the Inflation Reduction Act of 2022 ("IRA"), the The Company has accrued stock repurchase excise tax of \$0.3 for the six nine months ended June 30, 2023 September 30, 2023.

Stock-Based Compensation

The Company's long-term incentive plan for employees, directors and consultants (the "LTIP") provides for the grant of all or any of the following types of equity-based awards: (i) incentive stock options qualified as such under United States federal income tax laws; (ii) stock options that do not qualify as incentive stock options; (iii) stock appreciation rights; (iv) restricted stock awards; (v) restricted stock units; (vi) bonus stock; (vii) performance awards; (viii) dividend equivalents; (ix) other stock-based awards; (x) cash awards; and (xi) substitute awards.

Subject to adjustment in accordance with the terms of the LTIP, 5,118,080 shares of Solaris Inc.'s Class A common stock were originally reserved for issuance pursuant to awards under the LTIP and, pursuant to the first First Amendment to the LTIP that was approved by the Company's stockholders and became effective as of May 17, 2023, an additional 4,700,000 shares of Solaris Inc.'s Class A common stock was were reserved for issuance pursuant to awards under the LTIP. As of June 30, 2023 September 30, 2023, 5,521,494 5,417,457 shares of Solaris Inc.'s Class A common stock awards were available for grant, grant under the LTIP.

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The following table summarizes activity related to restricted stock for the three and six nine months ended June 30, 2023 September 30, 2023:

	Restricted Stock Awards		Restricted Stock Awards	
	Weighted		Weighted	
	Average		Average	
	Grant Date		Grant	
	Fair		Date Fair	
	Number of Shares	Value (\$)	Number of Shares	Value (\$)
Unvested at January 1, 2023	1,295,728	\$ 10.33	1,295,728	\$ 10.33
Awarded	790,201	9.19	790,201	9.19
Vested	(548,992)	9.74	(548,992)	9.74
Forfeited	(9,648)	9.82	(9,648)	9.82
Unvested at March 31, 2023	1,527,289	\$ 9.71	1,527,289	\$ 9.71
Awarded	16,038	7.48	16,038	7.48
Vested	(7,606)	10.70	(7,606)	10.70
Forfeited	(26,924)	9.66	(26,924)	9.66
Unvested at June 30, 2023	1,508,797	\$ 9.68	1,508,797	\$ 9.68
Awarded			128,355	10.53
Vested			(85,160)	10.58
Forfeited			(26,078)	9.51
Unvested at September 30, 2023			1,525,914	\$ 9.69

Of the 1,508,797 1,525,914 shares of restricted stock that remained unvested as of June 30, 2023 September 30, 2023, it is expected that 85,165 739,918 shares, 652,473 shares, 523,331 528,420 shares, and 247,828 257,576 shares will vest in 2023, 2024, 2025 and 2026, respectively, in each case, subject to the applicable vesting terms governing such shares of restricted stock. There was approximately \$11.7 \$11.0 of unrecognized compensation expense related to unvested restricted stock as of June 30, 2023 September 30, 2023. The unrecognized compensation expense will be recognized over the weighted average remaining vesting period of 1.31.1 years.

The following table summarizes activity related to PSUs for the three and ~~six~~ nine months ended June 30, 2023 September 30, 2023:

	Weighted-Average		Weighted-Average	
	Grant Date Fair		Grant Date Fair	
	Number of Units	Value (\$)	Number of Units	Value (\$)
Outstanding at January 1, 2023	—	\$ —	—	\$ —
Granted	176,898	11.92	176,898	11.92
Forfeited	—	—	—	—
Outstanding at March 31, 2023	176,898	\$ 11.92	176,898	\$ 11.92
Granted	—	—	—	—
Forfeited	(4,686)	11.92	(4,686)	11.92
Outstanding at June 30, 2023	172,212	\$ 11.92	172,212	\$ 11.92
Granted	—	—	—	—
Forfeited	—	—	—	—
Outstanding at September 30, 2023	172,212	\$ 11.92	172,212	\$ 11.92

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Of the 172,212 performance-based restricted stock units ("PSUs") that remained outstanding as of June 30, 2023 September 30, 2023, such PSUs had a weighted average grant date fair value of \$11.92 per share. The performance criteria for the PSUs are split as follows:

- Relative PSUs: 50% of the PSUs are based on total shareholder return relative to the total shareholder return of a predetermined group of peer companies. This relative total shareholder return is calculated at the end of the performance periods stipulated in the PSU agreement.
- Absolute PSUs: 50% of the PSUs have a performance criteria of absolute total shareholder return calculated at the end of the performance period stipulated in the PSU agreement.

The vesting and payout of the PSUs occur when the related service condition is completed, which is approximately one to three years after the grant date depending on the stipulated performance period. The PSUs can be paid out in either Class A common stock or cash, at our election. Dividends accrue on PSUs and are paid upon vesting. As of June 30, 2023 September 30, 2023, \$1.7 \$1.5 of compensation cost related to unvested PSUs remained to be recognized. The cost is expected to be recognized over a weighted-average period of 2.5 2.3 years.

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The grant date fair value was determined using the Monte Carlo simulation method and is expensed ratably over the service period. Expected volatilities used in the fair value simulation were estimated using historical periods consistent with the remaining performance periods. The risk-free rate was based on the U.S. Treasury rate for a term commensurate with the expected life of the grant. We used the following assumptions to estimate the fair value of such PSUs (which, for purposes of clarity, were granted during the three months ended March 31, 2023):

	Assumptions
Risk-free interest rate	4.6%
Volatility	58.93%

Income Per Share

Basic income 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 income per share is computed giving effect to all potentially dilutive shares.

The following table sets forth the calculation of income (loss) per share for the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022:

	Three Months Ended June				Three Months Ended		Nine Months Ended	
	30, 2023	2022	2023	2022	September 30, 2023	2022	September 30, 2023	2022
Basic net income (loss) per share:								
Numerator								
Net income attributable to Solaris	\$ 7.5	\$ 5.5	\$ 15.1	\$ 9.0	\$ 4.9	\$ 7.4	\$ 20.0	\$
Less: income attributable to participating securities (1)	(0.4)	(0.2)	(0.7)	(0.4)	(0.2)	(0.3)	(0.9)	
Net income attributable to common stockholders	\$ 7.1	\$ 5.3	\$ 14.4	\$ 8.6	\$ 4.7	\$ 7.1	\$ 19.1	\$
Denominator								
Weighted average number of unrestricted outstanding common shares used to calculate basic net income per share	29,541,772	31,431,691	30,373,401	31,336,578	29,025,293	31,598,612	29,919,094	31,424,221
Diluted weighted-average shares of Class A common stock outstanding used to calculate diluted net income per share	29,541,772	31,431,691	30,373,401	31,336,578	29,025,293	31,598,612	29,919,094	31,424,221
Income per share of Class A common stock - basic	\$ 0.24	\$ 0.16	\$ 0.47	\$ 0.27	\$ 0.16	\$ 0.22	\$ 0.64	\$
Income per share of Class A common stock - diluted	\$ 0.24	\$ 0.16	\$ 0.47	\$ 0.27	\$ 0.16	\$ 0.22	\$ 0.64	\$

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

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

	Three Months Ended				Three Months Ended		Nine Months Ended	
	June 30,		Six Months Ended June 30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Class B common stock	13,671,971	13,756,509	13,671,971	13,762,447	13,671,971	13,671,971	13,671,971	13,731,975
Restricted stock awards	1,517,774	1,375,652	1,446,662	1,202,506	1,505,675	1,349,260	1,466,069	1,251,329
Performance-based restricted stock awards	175,353	—	175,746	—	270,373	—	134,488	—
Stock Options	5,500	7,013	5,467	7,060	6,605	7,013	6,605	7,063
Total	15,370,598	15,139,174	15,299,846	14,972,013	15,454,624	15,028,244	15,279,133	14,990,367

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6.7. 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 **June 30, 2023** **September 30, 2023** and 2022, we recognized a combined United States federal and state expense for income taxes of **\$2.7** **\$1.3** and **\$1.9** **\$2.3**, respectively. For the **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022, we recognized a combined United States federal and state expense for income taxes of **\$5.1** **\$6.5** and **\$3.6** **\$5.9**, respectively. The effective combined United States federal and state income tax rates were **17.8%** **14.6%** and **19.0%** **16.8%** for the three months ended **June 30, 2023** **September 30, 2023** and 2022, respectively. The effective combined United States federal and state income tax rates were **17.5%** **16.9%** and **20.2%** **18.7%** for the **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022, respectively. For the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022, 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

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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

We made payments of \$1.1 in January 2023 under the Tax Receivable Agreement. Solaris LLC made a tax distribution to Solaris Inc. of \$1.1 in order to satisfy these obligations and concurrently made a cash distribution on a pro rata basis to each of the other members of Solaris LLC of \$0.4. Future amounts payable under the Tax Receivable Agreement are dependent upon future events.

As of ~~June 30, 2023~~ September 30, 2023, our liability under the Tax Receivable Agreement was \$71.5, 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 an exercise of the Redemption Right or the Call Right (each as

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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 an excise 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 tax 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.

On June 27, 2023, the Tax Receivable Agreement was amended to replace the references to one year LIBOR with references to the 12-month term SOFR published by CME Group Benchmark Administration Limited plus 71.513 basis points, which is the benchmark replacement rate and additional margin that, under the Adjustable Interest Rate (LIBOR) Act of 2021, would have otherwise been inserted in place of references to LIBOR in the Tax Receivable Agreement following June 30, 2023.

7.8. Concentrations

For the three months ended ~~June 30, 2023~~ September 30, 2023, two customers accounted for ~~15%~~ 13% and ~~11%~~ 12% of the Company's revenues. For the three months ended ~~June 30, 2022~~ September 30, 2022, one customer accounted for ~~14%~~ 23% of the Company's revenues. For the ~~six~~ nine months ended ~~June 30, 2023~~ September 30, 2023, three customers accounted for ~~13%~~ 12%, ~~11%~~ 12% and ~~11%~~ of the Company's revenues. For the ~~six~~ nine months ended ~~June 30, 2022~~ September 30, 2022, one customer accounted for ~~20%~~ 21% of the Company's revenues. As of ~~June 30, 2023~~ September 30, 2023, ~~three~~ two customers accounted for ~~12%~~, ~~12%~~ 16% and ~~10%~~ 14% of the Company's accounts receivable. As of December 31, 2022, one customer accounted for 22% of the Company's accounts receivable.

For the three months ended ~~June 30, 2023~~ September 30, 2023, one supplier accounted for ~~15%~~ 11% of the Company's total purchases. For the ~~six~~ nine months ended ~~June 30, 2023~~ September 30, 2023, ~~no~~ one supplier accounted for ~~more than~~ 10% of the Company's total purchases. For the three and ~~six~~ nine months ended ~~June 30, 2022~~ September 30, 2022, no supplier accounted for more than 10% of the Company's total purchases. As of ~~June 30, 2023~~ September 30, 2023, ~~one supplier~~ two suppliers accounted for ~~14%~~ 16% and ~~11%~~ of the Company's accounts payable. As of December 31, 2022, one supplier accounted for 13% of the Company's accounts payable.

8.9. 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

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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. We anticipate that a final ruling from the Eastland Court of Appeals will be delivered sometime in the ~~second~~ half ~~fourth~~ quarter of 2023. In connection therewith, we have recognized \$3.1 in accrued liabilities as of ~~June 30, 2023~~ September 30, 2023. No additional contingencies were recognized during the three and ~~six~~ nine months period ended ~~June 30, 2023~~ September 30, 2023. If this litigation is ultimately resolved against us, in whole or in part, it is possible that the resolution of this matter could be material to our consolidated results of operations or cash flows.

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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.

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 September 30, 2023, we had purchase obligations of approximately \$6.2 million payable within the next twelve months.

See Note 9.10 "Related Party Transactions" for contingent payments related to contracts with customers.

9.10. 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 June 30, 2023 September 30, 2023 and 2022, Solaris LLC paid \$0.3 and \$0.2, respectively, for these services, included in selling, general and administrative costs in the condensed consolidated statement of operations. For the six nine months ended June 30, 2023 September 30, 2023 and 2022, Solaris LLC paid \$0.8 and \$0.4, \$0.7, respectively, for these services, included in selling, general and administrative costs in the condensed consolidated statement of operations. As of June 30, 2023 September 30, 2023, and December 31, 2022, the Company included \$0.1 and \$0.1, respectively, in prepaid expenses and other current assets on the condensed consolidated balance sheets. Additionally, as of June 30, 2023 September 30, 2023 and December 31, 2022, the Company included \$0.1 and \$0.1, respectively, of accruals to related parties in accrued liabilities on the consolidated balance sheet.

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 for the Company's corporate headquarters. The total future guaranty under the guarantee of lease agreement with Solaris Energy Management, LLC is \$3.9 \$3.7 as of June 30, 2023 September 30, 2023.

As of June 30, 2023 September 30, 2023, THRC Holdings, LP, an entity managed by THRC Management, LLC (collectively "THRC"), held shares representing a 11.1% ownership of the Company's Class A common stock and 7.5% 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 and six months ended June 30, 2023 September 30, 2023 and September 30, 2022, the Company recognized revenues related to our service offering provided to the THRC Affiliates of \$7.3 \$5.2 and \$12.2, \$2.9, respectively. For the nine months ended September 30, 2023 and September 30, 2022, the Company recognized revenues related to our service offering provided to the THRC Affiliates of \$17.4 and \$13.6, respectively. Accounts receivable related to THRC Affiliates as of June 30, 2023 September 30, 2023 and December 31, 2022 was \$6.8, \$7.1 and \$4.9, respectively.

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For the three and six months ended June 30, 2023 September 30, 2023 and September 30, 2022, the Company recognized cost of services provided by THRC Affiliates of \$0.6 \$0.3 and \$1.7, \$1.4, respectively. There For the nine months ended September 30, 2023 and September 30, 2022, the Company recognized cost of services provided by THRC Affiliates of \$1.9 and \$3.1, respectively. As of September 30, 2023 and December 31, 2022, there was \$1.3 \$1.5 and \$0.3, respectively, of accounts payable related to THRC Affiliates as of June 30, 2023. Affiliates.

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 in payments throughout a term ending in 2024, contingent upon the ability of these affiliates to meet minimum Services revenue thresholds. As of June 30, 2023 September 30, 2023, accounts payable to THRC Affiliates related to these services is \$1.3, \$1.4, which was recognized in revenues.

On January 31, 2023, the Company made payments of \$1.1 under the Tax Receivable Agreement. Solaris LLC made a tax cash distribution to Solaris Inc. of \$1.1 to satisfy these obligations and concurrently made a cash distribution on a pro rata basis to each of the other members of Solaris LLC of \$0.4.

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[Table of Contents](#)**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, 2022, 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 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. The majority of our revenue is currently derived from providing equipment and services related to our mobile proppant and fluid management systems and our last mile logistics management services. We also generate revenue from new technology and offerings that work in conjunction with our mobile proppant and fluid management systems, including our proprietary top fill equipment and AutoBlend™ integrated electric blender. Our equipment and services are deployed across active oil and natural gas basins in the United States.

Recent Trends and Outlook

WTI oil prices averaged over \$70 have increased during the second half of 2023 to a range between \$80 and \$95 per barrel in second quarter 2023 and have remained in compared to a range between the high \$60s and low \$80s per barrel since during the start first half of 2023, but are down from an average of \$94 in 2022. Henry Hub natural gas prices have remained in a range between \$2 and \$3 per MMBtu since for most of 2023, which reflects a 50-70% decrease from price levels in 2022. More recently at the start of 2023, but are down from an average of fourth quarter, natural gas prices averaged over \$6-\$3 per MMBtu in 2022. Since the start of the year, the Baker Hughes US Land Rig Count is down approximately 14% over 20% from year end 2022 levels, driven primarily by the decline in natural gas prices. While oil prices have also softened compared to their peak in 2022, they remain at healthy levels to support a sustained level of oil-directed US drilling and completion activity, which comprises approximately 80% of the total Baker Hughes US rig count. Therefore, we expect oil-related drilling and completion activity to remain stable for the foreseeable future and further improvements in natural gas prices could drive improvement in gas-related drilling and completion activity in 2024.

Overall, demand for our offerings is predominantly influenced by the level of oil and natural gas well drilling and completion activity. While our fully utilized systems are highly correlated with US land rig count activity over longer periods, timing differences between drilling and completion activity can result in lags of one to two quarters or longer. Recently, During 2023, our fully utilized total system count growth has outpaced the rig count trend due primarily to new technology-led growth with new and existing customers. A recent An increase in pricing at the start of the year and incremental earnings from our new products has have also allowed us to grow maintain strong earnings despite a decline in drilling and completion activity during 2023.

Our capital expenditures were down 20% in the third quarter of 2023 compared to the second quarter of 2023. We expect continued earnings growth from our pace of capital expenditure to continue to slow in the remainder of 2023 and into 2024 as we complete the build out of these new product lines, could which should allow our earnings us to outperform the trend in underlying oil and gas activity, generate increased cash flow.

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. disruptions, including the war in Ukraine and the recent conflict in the Israel-Gaza region. Additionally, consolidation can drive procurement strategy changes, which has

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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.

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Results of Operations

Three and Six Nine Months Ended June 30, 2023 September 30, 2023 Compared to Three and Six Nine Months Ended June 30, 2022 September 30, 2022

	Three Months						Nine Months Ended					
	Ended			Six Months Ended			Three Months Ended			Nine Months Ended		
	June 30,		Change	June 30,		Change	September 30,		Change	September 30,		Change
	2023	2022		2023	2022		2023	2022		2023	2022	
	(in thousands)			(in thousands)			(in thousands)			(in thousands)		
Revenue	69,925	81,130	(11,205)	147,753	132,966	14,787	64,427	89,376	(24,949)	212,180	222,342	(10,162)
Revenue - related parties	7,277	5,581	1,696	12,171	10,660	1,511	5,249	2,949	2,300	17,420	13,609	3,811
Total revenue	77,202	86,711	(9,509)	159,924	143,626	16,298	69,676	92,325	(22,649)	229,600	235,951	(6,351)
Operating costs and expenses:												
Cost of services (excluding depreciation)	45,652	61,237	(15,585)	98,875	98,908	(33)	42,102	64,171	(22,069)	140,977	163,079	(22,102)
Depreciation and amortization	9,071	7,132	1,939	17,488	14,061	3,427	9,179	7,716	1,463	26,667	21,777	4,890
Property tax contingency	—	3,072	(3,072)	—	3,072	(3,072)	—	—	—	—	3,072	(3,072)
Selling, general and administrative	6,825	6,062	763	13,363	11,273	2,090	6,359	5,929	430	19,722	17,202	2,520
Other operating income	(125)	(1,114)	989	(463)	(1,423)	960						
Impairment of fixed assets							1,423	—	1,423	1,423	—	1,423
Other operating (income)/expense, net							613	524	89	150	(899)	1,049
Total operating costs and expenses	61,423	76,389	(14,966)	129,263	125,891	3,372	59,676	78,340	(18,664)	188,939	204,231	(15,292)
Operating income	15,779	10,322	5,457	30,661	17,735	12,926	10,000	13,985	(3,985)	40,661	31,720	8,941
Interest expense, net	(879)	(88)	(791)	(1,338)	(167)	(1,171)	(1,057)	(141)	(916)	(2,395)	(308)	(2,087)
Total other expense	(879)	(88)	(791)	(1,338)	(167)	(1,171)	(1,057)	(141)	(916)	(2,395)	(308)	(2,087)
Income before income tax expense	14,900	10,234	4,666	29,323	17,568	11,755	8,943	13,844	(4,901)	38,266	31,412	6,854
Expense for income taxes	(2,659)	(1,945)	(714)	(5,145)	(3,557)	(1,588)	(1,305)	(2,332)	1,027	(6,450)	(5,889)	(561)
Net income	12,241	8,289	3,952	24,178	14,011	10,167	7,638	11,512	(3,874)	31,816	25,523	6,293
Less: net income related to non-controlling interests	(4,709)	(2,836)	(1,873)	(9,077)	(5,056)	(4,021)	(2,704)	(4,106)	1,402	(11,781)	(9,162)	(2,619)
Net income attributable to Solaris	\$ 7,532	\$ 5,453	\$ 2,079	\$ 15,101	\$ 8,955	\$ 6,146	\$ 4,934	\$ 7,406	\$ (2,472)	\$ 20,035	\$ 16,361	\$ 3,674

Revenue

Revenue decreased \$9.5 million \$22.6 million, or 11% 25%, to \$77.2 million \$69.7 million for the three months ended June 30, 2023 September 30, 2023 compared to \$86.7 million \$92.3 million for the three months ended June 30, 2022 September 30, 2022. The decrease in revenue is primarily related to a decrease in last mile tonnage for the three months ended June 30, 2023 September 30, 2023 compared to the three months ended June 30, 2022 September 30, 2022. The decrease in revenue was partially offset with an

increase in total fully utilized systems from 88 to 105 to 108 systems for the three months ended June 30, 2022 September 30, 2022 and June 30, 2023 September 30, 2023, respectively. Revenue increased \$16.3 million decreased \$6.4 million, or 11%, to \$159.9 million \$229.6 million for the six nine months ended June 30, 2023 September 30, 2023 compared to \$143.6 million \$236.0 million for the six nine months ended June 30, 2022 September 30, 2022. The increase decrease in revenue is primarily related to a decrease in last mile tonnage for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022. The decrease in revenue was partially offset with an activity-driven increase in demand for our products and services and updated pricing. Total total fully utilized systems increased from 83 to 90 to 113 systems for the six nine months ended June 30, 2022 September 30, 2022 and June 30, 2023 September 30, 2023, respectively, in response to the increase in industry activity levels, respectively.

Cost of Services

Cost of services, excluding depreciation and amortization expense, decreased \$15.6 million \$22.1 million, or 25% 34%, to \$45.7 million \$42.1 million for the three months ended June 30, 2023 September 30, 2023, compared to \$61.2 million \$64.2 million for the three months ended June 30, 2022 September 30, 2022. Cost of services, excluding depreciation and amortization expense, decreased \$22.1 million, or 14%, to \$141.0 million for the nine months ended September 30, 2023 compared to \$163.1 million for the nine months ended September 30, 2022. The decrease is primarily related to a decrease in last mile tonnage for the three and nine months ended June 30, 2023 September 30, 2023 compared to the three and nine months ended June 30, 2022 September 30, 2022. Cost of services, excluding depreciation and amortization expense, remained flat at \$98.9 million for the six months ended June 30, 2023 and June 30, 2022. Cost of services, excluding depreciation and amortization, as a percentage of revenue was 59% and 62% for the three and six months ended June 30, 2023, respectively, and 71% and 69% for the three and six months ended June 30, 2022, respectively.

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excluding depreciation and amortization, as a percentage of revenue was 60% and 61% for the three and nine months ended September 30, 2023, respectively, and 70% and 69% for the three and nine months ended September 30, 2022, respectively.

Property Tax Contingency

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 for 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. We anticipate that a final ruling from the Eastland Court of Appeals will be delivered sometime in the second half fourth quarter of 2023. In connection therewith, we have recognized \$3.1 million in Accrued Liabilities as of June 30, 2023 September 30, 2023. No additional contingencies were recognized during the three and six nine months period ended June 30, 2023 September 30, 2023. If this litigation is ultimately resolved against us, in whole or in part, it is possible that the resolution of this matter could be material to our consolidated results of operations or cash flows.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$0.8 million \$0.4 million, or 13% 7%, to \$6.8 million \$6.4 million for the three months ended June 30, 2023 September 30, 2023 compared to \$6.1 million \$5.9 million for the three months ended June 30, 2022 September 30, 2022. Selling, general and administrative expenses increased \$2.1 million \$2.5 million, or 19% 15%, to \$13.4 million \$19.7 million for the six nine months ended June 30, 2022 September 30, 2023 compared to \$11.3 million \$17.2 million for the

six nine months ended June 30, 2022 September 30, 2022. Selling, general and administrative expenses increased primarily due to increases in headcount and professional fees.

Impairment of Fixed Assets

During the three and nine months ended September 30, 2023, we entered into a non-binding sale agreement with a third party to sell certain fixed assets. These fixed assets met the criteria as assets held for sale and are included as such on the condensed consolidated balance sheet at September 30, 2023. As the carrying value of the fixed assets classified as held for sale exceeded their fair value less estimated costs to sell, we recorded an impairment loss of \$1.4 million in the condensed consolidated statement of operations for the three and nine months ended September 30, 2023.

Other Operating Income (Income) Expense

Other operating income decreased \$1.0 million (income) expense increased \$0.1 million, or 89% 17%, to \$0.1 million expense of \$0.6 million for the three months ended June 30, 2023 September 30, 2023 compared to \$1.1 million expense of \$0.5 million for the three months ended June 30, 2022 September 30, 2022. Other operating income decreased (income) expense increased \$1.0 million, or 67% 117%, to \$0.5 million expense of \$0.2 million for the six nine months ended June 30, 2023 September 30, 2023 compared to \$1.4 million income of \$0.9 million for the six nine months ended June 30, 2022 September 30, 2022. Other operating income for the three and six nine months ended June 30, 2023 September 30, 2023 primarily relate to gain excise tax for share buybacks, loss on sale of assets and sales tax rebates, credit losses, partially offset with excise sales tax for share buybacks, rebates. Other operating income (income) expense in the three and six nine months ended June 30, 2022 September 30, 2022 primarily relate to change in the TRA liability, credit losses, gain on insurance claims and other settlements, loss on disposal of assets, and costs related to the write off evaluation of prepaid purchase orders that were not fulfilled, potential acquisitions.

Provision for Income Taxes

During the three months ended June 30, 2023 September 30, 2023, we recognized a combined United States federal and state expense for income taxes of \$2.7 million \$1.3 million, an increase a decrease of \$0.7 million \$1.0 million as compared to the \$1.9 million \$2.3 million income tax expense we recognized during the three months ended June 30, 2022 September 30, 2022. This change was attributable to changes in operating gains. During the six nine months ended June 30, 2023 September 30, 2023, we recognized a combined United States federal and state expense for income taxes of \$5.1 million \$6.5 million, an increase of \$1.6 million \$0.6 million as compared to the \$3.6 million \$5.9 million income tax expense we recognized during the six nine months ended June 30, 2022 September 30, 2022. This change was attributable to changes in

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operating gains. The effective combined United States federal and state income tax rates were 17.8% 14.6% and 19.0% 16.8% for the three months ended June 30, 2023 September 30, 2023 and 2022, respectively. The effective combined United States federal and state income tax rates were 17.5% 16.9% and 20.2% 18.7% for the six nine months ended June 30, 2023 September 30, 2023 and 2022, 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 define EBITDA as net income, plus (i) depreciation and amortization expense, (ii) interest expense and (iii) income tax expense, including

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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 accounting standards generally accepted in the United States ("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			Six months ended			Three months ended			Nine months ended		
	June 30,		Change	June 30,		Change	September 30,		Change	September 30,		Change
	2023	2022		(in thousands)	2022		2023	2022		(in thousands)	2022	
Net income	\$12,241	\$ 8,289	\$ 3,952	\$24,178	\$14,011	\$10,167	\$ 7,638	\$11,512	(\$3,874)	\$31,816	\$25,523	\$ 6,293
Depreciation and amortization	9,071	7,132	1,939	17,488	14,061	3,427	9,179	7,716	1,463	26,667	21,777	4,890
Interest expense, net	879	88	791	1,338	167	1,171	1,057	141	916	2,395	308	2,087
Income taxes (1)	2,659	1,945	714	5,145	3,557	1,588	1,305	2,332	(1,027)	6,450	5,889	561
EBITDA	\$24,850	\$17,454	\$ 7,396	\$48,149	\$31,796	\$16,353	\$19,179	\$21,701	(\$2,522)	\$67,328	\$53,497	\$13,831
Property tax contingency (2)	—	3,072	(3,072)	—	3,072	(3,072)	—	—	—	—	3,072	(3,072)
Stock-based compensation expense (3)	1,924	1,519	405	3,904	3,112	792	1,917	1,553	364	5,821	4,665	1,156
(Gain) loss on disposal of assets	4	—	4	(357)	—	(357)						
Change in payables related to Tax Receivable Agreement (4)	—	(654)	654	—	(654)	654						
Other (5)	47	(327)	374	247	(522)	769						
Loss on disposal of assets							746	989	(243)	390	1,025	(635)

Impairment of fixed assets												
(4)												
Change in payables related to Tax Receivable												
Agreement (5)												
Other (6)												
Adjusted EBITDA	\$ 26,825	\$ 21,064	\$ 5,761	\$ 51,943	\$ 36,804	\$ 15,139	\$ 23,428	\$ 23,934	\$ (506)	\$ 75,371	\$ 60,738	\$ 14,633

- (1) United States 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 and we anticipate a ruling to be delivered sometime in the second half fourth quarter of 2023.
- (3) Represents stock-based compensation expense related to restricted stock awards, including performance-based restricted stock.
- (4) Impairment recorded on certain fixed assets classified as assets held for sale during the three months ended September 30, 2023.
- (5) Reduction in liability due to state tax rate change.
- (6) Other includes accrued excise tax on share repurchases, gains on insurance claims, credit losses or recoveries and other settlements.

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Three and Six Nine Months Ended June 30, 2023 September 30, 2023 Compared to Three and Six Nine Months Ended June 30, 2022 September 30, 2022: EBITDA and Adjusted EBITDA

EBITDA increased \$7.4 million decreased \$2.5 million to \$24.9 million \$19.2 million for the three months ended June 30, 2023 September 30, 2023 compared to \$17.5 million \$21.7 million for the three months ended June 30, 2022 September 30, 2022. Adjusted EBITDA increased \$5.8 million decreased \$0.5 million to \$26.8 million \$23.4 million for the three months ended June 30, 2023 September 30, 2023 compared to \$21.1 million \$23.9 million for the three months ended June 30, 2022 September 30, 2022. EBITDA increased \$16.4 million \$13.8 million to \$48.1 million \$67.3 million for the six nine months ended June 30, 2023 September 30, 2023 compared to \$31.8 million \$53.5 million for the six nine months ended June 30, 2022 September 30, 2022. Adjusted EBITDA increased \$15.1 million \$14.6 million to \$51.9 million \$75.4 million for the six nine months ended June 30, 2023 September 30, 2023 compared to \$36.8 million \$60.7 million for the six nine months ended June 30, 2022 September 30, 2022. The changes in EBITDA and Adjusted EBITDA were primarily due to the changes in revenues and expenses, discussed above.

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Liquidity and Capital Resources

Overview

Our primary sources of liquidity to date have been cash flows from operations, borrowings under our credit agreements 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 June 30, 2023 September 30, 2023, cash and cash equivalents totaled \$9.4 million \$3.5 million. We have \$43.0 million \$37.0 million in borrowings outstanding under our Credit Agreement. As of June 30, 2023 September 30, 2023, the Company has the ability to draw up to approximately \$32.0 million an additional \$38.0 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 2, 2023 March 1, 2023, with an approved limit of \$50.0 million and no set term limits. As of June 30, 2023 September 30, 2023, we have purchased 3,078,500 shares of Class A common stock for \$25.8 million, or \$8.38 per share, resulting in \$24.2 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, 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.

The Inflation Reduction Act of 2022 provides for, among other things, the imposition of a new 1% U.S. federal excise tax on certain repurchases of stock by publicly traded U.S. corporations such as us after December 31, 2022. Accordingly, this excise tax will apply to our share repurchase program in 2023 and in subsequent taxable years. The Biden Administration has proposed increasing the amount of the excise tax from 1% to 4%; however, it is unclear whether such a change in the amount of the excise tax will be enacted and, if enacted, how soon any such change could take effect.

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Cash Flows

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

	Six Months Ended			Nine Months Ended		
	June 30,		Change	September 30,		Change
	2023	2022		2023	2022	
Net cash provided by operating activities	\$ 45,460	\$ 22,394	\$ 23,066	\$ 66,341	\$ 43,912	\$22,429
Net cash used in investing activities	(39,896)	(31,409)	(8,487)	(54,830)	(57,797)	2,967
Net cash used in financing activities	(5,028)	(12,131)	7,103	(16,895)	(12,179)	(4,716)
Net change in cash	\$ 536	\$ (21,146)	\$ 21,682	\$ (5,384)	\$ (26,064)	\$20,680

Significant Sources and Uses of Cash Flows

Operating Activities. Net cash provided by operating activities was \$45.5 million \$66.3 million for the six nine months ended June 30, 2023 September 30, 2023, compared to net cash provided by operating activities of \$22.4 million \$43.9 million for the six nine months ended June 30, 2022 September 30, 2022. The increase of \$23.1 million \$22.4 million in operating cash flow was primarily attributable to increased profitability from operations.

Investing Activities. Net cash used in investing activities was \$39.9 million \$54.8 million for the six nine months ended June 30, 2023 September 30, 2023, compared to net cash used in investing activities of \$31.4 million \$57.8 million for the six nine months ended June 30, 2022 September 30, 2022. The increase decrease in investing activities of \$8.5 million \$3.0 million is primarily due to a reduction in capital expenditures related to new technologies and enhancements to our fleet, proceeds on sale of disposal of \$2.0 million.

Financing Activities. Net cash used in financing activities of \$5.0 million \$16.9 million for the six nine months ended June 30, 2023 September 30, 2023 was primarily related to the repurchase of shares for \$25.8 million, quarterly dividends of \$7.0 million \$10.4 million to Class A common stock shareholders, distributions to Solaris LLC unitholders of \$3.5 million \$5.0 million, payments under finance leases of \$1.9 million, payments under insurance premium financing of \$1.4 million and insurance of \$1.3 million, and \$1.3 million \$1.4 million of payments related to vesting of stock-based compensation, partially offset

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by net borrowings under the Credit Agreement of \$35.0 million \$29.0 million. Net cash used in financing activities of \$12.1 million \$12.2 million for the six nine months ended June 30, 2022 September 30, 2022 was primarily related to quarterly dividends of \$6.8 million \$10.3 million to Class A common stock shareholders, \$3.0 million \$4.3 million in distributions to Solaris LLC unitholders, and \$1.0 million payments under finance leases of \$1.1 million, \$1.1 million of payments related to vesting of stock-based compensation. compensation and payments under insurance premium financing of \$1.0 million, offset by net borrowings under the Credit Agreement of \$6.0 million.

Capital Sources

Senior Secured Credit Facility

See Note 4.5, "Senior Secured Credit Facility" to our condensed consolidated financial statements as of June 30, 2023 September 30, 2023, included in this Quarterly Report, for a discussion of our senior secured credit facility.

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 June 30, 2023 September 30, 2023, except for purchase commitments under supply agreements disclosed below.

As of June 30, 2023 September 30, 2023, 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 June 30, 2023 September 30, 2023, if our borrowings under the Credit Agreement remain at \$43.0 million \$37.0 million, we expect to pay approximately \$3.5 million \$3.1 million in interest within the next twelve months, calculated based on the weighted average interest rate on the borrowings outstanding as of June 30, 2023 September 30, 2023 of approximately 8.10% 8.34%.

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As of **June 30, 2023** **September 30, 2023**, we had purchase obligations of approximately **\$14.6 million** **\$6.2 million** payable within the next twelve months.

Critical Accounting Policies and Estimates

We had no material changes in our critical accounting policies and estimates during the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023**, 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, 2022 for additional information.

Recent Accounting Pronouncements

Recently Adopted Accounting Standards

None.

Recently Issued Accounting Standards

See Note 2. "Summary of Significant Accounting Policies – Recently Issued Accounting Standards" to our condensed consolidated financial statements included in this Quarterly Report, for a discussion of recently issued accounting standards.

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.

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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, 2022. Our exposure to market risk has not changed materially since December 31, 2022.

Credit Risk

The majority of our accounts receivable have payment terms of 60 days or less. As of **June 30, 2023** **September 30, 2023**, **three** **two** customers accounted for **12%**, **12%** **16%** and **10%** **14%** of our total accounts receivable. As of December 31, 2022, one customer collectively accounted for 22% 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, 2022 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 **June 30, 2023** **September 30, 2023**. 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 **June 30, 2023** **September 30, 2023**, our principal executive officer and

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principal financial officer have concluded that, as of such date, our disclosure controls and procedures were not effective due to the material weakness in our internal control over financial reporting described below.

As discussed in our Annual Report on Form 10-K for the year ended December 31, 2022, management identified a material weakness related to ineffective information technology general controls ("ITGCs") in the areas of user access, application change management, operating system and logical access controls and segregation of duties for a third-party information technology ("IT") system that supports the Company's financial reporting process for its last mile logistics services, which includes the costs of providing that service and the associated pass through revenues. The material weakness did not result in any identified misstatements to the financial statements and there were no changes to previously released financial results.

Remediation Plan for Material Weakness

In response to the material weakness, management, with oversight of the Audit Committee of the Company's Board of Directors, has **begun the process** **substantially completed its design and implementation** of **and is committee to**, **designing and implementing** **what we believe are effective measures to strengthen our internal controls over financial reporting and remediate the material weakness. Our planned internal control remediation efforts include:** **included:**

- developing** **developed** and **implementing** **implemented** an internal use software to replace the third-party IT system;
- developing** **enhanced** risk assessment procedures and controls related to internally developed **and** third-party IT systems used by the Company; and
- implementing** **implemented** an IT management review and testing plan to monitor ITGCs with a specific focus on systems supporting our financial reporting process.

While these **actions and planned remedial actions are substantially complete, they continue to be subject to ongoing management evaluation and will require validation and testing of the design and operating effectiveness of internal controls over** **must operate effectively for a sustained sufficient period of financial reporting**

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cycles, we are committed to time before management considers the continuous improvement of our internal control over financial reporting and will continue to diligently review our internal control over financial reporting, material weakness fully remediated.

Changes in Internal Control over Financial Reporting

Except for the changes discussed above, 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 **June 30, 2023** **September 30, 2023** that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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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.

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. We anticipate that a final ruling from the Eastland Court of Appeals will be delivered sometime in the **second half** **fourth quarter** of 2023. In connection therewith, we have recognized \$3.1 million in Accrued Liabilities as of **June 30, 2023** **September 30, 2023**. No additional contingencies were recognized during the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023**. If this litigation is ultimately resolved against us, in whole or in part, it is possible that the resolution of this matter could be material to our consolidated results of operations or cash flows.

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, 2022, as filed with the SEC on March 9, 2023. 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, 2022.

Item 2. Unregistered Sales of Equity Securities, and Use of Proceeds and Issuer Purchases of Equity Securities

Unregistered Sales of Equity Securities

None.

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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 **six** **nine** months ended **June 30, 2023** **September 30, 2023**, and the average price paid per share:

Period	Total Number of Shares Purchased				Total Number of Shares Purchased			
	Total Number of Shares Purchased		Average Price as of Date购入		Total Number of Shares Purchased		Average Price as of Date购入	
	Shares	Paid Per Share	Announced Plan (2)	Purchased Under the Plan (2)	Shares	Paid Per Share	Announced Plan (2)	Purchased Under the Plan (2)
January 1 - January 31	—	\$ —	—	— \$ 50,000,000	—	\$ —	—	— \$ 50,000,000
February 1 - February 28	—	\$ —	—	— 50,000,000	—	\$ —	—	— 50,000,000
March 1 - March 31	1,788,838	\$ 8.82	1,641,000	35,557,509	1,788,838	\$ 8.82	1,641,000	35,557,509
April 1 - April 30	1,957	\$ 8.75	—	35,557,509	1,957	\$ 8.75	—	35,557,509
May 1 - May 31	1,144,100	\$ 7.81	1,144,100	26,627,518	1,144,100	\$ 7.81	1,144,100	26,627,518
June 1 - June 30	294,146	\$ 8.23	293,400	24,212,452	294,146	\$ 8.23	293,400	24,212,452
July 1 - July 31					876	\$ 8.72	—	24,212,452
August 1 - August 31					884	\$ 10.57	—	24,212,452
September 1 - September 30					—	\$ —	—	24,212,452
Total	3,229,041	\$ 7.89	3,078,500		3,230,801	\$ 8.41	3,078,500	

(1) Includes 3,078,500 shares repurchased as part of the share repurchase plan and **150,541** **152,301** shares purchased to satisfy tax withholding obligations upon the vesting of restricted stock awarded to certain of our employees.

(2) In March 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 **June 30, 2023** **September 30, 2023**, 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.

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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).
10.1#	Amendment No. 2 to Amended and Restated Credit Agreement, dated as of April 28, 2023, by and among Solaris Oilfield Infrastructure, LLC, as borrower, each of the guarantors party thereto, each of the lenders party thereto and Wells Fargo Bank, National Association, as administrative agent. (incorporated by reference to Exhibit 10.3 to the Registrant's Form 10-Q (File No. 001-38090) filed with the Commission on May 4, 2023).
10.2*	Amendment No. 1 to Tax Receivable Agreement, dated as of June 27, 2023, by and among Solaris Oilfield Infrastructure, Inc., the TRA Holders and the Agents included therein.
10.3†	First Amendment to the Solaris Oilfield Infrastructure, Inc. Long Term Incentive Plan (incorporated by reference to the Registrant's Form 8-K (File No. 001-38090) filed with the Commission on May 22, 2023).
10.4	Indemnification Agreement (Christopher P. Wirtz) (incorporated by reference to the Registrant's Form 8-K (File No. 001-38090) filed with the Commission on June 1, 2023).
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.

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Exhibit No.	Description
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.

† Management contract or compensatory plan or arrangement.

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.

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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.

July 27, October 30, 2023

By: /s/ William A. Zartler

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

July 27, October 30, 2023

By: /s/ Kyle S. Ramachandran

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

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**AMENDMENT NO. 1 TO
TAX RECEIVABLE AGREEMENT**

This AMENDMENT NO. 1 (this "Amendment"), dated as of June 27, 2023, to that certain Tax Receivable Agreement, dated as of May 17, 2017 (the "Agreement"), by and among Solaris Oilfield Infrastructure, Inc., a Delaware corporation (the "Corporate Taxpayer"), the TRA Holders and the Agents. Capitalized terms used but not defined herein have the meanings given such terms in the Agreement.

WHEREAS, the Corporate Taxpayer, the TRA Holders and the Agents are parties to the Agreement;

WHEREAS, the Agreement utilizes the London Interbank Offered Rate ("LIBOR") for certain purposes, including the determination of the Agreed Rate, the Default Rate and the Early Termination Rate, and the administrator of LIBOR intends to discontinue publishing LIBOR;

WHEREAS, the U.S. Congress enacted the Adjustable Interest Rate (LIBOR) Act (the "LIBOR Act") as part of the Consolidated Appropriations Act, 2022 (Pub. L. 117-103), and the LIBOR Act, among other things, sets forth benchmark replacement rates for legacy contracts governed by U.S. law that reference LIBOR and that do not provide for the use of a clearly defined or practicable replacement benchmark rate when LIBOR is discontinued;

WHEREAS, the Board of Governors of the Federal Reserve System (the "Federal Reserve") has promulgated final regulations (the "LIBOR Regulations") that, among other things, carry out the LIBOR Act and set forth the benchmark replacement rate that would replace LIBOR in the Agreement following June 30, 2023;

WHEREAS, pursuant to Section 7.7 of the Agreement, the Agreement may be amended with the written approval of each of the Corporate Taxpayer and the Majority TRA Holders; and

WHEREAS, the parties to the Agreement desire to amend the Agreement to replace the use of LIBOR in the Agreement with the use of the benchmark replacement rate that, under the LIBOR Act and the LIBOR Regulations, would otherwise replace LIBOR in the Agreement following June 30, 2023.

NOW THEREFORE, in consideration of the foregoing and the covenants and agreements set forth herein and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. The definition of "LIBOR" in Section 1.1 of the Agreement is deleted in its entirety.
2. The following definitions are added to Section 1.1 of the Agreement:

"CME Term SOFR" means, during any period, an interest rate per annum equal to the CME Term SOFR Reference Rates for a 12-month tenor, as published by the CME Term SOFR Administrator at approximately 5:00 a.m. U.S. Central Standard Time on the date two (2) calendar days prior to the first day of such period, plus 71.513 basis points.

"CME Term SOFR Administrator" means CME Group Benchmark Administration Limited as administrator of the forward-looking term Secured Overnight Financing Rate (SOFR) (or a successor administrator).

3. Any reference to "LIBOR" in the Agreement shall be deemed a reference to "CME Term SOFR".
4. Except as expressly amended hereby, the Agreement remains unmodified and in full force and effect as originally executed without waiver of any provision thereof. Whenever the Agreement is referred to in any agreement, document or other instrument, such reference will be to the Agreement as amended hereby. In the event of any conflict between the terms of this Amendment and the Agreement, the terms of this Amendment shall prevail.
5. This Amendment shall be binding upon the Corporate Taxpayer and the TRA Holders and each of their respective successors and permitted assigns, and nothing in this Amendment, express or implied, is intended to or shall confer upon any other Person any right, benefit or remedy of any nature whatsoever under or by reason of this Amendment.
6. This Amendment shall be governed by, and construed in accordance with, the law of the State of Delaware, without regard to the conflicts of laws principles thereof that would mandate the application of the laws of another jurisdiction.
7. This Amendment may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart. Delivery of an executed signature page to this Amendment by electronic transmission shall be as effective as delivery of a manually signed counterpart of this Amendment.

[Remainder of Page Left Intentionally Blank]

IN WITNESS WHEREOF, the Corporate Taxpayer and the Majority TRA Holders have duly executed this Amendment as of the date first written above.

CORPORATE TAXPAYER:

SOLARIS OILFIELD INFRASTRUCTURE, INC.

/s/ Kyle S. Ramachandran

Kyle S. Ramachandran

President and Chief Financial Officer

MAJORITY TRA HOLDERS:

YORKTOWN EERGY PARTNERS X, L.P.

By: Yorktown X Company LP, its general partner

By: Yorktown X Associates LLC, its general partner

/s/ W. Howard Keenan, Jr.

W. Howard Keenan, Jr.

Member

SOLARIS ENERGY CAPITAL, LLC.

/s/ William A. Zartler

William A. Zartler

Manager

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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: **July 27, 2023** October 30, 2023

/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: **July 27, 2023** October 30, 2023

/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 **June 30, 2023** **September 30, 2023** (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.

Dated: **July 27, October 30, 2023**

/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 **June 30, 2023** **September 30, 2023** (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.

Dated: **July 27, October 30, 2023**

/s/ Kyle S. Ramachandran

Kyle S. Ramachandran

President and Chief Financial Officer

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