

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

FORM 10-Q

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

For the quarterly period ended September 30, 2024

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-38035

ProPetro Holding Corp.

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

26-3685382  
(I.R.S. Employer  
Identification No.)

303 W. Wall Street, Suite 102 Midland, Texas 79701  
(Address of principal executive offices) (Zip Code)

(432) 688-0012  
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	PUMP	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, a 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 checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 ☒

The number of the registrant's common shares, par value \$0.001 per share, outstanding at October 25, 2024, was 102,929,746.

PROPETRO HOLDING CORP.

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Form 10-Q") contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical facts contained in this Form 10-Q are forward-looking statements. Forward-looking statements are all statements other than statements of historical fact, and given our expectations or forecasts of future events as of the effective date of this Form 10-Q. Words such as "may," "could," "plan," "project," "budget," "predict," "target," "seek," "believe," "expect," "anticipate," "intend," "estimate," "will," "should," "continue" and similar expressions are generally used to identify forward-looking statements. These statements include, but are not limited to statements about our business strategy, industry, future profitability, future capital expenditures, our fleet conversion strategy and our share repurchase program. Such statements are subject to risks and uncertainties, many of which are difficult to predict and generally beyond our control, that could cause actual results to differ materially from those implied or projected by the forward-looking statements. Factors that could cause our actual results to differ materially from those contemplated by such forward-looking statements include:

- changes in general economic and geopolitical conditions, including as a result of 2024 presidential election, higher interest rates, the rate of inflation and a potential economic recession;
- central bank policy actions, bank failures and associated liquidity risks and other factors;
- the severity and duration of any world events and armed conflict, including the Russian-Ukraine war, conflicts in the Israel-Gaza region and continued hostilities in the Middle East, including rising tensions with Iran, and associated repercussions to supply and demand for oil and gas and the economy generally;
- the actions taken by the members of the Organization of the Petroleum Exporting Countries ("OPEC") and Russia (together with OPEC and other allied producing countries, "OPEC+") with respect to oil production levels and announcements of potential changes in such levels, including the ability of the OPEC+ countries to agree on and comply with supply limitations;
- actions taken by the current government, such as executive orders or new regulations, including climate-related regulations, that may negatively impact the future production of oil and natural gas in the United States and may adversely affect our future operations;
- the level of production and resulting market prices for crude oil, natural gas and other hydrocarbons;
- the effects of existing and future laws and governmental regulations (or the interpretation thereof) on us, our suppliers and our customers;
- cost increases and supply chain constraints related to our services, including any delays and/or supply chain disruptions due to increased hostilities in the Middle East;
- competitive conditions in our industry;
- our ability to attract and retain employees;
- changes in the long-term supply of, and demand for, oil and natural gas;
- actions taken by our customers, suppliers, competitors and third-party operators and the possible loss of customers or work to our competitors;
- technological changes, including lower emissions oilfield service equipment and similar advancements;
- changes in the availability and cost of capital;
- our ability to successfully implement our business plan, including execution of potential mergers and acquisitions;
- large or multiple customer defaults, including defaults resulting from actual or potential insolvencies;
- the effects of consolidation on our customers or competitors;
- the price and availability of debt and equity financing (including higher interest rates) for us and our customers;
- our ability to complete growth projects on time and on budget;
- increases in tax rates or types of taxes enacted that specifically impact exploration and production ("E&P") and related operations resulting in changes in the amount of taxes owed by us;

- regulatory and related policy actions intended by federal, state and/or local governments to reduce fossil fuel use and associated carbon emissions, or to drive the substitution of renewable forms of energy for oil and gas, may over time reduce demand for oil and gas and therefore the demand for our services;
- new or expanded regulations that materially limit our customers' access to federal and state lands for oil and gas development, thereby reducing demand for our services in the affected areas;
- growing demand for electric vehicles that result in reduced demand for gasoline and therefore the demand for our services;
- our ability to successfully implement technological developments and enhancements, including our new Tier IV Dynamic Gas Blending ("DGB") dual-fuel and FORCE® electric-powered hydraulic fracturing equipment, and other lower-emissions equipment we may acquire or that may be sought by our customers;
- the projected timing, purchase price and number of shares purchased under our share repurchase program, the sources of funds under the repurchase program and the impacts of the repurchase program;
- operating hazards, natural disasters, weather-related delays, casualty losses and other matters beyond our control, such as fires, which risks may be self-insured, or may not be fully covered under our insurance programs;
- exposure to cyber-security events which could cause operational disruptions or reputational harm;
- acts of terrorism, war or political or civil unrest in the United States or elsewhere; and
- the effects of current and future litigation.

Whether actual results and developments will conform with our expectations and predictions contained in forward-looking statements is subject to a number of risks and uncertainties which could cause actual results to differ materially from such expectations and predictions, including, without limitation, in addition to those specified in the text surrounding such statements, the risks described under Part II, Item 1A, "Risk Factors" in this Form 10-Q and elsewhere throughout this report, the risks described under Part I, Item 1A, "Risk Factors" in our Form 10-K for the year ended December 31, 2023 (the "Form 10-K"), filed with the U.S. Securities and Exchange Commission (the "SEC") and elsewhere throughout that report, and other risks, many of which are beyond our control.

Readers are cautioned not to place undue reliance on our forward-looking statements, which are made as of the date of this Form 10-Q. We do not undertake, and expressly disclaim, any duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by applicable securities laws. Investors are also advised to carefully review and consider the various risks and other disclosures discussed in our SEC reports, including the risk factors described in the Form 10-K.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	September 30, 2024	December 31, 2023
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 46,566	\$ 33,354
Accounts receivable - net of allowance for credit losses of \$236 and \$236, respectively	225,617	237,012
Inventories	16,743	17,705
Prepaid expenses	9,453	14,640
Short-term investment, net	7,405	7,745
Other current assets	1,037	353
Total current assets	306,821	310,809
PROPERTY AND EQUIPMENT - net of accumulated depreciation	716,823	967,116
OPERATING LEASE RIGHT-OF-USE ASSETS	127,085	78,583
FINANCE LEASE RIGHT-OF-USE ASSETS	35,562	47,449
OTHER NONCURRENT ASSETS:		
Goodwill	26,754	23,624
Intangible assets - net of amortization	65,155	50,615
Other noncurrent assets	2,010	2,116
Total other noncurrent assets	93,919	76,355
TOTAL ASSETS	\$ 1,280,210	\$ 1,480,312
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
CURRENT LIABILITIES:		
Accounts payable	\$ 128,615	\$ 161,441
Accrued and other current liabilities	73,738	75,616
Operating lease liabilities	33,532	17,029
Finance lease liabilities	18,967	17,063
Total current liabilities	254,852	271,149
DEFERRED INCOME TAXES	63,882	93,105
LONG-TERM DEBT	45,000	45,000
NONCURRENT OPERATING LEASE LIABILITIES	56,275	38,600
NONCURRENT FINANCE LEASE LIABILITIES	18,145	30,886
OTHER LONG-TERM LIABILITIES	9,100	3,180
Total liabilities	447,254	481,920
COMMITMENTS AND CONTINGENCIES (Note 13)		
SHAREHOLDERS' EQUITY:		
Preferred stock, \$0.001 par value, 30,000,000 shares authorized, none issued, respectively	—	—
Common stock, \$0.001 par value, 200,000,000 shares authorized, 103,282,917 and 109,483,281 shares issued, respectively	103	109
Additional paid-in capital	884,616	929,249
Retained earnings (accumulated deficit)	(51,763)	69,034
Total shareholders' equity	832,956	998,392
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,280,210	\$ 1,480,312

See notes to condensed consolidated financial statements.

**PROPETRO HOLDING CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except per share data)  
(Unaudited)

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
REVENUE - Service revenue	\$ 360,868	\$ 423,804	\$ 1,123,732	\$ 1,282,623
COSTS AND EXPENSES				
Cost of services (exclusive of depreciation and amortization)	267,555	292,490	822,041	870,767
General and administrative expenses (inclusive of stock-based compensation)	28,356	28,597	87,492	86,364
Depreciation and amortization	54,299	45,361	164,027	124,749
Impairment expense	188,601	—	188,601	—
Loss on disposal of assets	2,149	12,673	11,884	62,117
Total costs and expenses	540,960	379,121	1,274,045	1,143,997
OPERATING (LOSS) INCOME	(180,092)	44,683	(150,313)	138,626
OTHER INCOME (EXPENSE):				
Interest expense	(1,939)	(1,169)	(5,933)	(3,016)
Other income (expense), net	3,599	1,883	7,408	(1,749)
Total other income (expense), net	1,660	714	1,475	(4,765)
INCOME (LOSS) BEFORE INCOME TAXES	(178,432)	45,397	(148,838)	133,861
INCOME TAX BENEFIT (EXPENSE)	41,365	(10,644)	28,041	(31,118)
NET (LOSS) INCOME	\$ (137,067)	\$ 34,753	\$ (120,797)	\$ 102,743
NET (LOSS) INCOME PER COMMON SHARE:				
Basic	\$ (1.32)	\$ 0.31	\$ (1.14)	\$ 0.90
Diluted	\$ (1.32)	\$ 0.31	\$ (1.14)	\$ 0.90
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
Basic	104,121	112,286	106,314	113,960
Diluted	104,121	112,698	106,314	114,294

*See notes to condensed consolidated financial statements.*

**PROPETRO HOLDING CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(In thousands)  
(Unaudited)

**Nine Months Ended September 30, 2024**

	<b>Common Stock</b>		<b>Additional Paid-In Capital</b>	<b>Retained Earnings</b>	<b>Total</b>
	<b>Shares</b>	<b>Amount</b>		<b>(Accumulated Deficit)</b>	
BALANCE - January 1, 2024	109,483	\$ 109	\$ 929,249	\$ 69,034	\$ 998,392
Stock-based compensation cost	—	—	3,742	—	3,742
Issuance of equity awards, net	376	1	(1)	—	—
Tax withholdings paid for net settlement of equity awards	—	—	(1,209)	—	(1,209)
Share repurchases	(2,968)	(3)	(22,505)	—	(22,508)
Excise tax on share repurchases	—	—	(193)	—	(193)
Net income	—	—	—	19,930	19,930
BALANCE - March 31, 2024	106,891	\$ 107	\$ 909,083	\$ 88,964	\$ 998,154
Stock-based compensation cost	—	—	4,618	—	4,618
Issuance of equity awards, net	168	—	—	—	—
Tax withholdings paid for net settlement of equity awards	—	—	(61)	—	(61)
Share repurchases	(2,535)	(2)	(22,986)	—	(22,988)
Excise tax on share repurchases	—	—	(215)	—	(215)
Net loss	—	—	—	(3,660)	(3,660)
BALANCE - June 30, 2024	104,524	\$ 105	\$ 890,439	\$ 85,304	\$ 975,848
Stock-based compensation cost	—	—	4,615	—	4,615
Issuance of equity awards, net	28	—	—	—	—
Tax withholdings paid for net settlement of equity awards	—	—	(107)	—	(107)
Share repurchases	(1,269)	(2)	(10,231)	—	(10,233)
Excise tax on share repurchases	—	—	(100)	—	(100)
Net loss	—	—	—	(137,067)	(137,067)
BALANCE - September 30, 2024	103,283	\$ 103	\$ 884,616	\$ (51,763)	\$ 832,956

*See notes to condensed consolidated financial statements.*

**PROPETRO HOLDING CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(In thousands)  
(Unaudited)

**Nine Months Ended September 30, 2023**

	Common Stock		Additional Paid-In Capital	Retained Earnings	Total
	Shares	Amount		(Accumulated Deficit)	
BALANCE - January 1, 2023	114,515	\$ 114	\$ 970,519	\$ (16,600)	\$ 954,033
Stock-based compensation cost	—	—	3,536	—	3,536
Issuance of equity awards, net	656	1	(1)	—	—
Tax withholdings paid for net settlement of equity awards	—	—	(3,379)	—	(3,379)
Net income	—	—	—	28,733	28,733
BALANCE - March 31, 2023	115,171	\$ 115	\$ 970,675	\$ 12,133	\$ 982,923
Stock-based compensation cost	—	—	3,758	—	3,758
Issuance of equity awards, net	76	—	—	—	—
Tax withholdings paid for net settlement of equity awards	—	—	(4)	—	(4)
Share repurchases	(2,289)	(2)	(17,468)	—	(17,470)
Excise tax on share repurchases	—	—	(105)	—	(105)
Net income	—	—	—	39,257	39,257
BALANCE - June 30, 2023	112,958	\$ 113	\$ 956,856	\$ 51,390	\$ 1,008,359
Stock-based compensation cost	—	—	3,310	—	3,310
Issuance of equity awards, net	25	—	—	—	—
Tax withholdings paid for net settlement of equity awards	—	—	(123)	—	(123)
Share Repurchases	(1,892)	(2)	(18,785)	—	(18,787)
Excise tax on share repurchases	—	—	(185)	—	(185)
Net income	—	—	—	34,753	34,753
BALANCE - September 30, 2023	111,091	\$ 111	\$ 941,073	\$ 86,143	\$ 1,027,327

*See notes to condensed consolidated financial statements.*



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

	<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net (loss) income	\$ (120,797)	\$ 102,743
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	164,027	124,749
Impairment expense	188,601	—
Deferred income tax (benefit) expense	(29,224)	28,753
Amortization of deferred debt issuance costs	327	250
Stock-based compensation	12,975	10,604
Loss on disposal of assets	11,884	62,117
Unrealized loss on short-term investment	340	2,120
Noncash gain from adjustment of business acquisition contingent consideration	(1,800)	—
Changes in operating assets and liabilities, net of effects of business acquisition:		
Accounts receivable	21,876	(44,832)
Other current assets	(480)	(2,584)
Inventories	962	(4,520)
Prepaid expenses	4,966	(275)
Accounts payable	(31,933)	9,584
Accrued and other current liabilities	(7,292)	16,362
Net cash provided by operating activities	214,432	305,071
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	(112,449)	(320,747)
Business acquisition, net of cash acquired	(21,038)	—
Proceeds from sale of assets	2,884	7,976
Net cash used in investing activities	(130,603)	(312,771)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from borrowings	—	30,000
Repayments of borrowings	—	(15,000)
Payment of debt issuance costs	—	(1,179)
Payments on finance lease obligations	(13,067)	(889)
Tax withholdings paid for net settlement of equity awards	(1,377)	(3,506)
Share repurchases	(55,729)	(36,258)
Payment of excise tax on share repurchases	(444)	—
Net cash used in financing activities	(70,617)	(26,832)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,212	(34,532)
CASH AND CASH EQUIVALENTS - Beginning of period	33,354	88,862
CASH AND CASH EQUIVALENTS - End of period	\$ 46,566	\$ 54,330
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Capital expenditures included in accounts payable and accrued liabilities	\$ 17,779	\$ 33,189
Business acquisition deferred cash consideration included in other current liabilities	\$ 3,664	\$ —
Business acquisition contingent consideration included in other long-term liabilities	\$ 10,900	\$ —

*See notes to condensed consolidated financial statements.*

**PROPETRO HOLDING CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**Note 1 - Basis of Presentation**

The accompanying condensed consolidated financial statements of ProPetro Holding Corp. and its subsidiaries (the "Company," "we," "us" or "our") have been prepared in accordance with the requirements of the U.S. Securities and Exchange Commission ("SEC") for interim financial information and do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America ("GAAP") for annual financial statements. Those adjustments (which consisted of normal recurring accruals) that are, in the opinion of management, necessary for a fair presentation of the results of the interim periods have been made. Results of operations for such interim periods are not necessarily indicative of the results of operations for a full year due to changes in market conditions and other factors. The condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2023, included in our Form 10-K filed with the SEC (our "Form 10-K").

**Revenue Recognition**

The Company's services are sold based upon contracts with customers. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer.

Hydraulic fracturing is an oil well completion technique, which is part of the overall well completion process. It is a well-stimulation technique intended to optimize hydrocarbon flow paths during the completion phase of shale wellbores. The process involves the injection of water, sand and chemicals under high pressure into shale formations. Our hydraulic fracturing contracts with our customers have one performance obligation, which is the contracted total stages, satisfied over time. We recognize revenue over time using a progress output, unit-of-work performed method, which is based on the agreed fixed transaction price and actual stages completed. We believe that recognizing revenue based on actual stages completed accurately depicts how our hydraulic fracturing services are transferred to our customers over time. In addition, certain of our hydraulic fracturing equipment may be entitled to reservation fee charges if a customer were to reserve committed hydraulic fracturing equipment. The Company recognizes revenue related to reservation fee charges on a daily basis as the performance obligations are met. We also deliver wet sand to customer oil well sites for use in the hydraulic fracturing process. The Company recognizes revenue related to its sale of sand and delivery service as it fulfills sand deliveries to the customer.

Acidizing, which is part of our hydraulic fracturing operating segment, involves a well-stimulation technique where acid or similar chemicals are injected under pressure into formations to form or expand fissures. Our acidizing contracts have one performance obligation, satisfied at a point-in-time, upon completion of the contracted service or sale of the acid or chemical when control is transferred to the customer. Jobs for these services are typically short term in nature, with most jobs completed in less than a day. We recognize acidizing revenue at a point-in-time, upon completion of the performance obligation.

Our cementing services use pressure pumping equipment to deliver a slurry of liquid cement that is pumped down a well between the casing and the borehole. Our cementing contracts have one performance obligation, satisfied at a point-in-time, upon completion of the contracted service when control is transferred to the customer. Jobs for these services are typically short term in nature, with most jobs completed in less than a day. We recognize cementing revenue at a point-in-time, upon completion of the performance obligation.

Wireline services (including pumpdown) are oil well completion techniques, which are part of the well completion process. Our wireline services utilize equipment with a drum of wireline to deploy perforating guns in the well to perforate the casing, cement, and formation. Once the well is perforated, the well can be fractured. Pumpdown utilizes pressure pumping equipment to pump water into the well to deploy perforating guns attached to wireline through the lateral section of a well. Our wireline contracts with our customers have one performance obligation, which is the contracted total stages, satisfied over time. We recognize revenue over time using a progress output, unit-of-work performed method, which is based on the agreed fixed transaction price and actual stages completed. We believe that recognizing revenue based on actual stages completed accurately depicts how our wireline services are transferred to our customers over time. In addition, certain of our wireline equipment is entitled to daily equipment charges while the equipment is on the customer's locations. The Company recognizes revenue related to daily equipment charges on a daily basis as the performance obligations are met.

The transaction price for each performance obligation for all our completion services is fixed per our contracts with our customers.

**PROPETRO HOLDING CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**Accounts Receivable**

Accounts receivable are stated at the amount billed and billable to customers. At September 30, 2024 and December 31, 2023, accrued revenue (unbilled receivable) included as part of our accounts receivable was \$83.6 million and \$55.4 million, respectively. At September 30, 2024, the transaction price allocated to the remaining performance obligation for our partially completed hydraulic fracturing and wireline operations was \$24.2 million, which is expected to be completed and recognized as revenue within one month following the current period balance sheet date.

**Allowance for Credit Losses**

As of September 30, 2024, the Company had \$0.2 million allowance for credit losses. Our allowance for credit losses is based on the evaluation of both our historic collection experience and the economic outlook for the oil and gas industry. We evaluated the historic loss experience on our accounts receivable and also separately considered customers with receivable balances that may be negatively impacted by current or future economic developments and market conditions. While the Company has not experienced significant credit losses in the past and has not yet seen material adverse changes to the payment patterns of its customers, the Company cannot predict with any certainty the degree to which the impacts of depressed economic activities, including the potential impact of periodically adjusted borrowing base limits, level of hedged production, or unforeseen well shut-downs may affect the ability of its customers to timely pay receivables when due. Accordingly, in future periods, the Company may revise its estimates of expected credit losses.

The table below shows a summary of allowance for credit losses during the nine months ended September 30, 2024:

(in thousands)

Balance - January 1, 2024	\$	236
Provision for credit losses during the period		—
Write-off during the period		—
Balance - September 30, 2024	\$	<u>236</u>

**Customer Cash Advances**

We have received cash advances from a customer in connection with our contract with the customer to provide FORCE<sup>®</sup> electric-powered hydraulic fracturing equipment and services. These cash advances from the customer will be credited towards the customer's invoice as our revenue performance obligations are met over the contract period. The cash advances received represent contract liabilities in connection with the performance of certain completion services. The cash advance (contract liability) balances, which are included in accrued and other current liabilities in our condensed consolidated balance sheets, were \$13.9 million and \$19.2 million as of September 30, 2024 and December 31, 2023, respectively. During the nine months ended September 30, 2024 and 2023, we recognized revenue of \$4.9 million and \$4.2 million, respectively, from the cash advance amount outstanding at the beginning of the period.

**Reclassification of Prior Period Presentation**

Certain reclassifications have been made to prior period segment information to conform to the current period presentation. These reclassifications had no effect on our balance sheet, operating and net income (loss) or cash flows from operating, investing and financing activities. The write-offs of remaining book value of prematurely failed power ends are recorded as loss on disposal of assets in 2024. In order to conform to current period presentation, we have reclassified the corresponding amount of \$8.4 million and \$32.7 million from depreciation to loss on disposal of assets for the three and nine months ended September 30, 2023, respectively.

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**Depreciation and Amortization**

Depreciation and amortization comprised the following:

(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Depreciation and amortization related to cost of services	\$ 52,046	\$ 43,889	\$ 158,586	\$ 120,255
Depreciation and amortization related to general and administrative expenses	2,253	1,472	5,441	4,494
Total depreciation and amortization	<u>\$ 54,299</u>	<u>\$ 45,361</u>	<u>\$ 164,027</u>	<u>\$ 124,749</u>

**Income Taxes**

Total income tax benefit was \$28.0 million resulting in an effective tax rate of 18.8% for the nine months ended September 30, 2024, as compared to income tax expense of \$31.1 million or an effective tax rate of 23.2% for the nine months ended September 30, 2023. The change in effective tax rate for the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023, is primarily attributable to the difference in the impact of nondeductible expenses and state taxes on the pre-tax loss for 2024, as compared to pre-tax income for 2023.

**Share Repurchases**

All shares of common stock repurchased through the Company's share repurchase program are retired upon repurchase. The Company accounts for the purchase price of repurchased common stock in excess of par value (\$0.001 per share of common stock) as a reduction of additional paid-in capital, and will continue to do so until additional paid-in capital is reduced to zero. Thereafter, any excess purchase price will be recorded as a reduction of retained earnings or an increase in accumulated deficit.

**Note 2 - Recently Issued Accounting Standards**

In October 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2023-06, *Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*. This ASU incorporates certain SEC disclosure requirements into the FASB Accounting Standards Codification ("Codification" or "ASC"). The amendments in the ASU represent changes to clarify or improve disclosure and presentation requirements of a variety of Codification topics, allow users to more easily compare entities subject to the SEC's existing disclosures with those entities that were not previously subject to the requirements, and align the requirements in the Codification with the SEC's regulations. ASU 2023-06 will become effective for each amendment on the effective date of the SEC's corresponding disclosure rule changes. We do not expect ASU No. 2023-06 to have a material impact on our condensed consolidated financial statements.

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In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which requires public entities to disclose on an annual and interim basis, 1) significant segment expenses that are regularly provided to the Chief Operating Decision Maker (the "CODM") and included within each reported measure of segment profit or loss (collectively referred to as the "significant expense principle") and 2) an amount for other segment items representing the difference between segment revenue less the segment expenses disclosed under the significant expense principle and each reported measure of segment profit or loss. This ASU also requires public entities to provide all annual disclosures about a reportable segment's profit or loss and assets currently required by Topic 280 in interim periods, clarifies that if the CODM uses more than one measure of a segment's profit or loss in assessing segment performance and deciding how to allocate resources, a public entity may report one or more of those additional measures of segment profit or loss but at least one of the reported segment profit or loss measures (or the single reported measure, if only one is disclosed) should be the measure that is most consistent with the measurement principles under GAAP. This ASU also requires disclosure of the title and position of the CODM and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources, and requires a public entity that has a single reportable segment to provide all the disclosures required by the amendments in this ASU and all existing segment disclosures in Topic 280. This ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. We do not expect to early adopt ASU No. 2023-07. This ASU will result in additional disclosures in our Reportable Segment Information note, but will not have a material impact on our consolidated financial statements.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires disaggregation of certain components included in the Company's effective tax rate and income taxes paid disclosures. The guidance is effective for annual periods beginning after December 15, 2024. We are currently assessing the impact of ASU No. 2023-09 on our income tax disclosures.

**Note 3 - Business Acquisitions**

*AquaProp<sup>SM</sup> Wet Sand Solutions Acquisition*

On May 31, 2024, the Company completed the acquisition of all of the outstanding equity interests in Aqua Prop, LLC ("AquaProp"). AquaProp is an oilfield service company based in Midland, Texas that provides wet sand solutions for hydraulic fracturing sand requirements at oil well sites. As a result of the acquisition, the Company expanded its operations into the wet sand service business unit.

The following table summarizes the consideration transferred to AquaProp at the acquisition date:

(in thousands)

**Fair value of purchase consideration:**

Cash	\$ 21,216
Deferred cash consideration	3,664
Contingent consideration	10,900
Total consideration	<u>\$ 35,780</u>

Cash consideration includes \$13.7 million paid to the seller, \$ 7.2 million paid to settle the seller's outstanding debt, and \$ 0.3 million paid for the seller's transaction expenses.

Included in the deferred cash consideration is a liability incurred to the seller of \$ 1.8 million. In the purchase agreement as a post-closing transaction, AquaProp's seller agreed to purchase and then sell to the Company, and the Company agreed to purchase from the seller, two additional equipment spreads within 90 days of the closing at a purchase price equal to cost plus a 50% premium. The post-closing transaction was determined to be a transaction separate from the business combination, but the premium was determined to represent consideration transferred in the business combination as the above market terms of the arrangement would not have been agreed upon absent the business combination. Accordingly, the liability incurred to the seller was recognized as consideration in the business combination as cash was not paid at closing. The post-closing transaction for the Company's purchase of the additional equipment occurred in July 2024 and the purchases were accounted for as additions

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**Note 3 - Business Acquisitions (Continued)**

to property and equipment in our condensed consolidated balance sheet and capital expenditures in our condensed consolidated statement of cash flows.

Also in the purchase agreement as an additional post-closing transaction, the seller agreed to purchase and then deliver to the Company up to five more additional equipment spreads at the request of the Company within a 30-month period following the delivery of the first additional spread at a purchase price equal to the lower of \$4.8 million or cost. The additional post-closing transaction was determined to be a transaction separate from the business combination, and no portion of the transaction was determined to represent consideration transferred in the business combination as the terms were at market. The additional post-closing transaction for the Company's purchase of the additional equipment will be accounted for as additions to property and equipment in our condensed consolidated balance sheet and capital expenditures in our condensed consolidated statement of cash flows.

The acquisition of AquaProp also included a contingent consideration arrangement that requires additional consideration to be paid by the Company to the seller based on the amount of wet sand delivered during a 30-month period following the delivery of the first additional spread, attributable to the five additional equipment spreads described above. Amounts are payable under the earnout arrangement if the Company reaches certain delivery thresholds (in tons) of wet sand using the specific equipment provided by the seller or by other parties. The range of the undiscounted amounts the Company could be obligated to pay under the contingent consideration agreement is between \$0 and \$12.5 million. The fair value of the contingent consideration for the business combination recognized at the acquisition date of \$10.9 million was estimated by applying the probability-weighted expected return method for the different scenarios that may occur based on the amount of additional equipment delivered by the seller, at the request of the Company, and the amount of wet sand expected to be delivered by such equipment. The fair value measurement of the contingent consideration is based on significant inputs not observable in the market, and thus represent Level 3 measurements. The contingent consideration payable will be adjusted to estimated fair value at the end of each subsequent reporting period until the contingencies are resolved and consideration payments are made. The estimated fair value of the contingent consideration payable was \$9.1 million at September 30, 2024, resulting in a \$1.8 million decrease from June 30, 2024. The decrease in the estimated fair value of the contingent consideration payable was primarily driven by updated projections regarding the probability of different scenarios and the amount and timing of additional equipment to be delivered by the seller under those scenarios. The decrease in the estimated contingent consideration payable is included in other income (expense) in our condensed consolidated statements of operations for the three and nine months ended September 30, 2024.

The following table summarizes the recognized preliminary amounts of identified assets, and liabilities assumed at the acquisition date:

(in thousands)

**Recognized amounts of assets acquired and liabilities assumed:**

Cash	\$ 178
Accounts receivable	10,551
Property and equipment	13,468
Intangible assets:	
Trade name	1,300
Customer relationships	18,600
Accounts payable	(1,423)
Factored receivables	(10,024)
Total net assets acquired	32,650
Goodwill	3,130
Total consideration	<u>\$ 35,780</u>

Preliminary estimates of fair values of the assets acquired and the liabilities assumed are based on information provided by AquaProp's seller and available through the issuance of these condensed consolidated financial statements. The Company is continuing to evaluate the underlying inputs and assumptions used in the valuations and the completeness of assets and liabilities recognized as the AquaProp Acquisition closed on May 31, 2024. Amounts recorded for all assets acquired, other than cash, and liabilities assumed, and the completeness of assets and liabilities recognized, are provisional. Accordingly, these preliminary estimates are subject to change during the measurement period. The measurement period ends on the earlier of the Company obtaining all necessary information that existed as of the acquisition date or one year from the acquisition date. As we

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**Note 3 - Business Acquisitions (Continued)**

continue to integrate the acquired business, we may obtain additional information on the acquired accounts receivable, property and equipment, identifiable intangible assets, accounts payable and factoring receivables which if significant, may require revisions to preliminary valuation assumptions, estimates and resulting fair values. We expect to finalize these amounts within one year from the acquisition date.

The fair value of the assets acquired includes accounts receivable of \$ 10.6 million. The gross amount due under contracts is \$ 10.6 million, of which none is expected to be uncollectible. The Company did not acquire any other class of receivable as a result of the acquisition of AquaProp.

The assets acquired include two intangible assets, the trademark/trade name for AquaProp and the customer relationships. The trademark was assigned a fair value of \$1.3 million with zero residual value and will be amortized on a straight-line basis over fifteen years. The customer relationships were assigned a fair value of \$18.6 million with zero residual value and will be amortized on a straight-line basis over six years. The fair value of the trademark was estimated using the relief-from-royalty method, which calculates the hypothetical royalty fees that would be saved by owning an intangible asset rather than licensing it from another owner. This method forecasts revenue over the estimated useful life of the asset and then applies the following: a royalty rate based on comparable royalty and/or licensing transactions, income tax rate and discount rate, to calculate the discounted cash flows to arrive at the value of the trademark. Key assumptions include revenue forecasted at historical trends with a 0% long-term growth rate, 1.0% royalty rate, 21.6% income tax rate and a 40.5% discount rate. The fair value of the customer relationships was estimated using the multi-period excess earnings method. This method is a specific application of the discounted cash flow method, in which revenue derived from the intangible asset is estimated using total business revenue as a proxy and subsequently adjusted for attrition. Then deductions are made for business expenses and required returns attributable to other assets in the business. The excess earnings after these deductions are discounted to present value at an appropriate rate of return to arrive at the intangible asset value. Key assumptions include revenue forecasted at historical trends with a 0% long-term growth rate, 20.0% attrition rate, 21.6% income tax rate and a 40.5% discount rate.

The goodwill is attributable to the acquired workforce and significant synergies. Goodwill is assigned 100% to the hydraulic fracturing operating segment of the Company. The goodwill recognized is deductible for income tax purposes.

During the three months ended September 30, 2024, the Company made a measurement period adjustment to increase accounts payable acquired as part of the acquisition of AquaProp by \$0.5 million to reflect facts and circumstances in existence as of the acquisition date. This adjustment decreased the deferred cash consideration payable to the seller.

The acquired business generated revenues of \$18.7 million and a net loss of \$ 2.2 million for the three months ended September 30, 2024, and revenues of \$23.6 million and a net loss of \$ 1.5 million for the period from May 31, 2024, to September 30, 2024.

The following combined supplemental pro forma information assumes the AquaProp Acquisition occurred on January 1, 2023. The supplemental pro forma information presented below is for illustrative purposes only and does not reflect future events that occurred after September 30, 2024 or any operating efficiencies or inefficiencies that may result from the AquaProp Acquisition. The information is not necessarily indicative of results that would have been achieved had the Company controlled AquaProp during the periods presented.

(unaudited, in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue	\$ 360,868	\$ 428,435	\$ 1,166,222	\$ 1,289,157
Net (loss) income	(136,647)	35,413	(109,682)	102,298

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**Note 3 - Business Acquisitions (Continued)**

For the three and nine ended September 30, 2024, the Company incurred acquisition-related costs of \$ 0.4 million and \$1.5 million, respectively. These expenses are included in general and administrative expenses on the Company's condensed consolidated statement of operations.

*Par Five Acquisition*

On December 1, 2023, the Company completed the acquisition of certain assets and certain liabilities of Par Five Energy Services LLC ("Par Five"), an oilfield service company based in Artesia, New Mexico that provides cementing and remediation services across the Permian Basin in Texas and New Mexico (the "Par Five Acquisition"). As a result of the Par Five Acquisition, the Company expanded its operations in the cementing service business unit.

The following table summarizes the consideration transferred to Par Five and the recognized amounts of identified assets acquired and liabilities assumed at the acquisition date:

(in thousands)

**Total purchase consideration:**

Cash	\$ 22,215
Deferred cash consideration	3,109
Total consideration	<u>\$ 25,324</u>

(in thousands)

**Recognized amounts of assets acquired and liabilities assumed:**

Accounts receivable	\$ 8,641
Inventory	321
Property, plant and equipment	17,175
Accrued liabilities	(813)
Total net assets acquired	<u>\$ 25,324</u>

The deferred cash consideration of \$3.1 million will be used to cover the amount by which the estimated purchase price exceeds the final purchase price, if any. The unused amount is payable to Par Five or its beneficiary on June 1, 2025 and accrues interest at 4.0% per annum. This obligation is shown within other current liabilities in our condensed consolidated balance sheets. As of September 30, 2024, the outstanding amount for this obligation was \$3.1 million.

The fair value of the assets acquired includes account receivables of \$8.6 million. The gross amount due under contracts is \$8.6 million, of which none is expected to be uncollectible. The Company did not acquire any other class of receivable as a result of the acquisition of Par Five. The Company previously recognized a preliminary estimate of \$8.7 million for accounts receivable acquired as part of the Par Five Acquisition. During the three months ended September 30, 2024, the Company made a measurement period adjustment to increase accounts receivable by \$ 0.1 million. During the nine months ended September 30, 2024, the Company made a measurement period adjustment to decrease accounts receivable by \$ 0.1 million. These measurement period adjustments reflect facts and circumstances in existence as of the acquisition date. The cumulative impact of these adjustments was a decrease in deferred cash consideration payable.

**Note 4 - Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses various valuation approaches and establishes a hierarchy for inputs used in measuring fair value that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used, when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions other market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the observability of inputs as follows:



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**Note 4 - Fair Value Measurements (Continued)**

Level 1 — Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these instruments does not entail a significant degree of judgment.

Level 2 — Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 — Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

*Assets and Liabilities Measured at Fair Value on a Recurring Basis*

The fair values of cash, cash equivalents and restricted cash, accounts receivable, accounts payable, accrued and other current liabilities, and long-term debt are estimated to be approximately equivalent to carrying amounts as of September 30, 2024 and December 31, 2023 and have been excluded from the table below.

Assets and liabilities measured at fair value on a recurring basis are set forth below:

(in thousands)

		Estimated fair value measurements			
	Balance	Quoted prices in active market (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)	Total gains (losses)
September 30, 2024:					
Short-term investment	\$ 7,405	\$ 7,405	\$ —	\$ —	\$ (340)
Business acquisition contingent consideration payable	\$ 9,100	\$ —	\$ —	\$ 9,100	\$ 1,800
December 31, 2023:					
Short-term investment	\$ 7,745	\$ 7,745	\$ —	\$ —	\$ (2,538)

*Short-term investment*— On September 1, 2022, the Company received 2.6 million common shares of STEP Energy Services Ltd. ("STEP") with an estimated fair value of \$11.8 million as part of the consideration for the sale of our coiled tubing assets to STEP. The shares were treated as an investment in equity securities measured at fair value using Level 1 inputs based on observable prices on the Toronto Stock Exchange and are shown under current assets in our condensed consolidated balance sheets. As of September 30, 2024, the fair value of the short-term investment was estimated at \$7.4 million. The fluctuation in stock price resulted in an unrealized loss of \$0.4 million and \$0.3 million for the three and nine months ended September 30, 2024, respectively. Included in the unrealized loss for three and nine months ended September 30, 2024 was a gain of \$0.1 million and a loss of \$0.1 million, respectively, resulting from non-cash foreign currency translation. The fluctuation in stock price resulted in an unrealized gain of \$1.8 million and an unrealized loss of \$2.1 million for the three and nine months ended September 30, 2023, respectively. Included in the unrealized gain for the three months ended September 30, 2023 and the unrealized loss for the nine months ended September 30, 2023 was a loss of \$0.2 million and \$0.1 million resulting from non-cash foreign currency translation during the three and nine months ended September 30, 2023, respectively. The unrealized loss resulting from stock price fluctuation and the unrealized gain and loss resulting from non-cash foreign currency translation are included in other income (expense) in our condensed consolidated statements of operations. The Company is restricted from selling, transferring or assigning more than 0.9 million shares in any one calendar month.

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**Note 4 - Fair Value Measurements (Continued)**

*Business acquisition contingent consideration payable*— On May 31, 2024, the Company completed the acquisition of all of the outstanding equity interests in AquaProp in exchange for \$13.7 million of cash, \$3.7 million of deferred cash consideration payable to AquaProp's seller by May 31, 2025, the payoff of \$7.2 million of assumed debt, the payment of \$ 0.3 million of certain transaction costs and estimated contingent consideration of \$ 10.9 million. The contingent consideration payable was measured at fair value using Level 3 inputs based on the probability-weighted expected return method and is shown under other long-term liabilities in our condensed consolidated balance sheets. The fair value of the contingent consideration payable is remeasured at the end of each reporting period. As of September 30, 2024, the estimated fair value of the contingent consideration payable was \$9.1 million resulting in a \$1.8 million decrease from June 30, 2024. The decrease in the estimated fair value of the contingent consideration payable was primarily driven by updated projections regarding the probability of different scenarios and the amount and timing of additional equipment to be delivered by the seller under those scenarios. Increases or decreases in any valuation inputs in isolation may result in a significantly lower or higher fair value measurement in the future.

The following table presents a reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3):

(in thousands)

	Three Months Ended September 30, 2024	Nine Months Ended September 30, 2024
Business acquisition contingent consideration payable - opening balance	\$ 10,900	\$ —
Addition	—	10,900
Decrease in estimated fair value <sup>(1)</sup>	(1,800)	(1,800)
Business acquisition contingent consideration payable - closing balance	<u>\$ 9,100</u>	<u>\$ 9,100</u>

(1) The decrease in the estimated fair value of the business acquisition contingent consideration payable is included in other income (expense) in our condensed consolidated statements of operations for the three and nine months ended September 30, 2024.

*Assets Measured at Fair Value on a Nonrecurring Basis*

Assets measured at fair value on a nonrecurring basis are set forth below:

(in thousands)

		Estimated fair value measurements			Total gains (losses)
		Quoted prices in active market (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)	
	Balance				
<b>September 30, 2024:</b>					
Property and equipment, net	\$ 63,791	\$ —	\$ —	\$ 63,791	\$ (188,601)
<b>December 31, 2023:</b>					
Property and equipment, net	\$ —	\$ —	\$ —	\$ —	\$ —

Certain assets and liabilities 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. These assets and liabilities include those acquired through the AquaProp and Par Five Acquisitions, which are required to be measured at fair value on the acquisition date according to the FASB ASC Topic 805, *Business Combinations*.

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**Note 4 - Fair Value Measurements (Continued)**

Whenever events or circumstances indicate that the carrying value of long-lived assets may not be recoverable, the Company reviews the carrying values of long-lived assets, such as property and equipment and other assets to determine if they are recoverable. If any long-lived assets are determined to be unrecoverable, an impairment expense is recorded in the period. As part of the quarterly evaluation for the three months ended September 30, 2024, after evaluating the current market conditions and new information available, such as decreasing customer demand for and related pricing pressures on its conventional Tier II diesel-only hydraulic fracturing pumping units and associated conventional assets, (the "Tier II Units"), among other factors, the Company determined that the marketability of its Tier II had declined. As a result, the Company plans to strategically phase out its Tier II Units before the end of the original weighted average remaining useful life of this asset group. The Company performed an impairment analysis on its Tier II Units as of September 30, 2024 by comparing estimated future cash flows on an undiscounted basis to the carrying value of these assets. The Company determined that its Tier II Units were impaired, as their carrying value was greater than their estimated future cash flows on an undiscounted basis. Accordingly, an impairment expense of approximately \$188.6 million which represented the difference between the carrying value and estimated fair value of the Company's Tier II Units was recorded in our hydraulic fracturing reportable segment for the three months ended September 30, 2024. At September 30, 2024, the estimated fair value of our Tier II Units of \$63.8 million was determined using the market and cost approaches, which represent nonrecurring Level 3 inputs in the fair value measurement hierarchy. Our fair value estimates required us to use significant unobservable inputs, including assumptions related to replacement cost, among others. The carrying value of our Tier II Units prior to the impairment expense was approximately \$252.4 million. No impairment of property and equipment was recorded during the three and nine months ended September 30, 2023.

Additionally, since the Company plans to phase out its Tier II Units earlier than the current weighted average remaining useful life of this asset group, we shortened the remaining useful lives of those Tier II Units that currently have useful lives beyond 2027 to no longer than the end of 2027 to align with management's use and expected economic life. This change was made effective October 1, 2024.

There were no additions to goodwill during the three months ended September 30, 2024. During the nine months ended September 30, 2024, we added \$3.1 million of goodwill to our hydraulic fracturing operating segment related to the acquisition of AquaProp. There were no additions to goodwill during the three and nine months ended September 30, 2023. At September 30, 2024, our hydraulic fracturing operating segment and our wireline operating segment (which are also considered reporting units) included goodwill amounting to \$3.1 million and \$23.6 million, respectively. The wireline operating segment was the only segment with goodwill at December 31, 2023. Our Tier II Units are only a portion of our hydraulic fracturing reporting unit and the impairment of these assets did not indicate an overall decrease in the fair value of the reporting unit below its carrying value. Accordingly, we determined that no impairment to the carrying value of goodwill for either of our reporting units (hydraulic fracturing and wireline operating segments) was required as of September 30, 2024. There were no goodwill impairment losses during the three and nine months ended September 30, 2024 and 2023, respectively. We conducted our annual impairment test of goodwill in accordance with ASC 350, *Intangibles—Goodwill and Other*, as of December 31, 2023 and determined that no impairment to the carrying value of goodwill for our reporting unit (wireline operating segment) was required.

**Note 5 - Intangible Assets**

Intangible assets consist of customer relationships and trademark/trade names. Customer relationships are amortized on a straight-line basis over useful lives of six and ten years. Trademark/trade names are amortized on a straight-line basis over useful lives of ten and fifteen years. Amortization expense included in net (loss) income for the three and nine months ended September 30, 2024 was \$2.2 million and \$5.4 million, respectively. Amortization expense included in net income for the three and nine months ended September 30, 2023 was \$1.4 million and \$4.2 million, respectively. The Company's intangible assets subject to amortization consisted of the following:

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(in thousands)

	September 30, 2024	December 31, 2023
Intangible assets:		
Trademark/trade names	\$ 12,100	\$ 10,800
Customer relationships	65,100	46,500
Total intangible assets	77,200	57,300
Accumulated amortization:		
Trademark/trade name	(2,099)	(1,260)
Customer relationships	(9,946)	(5,425)
Total accumulated amortization	(12,045)	(6,685)
Intangible assets — net	\$ 65,155	\$ 50,615

Estimated remaining amortization expense for each of the subsequent fiscal years is expected to be as follows:

(in thousands)

Year	Estimated future amortization expense
2024	\$ 2,229
2025	8,917
2026	8,917
2027	8,917
2028 and beyond	36,175
Total	\$ 65,155

The average amortization period for our remaining intangible assets is approximately 7.6 years.

**Note 6 - Long-Term Debt**

*Asset-Based Loan Credit Facility*

Our revolving credit facility, as amended and restated in April 2022, prior to giving effect to the amendment to the revolving credit facility in June 2023, had a total borrowing capacity of \$150.0 million. The revolving credit facility had a borrowing base of 85% to 90%, depending on the credit ratings of our accounts receivable counterparties, of monthly eligible accounts receivable less customary reserves. The revolving credit facility included a springing fixed charge coverage ratio to apply when excess availability was less than the greater of (i) 10% of the lesser of the facility size or the borrowing base or (ii) \$10.0 million. Under the revolving credit facility we were required to comply, subject to certain exceptions and materiality qualifiers, with certain customary affirmative and negative covenants, including, but not limited to, covenants pertaining to our ability to incur liens, indebtedness, changes in the nature of our business, mergers and other fundamental changes, disposal of assets, investments and restricted payments, amendments to our organizational documents or accounting policies, prepayments of certain debt, dividends, transactions with affiliates, and certain other activities.

Effective June 2, 2023, the Company entered into an amendment to its amended and restated revolving credit facility. The amendment increased the borrowing capacity under the revolving credit facility to \$225.0 million (subject to the Borrowing Base (as defined below) limit), and extended the maturity date to June 2, 2028.

Effective June 26, 2024, the Company entered into an amendment to its amended and restated revolving credit facility (the revolving credit facility, as amended and restated in April 2022, as amended in June 2023, as amended in June 2024 and as may be amended further, "ABL Credit Facility"). The amendment increased the amount of non-cash consideration that may be considered cash pursuant to certain permitted dispositions. The ABL Credit Facility has a borrowing base of the sum of 85% to

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**Note 6 - Long-Term Debt (Continued)**

90% of monthly eligible accounts receivable and 80% of eligible unbilled accounts (up to a maximum of 25% of the borrowing base), in each case, depending on the credit ratings of our accounts receivable counterparties, less customary reserves (the "Borrowing Base"), as redetermined monthly. The Borrowing Base as of September 30, 2024, was approximately \$131.4 million. The ABL Credit Facility includes a springing fixed charge coverage ratio to apply when excess availability is less than the greater of (i) 10% of the lesser of the facility size or the Borrowing Base or (ii) \$ 15.0 million. Under the ABL Credit Facility we are required to comply, subject to certain exceptions and materiality qualifiers, with certain customary affirmative and negative covenants, including, but not limited to, covenants pertaining to our ability to incur liens or indebtedness, changes in the nature of our business, mergers and other fundamental changes, disposal of assets, investments and restricted payments, amendments to our organizational documents or accounting policies, prepayments of certain debt, dividends, transactions with affiliates, and certain other activities. Borrowings under the ABL Credit Facility are secured by a first priority lien and security interest in substantially all assets of the Company.

Borrowings under the ABL Credit Facility accrue interest based on a three-tier pricing grid tied to availability, and we may elect for loans to be based on either the Secured Overnight Financing Rate ("SOFR") or the base rate, plus the applicable margin, which ranges from 1.75% to 2.25% for SOFR loans and 0.75% to 1.25% for base rate loans. For the three months ended September 30, 2024, the weighted average interest rate on our outstanding borrowings under the ABL Credit Facility was 7.18%.

The loan origination costs relating to the ABL Credit Facility are classified as an asset in the condensed consolidated balance sheets. As of September 30, 2024 and December 31, 2023, we had borrowings outstanding under our ABL Credit Facility of \$45.0 million and \$45.0 million, respectively. After borrowings outstanding and letters of credit of approximately \$6.0 million under the ABL Credit Facility, we had approximately \$80.4 million available for borrowing under our ABL Credit Facility as of September 30, 2024.

**Note 7 - Reportable Segment Information**

The Company currently has three operating segments for which discrete financial information is readily available: hydraulic fracturing (inclusive of acidizing), wireline and cementing. These operating segments represent how the CODM evaluates performance and allocates resources.

Prior to the fourth quarter of fiscal year 2023, our operating segments met the aggregation criteria in accordance with ASC 280 —Segment Reporting and were aggregated into the "Completion Services" reportable segment. Effective as of the fourth quarter of fiscal year 2023, we revised our segment reporting as we determined that our three operating segments no longer met the criteria to be aggregated. Our Hydraulic Fracturing and Wireline operating segments meet the criteria of a reportable segment. Our cementing segment does not meet the reportable segment criteria and is included within the "All Other" category. Additionally, our corporate administrative activities do not involve business activities from which it may earn revenues and its results are not regularly reviewed by the Company's CODM when making key operating and resource decisions. As a result, corporate administrative expenses and inter-segment revenue have been included under "Reconciling Items." Prior period segment information has been revised to conform to our current presentation.

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**Note 7 - Reportable Segment Information (Continued)**

The Company manages and assesses the performance of the reportable segment by its adjusted EBITDA (earnings before interest expense, income taxes, depreciation and amortization, stock-based compensation expense, other income or expense, gain or loss on disposal of assets and other unusual or nonrecurring expenses or income such as impairment charges, retention bonuses, severance, costs related to asset acquisitions, insurance recoveries, one-time professional fees and legal settlements).

The following tables set forth certain financial information with respect to the Company's reportable segments ; inter-segment revenues are shown under "Reconciling Items" (in thousands):

Three Months Ended September 30, 2024					
	Hydraulic Fracturing	Wireline	All Other	Reconciling Items	Total
Service revenue	\$ 274,138	\$ 47,958	\$ 38,920	\$ (148)	\$ 360,868
Adjusted EBITDA for reportable segments	\$ 66,166	\$ 9,194	\$ 8,989	\$ —	\$ 84,349
Depreciation and amortization	\$ 46,752	\$ 5,260	\$ 2,264	\$ 23	\$ 54,299
Impairment expense <sup>(1)</sup>	\$ 188,601	\$ —	\$ —	\$ —	\$ 188,601
Capital expenditures incurred	\$ 33,465	\$ 1,757	\$ 1,575	\$ 38	\$ 36,835
Goodwill	\$ 3,130	\$ 23,624	\$ —	\$ —	\$ 26,754
Total assets September 30, 2024	\$ 953,914	\$ 197,599	\$ 75,259	\$ 53,438	\$ 1,280,210

Three Months Ended September 30, 2023					
	Hydraulic Fracturing	Wireline	All Other	Reconciling Items	Total
Service revenue	\$ 340,089	\$ 52,775	\$ 30,940	\$ —	\$ 423,804
Adjusted EBITDA for reportable segments	\$ 99,586	\$ 14,011	\$ 6,375	\$ —	\$ 119,972
Depreciation and amortization <sup>(2)</sup>	\$ 39,098	\$ 4,860	\$ 1,363	\$ 40	\$ 45,361
Capital expenditures incurred	\$ 52,713	\$ 5,488	\$ 880	\$ —	\$ 59,081
Goodwill	\$ —	\$ 23,624	\$ —	\$ —	\$ 23,624
Total assets at December 31, 2023	\$ 1,189,526	\$ 198,957	\$ 78,475	\$ 13,354	\$ 1,480,312

Nine Months Ended September 30, 2024					
	Hydraulic Fracturing	Wireline	All Other	Reconciling Items	Total
Service revenue	\$ 855,066	\$ 157,966	\$ 110,935	\$ (235)	\$ 1,123,732
Adjusted EBITDA for reportable segments	\$ 215,995	\$ 36,687	\$ 20,433	\$ —	\$ 273,115
Depreciation and amortization	\$ 141,828	\$ 15,304	\$ 6,813	\$ 82	\$ 164,027
Impairment expense <sup>(1)</sup>	\$ 188,601	\$ —	\$ —	\$ —	\$ 188,601
Capital expenditures incurred	\$ 95,084	\$ 6,086	\$ 7,417	\$ 38	\$ 108,625
Goodwill	\$ 3,130	\$ 23,624	\$ —	\$ —	\$ 26,754
Total assets at September 30, 2024	\$ 953,914	\$ 197,599	\$ 75,259	\$ 53,438	\$ 1,280,210

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**Note 7 - Reportable Segment Information (Continued)**

**Nine Months Ended September 30, 2023**

	<b>Hydraulic Fracturing</b>	<b>Wireline</b>	<b>All Other</b>	<b>Reconciling Items</b>	<b>Total</b>
Service revenue	\$ 1,018,074	\$ 179,182	\$ 85,367	\$ —	\$ 1,282,623
Adjusted EBITDA for reportable segments	\$ 308,448	\$ 50,667	\$ 16,861	\$ —	\$ 375,976
Depreciation and amortization <sup>(2)</sup>	\$ 106,587	\$ 13,862	\$ 4,104	\$ 196	\$ 124,749
Capital expenditures incurred	\$ 256,350	\$ 10,887	\$ 4,247	\$ —	\$ 271,484
Goodwill	\$ —	\$ 23,624	\$ —	\$ —	\$ 23,624
Total assets at December 31, 2023	\$ 1,189,526	\$ 198,957	\$ 78,475	\$ 13,354	\$ 1,480,312

(1) Represents noncash impairment expense on our Tier II Units.

(2) The write-offs of remaining book value of prematurely failed power ends are recorded as loss on disposal of assets in 2024. In order to conform to current period presentation, we have reclassified the corresponding amounts of \$8.4 million and \$32.7 million from depreciation to loss on disposal of assets for the three and nine months ended September 30, 2023, respectively.

A reconciliation from reportable segment level financial information to the condensed consolidated statement of operations is provided in the table below (in thousands):

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
<b>Service Revenue</b>				
Hydraulic Fracturing	\$ 274,138	\$ 340,089	\$ 855,066	\$ 1,018,074
Wireline	47,958	52,775	157,966	179,182
All Other	38,920	30,940	110,935	85,367
Total service revenue for reportable segments	361,016	423,804	1,123,967	1,282,623
Elimination of inter-segment service revenue	(148)	—	(235)	—
Total consolidated service revenue	\$ 360,868	\$ 423,804	\$ 1,123,732	\$ 1,282,623
<b>Adjusted EBITDA</b>				
Hydraulic Fracturing	\$ 66,166	\$ 99,586	\$ 215,995	\$ 308,448
Wireline	9,194	14,011	36,687	50,667
All Other	8,989	6,375	20,433	16,861
Total Adjusted EBITDA for reportable segments	84,349	119,972	273,115	375,976
Unallocated corporate administrative expenses	(13,219)	(12,258)	(42,529)	(36,284)
Depreciation and amortization <sup>(1)</sup>	(54,299)	(45,361)	(164,027)	(124,749)
Impairment expense <sup>(2)</sup>	(188,601)	—	(188,601)	—
Interest expense	(1,939)	(1,169)	(5,933)	(3,016)
Income tax benefit (expense)	41,365	(10,644)	28,041	(31,118)
Loss on disposal of assets <sup>(1)</sup>	(2,149)	(12,673)	(11,884)	(62,117)
Stock-based compensation	(4,615)	(3,310)	(12,975)	(10,604)
Other income (expense), net <sup>(3)</sup>	3,599	1,883	7,408	(1,749)
Other general and administrative expense, net	(346)	(450)	(1,517)	(1,659)
Retention bonus and severance expense	(1,212)	(1,237)	(1,895)	(1,937)
Net (loss) income	\$ (137,067)	\$ 34,753	\$ (120,797)	\$ 102,743

(1) The write-offs of remaining book value of prematurely failed power ends are recorded as loss on disposal of assets in 2024. In order to conform to current period presentation, we have reclassified the corresponding amounts of \$8.4 million and \$32.7 million from depreciation to loss on disposal of assets for the three and nine months ended September 30, 2023, respectively.

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**Note 7 - Reportable Segment Information (Continued)**

(2) Represents noncash impairment expense on our Tier II Units.

(3) Other income for the three months ended September 30, 2024 is primarily comprised of tax refunds totaling \$1.8 million and a \$1.8 million decrease in the estimated fair value of the contingent consideration payable on our acquisition of AquaProp. Other income for the nine months ended September 30, 2024 is primarily comprised of tax refunds totaling \$3.6 million, insurance reimbursements of \$2.0 million and a \$1.8 million decrease in the estimated fair value of the contingent consideration payable on our acquisition of AquaProp. Other income for the three months ended September 30, 2023 is primarily comprised of a \$1.8 million unrealized gain on short-term investment. Other expense for the nine months ended September 30, 2023 is primarily comprised of a \$2.1 million unrealized loss on short-term investment.

**Note 8 - Net (Loss) Income Per Share**

Basic net (loss) income per common share is computed by dividing the net (loss) income relevant to the common stockholders by the weighted average number of common shares outstanding during the period. Diluted net (loss) income per common share uses the same net (loss) income divided by the sum of the weighted average number of shares of common stock outstanding during the period, plus dilutive effects of options, performance stock units ("PSUs") and restricted stock units ("RSUs") outstanding during the period calculated using the treasury method and the potential dilutive effects of preferred stocks (if any) calculated using the if-converted method.

The table below shows the calculations for the three and nine months ended September 30, 2024 and 2023 (in thousands, except for per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<i>Numerator (both basic and diluted)</i>				
Net (loss) income relevant to common stockholders	\$ (137,067)	\$ 34,753	\$ (120,797)	\$ 102,743
<i>Denominator</i>				
Denominator for basic income per share	104,121	112,286	106,314	113,960
Dilutive effect of stock options	—	—	—	—
Dilutive effect of performance share units	—	—	—	56
Dilutive effect of restricted stock units	—	412	—	278
Denominator for diluted income per share	104,121	112,698	106,314	114,294
Basic (loss) income per common share	\$ (1.32)	\$ 0.31	\$ (1.14)	\$ 0.90
Diluted (loss) income per common share	\$ (1.32)	\$ 0.31	\$ (1.14)	\$ 0.90

As shown in the table below, the following stock options, RSUs and PSUs have not been included in the calculation of diluted income per common share for the three and nine months ended September 30, 2024 and 2023 because they will be anti-dilutive to the calculation of diluted net (loss) income per common share:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Stock options	179	196	179	320
Restricted stock units	3,243	452	3,243	611
Performance stock units	1,381	—	1,381	—
Total	4,803	648	4,803	931

**Note 9 - Share Repurchase Program**

On April 24, 2024, the Company's board of directors (the "Board") approved an increase and extension to the share repurchase program previously authorized on May 17, 2023. The program permits the repurchase of up to an additional \$100 million of the



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**Note 9 - Share Repurchase Program (Continued)**

Company's common stock for a total of \$ 200 million and extends the expiration date by one year to May 31, 2025. The shares may be repurchased from time to time in open market transactions, block trades, accelerated share repurchases, privately negotiated transactions, derivative transactions or otherwise, certain of which may be made pursuant to a trading plan meeting the requirements of Rule 10b5-1 under the Exchange Act, in compliance with applicable state and federal securities laws. The timing, as well as the number and value of shares repurchased under the program, will be determined by the Company at its discretion and will depend on a variety of factors, including management's assessment of the intrinsic value of the Company's common stock, the market price of the Company's common stock, general market and economic conditions, available liquidity, compliance with the Company's debt and other agreements, applicable legal requirements, and other considerations. The Company is not obligated to purchase any shares under the repurchase program, and the program may be suspended, modified, or discontinued at any time without prior notice. The Company expects to fund the repurchases using cash on hand and expected free cash flow to be generated through May 2025. The 1% U.S. federal excise tax on certain repurchases of stock by publicly traded U.S. corporations applies to our share repurchase program.

All shares of common stock repurchased under the share repurchase program are canceled and retired upon repurchase. The Company accounts for the purchase price of repurchased shares of common stock in excess of par value (\$0.001 per share of common stock) as a reduction of additional-paid-in capital, and will continue to do so until additional paid-in-capital is reduced to zero. Thereafter, any excess purchase price will be recorded as a reduction of retained earnings. During the three months ended September 30, 2024, the Company paid an aggregate of \$10.2 million, an average price per share of \$8.06 including commissions, for share repurchases under the share repurchase program. The Company has accrued \$ 0.5 million in respect of the repurchase excise tax as of September 30, 2024. As of September 30, 2024, \$92.5 million remained authorized for future repurchases of common stock under the repurchase program.

**Note 10 - Stock-Based Compensation**

*Stock Options*

There were no new stock option grants during the nine months ended September 30, 2024. As of September 30, 2024, there was no aggregate intrinsic value for our outstanding or exercisable stock options because the closing stock price as of September 30, 2024 was below the cost to exercise these options. No stock options were exercised during the nine months ended September 30, 2024. The weighted average remaining contractual term for the outstanding and exercisable stock options as of September 30, 2024 was approximately 2.5 years.

A summary of the stock option activity for the nine months ended September 30, 2024 is presented below (in thousands, except for weighted average price):

	Number of Shares	Weighted Average Exercise Price
Outstanding at January 1, 2024	180	\$ 14.00
Granted	—	\$ —
Exercised	—	\$ —
Forfeited	—	\$ —
Expired	(1)	\$ 14.00
Outstanding at September 30, 2024	179	\$ 14.00
Exercisable at September 30, 2024	179	\$ 14.00

*Restricted Stock Units*

On May 11, 2023, the Company's stockholders approved the Amended and Restated ProPetro Holding Corp. 2020 Long Term Incentive Plan (the "A&R 2020 Incentive Plan"), which had been previously approved by the Board and replaced the ProPetro Holding Corp. 2020 Long Term Incentive Plan.

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**Note 10 - Stock-Based Compensation (Continued)**

During the nine months ended September 30, 2024, we granted 1,762,177 RSUs to employees, officers and directors pursuant to the A&R 2020 Incentive Plan, which generally vest ratably over a three-year vesting period or a two-year period at one-third after first year anniversary and two-thirds after the second year anniversary, in the case of awards to employees and officers, and generally vest in full after one year, in the case of awards to directors. RSUs are subject to restrictions on transfer and are generally subject to a risk of forfeiture if the award recipient ceases to be an employee or director of the Company prior to vesting of the award. Each RSU represents the right to receive one share of common stock. The grant date fair value of the RSUs is based on the closing share price of our common stock on the date of grant. As of September 30, 2024, the total unrecognized compensation expense for all RSUs was approximately \$19.3 million, and is expected to be recognized over a weighted average period of approximately 1.8 years.

The following table summarizes RSUs activity during the nine months ended September 30, 2024 (in thousands, except for fair value):

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2024	2,264	\$ 9.81
Granted	1,762	\$ 7.42
Vested	(737)	\$ 9.57
Forfeited	(46)	\$ 8.42
Canceled	—	\$ —
Outstanding at September 30, 2024	<u>3,243</u>	<u>\$ 8.59</u>

*Performance Share Units*

During the nine months ended September 30, 2024, we granted 637,266 PSUs to certain key employees and officers as new awards under the A&R 2020 Incentive Plan. Each PSU earned represents the right to receive either one share of common stock or, as determined by the A&R 2020 Incentive Plan administrator in its sole discretion, a cash amount equal to fair market value of one share of common stock or amount of cash on the day immediately preceding the settlement date. The actual number of shares of common stock that may be issued under the PSUs ranges from 0% up to a maximum of 200% of the target number of PSUs granted to the participant, based on our total shareholder return ("TSR") relative to a designated peer group, generally at the end of a three year period. In addition to the TSR conditions, vesting of the PSUs is generally subject to the recipient's continued employment through the end of the applicable performance period. Compensation expense is recorded ratably over the corresponding requisite service period. The grant date fair value of PSUs is determined using a Monte Carlo simulation. Grant recipients do not have any shareholder rights until performance relative to the peer group has been determined following the completion of the performance period and shares have been issued.

The following table summarizes information about PSUs activity during the nine months ended September 30, 2024 (in thousands, except for weighted average fair value):

Period Granted	Target Shares Outstanding at January 1, 2024	Target Shares Granted	Target Shares Vested	Target Shares Forfeited	Target Shares Outstanding at September 30, 2024
2021	620	—	—	(620)	—
2022	306	—	—	—	306
2023	438	—	—	—	438
2024	—	637	—	—	637
Total	<u>1,364</u>	<u>637</u>	<u>—</u>	<u>(620)</u>	<u>1,381</u>
<b>Weighted Average Fair Value Per Share</b>	<b>\$ 15.80</b>	<b>\$ 8.22</b>	<b>\$ —</b>	<b>\$ 14.73</b>	<b>\$ 12.79</b>

The total stock-based compensation expense for the nine months ended September 30, 2024 and 2023 for all stock awards was \$ 13.0 million and \$10.6 million, respectively, and the associated tax benefit related thereto was \$2.7 million and \$2.2 million,

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**Note 10 - Stock-Based Compensation (Continued)**

respectively. The total unrecognized stock-based compensation expense as of September 30, 2024 was approximately \$ 26.6 million, and is expected to be recognized over a weighted average period of approximately 1.7 years.

**Note 11 - Related-Party Transactions**

*Operations and Maintenance Yards*

The Company rents three yards from an entity in which a director of the Company has an equity interest, and the total annual rent expense for each of the three yards was approximately \$0.03 million, \$0.1 million and \$0.1 million, respectively. The Company previously rented an additional two yards from this entity and incurred rent expense of \$0.02 million and \$0.1 million, respectively during the nine months ended September 30, 2023.

*ExxonMobil and Pioneer*

On December 31, 2018, we consummated the purchase of certain pressure pumping assets and real property from Pioneer Natural Resources USA, Inc. ("Pioneer") and Pioneer Pumping Services (the "Pioneer Pressure Pumping Acquisition"). In connection with the Pioneer Pressure Pumping Acquisition, Pioneer received 16.6 million shares of our common stock and approximately \$110.0 million in cash. In May 2024, Pioneer merged with and became a wholly owned subsidiary of Exxon Mobil Corporation ("ExxonMobil") after which ExxonMobil became the owner of these shares. The Company currently provides pressure pumping, wireline and other services to ExxonMobil and previously provided such services to Pioneer.

On April 22, 2024, we entered into a Sub agreement for Hydraulic Fracturing Services with XTO Energy Inc. ("XTO"), a wholly owned subsidiary of ExxonMobil, where we will provide hydraulic fracturing, wireline and pumpdown services with two committed FORCE® electric-powered hydraulic fracturing fleets with the option to add a third FORCE® fleet (also with wireline and pumpdown services) for a period of three years or for contracted hours, whichever occurs last with respect to each fleet, subject to certain termination and release rights.

Revenue from services provided to ExxonMobil (including Pioneer and XTO) subsequent to Pioneer's merger with ExxonMobil accounted for \$55.6 million and \$98.1 million of our total revenue during the three and nine months ended September 30, 2024. Revenue from services provided to Pioneer (including equipment reservation fees) prior to its merger with ExxonMobil accounted for approximately \$6.8 million of our total revenue during the nine months ended September 30, 2024. Revenue from services provided to Pioneer (including equipment reservation fees) prior to its merger with ExxonMobil accounted for approximately \$22.3 million and \$122.1 million of our total revenue during the three and nine months ended September 30, 2023, respectively.

As of September 30, 2024, the total accounts receivable due from ExxonMobil (including Pioneer and XTO), including estimated unbilled receivables for services we provided, amounted to approximately \$48.8 million and the amount due to ExxonMobil (including Pioneer and XTO) was \$0. As of December 31, 2023, the balance due from Pioneer for services we provided amounted to approximately \$2.4 million and the amount due to Pioneer was \$0.

**Note 12 - Leases**

**Operating Leases**

*Description of Lease*

In March 2013, we entered into a ten-year real estate lease contract (the "Real Estate One Lease") with a commencement date of April 1, 2013, as part of the expansion of our equipment yard. The assets and liabilities under this contract are included in our Hydraulic Fracturing reportable segment. In addition to the contractual lease period, the contract included an optional renewal of up to ten years, however, the Company terminated the Real Estate One Lease at the end of the term, March 1, 2023. During the nine months ended September 30, 2023, the Company made lease payments of approximately \$0.1 million.

We accounted for our Real Estate One Lease as an operating lease. This conclusion resulted from the existence of the right to control the use of the assets throughout the lease term. We did not account for the land separately from the building of the Real Estate One Lease because we concluded that the accounting effect was insignificant.

As part of our expansion of our hydraulic fracturing equipment maintenance program, we entered into a two-year maintenance facility real estate lease contract (the "Maintenance Facility Lease") with a commencement date of March 14, 2022. The assets and liabilities under this contract are included in our Hydraulic Fracturing reportable segment. During the nine months ended September 30, 2024 and 2023, the Company made lease payments of approximately \$0.1 million and \$0.2 million, respectively.

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**Note 12 - Leases (Continued)**

In addition to the contractual lease period, the contract included an optional renewal for three additional periods of one year each, however, the Company terminated the Maintenance Facility Lease at the end of the term, March 13, 2024.

We accounted for our Maintenance Facility Lease as an operating lease. Our assumptions resulted from the existence of the right to control the use of the assets throughout the lease term. We did not account for the land separately from the building of the Maintenance Facility Lease because we concluded that the accounting effect was insignificant.

In August 2022 and December 2022, we entered into equipment lease contracts for a duration of approximately three years each for a total of four FORCE® electric-powered hydraulic fracturing fleets with 60,000 hydraulic horsepower ("HHP") per fleet. The Electric Fleet Leases contain options to either extend each lease for up to three additional periods of one year each or purchase the equipment at the end of their initial term of approximately three years or at the end of each subsequent renewal period.

The first of these leases (the "Electric Fleet One Lease") commenced on August 23, 2023 when we received some of the equipment associated with the first FORCE® electric-powered hydraulic fracturing fleet. During the nine months ended September 30, 2024, the Company made lease payments of approximately \$7.1 million on the Electric Fleet One Lease, including variable lease payments of approximately \$ 0.9 million. During the nine months ended September 30, 2024, the Company incurred initial direct costs of approximately \$5.8 million to place the leased equipment into its intended use, which are included in the right-of-use asset cost related to the Electric Fleet One Lease. The assets and liabilities under this contract are included in our Hydraulic Fracturing reportable segment. In management's judgment the exercise of neither the renewal option nor the purchase option is reasonably assured. In addition to fixed rent payments, the Electric Fleet One Lease contains variable payments based on equipment usage. The Electric Fleet One Lease does not include a residual value guarantee, covenants or financial restrictions.

We accounted for the Electric Fleet One Lease as an operating lease. Our assumptions resulted from the existence of the right to control the use of the assets throughout the lease term. As of September 30, 2024, the weighted average discount rate and remaining lease term was approximately 7.3% and 2.2 years, respectively.

The second of the Electric Fleet Leases (the "Electric Fleet Two Lease") commenced on November 1, 2023 when we received some of the equipment associated with the second FORCE® electric-powered hydraulic fracturing fleet. During the nine months ended September 30, 2024, the Company made lease payments of approximately \$6.9 million, on the Electric Fleet Two Lease, including variable lease payments of approximately \$ 0.7 million. During the nine months ended September 30, 2024, the Company incurred initial direct costs of approximately \$6.1 million to place the leased equipment into its intended use, which are included in the right-of-use asset cost related to the Electric Fleet Two Lease. The assets and liabilities under this contract are included in our Hydraulic Fracturing reportable segment. In management's judgment the exercise of neither the renewal option nor the purchase option is reasonably assured. In addition to fixed rent payments, the Electric Fleet Two Lease contains variable payments based on equipment usage. The Electric Fleet Two Lease does not include a residual value guarantee, covenants or financial restrictions.

We accounted for the Electric Fleet Two Lease as an operating lease. Our assumptions resulted from the existence of the right to control the use of the assets throughout the lease term. As of September 30, 2024, the weighted average discount rate and remaining lease term was approximately 7.2% and 2.4 years, respectively.

The third of the Electric Fleet Leases (the "Electric Fleet Three Lease") commenced on December 19, 2023, when we received some of the equipment associated with the third FORCE® electric-powered hydraulic fracturing fleet. During the nine months ended September 30, 2024, the Company made lease payments of approximately \$6.5 million, on the Electric Fleet Three Lease, including variable lease payments of approximately \$ 0.4 million. During the nine months ended September 30, 2024, the Company incurred initial direct costs of approximately \$8.5 million to place the leased equipment into its intended use, which are included in the right-of-use asset cost related to the Electric Fleet Three Lease. The assets and liabilities under this contract are included in our Hydraulic Fracturing reportable segment. In management's judgment the exercise of neither the renewal option nor the purchase option is reasonably assured. In addition to fixed rent payments, the Electric Fleet Three Lease contains variable payments based on equipment usage. The Electric Fleet Three Lease does not include a residual value guarantee, covenants or financial restrictions.

We accounted for the Electric Fleet Three Lease as an operating lease. Our assumptions resulted from the existence of the right to control the use of the assets throughout the lease term. As of September 30, 2024, the weighted average discount rate and remaining lease term was approximately 7.2% and 2.5 years, respectively.

The fourth of the Electric Fleet Leases (the "Electric Fleet Four Lease") commenced on February 9, 2024, when we received some of the equipment associated with the fourth FORCE® electric-powered hydraulic fracturing fleet. During the nine months

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**Note 12 - Leases (Continued)**

ended September 30, 2024, the Company made lease payments of approximately \$ 4.6 million, on the Electric Fleet Four Lease, including variable lease payments of approximately \$0.5 million. During the nine months ended September 30, 2024, the Company incurred initial direct costs of approximately \$1.9 million to place the leased equipment into its intended use, which are included in the right-of-use asset cost related to the Electric Fleet Four Lease. The assets and liabilities under this contract are included in our Hydraulic Fracturing reportable segment. In management's judgment the exercise of neither the renewal option nor the purchase option is reasonably assured. In addition to fixed rent payments, the Electric Fleet Four Lease contains variable payments based on equipment usage. The Electric Fleet Four Lease does not include a residual value guarantee, covenants or financial restrictions.

We accounted for the Electric Fleet Four Lease as an operating lease. Our assumptions resulted from the existence of the right to control the use of the assets throughout the lease term. As of September 30, 2024, the weighted average discount rate and remaining lease term was approximately 7.2% and 2.8 years, respectively.

In June 2024, we entered into an additional three-year equipment lease (the "Electric Fleet Five Lease" and together with the leases for our first four FORCE® fleets, the "Electric Fleet Leases") with 72,000 HHP. The Electric Fleet Five Lease commenced on September 13, 2024, when we received some of the equipment associated with the fourth FORCE® electric-powered hydraulic fracturing fleet. During the nine months ended September 30, 2024, the Company made lease payments of approximately \$0.1 million, on the Electric Fleet Five Lease. During the nine months ended September 30, 2024, the Company incurred initial direct costs of approximately \$2.0 million to place the leased equipment into its intended use, which are included in the right-of-use asset cost related to the Electric Fleet Five Lease. The assets and liabilities under this contract are included in our Hydraulic Fracturing reportable segment. In management's judgment the exercise of neither the renewal option nor the purchase option is reasonably assured. In addition to fixed rent payments, the Electric Fleet Five Lease contains variable payments based on equipment usage. The Electric Fleet Five Lease does not include a residual value guarantee, covenants or financial restrictions.

We accounted for the Electric Fleet Five Lease as an operating lease. Our assumptions resulted from the existence of the right to control the use of the assets throughout the lease term. As of September 30, 2024, the weighted average discount rate and remaining lease term was approximately 7.2% and 3.0 years, respectively. As of September 30, 2024, we have not received some of the equipment contracted under the Electric Fleet Five Lease. Since we have not taken possession of these assets and do not control them, we have not accounted for the associated right-of-use asset and lease obligation on our balance sheet as of September 30, 2024.

We currently expect to receive majority of the remaining equipment associated with the fifth fleet in the fourth quarter of 2024.

In October 2022, we entered into a real estate lease contract for 5.3 years (the "Real Estate Two Lease"), with a commencement date of March 1, 2023. During the nine months ended September 30, 2024 and 2023, the Company made lease payments of approximately \$0.3 million and \$0.2 million, respectively. The assets and liabilities under this contract are included in our Completion Services reportable segment. In addition to the contractual lease period, the contract includes two optional renewals of one year each, and in management's judgment the exercise of the renewal option is not reasonably assured. The contract does not include a residual value guarantee, covenants or financial restrictions. Further, the Real Estate Two Lease does not contain variability in payments resulting from either an index change or rate change.

We accounted for our Real Estate Two Lease as an operating lease. Our assumptions resulted from the existence of the right to control the use of the assets throughout the lease term. We did not account for the land separately from the building of the Real Estate Two Lease because we concluded that the accounting effect was insignificant. As of September 30, 2024, the weighted average discount rate and remaining lease term was approximately 6.3% and 3.6 years, respectively.

As part of our acquisition of Silvertip Completion Services Operating, LLC, we assumed two real estate lease contracts (the "Silvertip One Lease" and "Silvertip Two Lease," and collectively the "Silvertip Leases") with remaining terms of 4.8 years and 6.1 years, respectively, from November 1, 2022. During 2023, we extended the Silvertip One Lease for an additional 1.3 years. During the nine months ended September 30, 2024, the Company made lease payments of approximately \$0.1 million and \$0.2 million on the Silvertip One Lease and Silvertip Two Lease, respectively. During the nine months ended September 30, 2023, the Company made lease payments of approximately \$0.1 million and \$0.2 million on the Silvertip One Lease and Silvertip Two Lease, respectively. The assets and liabilities under these contracts are recorded in our wireline operating segment within our Completion Services reportable segment. The Silvertip Leases do not have any renewal options, residual value guarantees, covenants or financial restrictions. Further, the Silvertip Leases do not contain variability in payments resulting from either an index change or rate change.

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**Note 12 - Leases (Continued)**

We accounted for the Silvertip One Lease and the Silvertip Two Lease as operating leases. This conclusion resulted from the existence of the right to control the use of the assets throughout the lease term. We did not account for the land separately from the building of the Silvertip Leases because we concluded that the accounting effect was insignificant. As of September 30, 2024, the weighted average discount rate and remaining lease term for the Silvertip One Lease was approximately 6.3% and 4.2 years, respectively. As of September 30, 2024, the weighted average discount rate and remaining lease term for the Silvertip Two Lease was approximately 2.1% and 4.2 years, respectively.

In March 2023, we entered into a real estate lease contract for 5.7 years (the "Silvertip Three Lease"), with a commencement date of April 1, 2023. During the nine months ended September 30, 2024 and 2023, the Company made lease payments of approximately \$0.1 million and \$0.06 million, respectively. The assets and liabilities under this contract are recorded in our wireline operating segment within our Completion Services reportable segment. The contract does not include a residual value guarantee, covenants or financial restrictions. Further, the Silvertip Three Lease does not contain variability in payments resulting from either an index change or rate change.

We accounted for the Silvertip Three Lease as an operating lease. This conclusion resulted from the existence of the right to control the use of the assets throughout the lease term. We did not account for the land separately from the building of the Silvertip Three Lease because we concluded that the accounting effect was insignificant. As of September 30, 2024, the weighted average discount rate and remaining lease term was approximately 6.3% and 4.2 years, respectively.

On June 1, 2023, we commenced an office space lease contract for 5.0 years (the "Silvertip Office Lease"). During the nine months ended September 30, 2024 and 2023, the Company made lease payments of approximately \$0.1 million and \$0.05 million, respectively, on the Silvertip Office Lease. The assets and liabilities under this contract are recorded in our wireline operating segment within our Completion Services reportable segment. The contract does not include a residual value guarantee, covenants or financial restrictions. Further, the Silvertip Office Lease does not contain variability in payments resulting from either an index change or rate change.

We accounted for the Silvertip Office Lease as an operating lease. This conclusion resulted from the existence of the right to control the use of the assets throughout the lease term. As of September 30, 2024, the weighted average discount rate and remaining lease term was approximately 6.5% and 3.7 years, respectively.

In August 2023, in connection with the relocation of our corporate office, we entered into an office space lease contract for 2.1 years (the "Corporate Office Lease"), with a commencement date of September 8, 2023. During the nine months ended September 30, 2024, the Company made lease payments of approximately \$0.3 million on the Corporate Office Lease. The assets and liabilities under this contract are recorded in our Completion Services reportable segment. In addition to the contractual lease period, the contract includes an optional renewal for 0.8 years, and in management's judgment the exercise of the renewal option is not reasonably assured. The contract does not include a residual value guarantee, covenants or financial restrictions. Further, the Corporate Office Lease does not contain variability in payments resulting from either an index change or rate change.

We accounted for the Corporate Office Lease as an operating lease. This conclusion resulted from the existence of the right to control the use of the assets throughout the lease term. As of September 30, 2024, the weighted average discount rate and remaining lease term was approximately 7.1% and 1.0 year, respectively.

As of September 30, 2024, the total operating lease right-of-use asset cost was approximately \$ 163.8 million, and accumulated amortization was approximately \$36.7 million. As of December 31, 2023, our total operating lease right-of-use asset cost was approximately \$ 85.8 million, and accumulated amortization was approximately \$7.2 million.

**Finance Leases**

*Description of Lease*

In January 2023, we entered into a three-year equipment lease contract (the "Power Equipment Lease") for certain power generation equipment with a commencement date of August 23, 2023. During the nine months ended September 30, 2024 and 2023, the Company made lease payments on the Power Equipment Lease of approximately \$15.3 million and \$1.1 million, respectively. The assets and liabilities under this contract are included in our Hydraulic Fracturing reportable segment. In addition to the contractual lease period, the contract includes an optional renewal for one year, and in management's judgment the exercise of the renewal option is not reasonably assured. The contract does not include a residual value guarantee, covenants or financial restrictions. Further, the Power Equipment Lease does not contain variability in payments resulting from either an index change or rate change.

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**Note 12 - Leases (Continued)**

We accounted for the Power Equipment Lease as a finance lease. This conclusion resulted from the existence of the right to control the use of the assets throughout the lease term, the present value of lease payments being equal to or in excess of substantially all of the fair value of the underlying assets and the lease term being the major part of the remaining economic life of the underlying assets. As of September 30, 2024, the weighted average discount rate and remaining lease term was approximately 7.3% and 1.9 years, respectively.

As of September 30, 2024, the total finance lease right-of-use asset cost was approximately \$54.8 million, and accumulated amortization was approximately \$19.3 million. As of December 31, 2023, the total finance lease right-of-use was approximately \$52.6 million, and accumulated amortization was approximately \$5.2 million.

**Maturity Analysis of Lease Liabilities**

The maturity analysis of liabilities and reconciliation to undiscounted and discounted remaining future lease payments for our leases as of September 30, 2024 are as follows:

(in thousands)	Operating Leases	Finance Leases
2024	\$ 9,697	\$ 5,229
2025	38,680	20,915
2026	37,916	13,462
2027	11,332	—
2028	821	—
Total undiscounted future lease payments	98,446	39,606
Less: amount representing interest	(8,639)	(2,494)
Present value of future lease payments (lease obligation)	\$ 89,807	\$ 37,112

Supplemental cash flow information related to leases are as follows:

(in thousands)	Nine Months Ended September 30,	
	2024	2023
Cash paid for amounts included in the measurements of lease liabilities:		
Operating cash flows from operating leases	\$ 23,929	\$ 1,430
Operating cash flows from finance lease	2,272	196
Financing cash flows from finance lease	13,067	889
Noncash lease obligations arising from obtaining right-of-use assets related to:		
Operating leases <sup>(1)</sup>	53,071	24,890
Finance lease <sup>(2)</sup>	2,230	27,244

(1) During the nine months ended September 30, 2024, we recorded noncash operating lease obligations arising from obtaining right-of-use assets related to the receipt of equipment under the Electric Fleet Two Lease, the Electric Fleet Three Lease, the Electric Fleet Four Lease and the Electric Fleet Five Lease. During the nine months ended September 30, 2023, we recorded a noncash operating lease obligations arising from obtaining right-of-use assets related to our execution of the Real Estate Two Lease, the Silvertip Three Lease, the Silvertip Office Lease, the Electric Fleet One Lease and the Corporate Office Lease, and our extension of the Silvertip One Lease.

(2) During the nine months ended September 30, 2024, we recorded noncash finance lease obligations related to the Power Equipment Lease. During the nine months ended September 30, 2023, we recorded noncash finance lease obligations arising from obtaining right-of-use assets related to the commencement of the Power Equipment Lease.

**Short-Term Leases**

We elected the practical expedient option, consistent with ASC 842, to exclude leases with an initial term of twelve months or less ("short-term lease") from our balance sheet and continue to record short-term leases as a period expense.

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**Note 12 - Leases (Continued)**

**Initial Direct Costs**

We elected to analogize to the measurement guidance of ASC 360 to capitalize costs incurred to place a leased asset into its intended use and to present such capitalized costs as part of the related lease right-of-use asset cost as initial direct costs.

**Lease Costs**

The components of lease costs are as follows:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Operating lease cost	\$ 12,884	\$ 1,178	\$ 33,845	\$ 1,857
Finance lease cost:				
Amortization of right-of-use assets	4,849	977	14,117	977
Interest on lease liabilities	704	196	2,272	196
Total finance lease cost	5,553	1,173	16,389	1,173
Variable lease cost	1,107	—	2,526	—
Short-term lease cost	210	173	657	626

**Note 13 - Commitments and Contingencies**

*Commitments*

We entered into certain commitments for fixed assets, consumables and services incidental to the ordinary conduct of our business, generally for quantities required for our operations and at competitive market prices. These commitments are designed to assure sources of supply and are not expected to be in excess of normal requirements. We entered into the Electric Fleet Leases, which contain options to extend the leases or purchase the equipment at the end of each lease or at the end of each subsequent renewal period. As of September 30, 2024, all five of the Electric Fleet Leases commenced when the Company took possession of all equipment associated with its first four FORCE® electric-powered hydraulic fracturing fleets and some of the equipment associated with its fifth fleet under these leases. Lease payments pertaining to the remaining equipment associated with the fifth Electric Fleet Lease are expected to commence when the Company takes possession of the remaining associated equipment. We currently expect to receive majority of the remaining equipment associated with the fifth fleet in the fourth quarter of 2024. The total estimated contractual commitment in connection with the Electric Fleet Leases excluding the cost associated with the option to purchase the equipment at the end of each lease is approximately \$130.9 million. We also entered into the Power Equipment Lease. The total estimated contractual commitment in connection with the Power Equipment Lease is approximately \$39.6 million.

The Company enters into purchase agreements with its sand suppliers (the "Sand Suppliers") to secure supply of sand as part of its normal course of business. The agreements with the Sand Suppliers require that the Company purchase a minimum volume of sand, based primarily on a certain percentage of our sand requirements from our customers or in certain situations based on predetermined fixed minimum volumes, otherwise certain penalties (shortfall fees) may be charged. The shortfall fee represents liquidated damages and is either a fixed percentage of the purchase price for the minimum volumes or a fixed price per ton of unpurchased volumes. Our agreements with the Sand Suppliers expire at different times prior to December 31, 2025. Our sand agreement with one of our Sand Suppliers that will expire on December 31, 2024 has a remaining take-or-pay commitment of \$2.3 million. During the nine months ended September 30, 2024 and 2023, no shortfall fee was recorded.

As of September 30, 2024, the Company had issued letters of credit of approximately \$6.0 million under the ABL Credit Facility in connection with the Company's casualty insurance policy. Such letters of credit reduce the amount available to borrow under the ABL Credit Facility.



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**Note 13 - Commitments and Contingencies (Continued)**

*Contingent Liabilities*

*Environmental and Equipment Insurance*

The Company is subject to various federal, state and local environmental laws and regulations that establish standards and requirements for protection of the environment. The Company cannot predict the future impact of such standards and requirements, which are subject to change and can have retroactive effectiveness. The Company continues to monitor the status of these laws and regulations. Currently, the Company has not been fined, cited or notified of any environmental violations that would have a material adverse effect upon its financial position, liquidity or capital resources. However, management does recognize that by the very nature of the Company's business, material costs could be incurred in the near term to maintain compliance. The amount of such future expenditures is not determinable due to several factors, including the unknown magnitude of possible regulation or liabilities, the unknown timing and extent of the corrective actions which may be required, the determination of the Company's liability in proportion to other responsible parties and the extent to which such expenditures are recoverable from insurance or indemnification.

The Company is self-insured up to \$10 million per occurrence for certain losses arising from or attributable to fire and/or explosion at the wellsites that do not have qualified fire suppression measures. No accrual was recorded in our financial statements in connection with this self-insurance strategy because the occurrence of fire and/or explosion cannot be reasonably estimated.

*Regulatory Audits*

In 2020, the Texas Comptroller of Public Accounts (the "Comptroller") commenced a routine audit of the Company's motor vehicle and other related fuel taxes for the periods of July 2015 through December 2020. As of September 30, 2024, the audit was substantially complete and the Company accrued for an estimated settlement expense of \$6.0 million.

In May 2022, the Company received a notification from the Comptroller that it will commence a routine audit of the Company's gross receipt taxes, which typically covers up to a four-year period. As of September 30, 2024, the audit is still ongoing and the final outcome cannot be reasonably estimated.

In June 2023, the Company received confirmation from the Comptroller that it will commence a routine audit of the Company's direct payment sales tax in August 2023 for the period February 1, 2020 to December 31, 2022. As of September 30, 2024, the audit concluded and resulted in no liability.

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

The financial information, discussion and analysis that follow should be read in conjunction with our consolidated financial statements and the related notes included in our Form 10-K as well as the financial and other information included therein.

Unless otherwise indicated, references in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" to the "Company," "we," "our," "us" or like terms refer to ProPetro Holding Corp. and its subsidiaries.

### Overview

We are a leading integrated oilfield service company, located in Midland, Texas, focused on providing innovative hydraulic fracturing, wireline and other complementary oilfield completion services to leading upstream oil and gas companies engaged in the E&P of North American oil and natural gas resources. Our operations are primarily focused in the Permian Basin, where we have cultivated longstanding customer relationships with some of the region's most active and well-capitalized E&P companies. The Permian Basin is widely regarded as one of the most prolific oil-producing areas in the United States, and we believe we are one of the leading providers of completion services in the region.

Our completion services include our operating segments comprised of hydraulic fracturing, wireline and cementing operations. Our hydraulic fracturing operations account for approximately 75.9% of our total revenues and operations as of September 30, 2024. Our total available hydraulic horsepower ("HHP") as of September 30, 2024, was 1,564,500 HHP, which was comprised of 450,000 HHP of our Tier IV DGB dual-fuel equipment, 252,000 HHP of FORCE® electric-powered equipment and 862,500 HHP of conventional Tier II equipment. Our hydraulic fracturing fleets range from approximately 50,000 to 80,000 HHP depending on the job design and customer demand at the wellsite. Our equipment has been designed to handle the operating conditions commonly encountered in the Permian Basin and the region's increasingly high-intensity well completions (including simultaneous hydraulic fracturing ("Simul-Frac"), which involves fracturing multiple wellbores at the same time), which are characterized by longer horizontal wellbores, more stages per lateral and increasing amounts of proppant per well. With the industry transition to lower emissions equipment and Simul-Frac, in addition to several other changes to our customers' job designs, we believe that our available fleet capacity could decline if we decide to reconfigure our fleets to increase active HHP and backup HHP at wellsites. In addition, in 2021 and 2022, we committed to additional conversions of some of our Tier II equipment to Tier IV DGB, and to purchase new Tier IV DGB dual-fuel equipment. As such, we entered into conversion and purchase agreements with our equipment manufacturers for a total of 450,000 HHP of Tier IV DGB dual-fuel equipment and we have received all of the converted and new Tier IV DGB dual-fuel equipment by the end of 2023. In 2022, we entered into three-year electric fleet leases for four FORCE® electric-powered hydraulic fracturing fleets with 60,000 HHP per fleet (the "Electric Fleet Leases") and in June 2024, we entered into an additional three-year lease for a fifth FORCE® electric-powered hydraulic fracturing fleet with 72,000 HHP. As of September 30, 2024, we have received 252,000 HHP of FORCE® electric-powered equipment representing four fleets and a portion of the fifth fleet. We currently expect to receive majority of the remaining equipment associated with the fifth fleet in the fourth quarter of 2024. We currently have 26 wireline units and 38 cement units.

On December 1, 2023, we consummated the purchase of the assets and operations of Par Five Energy Services LLC ("Par Five"), which provides cementing services in the Delaware Basin, in exchange for \$25.4 million of cash, including deferred cash consideration of \$3.1 million which is payable to Par Five or its beneficiary on June 1, 2025 with interest at 4.0% per annum. Par Five's business complements our existing cementing business and enables us to serve both the Midland and Delaware Basins of the Permian Basin.

On May 31, 2024, we completed the acquisition of all of the outstanding equity interests in Aqua Prop, LLC ("AquaProp"), an oilfield service company based in Midland, Texas that provides wet sand solutions for hydraulic fracturing sand requirements at oil well sites in exchange for \$13.7 million of cash, \$3.7 million of deferred cash consideration payable to AquaProp's seller by May 31, 2025, the payoff of \$7.2 million of assumed debt, the payment of \$0.3 million of certain transaction costs and estimated contingent consideration of \$10.9 million. As a result of the acquisition, we expanded our operations into the wet sand service business unit.

Our competitors include many large and small oilfield service companies, including Halliburton Company, Liberty Energy Inc., Patterson-UTI Energy Inc., ProFrac Holding Corp., RPC, Inc., and a number of private and locally-oriented businesses. The markets in which we operate are highly competitive. To be successful, an oilfield services company must provide services that meet the specific needs of oil and natural gas E&P companies at competitive prices. Competitive factors impacting sales of our services are price, reputation, technical expertise, emissions profile, service and equipment design and quality, and health and safety standards. Although we believe our customers consider all of these factors, we believe price is a key factor in an E&P company's criteria in choosing a service provider. However, we have recently observed the energy industry and our customers shift to lower emissions equipment, which we believe will be an increasingly important factor in an E&P company's selection of a service provider. The transition to lower emissions equipment has been challenging for companies in the oilfield service

industry because of the capital requirements, lack of large scale deployment of certain new technology such as electric-powered equipment, pricing for services and expected return on invested capital. While we seek to price our services competitively, we believe many of our customers elect to work with us based on our operational efficiencies, productivity, equipment portfolio and quality, reliability, ability to manage multifaceted logistics challenges, commitment to safety and the ability of our people to handle the most complex Permian Basin well completions.

Our substantial market presence in the Permian Basin positions us well to capitalize on drilling and completion activity in the region. Primarily, our operational focus has been in the Permian Basin's Midland sub-basin, where our customers have operated. However, we have increased our operations in the Delaware sub-basin and are well-positioned to support further increases to our activity in this area in response to demand from our customers. Over time, we expect the Permian Basin's Midland and Delaware sub-basins to continue to command a disproportionate share of future North American E&P spending.

We have historically conducted our business through three operating segments: hydraulic fracturing, wireline and cementing. Prior to the fourth quarter of fiscal year 2023, our operating segments met the aggregation criteria and were aggregated into the "Completion Services" reportable segment. Effective as of the fourth quarter of fiscal year 2023, we revised our segment reporting as we determined that our three operating segments no longer met the criteria to be aggregated. Our Hydraulic Fracturing and Wireline operating segments meet the criteria of a reportable segment. Our cementing segment is not material, is not separately reportable, and is included within the "All Other" category. Prior period segment information has been revised to conform to our current presentation. For additional financial information on our reportable segments presentation, please see "Note 7 - Reportable Segment Information."

### **Pioneer Pressure Pumping Acquisition**

On December 31, 2018, we consummated the purchase of certain pressure pumping assets and real property from Pioneer Natural Resources USA, Inc. ("Pioneer") and Pioneer Pumping Services (the "Pioneer Pressure Pumping Acquisition") in exchange for 16.6 million shares of our common stock and \$110.0 million in cash. In May 2024, Pioneer merged with and became a wholly owned subsidiary of Exxon Mobil Corporation ("ExxonMobil") after which ExxonMobil became the owner of these shares. The Company currently provides pressure pumping, wireline and other services to ExxonMobil and previously provided such services to Pioneer.

On April 22, 2024, we entered into a Subagreement for Hydraulic Fracturing Services with XTO Energy Inc., a wholly owned subsidiary of ExxonMobil, where we will provide hydraulic fracturing, wireline and pumpdown services with two committed FORCE® electric-powered hydraulic fracturing fleets with the option to add a third FORCE® fleet (also with wireline and pumpdown services) for a period of three years or for contracted hours, whichever occurs last with respect to each fleet, subject to certain termination and release rights.

### **Commodity Price and Other Economic Conditions**

The oil and gas industry has traditionally been volatile and is characterized by a combination of long-term, short-term and cyclical trends, including domestic and international supply and demand for oil and gas, current and expected future prices for oil and gas and the perceived stability and sustainability of those prices, and capital investments of E&P companies toward their development and production of oil and gas reserves. The oil and gas industry is also impacted by general domestic and international economic conditions such as supply chain disruptions and inflation, war and political instability in oil producing countries, government regulations (both in the United States and internationally), levels of consumer demand, adverse weather conditions, the United States presidential election, and other factors that are beyond our control.

Since October 2023, an ongoing conflict between Israel and Palestinian militants in the Israel-Gaza region has led to significant armed hostilities, including elsewhere in the Middle East. On April 13, 2024, Iran launched an attack on several targets in Israel, and in response the U.S. and a number of its allies have stated an intent to impose additional sanctions on Iran. The geopolitical and macroeconomic consequences of this conflict remain uncertain, and such events, or any further hostilities in the Israel-Gaza region, with Iran or elsewhere, could severely impact the world economy, the demand for and price of crude oil and the oil and gas industry generally and may adversely affect our financial condition.

Similarly, the geopolitical and macroeconomic consequences of the Russian invasion of Ukraine, including the associated sanctions, and the adverse impacts of the COVID-19 pandemic in recent years have resulted in volatility in supply and demand dynamics for crude oil and associated volatility in crude oil pricing. As the global response to the COVID-19 pandemic began to wane, the demand and prices for crude oil increased from the lows experienced in 2020, with the West Texas Intermediate ("WTI") average crude oil price reaching approximately \$94 per barrel in 2022, the highest average price in the prior nine years. The WTI average crude oil price declined to approximately \$78 per barrel in 2023 and approximately \$75 per barrel in the third quarter of 2024. We believe that the volatility of crude oil prices in recent years has been partly driven by declines in crude oil supplies, concerns over sanctions resulting from Russia's invasion of Ukraine, concerns over a potential disruption of

Middle Eastern oil supplies resulting from the ongoing conflict between Israel and Palestinian militants in the Israel-Gaza region, slower crude oil production growth due to the lack of reinvestment in the oil and gas industry in the last two years, the extension of OPEC+ production cuts of approximately 3.85 million barrels per day originally announced in 2023, and concerns of a potential global recession resulting from high inflation and interest rates.

With the significant increase in global crude oil prices from 2021, including the WTI crude oil price, there has been an increase in the Permian Basin rig count from approximately 179 at the beginning of 2021 to approximately 353 at the end of 2022, according to the Baker Hughes Company. Following the increase in rig count and the WTI crude oil price, the oilfield service industry has experienced increased demand for its completion services, and improved pricing. However, we have recently experienced a 13% decrease in the rig count in 2023 to 309 at the end of 2023 and a further decrease to 304 at the end of September 2024 which resulted in a reduction in the demand for completion services and pressure on pricing of our services.

Sustained levels of high inflation have likewise caused the U.S. Federal Reserve and other central banks to increase interest rates, and to the extent elevated inflation remains, we may experience further cost increases for our operations, including interest rates, labor costs and equipment. We cannot predict any future trends in the rate of inflation and crude oil prices. A significant increase in or continued high levels of inflation, to the extent we are unable to timely pass-through the cost increases to our customers, or further declines in crude oil prices would negatively impact our business, financial condition and results of operations.

Government regulations and investors are demanding the oil and gas industry transition to a lower emissions operating environment, including upstream and oilfield service companies. As a result, we are working with our customers and equipment manufacturers to transition our equipment to a lower emissions profile. Currently, a number of lower emission solutions for pumping equipment, including Tier IV DGB dual-fuel, FORCE® electric, direct drive gas turbine and other technologies have been developed, and we expect additional lower emission solutions will be developed in the future. We are continually evaluating these technologies and other investment and acquisition opportunities that would support our existing and new customer relationships. The transition to lower emissions equipment is quickly evolving and will be capital intensive. Over time, we plan to replace our conventional Tier II diesel-only equipment with lower emissions equipment. We have transitioned our hydraulic fracturing equipment portfolio from approximately 10% lower emissions equipment in 2021 to approximately 35% in 2022 and approximately 60% in 2023, and expect to increase to approximately 75% by the end of 2024. To the extent any of our customers have certain expectations or requirements with respect to emissions reductions from their contractors, if we are unable to continue to quickly transition to lower emissions equipment, the demand for our services could be adversely impacted.

If the Permian Basin rig count and market conditions improve, including improved pricing for our services and labor availability, and we are able to meet our customers' lower emissions equipment demands, we believe our operational and financial results will also improve. If the rig count or market conditions do not improve or decline in the future, and we are unable to increase our pricing or pass-through future cost increases to our customers, there could be a material adverse impact on our business, results of operations, and cash flows.

Our results of operations have historically reflected seasonal tendencies, typically in the fourth quarter, relating to the holiday season, inclement winter weather and exhaustion of our customers' annual budgets. As a result, we typically experience declines in our operating and financial results in November and December, even in a stable commodity price and operations environment.

### **How We Evaluate Our Operations**

Our management uses Adjusted EBITDA or Adjusted EBITDA margin to evaluate and analyze the performance of our various operating segments.

#### ***Adjusted EBITDA and Adjusted EBITDA Margin***

We view Adjusted EBITDA and Adjusted EBITDA margin as important indicators of performance. We define EBITDA as our earnings, before (i) interest expense, (ii) income taxes and (iii) depreciation and amortization. We define Adjusted EBITDA as EBITDA, plus (i) loss/(gain) on disposal of assets, (ii) stock-based compensation, (iii) other expense/(income), (iv) other unusual or nonrecurring (income)/expenses such as costs related to asset acquisitions, insurance recoveries, one-time professional fees and legal settlements and (v) retention bonuses and severance. Adjusted EBITDA margin reflects our Adjusted EBITDA as a percentage of our revenues.

Adjusted EBITDA and Adjusted EBITDA margin are supplemental measures utilized by our management and other users of our financial statements such as investors, commercial banks, and research analysts, to assess our financial performance because it allows us and other users to compare our operating performance on a consistent basis across periods by removing the

effects of our capital structure (such as varying levels of interest expense), asset base (such as depreciation and amortization), nonrecurring (income)/expenses and items outside the control of our management team (such as income taxes). Adjusted EBITDA and Adjusted EBITDA margin have limitations as analytical tools and should not be considered as an alternative to net income/(loss), operating income/(loss), cash flow from operating activities or any other measure of financial performance presented in accordance with accounting principles generally accepted in the United States of America ("GAAP").

#### Note Regarding Non-GAAP Financial Measures

Adjusted EBITDA and Adjusted EBITDA margin are not financial measures presented in accordance with GAAP ("non-GAAP"), except when specifically required to be disclosed by GAAP in the financial statements. We believe that the presentation of Adjusted EBITDA and Adjusted EBITDA margin provide useful information to investors in assessing our financial condition and results of operations because it allows them to compare our operating performance on a consistent basis across periods by removing the effects of our capital structure, asset base, nonrecurring expenses (income) and items outside the control of the Company. Net income (loss) is the GAAP measure most directly comparable to Adjusted EBITDA. Adjusted EBITDA and Adjusted EBITDA margin should not be considered as alternatives to the most directly comparable GAAP financial measure. Each of these non-GAAP financial measures has important limitations as analytical tools because they exclude some, but not all, items that affect the most directly comparable GAAP financial measures. You should not consider Adjusted EBITDA or Adjusted EBITDA margin in isolation or as a substitute for an analysis of our results as reported under GAAP. Because Adjusted EBITDA and Adjusted EBITDA margin may be defined differently by other companies in our industry, our definitions of these non-GAAP financial measures may not be comparable to similarly titled measures of other companies, thereby diminishing their utility.

The following tables set forth certain financial information with respect to the Company's reportable segments ; inter-segment revenues are shown under "Reconciling Items" (in thousands):

Three Months Ended September 30, 2024					
	Hydraulic Fracturing	Wireline	All Other	Reconciling Items	Total
Service revenue	\$ 274,138	\$ 47,958	\$ 38,920	\$ (148)	\$ 360,868
Adjusted EBITDA	\$ 66,166	\$ 9,194	\$ 8,989	\$ (13,219)	\$ 71,130
Depreciation and amortization	\$ 46,752	\$ 5,260	\$ 2,264	\$ 23	\$ 54,299
Impairment expense <sup>(1)</sup>	\$ 188,601	\$ —	\$ —	\$ —	\$ 188,601
Operating lease expense on FORCE® fleets <sup>(2)</sup>	\$ 12,516	\$ —	\$ —	\$ —	\$ 12,516
Capital expenditures incurred	\$ 33,465	\$ 1,757	\$ 1,575	\$ 38	\$ 36,835
Goodwill	\$ 3,130	\$ 23,624	\$ —	\$ —	\$ 26,754
Total assets September 30, 2024	\$ 953,914	\$ 197,599	\$ 75,259	\$ 53,438	\$ 1,280,210

Three Months Ended September 30, 2023					
	Hydraulic Fracturing	Wireline	All Other	Reconciling Items	Total
Service revenue	\$ 340,089	\$ 52,775	\$ 30,940	\$ —	\$ 423,804
Adjusted EBITDA	\$ 99,586	\$ 14,011	\$ 6,375	\$ (12,258)	\$ 107,714
Depreciation and amortization <sup>(3)</sup>	\$ 39,098	\$ 4,860	\$ 1,363	\$ 40	\$ 45,361
Operating lease expense on FORCE® fleets <sup>(2)</sup>	\$ 777	\$ —	\$ —	\$ —	\$ 777
Capital expenditures incurred	\$ 52,713	\$ 5,488	\$ 880	\$ —	\$ 59,081
Goodwill	\$ —	\$ 23,624	\$ —	\$ —	\$ 23,624
Total assets at December 31, 2023	\$ 1,189,526	\$ 198,957	\$ 78,475	\$ 13,354	\$ 1,480,312

**Nine Months Ended September 30, 2024**

	<b>Hydraulic Fracturing</b>	<b>Wireline</b>	<b>All Other</b>	<b>Reconciling Items</b>	<b>Total</b>
Service revenue	\$ 855,066	\$ 157,966	\$ 110,935	\$ (235)	\$ 1,123,732
Adjusted EBITDA	\$ 215,995	\$ 36,687	\$ 20,433	\$ (42,529)	\$ 230,586
Depreciation and amortization	\$ 141,828	\$ 15,304	\$ 6,813	\$ 82	\$ 164,027
Impairment expense <sup>(1)</sup>	\$ 188,601	\$ —	\$ —	\$ —	\$ 188,601
Operating lease expense on FORCE® fleets <sup>(2)</sup>	\$ 32,642	\$ —	\$ —	\$ —	\$ 32,642
Capital expenditures incurred	\$ 95,084	\$ 6,086	\$ 7,417	\$ 38	\$ 108,625
Goodwill	\$ 3,130	\$ 23,624	\$ —	\$ —	\$ 26,754
Total assets at September 30, 2024	\$ 953,914	\$ 197,599	\$ 75,259	\$ 53,438	\$ 1,280,210

**Nine Months Ended September 30, 2023**

	<b>Hydraulic Fracturing</b>	<b>Wireline</b>	<b>All Other</b>	<b>Reconciling Items</b>	<b>Total</b>
Service revenue	\$ 1,018,074	\$ 179,182	\$ 85,367	\$ —	\$ 1,282,623
Adjusted EBITDA	\$ 308,448	\$ 50,667	\$ 16,861	\$ (36,284)	\$ 339,692
Depreciation and amortization <sup>(3)</sup>	\$ 106,587	\$ 13,862	\$ 4,104	\$ 196	\$ 124,749
Operating lease expense on FORCE® fleets <sup>(2)</sup>	\$ 777	\$ —	\$ —	\$ —	\$ 777
Capital expenditures incurred	\$ 256,350	\$ 10,887	\$ 4,247	\$ —	\$ 271,484
Goodwill	\$ —	\$ 23,624	\$ —	\$ —	\$ 23,624
Total assets at December 31, 2023	\$ 1,189,526	\$ 198,957	\$ 78,475	\$ 13,354	\$ 1,480,312

(1) Represents the noncash impairment expense of our conventional Tier II diesel-only hydraulic fracturing pumps and associated conventional assets ("Tier II Units").

(2) Represents amortization of right-of-use assets and interest expense on lease liabilities related to operating leases on our FORCE® electric-powered hydraulic fracturing fleets. This cost is recorded within cost of services in our condensed consolidated statements of operations.

(3) The write-offs of remaining book value of prematurely failed power ends are recorded as loss on disposal of assets in 2024. In order to conform to current period presentation, we have reclassified the corresponding amounts of \$8.4 million and \$32.7 million from depreciation to loss on disposal of assets for the three and nine months ended September 30, 2023.

A reconciliation of net (loss) income to Adjusted EBITDA is provided in the table below (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net (loss) income	\$ (137,067)	\$ 34,753	\$ (120,797)	\$ 102,743
Depreciation and amortization <sup>(1)</sup>	54,299	45,361	164,027	124,749
Impairment expense <sup>(2)</sup>	188,601	—	188,601	—
Interest expense	1,939	1,169	5,933	3,016
Income tax (benefit) expense	(41,365)	10,644	(28,041)	31,118
Loss on disposal of assets <sup>(1)</sup>	2,149	12,673	11,884	62,117
Stock-based compensation	4,615	3,310	12,975	10,604
Other (income) expense, net <sup>(3)</sup>	(3,599)	(1,883)	(7,408)	1,749
Other general and administrative expense, net	346	450	1,517	1,659
Retention bonus and severance expense	1,212	1,237	1,895	1,937
Adjusted EBITDA	\$ 71,130	\$ 107,714	\$ 230,586	\$ 339,692

(1) The write-offs of remaining book value of prematurely failed power ends are recorded as loss on disposal of assets in 2024. In order to conform to current period presentation, we have reclassified the corresponding amounts of \$8.4 million and \$32.7 million from depreciation to loss on disposal of assets for the three and nine months ended September 30, 2023.

(2) Represents the noncash impairment expense of our Tier II Units.

(3) Other income for the three months ended September 30, 2024 is primarily comprised of tax refunds totaling \$1.8 million and a \$1.8 million decrease in the estimated fair value of the contingent consideration payable on our acquisition of AquaProp. Other income for the nine months ended September 30, 2024 is primarily comprised of tax refunds totaling \$3.6 million, insurance reimbursements of \$2.0 million and a \$1.8 million decrease in the estimated fair value of the contingent consideration payable on our acquisition of AquaProp. Other income for the three months ended September 30, 2023 is primarily comprised of a \$1.8 million unrealized gain on short-term investment. Other expense for the nine months ended September 30, 2023 is primarily comprised of a \$2.1 million unrealized loss on short-term investment.

## Results of Operations

As of September 30, 2024, we conducted our business through three operating segments: hydraulic fracturing, wireline and cementing. Our cementing operating segment is shown in the "All Other" category for segment reporting purposes.

On December 1, 2023, we consummated the purchase of the assets and operations of Par Five, which provides cementing services in the Delaware Basin in exchange for cash consideration of \$25.3 million. Par Five's business complements our existing cementing business and enables us to serve both the Midland and Delaware Basins of the Permian Basin. On May 31, 2024, we completed the acquisition of all of the outstanding equity interests in AquaProp in exchange for \$13.7 million of cash, \$3.7 million of deferred cash consideration payable to AquaProp's seller by May 31, 2025, the payoff of \$7.2 million of assumed debt, the payment of \$0.3 million of certain transaction costs and estimated contingent consideration of \$10.9 million. As a result of the acquisition, we expanded our operations into the wet sand service business unit. The Company's 2024 results include the impact of Par Five's and AquaProp's operations neither of which were included in our 2023 results herein because we acquired Par Five in December 2023 and AquaProp in May 2024. Accordingly, the full impact of the results of Par Five and AquaProp may affect the comparability of our 2024 results when compared to prior period. Par Five's operations, which are included for the entire period, resulted in \$9.6 million and \$29.4 million in revenues for the three and nine months ended September 30, 2024, respectively, and \$6.4 million and \$22.9 million in cost of services for the three and nine months ended September 30, 2024, respectively, which are included in the All Other category. AquaProp's operations, which are included from the date of acquisition in May 2024 through the end of the quarter, resulted in \$18.7 million and \$23.6 million in revenues for the three and nine months ended September 30, 2024, respectively, and \$19.4 million and \$23.0 million in cost of services for the three and nine months ended September 30, 2024, respectively, which are included in the Hydraulic Fracturing reportable segment.



The following table sets forth the results of operations for the periods presented:

(in thousands, except for percentages)	Three Months Ended September 30,		Change Increase (Decrease)	
	2024	2023	\$	%
<b>Revenue</b>				
Hydraulic Fracturing	\$ 274,138	\$ 340,089	\$ (65,951)	(19.4)%
Wireline	47,958	52,775	(4,817)	(9.1)%
All Other <sup>(1)</sup>	38,920	30,940	7,980	25.8 %
Elimination of inter-segment service revenue	(148)	—	(148)	(100.0)%
Total revenue	360,868	423,804	(62,936)	(14.9)%
<b>Cost of services <sup>(2)</sup></b>				
Hydraulic Fracturing	202,601	233,250	(30,649)	(13.1)%
Wireline	36,158	35,807	351	1.0 %
All Other <sup>(1)</sup>	28,944	23,433	5,511	23.5 %
Elimination of inter-segment cost of services	(148)	—	(148)	(100.0)%
Total cost of services	267,555	292,490	(24,935)	(8.5)%
General and administrative expense <sup>(3)</sup>	28,356	28,597	(241)	(0.8)%
Depreciation and amortization	54,299	45,361	8,938	19.7 %
Impairment expense	188,601	—	188,601	100.0 %
Loss on disposal of assets	2,149	12,673	(10,524)	(83.0)%
Interest expense	1,939	1,169	770	65.9 %
Other (income) expense	(3,599)	(1,883)	(1,716)	(91.1)%
Income tax (benefit) expense	(41,365)	10,644	(52,009)	(488.6)%
Net (loss) income	\$ (137,067)	\$ 34,753	\$ (171,820)	(494.4)%
Adjusted EBITDA <sup>(3)</sup>	\$ 71,130	\$ 107,714	\$ (36,584)	(34.0)%
Adjusted EBITDA Margin <sup>(3)</sup>	19.7 %	25.4 %	(5.7)%	(22.4)%
<b>Hydraulic Fracturing segment results of operations:</b>				
Revenue	\$ 274,138	\$ 340,089	\$ (65,951)	(19.4)%
Cost of services	\$ 202,601	\$ 233,250	\$ (30,649)	(13.1)%
Adjusted EBITDA <sup>(4)</sup>	\$ 66,166	\$ 99,586	\$ (33,420)	(33.6)%
Adjusted EBITDA Margin <sup>(5)</sup>	24.1 %	29.3 %	(5.2)%	(17.7)%

(1) Includes our cementing operations.

(2) Exclusive of depreciation and amortization.

(3) Inclusive of stock-based compensation.

(4) For definitions of the non-GAAP financial measures of Adjusted EBITDA and Adjusted EBITDA margin and reconciliation of Adjusted EBITDA to our most directly comparable financial measures calculated in accordance with GAAP, please read "How We Evaluate Our Operations."

(5) The non-GAAP financial measure of Adjusted EBITDA margin for the Hydraulic Fracturing segment is calculated by taking Adjusted EBITDA for the Hydraulic Fracturing segment as a percentage of our revenue for the Hydraulic Fracturing segment.

### **Three Months Ended September 30, 2024 Compared to the Three Months Ended September 30, 2023**

**Revenues.** Revenues decreased 14.9%, or \$62.9 million, to \$360.9 million during the three months ended September 30, 2024, as compared to \$423.8 million during the three months ended September 30, 2023. Revenue by reportable segment was as follows:

*Hydraulic Fracturing.* Our hydraulic fracturing segment revenues decreased 19.4%, or \$66.0 million, for the three months ended September 30, 2024, as compared to the three months ended September 30, 2023. The decrease was primarily attributable to decreased customer pricing, partially offset by increased efficiency and the addition of AquaProp's operations in May 2024, which contributed \$18.7 million in revenues during the three months ended September 30, 2024. Our hydraulic fracturing fleet count remained stable at approximately 14 active fleets during the three months ended September 30, 2024, and the three months ended September 30, 2023.

*Wireline.* Our wireline segment revenues decreased 9.1% or \$4.8 million for the three months ended September 30, 2024, as compared to the three months ended September 30, 2023. The decrease was primarily attributable to decreased customer pricing.

*All Other.* Revenues from the All Other category comprised of our cementing operations increased 25.8% or \$8.0 million for the three months ended September 30, 2024, as compared to the three months ended September 30, 2023. The increase was primarily attributable to the addition of Par Five's operations in December 2023, which contributed to \$9.6 million of the net increase in revenues.

**Cost of Services.** Cost of services decreased 8.5%, or \$24.9 million, to \$267.6 million for the three months ended September 30, 2024, as compared to \$292.5 million during the three months ended September 30, 2023. Cost of services by reportable segment was as follows:

*Hydraulic Fracturing.* Cost of services in our hydraulic fracturing segment decreased \$30.6 million for the three months ended September 30, 2024, as compared to the three months ended September 30, 2023. As a percentage of hydraulic fracturing segment revenues (including equipment reservation fees), hydraulic fracturing cost of services was 73.9% for the three months ended September 30, 2024, as compared to 68.6% for the three months ended September 30, 2023 driven by customer price decreases and the impact of general cost inflation. The decrease in cost of services was partially offset by the addition of AquaProp's operations in May 2024, which added \$19.4 million in cost of services during the three months ended September 30, 2024.

*Wireline.* Our wireline segment cost of services increased \$0.4 million for the three months ended September 30, 2024, as compared to the three months ended September 30, 2023 due to an increase in repairs and maintenance expense and the impact of general cost inflation.

*All Other.* Cost of service for the All Other category increased \$5.5 million for the three months ended September 30, 2024, as compared to the three months ended September 30, 2023. The increase was primarily attributable to the addition of Par Five's operations in December 2023, which resulted in \$6.4 million of the net increase in cost of services.

**General and Administrative Expenses.** General and administrative expenses decreased 0.8%, or \$0.2 million, to \$28.4 million for the three months ended September 30, 2024, as compared to \$28.6 million for the three months ended September 30, 2023. The net decrease was primarily attributable to (i) a \$2.2 million decrease in insurance expense resulting from workers' compensation, general liability and automobile insurance costs being allocated more to cost of services in 2024 compared to 2023 since these costs are primarily incurred for our operational workforce and (ii) a \$0.7 million decrease in professional fees, partially offset by (i) a \$1.3 million increase in stock-based compensation, (ii) a \$1.1 million increase in payroll and related expenses and (iii) a \$0.3 million increase in other general and administrative expenses.

Excluding nonrecurring and non-cash items (i.e., stock-based compensation of \$4.6 million, retention bonuses and severance expenses of \$1.2 million and nonrecurring transaction expenses of \$0.4 million), general and administrative expenses were \$22.2 million during the three months ended September 30, 2024, as compared to \$23.6 million during the three months ended September 30, 2023.

**Depreciation and Amortization.** Depreciation and amortization increased 19.7%, or \$8.9 million, to \$54.3 million for the three months ended September 30, 2024, as compared to \$45.4 million for the three months ended September 30, 2023. The increase was primarily attributable to (i) assets placed into service since September 30, 2023, (ii) the addition of a finance lease for certain power generation equipment in August 2023 which resulted in \$4.8 million of amortization, (iii) the addition of Par

Five's operations in December 2023 which included \$1.0 million of depreciation and (iv) the addition of AquaProp's operations in May 2024 which included \$1.4 million of depreciation and amortization.

*Impairment Expense.* During the three months ended September 30, 2024, we recorded a noncash impairment expense of \$188.6 million in connection with the impairment of our Tier II Units. There was no impairment expense during the three months ended September 30, 2023.

*Loss on Disposal of Assets.* Loss on disposal of assets decreased 83.0%, or \$10.5 million, to \$2.1 million for the three months ended September 30, 2024, as compared to \$12.7 million for the three months ended September 30, 2023. The decrease was primarily attributable to losses incurred during the three months ended September 30, 2023 from the decommissioning of certain hydraulic fracturing equipment and replacement of certain major components in connection with our conversion of certain Tier II hydraulic fracturing equipment to Tier IV DGB.

*Interest Expense.* Interest expense increased to \$1.9 million for the three months ended September 30, 2024, as compared to \$1.2 million for the three months ended September 30, 2023. The increase was primarily attributable to higher interest rates on outstanding borrowings under our revolving credit facility (the revolving credit facility, as amended and restated in April 2022, as amended in June 2023, as amended in June 2024, and as may be amended further, "ABL Credit Facility") during the three months ended September 30, 2024 and the addition of a finance lease for certain power generation equipment in August 2023.

*Other Income.* Other income was approximately \$3.6 million for the three months ended September 30, 2024, compared to other income of \$1.9 million for the three months ended September 30, 2023. Other income for the three months ended September 30, 2024 is primarily comprised of tax refunds of \$1.8 million and a \$1.8 million decrease in the estimated fair value of the contingent consideration payable on our acquisition of AquaProp. Other income for the three months ended September 30, 2023 is primarily comprised of a \$1.8 million unrealized gain on short-term investment.

*Income Taxes.* Total income tax benefit for the three months ended September 30, 2024 was \$41.4 million resulting in an effective tax rate of 23.2% that differs from the statutory rate primarily due to the application of the interim period reporting rules to our results of operations. Total income tax expense for the three months ended September 30, 2023 was \$10.6 million resulting in an effective tax rate of 23.4%.

The following table sets forth the results of operations for the periods presented:

(in thousands, except for percentages)	Nine Months Ended September 30,		Change Increase (Decrease)	
	2024	2023	\$	%
<b>Revenue</b>				
Hydraulic Fracturing	\$ 855,066	\$ 1,018,074	\$ (163,008)	(16.0)%
Wireline	157,966	179,182	(21,216)	(11.8)%
All Other <sup>(1)</sup>	110,935	85,367	25,568	30.0 %
Elimination of inter-segment service revenue	(235)	—	(235)	(100.0)%
Total revenue	1,123,732	1,282,623	(158,891)	(12.4)%
<b>Cost of services <sup>(2)</sup></b>				
Hydraulic Fracturing	623,047	687,494	(64,447)	(9.4)%
Wireline	112,705	118,903	(6,198)	(5.2)%
All Other <sup>(1)</sup>	86,524	64,370	22,154	34.4 %
Elimination of inter-segment cost of services	(235)	—	(235)	(100.0)%
Total cost of services	822,041	870,767	(48,726)	(5.6)%
General and administrative expense	87,492	86,364	1,128	1.3 %
Depreciation and amortization	164,027	124,749	39,278	31.5 %
Impairment expense	188,601	—	188,601	100.0 %
Loss on disposal of assets	11,884	62,117	(50,233)	(80.9)%
Interest expense	5,933	3,016	2,917	96.7 %
Other (income) expense	(7,408)	1,749	(9,157)	523.6 %
Income tax (benefit) expense	(28,041)	31,118	(59,159)	190.1 %
Net (loss) income	\$ (120,797)	\$ 102,743	\$ (223,540)	217.6 %
Adjusted EBITDA	\$ 230,586	\$ 339,692	\$ (109,106)	(32.1)%
Adjusted EBITDA Margin	20.5 %	26.5 %	(6.0)%	(22.6)%
<b>Hydraulic Fracturing segment results of operations:</b>				
Service revenue	\$ 855,066	\$ 1,018,074	\$ (163,008)	(16.0)%
Cost of services	\$ 623,047	\$ 687,494	\$ (64,447)	(9.4)%
Adjusted EBITDA <sup>(4)</sup>	\$ 215,995	\$ 308,448	\$ (92,453)	(30.0)%
Adjusted EBITDA Margin <sup>(5)</sup>	25.3 %	30.3 %	(5.0)%	(16.5)%

(1) Includes our cementing operations.

(2) Exclusive of depreciation and amortization.

(3) Inclusive of stock-based compensation.

(4) For definitions of the non-GAAP financial measures of Adjusted EBITDA and Adjusted EBITDA margin and reconciliation of Adjusted EBITDA to our most directly comparable financial measures calculated in accordance with GAAP, please read "How We Evaluate Our Operations."

(5) The non-GAAP financial measure of Adjusted EBITDA margin for the Hydraulic Fracturing segment is calculated by taking Adjusted EBITDA for the Hydraulic Fracturing segment as a percentage of our revenue for the Hydraulic Fracturing segment.

### ***Nine Months Ended September 30, 2024 Compared to the Nine Months Ended September 30, 2023***

**Revenues.** Revenues decreased 12.4%, or \$158.9 million, to \$1,123.7 million during the nine months ended September 30, 2024, as compared to \$1,282.6 million during the nine months ended September 30, 2023. Revenue by reportable segment was as follows:

*Hydraulic Fracturing.* Our hydraulic fracturing segment revenues decreased 16.0%, or \$163.0 million, for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023. The decrease was primarily attributable to a decrease in our customers' activity levels as a result of a decrease in drilling activity and decreased customer pricing, partially offset by the addition of AquaProp's operations in May 2024, which contributed \$23.6 million in revenues during the nine months ended September 30, 2024. Our hydraulic fracturing fleet count remained stable at approximately 14 active fleets during the nine months ended September 30, 2024, and the nine months ended September 30, 2023.

*Wireline.* Our wireline segment revenues decreased 11.8% or \$21.2 million for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023. The decrease was primarily attributable to a decrease in our customers' activity levels as a result of a decrease in drilling activity and decreased customer pricing.

*All Other.* Revenues from the All Other category comprising of our cementing operations increased 30.0% or \$25.6 million for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023. The increase was primarily attributable to the addition of Par Five's operations in December 2023, which contributed to \$29.4 million of the increase in revenues.

**Cost of Services.** Cost of services decreased 5.6%, or \$48.8 million to \$822.0 million for the nine months ended September 30, 2024, as compared to \$870.8 million during the nine months ended September 30, 2023. Cost of services by reportable segment was as follows:

*Hydraulic Fracturing.* Cost of services in our hydraulic fracturing segment decreased \$64.4 million for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023. As a percentage of hydraulic fracturing segment revenues (including equipment reservation fees), hydraulic fracturing cost of services was 72.9% for the nine months ended September 30, 2024, as compared to 67.5% for the nine months ended September 30, 2023 driven by the decreased activity levels, customer price decreases, decreased efficiency and the impact of general cost inflation. The decrease in cost of services was partially offset by an increase of \$7.1 million in insurance expense resulting from higher allocation of workers' compensation, general liability and automobile insurance costs to cost of services in 2024 compared to 2023 since these costs are primarily incurred for our operational workforce, and the addition of AquaProp's operations in May 2024, which added \$23.0 million in cost of services during the nine months ended September 30, 2024.

*Wireline.* Our wireline segment cost of services decreased \$6.2 million for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023 due to scaling back in response to decreased revenues.

*All Other.* Cost of service for the All Other category increased \$22.2 million for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023. The increase was primarily attributable to the addition of Par Five's operations in December 2023, which resulted in \$22.9 million of the net increase in cost of services.

**General and Administrative Expenses.** General and administrative expenses increased 1.3%, or \$1.1 million, to \$87.5 million for the nine months ended September 30, 2024, as compared to \$86.4 million for the nine months ended September 30, 2023. The net increase was primarily attributable to (i) a \$3.3 million increase in payroll and related expenses, (ii) a \$2.4 million increase in stock-based compensation and (iii) a \$2.2 million increase in consulting fees and (iv) a \$0.3 million increase in other general and administrative expenses, partially offset by a \$7.1 million decrease in insurance expense resulting from workers' compensation, general liability and automobile insurance costs being allocated more to cost of services in 2024 compared to 2023 since these costs are primarily incurred for our operational workforce.

Excluding nonrecurring and non-cash items (i.e. stock-based compensation of \$13.0 million, retention bonuses and severance expenses of \$1.9 million, nonrecurring transaction expenses of \$1.6 million and reimbursement from insurance carriers of \$0.1 million), general and administrative expenses were \$71.1 million during the nine months ended September 30, 2024, as compared to \$72.2 million during the nine months ended September 30, 2023.

**Depreciation and Amortization.** Depreciation and amortization increased 31.5%, or \$39.3 million, to \$164.0 million for the nine months ended September 30, 2024, as compared to \$124.7 million for the nine months ended September 30, 2023. The increase was primarily attributable to (i) assets placed into service since September 30, 2023, (ii) the addition of a finance lease for certain power generation equipment in August 2023 which resulted in \$14.1 million of amortization, (iii) the addition of Par Five's operations in December 2023 which included \$2.8 million of depreciation and (iv) the addition of AquaProp's operations in May 2024 which included which included \$1.8 million of depreciation and amortization.

**Impairment Expense.** During the nine months ended September 30, 2024, we recorded a noncash impairment expense of \$188.6 million in connection with the impairment of our Tier II Units. There was no impairment expense during the nine months ended September 30, 2023.

**Loss on Disposal of Assets.** Loss on disposal of assets decreased 80.9%, or \$50.2 million, to \$11.9 million for the nine months ended September 30, 2024, as compared to \$62.1 million for the nine months ended September 30, 2023. The decrease was primarily attributable to losses incurred during the nine months ended September 30, 2023 from the decommissioning of certain hydraulic fracturing equipment, replacement of certain major components in connection with our conversion of certain Tier II hydraulic fracturing equipment to Tier IV DGB and the write-off of certain hydraulic fracturing equipment as a result of an accidental fire at a wellsite in March 2023.

**Interest Expense.** Interest expense increased to \$5.9 million for the nine months ended September 30, 2024, as compared to \$3.0 million for the nine months ended September 30, 2023. The increase was primarily attributable to higher interest rates and higher average outstanding borrowings under our ABL Credit Facility during the nine months ended September 30, 2024 and the addition of a finance lease for certain power generation equipment in August 2023.

**Other (Income) Expense.** Other income was approximately \$7.4 million for the nine months ended September 30, 2024, compared to other expense of \$1.7 million for the nine months ended September 30, 2023. Other income for the nine months ended September 30, 2024 is primarily comprised of tax refunds of \$3.6 million, insurance reimbursements of \$2.0 million and a \$1.8 million decrease in the estimated fair value of the contingent consideration payable on our acquisition of AquaProp. Other expense for the nine months ended September 30, 2023 is primarily comprised of a \$2.1 million unrealized loss on short-term investment.

**Income Taxes.** Total income tax benefit was \$28.0 million resulting in an effective tax rate of 18.8% for the nine months ended September 30, 2024, as compared to income tax expense of \$31.1 million or an effective tax rate of 23.2% for the nine months ended September 30, 2023. The change in effective tax rate for the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023, is primarily attributable to the difference in the impact of nondeductible expenses and state taxes on the pre-tax loss for 2024, as compared to pre-tax income for 2023.

## **Liquidity and Capital Resources**

Our liquidity is currently provided by (i) existing cash balances, (ii) operating cash flows and (iii) borrowings under our ABL Credit Facility. Our cash is primarily used to fund our operations, support growth opportunities, fund share repurchases under our share repurchase program and satisfy future debt payments. Our borrowing base, as redetermined monthly, is tied to the sum of 85% to 90% of monthly eligible accounts receivable and 80% of eligible unbilled accounts (up to a maximum of 25% of the borrowing base), in each case, depending on the credit ratings of our accounts receivable counterparties, less customary reserves (the "Borrowing Base"). Changes to our operational activity levels and our customers' credit ratings have an impact on our total eligible accounts receivable, which could result in significant changes to our Borrowing Base and therefore, our availability under our ABL Credit Facility.

We received advance payments from a customer for our services, and the amount outstanding in connection with the advance payments as of September 30, 2024 was \$13.9 million, which does not include any restricted cash.

As of September 30, 2024, our borrowings under our ABL Credit Facility were \$45.0 million and our total liquidity was approximately \$127.0 million, consisting of cash and cash equivalents of \$46.6 million and \$80.4 million of availability under our ABL Credit Facility.

On April 24, 2024, the Company's board of directors (the "Board") approved an increase and extension to the share repurchase program previously authorized on May 17, 2023. The program permits the repurchase of up to an additional \$100 million of the Company's common stock for a total of \$200 million and extends the expiration date by one year to May 31, 2025. The shares may be repurchased from time to time in open market transactions, block trades, accelerated share repurchases, privately negotiated transactions, derivative transactions or otherwise, certain of which may be made pursuant to a trading plan meeting the requirements of Rule 10b5-1 under the Exchange Act, as amended, in compliance with applicable state and federal

securities laws. The timing, as well as the number and value of shares repurchased under the program, will be determined by the Company at its discretion and will depend on a variety of factors, including management's assessment of the intrinsic value of the Company's common stock, the market price of the Company's common stock, general market and economic conditions, available liquidity, compliance with the Company's debt and other agreements, applicable legal requirements, and other considerations. The Company is not obligated to purchase any shares under the repurchase program, and the program may be suspended, modified, or discontinued at any time without prior notice. The Company expects to fund the repurchases using cash on hand and expected free cash flow to be generated through May 2025. During the three months ended September 30, 2024, the Company repurchased and retired 1.3 million shares of common stock for an aggregate of \$10.2 million, an average price per share of \$8.06 including commissions, under the repurchase program. As of September 30, 2024, \$92.5 million remained authorized for future repurchases of common stock under the repurchase program.

There can be no assurance that our operations and other capital resources will provide cash in sufficient amounts to maintain planned or future levels of capital expenditures and to continue with our share repurchases under our share repurchase program or fund future business acquisitions. Future cash flows are subject to a number of variables, and are highly dependent on the drilling, completion, and production activity by our customers, which in turn is highly dependent on oil and natural gas prices. Depending upon market conditions and other factors, we may issue equity and debt securities or take other actions necessary to fund our business, strategy or meet our future long-term liquidity requirements.

#### ***Capital Requirements, Future Sources and Use of Cash and Contractual Obligations***

Capital expenditures incurred were \$36.8 million during the three months ended September 30, 2024, as compared to \$59.1 million during the three months ended September 30, 2023 for our reportable segments. The significant portion of our total capital expenditures incurred during the three months ended September 30, 2024 were maintenance capital expenditures.

Our future material use of cash will be to fund our capital expenditures. We may also use material amounts of cash to repurchase shares under our share repurchase program. Capital expenditures for 2024 are projected to be primarily related to capital expenditures to extend the useful life of our existing completion services assets, costs to convert some existing equipment to lower emissions equipment, strategic purchases and other ancillary equipment purchases, subject to market conditions and customer demand and potential strategic acquisitions. Our future capital expenditures depend on our projected operational activity, emission requirements and planned conversions to lower emissions equipment, among other factors, which could vary significantly throughout the year. Based on our current plan and projected activity levels for 2024, we expect our capital expenditures to range between \$150 million and \$175 million. We could incur significant additional capital expenditures if our projected activity levels increase during the course of the year, inflation and supply chain tightness continue to adversely impact our operations or we invest in new or different lower emissions equipment. The Company will continue to evaluate the emissions profile of its equipment over the coming years and may, depending on market conditions, convert or retire additional conventional Tier II equipment in favor of lower emissions equipment. The Company's decisions regarding the retirement or conversion of equipment or the addition of lower emissions equipment will be subject to a number of factors, including (among other factors) the availability of equipment, including parts and major components, supply chain disruptions, prevailing and expected commodity prices, customer demand and requirements and the Company's evaluation of projected returns on conversion or other capital expenditures. Depending on the impacts of these factors, the Company may decide to retain conventional equipment for a longer period of time or accelerate the retirement, replacement or conversion of that equipment.

We anticipate our capital expenditures will be funded by existing cash, cash flows from operations, and if needed, borrowings under our ABL Credit Facility. Our cash flows from operations will be generated from services we provide to our customers.

We entered into a sand purchase agreement with a supplier that will expire on December 31, 2024 with a remaining take-or-pay commitment of approximately \$2.3 million. We also entered into the Electric Fleet Leases, which contain options to extend the leases or purchase the equipment at the end of each lease or at the end of each subsequent renewal period. As of September 30, 2024, all five of the Electric Fleet Leases commenced when the Company took possession of all equipment associated with its first four FORCE® electric-powered hydraulic fracturing fleets and some of the equipment associated with its fifth fleet under these leases. Lease payments pertaining to the remaining equipment associated with the fifth Electric Fleet Lease are expected to commence when the Company takes possession of the remaining associated equipment. We currently expect to receive majority of the remaining equipment associated with the fifth fleet in the fourth quarter of 2024. The total estimated contractual commitment in connection with the Electric Fleet Leases excluding the cost associated with the option to purchase the equipment at the end of each lease is approximately \$130.9 million. We also entered into a three year lease (the "Power Equipment Lease") for certain power generation equipment. The total estimated contractual commitment in connection with the Power Equipment Lease is approximately \$39.6 million.

In the normal course of business, we enter into various contractual obligations and incur expenses in connection with routine growth, conversion and maintenance capital expenditures that impact our future liquidity. There were no other known future material contractual obligations as of September 30, 2024.

#### **Cash, Restricted Cash and Cash Flows**

The following table sets forth the historical cash flows for the nine months ended September 30, 2024, and 2023:

(in thousands)	Nine Months Ended September 30,	
	2024	2023
Net cash provided by operating activities	\$ 214,432	\$ 305,071
Net cash used in investing activities	\$ (130,603)	\$ (312,771)
Net cash used in financing activities	\$ (70,617)	\$ (26,832)

#### **Cash Flows From Operating Activities**

Net cash provided by operating activities was \$214.4 million for the nine months ended September 30, 2024, compared to \$305.1 million for the nine months ended September 30, 2023. The net decrease of approximately \$90.6 million was primarily due to lower net income adjusted for noncash expenses and the timing of our receivable collections from our customers and payments to our vendors.

#### **Cash Flows From Investing Activities**

Net cash used in investing activities decreased to \$130.6 million for the nine months ended September 30, 2024, from \$312.8 million for the nine months ended September 30, 2023. The decrease was primarily attributable to our capital light strategy and the completion of our planned investments in Tier IV DGB equipment, partially offset by the acquisition of AquaProp.

#### **Cash Flows From Financing Activities**

Net cash used in financing activities increased to \$70.6 million for the nine months ended September 30, 2024, from \$26.8 million for the nine months ended September 30, 2023. The net increase was primarily driven by net borrowings of \$15.0 million under our ABL Credit Facility during the nine months ended September 30, 2023, a \$12.2 million increase in payments of finance lease obligation and a \$19.5 million increase in share repurchases, partially offset by a \$2.1 million decrease in tax withholdings paid for net settlement of equity awards and payment of debt issuance costs of \$1.2 million during the nine months ended September 30, 2023.

#### **Credit Facility and Other Financing Arrangements**

Our revolving credit facility, as amended and restated in April 2022, prior to giving effect to the amendment to the revolving credit facility in June 2023, had a total borrowing capacity of \$150.0 million. The revolving credit facility had a borrowing base of 85% to 90%, depending on the credit ratings of our accounts receivable counterparties, of monthly eligible accounts receivable less customary reserves. The revolving credit facility included a springing fixed charge coverage ratio to apply when excess availability was less than the greater of (i) 10% of the lesser of the facility size or the borrowing base or (ii) \$10.0 million. Under the revolving credit facility we were required to comply, subject to certain exceptions and materiality qualifiers, with certain customary affirmative and negative covenants, including, but not limited to, covenants pertaining to our ability to incur liens, indebtedness, changes in the nature of our business, mergers and other fundamental changes, disposal of assets, investments and restricted payments, amendments to our organizational documents or accounting policies, prepayments of certain debt, dividends, transactions with affiliates, and certain other activities.

Effective June 2, 2023, the Company entered into an amendment to the ABL Credit Facility. The amendment increased the borrowing capacity under the ABL Credit Facility to \$225.0 million (subject to the Borrowing Base limit), and extended the maturity date to June 2, 2028.

Effective June 26, 2024, the Company entered into an amendment to the ABL Credit Facility. The amendment increased the amount of non-cash consideration that may be considered cash pursuant to certain permitted dispositions.

The Borrowing Base as of September 30, 2024, was approximately \$131.4 million. The ABL Credit Facility includes a springing fixed charge coverage ratio to apply when excess availability is less than the greater of (i) 10% of the lesser of the



facility size or the Borrowing Base or (ii) \$15.0 million. Under the ABL Credit Facility we are required to comply, subject to certain exceptions and materiality qualifiers, with certain customary affirmative and negative covenants, including, but not limited to, covenants pertaining to our ability to incur liens, indebtedness, changes in the nature of our business, mergers and other fundamental changes, disposal of assets, investments and restricted payments, amendments to our organizational documents or accounting policies, prepayments of certain debt, dividends, transactions with affiliates, and certain other activities. Borrowings under the ABL Credit Facility are secured by a first priority lien and security interest in substantially all assets of the Company.

Borrowings under the ABL Credit Facility accrue interest based on a three-tier pricing grid tied to availability, and we may elect for loans to be based on either the Secured Overnight Financing Rate ("SOFR") or the base rate, plus the applicable margin, which ranges from 1.75% to 2.25% for SOFR loans and 0.75% to 1.25% for base rate loans.

#### **Off-Balance Sheet Arrangements**

We had no off-balance sheet arrangements as of September 30, 2024.

#### **Critical Accounting Policies and Estimates**

There have been no material changes during the nine months ended September 30, 2024 to the methodology applied by our management for critical accounting policies previously disclosed in our Form 10-K. Please refer to Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates" in our Form 10-K for a discussion of our critical accounting policies and estimates.

#### **Recently Issued Accounting Standards**

Disclosure concerning recently issued accounting standards is incorporated by reference to Note 2 of our Condensed Consolidated Financial Statements (Unaudited) contained in this Form 10-Q.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

As of September 30, 2024, there have been no material changes in market risk from the information provided in "Management's Discussion and Analysis of Financial Condition and Results of Operations" or "Quantitative and Qualitative Disclosures of Market Risk" in our Form 10-K.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that the information required to be disclosed by us in our reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

As required by Rule 13a-15(b) under the Exchange Act, 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 the end of the period covered by this Form 10-Q. Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2024.

#### **Changes in Internal Control over Financial Reporting**

There were no changes in our system of internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II – OTHER INFORMATION

### ITEM 1. Legal Proceedings

See "Note 13 – Commitments and Contingencies" in the Notes to Condensed Consolidated Financial Statements for further information.

### ITEM 1A. Risk Factors

There have been no material changes to the risk factors disclosed in Part I, Item 1A. of our Form 10-K.

### ITEM 2. Unregistered Sales or Purchases of Equity Securities and Use of Proceeds

#### Share Repurchase Program

The following sets forth information with respect to our repurchases of shares of common stock during the three months ended September 30, 2024:

Period	Total number of shares purchased	Average price paid per share <sup>(2)</sup>	Total number of shares purchased as part of publicly announced plans or programs <sup>(1)</sup>	Approximate dollar value of shares that may yet be purchased under the plans or programs <sup>(1)</sup>
July 1, 2024 to July 31, 2024	362,143	\$ 8.52	362,143	\$ 99,679,449
August 1, 2024 to August 31, 2024	—	\$ —	—	\$ 99,679,449
September 1, 2024 to September 30, 2024	906,988	\$ 7.88	906,988	\$ 92,533,309
Total	1,269,131	\$ 8.06	1,269,131	\$ 92,533,309

(1) On April 24, 2024, the Board approved an increase and extension to the share repurchase program previously authorized on May 17, 2023. The program permits the repurchase of up to an additional \$100 million of the Company's common stock for a total of \$200 million and extends the expiration date by one year to May 31, 2025. The shares may be repurchased from time to time in open market transactions, block trades, accelerated share repurchases, privately negotiated transactions, derivative transactions or otherwise, certain of which may be made pursuant to a trading plan meeting the requirements of Rule 10b5-1 under the Exchange Act, as amended, in compliance with applicable state and federal securities laws.

(2) The average price paid per share includes commissions.

### ITEM 3. Defaults Upon Senior Securities

None.

### ITEM 4. Mine Safety Disclosures

Not applicable.

### ITEM 5. Other Information

During the three months ended September 30, 2024, no director or officer of the Company adopted, modified or terminated any "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement" within the meaning of Item 408 of Regulation S-K.

**ITEM 6. Exhibits**

The exhibits required to be filed or furnished by Item 601 of Regulation S-K are listed below.

3.1	Amended and Restated Certificate of Incorporation of ProPetro Holding Corp. dated as of June 19, 2019 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, dated June 19, 2019).
3.2	Amended and Restated Bylaws of ProPetro Holding Corp. (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, dated June 19, 2019).
3.3	Certificate of Designations of Series B Junior Participating Preferred Stock of ProPetro Holding Corp. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, dated April 14, 2020).
31.1*	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Exchange Act Rules, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Exchange Act Rules, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
104*	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
*	Filed herewith.
**	Furnished herewith.

## SIGNATURES

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

Date: October 31, 2024

By: /s/ Samuel D. Sledge

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Samuel D. Sledge  
Chief Executive Officer and Director  
(Principal Executive Officer)

By: /s/ David S. Schorlemer

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David S. Schorlemer  
Chief Financial Officer  
(Principal Financial Officer)

By: /s/ Celina A. Davila

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Celina A. Davila  
Chief Accounting Officer  
(Principal Accounting Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Samuel D. Sledge, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ProPetro Holding Corp.;
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 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 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.

Dated: October 31, 2024

/s/ Samuel D. Sledge

Samuel D. Sledge  
Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David S. Schorlemer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ProPetro Holding Corp.;
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 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 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.

Dated: October 31, 2024

/s/ David S. Schorlemer

David S. Schorlemer  
Chief Financial Officer  
(Principal Financial Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of ProPetro Holding Corp. (the "Company"), for the period ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Samuel D. Sledge, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 31, 2024

/s/ Samuel D. Sledge  
Samuel D. Sledge  
Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of ProPetro Holding Corp. (the "Company"), for the period ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David S. Schorlemer, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 31, 2024

/s/ David S. Schorlemer  
David S. Schorlemer  
Chief Financial Officer  
(Principal Financial Officer)