
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2023
OR

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

For the transition period from [] to []
Commission File Number: 001-41388

ProFrac Holding Corp.

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or other jurisdiction of incorporation or organization)

333 Shops Boulevard, Suite 301, Willow Park, Texas

(Address of principal executive offices)

87-2424964

(I.R.S. Employer Identification No.)

76087

(Zip Code)

Registrant's telephone number, including area code: **(254) 776-3722**

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value \$0.01 per share	ACDC	The Nasdaq Global Select Market
Warrants to purchase Class A common stock	ACDCW	The Nasdaq Global Select Market

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 type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" 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 Act). ☐ Yes ☒ No

As of November 6, 2023, the registrant had 159,388,841 shares of Class A common stock outstanding.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (the "Quarterly Report") contains "forward-looking statements" as defined in Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements include those that express a belief, expectation or intention, as well as those that are not statements of historical fact. Forward-looking statements include information regarding our future plans and goals, as well as our expectations with respect to:

- Our business strategy and future growth prospects;
- Our industry;
- Integration of acquired businesses;
- Our future profitability, cash flows and liquidity;
- Our financial strategy, budget, projections and operating results;
- The amount, nature and timing of our capital expenditures and the impact of such expenditures on our performance;
- The availability and terms of capital;
- Our exploration, development and production activities;
- The market for our existing and future products and services;
- Competition and government regulations; and
- General economic conditions.

These forward-looking statements may be accompanied by words such as "anticipate," "believe," "estimate," "expect," "intend," "may," "outlook," "plan," "potential," "predict," "project," "will," "should," "could," "would," "likely," "future," "budget," "pursue," "target," "seek," "objective," or similar expressions that are predictions of or indicate future events or trends that do not relate to historical matters.

The forward-looking statements in this Quarterly Report speak only as of the date of this Quarterly Report, or such other date as specified herein. We disclaim any obligation to update these statements unless required by law, and we caution you not to place undue reliance on them. Forward-looking statements are not assurances of future performance and involve risks and uncertainties. We have based these forward-looking statements on our current expectations and assumptions about future events. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. These risks, contingencies and uncertainties include, but are not limited to, the following:

- our ability to finance, consummate, integrate and realize the benefits expected from our past or future acquisitions, including any related synergies;
- uncertainty regarding the timing, pace and extent of an economic recovery in the United States and elsewhere, which in turn will likely affect demand for crude oil and natural gas and therefore the demand for our services;
- the level of production of crude oil, natural gas and other hydrocarbons and the resultant market prices of crude oil, natural gas, natural gas liquids and other hydrocarbons;
- a future decline in domestic spending by the onshore oil and natural gas industry;
- actions by members of the Organization of Petroleum Exporting Countries, Russia and other oil-producing countries with respect to oil production levels and announcements of potential changes in such levels;
- the political environment in oil and natural gas producing regions, including uncertainty or instability resulting from civil disorder, terrorism or war, such as the ongoing war between Russia and Ukraine and conflict in the Middle East, which may negatively impact our operating results;
- changes in general economic and geopolitical conditions;
- competitive conditions in our industry;
- changes in the long-term supply of and demand for oil and natural gas;
- actions taken by our customers, competitors and third-party operators;
- a decline in demand for proppant;
- our ability to obtain permits, approvals and authorizations from governmental and third parties, and the effects of or changes to U.S. government regulation;
- changes in the availability and cost of capital;
- our ability to successfully implement our business plan;
- 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 changes in interest rates);
- our ability to complete growth projects on time and on budget;
- introduction of new drilling or completion techniques, or services using new technologies subject to patent or other intellectual property protections;
- operating hazards, natural disasters, weather-related delays, casualty losses and other matters beyond our control;
- acts of terrorism, war or political or civil unrest in the United States or elsewhere;
- loss or corruption of our information or a cyberattack on our computer systems;
- the price and availability of alternative fuels and energy sources;
- federal, state and local regulation of hydraulic fracturing and other oilfield service activities, as well as exploration and production activities, including public pressure on governmental bodies and regulatory agencies to regulate our industry;
- the availability of water resources, suitable proppant and chemicals in sufficient quantities for use in hydraulic fracturing fluids;
- the effects of existing and future laws and governmental regulations (or the interpretation thereof) on us and our customers;
- the severity and duration of widespread health events and related economic repercussions on the oil and gas industry and on demand for oil and gas; and
- the effects of future litigation.

Our forward-looking statements speak only as of the date they were made and, except as required by law, we undertake no obligation to update, amend or clarify any forward-looking statements because of new information, future events or other factors. All of our forward-looking information involves risks and uncertainties that could cause actual results to differ materially from the results expected. Although it is not possible to identify all factors, these risks and uncertainties include the risk factors and the timing of any of the risk factors identified in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022 (the "Annual Report").

PART I

ITEM 1. FINANCIAL STATEMENTS

ProFrac Holding Corp.
Condensed Consolidated Balance Sheets
(in millions, except per share amounts or where otherwise noted)
(Unaudited)

	September 30, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 25.1	\$ 35.1
Accounts receivable, net	332.3	535.5
Accounts receivable — related party, net	6.5	2.1
Inventories	271.9	249.5
Prepaid expenses and other current assets	42.8	43.2
Total current assets	678.6	865.4
Property, plant, and equipment, net	1,845.4	1,396.4
Operating lease right-of-use assets, net	94.1	112.9
Goodwill	323.2	240.5
Intangible assets, net	182.3	203.1
Investments (\$37.8 and \$53.6 at fair value, respectively)	42.8	58.6
Deferred tax assets	—	0.4
Other assets	55.7	56.3
Total assets	\$ 3,222.1	\$ 2,933.6
LIABILITIES, TEMPORARY EQUITY, AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	\$ 341.1	\$ 339.4
Accounts payable — related party	17.5	24.0
Accrued expenses	113.0	115.4
Current portion of long-term debt	122.8	127.6
Current portion of operating lease liabilities	31.0	36.0
Other current liabilities	70.8	25.7
Other current liabilities — related party	7.4	—
Total current liabilities	703.6	668.1
Long-term debt	902.1	735.0
Long-term debt — related party	32.2	62.8
Operating lease liabilities	67.8	81.0
Deferred tax liabilities	79.4	—
Other liabilities	75.2	36.0
Total liabilities	1,860.3	1,582.9
Temporary equity:		
Series A preferred stock, \$0.01 par value, 50 thousand shares authorized, 50 thousand and zero shares issued and outstanding, respectively	57.5	—
Redeemable noncontrolling interest	—	2,462.9
Stockholders' equity (deficit):		
Preferred stock, \$0.01 par value, 50.0 shares authorized, no shares issued and outstanding	—	—
Class A common stock, \$0.01 par value, 600.0 shares authorized, 159.4 and 53.9 shares issued and outstanding, respectively	1.5	0.5
Class B common stock, \$0.01 par value, 400.0 shares authorized, zero and 104.2 shares issued and outstanding, respectively	—	1.0
Additional paid-in capital	1,171.3	—
Retained earnings (accumulated deficit)	77.5	(1,185.9)
Accumulated other comprehensive loss	(0.2)	—
Total stockholders' equity (deficit) attributable to ProFrac Holding Corp.	1,250.1	(1,184.4)
Noncontrolling interests	54.2	72.2
Total stockholders' equity (deficit)	1,304.3	(1,112.2)
Total liabilities, temporary equity, and stockholders' equity (deficit)	\$ 3,222.1	\$ 2,933.6

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

ProFrac Holding Corp.
Condensed Consolidated Statements of Operations
(in millions, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenues	\$ 574.2	\$ 696.7	\$ 2,140.9	\$ 1,631.5
Operating costs and expenses:				
Cost of revenues, exclusive of depreciation, depletion and amortization	368.5	392.0	1,382.2	967.7
Selling, general, and administrative	61.0	64.5	209.2	169.0
Depreciation, depletion and amortization	111.5	69.1	330.7	178.1
Acquisition and integration costs	2.6	5.8	20.1	22.9
Other operating expense, net	10.1	0.6	17.8	6.6
Total operating costs and expenses	553.7	532.0	1,960.0	1,344.3
Operating income	20.5	164.7	180.9	287.2
Other (expense) income:				
Interest expense, net	(40.2)	(16.3)	(116.1)	(39.0)
(Loss) gain on extinguishment of debt	—	(0.2)	4.1	(17.3)
Other (expense) income, net	(4.9)	(1.0)	(22.0)	8.2
(Loss) income before income taxes	(24.6)	147.2	46.9	239.1
Income tax benefit (expense)	6.7	(7.9)	(9.6)	(12.4)
Net (loss) income	(17.9)	139.3	37.3	226.7
Less: net income attributable to ProFrac Predecessor	—	—	—	(73.6)
Less: net (income) loss attributable to noncontrolling interests	(6.6)	11.8	(0.9)	20.1
Less: net income attributable to redeemable noncontrolling interests	—	(107.1)	(41.8)	(122.6)
Net (loss) income attributable to ProFrac Holding Corp.	\$ (24.5)	\$ 44.0	\$ (5.4)	\$ 50.6
Net (loss) income attributable to Class A common shareholders	\$ (33.1)	\$ 44.0	\$ (14.0)	\$ 50.6
(Loss) earnings per Class A common share (basic and diluted)	\$ (0.21)	\$ 1.07	\$ (0.12)	\$ 1.24
Weighted average Class A common shares outstanding:				
Basic	159.4	41.2	121.3	40.8
Diluted	159.4	41.3	121.3	40.9

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

ProFrac Holding Corp.
Condensed Consolidated Statement of Comprehensive Income
(in millions)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net (loss) income	\$ (17.9)	\$ 139.3	\$ 37.3	\$ 226.7
Other comprehensive (loss) income:				
Foreign currency translation adjustments	—	0.2	(0.1)	0.1
Comprehensive (loss) income	(17.9)	139.5	37.2	226.8
Less: comprehensive income attributable to ProFrac Predecessor	—	—	—	(73.5)
Less: comprehensive (income) loss attributable to noncontrolling interest	(6.6)	11.7	(0.9)	20.0
Less: comprehensive income attributable to redeemable noncontrolling interest	—	(107.2)	(41.9)	(122.7)
Comprehensive (loss) income attributable to ProFrac Holding Corp.	<u>\$ (24.5)</u>	<u>\$ 44.0</u>	<u>\$ (5.6)</u>	<u>\$ 50.6</u>

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

ProFrac Holding Corp.
Condensed Consolidated Statements of Changes in Equity
(in millions)
(Unaudited)

	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive Income	Noncontrolling Interests	Total Stockholders' (Deficit) Equity
	Shares	Amount	Shares	Amount					
Balance, December 31, 2022	53.9	\$ 0.5	104.2	\$ 1.0	\$ —	\$ (1,185.9)	\$ —	\$ 72.2	\$ (1,112.2)
Class A shares issued for acquisitions	0.7	—	—	—	9.6	—	—	—	9.6
Stock-based compensation	—	—	—	—	0.9	—	—	0.1	1.0
Stock-based compensation related to deemed contribution	—	—	—	—	3.5	—	—	—	3.5
Net income (loss)	—	—	—	—	—	22.0	—	(4.2)	17.8
Foreign currency translation	—	—	—	—	—	—	0.1	0.1	0.2
Flotek common stock issued to satisfy convertible notes held by third parties	—	—	—	—	—	—	—	12.7	12.7
Adjustment of redeemable noncontrolling interest to redemption amount	—	—	—	—	(9.2)	1,277.4	—	—	1,268.2
Balance, March 31, 2023	54.6	0.5	104.2	1.0	4.8	113.5	0.1	80.9	200.8
Stock-based compensation	—	—	—	—	2.7	—	—	(0.4)	2.3
Stock-based compensation related to deemed contribution	—	—	—	—	6.8	—	—	—	6.8
Class A shares issued for vested equity awards	0.6	—	—	—	—	—	—	—	—
Tax withholding related to net share settlement of equity awards	—	—	—	—	(0.8)	—	—	—	(0.8)
Net loss	—	—	—	—	—	(2.9)	—	(1.5)	(4.4)
Foreign currency translation	—	—	—	—	—	—	(0.3)	(0.1)	(0.4)
Flotek common stock issued to satisfy convertible notes held by ProFrac Holdings Corp.	—	—	—	—	31.6	—	—	(31.6)	—
Adjustment of redeemable noncontrolling interest to redemption amount	—	—	—	—	(57.9)	—	—	—	(57.9)
Conversion of Class B common stock to Class A common stock	104.2	1.0	(104.2)	(1.0)	1,313.3	—	—	—	1,313.3
Additional paid-in capital related to tax receivable agreement	—	—	—	—	(58.9)	—	—	—	(58.9)
Deferred taxes related to conversion of Class B common stock to Class A common stock	—	—	—	—	(74.7)	—	—	—	(74.7)
Balance, June 30, 2023	159.4	1.5	—	—	1,166.9	110.6	(0.2)	47.3	1,326.1
Net (loss) income	-	-	-	-	-	(24.5)	-	6.6	(17.9)
Stock-based compensation	-	-	-	-	2.0	-	-	0.3	2.3
Stock-based compensation related to deemed contribution	-	-	-	-	2.1	-	-	-	2.1
Deferred taxes related to Class B share conversion to Class A shares	-	-	-	-	0.3	-	-	-	0.3
Adjustment of Series A preferred stock to redemption amount	-	-	-	-	-	(8.6)	-	-	(8.6)
Balance, September 30, 2023	159.4	\$ 1.5	—	\$ —	\$ 1,171.3	\$ 77.5	\$ (0.2)	\$ 54.2	\$ 1,304.3

ProFrac Holding Corp.
Condensed Consolidated Statements of Changes in Equity (continued)
(in millions)
(Unaudited)

	Members' Equity	Class A Common Shares	Common Stock Amount	Class B Common Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Noncontrolling Interests	Total Stockholder s' Equity (Deficit)
Balance, December 31, 2021	\$ 147.0	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 0.1	\$ 1.0	\$ 148.1
Member contributions	5.0	—	—	—	—	—	—	—	—	5.0
Deemed distribution	(3.7)	—	—	—	—	—	—	—	—	(3.7)
THRC Holdings related equity	72.9	—	—	—	—	—	—	—	—	72.9
Net income	19.6	—	—	—	—	—	—	—	0.4	20.0
Foreign currency translation	—	—	—	—	—	—	—	(0.1)	—	(0.1)
Balance, March 31, 2022	240.8	—	—	—	—	—	—	—	1.4	242.2
Net income prior to corporate reorganization	54.0	—	—	—	—	—	—	—	—	54.0
Issuance of Class A shares in IPO	—	18.2	0.2	—	—	227.5	—	—	—	227.7
Issuance of Class B shares	—	—	—	101.1	1.0	—	—	—	—	1.0
Effect of corporate reorganization and reclassification to redeemable noncontrolling interest	(294.8)	20.9	0.2	—	—	(82.9)	—	—	—	(377.5)
Adjustment of redeemable noncontrolling interest to redemption amount at IPO	—	—	—	—	—	(146.4)	(1,291.9)	—	—	(1,438.3)
Class A shares issued to settle asset purchase	—	2.1	—	—	—	16.7	—	—	—	16.7
Net income (loss) after corporate reorganization	—	—	—	—	—	—	6.6	—	(8.7)	(2.1)
Recognition of Flotek noncontrolling interest	—	—	—	—	—	—	—	—	99.6	99.6
Stock-based compensation	—	—	—	—	—	0.3	—	—	0.5	0.8
Stock-based compensation related to deemed contribution	—	—	—	—	—	11.3	—	—	—	11.3
Additional paid-in capital related to tax receivable agreement	—	—	—	—	—	0.6	—	—	—	0.6
Adjustment of redeemable noncontrolling interest to redemption amount	—	—	—	—	—	(27.1)	(132.3)	—	—	(159.4)
Balance, June 30, 2022	—	41.2	0.4	101.1	1.0	—	(1,417.6)	—	92.8	(1,323.4)
Net income	-	-	-	-	-	-	44.0	-	(11.8)	32.2
Stock-based compensation	-	-	-	-	-	0.6	-	-	0.7	1.3
Stock-based compensation related to deemed contribution	-	-	-	-	-	3.0	-	-	-	3.0
Foreign currency translation	-	-	-	-	-	-	-	-	0.1	0.1
Other	-	-	-	-	-	0.1	-	-	-	0.1
Adjustment of redeemable noncontrolling interest to redemption amount	-	-	-	-	-	(3.7)	494.3	-	-	490.6
Balance, September 30, 2022	\$ -	41.2	\$ 0.4	101.1	\$ 1.0	\$ -	\$ (879.3)	\$ -	\$ 81.8	\$ (796.1)

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

ProFrac Holding Corp.
Condensed Consolidated Statements of Cash Flows
(in millions)
(Unaudited)

	Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities:		
Net income	\$ 37.3	\$ 226.7
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation, depletion and amortization	330.7	178.1
Amortization of acquired contract liabilities	(41.0)	—
Stock-based compensation	27.3	53.3
(Gain) loss on disposal of assets, net	(0.3)	2.6
Non-cash (gain) loss on extinguishment of debt	(4.1)	10.5
Amortization of debt issuance costs	18.8	4.7
Acquisition earnout adjustment	(6.6)	—
Unrealized loss (gain) on investments, net	24.1	(8.5)
Deferred tax expense	5.0	2.4
Other non-cash items, net	0.1	—
Changes in operating assets and liabilities:		
Accounts receivable	219.4	(220.5)
Inventories	(15.3)	(96.8)
Prepaid expenses and other assets	(5.3)	(18.6)
Accounts payable	(48.1)	6.3
Accrued expenses	6.0	110.6
Other liabilities	(37.2)	5.8
Net cash provided by operating activities	510.8	256.6
Cash flows from investing activities:		
Acquisitions, net of cash acquired	(461.8)	(354.9)
Investment in property, plant & equipment	(233.9)	(239.5)
Proceeds from sale of assets	3.0	46.6
Investment in unconsolidated affiliate	—	(47.2)
Initial investment in Flotek	—	(10.0)
Other investments	—	(24.8)
Net cash used in investing activities	(692.7)	(629.8)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	334.7	818.8
Repayments of long-term debt	(98.6)	(515.8)
Borrowings from revolving credit agreements	1,219.9	253.7
Repayments to revolving credit agreements	(1,315.4)	(322.7)
Payment of debt issuance costs	(18.9)	(33.3)
Tax withholding related to net share settlement of equity awards	(0.8)	—
Proceeds from issuance of Series A preferred stock	50.0	—
Payment of Series A preferred stock issuance costs	(1.1)	—
Member contribution	—	5.0
Proceeds from issuance of common stock	—	329.1
Payment of common stock issuance costs	—	(27.4)
Payment of THRC related equity	—	(72.9)
Net cash provided by financing activities	169.8	434.5
Net (decrease) increase in cash, cash equivalents, and restricted cash	(12.1)	61.3
Cash, cash equivalents, and restricted cash beginning of period	37.9	5.4
Cash, cash equivalents, and restricted cash end of period	<u>\$ 25.8</u>	<u>\$ 66.7</u>
Non-cash investing and financing activities:		
Capital expenditures included in accounts payable	\$ 42.2	\$ 26.5
Operating lease liabilities incurred from obtaining right-of-use assets	8.8	45.4
Finance lease liabilities incurred from obtaining right-of-use assets	4.6	—

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

ProFrac Holding Corp.
Notes to Unaudited Condensed Consolidated Financial Statements
(Amounts in millions, except per share amounts, or where otherwise noted)

NOTE 1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Description of Business

ProFrac Holding Corp. ("ProFrac Corp.") is a vertically integrated and innovation-driven energy services holding company providing hydraulic fracturing, proppant production, other completion services and other complementary products and services to leading upstream oil and natural gas companies engaged in the exploration and production ("E&P") of North American unconventional oil and natural gas resources.

ProFrac Corp. operates in three business segments: stimulation services, proppant production and manufacturing. Our stimulation services segment owns and operates a fleet of mobile hydraulic fracturing units and other auxiliary equipment that generates revenue by providing stimulation services to our customers. Our proppant production segment provides proppant to oilfield service providers and E&P companies. Our manufacturing segment sells highly engineered, tight tolerance machined, assembled, and factory tested products such as high horsepower pumps, valves, piping, swivels, large-bore manifold systems, and fluid ends.

Basis of Presentation

On May 17, 2022, ProFrac Corp. completed its initial public offering and corporate reorganization and became the managing member of ProFrac Holdings, LLC ("ProFrac LLC"). The unaudited condensed consolidated financial statements presented herein prior to May 17, 2022 consist of the accounts of ProFrac LLC and its subsidiaries (the "Predecessors"). The unaudited condensed consolidated financial statements presented herein subsequent to May 17, 2022 include the accounts of ProFrac Corp. and those of its subsidiaries that are wholly-owned, controlled by it or a variable interest entity ("VIE") where it is the primary beneficiary. In these notes to the unaudited condensed consolidated financial statements, ProFrac Corp. and ProFrac LLC together are referred to as "we," "our" or "us."

These unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. We believe that the presentations and disclosures herein are adequate to make the information not misleading. The unaudited condensed consolidated financial statements reflect all adjustments (consisting of normal recurring adjustments) for a fair statement of the interim periods. The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the full year. The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in Item 8 "Financial Statements and Supplementary Data" of our Annual Report.

All significant intercompany accounts and transactions have been eliminated in consolidation.

ProFrac Holding Corp.
Notes to Unaudited Condensed Consolidated Financial Statements (continued)
(Amounts in millions, except per share amounts, or where otherwise noted)

Cash, Cash Equivalents, and Restricted Cash

Cash, cash equivalents, and restricted cash are recorded in our unaudited condensed consolidated balance sheet as follows:

	September 30, 2023	December 31, 2022
Cash and cash equivalents	\$ 25.1	\$ 35.1
Restricted cash included in prepaid expenses and other current assets	0.7	2.8
Total cash, cash equivalents, and restricted cash	<u>\$ 25.8</u>	<u>\$ 37.9</u>

Concentrations of Risk

Our business activities are concentrated in the well completion services segment of the oilfield services industry in the United States. The market for these services is cyclical, and we depend on the willingness of our customers to make operating and capital expenditures to explore for, develop, and produce oil and natural gas in the United States. The willingness of our customers to undertake these activities depends largely upon prevailing industry conditions that are predominantly influenced by current and expected prices for oil and natural gas. Historically, a low commodity-price environment has caused our customers to significantly reduce their hydraulic fracturing activities and the prices they are willing to pay for those services. During these periods, these customer actions materially adversely affected our business, financial condition and results of operations.

New Accounting Standards to be Adopted

In March 2023, the Financial Accounting Standards Board issued an accounting pronouncement (ASU 2023-01) related to accounting for leases between entities under common control. The amendments in this update clarify the accounting for leasehold improvements associated with common control leases. This update is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. We do not expect the update to have a material effect on our consolidated financial statements.

NOTE 2. ACQUISITIONS

On January 3, 2023, we acquired 100% of the issued and outstanding membership interest of Producers Service Holdings LLC ("Producers"), an employee-owned pressure pumping services provider serving Appalachia and the Mid-Continent, for a total purchase consideration of \$36.5 million, consisting of (i) Class A common stock valued at \$12.9 million based on the acquisition date closing price of \$21.40; (ii) cash consideration of \$1.4 million; (iii) a working capital adjustment of \$8.3 million paid in cash to the sellers of Producers in May 2023; and (iv) our pre-existing investment of \$13.9 million. Throughout the six months ended June 30, 2023, we integrated Producers' operations. As a result, we track all stimulation services assets as one group and it would be impracticable to separately report Producers' revenues or pretax earnings subsequent to the acquisition.

On February 24, 2023, we acquired 100% of the issued and outstanding membership interests in (i) Performance Proppants, LLC, (ii) Red River Land Holdings, LLC, (iii) Performance Royalty, LLC, (iv) Performance Proppants International, LLC, and (v) Sunny Point Aggregates, LLC (together, "Performance Proppants") for a total purchase consideration of \$462.5 million, consisting of (i) Class A common stock valued at \$6.2 million based on the acquisition date closing price of \$19.67; (ii) cash consideration of \$452.1 million; and (iii) the settlement of a pre-existing receivable of \$4.2 million. Performance Proppants is a frac sand provider in the Haynesville basin. During the three months and nine months ended September 30, 2023, our unaudited condensed consolidated statements of operations include revenues of \$59.3 million and \$142.2 million, respectively, and pretax income of \$25.5 million and \$60.9 million, respectively, related to the Performance Proppants acquisition.

We accounted for these acquisitions as business combinations. The following table reflects pro forma revenues and net income (loss) for the three and nine months ended September 30, 2023 and 2022 as if the 2022 and 2023 acquisitions had taken place on January 1, 2022. These unaudited pro forma amounts are not necessarily indicative of results that would have actually been obtained during the periods presented or that may be obtained in the future.

ProFrac Holding Corp.
Notes to Unaudited Condensed Consolidated Financial Statements (continued)
(Amounts in millions, except per share amounts, or where otherwise noted)

(unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenues	\$ 574.2	\$ 894.6	\$ 2,171.6	\$ 2,230.0
Net income (loss)	\$ (17.9)	\$ 129.1	\$ 44.7	\$ 139.6

The following table represents our preliminary allocation of total purchase consideration of Producers and Performance Proppants to the identifiable assets acquired and liabilities assumed based on the fair values on their acquisition dates:

	Producers	Performance Proppants
Cash and cash equivalents	\$ 0.3	\$ 2.0
Accounts receivable	7.5	14.8
Prepaid expenses and other assets	1.1	0.6
Inventories	2.8	7.5
Property, plant and equipment	29.5	476.9
Intangible assets	—	5.6
Total identifiable assets acquired	41.2	507.4
Accounts payable	10.9	16.7
Accrued expenses	0.7	2.8
Current portion of long-term debt	0.2	2.1
Other current liabilities	—	49.6
Non-current portion of debt	0.1	0.6
Other non-current liabilities	—	42.3
Total liabilities assumed	11.9	114.1
Goodwill	7.2	69.2
Total purchase consideration	<u>\$ 36.5</u>	<u>\$ 462.5</u>

We generally used the cost approach to value acquired property, plant and equipment adjusted for the age, condition and utility of the associated assets. The market approach valuation technique was used for assets that had comparable market data available. Included in Performance Proppants property, plant and equipment valuation is mineral reserves valued at \$248.3 million using the income approach, which is predicated upon the value of the future cash flows that an asset will generate over its economic life. The intangible assets related to the Performance Proppants acquisition represent customer relationships and the fair value was determined using the with-and-without method which is an income approach and considers the time needed to rebuild the customer base.

The amounts allocated to goodwill are attributable to the organized workforce and potential or expected synergies. The goodwill for Producers and Performance Proppants was recognized in the stimulation services and proppant production segments, respectively. We estimate that substantially all of the goodwill will be deductible for income tax purposes.

The allocations of purchase price to the identifiable assets acquired and liabilities assumed for these acquisitions are preliminary and subject to revisions during the measurement period, up to one year from the date the acquisition closed. These determinations include the use of estimates based on information that was available at the time these unaudited condensed consolidated financial statements were prepared. We believe that the estimates used are reasonable; however, the estimates are subject to change as additional information becomes available.

ProFrac Holding Corp.
Notes to Unaudited Condensed Consolidated Financial Statements (continued)
(Amounts in millions, except per share amounts, or where otherwise noted)

The changes in the carrying amount of goodwill by reportable segment were as follows:

	Stimulation Services	Proppant Production	Manufacturing	Other	Total
Balances as of December 31, 2022	\$ 153.3	\$ 5.5	\$ -	\$ 81.7	\$ 240.5
Acquisition of Producers	7.2	-	-	-	7.2
Acquisition of Performance	-	75.7	-	-	75.7
Measurement period adjustments	4.7	(4.9)	-	-	(0.2)
Balances as of September 30, 2023	<u>\$ 165.2</u>	<u>\$ 76.3</u>	<u>\$ -</u>	<u>\$ 81.7</u>	<u>\$ 323.2</u>

The measurement period adjustments for the stimulation services segment included an adjustment to finalize the estimate for contingent liabilities at the acquisition date for our U.S. Well Services acquisition.

The measurement period adjustments for the stimulation services segment included an adjustment to recognize a \$5.3 million post-closing working capital adjustment related to our December 2022 acquisition of REV Energy Holdings, LLC ("REV"), which resulted in a reduction to the principal balance of our long-term debt payable to REV and a corresponding decrease to goodwill for the same amount.

The measurement period adjustment for the Proppant production segment related to adjustments to working capital balances for our Performance Proppant acquisition.

NOTE 3. INVENTORIES

Inventory is comprised of the following:

	September 30, 2023	December 31, 2022
Raw materials and supplies	\$ 88.6	\$ 78.7
Work in process	18.1	9.7
Finished products and parts	165.2	161.1
Total	<u>\$ 271.9</u>	<u>\$ 249.5</u>

NOTE 4. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net is comprised of the following:

	September 30, 2023	December 31, 2022
Machinery and equipment	\$ 2,098.0	\$ 1,671.7
Mining property and mine development	420.3	172.1
Buildings and leasehold improvements	109.7	62.0
Land	56.8	44.3
Office equipment, software and other	11.9	7.3
Construction in progress	161.8	156.1
Total	2,858.5	2,113.5
Less: accumulated depreciation, depletion and amortization	(1,013.1)	(717.1)
Property, plant, and equipment, net	<u>\$ 1,845.4</u>	<u>\$ 1,396.4</u>

ProFrac Holding Corp.
Notes to Unaudited Condensed Consolidated Financial Statements (continued)
(Amounts in millions, except per share amounts, or where otherwise noted)

NOTE 5. ACCRUED EXPENSES

Accrued expenses are comprised of the following:

	September 30, 2023	December 31, 2022
Employee compensation and benefits	\$ 26.1	\$ 41.0
Sales, use, and property taxes	22.2	20.1
Insurance	8.2	7.4
Interest	21.6	17.5
Income taxes	4.6	0.7
Tax receivable agreement	3.3	3.3
Other	27.0	25.4
Total accrued expenses	<u>\$ 113.0</u>	<u>\$ 115.4</u>

NOTE 6. LONG-TERM DEBT

Long-term debt is comprised of the following:

	September 30, 2023	December 31, 2022
Third party:		
Term loan	\$ 808.4	\$ 519.2
ABL credit facility	135.5	234.3
Monarch note	65.6	87.5
First Financial loan	5.3	16.6
Flotek convertible notes	—	12.7
Other	33.9	26.3
Related party:		
REV Note	12.2	39.0
Equify notes	20.0	23.8
Total principal amount	1,080.9	959.4
Less: unamortized debt discounts, premiums, and issuance costs	(23.8)	(34.0)
Less: current portion of long-term debt	(122.8)	(127.6)
Total long-term debt	<u>\$ 934.3</u>	<u>\$ 797.8</u>

Term Loan Facility

In February 2023, we amended the term loan facility to, among other things, increase the size of the term loan facility, and we borrowed \$320.0 million under the facility to help fund our acquisition of Performance Proppants and for general corporate purposes.

The term loan facility requires quarterly payments as well as payments based on a percentage of 25% to 50% of excess cash flow (as defined in the term loan facility). The applicable percentage of excess cash flow depends on our leverage ratio as of the last day of the applicable fiscal quarter. During the nine months ended September 30, 2023, we repaid \$30.7 million of borrowings outstanding under our term loan facility.

ABL Credit Facility

In February 2023, we amended the ABL credit facility to, among other things, increase the maximum availability to \$400.0 million. In April 2023 we amended the ABL credit facility to, among other things, increase the amount of permitted additional debt basket. In September 2023, we amended the ABL credit facility to, among other things, increase the amount of inventory that is allowed in the borrowing base.

ProFrac Holding Corp.
Notes to Unaudited Condensed Consolidated Financial Statements (continued)
(Amounts in millions, except per share amounts, or where otherwise noted)

As of September 30, 2023, the maximum availability under the ABL credit facility was limited to our eligible borrowing base of \$260.3 million with \$135.5 million of borrowings outstanding and \$8.8 million of letters of credit outstanding, resulting in approximately \$116.0 million of remaining availability.

Monarch Note

During the nine months ended September 30, 2023, we made principal payments of \$21.9 million on the Monarch Note.

First Financial Loan

During the nine months ended September 30, 2023, we made principal payments of \$11.3 million on the First Financial Loan.

Flotek Convertible Notes

In February 2023, Flotek's convertible notes matured and all \$12.7 million principal amount were converted to shares of Flotek common stock, which is classified as "Noncontrolling interests" in our unaudited condensed consolidated balance sheets.

REV Note

During the nine months ended September 30, 2023, we made principal payments of \$21.5 million and had a working capital adjustment of \$5.3 million on the REV Note.

Equify Note

During the nine months ended September 30, 2023, we made principal payments of \$3.8 million on the Equify Note.

Debt Compliance

Both the term loan facility and the ABL credit facility contain certain customary representations and warranties and affirmative and negative covenants. As of September 30, 2023, we were in compliance with these covenants.

NOTE 7. COMMITMENTS AND CONTINGENCIES

Litigation

In the ordinary course of business, we are the subject of, or party to a number of pending or threatened legal actions and administrative proceedings. While many of these matters involve inherent uncertainty, we believe that, other than as described below, the amount of the liability, if any, ultimately incurred with respect to proceedings or claims will not have a material adverse effect on our consolidated financial position as a whole or on our liquidity, capital resources or future annual results of operations.

We estimate and provide for potential losses that may arise out of legal proceedings and claims to the extent that such losses are probable and can be reasonably estimated. Significant judgment is required in making these estimates and our final liabilities may ultimately be materially different from these estimates. When preparing our estimates, we consider, among other factors, the progress of each legal proceeding and claim, our experience and the experience of others in similar legal proceedings and claims, and the opinions and views of legal counsel. Legal costs related to litigation contingencies are expensed as incurred.

U.S. Well Services Inc. and U.S. Well Services, LLC (collectively, "USWS") v. Halliburton Company and Cimarex Energy Co. (collectively, "Halliburton")

In April 2021, USWS filed a patent infringement suit against Halliburton in United States District Court for the Western District of Texas Waco Division. In the suit, USWS alleges willful infringement of seven U.S. patents based on Halliburton's

ProFrac Holding Corp.
Notes to Unaudited Condensed Consolidated Financial Statements (continued)
(Amounts in millions, except per share amounts, or where otherwise noted)

"All-Electric Fracturing Fleet." In August 2023, a jury returned a verdict in this case in favor of USWS, which Halliburton has indicated it intends to appeal.

In June 2021, Halliburton filed *inter partes* review ("IPR") petitions against these USWS patents. In January 2023, the Patent Trial and Appeal Board ("PTAB") entered final written decisions finding certain claims of these patents invalid. In March 2023, USWS filed a notice of appeal of the final written decisions invalidating certain claims of three of these patents. Other appeal deadlines remain open. In May 2023, the Western District of Texas ruled certain claims of five of the USWS patents are invalid.

In May 2022, Halliburton filed an amended answer to this patent infringement suit counterclaiming for declaratory judgment of invalidity of USWS' patents asserted against Halliburton in this matter and willful infringement of seven of Halliburton's U.S. patents based on USWS' clean fleets and conventional fleets. In June 2022, USWS filed IPR petitions against four of Halliburton's patents. In December 2022, the PTAB denied institution of IPR against these four patents.

The outcome of Halliburton's counterclaim against us is uncertain and the ultimate resolution of it could have a material adverse effect on our unaudited condensed consolidated financial statements in the period in which the resolution is recorded.

Halliburton Energy Services, Inc., Halliburton US Technologies, Inc., and Halliburton Group Technologies, Inc. (collectively, "Halliburton") v. U.S. Well Services, LLC ("USWS")

In September 2022, Halliburton filed two patent infringement suits against USWS in United States District Court for the Western District of Texas Waco Division. In the first lawsuit, Halliburton alleges willful infringement of three of its previously asserted patents as well as five additional U.S. patents. In the second lawsuit, Halliburton alleges willful infringement of two of its previously asserted patents as well as five additional U.S. patents. Both lawsuits allege infringement based on all of USWS and ProFrac LLC's fleets. The two lawsuits are scheduled together and set for trial in June 2024.

In January 2023, USWS filed amended answers to these patent infringement suits counterclaiming for declaratory judgment of invalidity of Halliburton's patents asserted against USWS in this matter and willful infringement of two additional USWS' U.S. patents based on Halliburton's "All-Electric Fracturing Fleet." In February 2023, Halliburton filed IPR petitions against these USWS patents. However, this case has been stayed pending resolution of certain IPRs filed by USWS.

The outcomes of these cases are uncertain and the ultimate resolution of them could have a material adverse effect on our unaudited condensed consolidated financial statements in the period in which the resolution is recorded.

NOTE 8. PREFERRED STOCK

In September 2023, we issued and sold 50,000 shares of Series A preferred stock, par value \$0.01 per share (the "Preferred Stock"), to two entities controlled by Mr. Dan Wilks and Mr. Farris Wilks. Mr. Dan Wilks and Mr. Farris Wilks are brothers and are the founders and principal stockholders of the Company. Their sons, Mr. Matthew D. Wilks and Mr. Johnathan Ladd Wilks are the Company's Executive Chairman and Chief Executive Officer, respectively. The Preferred Stock was sold for aggregate consideration of \$50.0 million, and resulted in net proceeds to the Company of \$48.9 million after the payment of \$1.1 million in issuance costs.

The Preferred Stock ranks senior to our common stock with respect to dividend rights and distribution rights in the event of any liquidation, winding-up or dissolution of the Company. The amount that each share of Preferred Stock is entitled to in liquidation is equal to a liquidation preference. The liquidation preference initially equals the original issue price per share of \$1,000.00 for each share of Preferred Stock and is increased as the result of any paid-in-kind dividends ("Liquidation Preference").

Whether or not declared by the board of directors and whether or not there are funds legally available for the payment of dividends, holders of outstanding shares of Preferred Stock shall be entitled to cumulative paid-in-kind dividends at a rate per share equal to an annual rate of 8% on the then-applicable Liquidation Preference. Such dividends shall compound and be payable quarterly in arrears.

ProFrac Holding Corp.
Notes to Unaudited Condensed Consolidated Financial Statements (continued)
(Amounts in millions, except per share amounts, or where otherwise noted)

Conversion Option

After one year, the Preferred Stock holders will have the option to convert each Preferred Stock share into shares of our common stock at a conversion ratio. The conversion ratio is defined as the Liquidation Preference as of the date of the conversion divided by the conversion price of \$20.00, where such conversion price is subject to adjustment upon the occurrence of specified events set forth under terms of the Preferred Stock.

Redemption Option

The Preferred Stock is redeemable at the Company's option at any time. The redemption price per share is an amount in cash equal to the Liquidation Preference as of the date of redemption multiplied by 1.15 ("Redemption Amount"). At September 30, 2023, the Redemption Amount of the Preferred Stock would be \$57.5 million.

Change of Control Provision

Upon a change of control, the Company will have the options to convert the Preferred Stock into common shares or to redeem the Preferred Stock for cash.

If the Company elects to convert the Preferred Stock into common shares, it will do so at a conversion rate equal to the greater of:

- The Liquidation Preference divided by \$10.95, or
- The Liquidation Preference divided by the 30-day volume-weighted average price ("VWAP") of our common stock at the public announcement of the change of control transaction.

If the Company elects to redeem the Preferred Stock for cash, it will pay out the greater of (1) the Liquidation Preference as of the date of such payment or (2) the amount such holder would receive in the change of control transaction if such share of Preferred Stock had been converted into a number of shares of common stock equal to the greater of:

- The Liquidation Preference divided by \$20.00 (which is subject to adjustment upon the occurrence of specified events set forth under the terms of the Preferred Stock), and
- The Liquidation Preference divided by the 30-day VWAP of our common stock at the change of control date.

Temporary Equity Classification

The holders of the Preferred Stock are also common stockholders of the Company and collectively control our board of directors. Therefore, the Preferred Stock holders could direct the Company to redeem the Preferred Stock at any time. As a result, we have classified the Preferred Stock as temporary equity on our unaudited condensed consolidated balance sheets and have measured its carrying value at its maximum redemption value with a corresponding charge to retained earnings.

NOTE 9. REDEEMABLE NONCONTROLLING INTEREST

ProFrac Corp.'s only material asset is an equity interest consisting of units representing limited liability company interests in ProFrac LLC (the "Units"). As the sole managing member of ProFrac LLC, ProFrac Corp. consolidates the financial results of ProFrac LLC and its subsidiaries and reports a noncontrolling interest related to the portion of Units not owned by ProFrac Corp. Historically, the holders of Units not owned by ProFrac Corp. also held shares of ProFrac Corp.'s Class B common stock, such that a single share of Class B common stock is issued for each Unit not owned by ProFrac Corp.

Pursuant to the Third Amended and Restated Limited Liability Company Agreement of ProFrac LLC and the Second Amended and Restated Certificate of Incorporation of ProFrac Corp., certain members of ProFrac LLC have had the right to cause ProFrac LLC to redeem all or a portion of each such member's Units, together with the surrender of the same number of each such member's shares of Class B common stock, for an equivalent number of shares of Class A common stock or, at the election of our board of directors, cash. In connection with the exercise of such redemption, a corresponding number of shares of Class B common stock will be canceled. The redemption election is not considered to be within our control because

ProFrac Holding Corp.
Notes to Unaudited Condensed Consolidated Financial Statements (continued)
(Amounts in millions, except per share amounts, or where otherwise noted)

the holders of Class B common stock and their affiliates control us through direct representation on our board of directors. As a result, we present the noncontrolling interests in ProFrac LLC as redeemable noncontrolling interests outside of permanent equity.

In April 2023, all the eligible holders of the Units (the "Redeeming Members") submitted redemption notices with respect to all of their Units, representing an aggregate of 104.2 million ProFrac LLC units (the "Redeemed Units"), together with the surrender and delivery of the same number of shares of our Class B common stock. The Redeeming Members include entities owned or affiliated with ProFrac Corp.'s controlling stockholders, Mr. Dan Wilks and Mr. Farris Wilks, as well as Mr. Matthew D. Wilks, our Executive Chairman, an entity affiliated with Mr. Johnathan L. Wilks, our Chief Executive Officer, and Mr. Coy Randle, a member of our board of directors.

In April 2023, we delivered a written notice to ProFrac LLC and the Redeeming Members setting forth our election to exercise our right to purchase directly and acquire the Redeemed Units, together with the surrender and delivery of the same number of shares of our Class B common stock from the Redeeming Members.

We subsequently acquired the Redeemed Units from the Redeeming Members by issuing an aggregate of 101.1 million shares of Class A common stock on or about April 10, 2023 and the remaining 3.1 million shares on or about April 13, 2023. The surrendered shares of Class B common stock were canceled, and no shares of our Class B common stock remain issued and outstanding. The phrase "conversion of Class B common stock to Class A common stock" used throughout this document refers to the April 2023 transactions described above.

Activity related to the redeemable noncontrolling interest is as follows:

Balance as of December 31, 2022	\$	2,462.9
Class A shares issued in acquisitions		9.5
Net income		42.0
Stock-based compensation		1.9
Stock-based compensation related to deemed contribution		6.7
Foreign currency translation adjustments		0.1
Adjustment of redeemable noncontrolling interest to redemption amount ⁽¹⁾		(1,268.2)
Balance as of March 31, 2023		1,254.9
Net loss		(0.2)
Stock-based compensation		0.1
Stock-based compensation related to deemed contribution		0.6
Foreign currency translation adjustments		—
Adjustment of redeemable noncontrolling interest to redemption amount ⁽²⁾		57.9
Conversion of Class B common stock to Class A common stock		(1,313.3)
Balance as of June 30, 2023 and September 30, 2023	\$	—

⁽¹⁾Based on 104.2 million shares of Class B common stock outstanding and the 10-day VWAP of Class A common stock of \$12.04 at March 31, 2023.

⁽²⁾Based on 104.2 million shares of Class B common stock outstanding and the 10-day VWAP of Class A common stock of \$12.60 at April 7, 2023.

NOTE 10. VARIABLE INTEREST ENTITY

As a result of our investment in and contractual relationship with Flotek Industries, Inc. ("Flotek"), Flotek meets the definition of a VIE and we are the primary beneficiary. Accordingly, we have consolidated the operating results, assets and liabilities of Flotek.

In May 2023, a portion of our Flotek convertible notes matured and were converted into 63.5 million shares of Flotek common stock. In September 2023, Flotek's shareholders approved a 6-for-1 reverse stock split. Also in September 2023, Flotek's shareholders approved the issuance of 4.2 million shares (post-split) of common stock to the Company to settle a prefunded warrant related to the February 2022 Flotek convertible notes held by the Company that matured in February 2023. As of September 30, 2023, we owned approximately 50.8% of Flotek's outstanding common stock.

ProFrac Holding Corp.
Notes to Unaudited Condensed Consolidated Financial Statements (continued)
(Amounts in millions, except per share amounts, or where otherwise noted)

As of September 30, 2023 and December 31, 2022, \$66.1 million and \$79.2 million, respectively, of Flotek's assets and \$52.6 million and \$72.0 million, respectively, of Flotek's liabilities are included in our unaudited condensed consolidated balance sheets. These amounts are exclusive of goodwill and are after intercompany eliminations. The assets of Flotek can only be used to settle its obligations and the creditors of Flotek have no recourse to our assets. Our exposure to Flotek is generally limited to the carrying value of our equity and variable interest.

NOTE 11. REVENUE FROM CONTRACTS WITH CUSTOMERS

We believe that disaggregating our revenue by reportable segment (see Note 16) provides the information necessary to understand the nature, amount, timing and uncertainty of our revenues and cash flows.

Contract Balances with Customers

Our contract assets are included in "Accounts receivable" in our unaudited condensed consolidated balance sheets. Accounts receivable consist of invoiced amounts or amounts for which we have a right to invoice based on services completed or products delivered.

Our current and non-current contract liabilities are included in "Other current liabilities" and "Other liabilities," respectively, in our unaudited condensed consolidated balance sheets. Our contract liabilities consist of deferred revenues from advance consideration received from customers related to future performance of service or delivery of products and off-market contract liabilities from unfavorable contracts recognized in connection with our business acquisitions in the Proppant Production segment.

During the nine months ended September 30, 2023, we recorded off-market contract liabilities amounting to \$85.0 million from the Performance Proppants acquisition (see Note 2). During the three months and nine months ended September 30, 2023, we recorded the related amortization of \$16.4 million and \$41.0 million, respectively, to revenue. As of September 30, 2023, our off-market contract liabilities amounted to \$67.6 million and the related estimated future amortization to revenue is \$16.5 million for the remainder of 2023, \$43.5 million in 2024 and \$7.6 million in 2025.

Performance Obligations

Certain of our Proppant Production contracts contain multiple performance obligations to provide a minimum quantity of proppant products to our customers in future periods. For these contracts, the transaction price is allocated to each performance obligation at estimated selling prices and we recognize revenue as we satisfy these performance obligations. As of September 30, 2023, the aggregate amount of transaction price allocated to unsatisfied performance obligations was \$478.8 million, and we expect to perform these obligations and recognize revenue of \$137.4 million for the remainder of 2023, \$203.2 million in 2024, \$80.2 million in 2025, \$43.5 million in 2026 and \$14.5 million in 2027.

We have elected the practical expedient permitting the exclusion of disclosing the value of unsatisfied performance obligations for Stimulation Services and Manufacturing contracts as these contracts have original contract terms of one year or less or we have the right to invoice for services performed.

ProFrac Holding Corp.
Notes to Unaudited Condensed Consolidated Financial Statements (continued)
(Amounts in millions, except per share amounts, or where otherwise noted)

NOTE 12. OTHER OPERATING EXPENSE, NET

Other operating expense, net is comprised of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
(Gain) loss on disposal of assets	\$ (1.3)	\$ 0.6	\$ (0.3)	\$ 2.6
Litigation expenses and accruals for legal contingencies	10.3	—	23.5	4.0
Severance charges	1.1	—	1.1	—
Acquisition earnout adjustment	—	—	(6.6)	—
Provision for credit losses, net of recoveries	—	—	0.1	—
Total	<u>\$ 10.1</u>	<u>\$ 0.6</u>	<u>\$ 17.8</u>	<u>\$ 6.6</u>

(Gain) loss on disposal of assets, net consists of gains and losses on the sale of excess property, early equipment failures and other asset dispositions.

Litigation expenses and accruals for legal contingencies generally represent legal and professional fees incurred in litigation as well as estimates for loss contingencies with regards to certain vendor disputes and litigation matters. In the nine months ended September 30, 2023, these costs represent litigation costs incurred in connection with a patent infringement lawsuit against Halliburton. See Note 7 for a discussion of significant litigation matters.

Severance charges relate to the departure of two executives in the three months ended September 30, 2023.

The acquisition earnout adjustment represents a decrease in the fair value of the contingent consideration related to our acquisition of REV in December 2022.

NOTE 13. INCOME TAXES

The Predecessors were organized as limited liability companies or a limited partnership and were treated as either a disregarded entity or a partnership for U.S. federal income tax purposes, whereby the ordinary business income or loss and certain deductions were passed-through and reported on the members' income tax returns. As such, the Predecessors were not required to account for U.S. federal income taxes in the unaudited condensed consolidated financial statements.

In connection with our initial public offering in May 2022, we reorganized and ProFrac LLC became partially owned by ProFrac Corp., a C-corporation. ProFrac Corp. is a taxable entity and is required to account for its income taxes under the asset and liability method for periods subsequent to May 17, 2022.

We record income taxes for interim periods based on an estimated annual effective tax rate. The estimated annual effective rate is recomputed on a quarterly basis and may fluctuate due to changes in forecasted annual operating income, positive or negative changes to the valuation allowance for net deferred tax assets and changes to actual or forecasted permanent book to tax differences. Our effective tax rate for the nine months ended September 30, 2023 was 20.5%, compared with 5.2% in the same period in 2022. The difference between our effective tax rate and the federal statutory rate in 2022 related to the income that was earned within the financial statement consolidated group that is not subject to tax within the financial statement consolidated group.

The conversion of our Class B common stock to Class A common stock (see Note 8) resulted in a shift from a net deferred tax asset position before the conversion to a net deferred tax liability position after the conversion. As of September 30, 2023, \$74.4 million of our net deferred tax liability was associated with the conversion. The recognition of this net deferred tax liability was recorded as an equity transaction because the holders of Class B common stock and their affiliates control us through their Class A common stock holdings.

ProFrac Holding Corp.
Notes to Unaudited Condensed Consolidated Financial Statements (continued)
(Amounts in millions, except per share amounts, or where otherwise noted)

Tax Receivable Agreement

In connection with our initial public offering, ProFrac Corp. entered into a tax receivable agreement (the "TRA") with certain holders of limited liability company interests in ProFrac LLC (the "TRA Holders"). The TRA generally provides for payment by ProFrac Corp. to the TRA Holders of 85% of the net cash savings, if any, in U.S. federal, state and local income tax and franchise tax that ProFrac Corp. actually realizes (or is deemed to realize in certain circumstances) as a result of (i) certain increases in tax basis that occur as a result of ProFrac Corp.'s acquisition (or deemed acquisition for U.S. federal income tax purposes) of all or a portion of such TRA Holder's ProFrac LLC units in connection with the initial public offering or the exercise of the Redemption Right (as defined in the TRA) or the Call Right (as defined in the TRA), and (ii) imputed interest deemed to be paid by ProFrac Corp. as a result of, and additional tax basis arising from, any payments ProFrac Corp. makes under the TRA.

Payments will generally be made under the TRA as ProFrac Corp. realizes actual cash tax savings from the tax benefits covered by the TRA. As a result of the conversion of all our Class B common stock to Class A common stock (see Note 8) and the tax effect of this transaction, we recorded a \$58.9 million noncurrent TRA liability. The recognition of the TRA liability was recorded as an equity transaction because the holders of Class B common stock and their affiliates control us through their Class A common stock holdings. As of September 30, 2023, the current liability for our TRA obligation was an additional \$3.3 million.

NOTE 14. EARNINGS PER SHARE

The calculation of earnings per share ("EPS") for our Class A common stock is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Numerator:				
Net (loss) income attributable to ProFrac Holding Corp.	\$ (24.5)	\$ 44.0	\$ (5.4)	\$ 50.6
Adjust Series A preferred stock to its maximum redemption value	(8.6)	—	(8.6)	—
Net (loss) income used for basic earning per Class A common share	(33.1)	44.0	(14.0)	50.6
Net loss reallocated to dilutive Class A common shares	—	—	—	—
Net (loss) income used for diluted earnings per Class A common share	<u>\$ (33.1)</u>	<u>\$ 44.0</u>	<u>\$ (14.0)</u>	<u>\$ 50.6</u>
Denominator:				
Weighted average Class A common shares	159.4	41.2	121.3	40.8
Dilutive potential of employee restricted stock units	—	0.1	—	0.1
Weighted average Class A common shares — diluted	<u>159.4</u>	<u>41.3</u>	<u>121.3</u>	<u>40.9</u>
Basic and diluted (loss) earnings per Class A common share	<u>\$ (0.21)</u>	<u>\$ 1.07</u>	<u>\$ (0.12)</u>	<u>\$ 1.24</u>

The dilutive potential of employee restricted stock units was calculated using the treasury stock method. At September 30, 2023, there were 0.2 million common stock equivalents related to employee restricted stock units that were not included in diluted earnings per share because the effect of their inclusion would be antidilutive.

The dilutive potential of our Preferred Stock is calculated using the if-converted method. At September 30, 2023, there were 2.5 million common stock equivalents related to Preferred Stock that were not included in diluted earnings per share because the effect of their inclusion would be antidilutive.

ProFrac Holding Corp.
Notes to Unaudited Condensed Consolidated Financial Statements (continued)
(Amounts in millions, except per share amounts, or where otherwise noted)

NOTE 15. FAIR VALUE OF FINANCIAL INSTRUMENTS

Recurring Measurements

Our assets and liabilities measured at fair value on a recurring basis consist of the following:

	Fair Value Measurements Using		
	Level 1	Level 2	Level 3
As of September 30, 2023:			
Assets — Investment in BPC	\$ —	\$ —	\$ 37.8
Liabilities:			
Earnout payment	\$ —	\$ —	\$ 0.0
Munger make-whole provision	—	—	8.8
Warrants	0.1	—	—
Total	\$ 0.1	\$ —	\$ 8.8
As of December 31, 2022:			
Assets — Investment in BPC	\$ —	\$ —	\$ 53.6
Liabilities:			
Earnout payment	\$ —	\$ —	\$ 6.6
Munger make-whole provision	—	—	0.4
Warrants	1.1	—	—
Total	\$ 1.1	\$ —	\$ 7.0

We have elected the fair value option to account for our investment in Basin Production and Completion LLC ("BPC") due to the complexities of the terms of the equity investment. The significant unobservable inputs used in the fair value measurement, which was valued using the income approach and the market approach, are forecasted results and a weighted-average cost of capital. The fair value of this asset is classified as "Investments" in our unaudited condensed consolidated balance sheets. The gains and losses from fair value changes are classified as "Other (expense) income, net" in our unaudited condensed consolidated statements of operations.

The fair value of the earnout payment was estimated using a Black-Scholes model, adjusted for the capped amount of the earnout. The fair value was discounted using a company specific credit spread to account for the counterparty credit risk in making the payment. The significant unobservable inputs used in the fair value measurement are the risk-free rate, credit spread of the acquirer, discount rate, forecasted results and volatility.

The fair value of the Munger make-whole provision was estimated using a Black-Scholes model. The significant unobservable inputs used in the fair value measurement are the risk-free rate and volatility. In May 2023, the expiration date of the Munger make-whole provision was extended until May 17, 2024.

ProFrac Holding Corp.
Notes to Unaudited Condensed Consolidated Financial Statements (continued)
(Amounts in millions, except per share amounts, or where otherwise noted)

The following is a reconciliation of our recurring Level 3 fair value measurements:

	Three Months Ended September 30, 2023		2022		Nine Months Ended September 30, 2023		2022	
Balance at beginning of period	\$	34.1	\$	49.7	\$	46.6	\$	—
Acquisition of Flotek convertible notes		—		—		—		20.0
Acquisition of investment in BPC		—		—		—		47.2
Transfer of Investment in BPC to Level 3 fair value measurement		—		—		—		4.2
Elimination of Flotek convertible notes at acquisition date		—		—		—		(30.2)
Change in fair value of Level 3 fair value measurements		(5.1)		—		(17.6)		8.5
Balance at end of period	\$	29.0	\$	49.7	\$	29.0	\$	49.7

Nonrecurring Measurements

We have certain assets and liabilities that are not measured at fair value on an ongoing basis but were subjected to fair value adjustments at the time of acquisition. These include long-lived assets and liabilities acquired through our business combination activities, the fair values of which were determined using applicable valuation models based on significant unobservable inputs classified as level 3 in the fair value hierarchy. See Note 2 for additional information.

Financial Instruments

The estimated fair values of our financial instruments have been determined at discrete points in time based on relevant market information. Our financial instruments consist of cash and cash equivalents, restricted cash, accounts receivable, certain investments, accounts payable, accrued expenses and long-term debt. The carrying amounts of our financial instruments other than long-term debt approximate fair value because of the short-term nature of the items.

The carrying amounts of our term loan facility and ABL credit facility approximate fair value due to the variable interest rate. The fair value of our fixed rate debt, which includes the Monarch note, the REV note and the Equify note was as follows:

	September 30, 2023		December 31, 2022	
Carrying amount of fixed rate debt	\$	97.2	\$	142.7
Fair value of fixed rate debt	\$	99.5	\$	142.5

NOTE 16. BUSINESS SEGMENTS

We manage our business segments primarily on the type of product or services provided. We have three reportable segments which we operate within the United States of America: stimulation services, proppant production and manufacturing. Amounts in the other category reflect our business activities that are not separately reportable, which primarily includes Flotek for the periods presented.

We evaluate the performance of our segments based on Adjusted EBITDA. We define Adjusted EBITDA as our net income (loss) before (i) interest expense, net, (ii) income taxes, (iii) depreciation, depletion and amortization, (iv) (loss) gain on disposal of assets, net, (v) stock-based compensation, and (vi) other charges, such as reorganization costs and other costs related to our initial public offering, certain credit losses, gain (loss) on extinguishment of debt, unrealized gain (loss) on investments, acquisition and integration expenses, litigation expenses and accruals for legal contingencies, acquisition earnout adjustments, and severance charges.

ProFrac Holding Corp.
Notes to Unaudited Condensed Consolidated Financial Statements (continued)
(Amounts in millions, except per share amounts, or where otherwise noted)

Summarized financial information for our reportable segments is as follows:

	Stimulation Services	Proppant Production	Manufacturing	Other	Eliminations	Total
Three months ended September 30, 2023:						
Revenue						
External customers	\$ 485.4	\$ 69.5	\$ 1.5	\$ 17.8	\$ —	\$ 574.2
Intercompany	4.1	28.9	42.3	30.8	(106.1)	—
Total Revenue	\$ 489.5	\$ 98.4	\$ 43.8	\$ 48.6	\$ (106.1)	\$ 574.2
Adjusted EBITDA	\$ 93.3	\$ 51.6	\$ 1.6	\$ 2.8	\$ —	\$ 149.3
Three months ended September 30, 2022:						
Revenue						
External customers	\$ 668.3	\$ 10.9	\$ 2.3	\$ 15.2	\$ —	\$ 696.7
Intercompany	0.3	13.8	46.4	31.7	(92.2)	—
Total Revenue	\$ 668.6	\$ 24.7	\$ 48.7	\$ 46.9	\$ (92.2)	\$ 696.7
Adjusted EBITDA	\$ 249.5	\$ 9.2	\$ 4.5	\$ (11.1)	\$ —	\$ 252.1
Nine months ended September 30, 2023:						
Revenue						
External customers	\$ 1,879.8	\$ 200.7	\$ 13.2	\$ 47.2	\$ —	\$ 2,140.9
Intercompany	8.1	89.7	128.8	102.3	(328.9)	—
Total Revenue	\$ 1,887.9	\$ 290.4	\$ 142.0	\$ 149.5	\$ (328.9)	\$ 2,140.9
Adjusted EBITDA	\$ 421.9	\$ 150.7	\$ 12.7	\$ (6.4)	\$ —	\$ 578.9
Nine months ended September 30, 2022:						
Revenue						
External customers	\$ 1,578.9	\$ 21.0	\$ 10.4	\$ 21.2	\$ —	\$ 1,631.5
Intercompany	2.4	33.6	105.2	41.0	(182.2)	—
Total Revenue	\$ 1,581.3	\$ 54.6	\$ 115.6	\$ 62.2	\$ (182.2)	\$ 1,631.5
Adjusted EBITDA	\$ 519.3	\$ 29.6	\$ 17.4	\$ (18.5)	\$ —	\$ 547.8

ProFrac Holding Corp.
Notes to Unaudited Condensed Consolidated Financial Statements (continued)
(Amounts in millions, except per share amounts, or where otherwise noted)

The following table reconciles total Adjusted EBITDA to net income:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Adjusted EBITDA	\$ 149.3	\$ 252.1	\$ 578.9	\$ 547.8
Interest expense, net	(40.2)	(16.3)	(116.1)	(39.0)
Depreciation, depletion and amortization	(111.5)	(69.1)	(330.7)	(178.1)
Income tax benefit (expense)	6.7	(7.9)	(9.6)	(12.4)
Gain (loss) on disposal of assets, net	1.3	(0.6)	0.3	(2.6)
(Loss) gain on extinguishment of debt	—	(0.2)	4.1	(17.3)
Acquisition earnout adjustment	—	—	6.6	—
Stock-based compensation	(2.3)	(2.7)	(7.6)	(4.2)
Stock-based compensation related to deemed contributions	(2.1)	(10.2)	(19.7)	(49.1)
Provision for credit losses, net of recoveries	—	—	(0.1)	—
Severance charges	(1.1)	—	(1.1)	—
Acquisition and integration costs	(2.6)	(5.8)	(20.1)	(22.9)
Litigation expenses and accruals for legal contingencies	(10.3)	—	(23.5)	(4.0)
Unrealized (loss) gain on investments, net	(5.1)	—	(24.1)	8.5
Net (loss) income	<u>\$ (17.9)</u>	<u>\$ 139.3</u>	<u>\$ 37.3</u>	<u>\$ 226.7</u>

Segments assets are comprised of the following:

	September 30, 2023	December 31, 2022
Total assets:		
Stimulation Services	\$ 2,909.3	\$ 2,647.9
Proppant Production	1,126.7	477.1
Manufacturing	224.3	140.5
Other	182.5	193.7
Total segment assets	4,442.8	3,459.2
Eliminations	(1,220.7)	(525.6)
Total assets	<u>\$ 3,222.1</u>	<u>\$ 2,933.6</u>

NOTE 17. RELATED PARTY TRANSACTIONS

In the normal course of business, we have entered into transactions with related parties where Mr. Dan Wilks and Mr. Farris Wilks and entities owned by or affiliated with them (collectively, the "Wilks Parties") hold a controlling financial interest. During the three and nine months ended September 30, 2023 and 2022, we had related party transactions with the following related party entities:

- Automatize, LLC ("Automatize") is a logistics broker that facilitates the last-mile delivery of proppants on behalf of its customers. Amounts paid to Automatize include costs passed through to third-party trucking companies and a commission retained by Automatize. These payments are recorded in cost of revenues, exclusive of depreciation and depletion in our unaudited condensed consolidated statements of operations.
- Cisco Logistics, LLC ("Cisco Logistics") is a logistics company that delivers sand and equipment on behalf of its customers. Amounts paid to Cisco Logistics are recorded in cost of revenues, exclusive of depreciation and depletion in our unaudited condensed consolidated statements of operations.
- Equify Financial, LLC ("Equify Financial") is a finance company that provides equipment and other financing to its customers. Amounts paid to Equify Financial are recorded in interest expense in our unaudited condensed consolidated statements of operations.

ProFrac Holding Corp.
Notes to Unaudited Condensed Consolidated Financial Statements (continued)
(Amounts in millions, except per share amounts, or where otherwise noted)

•Wilks Brothers, LLC ("Wilks Brothers") is a management company which provides administrative support to various businesses within its portfolio. Wilks Brothers and certain entities under its control will at times incur expenses on behalf of us, billing us for these expenses at cost as well as certain management fees. Amounts paid to Wilks Brothers are generally recorded in selling, general and administrative expenses in our unaudited condensed consolidated statements of operations.

•Interstate Explorations, LLC ("Interstate") is an exploration and development company for which we perform pressure pumping services, and from which we have a short-term lease for certain office space.

•Flying A Pump Services, LLC ("Flying A") is an oilfield services company which provides pressure pumping, acid and cementing services, to which we rent and sell equipment and frac fleet components.

•MC Estates, LLC, The Shops at Willow Park, and FTSI Industrial, LLC (collectively, the "Related Lessors") own various industrial parks and office space leased by us. Amounts paid to the Related Lessors are recorded in selling, general and administrative expenses in our unaudited condensed consolidated statements of operations.

•Wilks Construction Company, LLC ("Wilks Construction") is a construction company that has built and made renovations to several buildings for us, including construction of a new sand plant. Amounts paid to Wilks Construction are recorded as capital expenditures.

•3 Twenty-Three, LLC ("3 Twenty-Three") is a payroll administrator which performs payroll services on behalf of its customers, including us. Amounts paid to 3 Twenty-Three are recorded in cost of revenues, exclusive of depreciation and depletion and selling, general and administrative expenses in our unaudited condensed consolidated statements of operations.

•Wilks Earthworks, LLC ("Wilks Earthworks") is an oilfield services company providing mining, wet and dry loading, hauling and other equipment to its customers, including us.

•Carbo Ceramics Inc. ("Carbo") is a provider of ceramic proppant which will at times purchase conventional proppant from us to act as a broker for its customers. Additionally, we will at times purchase manufactured proppant from Carbo for the stimulation services segment.

•FHE USA LLC ("FHE") is a provider of production and well completion equipment used at the wellsite. Amounts paid to FHE are recorded as capital expenditures.

The following table summarizes revenue from related parties:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Flying A	\$ 30.6	\$ 1.3	\$ 34.8	\$ 3.2
Carbo	—	—	0.7	0.8
Total	\$ 30.6	\$ 1.3	\$ 35.5	\$ 4.0

ProFrac Holding Corp.
Notes to Unaudited Condensed Consolidated Financial Statements (continued)
(Amounts in millions, except per share amounts, or where otherwise noted)

The following table summarizes expenditures with related parties:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Automatize	\$ 28.0	\$ 22.4	\$ 117.8	\$ 72.3
FHE	2.0	4.0	3.0	11.3
Wilks Brothers	2.1	5.5	14.3	14.3
Related Lessors	3.3	1.9	10.2	6.5
Wilks Construction	—	9.3	6.8	22.7
Wilks Earthworks	1.7	—	6.5	—
Equify Financial	2.2	—	6.6	1.0
3 Twenty-Three	—	—	1.3	0.2
Carbo	—	0.9	1.0	1.0
Other	—	—	—	0.1
Total	\$ 39.3	\$ 44.0	\$ 167.5	\$ 129.4

The following table summarizes accounts receivable—related party:

	September 30, 2023	December 31, 2022
Flying A	\$ 5.6	\$ 1.5
Carbo	0.5	0.1
Interstate	0.4	0.3
Other	—	0.2
Total accounts receivable — related party	\$ 6.5	\$ 2.1

The following table summarizes accounts payable—related party:

	September 30, 2023	December 31, 2022
Automatize	\$ 10.9	\$ 8.8
Wilks Brothers	4.1	7.1
Wilks Construction	—	7.9
Wilks Earthworks	0.4	—
Related Lessors	0.9	—
Equify	0.7	—
Carbo	0.5	0.2
Total accounts payable — related party	\$ 17.5	\$ 24.0

On January 11, 2023, our board of directors approved the appointment of Mr. Coy Randle, our then Chief Operating Officer, to our board of directors. Additionally, Mr. Randle entered into a consulting agreement with us, effective as of January 13, 2023, pursuant to which Mr. Randle agreed to provide us with general operational advice for an annual fee of \$0.2 million. Pursuant to the consulting agreement, we will also pay healthcare insurance premiums on behalf of Mr. Randle and will allow Mr. Randle to use a company vehicle for the duration of the consulting agreement. The consulting agreement has a term of one (1) year and will renew automatically for one (1) additional year unless either party notifies the other in writing at least sixty (60) days prior to the initial one (1) year termination date.

In June 2023, we arranged to sell certain surplus equipment and inventory components and to assign certain pre-orders for equipment to Flying A, at prices which we believe to be fair market value, for a total consideration of \$36.3 million. We received the proceeds from this sale in June 2023. Subsequent to June 30, 2023, Flying A requested changes to the mix of the assets being sold to it by the Company without altering the total consideration, and the Company and Flying A agreed to add to the transaction agreement a most favored nation clause on pricing and a condition to closing that the Company's Audit Committee approve the final mix of assets to be transferred to Flying A. We delivered \$28.9 million of these components to Flying A in the three months ended September 30, 2023. We expect to deliver the remaining components to Flying A in the fourth quarter of 2023. We accounted for this transaction as a related party deposit presented as "Other current liabilities - related party" in our unaudited condensed consolidated balance sheet.

ProFrac Holding Corp.
Notes to Unaudited Condensed Consolidated Financial Statements (continued)
(Amounts in millions, except per share amounts, or where otherwise noted)

In September 2023, Robert Willette resigned as our Chief Legal Officer, Chief Compliance Officer, and Corporate Secretary. We entered into a severance agreement with Mr. Willette, pursuant to which, among other things, Mr. Willette received a severance payment of \$673 thousand and which contains, among other standard provisions, a general release and waiver of claims against the Company by Mr. Willette. A copy of the Willette Severance Agreement is filed as Exhibit 10.1 hereto and is hereby incorporated by reference herein.

In September 2023, the Company entered into a purchase agreement with THRC Holdings, LP and FARJO Holdings, LP, pursuant to which the Company issued and sold 50,000 shares of Preferred Stock for gross proceeds of \$50.0 million. THRC Holdings, LP and FARJO Holdings, LP are Wilks Parties. For more information, see Note 8 to these unaudited condensed consolidated financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be in conjunction with our unaudited condensed consolidated financial statements and the related notes thereto included in this Quarterly Report, as well as our Annual Report.

OVERVIEW

We are a vertically integrated and innovation-driven energy services holding company providing hydraulic fracturing, proppant production, other completion services and other complementary products and services to leading upstream oil and natural gas companies engaged in the exploration and production ("E&P") of North American unconventional oil and natural gas resources.

We operate in three reportable business segments: stimulation services, proppant production and manufacturing. Our stimulation services segment owns and operates a fleet of mobile hydraulic fracturing units and other auxiliary equipment that generates revenue by providing stimulation services to our customers. Our proppant production segment provides proppant to oilfield service providers and E&P companies. Our manufacturing segment sells highly engineered, tight tolerance machined, assembled, and factory tested products such as high horsepower pumps, valves, piping, swivels, large-bore manifold systems, and fluid ends.

Before our corporate reorganization on May 17, 2022, our unaudited condensed consolidated financial statements presented herein consisted of the accounts of the Predecessors. Subsequent to May 17, 2022, our unaudited condensed consolidated financial statements presented herein include our accounts and those of our subsidiaries that are wholly-owned, controlled by us or a VIE where we are the primary beneficiary.

Summary Financial Results

- Consolidated revenues for the three months ended September 30, 2023, was \$574.2 million, which represented a decrease of \$122.5 million from the same period in 2022 and a decrease of \$135.0 million from the second quarter of 2023. Consolidated revenues for the nine months ended September 30, 2023, was \$2,140.9 million, which represented an increase of \$509.4 million from the same period in 2022.
- Consolidated net loss for the three months ended September 30, 2023, was \$17.9 million, which represented a decrease of \$157.2 million from the same period in 2022 and a decrease of \$13.3 million from the second quarter of 2023. Consolidated net income for the nine months ended September 30, 2023, was \$37.3 million, which represented a decrease of \$189.4 million from the same period in 2022.

2023 Developments

We have been impacted by reduced demand for our fleets in 2023 and we have reacted by lowering our active fleet count in June and again in August. We have taken a disciplined approach to capital allocation to align with our customers' activity levels this year; however, we believe we will be increasing our fleet count at the beginning of 2024 and we are currently preparing for those fleet deployments.

On February 24, 2023, we acquired 100% of the issued and outstanding membership interests in Performance Proppants for an aggregate purchase price of \$462.5 million consisting of (i) the issuance of our Class A common stock valued at \$6.2 million; (ii) cash consideration of \$454.4 million; and (iii) the settlement of a pre-existing receivable of \$4.2 million; reduced by (iv) a post-closing working capital adjustment of \$2.3 million finalized and paid to us.

In September 2023, the Company entered into a purchase agreement with THRC Holdings, LP and FARJO Holdings, LP, pursuant to which the Company issued and sold 50,000 shares of Preferred Stock for gross proceeds of \$50.0 million. THRC Holdings, LP and FARJO Holdings, LP are Wilks Parties. For more information, see Note 8 and Note 17 to the unaudited condensed consolidated financial statements.

RESULTS OF OPERATIONS

Revenues

Revenues by reportable segment are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenues				
Stimulation services	\$ 489.5	\$ 668.6	\$ 1,887.9	\$ 1,581.3
Proppant production	98.4	24.7	290.4	54.6
Manufacturing	43.8	48.7	142.0	115.6
Other	48.6	46.9	149.5	62.2
Eliminations	(106.1)	(92.2)	(328.9)	(182.2)
Total revenues	\$ 574.2	\$ 696.7	\$ 2,140.9	\$ 1,631.5

Stimulation Services. Stimulation services revenues for the three months ended September 30, 2023 decreased by \$179.1 million from the same period in 2022. This decrease was primarily attributable to a decrease in average active fleets and lower fleet utilization. Stimulation services revenues for the nine months ended September 30, 2023 increased by \$306.6 million from the same period in 2022. This increase was attributable to an increase in average active fleets and higher pricing in the first three months of 2023.

Proppant Production. Proppant production revenues for the three and nine months ended September 30, 2023 increased by \$73.7 million and \$235.8 million, respectively, from the same periods in 2022. The increases were primarily attributable to acquisitions which increased the number of mines operated and the related tonnage mined. Revenue recognized for the amortization of acquired off-market contracts for the three and nine months ended September 30, 2023 was \$16.4 and \$41.0 million, respectively. During the three and nine months ended September 30, 2023, approximately 29% and 31%, respectively, of the Proppant Production segment's revenues were intercompany, compared with 56% and 62%, respectively, in the same periods last year.

Manufacturing. Manufacturing revenues for the three months ended September 30, 2023 decreased by \$4.9 million from the same period in 2022 which was attributable to decreased intercompany demand for manufacturing products due to decreased activity levels for internal customers. Manufacturing revenues for the nine months ended September 30, 2023 increased by \$26.4 million from the same period in 2022. The increase was primarily attributable to an increase in demand for manufacturing products due to increased activity levels for internal customers. During the three and nine months ended September 30, 2023, approximately 97% and 91%, respectively, of the Manufacturing segment's revenues were intercompany, compared with 95% and 91%, respectively, in the same periods last year.

Other. Other revenues for the three and nine months ended September 30, 2023 increased by \$1.7 million and \$87.3 million, respectively, from the same periods in 2022. The increase for the first nine months of 2023 was partially attributable to the consolidation of Flotek beginning in May 2022. During the three and nine months ended September 30, 2023, approximately 63% and 68%, respectively, of other revenue was intercompany, compared with 68% and 66%, respectively, in the same periods last year. Flotek recorded \$10.0 million of intercompany revenue related to contract shortfalls because the stimulation services segment did not purchase the minimum contractual commitment of chemistry products from Flotek.

Cost of Revenues

Cost of revenues by reportable segment is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Cost of revenues, exclusive of depreciation, depletion, and amortization:				
Stimulation services	\$ 353.9	\$ 373.8	\$ 1,331.7	\$ 966.8
Proppant production	42.6	13.2	128.2	26.7
Manufacturing	38.8	48.4	117.7	88.5
Other	39.4	48.3	133.7	67.4
Eliminations	(106.2)	(91.7)	(329.1)	(181.7)
Total cost of revenues, exclusive of depreciation, depletion, and amortization	<u>\$ 368.5</u>	<u>\$ 392.0</u>	<u>\$ 1,382.2</u>	<u>\$ 967.7</u>

Stimulation Services. Stimulation services cost of revenues for the three months ended September 30, 2023 decreased by \$19.9 million from the same period in 2022. Stimulation services cost of revenues for the nine months ended September 30, 2023 increased by \$364.9 million from the same period in 2022. These increases were primarily attributable to an increase in average active fleets and increased volume and cost of fracturing materials. Cost of revenues for this segment included an intercompany supply commitment charge of \$10.0 million because the stimulation services segment did not purchase the minimum contractual commitment of chemistry products from Flotek.

Proppant Production. Proppant production cost of revenues for the three and nine months ended September 30, 2023 increased by \$29.4 million and \$101.5 million, respectively, from the same periods in 2022. The increase was primarily attributable to acquisitions which increased the number of mines operated and the related tonnage mined.

Manufacturing. Manufacturing cost of revenues for the three and nine months ended September 30, 2023 decreased by \$9.6 million and increased by \$29.2 million, respectively, from the same periods in 2022. These changes were primarily attributable to changes in demand for these products.

Other. Other cost of revenues for the three and nine months ended September 30, 2023 decreased by \$8.9 million and increased by \$66.3 million, respectively, from the same periods in 2022. The increase for the first nine months of 2023 was partially attributable to the consolidation of Flotek beginning in May 2022.

Selling, General and Administrative

Selling, general and administrative expenses are comprised of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Selling, general and administrative:				
Selling, general and administrative, excluding stock-based compensation	\$ 56.6	\$ 51.6	\$ 181.9	\$ 115.7
Stock-based compensation related to deemed contributions	2.1	10.2	19.7	49.1
Stock-based compensation	2.3	2.7	7.6	4.2
Total selling, general and administrative	<u>\$ 61.0</u>	<u>\$ 64.5</u>	<u>\$ 209.2</u>	<u>\$ 169.0</u>

Selling, general and administrative expenses, excluding stock-based compensation for the three and nine months ended September 30, 2023 increased by \$5.0 million and \$66.2 million, respectively, from the same periods in 2022. The increase for the first nine months of 2023 was primarily due to higher labor and non-labor costs associated with our acquisitions. Subsequent to June 30, 2023, we adjusted our cost structure to right size our organization, through the acceleration of acquisition synergies and headcount reductions.

Depreciation, Depletion, and Amortization

Depreciation, depletion, and amortization for the three and nine months ended September 30, 2023 and 2022 increased by \$42.4 million and \$152.6 million, respectively, from the same periods in 2022. The increases were primarily attributable to the impact of the acquisitions made subsequent to September 30, 2022 and increased capital expenditures in recent periods.

Acquisition and Integration Costs

Acquisition and integration costs primarily relate to professional fees, severance and other costs associated with our acquisition and integration activities. These costs for the three and nine months ended September 30, 2023 and 2022 decreased by \$3.2 million and \$2.8 million, respectively.

Other Operating Expense, Net

Other operating expense, net for the three and nine months ended September 30, 2023 were \$10.1 million and \$17.8 million, respectively, compared with other operating expense, net of \$0.6 million and \$6.6 million for the three and nine months ended September 30, 2022, respectively. The increases were primarily attributable to \$10.3 million and \$23.5 million of legal costs incurred in connection with a patent infringement lawsuit against Halliburton (see Note 7), for the three and nine months ended September 30, 2023, respectively. These increased costs were partially offset by a non-cash gain of \$6.6 million related to the change in fair value of an acquisition earnout during the nine months ended September 30, 2023.

Interest Expense, Net

Interest expense, net of interest income, for the three and nine months ended September 30, 2023 was \$40.2 million and \$116.1 million, respectively, compared with \$16.3 million and \$39.0 million, respectively, in the same periods in 2022. These increases were due to higher average debt balances and higher average interest rates for our term loan facility and ABL credit facility in both the three and nine months ended September 30, 2023.

Gain (Loss) on Extinguishment of Debt

In the nine months ended September 30, 2023, we recognized a net gain of \$4.1 million, which was primarily due to the forgiveness of Flotek's Paycheck Protection Program loan. In the three and nine months ended September 30, 2022, we recognized \$0.2 million and \$17.3 million loss on extinguishment of debt as a result of debt refinancing transactions and debt repayments.

Other (Expense) Income, Net

For the three and nine months ended September 30, 2023 we recognized expense of \$4.9 million and income of \$22.0 million, respectively. These amounts were due to non-cash losses of \$5.1 million and \$24.1 million, respectively, primarily related to the change in fair value of our Munger make-whole provision and a decrease in the fair value of our investment in BPC. In May 2023, the expiration date of the Munger make-whole provision was extended until May 17, 2024. See our Annual Report for more information on the Munger make-whole provision.

For the three and nine months ended September 30, 2022, we recognized expense of \$1.0 million and income of \$8.2 million, respectively. The income for the nine months ended September 30, 2023, primarily related to the change in fair values of our investment in BPC and our investment in Flotek's convertible notes prior to May 2022.

Income Taxes

Our effective tax rate for the nine months ended September 30, 2023 was 20.5%, compared with 5.2% in the same period in 2022. The difference between our effective tax rate and the federal statutory rate in 2022 related to the income that was earned within the financial statement consolidated group that was not subject to tax within the financial statement consolidated group.

LIQUIDITY AND CAPITAL RESOURCES

We have excluded cash and other sources of liquidity related to our VIE from the following discussion of our liquidity and capital resources as we do not have the ability to access or use these items in our operations. As of September 30, 2023, there is substantial doubt about our VIE's ability to continue as a going concern. We believe that this substantial doubt does not materially affect our business, financial condition or results of operation as we do not guarantee any of our VIE's liabilities.

Sources of Liquidity

Historically, our primary sources of liquidity have been borrowings under our term loan facility or ABL credit facility and cash flows from operations. In the three months ended September 30, 2023, the Company raised \$50.0 million from the sale of its Series A preferred stock to THRC Holdings and FARJO Holdings. The Company presently does not expect any further funds from these sources. THRC Holdings and FARJO Holdings are Wilks Parties. See Note 17 to the unaudited condensed consolidated financial statements.

At September 30, 2023, we had \$20.6 million of cash and cash equivalents, excluding Flotek, and \$116.0 million available for borrowings under our ABL credit facility, resulting in a total liquidity position of \$136.6 million. Refer to Note 6 in the notes to our unaudited condensed consolidated financial statements contained herein and our Annual Report for more information regarding our ABL credit facility.

We believe that our cash and cash equivalents, cash provided by operations and the availability under our ABL credit facility will be sufficient to fund our capital expenditures and satisfy our financial obligations for at least the next 12 months. Our management regularly evaluates our debt obligations and, where necessary, alters our strategy to ensure ongoing compliance with our existing debt covenants, including most recently taking steps designed to ensure ongoing compliance with our leverage ratio. There can be no assurance that our management will be successful in these efforts.

Cash Flows

Cash flows provided by (used in) each type of activity were as follows:

	Nine Months Ended September 30,	
	2023	2022
Net cash provided by (used in):		
Operating activities	\$ 510.8	\$ 256.6
Investing activities	(692.7)	(629.8)
Financing activities	169.8	434.5
Net change in cash, cash equivalents, and restricted cash	\$ (12.1)	\$ 61.3

Operating Activities. The \$254.2 million increase in net cash provided by operating activities was due to increased cash provided by the net change in operating assets and liabilities, which was partially offset by lower earnings after adjustments for non-cash reconciling items. The increased cash provided by the net change in operating assets and liabilities was primarily due to a decrease in our accounts receivable balance as of September 30, 2023.

Investing Activities. The \$62.9 million increase in net cash used in investing activities was primarily due to an increase in cash paid for acquisitions, partially offset by a decrease in cash paid for other investments.

Financing Activities. The \$264.7 million decrease in net cash provided by financing activities was primarily due to a decrease in net proceeds from the issuance of common stock, a decrease in net borrowings of long-term debt and revolving credit agreements, offset by and an increase in net proceeds from the issuance of Preferred Stock.

Cash Requirements

Our material cash requirements have consisted of, and we anticipate will continue to consist of the following:

- debt service obligations, including interest,
- capital expenditures, and
- acquisitions of strategic businesses.

Debt Service Obligations

As of September 30, 2023, we have \$1.1 billion in aggregate principal amount of long-term debt outstanding, with \$122.8 million coming due over the next twelve months. For additional information about our long-term debt, please see Note 6 of this Quarterly Report and Item 8 "Financial Statements and Supplementary Data" in our Annual Report.

Capital Expenditures

The nature of our capital expenditures consists of a base level of investment required to support our current operations and amounts related to growth and company initiatives.

During the nine months ended September 30, 2023, our capital expenditures were \$233.9 million, consisting of maintenance capital expenditures for our fleet, building four electric-powered hydraulic fracturing fleets, and engine upgrades to convert legacy pumps to next generation technology. During the second quarter, we decided to reduce capital expenditures for the remainder of the year to more closely align with our customers' activity levels and our reduced number of active fleets as well as to maintain target return thresholds on capital investments. We now estimate capital expenditures in 2023 will range from \$280 million to \$290 million.

We continually evaluate our capital expenditures and the amount that we ultimately spend will depend on a number of factors, including customer demand for new fleets and expected industry activity levels.

Acquisitions of Strategic Businesses

Our growth strategy includes potential acquisitions and other strategic transactions. From time to time we enter into non-binding letters of intent to make investments or acquisitions. These letters of intent may provide for purchase consideration including cash, notes payable by us, equity or some combination, the use of which could impact our liquidity needs. These potential transactions are subject to the completion of satisfactory due diligence, the negotiation and resolution of significant business and legal issues, the negotiation, documentation and completion of mutually satisfactory definitive agreements among the parties, the consent of our lenders, our ability to finance any cash payment at closing, and approval of our board of directors. We cannot guarantee that any such potential transaction would be completed on acceptable terms, if at all.

We have historically funded our acquisitions through issuances of our equity securities and borrowings under our term loan facility or ABL credit facility. For any future acquisitions, we may utilize borrowings under our ABL credit facility and various financing sources available to us, including the issuance of equity or debt securities through public offerings or private placements, to fund these acquisitions. Our ability to complete future offerings of equity or debt securities and the timing of these offerings will depend on various factors including prevailing market conditions and our financial condition.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We do not utilize financial instruments for trading or other speculative purposes, nor do we utilize leveraged financial instruments. Our exposure to other market risks has not materially changed since December 31, 2022. For additional information, see Item 7A. "Quantitative and Qualitative Disclosures About Market Risk" in our Annual Report.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

In accordance with Exchange Act Rule 13a-15, we carried out an evaluation, under the supervision and with the participation of management, including our Executive Chairman (our principal executive officer) and our Chief Financial Officer (our principal financial officer), of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Executive Chairman and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2023 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Our disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Executive Chairman and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Limitations on Controls and Procedures

In designing and evaluating our disclosure controls and procedures, management recognizes that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a control system, misstatements due to error or fraud may occur and not be detected.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended September 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

Please refer to the information in Note 7 included in the notes to unaudited condensed consolidated financial statements contained herein.

ITEM 1A. RISK FACTORS

There have been no material changes in the significant risk factors that may affect our business, results of operations or liquidity as described in Item 1A "Risk Factors" in our Annual Report.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In September 2023, the Company entered into a purchase agreement with THRC Holdings, LP and FARJO Holdings, LP, pursuant to which the Company issued and sold 50,000 shares of Preferred Stock for gross proceeds of \$50.0 million. THRC Holdings, LP and FARJO Holdings, LP are Wilks Parties. For more information, see Note 8 to the unaudited condensed consolidated financial statements.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

The information concerning mine safety violations and other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K (17 CFR 229.104) is included in Exhibit 95 to this Quarterly Report.

ITEM 5. OTHER INFORMATION

(c)

During the third quarter of 2023, none of our directors or executive officers adopted Rule 10b5-1 trading plans and none of our directors or executive officers terminated a Rule 10b5-1 trading plan or adopted or terminated a non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) 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.

Exhibit Number	Description
3.1	<u>Second Amended and Restated Certificate of Incorporation of ProFrac Holding Corp. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the SEC on March 28, 2023).</u>
3.2	<u>Amended and Restated Bylaws of ProFrac Holding Corp., effective as of May 17, 2022 (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed with the SEC on May 18, 2022).</u>
3.3	<u>Certificate of Designation of Series A Redeemable Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the SEC on October 2, 2023).</u>
10.1	<u>Severance Agreement, dated September 11, 2023, by and between Mr. Robert Willette and ProFrac Holding Corp.</u>
10.2	<u>Series A Redeemable Convertible Preferred Stock Purchase Agreement, dated September 29, 2023, by and among the Company and THRC Holdings, LP and FARJO Holdings, LP (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on October 2, 2023).</u>
31.1*	<u>Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2*	<u>Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1**	<u>Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
95*	<u>Mine Safety Disclosure Exhibit.</u>
101.INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104*	Cover Page Interactive Data File (formatted as the Inline XBRL and contained in Exhibit 101).

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized on November 9, 2023.

ProFrac Holding Corp.

By: /s/ Matthew D. Wilks
Name: Matthew D. Wilks
Title: Executive Chairman and Director
(Principal Executive Officer)

By: /s/ Lance Turner
Lance Turner
Title: Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

CONFIDENTIAL SEVERANCE AGREEMENT AND GENERAL RELEASE

This Confidential Severance Agreement and General Release ("Agreement"), entered into by and between Robert Willette ("you," "your," or "Employee") and ProFrac Holding Corp. (the "Company"), on September 6, 2023 ("Resignation Date"), arises from the resignation of your employment. The Employee and the Company may be referred to herein as a "Party" or, collectively, the "Parties."

This Agreement is legally binding. You are hereby advised to consult with an attorney before signing it. If you wish to enter into this Agreement, you must sign the signature line and initial each page in the space provided (provided that you do not revoke acceptance during the revocation period described below).

Background

On or about June 7, 2022, the Parties entered into that certain Executive Employment Agreement (the "Employment Agreement"). Pursuant to the Employment Agreement, Employee was hired to serve as the Chief Legal Officer and Secretary for an Initial Period (as that term is defined in the Employment Agreement) with an automatic Renewal Period (as that term is defined in the Employment Agreement). Employee also holds the title of Chief Compliance Officer.

The parties have mutually agreed to end the employment relationship earlier with Employee resigning from the company effective September 6, 2023. In accordance with Section 8G) of the Employment Agreement, the Employment Agreement is hereby terminated and superseded as described more fully herein.

1. **Severance Payment.** You will receive a lump sum payment of **\$337,500.00** which is subject to applicable federal, state and local taxes and related withholding requirements, payable on the next regular payday after the expiration of ten (10) calendar days from the date you sign the Agreement unless you revoke this Agreement. Additionally, as consideration for the unvested restrictive stock units that Employee is forfeiting by his resignation, the Company will pay you (i) an additional amount of severance in the amount of **\$291,941.52** and (ii) any accrued, but unused paid time off reflected in the Company's records. You acknowledge that these severance payments are in addition to any salary owed to you for time worked that has been performed but not yet paid and that the severance represents good and sufficient consideration for the releases set forth in this Agreement. You agree that as a result of this Agreement and Release you are entitled to no other payments or compensation from the Company.

2. **General Release.** In consideration for the severance payment described above, you knowingly and voluntarily agree to waive and release the Company, its parents, affiliates and/or subsidiaries, and their respective current and former officers, managers, directors, members, employees, representatives and agents, including their successors and assigns (collectively the "Releasees"), with respect to any and

all claims, losses, liabilities, obligations and causes of action, known and unknown, arising out of, connected with, or relating to: (i) your employment; (ii) the Releasees' refusal or failure to continue your employment; (iii) the termination of the Employment Agreement; or (iv) the separation of your employment, including, but not limited to, claims for compensation, commissions, bonuses, other wages and benefits, breach of contract, wrongful termination, impairment of economic opportunity, intentional infliction of emotional distress, claims based on personal injury, any breach of implied or express covenant of good faith and fair dealing, violation of public policy, or any other contract, tort or personal injury claim, or claim based on any municipal, state or federal statute, regulation, or ordinance relating to employment, employment discrimination or retaliation, including Title VII of the Civil Rights Act of 1964, as amended, 42 U.S.C. § 2000 *et seq.*; The Civil Rights Act of 1866, as amended, 42 U.S.C. § 1981; The Civil Rights Act of 1991, as amended, 42 U.S.C. § 1981a; The Age Discrimination in Employment Act of 1967, as amended, 29 U.S.C. § 621 *et seq.*; Americans With Disabilities Act, as amended, 42 U.S.C. § 12101 *et seq.*; Fair Labor Standards Act, as amended, 29 U.S.C. § 201, *et seq.*; Equal Pay Act, as amended, 29 U.S.C. § 201 *et seq.*; National Labor Relations Act, as amended, 29 U.S.C. § 151 *et seq.*; Worker Adjustment and Retraining Notification Act, as amended, 29 U.S.C. § 2101 *et seq.*; Employee Retirement Income Security Act, as amended, 29 U.S.C. § 1000 *et seq.*; Family and Medical Leave Act, as amended, 29 U.S.C. § 2601, *et seq.*; Chapter 21 of the Texas Labor Code, or any other statute, rule, regulation, ordinance, or common civil or other law, or judicial or administrative interpretation whether promulgated by federal, state, local, or other jurisdiction or political subdivision.

3. Waiver of Claims. You understand and agree that by signing this Agreement, you - on behalf of yourself, your family, assigns, representatives, agents, estate, heirs, beneficiaries, executors, administrators, successors, and/or attorneys, if any - agree to give up any right or entitlement you may have under the Employment Agreement or federal, state, or local law against the Releasees, concerning any events related to your employment or termination, the Company's failure to continue your employment, or any rights you may have otherwise had under the Employment Agreement. This Agreement extinguishes any potential monetary recovery from employment discrimination claims you may have relating to your employment with the Company and the Company's termination of your employment existing on the date you sign this Agreement.

You further represent and warrant that you have not assigned to any third party any claim involving the Releasees or authorized any third party to assert on your behalf any claim against the Releasees. If a third party asserts a claim against the Releasees on your behalf or includes you as a class member in any class action involving any claim, you agree to not accept any benefits or damages relating or arising out of such claim.

Nothing in this Agreement will prevent you from initiating or participating in any state or federal agency administrative proceeding including proceedings before the

Equal Employment Opportunity Commission or from testifying at an administrative hearing; deposition, or in court in response to a lawful subpoena,

4.**Employment References.** If a prospective employer contacts the Company to obtain your employment information or a recommendation, the Company will provide only your employment dates and job title.

5.**Company Property.** On or before September 12, 2023, you agree to return all Company property, equipment, documents and other tangible things, including keys, cell phones, pagers, corporate credit cards, and laptops or other computers, in accordance with the Company's policies and rules, before your severance payment is payable. You agree to not destroy, alter, erase, or otherwise change any software, data, or other information belonging to the Company. You further agree that the Company may withhold from your severance payment the value of Company property, equipment and tangible things you fail to return.

6.**Confidentiality.** The terms of this Agreement shall be treated as strictly confidential. You shall not disclose the terms to anyone other than your spouse, attorney, accountant or tax advisor, without the Company's prior written approval, except as may be required by law and/or court order. If you receive a request pursuant to applicable law to disclose the existence or terms of this Agreement, you shall promptly notify the Company (such notice to be via email to legal@profrac.com) prior to disclosure to enable it to seek a protective order or other appropriate remedy. You agree to notify your spouse, attorney, accountant and tax advisor of the confidential nature of this Agreement.

7.**Knowing and Voluntary Agreement.** You are advised in writing to consult with an attorney before executing this Agreement. You acknowledge and agree that: (i) after you received a copy of this Agreement in writing you had adequate opportunity to review this Agreement; (ii) you have been advised to consult an attorney before signing it; and (iii) you enter into the Agreement knowingly, voluntarily and after any consultations with an attorney or other advisor as you deem appropriate.

8.**No Authority and Agreement to Cooperate.** As of the last date, of your employment, you shall have no authority to obligate the Company in any manner and shall not enter into any contracts on the Company's behalf. You and the Company shall not make any representation, warranty, or other statement, or take any action, that may be construed by a third party to indicate that you have authority to obligate the Company or to enter into a contract on the Company's behalf.

Notwithstanding your termination, for a period of six (6) months after the separation date, you agree to provide reasonable cooperation to the Company and its attorneys if requested to do so in connection with litigation or investigations with which Company may be involved.

9. **Non-Admission of Wrongdoing.** This Agreement shall not in any way be construed as an admission of liability or as an admission that any of the Releasees have acted wrongfully with respect to you. Each of the Releasees specifically denies and disclaims any such liability or wrongful acts. Likewise, this Agreement shall not in any way be construed as an admission of liability or as an admission that you have acted wrongfully with respect to any of Releasees.

10. **Entire Agreement.** This Agreement constitutes the Parties' entire agreement and supersedes any prior agreements or understandings between the Releasees and Employee. You acknowledge that you enter into this Agreement without reliance on any written or oral promise or representation, other than those contained in this Agreement. Nothing in this agreement extinguishes Employee's post-employment obligations regarding protection of Company Confidential Information or post employment nonsolicitation or nondisclosure obligations.

11. **Severability.** The Company and Employee agree that, if any term of this Agreement shall be determined by a court to be void or unenforceable, the remaining provisions will remain effective and legally binding, and the void or unenforceable term shall be deemed not to be a part of this Agreement; provided, however, that if one or either of Paragraphs 2 or 6 above are held to be illegal, void, or unenforceable, you agree to promptly execute a valid General Release and Waiver and/or Confidentiality Agreement in favor of the Company and the Releasees.

12. **Headings.** The headings in each paragraph herein are for convenience of reference only and shall be of no legal effect in the interpretation of the terms hereof.

13. **Venue and Applicable Law.** The Company and Employee agree that the laws of the State of Texas shall govern the enforceability, interpretation and legal effect of this Agreement. The Parties further agree to submit to the jurisdiction of the federal and state courts sitting in Tarrant County, Texas, for all purposes relating to the valicity, interpretation, or enforcement of this Agreement, including, without limitation, any application for injunctive relief.

14. **Remedies.** Any material breach by you of the terms and conditions contained in this Agreement shall give the Company the right to discontinue the performance of any unperformed duties and obligations under this Agreement to the extent permitted by applicable law, and shall entitle the Company to legal, injunctive, or other equitable relief on account of such breach.

15. **Waiver.** If you breach any term of the Agreement, any delay by the Company to enforce the Agreement shall not be deemed a waiver, acceptance, or acquiescence. No waiver shall bind the Company unless supported by consideration, executed in writing, and delivered to you by an authorized Company officer.

16. **Attorneys' Fees.** You understand and agree that in any dispute between the Company and you regarding the terms of this Agreement and/or any alleged breach thereof, that the prevailing party will be entitled to recover its costs and reasonable attorneys' fees out of such dispute, provided that such recovery is not otherwise prohibited by law.

17. **Review Period, Execution, and Revocation.** You acknowledge that you had at least 21 calendar days from your receipt of this Agreement to consider whether to accept its terms. You agree that changes to this Agreement, whether material or immaterial, do not restart the running of the 21-day period. After signing the Agreement and returning it to Senior Corporate Counsel Elizabeth Fitch (elizabeth.fitch@profrac.com), you will have seven (7) calendar days to consider whether to revoke it. The Agreement will not be effective until the expiration of seven (7) calendar days after you sign the Agreement without revoking it. You acknowledge that this Agreement will become effective, fully enforceable and irrevocable after the expiration of seven (7) days after your signing of this Agreement ("Effective Date").

You understand that in order to be eligible for the severance payment described in Paragraph 1, you must sign and return this Agreement to Elizabeth Fitch (elizabeth.fitch@profrac.com) by 3:00 p.m. (Central Time), on September 11, 2023.

If you choose to revoke this Agreement, you must notify the Company in writing through its Senior Corporate Counsel Elizabeth Fitch (elizabeth.fitch@profrac.com) in writing before the Effective Date.

18. **Effective Period.** This Agreement is null and void if: (i) You fail to execute **and** return it within 21 days of receipt; or (ii) you sign it within 21 days but revoke your execution within seven (7) calendar days after signing it.

19. **Cooperation.** Employee agrees and covenants that for a period of six (6) months after the separation date if the Company desires Employee to provide information relating to work transition matters or any information or testimony relating to any judicial, administrative, or other proceeding involving the Company and/or any other Releasee, Employee will cooperate in making Employee reasonably available for such purposes. Employee shall provide such cooperation without any additional compensation or remuneration. Should Employee be served with a subpoena in any legal proceeding relating to the Company and/or any other Releasee, Employee agrees: (a) to inform the Company immediately of the subpoena, unless providing the Company with notice would be inconsistent with applicable law; (b) to cooperate with the Company and its attorneys in preparing for any depositions or other formal process by which evidence is taken or received; and (c) to provide truthful testimony in response to questions that are within the scope of proper discovery. Employee further agrees to comply with any reasonable, lawful

directions by the Company's attorneys should any litigation relating to the Company or any other Releasee involve Employee as a witness.

20. **Resignation.** Effective on Employee's signature of this Agreement below, Employee resigns his employment with the Company effective September 6, 2023 along with all officer, director and other corporate positions affiliated with the Company.

IN WITNESS WHEREOF, this Confidential Severance Agreement and General Release has been executed by each of the listed parties as of the later date below.

ROBERT WILLETTE

Printed Name: Robert J. Willette

Signature: /s/ Robert J. Willette

Date: 9/11/2023

PROFRAC HOLDING CORP.

Signature: /s/ Matthew Wilks

By: Matthew Wilks

Title: Executive Chairman

Date: 9/11/2023

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Matthew D. Wilks, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ProFrac 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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) Omitted;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2023

By: /s/ Matthew D. Wilks
Matthew D. Wilks
Executive Chairman
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Lance Turner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ProFrac 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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) Omitted;

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

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

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

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

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

Date: November 9, 2023

By: /s/ Lance Turner
Lance Turner
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

**CERTIFICATION 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 for the period ending September 30, 2023 of ProFrac Holding Corp., a Delaware corporation (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officers of the Company do hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: November 9, 2023

By: /s/ Matthew D. Wilks
Matthew D. Wilks
Executive Chairman
(Principal Executive Officer)

Date: November 9, 2023

By: /s/ Lance Turner
Lance Turner
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley act of 2002 has been provided to ProFrac Holding Corp. and will be retained by ProFrac Holding Corp. and furnished to the Securities and Exchange Commission or its staff upon request.

MINE SAFETY DISCLOSURES

Under Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K, each operator of a coal or other mine is required to include certain mine safety information in its periodic reports filed with the Securities and Exchange Commission. The table below includes this mine safety information for each mine facility owned and operated by ProFrac Holding Corp., or its subsidiaries, for the quarterly period ended September 30, 2023. Due to timing and other factors, our data may not agree with the mine data retrieval system maintained by the Mine Safety and Health Administration ("MSHA"). The columns in the table represent the total number of, and the proposed dollar assessment for, violations, citations and orders issued by MSHA during the period upon periodic inspection of our mine facilities in accordance with the referenced sections of the Federal Mine Safety and Health Act of 1977, as amended (the "Mine Act"), described as follows:

- Section 104(a) Significant and Substantial Violations: Total number of violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a coal or other mine safety or health hazard.
- Section 104(b) Orders: Total number of orders issued due to a failure to totally abate, within the time period prescribed by MSHA, a violation previously cited under section 104, which results in the issuance of an order requiring the mine operator to immediately withdraw all persons from the mine.
- Section 104(d) Citations and Orders: Total number of citations and orders issued for unwarrantable failure of the mine operator to comply with mandatory health and safety standards. The violation could significantly and substantially contribute to the cause and effect of a safety and health hazard, but the conditions do not cause imminent danger.
- Section 110(b)(2) Flagrant Violations: Total number of flagrant violations defined as a reckless or repeated failure to make reasonable efforts to eliminate a known violation of a mandatory health or safety standard that substantially and proximately caused, or reasonably could have been expected to cause, death or serious bodily injury.
- Section 107(a) Imminent Danger Orders: Total number of orders issued when an imminent danger is identified which requires all persons to be withdrawn from area(s) in the mine until the imminent danger and the conditions that caused it to cease to exist.
- Total Dollar Value of Proposed MSHA Assessments: Each issuance of a citation or order by MSHA results in the assessment of a monetary penalty. The total dollar value presented includes any contested penalties.
- Legal Actions Pending, Initiated or Resolved: Total number of cases pending legal action before the Federal Mine Safety and Health Review Commission as of the last day of the reporting period or the number of such cases initiated or resolved during the reporting period.

Mine location	Section 104(a) "Significant and Substantial" Violations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b) (2) Flagrant Violations (#)	Section 107(a) Imminent Danger Orders (#)	Total Dollar Value of Proposed MSHA Assessments (\$)	Legal Actions		
							Pending as of Last Day of Period (#)	Initiated During Period (#)	Resolved During Period (#)
Bexar County, Texas	0	-	-	-	-	0	-	-	-
Dawson County, Texas	0	-	-	-	-	0	-	-	-
Ward/Ector Counties, Texas	1	-	-	-	-	Not Assessed Yet	-	1 ⁽¹⁾	-
Winkler County, Texas	0	-	-	-	-	0	-	-	-
Miller/Lafayette Counties, Arkansas	0	-	-	-	-	0	-	-	-
Bossier/Caddo Parishes, Louisiana	0	-	-	-	-	0	-	-	-

Bossier/Caddo Parishes, Louisiana	1	-	-	-	-	376	-	-	-
Beauregard Parish, Louisiana	1	-	-	-	-	2,561	-	-	-

1. We have initiated an administrative action with MSHA challenging the severity of one of our citations for the quarterly period ended September 30, 2023. There can be no assurance that we will be successful in our challenge.

We had no mining-related fatalities at any of our facilities during the quarterly period ended September 30, 2023. During this period we also received no written notices from MSHA under section 104(e) of the Mine Act of (i) a pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of coal or other mine health or safety hazards; or (ii) the potential to have such a pattern.
