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, 2022

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: 001-38347

Nine Energy Service, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**80-0759121**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

2001 Kirby Drive, Suite 200
Houston, TX 77019
(Address of principal executive offices) (Zip Code)

(281) 730-5100

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	NINE	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x 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 x 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	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

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

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

The number of shares of the registrant's common stock, par value $0.01 per share, outstanding at November 3, 2022 was 33,221,266.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that are subject to a number of risks and uncertainties, many of which are beyond our control. All statements other than statements of historical fact, including those regarding our strategy, future operations, financial position, our ability to continue as a going concern, estimated revenues and losses, projected costs, prospects, plans, and objectives of management, are forward-looking statements. When used in this Quarterly Report on Form 10-Q, the words “could,” “believe,” “anticipate,” “intend,” “estimate,” “expect,” “may,” “continue,” “predict,” “potential,” “project,” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words.

All forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q; we disclaim any obligation to update these statements unless required by law, and we caution you not to place undue reliance on them. Although we believe that our plans, intentions, and expectations reflected in or suggested by the forward-looking statements we make in this Quarterly Report on Form 10-Q are reasonable, we can give no assurance that these plans, intentions, or expectations will be achieved.

We disclose important factors that could cause our actual results to differ materially from our expectations under “Risk Factors” in Item 1A of Part I in our Annual Report on Form 10-K for the year ended December 31, 2021 and in Item 1A of Part II of this Quarterly Report on Form 10-Q. These factors, some of which are beyond our control, include the following:

- Our business is cyclical and depends on capital spending and well completions by the onshore oil and natural gas industry, and the level of such activity is volatile and strongly influenced by current and expected oil and natural gas prices. If the prices of oil and natural gas decline, our business, financial condition, results of operations, cash flows, and prospects may be materially and adversely affected. Significant factors that are likely to affect near-term commodity prices include actions by the members of the Organization of the Petroleum Exporting Countries (“OPEC”) and other oil exporting nations; U.S. energy, monetary, and trade policies; the pace of economic growth in the U.S. and throughout the world; and geopolitical and economic developments in the U.S. and globally, including conflicts, instability, acts of war, or terrorism.
- Our substantial debt obligations could have significant adverse consequences on our business and future prospects, and restrictions in our debt agreements could limit our growth and our ability to engage in certain activities. In addition, in order to meet our debt obligations, we may engage in refinancing or restructuring of our indebtedness by seeking additional sources of capital, selling assets, or a combination thereof.
- Inflation may adversely affect our financial position and operating results; in particular, cost inflation with labor or materials could offset any price increases for our products and services.
- If we are unable to attract and retain key employees, technical personnel, and other skilled and qualified workers, our business, financial condition, or results of operations could suffer.
- We may be unable to maintain existing prices or implement price increases on our products and services, and intense competition in the markets for our dissolvable plug products may lead to pricing pressures, reduced sales, or reduced market share.
- Our current and potential competitors may have longer operating histories, significantly greater financial or technical resources, and greater name recognition than we do.
- Our operations are subject to conditions inherent in the oilfield services industry, such as equipment defects, liabilities arising from accidents or damage involving our fleet of trucks or other equipment, explosions and uncontrollable flows of gas or well fluids, and loss of well control.
- If we are unable to accurately predict customer demand, including that of our international customers, or if customers cancel their orders on short notice, we may hold excess or obsolete inventory, which would reduce gross margins. Conversely, insufficient inventory would result in lost revenue opportunities and potentially loss of market share and damaged customer relationships.
- We are dependent on customers in a single industry. The loss of one or more significant customers, including certain of our customers outside of the U.S., could adversely affect our financial condition, prospects, and results of operations. Sales to customers outside of the U.S. also exposes us to risks inherent in doing business internationally, including political, social, and economic instability and disruptions, export controls, economic sanctions, embargoes or trade restrictions, and fluctuations in foreign currency exchange rates.

- We may be subject to claims for personal injury and property damage or other litigation, which could materially adversely affect our financial condition, prospects, and results of operations.
- We are subject to federal, state, and local laws and regulations regarding issues of health, safety, and protection of the environment. Under these laws and regulations, we may become liable for penalties, damages, or costs of remediation or other corrective measures. Any changes in laws or government regulations could increase our costs of doing business.
- Our success may be affected by the use and protection of our proprietary technology as well as our ability to enter into license agreements. There are limitations to our intellectual property rights and, thus, our right to exclude others from the use of our proprietary technology.
- Our success may be affected by our ability to implement new technologies and services.
- Significant ownership of our common stock by certain stockholders could adversely affect our other stockholders.
- Our future financial condition and results of operations could be adversely impacted by asset impairment charges.
- Increased attention to climate change and conservation measures may reduce oil and natural gas demand, and we face various risks associated with increased activism and related litigation against oil and natural gas exploration and development activities.
- Seasonal and adverse weather conditions adversely affect demand for our products and services.
- Our ability to maintain compliance with the New York Stock Exchange (the “NYSE”) continued listing requirements and avoid the delisting of our common stock.

Additional risks or uncertainties that are not currently known to us, that we currently deem to be immaterial, or that could apply to any company could also materially adversely affect our business, financial condition, or future results.

These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NINE ENERGY SERVICE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)
(Unaudited)

	September 30, 2022	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	$ 21,490	$ 21,509
Accounts receivable, net	103,881	64,025
Income taxes receivable	1,184	1,393
Inventories, net	52,959	42,180
Prepaid expenses and other current assets	9,123	10,195
Total current assets	188,637	139,302
Property and equipment, net	75,658	86,958
Operating lease right of use assets, net	35,934	35,117
Finance lease right of use assets, net	598	1,445
Intangible assets, net	105,840	116,408
Other long-term assets	808	2,383
Total assets	$ 407,475	$ 381,613
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities		
Accounts payable	$ 38,145	$ 28,680
Accrued expenses	29,374	18,519
Current portion of long-term debt	27,281	2,093
Current portion of operating lease obligations	7,438	6,091
Current portion of finance lease obligations	420	1,070
Total current liabilities	102,658	56,453
Long-term liabilities		
Long-term debt	305,631	332,314
Long-term operating lease obligations	29,612	30,435
Long-term finance lease obligations	—	65
Other long-term liabilities	1,659	1,613
Total liabilities	439,560	420,880
Commitments and contingencies (Note 10)		
Stockholders' equity (deficit)		
Common stock (120,000,000 shares authorized at $0.01 par value; 33,233,106 and 32,826,325 shares issued and outstanding at September 30, 2022 and December 31, 2021, respectively)	332	328
Additional paid-in capital	774,510	773,350
Accumulated other comprehensive loss	(4,926)	(4,535)
Accumulated deficit	(802,001)	(808,410)
Total stockholders' equity (deficit)	(32,085)	(39,267)
Total liabilities and stockholders' equity (deficit)	$ 407,475	$ 381,613

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

NINE ENERGY SERVICE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (LOSS)
(In thousands, except share and per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenues				
Service	$ 126,634	$ 65,916	$ 324,075	$ 172,932
Product	40,798	26,952	102,638	71,394
	167,432	92,868	426,713	244,326
Cost and expenses				
Cost of revenues (exclusive of depreciation and amortization shown separately below)				
Service	92,920	59,614	252,812	160,141
Product	30,498	19,265	77,665	57,659
General and administrative expenses	13,475	11,114	37,766	33,505
Depreciation	6,593	6,921	19,608	22,148
Amortization of intangibles	2,896	4,029	10,568	12,212
(Gain) loss on revaluation of contingent liability	46	21	237	(124)
(Gain) loss on sale of property and equipment	1,242	(17)	795	660
Income (loss) from operations	19,762	(8,079)	27,262	(41,875)
Interest expense	8,125	7,968	24,335	24,534
Interest income	(134)	(3)	(171)	(24)
Gain on extinguishment of debt	(2,843)	—	(2,843)	(17,618)
Other income	(161)	(34)	(547)	(103)
Income (loss) before income taxes	14,775	(16,010)	6,488	(48,664)
Provision for income taxes	489	41	79	163
Net income (loss)	$ 14,286	$ (16,051)	$ 6,409	$ (48,827)
Earnings (loss) per share				
Basic	$ 0.46	$ (0.53)	$ 0.21	$ (1.61)
Diluted	$ 0.45	$ (0.53)	$ 0.20	$ (1.61)
Weighted average shares outstanding				
Basic	31,100,712	30,449,286	30,810,648	30,252,670
Diluted	31,932,613	30,449,286	31,750,425	30,252,670
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments, net of $ 0 tax in each period	$ (225)	$ (102)	$ (391)	$ (32)
Total other comprehensive loss, net of tax	(225)	(102)	(391)	(32)
Total comprehensive income (loss)	$ 14,061	$ (16,153)	$ 6,018	$ (48,859)

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

NINE ENERGY SERVICE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(In thousands, except share amounts)
(Unaudited)

	Common Stock									
	Shares		Amounts		Additional Paid-in Capital		Accumulated Other Comprehensive Income (Loss)		Retained Earnings (Accumulated Deficit)		Total Stockholders' Equity (Deficit)
Balance, June 30, 2022	33,369,148	$	334	$	774,335	$	(4,701)	$	(816,287)	$	(46,319)
Issuance of common stock under stock compensation plan, net of forfeitures	(13,174)		—		—		—		—		—
Stock-based compensation expense	—		—		521		—		—		521
Vesting of restricted stock and stock units	(122,868)		(2)		(346)		—		—		(348)
Other comprehensive loss	—		—		—		(225)		—		(225)
Net income	—		—		—		—		14,286		14,286
Balance, September 30, 2022	33,233,106	$	332	$	774,510	$	(4,926)	$	(802,001)	$	(32,085)

	Common Stock										
	Shares		Amounts		Additional Paid-in Capital		Accumulated Other Comprehensive Income (Loss)		Retained Earnings (Accumulated Deficit)		Total Stockholders' Equity (Deficit)
Balance, June 30, 2021	31,350,677	$	314	$	770,997	$	(4,431)	$	(776,611)	$	(9,731)
Issuance of common stock under stock compensation plan, net of forfeitures	1,490,234		14		(14)		—		—		—
Stock-based compensation expense	—		—		1,153		—		—		1,153
Vesting of restricted stock and stock units	(827)		—		(1)		—		—		(1)
Other comprehensive loss	—		—		—		(102)		—		(102)
Net loss	—		—		—		—		(16,051)		(16,051)
Balance, September 30, 2021	32,840,084	$	328	$	772,135	$	(4,533)	$	(792,662)	$	(24,732)

	Common Stock										
	Shares		Amounts		Additional Paid-in Capital		Accumulated Other Comprehensive Income (Loss)		Retained Earnings (Accumulated Deficit)		Total Stockholders' Equity (Deficit)
Balance, December 31, 2021	32,826,325	$	328	$	773,350	$	(4,535)	$	(808,410)	$	(39,267)
Issuance of common stock under stock compensation plan, net of forfeitures	634,924		7		(7)		—		—		—
Stock-based compensation expense	—		—		1,943		—		—		1,943
Vesting of restricted stock and stock units	(228,143)		(3)		(776)		—		—		(779)
Other comprehensive loss	—		—		—		(391)		—		(391)
Net income	—		—		—		—		6,409		6,409
Balance, September 30, 2022	33,233,106	$	332	$	774,510	$	(4,926)	$	(802,001)	$	(32,085)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Accumulated Deficit)	Total Stockholders' Equity (Deficit)
	Shares	Amounts				
Balance, December 31, 2020	31,557,809	$ 316	$ 768,429	$ (4,501)	$ (743,835)	$ 20,409
Issuance of common stock under stock compensation plan, net of forfeitures	1,471,150	14	(14)	—	—	—
Stock-based compensation expense	—	—	4,191	—	—	4,191
Vesting of restricted stock and stock units	(188,875)	(2)	(471)	—	—	(473)
Other comprehensive loss	—	—	—	(32)	—	(32)
Net loss	—	—	—	—	(48,827)	(48,827)
Balance, September 30, 2021	32,840,084	$ 328	$ 772,135	$ (4,533)	$ (792,662)	$ (24,732)

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

NINE ENERGY SERVICE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2022	**2021**
Cash flows from operating activities		
Net income (loss)	$ 6,409	$ (48,827)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities		
Depreciation	19,608	22,148
Amortization of intangibles	10,568	12,212
Amortization of operating leases	6,268	6,001
Amortization of deferred financing costs	1,919	1,960
Recovery of doubtful accounts	(172)	(232)
Provision for inventory obsolescence	2,566	3,670
Stock-based compensation expense	1,943	4,191
Gain on extinguishment of debt	(2,843)	(17,618)
Loss on sale of property and equipment	795	660
(Gain) loss on revaluation of contingent liability	237	(124)
Changes in operating assets and liabilities		
Accounts receivable, net	(39,751)	(17,101)
Inventories, net	(13,543)	(8,284)
Prepaid expenses and other current assets	1,537	2,956
Accounts payable and accrued expenses	18,825	17,759
Income taxes receivable/payable	212	187
Other assets and liabilities	(6,347)	(6,262)
Net cash provided by (used in) operating activities	8,231	(26,704)
Cash flows from investing activities		
Proceeds from sales of property and equipment	2,939	2,997
Proceeds from property and equipment casualty losses	175	—
Purchases of property and equipment	(9,361)	(4,832)
Net cash used in investing activities	(6,247)	(1,835)
Cash flows from financing activities		
Proceeds from 2018 ABL Credit Facility	12,000	—
Purchases of Senior Notes	(10,081)	(8,355)
Payments of short-term debt	(968)	—
Payments on Magnum Promissory Notes	(844)	(562)
Payments on finance leases	(999)	(810)
Payments of contingent liability	(135)	(110)
Vesting of restricted stock and stock units	(779)	(473)
Net cash used in financing activities	(1,806)	(10,310)
Impact of foreign currency exchange on cash	(197)	(46)
Net decrease in cash and cash equivalents	(19)	(38,895)
Cash and cash equivalents		
Cash and cash equivalents beginning of period	21,509	68,864
Cash and cash equivalents end of period	$ 21,490	$ 29,969
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 15,597	$ 15,787

Cash refunded for income taxes	$	110	$	24
Cash paid for operating leases	$	6,340	$	6,114
Right of use assets obtained in exchange for operating lease obligations	$	6,002	$	2,236
Supplemental schedule of non-cash activities:				
Right of use assets obtained in exchange for finance lease obligations	$	308	$	—
Capital expenditures in accounts payable and accrued expenses	$	1,192	$	781
Receivable from property and equipment sale (including insurance)	$	—	$	992

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

NINE ENERGY SERVICE, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Company and Organization

Background

Nine Energy Service, Inc. (the “Company” or “Nine”), a Delaware corporation, is an oilfield services business that provides services integral to the completion of unconventional wells through a full range of tools and methodologies. The Company is headquartered in Houston, Texas.

The Company’s chief operating decision maker, which is its Chief Executive Officer, and its board of directors allocate resources and assess performance based on financial information presented at a consolidated level. Accordingly, the Company determined that it operates as one reportable segment, known as *Completion Solutions*.

Risks and Uncertainties

The Company’s business depends, to a significant extent, on the level of unconventional resource development activity and corresponding capital spending of oil and natural gas companies. These activity and spending levels are strongly influenced by current and expected oil and natural gas prices. Following an extreme decline in activity levels and pricing in 2020, the Company has been focused on strategically implementing price increases and gaining market share. Thus far in 2022, oil and natural gas prices have improved, and activity levels have increased compared to 2021, resulting in higher demand for the Company’s products and services. Due to a heightened competition for qualified labor, an under-supply of equipment, and other supply chain-related constraints, the Company has implemented price increases in most service lines. Finding and retaining qualified labor continues to be a challenge resulting in wage inflation, offsetting some of the price increases. Going forward, the Company’s earnings will be affected by its customers’ activity plans (which are strongly influenced by commodity prices), the Company’s ability to implement further price increases, the impact of wage and labor inflation, and labor shortage and supply chain constraints. Additionally, activity levels could be affected as oilfield service providers continue to raise prices and customers are impacted by cost inflation to drill, complete, and produce oil and natural gas wells.

Historically, the Company has met its liquidity needs principally from cash on hand, cash flow from operations and, if needed, external borrowings and issuances of debt securities. At September 30, 2022, the Company had $21.5 million of cash and cash equivalents and $ 66.7 million of availability under the 2018 ABL Credit Facility (as defined in Note 8 – Debt Obligations), which resulted in a total liquidity position of $88.2 million. As in the past, the Company expects its liquidity position to be impacted by the Senior Notes’ (as defined in Note 8 – Debt Obligations) semi-annual interest payments ($13.4 million based on amounts outstanding as of September 30, 2022), which recently occurred on November 1, 2022 and will again occur on May 1, 2023.

At September 30, 2022, the Company had $ 27.0 million of borrowings under the 2018 ABL Credit Facility. The Company has borrowed an additional $5.0 million, net to date in the fourth quarter of 2022. The 2018 ABL Credit Facility will mature on October 25, 2023, or, if earlier, on the date that is 180 days before the scheduled maturity date of the Senior Notes if they have not been redeemed or repurchased by such date. As of September 30, 2022, there were approximately $307.3 million aggregate principal amount of Senior Notes outstanding. The Senior Notes will mature on October 25, 2023, which is less than one year from the issuance date of the Company’s condensed consolidated financial statements. In the absence of management’s ability to redeem or repurchase the Senior Notes, the effective maturity date of the 2018 ABL Credit Facility would be April 28, 2023. As such, the borrowings associated with the 2018 ABL Credit Facility are classified as current in the Company’s Condensed Consolidated Balance Sheet at September 30, 2022.

Management’s plans to satisfy these obligations include refinancing or restructuring the Company’s indebtedness (both the 2018 ABL Credit Facility and the Senior Notes), seeking additional sources of capital, selling assets, or a combination thereof. Any such transactions may involve the issuance of additional equity or convertible debt securities that could result in material dilution to the Company’s stockholders, and these securities could have rights superior to holders of the Company’s common stock and could contain covenants that will restrict its operations. The Company’s ability to successfully execute these plans is dependent on its financial condition and operating performance, which are subject to prevailing economic and competitive conditions and certain financial, business, and other factors, many of which are beyond the Company’s control. There can be no assurance that the Company will succeed in executing these plans. If unsuccessful, the Company will not have sufficient liquidity and capital resources to repay its indebtedness when it matures, or otherwise meet its cash requirements over the next twelve months, which raises substantial doubt about its ability to continue as a going concern.

2. Basis of Presentation

Condensed Consolidated Financial Information

In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of its financial position as of September 30, 2022, and its results of operations for the three and nine months ended September 30, 2022 and 2021, and cash flows for the nine months ended September 30, 2022 and 2021. These condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"), in a manner consistent with the accounting policies described in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, unless otherwise disclosed herein, and should be read in conjunction therewith. The Condensed Consolidated Balance Sheet at December 31, 2021 was derived from audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America ("GAAP"). Operating results for interim periods are not necessarily indicative of the results that may be expected for the full year.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of Nine and its wholly owned subsidiaries. All inter-company accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Such estimates include fair value assumptions used in analyzing long-lived assets for possible impairment, useful lives used in depreciation and amortization expense, recognition of provisions for contingencies, and stock-based compensation fair value. It is at least reasonably possible that the estimates used will change within the next year.

3. New Accounting Standards

In December 2019, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2019-12, *Income Taxes: Simplifying the Accounting for Income Taxes*, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles and clarifies and amends existing guidance to improve consistent application. ASU 2019-12 is effective for public businesses for fiscal years beginning after December 15, 2020 and interim periods within those fiscal years. As an emerging growth company, the Company is permitted, and plans, to adopt the new standard for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. The Company does not expect the standard to have a material impact on its financial position, results of operations, or liquidity.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The amendments in ASU 2016-13 replace the current incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information. ASU 2016-13 is effective for SEC filers, excluding smaller reporting companies, for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. As an emerging growth company, the Company is permitted, and plans, to adopt the new standard for the fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company does not expect the standard to have a material impact on its financial position, results of operations, or liquidity.

4. Revenues

Disaggregation of Revenue

Disaggregated revenue for the three and nine months ended September 30, 2022 and 2021 was as follows:

	Three Months Ended September 30,	
	2022	2021
	(in thousands)	
Cement	$ 63,904	$ 29,541
Tools	40,798	26,952
Wireline	29,312	19,246
Coiled tubing	33,418	17,129
Total revenues	$ 167,432	$ 92,868

	Nine Months Ended September 30,	
	2022	2021
	(in thousands)	
Cement	$ 164,372	$ 79,757
Tools	102,638	71,394
Wireline	77,043	50,643
Coiled tubing	82,660	42,532
Total revenues	$ 426,713	$ 244,326

	Three Months Ended September 30,	
	2022	2021
	(in thousands)	
Service(1)	$ 126,634	$ 65,916
Product(1)	40,798	26,952
Total revenues	$ 167,432	$ 92,868

	Nine Months Ended September 30,	
	2022	2021
	(in thousands)	
Service(1)	$ 324,075	$ 172,932
Product(1)	102,638	71,394
Total revenues	$ 426,713	$ 244,326

(1) The Company recognizes revenues from the sales of products at a point in time and revenues from the sales of services over time.

Performance Obligations

At September 30, 2022 and December 31, 2021, the amount of remaining performance obligations was not material.

Contract Balances

At September 30, 2022 and December 31, 2021, the amount of contract assets and contract liabilities was not material.

5. Inventories

Inventories, consisting primarily of finished goods and raw materials, are stated at the lower of cost or net realizable value. Cost is determined on an average cost basis. The Company reviews its inventory balances and writes down its inventory for estimated obsolescence or excess inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. The reserve for obsolescence was $ 9.5 million and $9.0 million at September 30, 2022 and December 31, 2021, respectively.

Inventories, net as of September 30, 2022 and December 31, 2021 were comprised of the following:

	September 30, 2022	December 31, 2021
	(in thousands)	
Raw materials	$ 37,888	$ 31,153
Work in progress	111	675
Finished goods	24,464	19,323
Inventories	62,463	51,151
Reserve for obsolescence	(9,504)	(8,971)
Inventories, net	$ 52,959	$ 42,180

6. Intangible Assets

The gross carrying amount and accumulated amortization of intangible assets as of September 30, 2022 and December 31, 2021 was as follows:

	September 30, 2022			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Amortization Period
	(in thousands, except weighted average amortization period information)			
Customer relationships	$ 63,270	$ (49,150)	$ 14,120	5.1
Non-compete agreements	6,500	(6,066)	434	1.1
Technology	125,110	(34,824)	90,286	11.0
In-process research and development	1,000	—	1,000	Indefinite
Total	$ 195,880	$ (90,040)	$ 105,840	

	December 31, 2021			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Amortization Period
	(in thousands, except weighted average amortization period information)			
Customer relationships	$ 63,270	$ (45,187)	$ 18,083	5.3
Non-compete agreements	6,500	(5,766)	734	2.0
Technology	125,110	(28,519)	96,591	11.7
In-process research and development	1,000	—	1,000	Indefinite
Total	$ 195,880	$ (79,472)	$ 116,408	

Amortization of intangibles expense was $2.9 million and $10.6 million for the three and nine months ended September 30, 2022, respectively. Amortization of intangibles expense was $4.0 million and $12.2 million for the three and nine months ended September 30, 2021, respectively.

Future estimated amortization of intangibles is as follows:

Year Ending December 31,		(in thousands)
Remainder of 2022	$	2,895
2023		11,516
2024		11,183
2025		11,183
2026		11,082
2027		10,315
Thereafter		46,666
Total	$	104,840

7. Accrued Expenses

Accrued expenses as of September 30, 2022 and December 31, 2021 consisted of the following:

	September 30, 2022		December 31, 2021	
	(in thousands)			
Accrued interest	$	11,635	$	4,980
Accrued compensation and benefits		6,506		6,897
Accrued bonus		4,458		1,125
Accrued legal fees and settlements		198		1,076
Other accrued expenses		6,577		4,441
Accrued expenses	$	29,374	$	18,519

8. Debt Obligations

The Company’s debt obligations as of September 30, 2022 and December 31, 2021 were as follows:

	September 30, 2022		December 31, 2021	
	(in thousands)			
Senior Notes	$	307,339	$	320,343
2018 ABL Credit Facility		27,000		15,000
Magnum Promissory Notes		281		1,125
Other short-term debt		—		968
Total debt before deferred financing costs	$	334,620	$	337,436
Deferred financing costs		(1,708)		(3,029)
Total debt	$	332,912	$	334,407
Less: Current portion of long-term debt		(27,281)		(2,093)
Long-term debt	$	305,631	$	332,314

Senior Notes

Background

On October 25, 2018, the Company issued $ 400.0 million principal amount of 8.750% Senior Notes due 2023 (the “Senior Notes”). The Senior Notes were issued under an indenture, dated as of October 25, 2018 (the “Indenture”), by and among the Company, certain subsidiaries of the Company and Wells Fargo, National Association, as trustee. The Senior Notes bear interest at an annual rate of 8.750% payable on May 1 and November 1 of each year, and the first interest payment was due on May 1, 2019. The Senior Notes are senior unsecured obligations of the Company and are fully and unconditionally guaranteed on a senior unsecured basis by each of the Company’s current domestic subsidiaries and by certain future subsidiaries.

The Indenture contains covenants that limit the Company’s ability and the ability of its restricted subsidiaries to engage in certain activities. The Company was in compliance with the provisions of the Indenture at September 30, 2022.

Upon an event of default, the trustee or the holders of at least 25% in aggregate principal amount of then outstanding Senior Notes may declare the Senior Notes immediately due and payable, except that a default resulting from certain events of bankruptcy or insolvency with respect to the Company, any restricted subsidiary of the Company that is a significant subsidiary or any group of restricted subsidiaries that, taken together, would constitute a significant subsidiary, will automatically cause all outstanding Senior Notes to become due and payable.

Unamortized deferred financing costs associated with the Senior Notes were $ 1.7 million and $3.0 million at September 30, 2022 and December 31, 2021, respectively. These costs are direct deductions from the carrying amount of the Senior Notes and are being amortized through interest expense through the maturity date of the Senior Notes using the effective interest method.

Extinguishment of Debt

During the three and nine months ended September 30, 2022, the Company repurchased approximately $ 13.0 million of Senior Notes at a repurchase price of approximately $10.1 million in cash. Deferred financing costs associated with these transactions were $ 0.1 million for the three months and nine months ended September 30, 2022. As a result, the Company recorded a $2.8 million gain on the extinguishment of debt for the three months ended September 30, 2022, which was calculated as the difference between the repurchase price and the carrying amount of the Senior Notes partially offset by the deferred financing costs. The gain on extinguishment of debt is included as a separate line item in the Company's Condensed Consolidated Statements of Income and Comprehensive Income (Loss) for the three and nine months ended September 30, 2022.

During the three months ended March 31, 2021, the Company repurchased approximately $ 26.3 million of Senior Notes at a repurchase price of approximately $8.4 million in cash. Deferred financing costs associated with these transactions were $ 0.3 million. As a result, the Company recorded a $17.6 million gain on the extinguishment of debt, which was calculated as the difference between the repurchase price and the carrying amount of the Senior Notes partially offset by the deferred financing costs. The gain on extinguishment of debt is included as a separate line item in the Company's Condensed Consolidated Statement of Income and Comprehensive Income (Loss) for the nine months ended September 30, 2021. The Company did not repurchase any Senior Notes during the three months ended June 30, 2021 or during the three months ended September 30, 2021.

2018 ABL Credit Facility

On October 25, 2018, the Company entered into a credit agreement dated as of October 25, 2018 (the "2018 ABL Credit Agreement"), by and among the Company, Nine Energy Canada, Inc., JP Morgan Chase Bank, N.A., as administrative agent and as an issuing lender, and certain other financial institutions party thereto as lenders and issuing lenders. The 2018 ABL Credit Agreement permits aggregate borrowings of up to $200.0 million, subject to a borrowing base, including a Canadian tranche with a sub-limit of up to $25.0 million and a sub-limit of $ 50.0 million for letters of credit (the "2018 ABL Credit Facility"). The 2018 ABL Credit Facility will mature on October 25, 2023 or, if earlier, on the date that is 180 days before the scheduled maturity date of the Senior Notes if they have not been redeemed or repurchased by such date.

At September 30, 2022, the Company had $ 27.0 million outstanding borrowings under the 2018 ABL Credit Facility, and its availability under the 2018 ABL Credit Facility was approximately $66.7 million, net of outstanding letters of credit of $ 1.3 million. The Company has borrowed an additional $5.0 million, net to date in the fourth quarter of 2022.

Loans to the Company and its domestic related subsidiaries (the "U.S. Credit Parties") under the 2018 ABL Credit Facility may be base rate loans or London Interbank Offered Rate ("LIBOR") loans; and loans to Nine Energy Canada Inc., a corporation organized under the laws of Alberta, Canada, and its restricted subsidiaries (the "Canadian Credit Parties") under the Canadian tranche may be Canadian Dollar Offered Rate ("CDOR") loans or Canadian prime rate loans. The applicable margin for base rate loans and Canadian prime rate loans varies from 0.75% to 1.25%, and the applicable margin for LIBOR loans or CDOR loans varies from 1.75% to 2.25%, in each case depending on the Company's leverage ratio. In addition, a commitment fee of 0.50% per annum will be charged on the average daily unused portion of the revolving commitments.

The 2018 ABL Credit Agreement contains various affirmative and negative covenants, including financial reporting requirements and limitations on indebtedness, liens, mergers, consolidations, liquidations and dissolutions, sales of assets, dividends and other restricted payments, investments (including acquisitions), and transactions with affiliates. In addition, the 2018 ABL Credit Agreement contains a minimum fixed charge ratio covenant of 1.00 to 1.00 that is tested quarterly when the availability under the 2018 ABL Credit Facility drops below $ 18.75 million or a default has occurred until the availability exceeds such threshold for 30 consecutive days and such default is no longer outstanding. The Company was in compliance with all covenants under the 2018 ABL Credit Agreement at September 30, 2022.

All of the obligations under the 2018 ABL Credit Facility are secured by first priority perfected security interests (subject to permitted liens) in substantially all of the personal property of U.S. Credit Parties, excluding certain assets. The obligations under the Canadian tranche are further secured by first priority perfected security interests (subject to permitted liens) in substantially all of the personal property of Canadian Credit Parties, excluding certain assets. The 2018 ABL Credit Facility is guaranteed by the U.S. Credit Parties, and the Canadian tranche is further guaranteed by the Canadian Credit Parties and the U.S. Credit Parties.

Magnum Promissory Notes

On October 25, 2018, pursuant to the terms of a Securities Purchase Agreement, dated October 15, 2018 (as amended on June 7, 2019, the “Magnum Purchase Agreement”), the Company acquired all of the equity interests of Magnum Oil Tools International, LTD, Magnum Oil Tools GP, LLC, and Magnum Oil Tools Canada Ltd. (such entities collectively, “Magnum”). The Magnum Purchase Agreement included the potential for additional future payments in cash of (i) up to 60% of net income (before interest, taxes, and certain gains or losses) for the “E-Set” tools business in 2019 through 2026 and (ii) up to $25.0 million based on sales of certain dissolvable plug products in 2019 (the “Magnum Earnout”).

On June 30, 2020, pursuant to an amendment to the Magnum Purchase Agreement to terminate the remaining Magnum Earnout and all obligations related thereto, the Company issued promissory notes with an aggregated principal amount of $2.3 million (the “Magnum Promissory Notes”) to the sellers of Magnum. The Magnum Promissory Notes bear interest at a rate of 6.0% per annum. The principal amount of the Magnum Promissory Notes is paid in equal quarterly installments which began January 1, 2021. The entire unpaid principal amount will be due and payable on the maturity date, which is the earlier of October 1, 2022 or the business day after the date on which the Company sells, transfers, or otherwise disposes of the “E-Set” tools business to an unaffiliated third party, unless such sale, transfer, or disposition is made, directly or indirectly, as part of the sale, transfer, or disposition of the Dissolvable Plugs Business or due to the occurrence of a Change of Control Event (each as defined in the Magnum Purchase Agreement).

Other Short-Term Debt

In the fourth quarter of 2021, the Company renewed certain insurance policies and financed the premium for its excess policy for $ 1.5 million. At September 30, 2022, there is no outstanding balance on this premium.

Fair Value of Debt Instruments

The estimated fair value of the Company’s debt obligations as of September 30, 2022 and December 31, 2021 was as follows:

	September 30, 2022	December 31, 2021
	(in thousands)	
Senior Notes	$ 233,578	$ 153,765
2018 ABL Credit Facility	$ 27,000	$ 15,000
Magnum Promissory Notes	$ 281	$ 1,125
Other short-term debt	$ —	$ 968

The fair value of the Senior Notes, 2018 ABL Credit Facility, the Magnum Promissory Notes, and other short-term debt is classified as Level 2 in the fair value hierarchy. The fair value of the Senior Notes is established based on observable inputs in less active markets. The fair value of the 2018 ABL Credit Facility, the Magnum Promissory Notes, and other short-term debt approximates their carrying value.

9. Related Party Transactions

The Company leases office space, yard facilities, and equipment and purchases building maintenance services from entities owned by David Crombie, an executive officer of the Company. Total lease expense and building maintenance expense associated with these entities was $0.2 million and $0.6 million for the three and nine months ended September 30, 2022, respectively, and $ 0.2 million and $0.6 million for the three and nine months ended September 30, 2021, respectively. The Company also purchased $0.8 million and $2.2 million of products and services during the three and nine months ended September 30, 2022, respectively, and $0.9 million and $1.7 million for the three and nine months ended September 30, 2021, respectively, from an entity in which Mr. Crombie is a limited partner. There were outstanding payables due to this entity relating to equipment purchases of $0.5 million and $0.7 million at September 30, 2022 and December 31, 2021, respectively.

In addition, the Company leases office space in Corpus Christi and Midland, Texas from an entity affiliated with Warren Lynn Frazier, a beneficial owner of more than 5% of the Company's stock. In the third quarter of 2020, another entity affiliated with Mr. Frazier began to sub-lease a portion of such space in Corpus Christi, Texas from the Company. Total rental expense associated with this office space, net of sub-leasing income, was $0.4 million and $1.1 million for the three and nine months ended September 30, 2022, respectively, and $ 0.3 million and $1.0 million for the three and nine months ended September 30, 2021, respectively. Additionally, on June 30, 2020, the Company issued the Magnum Promissory Notes to the sellers of Magnum, including Mr. Frazier. At September 30, 2022 and December 31, 2021, the outstanding principal balance payable to Mr. Frazier was $ 0.3 million and $1.1 million, respectively. For additional information regarding the Magnum Promissory Notes, see Note 8 – Debt Obligations.

The Company purchases chemical additives used in cementing from Select Energy Services, Inc. ("Select"). One of the Company's directors also serves as a director of Select. The Company was billed $0.4 million and $1.2 million for the three and nine months ended September 30, 2022, respectively, and $0.2 million and $0.8 million for the three and nine months ended September 30, 2021, respectively. There were outstanding payables due to Select of $0.1 million at both September 30, 2022 and December 31, 2021.

The Company provides products and rentals to National Energy Reunited Corp. ("NESR"), where one of the Company's directors serves as a director. The Company billed NESR $0.4 million and $0.6 million for the three and nine months ended September 30, 2022, respectively, and $ 0.3 million and $1.3 million for the three and nine months ended September 30, 2021, respectively. During the fourth quarter of 2019, the Company sold coiled tubing equipment for $5.9 million to NESR with payments due in 24 equal monthly installments beginning on January 31, 2020. Total outstanding receivables due to the Company from NESR (inclusive of the equipment sale above) were $0.5 million at both September 30, 2022 and December 31, 2021.

Ann G. Fox, President and Chief Executive Officer and a director of the Company, is a director of Devon Energy Corporation ("Devon"). The Company generated revenue from Devon of $0.2 million and $1.3 million for the three and nine months ended September 30, 2022, respectively, and $0.6 million and $2.2 million for the three and nine months ended September 30, 2021, respectively. There were outstanding receivables due from Devon of $0.1 million and $0.4 million at September 30, 2022 and December 31, 2021, respectively.

10. Commitments and Contingencies

Litigation

From time to time, the Company has various claims, lawsuits, and administrative proceedings that are pending or threatened with respect to personal injury, workers' compensation, contractual matters, and other matters. Although no assurance can be given with respect to the outcome of these claims, lawsuits, or proceedings or the effect such outcomes may have, the Company believes any ultimate liability resulting from the outcome of such claims, lawsuits, or administrative proceedings, to the extent not otherwise provided for or covered by insurance, will not have a material adverse effect on its business, operating results, or financial condition.

Self-insurance

The Company uses a combination of third-party insurance and self-insurance for health insurance claims. The self-insured liability represents an estimate of the undiscounted ultimate cost of uninsured claims incurred as of the balance sheet date. The estimate is based on an analysis of trailing months of incurred medical claims to project the amount of incurred but not reported claims liability. The estimated liability for self-insured medical claims was $1.2 million and $1.0 million at September 30, 2022 and December 31, 2021, respectively, and is included under the caption "Accrued expenses" in the Company's Condensed Consolidated Balance Sheets.

Although the Company does not expect the amounts ultimately paid to differ significantly from the estimates, the self-insurance liability could be affected if future claims experience differs significantly from historical trends and actuarial assumptions.

Contingent Liabilities

On October 1, 2018, pursuant to the terms and conditions of a Securities Purchase Agreement (the "Frac Tech Purchase Agreement"), the Company acquired Frac Technology AS, a Norwegian private limited company ("Frac Tech") focused on the development of downhole technology, including a casing flotation tool and a number of patented downhole completion tools. The Frac Tech Purchase Agreement, as amended, includes, among other things, the potential for additional future payments, based on certain Frac Tech revenue metrics through December 31, 2025 (the “Frac Tech Earnout”).

The Company’s contingent liability (Level 3) associated with the Frac Tech Earnout at September 30, 2022 and 2021 was as follows:

	Frac Tech (in thousands)
Balance at December 31, 2021	$ 910
Revaluation adjustments	237
Payments	(135)
Balance at September 30, 2022	$ 1,012

	Frac Tech (in thousands)
Balance at December 31, 2020	$ 604
Revaluation adjustments	(124)
Payments	(110)
Balance at September 30, 2021	$ 370

All contingent liabilities that relate to contingent consideration are reported at fair value, based on a Monte Carlo simulation model. Significant inputs used in the fair value measurement include estimated gross margin related to forecasted sales of the plugs, term of the agreement, and a risk adjusted discount factor. Contingent liabilities include $0.4 million and $0.1 million reported in “Accrued expenses” at September 30, 2022 and December 31, 2021, respectively, and $0.6 million and $0.8 million reported in “Other long-term liabilities” at September 30, 2022 and December 31, 2021, respectively, in the Company’s Condensed Consolidated Balance Sheets. The impact of the revaluation adjustments is included in the Company’s Condensed Consolidated Statements of Income and Comprehensive Income (Loss).

11. Taxes

The Company’s provision (benefit) for income taxes included in its Condensed Consolidated Statements of Income and Comprehensive Income (Loss) was as follows:

	Three Months Ended September 30,	
	2022	2021
	(in thousands, except percentages)	
Provision for income taxes	$ 489	$ 41
Effective tax rate	3.3 %	(0.3)%

	Nine Months Ended September 30,	
	2022	2021
	(in thousands, except percentages)	
Provision for income taxes	$ 79	$ 163
Effective tax rate	1.2 %	(0.3)%

The Company’s provision (benefit) for income taxes for the three and nine months ended September 30, 2022 was primarily attributed to state and non-U.S. income taxes. At September 30, 2022, the Company continues to record a full valuation allowance against its net deferred tax asset positions in the U.S. and Canada.

12. Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per share is based on the weighted average number of shares outstanding during each period and the exercise of potentially dilutive stock options assumed to be purchased from the proceeds using the average market price of the Company’s stock for each of the periods presented as well as the potentially dilutive restricted stock, restricted stock units, and performance stock units.

Basic and diluted earnings (loss) per common share was computed as follows:

	Three Months Ended September 30, 2022					Three Months Ended September 30, 2021				
	Net Income	Average Shares Outstanding	Earnings Per Share			Net Loss	Average Shares Outstanding	Loss Per Share		
	(in thousands, except share and per share amounts)									
Basic	$	14,286	31,100,712	$	0.46	$	(16,051)	30,449,286	$	(0.53)
Assumed exercise of stock options		—	—		—		—	—		—
Unvested restricted stock and stock units		—	831,901		—		—	—		—
Diluted	$	14,286	31,932,613	$	0.45	$	(16,051)	30,449,286	$	(0.53)

	Nine Months Ended September 30, 2022					Nine Months Ended September 30, 2021				
	Net Income	Average Shares Outstanding	Earnings Per Share			Net Loss	Average Shares Outstanding	Loss Per Share		
	(in thousands, except share and per share amounts)									
Basic	$	6,409	30,810,648	$	0.21	$	(48,827)	30,252,670	$	(1.61)
Assumed exercise of stock options		—	—		—		—	—		—
Unvested restricted stock and stock units		—	934,614		—		—	—		—
Unvested performance stock units		—	5,163		—		—	—		—
Diluted	$	6,409	31,750,425	$	0.20	$	(48,827)	30,252,670	$	(1.61)

The diluted earnings (loss) per share calculation excludes all stock options, unvested restricted stock, unvested restricted stock units, and unvested performance stock units for the three and nine months ended September 30, 2021 because their inclusion would be anti-dilutive given the Company was in a net loss position. The average number of securities that were excluded from diluted earnings (loss) per share that would potentially dilute earnings (loss) per share for the periods in which the Company experienced a net loss were as follows:

	2022	2021
Three months ended September 30,	—	719,381
Nine months ended September 30,	—	692,689

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 read in conjunction with the accompanying unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2022, included in Item 1 of Part I of this Quarterly Report on Form 10-Q and the consolidated financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations," including "Critical Accounting Estimates," included in our Annual Report on Form 10-K for the year ended December 31, 2021.

This section contains forward-looking statements based on our current expectations, estimates, and projections about our operations and the industry in which we operate. Our actual results may differ materially from those discussed in any forward-looking statement because of various risks and uncertainties, including those described in the sections titled "Cautionary Note Regarding Forward-Looking Statements" in this Quarterly Report on Form 10-Q and "Risk Factors" in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2021.

OVERVIEW

Company Description

Nine Energy Service, Inc. (either individually or together with its subsidiaries, as the context requires, the "Company," "Nine," "we," "us," and "our") is a leading completion services provider that targets unconventional oil and gas resource development within North America and abroad. We partner with our exploration and production ("E&P") customers across all major onshore basins in the U.S., as well as within Canada and abroad, to design and deploy downhole solutions and technology to prepare horizontal, multistage wells for production. We focus on providing our customers with cost-effective and comprehensive completion solutions designed to maximize their production levels and operating efficiencies. We believe our success is a product of our culture, which is driven by our intense focus on performance and wellsite execution as well as our commitment to forward-leaning technologies that aid us in the development of smarter, customized applications that drive efficiencies.

We provide (i) cementing services, which consist of blending high-grade cement and water with various solid and liquid additives to create a cement slurry that is pumped between the casing and the wellbore of the well, (ii) an innovative portfolio of completion tools, including technologies used for completing the toe stage of a horizontal well, liner installations used in refrac operations, casing flotation devices, and fully-composite, dissolvable, and extended range frac plugs to isolate stages during plug-and-perf operations, (iii) wireline services, the majority of which consist of plug-and-perf completions, which is a multistage well completion technique for cased-hole wells that consists of deploying perforating guns and isolation tools to a specified depth, and (iv) coiled tubing services, which perform wellbore intervention operations utilizing a continuous steel pipe that is transported to the wellsite wound on a large spool, providing a cost-effective solution for well work due to the ability to deploy efficiently and safely into a live well.

How We Generate Revenue and the Costs of Conducting Our Business

We generate our revenues by providing completion services to E&P customers across all major onshore basins in the U.S., as well as within Canada and abroad. We primarily earn our revenues pursuant to work orders entered into with our customers on a job-by-job basis. We typically enter into a Master Service Agreement ("MSA") with each customer that provides a framework of general terms and conditions of our services that will govern any future transactions or jobs awarded to us. Each specific job is obtained through competitive bidding or as a result of negotiations with customers. The rate we charge is determined by location, complexity of the job, operating conditions, duration of the contract, and market conditions. In addition to MSAs, we have entered into a select number of longer-term contracts with certain customers relating to our wireline and cementing services, and we may enter into similar contracts from time to time to the extent beneficial to the operation of our business. These longer-term contracts address pricing and other details concerning our services, but each job is performed on a standalone basis.

The principal expenses involved in conducting our business include labor costs, materials and freight, the costs of maintaining our equipment, and fuel costs. Our direct labor costs vary with the amount of equipment deployed and the utilization of that equipment. Another key component of labor costs relates to the ongoing training of our field service employees, which improves safety rates and reduces employee attrition.

How We Evaluate Our Operations

We evaluate our performance based on a number of financial and non-financial measures, including the following:

- *Revenue*: We compare actual revenue achieved each month to the most recent projection for that month and to the annual plan for the month established at the beginning of the year. We monitor our revenue to analyze trends in the performance of our operations compared to historical revenue drivers or market metrics. We are particularly interested in identifying positive or negative trends and investigating to understand the root causes.

- *Adjusted Gross Profit (Loss)*: Adjusted gross profit (loss) is a key metric that we use to evaluate operating performance. We define adjusted gross profit (loss) as revenues less direct and indirect costs of revenues (excluding depreciation and amortization). Costs of revenues include direct and indirect labor costs, costs of materials, maintenance of equipment, fuel and transportation freight costs, contract services, crew cost, and other miscellaneous expenses. For additional information, see “Non-GAAP Financial Measures” below.

- *Adjusted EBITDA*: We define Adjusted EBITDA as net income (loss) before interest, taxes, and depreciation and amortization, further adjusted for (i) goodwill, intangible asset, and/or property and equipment impairment charges, (ii) transaction and integration costs related to acquisitions, (iii) loss or gain on revaluation of contingent liabilities, (iv) loss or gain on extinguishment of debt, (v) loss or gain on the sale of subsidiaries, (vi) restructuring charges, (vii) stock-based compensation and cash award expense, (viii) loss or gain on sale of property and equipment, and (ix) other expenses or charges to exclude certain items which we believe are not reflective of ongoing performance of our business, such as legal expenses and settlement costs related to litigation outside the ordinary course of business. For additional information, see “Non-GAAP Financial Measures” below.

- *Return on Invested Capital (“ROIC”):* We define ROIC as after-tax net operating profit (loss), divided by average total capital. We define after-tax net operating profit (loss) as net income (loss) plus (i) goodwill, intangible asset, and/or property and equipment impairment charges, (ii) transaction and integration costs related to acquisitions, (iii) interest expense (income), (iv) restructuring charges, (v) loss (gain) on the sale of subsidiaries, (vi) loss (gain) on extinguishment of debt, and (vii) the provision (benefit) for deferred income taxes. We define total capital as book value of equity (deficit) plus the book value of debt less balance sheet cash and cash equivalents. We compute the average of the current and prior period-end total capital for use in this analysis. For additional information, see “Non-GAAP Financial Measures” below.

- *Safety*: We measure safety by tracking the total recordable incident rate (“TRIR”), which is reviewed on a monthly basis. TRIR is a measure of the rate of recordable workplace injuries, defined below, normalized and stated on the basis of 100 workers for an annual period. The factor is derived by multiplying the number of recordable injuries in a calendar year by 200,000 (i.e., the total hours for 100 employees working 2,000 hours per year) and dividing this value by the total hours actually worked in the year. A recordable injury includes occupational death, nonfatal occupational illness, and other occupational injuries that involve loss of consciousness, restriction of work or motion, transfer to another job, or medical treatment other than first aid.

Recent Events, Industry Trends, and Outlook

Our business depends, to a significant extent, on the level of unconventional resource development activity and corresponding capital spending of oil and natural gas companies. These activity and spending levels are strongly influenced by current and expected oil and natural gas prices. In 2020, oil and natural gas prices as well as E&P capital spending reached historic lows. In the first quarter of 2021, oil and natural gas prices began to rebound and steadily increased throughout 2021 and have remained supportive into the third quarter of 2022, with oil prices reaching a 13-year high in March 2022, primarily as a result of the conflict between Russia and Ukraine igniting fears of shortages. In July 2022, oil prices began to decline in response to some indications of slowing economic growth, which would reduce demand, although oil and natural gas prices continue to be higher year-over-year. With supportive commodity prices, activity levels have improved through the third quarter of 2022, and U.S. completions increased approximately 26% as compared to the first three quarters of 2021 according to the Energy Information Administration, and activity levels are expected to continue to increase into 2023, although likely not at the same rate as 2022.

With this improved environment, we remain optimistic looking into 2023. Underinvestment in oil and gas development during the coronavirus pandemic and an increase in overall global demand coming out of the pandemic, the recent production cut announced by OPEC, international conflict, specifically between Russia and Ukraine, and public U.S. producers’ commitment to capital discipline rather than increased drilling, are together creating supportive commodity prices. Most U.S. operators completed their premium drilled but uncompleted wells inventory in 2021 and will need to drill more wells in order to maintain or increase production levels in 2023, and North American capital spending in 2023 will likely increase in comparison to 2022, although likely not at the same rate we anticipate for 2022 over 2021. At the same time, the oilfield services industry is facing labor shortages, as well as equipment and supply chain constraints, which is limiting availability for customers. As a result, we have implemented price increases across many service lines thus far in 2022. Depending on the rate and quantity of rig and frac crew additions in 2023, we expect further pricing increases in 2023; however, the magnitude and timing of potential price increases will depend on a number of factors.

Labor constraints will likely remain problematic for the industry, and we expect further wage and labor inflation. If activity continues to increase, we would expect further labor and equipment shortages in the market, which could lead to additional price increases across the industry. However, some of these price increases could potentially be offset by labor and material cost inflation, as well as an inability to complete work due to labor shortages or supply chain constraints. Additionally, as oilfield services companies continue to increase costs, our customers' activity levels could be negatively impacted due to their own cost inflation.

Furthermore, even with supportive commodity prices, the majority of public E&P companies have remained focused on capital discipline and have not added incremental activity above pre-announced budgets thus far in 2022, despite oil prices averaging over $93 per barrel through the third quarter of 2022. Because of operators' commitment to capital discipline, activity levels remain lower than those of previous years. In 2019, the average West Texas Intermediate ("WTI") price was $56.99, and the average U.S. rig count was 943. Through the third quarter of 2022, the average WTI price was $93.06, approximately 63% higher than 2019, with an average U.S. rig count of 761, approximately 19% lower than 2019.

Significant factors that are likely to affect commodity prices moving forward include actions of the members of OPEC and other oil exporting nations that relate to or impact oil production or supply; the effect of energy, monetary, and trade policies of the U.S.; the pace of economic growth in the U.S. and throughout the world, including the potential for macro weakness; geopolitical and economic developments in the U.S. and globally, including conflicts, instability, acts of war or terrorism in oil producing countries or regions, particularly Russia, the Middle East, South America and Africa; changes to energy regulations and policies, including those of the U.S. Environmental Protection Agency and other governmental bodies; and overall North American oil and natural gas supply and demand fundamentals, including the pace at which export capacity grows. As noted above, even with price improvements in oil and natural gas, operator activity may not materially increase, as operators remain focused on operating within their capital plans, and uncertainty remains around supply and demand fundamentals.

In addition, the coronavirus pandemic and any resurgence and efforts to mitigate its effects may have a material adverse impact on demand for oil, commodity prices, and our business generally. See "Risk Factors – Risks Related to the Coronavirus Pandemic" in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2021 for more information.

Results of Operations

Results for the Three Months Ended September 30, 2022 Compared to the Three Months Ended September 30, 2021

	Three Months Ended September 30,		
	2022	**2021**	**Change**
		(in thousands)	
Revenues	$ 167,432	$ 92,868	$ 74,564
Cost of revenues (exclusive of depreciation and amortization shown separately below)	123,418	78,879	44,539
Adjusted gross profit	$ 44,014	$ 13,989	$ 30,025
General and administrative expenses	$ 13,475	$ 11,114	$ 2,361
Depreciation	6,593	6,921	(328)
Amortization of intangibles	2,896	4,029	(1,133)
Loss on revaluation of contingent liability	46	21	25
(Gain) loss on sale of property and equipment	1,242	(17)	1,259
Income (loss) from operations	19,762	(8,079)	27,841
Non-operating expense	4,987	7,931	(2,944)
Income (loss) before income taxes	14,775	(16,010)	30,785
Provision for income taxes	489	41	448
Net income (loss)	$ 14,286	$ (16,051)	$ 30,337

Revenues

Revenues increased $74.6 million, or 80%, to $167.4 million for the third quarter of 2022. The increase in comparison to the third quarter of 2021 was prevalent across all lines of service and was due to activity and pricing improvements. As compared to the third quarter of 2021, the average U.S. rig count increased 53%. Cementing revenue (including pump downs) increased by $34.4 million, or 116%, as total cement job count increased 49% in comparison to the third quarter of 2021. In addition, coiled tubing revenue increased $16.3 million, or 95%, as total days worked increased by 36%, tools revenue increased $13.8 million, or 51%, as completion tools stages increased by 57%, and wireline revenue increased $10.1 million, or 52%, as total completed wireline stages increased by 19%, each in comparison to the third quarter of 2021.

Cost of Revenues (Exclusive of Depreciation and Amortization)

Cost of revenues increased $44.5 million, or 56%, to $123.4 million for the third quarter of 2022. The increase in comparison to the third quarter of 2021 was prevalent across all lines of service and was related to increased activity, noted above, coupled with cost inflation associated with both labor and materials as well as headcount increases. More specifically, the increase was related to a $24.3 million increase in materials installed and consumed while performing services, a $15.5 million increase in employee costs, and a $4.7 million increase in other costs such as repairs and maintenance, travel, and vehicle expenses, in comparison to the third quarter of 2021.

Adjusted Gross Profit (Loss)

Adjusted gross profit increased $30.0 million to $44.0 million for the third quarter of 2022 due to the factors described above under “Revenues” and “Cost of Revenues.”

General and Administrative Expenses

General and administrative expenses increased $2.4 million to $13.5 million for the third quarter of 2022. The increase was primarily related to a $2.6 million increase in employee costs due to increases in headcount and compensation.

Depreciation

Depreciation expense decreased $0.3 million to $6.6 million for the third quarter of 2022. The decrease in comparison to the third quarter of 2021 was primarily related to certain assets becoming fully depreciated in the last twelve months.

Amortization of Intangibles

Amortization of intangibles, which is primarily comprised of technology and customer relationships, decreased $1.1 million to $2.9 million for the third quarter of 2022. The decrease in comparison to the third quarter of 2021 was related to certain intangible assets being fully amortized in the last twelve months.

(Gain) Loss on Revaluation of Contingent Liability

We recorded a less than $0.1 million loss on revaluation of contingent liability for both the third quarter of 2022 and the third quarter of 2021 associated with an increase in the fair value of the earnout associated with our acquisition of Frac Technology AS.

(Gain) Loss on Sale of Property and Equipment

We recorded a $1.2 million loss on sale of property and equipment for the third quarter of 2022 compared to a less than $0.1 million gain on sale of property and equipment for the third quarter of 2021. The $1.3 million increase was primarily associated with certain equipment damaged and fully disposed of in the third quarter of 2022 that did not occur in the third quarter of 2021.

Non-Operating (Income) Expenses

Non-operating expenses decreased $2.9 million to $5.0 million for the third quarter of 2022. The decrease in comparison to the third quarter of 2021 is primarily related to a $2.8 million gain on the extinguishment of debt related to the repurchase of Senior Notes (as defined and described in “Liquidity and Capital Resources”) in the third quarter of 2022 that did not occur in the third quarter of 2021.

Provision (Benefit) for Income Taxes

We recorded an income tax provision of $0.5 million for the third quarter of 2022 compared to an income tax provision of less than $0.1 million for the third quarter of 2021. The difference between the periods was primarily attributed to our income tax position in state and foreign tax jurisdictions.

Adjusted EBITDA

Adjusted EBITDA increased $28.1 million to $32.6 million for the third quarter of 2022. The Adjusted EBITDA increase was primarily due to the changes in revenues and expenses discussed above. See “Non-GAAP Financial Measures” below for further explanation.

Results for the Nine Months Ended September 30, 2022 Compared to the Nine Months Ended September 30, 2021

	Nine Months Ended September 30,		
	2022	2021	Change
		(in thousands)	
Revenues	$ 426,713	$ 244,326	$ 182,387
Cost of revenues (exclusive of depreciation and amortization shown separately below)	330,477	217,800	112,677
Adjusted gross profit	$ 96,236	$ 26,526	$ 69,710
General and administrative expenses	$ 37,766	$ 33,505	$ 4,261
Depreciation	19,608	22,148	(2,540)
Amortization of intangibles	10,568	12,212	(1,644)
(Gain) loss on revaluation of contingent liability	237	(124)	361
Loss on sale of property and equipment	795	660	135
Income (loss) from operations	27,262	(41,875)	69,137
Non-operating expense	20,774	6,789	13,985
Income (loss) before income taxes	6,488	(48,664)	55,152
Provision for income taxes	79	163	(84)
Net income (loss)	$ 6,409	$ (48,827)	$ 55,236

Revenues

Revenues increased $182.4 million, or 75%, to $426.7 million for the first nine months of 2022. The increase in comparison to the first nine months of 2021 was prevalent across all lines of service and was due to activity and pricing improvements. As compared to the first nine months of 2021, the average U.S. rig count increased 57%. Cementing revenue (including pump downs) increased by $84.6 million, or 106%, as total cement job count increased 63% in comparison to the first nine months of 2021. In addition, coiled tubing revenue increased $40.1 million, or 94%, as total days worked increased by 39%, tools revenue increased $31.3 million, or 44%, as completion tools stages increased by 43%, and wireline revenue increased $26.4 million, or 52%, as total completed wireline stages increased by 25%, in each case, in comparison to the first nine months of 2021.

Cost of Revenues (Exclusive of Depreciation and Amortization)

Cost of revenues increased $112.7 million, or 52%, to $330.5 million for the first nine months of 2022. The increase in comparison to the first nine months of 2021 was prevalent across all lines of service and was related to increased activity, noted above, coupled with cost inflation associated with both labor and materials as well as headcount increases. More specifically, the increase was related to a $62.2 million increase in materials installed and consumed while performing services, a $39.2 million increase in employee costs, and a $11.3 million increase in other costs such as repairs and maintenance, travel, and vehicle expenses, in comparison to the first nine months of 2021.

Adjusted Gross Profit (Loss)

Adjusted gross profit increased $69.7 million to $96.2 million for the first nine months of 2022 due to the factors described above under "Revenues" and "Cost of Revenues."

General and Administrative Expenses

General and administrative expenses increased $4.3 million to $37.8 million for the first nine months of 2022. The increase was primarily related to a $6.3 million increase in employee costs due to increases in headcount and compensation. The overall increase was partially offset by a $1.9 million decrease in professional fees in comparison to the first nine months of 2021.

Depreciation

Depreciation expense decreased $2.5 million to $19.6 million for the first nine months of 2022. The decrease in comparison to the first nine months of 2021 was associated with all lines of service and was primarily due to certain assets becoming fully depreciated in the last twelve months.

Amortization of Intangibles

Amortization of intangibles, which is comprised primarily of technology and customer relationships, decreased $1.6 million to $10.6 million for the first nine months of 2022. The decrease in comparison to the first nine months of 2021 was related to certain intangible assets being fully amortized in the last twelve months.

(Gain) Loss on Revaluation of Contingent Liability

In the first nine months of 2022, we recorded a $0.2 million loss on revaluation of the contingent liability as compared to a $0.1 million gain on revaluation of the contingent liability in the first nine months of 2021. The change was due to an increase in fair value of the earnout associated with our acquisition of Frac Technology AS between periods.

(Gain) Loss on Sale of Property and Equipment

Loss on sale of property and equipment was relatively flat period over period, with a change of $0.1 million as we recorded an $0.8 million loss on sale of property and equipment in the first nine months of 2022 compared to a $0.7 million loss on sale of property and equipment in the first nine months of 2021.

Non-Operating (Income) Expenses

We recorded $20.8 million in non-operating expenses for the first nine months of 2022 compared to $6.8 million in non-operating expenses for the first nine months of 2021. The $14.0 million increase in non-operating expenses in comparison to the first nine months of 2022 was primarily related to a $14.8 million decrease in gains on the extinguishment of debt related to the repurchase of Senior Notes between periods. The overall increase in non-operating expenses is partially offset by a $0.6 million increase in interest and other income and a $0.2 million decrease in interest expense between periods.

Provision (Benefit) for Income Taxes

We recorded an income tax provision of less than $0.1 million for the first nine months of 2022 compared to an income tax provision of $0.2 million for the first nine months of 2021. The difference between periods was primarily attributed to our income tax position in state and foreign tax jurisdictions.

Adjusted EBITDA

Adjusted EBITDA increased $63.0 million to $63.7 million for the first nine months of 2022. The Adjusted EBITDA increase was primarily due to the changes in revenues and expenses discussed above. See “Non-GAAP Financial Measures” below for further explanation.

Non-GAAP Financial Measures

Adjusted EBITDA

Adjusted EBITDA is a supplemental non-GAAP financial measure that is used by management and external users of our financial statements, such as industry analysts, investors, lenders, and rating agencies.

We define Adjusted EBITDA as EBITDA (which is net income (loss) before interest, taxes, depreciation, and amortization) further adjusted for (i) goodwill, intangible asset, and/or property and equipment impairment charges, (ii) transaction and integration costs related to acquisitions, (iii) loss or gain on revaluation of contingent liabilities, (iv) loss or gain on extinguishment of debt, (v) loss or gain on the sale of subsidiaries, (vi) restructuring charges, (vii) stock-based compensation and cash award expense, (viii) loss or gain on sale of property and equipment, and (ix) other expenses or charges to exclude certain items which we believe are not reflective of ongoing performance of our business, such as legal expenses and settlement costs related to litigation outside the ordinary course of business.

Management believes Adjusted EBITDA is useful because it allows us to more effectively evaluate our operating performance and compare the results of our operations from period to period without regard to our financing methods or capital structure. We exclude the items listed above from net income (loss) in arriving at these measures because these amounts can vary substantially from company to company within our industry depending upon accounting methods and book values of assets, capital structures, and the method by which the assets were acquired. Adjusted EBITDA should not be considered as an alternative to, or more meaningful than, net income (loss) as determined in accordance with accounting principles generally accepted in the United States of America ("GAAP") or as an indicator of our operating performance. Certain items excluded from Adjusted EBITDA are significant components in understanding and assessing a company's financial performance, such as a company's cost of capital and tax structure, as well as the historic costs of depreciable assets, none of which are components of these measures. Our computations of Adjusted EBITDA may not be comparable to other similarly titled measures of other companies.

The following table presents a reconciliation of the non-GAAP financial measures of Adjusted EBITDA to the GAAP financial measure of net income (loss) for the three and nine months ended September 30, 2022 and 2021:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(in thousands)		(in thousands)	
Adjusted EBITDA reconciliation:				
Net income (loss)	$ 14,286	$ (16,051)	$ 6,409	$ (48,827)
Interest expense	8,125	7,968	24,335	24,534
Interest income	(134)	(3)	(171)	(24)
Provision for income taxes	489	41	79	163
Depreciation	6,593	6,921	19,608	22,148
Amortization of intangibles	2,896	4,029	10,568	12,212
EBITDA	$ 32,255	$ 2,905	$ 60,828	$ 10,206
(Gain) loss on revaluation of contingent liability (1)	46	21	237	(124)
Gain on extinguishment of debt	(2,843)	—	(2,843)	(17,618)
Restructuring charges	729	375	1,819	1,588
Stock-based compensation and cash award expense	1,113	1,153	2,798	4,191
(Gain) loss on sale of property and equipment	1,242	(17)	795	660
Legal fees and settlements (2)	10	17	55	1,764
Adjusted EBITDA	$ 32,552	$ 4,454	$ 63,689	$ 667

(1) Amounts relate to the revaluation of a contingent liability associated with a 2018 acquisition. The impact is included in our Condensed Consolidated Statements of Income and Comprehensive Income (Loss). For additional information on contingent liabilities, see Note 10 – Commitments and Contingencies included in Item 1 of Part I of this Quarterly Report on Form 10-Q.

(2) Amounts represent fees, legal settlements and/or accruals associated with legal proceedings brought pursuant to the Fair Labor Standards Act and/or similar state laws.

Return on Invested Capital

ROIC is a supplemental non-GAAP financial measure. We define ROIC as after-tax net operating profit (loss), divided by average total capital. We define after-tax net operating profit (loss) as net income (loss) plus (i) goodwill, intangible asset, and/or property and equipment impairment charges, (ii) transaction and integration costs related to acquisitions, (iii) interest expense (income), (iv) restructuring charges, (v) loss (gain) on the sale of subsidiaries, (vi) loss (gain) on extinguishment of debt, and (vii) the provision (benefit) for deferred income taxes. We define total capital as book value of equity (deficit) plus the book value of debt less balance sheet cash and cash equivalents. We compute the average of the current and prior period-end total capital for use in this analysis.

Management believes ROIC is a meaningful measure because it quantifies how well we generate operating income relative to the capital we have invested in our business and illustrates the profitability of a business or project taking into account the capital invested. Management uses ROIC to assist them in capital resource allocation decisions and in evaluating business performance. Although ROIC is commonly used as a measure of capital efficiency, definitions of ROIC differ, and our computation of ROIC may not be comparable to other similarly titled measures of other companies.

The following table provides an explanation of our calculation of ROIC for the three and nine months ended September 30, 2022 and 2021:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(in thousands)		(in thousands)	
Net income (loss)	$ 14,286	$ (16,051)	$ 6,409	$ (48,827)
Add back:				
Interest expense	8,125	7,968	24,335	24,534
Interest income	(134)	(3)	(171)	(24)
Restructuring charges	729	375	1,819	1,588
Gain on extinguishment of debt	(2,843)	—	(2,843)	(17,618)
After-tax net operating income (loss)	$ 20,163	$ (7,711)	$ 29,549	$ (40,347)
Total capital as of prior period-end:				
Total stockholders' equity (deficit)	$ (46,319)	$ (9,731)	$ (39,267)	$ 20,409
Total debt	348,148	322,031	337,436	348,637
Less cash and cash equivalents	(22,408)	(33,128)	(21,509)	(68,864)
Total capital as of prior period-end	$ 279,421	$ 279,172	$ 276,660	$ 300,182
Total capital as of period-end:				
Total stockholders' deficit	$ (32,085)	$ (24,732)	$ (32,085)	$ (24,732)
Total debt	334,620	321,750	334,620	321,750
Less cash and cash equivalents	(21,490)	(29,969)	(21,490)	(29,969)
Total capital as of period-end	$ 281,045	$ 267,049	$ 281,045	$ 267,049
Average total capital	$ 280,233	$ 273,111	$ 278,853	$ 283,616
ROIC	28.8%	(11.3)%	14.1%	(19.0)%

Adjusted Gross Profit (Loss)

GAAP defines gross profit (loss) as revenues less cost of revenues and includes depreciation and amortization in costs of revenues. We define adjusted gross profit (loss) as revenues less direct and indirect costs of revenues (excluding depreciation and amortization). This measure differs from the GAAP definition of gross profit (loss) because we do not include the impact of depreciation and amortization, which represent non-cash expenses.

Management uses adjusted gross profit (loss) to evaluate operating performance. We prepare adjusted gross profit (loss) to eliminate the impact of depreciation and amortization because we do not consider depreciation and amortization indicative of our core operating performance. Adjusted gross profit (loss) should not be considered as an alternative to gross profit (loss), operating income (loss), or any other measure of financial performance calculated and presented in accordance with GAAP. Adjusted gross profit (loss) may not be comparable to similarly titled measures of other companies because other companies may not calculate adjusted gross profit (loss) or similarly titled measures in the same manner as we do.

The following table presents a reconciliation of adjusted gross profit (loss) to GAAP gross profit (loss) for the three and nine months ended September 30, 2022 and 2021:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(in thousands)		(in thousands)	
Calculation of gross profit (loss):				
Revenues	$ 167,432	$ 92,868	$ 426,713	$ 244,326
Cost of revenues (exclusive of depreciation and amortization shown separately below)	123,418	78,879	330,477	217,800
Depreciation (related to cost of revenues)	6,131	6,437	18,235	20,598
Amortization of intangibles	2,896	4,029	10,568	12,212
Gross profit (loss)	$ 34,987	$ 3,523	$ 67,433	$ (6,284)
Adjusted gross profit reconciliation:				
Gross profit (loss)	$ 34,987	$ 3,523	$ 67,433	$ (6,284)
Depreciation (related to cost of revenues)	6,131	6,437	18,235	20,598
Amortization of intangibles	2,896	4,029	10,568	12,212
Adjusted gross profit	$ 44,014	$ 13,989	$ 96,236	$ 26,526

Liquidity and Capital Resources

Sources and Uses of Liquidity

Historically, we have met our liquidity needs principally from cash on hand, cash flow from operations and, if needed, external borrowings and issuances of debt securities. Our principal uses of cash are to fund capital expenditures, service our outstanding debt, fund our working capital requirements and, historically, fund acquisitions. Due to our high level of variable costs and the asset-light make-up of our business, we have historically been able to quickly implement cost-cutting measures and will continue to adapt as the market dictates. We have also used cash to make open market repurchases of our debt and may, from time to time, continue to make such repurchases (including with respect to our Senior Notes) when it is opportunistic to do so to manage our debt maturity profile. In addition, we continually monitor potential capital sources, including equity and debt financing, to meet our investment and target liquidity requirements. Our future success and growth will be highly dependent on our ability to continue to access outside sources of capital.

At September 30, 2022, we had $21.5 million of cash and cash equivalents and $66.7 million of availability under the 2018 ABL Credit Facility, which resulted in a total liquidity position of $88.2 million. As in the past, we expect our liquidity position to be impacted by the Senior Notes' semi-annual interest payments ($13.4 million based on amounts outstanding as of September 30, 2022), which recently occurred on November 1, 2022 and will again occur on May 1, 2023.

At September 30, 2022, we had $27.0 million of borrowings under the 2018 ABL Credit Facility. We have borrowed an additional $5.0 million, net to date in the fourth quarter of 2022. The 2018 ABL Credit Facility will mature on October 25, 2023, or, if earlier, on the date that is 180 days before the scheduled maturity date of the Senior Notes if they have not been redeemed or repurchased by such date. As of September 30, 2022, there were approximately $307.3 million aggregate principal amount of Senior Notes outstanding. The Senior Notes will mature on October 25, 2023. In the absence of our ability to redeem or repurchase the Senior Notes, the effective maturity date of the 2018 ABL Credit Facility would be April 28, 2023.

Our plans to satisfy these obligations include refinancing or restructuring our indebtedness, seeking additional sources of capital, selling assets, or a combination thereof. Any such transactions may involve the issuance of additional equity or convertible debt securities that could result in material dilution to our stockholders, and these securities could have rights superior to holders of our common stock and could contain covenants that will restrict our operations. Our ability to successfully execute these plans is dependent on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions, and certain financial, business, and other factors, many of which are beyond our control. There can be no assurance that we will succeed in executing these plans. If unsuccessful, we will not have sufficient liquidity and capital resources to repay our indebtedness when it matures, or otherwise meet our cash requirements over the next twelve months, which raises substantial doubt about our ability to continue as a going concern.

Senior Notes

On October 25, 2018, we issued $400.0 million of 8.750% Senior Notes due 2023 (the "Senior Notes") under an indenture, dated as of October 25, 2018 (the "Indenture"), by and among us, including certain of our subsidiaries, and Wells Fargo, National Association, as trustee. As of September 30, 2022, there were approximately $307.3 million aggregate principal amount of Senior Notes outstanding. The Senior Notes bear interest at an annual rate of 8.750% payable on May 1 and November 1 of each year, and the first interest payment was due on May 1, 2019. Based on current amounts outstanding as of September 30, 2022, the semi-annual interest payments are $13.4 million each. The Senior Notes are senior unsecured obligations and are fully and unconditionally guaranteed on a senior unsecured basis by each of our current domestic subsidiaries and by certain future subsidiaries.

The Indenture contains covenants that limit our ability and the ability of our restricted subsidiaries to engage in certain activities. We were in compliance with the provisions of the Indenture at September 30, 2022.

Upon an event of default, the trustee or the holders of at least 25% in aggregate principal amount of then outstanding Senior Notes may declare the Senior Notes immediately due and payable, except that a default resulting from certain events of bankruptcy or insolvency with respect to us, any of our restricted subsidiaries that are a significant subsidiary or any group of restricted subsidiaries that, taken together, would constitute a significant subsidiary, will automatically cause all outstanding Senior Notes to become due and payable.

During the three months ended September 30, 2022, we repurchased approximately $13.0 million of Senior Notes at a repurchase price of approximately $10.1 million in cash. During the first six months of 2022, we did not repurchase any Senior Notes.

During the nine months ended September 30, 2021, we repurchased approximately $26.3 million of Senior Notes at a repurchase price of approximately $8.4 million in cash.

For additional information on the Senior Notes, see Note 8 – Debt Obligations included in Item 1 of Part I of this Quarterly Report on Form 10-Q.

2018 ABL Credit Facility

On October 25, 2018, we entered into a credit agreement dated as of October 25, 2018 (the "2018 ABL Credit Agreement") that permits aggregate borrowings of up to $200.0 million, subject to a borrowing base, including a Canadian tranche with a sub-limit of up to $25.0 million and a sub-limit of $50.0 million for letters of credit (the "2018 ABL Credit Facility"). The 2018 ABL Credit Facility will mature on October 25, 2023 or, if earlier, on the date that is 180 days before the scheduled maturity date of the Senior Notes if they have not been redeemed or repurchased by such date.

At September 30, 2022, we had $27.0 million of outstanding borrowings under the 2018 ABL Credit Facility, and our availability under the 2018 ABL Credit Facility was approximately $66.7 million, net of outstanding letters of credit of $1.3 million. We have borrowed an additional $5.0 million, net to date in the fourth quarter of 2022.

Loans to us and our domestic related subsidiaries (the "U.S. Credit Parties") under the 2018 ABL Credit Facility may be base rate loans or London Interbank Offered Rate ("LIBOR") loans; and loans to Nine Energy Canada Inc., a corporation organized under the laws of Alberta, Canada, and its restricted subsidiaries (the "Canadian Credit Parties") under the Canadian tranche may be Canadian Dollar Offered Rate ("CDOR") loans or Canadian prime rate loans. The applicable margin for base rate loans and Canadian prime rate loans varies from 0.75% to 1.25%, and the applicable margin for LIBOR loans or CDOR loans varies from 1.75% to 2.25%, in each case depending on our leverage ratio. In addition, a commitment fee of 0.50% per annum will be charged on the average daily unused portion of the revolving commitments.

The 2018 ABL Credit Agreement contains various affirmative and negative covenants, including financial reporting requirements and limitations on indebtedness, liens, mergers, consolidations, liquidations and dissolutions, sales of assets, dividends and other restricted payments, investments (including acquisitions) and transactions with affiliates. In addition, the 2018 ABL Credit Agreement contains a minimum fixed charge ratio covenant of 1.00 to 1.00 that is tested quarterly when the availability under the 2018 ABL Credit Facility drops below $18.75 million or a default has occurred, until the availability exceeds such threshold for 30 consecutive days and such default is no longer outstanding. We were in compliance with all covenants under the 2018 ABL Credit Agreement at September 30, 2022.

All of the obligations under the 2018 ABL Credit Facility are secured by first priority perfected security interests (subject to permitted liens) in substantially all of the personal property of U.S. Credit Parties, excluding certain assets. The obligations under the Canadian tranche are further secured by first priority perfected security interests (subject to permitted liens) in substantially all of the personal property of Canadian Credit Parties excluding certain assets. The 2018 ABL Credit Facility is guaranteed by the U.S. Credit Parties, and the Canadian tranche is further guaranteed by the Canadian Credit Parties and the U.S. Credit Parties.

Cash Flows

Cash flows provided by (used in) operations by type of activity were as follows for the nine months ended September 30, 2022 and 2021:

	Nine Months Ended September 30,	
	2022	2021
	(in thousands)	
Operating activities	$ 8,231	$ (26,704)
Investing activities	(6,247)	(1,835)
Financing activities	(1,806)	(10,310)
Impact of foreign exchange rate on cash	(197)	(46)
Net change in cash and cash equivalents	$ (19)	$ (38,895)

Operating Activities

Net cash provided by operating activities was $8.2 million in the first nine months of 2022 compared to $26.7 million in net cash used in the first nine months of 2021. The change was primarily a result of a $63.2 million increase in cash flow provided by operations, adjusted for any non-cash items, in comparison to the first nine months of 2021, which was offset by a $28.3 million decrease in cash provided by working capital, including an increase in accounts receivable from increased product and service sales, which has the effect of lagging cash collections, in comparison to the first nine months of 2021.

Investing Activities

Net cash used in investing activities was $6.2 million during the first nine months of 2022 compared to $1.8 million in the first nine months of 2021. The $4.4 million increase was primarily due to a $4.5 million increase in cash purchases of property and equipment, partially offset by a $0.1 million increase in proceeds from the sale of property and equipment (including insurance), in each case, in comparison to the first nine months of 2021.

Financing Activities

Net cash used in financing activities was $1.8 million during the first nine months of 2022 compared to $10.3 million in the first nine months of 2021. The $8.5 million decrease was primarily related to $12.0 million in proceeds from the 2018 ABL Credit Facility in the first nine months of 2022 that did not occur in the first nine months of 2021. The overall decrease was partially offset by a $1.7 million increase in purchases of the Senior Notes in the first nine months of 2022 as compared to the first nine months of 2021. The overall decrease was also partially offset by $1.0 million in payments on short-term debt in the first nine months of 2022 that did not occur in the first nine months of 2021, as well as a $0.3 million increase in payments on the Magnum Promissory Notes (as defined in Note 8 – Debt Obligations included in Item 1 of Part I of this Quarterly Report on Form 10-Q), a $0.3 million increase in the vesting of restricted stock and stock units, and a $0.2 million increase in payments on finance leases, all in comparison to the first nine months of 2021.

Critical Accounting Estimates

The discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with GAAP. The preparation of our financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. Our critical accounting estimates, which are estimates made in accordance with GAAP that involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on our financial condition or results of operations, are described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Estimates” in Item 7 of Part II of our Annual Report on Form 10-K for the year ended December 31, 2021. There have been no material changes to our critical accounting estimates as described therein.

Recent Accounting Pronouncements

See Note 3 – New Accounting Standards included in Item 1 of Part I of this Quarterly Report on Form 10-Q for a summary of recently issued accounting pronouncements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a “smaller reporting company,” as defined under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), we are not required to provide the information required by this Item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer’s management, including its principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosure.

As required by Rule 13a-15(b) under the Exchange Act, our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2022. Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of September 30, 2022.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarterly period ended September 30, 2022 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act).

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we have various claims, lawsuits, and administrative proceedings that are pending or threatened with respect to personal injury, workers' compensation, contractual matters, and other matters. Although no assurance can be given with respect to the outcome of these claims, lawsuits, or proceedings or the effect such outcomes may have, we believe any ultimate liability resulting from the outcome of such claims, lawsuits, or administrative proceedings, to the extent not otherwise provided for or covered by insurance, will not have a material adverse effect on our business, operating results, or financial condition.

ITEM 1A. RISK FACTORS

Except as set forth below, there have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021.

If we do not meet the continued listing requirements of the NYSE, the NYSE may delist our common stock.

Our common stock is currently listed on the NYSE. On January 5, 2022, we received written notification from the NYSE that we no longer satisfy the continued listing compliance standards set forth under Section 802.01B of the NYSE Listed Company Manual (the "NYSE Manual"). On September 9, 2022, we received notice from the NYSE that we had regained compliance with these continued listing standards.

In accordance with the NYSE Manual, we are subject to a 12-month follow-up period within which we will be reviewed to ensure that we do not once again fall below any of the NYSE's continued listing standards. For example, our common stock could be delisted if the average closing price of our common stock falls below $1.00 per share over a period of 30 consecutive trading days (the "minimum share price condition") or our common stock trades at an "abnormally low" price. In April 2020, we received written notification from the NYSE that we did not satisfy the minimum share price condition. In June 2020, we regained compliance with this condition; however, there is no assurance that we will be able to continue to do so.

A delisting of our common stock from the NYSE could negatively impact us as it would likely reduce the liquidity and market price of our common stock and thus (i) reduce the number of investors willing to hold or acquire our common stock, which would negatively impact our ability to access equity markets and obtain financing, and (ii) impair our ability to provide equity incentives to our employees.

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

The following table sets forth our repurchases of our equity securities registered under Section 12 of the Exchange Act that have occurred during the three months ended September 30, 2022:

	Total Number of Shares Purchased [(1)]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares That May Yet be Purchased Under the Plans or Programs
July 1, 2022 – July 31, 2022	—	$ —	—	—
August 1, 2022 – August 31, 2022	122,868	2.82	—	—
September 1, 2022 – September 30, 2022	—	—	—	—
Total	122,868	$ 2.82	—	—

(1) Reflects the number of shares we have withheld to pay taxes upon vesting of restricted stock.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

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	Third Amended and Restated Certificate of Incorporation of Nine Energy Service, Inc., dated January 23, 2018 (Incorporated by reference to Exhibit 3.1 of Nine Energy Service, Inc.'s Current Report on Form 8-K filed on January 23, 2018).
3.2	Fourth Amended and Restated Bylaws of Nine Energy Service, Inc., dated January 23, 2018 (Incorporated by reference to Exhibit 3.2 of Nine Energy Service, Inc.'s Current Report on Form 8-K filed on January 23, 2018).
31.1*	Certification by Chief Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a) of the Exchange Act Rules, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification by Chief Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a) of the Exchange Act Rules, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certifications by Chief Executive Officer pursuant to Title 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002.
32.2**	Certifications by Chief Financial Officer pursuant to Title 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002.
101*	Interactive Data Files (Formatted as inline XBRL).
104*	Cover Page Interactive Data File (Formatted as inline XBRL and contained in Exhibit 101).

* Filed herewith.

** Furnished herewith in accordance with Item 601(b)(32) of Regulation S-K.

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.

Nine Energy Service, Inc.

Date:	November 7, 2022	By:	/s/ Ann G. Fox
			Ann G. Fox
			President, Chief Executive Officer and Director
			(Principal Executive Officer)
Date:	November 7, 2022	By:	/s/ Guy Sirkes
			Guy Sirkes
			Senior Vice President and Chief Financial Officer
			(Principal Financial Officer)

EXHIBIT 31.1

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

I, Ann Fox, certify that:

1. I have reviewed this quarterly report on Form 10-Q (this “report”) of Nine Energy Service, Inc. (the “registrant”);

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

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

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

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

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

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

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

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

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

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

Date: November 7, 2022

/s/ Ann G. Fox
Ann G. Fox
President, Chief Executive Officer and Director
(Principal Executive Officer)

EXHIBIT 31.2

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

I, Guy Sirkes, certify that:

1. I have reviewed this quarterly report on Form 10-Q (this “report”) of Nine Energy Service, Inc. (the “registrant”);

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

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

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

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

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

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

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

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

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

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

ate: November 7, 2022

/s/ Guy Sirkes
Guy Sirkes
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION OF
CHIEF EXECUTIVE OFFICER UNDER SECTION 906 OF THE
SARBANES OXLEY ACT OF 2002, 18 U.S.C. § 1350

In connection with the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2022 of Nine Energy Service, Inc. (the “Company”) as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Ann G. Fox, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

/s/ Ann G. Fox

Ann G. Fox
President, Chief Executive Officer and Director
(Principal Executive Officer)
Date: November 7, 2022

EXHIBIT 32.2

CERTIFICATION OF
CHIEF FINANCIAL OFFICER UNDER SECTION 906 OF THE
SARBANES OXLEY ACT OF 2002, 18 U.S.C. § 1350

In connection with the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2022 of Nine Energy Service, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Guy Sirkes, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

/s/ Guy Sirkes
Guy Sirkes
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)
Date: November 7, 2022