

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 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: 001-41388

**ProFrac Holding Corp.**

(Exact Name of Registrant as Specified in its Charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**333 Shops Boulevard, Suite 301**

**Willow Park, Texas**

(Address of principal executive offices)

**87-2424964**

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

**76087**

(Zip Code)

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value \$0.01 per share	ACDC	The Nasdaq Global Select Market
Warrants, each 124.777 warrants exercisable for one share of Class A common stock at an exercise price of \$717.47 per share	ACDCW	The Nasdaq Global Select Market

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input checked="" type="checkbox"/>		

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

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

At November 8, 2022, the registrant had 53,958,894 shares of Class A common stock, \$0.01 par value per share, and 101,133,201 shares of Class B common stock, \$0.01 par value per share, outstanding.

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## Cautionary statement regarding forward-looking statements

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) about us and our industry that involve substantial risks and uncertainties. Statements that are predictive in nature, that depend upon or refer to future events or conditions or that include the words “may,” “could,” “plan,” “project,” “budget,” “predict,” “pursue,” “target,” “seek,” “objective,” “believe,” “expect,” “anticipate,” “intend,” “estimate,” or similar expressions that are predictions of or indicate future events and trends and that do not relate to historical matters identify forward-looking statements. Our forward-looking statements include statements about our business strategy, our industry, our future profitability, our expected capital expenditures and the impact of such expenditures on our performance, the costs of being a publicly traded corporation and our capital programs.

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

- our ability to finance, consummate, integrate and realize the benefits expected from our recently completed and potential acquisitions, including any related synergies
- uncertainty regarding the timing, pace and extent of an economic recovery in the United States and elsewhere, which in turn will likely affect demand for crude oil and natural gas and therefore the demand for our services;
- the level of production of crude oil, natural gas and other hydrocarbons and the resultant market prices of crude oil, natural gas, natural gas liquids and other hydrocarbons;
- the severity and duration of world health events, including the outbreak of the COVID-19 pandemic, related economic repercussions and the resulting severe disruption in the oil and gas industry and negative impact on demand for oil and gas, which has and may continue to negatively impact our business;
- a further decline or future decline in domestic spending by the onshore oil and natural gas industry;
- actions by members of the Organization of Petroleum Exporting Countries, Russia and other oil-producing countries with respect to oil production levels and announcements of potential changes in such levels;
- the political environment in oil and natural gas producing regions, including uncertainty or instability resulting from civil disorder, terrorism or war, such as the recent conflict between Russia and Ukraine, which may negatively impact our operating results;
- changes in general economic and geopolitical conditions;
- competitive conditions in our industry;
- changes in the long-term supply of and demand for oil and natural gas;
- actions taken by our customers, competitors and third-party operators;
- a decline in demand for proppant;
- our ability to obtain permits, approvals and authorizations from governmental and third parties, and the effects of or changes to U.S. government regulation;
- changes in the availability and cost of capital;
- our ability to successfully implement our business plan;
- large or multiple customer defaults, including defaults resulting from actual or potential insolvencies;
- the effects of consolidation on our customers or competitors;
- the price and availability of debt and equity financing (including changes in interest rates);
- our ability to complete growth projects on time and on budget;

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- introduction of new drilling or completion techniques, or services using new technologies subject to patent or other intellectual property protections;
- operating hazards, natural disasters, weather-related delays, casualty losses and other matters beyond our control;
- acts of terrorism, war or political or civil unrest in the United States or elsewhere;
- loss or corruption of our information or a cyberattack on our computer systems;
- the price and availability of alternative fuels and energy sources;
- federal, state and local regulation of hydraulic fracturing and other oilfield service activities, as well as exploration and production activities, including public pressure on governmental bodies and regulatory agencies to regulate our industry;
- the availability of water resources, suitable proppant and chemicals in sufficient quantities for use in hydraulic fracturing fluids;
- the effects of existing and future laws and governmental regulations (or the interpretation thereof) on us and our customers;
- the effects of future litigation; and
- other factors discussed in this report.

You should not place undue reliance on our forward-looking statements. Although forward-looking statements reflect our good faith beliefs at the time they are made, forward-looking statements involve known and unknown risks, uncertainties and other factors, including the factors described in Part II, Item 1A of this Quarterly Report on Form 10-Q, the risk factors disclosed under the heading “Risk Factors” in the “Risk Factors” in our prospectus, dated May 12, 2022, filed with the Securities and Exchange Commission (the “SEC”) pursuant to Rule 424(b) under the Securities Act on May 16, 2022 in connection with our initial public offering, the factors described under the heading “Risk Factors” in our prospectus, dated August 8, 2022, filed with the SEC pursuant to Rule 424(b) under the Securities Act on August 8, 2022, in connection with the resale of our Class A common stock by the selling shareholders named therein, the factors described under the heading “Risk Factors” in our quarterly report on Form 10-Q for the quarter ended June 30, 2022, and the factors described under the heading “Risk Factors” in the proxy statement/information statement/prospectus included in the registration statement on Form S-4 filed with the SEC on August 30, 2022, as amended by Amendment No. 1 to such registration statement filed with the SEC on September 22, 2022, in connection with our acquisition of U.S. Well Services, Inc., any of which may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements.

The risks included above and in this report and in our other filings with the SEC are not exhaustive. Except as required by law, we expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any such statements to reflect any change in our expectations or any change in events, conditions or circumstances on which any such forward-looking statement is based. 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.

## ProFrac Holding Corp.

## Consolidated balance sheets

(Unaudited)

(In thousands)	September 30, 2022	December 31, 2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 64,678	\$ 5,376
Accounts receivable, net	501,337	161,632
Accounts receivable—related party	4,510	4,515
Prepaid expenses, and other current assets	25,065	6,213
Assets held for sale	1,805	—
Inventories	238,794	73,942
Total current assets	836,189	251,678
Property, plant, and equipment	1,454,010	827,865
Accumulated depreciation and depletion	(632,801)	(464,178)
Property, plant, and equipment, net	821,209	363,687
Operating lease right-of-use assets	78,569	—
Deferred tax assets	2,033	—
Investments	56,753	4,244
Intangible assets, net	34,930	27,816
Goodwill	97,573	—
Other assets	52,028	17,145
Total assets	\$ 1,979,284	\$ 664,570

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

## ProFrac Holding Corp.

### Consolidated balance sheets

(Unaudited)

(In thousands)	September 30, 2022	December 31, 2021
<b>Liabilities, redeemable noncontrollable interest, and stockholders' and members' (deficit) equity</b>		
Current liabilities:		
Accounts payable	\$ 209,537	\$ 121,070
Accounts payable—related party	34,911	21,275
Current portion of operating lease liabilities	9,532	—
Accrued expenses	194,321	38,149
Other current liabilities	36,446	34,400
Current portion of long-term debt	60,541	31,793
Total current liabilities	545,288	246,687
Long-term debt	484,228	235,128
Long-term debt—related party	—	34,645
Operating lease liabilities	73,180	—
Other liabilities	17,320	—
Total liabilities	1,120,016	516,460
Commitments and contingencies (Note 17)		
Redeemable noncontrolling interest	1,644,426	—
<b>Stockholders' and members' equity</b>		
Members' equity	—	147,015
Preferred stock, \$0.01 par value, 50,000,000 authorized, none issued and outstanding		
Class A common stock, \$0.01 par value, 600,000,000 authorized, 41,239,957 issued and outstanding at September 30, 2022 and none issued and outstanding at December 31, 2021	412	—
Class B common stock, \$0.01 par value, 400,000,000 authorized, 101,133,201 issued and outstanding at September 30, 2022 and none issued and outstanding at December 31, 2021	1,011	—
Additional paid-in capital	—	—
Accumulated deficit	(868,409)	—
Accumulated other comprehensive (loss) income	9	56
Total stockholders' and members' (deficit) equity attributable to ProFrac Holding Corp.	(866,977)	147,071
Noncontrolling interests	81,819	1,039
Total stockholders' and members' (deficit) equity	(785,158)	148,110
Total liabilities, redeemable noncontrollable interest, and stockholders' and members' (deficit) equity	\$ 1,979,284	\$ 664,570

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

## ProFrac Holding Corp.

### Consolidated statements of operations

(Unaudited)

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenues	\$ 696,730	\$ 195,931	\$ 1,631,554	\$ 520,336
Operating costs and expenses:				
Cost of revenues, exclusive of depreciation, depletion and amortization	388,068	144,163	961,267	389,177
Depreciation, depletion and amortization	68,758	35,241	177,038	105,606
Loss on disposal of assets, net	667	3,397	2,656	7,472
Selling, general, and administrative	70,287	20,047	191,962	47,919
Total operating costs and expenses	527,780	202,848	1,332,923	550,174
Operating income (loss)	168,950	(6,917)	298,631	(29,838)
Other (expense) income:				
Interest expense, net	(16,261)	(6,896)	(38,984)	(19,118)
Loss on extinguishment of debt	(242)	—	(17,337)	—
Other (expense) income, net	(928)	(92)	8,292	148
Income (loss) before income tax provision	151,519	(13,905)	250,602	(48,808)
Income tax (provision) benefit	(8,157)	(170)	(13,021)	138
Net income (loss)	143,362	(14,075)	237,581	(48,670)
Less: net (income) loss attributable to ProFrac Predecessor	—	14,033	(79,867)	48,509
Less: net loss attributable to noncontrolling interests	11,751	42	20,039	161
Less: net income attributable to redeemable noncontrolling interests	(110,183)	—	(126,265)	—
Net income attributable to ProFrac Holding Corp.	\$ 44,930	\$ —	\$ 51,488	\$ —
Basic and diluted earnings per Class A share	\$ 1.09		\$ 1.26	
Weighted average shares used in computing basic earnings per Class A share	41,239		40,846	
Weighted average shares used in computing diluted earnings per Class A share	41,349		40,927	

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

## ProFrac Holding Corp.

### Consolidated statements of comprehensive income (loss)

(Unaudited)

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income (loss)	\$ 143,362	\$ (14,075)	\$ 237,581	\$ (48,670)
Foreign currency translation adjustments	207	45	84	55
Comprehensive income (loss)	143,569	(14,030)	237,665	(48,615)
Less: comprehensive (income) loss attributable to ProFrac Predecessor	—	14,002	(79,765)	48,468
Less: comprehensive loss attributable to noncontrolling interest	11,699	28	20,018	147
Less: comprehensive income attributable to redeemable noncontrolling interest	(110,293)	—	(126,375)	—
Comprehensive income attributable to ProFrac Holding Corp.	\$ 44,975	\$ —	\$ 51,543	\$ —

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



## ProFrac Holding Corp. Consolidated statements of changes in equity

(Unaudited)

(In thousands)	Members' Equity	Class A Common Stock		Class B Common Stock		Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Equity (Deficit)
		Shares	Amount	Shares	Amount					
<b>Balance, January 1, 2022</b>	\$ 147,015	—	\$ —	—	\$ —	\$ —	\$ —	\$ 56	\$ 1,039	\$ 148,110
Net income	23,710	—	—	—	—	—	—	—	416	24,126
Member contributions	5,000	—	—	—	—	—	—	—	—	5,000
Deemed distribution	(3,664)	—	—	—	—	—	—	—	—	(3,664)
THRC related equity	72,931	—	—	—	—	—	—	—	—	72,931
Foreign currency translation	—	—	—	—	—	—	—	(102)	(34)	(136)
<b>Balance, March 31, 2022</b>	\$ 244,992	—	\$ —	—	\$ —	\$ —	\$ —	\$ (46)	\$ 1,421	\$ 246,367
Net income prior to corporate reorganization	56,157	—	—	—	—	—	—	—	(46)	56,111
Issuance of Class A shares in IPO	—	18,228	182	—	—	227,548	—	—	—	227,730
Issuance of Class B shares	—	—	—	101,133	1,011	—	—	—	—	1,011
Effect of corporate reorganization and reclassification to redeemable noncontrolling interest	(301,149)	20,895	209	—	—	(81,110)	—	—	—	(382,050)
Adjustment of redeemable noncontrolling interest to redemption amount at IPO	—	—	—	—	—	(146,438)	(1,291,910)	—	—	(1,438,348)
Class A shares issued to settle asset purchase	—	2,114	21	—	—	16,675	—	—	—	16,696
Net income after corporate reorganization	—	—	—	—	—	—	6,558	—	(8,658)	(2,100)
Recognition of Flotek noncontrolling interest	—	—	—	—	—	—	—	—	99,617	99,617
Stock-based compensation	—	—	—	—	—	269	—	—	526	795
Stock-based compensation related to deemed contribution	—	—	—	—	—	11,252	—	—	—	11,252
Foreign currency translation	—	—	—	—	—	—	—	10	3	13
Additional paid-in capital related to tax receivable agreement	—	—	—	—	—	609	—	—	—	609
Adjustment of redeemable noncontrolling interest to redemption amount	—	—	—	—	—	(28,805)	(125,428)	—	—	(154,233)
<b>Balance, June 30, 2022</b>	\$ —	41,237	\$ 412	101,133	\$ 1,011	\$ —	\$ (1,410,780)	\$ (36)	\$ 92,863	\$ (1,316,530)

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

## ProFrac Holding Corp. Consolidated statements of changes in equity

(Unaudited)

(In thousands)	Members' Equity	Class A Common Stock		Class B Common Stock		Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Equity (Deficit)
		Shares	Amount	Shares	Amount					
<b>Balance, June 30, 2022</b>	\$ —	41,237	\$ 412	101,133	\$ 1,011	\$ —	\$ (1,410,780)	\$ (36)	\$ 92,863	\$ (1,316,530)
Net income	—	—	—	—	—	—	44,930	—	(11,751)	33,179
Stock-based compensation	—	—	—	—	—	598	—	—	655	1,253
Stock-based compensation related to deemed contribution	—	—	—	—	—	2,957	—	—	—	2,957
Foreign currency translation	—	—	—	—	—	—	—	45	52	97
Additional paid-in capital related to tax receivable agreement	—	—	—	—	—	7	—	—	—	7
Other	—	3	—	—	—	79	—	—	—	79
Adjustment of redeemable noncontrolling interest to redemption amount	—	—	—	—	—	(3,641)	497,441	—	—	493,800
<b>Balance, September 30, 2022</b>	\$ —	41,240	\$ 412	101,133	\$ 1,011	\$ —	\$ (868,409)	\$ 9	\$ 81,819	\$ (785,158)

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

## ProFrac Holding Corp. Consolidated statements of changes in equity

(Unaudited)

(In thousands)	Members' Equity	Class A Common Stock		Class B Common Stock		Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Equity (Deficit)
		Shares	Amount	Shares	Amount					
<b>Balance, January 1, 2021</b>	\$ 175,027	—	\$ —	—	\$ —	\$ —	\$ —	\$ —	\$ 1,785	\$ 176,812
Net (loss) income	(25,998)	—	—	—	—	—	—	—	9	(25,989)
Foreign currency translation	—	—	—	—	—	—	—	6	—	6
Noncontrolling interest of acquired business	—	—	—	—	—	—	—	—	1,228	1,228
<b>Balance, March 31, 2021</b>	\$ 149,029	—	\$ —	—	\$ —	\$ —	\$ —	\$ 6	\$ 3,022	\$ 152,057
Net loss	(8,478)	—	—	—	—	—	—	—	(128)	(8,606)
Foreign currency translation	—	—	—	—	—	—	—	4	—	4
<b>Balance, June 30, 2021</b>	\$ 140,551	—	\$ —	—	\$ —	\$ —	\$ —	\$ 10	\$ 2,894	\$ 143,455
Net loss	(14,033)	—	—	—	—	—	—	—	(42)	(14,075)
Foreign currency translation	—	—	—	—	—	—	—	31	14	45
Acquisition of non controlling interest	1,785	—	—	—	—	—	—	—	(1,783)	2
<b>Balance, September 30, 2021</b>	\$ 128,303	—	\$ —	—	\$ —	\$ —	\$ —	\$ 41	\$ 1,083	\$ 129,427

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

## ProFrac Holding Corp

### Consolidated statements of cash flow

(Unaudited)

(In thousands)	Nine Months Ended September 30,	
	2022	2021
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 237,581	\$ (48,670)
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation, depletion and amortization	177,038	105,606
Stock-based compensation	53,230	—
Loss on disposal of assets, net	2,656	7,472
Non-cash loss on extinguishment of debt	10,472	—
Amortization of debt issuance costs	4,683	1,847
Bad debt expense, net of recoveries	5	2,562
Deferred tax expense	2,357	—
Unrealized gain on investments, net	(8,526)	—
Changes in operating assets and liabilities:		
Accounts receivable	(220,467)	(31,396)
Inventories	(107,150)	(14,525)
Prepaid expenses and other assets	(18,551)	(1,223)
Accounts payable	6,332	4,823
Accrued expenses	111,233	11,511
Deferred revenues and other liabilities	5,770	(317)
Net cash provided by operating activities	256,663	37,690
<b>Cash flows from investing activities:</b>		
Investment in property, plant & equipment	(239,477)	(70,585)
Proceeds from sale of assets	46,687	17,487
Acquisitions, net of cash acquired	(354,927)	(2,430)
Investment in preferred shares of BPC	(47,202)	—
Initial investment in Flotek	(10,000)	—
Other investments	(24,839)	—
Net cash used in investing activities	(629,758)	(55,528)
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of long-term debt	818,758	160,230
Repayments of long-term debt	(515,780)	(138,887)
Borrowings from revolving credit agreements	253,683	29,500
Repayments to revolving credit agreements	(322,683)	(18,500)
Payment of debt issuance costs	(33,260)	(1,090)
Member contribution	5,000	—
Proceeds from issuance of common stock	329,118	—
Payment of THRC related equity	(72,931)	—
Payment of common stock issuance costs	(27,444)	—
Net cash provided by financing activities	434,461	31,253
Net increase in cash, cash equivalents, and restricted cash	61,366	13,415
Cash, cash equivalents, and restricted cash beginning of period	5,376	2,952
Cash, cash equivalents, and restricted cash end of period	\$ 66,742	\$ 16,367
<b>Supplemental cash flow information:</b>		
Cash payments for interest	\$ 22,239	\$ 17,311
Cash payments for taxes	\$ 459	\$ 110
Non-cash investing and financing activities:		
Capital expenditures included in accounts payable	\$ 26,478	\$ 7,837
Operating lease liabilities incurred from obtaining right-of-use-assets	\$ 45,412	\$ —

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

# ProFrac Holding Corp

## Notes to the consolidated financial statements

*(Amounts in thousands, except as noted)*  
(unaudited)

### 1. Organization and description of business

ProFrac Holding Corp. (“ProFrac Corp.”) and its consolidated subsidiaries, including ProFrac Holdings, LLC (“ProFrac LLC”), is a vertically integrated and innovation-driven energy services company providing hydraulic fracturing, completion services and other complementary products and services to leading upstream oil and gas companies engaged in the exploration and production (“E&P”) of North American unconventional oil and natural gas resources. The Company operates in three business segments: stimulation services, manufacturing, and proppant production.

#### *Company Formation*

ProFrac Corp. was incorporated as a Delaware corporation on August 17, 2021, to become a holding corporation for ProFrac LLC and its subsidiaries upon completion of a corporate reorganization in conjunction with a planned initial public offering (“IPO”). On May 12, 2022, ProFrac Corp. completed its IPO and corporate reorganization and became the managing member of ProFrac LLC.

The unaudited consolidated financial statements presented herein are those of ProFrac Corp. subsequent to the corporate reorganization on May 12, 2022, and ProFrac LLC before that date. In these notes to the unaudited consolidated financial statements, ProFrac Corp. and ProFrac LLC together are also referred to as “we,” “us,” “our,” or the “Company” and ProFrac LLC is also referred to as “ProFrac Predecessor.” For all periods presented, the unaudited consolidated financial statements presented herein include the controlled subsidiaries of ProFrac LLC, which include Best Pump & Flow LP (“Best Flow”) and Alpine Silica, LLC (“Alpine”).

Prior to December 21, 2021, Dan Wilks and Farris Wilks (or entities they control) (collectively, the “Wilks”) held a controlling interest in each of ProFrac LLC, Best Flow and Alpine. Historical periods for ProFrac Predecessor had been presented on a consolidated and combined basis given the common control ownership by the Wilks. On December 21, 2021, all of the then-outstanding membership interests in Best Flow and Alpine were contributed to ProFrac LLC in exchange for membership interests in ProFrac LLC. Accordingly, the results for the three and nine months ended September 30, 2021 have been retrospectively adjusted to present the operations of ProFrac LLC, Best Flow and Alpine on a combined basis. The acquisitions of Best Flow and Alpine have been accounted for in a manner consistent with the pooling of interest method of accounting, as the transaction was a combination of entities under common control. Under this method of accounting, the statements of operations, comprehensive income, equity and cash flows have been adjusted to include all activities of the commonly controlled groups for all periods in which common control existed.

**Initial Public Offering**

On May 12, 2022, ProFrac Corp. completed its IPO of 16,000,000 shares of its Class A common stock, par value \$0.01 per share (the "Class A Common Stock") at a public offering price of \$18.00 per share. On June 6, 2022, an over-allotment option was exercised resulting in an additional 2,228,153 shares of Class A Common Stock being priced at \$18.00 per share. The IPO and exercise of the over-allotment option generated combined net proceeds of \$301.7 million, after deducting underwriter discounts and commissions and estimated offering costs. The Company used \$72.9 million of the net proceeds to redeem the membership ownership interests from the then-existing owners of THRC FTSI Related Equity (as described in Note 14 – Acquisitions and investments) and contributed the remaining proceeds to ProFrac Holdings, LLC. The Company used the remaining proceeds (i) to pay down \$143.8 million of the outstanding borrowings under the New Term Loan Credit Facility (as defined herein) (ii) to fully pay the \$22.0 million of the outstanding borrowings of the Backstop Note (as defined herein) (iii) pay down \$2.0 million of the outstanding borrowings of the Closing Date Note (as defined herein) (iv) to pay down \$20.8 million of the outstanding borrowings of the Equify Bridge Note (as defined herein) and (v) with the remaining proceeds to be used for general corporate uses and additional repayment of debt.

**Redeemable Noncontrolling Interests**

ProFrac Corp.'s only material asset is an equity interest consisting of units representing limited liability company interests in ProFrac LLC ("PFH Units"). As the sole managing member of ProFrac LLC, ProFrac Corp. operates and controls all of the business and affairs of ProFrac LLC and conducts its business through ProFrac LLC and its subsidiaries. As a result, ProFrac Corp. consolidates the financial results of ProFrac LLC and its subsidiaries and reports a noncontrolling interest related to the portion of PFH Units not owned by ProFrac Corp., which reduces net income attributable to holders of ProFrac Corp.'s Class A common stock. The holders of PFH Units not owned by ProFrac Corp. also hold shares of ProFrac Corp.'s Class B common stock, par value \$0.01 per share (the "Class B Common Stock") such that a single share of Class B Common Stock is issued for each PFH Unit not owned by ProFrac Corp.

The holders of PFH Units not owned by ProFrac Corp. may redeem all or a portion of their PFH Units, together with a corresponding number of shares of Class B Common Stock, for either shares of Class A Common Stock or an approximately equivalent amount of cash, at the election of the Company. In connection with the exercise of such redemption, a corresponding number of shares of Class B Common Stock will be cancelled. The redemption election is not considered to be within the control of the Company because the holders of Class B Common Stock and their affiliates control the Company through direct representation on ProFrac Corp.'s Board of Directors. As a result, we present the noncontrolling interests in ProFrac LLC as redeemable noncontrolling interests outside of permanent equity.

From January 1, 2022 through September 30, 2022, we recorded adjustments to the value of our redeemable noncontrolling interests as shown below:

(in thousands)	Redeemable Noncontrolling Interests	
	2022	
Balance as of January 1, 2022	\$	—
Effect of corporate reorganization and reclassification to redeemable noncontrolling interest		382,050
Adjustment of redeemable noncontrolling interest to redemption amount at IPO (1)		1,438,348
Class A Common Stock issued to settle asset purchase		21,361
Net income after corporate reorganization		16,082
Stock-based compensation		660
Stock-based compensation related to deemed contribution		27,597
Accrued distribution related to income taxes		(15,644)
Adjustment of redeemable noncontrolling interest to redemption amount (2)		154,233
Balance as of June 30, 2022	\$	2,024,687
Net income		110,183
Stock-based compensation		1,465
Stock-based compensation related to deemed contribution		7,251
Foreign currency translation adjustments		110
Change in accrued distribution related to income taxes		(5,470)
Adjustment of redeemable noncontrolling interest to redemption amount (3)		(493,800)
Balance as of September 30, 2022	\$	1,644,426

(1) Based on 101,133,201 shares of Class B Common Stock outstanding and the \$18.00 per share IPO price.

(2) Based on 101,133,201 shares of Class B Common Stock outstanding and the 10-day VWAP of Class A Common Stock of \$20.02 at June 30, 2022.

(3) Based on 101,133,201 shares of Class B Common Stock outstanding and the 10-day VWAP of Class A Common Stock of \$6.26 at September 30, 2022.

As of September 30, 2022, ProFrac Corp. owned 29.0% of ProFrac LLC with the remaining 71.0% owned directly by other PFH Unit holders. As of September 30, 2022, ProFrac Corp. had outstanding 41.2 million shares of Class A Common Stock (representing approximately 29.0% of the total voting power) and 101.1 million shares of Class B Common Stock (representing approximately 71.0% of the total voting power).

## 2. Summary of significant accounting policies

### *Basis of presentation*

The unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial reporting and pursuant to the rules and regulations of the SEC. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2021 included within the Company’s final prospectus filed with the SEC on May 16, 2022, pursuant to Rule 424(b) under the Securities Act. The consolidated financial statements include the accounts of the Company and all majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. In our opinion, all adjustments considered necessary for a fair statement have been included in the accompanying unaudited financial statements. Operating results for the three and nine months ended September 30, 2022, are not necessarily indicative of the results that may be expected for the full year ending December 31, 2022. The December 31, 2021, balance sheet information has been derived from the 2021 audited financial statements of ProFrac Predecessor.

### *Use of estimates*

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect (1) the reported amounts of assets and liabilities and (2) the reported amounts of revenue and expenses during the reporting period. We base these estimates on historical results and various other assumptions believed to be reasonable, all of which form the basis for making estimates concerning the carrying values of assets and liabilities that are not readily available from other sources. It is at least reasonably possible these estimates could be revised in the near term, and these revisions could be material.

### *Leases*

The Company determines if an arrangement is a lease at inception of the arrangement. To the extent that we determine an arrangement represents a lease, we classify that lease as an operating lease or a finance lease. We capitalize operating and finance leases on our consolidated balance sheets through a right-of-use (“ROU”) asset and a corresponding lease liability. ROU assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments arising from the lease. See Note 12 – Leases for additional information.

Operating and finance lease ROU assets and liabilities are recognized at the commencement date of the lease based on the present value of lease payments over the lease term. Lease expense for operating leases is recognized on a straight-line basis over the lease term.

### *Revenue recognition*

The Company’s products and services are sold based upon contracts with customers. The Company recognizes revenue as it satisfies performance obligations by transferring control over a service or product to a customer. Payment terms are specified in each customer agreement and are typically a specific number of days following satisfaction of the performance obligation. The following are descriptions of the principal activities of each reportable segment from which the Company generates its revenue.

*Stimulation services.* We generate revenue through the provision of hydraulic fracturing services, which involves the injection of water, sand and chemicals under high pressure into formations to optimize hydrocarbon flow paths during the completion phase of wellbores. Our contracts with customers are short term in nature, typically less than four weeks, and have a single performance obligation, which is the contracted total stages, satisfied over time. Once a stage has been completed, a field ticket is created which includes charges for services performed and any inputs consumed during the service. The signing of the field ticket by a customer representative represents their acceptance of the service and agreement to the amounts to which the Company has the right to invoice and recognize as revenue. We believe that recognizing revenue based on actual stages completed, upon receipt of a signed field ticket, appropriately depicts how our hydraulic fracturing services are transferred to our customers over time.

*Manufacturing.* We generate revenue through sales of equipment used to perform oilfield services. The performance obligation is satisfied and revenues are recognized at the point-in-time that control of goods are transferred to the customer, generally upon shipment from our manufacturing facility. Payment terms are specified in each customer agreement and are typically a specific number of days following satisfaction of the performance obligation.

*Proppant production.* We generate revenue through the sale of frac sand to oilfield service providers and E&P companies. The performance obligation is satisfied and revenue is recognized at the point-in-time that control of the product is transferred to the customer, generally upon shipment from our facility. We charge our customers on a per-ton basis at current market prices. Payment terms are specified in each customer agreement and are typically a specific number of days following satisfaction of the performance obligation.

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Taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and are therefore excluded from revenues in the consolidated statements of operations.

### ***Business Combinations***

Business combinations are accounted for under the acquisition method of accounting. Under this method, the assets acquired and liabilities assumed are recognized at their respective fair values as of the date of acquisition. The excess, if any, of the acquisition price over the fair values of the assets acquired and liabilities assumed is recorded as goodwill. For significant acquisitions, we utilize third-party appraisal firms to assist us in determining the fair values for certain assets acquired and liabilities assumed. The measurement of these fair values requires us to make significant estimates and assumptions which are inherently uncertain.

Adjustments to the fair values of assets acquired and liabilities assumed are made until we obtain all relevant information regarding the facts and circumstances that existed as of the acquisition date (the “measurement period”), not to exceed one year from the date of the acquisition. We recognize measurement-period adjustments in the period in which we determine the amounts, including the effect on earnings of any amounts we would have recorded in previous periods if the accounting had been completed at the acquisition date.

See Note 14 — Acquisitions and investments for information on acquisitions completed during the historical period.

### ***Goodwill***

We have acquired goodwill related to business acquisitions. Goodwill represents the excess of the purchase price over the fair value of net assets acquired. We review our goodwill on an annual basis, at the beginning of the fourth quarter, and whenever events or changes in circumstances indicate the carrying value of goodwill may exceed its fair value. If the carrying value of goodwill exceeds its fair value, we recognize an impairment loss for this difference.

### ***Variable Interest Entities***

We evaluate our ownership, contractual and other interest in entities to determine if they are variable interest entities (“VIE”). We evaluate whether we have a variable interest in those entities and the nature and extent of those interests. Based on our evaluation, if we determine we are the primary beneficiary of a VIE, we consolidate the entity in our financial statements.

### ***Fair value measurements***

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date. We apply the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases of categorization within the hierarchy upon the lowest level input that is available and significant to the fair value measurement:

- Level 1: The use of quoted prices in active markets for identical assets or liabilities.
- Level 2: Other than quoted prices included in Level 1, inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability. At September 30, 2022, we had no Level 2 measurements.
- Level 3: The use of significant unobservable inputs that typically require the use of management’s estimates of assumptions that market participants would use in pricing. See Note 16 — Fair Value of Financial Interests for more information on our investments using Level 3 measurements.

Our current assets and liabilities contain financial instruments, the most significant of which are trade accounts receivable and payable. We believe the carrying value of our current assets and liabilities approximate fair value. Our fair value assessment incorporates a variety of considerations, including: (i) the short-term duration of the instruments and (ii) our historical incurrence of and expectations of future bad debt expense. The book value of our floating rate debt approximates fair value because of its floating rate structure.

### ***Income taxes***

Before May 12, 2022, the ProFrac Predecessor entities were organized as limited liability companies or a limited partnership and were treated as either a disregarded entity or a partnership for U.S. federal income tax purposes, whereby the ordinary business income or loss and certain deductions were passed-through and reported on the members’ income tax returns. As such, the Company was not required to account for U.S. federal income taxes in the consolidated financial statements. Certain state income-based taxes are imposed on the Company which are reflected as income tax expense or benefit in historical periods.



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In connection with the IPO in May 2022, the Company reorganized and ProFrac LLC became partially owned by ProFrac Corp., a U.S. Internal Revenue Code Subchapter C corporation (“C-Corporation”). ProFrac Corp. is a taxable entity and is required to account for income taxes under the asset and liability method for periods subsequent to May 12, 2022.

Under the asset and liability method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled pursuant to the provisions of Accounting Standards Codification (“ASC”) 740, Income Taxes. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in earnings in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts more-likely-than-not to be realized.

### ***Recently adopted accounting standards***

On January 1, 2022, we adopted the Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) for “Leases,” which amended existing guidance to require lessees to recognize liabilities and ROU assets on the balance sheet for the rights and obligations created by long-term leases and to disclose additional quantitative and qualitative information about leasing arrangements. We adopted this guidance using the current period adjustment approach on January 1, 2022 using the transition method that allows a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption.

We have completed our process to implement this standard, and we have designed processes and internal controls necessary for adoption of this standard. We have made policy elections to (i) not capitalize short-term leases for all asset classes, (ii) not separate non-lease components from lease components for all of our existing asset classes, (iii) apply the package of practical expedients that allows us to not reassess: whether any expired or existing contracts contain leases, lease classification for any expired or existing leases and initial direct costs for existing leases and (iv) apply the practical expedient to apply hindsight in estimating lease term and impairment.

The impact of applying this standard is not expected to significantly impact our results of operations or cash flows. As of January 1, 2022, we recognized ROU assets and liabilities of approximately \$35.8 million from operating leases on our consolidated balance sheet. See Note 12 - Leases for additional disclosures related to our adoption this accounting standards update.

### ***New accounting standards to be adopted***

We have not yet implemented FASB ASU No. 2016-13, Financial Instruments – Credit Losses. The ASU introduces a new accounting model, the Current Expected Credit Losses model (“CECL”), which requires recognition of credit losses and additional disclosures related to credit risk. The CECL model utilizes a lifetime expected credit loss measurement objective for the recognition of credit losses for loans and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. This model replaces the multiple existing impairment models previously used under GAAP, which generally require that a loss be incurred before it is recognized. The new standard also applies to financial assets arising from revenue transactions such as contract assets and accounts receivable.

Implementation is currently required for fiscal years beginning after December 15, 2022. The Company does not believe implementation will have a material impact on its financial statements.

We have not yet implemented FASB ASU No. 2019-12, Income Taxes (Topic 740) – Simplifying the Accounting for Income Taxes, which removes specific exceptions to the general principles in Topic 740 under GAAP. The new guidance also improves the application of income tax-related guidance and simplifies GAAP for franchise taxes that are partially based on income, transactions with a government that result in a step up in the tax basis of goodwill, separate financial statements of legal entities that are not subject to tax, and enacted changes in tax laws in interim periods. The new guidance will be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022; however, early adoption is permitted. The Company is currently evaluating the impact of adopting the new guidance on its consolidated financial statements.

### 3. Restricted cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated statement of cash flows as of September 30, 2022, and December 31, 2021:

(In thousands)	September 30, 2022	December 31, 2021
Cash and cash equivalents	\$ 64,678	\$ 5,376
Restricted cash included in prepaid expenses and other current assets	2,064	—
Total cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows	\$ 66,742	\$ 5,376

As of September 30, 2022, restricted cash included cash used as collateral for our credit card program.

### 4. Supplemental balance sheet information

#### *Inventories*

The following table summarizes the components of our inventories as of September 30, 2022, and December 31, 2021:

(In thousands)	September 30, 2022	December 31, 2021
Raw materials and supplies	\$ 107,303	\$ 13,911
Work in process	9,987	3,288
Finished products and parts	121,504	56,743
Total	\$ 238,794	\$ 73,942

The increase in inventory from December 31, 2021, to September 30, 2022 was partially due to acquired inventory of \$4.5 million related to our acquisitions of FTS International, Inc. (“FTSI”) and Flotek Industries, Inc. (“Flotek”). The remaining increase is related to our increased activity levels in 2022.

#### *Accrued Expenses*

The following table summarizes our accrued expenses as of September 30, 2022, and December 31, 2021:

(In thousands)	September 30, 2022	December 31, 2021
Accrual for purchased materials	\$ 71,286	\$ 15,600
Employee compensation and benefits	29,860	8,107
Sales, use, and property taxes	21,082	5,974
Interest	13,130	879
Income taxes	10,665	—
Tax receivable agreement	3,491	—
Tax distribution to redeemable noncontrolling interests	21,114	—
Other	23,693	7,589
Total	\$ 194,321	\$ 38,149

## 5. Property, plant, and equipment

The following table summarizes the components of our property, plant, and equipment, net as of September 30, 2022, and December 31, 2021:

(In thousands)	September 30, 2022	December 31, 2021
Machinery and equipment	\$ 1,180,092	\$ 760,829
Mining property and mine development	97,265	34,809
Office equipment, software and other	15,156	5,550
Land	950	—
Buildings and leasehold improvements	27,373	15,947
Total	1,320,836	817,135
Less: accumulated depreciation and depletion	(632,801)	(464,178)
Construction in progress	133,174	10,730
Property, plant, and equipment, net	\$ 821,209	\$ 363,687

The increase in net property, plant, and equipment from December 31, 2021, to September 30, 2022, was due to acquired assets of \$28.7 million related to our FTSI and Flotek acquisitions, and \$103.7 million from the acquisition of Monahans (as defined herein). This increase was partially offset by \$48.2 million of FTSI assets sold in the sale lease-back transaction immediately following the FTSI acquisition.

Depreciation expense for the three months ended September 30, 2022 and 2021, was \$68.1 million and \$35.1 million, respectively. Depreciation expense for the nine months ended September 30, 2022 and 2021, was \$175.6 million and \$105.1 million, respectively.

Major classifications of property, plant, and equipment and their respective useful lives are as follows:

Machinery and equipment	2 years—10 years
Office equipment, software, and other	3 years—7 years
Buildings and leasehold improvements	2 years—40 years

## 6. Intangible assets

The following table summarizes the components of our finite-lived intangible assets as of September 30, 2022, and December 31, 2021:

(In thousands)	September 30, 2022			December 31, 2021		
	Gross Book Value	Less: Accumulated Amortization	Net Book Value	Gross Book Value	Less: Accumulated Amortization	Net Book Value
Electric frac licenses	\$ 22,500	\$ —	\$ 22,500	\$ 22,500	\$ —	\$ 22,500
Acquired technology	14,644	(2,214)	12,430	5,905	(589)	5,316
Intangible assets, net	\$ 37,144	\$ (2,214)	\$ 34,930	\$ 28,405	\$ (589)	\$ 27,816

Intangible assets are amortized over the period the Company expects the asset to generate cash flows. As such, we amortize each electric frac license through the remaining license period, beginning when the initial fleet built under each license is placed into service, a period we estimate to be 17 years. For technology acquired during 2021, we estimated this period to be seven years. For technology acquired in 2022 related to the acquisition of FTSI, we estimated the period to be three years. Amortization expense related to intangible assets was \$0.7 million and \$0.2 million for the three months ended September 30, 2022 and 2021, respectively. Amortization expense related to intangible assets was \$1.4 million and \$0.5 million for the nine months ended September 30, 2022 and 2021, respectively.

## 7. Indebtedness

The following table summarizes the components of our debt as of September 30, 2022 and December 31, 2021:

<b>(In thousands)</b>	<b>September 30,</b>	<b>December 31,</b>
	<b>2022</b>	<b>2021</b>
Old ABL Credit Facility	\$ —	\$ 69,000
Old Term Loan	—	171,355
First Financial Loan	19,080	30,000
New ABL Credit Facility	—	—
New Term Loan Credit Facility	525,726	—
Best Flow Credit Facility(1)	—	7,101
Best Flow Note(1)	—	10,827
Alpine Promissory Note(1)	—	16,717
Flotek Convertible Notes	12,739	—
Other	10,459	1,695
Total gross debt	568,004	306,695
Less: unamortized debt issuance costs	(23,235 )	(5,129 )
Less: current portion of long-term debt	(60,541 )	(31,793 )
Total long-term debt	\$ 484,228	\$ 269,773

(1) Related party debt agreements

### *Old ABL Credit Facility*

On March 14, 2018, ProFrac LLC entered into a senior secured asset-based revolving credit agreement (the “Old ABL Credit Facility”), with Barclays Bank PLC, as administrative agent and collateral agent, and the lenders party thereto. The Old ABL Credit Facility had a maturity date of March 14, 2023.

LIBOR borrowings under the Old ABL Credit Facility bore interest at the greater of LIBOR or 0.00%, plus a margin of 1.50% to 2.00%, depending on facility utilization. The interest rate was 2.75% as of December 31, 2021.

As of December 31, 2021, the borrowing base was \$146.2 million, therefore maximum availability under the Old ABL Credit Facility was the facility maximum of \$105.0 million. There were \$69.0 million of borrowings outstanding and \$3.1 million of letters of credit outstanding, resulting in \$32.9 million of availability under the Old Credit Facility ABL.

On March 4, 2022, the Old ABL Credit Facility was replaced by the New ABL Credit Facility (as described below).

### *Old Term Loan*

On September 7, 2018, ProFrac LLC entered into a \$180.0 million term loan agreement (“Old Term Loan”), which matures on September 15, 2023, with a group of lenders with Barclays Bank, PLC as administrative agent. Principal payments are due in quarterly installments, however due to prepayments made to date, there will be no required minimum amortization (other than excess cash flow prepayments) before termination of the Old Term Loan. Excess cash flow is calculated quarterly to determine any additional minimum prepayments. On June 24, 2021, ProFrac LLC and its Old Term Loan lenders reached an agreement to expand the facility by \$40.0 million.

The Old Term Loan, as amended, requires minimum excess cash flow prepayments as follows, each due approximately 55 days after period-end \$0.0 million for the fiscal quarters ended March 31, 2021 through and including December 31, 2021, and \$5.0 million for the fiscal quarters ended March 31, 2022 through and including June 30, 2023.

LIBOR borrowings under the Old Term Loan bear interest at the greater of LIBOR or 1.25%, plus a margin of 6.25% to 8.50%, depending on the total net leverage ratio as defined under the Old Term Loan. The interest rate was 9.75% as of December 31, 2021.

The Old Term Loan contained certain restrictive covenants, including a financial covenant which required ProFrac LLC to maintain a total net leverage ratio, as defined in the credit agreement, of no greater than 2.25:1.00 for the fiscal quarters ended September 30, 2019 through and including March 31, 2020, 3.50:1.00 for the fiscal quarters ended June 30, 2020 through and including March 31, 2021, 3.00:1.00 for the fiscal quarter ended June 31, 2021, 2.75:1.00 for the fiscal quarter ended September 30, 2021, 2.50:1.00 for the

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fiscal quarter ended December 31, 2021, and 2.00:1.00 for the fiscal quarter ended March 31, 2022 and thereafter. ProFrac LLC was in compliance with all required covenants as of December 31, 2021.

In February 2022, ProFrac and its Old Term Loan lenders entered into an agreement to amend the Old Term Loan. The amendment expanded the facility by \$8.0 million.

On March 4, 2022, the Old Term Loan was replaced by the New Term Loan Credit Facility (as described below), resulting in loss on debt extinguishment of \$9 million.

### ***First Financial Loan***

On July 22, 2020, ProFrac LLC entered into a \$35.0 million loan agreement with First Financial Bank, N.A. which had a maturity of July 22, 2025 (“Main Street Loan”). In August 2021, the loan agreement was amended to remove the covenants in place prior to the amendment. As amended, the Main Street Loan contained certain restrictive covenants which required ProFrac LLC to maintain a Fixed Charge Coverage Ratio of at least 1.00:1.00, and a Maximum Leverage Ratio of 3.50:1.00. Additionally, the Main Street Loan restricted the payment of distributions or dividends, other than for the payment of taxes.

On December 22, 2021, the Main Street Loan had a balance of \$32.2 million. The Main Street Loan was extinguished with a cash payment of \$2.2 million and the remainder refinanced with a \$30.0 million loan with First Financial Bank, N.A. (“First Financial Loan”).

The First Financial Loan has a maturity date of January 1, 2024 with an interest rate of LIBOR plus 3.5%, and the loan is to be repaid by equal payments of principal and interest beginning in February 2022. The First Financial Loan contains certain restricted covenants which require the Company to maintain a fixed charge ratio of at least 1.00:1.00 and a maximum net leverage ratio of 3.00:1.00. The Company was in compliance with all covenants as of September 30, 2022.

### ***New ABL Credit Facility***

On March 4, 2022, ProFrac LLC, ProFrac Holdings II, LLC (“ProFrac II LLC”), as borrower (in such capacity, the “ABL Borrower”), and certain of the ABL Borrower’s wholly owned subsidiaries as obligors, entered into a senior secured asset-based revolving credit agreement (as amended, the “New ABL Credit Facility”), with a group of lenders with JPMorgan Chase Bank N.A., as administrative agent and collateral agent. The New ABL Credit Facility initially provided for an asset-based revolving credit facility with a borrowing base and lender commitments of \$100.0 million. On April 8, 2022, the New ABL Credit Facility was amended to increase the borrowing base and lender commitments to \$200.0 million. The New ABL Credit Facility has a borrowing base composed of certain eligible accounts receivable and eligible inventory less customary reserves, as redetermined monthly. As of September 30, 2022, the maximum availability under the New ABL Credit Facility was the aggregate lender commitments of \$200.0 million with no borrowings outstanding and \$10.5 million of letters of credit outstanding, resulting in approximately \$189.5 million of remaining availability. The New ABL Credit Facility matures on the earlier of (i) March 4, 2027 and (ii) 91 days prior to the stated maturity of any material indebtedness (other than the First Financial Loan).

On July 25, 2022, the New ABL Credit Facility was amended to add an uncommitted \$100.0 million incremental facility (the “Incremental Facility”), under the terms of which existing lenders can make additional loans (in their sole discretion) under, or new lenders can join, the Incremental Facility and increase the potential size of the New ABL Credit Facility from \$200 million to \$300 million, subject to satisfaction of certain conditions. All other terms and conditions of the New ABL Credit Facility remained substantially unchanged. See Note 19 – Subsequent events.

Borrowings under the New ABL Credit Facility accrue interest based on a three-tier pricing grid tied to average historical availability, and the ABL Borrower may elect for loans to be based on either an Adjusted Term SOFR or a base rate, plus the applicable margin. The interest rate under the New ABL Credit Facility for (a) Adjusted Term SOFR is the applicable margin plus the fluctuating per annum rate equal to Adjusted Term SOFR (with an Adjusted Term SOFR Floor of 0.00%); and (b) Base Rate Loans are the applicable margin plus the fluctuating per annum rate equal to the greatest of the Prime Rate in effect on such day, or the NYFRB Rate in effect on such day plus ½% of 1% and the Adjusted Term SOFR for a one-month Interest Period as published two (2) U.S. Government Securities Business Days prior to such day (or if such day is not a Business Day, the immediately preceding Business Day), plus 1.0%. The applicable margin for Adjusted Term SOFR Loans ranges from 1.50% to 2.00% and for Base Rate Loans ranges from 0.50% to 1.00%, depending on the average daily availability over the last three months under the New ABL Credit Facility. The New ABL Credit Facility bears an unused line fee ranging from 0.250% to 0.375%, depending on the average daily availability over the last three months payable quarterly in arrears. The New ABL Credit Facility also bears customary letter of credit fees. The interest rate was 7.00% as of September 30, 2022.

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The New ABL Credit Facility is subject to customary mandatory prepayments, including a mandatory prepayment if the aggregate unpaid principal balance of revolving loans, agent advances, swingline borrowings, unreimbursed drawings under letters of credit and the undrawn amount of outstanding letters of credit exceeds at any time the lesser of (x) the then applicable borrowing base and (y) the then total effective commitments under the New ABL Credit Facility, in an amount equal to such excess. After the occurrence and during the continuance of a Cash Dominion Period (defined in the New ABL Credit Facility as (a) any period commencing upon the date that availability shall have been less than the greater of (i) 12.5% of the Maximum Credit (which is the lesser of the maximum revolver amount in effect at such time and the borrowing base at such time) and (ii) \$13.3 million for a period of five consecutive business days and continuing until the date on which availability shall have been at least the greater of (y) 12.5% of the Maximum Credit and (z) \$13.3 million for 20 consecutive calendar days or (b) any period commencing on the occurrence of certain specified events of default, and continuing during the period that such specified event of default shall be continuing).

The New ABL Credit Facility contains certain customary representations and warranties and affirmative and negative covenants. The negative covenants include, subject to customary exceptions, limitations on indebtedness, dividends, distributions and certain other payments, investments, acquisitions, prepayments of specified junior indebtedness, amendments of specified junior indebtedness, transactions with affiliates, dispositions, mergers and consolidations, liens, restrictive agreements, sale and leaseback transactions, changes in fiscal periods and changes in line of business.

We are required by the New ABL Credit Facility to maintain minimum liquidity of \$5.0 million at all times. Additionally, when availability is less than the greater of (i) 12.5% of the maximum credit (which is the lesser of the maximum revolver amount in effect at such time and the borrowing base at such time) and (ii) \$10.0 million and continuing until such time as availability has been in excess of such threshold for a period of 20 consecutive calendar days, we are required by the New ABL Credit Facility to maintain a springing Fixed Charge Coverage Ratio (as defined in the New ABL Credit Facility) of at least 1.0 to 1.0, which is tested quarterly during such period. The Company was in compliance with all covenants, and there were no existing defaults or events of default related to the New ABL Credit Facility as of September 30, 2022.

### ***New Term Loan Credit Facility***

On March 4, 2022, ProFrac LLC, ProFrac II, LLC, as borrower (in such capacity, the “Term Loan Borrower”), and certain of the Term Loan Borrower’s wholly owned subsidiaries as obligors, entered into a senior secured term loan credit agreement (the “New Term Loan Credit Facility”), with Piper Sandler Finance LLC, as administrative agent and collateral agent, and the lenders party thereto, providing for a term loan facility in an aggregate amount of \$300 million. On July 25, 2022, the New Term Loan Facility was amended to increase the size of the New Term Loan Facility by \$150.0 million with an uncommitted option to obtain commitments for a potential additional \$100.0 million of delayed draw loans before the earlier to occur of (i) the consummation of the Company’s acquisition of USWS (as defined herein) and (ii) March 31, 2023. The maturity date of the New Term Loan Facility remains the same at March 4, 2025. The Company used a portion of the proceeds from the increased New Term Loan Facility to fund the acquisitions of Monahans and USWS (see Note 14 – Acquisitions and investments and Note 19 – Subsequent events), and used the remainder of the proceeds to pay outstanding debt under the New ABL Credit Facility and/or for other general corporate purposes.

On August 25, 2022, the Term Loan Borrower requested \$80 million of delayed draw loans under the New Term Loan Credit Facility, which was funded by certain existing lenders under the New Term Loan Credit Facility on September 1, 2022. After giving effect to the funding of this delayed draw loan and solely to the extent that the Term Loan Borrower is able to obtain corresponding commitments from the existing lenders and/or new lenders, the Term Loan Borrower may request an additional \$20 million of delayed draw loans under the New Term Loan Credit Facility, subject to the terms and conditions thereof.

As of September 30, 2022, the Term Loan Borrower had approximately \$525.7 million outstanding under the New Term Loan Credit Facility. The New Term Loan Credit Facility matures on March 4, 2025.

Borrowings under the New Term Loan Credit Facility accrue interest at a percentage per annum equal to (a) until October 1, 2022, (i) for SOFR Rate Loans 8.50%, and (ii) for Base Rate Loans, 7.50% and (b) thereafter, based on a two-tier pricing grid tied to Total Net Leverage Ratio (as defined in the New Term Loan Credit Facility), and the Term Loan Borrower may elect for loans to be based on either Adjusted Term SOFR or Base Rate, plus the applicable margin. The interest rate on the New Term Loan Credit Facility for (a) SOFR Rate Loans are the applicable margin plus the fluctuating per annum rate equal to Adjusted Term SOFR (as defined in the New Term Loan Credit Facility), with a SOFR floor of 1.00% and (b) Base Rate Loans are the applicable margin plus the fluctuating per annum rate equal to the highest of (i) the federal funds rate plus 1/2 of 1%, (ii) the interest rate quoted in the print edition of *The Wall Street Journal*, Money Rates Section, as the prime rate in effect, (iii) Adjusted Term SOFR for a one-month interest period as determined on such day, plus 1.0% and (iv) 2.00%.

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The applicable margin for (a) SOFR Rate Loans ranges from 7.25% to 8.00% and (b) Base Rate Loans ranges from 6.25% to 7.00%, depending on the Total Net Leverage Ratio (as defined in the New Term Loan Credit Facility) as of the first day of the then-current fiscal quarter. The interest rate was 11.1% as of September 30, 2022.

The New Term Loan Credit Facility is guaranteed by ProFrac LLC and all of the Term Loan Borrower's material existing subsidiaries and certain direct and indirect future U.S. restricted subsidiaries of the Term Loan Borrower. The New Term Loan Credit Facility is secured by a lien on, and security interest in, substantially all of each such guarantor's assets.

The New Term Loan Credit Facility is subject to quarterly amortization beginning in June 2022, though any excess cash flow payments, reduce the required amortization. Additionally, the New Term Loan Credit Facility is subject to a quarterly mandatory prepayment beginning for the calendar quarter ending on December 31, 2022, in an amount equal to the Applicable ECF Percentage (as defined in the New Term Loan Credit Facility). The Applicable ECF Percentage ranges from 50% of Excess Cash Flow (as defined in the New Term Loan Credit Facility) to 25% of Excess Cash Flow depending on the Total Net Leverage Ratio as of the last day of the applicable fiscal quarter.

Voluntary prepayments of borrowings under the New Term Loan Credit Facility are permitted at any time, in specified minimum principal amounts, subject to reimbursement of the lenders' redeployment costs actually incurred in the case of a prepayment of SOFR Rate Loans other than on the last day of the relevant interest period. Between March 4, 2022 and March 4, 2023, certain prepayments of the New Term Loan Credit Facility are subject to a prepayment premium of 3.00% (or, in the case of any IPO Prepayment (as defined in the New Term Loan Credit Facility), 2.00%). Between March 5, 2023 and March 4, 2024, certain prepayments of the New Term Loan Credit Facility are subject to a 2.00% prepayment premium. After March 4, 2024, but prior to the Stated Termination Date (as defined in the New Term Loan Credit Facility) certain prepayments of the New Term Loan Credit Facility are subject to a 1.00% prepayment premium. No payment or prepayment premium shall be due on account of any payments or prepayments made on the Stated Termination Date.

The New Term Loan Credit Facility contains certain customary representations and warranties and affirmative and negative covenants. The negative covenants include, subject to customary exceptions, limitations on indebtedness, dividends, distributions and certain other payments, investments, capital expenditures, acquisitions, prepayments of specified junior indebtedness, amendments of specified junior indebtedness, transactions with affiliates, dispositions, mergers and consolidations, liens, restrictive agreements, changes in fiscal periods and changes in line of business.

We are required by the New Term Loan Credit Facility to maintain a Total Net Leverage Ratio (as defined in the New Term Loan Credit Facility) (i) of no more than 2.00 to 1.00 for the fiscal quarter ending on June 30, 2022, (ii) of no more than 1.55 to 1.00 for the fiscal quarters ending on September 30, 2022 and December 31, 2022, and (iii) of no more than 1.25 for each fiscal quarter ending on March 31, 2023 and thereafter.

We are required by the New Term Loan Credit Facility to maintain minimum liquidity of \$30.0 million at all times.

The New Term Loan Credit Facility contains customary events of default. If an event of default occurs and is continuing, the lenders may declare all loans to be immediately due and payable. Some events of default require an automatic termination of the loans and become immediately due and payable.

The Company was in compliance with all covenants, and there were no defaults or events of default related to the New Term Loan Credit Facility, as of September 30, 2022.

### ***Backstop Note***

On March 4, 2022, ProFrac LLC borrowed \$22.0 million pursuant to a subordinated promissory note with THRC Holdings, LP ("THRC Holdings") with a stated maturity date of March 4, 2027 (the "Backstop Note"). The Backstop Note bears interest at a percentage per annum equal to 7.4%. Interest under the Backstop Note is paid on a quarterly basis and is solely payable in kind, with such interest amounts being added to the outstanding principal amount of the Backstop Note, until the date that both the New ABL Credit Facility and the New Term Loan Credit Facility shall have been terminated, after which date quarterly interest payments may be paid in kind or in cash.

The Backstop Note is unsecured and subordinated to the indebtedness owing under the New ABL Credit Facility and the New Term Loan Credit Facility.

In June 2022, the Backstop Note was fully paid with net proceeds from the IPO.

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### ***Closing Date Note***

On March 4, 2022, ProFrac LLC borrowed \$22.0 million pursuant to a subordinated promissory note with THRC Holdings with a stated maturity date of March 4, 2027 (the “Closing Date Note”). The Closing Date Note bears interest at a percentage per annum equal to 1.74%. Interest under the Closing Date Note is paid on a quarterly basis and is solely payable in kind, with such interest amounts being added to the outstanding principal amount of the Closing Date Note, until the date that both the New ABL Credit Facility and the New Term Loan Credit Facility shall have been terminated, after which date quarterly interest payments may be paid in kind or in cash.

The Closing Date Note is unsecured and subordinated to the indebtedness owing under the New ABL Credit Facility and the New Term Loan Credit Facility.

In June 2022, the Closing Date Note was fully paid with net proceeds from the IPO.

### ***Equify Bridge Note***

On March 4, 2022, ProFrac II LLC entered into a \$45.8 million subordinated promissory note with Equify Financial with a stated maturity date of March 4, 2027 (the “Equify Bridge Note”). The Equify Bridge Note bears interest at a percentage per annum equal to 1.0%. Interest under the Equify Bridge Note is paid on a quarterly basis and is solely payable in kind, with such interest amounts being added to the outstanding principal amount of the Equify Bridge Note, until the date that both the New ABL Credit Facility and the New Term Loan Credit Facility shall have been terminated, after which date quarterly interest payments may be paid in kind or in cash. In April 2022, the Company repaid \$25.0 million in principal under the Equify Bridge Note.

The Equify Bridge Note is unsecured and subordinated to the indebtedness owing under the New ABL Credit Facility and the New Term Loan Credit Facility.

In April 2022, the Company repaid \$25.0 million in principal under the Equify Bridge Note, resulting in an outstanding balance of \$20.8 million. In June 2022, the Equify Bridge Note was fully paid with net proceeds from the IPO.

### ***Best Flow Credit Facility***

On February 4, 2019, Best Flow entered into a revolving loan credit agreement (the “Best Flow Credit Facility”), with Equify Financial, LLC (“Equify Financial”) as lender. Equify Financial is a related party. The Best Flow Credit Facility provided for a revolving credit facility in an aggregate principal amount at any time outstanding up to \$9.0 million, subject to borrowing base availability. The Best Flow Credit Facility had a maturity date of February 4, 2026.

The interest rate under the Best Flow Credit Facility was the lesser of (i) the Prime Rate (as defined in the Best Flow Credit Facility) plus the applicable margin (3.50%) and (ii) the Maximum Rate (as defined in the Best Flow Credit Facility). All accrued but unpaid interest on the outstanding principal balance is due and payable monthly on the first day of each calendar month. The Best Flow Credit Facility was secured by a first lien on substantially all of the assets of Best Flow.

On March 4, 2022, the Best Flow Credit Facility was extinguished resulting in loss of extinguishment of debt of \$0.3 million.

### ***Best Flow Note***

On January 28, 2021, Best Flow issued a promissory note (the “Best Flow Note”), with Equify Financial, as holder. Equify Financial is a related party. The Best Flow Note provided for a term loan in an initial aggregate principal amount equal to \$13.0 million. Proceeds from the Best Flow Note were utilized to pay down \$7.6 million of outstanding balances on the Best Flow Credit Facility and to pay down other equipment financing agreements for \$5.4 million. The Best Flow Note matures on February 1, 2026, with a fixed interest rate of 8.0%. The principal and interest are paid in equal monthly amortizing amounts through maturity. Prepaid amounts are subject to a 0.19% prepayment premium.

On March 4, 2022, the Best Flow Note was extinguished resulting in loss of extinguishment of debt of \$0.4 million.

### ***Alpine Promissory Note***

In January 2021, Alpine entered into a \$21.4 million promissory note with Equify Financial (“Alpine Note”). Equify Financial is a related party. The Alpine Note amortizes monthly, had an interest rate of 8.0% and had a stated maturity date in February 2027.

On March 4, 2022, the Alpine Note was extinguished resulting in loss on extinguishment of debt of \$0.8 million.



**Flotek Convertible Notes**

On February 2, 2022, Flotek entered into a private investment in public equity transaction (the “PIPE Transaction”) with a consortium of investors to secure growth capital. Pursuant to the PIPE Transaction, Flotek issued \$11.2 million in aggregate initial principal amount of convertible notes payable (“Flotek Convertible Notes”). The Flotek Convertible Notes accrue paid-in-kind interest at a rate of 10% per annum, have a maturity of one year, and are convertible into common stock of Flotek (a) at Flotek’s option if Flotek’s common stock equals or exceeds \$2.50 for 20 trading days during a 30 consecutive trading day period, (b) at the holder’s option at any time prior to maturity, at a price of \$1.088125 per share or (c) at maturity, at a price of \$1.088125 per share. On March 21, 2022, \$3.0 million of Flotek Convertible Notes were converted at a holder’s option into approximately 2.8 million shares of Flotek common stock. The Flotek Convertible Notes are obligations of Flotek and have no recourse or claim against the assets of ProFrac Corp. or its other consolidated subsidiaries.

At September 30, 2022, there was \$8.2 million principal amount of Flotek Convertible Notes outstanding, which were included in the Company’s consolidated financial statements at a carrying value of \$12.7 million.

**Other indebtedness**

As of September 30, 2022 and December 31, 2021, the Company had other debt agreements outstanding with unpaid principal balances of \$0.5 million and \$1.7 million, respectively. At September 30, 2022, other indebtedness included various equipment financing agreements of \$3.4 million. In October 2022, we repaid the remaining \$3.4 million under these agreements. At September 30, 2022, other indebtedness also included a \$4.8 million loan under the Paycheck Protection Program established under the Coronavirus Aid, Relief, and Economic Securities Act held by Flotek.

The following table summarizes the principal maturity schedule for our long-term debt outstanding as of September 30, 2022:

	2022	2023	2024	2025	2026	Thereafter	Total
First Financial loan	\$ 3,789	\$ 15,291	\$ —	\$ —	\$ —	\$ —	\$ 19,080
New ABL Credit Facility	—	—	—	—	—	—	—
New Term Loan Credit Facility	6,571	26,286	26,286	466,583	—	—	525,726
Flotek Convertible Notes	—	12,739	—	—	—	—	12,739
Other.	4,506	3,038	1,907	543	79	386	10,459
Total	\$ 14,866	\$ 57,354	\$ 28,193	\$ 467,126	\$ 79	\$ 386	\$ 568,004

**8. Income taxes**

Before May 12, 2022, the ProFrac Predecessor entities were organized as limited liability companies or a limited partnership and were treated as either a disregarded entity or a partnership for U.S. federal income tax purposes, whereby the ordinary business income or loss and certain deductions were passed-through and reported on the members’ income tax returns. As such, the Company was not required to account for U.S. federal income taxes in the consolidated financial statements. Certain state income-based taxes are imposed on the Company which are reflected as income tax expense or benefit in historical periods. In connection with the IPO in May 2022, the Company reorganized and ProFrac LLC became partially owned by ProFrac Corp., a C-Corporation. ProFrac Corp. is a taxable entity and is required to account for income taxes under the asset and liability method for periods subsequent to May 12, 2022.

During the first nine months of 2022, ProFrac LLC and its members completed the acquisition of FTSI, a C-Corporation. Through a series of transactions, ProFrac LLC obtained ownership of all of the assets and liabilities of FTSI, but the FTSI C-Corporation legal entity was owned by the ProFrac LLC members. In connection with the IPO, the FTSI C-Corporation legal entity merged with a subsidiary of ProFrac Corp., which inherited the tax attributes of the FTSI legal entity.

As of September 30, 2022, the Company had approximately \$161.2 million of net deferred tax assets. The deferred tax assets are driven by the outside basis difference between tax and GAAP in the Company’s outside basis in ProFrac LLC (including \$23.8 million subject to the Tax Receivable Agreement), generated by both the FTSI transaction and the IPO. We have recorded a valuation allowance on the Company’s net deferred tax assets based on our assessment that it is more likely than not that the deferred tax assets will not be realized, with the exception of certain deferred tax assets that are expected to be utilized in the 2022 tax year of approximately \$4.1 million. This valuation allowance assessment is based on the cumulative losses incurred by the Company in recent years. A change in our assessment could cause a decrease to the valuation allowance, which could materially impact our results of operations.

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The Company's effective tax rate ("ETR") from continuing operations is expected to be 5.0% for tax year 2022. After consideration of a 2.4% net state tax rate (inclusive of the Texas Margin tax), the majority of the remaining difference between the federal corporate income tax rate of 21% and our effective tax rate is related to the income that is earned within the financial statement consolidated group that is not subject to tax within the financial statement consolidated group. This is due to the Company not being subject to tax prior to IPO, as well as the amount of post-IPO income that is attributable to the Class B shareholders. As such, the Company's income tax expense for the nine months ended September 30, 2022 is \$13.0 million.

ProFrac LLC is obligated to make cash distributions to PFH Unit holders to fund their respective income tax liabilities relating to their share of the income of ProFrac LLC. At September 30, 2022, the Company recorded a liability for accrued distributions of \$21.1 million to be made to redeemable noncontrolling interest holders to fund their estimated tax payments.

### **9. Tax receivable agreement**

In connection with our IPO, ProFrac Corp. entered into a tax receivable agreement (the "TRA") with certain PFH Unit holders (the "TRA Holders"). The TRA generally provides for payment by ProFrac Corp. to the TRA Holders of 85% of the net cash savings, if any, in U.S. federal, state and local income tax and franchise tax (computed using simplifying assumptions to address the impact of state and local taxes) that ProFrac Corp. actually realizes (or is deemed to realize in certain circumstances) as a result of (i) certain increases in tax basis that occur as a result of ProFrac Corp.'s acquisition (or deemed acquisition for U.S. federal income tax purposes) of all or a portion of such TRA Holder's PFH Units in connection with the IPO or the exercise of the Redemption Right (as defined in the TRA) or the Call Right (as defined in the TRA), and (ii) imputed interest deemed to be paid by ProFrac Corp. as a result of, and additional tax basis arising from, any payments ProFrac Corp. makes under the TRA. ProFrac Corp. will be dependent on ProFrac LLC to make distributions to ProFrac Corp. in an amount sufficient to cover ProFrac Corp.'s obligations under the TRA. ProFrac Corp. will retain the benefit of the remaining 15% of any actual net cash tax savings. The payment obligations under the TRA are ProFrac Corp.'s obligations and not obligations of ProFrac LLC, and we expect that the payments required to be made under the TRA could be substantial.

The term of the TRA commenced upon the completion of the IPO and will continue until all tax benefits that are subject to the TRA have been utilized or expired, unless we experience a Change of Control (as defined in the TRA, which includes certain mergers, asset sales, or other forms of business combinations) or the TRA otherwise terminates early (at our election or as a result of our breach or the commencement of bankruptcy or similar proceedings by or against us) and ProFrac Corp. makes the termination payments specified in the TRA in connection with such Change of Control or other early termination. In the event that the TRA is not terminated, the payments under the TRA could commence in 2023 and will continue for 15 years after the date of the last redemption of the PFH Units.

Payments will generally be made under the TRA as we realize actual cash tax savings from the tax benefits covered by the TRA. However, if we experience a Change of Control or the TRA otherwise terminates early, ProFrac Corp.'s obligations under the TRA would accelerate and ProFrac Corp. would be required to make an immediate payment equal to the present value of the anticipated future payments to be made by it under the TRA. We estimate that such an immediate payment could range up to more the \$500 million. There can be no assurance that we will be able to satisfy our obligations under the TRA.

Estimating the amount and timing of payments that may become due under the TRA is by its nature imprecise. For purposes of the TRA, net cash tax savings generally are calculated by comparing ProFrac Corp.'s actual tax liability (determined by using the actual applicable U.S. federal income tax rate and an assumed combined state and local income and franchise tax rate) to the amount ProFrac Corp. would have been required to pay had it not been able to utilize any of the tax benefits subject to the TRA. The actual increases in tax basis covered by the TRA, as well as the amount and timing of any payments under the TRA, will vary depending on a number of factors, including the timing of any redemption of PFH Units, the price of ProFrac Corp.'s Class A Common Stock at the time of each redemption, the extent to which such redemptions are taxable transactions, the amount of the redeeming PFH Unit holder's tax basis in its PFH Units at the time of the relevant redemption, the depreciation and amortization periods that apply to the increase in tax basis, the amount and timing of taxable income we generate in the future, the U.S. federal income tax rates then applicable, and the portion of ProFrac Corp.'s payments under the TRA that constitute imputed interest or give rise to depreciable or amortizable tax basis.

We account for amounts payable under the TRA when we determine that a liability is probable and the amount is reasonably estimable. At September 30, 2022, the liability from the TRA was \$3.5 million.

## 10. Earnings per share

The numerators and denominators of the basic and diluted earnings per share (“EPS”) computations for our Class A Common Stock are calculated as follows:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<b>Numerator:</b>				
Net income attributable to ProFrac Holding Corp.	\$ 44,930	\$ —	\$ 51,488	\$ —
Net income reallocated to dilutive Class A shares	85	—	72	—
Net income attributable to ProFrac Holding Corp. used for diluted earnings per Class A share	45,015	—	51,560	—
<b>Denominator:</b>				
Weighted-average Class A shares used for basic EPS computation	41,239		40,846	
Dilutive potential of employee restricted stock units	110		81	
Weighted-average Class A shares used for diluted EPS computation	41,349		40,927	
Basic and diluted EPS - Class A Common Stock	\$ 1.09		\$ 1.26	

## 11. Stock-based compensation

### *Stock-based Compensation Related to Deemed Contributions*

In connection with the Company’s IPO, our majority shareholders, Farris Wilks (“Farris”) and Dan Wilks (“Dan”) (together with certain family members or entities they control), sold PFH Units representing approximately 1% of the equity interest in ProFrac LLC to an entity controlled by our Chief Executive Officer, Ladd Wilks (“Ladd”), and our Executive Chairman, Matt Wilks (“Matt”), respectively. These equity interests in ProFrac LLC entitled each of Ladd and Matt to 1,220,978 shares of Class B common stock in ProFrac Corp. These units were sold in exchange for promissory notes. While some of the documentation relating to these transfers was subject to completion, we concluded that both transactions were consummated in connection with the Company’s IPO and, for accounting purposes, should be treated in accordance with ASC Topic 718, *Compensation — Stock Compensation*, as deemed contributions to the Company by Farris and Dan and grants of stock-based compensation to Ladd and Matt by the Company similar to stock options. As no future service period was required and because the promissory notes are prepayable at any time, all related stock-based compensation expense was recognized in the second quarter of 2022. The stock-based compensation expense was \$33.7 million using the Black-Scholes-Merton option-pricing model with an average contractual term of 16.5 years, a volatility rate of 64%, and a 0% dividend yield.

Also in connection with the IPO, Farris engaged in estate planning that may result, subject to other terms and conditions, in additional shares being transferred by Farris to Ladd if the Company’s total market capitalization increases to certain target levels within the next five years, which resulted in a performance award being deemed granted by the Company to Ladd. We concluded that this arrangement should be treated, for accounting purposes, in accordance with ASC Topic 718, *Compensation — Stock Compensation*, as a deemed contribution to the Company by a related party and the grant of stock compensation with market conditions to Ladd by the Company.

The grant date fair value of this award was estimated to be \$45.2 million and will be recognized over the estimated derived service period of approximately one year. The grant date fair value and the derived service period of this award was determined using a Monte Carlo simulation method, which incorporates the possibility that the market capitalization targets may not be satisfied. The Monte Carlo simulation is affected by a number of variables, including the fair value of our underlying common shares (\$18.00 at grant date), the expected common share price volatility over the expected term (79.2%), the expected dividend yield of our common shares over the expected term (0.0%), the risk-free interest rates over the expected term (2.86%), and the performance period of the award (five years).

The derived service period for the award was determined based on the median vesting time for the simulations that achieved the vesting hurdle. Stock-based compensation expense associated with this award will be recognized over the earlier of (i) the derived service period and (ii) the date on which the market condition is satisfied. Stock-based compensation expense of \$10.2 million and \$15.3 million was recognized in the third quarter and first nine months of 2022, respectively. At September 30, 2022, there was \$29.9 million of total unrecognized compensation cost related to this award, which is expected to be recognized over a weighted average period of 0.8 years.

### **2022 Equity and Incentive Compensation Plan**

In May 2022, the Company adopted the ProFrac Holding Corp. 2022 Long Term Incentive Plan (“2022 Plan”) to attract and retain officers, employees, directors, and other key personnel and to provide those persons incentives and awards for performance. The 2022 Plan originally allocated 3,121 thousand shares of our Class A Common Stock in the form of incentive stock options, non-qualified stock options, restricted stock, restricted stock units (“RSUs”), stock appreciation rights, or other stock-based awards. As of September 30, 2022, up to approximately 2,543 thousand shares were available for future grants under the 2022 Plan.

On May 24, 2022, the Company issued 509 thousand RSUs, which had a grant date fair value of \$9.1 million. The RSUs were valued at \$17.90 per share, the market price of our Class A Common Stock on the date of grant. In August 2022, the Company issued 69 thousand RSUs, which had a grant date fair value of \$1.2 million. The RSUs were valued at \$17.85 per share, the market price of our Class A Common Stock on the date of grant. Awards granted vest from one to three years from the date of grant.

Stock-based compensation expense for the Company in the third quarter and first nine months of 2022 for these RSUs was \$2.1 million and \$3.0 million, respectively. The weighted-average grant-date fair value per share of RSUs granted was \$17.89. The fair value of RSUs vested in the third quarter of 2022 was zero. At September 30, 2022, there was \$7.4 million of total unrecognized compensation cost related to unvested RSUs, which is expected to be recognized over a weighted average period of 1.0 years.

## **12. Leases**

Effective January 1, 2022, we adopted the new lease accounting guidance under ASC Topic 842, Leases. The details of the significant changes to our accounting policies resulting from the adoption of the new lease standard are set out below. We adopted the standard using the current period adjustment approach; accordingly, the comparative information as of December 31, 2021, has not been adjusted and continues to be reported under the previous lease standard. Under the new standard, assets and liabilities that arise from all leases are required to be recognized on the balance sheet for lessees. Previously, only capital leases, which are now referred to as finance leases, were recorded on the balance sheet. The adoption of this standard resulted in the recognition of approximately \$35.8 million of operating lease right-of-use assets and operating lease liabilities on our consolidated balance sheet as of January 1, 2022. The adoption of this standard did not materially impact our consolidated results of operations for the three and nine months ended September 30, 2022.

Beginning January 1, 2022, for all leases with a term in excess of 12 months, we recognized a lease liability equal to the present value of the lease payments and right-of-use asset representing our right to use the underlying asset for the lease term. For operating leases, lease expense for lease payments is recognized on a straight-line basis over the lease term and accretion of the lease liability, while finance leases include both an operating expense and an interest expense component. For all leases with a term of 12 months or less, we elected the practical expedient to not recognize lease assets and liabilities. We recognize lease expense for these short-term leases on a straight-line basis over the lease term.

We are a lessee for several operating leases, related primarily to real estate and light duty vehicles. The majority of our operating leases have remaining lease terms of 0 years or less. None of our leases include options to extend the leases, nor do any include options to terminate the leases. The accounting for leases may require judgment, which includes determining the incremental borrowing rates to utilize in our net present value calculation of lease payments for lease agreements which do not provide an implicit rate.

In connection with the completion of the FTSI acquisition, FTSI conveyed to Wilks Development, LLC, an affiliate of ProFrac LLC, substantially all of FTSI’s owned real property, consisting primarily of FTSI’s hydraulic fracturing equipment manufacturing facilities, in exchange for cash consideration of approximately \$44.4 million (the “FTSI Sale Leaseback”). We will lease such real property from Wilks Development, LLC in exchange for aggregate monthly lease payments of \$51.6 million through March 2032. The cash consideration received was \$3.7 million less than the carrying value of these assets. Because this sale was to an affiliate under common control, we accounted for the \$3.7 million as an equity transaction recorded as a deemed distribution within our consolidated statements of changes in equity.

Our leasing activities primarily consist of operating leases for administrative offices, manufacturing and maintenance facilities along with some light duty vehicles. We do not lease any equipment on a long-term basis.

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The following table summarizes the components of our lease costs:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022		2022	
Operating lease costs	\$	3,429	\$	9,030
Short-term lease costs		843		2,199
Total lease costs	\$	4,272	\$	11,229

The following table includes other supplemental information for our operating leases:

(Dollars in thousands)	Nine Months Ended September 30,	
	2022	
Cash paid for amounts included in the measurement of our lease obligations	\$	8,691
Right-of-use assets obtained in exchange for lease obligations	\$	45,412
Right-of-use assets recognized upon adoption of the leasing standard	\$	35,817
Weighted-average remaining lease term		8.1 years
Weighted-average discount rate		5.0 %

The following table summarizes the maturity of our operating leases as of September 30, 2022:

(In thousands)		
Remainder of 2022	\$	3,667
2023		13,378
2024		12,642
2025		11,496
2026		11,537
2027		11,812
2028 and thereafter		38,465
Total lease payments		102,997
Less imputed interest		(20,285)
Total lease liabilities	\$	82,712

### 13. Related party transactions

In the normal course of business, the Company has entered into transactions with related parties where the Wilks (or entities they control) hold a controlling financial interest. During the three and nine months ended September 30, 2022 and 2021, the Company had related party transactions with the following related party entities:

Automatize, LLC (“Automatize”) is a logistics broker that facilitates the last-mile delivery of proppants on behalf of its customers, including the Company. Amounts paid to Automatize include costs passed through to third-party trucking companies and a commission retained by Automatize. These payments are recorded in cost of revenues, exclusive of depreciation and depletion on our consolidated statements of operations.

Cisco Logistics, LLC (“Cisco Logistics”) is a logistics company that delivers sand and equipment on behalf of its customers, including the Company. Amounts paid to Cisco Logistics are recorded in cost of revenues, exclusive of depreciation and depletion on our consolidated statements of operations.

Equify Risk Services, LLC (“Equify Risk”) is an insurance broker that negotiates and secures insurance policies on behalf of its customers, including the Company. Amounts paid to Equify Risk are recorded in selling, general and administrative expenses on our consolidated statements of operations.

Equify Financial, LLC (“Equify Financial”) is a finance company that provides equipment and other financing to its customers, including the Company. Amounts paid to Equify Financial are recorded in interest expenses on our consolidated statements of operations, and repayments of long-term debt on our consolidated statements of cash flows. See Note 7—Indebtedness for additional disclosures related to related party credit agreements.

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

Interstate Explorations, LLC (“Interstate”) is an exploration and development company for which the Company performs pressure pumping services, and from which the Company has a short-term lease for certain office space.

Flying A Pump Services, LLC (“Flying A”) is an oilfield services company which provides pump down and acid services, to which the Company rents and sells equipment and frac fleet components.

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

Wilks Construction Company, LLC (“Wilks Construction”) is a construction company that has built and made renovations to several buildings for the Company, including construction of a new sand plant. Amounts paid to Wilks Construction are recorded in capital expenditures on our consolidated statements of cash flows.

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

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

FHE USA LLC (“FHE”) is a provider of production and well completion equipment used at the wellsite. Its RigLock and FracLock systems remotely connect surface equipment to the wellhead that keeps crews safer and speeds up operations while also reducing the volume of high-pressure iron. Amounts paid to FHE are recorded in capital expenditures on our consolidated statements of cash flows.

The following table summarizes expenditures with related parties for the three and nine months ended September 30, 2022 and 2021:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Automatize	\$ 22,428	\$ 25,228	\$ 72,279	\$ 56,496
FHE	4,025	—	11,302	—
Wilks Brothers	5,503	4,419	14,302	8,926
Related Lessors	1,821	1,604	6,469	4,719
Wilks Construction	9,327	—	22,716	—
Equify Financial	—	1,853	986	1,853
3 Twenty-Three	—	974	247	974
Carbo	863	160	941	513
Cisco Logistics	—	85	—	509
Interstate	—	24	20	56
Equify Risk	—	—	—	3
Other	29	29	149	81
<b>Total</b>	<b>\$ 43,996</b>	<b>\$ 34,376</b>	<b>\$ 129,411</b>	<b>\$ 74,130</b>

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The following table summarizes related party accounts payable as of September 30, 2022 and December 31, 2021:

(In thousands)	September 30,		December 31,	
	2022		2021	
Automatize	\$	15,184	\$	11,198
Wilks Brothers		15,049		9,990
Wilks Construction		4,640		57
Cisco Logistics		1		—
Carbo		0		10
Related Lessors		37		1
Other		0		19
Total	\$	34,911	\$	21,275

The following table summarizes revenue from related parties for the three and nine months ended September 30, 2022 and 2021:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,					
	2022	2021	2022	2021				
Flying A	\$	1,273	\$	573	\$	3,193	\$	2,701
Carbo		31		395		784		574
Wilks Brothers		1		—		4		5
Interstate		4		2		4		113
Other		6		1		7		35
Total	\$	1,315	\$	971	\$	3,992	\$	3,428

The following table summarizes related party accounts receivable as of September 30, 2022 and December 31, 2021:

(In thousands)	September 30,		December 31,	
	2022		2021	
Flying A	\$	2,603	\$	2,412
Cisco Logistics		1,493		1,489
Carbo		96		591
Interstate		316		—
Other		2		23
Total	\$	4,510	\$	4,515

Additionally, in January and February of 2021, ProFrac LLC executed two agreements with one of ProFrac LLC's members for the sale of certain lots of equipment, in exchange for \$8.7 million in cash, an amount that approximates the net book value of the assets. Under these agreements, for any assets subsequently resold by the member, ProFrac LLC will reimburse the member for a certain percentage of the net loss, or conversely be entitled to a certain percentage of the net gain, at rates established in the agreements. As of September 30, 2022, substantially all of the assets have been sold by the member.

On February 4, 2022, THRC Holdings entered into a Rights Agreement with Encantor Properties LP, one of the sellers from whom the Company purchased the Munger Ranch property, under which the related party was assigned rights to \$8.1 million of the \$30.0 million in consideration related to the Munger purchase. As part of the IPO completed in May 2022, the sellers of Munger Ranch were issued 2,114,273 shares of Class A Common Stock in exchange for the \$0.0 million consideration related to the Munger Ranch purchase.

## 14. Acquisitions and investments

### *FTS International, Inc.*

On March 4, 2022, the Company acquired the outstanding stock of FTSI for a purchase price of \$405.7 million, consisting of cash consideration of \$332.8 million, and THRC Holdings' equity interest of \$72.9 million ("THRC FTSI Related Equity").

Immediately following the closing of the cash acquisition pursuant to the Agreement and Plan of Merger, dated as of October 21, 2021, by and among FTSI, ProFrac LLC and ProFrac Acquisitions, Inc. (the "FTSI Merger Agreement"), ProFrac LLC distributed the 80.5% of the FTSI equity it acquired in such merger to Farris Wilks and THRC Holdings in a manner that resulted in each of them

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owning 50% of FTSI (the “FTSI Distribution”), with THRC Holdings receiving a smaller share of the FTSI Distribution and instead retaining certain preferred equity in ProFrac LLC in lieu of its redemption in connection with such distribution. The THRC FTSI Related Equity was the result of a transaction whereby THRC Holdings, which owned approximately 19.5% of FTSI, agreed to retain that interest in FTSI in lieu of receiving cash pursuant to the FTSI Merger Agreement.

We have accounted for the acquisition of FTSI using the acquisition method of accounting. We used our best estimates and assumptions to assign fair value to the tangible and intangible assets expected to be acquired and liabilities expected to be assumed at the acquisition date. The majority of the measurements of assets acquired and liabilities assumed are based on inputs that are not observable in the market and thus represent Level 3 inputs.

The following table summarizes the preliminary allocation of the purchase price:

<b>(In thousands)</b>	
<b>Assets acquired:</b>	
Cash and cash equivalents	\$ 53,771
Accounts receivable	89,268
Prepaid expense and other assets	4,037
Inventories	42,344
Property, plant and equipment	307,113
Operating lease ROU asset	2,748
Intangible assets	1,239
Other assets	1,583
Total assets acquired	502,103
<b>Liabilities assumed:</b>	
Accounts payable	62,985
Accrued expenses	19,308
Operating lease liability current	1,235
Current portion of debt	10,136
Other current liabilities	309
Operating lease liability non-current	1,512
Other non-current liabilities	928
Total liabilities assumed	96,413
Net assets acquired	\$ 405,690

The allocation of the purchase price to FTSI’s net tangible assets and liabilities and identifiable intangible assets as of March 4, 2022, is preliminary and subject to revisions to the fair value calculations for the identifiable assets and liabilities. The determination and allocation of the purchase consideration are subject to change during the measurement period, up to one year from the date the acquisition closed.

For the three months ended March 31, 2022, our revenues and pretax earnings included \$8.6 million and \$0.1 million loss, respectively, associated with the FTSI acquired operations after the closing on March 4, 2022. In addition, FTSI acquisition-related costs of approximately \$3.7 million were incurred during the three months ended March 31, 2022, consisting of external legal and consulting fees. These costs are classified in selling, general and administrative expense in the consolidated statements of operations. Additionally, we incurred \$9.3 million in severance costs in connection with the FTSI acquisition, which are classified in selling, general and administrative expense in the consolidated statements of operations. Throughout the second quarter of 2022, we integrated FTSI’s operations. As a result, we track all stimulation services assets as one group and it would be impracticable to separately report FTSI revenues or pretax earnings subsequent to March 31, 2022.

### **Flotek Industries, Inc.**

On February 2, 2022, we entered into an agreement with Flotek Industries, Inc. (“Flotek”), pursuant to which Flotek will provide full downhole chemistry solutions for a minimum of ten hydraulic fleets for three years starting on April 1, 2022, at a price of cost plus 7% (“Flotek Supply Agreement”). In exchange for entry into the Flotek Supply Agreement, we received \$10 million in initial principal amount of Flotek Convertible Notes and acquired an additional \$0 million in principal amount of Flotek Convertible Notes in the PIPE Transaction. Our equity ownership in Flotek on a fully diluted basis as a result of this investment is approximately 17%. In addition, we received the right to designate up to two directors to Flotek’s board of directors.



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On February 16, 2022, we and Flotek agreed to amend the Flotek Supply Agreement to increase the term to ten years and increase the scope to 30 fleets. In exchange for our entry into the amendment to the Flotek Supply Agreement (the “Flotek Supply Agreement Amendment”), Flotek agreed to issue us \$50 million in initial principal amount of Flotek Convertible Notes that will be convertible into Flotek common stock. The Flotek Supply Agreement Amendment and issuance to us of additional Flotek Convertible Notes were conditioned upon customary closing conditions including the approval of Flotek’s shareholders. In May 2022, the Flotek shareholders approved the Convertible Notes issuance and the Flotek Supply Agreement Amendment. Our equity ownership in Flotek on a fully diluted basis after the consummation of these transactions is approximately 43%, and we are permitted to designate two additional directors, or up to four directors to Flotek’s board of directors. Because of our power to appoint directors to the board of directors without a direct equity interest in Flotek, we determined that Flotek is a VIE. We further determined that the Company is the primary beneficiary of the VIE, primarily due to our ability to appoint four of seven directors to Flotek’s board of directors. As a result, subsequent to May 17, 2022, we have accounted for this transaction as a business combination using the acquisition method of accounting and Flotek’s financial statements have been included in our consolidated financial statements from May 17, 2022. As we had no direct equity interest in Flotek during 2022, we allocated 100% of Flotek’s loss to noncontrolling interests in our consolidated financial statements.

The Flotek Supply Agreement Amendment includes a minimum annual volume commitment whereby we will be obligated to pay Flotek liquidated damages equal to 25% of the shortfall for such year, should we fail to meet the minimum purchase amount. At May 17, 2022, we had a supply agreement contract liability of \$9.9 million, which was included as purchase consideration for Flotek as a settlement of a pre-existing relationship. All effects of the Supply Agreement have been eliminated from our consolidated financial statements subsequent to May 17, 2022.

The notes issued to ProFrac accrue paid-in-kind interest at a rate of 10% per annum, have a maturity of one year, and convert into common stock of Flotek (a) at the holder’s option at any time prior to maturity, at a price of \$1.088125 per share, (b) at Flotek’s option, if the volume-weighted average trading price of Flotek’s common stock equals or exceeds \$2.50 for 20 trading days during a 30 consecutive trading day period, or (c) at maturity, at a price of \$0.8705 (the “Convertible Notes”). We initially recognized the Convertible Notes with an initial principal balance of \$20 million at \$20 million. At May 17, 2022, we estimated the fair value of these Convertible Notes to be \$0.2 million, which was included as purchase consideration for Flotek as a settlement of a pre-existing relationship. All effects of the Flotek Convertible Notes have been eliminated from our consolidated financial statements subsequent to May 17, 2022.

Before May 17, 2022, we designated our investment in the Flotek Convertible Notes as trading securities. Securities designated as trading securities are reported at fair value, with gains or losses resulting from changes in fair value recognized in net investment income on the consolidated statements of operations. For the period from February 2, 2022 through May 17, 2022 we recognized noncash income of \$10.2 million as other (expense) income on our consolidated statements of operations related to the change in fair value of the Flotek Convertible Notes.

In June 2022, Flotek issued and sold to ProFrac II LLC, a wholly-owned subsidiary of ProFrac LLC, pre-funded warrants to purchase from Flotek up to approximately 3.1 million shares of Flotek common stock at any time and at an exercise price equal to \$0.0001 per share, in exchange for \$19.5 million in cash. ProFrac II LLC and its affiliates may not receive any voting or consent rights in respect of these warrants or the underlying shares unless and until (i) Flotek has obtained approval from a majority of its shareholders excluding ProFrac II LLC and its affiliates and (ii) ProFrac II LLC has paid an additional \$4.5 million to Flotek. We entered into this transaction to provide additional working capital to Flotek to enable it to perform under the Flotek Supply Agreement Amendment. These pre-funded warrants have been eliminated from our consolidated financial statements.

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The following table summarizes the preliminary allocation of the fair value of Flotek's assets, liabilities and noncontrolling interest:

(In thousands)

<b>Settlement of pre-existing relationships</b>	
Accounts payable	\$ (2,713)
Supply Agreement contract liability	(9,874)
Fair value of previously held interest in 10% Convertible PIK Notes	30,220
Settlement of pre-existing relationships	\$ 17,633
<b>Assets acquired</b>	
Cash and cash equivalents	\$ 21,725
Restricted cash	40
Accounts receivable	18,853
Inventories	12,210
Assets held for sale	1,805
Other current assets	3,405
Property and equipment	21,551
Operating lease right-of-use assets	3,884
Deferred tax assets	282
Goodwill	82,340
Other long-term assets	17
Total assets acquired	166,112
<b>Liabilities assumed:</b>	
Accounts payable and accrued liabilities	24,203
Operating lease liabilities	7,394
Finance lease liabilities	79
Long-term debt	17,101
Other liabilities	85
Total liabilities assumed	48,862
Noncontrolling interests	99,617
Assets acquired less liabilities assumed and noncontrolling interests	\$ 17,633

We used our best estimates and assumptions to assign fair value to the tangible and intangible assets acquired and liabilities assumed at the acquisition date. The majority of the measurements of assets acquired and liabilities assumed are based on inputs that are not observable in the market and thus represent Level 3 inputs. The fair value of the noncontrolling interest was based on the Flotek common stock price reported by the New York Stock Exchange at the date of the acquisition, which represented Level 1 inputs. No portion of the recorded goodwill is tax deductible.

For the nine month period ended September 30, 2022, our revenues and pretax earnings included \$1.2 million and \$21.1 million loss, respectively, associated with the Flotek acquired operations after May 17, 2022. The entire pretax loss was allocated to noncontrolling interests.

The allocation of the purchase price to Flotek's net tangible assets and liabilities and identifiable intangible assets as of May 17, 2022, is preliminary and subject to revisions to the fair value calculations for the identifiable assets and liabilities. The determination and allocation of the purchase consideration are subject to change during the measurement period, up to one year from the date the acquisition closed.

### *SP Silica of Monahans, LLC*

On July 25, 2022, the Company acquired 100% of the issued and outstanding membership interests of each of SP Silica of Monahans, LLC and SP Silica Sales, LLC (collectively "Monahans"), the West Texas subsidiaries of Signal Peak Silica, for a purchase price of \$97.7 million in cash. This purchase price is subject to a working capital adjustment that will be finalized in the fourth quarter of 2022.

We have accounted for the acquisition of Monahans using the acquisition method of accounting. We used our best estimates and assumptions to assign fair value to the tangible and intangible assets acquired and liabilities assumed at the acquisition date. The

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majority of the measurements of assets acquired and liabilities assumed are based on inputs that are not observable in the market and thus represent Level 3 inputs.

The following table summarizes the preliminary allocation of the purchase price:

<b>(In thousands)</b>	
<b>Assets acquired:</b>	
Cash and cash equivalents	\$ 61
Accounts receivable	11,117
Prepaid expense and other assets	596
Inventories	3,148
Property, plant and equipment	103,665
Intangible assets	7,500
Goodwill	15,233
Other assets	8,916
Total assets acquired	150,236
<b>Liabilities assumed:</b>	
Accounts payable	9,783
Accrued expenses	1,035
Deferred revenue	4,335
Current portion of debt	45
Other current liabilities	15,757
Long-term debt	25
Other non-current liabilities	21,596
Total liabilities assumed	52,576
Net assets acquired	\$ 97,660

Throughout the third quarter of 2022, we integrated Monahans operations. As a result, we track all proppant production assets as one group and it would be impracticable to separately report Monahans revenues or pretax earnings subsequent to the acquisition date.

The allocation of the purchase price to Monahans net tangible assets and liabilities and identifiable intangible assets as of July 25, 2022, is preliminary and subject to revisions to the fair value calculations for the identifiable assets and liabilities. The determination and allocation of the purchase consideration are subject to change during the measurement period, up to one year from the date the acquisition closed.

The following unaudited pro forma results of operations have been prepared as though the FTSI, Flotek, and Monahans acquisitions had been completed on January 1, 2021. Pro forma amounts are based on the purchase price allocation of the significant acquisition and are not necessarily indicative of the results that may be reported in the future.

<b>(In thousands)</b>	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Revenue	\$ 705,900	\$ 303,267	\$ 1,763,830	\$ 852,069
Net income (loss)	\$ 144,895	\$ (40,763)	\$ 195,268	\$ (136,403)

### ***Basin Production and Completion LLC***

During the year ended December 31, 2021, the Company purchased Series B-1 Preferred Units of Basin Production and Completion LLC (“BPC”), a manufacturer of equipment used in hydraulic fracturing for \$4.2 million. This comprises approximately 20% of the BPC Series B Preferred Units. As of December 31, 2021, we did not exercise significant influence over this entity. As we determined this to be an equity security, we initially recorded our investment at cost, presented as “Investments” in our consolidated balance sheets as of December 31, 2021.

On February 9, 2022, the Company entered into an agreement to purchase all the series A-1 and B-1 preferred units of BPC for \$46.0 million (“Basin Units Acquisition”), consisting of \$40.0 million to BPC for series A-1 and B-1 preferred units and \$6.0 million to selling holders of BPC series B-1 preferred units. Additionally, on February 14, 2022, the Company made a loan to FHE, a subsidiary of BPC for \$1.25 million. The loan bears interest at the rate of 5% per annum. Interest is either paid at each calendar quarter end or added to the principal balance at the election of BPC. The loan matures on February 14, 2027.

Subsequent to February 9, 2022, our investments in BPC provide the Company the ability to have significant influence, but not control over BPC’s operations. BPC’s business and affairs are managed under the direction of its board of directors, which the Company does not control. Based on our evaluation, we determined that BPC is a VIE, but the Company is not the primary beneficiary of the VIE. We have elected the fair value option to account for our equity method investment in BPC. See Note 16 — Fair Value of Financial Interests for more information on our investments using Level 3 measurements. At September 30, 2022, the estimated fair value of these investments in BPC was \$49.8 million.

### ***EKU***

On December 22, 2020, the Company purchased a 25% stake in EKU, an equipment manufacturer based in Germany, for \$1.2 million. For the year ended December 31, 2020, we accounted for this investment using the equity method as we had significant influence over EKU, and held a voting interest of 20% or greater, but less than 50%. In January 2021, the Company obtained a controlling interest in EKU, the results of which are consolidated thereafter.

The Company obtained a 75% controlling interest in EKU in January 2021 and performed a purchase price allocation in conjunction with the consolidation of this subsidiary. We recognized net working capital of \$2.5 million, property, plant and equipment of \$0.4 million, intangible assets of \$3.5 million and debt of \$1.4 million at estimated fair value. In consolidation, we eliminated our investment in associate, recognized equity of \$3.7 million for the value of our 75% interest, and noncontrolling interest of \$1.2 million for the value of the minority shareholder positions. See Note 6 – Intangible Assets for additional information related to the recognized intangible assets.

### ***Munger Ranch***

The Company entered into an agreement to acquire property in West Texas (“Munger Right Agreement”) in November 2021 for a purchase price of \$0.0 million. Under the Munger Right Agreement, the sellers were given the option to receive the consideration in cash, or in the event of an IPO prior to November 17, 2022, in equity, at the sellers’ election. Under the equity option, in the event the Company completes an IPO, the sellers would be entitled to 1.5% of the outstanding shares of common stock immediately following the IPO. Each seller ultimately elected the equity option, as such this was a non-cash transaction for the Company for the year ended December 31, 2021.

The Munger Right Agreement includes a ‘Make Whole’ provision. Under the Make Whole provision, if any seller liquidates 100% of the shares of our Class A Common Stock they are issued prior to the one-year anniversary of the IPO and the value of the shares sold does not equal such seller’s share of the \$30.0 million purchase price, then the Company will pay the difference between the amount of cash the seller would have received had they elected the cash option and the amount they ultimately received upon the sale of the Class A shares issued under the equity option. This Make Whole provision is accounted for as a written put option with a fair value of \$5.0 million as of September 30, 2022 and is presented within Other Current Liabilities in our Balance Sheet. The acquired property was treated as an asset acquisition and not an acquisition of a business, and is presented within Property, plant, and equipment in our consolidated balance sheets.

On February 4, 2022, THRC Holdings entered into a Rights Agreement with Encantor Properties LP, one of the sellers from whom the Company purchased the Munger Ranch property, under which the related party was assigned rights to \$8.1 million of the \$30.0 million in consideration related to the Munger Ranch purchase.

As part of the IPO completed in May 2022, the Company issued 2,114,273 shares of Class A Common Stock worth \$8.1 million as consideration for the Munger Ranch purchase.

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### *iO-TEQ, LLC*

The Company acquired iO-TEQ, LLC (“IOT”) in October 2021 for \$2.2 million and performed a purchase price allocation at the acquisition date. We recognized net working capital of \$0.2 million, property, plant and equipment of \$0.1 million, intangible assets of \$2.4 million and debt of \$0.4 million at estimated fair value. See Note 6 – Intangible Assets for additional information related to the recognized intangible assets.

### *Best Flow minority interests*

In December 2021, the Company entered into an agreement with Eagleton Venture, Inc. (“Eagleton”) to purchase Eagleton’s 5.172% interest in Best Flow for a purchase price of \$3.9 million, which the company paid in cash, during the three months ended March 31, 2022.

## 15. Goodwill

The changes in the carrying amount of goodwill by reportable segment were as follows for the nine months ended September 30, 2022.

	Stimulation services	Manufacturing	Proppant production	Other	Total
Balances at December 31, 2021	\$ —	\$ —	\$ —	\$ —	\$ —
Acquisition of Flotek	—	—	—	82,340	82,340
Acquisition of Monahans	—	—	15,233	—	15,233
Balances at September 30, 2022	\$ —	\$ —	\$ 15,233	\$ 82,340	\$ 97,573

## 16. Fair value of financial instruments

Assets and liabilities recorded on a recurring basis in the balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair values.

The Company’s financial instruments and investments that are carried at fair value consist mainly of Level 3 assets. Level 3 assets that have been measured on a recurring basis during 2022 relate to the Company’s investments in (i) Convertible Notes of Flotek, designated as trading securities up to the acquisition date of Flotek and (ii) the equity method investment in BPC, for which we elected the fair value option, as described in Note 14 – Acquisitions and investments. The Company did not have any assets or liabilities measured at fair value using Level 2 of the fair value hierarchy at September 30, 2022. We had no Level 2 or Level 3 assets or liabilities as of December 31, 2021.

The estimated fair value of the BPC investment as of September 30, 2022 was determined using a combination of the market and income approaches.

The following table sets forth the fair value of the Company’s financial instruments within Level 3 of the fair value hierarchy.

(In thousands)	September 30, 2022
	Level 3
BPC Investment	49,752
Total	\$ 49,752

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The following is a reconciliation of the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) from inception to September 30, 2022:

(In thousands)	
	<b>Level 3</b>
Fair value as of January 1, 2022	\$ —
Acquisition of Flotek Convertible Notes	20,000
Acquisition of investment in BPC	47,202
Transfer of cost method investment to Level 3 fair value measurement	4,244
Change in fair value of Level 3 fair value measurements	8,100
Fair value as of March 31, 2022	\$ 79,546
Change in Flotek fair value up to acquisition date	2,120
Elimination of Flotek convertible notes at acquisition date	(30,220 )
Change in BPC fair value	(1,694 )
Fair value as of September 30, 2022	\$ 49,752

The estimated fair value of the Flotek Convertible Notes prior to our consolidation of Flotek on May 17, 2022 was valued using a Monte Carlo simulation with inputs such as the market trading price of Flotek's common stock, the expected volatility of the Flotek's stock price based on historical trends, a risk-free rate of interest based on US Treasury note rates and the term of the debt, the time to liquidation based on the maturity date of the notes, and a discount rate adjusted based on the credit risk of Flotek.

The key inputs into the Monte Carlo simulation used to estimate the fair value the Convertible Notes were as follows:

	May 17, 2022	March 31, 2022
Risk-free interest rate	1.82 %	1.63 %
Expected volatility	90.0 %	90.0 %
Term until liquidation (years)	0.72	0.84
Stock price	\$ 1.29	\$ 1.26

## 17. Commitments and contingencies

### Litigation

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

*Patterson v. FTS International Manufacturing, LLC and FTS International Services, LLC*: On June 24, 2015, Joshua Patterson filed a lawsuit against the Company in the 115th Judicial District Court of Upshur County, Texas, alleging, among other things, that the Company was negligent with respect to an automobile accident in 2013. Mr. Patterson sought monetary relief of more than \$1 million. On July 19, 2018, a jury returned a verdict of approximately \$100 million, including punitive damages, against the Company. The trial court reduced the judgment on November 12, 2018, to approximately \$33 million. The Company's insurance carriers appealed and the Twelfth Court of Appeals reversed the verdict in its entirety on August 26, 2020, remanding the case for a new trial. The Company's insurance carriers are currently appealing one of the appellate findings with the Texas Supreme Court. No new trial date has been set. While the outcome of this case is uncertain, the Company has met its insurance deductible for this matter and we do not expect the ultimate resolution of this case to have a material adverse effect on our consolidated financial statements.

*Lonestar Prospects, Ltd. d/b/a Vista Sand v. ProFrac Services, LLC*: ProFrac Services, LLC ("ProFrac Services") entered into a Master Purchase Agreement For Products And/Or Services with Lonestar Prospects, Ltd. d/b/a Vista Sand ("Vista"), dated November 27, 2017 (the "Vista MSA"), as amended by the First Addendum to Vista MSA and the First Amendment to Vista MSA, both of which are dated June 10, 2018 (collectively, the "Vista Agreement"). Under the terms of the Vista Agreement, ProFrac Services agreed to purchase certain quantities of sand from Vista. Vista filed a complaint against ProFrac Services in the United States Bankruptcy Court for the Northern District of Texas on March 15, 2021, in which it alleges that ProFrac Services breached the terms of the Vista Agreement by failing to purchase the required amount of sand or pay for the underpurchased amounts as required by the Vista Agreement. Vista is seeking damages of approximately \$8.3 million. Vista and ProFrac Services have entered into a mutually

agreed upon Scheduling Order signed by the Court on February 12, 2022. Trial docket call for this matter is currently scheduled for December 5, 2022.

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

## **18. Segment information**

Our business has three reportable segments: Stimulation services, Manufacturing and Proppant production. Each reportable segment represents a separate business unit that operated as a standalone company prior to the reorganization of the Company in December 2021. Following the reorganization, each reportable segment continues to have distinct management and prepares discrete financial information for the segment (consistent with when each operated as a standalone business). FTSI is part of our stimulation services segment and Monahans is part of our proppant production segment. Amounts in the other category reflect our business activities that are not separately reportable, which primarily included Flotek for the periods presented. Our chief operating decision makers review the discrete segment financial information, including Adjusted EBITDA as the measure of profitability, to evaluate the performance of our segments and make resource allocation decisions.

We account for intersegment transactions as if the transactions were with third parties, that is, at estimated current market prices. For the three and nine months ended September 30, 2022 and 2021, intersegment revenues for the manufacturing segment were 95% and 91% and 91% and 88%, respectively. For the three and nine months ended September 30, 2022 and 2021, intersegment revenues for the proppant production segment were 56% and 46% and 61% and 40%, respectively.

The performance of our segments is evaluated primarily on Adjusted EBITDA. We define Adjusted EBITDA as our net income (loss), before (i) interest expense, net, (ii) income tax provision, (iii) depreciation, depletion and amortization, (iv) loss on disposal of assets, and (v) stock-based compensation, and (vi) other unusual or non-recurring charges, such as costs related to our initial public offering, non-recurring supply commitment charges, certain bad debt expense, loss on extinguishment of debt and gain on investments.

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Segment information, and a reconciliation of Adjusted EBITDA, for the three and nine months ended September 30, 2022 and 2021 is as follows:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<b>Revenues</b>				
Stimulation services	\$ 668,578	\$ 190,723	\$ 1,581,289	\$ 502,932
Manufacturing	48,742	19,861	115,602	50,741
Proppant production	24,642	6,399	54,581	19,769
Other	46,872	—	62,231	—
Total segments	788,834	216,983	1,813,703	573,442
Eliminations	(92,104)	(21,052)	(182,149)	(53,106)
Total	\$ 696,730	\$ 195,931	\$ 1,631,554	\$ 520,336
<b>Adjusted EBITDA</b>				
Stimulation services	\$ 249,557	\$ 31,599	\$ 519,214	\$ 75,027
Manufacturing	8,416	502	27,798	3,181
Proppant production	9,198	2,417	29,657	8,069
Other	(11,072)	—	(18,526)	—
Adjusted EBITDA for reportable segments	256,099	34,518	558,143	86,277
Interest expense, net	(16,261)	(6,896)	(38,984)	(19,118)
Depreciation, depletion and amortization	(68,758)	(35,241)	(177,038)	(105,606)
Income tax benefit (provision)	(8,157)	(170)	(13,021)	138
Loss on disposal of assets, net	(667)	(3,397)	(2,656)	(7,472)
Loss on extinguishment of debt	(242)	—	(17,337)	—
Litigation accrual	—	—	(4,000)	—
Stock compensation expense	(2,719)	—	(4,174)	—
Stock compensation expense related to deemed contributions	(10,207)	—	(49,056)	—
Bad debt expense, net of recoveries	—	(2,562)	(5)	(2,562)
Loss on foreign currency transactions	80	(116)	126	(116)
Reorganization costs	—	(211)	(55)	(211)
Acquisition related expenses	(5,806)	—	(22,888)	—
Unrealized gain on investments, net	—	—	8,526	—
Net income (loss)	\$ 143,362	\$ (14,075)	\$ 237,581	\$ (48,670)

Segment information as of September 30, 2022 and December 31, 2021 is as follows:

(In thousands)	September 30, 2022	December 31, 2021
<b>Total assets</b>		
Stimulation services	\$ 1,663,989	\$ 510,579
Manufacturing	140,396	77,968
Proppant production	298,138	100,294
Other	196,946	—
Total segment assets	2,299,469	688,841
Eliminations	(320,185)	(24,271)
Total	\$ 1,979,284	\$ 664,570



## 19. Subsequent events

### *Acquisition of U.S. Well Services, Inc.*

On November 1, 2022, the Company acquired U.S. Well Services, Inc. (NASDAQ: USWS) (“USWS”) in a stock-for-stock merger transaction pursuant to the Agreement and Plan of Merger (the “USWS Merger Agreement”), dated as of June 21, 2022, by and among the Company, USWS and Thunderclap Merger Sub I, Inc., a Delaware corporation and an indirect subsidiary of the Company (“Merger Sub”). Pursuant to the terms and conditions of the USWS Merger Agreement, on November 1, 2022, Merger Sub merged with and into USWS, with USWS surviving the merger as the surviving corporation and an indirect subsidiary of the Company. At the effective time of the merger, each share of USWS Class A Common Stock was converted automatically into the right to receive 0.3366 shares of the Company’s Class A Common Stock. As a result of this transaction, the Company issued an aggregate of approximately 12.9 million shares of its Class A Common Stock to holders of USWS Class A Common Stock, USWS Series A Preferred Stock, USWS Equity Linked Convertible Notes (as such terms are defined in the USWS Merger Agreement), and USWS equity awards. The equity issued, based on the Company’s Class A Common Stock 10-day VWAP as of October 31, 2022, was approximately \$270 million. In addition, the Company used cash to retire approximately \$170 million of USWS debt, leaving approximately \$35 million of various forms of equipment related financing outstanding.

Pursuant to the terms of the USWS Merger Agreement, the Company assumed the obligations of USWS under certain of its public and private warrants, including those that traded on NASDAQ. These warrants now represent the right to receive, upon valid exercise thereof, shares of the Company’s Class A Common Stock in an amount equal to the product of (i) the number of shares of USWS Class A Common Stock subject to such warrant immediately prior to the effective time of the merger and (ii) 0.3366. The assumed public warrants are traded on NASDAQ under the symbol “ACDCW.” In addition, pursuant to a warrant purchase agreement entered into concurrently with the execution of the USWS Merger Agreement, the Company purchased all of the outstanding February Term C Loan Warrants and March Term C Loan Warrants (as such terms are defined in the USWS Merger Agreement) of USWS from their holders for total aggregate consideration of approximately \$2.6 million, which warrants were automatically canceled and ceased to exist as of the effective time of the merger.

In connection with the Company’s acquisition of USWS, the ABL Borrower borrowed approximately \$164 million under the Amended ABL Credit Facility (as defined herein). See below for additional discussion regarding the Amended ABL Credit Facility.

Dan Wilks and Farris Wilks, together with certain of their affiliates, (collectively, the “Wilks Parties”) collectively hold a controlling interest in the Company. Certain Wilks Parties also owned certain securities of USWS. Upon the consummation of the merger, the Wilks Parties received approximately 4.1 million shares of ProFrac Class A Common Stock as merger consideration.

The accounting for this acquisition is in process and will be completed in the fourth quarter.

### *Amendment to New Term Loan Credit Facility.*

On November 1, 2022, the Company entered into a second amendment to the New Term Loan Credit Facility (as amended, the “Amended New Term Loan Credit Facility”), pursuant to which the Agent and the Required Lenders have agreed to: (a) consent to (i) the Amended ABL Credit Facility; (ii) certain existing debt of U.S. Well Services Holdings, LLC (successor by conversion to USWS), a Delaware limited liability company (“U.S. Well LLC”), and each of its subsidiaries (collectively, the “U.S. Well Entities”), remaining outstanding (the “U.S. Well Debt”) following the Company’s acquisition of USWS; (iii) the corresponding liens on the assets of the U.S. Well Entities securing such U.S. Well Debt (the “U.S. Well Liens”) remaining outstanding following the acquisition; and (iv) any restrictions existing under the agreements evidencing the U.S. Well Debt, which would otherwise be prohibited under the Amended Term Loan Credit Facility and (b) waive any defaults and/or events of default arising as a result of the defaults and/or events of default existing under the agreements evidencing the U.S. Well Debt, including without limitation, as a result of the consummation of the First Amendment Acquisition (as defined in the Amended Term Loan Credit Facility) with respect to the U.S. Well Entities, subject to the terms and conditions set forth in the Amended Term Loan Agreement. Immediately following consummation of the Company’s acquisition of USWS, the U.S. Well Debt was repaid in full and the U.S. Well Liens were all released.

*Amendment to New ABL Credit Facility.*

On November 1, 2022, the Company entered into a second amendment to the New ABL Credit Facility (as amended, the “Amended ABL Credit Facility”), pursuant to which the Agent and the Lenders have agreed to: (a) consent to U.S. Well LLC and its subsidiaries becoming Restricted Subsidiaries (as defined in the Amended Term Loan Credit Facility) of ProFrac LLC immediately prior the payment in full of certain U.S. Well Debt and the termination and release of certain U.S. Well Liens and agree that the existence of such debt or liens any restrictions in the applicable documents will not trigger a default or event of default under the Amended ABL Credit Facility and (b) waive any defaults and/or events of default under the ABL Credit Facility and the other applicable loan documents solely relating to or arising from (i) U.S. Well and its subsidiaries becoming Restricted Subsidiaries of ProFrac LLC immediately prior the payment in full of the certain of the U.S. Well Debt and the termination and release of certain U.S. Well Liens and (ii) any defaults and/or events of default existing under the applicable documents which govern the U.S. Well Debt, including without limitation, as a result of the consummation of the Merger, subject to the terms and conditions set forth in the Amended ABL Credit Facility.

Under the Amended ABL Credit Facility, (i) the aggregate Maximum Revolver Amount (as defined in the Amended ABL Credit Facility) was increased from \$200.0 million to \$280.0 million as of the Second Amendment Effective Date (as defined in the Amended ABL Credit Facility) and (ii) the Borrower is entitled to request up to \$20.0 million of additional Revolving Credit Commitment Increases (as defined in the Amended ABL Credit Facility) after the Second Amendment Effective Date subject to certain terms and conditions provided that, as of the Second Amendment Effective Date, such additional Revolving Credit Commitment Increases are uncommitted.

In connection with the Company’s acquisition of USWS, the ABL Borrower borrowed approximately \$164 million under the Amended Credit Facility. Immediately prior to this draw down, there were no amounts outstanding under the Amended ABL Credit Facility.

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

### Management’s discussion and analysis of financial condition and results of operations

#### Recent Developments

##### *Initial Public Offering*

On May 12, 2022, we completed our initial public offering (“IPO”) of 16,000,000 shares of our Class A Common Stock at a public offering price of \$18.00 per share. On June 6, 2022, an over-allotment option was exercised resulting in an additional 2,228,153 shares of Class A Common Stock being priced at \$18.00 per share. The IPO and exercise of the over-allotment option generated combined net proceeds of \$303.9 million, after deducting underwriter discounts and commissions and estimated offering costs.

In connection with our IPO, we entered into the transactions described in our Current Report on Form 8-K filed with the SEC on May 18, 2022.

##### *Corporate Reorganization*

Pursuant to a master reorganization agreement (the “Master Reorganization Agreement”) dated May 12, 2022, by and among the Company, ProFrac Holdings, LLC (“ProFrac LLC”) and certain other holders of common units of ProFrac LLC, the Company and ProFrac LLC completed certain restructuring transactions (the “Corporate Reorganization”). As part of the Corporate Reorganization:

- the Company amended and restated its Certificate of Incorporation and Bylaws;
- the Company and the other members of ProFrac LLC entered into the Third Amended and Restated ProFrac Limited Liability Company Agreement (the “ProFrac LLC Agreement”); and
- in connection with the adoption of the ProFrac LLC Agreement, the Company was admitted as the sole managing member of ProFrac LLC.

For additional information regarding the Corporate Reorganization and the Master Reorganization Agreement, please see “Corporate Reorganization” in our prospectus, dated May 12, 2022, filed with the SEC pursuant to Rule 424(b) under the Securities Act on May 16, 2022 in connection with our initial public offering (the “IPO Prospectus”) and “Master Reorganization Agreement” in Item 1.01 of our Current Report on Form 8-K filed with the SEC on May 18, 2022, respectively.

##### *Acquisition of FTS International, Inc.*

On March 4, 2022, the Company acquired the outstanding stock of FTSI International, Inc. (“FTSI”) for a purchase price of \$405.7 million, consisting of cash consideration of \$332.8 million, and certain equity interests of \$72.9 million (“THRC FTSI Related Equity”).

##### *Consolidation of Flotek Industries, Inc.*

On February 2, 2022, we entered into an agreement with Flotek Industries, Inc. (“Flotek”), pursuant to which Flotek will provide full downhole chemistry solutions for a minimum of ten hydraulic fleets for three years starting on April 1, 2022, at a price of cost plus 7% (“Flotek Supply Agreement”). In exchange for entry into the Flotek Supply Agreement, we received \$10 million in initial principal amount of Flotek Convertible Notes and acquired an additional \$10 million in principal amount of Flotek Convertible Notes in the PIPE Transaction. Our equity ownership in Flotek on a fully diluted basis as a result of this investment is approximately 17%. In addition, we received the right to designate up to two directors to Flotek’s board of directors.

On February 16, 2022, we and Flotek agreed to amend the Flotek Supply Agreement to increase the term to ten years and increase the scope to 30 fleets. In exchange for our entry into the amendment to the Flotek Supply Agreement (the “Flotek Supply Agreement Amendment”), Flotek agreed to issue us \$50 million in initial principal amount of Flotek Convertible Notes that will be convertible into Flotek common stock. The Flotek Supply Agreement Amendment and issuance to us of additional Flotek Convertible Notes were conditioned upon customary closing conditions including the approval of Flotek’s shareholders. In May 2022, the Flotek shareholders approved the Convertible Notes issuance and the Flotek Supply Agreement Amendment. Our equity ownership in Flotek on a fully diluted basis after the consummation of these transactions is approximately 43%, and we are permitted to designate two additional directors, or up to four directors to Flotek’s board of directors. Because of our power to appoint directors to the board of directors without a direct equity interest in Flotek, we determined that Flotek is a variable interest entity (“VIE”). We further determined that the Company is the primary beneficiary of the VIE, primarily due to our ability to appoint four of seven directors to Flotek’s board of

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directors. As a result, subsequent to May 17, 2022, we have accounted for this transaction as a business combination using the acquisition method of accounting and Flotek's financial statements have been included in our consolidated financial statements from May 17, 2022. As we had no direct equity interest in Flotek during the three and six months ended September 30, 2022, we allocated 100% of Flotek's loss to noncontrolling interests in our consolidated financial statements. See Note 14 – Acquisitions and investments in the notes to our consolidated financial statements for additional discussion related to the acquisition of Flotek.

### *Acquisition of SP Silica of Monahans, LLC*

On July 25, 2022, the Company acquired 100% of the issued and outstanding membership interests of each of SP Silica of Monahans, LLC and SP Silica Sales, LLC (collectively “Monahans”), the West Texas subsidiaries of Signal Peak Silica, for a purchase price of \$97.7 million in cash. This purchase price is subject to a working capital adjustment that will be finalized in the fourth quarter of 2022.

### *Acquisition of U.S. Well Services, Inc.*

On November 1, 2022, the Company acquired U.S. Well Services, Inc. (NASDAQ: USWS) (“USWS”) in a stock-for-stock merger transaction pursuant to the Agreement and Plan of Merger (the “USWS Merger Agreement”), dated as of June 21, 2022, by and among the Company, USWS and Thunderclap Merger Sub I, Inc, a Delaware corporation and an indirect subsidiary of the Company (“Merger Sub”). Pursuant to the terms and conditions of the USWS Merger Agreement, on November 1, 2022, Merger Sub merged with and into USWS, with USWS surviving the merger as the surviving corporation and an indirect subsidiary of the Company. At the effective time of the merger, each share of USWS Class A Common Stock was converted automatically into the right to receive 0.3366 shares of our Class A Common Stock. As a result of this transaction, we issued an aggregate of approximately 12.9 million shares of our Class A Common Stock to holders of USWS Class A Common Stock, USWS Series A Preferred Stock, USWS Equity Linked Convertible Notes (as such terms are defined in the USWS Merger Agreement), and USWS equity awards. The equity issued, based on our Class A Common Stock 10-day VWAP as of October 31, 2022, was approximately \$270 million. In addition, the Company used cash to retire approximately \$170 million of USWS debt, leaving approximately \$35 million of various forms of equipment related financing outstanding. Further, in connection with our acquisition of USWS, we borrowed approximately \$164 million under the Amended ABL Credit Facility. See Note 19 – Subsequent events in the notes to our consolidated financial statements for additional discussion related to the acquisition of USWS and the Amended ABL Credit Facility, respectively.

## **Our Predecessor and ProFrac Holding Corp.**

Our predecessor consists of ProFrac LLC and its subsidiaries, Best Flow and Alpine (which we refer to as “ProFrac Predecessor”) on a consolidated basis. Historical periods for ProFrac Predecessor had been presented on a consolidated and combined basis given the common control ownership by the Wilks. On December 21, 2021, all of the then-outstanding membership interests in Best Flow and Alpine were contributed to ProFrac LLC in exchange for membership interests in ProFrac LLC. Unless otherwise indicated, the historical consolidated financial information included in this Quarterly Report on Form 10-Q presents the historical financial information of ProFrac Predecessor. Historical consolidated financial information is not indicative of the results that may be expected in any future periods.

## **Overview**

We are a growth-oriented, vertically integrated and innovation-driven energy services company providing hydraulic fracturing, completion services and other complementary products and services to leading upstream oil and gas companies engaged in the exploration and production (“E&P”) of North American unconventional oil and natural gas resources. Founded in 2016, ProFrac was built to be the go-to service provider for E&P companies' most demanding hydraulic fracturing needs. We are focused on employing new technologies to significantly reduce “greenhouse gas” emissions and increase efficiency in what has historically been an emissions-intensive component of the unconventional E&P development process. We believe the technical and operational capabilities of our fleets ideally position us to capture increased demand resulting from the market recovery and our customers' shifting preferences favoring the sustainable development of natural resources.

Our operations are focused on the leading unconventional regions in the United States, where we have cultivated deep and longstanding customer relationships with some of those regions' most active E&P companies. We operate in three business segments: stimulation services, manufacturing and proppant production. We believe we are one of the largest providers of hydraulic fracturing services in North America, with installed capacity of 34 conventional fleets, of which, as of September 30, 2022, 31 were active.

## Overall trends and outlook

The global public health crisis associated with the COVID-19 pandemic had an unprecedented effect on demand for energy, crude oil prices and global economic activity. In 2020, the combined effect of COVID-19 and the disruptions to the energy industry led to a rapid and significant decline in WTI crude oil prices and Henry Hub natural gas prices. In response to the significant drop in commodity prices, E&P companies acted swiftly to reduce capital budgets and drilling and completion activity. Reduced demand for services compounded by constrained capital access forced the acceleration of the attrition cycle for pressure pumping equipment as older equipment requiring higher repair and maintenance spending were used for spare parts or scrapped. These difficult industry conditions allowed us to strengthen our industry leadership position by implementing targeted and forward-looking initiatives that enhance our equipment and provide greater supply chain control.

Drilling and completion activities for oil and gas are heavily influenced by oil and gas prices. In 2022, geopolitical tensions in Eastern Europe related to Russia's invasion of Ukraine have resulted in significant supply disruptions as a broad coalition of countries have responded with sanctions and/or import bans associated with Russian oil and natural gas. This has resulted in significant tightening in the market as reflected by higher commodity prices, with oil and gas prices reaching decade highs. As a result of the FTSI acquisition, our operations have diversified exposure to both natural gas and oil producing areas. Natural gas and oil prices have increased substantially compared to year-end 2020 prices and have also surpassed year-end 2019 (pre-COVID-19) levels.

While commodity prices have returned to and exceeded pre-pandemic levels, the pandemic led to supply chain disruptions worldwide. Tariffs, access to employees, increased shipping rates and raw material shortages are impacting markets. Our supply chain is either vertically integrated or predominantly U.S. based, reducing our exposure to global disruptions and allowing us to continue to maintain attractive margins. As our operations are predominantly U.S. based, we have no direct exposure to Russia and Ukraine. We have realized indirect impacts that may have occurred as a result of the crisis, such as increases in the costs of certain raw materials and components we purchase for use in our manufacturing processes. However, given the inflationary climate in the United States and globally, we are unable to determine the extent to which such increased commodity prices are the result of the crisis in Ukraine or a result of other factors. Despite these increases, we have experienced improved results of operations due to increased utilization of our fleets and increased prices for our products and services which have permitted us to maintain and increase our margins notwithstanding such cost increases.

The oil and gas industry is currently undergoing significant realignment of operating practices with a focus on reducing impacts to the environment. Many E&P companies are implementing carbon tracking and reduction initiatives and are expecting oilfield service providers to deliver products and services that utilize the most advanced and environmentally friendly technologies. We believe that companies in the pressure pumping industry with the most technologically advanced fleets and lowest carbon footprint will likely see significant growth in market share at the expense of companies with less advanced equipment. We have embraced tangible initiatives that help to protect the environment and improve our environment and communities making it part of our organizational culture since early in the life of the company. We have and intend to continue to invest in a number of industry leading advanced technologies that reduce carbon emissions while increasing profitability. We are currently upgrading approximately ten engines per month from Tier II to Tier IV DGB and expect the pace of upgrades to increase in 2023. In November 2022 we fully deployed our first electric fleet and expect to have 12 electric fleets deployed by early 2023. We believe that these initiatives and commitment to lower emissions will help us lead the energy transition of the frac industry towards cleaner and sustainable business.

## How we generate revenue

We operate three business segments: stimulation services, manufacturing and proppant production. Business activities that are not separately reportable, which only included Flotek, are classified in the other category.

*Stimulation services.* We own and operate a fleet of mobile hydraulic fracturing units and other auxiliary equipment that generates revenue by providing stimulation services to our customers. We also provide personnel and services that are tailored to meet each of our customers' needs. We generally do not have long-term written contractual arrangements with our customers other than standard master service agreements, which include general contractual terms between our customers and us. We charge our customers on a per-job basis, in which we set pricing terms after receiving full specifications for the requested job, including the lateral length of the customer's wellbore, the number of frac stages per well, the amount of proppant employed and other specifications of the job. Well stimulation contains complementary services that we often provide to our customers, including sand and associated logistics, chemicals and fuel. These complementary services are provided through various contractual arrangements based on our customers' needs.

*Manufacturing.* We primarily generate revenue through sales of highly engineered, tight tolerance machined, assembled, and factory tested products such as high horsepower pumps, valves, piping, swivels, large-bore manifold systems, seats, and fluid ends. As of September 30, 2022, we operate facilities in Cisco, Aledo and Fort Worth, Texas, including an ISO 9001 2015 certified OEM

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manufacturing facility, in which we manufacture and refurbish many of the components used by our fleets, including pumps, fluid ends, power ends, flow iron and other consumables and an engine and transmission rebuild facility that is licensed to provide warranty repairs on our transmissions. Additionally, we provide iron inspection, iron recertification, pump refurbishment, fluid end refurbishment, pump function testing, paint, scrap, and lube system change services. We charge our customers for equipment based on a per-order basis, in which we set pricing terms after receiving full specifications for the requested equipment. We charge our customers for our services based on the parts and labor incurred. For the three and nine months ended September 30, 2022 and 2021, intersegment revenues for the manufacturing segment were 9% and 91%, and 91% and 88%, respectively.

*Proppant production.* We generate revenue by providing proppant to oilfield service providers and E&P companies. We own and operate the Kermit sand mine in west Texas and recently purchased and are in the process of developing the West Munger sand mine near Lamesa, Texas, and we charge our customers on a per ton of proppant basis at current market prices. We do not have long-term contractual arrangements with our customers with fixed pricing. For the three and nine months ended September 30, 2022 and 2021, intersegment revenues for the proppant production segment were 56% and 46%, and 61% and 40%, respectively.

### **Costs of conducting our business**

The principal costs of products and services involved in operating our business are expendables, personnel, equipment repairs and maintenance and fuel. Our fixed costs are relatively low and a large portion of the costs described below are only incurred as we perform jobs for our customers.

*Expendables.* Expendables used in our stimulation services business are the largest expenses incurred, and include the fuel, product and freight costs associated with proppant, chemicals and other consumables. Fuel is consumed both in the operation and movement of our hydraulic fracturing fleets and other equipment. In our proppant production business, fuel to run equipment is one of our major expenses. These costs comprise a substantial variable component of our service costs, particularly with respect to the quantity and quality of sand demanded when providing hydraulic fracturing services.

*Raw Materials.* Our manufacturing segment relies on various raw materials, specifically various grades of steel and other raw metals, and electricity.

*Direct Labor Costs.* Payroll and benefit expenses directly related to the delivery of our products and services are included in our operating costs.

*Other Direct Costs.* We incur other expenses related to our products and service offerings, including the costs of repairs and maintenance, general supplies, equipment rental and other miscellaneous operating expenses. Capital expenditures to upgrade or extend the useful life of equipment are not included in other direct costs.

### **How we evaluate our operations**

Our management uses a variety of financial and operating metrics to evaluate and analyze the performance of our business, including Adjusted EBITDA.

#### *Note regarding Non-GAAP financial measures*

Adjusted EBITDA is a non-GAAP financial measure and should not be considered as a substitute for net income, net loss, operating loss or any other performance measure derived in accordance with GAAP or as an alternative to net cash provided by operating activities as a measure of our profitability or liquidity. Adjusted EBITDA is a supplemental measure utilized by our management and other users of our financial statements such as investors, commercial banks, research analysts and others, to assess our financial performance because it allows us to compare our operating performance on a consistent basis across periods by removing the effects of our capital structure (such as varying levels of interest expense), asset base (such as depreciation and amortization) and items outside the control of our management team (such as income tax rates).

We view Adjusted EBITDA as an important indicator of performance. We define Adjusted EBITDA as our net income (loss), before (i) interest expense, net, (ii) income tax provision, (iii) depreciation, depletion and amortization, (iv) loss on disposal of assets, (v) stock-based compensation, and (vi) other unusual or non-recurring charges, such as costs related to our initial public offering, non-recurring supply commitment charges, certain bad debt expense, loss on extinguishment of debt and gain on investments.

We believe that our presentation of Adjusted EBITDA will provide useful information to investors in assessing our financial condition and results of operations. Net income (loss) is the GAAP measure most directly comparable to Adjusted EBITDA. Adjusted EBITDA should not be considered as an alternative to net income (loss). Adjusted EBITDA has important limitations as an analytical tool because it excludes some but not all items that affect the most directly comparable GAAP financial measure. You should not consider

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Adjusted EBITDA in isolation or as a substitute for an analysis of our results as reported under GAAP. Because Adjusted EBITDA may be defined differently by other companies in our industry, our definition of this non-GAAP financial measures may not be comparable to similarly titled measures of other companies, thereby diminishing its utility.

### **Factors affecting the comparability of our financial results**

Our future results of operations may not be comparable to our historical results of operations for the reasons described below:

#### ***Recent Acquisitions***

We have grown recently through strategic acquisitions and investments, including through our recently completed acquisitions of USWS, Monahans, FTSI, West Munger and our consolidation of Flotek. These acquisitions are not reflected in our historical results of operations and our future results will differ as a result.

In addition, in connection with our acquisitions, we have recorded the acquired assets and liabilities at fair value on the date of acquisition, which has impacted deferred revenue and deferred costs balances and increased revenue and expenses from that which would have otherwise been recognized in subsequent periods. We also recorded identifiable intangible assets that are amortized over their useful lives, increasing expenses from that which would otherwise have been recognized.

#### ***Public company expenses***

We expect to incur additional recurring administrative expenses as a result of becoming a publicly traded corporation that we have not previously incurred, including costs associated with compliance under the Exchange Act, annual and quarterly reports to shareholders, transfer agent fees, audit fees, incremental director and officer liability insurance costs, SOX compliance readiness, and director and officer compensation. We additionally expect to incur approximately \$2.5 million in incremental, non-recurring costs related to our transition to a publicly traded corporation.

#### ***Income taxes***

ProFrac Holding Corp. is a corporation and will be subject to U.S. federal, state and local income taxes. Although the ProFrac Predecessor entities are subject to franchise tax in the State of Texas, they have historically been treated as pass-through entities for U.S. federal and other state and local income tax purposes and as such were not subject to U.S. federal income taxes or other state or local income taxes. Rather, the tax liability with respect to the taxable income of the ProFrac Predecessor entities was passed through to their owners. Accordingly, prior to the March 2022 acquisition of FTSI, a corporation subject to U.S. federal and state income tax, the financial data attributable to ProFrac Predecessor contains no provision for U.S. federal income taxes or income taxes in any state or locality (other than franchise tax in the State of Texas). Subsequent to the acquisition of FTSI in March 2022, the financial data of the ProFrac Predecessor does contain both U.S. federal and state income taxes. We estimate that we will be subject to U.S. federal and state taxes at a blended statutory rate of approximately 23% of pre-tax earnings. Additionally, with the acquisition of EKU, the Company is subject to certain foreign taxes, which were immaterial for the three and nine months ended September 30, 2022.

Effective March 4, 2022 we account for income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled pursuant to the provisions of Accounting Standards Codification 740, Income Taxes. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in earnings in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts more likely than not to be realized.

We recorded a full valuation allowance on our net deferred tax assets based on our assessment that it is more likely than not that the deferred tax asset will not be realized. A change in these assumptions could cause a decrease to the valuation allowance, which could materially impact our results of operations.

## Results of operations

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenues—Stimulation services	\$ 668,578	\$ 190,723	\$ 1,581,289	\$ 502,932
Revenues—Manufacturing	48,742	19,861	115,602	50,741
Revenues—Proppant production	24,642	6,399	54,581	19,769
Other	46,872	—	62,231	—
Eliminations	(92,104)	(21,052)	(182,149)	(53,106)
Total revenues	696,730	195,931	1,631,554	520,336
Cost of revenues, exclusive of depreciation, depletion, and amortization—				
Stimulation services	381,685	145,501	970,801	391,302
Manufacturing	36,571	16,525	78,048	41,091
Proppant production	13,199	3,189	26,742	9,890
Other	48,263	—	67,371	—
Eliminations	(91,650)	(21,052)	(181,695)	(53,106)
Total cost of revenues, exclusive of depreciation, depletion, and amortization	388,068	144,163	961,267	389,177
Depreciation, depletion and amortization	68,758	35,241	177,038	105,606
Loss on disposal of assets, net	667	3,397	2,656	7,472
Selling, general and administrative	70,287	20,047	191,962	47,919
Interest expense, net	16,261	6,896	38,984	19,118
Loss on extinguishment of debt	242	—	17,337	—
Other expense (income)	928	92	(8,292)	(148)
Income tax (benefit) provision	8,157	170	13,021	(138)
Net income (loss)	\$ 143,362	\$ (14,075)	\$ 237,581	\$ (48,670)
Less: net (income) loss attributable to ProFrac Predecessor	—	14,033	\$ (79,867)	\$ 48,509
Less: net loss attributable to noncontrolling interests	11,751	42	20,039	161
Less: net income attributable to redeemable noncontrolling interests	(110,183)	—	(126,265)	—
Net income attributable to ProFrac Holding Corp	\$ 44,930	\$ —	\$ 51,488	\$ —
Other data:				
Adjusted EBITDA—Stimulation services	\$ 249,557	\$ 31,599	\$ 519,214	\$ 75,027
Adjusted EBITDA—Manufacturing	\$ 8,416	\$ 502	\$ 27,798	\$ 3,181
Adjusted EBITDA—Proppant production	\$ 9,198	\$ 2,417	\$ 29,657	\$ 8,069
Adjusted EBITDA—Other	\$ (11,072)	\$ —	\$ (18,526)	\$ —
Adjusted EBITDA (1)	\$ 256,099	\$ 34,518	\$ 558,143	\$ 86,277
Active fleets (2)	31	15	28	15
Baker Hughes Domestic Average Rig Count—Onshore (3)	692	452	643	407
Average oil price (per barrel) (4)	\$ 93.18	\$ 70.62	\$ 98.79	\$ 64.83
Average natural gas price (per thousand cubic feet) (5)	\$ 8.30	\$ 4.53	\$ 6.97	\$ 3.76

(1) For definitions of the non-GAAP financial measures of Adjusted EBITDA, see “Note regarding Non-GAAP financial measures” above, and for a reconciliation of Adjusted EBITDA to our most directly comparable financial measures calculated in accordance with GAAP, see Note 18 – Segment Information, in the notes to our consolidated financial statements in this Quarterly Report on Form 10-Q, which information is incorporated herein by reference.

(2) Active fleets is the average number of fleets operating in the period.

(3) Average onshore U.S. rig count published by Baker Hughes.

(4) Average West TX Intermediate Spot Price published by EIA.

(5) Average Henry Hub Natural Gas Spot Price published by EIA.



**Three and nine months ended September 30, 2022 compared to three and nine months ended September 30, 2021**

*Revenues*

*Revenues—Stimulation services.* Stimulation services revenues for the third quarter and first nine months of 2022 increased \$477.9 million, or 251%, and \$1,078.4 million, or 214%, respectively from the same periods in 2021. The increase was primarily attributable to an increase in customer activity for our stimulation services, and an increase in active fleets, pumping hours and pricing. Additionally, FTSI contributed revenue to this segment from the acquisition date.

*Revenues—Manufacturing.* Manufacturing revenues for the third quarter and first nine months of 2022 increased \$28.9 million, or 145%, and \$64.9 million, or 128%, respectively from the same periods in 2021. The increase was primarily attributable to an increase in demand for our products due to increased activity levels from customers for manufactured components utilized in the oilfield service industry.

*Revenues—Proppant production.* Proppant production revenues for the third quarter and first nine months of 2022 increased \$18.2 million, or 285%, and \$34.8 million, or 176%, respectively from the same periods in 2021. The increase was primarily attributable to an increase in proppant production and pricing resulting from increased proppant demand primarily in the Permian basin. Additionally, Monahans contributed revenue to this segment from the acquisition date.

*Revenues—Other.* Other revenues for the third quarter and first nine months of 2022 were \$46.9 million and \$62.2 million, respectively, compared to zero in the same periods in 2021. The increase was attributable to the consolidation of Flotek.

*Total revenues.* Total revenues for the third quarter and first nine months of 2022 increased \$500.8 million and \$1,111.2 million, respectively, from the same periods in 2021. The increase was primarily attributable to an increase in customer activity for our stimulation services, and an increase in active fleets, pumping hours and pricing. Additionally, FTSI contributed from the acquisition date.

*Operating costs and expenses*

*Cost of revenues, exclusive of depreciation, depletion, and amortization—Stimulation services.* Stimulation services for the third quarter and first nine months of 2022 increased \$236.2 million, or 162%, and \$579.5 million, or 148%, respectively from the same periods in 2021. The increase was primarily due to an increase in activity levels, as discussed in Revenue above, and additional input cost inflation. Additionally, FTSI contributed cost to this segment from the acquisition date.

*Cost of revenues, exclusive of depreciation, depletion, and amortization—Manufacturing.* Manufacturing for the third quarter and first nine months of 2022 increased \$20.0 million, or 121%, and \$37.0 million, or 90%, respectively from the same periods in 2021. The increase was primarily attributable to an increase in demand for our products as well as an increase in the cost of raw materials.

*Cost of revenues, exclusive of depreciation, depletion, and amortization—Proppant production.* Proppant production for the third quarter and first nine months of 2022 increased \$10.0 million, or 314%, and \$16.8 million, or 170%, respectively from the same periods in 2021. The increase was primarily attributable to a litigation charge of \$4.0 million and an increase in proppant production and increased cost of production. Additionally, Monahans contributed cost to this segment from the acquisition date.

*Cost of revenues, exclusive of depreciation, depletion, and amortization—Other.* Other for the third quarter and first nine months of 2022 was \$48.3 million and \$67.4 million, respectively, compared to zero in the same periods in 2021. The increase was attributable to the consolidation of Flotek.

*Depreciation, depletion, and amortization.* Depreciation, depletion, and amortization for the third quarter and first nine months of 2022 increased \$33.5 million and \$71.4 million, respectively from the same periods in 2021. The increase was primarily due to increased capital expenditure in the first nine months of 2022 and the depreciation related to the assets acquired from FTSI acquisition.

*Gain or Loss on disposal of assets, net.* For the third quarter and first nine months of 2022 we recorded a net loss on disposal of assets of \$0.7 million and \$2.7 million, respectively, compared with a net loss on disposal of assets of \$3.4 million and \$7.5 million, respectively, for the same periods in 2021.

*Selling, general and administrative.* Selling, general and administrative expenses for the third quarter and first nine months of 2022 increased \$50.2 million, or 251%, and \$144.0 million, or 301%, respectively from the same periods in 2021. The increase was primarily due to a stock-based compensation charge of \$40.3 million primarily related to certain deemed contributions in the second quarter of 2022 and stock-based compensation expense of \$12.9 million in the third quarter of 2022. The increase was also due to higher headcount and personnel costs, higher incentive compensation, increased non-labor costs associated with the increased activity

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levels, and acquisition related expenses. See Note 11 – Stock-based compensation in the notes to our consolidated financial statements for additional discussion related to the stock-based compensation charge.

*Interest expense, net.* Interest expense, net for the third quarter and first nine months of 2022 increased \$9.4 million and \$19.9 million, respectively, from the same periods in 2021. The increase in interest expense, net was attributable to various debt transactions, which increased our debt balances, and higher average interest rates. See Note 7 – Indebtedness in the notes to our consolidated financial statements for additional discussion related to our debt.

*Loss on extinguishment of debt.* In the third quarter and first nine months of 2022 we recognized a loss on extinguishment of debt of \$0.2 million and \$17.3 million respectively. As a result of the debt refinancing transactions in the first quarter of 2022 and debt repayments in the second quarter of 2022, we recognized a loss on extinguishment of debt of \$8.8 million and \$17.1 million for the second quarter and first six months of 2022, respectively.

*Other income.* For the third quarter and first nine months of 2022 we recognized noncash loss of \$0.9 million and income of \$8.3 million, respectively, primarily related to the change in fair value of the Convertible Notes related to our investment in BPC and Flotek.

*Income tax benefit (provision).* Income tax expense for the third quarter and first nine months of 2022 was \$8.2 million and \$13.0 million, respectively, compared to an income tax expense of \$0.2 and income tax benefit of \$0.1 million for the same periods in 2021. The increase in the 2022 tax provision is due to the ProFrac Predecessor being partially owned by ProFrac Corp, a taxable entity, subsequent to the IPO.

### *Segment results*

The performance of our segments is evaluated primarily on Segment Adjusted EBITDA. For a reconciliation of Segment Adjusted EBITDA to net income or loss, see Note 18 – Segment Information, in the notes to our consolidated financial statements in this Quarterly Report on Form 10-Q, which information is incorporated herein by reference.

*Adjusted EBITDA—Stimulation services.* Adjusted EBITDA—Stimulation services for the third quarter and first nine months of 2022 increased \$218.0 million and \$444.2 million, respectively, from the same periods in 2021. The increase was primarily attributable to an increase in average active fleets and increased pricing for our services, partially offset by costs associated with the FTSI acquisition of \$13.0 million.

*Adjusted EBITDA—Manufacturing.* Adjusted EBITDA—Manufacturing for the third quarter and first nine months of 2022 increased \$7.9 million and \$24.6 million, respectively, from the same periods in 2021. The increase was primarily due to increased volume for our products used by our oil field services customers.

*Adjusted EBITDA—Proppant production.* Adjusted EBITDA—Proppant production for the third quarter and first nine months of 2022 increased \$6.8 million and \$21.6 million, respectively, from the same periods in 2021. The increase was primarily attributable to an increase in proppant production and pricing resulting from increased proppant demand in the Permian basin. Additionally, Monahans contributed to this segment from the acquisition date.

*Adjusted EBITDA—Other.* Adjusted EBITDA—Other for the third quarter and first nine months of 2022 decreased \$11.1 million and \$18.5 million, respectively, from the same periods in 2021. The decrease was due to Flotek results.

## **Liquidity and capital resources**

Historically, our primary sources of liquidity and capital resources have been borrowings under our Old ABL Credit Facility, cash flows from our operations and capital contributions from our shareholders. Our primary uses of capital have been investing in and maintaining our property and equipment and repaying indebtedness.

Since our IPO, we expect that our primary sources of liquidity and capital resources will be cash on hand, including net proceeds of our IPO, cash flows generated by operating activities and borrowings under our credit facilities. We expect that our primary uses of capital will be to continue to fund our operations, support organic and strategic growth opportunities and satisfy future debt payments.

Due to our determination that Flotek is a VIE of which the Company is the primary beneficiary, Flotek's financial statements have been included in our consolidated financial statements from May 17, 2022. However, we do not have the ability to access or use Flotek's cash or liquidity in our operations and, accordingly, have excluded Flotek's cash and other sources of liquidity from the

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following discussion of our liquidity and capital resources. See Note 14 – Acquisitions and investments in the notes to our consolidated financial statements for additional discussion related to the acquisition of Flotek.

Based on our current cash and cash equivalents balance, operating cash flow, current availability under our credit facilities, and the ongoing actions and financing alternatives discussed below, we believe that we will be able to maintain sufficient liquidity to fund our planned acquisitions and capital expenditures, satisfy our obligations, and remain in compliance with our existing debt covenants through the next twelve months and beyond.

### ***Tax Receivable Agreement***

On May 17, 2022, in connection with our IPO, we entered into a tax receivable agreement (the “TRA”) with certain of the common unit holders of ProFrac LLC (the “TRA Holders”). The TRA generally provides for the payment by us to each TRA Holder of 85% of the net cash savings, if any, in U.S. federal, state and local income tax and franchise tax (computed using simplifying assumptions to address the impact of state and local taxes) that we actually realize (or are deemed to realize in certain circumstances) as a result of (i) certain increases in tax basis that occur as a result of our acquisition (or deemed acquisition for U.S. federal income tax purposes) of all or a portion of such TRA Holder’s common units of ProFrac LLC in connection with our IPO or pursuant to an exercise of the Redemption Right (as defined in the TRA) or the Call Right (as defined in the TRA) and (ii) imputed interest deemed to be paid by us as a result of, and additional tax basis arising from, any payments we make under the TRA. We depend on ProFrac LLC to make distributions to us in an amount sufficient to cover our obligations under the TRA.

Payments will generally be made under the TRA as we realize actual cash tax savings from the tax benefits covered by the TRA. However, if we experience a Change of Control (as defined in the TRA), or the TRA otherwise terminates early, our obligations under the TRA would accelerate and we would be required to make an immediate payment equal to the present value of the anticipated future payments to be made by us under the TRA (determined by applying a discount rate). Any such payment is expected to be substantial.

### ***Our 2022 Capital Budget***

Our 2022 capital expenditure budget is estimated to be in a range between \$330 million and \$350 million, excluding the impact of acquisitions, due to increased activity levels and costs. The increase to our capital budget primarily represents an acceleration of a number of growth-related initiatives to improve our pumping hours and our profit generating potential. We continued accelerating our engine upgrade program as the year progressed converting more Tier 2 engines to Tier 4 DGB engines and expect the full year cost for this initiative to be approximately \$50 million. We expect the construction of our three electric fleets to cost approximately \$75 million and the construction of our Lamesa sand plant to cost approximately \$45 million. We are also investing approximately \$30 million in reducing the number of fleets waiting for maintenance and establishing a robust swing program to allow for equipment to be returned to service quicker and ensure our equipment continues to pump more hours per month.

We continually evaluate our capital expenditures and the amount that we ultimately spend will depend on a number of factors, including customer demand for new fleets and expected industry activity levels. We believe we will be able to fund our 2022 capital program from cash flows from operations.

### ***Financing of Potential Acquisitions***

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

### ***Working Capital***

Our working capital was \$290.9 million and \$5.0 million as of September 30, 2022, and December 31, 2021, respectively. The \$285.9 million increase in working capital was primarily due to higher activity levels in the first nine months of 2022.

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### **Cash and Cash Flows**

The following table sets forth the historical cash flows for the nine months ended September 30, 2022 and 2021:

<b>(In thousands)</b>	<b>Nine Months Ended September 30,</b>	
	<b>2022</b>	<b>2021</b>
Net cash provided by operating activities	\$ 256,663	\$ 37,690
Net cash used in investing activities	(629,758 )	(55,528 )
Net cash provided by financing activities	434,461	31,253
Net increase in cash, cash equivalents, and restricted cash	\$ 61,366	\$ 13,415

#### **Operating activities**

Net cash provided by operating activities was \$256.7 million and \$37.7 million for the nine months ended September 30, 2022 and 2021, respectively. The increase was primarily due to higher activity levels and profitability, offset by working capital increases in the first nine months of 2022.

#### **Investing activities**

Net cash used in investing activities was \$629.8 million and \$55.5 million for the nine months ended September 30, 2022 and 2021, respectively. The increase was primarily due to \$279.0 million of cash paid for the FTSI acquisition, \$97.7 million cash paid for the Monahans acquisition, our \$46.0 million investment in BPC, and higher capital expenditures of \$168.9 million related to dual fuel engine upgrades, ESC installations, and our electric frac fleet build program. These uses of cash were partially offset by cash proceeds from the FTSI Sale Leaseback of real property.

#### **Financing activities**

Net cash provided by financing activities was \$434.5 million and \$31.3 million for the nine months ended September 30, 2022, and 2021, respectively. The increase in cash provided by financing activities was due to proceeds from the issuance of long-term debt associated with refinancing transactions related to the FTSI acquisition, proceeds from upsizing the New ABL Credit Facility (as described below), and proceeds from our IPO. These proceeds were offset by payments against our various debt instruments.

#### **Credit facilities and other financing arrangements**

##### *New ABL Credit Facility*

On March 4, 2022, ProFrac LLC, ProFrac II LLC, as borrower (in such capacity, the “ABL Borrower”), and certain of the ABL Borrower’s wholly owned subsidiaries as obligors, entered into a senior secured asset-based revolving credit agreement (as amended, the “New ABL Credit Facility”), with a group of lenders with JPMorgan Chase Bank N.A., as administrative agent and collateral agent. The New ABL Credit Facility initially provided for an asset-based revolving credit facility with a borrowing base and lender commitments of \$100.0 million. On April 8, 2022, the New ABL Credit Facility was amended to increase the borrowing base and lender commitments to \$200.0 million. The New ABL Credit Facility has a borrowing base composed of certain eligible accounts receivable and eligible inventory less customary reserves, as redetermined monthly. As of September 30, 2022, the maximum availability under the New ABL Credit Facility was the aggregate lender commitments of \$200.0 million with no borrowings outstanding and \$10.5 million of letters of credit outstanding, resulting in approximately \$189.5 million of remaining availability. The New ABL Credit Facility matures on the earlier of (i) March 4, 2027 and (ii) 91 days prior to the stated maturity of any material indebtedness (other than the First Financial Loan).

On July 25, 2022, the New ABL Credit Facility was amended to add an uncommitted \$100.0 million incremental facility (the “Incremental Facility”), under the terms of which existing lenders can make additional loans (in their sole discretion) under, or new lenders can join, the Incremental Facility and increase the potential size of the New ABL Credit Facility from \$200 million to \$300 million, subject to satisfaction of certain conditions. All other terms and conditions of the New ABL Credit Facility remained substantially unchanged.

Borrowings under the New ABL Credit Facility accrue interest based on a three-tier pricing grid tied to average historical availability, and the ABL Borrower may elect for loans to be based on either an Adjusted Term SOFR or a base rate, plus the applicable margin. The interest rate under the New ABL Credit Facility for (a) Adjusted Term SOFR is the applicable margin plus the fluctuating per

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annum rate equal to Adjusted Term SOFR (with an Adjusted Term SOFR Floor of 0.00%); and (b) Base Rate Loans are the applicable margin plus the fluctuating per annum rate equal to the greatest of the Prime Rate in effect on such day, or the NYFRB Rate in effect on such day plus 1/2% of 1% and the Adjusted Term SOFR for a one-month Interest Period as published two (2) U.S. Government Securities Business Days prior to such day (or if such day is not a Business Day, the immediately preceding Business Day), plus 1.0%. The applicable margin for Adjusted Term SOFR Loans ranges from 1.50% to 2.00% and for Base Rate Loans ranges from 0.50% to 1.00%, depending on the average daily availability over the last three months under the New ABL Credit Facility.

The New ABL Credit Facility bears an unused line fee ranging from 0.250% to 0.375%, depending on the average daily availability over the last three months payable quarterly in arrears. The New ABL Credit Facility also bears customary letter of credit fees. The interest rate was 7.00% as of September 30, 2022.

The New ABL Credit Facility is subject to customary mandatory prepayments, including a mandatory prepayment if the aggregate unpaid principal balance of revolving loans, agent advances, swingline borrowings, unreimbursed drawings under letters of credit and the undrawn amount of outstanding letters of credit exceeds at any time the lesser of (x) the then applicable borrowing base and (y) the then total effective commitments under the New ABL Credit Facility, in an amount equal to such excess. After the occurrence and during the continuance of a Cash Dominion Period (defined in the New ABL Credit Facility as (a) any period commencing upon the date that availability shall have been less than the greater of (i) 12.5% of the Maximum Credit (which is the lesser of the maximum revolver amount in effect at such time and the borrowing base at such time) and (ii) \$13.3 million for a period of five consecutive business days and continuing until the date on which availability shall have been at least the greater of (y) 12.5% of the Maximum Credit and (z) \$13.3 million for 20 consecutive calendar days or (b) any period commencing on the occurrence of certain specified events of default, and continuing during the period that such specified event of default shall be continuing).

The New ABL Credit Facility contains certain customary representations and warranties and affirmative and negative covenants. The negative covenants include, subject to customary exceptions, limitations on indebtedness, dividends, distributions and certain other payments, investments, acquisitions, prepayments of specified junior indebtedness, amendments of specified junior indebtedness, transactions with affiliates, dispositions, mergers and consolidations, liens, restrictive agreements, sale and leaseback transactions, changes in fiscal periods and changes in line of business.

We are required by the New ABL Credit Facility to maintain minimum liquidity of \$6.7 million at all times. Additionally, when availability is less than the greater of (i) 12.5% of the maximum credit (which is the lesser of the maximum revolver amount in effect at such time and the borrowing base at such time) and (ii) \$13.3 million and continuing until such time as availability has been in excess of such threshold for a period of 20 consecutive calendar days, we are required by the New ABL Credit Facility to maintain a springing Fixed Charge Coverage Ratio (as defined in the New ABL Credit Facility) of at least 1.0 to 1.0, which is tested quarterly during such period. The Company was in compliance with all covenants, and there were no existing defaults or events of default related to the New ABL Credit Facility as of September 30, 2022.

On November 1, 2022, the New ABL Credit Facility was amended to (i) increase the aggregate Maximum Revolver Amount from \$200.0 million to \$280.0 million and (ii) increase the Incremental Facility to \$120.0 million and thereby increase the potential size of the New ABL Credit Facility from \$280.0 million to \$400.0 million, subject to the satisfaction of certain conditions. See Note 19 – Subsequent events in the notes to our condensed consolidated financial statements for additional discussion. On November 1, 2022, we borrowed approximately \$164 million under the Amended ABL Credit Facility in connection with our acquisition on USWS.

### *New Term Loan Credit Facility*

On March 4, 2022, ProFrac LLC, ProFrac II LLC, as borrower (in such capacity, the “Term Loan Borrower”), and certain of the Term Loan Borrower’s wholly owned subsidiaries as obligors, entered into a senior secured term loan credit agreement (the “New Term Loan Credit Facility”), with Piper Sandler Finance LLC, as administrative agent and collateral agent (the “Term Loan Agent”), and the lenders party thereto, providing for a term loan facility in an aggregate amount of \$300 million. On July 25, 2022, the New Term Loan Facility was amended to increase the size of the New Term Loan Facility by \$150.0 million with an uncommitted option to obtain commitments for a potential additional \$100.0 million of delayed draw loans before the earlier to occur of (i) the consummation of the Merger and (ii) March 31, 2023. The maturity date of the New Term Loan Facility remains the same at March 4, 2025. The Company used a portion of the proceeds from the increased New Term Loan Facility to fund the acquisition of Monahans and anticipates using the remainder of the proceeds and operating cash to facilitate the Merger, pay outstanding debt under the New ABL Credit Facility and/or for other general corporate purposes. As of September 30, 2022, the Term Loan Borrower had approximately \$525.7 million outstanding under the New Term Loan Credit Facility. The New Term Loan Credit Facility matures on March 4, 2025.

Borrowings under the New Term Loan Credit Facility accrue interest at a percentage per annum equal to (a) until October 1, 2022, (i) for SOFR Rate Loans, 8.50%, and (ii) for Base Rate Loans, 7.50% and (b) thereafter, based on a two-tier pricing grid tied to Total Net Leverage Ratio (as defined in the New Term Loan Credit Facility), and the Term Loan Borrower may elect for loans to be based on

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either Adjusted Term SOFR or Base Rate, plus the applicable margin. The interest rate on the New Term Loan Credit Facility for (a) SOFR Rate Loans are the applicable margin plus the fluctuating per annum rate equal to Adjusted Term SOFR (as defined in the New Term Loan Credit Facility), with a SOFR floor of 1.00% and (b) Base Rate Loans are the applicable margin plus the fluctuating per annum rate equal to the highest of (i) the federal funds rate plus 1/2 of 1%, (ii) the interest rate quoted in the print edition of *The Wall Street Journal*, Money Rates Section, as the prime rate in effect, (iii) Adjusted Term SOFR for a one-month interest period as determined on such day, plus 1.0% and (iv) 2.00%.

The applicable margin for (a) SOFR Rate Loans ranges from 7.25% to 8.00% and (b) Base Rate Loans ranges from 6.25% to 7.00%, depending on the Total Net Leverage Ratio (as defined in the New Term Loan Credit Facility) as of the first day of the then-current fiscal quarter. The interest rate was 11.10% as of September 30, 2022.

The New Term Loan Credit Facility is guaranteed by ProFrac LLC and all of the Term Loan Borrower's material existing subsidiaries and certain direct and indirect future U.S. restricted subsidiaries of the Term Loan Borrower. The New Term Loan Credit Facility is secured by a lien on, and security interest in, substantially all of each such guarantor's assets, which consists of:

- a perfected security interest in all present and after-acquired equipment, fixtures, fracturing equipment (in each case of the foregoing, specifically excluding Fracturing Equipment Parts), real estate, intellectual property, equity interests in all direct and indirect subsidiaries of any grantor, intercompany loans of the grantors and/or their subsidiaries, all other assets whether real, personal or mixed, to the extent not constituting ABL Priority Collateral, and, except to the extent constituting ABL Priority Collateral and to the extent evidencing or otherwise related to such items, all documents, general intangibles, instruments, investment property, commercial tort claims, letters of credit, letter-of-credit rights and supporting obligations, all books, records and documents relating to, or arising from, any of the foregoing, in each case, except to the extent such proceeds constitute ABL Priority Collateral, any fixed asset priority
- proceeds account and the proceeds of any of the foregoing, business interruption insurance proceeds and subject to customary exceptions and exclusions (collectively, the "Fixed Asset Priority Collateral"), which security interest is senior to the security interest in the foregoing assets securing the New ABL Credit Facility; and
- a perfected security interest in the ABL Priority Collateral, which security interest is junior to the security interest in the ABL Priority Collateral securing the New ABL Credit Facility.

The respective rights of the New Term Loan Credit Facility lenders and the New ABL Credit Facility lenders in the ABL Priority Collateral and the Fixed Asset Priority Collateral are governed by an intercreditor agreement between the Term Loan Agent and the ABL Agent.

The New Term Loan Credit Facility is subject to quarterly amortization beginning in June 2022, though any excess cash flow payments, reduce the required amortization.

Additionally, the New Term Loan Credit Facility is subject to a quarterly mandatory prepayment beginning for the calendar quarter ending on December 31, 2022 in an amount equal to the Applicable ECF Percentage (as defined in the New Term Loan Credit Facility). The Applicable ECF Percentage ranges from 50% of Excess Cash Flow (as defined in the New Term Loan Credit Facility) to 25% of Excess Cash Flow depending on the Total Net Leverage Ratio as of the last day of the applicable fiscal quarter. The New Term Loan Credit Facility is subject to customary mandatory prepayments, subject in some cases to the right of the Term Loan Borrower and its restricted subsidiaries to reinvest such proceeds within a specified period of time, and certain other exceptions.

Voluntary prepayments of borrowings under the New Term Loan Credit Facility are permitted at any time, in specified minimum principal amounts, subject to reimbursement of the lenders' redeployment costs actually incurred in the case of a prepayment of SOFR Rate Loans other than on the last day of the relevant interest period. Between March 4, 2022 and March 4, 2023, certain prepayments of the New Term Loan Credit Facility are subject to a prepayment premium of 3.00% (or, in the case of any IPO Prepayment (as defined in the New Term Loan Credit Facility), 2.00%). Between March 5, 2023 and March 4, 2024, certain prepayments of the New Term Loan Credit Facility are subject to a 2.00% prepayment premium. After March 4, 2024, but prior to the Stated Termination Date (as defined in the New Term Loan Credit Facility) certain prepayments of the New Term Loan Credit Facility are subject to a 1.00% prepayment premium. No payment or prepayment premium shall be due on account of any payments or prepayments made on the Stated Termination Date.

The New Term Loan Credit Facility contains certain customary representations and warranties and affirmative and negative covenants. The negative covenants include, subject to customary exceptions, limitations on indebtedness, dividends, distributions and certain other payments, investments, capital expenditures, acquisitions, prepayments of specified junior indebtedness, amendments of specified junior indebtedness, transactions with affiliates, dispositions, mergers and consolidations, liens, restrictive agreements, changes in fiscal periods and changes in line of business.

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We are required by the New Term Loan Credit Facility to maintain a Total Net Leverage Ratio (as defined in the New Term Loan Credit Facility) (i) of no more than 2.00 to 1.00 for the fiscal quarter ending on June 30, 2022, (ii) of no more than 1.55 to 1.00 for the fiscal quarters ending on September 30, 2022 and December 31, 2022, and (iii) of no more than 1.25 for each fiscal quarter ending on March 31, 2023 and thereafter.

We are required by the New Term Loan Credit Facility to maintain minimum liquidity of \$30.0 million at all times.

The New Term Loan Credit Agreement prohibits Capital Expenditures (as defined in the New Term Loan Credit Facility) in excess of (i) in the case of the Fiscal Year ended December 31, 2022, the greater of (x) \$275,000,000 in the aggregate and (y) in the case of any period of four consecutive fiscal quarters ending in such Fiscal Year, 50% of Consolidated EBITDA for the Test Period most recently ended prior to the date of the applicable Capital Expenditure, and (ii) in the case of any period of four consecutive fiscal quarters ending thereafter, commencing with the period of four consecutive fiscal quarters ending on March 31, 2023, an aggregate amount equal to 50.0% of Consolidated EBITDA for the Test Period most recently ended prior to the date of the applicable Capital Expenditure, provided that if the amount of the Capital Expenditures permitted to be made in any Fiscal Year is greater than the actual amount of the Capital Expenditures actually made in such Fiscal Year, then up to \$20,000,000 of such excess amount may be carried forward to the next succeeding Fiscal Year.

The New Term Loan Credit Facility contains customary events of default. If an event of default occurs and is continuing, the lenders may declare all loans to be immediately due and payable. Some events of default require an automatic termination of the loans and become immediately due and payable. We were in compliance with all covenants, and there were no defaults or events of default related to the New Term Loan Credit Facility, as of September 30, 2022.

On August 25, 2022, the Term Loan Borrower requested \$80 million of delayed draw loans under the New Term Loan Credit Facility, which was funded by certain existing lenders under the New Term Loan Credit Facility on September 1, 2022. After giving effect to the funding of this delayed draw loan and solely to the extent that the Term Loan Borrower is able to obtain corresponding commitments from the existing lenders and/or new lenders, the Term Loan Borrower may request an additional \$20 million of delayed draw loans under the New Term Loan Credit Facility, subject to the terms and conditions thereof.

On November 1, 2022, the New Term Loan Credit Facility was amended in connection with the Company's acquisition of USWS. See Note 19 – Subsequent events in the notes our consolidated financial statements for additional discussion.

### ***First Financial Loan***

On December 22, 2021, ProFrac II LLC entered into a \$30.0 million loan agreement with First Financial Bank, N.A. with a stated maturity date of January 1, 2024 (the "First Financial Loan"). The First Financial Loan bears interest at a variable rate based on the Prime rate published by the Wall Street Journal, floating daily. As of September 30, 2022, ProFrac II LLC had \$19.1 million outstanding under the First Financial Loan.

The First Financial Loan is secured by a first lien on, and security interest in, certain truck tractors and all other trailers, trucks and vehicles owned by ProFrac Services and ProFrac Manufacturing, in each case, more particularly described in the security agreement, and is guaranteed by ProFrac Services, ProFrac Manufacturing and ProFrac LLC.

The First Financial Loan is subject to monthly principal amortization beginning in February 2022.

The First Financial Loan contains certain restrictive covenants which require ProFrac LLC to maintain a Total Net Leverage Ratio, as defined in the loan agreement, of no greater than 3.00:1.00, and a Fixed Charge Coverage Ratio, as defined in the loan agreement, of at least 1.00:1.00.

### ***Equify Bridge Note***

On March 4, 2022, ProFrac II LLC entered into a \$45.8 million subordinated promissory note with Equify Financial with a stated maturity date of March 4, 2027 (the "Equify Bridge Note"). The Equify Bridge Note bears interest at a percentage per annum equal to 1.0%. Interest under the Equify Bridge Note is paid on a quarterly basis and is solely payable in kind, with such interest amounts being added to the outstanding principal amount of the Equify Bridge Note, until the date that both the New ABL Credit Facility and the New Term Loan Credit Facility shall have been terminated, after which date quarterly interest payments may be paid in kind or in cash. In April 2022, the Company repaid \$25.0 million in principal under the Equify Bridge Note.

The Equify Bridge Note is unsecured and subordinated to the indebtedness owing under the New ABL Credit Facility and the New Term Loan Credit Facility.

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Until the New ABL Credit Facility and the New Term Loan Credit Facility have been terminated, prepayments of principal under the Equify Bridge Note are permitted solely to the extent permitted under the New ABL Credit Facility and New Term Loan Credit Facility. After the New ABL Credit Facility and the New Term Loan Credit Facility have been terminated, prepayments may be made at any time without prepayment penalty or premium.

In June 2022, the Equify Bridge Note was fully paid with net proceeds from the IPO.

### **Backstop Note**

On March 4, 2022, ProFrac LLC entered into a \$22.0 million subordinated promissory note with THRC Holdings with a stated maturity date of March 4, 2027 (the “Backstop Note”). The Backstop Note bears interest at a percentage per annum equal to 1.74%. Interest under the Backstop Note is paid on a quarterly basis and is solely payable in kind, with such interest amounts being added to the outstanding principal amount of the Backstop Note, until the date that both the New ABL Credit Facility and the New Term Loan Credit Facility shall have been terminated, after which date quarterly interest payments may be paid in kind or in cash.

The Backstop Note is unsecured and subordinated to the indebtedness owing under the New ABL Credit Facility and the New Term Loan Credit Facility.

Until the New ABL Credit Facility and the New Term Loan Credit Facility have been terminated, prepayments of principal under the Backstop Note are permitted solely to the extent permitted under the New ABL Credit Facility and New Term Loan Credit Facility. After the New ABL Credit Facility and the New Term Loan Credit Facility have been terminated, prepayments may be made at any time without prepayment penalty or premium.

In June 2022, the Backstop Note was fully paid with net proceeds from the IPO.

### **Closing Date Note**

On March 4, 2022, ProFrac LLC entered into a \$22.0 million subordinated promissory note with THRC Holdings with a stated maturity date of March 4, 2027 (the “Closing Date Note”). The Closing Date Note bears interest at a percentage per annum equal to 1.74%. Interest under the Closing Date Note is paid on a quarterly basis and is solely payable in kind, with such interest amounts being added to the outstanding principal amount of the Closing Date Note, until the date that both the New ABL Credit Facility and the New Term Loan Credit Facility shall have been terminated, after which date quarterly interest payments may be paid in kind or in cash.

The Closing Date Note is unsecured and subordinated to the indebtedness owing under the New ABL Credit Facility and the New Term Loan Credit Facility.

Until the New ABL Credit Facility and the New Term Loan Credit Facility have been terminated, prepayments of principal under the Closing Date Note are permitted solely to the extent permitted under the New ABL Credit Facility and New Term Loan Credit Facility. After the New ABL Credit Facility and the New Term Loan Credit Facility have been terminated, prepayments may be made at any time without prepayment penalty or premium.

In June 2022, the Closing Date Note was fully paid with net proceeds from the IPO.

### **Contractual obligations**

The following table summarizes the principal maturity schedule for our long-term debt outstanding as of September 30, 2022:

	2022	2023	2024	2025	2026	Thereafter	Total
First Financial loan	\$ 3,789	\$ 15,291	\$ —	\$ —	\$ —	\$ —	\$ 19,080
New ABL Credit Facility	—	—	—	—	—	—	—
New Term Loan Credit Facility	6,571	26,286	26,286	466,583	—	—	525,726
Flotek Convertible Notes	—	12,739	—	—	—	—	12,739
Other	4,506	3,038	1,907	543	79	386	10,459
Total	\$ 14,866	\$ 57,354	\$ 28,193	\$ 467,126	\$ 79	\$ 386	\$ 568,004

### **Capital expenditures**

During the nine months ended September 30, 2022 and 2021, our capital expenditures were \$239.5 million and \$70.6 million, respectively. We currently expect our capital expenditures to increase in 2022 and 2023, which are expected to be funded with cash



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flows from operations. The primary drivers of the increase are building electric-powered hydraulic fracturing fleets, continued engine upgrades as part of our ESG initiatives, and deployment costs associated with reactivating hydraulic fracturing fleets.

### ***Off-Balance sheet arrangements***

From time-to-time, we enter into off-balance sheet arrangements and transactions that can give rise to off-balance sheet obligations. As of September 30, 2022 and December 31, 2021, the off-balance sheet arrangements and transactions that we have entered into include undrawn letters of credit. We do not believe that these arrangements are reasonably likely to materially affect our liquidity or availability of, or requirements for, capital resources.

### ***Critical accounting policies and estimates***

The discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally acceptable in the United States of America. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported revenues and expenses during the reporting periods. We evaluate these estimates and assumptions on an ongoing basis and base our estimates on historical experience, current conditions and various other assumptions that we believe to be reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets and liabilities as well as identifying and assessing the accounting treatment with respect to commitments and contingencies. Our actual results may materially differ from these estimates.

Our critical accounting policies are described under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates” in our IPO Prospectus.

Listed below are the changes in our accounting policies that we believe are critical to our financial statements due to the degree of uncertainty regarding the estimates or assumptions involved, and that we believe are critical to the understanding of our operations.

### ***Variable Interest Entities***

We evaluate our ownership, contractual and other interest in entities to determine if they are VIEs. We evaluate whether we have a variable interest in those entities and the nature and extent of those interests. Based on our evaluation, if we determine we are the primary beneficiary of a VIE, we consolidate the entity in our financial statements.

## **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Market risk is the risk of loss arising from adverse changes in market rates and prices. Historically, our risks have been predominantly related to potential changes in the fair value of our long-term debt due to fluctuations in applicable market interest rates. Going forward our market risk exposure generally will be limited to those risks that arise in the normal course of business, as we do not engage in speculative, non-operating transactions, nor do we utilize financial instruments or derivative instruments for trading purposes.

### ***Commodity price risk***

Our material and fuel purchases expose us to commodity price risk. Our material costs primarily include the cost of inventory consumed while performing our pressure pumping services such as proppants, chemicals, trucking and fluid supplies. For our manufacturing segment, our material costs primarily include the cost of steel. For our proppant production segment, our material costs primarily include the cost of fuel. Our fuel costs consist primarily of diesel fuel used by our trucks, frac fleets and other motorized equipment. The prices for fuel and the raw materials in our inventory are volatile and are impacted by changes in supply and demand, as well as market uncertainty and regional shortages. Additionally, the market for our products and services is indirectly exposed to fluctuations in the prices of oil and natural gas to the extent such fluctuations impact well completion activity levels. Historically, we have generally been able to pass along price increases to our customers; however, we may be unable to do so in the future. We do not engage in commodity price hedging activities.

### ***Interest rate risk***

We are subject to interest rate risk on our variable rate debt from our New Term Loan Credit Facility and our New ABL Credit Facility. The Company also has fixed rate debt but does not currently utilize derivative instruments to manage the economic effect of

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changes in interest rates. The impact of a 1% increase in interest rates on our outstanding debt as of September 30, 2022 would have resulted in an annual increase in interest expense of approximately \$5.3 million.

### *Credit risk*

Financial instruments that potentially subject us to concentrations of credit risk are trade account receivables. We extend credit to customers and other parties in the normal course of business. We have established various procedures to manage our credit exposure, including credit evaluations and maintaining an allowance for doubtful accounts.

### **Item 4. Controls and Procedures. Evaluation of Disclosure Controls and Procedures**

We maintain a system of disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) designed to ensure that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and is accumulated and communicated to our management, including our Executive Chairman (our principal executive officer) and Chief Financial Officer (our principal financial officer), as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, as ours are designed to do, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Our management, with the participation of our Executive Chairman and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures, as defined under the Exchange Act, as of September 30, 2022, the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, our Executive Chairman and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective.

### **Limitations on Controls and Procedures**

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

## PART II—OTHER INFORMATION

### Item 1. Legal Proceedings.

Information with respect to this Item may be found in Note 17—Commitments and contingencies in the notes to our consolidated financial statements in this Quarterly Report on Form 10-Q, which information is incorporated herein by reference.

### Item 1A. Risk Factors.

This Quarterly Report on Form 10-Q should be read in conjunction with the risk factors disclosed under the heading “Risk Factors” in the IPO Prospectus. Except for the risk factors noted below, there have been no material changes to the risk factors disclosed under the heading “Risk Factors” in the IPO Prospectus, the factors described under the heading “Risk Factors” in our prospectus, dated August 8, 2022, filed with the SEC pursuant to Rule 424(b) under the Securities Act on August 8, 2022, in connection with the resale of our Class A common stock by the selling shareholders named therein, the factors described under the heading “Risk Factors” in our quarterly report on Form 10-Q for the quarter ended June 30, 2022, and the factors described under the heading “Risk Factors” in our proxy statement/information statement/prospectus in the registration statement on Form S-4 filed with the SEC on August 30, 2022, as amended by Amendment No. 1 to such registration statement filed with the SEC on September 22, 2022, relating to our acquisition of USWS.

*Our financial results may be materially adversely affected by the inclusion of Flotek’s financial statements in our consolidated financial statements, and we do not have the benefit of Flotek’s cash or liquidity.*

Due to our determination that Flotek is a VIE of which the Company is the primary beneficiary, Flotek’s financial statements have been included in our consolidated financial statements from May 17, 2022. Consequently, our financial results may be materially adversely affected if Flotek reports poor or worsened financial results. In addition, we do not have the ability to access or deploy Flotek’s cash or liquidity in our operations, which may limit our ability to mitigate the impact of the inclusion of Flotek’s financial statements in our consolidated financial statements.

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

#### *Initial Public Offering*

On May 12, 2022, our Registration Statement on Form S-1, as amended (File No. 333-261255), was declared effective in connection with the IPO, pursuant to which we issued and sold an aggregate of 18,228,153 shares of our Class A Common Stock including the partial exercise of the underwriters’ over-allotment option to purchase additional shares, at a price to the public of \$18.00 per share. J.P. Morgan Securities LLC, Piper Sandler & Co. and Morgan Stanley & Co. LLC acted as representatives of the underwriters. The IPO closed on May 17, 2022. The IPO and exercise of the over-allotment option generated combined net proceeds of approximately \$301.7 million, after deducting underwriting discounts and commissions of \$15.2 million and offering expenses of \$9.0 million. With the exception of \$4.5 million to be paid to Wilks Brothers for IPO support services and activities including legal, tax, technology and accounting support, no payments for any offering expenses were made directly or indirectly to (i) any of our officers or directors or their associates, (ii) any persons owning 10% or more of any class of our equity securities or (iii) any of our affiliates

The Company used \$72.9 million of the net proceeds from the IPO to redeem the membership ownership interests from the then-existing owners of THRC FTSI Related Equity (as described in Note 14 – Acquisitions and investments in the notes to our consolidated financial statements) and contributed the remaining proceeds to ProFrac LLC. The Company used the remaining proceeds to (i) to pay down \$143.8 million of the outstanding borrowings under the New Term Loan Credit Facility, (ii) to fully pay the \$22.0 million of the outstanding borrowings of the Backstop Note (iii) pay down \$22.0 million of the outstanding borrowings of the Closing Date Note and (iv) pay down \$20.8 million of the outstanding borrowings of the Equify Bridge Note. The Company used the balance of the remaining proceeds for general corporate uses and additional repayment of debt.

#### *Munger Ranch Sellers*

As part of the IPO completed in May 2022, the sellers of Munger Ranch were issued 2,114,273 shares of Class A Common Stock in exchange for the \$30.0 million consideration related to the Munger Ranch purchase. The securities issued to the sellers of Munger Ranch were offered in reliance on an exemption from registration provided by Section 4(a)(2) of the Securities Act. The Company relied on this exemption from registration based on part on representations made by each of the sellers of Munger Ranch, including that each such seller is an “accredited investor” as defined in Rule 501(a) under the Securities Act.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

The information concerning mine safety violations and other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K (17 CFR 229.104) is included in Exhibit 95 to this Quarterly Report on Form 10-Q.

**Item 5. Other Information.**

None.

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### Item 6. Exhibits.

Furnish the exhibits required by Item 601 of Regulation S-K (§ 229.601 of this chapter).

<b>Exhibit Number</b>	<b>Description</b>
2.1 <sup>^</sup>	<a href="#">Agreement and Plan of Merger, dated as of June 21, 2022, by and among U.S. Well Services, Inc., ProFrac Holding Corp. and Thunderclap Merger Sub I, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on June 24, 2022).</a>
4.1	<a href="#">Amended and Restated Placement Agent Warrants of ProFrac Holding Corp (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the SEC on November 1, 2022).</a>
4.2	<a href="#">Amended and Restated RDO Warrants of ProFrac Holding Corp. (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed with the SEC on November 1, 2022).</a>
10.1	<a href="#">First Amendment to Term Loan Credit Agreement, dated as of July 25, 2022, by and among ProFrac Holdings II, LLC, ProFrac Holdings, LLC, the guarantors party thereto, the lenders party thereto, and Piper Sandler Finance LLC, as the agent and collateral agent for the lenders (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on July 29, 2022).</a>
10.2	<a href="#">First Amendment to Credit Agreement, dated as of July 25, 2022, by and among ProFrac Holdings II, LLC, ProFrac Holdings, LLC, the guarantors party thereto, the lenders party thereto, and JPMorgan Chase Bank, N.A., as the agent and collateral agent for the lenders (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on July 29, 2022).</a>
10.3 <sup>†</sup>	<a href="#">Second Amendment to Term Loan Credit Agreement, dated as of November 1, 2022, by and among ProFrac Holdings II, LLC, ProFrac Holdings, LLC, the guarantors party thereto, the lenders party thereto, and Piper Sandler Finance LLC, as the agent and collateral agent for the lenders (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on November 1, 2022).</a>
10.4 <sup>†</sup>	<a href="#">Second Amendment to Credit Agreement, dated as of November 1, 2022, by and among ProFrac Holdings II, LLC, ProFrac Holdings, LLC, the guarantors party thereto, the lenders party thereto, and JPMorgan Chase Bank, N.A., as the agent and collateral agent for the lenders (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on November 1, 2022).</a>
10.5	<a href="#">Amended and Restated Series A Warrant Agreement, dated November 1, 2022, between ProFrac Holding Corp. and Continental Stock Transfer &amp; Trust Company (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on November 1, 2022).</a>
10.6	<a href="#">Amended and Restated SPAC Warrant Agreement, dated November 1, 2022, between ProFrac Holding Corp. and Continental Stock Transfer &amp; Trust Company (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on November 1, 2022).</a>
10.7	<a href="#">Amendment No. 1 to Amended and Restated Series A Warrant Agreement, dated November 1, 2022, between ProFrac Holding Corp., Continental Stock Transfer &amp; Trust Company and American Stock Transfer &amp; Trust Company, LLC (incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K filed with the SEC on November 1, 2022).</a>
10.8	<a href="#">Amendment No. 1 to Amended and Restated SPAC Warrant Agreement, dated November 1, 2022, between ProFrac Holding Corp., Continental Stock Transfer &amp; Trust Company and American Stock Transfer &amp; Trust Company, LLC (incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K filed with the SEC on November 1, 2022).</a>
31.1 <sup>*</sup>	<a href="#">Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2 <sup>*</sup>	<a href="#">Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1 <sup>**</sup>	<a href="#">Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>

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95*	<a href="#">Mine Safety Disclosure Exhibit.</a>
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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\* Filed herewith.

\*\* Furnished herewith.

^ Schedules have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company agrees to furnish supplementally a copy of such schedules, or any section thereof, to the SEC upon request.

† Certain portions of this exhibit have been redacted pursuant to Item 601(b)(10)(iv) of Regulation S-K. The registrant agrees to furnish supplementally an unredacted copy of the exhibit to the Securities and Exchange Commission upon its request.

## SIGNATURES

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

**ProFrac Holding Corp.**

Date: November 14, 2022

By: /s/ Matthew D. Wilks

**Matthew D. Wilks**  
**Executive Chairman**  
**(Principal Executive Officer)**

Date: November 14, 2022

By: /s/ Lance Turner

**Lance Turner**  
**Chief Financial Officer**  
**(Principal Financial Officer and Principal Accounting Officer)**

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

I, Matthew D. Wilks, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ProFrac Holding Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Omitted;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2022

By: \_\_\_\_\_ /s/ Matthew D. Wilks

**Matthew D. Wilks**  
**Executive Chairman**  
**(Principal Executive Officer)**



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

I, Lance Turner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ProFrac Holding Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Omitted;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2022

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

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

In connection with the Quarterly Report of ProFrac Holding Corp., a Delaware corporation (the "Company"), on Form 10-Q for the period ending September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officers of the Company do hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: November 14, 2022

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

Date: November 14, 2022

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

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

## MINE SAFETY DISCLOSURES

Under Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K, each operator of a coal or other mine is required to include certain mine safety information in its periodic reports filed with the Securities and Exchange Commission. The table below includes this mine safety information for each mine facility owned and operated by ProFrac Holding Corp., or its subsidiaries, for the quarter ended September 30, 2022. Due to timing and other factors, our data may not agree with the mine data retrieval system maintained by the Mine Safety and Health Administration (“MSHA”). The columns in the table represent the total number of, and the proposed dollar assessment for, violations, citations and orders issued by MSHA during the period upon periodic inspection of our mine facilities in accordance with the referenced sections of the Federal Mine Safety and Health Act of 1977, as amended (the “Mine Act”), described as follows:

Section 104(a) Significant and Substantial Violations: Total number of violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a coal or other mine safety or health hazard.

Section 104(b) Orders: Total number of orders issued due to a failure to totally abate, within the time period prescribed by MSHA, a violation previously cited under section 104, which results in the issuance of an order requiring the mine operator to immediately withdraw all persons from the mine.

Section 104(d) Citations and Orders: Total number of citations and orders issued for unwarrantable failure of the mine operator to comply with mandatory health and safety standards. The violation could significantly and substantially contribute to the cause and effect of a safety and health hazard, but the conditions do not cause imminent danger.

Section 110(b)(2) Flagrant Violations: Total number of flagrant violations defined as a reckless or repeated failure to make reasonable efforts to eliminate a known violation of a mandatory health or safety standard that substantially and proximately caused, or reasonably could have been expected to cause, death or serious bodily injury.

Section 107(a) Imminent Danger Orders: Total number of orders issued when an imminent danger is identified which requires all persons to be withdrawn from area(s) in the mine until the imminent danger and the conditions that caused it to cease to exist.

Total Dollar Value of Proposed MSHA Assessments: Each issuance of a citation or order by MSHA results in the assessment of a monetary penalty. The total dollar value presented includes any contested penalties.

Legal Actions Pending, Initiated or Resolved: Total number of cases pending legal action before the Federal Mine Safety and Health Review Commission as of the last day of the reporting period or the number of such cases initiated or resolved during the reporting period.

Mine location	Section 104(a) “Significant and Substantial” Violations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b) (2) Flagrant Violations (#)	Section 107(a) Imminent Danger Orders (#)	Total Dollar Value of Proposed MSHA Assessments (\$)	Legal Actions		
							Pending as of Last Day of Period (#)	Initiated During Period (#)	Resolved During Period (#)
Winkler County, Texas	22	-	-	-	-	35,552	-	-	-

We had no mining-related fatalities at any of our facilities during the quarter ended September 30, 2022. During this period we also received no written notices from MSHA under section 104(e) of the Mine Act of (i) a pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of coal or other mine health or safety hazards; or (ii) the potential to have such a pattern.