



# Solaris Oilfield Infrastructure, Inc. Announces Fourth Quarter And Full-Year 2017 Results

March 06, 2018

## Fourth Quarter 2017 Highlights

- Record net income of \$9.2 million, which included \$701,000 of net expense relating to the enactment of the Tax Cuts and Jobs Act of 2017
- Record adjusted EBITDA of \$15.2 million; 36% increase versus third quarter 2017 and up 269% year-over-year
- Record revenue of \$25.2 million; 36% increase versus third quarter 2017 and up 246% year-over-year
- Record 6,146 revenue days; 35% increase versus third quarter 2017 and up 188% year-over-year
- Added 18 proppant management systems to the rental fleet; total of 77 systems at year-end

HOUSTON--(BUSINESS WIRE)-- Solaris Oilfield Infrastructure, Inc. (NYSE:SOI) ("Solaris" or the "Company"), a leading independent provider of supply chain management and logistics solutions designed to drive efficiencies and reduce costs for the oil and natural gas industry, today reported financial results for the fourth quarter and fiscal year 2017, as further described in the Company's Annual Report on Form 10-K for the year ended December 31, 2017, filed with the Securities and Exchange Commission (the "SEC") today.

## Fourth Quarter 2017 Financial Review

Solaris reported net income of \$9.2 million, or \$0.13 per share, for fourth quarter 2017, compared to net income of \$3.0 million in fourth quarter 2016 and net income of \$7.4 million, or \$0.13 per share, in third quarter 2017. Fourth quarter 2017 net income included certain



Adjusted EBITDA for the fourth quarter was \$15.2 million, an increase of \$11.1 million from fourth quarter 2016 and an increase of \$4.0 million compared to third quarter 2017. A description of adjusted EBITDA and a reconciliation to net income, its most directly comparable GAAP measure, is provided below.

Adjusted pro forma net income for the fourth quarter was \$8.9 million, or \$0.20 per fully exchanged and diluted share, an increase of \$7.0 million and \$0.15 per diluted share from fourth quarter 2016 and an increase of \$3.4 million and \$0.07 per diluted share compared to third quarter 2017. A description of adjusted pro forma net income and a reconciliation to net income attributable to Solaris, its most directly comparable GAAP measure, and the computation of adjusted pro forma earnings per fully exchanged and diluted share are provided below.

Revenues were \$25.2 million for the quarter, an increase of \$17.9 million, or 246%, compared to fourth quarter 2016, and an increase of \$6.7 million, or 36%, compared to third quarter 2017.

During fourth quarter 2017, the Company generated 6,146 revenue days, the combined number of days that its systems earned revenue during the quarter, a 188% increase from fourth quarter 2016, and up 35% compared to third quarter 2017. Customer demand and adoption rates for Solaris' systems continue to grow as proppant consumption levels increase across the industry and customers realize the benefits of Solaris' technology.

In December 2017, the Tax Act was enacted into law. The Tax Act provides for significant changes to the U.S. Internal Revenue Code of 1986, as amended, including a reduction of the U.S. federal corporate income tax rate from 35% to 21%, among other provisions. As a result of the Tax Act, the Company recognized a \$21.9 million benefit in other income related to the reduction in liabilities under its tax receivable agreement in the fourth quarter of 2017. The Company also recognized an additional \$22.6 million of income tax expense as a provisional amount, relating to the remeasurement of its deferred tax assets.

### **Full-year 2017 Financial Review**

Solaris reported net income of \$22.5 million for the fiscal year ended December 31, 2017, compared to net income of \$2.8 million in fiscal 2016. 2017 net income included certain non-



Adjusted EBITDA for fiscal 2017 was \$39.9 million, an increase of \$33.1 million from fiscal 2016. A description of adjusted EBITDA and a reconciliation to net income, its most directly comparable GAAP measure, is provided below.

Adjusted pro forma net income for fiscal 2017 was \$21.1 million, or \$0.48 per fully exchanged and diluted share, an increase of \$19.3 million and \$0.44 per diluted share from fiscal 2016. A description of adjusted pro forma net income and a reconciliation to net income attributable to Solaris, its most directly comparable GAAP measure, and the computation of adjusted pro forma earnings per fully exchanged and diluted share are provided below.

Revenues were \$67.4 million for fiscal 2017, an increase of \$49.2 million, or 271%, compared to fiscal 2016.

During fiscal 2017, the Company generated 16,712 revenue days, a 191% increase from fiscal 2016. Customer demand and adoption rates for Solaris' systems continue to grow as proppant consumption levels increase across the industry and customers realize the benefits of Solaris' technology.

As a result of the Tax Act, the Company recognized a \$21.9 million benefit in other income related to the reduction in liabilities under its tax receivable agreement in fiscal year 2017. The Company also recognized an additional \$22.6 million of income tax expense as a provisional amount, relating to the remeasurement of its deferred tax assets.

### **Capital Expenditures and Liquidity**

Driven by strong customer demand and continued customer adoption of our proppant management systems and services, the Company invested \$49.9 million during the fourth quarter, which included adding eighteen systems to the fleet, ending the year with 77 systems. Also, the Company's fourth quarter capital expenditures included \$18.9 million in construction activities related to the Kingfisher Facility and the acquisition of the assets of Railtronix, LLC. These investments help address rising customer demand and are expected to drive future earnings and cash flow growth for Solaris.

During the fourth quarter, the Company completed a public offering of 8,050,000 Class A Shares, including 3,000,000 primary shares issued and sold by the Company. Net of underwriting discounts and commissions and offering expenses, the Company received net



As previously disclosed, the Company also entered into a new credit agreement with certain lenders in January 2018. The credit facility has a term of four years and is composed of a \$20 million revolver and a \$50 million delayed draw term loan.

As of February 28, 2018, the Company had approximately \$107.6 million of liquidity, including \$43.4 million in cash and approximately \$64.2 million of availability under the undrawn credit facility.

### **Operational Update and Outlook**

We currently have 91 systems in the rental fleet, all of which are deployed to customers. The Permian Basin continues to be our most active area, followed by the Eagle Ford Shale, SCOOP/STACK formations, Marcellus/Utica Shale and the Haynesville Shale. Our systems are highly mobile and can be deployed quickly in response to customer demand.

Proppant supply disruptions and continued logistic complexities drive demand for our products and services. To meet growing demand, we recently increased our manufacturing rate and expect to deliver a total of eight systems to the rental fleet in March, which will represent the highest monthly manufacturing rate the Company has achieved in its history. We have been able to accelerate our manufacturing rate through selective outsourcing of certain components of our systems. Based on our current manufacturing outlook, we expect to end the first quarter with 96 to 98 systems in the fleet and expect to end the second quarter with 118 to 122 systems in the fleet.

Transloading and construction activity continues at the Kingfisher Facility. Completion of the initial phase of construction remains on track for August 2018. In the interim, we are providing direct rail-to-truck transloading service for our anchor customer. Since commencing transloading operations in mid-January 2018, we have begun receiving regular shipments of railcars.

Solaris' Chief Executive Officer Greg Lanham commented, "We are very proud of all that we accomplished in 2017. We more than doubled our mobile proppant management system fleet – from 30 systems to 77 systems – and significantly expanded our market share. We completed our initial public offering, commenced construction of the Kingfisher Facility and completed the Railtronix acquisition. We believe our current fleet of 91 systems represents the industry's leading market share for new technology proppant handling solutions."



## Conference Call

The Company will host a conference call to discuss its fourth quarter and fiscal 2017 results on Wednesday, March 7, 2018 at 7:30 a.m. Central Time (8:30 a.m. Eastern Time). To join the conference call from within the United States, participants may dial (844) 413-3978. To join the conference call from outside of the United States, participants may dial (412) 317-6594. When instructed, please ask the operator to be joined to the Solaris Oilfield Infrastructure, Inc. call. Participants are encouraged to log in to the webcast or dial in to the conference call approximately ten minutes prior to the start time. To listen via live webcast, please visit the Investor Relations section of the Company's website, <http://www.solarisoilfield.com>.

An audio replay of the conference call will be available shortly after the conclusion of the call and will remain available for approximately seven days. It can be accessed by dialing (877) 344-7529 within the United States or (412) 317-0088 outside of the United States. The conference call replay access code is 10116267. The replay will also be available in the Investor Relations section of the Company's website shortly after the conclusion of the call and will remain available for approximately seven days.

## About Solaris Oilfield Infrastructure, Inc.

Solaris Oilfield Infrastructure, Inc. (NYSE:SOI) manufactures and provides patented mobile proppant management systems that unload, store and deliver proppant at oil and natural gas well sites. These patented systems are deployed in many of the most active oil and natural gas basins in the United States, including the Permian Basin, the Eagle Ford Shale, the STACK/SCOOP formation and the Haynesville Shale. Solaris' high-capacity transload facility in Kingfisher, Oklahoma serves customers with operations in the STACK/SCOOP formation. Additional information is available on the Solaris' website, [www.solarisoilfield.com](http://www.solarisoilfield.com).

## Website Disclosure

We use our website ([www.solarisoilfield.com](http://www.solarisoilfield.com)) as a routine channel of distribution of company information, including news releases, analyst presentations, and supplemental financial information, as a means of disclosing material non-public information and for complying with our disclosure obligations under SEC Regulation FD. Accordingly, investors should monitor our website in addition to following press releases, SEC filings and public conference calls and



None of the information provided on our website, in our press releases, public conference calls and webcasts, or through social media channels is incorporated by reference into, or deemed to be a part of, this Current Report on Form 8-K or will be incorporated by reference into any other report or document we file with the SEC unless we expressly incorporate any such information by reference, and any references to our website are intended to be inactive textual references only.

## **Forward Looking Statements**

*This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Examples of forward-looking statements include, but are not limited to, statements we make regarding the outlook for the construction and operation of our new Kingfisher Facility, current and potential future long-term contracts and our future business and financial performance. Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, by their nature, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. As a result, our actual results may differ materially from those contemplated by the forward-looking statements. Factors that could cause our actual results to differ materially from the results contemplated by such forward-looking statements include, but are not limited to the factors discussed or referenced in our filings made from time to time with the SEC. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.*

**SOLARIS OILFIELD INFRASTRUCTURE, INC AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(In thousands, except per share data)**  
**(Unaudited)**

**Three Months Ended**

**Year Ended**



|                                      |          |          |           |           |          |
|--------------------------------------|----------|----------|-----------|-----------|----------|
| Proppant system rental               | \$20,093 | \$ 3,913 | \$ 13,002 | \$ 34,033 | \$14,394 |
| Proppant system services             | 4,906    | 1,374    | 3,416     | 12,537    | 3,563    |
| Proppant inventory software services | 205      | —        | —         | 205       | —        |
| Total revenue                        | 25,204   | 7,289    | 18,478    | 67,395    | 18,157   |

### Operating costs and expenses

|   |       |       |       |        |       |
|---|-------|-------|-------|--------|-------|
| Cost of proppant system rental<br>(excluding \$2,044, \$934, and \$1,523 of depreciation and amortization for the three months ended December 31, 2017 and 2016 and September 30, 2017, respectively, and \$5,792 and \$3,352 for the years ended December 31, 2017 and 2016, respectively, shown separately) | 1,033 | 250   | 641   | 2,627  | 1,431 |
| Cost of proppant system services<br>(excluding \$178, \$49, and \$129 of depreciation and amortization for the three months ended December 31, 2017 and 2016 and September 30, 2017, respectively, and \$461 and \$160 for the years ended December 31, 2017 and 2016, respectively, shown separately)        | 5,544 | 1,615 | 3,933 | 14,184 | 4,916 |
| Cost of proppant inventory software services (excluding \$42 of depreciation and amortization for the three months and year ended December 31, 2017, show separately)   | 76    | —     | —     | 76     | —     |
| Depreciation and amortization   | 2,359 | 1,053 | 1,742 | 6,635  | 3,792 |
| Salaries, benefits and payroll taxes  | 3,522 | 1,069 | 2,942 | 9,209  | 3,061 |
| Selling, general and administrative<br>(excluding \$95, \$40 and \$90 of  | 1,424 | 254   | 1,176 | 5,077  | 2,096 |



\$250 for the years ended December 31, 2017 and 2016, respectively, shown separately)

|   |          |         |          |          |         |
|---|----------|---------|----------|----------|---------|
| Other operating expenses  | 153      | —       | 77       | 4,126    | —       |
| Total operating cost and expenses                                       | 14,111   | 4,241   | 10,511   | 41,934   | 15,296  |
| Operating income  | 11,093   | 3,048   | 7,967    | 25,461   | 2,861   |
| Interest expense  | (26)     | (9)     | (27)     | (97)     | (23)    |
| Income (loss) pursuant to Tax Receivable Agreements                     | 22,939   | —       | 83       | 23,022   | —       |
| Other income  | —        | 1       | —        | —        | 8       |
| Total other income (expense)  | 22,913   | (8)     | 56       | 22,925   | (15)    |
| Income before income tax expense  | 34,006   | 3,040   | 8,023    | 48,386   | 2,846   |
| Provision for income taxes  | 24,762   | 17      | 617      | 25,899   | 43      |
| Net income  | 9,244    | 3,023   | 7,406    | 22,487   | 2,803   |
| Less: net income loss related to Solaris LLC                            | —        | (3,023) | —        | (3,665)  | (2,803) |
| Less: net income related to non-controlling interests                   | (7,137)  | —       | (6,027)  | (15,186) | —       |
| Net income attributable to Solaris                                      | \$ 2,107 | \$ —    | \$ 1,379 | \$ 3,636 | \$ —    |
| Earnings per share of Class A common stock - basic (1)                  | \$ 0.13  | \$ —    | \$ 0.13  | \$ 0.28  | \$ —    |
| Earnings per share of Class A common stock - diluted (1)                | \$ 0.13  | \$ —    | \$ 0.12  | \$ 0.27  | \$ —    |
| Basic weighted average shares of Class A common stock outstanding (1)   | 15,120   | —       | 10,100   | 12,117   | —       |
| Diluted weighted average shares of Class A common stock outstanding (1) | 15,508   | —       | 10,563   | 12,482   | —       |



**SOLARIS OILFIELD INFRASTRUCTURE, INC AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands)  
(Unaudited)

|  | <b>December 31,</b> | <b>December 31,</b> |
|--|---------------------|---------------------|
|  | <b>2017</b>         | <b>2016</b>         |
| <b>Assets</b>  |                     |                     |
| Current assets:                                      |                     |                     |
| Cash   | \$ 63,421           | \$ 3,568            |
| Accounts receivable, net                             | 12,979              | 4,510               |
| Prepaid expenses and other current assets            | 3,622               | 403                 |
| Inventories  | 7,532               | 1,365               |
| Total current assets                                 | 87,554              | 9,846               |
| Property, plant and equipment, net                   | 151,163             | 54,350              |
| Goodwill   | 17,236              | 13,004              |
| Intangible assets, net                               | 5,335               | 36                  |
| Deferred tax assets                                  | 25,512              | —                   |
| Other assets   | 260                 | —                   |
| Total assets   | \$ 287,060          | \$ 77,236           |
| <b>Liabilities and Stockholders'/Members' Equity</b> |                     |                     |
| Current liabilities:                                 |                     |                     |
| Accounts payable                                     | \$ 5,000            | \$ 705              |
| Accrued liabilities                                  | 15,468              | 2,144               |
| Current portion of capital lease obligations         | 33                  | 26                  |
| Current portion of notes payable                     | —                   | 169                 |
| Current portion of senior secured credit facility    | —                   | 31                  |
| Total current liabilities                            | 20,501              | 3,075               |



|   |            |           |
|---|------------|-----------|
| Payables related to parties pursuant to tax receivable agreement  | 24,075     | —         |
| Other long-term liabilities   | 145        | —         |
| Total liabilities   | 45,500     | 5,890     |
| Commitments and contingencies   |            |           |
| Stockholders' and members' equity   |            |           |
| Members' equity   | —          | 69,267    |
| Preferred stock, \$0.01 par value, 50,000 shares authorized, none issued and outstanding  | —          | —         |
| Class A common stock, \$0.01 par value, 600,000 shares authorized, 19,027 issued and 19,011 outstanding as of December 31, 2017 and none issued and outstanding as of December 31, 2016 | 190        | —         |
| Class B common stock, \$0.00 par value, 180,000 shares authorized, 26,810 shares issued and outstanding as of December 31, 2017 and none issued and outstanding as of December 31, 2016 | —          | —         |
| Additional paid-in capital  | 121,727    | —         |
| Accumulated earnings  | 3,636      | 2,079     |
| Treasury stock (at cost), 16 shares and 0 shares as of December 31, 2017 and 2016, respectively   | (261)      | —         |
| Total stockholders' equity attributable to Solaris and members' equity  | 125,292    | 71,346    |
| Non-controlling interest  | 116,268    | —         |
| Total stockholders' and members' equity   | 241,560    | 71,346    |
| Total liabilities, stockholders' and members' equity  | \$ 287,060 | \$ 77,236 |

**SOLARIS OILFIELD INFRASTRUCTURE, INC AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)  
(Unaudited)



Cash flows from operating activities:

|  |                 |                 |
|--|-----------------|-----------------|
| Net income   | \$ 22,487       | \$ 2,803        |
| Adjustment to reconcile net income to net cash provided by operating activities: |                 |                 |
| Depreciation and amortization  | 6,635           | 3,792           |
| Loss on disposal of asset  | 498             | —               |
| Provision for bad debt   | —               | 131             |
| Stock-based compensation   | 3,701           | 127             |
| Amortization of debt issuance costs  | 51              | 4               |
| Change in payables related to parties pursuant to tax receivable agreement       | (23,022)        | —               |
| Deferred income tax expense  | 25,652          | —               |
| Other  | (28)            | —               |
| Changes in assets and liabilities:   |                 |                 |
| Accounts receivable  | (8,469)         | (3,065)         |
| Prepaid expenses and other assets  | (3,273)         | 109             |
| Inventories  | (7,532)         | 327             |
| Accounts payable   | 4,224           | 41              |
| Accrued liabilities  | 5,805           | 252             |
| Net cash provided by operating activities  | <u>26,729</u>   | <u>4,521</u>    |
| Cash flows from investing activities:  |                 |                 |
| Investment in property, plant and equipment                                      | (93,912)        | (10,899)        |
| Cash paid for Railtronix™ acquisition  | (5,000)         | —               |
| Investment in intangible assets  | (72)            | (36)            |
| Net cash used in investing activities  | <u>(98,984)</u> | <u>(10,935)</u> |
| Cash flows from financing activities:  |                 |                 |
| Payments under capital leases  | (27)            | (25)            |
| Payments under notes payable   | (451)           | (211)           |
| Proceeds from borrowings under the credit facility                               | 3,000           | 2,500           |



|   |           |          |
|---|-----------|----------|
| Proceeds from issuance of Class A common stock sold in initial public offering, net of offering costs | 111,073   | —        |
| Proceeds from issuance of Class A common stock sold in secondary offering, net of offering costs      | 44,684    | —        |
| Distributions paid to unit and option holders   | (25,818)  | —        |
| Proceeds from pay down of promissory note related to membership units                                 | 5,256     | —        |
| Net cash provided by financing activities   | 132,108   | 3,059    |
| Net increase (decrease) in cash   | 59,853    | (3,355)  |
| Cash at beginning of period   | 3,568     | 6,923    |
| Cash at end of period   | \$ 63,421 | \$ 3,568 |
| Non-cash activities   |           |          |
| Investing:  |           |          |
| Capitalized depreciation in property, plant and equipment   | \$ 668    | \$ 674   |
| Property and equipment additions incurred but not paid at year-end                                    | 7,765     | 264      |
| Issuance of shares in acquisition   | 4,505     | —        |
| Financing:  |           |          |
| Notes payable issued for property, plant and equipment  | —         | 397      |
| Accrued interest from notes receivable issued for membership units                                    | —         | 327      |
| Cash paid for:  |           |          |
| Interest  | 104       | 20       |
| Income taxes  | 45        | 35       |

**SOLARIS OILFIELD INFRASTRUCTURE, INC AND SUBSIDIARIES**  
**RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL INFORMATION — ADJUSTED**  
**EBITDA**  
**(In thousands)**  
**(Unaudited)**



unusual or non-recurring charges.

We believe that our presentation of EBITDA and Adjusted EBITDA provides useful information to investors in assessing our financial condition and results of operations. Net income is the GAAP measure most directly comparable to EBITDA and Adjusted EBITDA. EBITDA and Adjusted EBITDA should not be considered alternatives to net income presented in accordance with GAAP. Because EBITDA and Adjusted EBITDA may be defined differently by other companies in our industry, our definitions of EBITDA and Adjusted EBITDA may not be comparable to similarly titled measures of other companies, thereby diminishing their utility. The following table presents a reconciliation of Net income (loss) to EBITDA and Adjusted EBITDA for each of the periods indicated.

|  | Three months ended |         |               | Year ended   |         |
|--|--------------------|---------|---------------|--------------|---------|
|  | December 31,       |         | September 30, | December 31, |         |
|  | 2017               | 2016    | 2017          | 2017         | 2016    |
| Net income   | \$ 9,244           | \$3,023 | \$ 7,406      | \$ 22,487    | \$2,803 |
| Depreciation and amortization  | 2,359              | 1,053   | 1,742         | 6,635        | 3,792   |
| Interest expense, net  | 26                 | 9       | 27            | 97           | 23      |
| Income taxes (1)   | 24,762             | 17      | 617           | 25,899       | 43      |
| EBITDA   | \$ 36,391          | \$4,102 | \$ 9,792      | \$ 55,118    | \$6,661 |
| IPO bonuses (2)  | 581                | —       | 617           | 4,627        | —       |
| Stock-based compensation expense (3)   | 1,039              | 19      | 795           | 2,211        | 127     |
| Loss on disposal of assets   | 47                 | —       | 41            | 498          | —       |
| Non-recurring organizational costs (4)   | —                  | —       | —             | 348          | —       |
| Change in payables related to parties pursuant to tax receivable agreement (5) | (22,939)           | —       | (83)          | (23,022)     | —       |
| Other (6)  | 107                | —       | 36            | 143          | —       |
| Adjusted EBITDA  | \$ 15,226          | \$4,121 | \$ 11,198     | \$ 39,923    | \$6,788 |

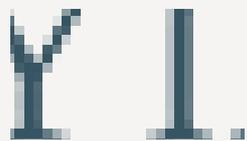


based compensation expense of \$0.6 million, \$0.6 million and \$1.5 million related to restricted stock awards with one-year vesting for the three months ended December 31, 2017 and September 30, 2017 and the year ended December 31, 2017, respectively, that were paid or granted to certain employees and consultants in connection with the Offering.

- (3) Represents stock-based compensation expense of \$1.0 million, \$19 thousand, \$0.8 million, \$1.9 million and \$0.1 million for the three months ended December 31, 2017 and 2016, September 30, 2017 and the years ended December 31, 2017 and 2016, respectively, related to restricted stock awards with three-year vesting and \$0.3 million for the year ended December 31, 2017 related to the options issued under our long-term incentive plan.
- (4) Certain non-recurring organizational costs associated with our IPO.
- (5) Other income related to the change in payables related to parties pursuant to the tax receivable agreement includes (\$21,936) related to the Tax Cuts and Jobs Act.
- (6) Non-recurring transaction costs.

**SOLARIS OILFIELD INFRASTRUCTURE, INC AND SUBSIDIARIES**  
**RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL INFORMATION — ADJUSTED**  
**PRO FORMA NET INCOME AND ADJUSTED**  
**PRO FORMA EARNINGS PER FULLY EXCHANGED AND DILUTED SHARE**  
**(In thousands)**  
**(Unaudited)**

Adjusted pro forma net income represents net income attributable to Solaris assuming the full exchange of all outstanding membership interests in Solaris LLC not held by Solaris Oilfield Infrastructure, Inc. for shares of Class A common stock, adjusted for certain non-recurring items that the Company doesn't believe directly reflect its core operations and may not be indicative of ongoing business operations. Adjusted pro forma earnings per fully exchanged and diluted share is calculated by dividing adjusted pro forma net income by the weighted-average



Adjusted pro forma earnings per fully exchanged and diluted share are supplemental measures of operating performance that the Company believes are useful measures to evaluate performance period over period and relative to its competitors. By assuming the full exchange of all outstanding Solaris LLC Units, the Company believes these measures facilitate comparisons with other companies that have different organizational and tax structures, as well as comparisons period over period because it eliminates the effect of any changes in net income attributable to Solaris as a result of increases in its ownership of Solaris LLC, which are unrelated to the Company's operating performance, and excludes items that are non-recurring or may not be indicative of ongoing operating performance.

Adjusted pro forma net income and adjusted pro forma earnings per fully exchanged and diluted share are not necessarily comparable to similarly titled measures used by other companies due to different methods of calculation. Presentation of adjusted pro forma net income and adjusted pro forma earnings per fully exchanged and diluted share should not be considered alternatives to net income (loss) and earnings (loss) per share, as determined under GAAP. While these measures are useful in evaluating the Company's performance, it does not account for the earnings attributable to the non-controlling interest holders and therefore does not provide a complete understanding of the net income attributable to Solaris. Adjusted pro forma net income and adjusted pro forma earnings per fully exchanged and diluted share should be evaluated in conjunction with GAAP financial results. A reconciliation of adjusted pro forma net income to net income (loss) attributable to Solaris, the most directly comparable GAAP measure, and the computation of adjusted pro forma earnings per fully exchanged and diluted share are set forth below.

|  | Three months ended |       |               | Year ended   |       |
|--|--------------------|-------|---------------|--------------|-------|
|  | December 31,       |       | September 30, | December 31, |       |
|  | 2017               | 2016  | 2017          | 2017         | 2016  |
| Numerator:   |                    |       |               |              |       |
| Net income attributable to Solaris                         | \$ 2,107           | \$ —  | \$ 1,379      | \$ 3,636     | \$ —  |
| Adjustments:   |                    |       |               |              |       |
| Reallocation of net income attributable to non-controlling | 7,137              | 3,023 | 6,027         | 18,851       | 2,803 |



|  |                 |                 |                 |                  |                 |
|--|-----------------|-----------------|-----------------|------------------|-----------------|
| Non-recurring organizational costs<br>(3)  | —               | —               | —               | 348              | —               |
| Change in payables related to parties<br>pursuant to tax receivable<br>agreement (4)                           | (21,936)        | —               | —               | (21,936)         | —               |
| Remeasurement of deferred tax<br>assets  | 22,637          | —               | —               | 22,637           | —               |
| Other (5)  | 107             | —               | 36              | 143              | —               |
| Income tax (expense)/benefit   | (1,751)         | (1,094)         | (2,570)         | (7,693)          | (1,025)         |
| Adjusted pro forma net income  | <u>\$ 8,929</u> | <u>\$ 1,929</u> | <u>\$ 5,530</u> | <u>\$ 21,111</u> | <u>\$ 1,778</u> |
| Denominator:   |                 |                 |                 |                  |                 |
| Weighted average shares of Class A<br>common stock outstanding - diluted                                       | 15,508          | —               | 10,563          | 12,482           | —               |
| Adjustments:   |                 |                 |                 |                  |                 |
| Assumed exchange of Solaris LLC<br>Units for shares of Class A common<br>stock (1)                             | 29,888          | 42,466          | 32,726          | 31,622           | 42,466          |
| Adjusted pro forma fully exchanged<br>weighted average shares of Class A<br>common stock outstanding - diluted | <u>45,396</u>   | <u>42,466</u>   | <u>43,289</u>   | <u>44,104</u>    | <u>42,466</u>   |
| Adjusted pro forma earnings per fully<br>exchanged share - diluted   | <u>\$ 0.20</u>  | <u>\$ 0.05</u>  | <u>\$ 0.13</u>  | <u>\$ 0.48</u>   | <u>\$ 0.04</u>  |

(1) Assumes the exchange of all outstanding Solaris LLC Units for shares of Class A common stock at the beginning of the relevant reporting period, resulting in the elimination of the non-controlling interest and recognition of the net income attributable to non-controlling interests.

(2) One-time cash bonuses of \$3.1 million for the year ended December 31, 2017 and stock-based compensation expense of \$0.6 million, \$0.6 million and \$1.5 million related to



(3) Certain non-recurring organizational costs associated with our IPO.

(4) Other income related to the remeasurement of payables related to parties pursuant to the tax receivable agreement of (\$21,936) related to the Tax Cuts and Jobs Act.

(5) Non-recurring transaction costs.

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