

# **4Q 2017 Earnings Call**

## **February 27, 2018**

# Forward-Looking Statements



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# 4Q 2017 Financial Recap



(in millions)

## Three Months Ended

	12/31/17	9/30/17	12/31/16
Revenue			
Completion & Remedial	\$122.0	\$123.7	\$59.2
Well Servicing	54.5	54.6	45.1
Water Logistics	55.5	52.3	48.8
Contract Drilling	3.3	2.8	2.4
	<b>\$235.3</b>	<b>\$233.5</b>	<b>\$155.5</b>
Gross Profit			
Completion & Remedial	\$36.7	\$39.2	\$8.4
Well Servicing	10.5	11.4	6.1
Water Logistics	11.3	11.1	6.3
Contract Drilling	0.4	0.3	(0.0)
	<b>\$58.9</b>	<b>\$61.9</b>	<b>\$20.8</b>
Net Income (Loss)	(\$20.3)	(\$13.8)	\$141.9
FD Income (Loss) per Share	(\$0.78)	(\$0.53)	\$3.32
Adj EBITDA	\$22.5	\$26.5	(\$5.2)

# 4Q 2017 Operational Highlights



- 4Q revenues were up 1% sequentially led by the cyclical recovery, offset by seasonality and decreased daylight hours
  - C&R segment revenue down 1% sequentially despite the holiday slowdown impacting several days of activity
  - Rental and Fishing Tools saw revenue increase 5% q/q as the average number of 24-hour packages tied to service rigs increased to over 20
- Increased utilization across production service segments:
  - Service rig utilization of 53% in 4Q, down from 55% in 3Q, due to the impact of weather in the beginning and end of the quarter as well as holidays and shorter daylight hours in latter part
  - Rig revenue per hour increased 3% q/q as price increases continue
  - Fluid service truck hours of 493k in 4Q, up from 483k in 3Q
- Posted 2H17 EBITDA of \$49.0 mm, up from \$10.8 mm in 1H17

# Operational Update



	4Q17	3Q17	2Q17	1Q17
Well servicing rig hours	159,500	165,200	162,300	157,600
Well servicing utilization rate	53%	55%	54%	52%
Number of well servicing rigs - end of period	421	421	421	421
Fluid services truck hours	492,800	483,300	473,500	484,300
Number of fluid service trucks - end of period	975	958	938	944
Number of fluid service trucks - average	967	947	943	935
Total pressure pumping HHP - end of period	522,565	522,565	518,365	443,320
Active frac HHP	413,300	413,300	372,850	356,900
Purchased frac HHP undergoing make-ready	-	-	55,000	-
Total frac HHP - end of period	413,300	413,300	427,850	356,900
Coiled tubing units - end of period	18	18	18	16

Notes:

HHP is hydraulic horsepower.

# CapEx and Liquidity



- Capital expenditures (including capital leases) for 2017 totaled \$138.3 million
  - Maintenance/sustaining expenditures were \$88.6 million
  - Expansion projects and other totaled \$49.8 million
    - Purchased 74,000 hydraulic horsepower (HHP) in late 2Q at a total cost of \$28.5 million, <\$400 per HHP
      - Half of the HHP was deployed in mid 2<sup>nd</sup> quarter while the remaining half was deployed in late August
    - Two 2-3/8” coiled tubing units at a cost of \$14 million for our Niobrara operations were deployed in early August
- 4Q spending totaled \$20.3 mm
- 2018 spending to be limited to maintenance CapEx at this point

# Balance Sheet and Liquidity



\$millions	<u>12/31/2017</u>	<u>9/30/2017</u>
Cash and cash equivalents	\$ 39	\$ 43
Restricted Cash	48	48
\$100 million Revolver	\$ 64	\$ 64
Term Note Facility	163	163
Other debt and capital leases	88	92
<b>Total debt</b>	<b>\$ 315</b>	<b>\$ 320</b>
Shareholders' Equity	338	352
<b>Total Capitalization</b>	<b>\$ 653</b>	<b>\$ 672</b>
Net debt <sup>1</sup>	\$ 228	\$ 229
Total liquidity	\$ 50	\$ 74
Net Debt/Book Cap	40%	39%

Liquidity is computed using cash balance of \$39 million, plus availability under the revolver of \$11 million (adjusted for growth in accounts receivable).

1 - Net debt excludes restricted cash of \$48 million



# Completion and Remedial Services

## Operational Highlights

- Seasonality and delayed jobs due to clients' spent budgets impacted revenue late in 4Q
- Coiled tubing utilization and revenue was down 4% sequentially as completion activity slowed for the holiday period

## Segment Outlook

- Pressure pumping calendar is booked through 1Q18, with demand outpacing supply on coiled tubing
- Due to strong demand, continue to high-grade client base
- We expect segment maintenance capex of <10% of revenue as we continue to focus on lower wear-and-tear jobs with strong operating margins

## Segment Revenue Breakdown

	4Q17	3Q17	2Q17
Pumping	58%	59%	63%
Coiled Tubing	23%	24%	20%
Rental Tools	15%	15%	15%
Other	4%	2%	2%



## Operational Highlights

- Pro forma for cold-stacking of 111 rigs at end of year, 4Q17 utilization of the active fleet would have totaled 72%.
- Rigs working with 24-hour packages increased from an average of 18 in 3Q to 20 in 4Q
- Rental and fishing tool revenue (part of C&R segment) was up 5% sequentially, driven by increased amount of completion work by service rigs
- Revenue per rig hour continues to climb, up 3% q/q in 4Q to \$339, a figure that excludes rental tool revenue in rig packages

## Segment Outlook

- Pricing continues to climb in the mid-single digit range in 1Q, with the industry approaching what appears to be full utilization based on available labor
- Completion and 24-hour work continues to increase, presenting significant additional revenue potential (booked in C&R segment)

## Segment Analysis

	4Q17	3Q17	2Q17
Rig Hours (000s)	159.5	165.2	162.3
Utilization	53%	55%	54%
Revenue/Hour*	\$339	\$329	\$321
Segment Margin	19.3%	20.9%	21.2%

*\*Excludes rental tool revenue as a part of larger rig packages*



# Water Logistics

## Operational Highlights

- Average revenue per truck up 4% from 4Q
- More than 20% of SWD capacity fed by pipeline during the quarter, continuing to climb
- Pricing continues to trend upwards, with revenue per truck up 4% q/q

## Segment Outlook

- Water volumes and volumes disposed via pipeline continue to increase, with margin expansion likely in 2018 due to lower labor and fuel component
- Continuing to add SWDs, looking to reach 90 SWDs by mid-2018

## Segment Analysis

	4Q17	3Q17	2Q17
Trucks (Avg.)	967	947	943
Rev/Truck (000s)	\$57.4	\$55.3	\$53.8
Disposal Wells	85	86	86
Segment Margin	20.3%	21.1%	18.1%



# 4Q17 Takeaways



- Supply chain operating at high levels of efficiency, little to no delays on jobs due to proppant, chemicals, cement, acid availability
- Pumping services seeing steady revenue despite typical seasonality in latter part of 4Q
  - Incremental pricing traction
  - Focus on work that is 8,500 psi or less (vs. working at 11,500 psi) resulting in lower relative capex
- Well service rig utilization >70% for pro forma fleet of 310 rigs
  - Number of 24-hour packages continues to increase, averaging 20 for 4Q, more than triple that of 1Q16
  - Equipment rentals associated with completions and larger workovers can double or triple overall rate paid on jobs (booked as C&R segment revenue)

# 1H18 Outlook



We expect 1H18 revenues to increase with the cyclical recovery, up 7%-10% from 2H17

- Increase to be driven by higher completion and remedial services activity as well as increased utilization and pricing in production services
- Production-oriented well servicing and water logistics segment pricing gains have been significant in early 1Q, with price increases of nearly 10% to specific customers not uncommon
- More stable oil prices appear to have generated demand for workover services, which can include significant equipment rentals along with a service rig
- Early 1Q weather update:
  - Ice and harsh weather slowed the resumption of activity in the first half of January
  - Activity has since resumed, with production services seeing levels not experienced since early 2015

## Margin Outlook

- Coming off of lower seasonal activity levels, completion and remedial services segment margins could improve 200 bps or more sequentially in 1Q
- Production services margins could increase slightly on improved utilization and pricing.

# Non-GAAP Reconciliation



(000s)	Three Months Ended		
	12/31/17	9/30/17	12/31/16
Net Loss	(\$20.3)	(\$13.8)	\$141.9
Adjustments			
Income Tax Provision (Benefit)	(0.3)	(1.7)	0.0
Interest Expense	10.3	8.9	29.4
Depreciation & Amortization	31.4	29.5	54.1
EBITDA	\$21.1	\$22.8	\$225.4
Adjustments:			
(Gain) Loss on Sale of Assets	0.9	(0.0)	0.9
Retention Expense	0.0	0.0	3.6
Reorganization Items, net	0.0	0.0	(264.3)
Vesting of Predecessor Equity Comp	0.0	0.0	18.9
Restructuring Costs, Other	0.0	0.0	10.3
Due diligence on M&A activities	0.5	3.7	0.0
Goodwill Impairment	0.0	0.0	0.0
Adjusted EBITDA	\$22.5	\$26.5	(\$5.2)

This presentation contains references to the non-GAAP financial measure of earnings (net income) before interest, taxes, depreciation and amortization, or "EBITDA." This presentation also contains references to the non-GAAP financial measure of earnings (net income) before interest, taxes, depreciation, amortization, retention expense, due diligence for M&A activities, restructuring costs, and the gain or loss on disposal of assets or "Adjusted EBITDA." EBITDA and Adjusted EBITDA should not be considered in isolation or as a substitute for operating income, net income or loss, cash flows provided by operating, investing and financing activities, or other income or cash flow statement data prepared in accordance with GAAP.