# Investor Presentation

November 2024

# Disclaimer

**Cautionary Statement Regarding Forward-Looking Statements**

This presentation contains statements reflecting assumptions, expectations, projections, intentions or beliefs about future events that are intended as "forward-looking statements." You can identify these statements by the fact that they do not relate strictly to historical or current facts. Management cautions that any or all of Target Hospitality's forward-looking statements may turn out to be wrong. Please read Target Hospitality's annual, quarterly and current reports filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, including its 2023 Form 10-K filed on March 13, 2024, first quarter 2024 Form 10-Q filed on May 8, 2024, second quarter 2024 Form 10-Q filed on August 7, 2024 and third quarter 2024 Form 10-Q filed on November 12, 2024 for additional information about the risks, uncertainties and other factors affecting these forward-looking statements and Target Hospitality generally. Target Hospitality's actual future results may vary materially from those expressed or implied in any forward-looking statements. All of Target Hospitality's forward-looking statements, whether written or oral, are expressly qualified by these cautionary statements and any other cautionary statements that may accompany such forward-looking statements. In addition, Target Hospitality disclaims any obligation to update any forward-looking statements to reflect events or circumstances after the date hereof.

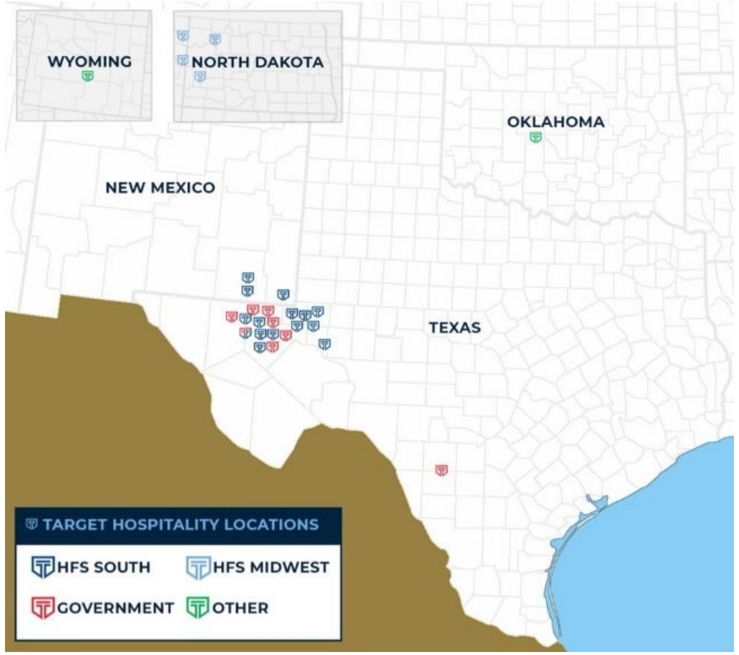
**Non-GAAP Financial Measures**

This presentation contains historical non-GAAP financial measures including EBITDA, Adjusted EBITDA, Adjusted Gross Profit, Adjusted Gross Profit margin, and Discretionary Cash Flow. Reconciliations of these historical measures to the most directly comparable GAAP financial measures are contained herein. This presentation also contains the forward-looking non-GAAP financial measure Adjusted EBITDA. Reconciliations of this forward-looking measure to its most directly comparable GAAP financial measure is unavailable to Target Hospitality without unreasonable effort. We cannot provide reconciliations of forward-looking Adjusted EBITDA to GAAP financial measures because certain items required for such reconciliations are outside of our control and/or cannot be reasonably predicted, such as the provision for income taxes. Preparation of such reconciliations would require a forward-looking balance sheet, statement of income and statement of cash flow, prepared in accordance with GAAP, and such forward-looking financial statements are unavailable to us without unreasonable effort. Although we provide a range of Adjusted EBITDA that we believe will be achieved, we cannot accurately predict all the components of the Adjusted EBITDA calculation. To the extent required, statements disclosing the definitions, utility and purposes of these measures are set forth in our earnings press release for the year ended 2023 and third quarter 2024, which is available on our website free of charge at www.TargetHospitality.com.

# Target Hospitality *(NASDAQ: TH)*

## North America's Largest Provider of Comprehensive Hospitality Solutions

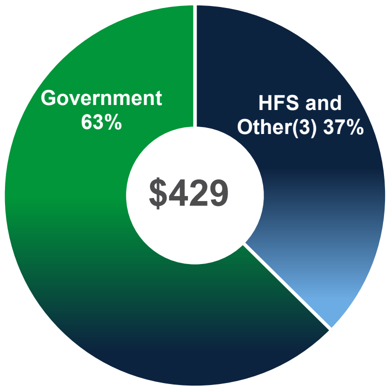
- TH leverages an expansive network and first-class customer base, which provides increased revenue visibility through committed contracts and customer exclusivity provisions
- Servicing a premier customer base including government and non-profits in support of humanitarian aid efforts
- Utilizing distinct core competencies to provide a comprehensive suite of hospitality solutions
- Consistently enhancing value through a balanced portfolio of service offerings




## Key Differentiating Attributes

| | |
|---|---|
| **North America's Largest Network** | *Strategically located network creates scale and flexibility that continues to drive profitability* |
| **Optimized Balance Sheet** | *Robust balance sheet with total available liquidity of \$353[(2)] million and a net leverage ratio of 0.0x[(2)]* |
| **Diversified Service Offerings** | *Distinct core competencies provide unique opportunities to drive value enhancing diversification* |
| **Unrivaled Market Leadership** | *Trusted partner of multinational corporations and gold standard provider supporting the U.S. Government's humanitarian missions* |

### LTM Total Revenue[(1)]




### Total Available Liquidity [(2)]

**$353**



(1) $ in millions, represents total consolidated revenue for the twelve months ended September 30, 2024
(2) Total available liquidity as of September 30, 2024, comprised of cash and cash equivalents as of ~$178 million and $175 million of available borrowings on the Company's credit facility.
(3) Includes HFS – South and All Other segments

# Differentiated & Compelling Investment Opportunity

TARGET HOSPITALITY

| | |
|---|---|
| Leading provider of vertically integrated modular accommodations | **28** Communities with Over **16K** Available Beds(1) |
| Unique value enhancing growth opportunities across a large addressable market | Federal Government and Commercial End Markets |
| Proven track record of powerful returns | **+$165 million of** Avg. Annual DCF(2) since 2021 |
| Established customer base supports revenue and cash flow visibility | **+4.5 years** Avg. Length of Existing Customer Relationship |
| Robust balance sheet provides optionality in pursuing attractive growth opportunities | **0.0x** Net Leverage(1) |

(1) *As of September 30, 2024*

(2) *Discretionary Cash Flow ("DCF") defined as Operating Cash Flow less maintenance capital expenditures. Average annual DCF for the years ended December 31, 2021 – 2023 and the twelve months ended September 30, 2024. DCF is a non-GAAP financial measure; please see appendix for reconciliation to GAAP measures*

# Holistic Hospitality Solutions and Services

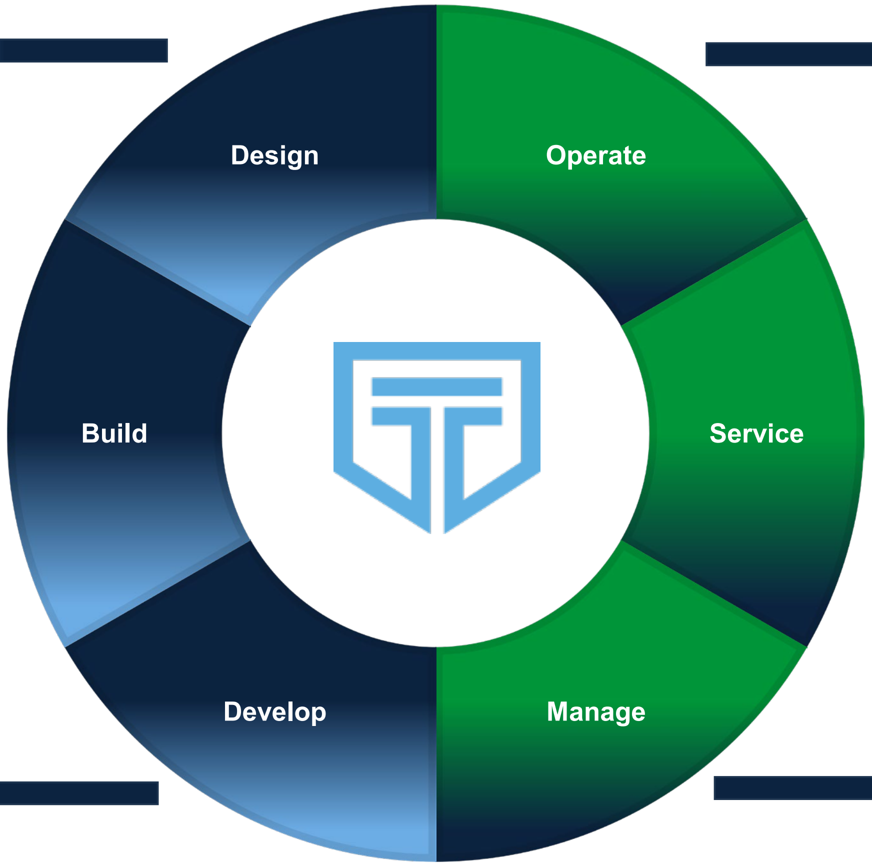
TARGET HOSPITALITY

## Customized and Purpose-Built Solutions

- Site Selection & Civil Surveying
- Community Configuration & Layout
- Engineering & Land Preparation

- Real Estate Acquisition
- Commercial Construction & Fabrication
- Modular Asset Integration

- Full Utility Capabilities & Integrations
- Cellular Connectivity & Installation
- Integrated Community Amenities




## Premium Hospitality Services and Offerings

- Holistic Remote Workforce Solutions
- Gated Access & 24/7 Security
- Comprehensive Maintenance Services

- Multiple 24/7 Culinary Solutions
- Premier Health & Recreational Facilities
- Transportation & Logistic Services

- Complete Facilities Management
- Technology Infrastructure & Services
- Waste & Janitorial Solutions

# Unique Value-Enhancing Business Model

## Strategically Focused on Enhancing Value through a Balanced Portfolio of Service Offerings

### Premier Network

**Network size and scale** provide efficient operating structure and promote meaningful **strategic advantages** in servicing a **premier customer base**

### Distinct Core Competencies

**Best in class customers** find increasing value in Target's distinctive set of **core competencies** which provide the basis for **comprehensive hospitality solutions** including:
- Food Management - Workforce Accommodations - Logistics
- Lodging Infrastructure - Facilities Maintenance - Premium Catering

### Unique Capabilities

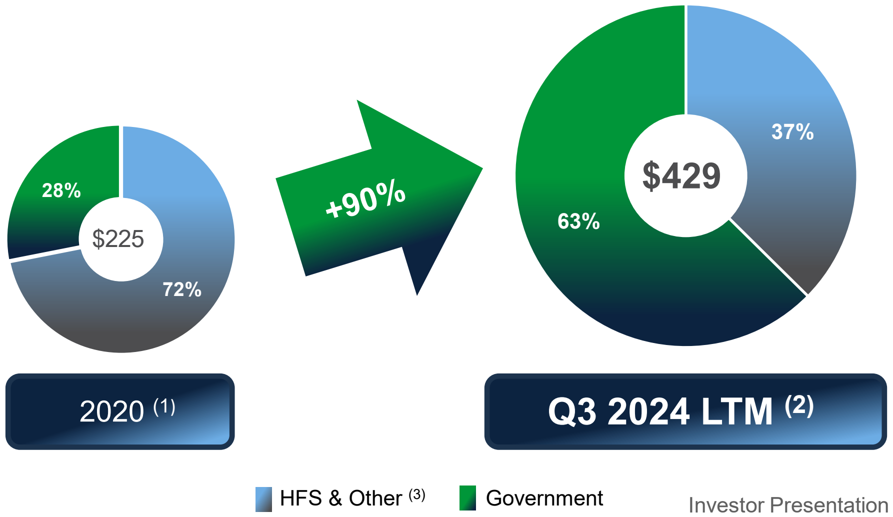
Target's **premium service offerings** provide the basis for expanding its commercial reach beyond its core accommodations platform while **unlocking value** within its existing **core competencies**. Target's suite of comprehensive hospitality service offerings and **unique capabilities** translate across a variety of end markets, creating **multiple growth vectors** to further **enhance value**.

### Creating Value with Existing Core Competencies

Utilizing **existing capabilities** to identify and pursue **high growth opportunities**, with intentional focus on generating industry leading returns on invested capital

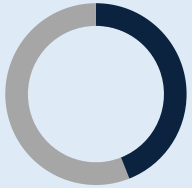
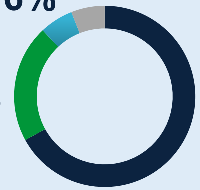
Differentiated customer base creates **unique opportunities** to **accelerate value creation** across multiple growth platforms

### Capabilities Support Meaningful Revenue Growth




(1) $ in millions, total reported consolidated revenue for the year ended December 31, 2020
(2) $ in millions, represents total reported consolidated revenue for the twelve months ended September 30, 2024
(3) Includes HFS – South, and All Other segments

# Proven Track Record of Business Transformation

| | 2014 | 2019 | 2024* |
|---|---|---|---|
| **Revenue** | $139 million | $321 million | $429 million |
| **Adjusted EBITDA(1)** | $55 million | $159 million | $223 million |
| **Network Scale** | 10 Communities | 25 Communities | 28 Communities |
| **Available Beds** | 5,185 | 13,705 | +16,000 |
| **Business Mix** | **56%** HFS Midwest  **44%** HFS South<br>***100%** Energy End Market Focused* | **6%** **6%** **21%** Government  **67%** HFS South<br>*~**80%** Energy End Market Focused* | **63%** Government  **37%** HFS and Other<br>*~**60%** Government Services End Market* |

* *Represents the twelve months ended September 30, 2024*
(1) *Adjusted EBITDA is a non-GAAP financial measure; please see appendix for reconciliation to GAAP measures*

# Contract Structure Drives Long-Term Revenue Visibility

***Established Customer Relationships Provides Enhanced Revenue and Cash Flow Visibility***

***Attractive Exposure to Multiple End Markets Supports Consistent Economic Returns***

## Government Services

- Government services supports longest running customized and purpose-built Influx Care Facility in the United States
  - Beginning in 2021, the Pecos Children's Center supports approximately 6,000 bed community
  - Entering fifth year of continuous operations
- Gold standard provider and proven reputation
- Providing critical hospitality solutions for unaccompanied minors supporting the U.S. government's essential humanitarian aid efforts
- Contract structure supports consistent economic returns

## Hospitality and Facilities Services*

- 19 all-inclusive full-turnkey communities supports blue chip customers dynamic labor allocation requirements
- Long-standing relationships with world's largest companies, providing enhanced revenue visibility
- Strategically located network provides consistent and reliable hospitality solutions across approximately 100,000 square miles
- Over 90% customer renewal rate since 2015
- Contract structure, including exclusivity, provides foundation to appropriately respond to increases in commercial activity and customer demand

***Complementary Business Mix Underpinned by Strong Core Offerings Creates Multiple Avenues to Accelerate Growth in Well Established Markets***



* *Including the All Other segment*

# Creating Positive Social Change

## Caring for Vulnerable Populations Through Critical Humanitarian Solutions

**Caring**

- Children and family units come to the United States to escape desperate situations, including poverty, violence and exploitation
- Target's humanitarian solutions create a nurturing environment to support this critical emotional and social transition

**Holistic**

- Target is committed to providing safe, clean and compassionate hospitality solutions for these desperate situations
- Creating holistic full-service communities with a tailored focus on supporting these vulnerable populations

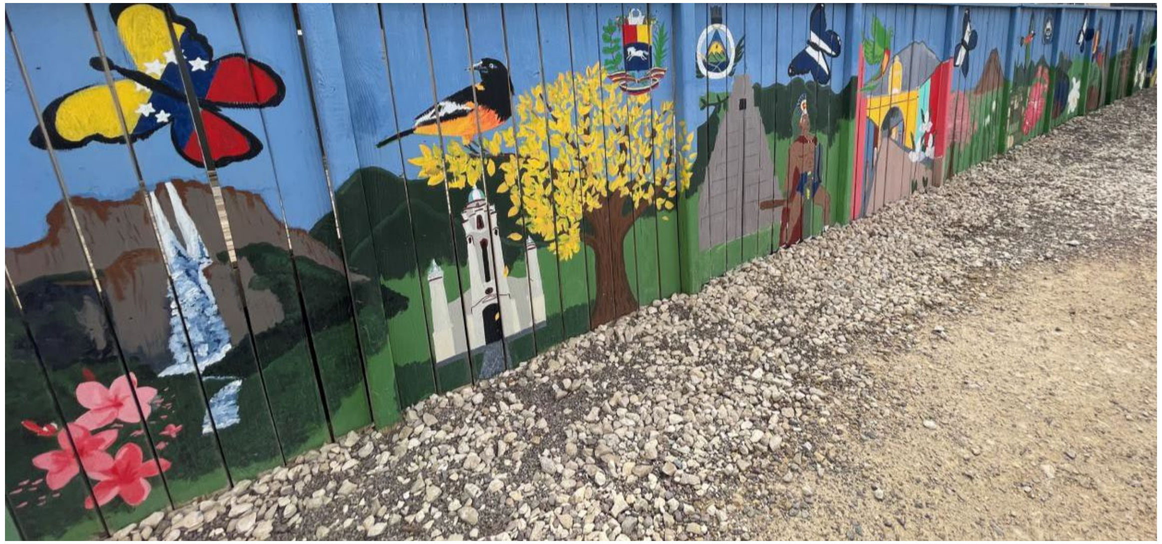
**Humanitarian Solutions**

- One of the largest providers of permanent hospitality solutions supporting the United States government and their humanitarian aid efforts
- Target's best-in-class solutions support interactive educational services, premier recreational facilities and comprehensive medical treatment capabilities

# Expanded Humanitarian Community

TARGET HOSPITALITY

## Thoughtfully Designed and Purpose Built for a Vibrant and Welcoming Environment



# Expanded Humanitarian Community

TARGET HOSPITALITY

## Dedicated to Promoting Mental and Physical Well-Being

# Established and Proven Humanitarian Solution

## Highly Customized Community Supports Longevity of Enhanced Holistic Service Offering

- **Established in 2021**, the Pecos Children's Center ("PCC") is entering its **fifth year of operations**
- PCC is the **longest running purpose-built Influx Care Facility** ("ICF") in the United States
- Supporting comprehensive hospitality services and customized infrastructure solutions for up to **6,000 individuals**
- Community utilizes **Target's real property and infrastructure assets**, supporting strong economic returns
- **2023 PCC contract award** establishes foundation for **continued service offering through 2028**

**2021**
- Awarded initial contract to construct an all-inclusive community capable of supporting 4,000 individuals

**2022**
- Announced exclusive 11-year partnership with non-profit to continue jointly providing critical services at PCC
- Awarded second contract, significantly expanding and enhancing the community to support up to 6,400 individuals

**2023**
- Non-profit partner receives contract award, solidifying PCC as a cornerstone of the government's ICF network
- Non-profit partner awarded $75 billion 5-year IDIQ contract (additional 5-year option), for ICF community

**2024**
- PCC contract extended, supporting up to 6,000 individuals and entering its fifth year of critical humanitarian service

**Beyond**
- Established presence, and gold standard reputation, creates foundation to expand government services offering

**Established Presence and Comprehensive Capabilities Support Foundation to Expand Critical Hospitality Solutions and Government Service Offering**

# Growth Aspirations

# Prudently Deploying Capital to Accelerate Value Creation

TARGET HOSPITALITY

## Strength in Core Offerings Underpins Multiple Avenues to Accelerate Growth

- Strength in legacy core operating platform and premier customer base, supports enhanced revenue visibility and strong cash generation
- These fundamentals allow Target to simultaneously defend its competitive position, while self-funding attractive organic and inorganic growth opportunities

## Key Growth Objectives

- **Diversify Customer Base and Contracts** – Expand business beyond existing contract portfolio
- **Deploy Capital in High ROIC Initiatives** – Utilize Target's financial strength to fund accretive growth
- **Broaden Solution Offerings** – Expand service offerings utilizing existing product portfolio and core competencies to extend end market reach
- **Repeatable Growth Opportunities** – Diversified contract portfolio will support increased adjacent growth opportunities, while minimizing singular contract risk

*Market Dependent* ⟷ *Management Dependent*

### 1 Organic Growth

- Continue to pursue traditional remote workforce accommodation projects related to HFS, government humanitarian solutions, rare earth mining, energy transition, and other infrastructure development

### 2 Inorganic Growth

- Prosecute one or more strategic acquisitions focused on diversifying Target's contract portfolio and broadening end market reach
- Small-to-mid sized acquisitions TH can execute on balance sheet and/or with discretionary cash flow

**Optimized Balance Sheet and Strong Liquidity Profile Establish Attractive Platform to Expand Service Offering into Complimentary Adjacencies**

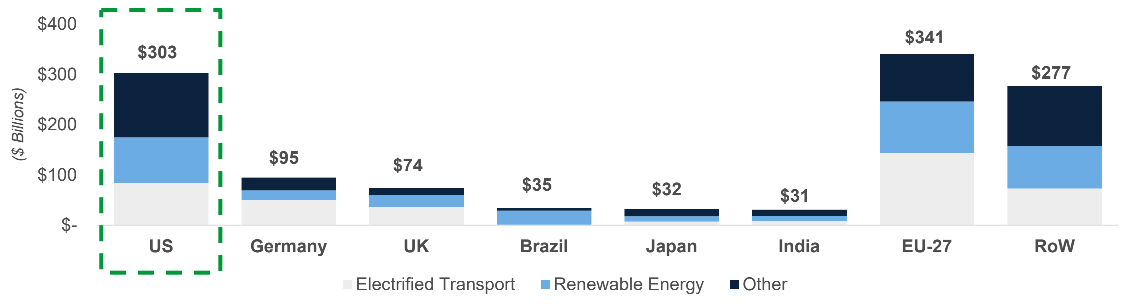
# Domestic Investments Align with Unique Capabilities

TARGET HOSPITALITY

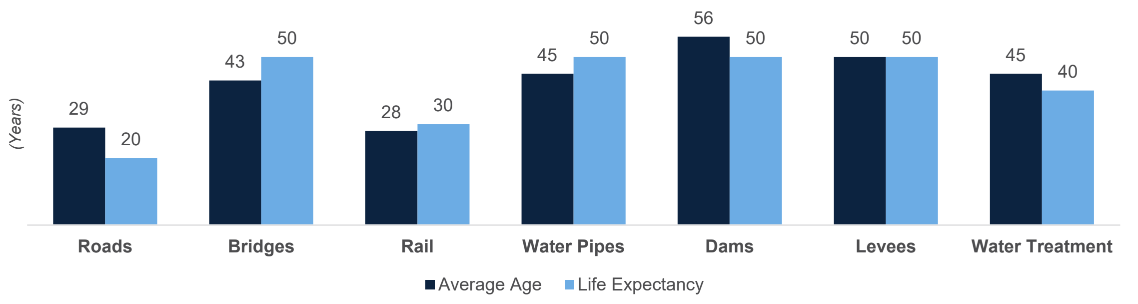
## Utilizing Existing Product Offering to Extend End Market Reach and Diversify Contract Portfolio

- Federal legislation supports +$1.2[(1)] trillion of investment focused on modernizing the United States aging infrastructure and accelerating the critical transition across 21st century industries
- Since 2021, private companies have announced $988[(2)] billion of complementary investments further accelerating domestic initiatives focused on energy transition, semiconductors and biotechnology
  - Including $446[(2)] billion in semiconductors and electronics, $180[(2)] billion in EVs and batteries
- **Size and scale of capital projects establish unique opportunity for Target's holistic hospitality and workforce solutions**

### 2023 Green Energy Investment[(3)]




### Aging U.S. Infrastructure[(4)]




## Target is Well Positioned to Support this Critical Investment Cycle through its Unique Capabilities

(1) *Total invested by the 117th Congress through the Infrastructure Investment and Jobs Act (IIJA) and the Inflation Reduction Act (IRA)*
(2) *The White House – Investing in America, private company investment since 2021 as of October 18, 2024*
(3) *JP Morgan Electravision – Annual Energy Paper March 2024*
(4) *American Society of Civil Engineers*

# Financial Strength

# Strong Third Quarter 2024 Financial Performance

## Core Service Offering and Business Fundamentals Further Enhancing Financial Position

### Third Quarter Highlights

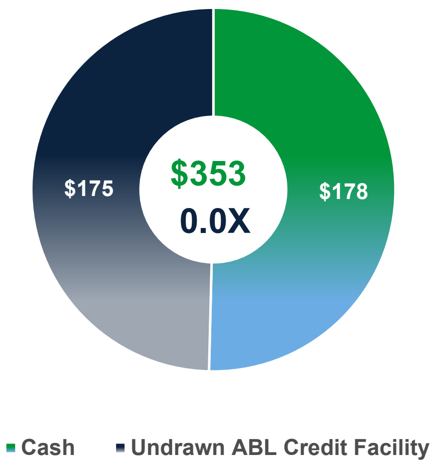
- Revenue of $95 million for the three months ended September 30, 2024
- Net income of $20 million for the three months ended September 30, 2024
- Adjusted EBITDA(1) of $50 million for the three months ended September 30, 2024
- Strong cash generation with over $31 million of Net Cash Provided by Operating Activities and approximately $23 million of Discretionary Cash Flow(1) for the three months ended September 30, 2024
- Significant financial flexibility with $353 million in total available liquidity as of September 30, 2024
- Returned over $33 million to shareholders through the repurchase of approximately 3.8 million shares of common stock year to date through November 8, 2024

### Consistently Enhancing Financial Strength

- No outstanding borrowings on the Company's $175 million credit facility
- Meaningful balance sheet strength and flexibility with a net leverage ratio(2)(3) of 0.0x

### Significant Financial Flexibility(3)(4)

- Balance sheet strength establishes an enhanced liquidity profile and meaningful financial flexibility




(1) Adjusted EBITDA and Discretionary Cash Flow are non-GAAP financial measures; see appendix for a reconciliation to GAAP measures
(2) As of September 30, 2024
(3) Total net leverage ratio is defined in the credit facility as consolidated total net debt to consolidated EBITDA for the preceding four fiscal quarters
(4) Total available liquidity as of September 30, 2024, inclusive of cash and cash equivalents of $178 million and no outstanding borrowings on the Company's $175 million credit facility; with net leverage ratio of 0.0x.

# Strategic Principles Support Positive Momentum

***Continued Strength in Core Business and Customer Demand***
***Established End Market Presence Provides Strong Revenue Visibility***
***Generating Meaningful Discretionary Cash Flow***

## Strong Business Fundamentals

- High quality contracts and operational flexibility continue to support strong revenue visibility
- Strength in core service offering and efficient business model drive robust cash flow generation and meaningful Discretionary Cash Flow
- Establishing an enhanced financial position centered on a strong balance sheet and robust liquidity profile
- Optimized balance sheet, coupled with expanding growth pipeline, supports continued pursuit of value enhancing growth initiatives

## 2024 Financial Outlook(1)

- Significant transformation of Target's end markets and high-graded contract structure provide enhanced long-term revenue and cash flow visibility
- Further advancing Target's financial profile and balance sheet strength

| ($ in millions) | 2024 Outlook Range | |
|---|---|---|
| Total Revenue | $375 | $385 |
| Adjusted EBITDA (2) | $184 | $190 |
| Total Capital Spending (3) | $25 | $30 |

Zero Net Debt by Year End 2024
Total Available Liquidity Exceeding $350 million

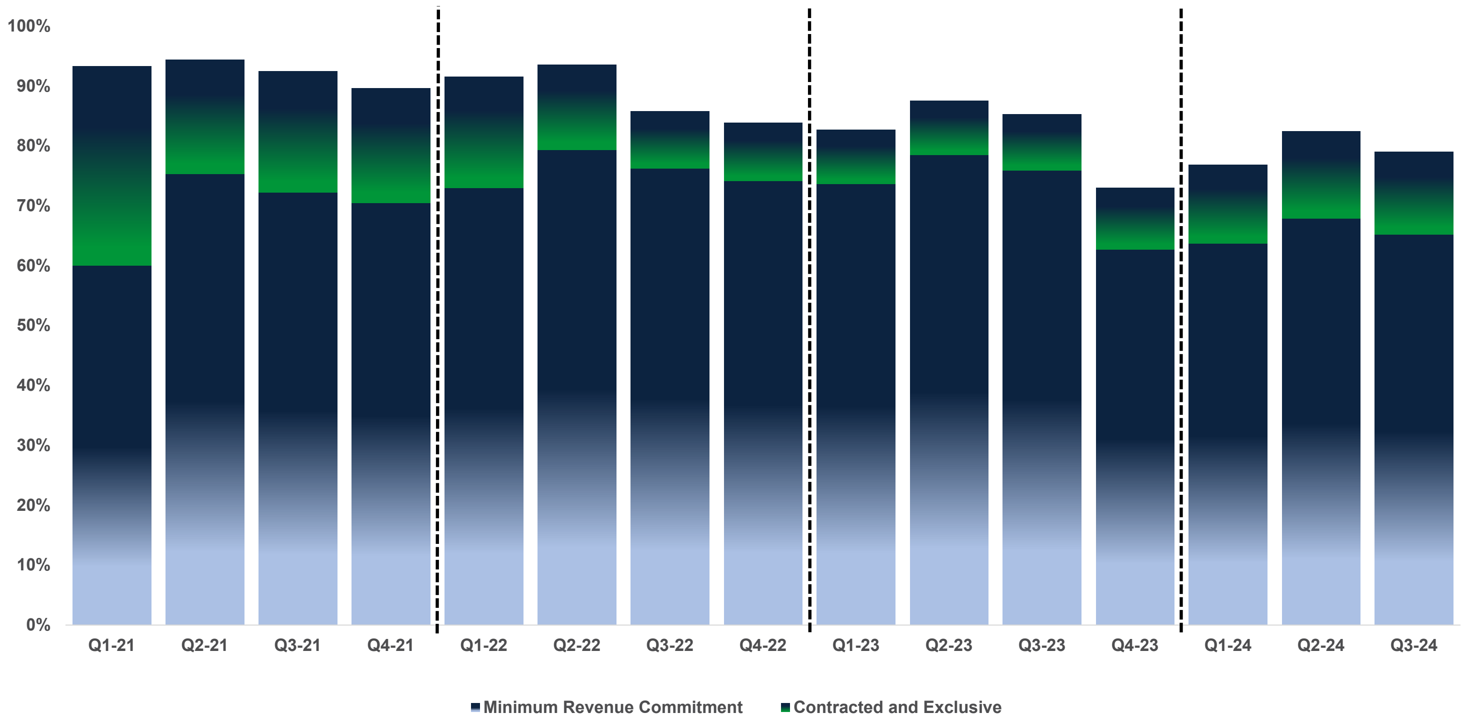
*(1) As provided on June 27, 2024, reiterated on August 7, 2024, November 12, 2024 and November 18, 2024. The unaudited estimated financial results included in this presentation are subject to revision. As a result, actual results for the year ended December 31, 2024, may differ materially from the estimated unaudited financial results as a result of the year-end audit, or upon occurrence of other developments that may arise prior to the time financial results are finalized.*
*(2) Information reconciling forward-looking Adjusted EBITDA to GAAP financial measures are unavailable to the Company without unreasonable effort, and therefore, no reconciliations to the most comparable GAAP measures are provided for the 2024 financial outlook*
*(3) Total capital expenditures, excluding acquisitions*

# Consistent and Predictable Revenue Visibility

Contract structure, including exclusivity, provide consistent and predictable quarterly revenue

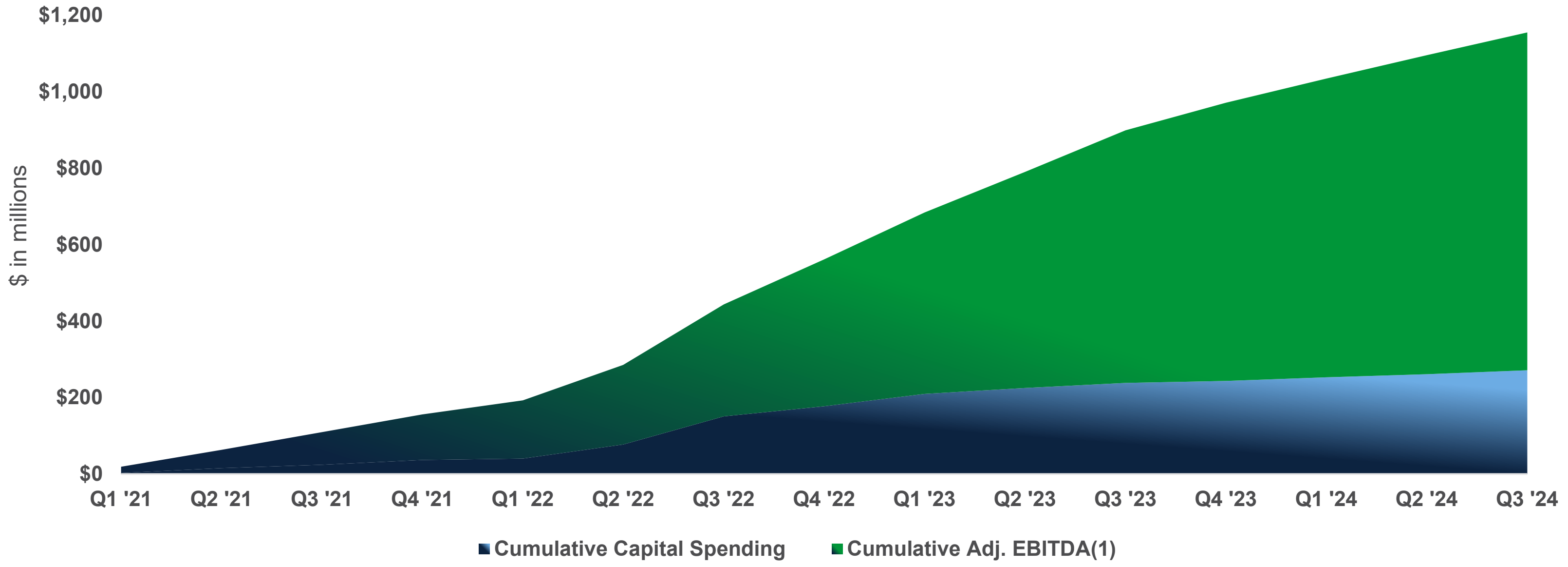
Contracted and exclusive relationships provides highly reliable revenue from premier customers

**+70% of Historical Quarterly Revenue Committed or Included Exclusivity**



# Efficient Capital Deployment Drives Returns

- Target's efficient operating structure and unique capabilities, create a highly scalable business model, providing the foundation to meet increasing customer demand with little incremental capital
- High quality contracts support meaningful cash generation, coupled with minimal capital spending, results in industry leading Return on Invested Capital
- These attributes should continue to support strong returns and meaningful cash generation






(1) *Adjusted EBITDA is a non-GAAP financial measure; see appendix for a reconciliation to GAAP measures*

# Current Capitalization Table

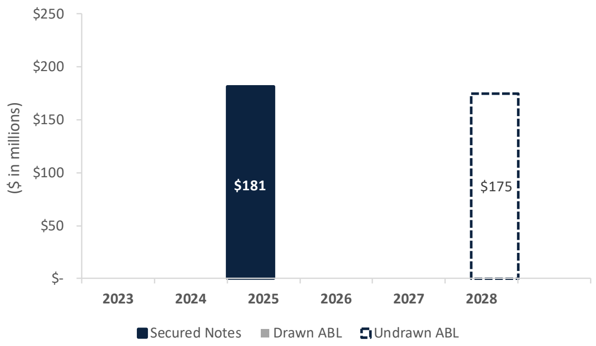
| ($ in millions) Debt Capitalization | As of 9/30/2024 | Maturity | Pricing |
|---|---|---|---|
| Cash & Cash Equivalents | $178 | | |
| $175MM ABL Facility | – | 2/1/28 | S + 425 to 475 |
| 10.750% Senior Secured Notes Due 2025 | 181 | 6/15/25 | 10.750% |
| Finance Leases and Other Financing Obligations | 3 | | |
| **Total Debt** | **$184** | | |
| Equity Value | 780 | | |
| **Total Capitalization** | **$964** | | |

| **LTM 09/30/24 Financial Statistics** | |
|---|---|
| Revenue | $429 |
| Adj. EBITDA | 223 |
| Interest Expense, net | 18 |
| EV / Adj. EBITDA | 3.5x |

| **LTM 09/30/24 Credit Statistics** | |
|---|---|
| Total Secured Debt / Reported Adj. EBITDA | 0.8x |
| Total Debt / Reported Adj. EBITDA | 0.8x |
| Net Debt / Reported Adj. EBITDA | 0.0x |
| Reported Adj. EBITDA / Interest Expense | 12.7x |
| Total Debt / Total Capitalization | 19% |

| **Liquidity Analysis** | |
|---|---|
| Cash & Cash Equivalents | $178 |
| ABL Commitment | 175 |
| Less: ABL Drawn | – |
| Less: LC's Outstanding | – |
| ABL Availability | 175 |
| **Total Liquidity** | **$353** |

| *(Moody's / S&P)* | |
|---|---|
| Corporate Family Rating | B1 / B+ |
| Ratings Outlook | Stable / Stable |
| Last Report Date | May '24 / July '24 |



# Diversified and Unique Peer Universe

**Target's premier service offering and unique core competencies supports a broad peer universe**

**Business fundamentals align with a range of attractive end markets**

**Target shares increasingly relevant attributes with diversified specialty rental focused peers**

**Specialty Rental**

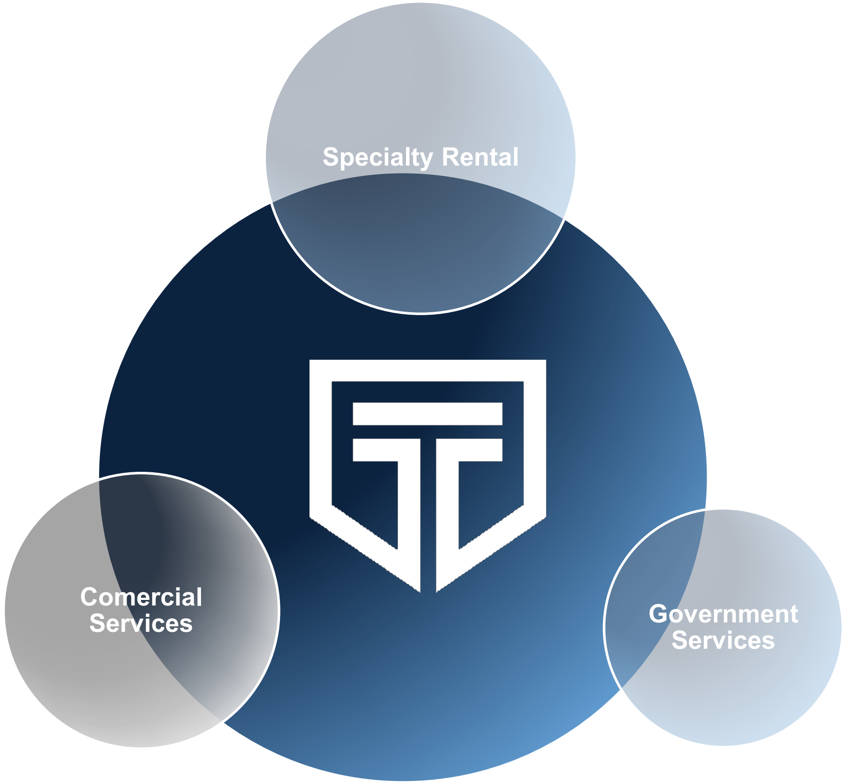
- Unique service offering
- High margin
- Diversified and established customer base

**Commercial Services**

- Balanced and diverse services
- High customer renewal rates

**Government Services**

- Large, long-term contracts
- Meaningful revenue and cash flow visibility



# Top Tier Financial Metrics Support Premium Valuation

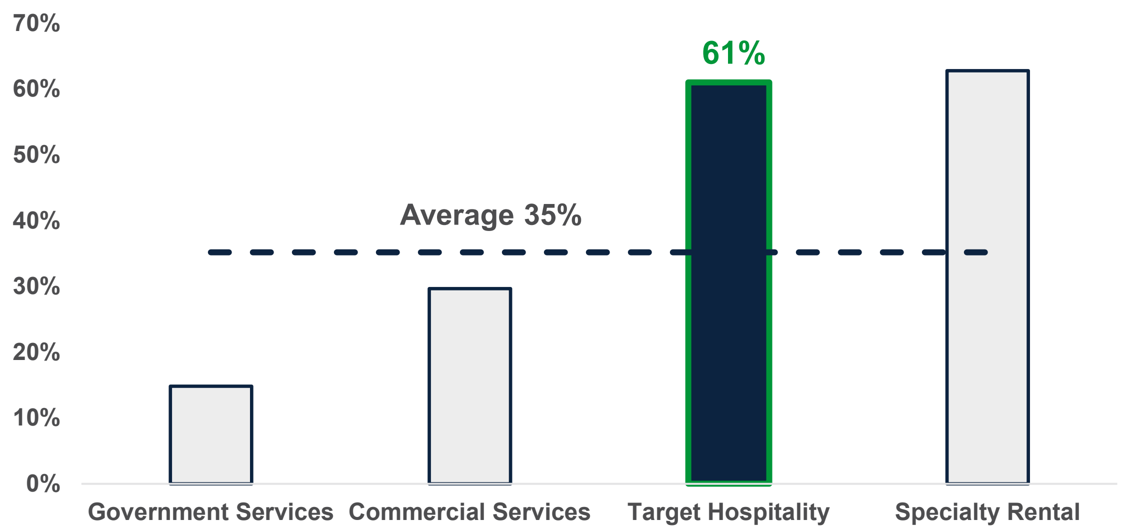
TARGET HOSPITALITY

***Achieving Best-in-Class Operating Margins***

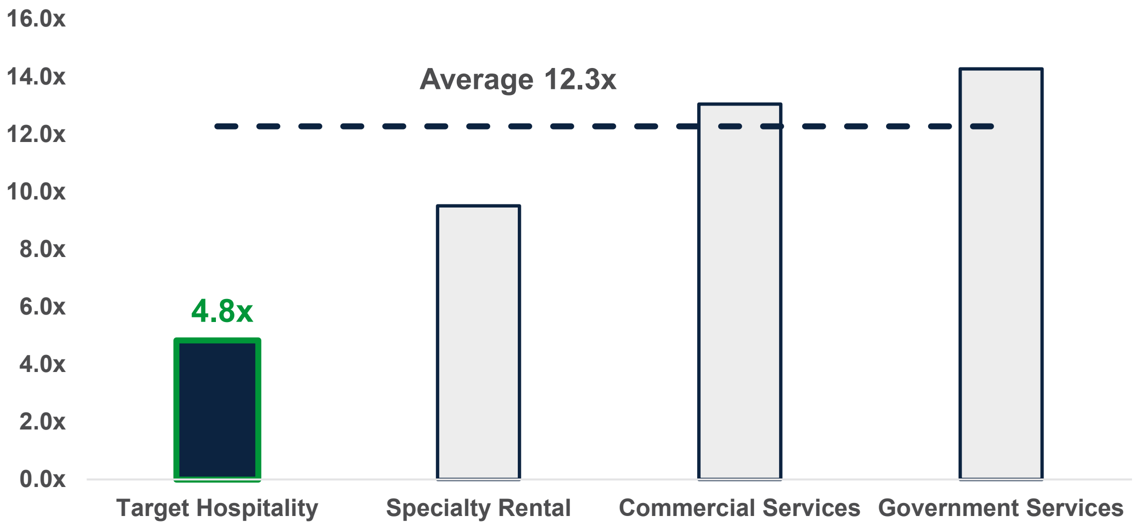
***Generating Significant Discretionary Cash Flow***

***Margin Profile, Cash Flow and Premier Customer Base Supports Multiple Expansion***

## LTM Adjusted Gross Profit Margin(1)




## Current EV to Adjusted EBITDA(2)(3)






*(1) For the twelve months ended September 30, 2024. Represents trailing twelve months gross profit adjusted for non-cash depreciation and amortization expense divided by trailing twelve months revenue. Adjusted Gross Profit Margin is a non-GAAP measure; see appendix for a reconciliation to GAAP measures.*
*(2) Represents current EV divided by Bloomberg consensus estimates of next four quarters of Adjusted EBITDA as of October 25, 2024. For illustrative purposes only. Such outcomes are not guaranteed and are subject to certain uncertainties beyond the Company's control. The Company does not intend to update as circumstances change.*
*(3) Information reconciling forward-looking Adjusted EBITDA to GAAP financial measures is unavailable to the Company without unreasonable effort, and therefore, no reconciliation to the most comparable GAAP measures is provided for the 2024 outlook*
*Note: Comparable companies include Government Services (KBR, LDOS, PSN, SAIC, VSEC, VVX); Commercial Services (ABM, ARMK, BV, CTAS, FTDR, SECUB.SS); Specialty Rental (MGRC, WSC)*

# Appendix

# Non-GAAP Reconciliations

**Target Hospitality Corp.**
**Reconciliation of Net Income to EBITDA, Adjusted EBITDA**
($ in thousands)

| | For the Three Months Ended September 30, 2024 | For the Three Months Ended September 30, 2023 | For the Twelve Months Ended September 30, 2024 | For the Forty-Five Months Ended September 30, 2024 |
|---|---|---|---|---|
| **Net income** | **$ 20,094** | **$ 45,579** | **$ 96,706** | **$ 301,926** |
| Income tax expense | 4,084 | 14,608 | 27,640 | 102,442 |
| Interest expense, net | 3,813 | 4,953 | 17,586 | 110,339 |
| Loss on extinguishment of debt | - | - | 151 | 2,279 |
| Other depreciation and amortization | 3,902 | 3,838 | 15,564 | 58,788 |
| Depreciation of specialty rental assets | 14,057 | 17,653 | 59,027 | 218,711 |
| **EBITDA** | **$ 45,950** | **$ 86,631** | **$ 216,674** | **$ 794,485** |
| **Adjustments:** | | | | |
| Other expense (income), net | (2) | (71) | (161) | 1,997 |
| Transaction expenses | 1,958 | 504 | 8,401 | 10,475 |
| Stock-based compensation | 1,600 | 4,835 | 2,909 | 41,060 |
| Change in fair value of warrant liabilities | - | 2,576 | (7,928) | 23,065 |
| Other adjustments | 199 | 569 | 3,334 | 12,595 |
| **Adjusted EBITDA** | **$ 49,705** | **$ 95,044** | **$ 223,229** | **$ 883,677** |

# Non-GAAP Reconciliations

**Target Hospitality Corp.**
**Reconciliation of Net Income to EBITDA, Adjusted EBITDA**
($ in thousands)

| | For the Twelve Months Ended December 31, 2014 | 2019 | 2023 |
|---|---|---|---|
| **Total Revenue** | **$ 139,468** | **$ 321,096** | **$ 563,608** |
| **Net income** | **$ 19,498** | **$ 11,972** | **$ 173,700** |
| Income tax expense | 51 | 7,607 | 51,050 |
| Interest expense, net | 1,796 | 33,401 | 22,639 |
| Loss on extinguishment of debt | 2,324 | 907 | 2,279 |
| Other depreciation and amortization | 5,896 | 15,481 | 15,351 |
| Depreciation of specialty rental assets | 21,628 | 43,421 | 68,626 |
| **EBITDA** | **$ 51,192** | **$ 112,789** | **$ 333,645** |
| **Adjustments:** | | | |
| Restructuring costs | - | 168 | - |
| Currency Loss (Gain), net | 1,434 | (123) | - |
| Other expense (income), net | - | 8,031 | 1,241 |
| Transaction bonus amounts | - | 28,519 | - |
| Transaction expenses | - | 10,022 | 4,875 |
| Acquisition-related expenses | - | 370 | - |
| Stock-based compensation | - | 1,527 | 11,174 |
| Officer loan expense | - | 1,583 | - |
| Target Parent selling, general, and administrative costs | - | 246 | - |
| Change in fair value of warrant liabilities | - | (5,920) | (9,062) |
| Other adjustments | 2,587 | 1,976 | 2,344 |
| **Adjusted EBITDA** | **$ 55,213** | **$ 159,188** | **$ 344,217** |

# Non-GAAP Reconciliations

**Target Hospitality Corp.**
**Reconciliation of Net cash provided by operating activities to Discretionary Cash Flows**
($ in thousands)

| | For the Three Months Ended September 30, 2024 | For the Twelve Months Ended September 30, 2024 | For the Years Ended December 31, 2023 | 2022 | 2021 |
|---|---|---|---|---|---|
| **Net cash provided by operating activities** | **$ 31,427** | **$ 159,412** | **$ 156,801** | **$ 305,612** | **$ 104,599** |
| Less: Maintenance capital expenditures for specialty rental assets | (8,595) | (21,475) | (14,218) | (12,314) | (11,659) |
| **Discretionary cash flows** | **$ 22,832** | **$ 137,937** | **$ 142,583** | **$ 293,298** | **$ 92,940** |
| Purchase of specialty rental assets | (7,720) | (30,784) | (60,808) | (120,287) | (35,488) |
| Purchase of property, plant and equipment | (63) | (449) | (3,066) | (20,556) | (427) |
| Acquired intangible assets | - | - | (4,547) | - | - |
| Proceeds from the sale of specialty rental assets and other property, plant and equipment | 499 | 541 | 241 | 615 | - |
| **Net cash used in investing activities** | **$ (7,284)** | **$ (30,692)** | **$ (68,180)** | **$ (140,228)** | **$ (35,915)** |
| Principal payments on finance and finance lease obligations | (399) | (1,590) | (1,404) | (1,008) | (4,172) |
| Principal payments on borrowings from ABL | - | - | - | (70,000) | (76,000) |
| Proceeds from borrowings on ABL | - | - | - | 70,000 | 28,000 |
| Repayment of Senior Notes | - | (28,054) | (153,054) | (5,500) | - |
| Payment of issuance costs from warrant exchange | - | - | (1,504) | (774) | - |
| Proceeds from the issuance of Common Stock from the exercise of warrants | - | 3 | 209 | 80 | - |
| Proceeds from the issuance of Common Stock from the exercise of stock options | 464 | 1,850 | 1,396 | 225 | - |
| Payment of deferred financing costs | - | (3,771) | (5,194) | - | - |
| Repurchase of Common Stock | (757) | (21,894) | - | - | - |
| Taxes paid related to net share settlement of equity awards | - | (2,615) | (6,818) | (121) | (99) |
| **Net cash used in financing activities** | **$ (692)** | **$ (56,071)** | **$ (166,369)** | **$ (7,098)** | **$ (52,271)** |

# Non-GAAP Reconciliations

**Target Hospitality Corp.**
**Reconciliation of Gross Profit to Adjusted Gross Profit**
($ in thousands)

| | | For the Twelve Months Ended September 30, 2024 |
|---|---|---|
| **Total Revenue** | **$** | **428,804** |
| **Gross Profit** | **$** | **203,387** |
| Adjustments: | | |
| Depreciation of specialty rental assets | | 59,027 |
| **Adjusted Gross Profit** | **$** | **262,414** |
| Adjusted gross profit margin | | 61% |

# Definitions

TARGET HOSPITALITY

**Definitions:**
Target Hospitality defines Adjusted gross profit, as Gross profit plus depreciation of specialty rental assets, loss on impairment, and certain severance costs.

Target Hospitality defines EBITDA as net income (loss) before interest expense and loss on extinguishment of debt, income tax expense (benefit), depreciation of specialty rental assets, and other depreciation and amortization. Adjusted EBITDA reflects the following further adjustments to EBITDA to exclude certain non-cash items and the effect of what management considers transactions or events not related to its core business operations:

- Restructuring costs: Target Parent incurred certain costs associated with restructuring plans designed to streamline operations and reduce costs.
- Currency (gains) losses, net: Foreign currency transaction gains or losses.
- Other (income) expense, net: Other (income) expense, net includes miscellaneous cash receipts, gains and losses on disposals of property, plant, and equipment, consulting expenses related to certain projects, financing costs not classified as interest expense, involuntary conversion, and other immaterial expenses and non-cash items.
- Transaction bonus amounts: Target Parent paid certain transaction bonuses to certain executives and employees related to the closing of the Business Combination. As discussed in Note 4 of our notes to our consolidated financial statements located in Part II, Item 8 within Annual Report on Form 10-K/A for the year ended December 31, 2020 filed on May 24, 2021, these bonuses were fully funded by a cash contribution from Algeco Seller in March of 2019 related to the closing of the Business Combination.
- Transaction expenses: Target Hospitality incurred advisory fees associated with certain transactions as well as legal, advisory and underwriter fees, associated with debt related transaction activity and other business development project related transaction activity during 2023. During 2024, Target Hospitality incurred expenses associated with certain transactions, primarily driven by the previously announced unsolicited non-binding proposal from Arrow Holdings S.à r.l. ("Arrow"), an affiliate of TDR, to acquire all of the outstanding shares of Common Stock of the Company that are not owned by any of Arrow, any investment fund managed by TDR or any of their respective affiliates (the "Unaffiliated Shares"), for cash consideration of $10.80 per share (the "Proposal"). Target Hospitality also incurred certain transaction costs, including legal and professional fees, associated with the Business Combination in 2019.
- Acquisition-related expenses: Target Hospitality incurred certain transaction costs associated with the acquisition of Superior.
- Officer loan expense: Non-cash charge associated with loans to certain executive officers of the Company that were forgiven and recognized as selling, general, and administrative expense upon consummation of the Business Combination. Such amounts are not expected to recur in the future.
- Target Parent selling, general and administrative costs: Target Parent incurred certain costs in the form of legal and professional fees as well as transaction bonus amounts, primarily associated with a restructuring transaction that originated in 2017.
- Stock-based compensation: Charges associated with stock-based compensation expense, which has been, and will continue to be for the foreseeable future, a significant recurring expense in our business and an important part of our compensation strategy.
- Change in fair value of warrant liabilities: Non-cash change in estimated fair value of warrant liabilities.
- Other adjustments: System implementation costs, including primarily non-cash amortization of capitalized system implementation costs, business development, accounting standard implementation costs and certain severance costs.

Target Hospitality defines Discretionary Cash Flow as cash flow from operations less maintenance capital expenditures for specialty rental assets.