



FLOTEK ANNOUNCES SECOND QUARTER 2022 FINANCIAL RESULTS

HOUSTON, August 9, 2022 - Flotek Industries, Inc. ("Flotek" or the "Company") (NYSE: FTK) today announced second quarter results for the three months ended June 30, 2022.

"I'm pleased to report our second quarter 2022 results in which revenue of \$29.4MM increased 2.3x compared to the first quarter 2022 and 3.2x compared to the second quarter of 2021. Our Supply Agreement with ProFrac was effective as of April 1st, spans 10 years, and covers an equivalent volume of our full suite of downhole chemistries to serve 30 of their frac fleets or 70% of their total frac fleet, whichever is greater. While we are still in the early days of the contract, serving an average of 8 fleets in Q2, we remain confident in our ramp up to the full contract scope over the coming quarters. We also have no reason to expect that our relationship is bounded by the 30 fleet or 70% numbers. As we continue to provide exemplary service, ProFrac has the incentive to maximize chemical deliveries from Flotek due to the structure of our arrangement. ProFrac recently announced the acquisition of US Well Services which is expected to close in Q4. As a result, they expect to be operating 44 active frac fleets by the end of 2022. While 70% of 44 is a bit less than 31, we fully expect that we will win more of that business as we scale up" said John W. Gibson, Jr., Chairman, President, and Chief Executive Officer.

"While we are proud of our ability to increase volume and revenue thus far, and are confident that we have the capability to fulfill future demand, we recognize that the glide path to positive Adjusted EBITDA hinges on future margins. We further recognize that this was only the first quarter of the ProFrac contract, and economies of scale and operating leverage should drive better margins as we continue to grow. In addition to the challenge any company would face evolving to growth at this pace, we were confronted with a difficult freight & logistics environment which our team is working hard to neutralize. In summary, we remain committed to achieving positive Adjusted EBITDA margins and continue to be optimistic about the future and expect improving financial performance throughout the year."

Key Second Quarter 2022 Financial Results

- **Total Revenues:** Flotek generated second quarter 2022 consolidated revenue of \$29.4 million, up 128% from \$12.9 million in the first quarter of 2022, driven by increased activity with ProFrac and continued growth in deliveries to transactional Chemistry Technologies customers.
- **Net Income and EPS:** The Company recorded net income of \$6.2 million, or \$0.08 per basic and \$(0.05) diluted share, in the second quarter 2022 compared to a net loss of \$10.7 million, or \$0.15 per basic/diluted share, in the first quarter of 2022. The sequential improvement is primarily due to the change in fair value of contingent convertible notes payable of \$17.2 million.
- **Non-GAAP Adjusted EBITDA:** Adjusted EBITDA for the second quarter 2022 was negative \$7.2 million, a 33% decline compared to negative \$5.4 million in the first quarter 2022.

Operational Highlights

- In the first quarter 2022, the Company entered into a long-term supply agreement with ProFrac Services, LLC (ProFrac), to provide full downhole chemistry solutions for the greater of 33% of ProFrac's crews or 10 crews minimum for three years. In the second quarter, the Company entered into an amended agreement with ProFrac to expand the Agreement to a term of 10 years and 70% of ProFrac's frac fleet or 30 hydraulic fracturing fleets, whichever is greater. The expansion was overwhelmingly approved by shareholders on May 9, 2022. Combined, the contracts are expected to exceed \$2 billion in revenue over the next decade. Additional details can be found in the Company's SEC and 10-Q filings.

Balance Sheet and Liquidity

- As of June 30, 2022, the Company reported cash and equivalents of \$33.1 million compared to \$24.9 million at the end of the first quarter 2022, benefitted by the Private Investment in Public Equity (PIPE) transactions with ProFrac, which were disclosed previously.

- On June 17, 2022, Flotek entered into a Securities Purchase Agreement with ProFrac. Pursuant to the Securities Purchase Agreement, the Company will receive \$19,500,000 in cash and ProFrac will receive pre-funded warrants permitting ProFrac to purchase 13,104,839 shares of common stock of the Company at an exercise price equal to \$0.0001 per share, representing a 20% premium to the 30-day volume average price of the Company's common stock at the close of business on the day prior to the date of the Securities Purchase Agreement. ProFrac may not receive any voting or consent rights in respect of the Prefunded Warrants or the underlying shares unless and until the Company has obtained approval from a majority of its shareholders excluding ProFrac and its affiliates, and ProFrac has paid an additional \$4,500,000 to the Company.
- On April 18, 2022, the Company closed on a contract to sell the Waller, TX facility for \$4.3 million. The proceeds are included in our second quarter 2022 results. In addition, the Company is currently entertaining an offer to sell the Monahans, TX facility and we expect to be able to close that sale in the coming quarters. The Monahans facility remained classified as held for sale as of June 30, 2022.

Conference Call Details

Flotek will host a conference call on August 10, 2022, at 9:00 a.m. CST (10:00 a.m. EST) to discuss its second quarter results for the three months ended June 30, 2022. Participants may access the call through Flotek's website at www.flotekind.com under "Webcasts" or by telephone at 1-844-835-9986 approximately five minutes prior to the start of the call. Following the conclusion of the conference call, a recording of the call will be available on the Company's website.

About Flotek Industries, Inc.

Flotek Industries, Inc. creates solutions to reduce the environmental impact of energy on air, water, land and people. A technology-driven, specialty green chemistry and data company, Flotek helps customers across industrial, commercial, and consumer markets improve their Environmental, Social, and Governance performance. Flotek's Chemistry Technologies segment develops, manufactures, packages, distributes, delivers, and markets high-quality cleaning, disinfecting and sanitizing products for commercial, governmental and personal consumer use. Additionally, Flotek empowers the energy industry to maximize the value of their hydrocarbon streams and improve return on invested capital through its real-time data platforms and green chemistry technologies. Flotek serves downstream, midstream, and upstream customers, both domestic and international. Flotek is a publicly traded company headquartered in Houston, Texas, and its common shares are traded on the New York Stock Exchange under the ticker symbol "FTK." For additional information, please visit www.flotekind.com.

Forward -Looking Statements

Certain statements set forth in this press release constitute 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) regarding Flotek Industries, Inc.'s business, financial condition, results of operations and prospects. Words such as will, continue, expects, anticipates, intends, plans, believes, seeks, estimates and similar expressions or variations of such words are intended to identify forward-looking statements, but are not the exclusive means of identifying forward-looking statements in this press release. Although forward-looking statements in this press release reflect the good faith judgment of management, such statements can only be based on facts and factors currently known to management. Consequently, forward-looking statements are inherently subject to risks and uncertainties, and actual results and outcomes may differ materially from the results and outcomes discussed in the forward-looking statements. Further information about the risks and uncertainties that may impact the company are set forth in the Company's most recent filing with the Securities and Exchange Commission on Form 10-K (including, without limitation, in the "Risk Factors" section thereof), and in the Company's other SEC filings and publicly available documents. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release. The Company undertakes no obligation to revise or update any forward-looking statements in order to reflect, any event or circumstance that may arise after the date of this press release.

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FLOTEK INDUSTRIES, INC.
Unaudited Condensed Consolidated Statements of Operations
(in thousands, except per share data)

	Three Months Ended			Six Months Ended	
	6/30/2022	6/30/2021	3/31/2022	6/30/2022	6/30/2021
Revenue:					
Revenue from external customers	\$ 12,824	\$ 9,165	\$ 10,382	\$ 23,206	\$ 20,935
Revenue from related party	16,549	—	2,497	19,046	—
Total revenues	29,373	9,165	12,879	42,252	20,935
Cost of goods sold	31,678	10,775	13,358	45,036	22,853
Gross loss	(2,305)	(1,610)	(479)	(2,784)	(1,918)
Operating costs and expenses:					
Selling, general, and administrative	7,431	4,203	4,879	12,310	10,287
Depreciation and amortization	182	253	195	377	560
Research and development	1,115	1,466	1,415	2,530	3,008
Gain on sale of property and equipment	(1,914)	(71)	8	(1,906)	(69)
Gain on lease termination	—	—	(584)	(584)	—
Change in fair value of contract consideration convertible notes payable	(17,158)	—	3,892	(13,266)	—
Total operating costs and expenses	(10,344)	5,851	9,805	(539)	13,786
Income (loss) from operations	8,039	(7,461)	(10,284)	(2,245)	(15,704)
Other income (expense):					
Paycheck protection plan loan forgiveness	—	881	—	—	881
Interest expense	(1,597)	(17)	(668)	(2,265)	(35)
Other income (expense), net	(104)	72	224	120	39
Total other income (expense), net	(1,701)	936	(444)	(2,145)	885
Income (loss) before income taxes	6,338	(6,525)	(10,728)	(4,390)	(14,819)
Income tax expense	(98)	(21)	4	(94)	(27)
Net Income (loss)	<u>\$ 6,240</u>	<u>\$ (6,546)</u>	<u>(10,724)</u>	<u>(4,484)</u>	<u>(14,846)</u>
Income (loss) per common share:					
Basic	\$ 0.08	\$ (0.09)	\$ (0.15)	\$ (0.06)	\$ (0.22)
Diluted	\$ (0.05)	\$ (0.09)	\$ (0.15)	\$ (0.12)	\$ (0.22)
Weighted average common shares:					
Weighted average common shares used in computing basic loss per common share	74,861	69,531	73,858	73,476	69,001
Weighted average common shares used in computing diluted loss per common share	124,335	69,531	73,858	107,086	69,001

FLOTEK INDUSTRIES, INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	June 30, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 33,084	\$ 11,534
Restricted cash	40	1,790
Accounts receivable, net of allowance for doubtful accounts of \$514 and \$659 at June 30, 2022 and December 31, 2021, respectively	11,320	13,297
Accounts receivable, related party	12,030	—
Inventories, net	13,249	9,454
Other current assets	4,000	3,762
Current contract asset	6,260	—
Assets held for sale	535	2,762
Total current assets	80,518	42,599
Property and equipment, net	4,819	5,296
Operating lease right-of-use assets	1,771	2,041
Deferred tax assets, net	283	279
Other long-term assets	17	29
Long term contract assets	76,063	—
TOTAL ASSETS	\$ 163,471	\$ 50,244
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	19,771	7,616
Accrued liabilities	7,115	8,996
Income taxes payable	103	4
Interest payable	106	82
Current portion of operating lease liabilities	636	602
Current portion of finance lease liabilities	34	41
Current portion of long-term debt	1,690	1,436
Convertible notes payable	18,323	—
Contract consideration convertible notes payable	67,220	—
Total current liabilities	114,998	18,777
Deferred revenue, long-term	84	91
Long-term operating lease liabilities	6,695	7,779
Long-term finance lease liabilities	38	53
Long-term debt	3,098	3,352
TOTAL LIABILITIES	124,913	30,052
Stockholders' equity:		
Common stock, \$0.0001 par value, 140,000,000 shares authorized; 82,884,690 shares issued and 76,773,333 shares outstanding at June 30, 2022; 79,483,837 shares issued and 73,461,203 shares outstanding at December 31, 2021	8	8
Additional paid-in capital	386,310	363,417
Accumulated other comprehensive income (loss)	176	81
Accumulated deficit	(313,698)	(309,214)
Treasury stock, at cost; 6,022,634 and 5,580,920 shares at June 30, 2022 and December 31, 2021, respectively	(34,238)	(34,100)
Total stockholders' equity	38,558	20,192
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 163,471	\$ 50,244

FLOTEK INDUSTRIES, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Six months ended June 30,	
	2022	2021
Cash flows from operating activities:		
Net loss	\$ (4,484)	\$ (14,846)
Adjustments to reconcile net loss to net cash used in operating activities:		
Change in fair value of contingent consideration	(134)	(302)
Change in fair value of contract consideration convertible notes payable	(13,266)	—
Amortization of convertible note issuance costs	414	—
PIK interest expense	1,819	—
Amortization of contract assets	737	
Depreciation and amortization	377	560
Provision for doubtful accounts, net of recoveries	87	(1)
Provision for excess and obsolete inventory	769	580
Gain on sale of property and equipment	(1,906)	(69)
Gain on lease termination	(584)	—
Non-cash lease expense	112	163
Stock compensation expense	1,591	1,750
Deferred income tax (benefit) expense	(5)	10
Paycheck protection plan loan forgiveness	—	(881)
Changes in current assets and liabilities:		
Accounts receivable	(10,141)	1,995
Inventories	(4,521)	(222)
Income taxes receivable	7	207
Other current assets	(244)	(672)
Contract assets, net	(3,600)	—
Other long-term assets	12	541
Accounts payable	12,154	801
Accrued liabilities	(2,924)	(1,048)
Operating lease liabilities	(308)	—
Income taxes payable	99	168
Interest payable	24	24
Net cash used in operating activities	<u>(23,915)</u>	<u>(11,242)</u>
Cash flows from investing activities:		
Capital expenditures	(5)	(31)
Proceeds from sale of assets	4,194	74
Net cash provided by investing activities	<u>4,189</u>	<u>43</u>
Cash flows from financing activities:		
Proceeds from issuance of convertible notes	21,150	—
Payment of issuance costs of convertible notes	(1,084)	—
Proceeds from issuance of warrants	19,500	—
Payments to tax authorities for shares withheld from employees	(138)	(78)
Proceeds from issuance of stock	24	—
Purchase from sale of common stock	—	(166)
Payments for finance leases	(21)	(29)
Net cash provided by (used in) provided by financing activities	<u>39,431</u>	<u>(273)</u>
Effect of changes in exchange rates on cash and cash equivalents	<u>95</u>	<u>(31)</u>
Net change in cash, cash equivalents and restricted cash	<u>19,800</u>	<u>(11,503)</u>
Cash and cash equivalents at the beginning of period	11,534	38,660
Restricted cash at the beginning of period	1,790	664
Cash and cash equivalents and restricted cash at beginning of period	<u>13,324</u>	<u>39,324</u>
Cash and cash equivalents at end of period	33,084	27,781
Restricted cash at the end of period	40	40
Cash, cash equivalents and restricted cash at end of period	<u>\$ 33,124</u>	<u>\$ 27,821</u>

FLOTEK INDUSTRIES, INC.
Unaudited Reconciliation of Non-GAAP Items and Non-Cash Items Impacting Earnings
(in thousands)

	Three Months Ended			Six Months Ended	
	6/30/2022	6/30/2021	3/31/2022	6/30/2022	6/30/2021
Net income (loss)	\$ 6,240	\$ (6,546)	\$ (10,724)	\$ (4,483)	\$ (14,846)
Interest expense	1,597	17	668	2,265	35
Interest income	—	(3)	—	—	(8)
Income tax (benefit) expense	98	21	(4)	94	27
Depreciation and amortization	182	253	195	377	560
EBITDA (Non-GAAP)	<u>8,117</u>	<u>(6,258)</u>	<u>(9,865)</u>	<u>(1,747)</u>	<u>(14,232)</u>
Stock compensation expense	852	969	739	1,591	1,707
Severance and retirement	610	946	(4)	606	979
M&A transaction costs	(228)	100	94	(133)	(57)
Inventory step-up	—	32	—	—	80
(Gain) loss on disposal of assets	(1,914)	(71)	8	(1,906)	(69)
Gain on lease termination	—	—	(584)	(584)	—
Contract consideration convertible notes payable revaluation adjustment	(17,158)	—	3,892	(13,266)	—
Amortization of contract assets	737	—	—	—	737
PPP loan forgiveness	—	(881)	—	—	(881)
Employee retention credit	—	(1,923)	—	—	(1,923)
Non-Recurring professional fees	1,742	447	274	2,017	594
Discontinued Legal Fees	—	(59)	—	—	459
Winter storm (natural disaster)	—	—	—	—	199
Adjusted EBITDA (Non-GAAP)	<u>\$ (7,242)</u>	<u>\$ (6,698)</u>	<u>\$ (5,446)</u>	<u>\$ (13,422)</u>	<u>\$ (12,407)</u>

(1) Management believes that adjusted EBITDA for the three and six months ended June 30, 2022 and 2021, and the three months ended March 31, 2022, is useful to investors to assess and understand operating performance, especially when comparing those results with previous and subsequent periods. Management views the expenses noted above to be outside of the Company's normal operating results. Management analyses operating results without the impact of the above items as an indicator of performance, to identify underlying trends in the business and cash flow from continuing operations, and to establish operational goals.