

Management

William Zartler, Chairman & CEO
Kyle Ramachandran, President and CFO
Kelly Price, COO
Brendan Gilbert, Senior VP
www.solarisoilfield.com

EPG Commentary by Dan Steffens

Solaris Oilfield Infrastructure (SOI) is in our Small-Cap Growth Portfolio because it has a **strong balance sheet** and continues to **generate solid cash flow from operation**. Despite the unprecedented decline in well completions during the pandemic years of 2020 & 2021, Solaris maintained their dividends.

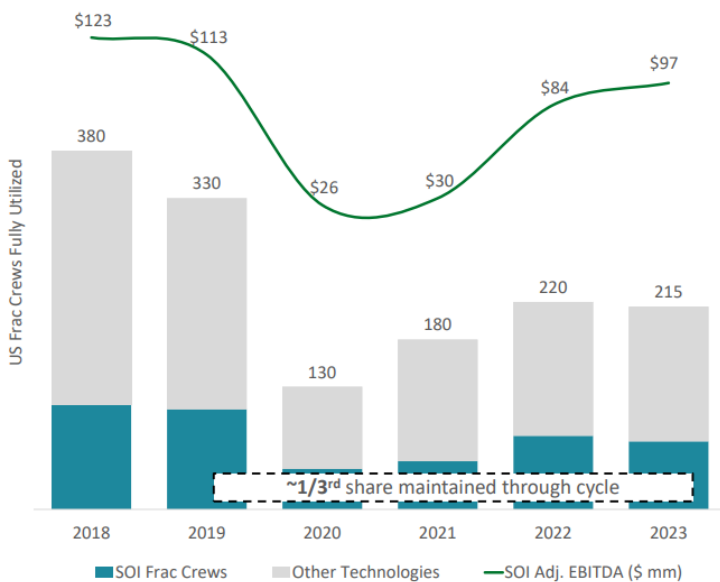
The Company increased dividends twice in 2023. Based on their guidance, I expect them to raise dividends in 2024 and aggressively buy back their common stock.

Solaris is the market leader in proppant handling solutions used during well completions. **Revenues doubled from 2021 to 2022 as oilfield service companies regained pricing power and well completions increased**. Revenues declined slightly in 2023, but net income per share increased from \$0.67 EPS in 2022 to \$0.84 EPS in 2023. More important is the fact that operating cash flow and free cash flow continue to increase.

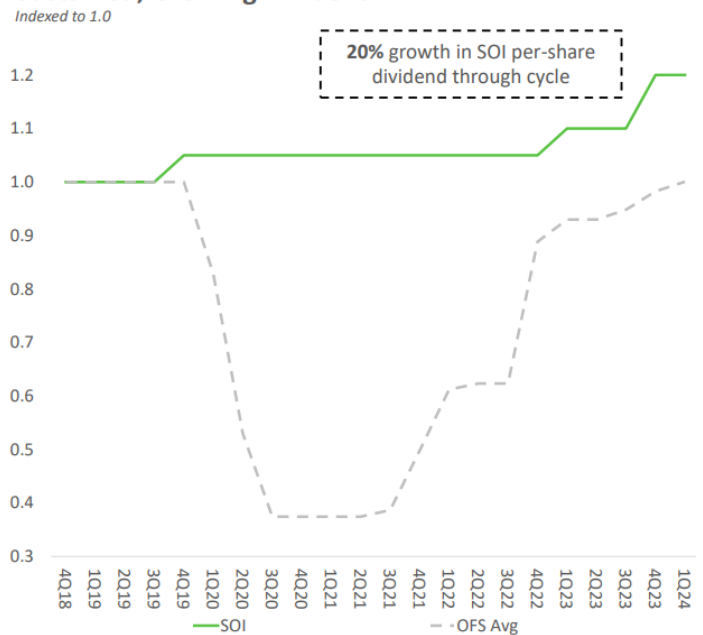
In 2018 and 2019 SOI traded in a range of \$14 to \$23 per share. *It is in much better financial shape today and their new technologies generate higher profit margins. Adjusted Operating Cash Flow increased by 14.6% in 2023.*

Through-Cycle Performance: Sustained Share and Growing Dividend

Expanded Solaris Offering Drives Higher Earnings Power



Sustained, Growing Dividend



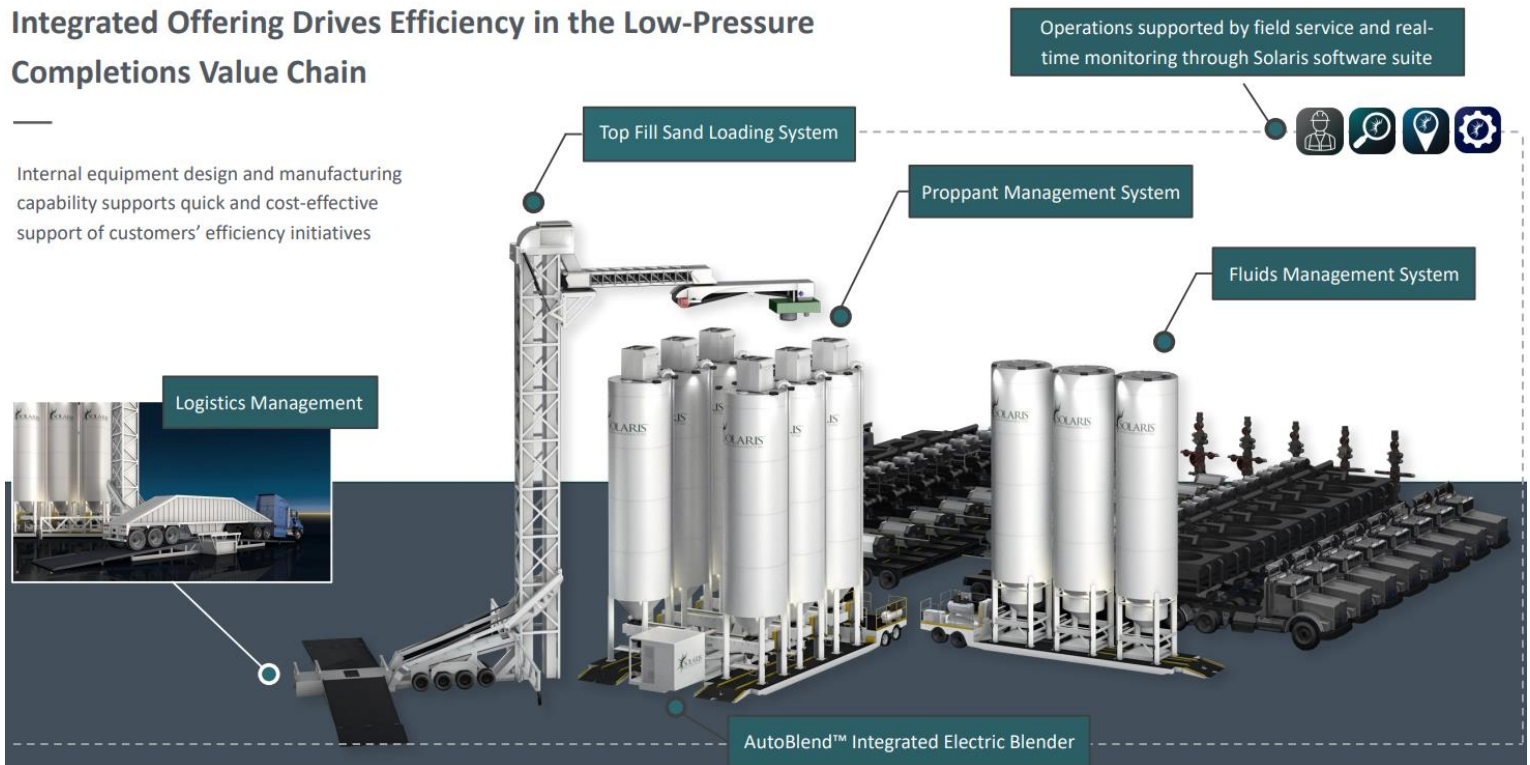
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Recent Industry Trends

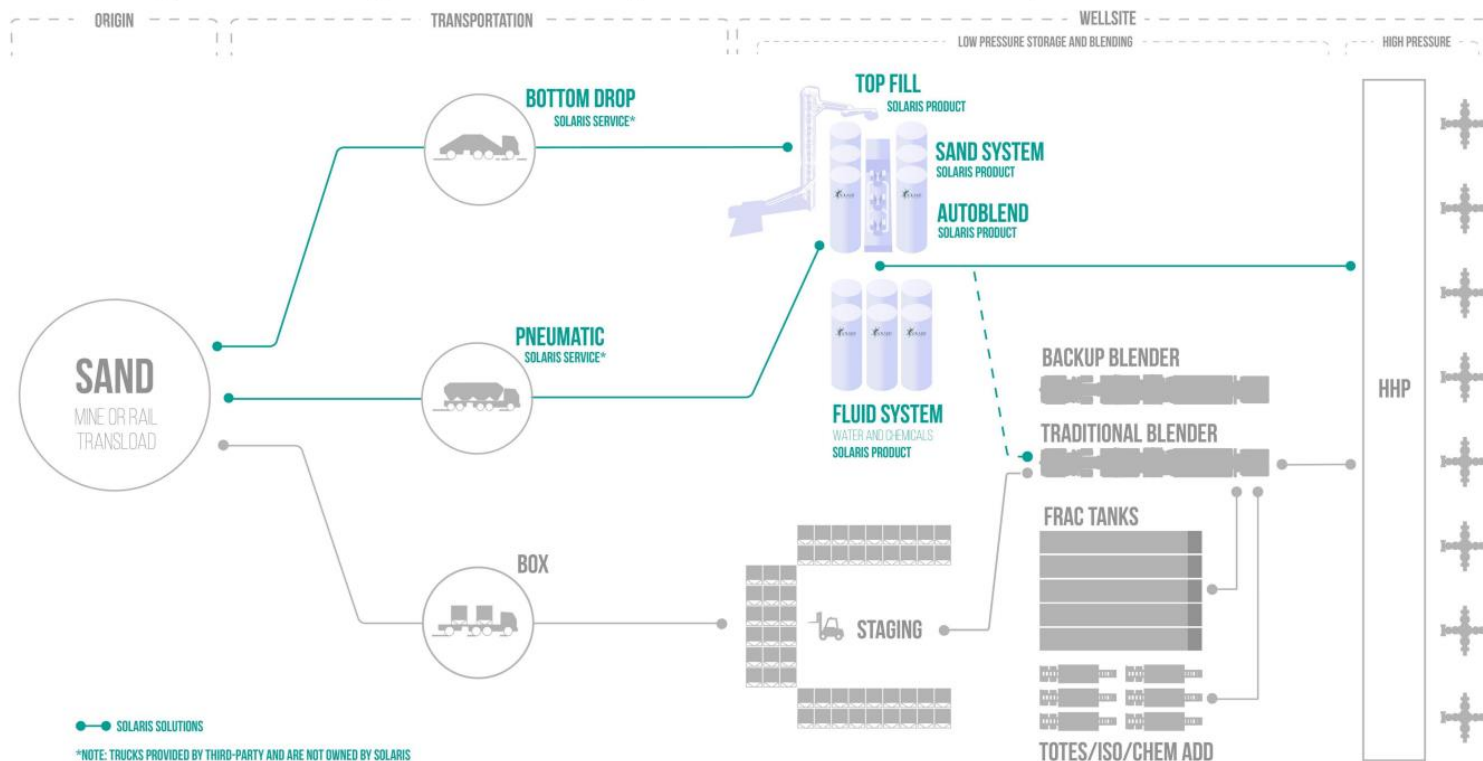
- The volume of frac sand pumped per foot has leveled out, but horizontal footage per well and the total volume of sand pumped per well continues to grow.
- Upstream companies continue to try out Simul Fracs and Duel Fracs, which increases the volume of sand pumped per day.
- There is a growing demand for all-electric frac fleets to reduce emissions.
- There is a shortage of truck drivers, which gives Solaris an edge since they have the ability to load frac sand from multiple, high-capacity trucks at once. Solaris' vertical storage maximizes storage per square foot.
- There is growing demand for Solaris's Top Fill systems.

Integrated Offering Drives Efficiency in the Low-Pressure Completions Value Chain

Internal equipment design and manufacturing capability supports quick and cost-effective support of customers' efficiency initiatives



Solaris' Integrated Offering Drives Efficiency in the Low-Pressure Completions Value Chain



Solaris' margins are driven by its system design and are protected by high switching costs for operators. **Free cash flow and a strong balance sheet supports dividends and stock repurchases.** Despite the significant decline in upstream drilling & well completions during the 2020 pandemic, Solaris was able to remain cash flow positive because they have low operating expenses. Solaris generated \$23.7 million Adjusted Operating Cash Flow in 2020, \$31.8 million in 2021, \$80.3 million in 2022 and \$92.0 million in 2023.

"Based on my 2024 forecast model attached below, Solaris should generate \$89 million of operating cash flow and over \$24 million of free cash flow this year." – Dan Steffens

My Fair Value estimate for SOI is \$13.50 per share

Compare to TipRanks' Price Target of \$9.83

Disclosure: I have a long position in SOI and I do not intend on buying or selling it in the next 72 hours. I wrote this profile myself, and it expresses my own opinions. I am not receiving compensation for it from the company. I have no business relationship with any company whose stock is mentioned in this article.

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Company Overview

Solaris Oilfield Infrastructure was formed in 2014 and went public in 2017. It provides equipment and services that have redefined wellsite performance and set new standards for the oil and gas industry through game-changing technologies and customer-centric support. It is a forward-thinking, growth-oriented company that offers modern solutions to traditional challenges that deliver results project after project.

The Company's patented oilfield technologies include the Solaris Mobile Proppant Management System and the Solaris Mobile Chemical Management System, which lowers well completion times and costs by increasing proppant and chemical storage capacity on well sites. Their systems improve well site safety by significantly reducing the presence of free-floating silica dust, the number of handling points for chemicals and the number of personnel required to manage proppant and chemicals at the well site. In addition, each system has the ability to real-time measure proppant and chemical inventory and delivery rates through the proprietary Solaris Lens™ software.

Solaris operates in all major U.S. shale plays, including the Permian, Eagle Ford, Marcellus/Utica, Haynesville, the STACK/SCOOP and Bakken formations. The Company has strategic locations to support customers' operations, and they manufacture equipment at a 100,000 square foot facility in Early, Texas.



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Fourth Quarter 2023 Summary Results and Shareholder Return Highlights

- Revenue of \$63 million
- Net income of \$7 million, or \$0.14 per diluted Class A share; Adjusted pro forma net income of \$7 million, or \$0.15 per fully diluted share
- Adjusted EBITDA of \$21 million
- Generated \$24 million of cash flow from operations and \$16 million in free cash flow; reduced borrowings outstanding on the credit facility by \$7 million
- Returned a total of \$47 million to shareholders in 2023 through share repurchases and dividends
- Solaris' fourth quarter 2023 dividend of \$0.12 per share, which was paid on December 11, 2023, was 9% increase from the prior quarter and represented Solaris' third per-share dividend raise since initiation in 2018
- Approved first quarter 2024 dividend of \$0.12 per share on February 19, 2024, to be paid on March 21, 2024, which, once paid, will represent Solaris' 22 consecutive dividend
- Repurchased approximately 85,000 shares for \$0.7 million during the fourth quarter of 2023; from January 19, 2024 to February 9, 2024, repurchased an additional 1.1 million shares for approximately \$8 million



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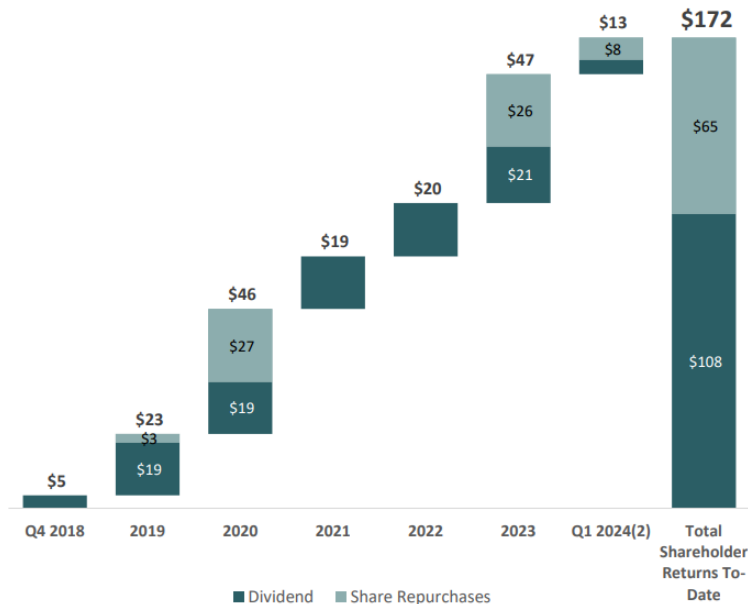
“2023 was a strong year for Solaris on multiple fronts. We generated positive free cash flow, raised our dividend per share twice, returned \$47 million to shareholders through dividends and share repurchases and grew Adjusted EBITDA by 15% from the prior year as we built a fleet of new equipment and deployed more Solaris systems on the well sites we service. Looking to 2024, we expect to generate significantly higher free cash flow as we harvest cash from the organic investments we made over the last couple of years. We believe this additional cash flow should support continued shareholder returns and maintain our healthy balance sheet, while creating optionality in our long-term strategy for capital allocation, including organic and inorganic investments.” – Bill Zartler, Chairman and CEO.

Shareholder Returns

- On October 25, 2023, Solaris’ Board of Directors approved a cash dividend of \$0.12 per share of Class A common stock, which was paid on December 11, 2023 to holders of record as of December 1, 2023, and a distribution of \$0.12 per unit for holders of units in Solaris Oilfield Infrastructure, LLC (“Solaris LLC,” and such holders “Solaris LLC Unitholders”), subject to the same payment and record date, or approximately \$5 million in aggregate to shareholders. This represented a 9% raise in Solaris’ per-share dividend as compared to the third quarter of 2023 and the third dividend raise in Solaris’ history since initiation in 2018.
- On February 19, 2024, Solaris’s Board of Directors approved a first quarter 2024 cash dividend of \$0.12 per share of Class A common stock, to be paid on March 21, 2024 to holders of record as of March 11, 2024, and a distribution of \$0.12 per unit to Solaris LLC Unitholders, which is subject to the same payment and record dates, or approximately \$5 million in aggregate to shareholders.
- Solaris repurchased 85,278 shares during the fourth quarter of 2023 for \$0.7 million. From January 19, 2024 to February 9, 2024, Solaris repurchased an additional 1.1 million shares for approximately \$8.1 million. Approximately \$15 million remains in the current share repurchase authorization. Since initiating the repurchase authorization in the first quarter of 2023, Solaris has repurchased a total of 4.3 million shares of Class A common stock.
- Pro forma for the announced first quarter 2024 dividend and share repurchases to date, Solaris has returned approximately \$172 million cumulatively to shareholders through dividends and share repurchases since 2018, of which \$47 million was returned in 2023. These shareholder returns also reflect a 20% increase in Solaris’ dividend per share since initiation and an approximately 9% net reduction in total shares outstanding over the last five years.

Solaris is Executing on Its Shareholder Return Framework

Cumulative Shareholder Returns



Shareholder Return Framework

≥50% of free cash flow returned to shareholders through dividends and share repurchases

Dividends

- Current quarterly \$0.12/share (5.5% current yield)
- Three dividend raises since initiating in 2018
- 22 consecutive quarterly dividend payments through Q1 2024

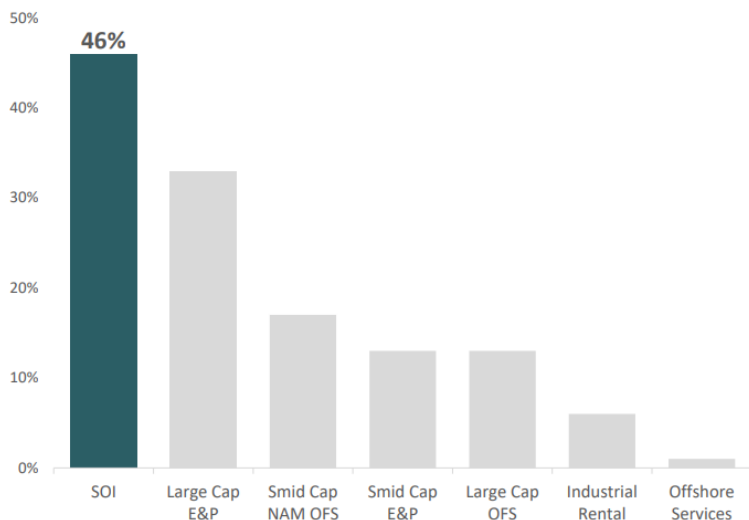
Share Repurchases

- \$50 million current authorization (~\$15 million remaining)
- Repurchased 4.3 million shares in 2023 and 2024
- Reduced share count by 9% since 2018

Solaris is an Industry-Leading Returner of Cash Through-Cycle

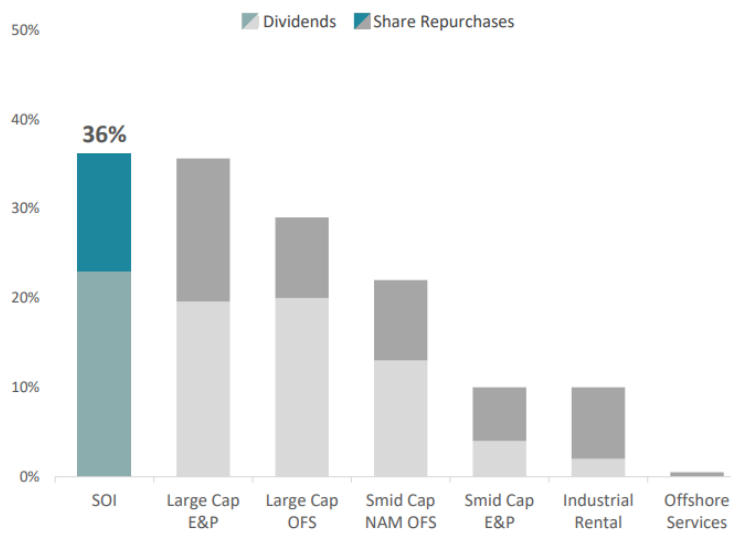
Cash Returns as a Portion of Market Capitalization

2018-2023



Payout Ratio (as a % of Operating Cash Flow)

2018-2023



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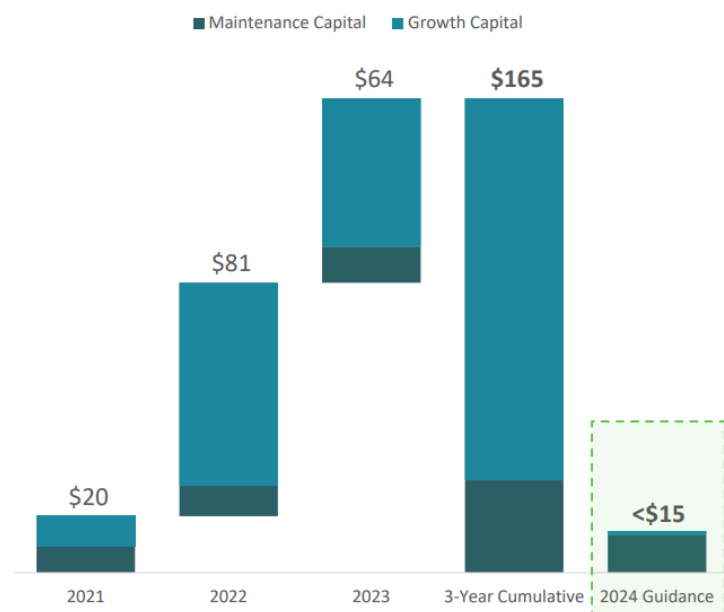
Free Cash Flow, Capital Expenditures and Liquidity

- Free cash flow (defined as net cash provided by operating activities less investment in property, plant and equipment) after asset disposals was positive \$16 million in the fourth quarter of 2023, including a working capital source of \$4 million and capital expenditures of \$7 million.
- Capital expenditures in the fourth quarter of 2023 were approximately \$7 million, down over 50% from the third quarter of 2023, and were primarily related to manufacturing of top fill systems. Capital expenditures for full year 2023 were \$64 million and Solaris expects full year 2024 capital expenditures to be less than \$15 million, an approximately 75% year over year reduction.
- As of December 31, 2023, Solaris had \$6 million of cash on the balance sheet. Solaris reduced net borrowings on the credit facility by \$7 million and ended the fourth quarter of 2023 with \$30 million in borrowings outstanding and \$47 million of liquidity. Net debt (defined as total debt outstanding less cash) at the end of the fourth quarter of 2023 declined to \$24 million compared to \$34 million at the end of the third quarter of 2023.

Future Free Cash Flow Supported by Completion of New Offering Buildout and Strong Balance Sheet

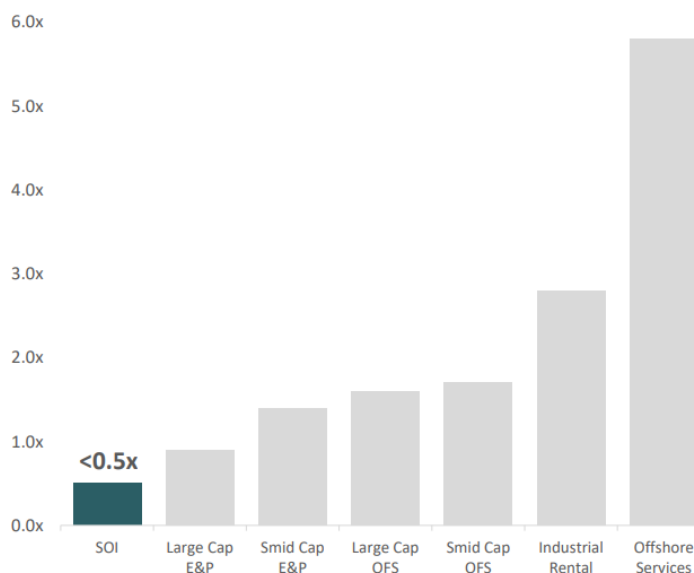
Growth Capital Investments Significantly Lower in 2024

(\$ millions)



Low Leverage Maximizes Free Cash Flow Optionality

2023 Total Debt / Adj. EBITDA



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Fourth Quarter 2023 Financial Review

- Net income was \$7 million, or \$0.14 per diluted Class A share, for fourth quarter 2023, compared to third quarter 2023 net income of \$8 million, or \$0.16 per diluted Class A share, and fourth quarter 2022 net income of \$8 million, or \$0.15 per diluted Class A share. Adjusted pro forma net income for fourth quarter 2023 was \$7 million, or \$0.15 per fully diluted share, compared to third quarter 2023 adjusted pro forma net income of \$9 million, or \$0.19 per fully diluted share, and fourth quarter 2022 adjusted pro forma net income of \$10 million, or \$0.22 per fully diluted share.
- Revenue was \$63 million for fourth quarter 2023, which was down 9% from third quarter 2023 and down 25% from fourth quarter 2022. Adjusted EBITDA for fourth quarter 2023 was \$21 million, which was down 9% from third quarter 2023 and down 7% from fourth quarter 2022. The sequential decrease in revenue was driven by decreases in lower-margin ancillary last mile logistics services activity and frac crews followed. The sequential decrease in Adjusted EBITDA was impacted by the decline in Solaris system deployments related to fewer frac crews followed, as the average industry frac crew count softened into the end of 2023.
- During the fourth quarter of 2023, Solaris earned revenue on 103 fully utilized systems, which includes sand systems, top fill systems and AutoBlend™ systems. Total fully utilized systems were down 5% from third quarter 2023 and down 6% from fourth quarter 2022. Solaris followed an average of 64 industry frac crews on a fully utilized basis in the fourth quarter of 2023, which was down 4% from 67 frac crews followed in the third quarter of 2023.

EBITDA and Adjusted EBITDA Reconciliation

(\$ in 000s)	Three months ended,				Twelve months ended December 31,		
	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	2023	2022	2021
Net income (loss)	\$6,959	\$7,638	\$12,241	\$11,937	\$38,775	\$33,512	(\$1,260)
Depreciation and amortization	9,518	9,179	9,071	8,417	36,185	30,433	27,210
Interest (income) expense, net	912	1,057	879	459	3,307	489	247
Provision for income taxes	1,370	1,305	2,659	2,486	7,820	7,803	626
EBITDA	\$18,759	\$19,179	\$24,850	\$23,299	\$86,087	\$72,237	\$26,823
Property tax contingency	-	-	-	-	-	3,072	-
Stock-based compensation expense	1,911	1,917	1,924	1,980	7,732	6,092	5,210
Loss on disposal of assets	(4)	746	4	(361)	386	3,754	125
Impairment on fixed assets	-	1,423	-	-	1,423	-	-
Change in payables related to Tax Receivable Agreement	-	-	-	-	-	(663)	-
Credit losses and adjustments to credit losses	650	-	-	-	810	(420)	365
Employee retention credit	-	-	-	-	-	-	(2,957)
Other	6	163	47	200	255	(290)	500
Adjusted EBITDA	\$21,322	\$23,428	\$26,825	\$25,118	\$96,693	\$83,782	\$33,023
EBITDA and Adjusted EBITDA Margins:							
EBITDA	\$18,759	\$19,179	\$24,850	\$23,299	\$86,087	\$72,237	\$26,823
÷ Revenue	63,347	69,676	77,202	82,722	292,947	320,005	159,189
EBITDA Margin	30%	28%	32%	28%	29%	23%	17%
Adjusted EBITDA	\$21,322	\$23,428	\$26,825	\$25,118	\$96,693	\$83,782	\$33,023
÷ Revenue	63,347	69,676	77,202	82,722	292,947	320,005	159,189
Adjusted EBITDA Margin	34%	34%	35%	30%	33%	26%	21%

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Full Year 2023 Financial Review

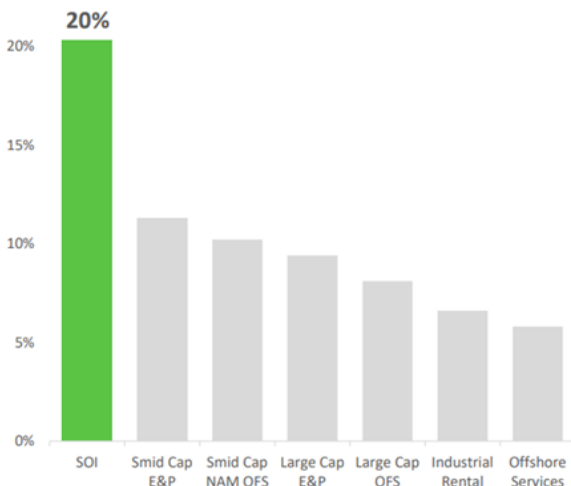
- Net income was \$39 million, or \$0.78 per diluted Class A share, for full year 2023, compared to 2022 net income of \$34 million, or \$0.64 per diluted Class A share. Adjusted pro forma net income for full year 2023 was \$37 million, or \$0.83 per fully diluted share, compared to 2022 adjusted pro forma net income of \$36 million, or \$0.76 per fully diluted share.
- Revenue was \$293 million for full year 2023, which was down 8% from 2022. Adjusted EBITDA for full year 2023 was \$97 million, which was up 15% from 2022. The sequential decrease in revenue was driven by a decrease in lower-margin ancillary last mile logistics services activity, partially offset by an increase in Solaris system deployments. The higher system deployments drove the sequential increase in Adjusted EBITDA.

Attractive Absolute and Relative Free Cash Flow and Dividend Yields

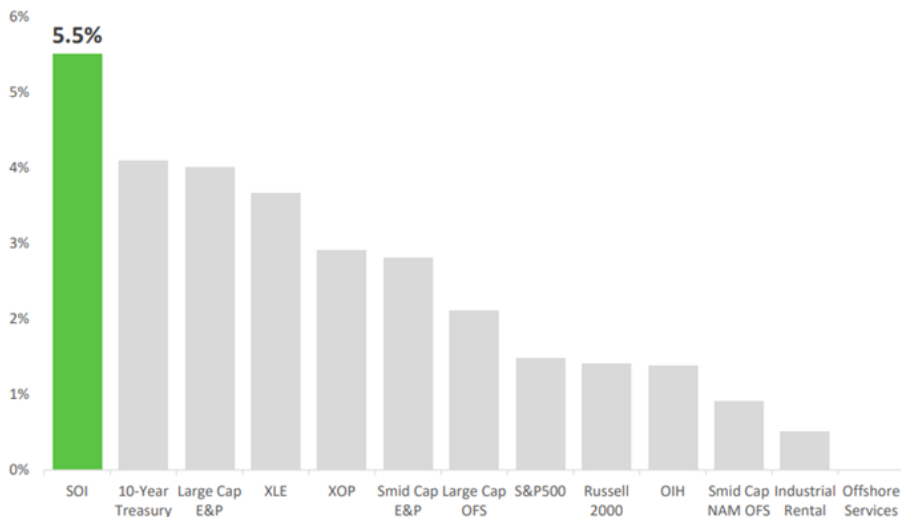
Free Cash Flow Yield

2024 Consensus Estimates

25%



Dividend Yield



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Solaris Oilfield Infrastructure

Company Profile

Net Income and Cash Flow Forecast Model

April 8, 2024

Solaris Oilfield Infrastructure (SOI) Net Income and Cash Flow FYE 2022 - 2025 (last updated 4/6/2024)							64,100	67,500	69,400	67,900	278,000	300,000	< TipRank's Revenue Forecasts
All in \$Thousands except for per share data	Actual 2022	Actual Qtr1 2023	Actual Qtr2 2023	Actual Qtr3 2023	Actual Qtr4 2023	Actual 2023	Forecast Qtr1 2024	Forecast Qtr2 2024	Forecast Qtr3 2024	Forecast Qtr4 2024	Forecast 2024	Forecast 2025	
REVENUES:													
Total revenues	\$320,005	\$82,722	\$77,202	\$69,676	\$63,347	\$292,947	\$64,500	\$68,500	\$71,000	\$74,000	\$278,000	\$310,000	
GROSS REVENUES	320,005	82,722	77,202	69,676	63,347	292,947	64,500	68,500	71,000	74,000	278,000	310,000	
OPERATING EXPENSES:													
Cost of services	219,775	53,223	45,652	42,102	36,870	177,847	37,410	39,730	41,180	42,920	161,240	179,800	< 58% of Row 9
DD&A	30,433	8,417	9,071	9,179	9,518	36,185	9,600	9,600	9,600	9,700	38,500	40,000	
Property tax contingency (non-cash accrual)	3,072	0	0	0	0	0	0	0	0	0	0	0	
Impairment	0	0	0	1,423	0	1,423	0	0	0	0	0	0	
Salaries, benefits and payroll taxes	20,000	4,570	4,901	4,433	5,318	19,222	5,000	5,000	5,000	5,500	20,500	21,500	
Stock based compensation	6,092	1,980	1,924	1,926	1,911	7,741	2,000	2,000	2,000	2,000	8,000	8,000	
Other non-cash items in G&A	(617)	(12)	0	0	0	(12)	0	0	0	0	0	0	
Other	(553)	(338)	(125)	613	489	639	500	500	500	500	2,000	2,200	
TOTAL EXPENSES	278,202	67,840	61,423	59,676	54,106	243,045	54,510	56,830	58,280	60,620	230,240	251,500	
OPERATING EARNING	41,803	14,882	15,779	10,000	9,241	49,902	9,990	11,670	12,720	13,380	47,760	58,500	
OTHER INCOME (EXPENSES)													
Interest income (expense)	(330)	(428)	(839)	(1,014)	(868)	(3,149)	(800)	(750)	(700)	(600)	(2,850)	(2,200)	< CapEx spending was front loaded in 2023 so
Amortization of debt issuance costs	(159)	(31)	(40)	(43)	(44)	(158)	(44)	(44)	(44)	(43)	(175)	(175)	SOI needed to draw a bit on the revolver in Q2
Net income related to non-controlling interest	(12,354)	(4,368)	(4,709)	(2,704)	(2,658)	(14,439)	0	0	0	0	0	0	
INCOME BEFORE INCOME TAXES	28,960	10,055	10,191	6,239	5,671	32,156	9,146	10,876	11,976	12,737	44,735	56,125	
INCOME TAXES													
Current	119	157	135	139	138	569	183	218	240	255	895	1,123	< 2%
Deferred	7,683	2,329	2,524	1,166	1,232	7,251	2,012	2,393	2,635	2,802	9,842	12,348	< 22%
NET INCOME to common stockholders	\$21,158	\$7,569	\$7,532	\$4,934	\$4,301	\$24,336	\$6,951	\$8,266	\$9,102	\$9,680	\$33,999	\$42,655	
Common Shares Outstanding	31,641	28,967	28,967	28,967	28,967	28,967	27,500	27,500	27,500	27,500	27,500	26,500	< 2023 is Class A common stock o/s 12-31-2023
Earnings per share	\$0.67	\$0.26	\$0.26	\$0.17	\$0.15	\$0.84	\$0.25	\$0.30	\$0.33	\$0.35	\$1.24	\$1.61	Stock repurchases start in 2023 with goal to reduce os by 11%
NOTE: Current First Call Estimated EPS							\$0.14	\$0.17	\$0.17	\$0.28	\$0.76	\$ 0.89	< TipRanks' EPS Estimates don't include Row 30
Cash flow from operations (\$thousands)	\$80,334	\$24,682	\$25,630	\$22,143	\$19,575	\$92,030	\$20,507	\$22,102	\$23,080	\$23,725	\$89,415	\$101,178	< Capex for 2024 est at \$65 million
Cashflow per share (before CapEx)	\$2.54	\$0.85	\$0.88	\$0.76	\$0.68	\$3.18	\$0.75	\$0.80	\$0.84	\$0.86	\$3.25	\$3.82	Valuation of 4 X 2023 to 2025 CFPS = \$ 13.50
													TipRanks Price Target >>>> \$ 9.83
													Citi 3/19/24 \$ 8.50 HOLD
													Piper Sand 3/11/24 \$ 11.00 BUY
													Stifel Nic 2/27/24 \$ 10.00 BUY

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