



**FLOTEK**

# **Corporate Update**

November 2023

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# Forward-Looking Statements

Certain statements set forth in this presentation 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 presentation. Although forward-looking statements in this presentation 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 presentation. 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 presentation.

# Flotek is a Compelling Investment Choice

SIGNIFICANT IMPROVEMENT IN BUSINESS FUNDAMENTALS NOT REFLECTED IN SHARE PRICE

- Strong leadership team with deep industry expertise to execute strategy
- Fit-for-purpose chemistry and data analytics solutions continue to present differentiated value proposition
- Contractual commitments under the ProFrac agreement mitigate impact of the industry slowdown
- Cost control initiatives drive increased profitability and transition to positive adj. EBITDA\*
- Expanded global footprint with a new entity in Abu Dhabi, reducing costs and improving sales potential
- Strengthened liquidity through ABL facility

\* Adjusted EBITDA is a non-GAAP measure. See the Appendix in this presentation for a reconciliation to the nearest GAAP measure.

# Corporate Snapshot



Founded:	1985
Employees:	143
Corporate Headquarters:	Houston
Countries with Clients:	>15
Patents:	>170
Debt (09.30.23) (\$mm):	\$3.5
3Q 2023 Adj. Gross Profit Margin:	22%

## 2023 GUIDANCE

Revenue (\$mm):	\$185 - \$200
Adj. Gross Profit Margin:	12 - 14%

**FTK**  
LISTED  
**NYSE**

# Flotek: A Purpose-Driven Company



## Who We Are

An advanced technology-driven, green chemical and data analytics company providing unique and innovative completion solutions



## Our Vision

We strive to be the collaborative partner of choice for solutions that reduce the environmental impact of energy on air, water, land and people



## Compelling Value Proposition

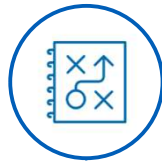
We collaborate and deliver sustainable, optimized chemistry and data solutions that maximize our customer's value

**Our completion solutions have a proven, positive impact on sustainability and reducing the overall environmental impact of energy on air, land, water and people**

# Our Strategic Priorities

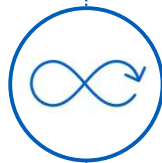
## Industry-Leading Innovation

Track record of delivering fit-for-purpose optimized chemistry and data solutions



## Sustainable Revenue

10-year contract with ProFrac generates a guaranteed minimum of \$2B+



## Enhanced Profitability

3Q 2023 was first quarter of positive adjusted EBITDA\*\* since 2018



## Capital-Light Growth

Modest capital required to support robust growth objectives



## Strong Balance Sheet

Minimal debt and strengthened liquidity with new ABL\* facility



## Environmental Leadership

Focus on reducing impact on people, land, air, and water



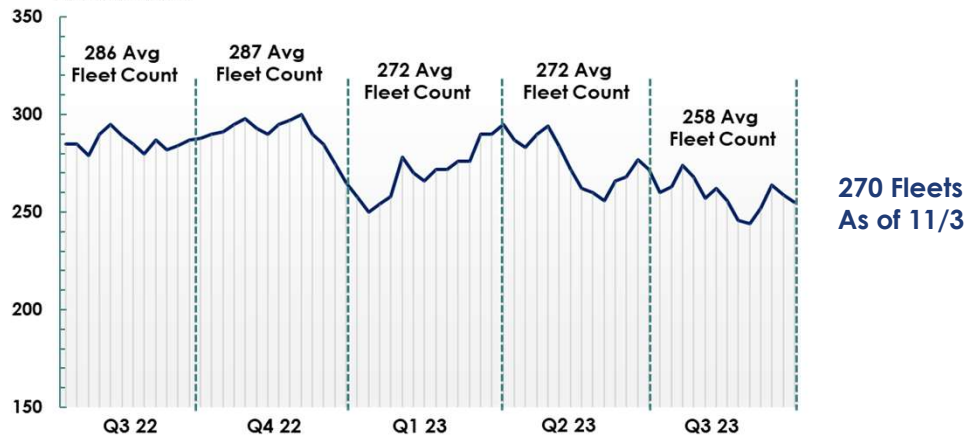
\* Asset Based Loan

\*\* Adjusted EBITDA is a non-GAAP measure. See the Appendix in this presentation for a reconciliation to the nearest GAAP measure.

# Market Update: Sequential Drop in Activity

## US onshore: Active Frac Fleet Count

Number of fleets



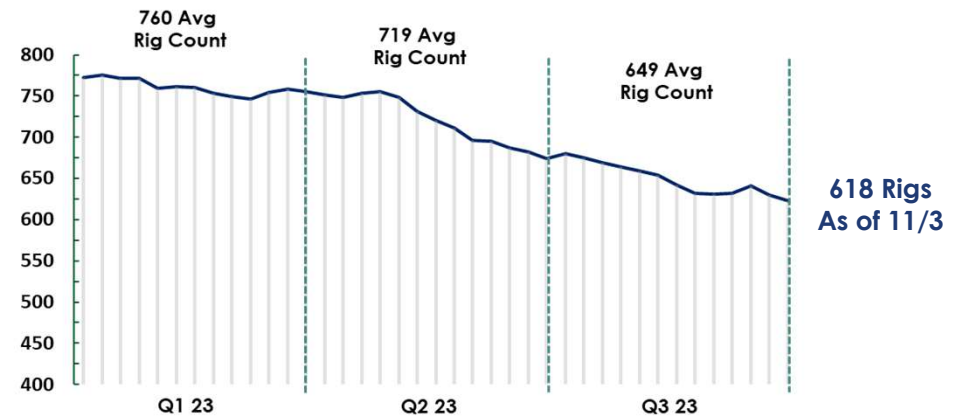
Source: AOGR

### Energy Sector Factors (Frac Services)

- Active frac fleets down Q/Q
- Tier II fleets being idled and many retired
- Tier IV and E-Fleets remain in high utilization

## US onshore: Active Drilling Rig Count

Number of fleets



Source: AOGR

### Energy Sector Factors (Drilling Services)

- Changes since 3Q 2022
  - Land rig count is down 152
  - Crude oil rig count is at 502, down 17%
  - Natural gas rig count is at 116, down 27%

# Third Quarter 2023 Highlights

## OPERATIONAL PERFORMANCE DRIVES STRONG GROWTH IN YEAR-OVER-YEAR PROFITABILITY METRICS

- Reported positive adj. EBITDA\* for the first time in five years and the ninth consecutive quarter of improvement
- Transactional (“Non-ProFrac”) chemistry revenues have grown each quarter in 2023, mitigating impact of activity slowdown
- Reported 128% growth in proprietary CnF chemistry sales
- Adjusted gross profit\* was positive for the third consecutive quarter with an associated margin of 22%
- Strengthened liquidity through a \$10 million ABL that was upsized to \$13.8 million in October
- Data Analytics subscription revenue up 81% from first 9 months of 2022

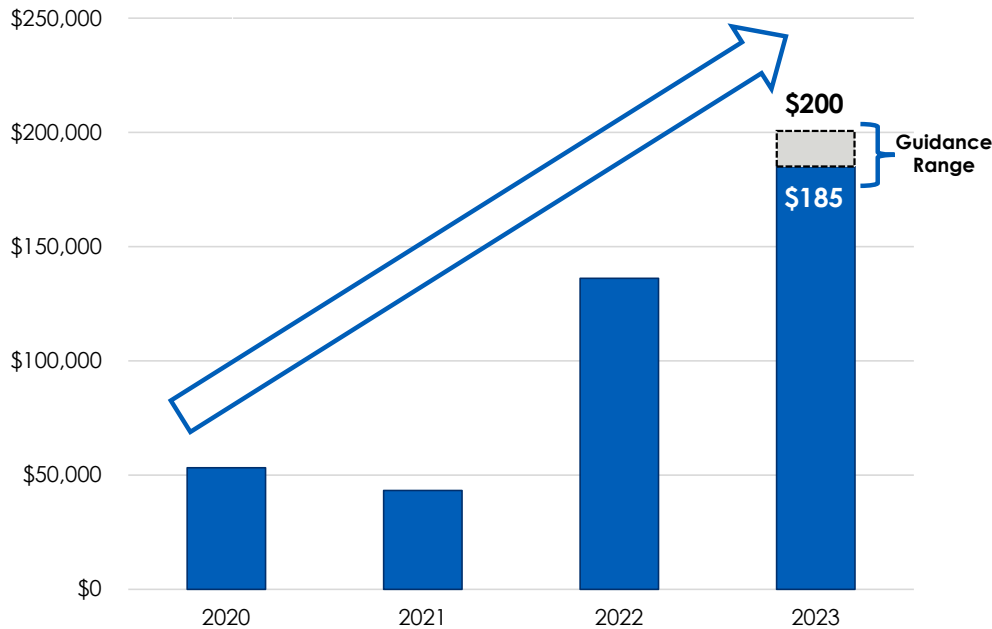
**Full year 2023  
revenue of  
\$185MM – \$200MM  
and adjusted gross  
profit\* margin of  
12% – 14%**

\* Adjusted Gross Profit (Loss) and Adjusted EBITDA are non-GAAP measures. See the Appendix in this presentation for a reconciliation to the nearest GAAP measure.



# Strong Growth in Revenues

Annual Consolidated Revenue (000's)

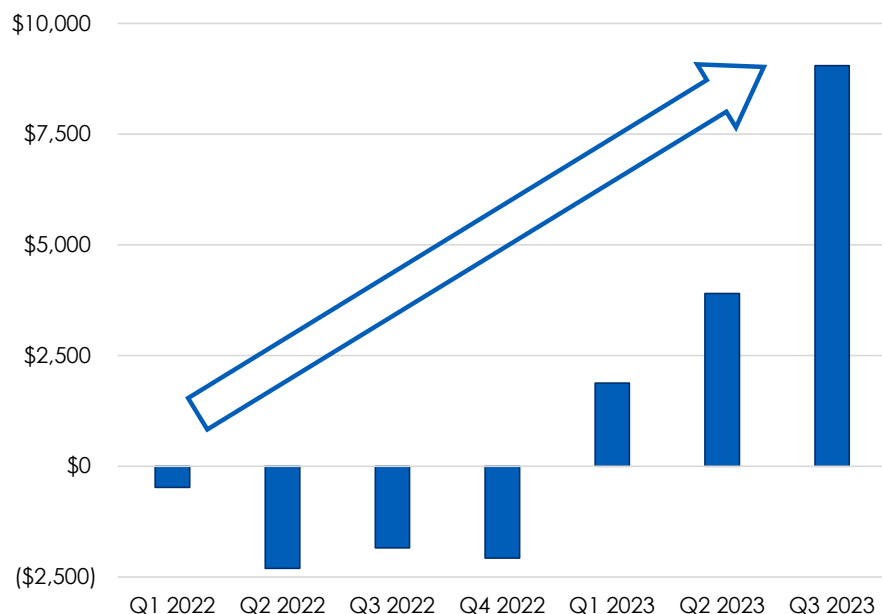


- 3Q 2023 total revenues grew 4% year-over-year despite overall industry-wide activity slowdown
- Transactional chemistry revenues have grown each quarter in 2023, mitigating impact of activity slowdown
- Anticipate 41% growth in 2023 total revenues\*
- Revenue growth supported by ProFrac contract and sustained growth in non-ProFrac chemistry business

\* Based on mid point of 2023 revenue guidance

# Delivering Rapid Improvement in Gross Profit

Quarterly Consolidated Gross Profit (Loss) (000's)



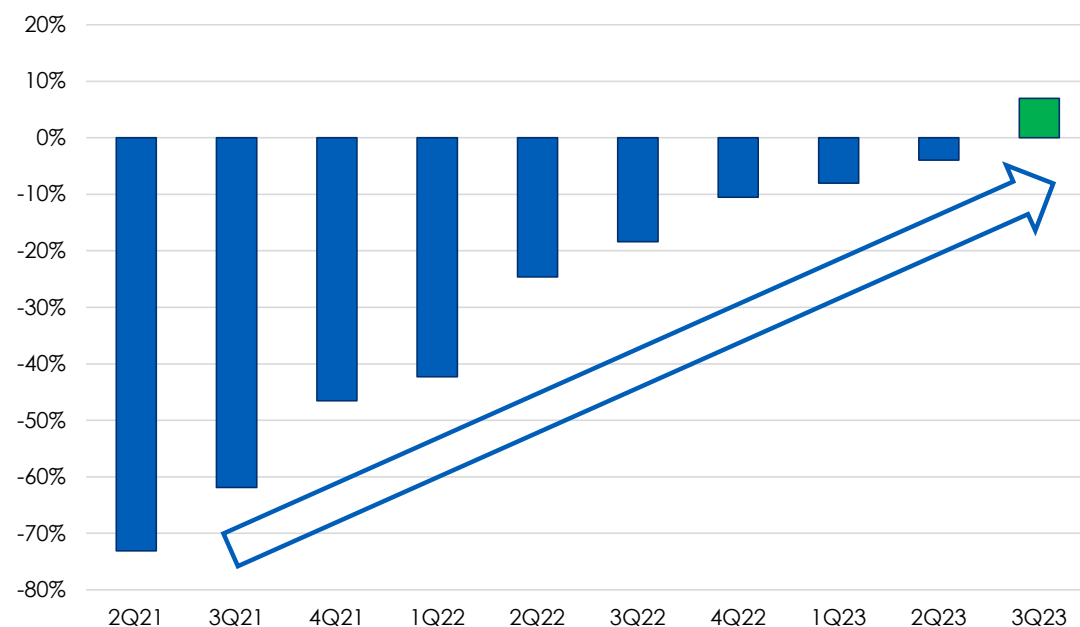
- 3Q 2023 gross profit was positive for the third consecutive quarter
- Anticipate ~\$27MM\*\* increase in 2023 adjusted gross profit\* compared to 2022
- ProFrac contract protects against lower frac fleet activity
- Delivered efficiencies across all aspects of business supply chain

\* Adjusted Gross Profit (Loss) and Adjusted EBITDA are non-GAAP measures. See the Appendix in this presentation for a reconciliation to the nearest GAAP measure.

\*\* Based on the mid point of 2023 guidance.

# Strong Financial Momentum Continues

Quarterly Adjusted EBITDA\*/Revenue



- 3Q 2023 adj. EBITDA\* increased \$11.7MM over 3Q 2022
- The first quarter of positive adj. EBITDA since 3Q 2018
- Ninth consecutive quarter of improvement

\* Adjusted EBITDA is a non-GAAP metric. See the Appendix in this presentation for a reconciliation to nearest GAAP measure

# Complementary Segments Deliver Sustainable Growth

GENERATING VALUE VIA DIRECT AND IN-DIRECT CHANNELS



## Chemistry Technologies

Sustainable chemistry solutions to maximize customer's value chain while minimizing their environmental impact



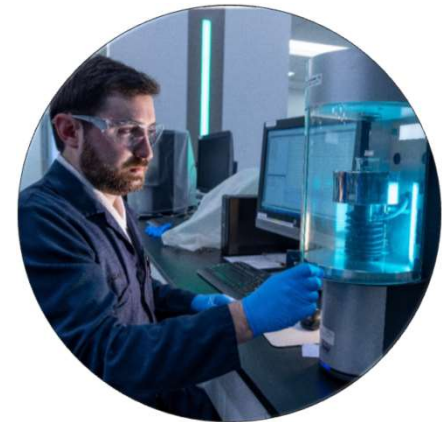
## Data Analytics

Transforming business through real-time data, monitoring and visualization across the energy value chain utilizing proprietary JP3 unit

- Global presence in over 15 countries
- Establishing collaborative partnerships with E&P operators and oil field service providers
- Extensive experience with proven solutions in over 20,000 completion wells worldwide
- Fit-for-purpose optimized chemistry and data solutions allow customers to maximize the value of their business
- High margin data analytics segment driving revenue growth and increased profitability
- Increasing market share across both segments







# Chemistry Technologies Business Overview

- Technologically advanced products and services that significantly improve well performance and maximize value of customer's business
- Extensive portfolio of customized solutions that support operations across the value chain
- Industry leader in delivering innovative products that increase performance while reducing costs
- Strong presence across all major U.S. shale basins
- Creative solutions to reduce the environmental impact of energy on air, water, land and people



# Chemistry Technologies Applications

A STRONG POSITION OF EXPERTISE IN ENERGY CHEMISTRY

DRILLING & CEMENTING	STIMULATION	PRODUCTION	REMEDICATION	ENHANCED WATER FLOODING	OFFSHORE
					
Fluids to protect the reservoir and the environment	Enhancing maximum efficiency of productivity	Chemistries for enduring performance	Sustainable chemistry maximizing recovery	Effective solutions for greater recovery	Chemistries that minimize formation damage and extend asset life

*Positioned to capitalize on strong growth cycle of responsible energy production via collaborative partnership with customers*

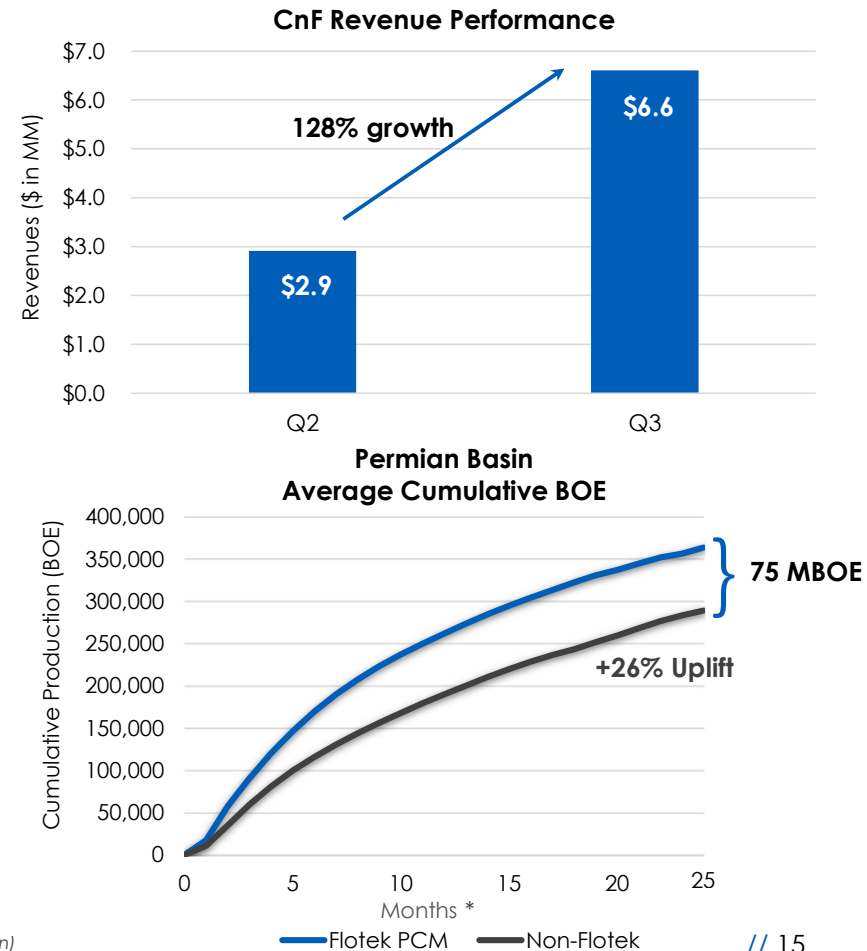
# Chemistry Technologies: The Flotek Advantage

DELIVERING THE BEST UPLIFT PERFORMANCE IN INDUSTRY

- Prescriptive Chemistry Management (PCM)
  - Proprietary energy chemistry solutions
  - Dedicated chemistry management team
  - Customized solutions to each well's geology
  - World class lab testing capabilities
- AI enabled and digital twinning analytics of over 20,000 wells
- CnF is our proprietary reservoir technology utilized by PCM services
- Leveraging over 170 active patents to design the best chemistry for each well
- Strong well performance with 75,000 BOE more uplift than competition



\* Data derived from 2019-2023 Enverus Prism Platform (1,878 wells)  
\*\* Similar Results from all basins, example is highlighting the most productive basin in the U.S. (Permian)



# Leveraging New Markets Diversifies Customer Base

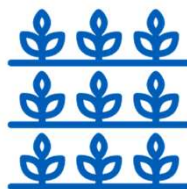
PROVIDES SIGNIFICANT FUTURE GROWTH OPPORTUNITY



Industrial



Geothermal



Agricultural



Solar



Hydrogen

**As smart systems develop, so will the demand  
for green chemistry solutions**

*Positioned to capitalize on proprietary patents, technology advancements and collaborative partnerships with customers*

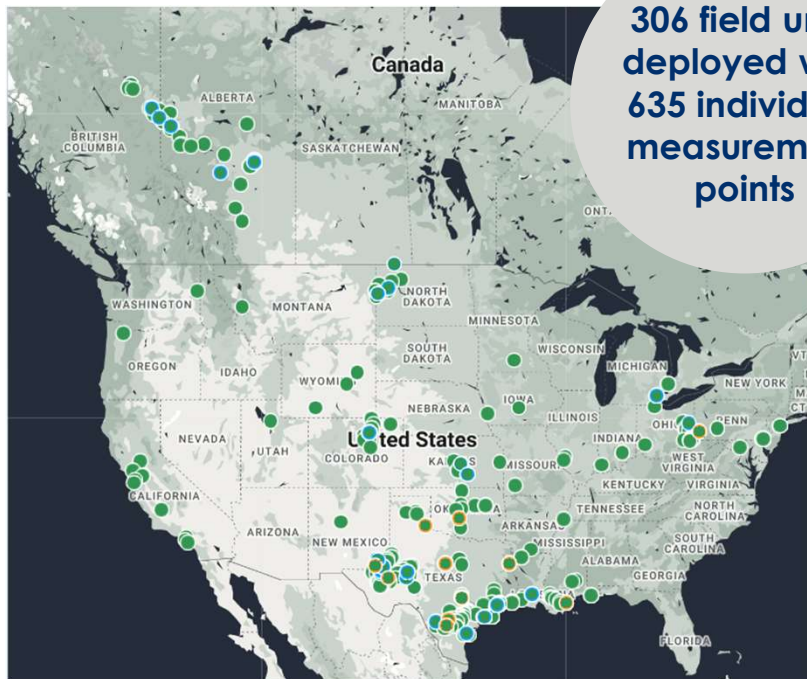


# Data Analytics Business Overview

- Provides accurate, [real-time visibility](#) into chemical composition flowing directly through a well-head, pipeline, power generator, refinery, and more.
- Robust platform based on NIR Spectroscopy; doesn't utilize consumables and there are no moving parts
- Ability to operate in highly variable field conditions
- Field trial of next generation JP3 Spectrometer Prototype in progress
- Remote monitoring enables operators to access data remotely through JP3's VIPER web app
- Assists customers on path to net zero emissions



# Broad Deployment and Utilization of JP3 Units



306 field units deployed with 635 individual measurement points

● JP3 Units Deployed



81 customers across all key basins



# Data Analytics: Extensive Industry Applications

← One Technology Platform  
Multiple Applications →



## Upstream

- Realtime product measurement improves accuracy of payments to royalty owners and operators
- Continuous BTU monitoring to facilitate field gas utilization in powering rigs and frac fleets
- Flare monitoring and methane detection



## Midstream

- Gas processing plant control and optimization
- Pipeline batch detection to optimize pipeline transmix processes
- Vapor pressure controls to achieve product specifications
- Emerging market in carbon capture



## Downstream

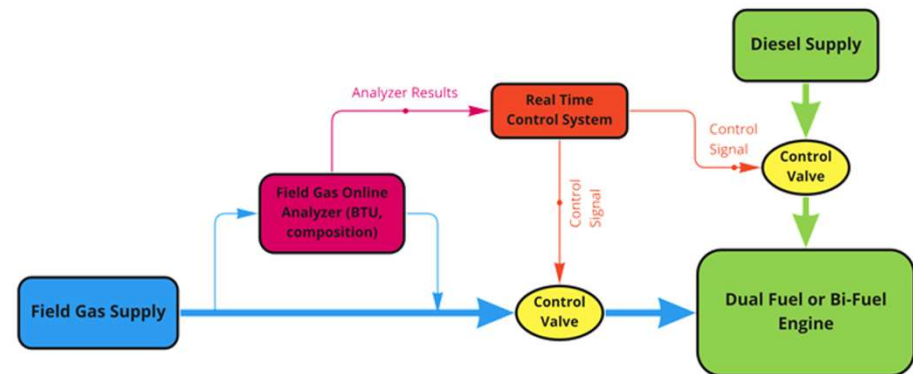
- Realtime measurement to optimize distillation tower efficiency
- Crude feedstock blending
- Chemical property and quality measurement in pipelines and terminals
- Refined product specification measurement to optimize mix of products

# Data Analytics: Upstream Field Gas Usage

## 70% Reduction in Diesel/CNG usage

- JP3 field gas monitoring system allows frac fleets and drilling rigs to safely run on field gas displacing more expensive and higher carbon footprint diesel
- A three-pad customer case study July - August 2023:
  - Achieved 70% field gas substitution rate
  - Eliminated 1.2MM gallons of diesel usage
  - Realized 100% uptime

Frac Trailer Mounted System



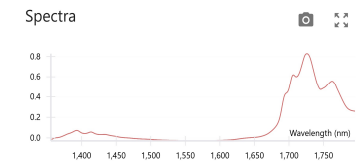
# Data Analytics: Upstream Market Disruptor

From **3 weeks** to **5 Seconds!**

- Upstream Custody Transfer challenges:
  - Readings only taken every **3 to 6 weeks** with gas chromatography (gc)
  - **Paid less** on inconsistent readings impacted by temperature, timing, and conditions
  - Requires **onsite personnel**
- JP3 technology changes the market:
  - Accurate readings every **5 seconds**
  - **Stakeholders paid on more consistent** hydrocarbon quality readings
  - **Autonomous** measurement



Real-Time Wellsite Readings



Description	Value
C1	82.21 mol %
C2	10.68 mol %
C3	3.03 mol %
iC4	0.41 mol %
nC4	0.78 mol %
iC5	0.21 mol %
nC5	0.21 mol %
C6+	0.54 mol %
Rel_Density	0.69
Dry_BTU	1175.63 btu/cf



Mobile App and SCADA Reporting

# Summary

- Strong leadership team with deep industry expertise to execute strategy
- Fit-for-purpose chemistry and data analytics solutions continue to present differentiated value proposition
- Contractual chemistry commitments under the ProFrac agreement mitigates impact of the industry slowdown
- Cost control initiatives drive increased profitability and transition to positive Adj. EBITDA\*
- Expanded our global footprint with a new entity in Abu Dhabi, reducing costs and improving sales potential
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# **Appendix**

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# Recent Financials

## Unaudited Condensed Consolidated Statement of Operations (in thousands, except share data)

	Three Months Ended		Nine Months Ended	
	9/30/2023	9/30/2022	9/30/2023	9/30/2022
<b>Revenue:</b>				
Revenue from external customers	\$ 17,806	\$ 15,206	\$ 47,278	\$ 38,412
Revenue from related party	29,462	30,417	98,592	49,462
<b>Total revenues</b>	<u>47,268</u>	<u>45,623</u>	<u>145,870</u>	<u>87,874</u>
<b>Cost of goods sold</b>	<u>38,221</u>	<u>47,465</u>	<u>131,037</u>	<u>92,500</u>
<b>Gross profit (loss)</b>	<u>9,047</u>	<u>(1,842)</u>	<u>14,833</u>	<u>(4,626)</u>
<b>Operating costs and expenses:</b>				
Selling, general, and administrative	6,526	9,254	21,303	20,958
Depreciation	181	177	530	554
Research and development	757	985	2,231	3,515
Severance costs	2	(219)	(28)	387
Gain on sale of property and equipment	(38)	(10)	(38)	(1,916)
Gain on lease termination	—	—	—	(584)
(Gain) loss in fair value of Contract Consideration Convertible Notes Payable	—	4,250	(29,969)	(9,016)
Total operating costs and expenses	<u>7,428</u>	<u>14,437</u>	<u>(5,971)</u>	<u>13,898</u>
<b>Income (loss) from operations</b>	<u>1,619</u>	<u>(16,279)</u>	<u>20,804</u>	<u>(18,524)</u>
<b>Other income (expense):</b>				
Paycheck protection plan loan forgiveness	—	—	4,522	—
Interest expense	(160)	(2,321)	(2,537)	(4,586)
Other expense, net	(91)	(187)	(82)	(67)
Total other income (expense), net	<u>(251)</u>	<u>(2,508)</u>	<u>1,903</u>	<u>(4,653)</u>
<b>Income (loss) before income taxes</b>	<u>1,368</u>	<u>(18,787)</u>	<u>22,707</u>	<u>(23,177)</u>
Income tax expense	(81)	(7)	(98)	(101)
<b>Net income (loss)</b>	<u>\$ 1,287</u>	<u>\$ (18,794)</u>	<u>\$ 22,609</u>	<u>\$ (23,278)</u>
<b>Income (loss) per common share:</b>				
Basic	\$ 0.04	\$ (1.50)	\$ 0.97	\$ (1.89)
Diluted	\$ 0.04	\$ (1.50)	\$ (0.18)	\$ (1.89)
<b>Weighted average common shares:</b>				
Weighted average common shares used in computing basic income (loss) per common share	29,358	12,552	23,291	12,349
Weighted average common shares used in computing diluted income (loss) per common share	30,688	12,552	28,034	12,349



# Unaudited Condensed Consolidated Balance Sheets

(in thousands, except share data)

	September 30, 2023	December 31, 2022
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 4,453	\$ 12,290
Restricted cash	102	100
Accounts receivable, net of allowance for credit losses of \$704 and \$623 at September 30, 2023 and December 31, 2022, respectively	15,568	19,136
Accounts receivable, related party, net of allowance for credit losses of \$0 at September 30, 2023 and December 31, 2022, respectively	24,765	22,683
Inventories, net	15,885	15,720
Other current assets	4,617	4,045
Current contract asset	7,816	7,113
Total current assets	73,206	81,087
Long-term contract assets	68,207	72,576
Property and equipment, net	4,844	4,826
Operating lease right-of-use assets	5,131	5,900
Deferred tax assets, net	355	404
Other long-term assets	773	17
<b>TOTAL ASSETS</b>	<b>\$ 152,516</b>	<b>\$ 164,810</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 33,436	\$ 33,375
Accrued liabilities	5,430	8,984
Income taxes payable	43	97
Interest payable	—	130
Current portion of operating lease liabilities	2,747	3,328
Current portion of finance lease liabilities	31	36
Current portion of long-term debt	179	2,052
Asset based loan	3,370	—
Convertible notes payable	—	19,799
Contract Consideration Convertible Notes Payable	—	83,570
Total current liabilities	45,236	151,371
Deferred revenue, long-term	35	44
Long-term operating lease liabilities	7,537	8,044
Long-term finance lease liabilities	—	19
Long-term debt	104	2,736
<b>TOTAL LIABILITIES</b>	<b>52,912</b>	<b>162,214</b>
Stockholders' equity:		
Preferred stock, \$0.0001 par value, 100,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$0.0001 par value, 240,000,000 shares authorized; 30,739,820 shares issued and 29,629,902 shares outstanding at September 30, 2023; 13,985,986 shares issued and 12,964,732 shares outstanding at December 31, 2022	3	1
Additional paid-in capital	462,799	388,184
Accumulated other comprehensive income	194	181
Accumulated deficit	(328,910)	(351,519)
Treasury stock, at cost; 1,109,918 and 1,021,255 shares at September 30, 2023 and December 31, 2022, respectively	(34,482)	(34,251)
Total stockholders' equity	99,604	2,596
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 152,516</b>	<b>\$ 164,810</b>



# Unaudited Condensed Consolidated Statements of Cash Flows

(in thousands)

	<u>Nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 22,609	\$ (23,278)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Change in fair value of contingent consideration	(384)	(106)
Change in fair value of Contract Consideration Convertible Notes Payable	(29,969)	(9,016)
Amortization of convertible note issuance costs	83	663
Payment-in-kind interest expense	2,284	3,861
Amortization of contract assets	3,665	1,986
Depreciation and amortization	530	554
Amortization of asset based loan origination costs	36	—
Provision for credit losses, net of recoveries	97	147
Provision for excess and obsolete inventory	626	1,702
Gain on sale of property and equipment	(38)	(1,916)
Gain on lease termination	—	(584)
Non-cash lease expense	2,316	168
Stock compensation expense	(565)	2,262
Deferred income tax (benefit) expense	50	1
Paycheck protection plan loan forgiveness	(4,522)	—
Changes in current assets and liabilities:		
Accounts receivable	3,472	(5,748)
Accounts receivable, related party	(2,082)	(24,616)
Inventories	(776)	(11,373)
Income taxes receivable	—	3
Other assets	(863)	(537)
Contract assets, net	—	(3,600)
Accounts payable	60	22,036
Accrued liabilities	(3,179)	493
Operating lease liabilities	(2,636)	(404)
Income taxes payable	(54)	100
Interest payable	(8)	36
Net cash used in operating activities	<u>(9,248)</u>	<u>(47,166)</u>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(593)	(175)
Proceeds from sale of assets	68	4,215
Net cash (used in) provided by investing activities	<u>(525)</u>	<u>4,040</u>
<b>Cash flows from financing activities:</b>		
Payment for forfeited stock options	(617)	—
Payments on long term debt	(104)	—
Proceeds from asset based loan	27,750	—
Payments on asset based loan	(24,380)	—
Payment for origination costs of asset based loan	(502)	—
Proceeds from issuance of convertible notes	—	21,150
Payment of issuance costs of convertible notes	—	(1,084)
Proceeds from issuance of warrants	—	19,500
Payment of issuance costs of stock warrants	—	(1,170)
Payments to tax authorities for shares withheld from employees	(246)	(191)
Proceeds from issuance of stock	48	24
Payments for finance leases	(24)	(30)
Net cash provided by financing activities	<u>1,925</u>	<u>38,199</u>
<b>Effect of changes in exchange rates on cash and cash equivalents</b>	<u>13</u>	<u>211</u>
<b>Net change in cash and cash equivalents and restricted cash</b>	<u>(7,835)</u>	<u>(4,716)</u>
<b>Cash and cash equivalents at the beginning of period</b>	<u>12,290</u>	<u>11,534</u>
Restricted cash at the beginning of period	100	1,790
<b>Cash and cash equivalents and restricted cash at beginning of period</b>	<u>12,390</u>	<u>13,324</u>
<b>Cash and cash equivalents at end of period</b>	<u>4,453</u>	<u>8,508</u>
Restricted cash at the end of period	102	100
<b>Cash and cash equivalents and restricted cash at end of period</b>	<u>\$ 4,555</u>	<u>\$ 8,608</u>

## Unaudited Reconciliation of Non-GAAP Items and Non-Cash Items Impacting Earnings (in thousands)<sup>(1)</sup>

	Three Months Ended		Nine Months Ended	
	9/30/2023	9/30/2022	9/30/2023	9/30/2022
<b>Gross profit (loss)</b>	\$ 9,047	\$ (1,842)	\$ 14,833	\$ (4,626)
Stock compensation expense	2	256	(135)	783
Severance and retirement	—	(478)	26	11
Contingent liability revaluation	(61)	28	(384)	(106)
Sanitizer inventory write down	—	1,036	—	1,036
Amortization of contract assets	1,276	1,249	3,665	1,986
<b>Adjusted Gross profit (loss)<sup>(1)</sup></b>	<b>\$ 10,264</b>	<b>\$ 249</b>	<b>\$ 18,005</b>	<b>\$ (916)</b>
<b>Net income (loss)</b>	\$ 1,287	\$ (18,794)	\$ 22,609	\$ (23,278)
Interest expense	160	2,321	2,537	4,586
Income tax expense	81	7	98	101
Depreciation and amortization	181	177	530	554
<b>EBITDA (Non-GAAP)</b>	<b>\$ 1,709</b>	<b>\$ (16,289)</b>	<b>\$ 25,774</b>	<b>\$ (18,037)</b>
Stock compensation expense	268	671	(574)	2,263
Severance and retirement	2	(219)	(28)	387
Contingent liability revaluation	(61)	28	(384)	(106)
Sanitizer inventory write down	—	1,036	—	1,036
Gain on disposal of assets	(38)	(10)	(38)	(1,916)
Gain on lease termination	—	—	—	(584)
PPP loan forgiveness	—	—	(4,522)	—
Contract Consideration Convertible Notes	—	4,250	(29,969)	(9,016)
Payable revaluation adjustment	—	—	—	—
Amortization of contract assets	1,276	1,249	3,665	1,986
Non-Recurring professional fees	236	882	3,612	2,899
<b>Adjusted EBITDA (Non-GAAP)<sup>(1)</sup></b>	<b>\$ 3,392</b>	<b>\$ (8,402)</b>	<b>\$ (2,464)</b>	<b>\$ (21,088)</b>

(1) Management believes that adjusted gross profit and adjusted EBITDA for the three and nine months ended September 30, 2023 and 2022, are useful to investors to assess and understand operating performance, especially when comparing those results with previous and subsequent periods. Management views the income and 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 financial and operational goals, excluding certain non-cash or non-recurring items.



# FLOTEK

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