

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

Form 10-Q

- ☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2024

or

- ☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number 001-38066

SELECT WATER SOLUTIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

81-4561945
(IRS Employer
Identification Number)

1820 North I-35
Gainesville, TX
(Address of principal executive offices)

76240
(Zip Code)

(940) 668-1818

(Registrant's telephone number, including area code)

1233 W. Loop South, Suite 1400 Houston, TX

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Class A common stock, par value \$0.01 per share	WTTR	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act. ☐

Indicate by check mark whether the registrant is a shell company. Yes ☐ No ☒

As of November 4, 2024, the registrant had 103,088,670 shares of Class A common stock and 16,221,101 shares of Class B common stock outstanding.

SELECT WATER SOLUTIONS, INC.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (the “Quarterly Report”) includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements, other than statements of historical fact, included in this Quarterly Report regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this Quarterly Report, the words “could,” “believe,” “anticipate,” “intend,” “estimate,” “expect,” “project,” “preliminary,” “forecast,” and similar expressions or variations are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. These forward-looking statements are based on our current expectations and assumptions about future events and are based on currently available information as to the outcome and timing of future events. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements described under the heading “Risk Factors” included in our most recent Annual Report on Form 10-K, in this Quarterly Report and those set forth from time to time in our other filings with the Securities and Exchange Commission (the “SEC”). These forward-looking statements are based on management’s current belief, based on currently available information, as to the outcome and timing of future events.

Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, those summarized below:

- global economic distress, including that resulting from the sustained Russia-Ukraine war and related economic sanctions, the conflict in the Israel-Gaza region and related hostilities in the Middle East, including heightened tensions with Iran, Lebanon and Yemen, inflation and elevated interest rates, each of which may decrease demand for oil and natural gas or contribute to volatility in the prices for oil and natural gas, which may decrease demand for our services;
- actions taken by the members of the Organization of the Petroleum Exporting Countries (“OPEC”) and Russia (together with OPEC and other allied producing countries, “OPEC+”) with respect to oil production levels and announcements of potential changes in such levels, including the ability of the OPEC+ countries to agree on and comply with announced supply limitations, which may be exacerbated by an increase in hostilities in the Middle East;
- changes in global political or economic conditions, generally, including as a result of the fall 2024 United States presidential election and any resultant political and economic uncertainty, including the rate of inflation and potential economic recession;
- the level of capital spending and access to capital markets by oil and gas companies in response to changes in commodity prices or reduced demand;
- the ability to source certain raw materials and other critical components or manufactured products globally on a timely basis from economically advantaged sources, including any delays and/or supply chain disruptions due to increased hostilities in the Middle East;
- the impact of central bank policy actions, such as sustained, elevated rates of interest in response to, among other things, high rates of inflation, and disruptions in the bank and capital markets;
- the potential deterioration of our customers’ financial condition, including defaults resulting from actual or potential insolvencies;
- the degree to which consolidation among our customers may affect spending on U.S. drilling and completions;
- trends and volatility in oil and gas prices, and our ability to manage through such volatility;

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- the impact of current and future laws, rulings and governmental regulations, including those related to hydraulic fracturing, accessing water, disposing of wastewater, transferring produced water, interstate freshwater transfer, chemicals, carbon pricing, pipeline construction, taxation or emissions, leasing, permitting or drilling on federal lands and various other environmental matters;
- regional impacts to our business, including our key infrastructure assets within the Bakken, the Northern Delaware and Midland Basin portions of the Permian Basin, and the Haynesville;
- capacity constraints on regional oil, natural gas and water gathering, processing and pipeline systems that result in a slowdown or delay in drilling and completion activity, and thus a decrease in the demand for our services in our core markets;
- regulatory and related policy actions intended by federal, state and/or local governments to reduce fossil fuel use and associated carbon emissions, or to drive the substitution of renewable forms of energy for oil and gas, may over time reduce demand for oil and gas and therefore the demand for our services, including as a result of the Inflation Reduction Act of 2022 (“IRA 2022”) or otherwise;
- actions taken by federal and state governments, such as executive orders or new or expanded regulations, that may negatively impact the future production of oil and natural gas in the U.S. or our customers’ access to federal and state lands for oil and gas development operations, thereby reducing demand for our services in the affected areas;
- growing demand for electric vehicles that may result in reduced demand for refined products deriving from crude oil such as gasoline and diesel fuel, and therefore the demand for our services;
- our ability to hire and retain key management and employees, including skilled labor;
- our access to capital to fund expansions, acquisitions and our working capital needs and our ability to obtain debt or equity financing on satisfactory terms, including as a result of sustained increases in cost of capital resulting from Federal Reserve policies and otherwise;
- our health, safety and environmental performance;
- the impact of competition on our operations;
- the degree to which our exploration and production (“E&P”) customers may elect to operate their water-management services in-house rather than source these services from companies like us;
- our level of indebtedness and our ability to comply with covenants contained in our Sustainability-Linked Credit Facility (as defined herein) or future debt instruments;
- delays or restrictions in obtaining permits by us or our customers;
- constraints in supply or availability of equipment used in our business;
- the impact of advances or changes in well-completion technologies or practices that result in reduced demand for our services, either on a volumetric or time basis;
- acts of terrorism, war or political or civil unrest in the U.S. or elsewhere, such as the Russia-Ukraine war, the conflict in the Israel-Gaza region and/or other instability and hostilities in the Middle East, including with Lebanon and Yemen;

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- the severity and duration of world health events and any resulting impact on commodity prices and supply and demand considerations;
- accidents, weather, natural disasters or other events affecting our business; and
- the other risks identified in our most recent Annual Report on Form 10-K and under the headings “Part I—Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Part II—Item 1A. Risk Factors” in this Quarterly Report.

These factors are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors also could have material adverse effects on our future results. Our future results will depend upon various other risks and uncertainties, including those described under the heading “Part I—Item 1A. Risk Factors” in our most recent Annual Report on Form 10-K and under the heading “Part II—Item 1A. Risk Factors” in this Quarterly Report. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. We undertake no obligation to update or revise any forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise. All forward-looking statements attributable to us are qualified in their entirety by this cautionary note.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

SELECT WATER SOLUTIONS, INC. CONSOLIDATED BALANCE SHEETS (in thousands, except share data)

	September 30, 2024 (unaudited)	December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	\$ 10,938	\$ 57,083
Accounts receivable trade, net of allowance for credit losses of \$5,413 and \$5,318, respectively	298,676	322,611
Accounts receivable, related parties	119	171
Inventories	35,819	38,653
Prepaid expenses and other current assets	51,130	35,541
Total current assets	396,682	454,059
Property and equipment	1,363,666	1,144,989
Accumulated depreciation	(689,978)	(627,408)
Total property and equipment, net	673,688	517,581
Right-of-use assets, net	39,714	39,504
Goodwill	30,259	4,683
Other intangible assets, net	127,930	116,189
Deferred tax assets, net	48,879	61,617
Other long-term assets	29,495	24,557
Total assets	\$ 1,346,647	\$ 1,218,190
Liabilities and Equity		
Current liabilities		
Accounts payable	\$ 41,435	\$ 42,582
Accrued accounts payable	66,172	66,182
Accounts payable and accrued expenses, related parties	5,891	4,086
Accrued salaries and benefits	21,142	28,401
Accrued insurance	29,970	19,720
Sales tax payable	2,668	1,397
Current portion of tax receivable agreements liabilities	469	469
Accrued expenses and other current liabilities	37,866	33,511
Current operating lease liabilities	16,781	15,005
Current portion of finance lease obligations	207	194
Total current liabilities	222,601	211,547
Long-term tax receivable agreements liabilities	37,718	37,718
Long-term operating lease liabilities	34,792	37,799
Long-term debt	80,000	—
Other long-term liabilities	52,110	38,954
Total liabilities	427,221	326,018
Commitments and contingencies (Note 9)		
Class A common stock, \$0.01 par value; 350,000,000 shares authorized and 102,797,453 shares issued and outstanding as of September 30, 2024; 350,000,000 shares authorized and 102,172,863 shares issued and outstanding as of December 31, 2023	1,028	1,022
Class B common stock, \$0.01 par value; 150,000,000 shares authorized and 16,221,101 shares issued and outstanding as of September 30, 2024 and December 31, 2023	162	162
Preferred stock, \$0.01 par value; 50,000,000 shares authorized; no shares issued and outstanding as of September 30, 2024 and December 31, 2023	—	—
Additional paid-in capital	999,812	1,008,095
Accumulated deficit	(204,507)	(236,791)
Total stockholders' equity	796,495	772,488
Noncontrolling interests	122,931	119,684
Total equity	919,426	892,172
Total liabilities and equity	\$ 1,346,647	\$ 1,218,190

The accompanying notes to consolidated financial statements are an integral part of these financial statements.

SELECT WATER SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(in thousands, except share and per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Revenue				
Water Services	\$ 234,019	\$ 251,870	\$ 692,334	\$ 791,145
Water Infrastructure	82,017	58,375	214,089	169,118
Chemical Technologies	55,313	79,028	196,605	250,230
Total revenue	371,349	389,273	1,103,028	1,210,493
Costs of revenue				
Water Services	186,041	200,361	545,881	626,878
Water Infrastructure	35,503	34,992	102,776	103,718
Chemical Technologies	48,450	63,005	165,846	200,017
Depreciation, amortization and accretion	38,906	34,650	113,243	102,776
Total costs of revenue	308,900	333,008	927,746	1,033,389
Gross profit	62,449	56,265	175,282	177,104
Operating expenses				
Selling, general and administrative	37,268	38,983	120,229	109,147
Depreciation and amortization	661	512	2,667	1,846
Impairments and abandonments	—	32	91	11,554
Lease abandonment costs	5	(12)	411	73
Total operating expenses	37,934	39,515	123,398	122,620
Income from operations	24,515	16,750	51,884	54,484
Other income (expense)				
Gain on sales of property and equipment and divestitures, net	1,624	23	2,331	1,688
Interest expense, net	(1,906)	(765)	(5,204)	(4,290)
Other	(78)	767	(318)	2,482
Income before income tax expense and equity in gains (losses) of unconsolidated entities	24,155	16,775	48,693	54,364
Income tax expense	(5,852)	(483)	(11,263)	(1,068)
Equity in gains (losses) of unconsolidated entities	507	(978)	154	(1,716)
Net income	18,810	15,314	37,584	51,580
Less: net income attributable to noncontrolling interests	(3,019)	(968)	(5,300)	(4,772)
Net income attributable to Select Water Solutions, Inc.	\$ 15,791	\$ 14,346	\$ 32,284	\$ 46,808
Net income per share attributable to common stockholders (Note 15):				
Class A—Basic	\$ 0.16	\$ 0.14	\$ 0.32	\$ 0.46
Class B—Basic	\$ —	\$ —	\$ —	\$ —
Net income per share attributable to common stockholders (Note 15):				
Class A—Diluted	\$ 0.15	\$ 0.14	\$ 0.32	\$ 0.45
Class B—Diluted	\$ —	\$ —	\$ —	\$ —

The accompanying notes to consolidated financial statements are an integral part of these financial statements.

SELECT WATER SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)
(in thousands)

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Net income	\$ 18,810	\$ 15,314	\$ 37,584	\$ 51,580
Comprehensive income	18,810	15,314	37,584	51,580
Less: comprehensive income attributable to noncontrolling interests	(3,019)	(968)	(5,300)	(4,772)
Comprehensive income attributable to Select Water Solutions, Inc.	<u>\$ 15,791</u>	<u>\$ 14,346</u>	<u>\$ 32,284</u>	<u>\$ 46,808</u>

The accompanying notes to consolidated financial statements are an integral part of these financial statements.

SELECT WATER SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the nine months ended September 30, 2024 and 2023
(unaudited)
(in thousands, except share data)

	Class A Stockholders		Class B Stockholders		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity	Noncontrolling Interests	Total
	Shares	Class A Common Stock	Shares	Class B Common Stock					
Balance as of December 31, 2023	102,172,863	\$ 1,022	16,221,101	\$ 162	\$ 1,008,095	\$ (236,791)	\$ 772,488	\$ 119,684	\$ 892,172
Equity-based compensation	—	—	—	—	15,854	—	15,854	2,505	18,359
Issuance of restricted shares	1,239,497	12	—	—	1,258	—	1,270	(1,270)	—
Stock options exercised	287,686	3	—	—	(3)	—	—	—	—
Repurchase of common stock	(1,103,993)	(11)	—	—	(7,149)	—	(7,160)	(163)	(7,323)
Restricted shares forfeited	(102,617)	(1)	—	—	(105)	—	(106)	106	—
Performance shares vested	303,917	3	—	—	308	—	311	(311)	—
Dividend and distribution declared:									
Class A common stock (\$0.06 per share)	—	—	—	—	(17,948)	—	(17,948)	—	(17,948)
Unvested restricted stock (\$0.06 per share)	—	—	—	—	(498)	—	(498)	—	(498)
Class B common stock (\$0.06 per share)	—	—	—	—	—	—	—	(2,920)	(2,920)
Net income	—	—	—	—	—	32,284	32,284	5,300	37,584
Balance as of September 30, 2024	102,797,453	\$ 1,028	16,221,101	\$ 162	\$ 999,812	\$ (204,507)	\$ 796,495	\$ 122,931	\$ 919,426

	Class A Stockholders		Class B Stockholders		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity	Noncontrolling Interests	Total
	Shares	Class A Common Stock	Shares	Class B Common Stock					
Balance as of December 31, 2022	109,389,528	\$ 1,094	16,221,101	\$ 162	\$ 1,075,915	\$ (311,194)	\$ 765,977	\$ 117,751	\$ 883,728
Equity-based compensation	—	—	—	—	11,080	—	11,080	1,707	12,787
Issuance of restricted shares	1,633,849	16	—	—	1,449	—	1,465	(1,465)	—
Issuance of shares for acquisitions	(48,688)	—	—	—	(401)	—	(401)	(9)	(410)
Repurchase of common stock	(6,984,375)	(70)	—	—	(49,747)	—	(49,817)	(88)	(49,905)
Restricted shares forfeited	(72,363)	(1)	—	—	(46)	—	(47)	47	—
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(1,581)	(1,581)
Contributions from noncontrolling interests	—	—	—	—	—	—	—	1,153	1,153
NCI income tax adjustment	—	—	—	—	76	—	76	(76)	—
Dividend and distribution declared:									
Class A common stock (\$0.05 per share)	—	—	—	—	(15,287)	—	(15,287)	—	(15,287)
Unvested restricted stock (\$0.05 per share)	—	—	—	—	(633)	—	(633)	—	(633)
Class B common stock (\$0.05 per share)	—	—	—	—	—	—	—	(2,433)	(2,433)
Net income	—	—	—	—	—	46,808	46,808	4,772	51,580
Balance as of September 30, 2023	103,917,951	\$ 1,039	16,221,101	\$ 162	\$ 1,022,406	\$ (264,386)	\$ 759,221	\$ 119,778	\$ 878,999

The accompanying notes to consolidated financial statements are an integral part of these financial statements.

SELECT WATER SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the three months ended September 30, 2024 and 2023
(unaudited)
(in thousands, except share data)

	Class A Stockholders		Class B Stockholders		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity	Noncontrolling Interests	Total
	Shares	Class A Common Stock	Shares	Class B Common Stock					
Balance as of June 30, 2024	102,799,602	\$ 1,028	16,221,101	\$ 162	\$ 1,001,123	\$ (220,298)	\$ 782,015	\$ 120,115	\$ 902,130
Equity-based compensation	—	—	—	—	5,009	—	5,009	790	5,799
Issuance of restricted shares	7,765	—	—	—	8	—	8	(8)	—
Stock options exercised	157,970	2	—	—	(2)	—	—	—	—
Repurchase of common stock	(139,275)	(2)	—	—	(127)	—	(129)	(42)	(171)
Restricted shares forfeited	(28,609)	—	—	—	(30)	—	(30)	30	—
Dividend and distribution declared:									
Class A common stock (\$0.06 per share)	—	—	—	—	(6,015)	—	(6,015)	—	(6,015)
Unvested restricted stock (\$0.06 per share)	—	—	—	—	(154)	—	(154)	—	(154)
Class B common stock (\$0.06 per share)	—	—	—	—	—	—	—	(973)	(973)
Net income	—	—	—	—	—	15,791	15,791	3,019	18,810
Balance as of September 30, 2024	102,797,453	\$ 1,028	16,221,101	\$ 162	\$ 999,812	\$ (204,507)	\$ 796,495	\$ 127,931	\$ 919,426

	Class A Stockholders		Class B Stockholders		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity	Noncontrolling Interests	Total
	Shares	Class A Common Stock	Shares	Class B Common Stock					
Balance as of June 30, 2023	103,799,815	\$ 1,038	16,221,101	\$ 162	\$ 1,023,370	\$ (278,732)	\$ 745,838	\$ 118,115	\$ 863,953
Equity-based compensation	—	—	—	—	4,336	—	4,336	678	5,014
Issuance of restricted shares	172,905	1	—	—	119	—	120	(120)	—
Repurchase of common stock	(33,525)	1	—	—	(242)	—	(241)	(34)	(275)
Restricted shares forfeited	(21,244)	(1)	—	—	1	—	—	(1)	(1)
Contributions from noncontrolling interests	—	—	—	—	—	—	—	1,000	1,000
NCI income tax adjustment	—	—	—	—	17	—	17	(17)	—
Dividend and distribution declared:									
Class A common stock (\$0.05 per share)	—	—	—	—	(4,987)	—	(4,987)	—	(4,987)
Unvested restricted stock (\$0.05 per share)	—	—	—	—	(208)	—	(208)	—	(208)
Class B common stock (\$0.05 per share)	—	—	—	—	—	—	—	(811)	(811)
Net income	—	—	—	—	—	14,346	14,346	968	15,314
Balance as of September 30, 2023	103,917,951	\$ 1,039	16,221,101	\$ 162	\$ 1,022,406	\$ (264,386)	\$ 759,221	\$ 119,778	\$ 878,999

The accompanying notes to consolidated financial statements are an integral part of these financial statements.

SELECT WATER SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

	Nine months ended September 30,	
	2024	2023
Cash flows from operating activities		
Net income	\$ 37,584	\$ 51,580
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation, amortization and accretion	115,910	104,622
Deferred tax expense (benefit)	10,571	(97)
Gain on disposal of property and equipment and divestitures	(2,331)	(1,688)
Equity in (gains) losses of unconsolidated entities	(154)	1,716
Bad debt expense	855	3,987
Amortization of debt issuance costs	366	366
Inventory adjustments	(528)	557
Equity-based compensation	18,359	12,787
Impairments and abandonments	91	11,554
Other operating items, net	926	(639)
Changes in operating assets and liabilities		
Accounts receivable	29,011	70,467
Prepaid expenses and other assets	(16,494)	(18,797)
Accounts payable and accrued liabilities	(27,047)	(34,253)
Net cash provided by operating activities	167,119	202,162
Cash flows from investing activities		
Purchase of property and equipment	(118,080)	(102,401)
Purchase of equity-method investments	—	(500)
Acquisitions, net of cash received	(158,438)	(13,418)
Proceeds received from sales of property and equipment	12,275	11,380
Net cash used in investing activities	(264,243)	(104,939)
Cash flows from financing activities		
Borrowings from revolving line of credit	150,000	105,250
Payments on revolving line of credit	(70,000)	(121,250)
Payments of finance lease obligations	(163)	(55)
Dividends and distributions paid	(21,533)	(17,907)
Distributions to noncontrolling interests	—	(1,581)
Contributions from noncontrolling interests	—	5,950
Repurchase of common stock	(7,323)	(49,905)
Net cash provided by (used in) financing activities	50,981	(79,498)
Effect of exchange rate changes on cash	(2)	(4)
Net (decrease) increase in cash and cash equivalents	(46,145)	17,721
Cash and cash equivalents, beginning of period	57,083	7,322
Cash and cash equivalents, end of period	\$ 10,938	\$ 25,043
Supplemental cash flow disclosure:		
Cash paid for interest	\$ 5,225	\$ 4,364
Cash paid for income taxes, net	\$ 1,447	\$ 1,759
Supplemental disclosure of noncash investing activities:		
Recoupment of shares for acquisitions	\$ —	\$ (410)
Capital expenditures included in accounts payable and accrued liabilities	\$ 41,095	\$ 38,581

The accompanying notes to consolidated financial statements are an integral part of these financial statements.

SELECT WATER SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1—BUSINESS AND BASIS OF PRESENTATION

Description of the business: Select Water Solutions, Inc. (“we,” “Select Inc.,” “Select” or the “Company”), formerly Select Energy Services, Inc., was incorporated as a Delaware corporation on November 21, 2016. On May 8, 2023, Select Energy Services, Inc.’s Fifth Amended and Restated Certificate of Incorporation became effective upon filing with the Secretary of State of the State of Delaware which, among other things, changed the name of the Company from Select Energy Services, Inc. to Select Water Solutions, Inc. to reflect its strategic focus as a water-focused company. We retained our stock ticker “WTTR” trading on the New York Stock Exchange. The Company is a holding company whose sole material asset consists of common units (“SES Holdings LLC Units”) in SES Holdings, LLC (“SES Holdings”).

We are a leading provider of sustainable water-management and chemical solutions to the energy industry in the United States (“U.S.”). As a leader in the water solutions industry, we place the utmost importance on safe, environmentally responsible management of oilfield water throughout the lifecycle of a well. Additionally, we believe that responsibly managing water resources through our operations to help conserve and protect the environment in the communities in which we operate is paramount to our continued success.

Class A and Class B common stock: As of September 30, 2024, the Company had both Class A and Class B common shares issued and outstanding. Holders of shares of our Class A common stock, par value \$0.01 per share (“Class A common stock”) and Class B common stock, par value \$0.01 per share (“Class B common stock”) are entitled to one vote per share and vote together as a single class on all matters presented to our stockholders for their vote or approval.

Exchange rights: Under the Eighth Amended and Restated Limited Liability Company Agreement of SES Holdings (the “SES Holdings LLC Agreement”), SES Legacy Holdings LLC (“Legacy Owner Holdco”) and its permitted transferees have the right (an “Exchange Right”) to cause SES Holdings to acquire all or a portion of its SES Holdings LLC Units for, at SES Holdings’ election, (i) shares of Class A common stock at an exchange ratio of one share of Class A common stock for each SES Holdings LLC Unit exchanged, subject to conversion rate adjustments for stock splits, stock dividends, reclassification and other similar transactions or (ii) cash in an amount equal to the Cash Election Value (as defined within the SES Holdings LLC Agreement) of such Class A common stock. Alternatively, upon the exercise of any Exchange Right, Select Inc. has the right (the “Call Right”) to acquire the tendered SES Holdings LLC Units from the exchanging unitholder for, at its election, (i) the number of shares of Class A common stock the exchanging unitholder would have received under the Exchange Right or (ii) cash in an amount equal to the Cash Election Value of such Class A common stock. In connection with any exchange of SES Holdings LLC Units pursuant to an Exchange Right or Call Right, the corresponding number of shares of Class B common stock will be cancelled.

Basis of presentation: The accompanying unaudited interim consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the U.S. (“GAAP”) and pursuant to the rules and regulations of the SEC. These unaudited interim consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not include all disclosures required for financial statements prepared in conformity with GAAP.

This Quarterly Report relates to the three and nine months ended September 30, 2024 (the “Current Quarter” and the “Current Period”, respectively) and the three and nine months ended September 30, 2023 (the “Prior Quarter” and the “Prior Period”, respectively). The Company’s Annual Report on Form 10-K for the year ended December 31, 2023 (the “2023 Form 10-K”), filed with the SEC on February 21, 2024, includes certain definitions and a summary of significant accounting policies and should be read in conjunction with this Quarterly Report. All material adjustments (consisting solely of normal recurring adjustments) which, in the opinion of management, are necessary for a fair

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statement of the results for the interim periods have been reflected. The results for the Current Quarter and Current Period may not be indicative of the results to be expected for the full year.

The unaudited interim consolidated financial statements include the Company's accounts and all of its majority-owned or controlled subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

For investments in subsidiaries that are not wholly-owned, but where the Company exercises control, the equity held by the minority owners and their portion of net income or loss are reflected as noncontrolling interests. Investments in entities in which the Company exercises significant influence over operating and financial policies are accounted for using the equity-method, and investments in entities for which the Company does not have significant control or influence are accounted for using the cost-method or other appropriate basis as applicable. As of September 30, 2024, the Company had three equity-method investments. The Company's investments are reviewed for impairment whenever events or circumstances indicate that the carrying value may not be recoverable. When circumstances indicate that the fair value of its investment is less than its carrying value and the reduction in value is other than temporary, the reduction in value is recognized in earnings. Our investments in unconsolidated entities are summarized below and are included in the assets of our Water Services segment:

Type of Investment	Year	Accounting method	Balance Sheet Location	As of September 30,	As of December 31,
	attained			2024	2023
20% minority interest	2020	Equity-method	Other long-term assets	\$ 4,109	\$ 4,314
38% minority interest	2021	Equity-method	Other long-term assets	4,747	4,174
47% minority interest	2021	Equity-method	Other long-term assets	2,997	3,305

Dividends: During the Current Period, the Company paid \$17.9 million in dividends accounted for as a reduction to additional paid-in capital, \$2.9 million of distributions accounted for as a reduction to noncontrolling interests and \$0.7 million as a reduction to accrued expenses and other current liabilities. As of September 30, 2024, the Company had \$0.6 million of dividends payable included in accrued expenses and other current liabilities in connection with unvested restricted stock awards. All future dividend payments are subject to quarterly review and approval by the board of directors.

Segment reporting: The Company has three reportable segments. Reportable segments are defined as components of an enterprise for which separate financial information is evaluated regularly by the chief operating decision maker ("CODM") in deciding how to allocate resources and assess performance. The Company's current reportable segments are Water Services, Water Infrastructure, and Chemical Technologies. See "Note 16—Segment Information" for additional information.

The Water Services segment consists of the Company's services businesses, including water sourcing, water transfer, flowback and well testing, fluids hauling, water monitoring, water containment and water network automation, primarily serving E&P companies. Additionally, this segment includes the operations of our accommodations and rentals business.

The Water Infrastructure segment consists of the Company's fixed infrastructure assets, including operations associated with our water distribution pipeline infrastructure, our water recycling solutions, and our produced water gathering systems and saltwater disposal wells ("SWDs"), as well as solids management facilities, primarily serving E&P companies.

The Chemical Technologies segment provides technical solutions, products and expertise related to chemical applications in the oil and gas industry. We develop, manufacture, manage logistics and provide a full suite of chemicals used in hydraulic fracturing, stimulation, cementing and well completions for customers ranging from pressure pumpers to major integrated and independent oil and gas producers. This segment also utilizes its chemical experience and lab

testing capabilities to customize tailored water treatment solutions designed to optimize the fracturing fluid system in conjunction with the quality of water used in well completions.

Reclassifications: Certain reclassifications have been made to the Company's prior period consolidated financial information to conform to the current year presentation. These presentation changes did not impact the Company's consolidated net income, consolidated cash flows, total assets, total liabilities or total stockholders' equity.

NOTE 2—SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies: The Company's significant accounting policies are disclosed in Note 2 of the consolidated financial statements for the year ended December 31, 2023, included in the 2023 Form 10-K.

Use of estimates: The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

On an ongoing basis, the Company evaluates its estimates, including those related to the recoverability of long-lived assets and intangibles, useful lives used in depreciation, amortization and accretion, uncollectible accounts receivable, inventory reserve, income taxes, self-insurance liabilities, share-based compensation, contingent liabilities, lease-related reasonably certain option exercise assessments, and the incremental borrowing rate for leases. The Company bases its estimates on historical and other pertinent information that are believed to be reasonable under the circumstances. The accounting estimates used in the preparation of the consolidated financial statements may change as new events occur, as more experience is acquired, as additional information is obtained and as the Company's operating environment changes.

Allowance for credit losses: The Company's allowance for credit losses relates to trade accounts receivable. The Company treats trade accounts receivable as one portfolio and records an initial allowance calculated as a percentage of revenue recognized based on a combination of historical information and future expectations. Additionally, the Company adjusts this allowance based on specific information in connection with aged receivables. Historically, most bad debt has been incurred when a customer's financial condition significantly deteriorates, which in some cases leads to bankruptcy. Market volatility is highly uncertain and, as such, the impact on expected losses is subject to significant judgment and may cause variability in the Company's allowance for credit losses in future periods.

The change in the allowance for credit losses is as follows:

	<u>Nine months ended September 30, 2024</u>	
	<u>(in thousands)</u>	
Balance as of December 31, 2023	\$	5,318
Increase to allowance based on a percentage of revenue		2,226
Adjustment based on aged receivable analysis		(700)
Charge-offs		(1,478)
Recoveries		47
Balance as of September 30, 2024	\$	<u>5,413</u>

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Asset retirement obligations: The Company’s asset retirement obligations (“ARO”) relate to disposal facilities and landfills with obligations for plugging wells, removing surface equipment, and returning land to its pre-drilling condition. The following table describes the changes to the Company’s ARO liability for the Current Period:

	Nine months ended September 30, 2024 (in thousands)
Balance as of December 31, 2023	\$ 37,262
Accretion expense	1,092
Acquired AROs	25,008
Divested AROs	(591)
Revisions	1,177
Payments	(11,774)
Balance as of September 30, 2024	<u>\$ 52,174</u>
Short-term ARO liability	7,140
Long-term ARO liability	45,034
Balance as of September 30, 2024	<u>\$ 52,174</u>

We review the adequacy of our ARO liabilities whenever indicators suggest that the estimated cash flows underlying the liabilities have changed. The Company’s ARO liabilities are included in accrued expenses and other current liabilities and other long-term liabilities in the accompanying consolidated balance sheets.

Lessor Income: The Company is a lessor for a nominal number of owned facilities and also recognizes income related to multiple facility subleases that are accounted for as follows:

		Three months ended September 30,		Nine months ended September 30,	
		2024	2023	2024	2023
		(in thousands)			
Category	Classification				
Lessor income	Costs of revenue	\$ 48	\$ 63	\$ 109	\$ 218
	Lease abandonment costs and Costs of				
Sublease income	revenue	533	374	1,363	1,214

The Company also generates short-term equipment rental revenue. See “Note 4—Revenue” for a discussion of revenue recognition for the accommodations and rentals business.

During the Current Period, the Company made the decision to abandon operations at four leased Water Services locations. As a result, the Company recorded \$0.6 million of right-of-use asset impairment charges.

Defined Contribution Plan: The Company sponsors a defined contribution 401(k) Profit Sharing Plan for the benefit of substantially all employees of the Company. The Company incurred \$1.4 million, \$1.3 million, \$4.9 million and \$4.4 million match expense in the Current Quarter, Prior Quarter, Current Period and Prior Period, respectively.

Severance: During the Current Period, the Company incurred \$0.6 million of severance in connection with the termination of its former Chief Financial Officer, included in selling, general and administrative within the consolidated statements of operations and \$0.3 million is included in accrued salaries and benefits as of September 30, 2024.

Recent accounting pronouncements: In November 2023, the FASB issued ASU No. 2023-07, “Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures” (“ASU 2023-07”). ASU 2023-07 requires disclosure of significant segment expenses that are regularly provided to the chief operating decision maker (“CODM”) and included within each reported measure of segment profit or loss, an amount and description of its composition for other segment items to reconcile to segment profit or loss, and the title and position of the entity’s CODM. The

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amendments in this update also expand the interim segment disclosure requirements. ASU 2023-07 will be effective for our fiscal year ending December 31, 2024, and for interim periods starting in our first quarter of 2025. Early adoption is permitted and the amendments in this update are required to be applied on a retrospective basis. We are currently reviewing the impact that the adoption of ASU 2023-07 may have on our consolidated financial statements and disclosures.

In December 2023, the FASB issued ASU 2023-09 “Income Taxes (Topic 740): Improvements to Income Tax Disclosures” (“ASU 2023-09”), which includes amendments that further enhance income tax disclosures, primarily through standardization and disaggregation of rate reconciliation categories and income taxes paid by jurisdiction. ASU 2023-09 will be effective for our fiscal year ending December 31, 2025, with early adoption permitted, and should be applied either prospectively or retrospectively. The Company is currently evaluating ASU 2023-09 to determine its impact on the Company’s disclosures.

NOTE 3—ACQUISITIONS

The following table presents key information connected with our 2024 and 2023 acquisitions (dollars in thousands):

Assets and Operations Acquired	Acquisition Date	Purchase Consideration	Acquisition related costs for Asset Acquisitions	Total Consideration	Segments
Six Smaller Asset Acquisitions	Multiple 2024 Dates	\$ 11,750	\$ 31	\$ 11,781	Water Infrastructure
Bobcat	April 18, 2024	8,070	-	8,070	Water Infrastructure
Trinity	April 1, 2024	30,832	-	30,832	Water Infrastructure
Buckhorn	March 1, 2024	18,781	-	18,781	Water Infrastructure
Iron Mountain Energy	January 8, 2024	14,000	-	14,000	Water Infrastructure
Tri-State Water Logistics	January 3, 2024	58,330	-	58,330	Water Infrastructure
Rockies produced water gathering and disposal infrastructure	January 1, 2024	18,100	-	18,100	Water Infrastructure
Four Smaller Asset Acquisitions	Multiple 2023 Dates	7,293	-	7,293	Water Infrastructure
Asset Acquisition	April 3, 2023	4,000	-	4,000	Water Services
Asset Acquisition	January 31, 2023	6,250	150	6,400	Water Infrastructure
Total		\$ 177,406	\$ 181	\$ 177,587	

2024 Asset Acquisitions

During the Current Period, the Company acquired certain assets and associated liabilities, primarily in the Permian Basin and Northeast Ohio, from six transactions for \$11.8 million inclusive of acquisition-related costs. The allocation of the purchase price for these assets was a combined \$11.6 million in property and equipment, \$1.5 million in intellectual property, \$0.1 million in other long-term assets and \$1.4 million in asset retirement obligations and other liabilities.

Bobcat Acquisition

On April 18, 2024, the Company completed the acquisition of membership interests from Bobcat SWIW Holdings, LLC and other minority interest holders (together “Bobcat” or the “Bobcat Acquisition”). The Company paid total consideration of \$8.1 million at closing. The Bobcat Acquisition strengthened Select’s Marcellus/Utica disposal operations and allows the Company to offer more comprehensive produced water solutions to its customers in the region.

The Bobcat Acquisition was accounted for as a business combination under the acquisition method of accounting. When determining the fair values of assets acquired and liabilities assumed, management made estimates, judgments and assumptions. These estimates, judgments, assumptions and valuation of the property and equipment acquired, intangible assets, current assets and current liabilities have been finalized as of September 30, 2024. The assets

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acquired and liabilities assumed are included in the Company's Water Infrastructure segment. The Company incurred less than \$0.1 million and \$0.2 million of transaction-related costs related to this acquisition during the Current Quarter and Current Period, respectively, and such costs are included in selling, general and administrative within the consolidated statements of operations.

The following table summarizes the consideration transferred and the estimated fair value of identified assets acquired and liabilities assumed at the date of acquisition:

	As Reported as of June 30, 2024	Current Quarter Adjustment	Amount
<i>Final purchase price allocation</i>			
<i>Consideration transferred</i>		(in thousands)	
Cash paid	\$ 8,070	\$ —	\$ 8,070
Total consideration transferred	8,070	—	8,070
<i>Less: identifiable assets acquired</i>			
Working capital	(335)	50	(285)
Property and equipment	8,320	(29)	8,291
Customer relationships	585	(50)	535
Long-term ARO	(500)	29	(471)
Total identifiable net assets acquired	\$ 8,070	\$ —	\$ 8,070

Trinity Acquisition

On April 1, 2024, the Company completed the acquisition of Trinity Acquisition Holdings, LLC, d/b/a Trinity Environmental Services and related entities (together "Trinity" or the "Trinity Acquisition"). The Company paid initial consideration of \$29.4 million at closing. The \$1.5 million increase in purchase consideration during the Current Quarter is due to post-closing adjustments. The acquisition strengthened Select's Permian Basin disposal operations with 22 saltwater disposal wells while also adding one Gulf Coast slurry well and one Midcon region saltwater disposal well. Additionally, the Trinity Acquisition encompasses permits for nine future saltwater disposal well locations, 14 miles of owned pipeline and approximately 79 miles of customer pipeline integrally connected to Trinity's facilities. These additions allow the Company to offer more comprehensive produced water solutions to its customers in Texas and New Mexico.

The Trinity Acquisition was accounted for as a business combination under the acquisition method of accounting. When determining the fair values of assets acquired and liabilities assumed, management made estimates, judgments and assumptions. The Company engaged third-party valuation experts to assist in the purchase price allocation. These estimates, judgments, assumptions and valuation of the property and equipment acquired, intangible assets, current assets and current liabilities are preliminary and have not been finalized as of September 30, 2024. The assets acquired and liabilities assumed are included in the Company's Water Infrastructure segment and the goodwill acquired is deductible for income tax purposes. The Company incurred \$0.4 million and \$1.6 million of transaction-related costs related to this acquisition during the Current Quarter and Current Period, respectively, and such costs are included in selling, general and administrative within the consolidated statements of operations.

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The following table summarizes the consideration transferred and the estimated fair value of identified assets acquired and liabilities assumed at the date of acquisition:

	As Reported as of June 30, 2024	Current Quarter Adjustment (in thousands)	Amount
<i>Preliminary purchase price allocation</i>			
<i>Consideration transferred</i>			
Cash paid	\$ 29,382	\$ 1,450	\$ 30,832
Total consideration transferred	29,382	1,450	30,832
<i>Less: identifiable assets acquired</i>			
Working capital	(656)	248	(408)
Property and equipment	28,341	3,149	31,490
Right-of-use assets	182	—	182
Customer relationships	3,640	—	3,640
Long-term ARO	(7,000)	(3,149)	(10,149)
Long-term lease liabilities	(499)	—	(499)
Total identifiable net assets acquired	24,008	248	24,256
<i>Goodwill</i>	5,374	1,202	6,576
Fair value allocated to net assets acquired	\$ 29,382	\$ 1,450	\$ 30,832

Buckhorn Acquisition

On March 1, 2024, the Company completed the acquisition of membership interests from Buckhorn Waste Services, LLC and equity interests from Buckhorn Disposal, LLC (together “Buckhorn” or the “Buckhorn Acquisition”). The Company paid initial consideration of \$17.9 million at closing. The \$0.9 million increase in purchase consideration during the Current Quarter is due to post-closing adjustments. The acquisition strengthened Select’s solids waste management capabilities in the Bakken region, adding additional landfills in North Dakota and in Montana to support Select’s existing landfill operations in the region.

The Buckhorn Acquisition was accounted for as a business combination under the acquisition method of accounting. When determining the fair values of assets acquired and liabilities assumed, management made estimates, judgments and assumptions. The Company engaged third-party valuation experts to assist in the purchase price allocation. These estimates, judgments, assumptions and valuation of the property and equipment acquired, intangible assets, current assets and current liabilities are preliminary and have not been finalized as of September 30, 2024. The assets acquired and liabilities assumed are included in the Company’s Water Infrastructure segment and a portion of the goodwill acquired is deductible for income tax purposes. The Company incurred less than \$0.1 million and \$0.8 million of transaction-related costs related to this acquisition during the Current Quarter and Current Period, respectively, and such costs are included in selling, general and administrative within the consolidated statements of operations.

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The following table summarizes the consideration transferred and the estimated fair value of identified assets acquired and liabilities assumed at the date of acquisition:

	As Reported as of June 30, 2024	Current Quarter Adjustment (in thousands)	Amount
<i>Preliminary purchase price allocation</i>			
<i>Consideration transferred</i>			
Purchase consideration	\$ 17,881	\$ 900	\$ 18,781
Total consideration transferred	17,881	900	18,781
<i>Less: identifiable assets acquired and liabilities assumed</i>			
Working capital	772	(20)	752
Property and equipment	12,873	4,345	17,218
Customer relationships	300	—	300
Deferred tax liabilities	(2,167)	—	(2,167)
Long-term ARO	(2,000)	(4,345)	(6,345)
Total identifiable net assets acquired	9,778	(20)	9,758
<i>Goodwill</i>	8,103	920	9,023
Fair value allocated to net assets acquired	<u>\$ 17,881</u>	<u>\$ 900</u>	<u>\$ 18,781</u>

Iron Mountain Energy Acquisition

On January 8, 2024, the Company acquired substantially all of the assets and operations of Iron Mountain Energy, LLC (the “Iron Mountain Acquisition”). The Company paid total consideration of \$14.0 million at closing. The acquisition strengthened Select’s fluids and solids treatment and disposal assets and operations in the Haynesville region.

The Iron Mountain Acquisition was accounted for as a business combination under the acquisition method of accounting. When determining the fair values of assets acquired and liabilities assumed, management made estimates, judgments and assumptions. The Company engaged third-party valuation experts to assist in the purchase price allocation. These estimates, judgments, assumptions and valuation of the property and equipment acquired, intangible assets, current assets, current liabilities and long-term liabilities have been finalized as of September 30, 2024. The assets acquired and liabilities assumed are included in the Company’s Water Infrastructure segment and the goodwill acquired is deductible for income tax purposes. The Company incurred \$0.5 million of transaction-related costs related to this acquisition during the Current Period, and such costs are included in selling, general and administrative within the consolidated statements of operations.

The following table summarizes the consideration transferred and the estimated fair value of identified assets acquired and liabilities assumed at the date of acquisition:

	As Reported as of June 30, 2024	Current Quarter Adjustment (in thousands)	Amount
<i>Final purchase price allocation</i>			
<i>Consideration transferred</i>			
Cash paid	\$ 14,000	\$ —	\$ 14,000
Total consideration transferred	14,000	—	14,000
<i>Less: identifiable assets acquired and liabilities assumed</i>			
Working capital	(4,095)	121	(3,974)
Property and equipment	17,338	4,538	21,876
Long-term ARO	(1,725)	(2,177)	(3,902)
Total identifiable net assets acquired	11,518	2,482	14,000
<i>Goodwill</i>	2,482	(2,482)	—
Fair value allocated to net assets acquired	<u>\$ 14,000</u>	<u>\$ —</u>	<u>\$ 14,000</u>

Tri-State Water Logistics Acquisition

On January 3, 2024, the Company acquired the assets and operations of Tri-State Water Logistics, LLC and certain of its affiliates (the “Tri-State Acquisition”). The Company paid total consideration of \$58.3 million at closing. The acquisition strengthened Select’s fluids and solids treatment and disposal assets and operations in the Haynesville region.

The Tri-State Acquisition was accounted for as a business combination under the acquisition method of accounting. When determining the fair values of assets acquired and liabilities assumed, management made estimates, judgments and assumptions. The Company engaged third-party valuation experts to assist in the purchase price allocation. These estimates, judgments, assumptions and valuation of the property and equipment acquired, intangible assets, current assets, current liabilities and long-term liabilities have been finalized as of September 30, 2024. The assets acquired and liabilities assumed are included in the Company’s Water Infrastructure segment and the goodwill acquired is deductible for income tax purposes. The Company incurred \$0.8 million of transaction-related costs related to this acquisition during the Current Period, and such costs are included in selling, general and administrative within the consolidated statements of operations.

The following table summarizes the consideration transferred and the estimated fair value of identified assets acquired and liabilities assumed at the date of acquisition:

	As Reported as of June 30, 2024	Current Quarter Adjustment (in thousands)	Amount
<i>Final purchase price allocation</i>			
<i>Consideration transferred</i>			
Cash paid	\$ 58,330	\$ —	\$ 58,330
Total consideration transferred	58,330	—	58,330
<i>Less: identifiable assets acquired and liabilities assumed</i>			
Working capital	(1,428)	—	(1,428)
Property and equipment	42,134	2,479	44,613
Right-of-use assets	1,028	—	1,028
Customer relationships	7,710	2,530	10,240
Long-term ARO	(1,595)	(974)	(2,569)
Long-term lease liabilities	(956)	—	(956)
Total identifiable net assets acquired	46,893	4,035	50,928
<i>Goodwill</i>	11,437	(4,035)	7,402
Fair value allocated to net assets acquired	\$ 58,330	\$ —	\$ 58,330

Rockies produced water gathering and disposal infrastructure Acquisition

On January 1, 2024, the Company acquired certain disposal assets, operations and disposal and recycling permits in the Rockies region (the “Rockies Infrastructure Acquisition”). The Company paid total consideration of \$18.1 million at closing. The acquisition strengthened Select’s water disposal assets and operations in the Rockies region.

The Rockies Infrastructure Acquisition was accounted for as a business combination under the acquisition method of accounting. When determining the fair values of assets acquired and liabilities assumed, management made estimates, judgments and assumptions. The Company engaged third-party valuation experts to assist in the purchase price allocation. These estimates, judgments, assumptions and valuation of the property and equipment acquired, intangible assets, current assets, current liabilities and long-term liabilities have been finalized as of September 30, 2024. The assets acquired and liabilities assumed are included in the Company’s Water Infrastructure segment and the goodwill acquired is deductible for income tax purposes. The Company incurred less than \$0.1 million and \$0.2 million of transaction-related costs related to this acquisition during the Current Quarter and Current Period, respectively, and such costs are included in selling, general and administrative within the consolidated statements of operations.

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The following table summarizes the consideration transferred and the estimated fair value of identified assets acquired and liabilities assumed at the date of acquisition:

	As Reported as of June 30, 2024	Current Quarter Adjustment (in thousands)	Amount
Final purchase price allocation			
Consideration transferred			
Cash paid	\$ 18,100	\$ —	\$ 18,100
Total consideration transferred	18,100	—	18,100
Less: identifiable assets acquired and liabilities assumed			
Working capital	(500)	—	(500)
Property and equipment	7,780	486	8,266
Customer relationships	6,610	1,620	8,230
Long-term ARO	(375)	(96)	(471)
Total identifiable net assets acquired	13,515	2,010	15,525
Goodwill	4,585	(2,010)	2,575
Fair value allocated to net assets acquired	\$ 18,100	\$ —	\$ 18,100

A summary of the consideration transferred and the estimated fair value of identified assets acquired and liabilities assumed as of September 30, 2024 for the Company's 2024 business acquisitions is located below:

	Bobcat	Trinity	Buckhorn	Iron Mountain Energy	Tri-State Water Logistics (in thousands)	Rockies Infrastructure	Total 2024 Acquisitions
Purchase price allocation							
Consideration transferred							
Purchase consideration	\$ 8,070	\$ 30,832	\$ 18,781	\$ 14,000	\$ 58,330	\$ 18,100	\$ 148,113
Total consideration transferred	8,070	30,832	18,781	14,000	58,330	18,100	148,113
Less: identifiable assets acquired and liabilities assumed							
Working capital	(285)	(408)	752	(3,974)	(1,428)	(500)	(5,843)
Property and equipment	8,291	31,490	17,218	21,876	44,613	8,266	131,754
Right-of-use assets	—	182	—	—	1,028	—	1,210
Customer relationships	535	3,640	300	—	10,240	8,230	22,945
Deferred tax liabilities	—	—	(2,167)	—	—	—	(2,167)
Long-term ARO	(471)	(10,149)	(6,345)	(3,902)	(2,569)	(471)	(23,907)
Long-term lease liabilities	—	(499)	—	—	(956)	—	(1,455)
Total identifiable net assets acquired	8,070	24,256	9,758	14,000	50,928	15,525	122,537
Goodwill	—	6,576	9,023	—	7,402	2,575	25,576
Fair value allocated to net assets acquired	\$ 8,070	\$ 30,832	\$ 18,781	\$ 14,000	\$ 58,330	\$ 18,100	\$ 148,113

2023 Asset Acquisitions

During the year ended December 31, 2023, the Company acquired certain assets, revenue-producing contracts and associated liabilities, primarily in the Permian Basin, from multiple entities for \$17.7 million inclusive of \$0.2 million of acquisition-related costs. The allocation of the purchase price for these assets was a combined \$15.9 million in property and equipment, \$1.0 million in water inventory, \$1.9 million in customer relationships and \$1.1 million in asset retirement obligations and other liabilities. Many of the assets acquired are adjacent to the Company's Big Spring Recycling System ("BSRS") in the Permian Basin, with connectivity into BSRS providing future revenue and cost synergies.

NOTE 4—REVENUE

The Company follows ASC 606, *Revenue from Contracts with Customers*, for most revenue recognition, which provides a five-step model for determining revenue recognition for arrangements that are within the scope of the standard: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Company applies the five-step model only to contracts when it is probable that we will collect the consideration the Company is entitled to in exchange for the goods or services the Company transfers to the customer. The accommodations and rentals revenue continues to be guided by ASC 842 – *Leases*, which is discussed further below.

The following factors are applicable to all three of the Company's segments for the Current Quarter, Prior Quarter, Current Period and Prior Period:

- The vast majority of Water Services and Chemical Technologies customer agreements are short-term, lasting less than one year. Water Infrastructure contains both short-term and long-term agreements.
- Contracts are seldom combined together as virtually all of our customer agreements constitute separate performance obligations. Each job is typically distinct, thereby not interdependent or interrelated with other customer agreements.
- Most contracts allow either party to terminate at any time without substantive penalties. If the customer terminates the contract, the Company is unconditionally entitled to the payments for the services rendered and products delivered to date.
- Contract terminations before the end of the agreement are rare.
- Sales returns are rare and no sales return assets have been recognized on the balance sheet.
- There are minimal volume discounts.
- There are no service-type warranties.
- There is no long-term customer financing.
- Taxes assessed by government authorities included on customer invoices are excluded from revenue.

In the Water Services and Water Infrastructure segments, performance obligations arise in connection with services provided to customers in accordance with contractual terms, in an amount the Company expects to collect. Services are generally sold based upon customer orders or contracts with customers that include fixed or determinable prices. Revenues are generated by services rendered and measured based on the output generated, which is usually simultaneously received and consumed by customers at their job sites. As a multi-job site organization, contract terms, including the pricing for the Company's services, are negotiated on a job site level on a per-job basis. Most jobs are completed in a short period of time, usually between one day and one month. Revenue is recognized as performance obligations are completed on a daily, hourly or per-unit basis with unconditional rights to consideration for services rendered reflected as accounts receivable trade, net of allowance for credit losses. In cases where a prepayment is received before the Company satisfies its performance obligations, a contract liability is recorded in accrued expenses and other current liabilities. Final billings generally occur once all of the proper approvals are obtained. Mobilization and demobilization are factored into the pricing for services. Billings and costs related to mobilization and demobilization are not material for customer agreements that start in one period and end in another. As of September 30, 2024, the Company had sixteen revenue-producing contracts lasting over one year that include enforceable rights and obligations to fall within the scope of the model in the ASC 606 standard. As of September 30, 2024 and December 31, 2023, the

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Company had no contract assets or contract liabilities and no contract liabilities converted to revenue during the Current or Prior Periods.

Accommodations and rentals revenue is included in the Water Services segment and the Company accounts for accommodations and rentals agreements as an operating lease. The Company recognizes revenue from renting equipment on a straight-line basis. Accommodations and rental contract periods are generally daily, weekly or monthly. The average lease term is less than three months and as of September 30, 2024, there were no material rental agreements in effect lasting more than one year. During the Current Quarter, Prior Quarter, Current Period and Prior Period, approximately \$20.1 million, \$19.5 million, \$59.6 million and \$63.3 million, respectively, of accommodations and rentals revenue was accounted for under ASC 842 lease guidance.

In the Chemical Technologies segment, the typical performance obligation is to provide a specific quantity of chemicals to customers in accordance with the customer agreement in an amount the Company expects to collect. Products and services are generally sold based upon customer orders or contracts with customers that include fixed or determinable prices. Revenue is recognized as the customer takes title to chemical products in accordance with the agreement. Products may be provided to customers in packaging or delivered to the customers' containers through a hose. In some cases, the customer takes title to the chemicals upon consumption from storage containers on their property, where the chemicals are considered inventory until customer usage. In cases where the Company delivers products and recognizes revenue before collecting payment, the Company has an unconditional right to payment reflected in accounts receivable trade, net of allowance for credit losses. Customer returns are rare and immaterial and there were no material in-process customer agreements for this segment as of September 30, 2024, lasting greater than one year.

The following table sets forth certain financial information with respect to the Company's disaggregation of revenues by geographic location:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
Geographic Region				
Permian Basin	\$ 183,949	\$ 190,637	\$ 533,028	\$ 581,153
Rockies	48,509	61,530	158,095	169,475
Eagle Ford	37,946	37,023	124,446	130,836
Marcellus/Utica	33,531	38,789	104,378	123,275
Haynesville/E. Texas	17,221	18,406	64,627	63,495
Mid-Continent	25,315	22,806	64,158	76,967
Bakken	26,833	22,315	61,723	71,962
Eliminations and other regions	(1,955)	(2,233)	(7,427)	(6,670)
Total	\$ 371,349	\$ 389,273	\$ 1,103,028	\$ 1,210,493

In the Water Services segment, the most recent top three revenue-producing regions are the Permian Basin, Eagle Ford and Rockies, which collectively comprised 71%, 69%, 73%, and 68% of segment revenue for the Current Quarter, Prior Quarter, Current Period and Prior Period, respectively. In the Water Infrastructure segment, the most recent top three revenue-producing regions are the Permian Basin, Haynesville and Bakken, which collectively comprised 82%, 78%, 82% and 78% of segment revenue for the Current Quarter, Prior Quarter, Current Period and Prior Period, respectively. In the Chemical Technologies segment, the most recent top three revenue-producing regions are the Permian Basin, Rockies and Eagle Ford, which collectively comprised 89%, 92%, 88% and 90% of segment revenue for the Current Quarter, Prior Quarter, Current Period and Prior Period, respectively.

NOTE 5—INVENTORIES

Inventories, which are comprised of chemicals and raw materials available for resale and parts and consumables used in operations, are valued at the lower of cost and net realizable value, with cost determined under the weighted-average method. The significant components of inventory are as follows:

	September 30, 2024	December 31, 2023
	(in thousands)	
Raw materials	\$ 21,539	\$ 25,183
Finished goods	14,280	13,470
Total	<u>\$ 35,819</u>	<u>\$ 38,653</u>

During the Current Quarter and Current Period, the Company recorded net credits to the reserve for excess and obsolete inventory of \$0.1 million and \$0.5 million, respectively. During the Prior Quarter and Prior Period, the Company recorded net charges to the reserve for excess and obsolete inventory of \$0.1 million and \$0.6 million, respectively. Both credits and charges to the reserve for excess and obsolete inventory were recognized within cost of revenue on the accompanying consolidated statements of operations. The Company's inventory reserve was \$5.0 million and \$5.5 million as of September 30, 2024 and December 31, 2023, respectively. The reserve for excess and obsolete inventories is determined based on the Company's historical usage of inventory on hand, as well as future expectations and the amount necessary to reduce the cost of the inventory to its estimated net realizable value.

NOTE 6—PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation. Depreciation (and amortization of finance lease assets) is calculated on a straight-line basis over the estimated useful life of each asset. Property and equipment consists of the following as of September 30, 2024 and December 31, 2023:

	September 30, 2024	December 31, 2023
	(in thousands)	
Machinery and equipment	\$ 607,576	\$ 608,780
Gathering and disposal infrastructure	268,679	87,354
Buildings and leasehold improvements	110,673	111,650
Pipelines	103,171	103,171
Recycling facilities	103,161	68,875
Land	38,056	23,745
Vehicles and equipment	14,914	19,007
Computer equipment and software	7,650	3,038
Computer equipment and software - finance lease	904	883
Office furniture and equipment	467	772
Machinery and equipment - finance lease	519	519
Vehicles and equipment - finance lease	14	27
Construction in progress	107,882	117,168
	<u>1,363,666</u>	<u>1,144,989</u>
Less accumulated depreciation ⁽¹⁾	<u>(689,978)</u>	<u>(627,408)</u>
Total property and equipment, net	<u>\$ 673,688</u>	<u>\$ 517,581</u>

(1) Includes \$0.9 million and \$0.7 million of accumulated depreciation related to finance leases as of September 30, 2024 and December 31, 2023, respectively.

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Total depreciation, amortization and accretion expense related to property and equipment and finance leases presented in the table above, as well as amortization of intangible assets presented in “Note 7— Other Intangible Assets” is as follows:

Category	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
(in thousands)				
Depreciation expense from property and equipment	\$ 34,425	\$ 30,185	\$ 101,949	\$ 90,578
Amortization expense from finance leases	52	60	165	69
Amortization expense from intangible assets	4,505	4,663	12,704	13,211
Accretion expense from asset retirement obligations	585	254	1,092	764
Total depreciation, amortization and accretion	<u>\$ 39,567</u>	<u>\$ 35,162</u>	<u>\$ 115,910</u>	<u>\$ 104,622</u>

NOTE 7—GOODWILL AND OTHER INTANGIBLE ASSETS

The Company recorded \$25.6 million of goodwill in connection with the Company’s 2024 acquisitions (See “Note 3— Acquisitions”). Goodwill is evaluated for impairment annually, or more frequently if indicators of impairment exist.

The changes in the carrying amounts of goodwill stemming from 2024 acquisitions by reportable segment for the Current Period are as follows:

	Water Services	Water Infrastructure (in thousands)	Total
Balance as of December 31, 2023	\$ 1,438	\$ 3,245	\$ 4,683
Additions	—	25,576	25,576
Balance as of September 30, 2024	<u>\$ 1,438</u>	<u>\$ 28,821</u>	<u>\$ 30,259</u>

The components of other intangible assets, net as of September 30, 2024 and December 31, 2023 are as follows:

	As of September 30, 2024			As of December 31, 2023			
	Gross Value	Accumulated Amortization (in thousands)	Net Value	Gross Value	Abandonment	Accumulated Amortization (in thousands)	Net Value
Definite-lived							
Customer relationships	\$ 187,546	\$ (72,782)	\$ 114,764	\$ 164,600	\$ —	\$ (61,216)	\$ 103,384
Patents and other intellectual property	14,272	(8,137)	6,135	12,772	—	(7,090)	5,682
Trademarks	—	—	—	14,360	(11,106)	(3,254)	—
Water rights and other	1,375	(1,375)	—	2,803	—	(2,711)	92
Total definite-lived	203,193	(82,294)	120,899	194,535	(11,106)	(74,271)	109,158
Indefinite-lived							
Water rights	7,031	—	7,031	7,031	—	—	7,031
Total indefinite-lived	7,031	—	7,031	7,031	—	—	7,031
Total other intangible assets, net	<u>\$ 210,224</u>	<u>\$ (82,294)</u>	<u>\$ 127,930</u>	<u>\$ 201,566</u>	<u>\$ (11,106)</u>	<u>\$ (74,271)</u>	<u>\$ 116,189</u>

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During the Current Period, the Company added \$22.9 million in customer relationships and \$1.5 million in intellectual property in connection with the Company's 2024 acquisitions (See "Note 3—Acquisitions"). The weighted-average periods for customer relationships and patents and other intellectual property were 12.7 years and 9.6 years, respectively, and the weighted-average remaining amortization periods for customer relationships and patents and other intellectual property were 8.7 years and 5.4 years, as of September 30, 2024. Definite-lived water rights and other are fully amortized as of September 30, 2024. See "Note 6—Property and Equipment" for the amortization expense during the Current Quarter, Prior Quarter, Current Period and Prior Period. The indefinite-lived water rights are generally subject to renewal every five to ten years at immaterial renewal costs. Annual amortization of intangible assets for the next five years and beyond is as follows:

	Amount	
	(in thousands)	
Remainder of 2024	\$	4,196
2025		16,957
2026		16,869
2027		16,368
2028		14,639
Thereafter		51,870
Total	\$	120,899

NOTE 8—DEBT

Sustainability-linked credit facility and revolving line of credit

On March 17, 2022 (the “Restatement Date”), SES Holdings and Select Water Solutions, LLC (“Select LLC”), formerly Select Energy Services, LLC and a wholly-owned subsidiary of SES Holdings, entered into a \$270.0 million amended and restated senior secured sustainability-linked revolving credit facility (the “Sustainability-Linked Credit Facility”), by and among SES Holdings, as parent, Select LLC, as borrower, and certain of SES Holdings’ subsidiaries, as guarantors, each of the lenders party thereto and Wells Fargo Bank, N.A., as administrative agent, issuing lender and swingline lender (the “Administrative Agent”) (which amended and restated the Credit Agreement dated November 1, 2017 by and among SES Holdings, as parent, Select LLC, as borrower and certain of SES Holdings’ subsidiaries, as guarantors, each of the lenders party thereto and the Administrative Agent (the “Prior Credit Agreement”). Refer to “Note 10—Debt” in the Company’s Annual Report on Form 10-K for a discussion of the Prior Credit Agreement. The Sustainability-Linked Credit Facility also has a sublimit of \$40.0 million for letters of credit and \$27.0 million for swingline loans, respectively. Subject to obtaining commitments from existing or new lenders, Select LLC has the option to increase the maximum amount under the senior secured credit facility by \$135.0 million during the first three years following the Restatement Date.

The Sustainability-Linked Credit Facility permits extensions of credit up to the lesser of \$270.0 million and a borrowing base that is determined by calculating the amount equal to the sum of (i) 85% of the Eligible Billed Receivables (as defined in the Sustainability-Linked Credit Facility), plus (ii) 75% of Eligible Unbilled Receivables (as defined in the Sustainability-Linked Credit Facility), provided that this amount will not equal more than 35% of the borrowing base, plus (iii) the lesser of (A) the product of 70% multiplied by the value of Eligible Inventory (as defined in the Sustainability-Linked Credit Facility) at such time and (B) the product of 85% multiplied by the Net Recovery Percentage (as defined in the Sustainability-Linked Credit Facility) identified in the most recent Acceptable Appraisal of Inventory (as defined in the Sustainability-Linked Credit Facility), multiplied by the value of Eligible Inventory at such time, provided that this amount will not equal more than 30% of the borrowing base, minus (iv) the aggregate amount of Reserves (as defined in the Sustainability-Linked Credit Facility), if any, established by the Administrative Agent from time to time, including, if any, the amount of the Dilution Reserve (as defined in the Sustainability-Linked Credit Facility). The borrowing base is calculated on a monthly basis pursuant to a borrowing base certificate delivered by Select LLC to the Administrative Agent.

Borrowings under the Sustainability-Linked Credit Facility bear interest, at Select LLC’s election, at either the (a) one- or three-month Term Secured Overnight Financing Rate (“SOFR”) (as defined in the Sustainability-Linked Credit Facility) or (b) greatest of (i) the federal funds rate plus 0.5%, (ii) one-month Term SOFR plus 1% and (iii) the Administrative Agent’s prime rate (the “Base Rate”), in each case plus an applicable margin, and interest shall be payable monthly in arrears. The applicable margin for Term SOFR loans ranges from 1.75% to 2.25% and the applicable margin for Base Rate loans ranges from 0.75% to 1.25%, in each case, depending on Select LLC’s average excess availability under the Sustainability-Linked Credit Facility, as set forth in the table below. During the continuance of a bankruptcy event of default, automatically, and during the continuance of any other default, upon the Administrative Agent’s or the required lenders’ election, all outstanding amounts under the Sustainability-Linked Credit Facility will bear interest at 2.00% plus the otherwise applicable interest rate. The Sustainability-Linked Credit Facility is scheduled to mature on the fifth anniversary of the Restatement Date.

Level	Average Excess Availability	Base Rate Margin	SOFR Margin
I	< 33.33% of the commitments	1.25%	2.25%
II	< 66.67% of the commitments and ≥ 33.33% of the commitments	1.00%	2.00%
III	≥ 66.67% of the commitments	0.75%	1.75%

Level	Average Revolver Usage	Unused Line Fee Percentage
I	≥ 50% of the commitments	0.250%
II	< 50% of the commitments	0.375%

Under the Sustainability-Linked Credit Facility, the interest rate margin and the facility fee rates are also subject to adjustments based on Select LLC's performance of specified sustainability target thresholds with respect to (i) total recordable incident rate, as the Employee Health and Safety Metric and (ii) barrels of produced water recycled at permanent or semi-permanent water treatment and recycling facilities owned or operated, as the Water Stewardship Metric, in each case, subject to limited assurance verification by a qualified independent external reviewer. The adjustment for the interest rate margin is a range of plus and minus 5.0 basis points and the adjustment for the fee margin is a range of plus and minus 1.0 basis point, subject to the mechanics under the Sustainability-Linked Credit Facility.

The obligations under the Sustainability-Linked Credit Facility are guaranteed by SES Holdings and certain subsidiaries of SES Holdings and Select LLC and secured by a security interest in substantially all of the personal property assets of SES Holdings, Select LLC and their domestic subsidiaries.

The Sustainability-Linked Credit Facility contains certain customary representations and warranties, affirmative and negative covenants and events of default. If an event of default occurs and is continuing, the lenders may declare all amounts outstanding under the Sustainability-Linked Credit Facility to be immediately due and payable.

In addition, the Sustainability-Linked Credit Facility restricts SES Holdings' and Select LLC's ability to make distributions on, or redeem or repurchase, its equity interests, except for certain distributions, including distributions of cash so long as, both at the time of the distribution and after giving effect to the distribution, no default exists under the Sustainability-Linked Credit Facility and either (a) excess availability at all times during the preceding 30 consecutive days, on a pro forma basis and after giving effect to such distribution, is not less than the greater of (1) 25% of the lesser of (A) the maximum revolver amount and (B) the then-effective borrowing base and (2) \$33.75 million or (b) if SES Holdings' fixed charge coverage ratio is at least 1.0 to 1.0 on a pro forma basis, and excess availability at all times during the preceding 30 consecutive days, on a pro forma basis and after giving effect to such distribution, is not less than the greater of (1) 20% of the lesser of (A) the maximum revolver amount and (B) the then-effective borrowing base and (2) \$27.0 million. Additionally, the Sustainability-Linked Credit Facility generally permits Select LLC to make distributions required under its existing Tax Receivable Agreements. See "Note 12—Related Party Transactions—Tax Receivable Agreements" for further discussion of the Tax Receivable Agreements.

The Sustainability-Linked Credit Facility also requires SES Holdings to maintain a fixed charge coverage ratio of at least 1.0 to 1.0 at any time availability under the Sustainability-Linked Credit Facility is less than the greater of (i) 10% of the lesser of (A) the maximum revolver amount and (B) the then-effective borrowing base and (ii) \$15.0 million and continuing through and including the first day after such time that availability under the Sustainability-Linked Credit Facility has equaled or exceeded the greater of (i) 10% of the lesser of (A) the maximum revolver amount and (B) the then-effective borrowing base and (ii) \$15.0 million for 60 consecutive calendar days.

Certain lenders party to the Sustainability-Linked Credit Facility and their respective affiliates have from time to time performed, and may in the future perform, various financial advisory, commercial banking and investment banking services for the Company and its affiliates in the ordinary course of business for which they have received and would receive customary compensation. In addition, in the ordinary course of their various business activities, such parties and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investments and securities activities may involve the Company's securities and/or instruments.

The Company had \$80.0 million in borrowings outstanding under the Sustainability-Linked Credit Facility as of September 30, 2024 and no borrowings outstanding as of December 31, 2023. The interest rate applied to our outstanding borrowings under the Sustainability-Linked Credit Facility as of September 30, 2024 was 7.26%. As of September 30, 2024 and December 31, 2023, the borrowing base under the Sustainability-Linked Credit Facility was \$226.8 million and \$267.4 million, respectively. The borrowing capacity under the Sustainability-Linked Credit Facility was reduced by outstanding letters of credit of \$19.0 million and \$17.1 million as of September 30, 2024 and December 31, 2023, respectively. The Company's letters of credit have a variable interest rate between 1.75% and 2.25% based on

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the Company's average excess availability as outlined above. The unused portion of the available borrowings under the Sustainability-Linked Credit Facility was \$127.8 million as of September 30, 2024.

The principal maturities of debt outstanding as of September 30, 2024 were as follows:

		Amount (in thousands)
2024	\$	—
2025		—
2026		—
2027		80,000
Total	\$	80,000

In connection with the entry into the Sustainability-Linked Credit Facility, the Company incurred \$2.1 million of debt issuance costs during the year ended December 31, 2022. Debt issuance costs are amortized to interest expense over the life of the debt to which they pertain. Total unamortized debt issuance costs as of September 30, 2024 and December 31, 2023, were \$1.2 million and \$1.6 million, respectively. As these debt issuance costs relate to a revolving line of credit, they are presented as a deferred charge within other assets on the consolidated balance sheets. Amortization expense related to debt issuance costs was \$0.1 million, \$0.1 million, \$0.4 million and \$0.4 million for the Current Quarter, Prior Quarter, Current Period and Prior Period, respectively.

The Company was in compliance with all debt covenants as of September 30, 2024.

NOTE 9—COMMITMENTS AND CONTINGENCIES

Litigation

The Company is subject to a number of lawsuits and claims arising out of the normal conduct of its business. The ability to predict the ultimate outcome of such matters involves judgments, estimates and inherent uncertainties. Based on a consideration of all relevant facts and circumstances, including applicable insurance coverage, it is not expected that the ultimate outcome of any currently pending lawsuits or claims against the Company will have a material adverse effect on its consolidated financial position, results of operations or cash flows; however, there can be no assurance as to the ultimate outcome of these matters.

Retentions

We are self-insured up to certain retention limits with respect to workers' compensation, general liability and vehicle liability matters, and health insurance. We maintain accruals for self-insurance retentions that we estimate using third-party data and claims history.

NOTE 10—EQUITY-BASED COMPENSATION

The SES Holdings 2011 Equity Incentive Plan (the “2011 Plan”) was approved by the board of managers of SES Holdings in April 2011. In conjunction with the private placement of 16,100,000 shares of the Company’s Class A common stock on December 20, 2016 (the “Select 144A Offering”), the Company adopted the Select Energy Services, Inc. 2016 Equity Incentive Plan (as amended, the “2016 Plan”) for employees, consultants and directors of the Company and its affiliates. Options that were outstanding under the 2011 Plan immediately prior to the Select 144A Offering were cancelled in exchange for new options granted under the 2016 Plan. On May 8, 2020, the Company’s stockholders approved an amendment to the 2016 Plan to increase the number of shares of the Company’s Class A common stock that may be issued under the 2016 Plan by 4,000,000 shares and to make certain other administrative changes.

On March 25, 2024, the Company adopted the Select Water Solutions, Inc. 2024 Equity Incentive Plan (the “2024 Plan”) subject to approval by the Company’s stockholders. On May 8, 2024, the Company’s stockholders approved the 2024 Plan and the 2024 Plan became effective as of such date. The 2024 Plan reserved 8,487,004 shares of the Company’s Class A common stock for issuance with respect to equity awards granted under the 2024 Plan. In connection with the approval of the 2024 Plan, no further awards will be granted under the 2016 Plan, the Nuverra Environmental Solutions Inc. 2017 Long Term Incentive Plan and the Nuverra Environmental Solutions, Inc. 2018 Restricted Stock Plan for Directors. The 2024 Plan includes share recycling provisions, allowing shares that are withheld or surrendered to the Company for payment of any exercise price or taxes, or awards that expire, are canceled, forfeited, or otherwise terminated without the actual delivery of the underlying Class A common stock, to again be available for future grants. As of September 30, 2024, there were 8,842,441 shares available for issuance as future equity awards under the 2024 Plan.

Stock Option Awards

The Company has outstanding stock option awards as of September 30, 2024 but there have been no option grants since 2018. The stock options were granted with an exercise price equal to or greater than the fair market value of a share of Class A common stock as of the date of grant. The expected life of the options at the time of the grant was based on the vesting period and term of the options awarded, which was ten years.

A summary of the Company’s stock option activity and related information as of and for the Current Period is as follows:

	For the nine months ended September 30, 2024			
	Stock Options	Weighted-average Exercise Price	Weighted-average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands) ^(a)
Beginning balance, outstanding	1,654,952	\$ 17.01	3.2	\$ —
Exercised	(287,686)	8.81		—
Expired	(192,089)	20.01		—
Ending balance, outstanding	1,175,177	\$ 18.53	2.6	\$ 1,089
Ending balance, exercisable	1,175,177	\$ 18.53	2.6	\$ 1,089
Nonvested as of September 30, 2024	—	\$ —		

(a) Aggregate intrinsic value for stock options is based on the difference between the exercise price of the stock options and the quoted closing Class A common stock price of \$11.13 and \$7.59 as of September 30, 2024 and December 31, 2023, respectively.

As of March 31, 2021, all equity-based compensation expense related to stock options had been recognized.

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Restricted Stock Awards

The value of the restricted stock awards granted was established by the market price of the Class A common stock on the date of grant and is recorded as compensation expense ratably over the vesting term, which is generally over three years from the applicable date of grant. The Company recognized compensation expense of \$2.6 million, \$4.2 million, \$9.3 million and \$12.3 million related to the restricted stock awards for the Current Quarter, Prior Quarter, Current Period and Prior Period, respectively. As of September 30, 2024, there was \$14.0 million of unrecognized compensation expense with a weighted-average remaining life of 1.8 years related to unvested restricted stock awards.

A summary of the Company's restricted stock awards activity and related information for the Current Period is as follows:

	For the nine months ended September 30, 2024	
	Restricted Stock Awards	Weighted-average Grant Date Fair Value
Nonvested as of December 31, 2023	3,758,692	\$ 7.32
Granted	1,239,597	8.82
Vested	(2,369,395)	7.26
Forfeited	(102,617)	8.32
Nonvested as of September 30, 2024	2,526,277	\$ 8.08

Performance Share Units ("PSUs")

During 2022 and 2023, the Company approved grants of PSUs that are subject to both performance-based and service-based vesting provisions related to (i) return on asset performance ("ROA") in comparison to thirteen peer companies and (ii) Adjusted Free Cash Flow ("FCF") performance percentage. The number of shares of Class A common stock issued to a recipient upon vesting of the PSUs will be calculated based on ROA and FCF performance over the applicable period from either January 1, 2022 through December 31, 2024 or January 1, 2023 through December 31, 2025.

The target number of shares of Class A common stock subject to each remaining PSU granted in 2022 and 2023 is one; however, based on the achievement of performance criteria, the number of shares of Class A common stock that may be received in the settlement of each PSU can range from 0.0 to 1.75 times the target number. The PSUs become earned at the end of the performance period after the attainment of the performance level has been certified by the compensation committee, which will be no later than June 30, 2025 for the 2022 PSU grants, and June 30, 2026, for the 2023 PSU grants, assuming the applicable minimum performance metrics are achieved.

The target PSUs granted in 2022 and 2023 that become earned connected with the ROA in comparison to other companies will be determined based on the Company's Average Return on Assets (as defined in the applicable PSU agreement) relative to the Average Return on Assets of the peer companies (as defined in the applicable PSU agreement) in accordance with the following table, but the Company must have a positive Total Shareholder Return (as defined in the applicable PSU agreement) over the performance period. As a result of this market condition, the 2022 and 2023 PSUs will be valued each reporting period utilizing a Black-Scholes model.

Ranking Among Peer Group	Percentage of Target Amount Earned
Outside of Top 10	0%
Top 10	50%
Top 7	100%
Top 3	175%

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The target PSUs that become earned in connection with the adjusted FCF performance percentage will be determined (as defined in the applicable PSU agreement) in accordance with the following table:

Adjusted FCF Performance Percentage	Percentage of Target Amount Earned
Less than 70%	0%
70%	50%
100%	100%
130%	175%

During 2024, the Company approved grants of PSUs that are subject to both performance-based and service-based vesting provisions related to ROA in comparison to twelve peer companies and PSUs subject to market-based and service-based vesting provisions related to absolute total shareholder return (“TSR”) over the performance period from January 1, 2024 through December 31, 2026. The target number of shares of Class A common stock subject to each PSU granted in 2024 is 1.0; however, based on the achievement of performance criteria, the number of shares of Class A common stock that may be received in the settlement of each PSU can range from 0.0 to 2.0 times the target number. No PSUs are earned if the Company's TSR is negative. The PSUs become earned at the end of the performance period after the attainment of the performance level has been certified by the compensation committee, which will be no later than June 30, 2027.

The target PSUs granted in 2024 that become earned in connection with the ROA in comparison to other companies will be determined (as defined in the applicable PSU agreement) in accordance with the following table:

Ranking Among Peer Group	Percentage of Target Amount Earned
Outside of Top 10	0%
Top 10	50%
Top 7	100%
Top 3	200%

The PSUs granted in 2024 that become earned in connection with TSR will be determined (as defined in the applicable PSU agreement) in accordance with the following table:

Performance Level	Absolute TSR (%)	Percentage of Target PSUs Earned
Below Threshold	Less than 0%	0%
Threshold	0%	50%
Target	10%	100%
Maximum	Greater than or equal to 30%	200%

The fair value on the date the PSUs were granted during 2024, 2023 and 2022 was \$5.2 million, \$5.3 million and \$5.0 million, respectively. Compensation expense related to the PSUs is determined by multiplying the number of shares of Class A common stock underlying such awards that, based on the Company's estimate, are probable to vest by the measurement date (i.e., the last day of each reporting period date) fair value and recognized using the accelerated attribution method. The Company recognized compensation expense of \$3.1 million, \$0.8 million, \$9.1 million and \$0.5 million related to the PSUs for the Current Quarter, Prior Quarter, Current Period and Prior Period, respectively.

As of September 30, 2024, the unrecognized compensation cost related to our unvested PSUs is estimated to be \$8.8 million and is expected to be recognized over a weighted-average period of 1.8 years. However, this compensation cost will be adjusted as appropriate throughout the applicable performance periods.

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A summary of the Company's PSUs and related information for the Current Period is as follows:

	PSUs
Nonvested as of December 31, 2023	1,946,726
Target shares granted	623,170
Target shares vested ⁽¹⁾	(303,917)
Target shares added by performance factor	27,630
Target shares forfeited ⁽¹⁾	(268,475)
Target shares outstanding as of September 30, 2024	2,025,134

(1) The PSUs granted in 2021 related to ROA vested at 110% of target and the FCF PSUs were forfeited.

Employee Stock Purchase Plan (ESPP)

The Company formerly had an Employee Stock Purchase Plan ("ESPP") under which employees who have been continuously employed for at least one year may purchase shares of Class A common stock at a discount. On November 3, 2022, our board of directors approved an amendment to the ESPP, which suspended all offerings on or after December 1, 2022. Our board of directors reserves the right to recommence offerings pursuant to its discretion and the terms of the ESPP.

Share Repurchases

During the Current Quarter, the Company repurchased 139,275 shares of Class A common stock in connection with the cashless exercise of options and the satisfaction of employee minimum tax withholding requirements for shares vested under the 2016 Plan. All repurchased shares were retired. During the Current Quarter, the repurchases were accounted for as a decrease to paid-in-capital of \$1.6 million and a decrease to Class A common stock of \$1,000. In the Prior Quarter, the Company repurchased 33,525 shares of Class A common stock in connection with the satisfaction of employee minimum tax withholding requirements.

During the Current Period, the Company repurchased 1,103,993 shares of Class A common stock in connection with the cashless exercise of options and the satisfaction of employee minimum tax withholding requirements for shares vested under the 2016 Plan. All repurchased shares were retired. During the Current Period, the repurchases were accounted for as a decrease to paid-in-capital of \$9.8 million and a decrease to Class A common stock of \$11,000. In the Prior Period, the Company repurchased 6,487,490 shares of Class A common stock in the open market pursuant to our share repurchase program and 496,885 shares of Class A common stock in connection with the satisfaction of employee minimum tax withholding requirements.

The 1% U.S. federal excise tax on certain repurchases of stock by publicly traded U.S. corporations enacted as part of the IRA 2022 applies to our share repurchase program.

NOTE 11—FAIR VALUE MEASUREMENT

The Company utilizes fair value measurements to measure assets and liabilities in a business combination or assess impairment and abandonment of property and equipment, intangible assets and goodwill or to measure the value of securities marked to market. Fair value is defined as the amount at which an asset (or liability) could be bought (or incurred) or sold (or settled) in an orderly transaction between market participants at the measurement date. Further, ASC 820, *Fair Value Measurements*, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and includes certain disclosure requirements. Fair value estimates are based on either (i) actual market data or (ii) assumptions that other market participants would use in pricing an asset or liability, including estimates of risk.

ASC 820 establishes a three-level valuation hierarchy for the disclosure of fair value measurements. The valuation hierarchy categorizes assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. The three levels are defined as follows:

Level 1—Unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2—Quoted prices for similar assets or liabilities in non-active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3—Inputs that are unobservable and significant to the fair value measurement (including the Company's own assumptions in determining fair value).

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. There were no transfers into, or out of, the three levels of the fair value hierarchy for the nine months ended September 30, 2024 or the year ended December 31, 2023.

Other fair value considerations

The carrying values of the Company's current financial instruments, which include cash and cash equivalents, accounts receivable trade and accounts payable, approximate their fair value as of September 30, 2024 and December 31, 2023 due to the short-term nature of these instruments. The carrying value of debt as of September 30, 2024 approximates fair value due to variable market rates of interest. The estimated fair values of the Company's financial instruments are not necessarily indicative of the amounts that would be realized in a current market exchange.

NOTE 12—RELATED-PARTY TRANSACTIONS

The Company considers its related parties to be those stockholders who are beneficial owners of more than 5.0% of its common stock, executive officers, members of its board of directors or immediate family members of any of the foregoing persons, an investment in a company that is significantly influenced by another related party, and cost-method and equity-method investees. The Company has entered into a number of transactions with related parties. In accordance with the Company's related persons transactions policy, the audit committee of the Company's board of directors regularly reviews these transactions. However, the Company's results of operations may have been different if these transactions were conducted with non-related parties.

During the Current Quarter, sales to related parties were \$0.2 million and purchases from related-party vendors were \$8.1 million. These purchases consisted of \$5.1 million relating to the rental of certain equipment or other services used in operations, \$1.6 million relating to property and equipment, \$0.8 million relating to management, consulting and other services and \$0.6 million relating to inventory and consumables.

During the Prior Quarter, sales to related parties were less than \$0.1 million and purchases from related-party vendors were \$4.1 million. These purchases consisted of \$3.1 million relating to the rental of certain equipment or other services used in operations, \$0.6 million relating to property and equipment and, \$0.4 million relating to management, consulting and other services.

During the Current Period, sales to related parties were \$0.6 million and purchases from related-party vendors were \$18.1 million. These purchases consisted of \$11.5 million relating to the rental of certain equipment or other services used in operations, \$3.3 million relating to property and equipment, \$2.0 million relating to management, consulting and other services and \$1.3 million relating to inventory and consumables.

During the Prior Period, sales to related parties were \$0.4 million and purchases from related-party vendors were \$12.6 million. These purchases consisted of \$9.2 million relating to the rental of certain equipment or other services used in operations, \$2.4 million relating to property and equipment, \$0.9 million relating to management, consulting and other services and \$0.1 million relating to inventory and consumables.

Tax Receivable Agreements

In connection with the Select 144A Offering, the Company entered into two tax receivable agreements (the “Tax Receivable Agreements”) with certain then-affiliates of the then-holders of SES Holdings LLC Units. As of September 30, 2024, certain of the TRA Holders were employed by the Company, on the Company’s board of directors and/or owned shares of the Company’s Class A and/or Class B common stock.

The first of the Tax Receivable Agreements, which the Company entered into with Legacy Owner Holdco and Crestview Partners II GP, L.P. (“Crestview GP”) generally provides for the payment by the Company to such TRA Holders of 85% of the net cash savings, if any, in U.S. federal, state and local income and franchise tax that the Company actually realizes (computed using simplifying assumptions to address the impact of state and local taxes) or is deemed to realize in certain circumstances in periods after the Select 144A Offering as a result of, as applicable to each such TRA Holder, (i) certain increases in tax basis that occur as a result of the Company’s acquisition (or deemed acquisition for U.S. federal income tax purposes) of all or a portion of such TRA Holder’s SES Holdings LLC Units in connection with the Select 144A Offering or pursuant to the exercise of the Exchange Right or the Company’s Call Right and (ii) imputed interest deemed to be paid by the Company as a result of, and additional tax basis arising from, any payments the Company makes under such Tax Receivable Agreement.

The second of the Tax Receivable Agreements, which the Company entered into with an affiliate of Legacy Owner Holdco and Crestview GP, generally provides for the payment by the Company to such TRA Holders of 85% of the net cash savings, if any, in U.S. federal, state and local income and franchise tax that the Company actually realizes (computed using simplifying assumptions to address the impact of state and local taxes) or is deemed to realize in certain circumstances in periods after the Select 144A Offering as a result of, as applicable to each such TRA Holder, (i) any net operating losses available to the Company as a result of certain reorganization transactions entered into in connection with the Select 144A Offering and (ii) imputed interest deemed to be paid by the Company as a result of any payments the Company makes under such Tax Receivable Agreement.

On June 23, 2023, the Tax Receivable Agreements were amended to replace references to one year LIBOR with references to the 12-month term SOFR published by CME Group Benchmark Administration Limited plus 171.513 basis points, which is the benchmark replacement rate and additional margin that, under the Adjustable Interest Rate (LIBOR) Act of 2021, would have otherwise been inserted in place of references to LIBOR in the Tax Receivable Agreements following June 30, 2023.

The Company has recognized a liability associated with the Tax Receivable Agreements of \$38.2 million as of both September 30, 2024, and December 31, 2023, because the likelihood of a payment to be made under the Tax Receivable Agreements has been determined to be probable as of both September 30, 2024, and December 31, 2023. The recognized liability associated with the Tax Receivable Agreements represents 85% of the net cash savings in U.S. federal, state and local income tax or franchise tax that the Company anticipates realizing in future years from certain increases in tax basis and other tax attributes arising from the Company’s completed acquisitions of SES Holdings LLC Units from the TRA Holders and from the net operating losses available to the Company as a result of certain reorganization transactions entered into in connection with the Select 144A Offering.

NOTE 13—INCOME TAXES

The Company's income tax information is presented in the table below. The effective tax rate is different than the 21% U.S. federal income tax rate due to net income allocated to noncontrolling interests, state income taxes and permanent book tax differences. The increase in our effective tax rate in the Current Quarter and Current Period compared to the Prior Quarter and Prior Period is due to a release of a portion of the valuation allowance on the Company's deferred tax assets at the end of 2023.

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
Current income tax expense	\$ 202	\$ 537	\$ 692	\$ 1,165
Deferred income tax expense (benefit)	5,650	(54)	10,571	(97)
Total income tax expense	\$ 5,852	\$ 483	\$ 11,263	\$ 1,068
Effective Tax Rate	24.2%	2.9%	23.1%	2.0%

We regularly review our deferred tax assets for realization and establish a valuation allowance if it is more likely than not that some portion or all of a deferred tax asset will not be realized. Historically, we have maintained a full valuation allowance against our deferred tax assets. The Company considers all available positive and negative evidence in determining whether realization of the tax benefit is more likely than not. This evidence includes historical income / loss, projected future income, the expected timing of the reversal of existing temporary differences and the implementation of tax planning strategies. During the fourth quarter of 2023, the Company evaluated all available positive and negative evidence and determined that \$61.9 million of the valuation allowance as of December 31, 2023, associated with deferred tax assets should be released because the Company believed that it had become more likely than not that the deferred tax assets would be realized. In the Company's evaluation of the need for and amount of a valuation allowance on its deferred tax assets, the Company placed the most weight on objectively verifiable direct evidence, including its recent and historical operating results and the significant improvement in its operating profitability. The specific positive factors and evidence considered in the realizability of its deferred tax assets included the cumulative pre-tax income that the Company generated over the past three-year period and the expectation of income in future periods. The release of the valuation allowance resulted in the recognition of certain deferred tax assets and a decrease to deferred income tax expense for the year ended December 31, 2023. Management has continued to assess both positive and negative evidence and determined that no further adjustments to the remaining valuation allowance were necessary as of September 30, 2024.

NOTE 14—NONCONTROLLING INTERESTS

The Company's noncontrolling interests fall into two categories as follows:

- Noncontrolling interests attributable to joint ventures formed for water-related services.
- Noncontrolling interests attributable to holders of Class B common stock.

	As of September 30, 2024	As of December 31, 2023
	(in thousands)	
Noncontrolling interests attributable to joint ventures formed for water-related services	\$ (896)	\$ 614
Noncontrolling interests attributable to holders of Class B common stock	123,827	119,070
Total noncontrolling interests	\$ 122,931	\$ 119,684

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For all periods presented, there were changes in Select Inc.'s ownership interest in SES Holdings. The effects of the changes in Select Inc.'s ownership interest in SES Holdings are as follows:

	Nine months ended September 30,	
	2024	2023
	(in thousands)	
Net income attributable to Select Water Solutions, Inc.	\$ 32,284	\$ 46,808
Transfers from noncontrolling interests:		
Increase in additional paid-in capital as a result of issuing shares for business combinations	—	9
Increase in additional paid-in capital as a result of restricted stock issuance, net of forfeitures	1,164	1,418
Increase in additional paid-in capital as a result of vested PSUs	311	—
Increase in additional paid-in capital as a result of the repurchase of SES Holdings LLC Units	163	88
Change to equity from net income attributable to Select Water Solutions, Inc. and transfers from noncontrolling interests	<u>\$ 33,922</u>	<u>\$ 48,323</u>

NOTE 15—INCOME PER SHARE

Income per share is based on the amount of income allocated to the stockholders and the weighted-average number of shares outstanding during the period for each class of common stock. Outstanding options to purchase 725,634, 1,654,952, 913,042 and 1,654,952 shares of Class A common stock are not included in the calculation of diluted weighted-average shares outstanding for the Current Quarter, Prior Quarter, Current Period and Prior Period, respectively, as their effect is antidilutive. Shares of the Company's Class B common stock do not share in net income or losses attributable to the Company and are therefore not participating securities. As such, separate presentation of basic and diluted earnings per share of Class B common stock under the two-class method has not been presented. Diluted earnings per share was computed using the treasury stock method.

The following tables present the Company's calculation of basic and diluted earnings per share for the Current and Prior Quarter and the Current and Prior Period (dollars in thousands, except share and per share amounts):

	Three months ended September 30, 2024			Three months ended September 30, 2023		
	Select Water Solutions, Inc.	Class A	Class B	Select Water Solutions, Inc.	Class A	Class B
Numerator:						
Net income	\$ 18,810			\$ 15,314		
Net income attributable to noncontrolling interests	(3,019)			(968)		
Net income attributable to Select Water Solutions, Inc. — basic	\$ 15,791	\$ 15,791	\$ —	\$ 14,346	\$ 14,346	\$ —
Add: Reallocation of net income attributable to noncontrolling interests for the dilutive effect of restricted stock	34	34	—	33	33	—
Add: Reallocation of net income attributable to noncontrolling interests for the dilutive effect of performance units	33	33	—	17	17	—
Add: Reallocation of net income attributable to noncontrolling interests for the dilutive effect of stock options	3	3	—	—	—	—
Net income attributable to Select Water Solutions, Inc. — diluted	\$ 15,861	\$ 15,861	\$ —	\$ 14,396	\$ 14,396	\$ —
Denominator:						
Weighted-average shares of common stock outstanding — basic		100,246,000	16,221,101		99,777,776	16,221,101
Dilutive effect of restricted stock		1,149,092	—		1,636,808	—
Dilutive effect of performance share units		1,100,652	—		839,354	—
Dilutive effect of stock options		110,455	—		—	—
Weighted-average shares of common stock outstanding — diluted		102,606,199	16,221,101		102,253,938	16,221,101
Income per share:						
Basic	\$ 0.16	\$ —	\$ —	\$ 0.14	\$ —	\$ —
Diluted	\$ 0.15	\$ —	\$ —	\$ 0.14	\$ —	\$ —

	Nine months ended September 30, 2024			Nine months ended September 30, 2023		
	Select Water Solutions, Inc.	Class A	Class B	Select Water Solutions, Inc.	Class A	Class B
Numerator:						
Net income	\$ 37,584			\$ 51,580		
Net income attributable to noncontrolling interests	(5,300)			(4,772)		
Net income attributable to Select Water Solutions, Inc. — basic	\$ 32,284	\$ 32,284	\$ —	\$ 46,808	\$ 46,808	\$ —
Add: Reallocation of net income attributable to noncontrolling interests for the dilutive effect of restricted stock	68	68	—	76	76	—
Add: Reallocation of net income attributable to noncontrolling interests for the dilutive effect of performance units	60	60	—	40	40	—
Add: Reallocation of net income attributable to noncontrolling interests for the dilutive effect of stock options	4	4	—	—	—	—
Net income attributable to Select Water Solutions, Inc. — diluted	\$ 32,416	\$ 32,416	\$ —	\$ 46,924	\$ 46,924	\$ —
Denominator:						
Weighted-average shares of common stock outstanding — basic		99,867,600	16,221,101		102,076,174	16,221,101
Dilutive effect of restricted stock		847,502	—		1,208,009	—
Dilutive effect of performance share units		1,002,161	—		641,706	—
Dilutive effect of stock options		60,537	—		—	—
Weighted-average shares of common stock outstanding — diluted		101,777,801	16,221,101		103,925,889	16,221,101
Income per share:						
Basic	\$ 0.32	\$ —		\$ 0.46	\$ —	
Diluted	\$ 0.32	\$ —		\$ 0.45	\$ —	

NOTE 16—SEGMENT INFORMATION

Select Inc. is a leading provider of sustainable water-management and chemical solutions to the oil and gas industry in the U.S. The Company's services are offered through three reportable segments. Reportable segments are defined as components of an enterprise for which separate financial information is evaluated regularly by the CODM in deciding how to allocate resources and assess performance. The Company's CODM assesses performance and allocates resources on the basis of the three reportable segments. Corporate and other expenses that do not individually meet the criteria for segment reporting are reported separately as Corporate or Other.

The Company's CODM assesses performance and allocates resources on the basis of the following three reportable segments:

Water Services — The Water Services segment consists of the Company's services businesses, including water sourcing, water transfer, flowback and well testing, fluids hauling, water monitoring, water containment and water network automation, primarily serving E&P companies. Additionally, this segment includes the operations of our accommodations and rentals business.

Water Infrastructure — The Water Infrastructure segment consists of the Company's fixed infrastructure assets, including operations associated with our water distribution pipeline infrastructure, our water recycling solutions, and our produced water gathering systems and saltwater disposal wells, as well as solids management facilities, primarily serving E&P companies.

Chemical Technologies — The Chemical Technologies segment provides technical solutions, products and expertise related to chemical applications in the oil and gas industry. We develop, manufacture, manage logistics and provide a full suite of chemicals used in hydraulic fracturing, stimulation, cementing and well completions for customers ranging from pressure pumpers to major integrated and independent oil and gas

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producers. This segment also utilizes its chemical experience and lab testing capabilities to customize tailored water treatment solutions designed to optimize the fracturing fluid system in conjunction with the quality of water used in well completions.

Financial information by segment for the Current and Prior Quarter and the Current and Prior Period is as follows:

For the three months ended September 30, 2024					
	Revenue	Impairments and abandonments	Income before taxes (in thousands)	Depreciation, amortization and accretion	Capital Expenditures
Water Services	\$ 236,499	\$ —	\$ 23,739	\$ 19,495	\$ 17,466
Water Infrastructure	82,966	—	21,511	17,558	18,670
Chemical Technologies	55,823	—	715	1,853	1,235
Other	—	(46)	45	—	—
Eliminations	(3,939)	—	—	—	—
Income from operations			46,010		
Corporate	—	46	(21,495)	661	65
Interest expense, net	—	—	(1,906)	—	—
Other income, net	—	—	1,546	—	—
	<u>\$ 371,349</u>	<u>\$ —</u>	<u>\$ 24,155</u>	<u>\$ 39,567</u>	<u>\$ 37,436</u>

For the three months ended September 30, 2023					
	Revenue	Impairments and abandonments	Income before taxes (in thousands)	Depreciation, amortization and accretion	Capital Expenditures
Water Services	\$ 252,488	\$ —	\$ 18,268	\$ 22,822	\$ 10,236
Water Infrastructure	59,756	32	10,909	9,192	30,197
Chemical Technologies	79,532	—	9,163	2,638	3,523
Other	—	—	(3)	—	—
Eliminations	(2,503)	—	—	—	—
Income from operations			38,337		
Corporate	—	—	(21,587)	510	264
Interest expense, net	—	—	(765)	—	—
Other income, net	—	—	790	—	—
	<u>\$ 389,273</u>	<u>\$ 32</u>	<u>\$ 16,775</u>	<u>\$ 35,162</u>	<u>\$ 44,220</u>

For the nine months ended September 30, 2024					
	Revenue	Impairments and abandonments	Income before taxes (in thousands)	Depreciation, amortization and accretion	Capital Expenditures
Water Services	\$ 698,630	\$ —	\$ 66,828	\$ 61,621	\$ 40,882
Water Infrastructure	215,700	45	45,478	46,088	80,083
Chemical Technologies	197,724	—	10,845	5,534	3,604
Other	—	—	(6)	—	—
Eliminations	(9,026)	—	—	—	—
Income from operations			123,145		
Corporate	—	46	(71,261)	2,667	148
Interest expense, net	—	—	(5,204)	—	—
Other income, net	—	—	2,013	—	—
	<u>\$ 1,103,028</u>	<u>\$ 91</u>	<u>\$ 48,693</u>	<u>\$ 115,910</u>	<u>\$ 124,717</u>

For the nine months ended September 30, 2023					
	Revenue	Impairments and abandonments	Income before taxes (in thousands)	Depreciation, amortization and accretion	Capital Expenditures
Water Services	\$ 793,484	\$ 60	\$ 64,046	\$ 68,562	\$ 43,773
Water Infrastructure	172,495	388	28,427	26,825	68,392
Chemical Technologies	251,042	11,106	19,313	7,390	8,672
Other	—	—	(3)	—	—
Eliminations	(6,528)	—	—	—	—
Income from operations			111,783		
Corporate	—	—	(57,299)	1,845	2,356
Interest expense, net	—	—	(4,290)	—	—
Other income, net	—	—	4,170	—	—
	<u>\$ 1,210,493</u>	<u>\$ 11,554</u>	<u>\$ 54,364</u>	<u>\$ 104,622</u>	<u>\$ 123,193</u>

Total assets by segment as of September 30, 2024 and December 31, 2023, is as follows:

	As of September 30, 2024 (in thousands)	As of December 31, 2023
Water Services	\$ 544,480	\$ 629,815
Water Infrastructure	614,992	364,587
Chemical Technologies	131,931	152,437
Other	55,244	71,351
	<u>\$ 1,346,647</u>	<u>\$ 1,218,190</u>

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this report, as well as the historical consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the Securities and Exchange Commission on February 21, 2024 (our "2023 Form 10-K"). This discussion and analysis contains forward-looking statements based upon our current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors as described under "Cautionary Note Regarding Forward-Looking Statements" and other cautionary statements described under the heading "Risk Factors" included in our 2023 Form 10-K and this Quarterly Report on Form 10-Q. We assume no obligation to update any of these forward-looking statements.

This discussion relates to the three and nine months ended September 30, 2024 (the "Current Quarter" and the "Current Period", respectively) and the three and nine months ended September 30, 2023 (the "Prior Quarter" and the "Prior Period", respectively).

Overview

We are a leading provider of sustainable water-management and chemical solutions to the energy industry in the U.S. As a leader in the water solutions industry, we place the utmost importance on safe, environmentally responsible management of oilfield water throughout the lifecycle of a well. Additionally, we believe that responsibly managing water resources through our operations to help conserve and protect the environment in the communities in which we operate is paramount to our continued success.

Sustainability

Select is committed to a corporate strategy that supports the long-term viability of our business model in a manner that focuses on all stakeholders, including our people, our customers, the environment, and the communities in which we operate. We believe this focus will help us and our customers achieve their short-term and long-term environmental, social and governance ("ESG") goals, help us attract and retain top talent, and further our efforts to generate investor returns. We believe our commitment to foster a culture of corporate responsibility is an important part of being a company with operations spanning the contiguous U.S. Further, we believe being a good corporate steward is strategic to our growth in the energy industry and will better allow us to develop solutions that both address the needs of our customers and contribute to sustainable business practices. As a service company, we compete with other service providers based on various factors, including safety and operational performance, technological innovation, process efficiencies and reputational awareness. We have identified the following four priorities as part of our comprehensive corporate responsibility initiative: Environmental Consciousness, Health and Safety, Human Capital Management and Community Outreach. We believe there is a strong link between these corporate responsibility initiatives and our ability to provide value to our stakeholders.

We are one of the few public companies whose primary focus is on the management of water and water logistics in the energy industry with a focus on driving efficient, environmentally responsible, and economical solutions that lower costs throughout the lifecycle of the well. We believe water is a valuable resource and understand that the energy industry as well as other industries and the general public are competing for this resource. As a company, we continue to provide access to water as demanded by our customers and have significantly increased our focus on the recycling and reuse of produced water, as well as assessing other industrial water sources, to meet the industry's water demand and align our operations with the goals of our customers. We have invested significantly in the development and acquisition of fixed and mobile recycling facilities that support the advancement of commercialized produced water reuse solutions. By doing so, we strive to reduce the amount of produced water being reinjected into SWDs and to reduce our usage of fresh water as well as that of our customers. We view our rather unique position as an opportunity to strategically transform water management by leveraging our Chemical Technologies business to develop produced water

management solutions that increase our customers' ability to reuse this produced water and add value to their operations. By implementing our innovative approach to water solutions, Select has become a leader in recycling produced water to be reused for energy production.

Our strong company culture includes commitments to all stakeholders, and we aim to create a work environment that fosters a diverse and inclusive company culture. Additionally, we prioritize safety in our operations through rigorous training, structured protocols and ongoing automation of our operations. Our prioritization of safety includes a commitment to safeguarding the communities in which we operate.

We believe that proper alignment of our management and our board of directors with our shareholders is critical to creating long-term value, including the alignment of management compensation and incentive structures and the continued leadership of an experienced, diverse and independent board of directors.

Recent Developments

In the first nine months of 2024, Select executed six strategic business combinations totaling \$148.1 million, and six asset acquisitions totaling \$11.8 million, enhancing current and future water infrastructure capabilities. The Trinity Acquisition added strategic saltwater disposal wells and pipelines in the Permian Basin. The Bobcat Acquisition enhanced disposal operations and provided comprehensive produced water solutions in the Marcellus/Utica region. The Buckhorn Acquisition expanded solids management services by adding landfills in North Dakota and Montana. The additions of Iron Mountain Energy and Tri-State Water Logistics strengthened fluids and solids treatment and disposal assets in the Haynesville region. Finally, the Rockies infrastructure acquisition improved water disposal operations in that region. These strategic acquisitions collectively position Select for future growth and operational efficiency in the water infrastructure segment.

Select is prioritizing investments in water infrastructure projects, which often bring a more predictable and steady revenue stream through long-term contracts and production-related operations. These investments typically produce higher gross margins and also foster stronger partnerships with customers, as Select becomes an integral partner in ensuring well productivity for ongoing customer production over the life of a well. Our focus is on integrated solutions that enhance contracted infrastructure projects with logistics services and chemical solutions, and expanding the value we provide to our customers. Our approach, historically and during the Current Period, has been to streamline operations and offer a more comprehensive and valuable overall package to customers that is built around optimizing the entire water lifecycle as such integrated solutions drive revenue growth and enhance overall value to clients.

The armed conflict between Ukraine and Russia continued into 2024, as well as the sustained conflict in Israel and elsewhere in the Middle East, including escalating tensions with Iran, Lebanon and Yemen. As a result of the Russian invasion of the Ukraine, the U.S., the United Kingdom, the member states of the European Union and other public and private actors have imposed severe sanctions on Russian financial institutions, businesses and individuals. In October 2023, Hamas militants conducted attacks in Israel and an armed conflict has ensued between Israel and Hamas. The ensuing conflict has resulted in increased hostilities and instability in oil and gas producing regions in the Middle East as well as in key adjacent shipping lanes and supply chains, including attacks on Israel by, and elevated tensions with, Iran, a major oil producer.

The Russia-Ukraine conflict, and the resulting sanctions and concerns regarding global energy security, has contributed to, and the conflict in the Israel-Gaza region and any heightened hostilities and political changes or instabilities in the Middle East may contribute to, increases and volatility in the prices for oil and natural gas. Such volatility, coupled with an increased cost of capital, due, in part to elevated rates of inflation and interest rates, may lead to a more difficult investing and planning environment for us and our customers. The ultimate geopolitical and macroeconomic consequences of these conflicts and associated sanctions and/or international responses cannot be predicted, and such events, or any further hostilities elsewhere, could severely impact the world economy and may adversely affect our financial condition. An end to these conflicts and an easing or elimination of the related sanctions and/or international response could result in a significant fall in commodity prices as hydrocarbons become more readily accessible in global markets, which could have an adverse effect on our customers, and therefore adversely affect our

customers' demand for our services. An intensification of that conflict could also have an adverse effect on our customers and their demand for our services.

In addition, OPEC+ countries instituted an aggregate volume cut of 3.66 million barrels per day from 2021 to April 2023, and a number of other production cuts or extensions have since followed. For example, OPEC+ has announced the extension of the 3.66 million barrels per day production cut through the end of 2025. In addition, on September 5, 2024, OPEC+ announced the extension of voluntary output cuts totaling approximately 2.2 million barrels per day through December 1, 2024. Although OPEC+ has previously increased its output in December 2023, OPEC+ may, at its discretion, continue to decrease, or increase, production, which will continue to impact crude oil and natural gas price volatility. The actions of OPEC+ countries with respect to oil production levels and announcements of potential changes in such levels, including agreement on and compliance with production targets, may result in volatility in the industry in which we and our customers operate. The average price of West Texas Intermediate ("WTI") crude oil decreased in the Current Quarter versus the Prior Quarter primarily due to concerns about weakening global demand coupled with expectation of oversupply, including growing production from countries that operate outside of OPEC quotas, such as Libya. During the Current Quarter, the average spot price of WTI crude oil was \$76.43 versus an average price of \$82.25 for the Prior Quarter. The average Henry Hub natural gas spot price during the Current Quarter was \$2.11 versus an average of \$2.59 for the Prior Quarter. Henry Hub natural gas price levels in the Current Quarter have declined relative to the Prior Quarter and have negatively impacted activity levels in natural gas basins.

Additionally, increased inflation in recent years has resulted in higher interest rates and increased cost of capital for Select and for our customers. As costs of capital has increased, many of our customers have demonstrated their resolve to manage their capital spending within budgets and cash flow from operations and increase redemptions of debt and/or returns of capital to investors. Additionally, consolidation among our customers, such as the consolidation of E&P companies in the Permian Basin, can disrupt our market in the near term and the resulting demand for our services. Overall however, even though commodity prices have moderated recently, the financial health of the oil and gas industry is in a generally healthy position overall, including many of our customers specifically, as reflected in revenues and earnings, debt metrics, recent capital raises, and equity valuations.

When one customer acquires another, drilling and completions activity levels may decrease overall, but acquisitions can lead to larger blocks of consolidated development and production acreage, which can increase the demand for our longer-term integrated full water lifecycle solutions. This consolidation may streamline operations, as Select can offer integrated solutions to clients with larger water volumes to manage in certain areas. The Company's position in the market may strengthen, as it becomes an essential partner for long-term production integrity in larger, more comprehensive water projects. However, it also means Select must meet the changing needs and structures of these consolidated entities to maintain and grow these relationships. While customers involved in acquisitions may initially slow activity to focus on integration and portfolio management, we believe we are well-positioned to meet the increased responsibilities of overall water management, including water reuse, recycling, transmitting and balancing across customers and regions, and ultimately disposal, for these larger customers and blocks of contiguous acreage.

While the financial health of the broader oil and gas industry has shown improvement as compared to prior periods, central bank policy actions and associated liquidity risks and other factors may negatively impact the value of our equity and that of our customers, and may reduce our and their ability to access liquidity in the bank and capital markets or result in capital being available on less favorable terms, which could negatively affect our financial condition and that of our customers.

From an operational standpoint, many of the recent trends still apply to ongoing unconventional oil and gas development. The continued trend towards multi-well pad development and simultaneous well completions, executed within a limited time frame, combined with service price inflation and elevated interest rates, has increased the overall intensity, complexity and cost of well completions, while increasing fracturing efficiency and the use of lower-cost in-basin sand has decreased total costs for our customers. However, we note the continued efficiency gains in the well completions process can limit the days we spend on the wellsite and, therefore, negatively impact the total revenue opportunity for certain of our services utilizing day-rate pricing models.

This multi-well pad development, combined with upstream acreage consolidation and corporate mergers as well as the growing trends around the recycling and reuse applications of produced water provides a significant opportunity for companies like us that can deliver increasingly complex solutions for our E&P customers across large swathes of acreage through our regional infrastructure networks, delivering solutions for the full completion and production lifecycle of wells. While these trends have advanced the most in the Permian Basin to date, they are emerging in other basins as well and Select has recently performed recycling projects in the Haynesville, Rockies and South Texas regions as well.

The increased reuse of produced water requires additional chemical treatment solutions. We have a dedicated team of specialists focused every day on developing and deploying innovative water treatment and reuse services for our customers. Our FluidMatch™ design solutions enable our customers to economically use these alternative sources to optimize their fluid systems by providing water profiling and fluid assessment services working towards real-time. This trend also supports more complex “on-the-fly” solutions that treat, proportion, and blend various streams of water and chemicals at the wellsite. This complexity favors service companies that are able to provide advanced technology solutions. Ultimately, we intend to play an important role in the advancement of water and chemical solutions that are designed to meet the sustainability goals of key stakeholders.

Our water logistics, treatment, and chemical application expertise, in combination with advanced technology solutions, are applicable to other industries beyond oil and gas. We are working to further commercialize our services in other businesses and industries through our industrial solutions group.

Our Segments

Our services are offered through three reportable segments: (i) Water Services; (ii) Water Infrastructure; and (iii) Chemical Technologies.

- *Water Services.* The Water Services segment consists of the Company’s services businesses, including water sourcing, water transfer, flowback and well testing, fluids hauling, water monitoring, water containment and water network automation, primarily serving E&P companies. Additionally, this segment includes the operations of our accommodations and rentals business.
- *Water Infrastructure.* The Water Infrastructure segment consists of the Company’s fixed infrastructure assets, including operations associated with our water distribution pipeline infrastructure, our water recycling solutions, and our produced water gathering systems and SWDs, as well as solids management facilities, primarily serving E&P companies.
- *Chemical Technologies.* The Chemical Technologies segment provides technical solutions, products and expertise related to chemical applications in the oil and gas industry. We develop, manufacture, manage logistics and provide a full suite of chemicals used in hydraulic fracturing, stimulation, cementing and well completions for customers ranging from pressure pumpers to major integrated and independent oil and gas producers. This segment also utilizes its chemical experience and lab testing capabilities to customize tailored water treatment solutions designed to optimize the fracturing fluid system in conjunction with the quality of water used in well completions.

How We Generate Revenue

We currently generate most of our revenue through our water-management services associated with well completions as well as ongoing produced water management, provided through our Water Services and Water Infrastructure segments. Most of this revenue is realized through customer agreements with fixed pricing terms and is recognized when delivery of services is provided, generally at our customers’ sites. While we have some long-term pricing arrangements, particularly in our Water Infrastructure segment, most of our water and water-related services are priced based on prevailing market conditions, giving due consideration to the customer’s specific requirements.

We also generate revenue by providing completion and specialty chemicals through our Chemical Technologies segment. We invoice the majority of our Chemical Technologies customers for services provided based on the quantity of chemicals used or pursuant to short-term contracts as customer needs arise.

Costs of Conducting Our Business

The principal expenses involved in conducting our business are labor costs, vehicle and equipment costs (including depreciation, rental, repair and maintenance and leasing costs), raw materials and water sourcing costs and fuel costs. Our fixed costs are relatively low. Most of the costs of serving our customers are variable, i.e., they are incurred only when we provide water and water-related services, or chemicals and chemical-related services to our customers.

Labor costs associated with our employees and contract labor comprise the largest portion of our costs of doing business. We incurred labor and labor-related costs of \$134.2 million, \$140.6 million, \$399.2 million and \$419.0 million for the Current Quarter, Prior Quarter, Current Period and Prior Period, respectively. The majority of our recurring labor costs are variable and dependent on the market environment and are incurred only while we are providing our operational services. We also incur costs to employ personnel to ensure safe operations, sell and supervise our services and perform maintenance on our assets, which is not as directly tied to our level of business activity. Additionally, we incur selling, general and administrative costs for compensation of our administrative personnel at our field sites and in our operational and corporate headquarters, as well as for third-party support, licensing and services.

We incur significant vehicle and equipment costs in connection with the services we provide, including depreciation, repairs and maintenance, rental and leasing costs. We incurred vehicle and equipment costs of \$80.0 million, \$79.8 million, \$238.5 million and \$235.9 million for the Current Quarter, Prior Quarter, Current Period and Prior Period, respectively.

We incur raw material costs in manufacturing our chemical products, as well as for water that we source for our customers. We incurred raw material costs of \$54.8 million, \$80.7 million, \$179.7 million and \$236.6 million for the Current Quarter, Prior Quarter, Current Period and Prior Period, respectively.

We incur variable transportation costs associated with our service lines, predominately fuel and freight. We incurred fuel and freight costs of \$19.7 million, \$27.8 million, \$64.7 million and \$88.7 million for the Current Quarter, Prior Quarter, Current Period and Prior Period, respectively. Rising fuel prices impact our transportation costs, which affects the results of our operations.

How We Evaluate Our Operations

We use a variety of operational and financial metrics to assess our performance. Among other measures, management considers each of the following:

- Revenue;
- Gross Profit;
- Gross Margins;
- EBITDA;
- Adjusted EBITDA;
- Cash Flows; and
- Free Cash Flow.

Revenue

We analyze our revenue and assess our performance by comparing actual monthly revenue to our internal projections and across periods. We also assess incremental changes in revenue compared to incremental changes in direct operating costs, and selling, general and administrative expenses across our reportable segments to identify potential areas for improvement, as well as to determine whether segment performance is meeting management's expectations.

Gross Profit

To measure our financial performance, we analyze our gross profit, which we define as revenues less direct operating expenses (including depreciation, amortization and accretion expenses). We believe gross profit provides insight into profitability and the true operating performance of our assets. We also compare gross profit to prior periods and across segments to identify trends as well as underperforming segments.

Gross Margins

Gross margins provide an important gauge of how effective we are at converting revenue into profits. This metric works in tandem with gross profit to ensure that we do not seek to increase gross profit at the expense of lower margins, nor pursue higher gross margins at the expense of declining gross profits. We track gross margins by segment and service line and compare them across prior periods and across segments and service lines to identify trends as well as underperforming segments.

EBITDA and Adjusted EBITDA

We view EBITDA and Adjusted EBITDA as important indicators of performance. We define EBITDA as net income/(loss), plus interest expense, income taxes, and depreciation, amortization and accretion. We define Adjusted EBITDA as EBITDA plus/(minus) loss/(income) from discontinued operations, plus any impairment and abandonment charges or asset write-offs pursuant to accounting principles generally accepted in the U.S. ("GAAP"), plus non-cash losses on the sale of assets or subsidiaries, non-recurring compensation expense, non-cash compensation expense, and non-recurring or unusual expenses or charges, including severance expenses, transaction costs, or facilities-related exit and disposal-related expenditures, plus/(minus) foreign currency losses/(gains), plus/(minus) losses/(gains) on unconsolidated entities and plus tax receivable agreements expense less bargain purchase gains from business combinations. The adjustments to EBITDA are generally consistent with such adjustments described in our Sustainability-Linked Credit Facility. See "—Comparison of Non-GAAP Financial Measures—EBITDA and Adjusted EBITDA" for more information and a reconciliation of EBITDA and Adjusted EBITDA to net income (loss), the most directly comparable financial measure calculated and presented in accordance with GAAP.

Cash Flows and Free Cash Flow

We define free cash flow as net cash provided by (used in) operating activities less purchases of property and equipment, plus proceeds received from sale of property and equipment. Our board of directors and executive management team use free cash flow to assess our liquidity and ability to repay maturing debt, fund operations and make additional investments. We believe free cash flow provides useful information to investors because it is an important indicator of our liquidity, including our ability to reduce net debt, make strategic investments, pay dividends and distributions and repurchase common stock. Our measure of free cash flow may not be directly comparable to similar measures reported by other companies. Furthermore, free cash flow is not a substitute for, or more meaningful than, net cash provided by (used in) operating activities nor any other measure prescribed by GAAP, and there are limitations to using non-GAAP measures such as free cash flow. Accordingly, free cash flow should not be considered a measure of the income generated by our business or discretionary cash available to it to invest in the growth of our business.

Factors Affecting the Comparability of Our Results of Operations to Our Historical Results of Operations

Our future results of operations may not be comparable to our historical results of operations for the periods presented, primarily for the reasons described below and those described in “—Recent Developments” above.

Acquisition Activity

As described above, we continuously evaluate potential investments, particularly in water infrastructure and other water-related services and technology. To the extent we consummate acquisitions, any incremental revenues or expenses from such transactions are not included in our historical results of operations.

During the Current Period, we completed six business combinations and six asset acquisitions. Our historical financial statements for periods prior to the respective date each acquisition was completed do not include the results of operations of that acquisition. See “—Recent Developments” and “Note 3—Acquisitions” for a description of these transactions.

Results of Operations

The following tables set forth our results of operations for the periods presented, including revenue by segment.

Current Quarter Compared to the Prior Quarter

	Three months ended September 30,		Change	
	2024	2023	Dollars	Percentage
	(in thousands)			
Revenue				
Water Services	\$ 234,019	\$ 251,870	\$ (17,851)	(7.1)%
Water Infrastructure	82,017	58,375	23,642	40.5 %
Chemical Technologies	55,313	79,028	(23,715)	(30.0)%
Total revenue	371,349	389,273	(17,924)	(4.6)%
Costs of revenue				
Water Services	186,041	200,361	(14,320)	(7.1)%
Water Infrastructure	35,503	34,992	511	1.5 %
Chemical Technologies	48,450	63,005	(14,555)	(23.1)%
Depreciation, amortization and accretion	38,906	34,650	4,256	12.3 %
Total costs of revenue	308,900	333,008	(24,108)	(7.2)%
Gross profit	62,449	56,265	6,184	11.0 %
Operating expenses				
Selling, general and administrative	37,268	38,983	(1,715)	(4.4)%
Depreciation and amortization	661	512	149	29.1 %
Impairments and abandonments	—	32	(32)	NM
Lease abandonment costs	5	(12)	17	NM
Total operating expenses	37,934	39,515	(1,581)	(4.0)%
Income from operations	24,515	16,750	7,765	46.4 %
Other income (expense)				
Gain on sales of property and equipment and divestitures, net	1,624	23	1,601	NM
Interest expense, net	(1,906)	(765)	(1,141)	149.2 %
Other	(78)	767	(845)	NM
Income before income tax expense and equity in gains (losses) of unconsolidated entities	24,155	16,775	7,380	44.0 %
Income tax expense	(5,852)	(483)	(5,369)	1111.6 %
Equity in gains (losses) of unconsolidated entities	507	(978)	1,485	NM
Net income	\$ 18,810	\$ 15,314	\$ 3,496	22.8 %

Revenue

Our revenue decreased \$17.9 million, or 4.6%, to \$371.3 million for the Current Quarter compared to \$389.3 million for the Prior Quarter. This decrease was composed of a \$17.9 million decrease in Water Services revenue and a \$23.7 million decrease in Chemical Technologies revenue partially offset by a \$23.6 million increase in Water Infrastructure revenue. The net \$17.9 million decrease was driven primarily by macroeconomic factors stemming from lower frac crew deployments and associated price reductions impacted by competitor price cuts. For the Current Quarter, our Water Services, Water Infrastructure and Chemical Technologies constituted 63.0%, 22.1% and 14.9% of our total revenue, respectively, compared to 64.7%, 15.0% and 20.3%, respectively, for the Prior Quarter. The revenue changes by reportable segment are as follows:

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Water Services. Revenue decreased \$17.9 million, or 7.1%, to \$234.0 million for the Current Quarter compared to \$251.9 million for the Prior Quarter. The decrease in revenues was primarily attributable to lower customer activity levels primarily driven by macroeconomic factors stemming from lower frac crew deployments and associated price reductions impacted by competitor price cuts.

Water Infrastructure. Revenue increased \$23.6 million, or 40.5%, to \$82.0 million for the Current Quarter compared to \$58.4 million for the Prior Quarter. The increase was primarily driven by additional revenue from acquisitions completed during the Current Period and growth in our recycling business line, offsetting lower pipeline distribution volumes.

Chemical Technologies. Revenue decreased by \$23.7 million, or 30.0%, to \$55.3 million for the Current Quarter compared to \$79.0 million for the Prior Quarter. The decrease in revenues was primarily driven by macroeconomic factors stemming from lower frac crew deployments and associated price reductions impacted by competitor price cuts.

Costs of Revenue

Costs of revenue decreased \$24.1 million, or 7.2%, to \$308.9 million for the Current Quarter compared to \$333.0 million for the Prior Quarter. The decrease was primarily composed of a \$14.3 million decrease in Water Services costs and a \$14.6 million decrease in Chemical Technologies costs primarily due to supporting the lower revenue-producing activity discussed above. Water Infrastructure costs increased slightly by \$0.5 million and depreciation, amortization and accretion increased by \$4.3 million.

Water Services. Costs of revenue decreased \$14.3 million, or 7.1%, to \$186.0 million for the Current Quarter compared to \$200.4 million for the Prior Quarter. Cost of revenue as a percentage of revenue remained relatively steady at 79.5% as improved gross margins in our Water Transfer and Well Testing business lines, supported by effective cost controls and higher water sourcing margins, were partially offset by lower margins in fluids hauling due to price reductions, as well as reduced poly and containment margins, both of which were impacted by declining revenue stemming from broader macro-economic conditions.

Water Infrastructure. Costs of revenue increased \$0.5 million, or 1.5%, to \$35.5 million for the Current Quarter compared to \$35.0 million for the Prior Quarter. Cost of revenue as a percentage of revenue decreased from 59.9% to 43.3% due primarily to an increase in disposal margin impacted by the margin accretive contributions of acquired disposal operations, improved operational throughput and execution, as well as higher skim oil sales. Additionally, growth in high-margin recycling revenue favorably impacted gross margin, which was partially offset by a decline in high-margin pipeline revenue.

Chemical Technologies. Costs of revenue decreased \$14.6 million, or 23.1%, to \$48.5 million for the Current Quarter compared to \$63.0 million for the Prior Quarter. Cost of revenue as a percentage of revenue increased from 79.7% to 87.6% primarily driven by higher absorption costs in our manufacturing facilities due to lower volumes as well as modest price reductions stemming from macroeconomic factors.

Depreciation, amortization and accretion. Depreciation, amortization and accretion expense increased \$4.3 million, or 12.3%, to \$38.9 million for the Current Quarter compared to \$34.7 million for the Prior Quarter primarily due to a higher fixed asset base resulting from recent acquisitions as well as investments made into fixed infrastructure projects.

Gross Profit

Gross profit was \$62.4 million for the Current Quarter compared to \$56.3 million for the Prior Quarter primarily driven by a \$23.1 million increase in gross profit from our Water Infrastructure segment, partially offset by a \$3.5 million decline in our Water Services segment, a \$9.2 million decline in our Chemical Technologies segment and a \$4.3 million increase in depreciation, amortization and accretion expense. Gross margin as a percentage of revenue was 16.8% and 14.5% in the Current Quarter and Prior Quarter, respectively.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased \$1.7 million, or 4.4%, to \$37.3 million for the Current Quarter compared to \$39.0 million for the Prior Quarter. The decrease was due primarily to a decrease of \$4.1 million in transaction and rebranding costs, a \$1.6 million decrease in bad debt expense and a \$1.2 million decrease from a combination of other expenses partially offset by a \$2.1 million increase in incentive and equity-based compensation cost, \$1.2 million in higher research and development costs, \$1.0 million in higher wages, associated payroll taxes and employer 401(k) match contributions and \$0.9 million in higher legal and professional fees.

Net Interest Expense

Net interest expense increased by \$1.1 million, or 149.2%, to \$1.9 million for the Current Quarter compared to \$0.8 million in the Prior Quarter due primarily to higher average borrowing on our Sustainability-Linked Credit Facility partially offset by interest income on cash balances.

Income Tax Expense

Income tax expense increased by \$5.4 million, or 1,111.6%, to \$5.9 million for the Current Quarter compared to \$0.5 million in the Prior Quarter due to a release of a portion of the valuation allowance on our deferred tax assets at the end of 2023.

Net Income

Net income increased by \$3.5 million, or 22.8%, to \$18.8 million for the Current Quarter compared to \$15.3 million for the Prior Quarter, driven primarily by higher gross profit, lower selling, general and administrative expenses and gains on sale of assets partially offset by higher income tax expense.

Current Period Compared to the Prior Period

	Nine months ended September 30,		Change	
	2024	2023	Dollars	Percentage
(in thousands)				
Revenue				
Water Services	\$ 692,334	\$ 791,145	\$ (98,811)	(12.5)%
Water Infrastructure	214,089	169,118	44,971	26.6 %
Chemical Technologies	196,605	250,230	(53,625)	(21.4)%
Total revenue	1,103,028	1,210,493	(107,465)	(8.9)%
Costs of revenue				
Water Services	545,881	626,878	(80,997)	(12.9)%
Water Infrastructure	102,776	103,718	(942)	(0.9)%
Chemical Technologies	165,846	200,017	(34,171)	(17.1)%
Depreciation and amortization	113,243	102,776	10,467	10.2 %
Total costs of revenue	927,746	1,033,389	(105,643)	(10.2)%
Gross profit	175,282	177,104	(1,822)	(1.0)%
Operating expenses				
Selling, general and administrative	120,229	109,147	11,082	10.2 %
Depreciation and amortization	2,667	1,846	821	44.5 %
Impairments and abandonments	91	11,554	(11,463)	NM
Lease abandonment costs	411	73	338	NM
Total operating expenses	123,398	122,620	778	0.6 %
Income from operations	51,884	54,484	(2,600)	(4.8)%
Other income (expense)				
Gain on sales of property and equipment and divestitures, net	2,331	1,688	643	NM
Interest expense, net	(5,204)	(4,290)	(914)	21.3 %
Other	(318)	2,482	(2,800)	NM
Income before income tax expense and equity in gains (losses) of unconsolidated entities	48,693	54,364	(5,671)	(10.4)%
Income tax expense	(11,263)	(1,068)	(10,195)	954.6 %
Equity in gains (losses) of unconsolidated entities	154	(1,716)	1,870	NM
Net income	\$ 37,584	\$ 51,580	\$ (13,996)	(27.1)%

Revenue

Our revenue decreased \$107.5 million, or 8.9%, to \$1.1 billion for the Current Period compared to \$1.2 billion for the Prior Period. This decrease was composed of a \$98.8 million decrease in Water Services revenue and a \$53.6 million decrease in Chemical Technologies revenue partially offset by a \$45.0 million increase in Water Infrastructure revenue. The net \$107.5 million decrease was driven primarily by macroeconomic factors stemming from lower frac crew deployments and associated price reductions impacted by competitor price cuts. For the Current Period, our Water Services, Water Infrastructure and Chemical Technologies constituted 62.8%, 19.4% and 17.8% of our total revenue, respectively, compared to 65.3%, 14.0% and 20.7%, respectively, for the Prior Period. The revenue changes by reportable segment are as follows:

Water Services. Revenue decreased \$98.8 million, or 12.5%, to \$692.3 million for the Current Period compared to \$791.1 million for the Prior Period. The decrease in revenues was primarily attributable to lower customer activity levels primarily driven by macroeconomic factors stemming from lower frac crew deployments and associated price reductions impacted by competitor price cuts.

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Water Infrastructure. Revenue increased \$45.0 million, or 26.6%, to \$214.1 million for the Current Period compared to \$169.1 million for the Prior Period. The increase was primarily driven by additional revenue from acquisitions completed during the Current Period and growth in our recycling business line, offsetting lower pipeline distribution volumes.

Chemical Technologies. Revenue decreased by \$53.6 million, or 21.4%, to \$196.6 million for the Current Period compared to \$250.2 million for the Prior Period. The decrease in revenues was primarily driven by macroeconomic factors stemming from lower frac crew deployments and associated price reductions impacted by competitor price cuts.

Costs of Revenue

Costs of revenue decreased \$105.6 million, or 10.2%, to \$927.7 million for the Current Period compared to \$1.0 billion for the Prior Period. The decrease was primarily composed of a \$81.0 million decrease in Water Services costs, a \$0.9 million decrease in Water Infrastructure costs and a \$34.2 million decrease in Chemical Technologies costs primarily due to supporting the lower revenue-producing activity discussed above, partially offset by an increase of \$10.5 million in depreciation, amortization and accretion.

Water Services. Costs of revenue decreased \$81.0 million, or 12.9%, to \$545.9 million for the Current Period compared to \$626.9 million for the Prior Period. Cost of revenue as a percentage of revenue decreased from 79.2% to 78.8% primarily driven by higher gross margins in our Water Transfer and Well Testing business lines due to effective cost controls and higher water sourcing margins impacted by higher revenue, partially offset by lower fluids hauling margins due to price reductions, as well as lower poly and containment margins impacted by reduced revenue due to macro-economic conditions.

Water Infrastructure. Costs of revenue decreased \$0.9 million, or 0.9%, to \$102.8 million for the Current Period compared to \$103.7 million for the Prior Period. Cost of revenue as a percentage of revenue decreased from 61.3% to 48.0% due primarily to an increase in disposal margin impacted by the margin accretive contributions of acquired disposal operations, improved operational throughput and execution, as well as higher skim oil sales. Additionally, growth in high-margin recycling revenue favorably impacted gross margin, which was partially offset by a decline in high-margin pipeline revenue.

Chemical Technologies. Costs of revenue decreased \$34.2 million, or 17.1%, to \$165.8 million for the Current Period compared to \$200.0 million for the Prior Period. Cost of revenue as a percentage of revenue increased from 79.9% to 84.4% primarily driven by higher absorption costs in our manufacturing facilities due to lower volumes as well as modest price reductions stemming from macroeconomic factors.

Depreciation, amortization and accretion. Depreciation, amortization and accretion expense increased \$10.5 million, or 10.2%, to \$113.2 million for the Current Period compared to \$102.8 million for the Prior Period primarily due to a higher fixed asset base resulting from recent acquisitions as well as investments made into fixed infrastructure projects.

Gross Profit

Gross profit was \$175.3 million for the Current Period compared to \$177.1 million for the Prior Period due primarily to lower revenue and gross profit in our Water Services and Chemical Technologies segments, partially offset by higher revenue and gross profit in our Water Infrastructure segment. Gross profit decreased by \$17.8 million in our Water Services segment, increased by \$45.9 million in our Water Infrastructure segment and decreased by \$19.5 million in our Chemical Technologies segment. Also contributing to the decrease in gross profit was a \$10.5 million increase in depreciation, amortization and accretion expense. Gross margin as a percentage of revenue was 15.9% and 14.6% in the Current Period and Prior Period, respectively.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$11.1 million, or 10.2%, to \$120.2 million for the Current Period compared to \$109.1 million for the Prior Period. The increase was due primarily to a \$7.9 million increase in incentive and equity-based compensation cost, \$3.9 million in higher wages, associated payroll taxes and employer 401(k) match contributions, \$2.3 million in higher legal and professional fees, \$0.8 million in higher research and development costs, \$0.7 million in higher contract labor and \$0.6 million in severance expense partially offset by a \$3.1 million decrease in bad debt expense, \$1.0 million in lower transaction and rebranding costs, \$0.7 million in lower vehicle lease costs and \$0.3 million from a combination of other expenses.

Impairments and Abandonments

Prior Period impairment and abandonments were comprised of an \$11.1 million trademark abandonment in the Chemical Technologies segment. Also, \$0.4 million of abandonment was attributable to damaged property and equipment and \$0.1 million to impair the remaining value of a cost-method investment in our Water Services segment. Current Period impairments and abandonments were less than \$0.1 million.

Net Interest Expense

Net interest expense increased by \$0.9 million, or 21.3%, to \$5.2 million for the Current Period compared to \$4.3 million in the Prior Period due primarily to higher average borrowing on our Sustainability-Linked Credit Facility partially offset by interest income on cash balances.

Income Tax Expense

Income tax expense increased by \$10.2 million, or 954.6%, to \$11.3 million for the Current Period compared to \$1.1 million in the Prior Period due to a release of a portion of the valuation allowance on our deferred tax assets at the end of 2023.

Net Income

Net income decreased by \$14.0 million, or 27.1%, to \$37.6 million for the Current Period compared to \$51.6 million for the Prior Period, driven primarily by higher selling, general and administrative expenses, including additional rebranding and transaction costs and higher income tax expense, partially offset by the trademark abandonment in the Prior Period.

Comparison of Non-GAAP Financial Measures

We view EBITDA and Adjusted EBITDA as important indicators of performance. We define EBITDA as net income (loss), plus interest expense, income taxes, and depreciation, amortization and accretion. We define Adjusted EBITDA as EBITDA plus/(minus) loss/(income) from discontinued operations, plus any impairment and abandonment charges or asset write-offs pursuant to GAAP, plus non-cash losses on the sale of assets or subsidiaries, non-recurring compensation expense, non-cash compensation expense, and non-recurring or unusual expenses or charges, including severance expenses, transaction costs, or facilities-related exit and disposal-related expenditures, plus/(minus) foreign currency losses/(gains), plus/(minus) losses/(gains) on unconsolidated entities and plus tax receivable agreements expense less bargain purchase gains from business combinations. The adjustments to EBITDA are generally consistent with such adjustments described in our Sustainability-Linked Credit Facility. See “—Comparison of Non-GAAP Financial Measures” for more information and a reconciliation of EBITDA and Adjusted EBITDA to net income (loss), the most directly comparable financial measure calculated and presented in accordance with GAAP.

Our board of directors, management and investors use EBITDA and Adjusted EBITDA to assess our financial performance because it allows them to compare our operating performance on a consistent basis across periods by removing the effects of our capital structure (such as varying levels of interest expense), asset base (such as depreciation),

amortization and accretion) and items outside the control of our management team. We present EBITDA and Adjusted EBITDA because we believe they provide useful information regarding the factors and trends affecting our business in addition to measures calculated under GAAP.

Note Regarding Non-GAAP Financial Measures

EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA are not financial measures presented in accordance with GAAP. We believe that the presentation of these non-GAAP financial measures will provide useful information to investors in assessing our financial performance and results of operations. Net income is the GAAP measure most directly comparable to EBITDA and Adjusted EBITDA. Our non-GAAP financial measures should not be considered as alternatives to the most directly comparable GAAP financial measure. Each of these non-GAAP financial measures has important limitations as an analytical tool due to the exclusion of some but not all items that affect the most directly comparable GAAP financial measures. One should not consider EBITDA or Adjusted EBITDA in isolation or as substitutes for an analysis of our results as reported under GAAP. Because EBITDA and Adjusted EBITDA may be defined differently by other companies in our industry, our definitions of these non-GAAP financial measures may not be comparable to similarly titled measures of other companies, thereby diminishing their utility.

The following table sets forth our reconciliation of EBITDA and Adjusted EBITDA to our net income, which is the most directly comparable GAAP measure for the periods presented:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
Net income	\$ 18,810	\$ 15,314	\$ 37,584	\$ 51,580
Interest expense, net	1,906	765	5,204	4,290
Income tax expense	5,852	483	11,263	1,068
Depreciation, amortization and accretion	39,567	35,162	115,910	104,622
EBITDA	66,135	51,724	169,961	161,560
Non-cash compensation expenses	5,799	5,014	18,359	12,787
Non-recurring severance expenses ⁽¹⁾	—	—	648	—
Non-cash loss on sale of assets or subsidiaries ⁽²⁾	368	583	3,548	2,832
Transaction and rebranding costs ⁽³⁾	710	4,669	8,505	9,513
Lease abandonment costs	5	(12)	411	73
Impairments and abandonments	—	32	91	11,554
Equity in (gains) losses of unconsolidated entities	(507)	978	(154)	1,716
Other	240	1	786	4
Adjusted EBITDA	\$ 72,750	\$ 62,989	\$ 202,155	\$ 200,039

(1) For the Current Period, these costs related to severance costs associated with our former CFO.

(2) For all periods presented, the losses were due primarily to sales of real estate and underutilized or obsolete property and equipment.

(3) For all periods presented, these costs were due primarily to legal-related due diligence costs and rebranding costs as well as costs related to certain acquired subsidiaries.

EBITDA was \$66.1 million for the Current Quarter compared to \$51.7 million for the Prior Quarter. The \$14.4 million increase in EBITDA was driven primarily by a \$10.4 million increase in gross profit, a \$1.7 million decrease in selling, general and administrative expense and a \$1.6 million increase in gains on asset sales. Adjusted EBITDA was \$72.8 million for the Current Quarter compared to \$63.0 million for the Prior Quarter.

EBITDA was \$170.0 million for the Current Period compared to \$161.6 million for the Prior Period. The \$8.4 million increase in EBITDA was driven primarily by a \$8.6 million increase in gross profit and an \$11.5 million decrease in impairments and abandonments partially offset by a \$11.1 million increase in selling, general and administrative expense. Adjusted EBITDA was \$202.2 million for the Current Period compared to \$200.0 million for the Prior Period.

Liquidity and Capital Resources

Overview

Our primary sources of liquidity are cash on hand, borrowing capacity under the Sustainability-Linked Credit Facility, cash flows from operations and proceeds from the sale of excess property and equipment. Our primary uses of capital have been to fund current operations, maintain our asset base, implement technological advancements, make capital expenditures to support organic growth, fund acquisitions and minority investments, pay dividends and distributions, and when appropriate, repurchase shares of Class A common stock in the open market. Depending on available opportunities, market conditions and other factors, we may also issue debt and equity securities in the future, if needed.

We prioritize sustained positive free cash flow and a strong balance sheet and evaluate potential acquisitions and investments in the context of those priorities, in addition to the economics of the opportunity. We believe this approach provides us with additional flexibility to evaluate larger investments as well as improved resilience in a sustained downturn versus many of our peers.

Based on our current cash and cash equivalents balance, operating cash flow, available borrowings under our Sustainability-Linked Credit Facility and the ongoing actions discussed above, we believe that we will be able to maintain sufficient liquidity to satisfy our obligations and remain in compliance with our existing debt covenants through the next twelve months and beyond, prior to giving effect to any future financing that may occur.

We intend to finance most of our capital expenditures, contractual obligations and working capital needs with cash on hand, cash generated from operations and borrowings under our Sustainability-Linked Credit Facility. For a discussion of the Sustainability-Linked Credit Facility, see “—Sustainability-Linked Credit Facility” below. Although we cannot provide any assurance, we believe that our current cash balance, operating cash flow and available borrowings under our Sustainability-Linked Credit Facility will be sufficient to fund our operations for at least the next twelve months.

During the fourth quarter of 2022, we initiated a quarterly dividend and distribution program of \$0.05 per share and \$0.05 per unit for holders of Class A and Class B shares, respectively. We paid quarterly dividends at the same rate through the third quarter of 2023, then the board of directors increased the quarterly dividend paid on November 17, 2023 to \$0.06 per share and \$0.06 per unit for holders of Class A and Class B shares, respectively. This resulted in a financing outflow of \$21.5 million in the Current Period, and this quarterly dividend program is expected to continue. All future dividend payments are subject to quarterly review and approval by our board of directors.

As of September 30, 2024 cash and cash equivalents totaled \$10.9 million, and we had approximately \$127.8 million of available borrowing capacity under our Sustainability-Linked Credit Facility. As of September 30, 2024, the borrowing base under the Sustainability-Linked Credit Facility was \$226.8 million, we had \$80.0 million in outstanding borrowings and outstanding letters of credit totaling \$19.0 million. As of November 4, 2024, we had \$85.0 million in outstanding borrowings, the borrowing base under the Sustainability-Linked Credit Facility was \$229.1 million, the outstanding letters of credit totaled \$19.0 million, and the available borrowing capacity under the Sustainability-Linked Credit Facility was \$125.1 million.

Note Regarding Non-GAAP Financial Measures

We define free cash flow as net cash provided by (used in) operating activities less purchases of property and equipment, plus proceeds received from sale of property and equipment. Our board of directors and executive management team use free cash flow to assess our liquidity and ability to repay maturing debt, fund operations and make additional investments. We believe free cash flow provides useful information to investors because it is an important indicator of our liquidity, including our ability to reduce net debt, make strategic investments, pay dividends and distributions and repurchase common stock. Our measure of free cash flow may not be directly comparable to similar measures reported by other companies. Furthermore, free cash flow is not a substitute for, or more meaningful than, net cash provided by (used in) operating activities nor any other measure prescribed by GAAP, and there are limitations to using non-GAAP measures such as free cash flow. Accordingly, free cash flow should not be considered a measure of the income generated by our business or discretionary cash available to it to invest in the growth of our business.

Cash Flows

The following table summarizes our cash flows for the periods indicated:

	Nine months ended September 30,		Change	
	2024	2023	Dollars	Percentage
	(in thousands)			
Net cash provided by operating activities	\$ 167,119	\$ 202,162	\$ (35,043)	(17.3)%
Net cash used in investing activities	(264,243)	(104,939)	(159,304)	(151.8)%
Net cash provided by (used in) financing activities	50,981	(79,498)	130,479	164.1 %
Subtotal	(46,143)	17,725		
Effect of exchange rate changes on cash and cash equivalents	(2)	(4)	2	NM
Net (decrease) increase in cash and cash equivalents	<u>\$ (46,145)</u>	<u>\$ 17,721</u>		

Analysis of Cash Flow Changes between the nine months ended September 30, 2024 and 2023

Operating Activities. Net cash provided by operating activities was \$167.1 million for the Current Period, compared to \$202.2 million for the Prior Period. The \$35.0 million decrease is comprised of a \$31.9 million reduction in converting working capital to cash and a decrease of \$3.1 million of net income combined with non-cash adjustments.

Investing Activities. Net cash used in investing activities was \$264.2 million for the Current Period, compared to \$104.9 million for the Prior Period. The \$159.3 million increase in net cash used in investing activities was due primarily to an increase of \$145.0 million spent for acquisitions net of cash received and a \$15.7 million increase in purchases of property and equipment, partially offset by a \$0.9 million increase in proceeds received from sales of property and equipment.

Financing Activities. Net cash provided by financing activities was \$51.0 million for the Current Period, compared to net cash used in financing activities of \$79.5 million for the Prior Period. The \$130.5 million increase in net cash provided by financing activities was due primarily to borrowings net of debt repayments increasing \$96.0 million and a \$42.6 million decrease in repurchases of shares of Class A common stock partially offset by \$4.4 million of cash received from noncontrolling interest holders net of payments in the Prior Period and a \$3.6 million increase in dividends and distributions paid.

Free Cash Flow

The following table summarizes our free cash flow for the periods indicated:

	Nine months ended September 30,	
	2024	2023
	(in thousands)	
Net cash provided by operating activities	\$ 167,119	\$ 202,162
Purchase of property and equipment	(118,080)	(102,401)
Proceeds received from sale of property and equipment	12,275	11,380
Free cash flow	\$ 61,314	\$ 111,141

Sustainability-Linked Credit Facility

On March 17, 2022 (the “Restatement Date”), SES Holdings and Select Water Solutions, LLC (“Select LLC”), formerly Select Energy Services, LLC and a wholly-owned subsidiary of SES Holdings, entered into a \$270.0 million amended and restated senior secured sustainability-linked revolving credit facility (the “Sustainability-Linked Credit Facility”), by and among SES Holdings, as parent, Select LLC, as borrower and certain of SES Holdings’ subsidiaries, as guarantors, each of the lenders party thereto and Wells Fargo Bank, N.A., as administrative agent, issuing lender and swingline lender (the “Administrative Agent”) (which amended and restated the Prior Credit Agreement dated November 1, 2017). The Sustainability-Linked Credit Facility also has a sublimit of \$40.0 million for letters of credit and a sublimit of \$27.0 million for swingline loans. Subject to obtaining commitments from existing or new lenders, Select LLC has the option to increase the maximum amount under the senior secured credit facility by \$135.0 million during the first three years following the Restatement Date.

Refer to “Note 8—Debt” for further discussion of the Sustainability-Linked Credit Facility.

Contractual Obligations

Our contractual obligations include, among other things, our Sustainability-Linked Credit Facility and operating leases. Refer to “Note 6—Leases” in our 2023 Form 10-K for operating lease obligations as of December 31, 2023 and “Note 8—Debt” in Part I, Item 1 of this Quarterly Report for an update to our Sustainability-Linked Credit Facility as of September 30, 2024.

Critical Accounting Policies and Estimates

There were no changes to our critical accounting policies from those disclosed in our 2023 Form 10-K.

Recent Accounting Pronouncements

In November 2023, the FASB issued ASU No. 2023-07, “Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures” (“ASU 2023-07”). ASU 2023-07 requires disclosure of significant segment expenses that are regularly provided to the chief operating decision maker (“CODM”) and included within each reported measure of segment profit or loss, an amount and description of its composition for other segment items to reconcile to segment profit or loss, and the title and position of the entity’s CODM. The amendments in this update also expand the interim segment disclosure requirements. ASU 2023-07 will be effective for our fiscal year ending December 31, 2024, and for interim periods starting in our first quarter of 2025. Early adoption is permitted and the amendments in this update are required to be applied on a retrospective basis. We are currently reviewing the impact that the adoption of ASU 2023-07 may have on our consolidated financial statements and disclosures.

In December 2023, the FASB issued ASU 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures” (“ASU 2023-09”), which includes amendments that further enhance income tax disclosures, primarily through standardization and disaggregation of rate reconciliation categories and income taxes paid by jurisdiction. ASU 2023-09 will be effective for our fiscal year ending December 31, 2025, with early adoption permitted, and should be applied either prospectively or retrospectively. The Company is currently evaluating ASU 2023-09 to determine its impact on the Company’s disclosures.

Off-Balance-Sheet Arrangements

As of September 30, 2024, we had no material off-balance-sheet arrangements. As such, we are not exposed to any material financing, liquidity, market or credit risk that could arise if we had engaged in such financing arrangements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The demand, pricing and terms for oilfield services provided by us are largely dependent upon the level of drilling and completion activity in the U.S. oil and gas industry as well as the level of oil and gas production. The level of drilling and completion activity is influenced by numerous factors over which we have no control, including, but not limited to: the supply of and demand for oil and gas; war, armed conflicts, economic sanctions and other constraints to global trade and economic growth; current price levels as well as expectations about future prices of oil and gas, including announcements and actions taken by the members of OPEC+ with respect to oil production levels; the magnitude and timing of capital spending by our customers; the cost of exploring for, developing, producing and delivering oil and gas; the extent to which our E&P customers choose to drill and complete new wells to offset decline from their existing wells; the extent to which our E&P customers choose to invest to grow production; discoveries of new oil and gas reserves; available storage capacity and pipeline and other transportation capacity; weather conditions; domestic and worldwide economic conditions; instability in oil-producing countries; environmental regulations; technical advances in alternative forms of energy (e.g., wind and solar electricity, electric vehicles) that encourage substitution for or displacement of oil and gas consumption in end-use markets; the price and availability of alternative fuels; the ability of oil and gas producers to raise equity capital and debt financing; global health events; merger and acquisition activity and consolidation in our industry, and other factors.

Any combination of these factors that results in sustained low oil and gas prices and, therefore, lower capital spending and / or reduced drilling and completion activity by our customers, would likely have a material adverse effect on our business, financial condition, results of operations and cash flows.

Interest Rate Risk

As of September 30, 2024, we had \$80.0 million in outstanding borrowings under our Sustainability-Linked Credit Facility. As of November 4, 2024, we had \$85.0 million in outstanding borrowings and \$125.1 million of available borrowing capacity under our Sustainability-Linked Credit Facility. Interest is calculated under the terms of our Sustainability-Linked Credit Facility based on our selection, from time to time, of one of the index rates available to us plus an applicable margin that varies based on certain factors. We do not currently have or intend to enter into any derivative arrangements to protect against fluctuations in interest rates applicable to our outstanding indebtedness.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that the information required to be disclosed by us in our reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such

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information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

As required by Rule 13a-15(b) under the Exchange Act, we have evaluated, under the supervision and with the participation of management, including our principal executive officer and principal financial officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report. Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2024.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and Rule 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2024 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We are not currently a party to any legal proceedings that, if determined adversely against us, individually or in the aggregate, would have a material adverse effect on our financial position, results of operations or cash flows. We are, however, named defendants in certain lawsuits, investigations and claims arising in the ordinary course of conducting our business, including certain environmental claims and employee-related matters, and we expect that we will be named defendants in similar lawsuits, investigations and claims in the future. While the outcome of these lawsuits, investigations and claims cannot be predicted with certainty, we do not expect these matters to have a material adverse impact on our business, results of operations, cash flows or financial condition. We have not assumed any liabilities arising out of these existing lawsuits, investigations and claims.

Item 1A. Risk Factors

There are a number of risks that we believe are applicable to our business and the industry in which we operate. These risks are described elsewhere in this report or our other filings with the SEC, including the section entitled “Item 1A. Risk Factors” in our Annual Report on Form 10-K. If any of the risks and uncertainties described within our Annual Report on Form 10-K or this Quarterly Report actually occur, our business, financial condition or results of operations could be materially adversely affected.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds***(c) Common Stock Repurchases Made in the Quarter***

During the Current Quarter, we repurchased the shares of Class A Common Stock as shown in the table below, which included 139,275 shares purchased to satisfy the cashless exercise of options and tax withholding obligations related to vested shares under the Select Energy Services, Inc. 2016 Equity Incentive Plan previously awarded to certain of our current and former employees.

Period	Total Number of Shares Purchased	Weighted-Average Price Paid Per Share ⁽¹⁾	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs ⁽²⁾
July 1, 2024 to July 31, 2024	74,330	\$11.09	—	\$21,177,432
August 1, 2024 to August 31, 2024	26,968	\$11.53	—	\$21,177,432
September 1, 2024 to September 30, 2024	37,977	\$11.41	—	\$21,177,432

(1) The average price paid per share includes commissions.

(2) On November 8, 2023, our board of directors authorized a share repurchase program of up to \$25.0 million of outstanding shares of Class A common stock. This new authorization was in addition to the \$7.5 million remaining outstanding under our previous authorization, as of November 8, 2023. Repurchases under the share repurchase program may be made at any time or from time to time, without prior notice, in the open market or in privately negotiated transactions at prevailing market prices, or such other means as will comply with applicable state and federal securities laws and regulations, including the provisions of the Securities Exchange Act of 1934, including Rule 10b5-1 and, to the extent practicable or advisable, Rule 10b-18 thereunder, and consistent with the Company's contractual limitations and other requirements.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the three months ended September 30, 2024, none of our directors or officers adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement" as defined in Item 408 of Regulation S-K.

Item 6. Exhibits

The following exhibits are filed, furnished or incorporated by reference, as applicable, as part of this report.

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Exhibit Number	Description
3.1	Fifth Amended and Restated Certificate of Incorporation of Select Water Solutions, Inc. dated as of May 8, 2023 (incorporated by reference herein to Exhibit 3.1 to Select Water Solutions, Inc.'s Current Report on Form 8-K, filed May 8, 2023).
3.2	Third Amended and Restated Bylaws of Select Water Solutions, Inc. dated as of May 8, 2023 (incorporated by reference herein to Exhibit 3.2 to Select Water Solutions, Inc.'s Current Report on Form 8-K, filed May 8, 2023).
*31.1	Certification of Chief Executive Officer required by Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934.
*31.2	Certification of Chief Financial Officer required by Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934.
**32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
**32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, formatted in Inline XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Changes in Equity, (v) Consolidated Statements of Cash Flow, and (vi) Notes to Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

*Filed herewith

**Furnished herewith

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SELECT WATER SOLUTIONS, INC.

Date: November 6, 2024

By: /s/ John D. Schmitz
John D. Schmitz
Chairman, President and Chief Executive Officer

Date: November 6, 2024

By: /s/ Chris George
Chris George
Executive Vice President and Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13A-14(A) AND RULE 15D-14(A)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, John Schmitz, certify that:

1. I have reviewed this quarterly report of Select Water Solutions, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 6, 2024

/s/ John D. Schmitz

John D. Schmitz

Chairman, President and Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13A-14(A) AND RULE 15D-14(A)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Chris George, certify that:

1. I have reviewed this quarterly report of Select Water Solutions, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 6, 2024

/s/ Chris George

Chris George

Executive Vice President and Chief Financial Officer

**CERTIFICATION OF
CHIEF EXECUTIVE OFFICER
UNDER SECTION 906 OF THE
SARBANES OXLEY ACT OF 2002, 18 U.S.C. § 1350**

In connection with the quarterly report of Select Water Solutions, Inc. (the “Company”), as filed with the Securities and Exchange Commission on the date hereof (the “Report”), John Schmitz, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 6, 2024

/s/ John D. Schmitz

John D. Schmitz
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF
CHIEF FINANCIAL OFFICER
UNDER SECTION 906 OF THE
SARBANES OXLEY ACT OF 2002, 18 U.S.C. § 1350**

In connection with the quarterly report of Select Water Solutions, Inc. (the “Company”), as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Chris George, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 6, 2024

/s/ Chris George

Chris George
Executive Vice President and Chief Financial
Officer
(Principal Financial Officer)
