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# FINAL TRANSCRIPT

Q4 2018 US Well Services Inc Earnings Call

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**John Matthew Daniel** *Simmons & Company International, Research Division - MD & Senior Research Analyst of Oil Service*

**Joseph Triepke** -

**Michael William Urban** *Seaport Global Securities LLC, Research Division - MD & Senior Analyst*

**Unidentified Analyst** -

**Lisa Elliott** *Dennard Lascar Associates, LLC - Principal*

## PRESENTATION

### Operator

Greetings, and welcome to the U.S. Well Services Fourth Quarter Earnings Conference Call. (Operator Instructions) As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Lisa Elliott with the Dennard Lascar IR. Thank you. Ms. Elliott, you may begin.

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### **Lisa Elliott** *Dennard Lascar Associates, LLC - Principal*

Thank you, operator, and good morning, everyone. We appreciate you joining us for the U.S. Well Services conference call and webcast to rereview 2018 fourth quarter results. With me today are Joel Broussard, Chief Executive Officer; and Kyle O'Neill, Chief Financial Officer. Following their prepared remarks, the call will be open for Q&A.

Yesterday evening, U.S. Well Services released its fourth quarter 2018 earnings results. That can be found on the company's website at [www.uswellservices.com](http://www.uswellservices.com). The company also intends to file its 2018 Form 10-K with the SEC later this week.

Before I turn the call over, I have a few items to cover. A replay of today's call will be available via webcast, which can be accessed from the company's website. There will also be a recorded replay available until March 21, 2019. Information on how to access the replay is included in the fourth quarter earnings release. Please note that information reported on this call speaks only as of today, March 14, 2019, and therefore, time-sensitive information may no longer be accurate as of the time of any replay listening our transcript reading.

In addition, the comments made by management during this conference call may contain forward-looking statements within the meaning of the United States federal securities law. These forward-looking statements reflect the current views of U.S. Well Services management. However, various risks, uncertainties and contingencies could cause the actual results, performance or achievements to differ

materially from those expressed in the statements made by management. The listener is encouraged to review yesterday's earnings release and the company's filings with the SEC to understand those risks, uncertainties and contingencies.

Also during today's call, we will reference certain non-GAAP financial measures. Reconciliation of these non-GAAP measures to the most directly comparable GAAP measures are included in our earnings release. And now I would like to turn the call over to U.S. Well Services' CEO, Mr. Joel Broussard.

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**Joel N. Broussard U.S. Well Services, Inc. - President, CEO & Director**

Thanks, Lisa. I appreciate everyone joining the call. We are pleased to discuss U.S. Well Services' year-end results today on our very first quarterly earnings call as a publicly-traded company. Given this is our first full quarter call as a public company, our remarks may be a little more comprehensive than is typical, so please bear with me.

2018 was a big year for U.S. Well Services with numerous strategic accomplishments, record achievements and solid financial results. For the year, we generated \$649 million in revenue, a 30% increase over the prior year, and we achieved adjusted EBITDA of \$117 million, a 62% increase over 2017. But more importantly, we positioned the company for strong growth in 2019 and beyond.

Before I review our accomplishments, I would like to provide some background on the company for those of you that are new to our story. We formed U.S. Well Services in 2011 as a technology focused hydraulic fracturing company and have grown organically through the disciplined deployment of new equipment supported by customer demand and customer contract. Shortly after we began operations, we noticed the tremendous opportunity to reduce emissions through the use of electric motors powered by natural gas generators. As a result, we developed the concept for our Clean Fleet technology.

In 2014, we're one of the first companies to deploy an electric-powered frac fleet. Unlike conventional diesel frac fleet, our Clean Fleet technology utilizes natural gas directly from the field to power turbine generators, which in turn supplies electricity through the motors that drive our pump. The first of our Clean Fleet was deployed in the field in mid-2014 and has been commercially successful ever since. This technology dramatically reduces our carbon footprint and provides us and our customers with a significant competitive advantage. Unlike conventional and biofuel technology that also uses diesel, we have replaced the diesel engine and transmissions with an electric motor. These pumps are able to operate more hours per day over longer period than a conventional fleet due to the use of electric motor.

As one of the first movers in electric frac technology, our Clean Fleet offers a number of significant advantages over conventional fleet. The burning of natural gas in the field results inasmuch as 90% fuel cost savings. Reduced noise allows for better and safer communication between crew, on-site, and dramatically lessens the disruption to our neighbors. In addition, turbine generators and electric motors are better suited for the high-intensity work. These components have been in use for decades in other

harsh applications outside of pressure pumping and have regularly displaced diesel equipment. They also cost less to maintain and have a much longer useful life than conventional equipment.

I'm extremely proud of the culture we have created at U.S. Well Services, which focuses on embracing technology to enhance safety and service quality to our customers. It's the focus of the technology -- on technology that not only allowed us to develop the first Clean Fleet, but also has driven us to improve our original design. This newbuild Clean Fleets are the next generation, which provides more horsepower and improve mobility. To that point, we also have a strong IP protection with 18 patents and 75 more pending. In summary, our customers want this technology. We've announced 4 new contracts in recent months and are in discussions with a number of additional clients.

Currently, we have 9 conventional fleets and 2 Clean Fleets comprised of 1 legacy and 1 newbuild deployed in the field. We have 2 more Clean Fleets in production, and we will be ordering another next-generation Clean Fleet as a result of our recently announced contract with Shell. We deployed our first newbuild in January of this year in the Eagle Ford, and second and third newbuilds will go to work in the second quarter, and the newly announced Shell fleet will begin in early 2020. Shell conducted extensive due diligence on our Clean Fleet technology and utilized our first-generation design in 2016 and '17 in Appalachia and has now adopted technology for use in their Permian Basin operations.

Turning to our 2018 operational achievements. First, we deployed 1 additional conventional fleet in Q4 with a new customer on a long-term contract. Second, we announced 4 new customer contracts for our newly designed Clean Fleet. 3 of these were signed in the fourth quarter, which I think everyone would agree was a challenging climate, but we successively secured the economics needed to achieve our targeted rate of return. This is a testament to the value-add to our customers that Clean Fleet can provide from both an environmental and economic perspective.

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Third, we completed our strategic relocation of 4 fleets, including our legacy electric fleet, from the Appalachia to the Permian and Eagle Ford to better align with our customer demand and position us to capitalize on expanding opportunities. Currently, we have 9 fleets in Texas, 2 conventional fleets in the Northeast. This better aligns our operating footprint into the most attractive basins with a diversified slate of top-tier clients. It also allows us to expand the number of customers that were able to test our Clean Fleet in our industry education program.

The first of the newbuild fleets was scheduled for deployment in March 2019, but we were requested to deploy it 2 months early in January. Because of the accelerated deployment, we wanted to have a portion of a legacy equipment available in case any delays within our supply chain. This ensured we would be able to meet our customers' goals and maintain our high standard of service quality. We will continue to use a portion of this equipment to support the rollout of additional fleets in Q2, with the remainder of the pumps going to increase the size of our remaining legacy fleet from 30,000 horsepower to 45,000 horsepower.

While this contributes to some softness in fourth quarter results, we felt this is the right business decision that will provide us with operational flexibility going forward. With the deployment of 2 additional Clean Fleets in second quarter, total horsepower at the end of Q2 is expected to be 630,000 hydraulic horsepower spread across 13 fleets. Our newbuild Clean Fleets are between 40,000 and 45,000 hydraulic horsepower, depending on customer requirements. Going forward, we anticipate that all of our newbuilds will be Clean Fleets, and we will not spend additional CapEx until we have been awarded long-term contracts for these fleets.

Looking forward, we are cautiously optimistic about 2019. We currently have 100% of our fleets working, and our new customer pipeline continues to expand and we are excited about the future.

I'll let Kyle take it from here to further discuss the numbers.

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**Kyle P. O'Neill U.S. Well Services, Inc. - CFO**

Thanks, Joel. Before getting to the financial results, I'd like to walk you through how we approach our relationships with our customers and think about our pricing structure. Given the changing dynamics in our industry, we've been focused on developing a pricing mechanism that better aligns our interest with our customers' goals. Traditionally, the industry has priced pressure pumping services on a per-stage basis and has relied on generating additional margins from selling consumables like sand, chemicals and fuel to their customers. With operators increasingly focused on efficiencies and cost savings, we believe a better alignment of interest is provided to our customers by charging for our service and equipment on a monthly or a day-rate basis, with a small variable charge to cover normal wear and tear, and allowing our customers to provide their own consumables.

This model allows the customer to receive the benefit of improving efficiencies and realize savings from self-sourcing while providing us with a more stable and predictable financial results. We have also found that this pricing structure helps us to mitigate the negative financial impact of downward cycles, although we may not participate full -- as fully in a rapidly recovering market. We take a long-term approach to our customer relationships and believe that this structure creates a true partnership with the customer and is beneficial to both of us. With that said, we still need to be responsive to what our customers want. And if we requested to provide per-stage pricing, we will bid out work on this basis, too.

In addition, currently about 2/3 of our fleet operate under true take-or-pay contracts, which either cannot be canceled before the end of the term or they carry a monetary penalty if a customer elects to terminate our relationship for convenience. The remainder of our fleets operate on a dedicated basis and can be terminated with given notice period.

Now turning to our financial results. We had 9.7 active fleets on average for the full year 2018, and we had an average of 9 active fleets in the fourth quarter. I'd like to point out that of the 9 fleets in the fourth quarter operating, we had 4 of those fleets that have less than 50% utilization due to the realignment of our equipment from the Northeast to Texas and other factors that I'll expand on later.

With the deployment of our fleet in January, we now have 11 fleets in the field working.

Total revenue for the fourth quarter was \$118.4 million, down 29% from Q3. Approximately 70% of this decline is attributable to the decrease in consumable-related revenue, and the other 30% was related to service and equipment. Service and equipment revenue was impacted by the strategic moves Joel noted earlier, including the relocation of 20% of our fleet from the Northeast to Texas. The decline in consumable-related revenue is directly correlated with the trends in customers provided in their own sand, chemicals and fuel. We expect the E&P industry to continue to debundle, which is why we are focused on delivering our profitability from our pumping services.

In the fourth quarter, we had approximately 60% of our fleets working under long-term contracts, which performed as expected. The remaining fleets were impacted by a slowdown in activity. Additionally, we took 1 of the 2 legacy electric fleets offline for a portion of the quarter to support the newbuild deployments in 2019, as Joel mentioned.

SG&A costs were approximately \$4.8 million in the fourth quarter, up from \$3.6 million in the third quarter after adjusting for \$14.8 million of transaction-related expenses and unit-based compensation that was accelerated due to the merger.

Adjusted EBITDA for the fourth quarter was \$19.3 million compared to \$28.3 million in the previous quarter. Full year adjusted EBITDA was \$117.4 million, up 62% from 2017 and in line with our revised guidance we provided in our December update.

Capital expenditures incurred during the fourth quarter was \$88 million, which included \$58.6 million of growth CapEx, \$20 million for fleet enhancements and \$9.4 million on maintenance CapEx. Capital expenditures for the full year 2018 was \$196 million, which included \$110 million of growth CapEx, \$25 million for fleet enhancements, \$49.5 million on maintenance capital expenditures and \$11 million related to the replacement of equipment that was damaged in the fire, which we did recoup \$8 million through insurance proceeds related to this incident. Approximately 34% of our 2018 maintenance CapEx was associated with fluid ends.

As of December 31, 2018, total cash on hand was \$29.5 million and total liquidity was \$73.5 million, which includes \$44 million of availability under the company's current credit facilities. We ended the year with a total debt balance of \$133.5 million, which includes both long-term equipment financing and capital lease obligations. This results in a net debt-to-EBITDA of less than 1x.

With the startup of our latest newbuild fleet mid-January, we expect to end the first quarter with 11 fleets operating. We continue to have meaningful discussions with current customers on contract renewals and potential customers for opportunities for both conventional and electric fleets. Given the current market conditions, we're not providing full year guidance at this time, but we do expect to show year-over-year improvement in adjusted EBITDA per fleet. Two additional contracted newbuild electric fleets are expected to be deployed in the middle of 2019, resulting in 13 fleets deployed in such time.

Maintenance CapEx for the year is expected to average around \$5 million to \$5.5 million per fleet, including fluid ends, in line with 2018. As Joel stated, our decision to deploy additional equipment will only come with true customer contracts. We intend to remain disciplined about managing our balance sheet. With that said, I want to reiterate that we're optimistic about the future of the company and firmly believe that we will continue to see the increasing use of electric frac equipment by the industry.

Before we take questions, I'll turn it back over to Joel for some final remarks.

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**Joel N. Broussard U.S. Well Services, Inc. - President, CEO & Director**

Thank you, Kyle. I want to thank everyone in the U.S. Well Services team for their continued hard work and dedication and congratulate them on a year of record-setting performance.

With that, I'll turn it back to the operator to take questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Our first question comes from the line of Mike Urban from Seaport Global.

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**Michael William Urban Seaport Global Securities LLC, Research Division - MD & Senior Analyst**

I wanted to talk a little bit about the fleet relocations that you've been undertaking. The -- we've certainly been hearing a lot about just the weakness in the market in the -- not just the Eagle Ford, but certainly the Permian and Northeast was weak kind of late last year but I think the expectation would -- was that it would get better. Is -- are those relocations based on the economics that you're seeing today or is it as much about the outlook here, and as you said, the education program just exposing a larger part of the customer base to the technology?

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**Kyle P. O'Neill U.S. Well Services, Inc. - CFO**

Sure. Mike, this is Kyle, let me take that one. We look at -- we do approach our relocation very similar to how we approach rolling out new fleets in that we're not going to move a fleet on a speculative basis to a new area and hope that we can get some customers. We're being dragged in these locations by our customers who are looking to work with us for -- with both our electric fleets as well as our conventional diesel fleets, really because of our service quality and what we're able to accomplish on a daily basis.

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**Michael William Urban Seaport Global Securities LLC, Research Division - MD & Senior Analyst**

Yes. So are those kind of indication -- strong indication of interest or is that on a kind of a you already have contracts for those? I mean, you've been able to sign up all the fleets, but just trying to get a sense of if that's done ahead of time or they say, "Hey, if we get these assets here, we'll sign you up?"

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**Kyle P. O'Neill U.S. Well Services, Inc. - CFO**



Yes. No, it's based on real customer commitments. For us to open up a new area, like, for example, when we first moved out of the Appalachia with our first fleet in early '17, we went down to the Eagle Ford, and that was based on having the actual long-term contract. After being there for 30 days, we had that customer sign up for another contract. And then one of their partners, after hearing about our service quality, contracted with us for a third. So a very similar story for each area we enter into. We get dragged down into that area from a customer who's committed to use us. And then we look to expand once we're there.

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**Joel N. Broussard U.S. Well Services, Inc. - President, CEO & Director**

Hey, Mike. This is Joel. The fleets that moved in the fourth quarter all had -- both had long-term contracts in it. They relocated to Texas.

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**Michael William Urban Seaport Global Securities LLC, Research Division - MD & Senior Analyst**

Got you. And then on the CapEx, you talked a little bit about the maintenance CapEx per fleet. Do you have an estimate of your total CapEx budget for the year?

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**Kyle P. O'Neill U.S. Well Services, Inc. - CFO**

Right now, we're still formalizing that. So we want to put out -- kind of give you a guidance on where we are on our maintenance CapEx. Obviously, that's something folks are very focused on, but we'll come back to you with our full year CapEx budget on a later date.

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**Michael William Urban Seaport Global Securities LLC, Research Division - MD & Senior Analyst**

Okay. And then maybe you got to on a kind of a more granular basis, what's the capital associated with the Shell contract? And then more broadly, how's the CapEx been trending on the electric fleets as you've been moving up the learning curve?

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**Kyle P. O'Neill U.S. Well Services, Inc. - CFO**

Yes. I mean, for the first few fleets, they've been coming online right on budget around \$60 million all-in. That includes approximately \$20 million for the power generation equipment. And we expect the Shell fleet to be in line with that.

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**Michael William Urban Seaport Global Securities LLC, Research Division - MD & Senior Analyst**

Is it still your expectation that you should be able to drive that down over time?

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**Kyle P. O'Neill U.S. Well Services, Inc. - CFO**

Yes, that's absolutely our goal. We're all working very hard on that. And as we continue to build up the supply chain, we think we'll be able to find areas where we can improve and increase efficiencies.

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**Joel N. Broussard U.S. Well Services, Inc. - President, CEO & Director**

Yes, Mike. From the first fleet we've built in 2014, we've driven the price down. That fleet was 30,000 hydraulic horsepower, \$60 million. Now the fleets we're building at 45,000 hydraulic horsepower but costing the same amount of money, and we anticipate that will trim that down substantially in the near



future.

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**Operator**

Our next question comes from the line of Joseph Triepke from Infill Thinking.

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**Joseph Triepke -**

Congrats on the Shell contract. I think it's pretty interesting to see electric fleet newbuilding continue behind contracts here in light of the market conditions. So on that note, Joel, I think you mentioned that this fourth fleet deploying for Shell is going to be a next-generation system. I was wondering if you might be able to talk to some of the details of what that means versus version 1.0? I think some of that is the [mode times], correct?

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**Joel N. Broussard U.S. Well Services, Inc. - President, CEO & Director**

Yes, exactly right. So we were, on version 1, we have 4 generators with approximately 20 crane lifts. We had 159 cables. On the new generation, we have 39 cables and 5 crane lifts and 1 generator. It's also 20 megawatts larger. I'm sorry, 10 meg that were larger.

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**Joseph Triepke -**

Got you. And then, Joel, I think you also mentioned this briefly. In your prepared remarks, you talked about the advantages versus conventional equipment. I think that's pretty well understood, but you also mentioned dual fuel fleets. And the question we've been asked fairly often is just what's the advantage to an operator of going all-electric versus dual fuel. So I was wondering if you could kind of speak specifically to that advantages differences you see there?

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**Joel N. Broussard U.S. Well Services, Inc. - President, CEO & Director**

The major advantage from a dual-fuel fleet is that on dual fuel, it's less environmental-friendly because it has a lot of methane slip on the pistons, and you also have 20 gas lines running to 20 different pumps where we have 1 gas line and we have no methane slip with the turbines.

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**Kyle P. O'Neill U.S. Well Services, Inc. - CFO**

And I'll just add -- to add to that, you still have to deal with the logistics of getting several diesel truckloads on-site and you have to deal with putting diesel fuel into those pumps while they're running.

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**Joel N. Broussard U.S. Well Services, Inc. - President, CEO & Director**

The current dual-fuel fleet have a lot of methane slip, and it's actually worse than a straight diesel fleet to the environment.

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**John Matthew Daniel Simmons & Company International, Research Division - MD & Senior Research Analyst of Oil Service**

Got you. Great color. And then if I could just think and one last one in here, maybe for you Kyle. You had mentioned that you guys actually prefer your customers to bring their own sand. I think many of your peers take kind of a polar opposite view on that front. So I am curious if you could talk a little bit about

how your philosophy on direct sourcing, maybe factoring into your recent customer discussions, sort of your contracting activity recently? I guess just how that's being received and is that opening some doors versus peers that might take a different view on direct sourcing? And I'll stop there and turn it back.

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**Kyle P. O'Neill U.S. Well Services, Inc. - CFO**

Sure. I think, look, we are in a service business and we've got to -- we have to do what our customers want. And self-sourcing or debundling is a trend that E&P seems to be very focused on. And so we've needed to morph our business model to allow us to achieve our objectives from an economics perspective by earning those EBITDA dollars on just our service and equipment, which is really the one part of the value chain here that the customer can't take away from us. We were able to do that through the service and equipment quality that we're able to deliver. I think there's a fair amount of research out there that looks at different metrics such as sand pump per day, and you can see that in the areas we operate, we're top-tier provider on all those efficiency metrics. And so by kind of embracing that and figuring out how to work with your customers so that you can both achieve your objectives, we're able to actually free up a whole lot of working capital and reduce a lot of logistical headaches that we were dealing with before. So over the long run, I think this is going to -- this should result in stronger customer relationships and better returns on capital given the reduced working capital needs.

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**Operator**

Our next question comes from the line of John Daniel with Simmons & Company.

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**John Matthew Daniel Simmons & Company International, Research Division - MD & Senior Research Analyst of Oil Service**

Kyle, a quick one for you on the -- I know you don't want to give specific financial guidance, but you did say you expect a year-over-year improvement in adjusted EBITDA per fleet. And so if my monkey math is correct here, on an adjusted basis, it looks like \$8.7 million annualized for Q4 and \$12.1 million for 2018 as a year. I'm just -- I want to make sure that you see it being better than the \$12.1 million? And if so, walk us through from the progression from Q4 to -- in terms of EBITDA per fleet.

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**Kyle P. O'Neill U.S. Well Services, Inc. - CFO**

Sure. Really, Q4, as I mentioned in my comments, we had 4 fleets that were less than 50% utilized. I mean, one of those fleets was, I think, operate from the first few days of December. And so that really -- that \$8.7 million really kind of brought the full year EBITDA down. So right at January -- in January, we had all of our fleets out in the field operating and generating cash flow. And so we feel that moving up off that \$12.1 million, we feel very confident being able to walk our results up through just the increased utilization as well as the delivery of our new equipment.

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**John Matthew Daniel Simmons & Company International, Research Division - MD & Senior Research Analyst of Oil Service**

Would you expect Q1 to be better than the \$12.1 million though, or still a bit of a growth -- you're growing into it, if you will?

**Kyle P. O'Neill U.S. Well Services, Inc. - CFO**

We're still growing into it.

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**John Matthew Daniel Simmons & Company International, Research Division - MD & Senior Research Analyst of Oil Service**

Got it. Okay. That maintenance CapEx per fleet of \$5 million to \$5.5 million, I assume that's an average across all of your fleets. How would you break that down between the electric versus conventional just given that it's the impression of most that the electric fleets are less -- there's less maintenance?

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**Kyle P. O'Neill U.S. Well Services, Inc. - CFO**

Sure.

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**John Matthew Daniel Simmons & Company International, Research Division - MD & Senior Research Analyst of Oil Service**

CapEx?

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**Kyle P. O'Neill U.S. Well Services, Inc. - CFO**

The way that we're modeling it right now, especially since we have 2 of our 11 fleets are electric, we're modeling it the same. That being said, when you have new equipment, you really see a very similar maintenance CapEx profile since in the first few years, all you're really doing is replacing fluid ends. The big difference in maintenance CapEx between an electric fleet and a conventional fleet really starts in years with increased work intensity, maybe year 4 -- 3.5 to 4 when you start to do the engine rebuilds. And that's where you really see a material deviation between the electric versus the clean. But since we've -- since we're still early on in the deployment of this equipment, we're just looking at maintenance CapEx on average overall of our fleets.

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**John Matthew Daniel Simmons & Company International, Research Division - MD & Senior Research Analyst of Oil Service**

Okay, fair enough. And I guess the final one for me, Joel, as you guys prepare to build the fleet for Shell, and congrats on that award, you've gone from Gen 1 fleet to the Gen 2, is there any type of design changes that will be made to that Shell fleet? Are there larger power? So anything that's notably different?

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**Joel N. Broussard U.S. Well Services, Inc. - President, CEO & Director**

No, none.

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**Operator**

Our next question comes from the line of Daniel Burke with Johnson Rice & Company.

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**Daniel Joseph Burke Johnson Rice & Company, L.L.C., Research Division - Senior Analyst**

Look, a softball question and then maybe a little bit more of a detailed follow-up to it. Could you give us any commentary on the early performance of the first Gen 2 fleet here in the first quarter? And then was

curious, what type of headcount do you anticipate using to operate your e-fleets versus the conventional diesel fleet you have in the field? Any differences you could talk about in terms of manning?

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**Joel N. Broussard U.S. Well Services, Inc. - President, CEO & Director**

Yes, sure. I'll take the second question. On the manning, we're hiring turbine mechanics instead of diesel mechanics and electricians. The manning persons per fleet are very similar, and we're finding it's a lot easier to find the personnel for the electric fleets than it was with diesel fleets with less competitions.

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**Daniel Joseph Burke Johnson Rice & Company, L.L.C., Research Division - Senior Analyst**

Okay. Could you -- in terms of total headcount, is it similar then, if you just -- or do you need fewer turbine operators compared to mechanics?

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**Joel N. Broussard U.S. Well Services, Inc. - President, CEO & Director**

No, it's similar. We -- it's mostly driven by customers' demand that they want 15 to 17 people on location.

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**Daniel Joseph Burke Johnson Rice & Company, L.L.C., Research Division - Senior Analyst**

Okay, that's helpful. And then anything qualitative to say about the performance of the first of the fleets out there in the field this quarter?

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**Joel N. Broussard U.S. Well Services, Inc. - President, CEO & Director**

What we're seeing on the pumps is damage accumulation numbers, which are monitored vibrations, are 50% of what we've seen on our diesel fleets, and that's going to in-turn create savings on wear and tear and maintenance and repairs.

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**Daniel Joseph Burke Johnson Rice & Company, L.L.C., Research Division - Senior Analyst**

Got it. And then maybe just one other one. Kyle, you spoke in pretty good detail here on how your pricing strategy is maybe different than the traditional strategy. If we parse that and separate that discussion out into how you discuss pricing on the diesel versus the electric side, anything to highlight other than maybe being able to achieve the incremental duration on some of the electric fleet deals?

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**Kyle P. O'Neill U.S. Well Services, Inc. - CFO**

I mean, really, when we talk to our customers about providing hydraulic fracturing services, it's really talking about our service quality and available equipment. We've -- in general, we typically priced our services about the same. We've been able to maintain that pricing throughout all of 2018 and into '19 now. I think that the -- going forward, if market forces work like I think they should, given the substantial benefits you see from the use of electric fleet, meaning the fuel savings and environmental benefits, supply-demand should drive the pricing up on our -- up or at least maintain it in a down market for our electric fleets. But so far, we've -- our service quality has really been carrying the day.

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**Operator**

Our next question comes from the line of [Derek Pottheiser] with Barclays.

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**Unidentified Analyst -**

Just want to go back to the customer self-sourcing comment. When I think about that, I think about utilization, and do you have any protections built in to protect against this nonproductive time creeps into the system if you're waiting around at the well site for sand, water, et cetera? Just curious on your thoughts on that.

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**Kyle P. O'Neill U.S. Well Services, Inc. - CFO**

Yes, I mean, this is exactly why we've shifted our model to be fixed monthly rental. That gives us the benefit of, to the extent that there's a problem with the logistics and that we're not responsible for, by charging a monthly rental, we're still being -- we're covered or protected by that. The benefit to the customer is since they're the ones who are now handling the majority of the logistics, they're very good at it and get those down to become very efficient. They're going to see their price per stage go down if they become efficient and get more stages in the ground. But we get the downside protection from earning the majority of our monthly fees on a fixed basis.

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**Joel N. Broussard U.S. Well Services, Inc. - President, CEO & Director**

And Derek, we do price some -- by per-stage basis. We have a monthly minimum or quarterly minimums on stage count which is take-or-pay.

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**Unidentified Analyst -**

Okay, great. That makes sense. And then just go back to the maintenance CapEx, the \$5 million to \$5.5 million per fleet. When you say including fluid ends, how much of a percentage does that make up for the fluid ends or what would that look like on an adjusted basis if you were to strip out the fluid ends?

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**Kyle P. O'Neill U.S. Well Services, Inc. - CFO**

So it's about 34% of that number -- to call it, 35% is related to fluid ends.

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**Operator**

(Operator Instructions) Our next question comes from the line of Mike Urban with Seaport Global.

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**Michael William Urban Seaport Global Securities LLC, Research Division - MD & Senior Analyst**

Just had one more left. Do you have an estimate or a view on the total industry capacity for electric fleets? I mean, obviously, you know your own but based on what you've seen and what you're hearing out there as to what that might be, either currently or over the course of this year?

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**Joel N. Broussard U.S. Well Services, Inc. - President, CEO & Director**

Yes, it's approximately a little over 400 conventional fleets working now and I feel the market is 400. I think service intensity keeps increasing pumping hours per day, keeps increasing from our clients. They want us 20 hours a day to pump. And diesel equipments, they have a hard time over a longer period of time maintaining that pace.

**Michael William Urban *Seaport Global Securities LLC, Research Division - MD & Senior Analyst***

Right. So that's the addressable market, more was referring to the kind of the current market out there in terms of actual deployments of electric fleets, either what you think is out there currently or will be this year on an addition basis?

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**Kyle P. O'Neill *U.S. Well Services, Inc. - CFO***

Sure, sure. We currently have 2 electric fleets out in the field. We've got 3 more coming, and then our only other competitor on the electric front is a private company called Evolution, we believe, has 2 fleets in the field, but I don't actually know what their total capacity is but still very, very limited at this stage. But I think through both of us being out there, customers are getting up the adoption curve and really seeing the benefits from this new technology.

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**Operator**

That's all the time we have for questions. I'd like to hand it back to Mr. Broussard for closing comments.

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**Joel N. Broussard *U.S. Well Services, Inc. - President, CEO & Director***

Thank you, everyone, for joining the call.

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**Operator**

This does conclude today's teleconference. Thank you for your participation. You may disconnect your lines at this time.

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