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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Date of Report (Date of Earliest Event Reported): March 6, 2023

Aris Water Solutions, Inc.
(Exact Name of Registrant as Specified in Charter)

| | | |
|--|--|--|
| Delaware (State or other jurisdiction of incorporation) | 001-40955 (Commission File Number) | 87-1022110 (IRS Employer Identification No.) |
|--|--|--|

**9811 Katy Freeway, Suite 700
Houston, Texas 77024**
(Address of Principal Executive Offices and Zip Code)

**Registrant's telephone number, including area code:
(281) 501-3070**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

| Title of Each Class | Trading Symbol | Name of Each Exchange on Which Registered |
|---|----------------|---|
| Class A Common Stock, \$0.01 par value per share | ARIS | New York Stock Exchange |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On March 6, 2023, Aris Water Solutions, Inc. issued a press release announcing its operating and financial results for the quarter and year ended December 31, 2022. A copy of the press release is furnished as Exhibit 99.1 hereto and incorporated by reference herein.

The information in this Item 2.02, including Exhibit 99.1 to this Current Report on Form 8-K, is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

| Exhibit Number | Description |
|---------------------------|--|
| 99.1 | Press release of Aris Water Solutions, Inc. dated M arch 6, 2023. |
| 104 | Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101) |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: March 6, 2023

ARIS WATER SOLUTIONS, INC.

By: /s/ Stephan E. Tompsett

Name: Stephan E. Tompsett

Title: Chief Financial Officer



Source: Aris Water Solutions, Inc.

March 6, 2023

Aris Water Solutions, Inc. Reports Fourth Quarter and Full Year 2022 Results and Provides 2023 Guidance

HOUSTON, Texas, March 6, 2023 – Aris Water Solutions, Inc. (NYSE: ARIS) (“Aris”, “Aris Water” or the “Company”) today announced financial and operating results for the fourth quarter and year ended December 31, 2022.

- Total water volumes of approximately 1.31 million barrels per day for the fourth quarter of 2022, growing 20% versus the fourth quarter of 2021. For the full year of 2022, total water volumes grew 36% versus the full year of 2021.
- Recycled Produced Water volumes of approximately 283 thousand barrels per day in the fourth quarter of 2022, up 53% versus the fourth quarter of 2021. For the full year of 2022, Recycled Produced Water volumes were up 144% versus the full year of 2021.
- Net income of \$5.4 million for the fourth quarter of 2022, down 15% versus the fourth quarter of 2021. Adjusted Net Income¹ of \$9.0 million for the fourth quarter of 2022, down 25% versus the fourth quarter of 2021. Adjusted EBITDA¹ of \$36.1 million for the fourth quarter of 2022, up 1% versus the fourth quarter of 2021.
- Net income of \$4.8 million for the full year of 2022, up from a net loss of \$7.0 million for the full year of 2021. Adjusted Net Income¹ of \$44.1 million for the full year of 2022, up 68% versus the full year of 2021. Adjusted EBITDA¹ of \$149.0 million for the full year of 2022, up 24% versus the full year of 2021.
- Exceeded the 2022 Sustainability Performance Target (“SPT”) under the Company’s Sustainability Linked Notes. Greater than 70% of Aris’s water sold during 2022 was Recycled Produced Water, exceeding the SPT of 60%.

RECENT EVENTS

- Announced that ExxonMobil joined Aris’s previously announced strategic agreement with Chevron U.S.A. Inc. (“Chevron”) and ConocoPhillips Company (“ConocoPhillips”) to develop and pilot cost effective technologies and processes to treat produced water for potential beneficial reuse opportunities.

¹ Adjusted EBITDA and Adjusted Net Income are non-GAAP financial measures. See the supplementary schedules in this press release for a discussion of how we define and calculate Adjusted EBITDA and Adjusted Net Income and a reconciliation thereof to net income, the most directly comparable GAAP measure.

- Successfully completed a long-term agricultural pilot conducted with Texas A&M which used treated produced water for irrigation of non-consumptive crops cotton and rye grass. The project also quantified and confirmed the significant potential for carbon sequestration in the rye grass, cotton, and their associated roots.
- Announced the U.S. Department of Energy (“DOE”) and the National Alliance for Water Innovation (“NAWI”) selected Aris’s pilot project focused on the treatment of complex water to receive a federal funding grant.

“2022 represented another strong year for Aris as we continued our volume driven growth alongside our large, long-term contracted customers in the core of their premier Delaware Basin acreage. Despite weather related delays and continued inflationary pressure during the fourth quarter, we meaningfully increased our Produced Water Handling volumes and expanded our Adjusted Operating Margins versus the third quarter,” stated Amanda Brock, Chief Executive Officer of Aris. “Our business has grown more than 20% annually supported by our customers’ sustained upstream investments, and their accelerated adoption of our proven, sustainable reuse solutions. While cost headwinds attributable to inflationary pressures, supply chain constraints, and our rapid pace of growth impacted margins in 2022, we are focused on continuing to drive costs down to maintain our positive margin momentum coming out of the fourth quarter. As our customers increase their demand for secure takeaway on our system, we are also making prudent investments to grow our infrastructure network and volumes while realizing identified efficiencies across our system over the course of 2023.

As we look forward this year, we are accelerating our work on piloting and developing proprietary technologies to support water sustainability in the Permian Basin. We continue to lead collaborative industry efforts to identify produced water treatment solutions for use not only within the oil and gas industry but also in other verticals. We are particularly excited about the progress we have made in using treated produced water for non-consumptive agriculture.”

OPERATIONS UPDATE

For the fourth quarter of 2022, the Company handled 1.31 million barrels of water per day of total volumes, up approximately 20% from 1.09 million barrels of water per day for the fourth quarter of 2021. Recycled Produced Water volumes were 283 thousand barrels of water per day for the fourth quarter of 2022, up approximately 53% from 185 thousand barrels of water per day for the fourth quarter of 2021.

For the year of 2022, the Company handled 1.28 million barrels of water per day of total volumes, up approximately 36% from 947 thousand barrels of water per day for the year of 2021. Recycled Produced Water volumes were 300 thousand barrels per day for the year of 2022, up approximately 144% from 123 thousand barrels per day in 2021. The Company’s volume growth was primarily driven by increased production activity from its long-term contracted customers, the addition of new long-term contracted customers, and continued expansion and adoption of our Recycled Produced Water solutions.

FINANCIAL UPDATE

Net income was \$5.4 million for the fourth quarter of 2022 versus net income of \$6.4 million in the fourth quarter of 2021. Adjusted Net Income¹ was \$9.0 million for the fourth quarter of 2022 versus \$12.0 million for the fourth quarter of 2021.

Net income was \$4.8 million for the year of 2022, versus a net loss of \$7.0 million for the year of 2021. Adjusted Net Income¹ was \$44.1 million for the year of 2022 versus \$26.2 million for the year of 2021.

Adjusted EBITDA¹ was \$36.1 million for the fourth quarter of 2022 versus \$35.7 million in the fourth quarter of 2021, an increase of approximately 1%. Adjusted EBITDA¹ was \$149.0 million for the year of 2022 versus \$120.5 million for the year of 2021, an increase of approximately 24%.

The Company had gross margin per barrel of \$0.22 per barrel for the fourth quarter of 2022 versus \$0.27 per barrel in the fourth quarter of 2021 and \$0.23 per barrel for the third quarter of 2022. The Company had Adjusted Operating Margin per barrel² of \$0.37 per barrel for the fourth quarter of 2022, versus \$0.43 per barrel in the fourth quarter of 2021 and \$0.36 per barrel for the third quarter of 2022. Gross margin per barrel for the year of 2022 was \$0.24 per barrel versus \$0.22 per barrel for the year of 2021. Adjusted Operating Margin per barrel² for the year of 2022 was \$0.39 per barrel versus \$0.41 per barrel for the year of 2021.

While Adjusted Operating Margins improved sequentially in the fourth quarter of 2022, operating margins for the year were negatively impacted by inflationary cost pressures and inefficiencies in water sourcing related to the rapid expansion of reuse operations necessitating increased diesel fuel costs and rental equipment.

Fourth quarter 2022 property, plant, and equipment expenditures totaled \$49.5 million versus \$11.9 million in the fourth quarter of 2021. Full year 2022 property, plant, and equipment expenditures totaled \$146.5 million versus \$74.7 million for the full year of 2021, in line with previously communicated expectations.

STRONG BALANCE SHEET AND LIQUIDITY

As of December 31, 2022, the Company had approximately \$1.1 million in cash and an available revolving credit facility of approximately \$165.0 million for a total available liquidity of approximately \$166.1 million. In the fourth quarter of 2022, the Company utilized its revolving credit facility to fund working capital needs and growth capital investments. As of December 31, 2022, the Company's leverage ratio was 3.0X, the midpoint of our target leverage range of 2.5-3.5X.³

FIRST QUARTER 2023 DIVIDEND

On March 3, 2023, Aris's Board of Directors declared a dividend on its Class A common stock for the first quarter of 2023 of \$0.09 per share. In conjunction with the dividend payment, a distribution of \$0.09 per unit will be paid to unit holders of Solaris Midstream Holdings, LLC. The dividend will be paid on March 29, 2023, to holders of record of the Company's Class A

² Adjusted Operating Margin per Barrel is a non-GAAP financial measure. See the supplementary schedules in this press release for a discussion of how we define and calculate Adjusted Operating Margin per Barrel and a reconciliation thereof to gross margin, the most directly comparable GAAP measure.

³ Defined as net debt as of 12/31/2022 divided by annualized 4Q2022 Adjusted EBITDA. Net debt is calculated as total debt less cash and cash equivalents.

common stock as of the close of business on March 17, 2023. The distribution to unit holders of Solaris Midstream Holdings, LLC will be subject to the same payment and record dates.

FIRST QUARTER AND FULL YEAR 2023 OPERATING AND FINANCIAL OUTLOOK

- For the first quarter of 2023, the Company expects:
 - Produced Water Handling Volumes of between 925 and 935 thousand barrels of water per day
 - Water Solutions Volumes of between 360 and 370 thousand barrels of water per day
 - Adjusted Operating Margins between \$0.36 and \$0.39 per barrel of Total Volumes⁴
 - Adjusted EBITDA between \$33.0 and \$35.0 million⁴
 - Capital Expenditures between \$45.0 and \$55.0 million⁵
- For the full year of 2023, the Company expects:
 - Produced Water Handling Volumes of between 1.01 million and 1.04 million barrels of water per day
 - Water Solutions Volumes of between 375 and 395 thousand barrels of water per day
 - Adjusted Operating Margins between \$0.38 and \$0.41 per barrel of Total Volumes⁴
 - Adjusted EBITDA between \$150.0 and \$170.0 million⁴
 - Capital Expenditures between \$140.0 and \$155.0 million⁵ including:
 - \$110-120 million of growth capital
 - \$16-18 million of system optimization and operating cost reduction capital
 - \$11-13 million of asset integrity and maintenance capital
 - \$3-4 million of non-recurring accounting software implementation, SOX compliance, office space and other expenditures

“In 2023, we are forecasting continued strong year-over-year volume growth of 15% - 20% in our core Produced Water Handling business,” said Amanda Brock. “While the rate of completions on our acreage has moderated, leading to a slightly lower outlook for Water Solutions this year, we are continuing to grow our Produced Water volumes in line with overall basin oil production growth. In order to capture these increasing Produced Water volumes, we will invest in growth capital, although we expect our spending on growth projects to be down versus last year. The balance of our capital spend is designed to drive operating cost improvements and position our Company for sustained growth in 2024 and beyond.”

“We made sequential progress on our margins at the end of 2022 and anticipate margins will continue to improve over the course of 2023 as we connect our newer recycling facilities to line power and drive other cost efficiencies on our system. While we have been a volume-driven growth company since inception, we remain selective as we evaluate new growth opportunities and work towards becoming free cash flow positive,” Ms. Brock concluded.

⁴ Adjusted EBITDA and Adjusted Operating Margins are non-GAAP financial measures. See the supplementary schedules in this press release for a discussion of how we define and calculate Adjusted EBITDA and Adjusted Operating Margins per Barrel.

⁵ Calculated on capital costs incurred during the period, excluding the impact of working capital.

CONFERENCE CALL

Aris will host a conference call to discuss its fourth quarter and full year 2022 results on Tuesday, March 7, 2023, at 8:00 a.m. Central Time (9:00 a.m. Eastern Time).

Participants should call (877) 407-5792 and refer to Aris Water Solutions, Inc. when dialing in. Participants are encouraged to log in to the webcast or dial in to the conference call approximately ten minutes prior to the start time. To listen via live webcast, please visit the Investor Relations section of the Company's website, www.ariswater.com.

An audio replay of the conference call will be available shortly after the conclusion of the call and will remain available for approximately fourteen days. The replay can be accessed by dialing (877) 660-6853 within the United States or (201) 612-7415 outside of the United States. The access code is 13736196.

About Aris Water Solutions, Inc.

Aris Water Solutions, Inc. is a leading, growth-oriented environmental infrastructure and solutions company that directly helps its customers reduce their water and carbon footprints. Aris Water delivers full-cycle water handling and recycling solutions that increase the sustainability of energy company operations. Its integrated pipelines and related infrastructure create long-term value by delivering high-capacity, comprehensive produced water management, recycling and supply solutions to operators in the core areas of the Permian Basin.

Forward-Looking Statements

This press release contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Examples of forward-looking statements include, but are not limited to, those regarding the Company's business strategy, its industry, its future profitability and our projected guidance for 2023, the various risks and uncertainties associated with the extraordinary inflationary environment and impacts resulting from the volatility in global oil markets, expected capital expenditures and the impact of such expenditures on performance, management changes, current and potential future long-term contracts and the Company's future business and financial performance and our ability to identify strategic acquisitions and realize benefits therefrom. In some cases, you can identify forward-looking statements by terminology such as "anticipate," "guidance," "preliminary," "project," "estimate," "outlook," "expect," "continue," "will," "intend," "plan," "targets," "believe," "forecast," "future," "potential," "may," "possible," "should," "could" and variations of such words or similar expressions. Forward-looking statements are based on the Company's current expectations and assumptions regarding its business, the economy and other future conditions. Because forward-looking statements relate to the future, by their nature, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. As a result, the Company's actual results may differ materially from those contemplated by the forward-looking statements, including our projected guidance for 2023. Factors that could cause the Company's actual results to differ materially from the results contemplated by such forward-looking statements include, but are not limited to the risk factors discussed or referenced in its filings made from time to time with the U.S. Securities and Exchange Commission. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof.

Factors or events that could cause the Company's actual results to differ may emerge from time to time, and it is not possible for the Company to predict all of them. The Company undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

Table 1
Aris Water Solutions, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

(in thousands, except for share and per share amounts)

| | Three Months Ended December 31, | | Year Ended December 31, | |
|--|------------------------------------|-----------------|----------------------------|-----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Revenue | | | | |
| Produced Water Handling | \$ 41,061 | \$ 27,118 | \$ 151,360 | \$ 98,486 |
| Produced Water Handling—Affiliates | 24,023 | 24,382 | 93,107 | 86,598 |
| Water Solutions | 13,928 | 13,297 | 60,672 | 25,121 |
| Water Solutions—Affiliates | 3,516 | 2,182 | 15,156 | 19,046 |
| Other Revenue | 342 | — | 706 | — |
| Total Revenue | 82,870 | 66,979 | 321,001 | 229,251 |
| Cost of Revenue | | | | |
| Direct Operating Costs | 38,143 | 24,211 | 139,480 | 90,914 |
| Depreciation, Amortization and Accretion | 17,800 | 15,217 | 67,524 | 60,767 |
| Total Cost of Revenue | 55,943 | 39,428 | 207,004 | 151,681 |
| Operating Costs and Expenses | | | | |
| Abandoned Well Costs | 1,134 | 1,103 | 15,771 | 28,505 |
| General and Administrative | 11,890 | 12,026 | 45,220 | 27,266 |
| Impairment of Long-Lived Assets | — | — | 15,597 | — |
| Research and Development Expense | 161 | — | 691 | — |
| Other Operating Expense | 396 | 67 | 2,212 | 2,657 |
| Total Operating Expenses | 13,581 | 13,196 | 79,491 | 58,428 |
| Operating Income | 13,346 | 14,355 | 34,506 | 19,142 |
| Other Expense | | | | |
| Interest Expense, Net | 7,322 | 7,618 | 29,185 | 25,473 |
| Other | — | — | — | 380 |
| Total Other Expense | 7,322 | 7,618 | 29,185 | 25,853 |
| Income (Loss) Before Income Taxes | 6,024 | 6,737 | 5,321 | (6,711) |
| Income Tax Expense | 605 | 379 | 524 | 298 |
| Net Income (Loss) | 5,419 | 6,358 | 4,797 | (7,009) |
| Equity Accretion and Dividend—Redeemable Preferred Units | — | — | — | 21 |
| Net Income (Loss) Attributable to Stockholders'/Members' Equity | 5,419 | 6,358 | 4,797 | (6,988) |
| Net Income (Loss) Equity Accretion and Dividend Prior to IPO | — | 3,037 | — | (10,309) |
| Net Income (Loss) Attributable to Noncontrolling Interests | 3,590 | 2,209 | 3,097 | 2,209 |
| Net Income (Loss) Attributable to Aris Water Solutions, Inc. | \$ 1,829 | \$ 1,112 | \$ 1,700 | \$ 1,112 |
| Net Income (Loss) Per Share of Class A Common Stock | | | | |
| Basic | \$ 0.06 | \$ 0.05 | \$ 0.04 | \$ 0.05 |
| Diluted | \$ 0.06 | \$ 0.05 | \$ 0.04 | \$ 0.05 |
| Weighted Average Shares of Class A Common Stock Outstanding | | | | |
| Basic | 27,946,505 | 20,888,675 | 24,070,934 | 20,888,675 |
| Diluted | 28,051,871 | 20,888,675 | 24,146,215 | 20,888,675 |

Table 2
Aris Water Solutions, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

(in thousands, except for share and per share amounts)

| | December 31, | |
|--|---------------------|---------------------|
| | 2022 | 2021 |
| Assets | | |
| Cash | \$ 1,122 | \$ 60,055 |
| Accounts Receivable, Net | 81,683 | 41,973 |
| Accounts Receivable from Affiliates | 46,029 | 20,191 |
| Other Receivables | 4,354 | 4,126 |
| Prepays and Deposits | 5,805 | 6,043 |
| Total Current Assets | 138,993 | 132,388 |
| Fixed Assets | | |
| Property, Plant and Equipment | 907,784 | 700,756 |
| Accumulated Depreciation | (88,681) | (67,749) |
| Total Property, Plant and Equipment, Net | 819,103 | 633,007 |
| Intangible Assets, Net | 269,845 | 304,930 |
| Goodwill | 34,585 | 34,585 |
| Deferred Income Tax Assets, Net | 30,424 | 19,933 |
| Right-of-Use Assets | 9,135 | — |
| Other Assets | 1,281 | 1,850 |
| Total Assets | \$ 1,303,366 | \$ 1,126,693 |
| Liabilities and Stockholders' Equity | | |
| Accounts Payable | \$ 22,982 | \$ 7,082 |
| Payables to Affiliates | 3,021 | 1,499 |
| Accrued and Other Current Liabilities | 65,411 | 40,464 |
| Total Current Liabilities | 91,414 | 49,045 |
| Long-Term Debt, Net of Debt Issuance Costs | 428,921 | 392,051 |
| Asset Retirement Obligation | 17,543 | 6,158 |
| Tax Receivable Agreement Liability | 97,980 | 75,564 |
| Other Long-Term Liabilities | 10,421 | 1,336 |
| Total Liabilities | 646,279 | 524,154 |
| Commitments and Contingencies | | |
| Stockholders' Equity | | |
| Preferred Stock \$0.01 par value, 50,000,000 authorized. None issued or outstanding as of December 31, 2022 and December 31, 2021 | — | — |
| Class A Common Stock \$0.01 par value, 600,000,000 authorized, issued and 29,919,217 outstanding as of December 31, 2022; 21,858,022 issued and 21,847,831 outstanding as of December 31, 2021 | 300 | 218 |
| Class B Common Stock \$0.01 par value, 180,000,000 authorized, issued and outstanding as of December 31, 2022; 31,716,104 issued and outstanding as of December 31, 2021 | 276 | 317 |
| Treasury Stock (at Cost), 196,762 shares as of December 31, 2022; shares as of December 31, 2021 | (2,891) | (135) |
| Additional Paid-in-Capital | 319,545 | 212,926 |
| Accumulated Deficit | (7,722) | (457) |
| Total Stockholders' Equity Attributable to Aris Water Solutions, Inc. | 309,508 | 212,869 |
| Noncontrolling Interests | 347,579 | 389,670 |
| Total Stockholders' Equity | 657,087 | 602,539 |
| Total Liabilities and Stockholders' Equity | \$ 1,303,366 | \$ 1,126,693 |

Table 3
Aris Water Solutions, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

| (in thousands) | Three Months Ended | | Year Ended | |
|---|--------------------|------------------|------------------|------------------|
| | December 31, | | December 31, | |
| | 2022 | 2021 | 2022 | 2021 |
| Cash Flow from Operating Activities | | | | |
| Net Income (Loss) | \$ 5,419 | \$ 6,358 | \$ 4,797 | \$ (7,009) |
| Adjustments to reconcile Net Income (Loss) to Net Cash provided by Operating Activities: | | | | |
| Depreciation, Amortization and Accretion | 17,800 | 15,217 | 67,524 | 60,767 |
| Deferred Income Tax Expense | 562 | 379 | 466 | 379 |
| Stock-Based Compensation | 2,900 | 1,586 | 12,034 | 1,586 |
| Impairment of Long-Lived Assets | — | — | 15,597 | — |
| Abandoned Well Costs | 1,134 | 1,103 | 15,771 | 28,505 |
| Loss (Gain) on Disposal of Asset, Net | (3) | 50 | 478 | 275 |
| Abandoned Projects | 6 | 12 | 72 | 2,047 |
| Amortization of Debt Issuance Costs, Net | 580 | 553 | 2,143 | 1,873 |
| Other | 312 | — | 623 | 596 |
| Changes in Operating Assets and Liabilities: | | | | |
| Accounts Receivable | (5,128) | (10,225) | (38,811) | (21,456) |
| Accounts Receivable from Affiliates | (20,257) | 1,393 | (25,838) | (8,653) |
| Other Receivables | 1,301 | 133 | (838) | 364 |
| Prepays, Deposits and Other Current Assets | (3,977) | (4,694) | 238 | (2,178) |
| Accounts Payable | (1,330) | (4,987) | 1,903 | (8,271) |
| Payables to Affiliates | 609 | 330 | 1,522 | (385) |
| Deferred Revenue | — | (93) | 14 | (139) |
| Accrued Liabilities and Other | (6,900) | (5,489) | 12,518 | 10,511 |
| Net Cash Provided by Operating Activities | (6,972) | 1,626 | 70,213 | 58,812 |
| Cash Flow from Investing Activities | | | | |
| Property, Plant and Equipment Expenditures | (49,534) | (11,936) | (146,525) | (74,664) |
| Cash Paid for Asset Acquisitions | (1,747) | — | (5,100) | — |
| Proceeds from the Sale of Property, Plant and Equipment | 7,259 | — | 14,700 | — |
| Net Cash Used in Investing Activities | (44,022) | (11,936) | (136,925) | (74,664) |
| Cash Flow from Financing Activities | | | | |
| Dividends and Distributions Paid | (5,308) | (213,186) | (24,465) | (213,186) |
| Repurchase of Shares | (2,756) | (135) | (2,756) | (135) |
| Proceeds from Credit Facility | 35,000 | — | 35,000 | — |
| Repayment of Credit Facility | — | — | — | (297,000) |
| Proceeds from issuance of Class A Common Stock sold in Initial Public Offering, Net of Underwriting Discounts and Commissions | — | 249,355 | — | 249,355 |
| Payment of Issuance Costs of Class A Common Stock | — | (2,058) | — | (2,913) |
| Proceeds from Senior-Sustainability Linked Notes | — | — | — | 400,000 |
| Payments of Financing Costs Related to Issuance of Senior-Sustainability Linked Notes | — | — | — | (9,352) |
| Redemption of Redeemable Preferred Units | — | — | — | (74,357) |
| Payments of Financing Costs Related to Credit Facility | — | — | — | (1,442) |
| Members' Contributions | — | — | — | 5 |
| Net Cash Provided by Financing Activities | 26,936 | 33,976 | 7,779 | 50,975 |
| Net (Decrease) Increase in Cash | (24,058) | 23,666 | (58,933) | 35,123 |
| Cash, Beginning of Period | 25,180 | 36,389 | 60,055 | 24,932 |
| Cash, End of Period | \$ 1,122 | \$ 60,055 | \$ 1,122 | \$ 60,055 |

Use of Non-GAAP Financial Information

The Company uses financial measures that are not calculated in accordance with U.S. generally accepted accounting principles ("GAAP"), including Adjusted EBITDA, Adjusted Operating Margin, Adjusted Operating Margin per Barrel, and Adjusted Net Income. Although these Non-GAAP financial measures are important factors in assessing the Company's operating results and cash flows, they should not be considered in isolation or as a substitute for net income or gross margin or any other measures prepared under GAAP.

The Company calculates Adjusted EBITDA as net income (loss) plus: interest expense; income taxes; depreciation, amortization and accretion expense; abandoned well costs; asset impairments and abandoned project charges; losses on the sale and/or exchange of assets; transaction costs; loss on debt modification; stock-based compensation expense; research and development expense; and non-recurring or unusual expenses or charges (including temporary power costs), less any gains on sale and/or exchange of assets.

The Company calculates Adjusted Operating Margin as Gross Margin plus depreciation, amortization and accretion and temporary power costs. The Company defines Adjusted Operating Margin per Barrel as Adjusted Operating Margin divided by total volumes.

The Company calculates Adjusted Net Income as Net Income (Loss) Attributable to Stockholders'/Members' Equity plus the after-tax impacts of stock-based compensation and plus or minus the after-tax impacts of certain items affecting comparability, which are typically noncash and/or nonrecurring items. The Company calculated Diluted Adjusted Net Income Per Share as (i) Adjusted Net Income (Loss) Attributable to Stockholder's Equity plus the after-tax impacts of stock-based compensation and plus or minus the after-tax impacts of certain items affecting comparability, which are typically noncash and/or nonrecurring items, divided by (ii) the diluted weighted-average shares of Class A common stock outstanding, assuming the full exchange of all outstanding LLC interests, adjusted for the dilutive effect of outstanding equity-based awards.

For the quarter ended December 31, 2022, the Company calculates its leverage ratio as net debt as of December 31, 2022, divided by annualized 4Q 2022 Adjusted EBITDA. Net debt is calculated as the principal amount of total debt outstanding as of December 31, 2022, less cash and cash equivalents as of December 31, 2022.

The Company believes these presentations are used by investors and professional research analysts for the valuation, comparison, rating, and investment recommendations of companies within its industry. Similarly, the Company's management uses this information for comparative purposes as well. Adjusted EBITDA, Adjusted Operating Margin, Adjusted Operating Margin per Barrel, and Adjusted Net Income are not measures of financial performance under GAAP and should not be considered as measures of liquidity or as alternatives to net income (loss) or gross margin. Additionally, these presentations as defined by the Company may not be comparable to similarly titled measures used by other companies and should be considered in conjunction with net income (loss) and other measures prepared in accordance with GAAP, such as gross margin, operating income, net income or cash flows from operating activities.

Although we provide forecasts for the non-GAAP measures Adjusted EBITDA and Adjusted Operating Margin per Barrel, we are not able to forecast their most directly comparable measures (net income and gross margin) calculated and presented in accordance with GAAP without unreasonable effort. Certain elements of the composition of forward-looking non-GAAP metrics are not predictable, making it

impractical for us to forecast. Such elements include but are not limited to non-recurring gains or losses, unusual or non-recurring items, income tax benefit or expense, or one-time transaction costs and cost of revenue, which could have a significant impact on the GAAP measures. The variability of the excluded items may have a significant, and potentially unpredictable, impact on our future GAAP results. As a result, no reconciliation of forecasted non-GAAP measures is provided.

Table 4
Aris Water Solutions, Inc.
Operating Metrics
(Unaudited)

| | Three Months Ended | | Year Ended | | |
|--|--------------------|---------------|--------------|--------------|------------|
| | December 31, | September 30, | December 31, | December 31, | |
| | 2022 | 2021 | 2022 | 2022 | 2021 |
| <i>(thousands of barrels of water per day)</i> | | | | | |
| Produced Water Handling Volumes | 940 | 750 | 905 | 873 | 707 |
| Water Solutions Volumes | | | | | |
| Recycled Produced Water Volumes Sold | 283 | 185 | 345 | 300 | 123 |
| Groundwater Volumes Sold | 82 | 107 | 166 | 105 | 73 |
| Groundwater Volumes Transferred ⁽¹⁾ | — | 50 | — | 6 | 44 |
| Total Water Solutions Volumes | 365 | 342 | 511 | 411 | 240 |
| Total Volumes | 1,305 | 1,092 | 1,416 | 1,284 | 947 |
| Per Barrel Operating Metrics ⁽²⁾ | | | | | |
| Produced Water Handling Revenue/Barrel | \$ 0.75 | \$ 0.75 | \$ 0.77 | \$ 0.77 | \$ 0.72 |
| Water Solutions Revenue/Barrel | \$ 0.52 | \$ 0.49 | \$ 0.55 | \$ 0.51 | \$ 0.50 |
| Revenue/Barrel of Total Volumes | \$ 0.69 | \$ 0.67 | \$ 0.69 | \$ 0.68 | \$ 0.66 |
| Direct Operating Costs/Barrel | \$ 0.32 | \$ 0.24 | \$ 0.34 | \$ 0.30 | \$ 0.26 |
| Gross Margin/Barrel | \$ 0.22 | \$ 0.27 | \$ 0.23 | \$ 0.24 | \$ 0.22 |
| Adjusted Operating Margin/Barrel | \$ 0.37 | \$ 0.43 | \$ 0.36 | \$ 0.39 | \$ 0.41 |

⁽¹⁾ The Groundwater Transfer assets were sold in Q1 2022.

⁽²⁾ Per barrel operating metrics are calculated independently. Therefore, the sum of individual amounts may not equal the total presented.

Table 5
Aris Water Solutions, Inc.
Reconciliation of Net Income (Loss) to Non-GAAP Adjusted EBITDA
(Unaudited)

| <i>(in thousands)</i> | Three Months Ended December 31, | | Year Ended December 31, | |
|--|------------------------------------|-----------|----------------------------|------------|
| | 2022 | 2021 | 2022 | 2021 |
| Net Income (Loss) | \$ 5,419 | \$ 6,358 | \$ 4,797 | \$ (7,009) |
| Interest Expense, Net | 7,322 | 7,618 | 29,185 | 25,473 |
| Income Tax Expense | 605 | 379 | 524 | 298 |
| Depreciation, Amortization and Accretion | 17,800 | 15,217 | 67,524 | 60,767 |
| Abandoned Well Costs | 1,134 | 1,103 | 15,771 | 28,505 |
| Impairment of Long-Lived Assets | — | — | 15,597 | — |
| Stock-Based Compensation | 2,900 | 1,586 | 12,034 | 1,586 |
| Abandoned Projects | 6 | 12 | 72 | 2,047 |
| (Gain) Loss on Disposal of Asset, Net | (3) | 50 | 478 | 275 |
| Transaction Costs | 251 | 5 | 1,520 | 335 |
| Research and Development Expense | 161 | — | 691 | — |
| Temporary Power Costs | — | — | — | 4,253 |
| Loss on Debt Modification | — | — | — | 380 |
| IPO Transaction Bonus | — | 3,367 | — | 3,367 |
| Severance and Other | 483 | — | 808 | 221 |
| Adjusted EBITDA | \$ 36,078 | \$ 35,695 | \$ 149,001 | \$ 120,498 |

Table 6
Aris Water Solutions, Inc.
Reconciliation of Gross Margin to Adjusted Operating Margin and
Adjusted Operating Margin per Barrel
(Unaudited)

| <i>(in thousands)</i> | Three Months Ended December 31, | | Year Ended December 31, | |
|--|------------------------------------|-----------|----------------------------|------------|
| | 2022 | 2021 | 2022 | 2021 |
| Total Revenue | \$ 82,870 | \$ 66,979 | \$ 321,001 | \$ 229,251 |
| Cost of Revenue | (55,943) | (39,428) | (207,004) | (151,681) |
| Gross Margin | 26,927 | 27,551 | 113,997 | 77,570 |
| Depreciation, Amortization and Accretion | 17,800 | 15,217 | 67,524 | 60,767 |
| Temporary Power Costs | — | — | — | 4,253 |
| Adjusted Operating Margin | \$ 44,727 | \$ 42,768 | \$ 181,521 | \$ 142,590 |
| Total Volumes (<i>Thousands of BBLs</i>) | 120,086 | 100,528 | 468,401 | 345,576 |
| Adjusted Operating Margin/BBL | \$ 0.37 | \$ 0.43 | \$ 0.39 | \$ 0.41 |

Table 7
Aris Water Solutions, Inc.
Reconciliation of Net Income (Loss) to Non-GAAP Adjusted Net Income
(Unaudited)

| <i>(in thousands)</i> | Three Months Ended December 31, | | Year Ended December 31, | |
|--|------------------------------------|-----------|----------------------------|------------|
| | 2022 | 2021 | 2022 | 2021 |
| Net Income (Loss) | \$ 5,419 | \$ 6,358 | \$ 4,797 | \$ (7,009) |
| Adjusted items: | | | | |
| Impairment of Long-Lived Assets | — | — | 15,597 | — |
| Abandoned Well Costs | 1,134 | 1,103 | 15,771 | 28,505 |
| (Gain) Loss on Disposal of Asset, Net | (3) | 50 | 478 | 275 |
| Stock-Based Compensation | 2,900 | 1,586 | 12,034 | 1,586 |
| IPO Bonus | — | 3,367 | — | 3,367 |
| Tax Effect of Adjusting Items ⁽¹⁾ | (420) | (488) | (4,577) | (488) |
| Adjusted Net Income | \$ 9,030 | \$ 11,976 | \$ 44,100 | \$ 26,236 |

(1) Estimated tax effect of adjusted items allocated to Aris based on statutory rates

Table 8
Aris Water Solutions, Inc.
Reconciliation of Diluted Net Income (Loss) Per Share to Non-GAAP Diluted Adjusted Net Income Per Share
(Unaudited)

| | Three Months Ended December 31, 2022 | Year Ended December 31, 2022 |
|---|--|------------------------------------|
| Diluted Net Income (Loss) Per Share of Class A Common Stock | \$ 0.06 | \$ 0.04 |
| Adjusted items: | | |
| Reallocation of Net Income (Loss) Attributable to Noncontrolling Interests From the Assumed Exchange of LLC Interests | 0.03 | 0.01 |
| Impairment of Long-Lived Assets | - | 0.28 |
| Abandoned Well Costs | 0.02 | 0.29 |
| (Gain) Loss on Disposal of Asset, Net | - | 0.01 |
| Stock-Based Compensation | 0.05 | 0.22 |
| Tax Effect of Adjusting Items (1) | (0.01) | (0.08) |
| Diluted Adjusted Net Income Per Share | \$ 0.15 | \$ 0.77 |

(1) Estimated tax effect of adjusted items allocated to Aris based on statutory rates

| | | |
|---|-------------------|-------------------|
| Diluted Weighted Average Shares of Class A Common Stock Outstanding | 28,051,871 | 24,146,215 |
| Adjusted Items: | | |
| Assumed Redemption of LLC Interests | 29,271,745 | 30,929,045 |
| Dilutive Performance-Based Stock Units (2) | - | - |
| Diluted Adjusted Fully Weighted Average Shares of Class A Common Stock Outstanding | 57,323,616 | 55,075,260 |

(2) Dilutive impact of Performance-Based Stock Units already included for the three-months and year ended December 31, 2022

Table 9
Aris Water Solutions, Inc.
Computation of Leverage Ratio
(Unaudited)

| <i>(in thousands)</i> | As of December 31, 2022 |
|--|--|
| Principal Amount of Debt at December 31, 2022 | \$ 435,000 |
| Less: Cash at December 31, 2022 | (1,122) |
| Net Debt | \$ 433,878 |
| Adjusted EBITDA for the Three Months Ended December 31, 2022 | \$ 36,078 |
| x 4 Quarters | x 4 |
| Annualized Adjusted EBITDA | \$ 144,312 |
| Net Debt | \$ 433,878 |
| + Annualized Adjusted EBITDA | \$ 144,312 |
| Leverage Ratio | 3.01 |