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FLOTEK ANNOUNCES FOURTH QUARTER AND FULL-YEAR 2019 RESULTS

-- Entered 2020 with Substantial Financial Flexibility, Including $101 Million in Cash and No Debt --

HOUSTON, March 5, 2020 – Flotek Industries, Inc. ("Flotek" or the "Company") (NYSE: FTK) today announced results for the three months and full year ended December 31, 2019. As the results of the Company's Consumer and Industrial Chemistry Technologies ("CICT") segment are presented as discontinued operations for all periods, the financial discussion and comparisons substantially relate to Flotek's continuing operations, or its Energy Chemistry Technologies ("ECT") segment.

Fourth Quarter and Full-Year 2019 Highlights

- Generated fourth quarter 2019 revenue of $19.5 million, a loss from continuing operations of $37.1 million and an adjusted earnings before interest, taxes, depreciation and amortization ("adjusted EBITDA") loss of $8.9 million, compared to revenue of $21.9 million, a loss from continuing operations of $11.2 million and an adjusted EBITDA loss of $8.1 million for the third quarter of 2019. In the fourth quarter, adjusted EBITDA was $0.8 million less than the third quarter primarily due to lower revenue and a change in product mix.
- The $37.1 million loss for the three months ended December 31, 2019 included a non-recurring $15.8 million loss on purchase commitments associated with the Company's terpene supply agreement with Florida Chemical Company, LLC ("FCC") entered into in February 2019, and the recording of an additional $4.4 million reserve related specifically to the Company's terpene inventory balance as of December 31, 2019.
- Corporate general and administrative expense for the fourth quarter of 2019 was $9.0 million compared to $5.7 million for the third quarter. Included in the fourth quarter was $3.7 million of severance.
- For the full-year 2019, Flotek generated revenue of $119.4 million, a loss from continuing operations of $76.7 million and an adjusted EBITDA loss of $34.8 million, compared to revenue of $177.8 million, a loss from continuing operations of $73.4 million and an adjusted EBITDA loss of $15.5 million for the full-year 2018.
- For the full-year 2019, the Company's cost-cutting and process improvement initiatives reduced annualized expenses by approximately $30 million across the enterprise.

Adjusted EBITDA is a Non-GAAP financial measure and is described and reconciled to the closest GAAP measure in the attached tables at the end of this release.

First Quarter 2020 Highlights to Date

- Flotek remains solidly committed to securing additional sustainable cost reductions. This includes negotiating an amendment to Flotek's terpene supply agreement with FCC, which was ultimately executed on February 26, 2020 and includes the following key provisions:
    - A reduction in the minimum quantity of terpene Flotek is required to purchase from FCC by approximately 3/4$^{\text{ths}}$ in 2020 and by approximately half in each of 2021, 2022 and 2023;
    - A fixed per pound price for terpene in 2020;
    - A reduction in the maximum amount of terpene subject to the supply agreement by approximately 1/3$^{\text{rd}}$; and
    - Change in payment terms to net 45 days.

  To make the amended terms and conditions effective, Flotek made a one-time payment of $15.8 million to FCC. The agreed price and volume reduction for the purchase of terpene in the amended contract for 2020 alone should substantially offset the one-time $15.8 million cash payment made to FCC. In years 2021, 2022 and 2023, the negotiated volume reduction of approximately 50% in each year is expected to reduce the Company's cash commitments proportionately. The amended agreement places Flotek in a more advantageous position to address new markets and to improve margins on current product lines.

- Added John W. Gibson, Jr. as Chairman, President and Chief Executive Officer. Mr. Gibson has served in leadership roles in energy technology, upstream, oilfield services and environmental services.
- Added Nick Bigney as Senior Vice President, General Counsel and Corporate Secretary. Mr. Bigney is responsible for leading Flotek's legal team to promote more effective risk mitigation, as well as reduce legal costs.
- Promoted Ryan Ezell to Senior Vice President, Operations. Prior to joining Flotek in August 2019, Mr. Ezell was a global leader for more than 12 years at Halliburton Inc., where he served in increasing roles of responsibility in the Drilling and Evaluation Division.
- Instead of a formal Strategic Capital Committee, the Company will continue to evaluate alternatives with the Board of Directors for the optimal allocation of its cash balance.

Fourth Quarter 2019 Financial Results

For the three months ended December 31, 2019, Flotek reported revenue of $19.5 million versus $21.9 million for the third quarter and $43.4 million for the same period in 2018.

Flotek reported a loss from continuing operations for the three months ended December 31, 2019 of $37.1 million, or $0.64 loss per diluted share, compared to a loss of $11.2 million, or $0.19 loss per diluted share, for the third quarter. As previously discussed, the $37.1 million loss for the three months ended December 31, 2019 included a non-recurring $15.8 million loss on purchase commitments associated with the Company's terpene supply agreement with FCC entered into in February 2019, and the recording of an additional $4.4 million reserve related specifically to the Company's terpene inventory balance as of December 31, 2019. For the the three months ended December 31, 2018, the Company reported income from continuing operations of $9.9 million, or $0.17 per diluted share. Results for the three months ended December 31, 2018, included a $22.7 million tax benefit primarily associated with the reversal of a valuation allowance against Flotek's deferred tax assets due to the anticipated sale of FCC.

Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") for the three months ended December 31, 2019 was a loss of $34.6 million compared to a loss of $9.9 million for the third quarter, and a loss of $9.6 million for the same period in 2018. (See the Reconciliation of Non-GAAP Items and Non-Cash Items Impacting Earnings at the conclusion of this release.)

Adjusted EBITDA for the three months ended December 31, 2019 was a loss of $8.9 million versus a loss of $8.1 million for the third quarter and a loss of $6.0 million for the same period in 2018. Management believes that adjusted EBITDA provides useful information to investors to better assess and understand operating performance and cash flows. (See the Reconciliation of Non-GAAP Items and Non-Cash Items Impacting Earnings at the conclusion of this release.)

Balance Sheet and Liquidity

As of December 31, 2019, the Company had cash and equivalents of $100.6 million, no outstanding debt and $9.9 million in escrowed funds on the balance sheet, reflecting Flotek's estimate of its claim to the remaining balance of the indemnity escrow related to the sale of FCC to Archer-Daniels-Midland ("ADM"). In February 2020, the Company paid $15.8 million to FCC in exchange for the amended terpene supply agreement discussed above. Also in February 2020, the third party mutually engaged by ADM and Flotek to resolve their transaction post-closing working capital dispute awarded the $4.1 million disputed amount in favor of ADM.

Outlook

Mr. Gibson commented, "During my first two months on the job, I have devoted significant time to driving further sustainable cost reductions in the business. Flotek's leadership team and I remain focused on accelerating all cost savings that will benefit the Company. In addition to amending our terpene agreement, we have also identified additional opportunities to further reduce our cost structure. As an example, we are currently working to execute a plan to consolidate office space without impacting our market presence.

"I have also focused much of my attention on evaluating our sales efforts and how we can more effectively engage with current and prospective clients. While there is consensus that there will be further softening in the U.S. onshore oil and gas market in 2020, we believe an increase in the adoption of specialty chemicals could more than offset the decrease in drilling and completions activity. Our key sales focus is growing market share by improving returns for our current customers, rebuilding relationships with past customers and identifying new customers that could benefit from our chemistry solutions. Additionally, we are catalyzing focus on total cost of recovery per BOE, rather than initial cost, as well as strengthening the publicly available evidence for the efficacy of using advanced CnF® products to materially impact oil and gas recovery and profitability for operators."

Conference Call Details

Flotek will host a conference call on Friday, March 6, 2020, at 9:00 AM CT (10:00 AM ET) to discuss its operating results for the three months and full year ended December 31, 2019. To participate in the call, participants should dial 844-835-9986 approximately five minutes prior to the start of the call. The call can also be accessed from Flotek's website at www.flotekind.com.

About Flotek Industries, Inc.

Flotek develops and delivers reservoir-centric chemistry technologies to oil and gas clients designed to address every challenge in the lifecycle of the reservoir and maximize recovery in both new and mature fields. Flotek's chemists draw from the power of bio-derived solvents to deliver solutions that enhance energy production. Flotek serves major and independent energy producers and oilfield service companies, both domestic and international. Flotek Industries, Inc. is a publicly traded company headquartered in Houston, Texas, and its common shares are traded on the New York Stock Exchange under the ticker symbol "FTK." For additional information, please visit Flotek's website at www.flotekind.com.

Forward-Looking Statements

Certain statements set forth in this Press Release constitute forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934) regarding Flotek Industries, Inc.'s business, financial condition, results of operations and prospects. Words such as expects, anticipates, intends, plans, believes, seeks, estimates and similar expressions or variations of such words are intended to identify forward-looking statements, but are not the exclusive means of identifying forward-looking statements in this Press Release.

Although forward-looking statements in this Press Release reflect the good faith judgment of management, such statements can only be based on facts and factors currently known to management. Consequently, forward-looking statements are inherently subject to risks and uncertainties, and actual results and outcomes may differ materially from the results and outcomes discussed in the forward-looking statements. For a complete list of risk-factors that could cause or contribute to such differences in results and outcomes, please see the section titled "Risk Factors" in our most recent Form 10-K.

Further information about the risks and uncertainties that may impact the Company are set forth in the Company's most recent filings on Form 10-K (including without limitation in the "Risk Factors" Section), and in the Company's other SEC filings and publicly available documents. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this Press Release. The

Company undertakes no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this Press Release.

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Flotek Industries, Inc.
Unaudited Condensed Consolidated Balance Sheets
(in thousands, except share data)

	December 31, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 100,575	$ 3,044
Restricted cash	663	—
Accounts receivable, net of allowance for doubtful accounts of $1,527 and $1,190 at December 31, 2019 and December 31, 2018, respectively	15,638	37,047
Inventories, net	21,697	27,289
Income taxes receivable	631	3,161
Assets held for sale	—	118,470
Other current assets	13,191	5,771
Total current assets	152,395	194,782
Property and equipment, net	39,829	45,485
Operating lease right-of-use assets	16,388	—
Deferred tax assets, net	152	18,663
Other intangible assets, net	23,083	26,827
Other long-term assets	—	126
TOTAL ASSETS	$ 231,847	$ 285,883
LIABILITIES AND STOCKHOLDERS' & EQUITY		
Current liabilities:		
Accounts payable	$ 16,231	$ 15,011
Accrued liabilities	24,552	10,335
Interest payable	—	8
Liabilities held for sale	—	9,174
Current portion of lease liabilities	541	—
Long-term debt, classified as current	—	49,731
Total current liabilities	41,324	84,259
Long-term operating lease liabilities	16,973	—
Long-term finance lease liabilities	158	—
Deferred tax liabilities, net	116	—
Total liabilities	58,571	84,259
Commitments and contingencies		
Stockholders' Equity:		
Preferred stock, $0.0001 par value, 100,000 shares authorized; no shares issued and outstanding	—	—
Common stock, $0.0001 par value, 80,000,000 shares authorized; 57,882,396 shares issued and 58,941,416 shares outstanding at December 31, 2019 shares issued and 57,342,279 shares outstanding at December 31, 2018	6	6
Additional paid-in capital	347,564	343,536
Accumulated other comprehensive loss	(966)	(1,116)
Retained earnings (accumulated deficit)	(139,844)	(107,565)
Treasury stock, at cost 4,145,481 and 3,770,224 shares at December 31, 2019 and December 31, 2018, respectively	(33,484)	(33,237)
Total stockholders' equity	173,276	201,624
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 231,847	$ 285,883

Flotek Industries, Inc.
Unaudited Condensed Consolidated Statements of Operations
(in thousands, except per share data)

	Three Months Ended			Twelve Months Ended	
	12/31/2019	12/31/2018	9/30/2019	12/31/2019	12/31/2018
Revenue	$ 19,526	$ 43,449	$ 21,879	$ 119,353	$ 177,773
Costs and expenses:					
Operating expenses (excluding depreciation and amortization)	42,631	41,963	23,689	149,225	159,808
Corporate general and administrative	8,955	6,833	5,685	27,975	31,467
Depreciation and amortization	2,028	2,282	2,058	8,465	9,216
Research and development	2,205	2,302	2,297	8,863	10,356
(Gain)loss on disposal of long-lived assets	354	(563)	3	1,450	(443)
Impairment of goodwill	—	—	—	—	37,180
Total costs and expenses	56,173	52,817	33,732	195,978	247,584
Loss from operations	(36,647)	(9,368)	(11,853)	(76,625)	(69,811)
Other (expense) income:					
Interest expense	(4)	(964)	(1)	(2,019)	(2,866)
Loss on sale of business	—	—	—	—	(360)
Loss on write-down of assets held for sale	—	—	—	—	(2,580)
Other income (expense), net	469	(2,441)	436	1,708	(5,040)
Total other income (expense)	465	(3,405)	435	(311)	(10,846)
Loss before income taxes	(36,182)	(12,773)	(11,418)	(76,936)	(80,657)
Income tax benefit (expense)	(956)	22,715	191	201	7,216
(Loss) income from continuing operations	(37,138)	9,942	(11,227)	(76,735)	(73,441)
Income (loss) from discontinued operations, net of tax	(2,425)	(1,385)	117	44,456	2,743
Net (loss) income	(39,563)	8,557	(11,110)	(32,279)	(70,698)
Net loss attributable to noncontrolling interests	-	1	—	—	358
Net (loss) income attributable to Flotek Industries, Inc. (Flotek)	$ (39,563)	$ 8,558	$ (11,110)	$ (32,279)	$ (70,340)
Amounts attributable to Flotek shareholders:					
Loss from continuing operations	$ (37,138)	$ 9,943	$ (11,227)	$ (76,735)	$ (73,083)
Income (loss) from discontinued operations, net of tax	(2,425)	(1,385)	117	44,456	2,743
Net income (loss) attributable to Flotek	$ (39,563)	$ 8,558	$ (11,110)	$ (32,279)	$ (70,340)
Basic earnings (loss) per common share:					
Continuing operations	$ (0.64)	$ 0.17	$ (0.19)	$ (1.31)	$ (1.26)
Discontinued operations, net of tax	(0.04)	(0.02)	-	0.76	0.05
Basic earnings (loss) per common share	$ (0.68)	$ 0.15	$ (0.19)	$ (0.55)	$ (1.21)
Diluted earnings (loss) per common share:					
Continuing operations	$ (0.64)	$ 0.17	$ (0.19)	$ (1.31)	$ (1.26)
Discontinued operations, net of tax	(0.04)	(0.02)	-	0.76	0.05
Diluted earnings (loss) per common share	$ (0.68)	$ 0.15	$ (0.19)	$ (0.55)	$ (1.21)
Weighted average common shares:					
Weighted average common shares used in computing basic earnings (loss) per common share	58,403	58,517	59,004	58,750	57,995
Weighted average common shares used in computing diluted earnings (loss) per common share	58,403	58,517	59,004	58,750	57,995

Flotek Industries, Inc.
Unaudited Condensed Consolidated Statements of Cash Flows
(in thousands, except per share data)

	Years ended December 31, 2019	2018
Cash flows from operating activities:		
Net loss attributable to Flotek Industries, Inc. (Flotek)	$ (32,279)	$ (70,340)
Income (loss) from discontinued operations, net of tax	44,456	2,743
Loss from continuing operations	(76,735)	(73,083)
Adjustments to reconcile loss from continuing operations to net cash (used in) provided by operating activities:		
Depreciation and amortization	8,465	9,216
Amortization of deferred financing costs	1,428	400
Provision for doubtful accounts	512	839
Provision for excess and obsolete inventory	5,659	2,418
Loss on sale of business	—	360
Loss on write-down of assets held for sale	—	2,580
Gain (loss) on sale of assets	1,450	(443)
Impairment of goodwill	—	37,180
Stock compensation expense	4,235	7,050
Deferred income taxes	18,307	(5,950)
Reduction in tax benefit related to share-awards	24	709
Non-cash lease expense	740	—
Changes in current assets and liabilities:		
Accounts receivable, net	20,993	(2,606)
Inventories	(65)	2,597
Income taxes receivable	2,546	(1,116)
Other current assets	(8,359)	3,177
Accounts payable	1,131	4,631
Accrued liabilities	908	(8,740)
Interest payable	(8)	(35)
Net cash used in by operating activities	(18,769)	(20,816)
Cash flows from investing activities:		
Capital expenditures	(2,411)	(3,559)
Proceeds from sale of business	169,722	1,665
Proceeds from sale of assets	240	1,387
Purchase of patents and other intangible assets	(614)	(1,602)
Net cash provided by (used in) investing activities	166,937	(2,109)
Cash flows from financing activities:		
Borrowings on revolving credit facility	42,984	277,599
Repayments on revolving credit facility	(92,715)	(255,818)
Debt issuance costs	—	(111)
Payments for finance leases	(51)	—
Purchase of treasury stock	(247)	(173)
Proceeds from sale of common stock	35	341
Loss from noncontrolling interest	—	(358)
Net cash (used in) provided by financing activities	(49,994)	21,480
Discontinued operations:		
Net cash (used in) provided by operating activities	(322)	1,296
Net cash provided by (used in) investing activities	337	(1,303)
Net cash flows provided by (used in) discontinued operations	15	(7)
Effect of changes in exchange rates on cash and cash equivalents	5	(88)
Net change in cash, cash equivalents and restricted cash	98,194	(1,540)
Cash, cash equivalents and restricted cash at beginning of year	3,044	4,584
Cash, cash equivalents and restricted cash at end of year	$ 101,238	$ 3,044

Flotek Industries, Inc.
Unaudited Reconciliation of Non-GAAP Items and Non-Cash Items Impacting Earnings
(in thousands)

GAAP Loss from Continuing Operations and Reconciliation to Adjusted EBITDA (Non-GAAP)

	Three Months Ended			Twelve Months Ended	
	12/31/2019	12/31/2018	9/30/2019	12/31/2019	12/31/2018
Income (Loss) from Continuing Operations (GAAP)	$ (37,138)	$ 9,943	$ (11,227)	$ (76,735)	$ (73,083)
Interest Expense	4	964	1	2,019	2,866
Interest Income	(405)	(45)	(571)	(1,888)	(332)
Income Tax (Benefit) Expense	956	(22,715)	(191)	(201)	(7,216)
Depreciation and Amortization	2,028	2,282	2,058	8,465	9,216
EBITDA (Non-GAAP)	$ (34,555)	$ (9,571)	$ (9,930)	$ (68,340)	$ (68,549)
Stock Compensation Expense	1,409	480	1,160	4,235	7,050
Severance and Retirement	3,753	1,712	658	6,503	1,712
Shareholder-Related Activities	-	-	4	646	-
Operations Related Contract Termination	-	-	-	500	-
Inventory Write-down	4,438	-	-	4,438	1,000
Impairment of Goodwill	-	-	-	-	37,180
Loss on Write-down of Assets Held for Sale	-	-	-	-	2,580
Loss (Gain) on Disposal of Assets	355	(563)	3	1,450	(443)
Loss on Sale of Business	-	-	-	-	360
Discontinuation of Corporate Projects	-	1,945	-	-	3,165
Expenses Relating to Closing of Business Venture	-	-	-	-	436
Supply Chain Contract Renegotiation	15,750	-	-	15,750	-
Adjusted EBITDA (Non-GAAP)	$ (8,850)	$ (5,997)	$ (8,105)	$ (34,818)	$ (15,509)

* Management believes that adjusted EBITDA for the three and twelve months ended December 31, 2019 and December 31, 2018, and the three months ended September 30, 2019, is useful to investors to assess and understand operating performance, especially when comparing those results with previous and subsequent periods. Management views the expenses noted above to be outside of the Company's normal operating results. Management analyzes operating results without the impact of the above items as an indicator of performance, to identify underlying trends in the business and cash flow from continuing operations, and to establish operational goals.

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