

Operator

Good morning and welcome to the Keane Group's conference call regarding the acquisition of RockPile Energy Services. As a reminder, today's call is being recorded. At this time, all participants are in a listen-only mode. A brief question and answer session will follow the formal presentation. For opening remarks and introductions, I would like to turn the call over to Kevin McDonald, Executive Vice President and General Counsel of Keane Group.

Kevin McDonald (Executive Vice President and General Counsel)

Thank you. Good morning everyone, and thank you for joining us today. With me today are James Stewart, Chairman and Chief Executive Officer of Keane, and Greg Powell, President and Chief Financial Officer.

Before we provide our prepared remarks, I would like to remind all participants that our comments today will include forward-looking statements, as defined in the Private Securities Litigation Reform Act of 1995 that are not limited to historical facts, but reflect Keane's current beliefs, expectations or intentions regarding future events, including statements about the proposed acquisition by Keane of RockPile. Additional information concerning factors that could cause actual results to differ materially from those is the forward-looking statements is contained from time to time in Keane's SEC filings, including the most recently filed forms 10-Q, 10-K, and the Form 8-K filed in connection with the proposed acquisition. Any forward-looking statements we make today are only as of today's date, and we undertake no obligation to publicly update or review any forward-looking statements. Additionally, we may refer to non-GAAP measures, including EBITDA, adjusted EBITDA, and adjusted gross profit, during the call. Please refer to our public filings and disclosures for definitions of our non-GAAP measures

and the reconciliation of these measures to the directly comparable GAAP measures.

We would also point you to the investor presentation we've posted on our website for additional details on the transaction.

With that, I would now like to turn the call over to James.

James Stewart (Chairman and Chief Executive Officer)

Thank you.

Good morning and welcome to Keane's conference call to discuss the transaction with RockPile Energy Services. We are pleased you are able to join us today and very excited to announce this transaction, another key milestone in our disciplined growth strategy.

Keane has earned its reputation as a leading well completions provider by focusing on efficiency, service quality, safety and long-standing relationships with blue chip customers. As we strategically pursue growth during a period of rapidly improving market fundamentals, our emphasis has been to identify opportunities that closely align with our strategy, culture and values. With RockPile, we're acquiring a business very similar to ours in a transaction that is entirely consistent with the criteria we've previously discussed. The service, approach and geographic similarities make RockPile a great fit for Keane, and at the right time.

This acquisition provides greater service density and an expanded platform, growing Keane's modern fleet of completions equipment by more than 25 percent. We're acquiring the business at an attractive valuation in line with newbuild costs – however, we are purchasing and benefitting from a platform with a fully utilized

completions fleet, talent, seasoned leadership, high quality customers, facilities and positive EBITDA. This transaction also provides Keane with further capabilities in adjacent service offerings including cementing, as well as workover product lines which are currently deployed by RockPile in the Bakken.

We know the RockPile team well and have always held the company in very high regard. RockPile and its history is very similar to ours –building a business organically from the ground up with strategic and timely investment in high quality people, equipment and customers. As a result, we think alike and act alike. Our approach to partnering with quality customers is the same. And our shared focus on quality and safety allow us to partner with blue chip customers over the long-term, making this a truly additive and logical combination – and one that we anticipate will result in a smooth integration of our two businesses. We are excited to have the RockPile team join the Keane family and look forward to what we know we can accomplish together.

Today, Keane’s fleet provides completion services to highly efficient customers across an attractive and diversified geographic footprint including the Permian, Marcellus / Utica, Bakken and SCOOP / STACK. With RockPile’s deep rooted operations in the Bakken, and recent expansion into the Permian, RockPile’s footprint provides a complementary overlap with our own operations and provides additional scale and density. Combined, our portfolio will include 315,000 active horsepower in the Bakken and 415,000 active horsepower in the Permian, strengthening our position as one of the top providers in these basins.

The RockPile transaction strengthens Keane’s position as a leading provider of high-efficiency completions services in the U.S. Once this transaction is completed, Keane’s expanded platform will include approximately 1.2 million

hydraulic fracturing horsepower, 31 wireline trucks, as well as ancillary service capabilities in cementing, workover and coiled tubing.

With line of sight into full utilization of our own fleet by year-end, we believe this strategic, consolidating acquisition adds even greater growth to our platform in an immediately accretive transaction, and doing so at attractive economics in line with newbuild.

With that, I'd like to turn the call over to Greg to provide more details on the transaction. Greg?

Greg Powell (President and Chief Financial Officer)

Thanks, James.

Under the terms of the agreement, Keane will acquire all issued and outstanding shares of RockPile in a cash and stock transaction. Fixed cash and stock consideration, based on the current trading price of Keane's common stock and subject to certain purchase price adjustments, is approximately 284.5 million dollars, comprised of 135 million dollars in cash, approximately 8.7 million shares of Keane's common stock and approximately 26.5 million dollars for capital expenditures, which includes 9 million dollars in deposits previously paid by RockPile and to be reimbursed by Keane at closing, for 30,000 previously ordered hydraulic fracturing horsepower. The new horsepower is expected to be delivered and deployed to the Bakken in the fourth quarter of 2017 under a dedicated agreement with an existing customer.

The 135 million dollar cash component of the acquisition, the 9 million dollars capital expenditure reimbursement and fees and expenses will be funded with 135 million dollars of additional term loans, together with cash from Keane's

balance sheet. The remaining 17.5 million dollars of the 26.5 million dollars total capital expenditures for the new horsepower will be funded by operating cash flow throughout the build cycle.

Collectively, we are acquiring RockPile assets for approximately 1,000 dollars per horsepower, after accounting for working capital and the value of ancillary assets, allowing us to participate in the continued growth we see in the market, but doing so at attractive economics in line with newbuild.

The transaction agreement also includes contingent consideration of up to 20 million dollars in the form a contingent value right that triggers, in certain circumstances, if the trading price of Keane's common stock is less than 19 dollars per share during a trading period ending on the nine-month maturity date of the right.

The acquisition is expected to be completed by the end of July, subject to standard regulatory approvals and satisfaction of customary closing conditions.

From a capital structure perspective, our conservative balance sheet provided Keane with meaningful flexibility enabling us to move quickly and efficiently to consummate this transaction. We will add 135 million dollars of debt from our existing term loan lender, all while maintaining a strong liquidity position and conservative leverage profile. Cash usage from Keane's balance sheet is estimated to be approximately 22 million dollars, for the funding of capex for RockPile's additional fleet as well as transaction fees associated with this acquisition. After consummating the transaction, we'll have net debt of approximately 228 million dollars and more than 200 million dollars of liquidity. As a result, we will retain meaningful balance sheet flexibility and a conservative

leverage profile consistent with our strategy, and we expect our leverage levels will reduce through EBITDA expansion of the combined business. We remain committed to maintaining financial flexibility on our growing platform, positioning us well to execute on our business plan as well as capitalize on potential future growth opportunities.

We'd also like to share additional color on RockPile's performance and near-term expectations.

From a revenue perspective, RockPile has 5 active fleets with a current average annual revenue per fleet run-rate in-line with Keane's performance in the mid 60 million dollars.

RockPile's gross profit per fleet performance is also in line with Keane's. As you'll recall, we previously communicated our expectation of 10 to 11 million dollars annualized gross profit per fleet by the end of the third quarter, with an improving leading edge in the range of 20 percent plus.

As far as other product lines, cementing and workover together represent a current revenue run rate of between 35 and 40 million dollars per year at 10 to 15 percent gross margin. We intend to further evaluate these businesses with regards to opportunities for optimization and growth, including the potential to activate Keane's idle assets.

With that, we'd be happy to take questions. Operator?

Operator

(Operator Q&A instructions)