SUPERIOR DRILLING PRODUCTS

# NEWS RELEASE

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FOR IMMEDIATE RELEASE

# Superior Drilling Products, Inc. Delivers Revenue Growth of 43% to $19.1 million with Expanded Margins and Earnings per Share of $0.04 in 2022

- *Strong demand for SDP's flagship Drill-N-Ream® (DNR) wellbore conditioning tool and contract services for the manufacture and refurbishment of drill bits drove annual revenue growth of 43%, or $5.8 million, to $19.1 million*
    - *Annual tool revenue grew 34% and Contract Services revenue was up 65%*
- *Fourth quarter revenue increased $1.3 million, or 33%, to $5.3 million over the prior-year period*
- *Strong operating leverage resulted in measurably improved annual operating income of $1.9 million, or 10.1% of sales, compared with an operating loss in 2021; Fourth quarter operating income increased to $701 thousand or 13.3% of sales*
- *Achieved net income of $1.1 million, or $0.04 per diluted share in 2022; Fourth quarter earnings were $333 thousand, or $0.01 per diluted share*
- *Adjusted EBITDA* margin expanded 500 basis points to 24.7% for the full year and 480 basis points to 25.7% for the fourth quarter*
- *Ended the year with $2.2 million in cash and total debt of $1.7 million*
- *2023 outlook includes forecasted revenue between $24 million to $27 million and Adjusted EBITDA* of $6.5 million to $7.5 million*

  **Adjusted EBITDA is a non-GAAP measure. See comments regarding the use of non-GAAP measures and the reconciliation of the fourth quarter GAAP to non-GAAP measures in the tables of this release.*

**VERNAL, UT,** March 10, 2023 — Superior Drilling Products, Inc. (NYSE American: SDPI) ("SDP" or the "Company"), a designer and manufacturer of drilling tool technologies, today reported financial results for the fourth quarter and full year ended December 31, 2022.

"2022 was a strong year for SDP as our team continued to execute well to meet increasing demand for our tools and services. We delivered revenue growth of 43%, expanded our margins, and measurably improved the bottom line with net income of nearly $1.1 million, our highest level since becoming a public company," commented Troy Meier, Chairman and CEO. "We have been building out our team, both domestically and internationally, and have been making important infrastructure investments to not only capture current demand, but to set the stage for our next level of expected growth, particularly within the Middle East where we are building a favorable reputation. In further support of our international goals, we are on track to launch our new service and technology center in that region during the second quarter of 2023. We believe this will provide a number of sustainable benefits, including greater local awareness for talent, provide for rapid response to opportunities, and lower transportation costs given the localized inventory and refurbishment services."

Mr. Meier added, "Equally important to our business and future is the expansion of our contract services, where we continue to successfully meet our long-time legacy customers' growth in demand. With our domestic facility enhancements and expansion now complete, we are poised to capture new contract service opportunities."

### *Fourth Quarter 2022 Review*

*($ in thousands, except per share amounts; See at "Definitions" the composition of product/service revenue categories.)*

| | December 31, 2022 | September 30, 2022 | December 31, 2021 | Change Sequential | Change Year/Year |
|---|---|---|---|---|---|
| North America | 4,529 | 4,623 | 3,546 | -2.0% | 27.7% |
| International | 726 | 550 | 405 | 32.0% | 79.3% |
| **Total Revenue** | **$ 5,254** | **$ 5,173** | **$ 3,950** | **1.6%** | **33.0%** |
| | | | | | |
| Tool (DNR) Revenue | 3,348 | 3,343 | 2,967 | 0.1% | 12.8% |
| Contract Services | 1,906 | 1,829 | 984 | 4.2% | 93.8% |
| **Total Revenue** | **$ 5,254** | **$ 5,173** | **$ 3,950** | **1.6%** | **33.0%** |

Revenue growth reflects the continued recovery in the North America oil & gas industry and improving market conditions in the Middle East. Strong demand for the manufacture and refurbishment of drill bits and other related tools for the Company's long-time legacy customer also reflected improving North America end market conditions.

For the fourth quarter of 2022, North America revenue comprised approximately 86% of total revenue, with remaining revenue all within the Middle East. Revenue in North America grew 28% year-over-year from increased Tool Revenue and strong growth in Contract Services, while International revenue was up 79% on greater DNR penetration.

### *Fourth Quarter 2022 Operating Costs*

*($ in thousands, except per share amounts)*

| | December 31, 2022 | September 30, 2022 | December 31, 2021 | Change Sequential | Change Year/Year |
|---|---|---|---|---|---|
| Cost of revenue | $ 2,163 | $ 2,231 | $ 1,777 | -3.0% | 21.7% |
| *As a percent of sales* | *41.2%* | *43.1%* | *45.0%* | | |
| Selling, general, & administrative | $ 2,062 | $ 1,723 | $ 1,660 | 19.7% | 24.2% |
| *As a percent of sales* | *39.2%* | *33.3%* | *42.0%* | | |
| Depreciation & amortization | $ 328 | $ 363 | $ 423 | -9.6% | -22.5% |
| *Total operating expenses* | $ 4,553 | $ 4,316 | $ 3,860 | 5.5% | 18.0% |
| **Operating income** | **$ 701** | **$ 856** | **$ 90** | **-18.1%** | **675.9%** |
| *As a percent of sales* | *13.3%* | *16.6%* | *2.3%* | | |
| Other (expense) income including income tax expense | $ (368) | $ (217) | $ 555 | NM | NM |
| **Net income** | **$ 333** | **$ 639** | **$ 645** | **-47.9%** | **-48.4%** |
| Diluted income per share | $ 0.01 | 0.02 | 0.02 | | |
| **Adjusted EBITDA[(1)]** | **$ 1,350** | **$ 1,525** | **$ 827** | **-11.5%** | **63.2%** |
| *As a percent of sales* | *25.7%* | *29.5%* | *20.9%* | | |

[(1)] *Adjusted EBITDA is a non-GAAP measure defined as earnings before interest, taxes, depreciation, and amortization, non-cash stock compensation expense, and unusual items. See the attached tables for important disclosures regarding SDP's use of Adjusted EBITDA, as well as a reconciliation of net income (loss) to Adjusted EBITDA.*

On a year-over-year basis, the Company effectively leveraged its expenses with higher sales volume, despite global inflationary headwinds and an expansion of the Company's workforce to accommodate for its current and expected demand. On a sequential basis, the increase in the selling, general and administrative expenses largely were due to additional litigation costs in support of the Company's patent infringement lawsuit.

Depreciation and amortization expense decreased 22.5% year-over-year to $328 thousand due to fully amortizing a portion of intangible assets and fully depreciating manufacturing center equipment.

The 2021 fourth quarter included $707 thousand in other income related to the recovery of a related party note receivable, whereas 2022 did not have a similar benefit.

### *Full Year 2022 Review*

*($ in thousands, except per share amounts)*

| | December 31, 2022 | December 31, 2021 | $ Change | % Change |
|---|---|---|---|---|
| Tool (DNR) Revenue | $ 12,352 | $ 9,244 | $ 3,108 | 33.6% |
| Contract Services | 6,746 | 4,092 | 2,654 | 64.9% |
| **Total Revenue** | **$ 19,098** | **$ 13,336** | **$ 5,762** | **43.2%** |
| Operating expenses | 17,161 | 13,923 | 3,238 | 23.3% |
| Operating income (loss) | $ 1,936 | $ (587) | $ 2,523 | NM |
| *As a percent of sales* | *10.1%* | *-4.4%* | | |
| **Net income (loss)** | **$ 1,065** | **$ (530)** | **$ 1,595** | **NM** |
| Diluted income (loss) per share | $ 0.04 | $ (0.02) | $ 0.06 | NM |
| **Adjusted EBITDA[1]** | **$ 4,720** | **$ 2,626** | **$ 2,094** | **79.8%** |
| *As a percent of sales* | *24.7%* | *19.7%* | | |

Revenue was $19.1 million and grew 43% over the prior year as a result of an improved market and increased demand for the DNR, combined with strong demand for the Company's contract services. Revenue in North America was up 46%, while International growth was 27%.

Operating income measurably improved due to the leverage gained from higher sales volume combined with prudent expense management, while still investing in facilities and people to drive growth domestically and internationally.

### *Balance Sheet and Liquidity*

Cash at year-end was $2.2 million. Net cash generated by operations for the year was $3.5 million compared with $0.5 million in the prior-year period, which reflected higher net income and improved working capital timing, partially offset by an increase in inventory to combat supply chain inefficiencies and in support of the Company's growth.

Full year 2022 capital expenditures of $3.3 million were related to machining capacity expansion, higher maintenance activities, and an increase in the Company's Middle East DNR rental tool fleet. The Company expects its capital spending for fiscal 2023 to range between $3.0 million to $3.5 million.

Total debt was down 33% to $1.7 million at December 31, 2022, which largely reflects the final $750 thousand principal payment made on the Hard Rock Note in October.

### *2023 Guidance*

**Revenue:** $24.0 million to $27.0 million

**SG&A:** $9.0 million to $10.0 million

**Adjusted EBITDA(1):** $6.5 million to $7.5 million

(1) *See "Forward Looking Non-GAAP Financial Measures" below for additional information about this non-GAAP measure.*

### *Webcast and Conference Call*

The Company will host a conference call and live webcast today at 10:00 a.m. MT (12:00 p.m. ET) to review the results of the quarter and full year and discuss its corporate strategy and outlook. The discussion will be accompanied by a slide presentation that will be made available prior to the conference call on SDP's website at www.sdpi.com/events. A question-and-answer session will follow the formal presentation.

The conference call can be accessed by calling (201) 689-8470. Alternatively, the webcast can be monitored at www.sdpi.com/events. A telephonic replay will be available from 1:00 p.m. MT (3:00 p.m. ET) the day of the teleconference until Friday, March 17, 2023. To listen to the archived call, dial (412) 317-6671 and enter conference ID number 13735236 or access the webcast replay at www.sdpi.com, where a transcript will be posted once available.

### *Definitions and Composition of Product/Service Revenue:*

*Tool (DNR) Revenue* is the sum of tool sales/rental revenue and other related tool revenue, which is comprised of royalties and fleet maintenance fees.

*Contract Services* revenue is comprised of repair and manufacturing services for drill bits and other tools or products for customers.

### *About Superior Drilling Products, Inc.*

Superior Drilling Products, Inc. is an innovative, cutting-edge drilling tool technology company providing cost saving solutions that drive production efficiencies for the oil and natural gas drilling industry. The Company designs, manufactures, repairs and sells drilling tools. SDP drilling solutions include the patented Drill-N-Ream® wellbore conditioning tool and the patented Strider™ oscillation system technology. In addition, SDP is a manufacturer and refurbisher of PDC (polycrystalline diamond compact) drill bits for a leading oil field service company. SDP operates a state-of-the-art drill tool fabrication facility, where it manufactures its solutions for the drilling industry, as well as customers' custom products. The Company's strategy for growth is to leverage its expertise in drill tool technology and innovative, precision machining in order to broaden its product offerings and solutions for the oil and gas industry.

Additional information about the Company can be found at: www.sdpi.com.

### *Safe Harbor Regarding Forward Looking Statements*

This news release contains forward-looking statements and information that are subject to a number of risks and uncertainties, many of which are beyond our control. All statements, other than statements of historical fact included in this release, including, without limitations, the continued impact of COVID-19 on the business, the Company's strategy, future operations, success at developing future tools, the Company's effectiveness at executing its business strategy and plans, financial position, estimated revenue and losses, projected costs, prospects, plans and objectives of management, and ability to outperform are forward-looking statements. The use of words "could," "believe," "anticipate," "intend," "estimate," "expect," "may," "continue," "predict," "potential," "project", "forecast," "should" or "plan, and similar expressions are intended to identify forward-looking statements, although not all forward -looking statements contain such identifying words. These statements reflect the beliefs and expectations of the Company and are subject to risks and uncertainties that may cause actual results to differ materially. These risks and uncertainties include, among other factors, the duration of the COVID-19 pandemic and related impact on the oil and natural gas industry, the effectiveness of success at expansion in the Middle East, options available for market channels in North America, the deferral of the commercialization of the Strider technology, the success of the Company's business strategy and prospects for growth; the market success of the Company's specialized tools, effectiveness of its sales efforts, its cash flow and liquidity; financial projections and actual operating results; the amount, nature and timing of capital expenditures; the availability and terms of capital; competition and government regulations; and general economic conditions. These and other factors could adversely affect the outcome and financial effects of the Company's plans and described herein. The Company undertakes no obligation to revise or update any forward-looking statements to reflect events or circumstances after the date hereof.

### ***Forward Looking Non-GAAP Financial Measures***

Forward-looking adjusted EBITDA is a non-GAAP measure. The Company is unable to present a quantitative reconciliation of these forward-looking non-GAAP financial measures to their most directly comparable forward-looking GAAP financial measure because such information is not available, and management cannot reliably predict the necessary components of such GAAP measures without unreasonable effort largely because forecasting or predicting our future operating results is subject to many factors out of our control or not readily predictable. In addition, the Company believes that such reconciliations would imply a degree of precision that would be confusing or misleading to investors. The unavailable information could have a significant impact on the Company's fiscal 2023 and future financial results. This non-GAAP financial measure is a preliminary estimate and is subject to risks and uncertainties, including, among others, changes in connection with purchase accounting, quarter-end and year-end adjustments. Any variation between the Company's actual results and preliminary financial data set forth in this presentation may be material.

### For more information, contact investor relations:

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FINANCIAL TABLES FOLLOW.

# Superior Drilling Products, Inc.
## Consolidated Condensed Statements of Operations
*(unaudited)*

| | For the Three Months Ended December 31, 2022 | For the Three Months Ended December 31, 2021 | For the Twelve Months Ended December 31, 2022 | For the Twelve Months Ended December 31, 2021 |
|---|---|---|---|---|
| **Revenue** | | | | |
| North America | $ 4,528,513 | $ 3,545,648 | $ 16,917,259 | $ 11,619,593 |
| International | 725,623 | 404,821 | 2,180,428 | 1,716,556 |
| **Total revenue** | $ 5,254,136 | $ 3,950,469 | $ 19,097,687 | $ 13,336,149 |
| **Operating cost and expenses** | | | | |
| Cost of revenue | 2,163,091 | 1,777,130 | 8,330,877 | 5,618,844 |
| Selling, general, and administrative expenses | 2,062,120 | 1,660,386 | 7,326,384 | 6,200,522 |
| Depreciation and amortization expense | 327,825 | 422,733 | 1,503,976 | 2,103,534 |
| **Total operating costs and expenses** | 4,553,036 | 3,860,249 | 17,161,237 | 13,922,900 |
| **Operating income (loss)** | 701,100 | 90,220 | 1,936,450 | (586,751) |
| **Other (expense) income** | | | | |
| Interest income | 12,955 | 81 | 26,675 | 228 |
| Interest expense | (161,917) | (125,593) | (572,624) | (539,390) |
| Recovery of related party note | - | 707,112 | - | 707,112 |
| Gain / (Loss) on sale or disposition of assets | (1,550) | 939 | - | (249) |
| Impairment of Asset | (130,375) | - | (130,375) | - |
| Total other expense | (280,887) | 582,539 | (676,324) | 167,701 |
| **Income (loss) before income taxes** | 420,213 | 672,759 | 1,260,126 | (419,050) |
| Income tax expense | (87,117) | (27,875) | (194,969) | (110,751) |
| **Net income (loss)** | $ 333,096 | $ 644,884 | $ 1,065,157 | $ (529,801) |
| **Basic income earnings per common share** | $ 0.01 | $ 0.02 | $ 0.04 | $ (0.02) |
| **Basic weighted average common shares outstanding** | 29,245,080 | 27,833,559 | 28,643,464 | 26,391,538 |
| **Diluted income per common Share** | $ 0.01 | $ 0.02 | $ 0.04 | $ (0.02) |
| **Diluted weighted average common shares outstanding** | 29,276,716 | 27,833,559 | 28,675,100 | 26,391,538 |

## Superior Drilling Products, Inc.
### Consolidated Condensed Balance Sheets
*(unaudited)*

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| ***Assets*** | | |
| Current assets: | | |
| Cash | $ 2,158,025 | $ 2,822,100 |
| Accounts receivable, net | 3,241,221 | 2,871,932 |
| Prepaid expenses | 367,823 | 435,595 |
| Inventories | 2,081,260 | 1,174,635 |
| Other current assets | 140,238 | 55,159 |
| **Total current assets** | 7,988,567 | 7,359,421 |
| Property, plant and equipment, net | 8,576,851 | 6,930,329 |
| Intangible assets, net | 69,444 | 236,111 |
| Right of use Asset (net of amortizaton) | 638,102 | 20,518 |
| Other noncurrent assets | 111,519 | 65,880 |
| Assets held for sale | 216,000 | - |
| **Total assets** | **$ 17,600,483** | **$ 14,612,259** |
| ***Liabilities and Owners' Equity*** | | |
| Current liabilities: | | |
| Accounts payable | $ 1,043,581 | $ 1,139,091 |
| Accrued expenses | 891,793 | 467,462 |
| Accrued Income tax | 351,618 | 206,490 |
| Current portion of operating lease liability | 44,273 | 13,716 |
| Current portion of long-term financial obligation | 74,636 | 65,678 |
| Current portion of long-term debt, net of discounts | 1,125,864 | 2,195,759 |
| Other current liabilities | 216,000 | - |
| Total current liabilities | 3,747,765 | 4,088,196 |
| Operating lease liability | 523,375 | 6,802 |
| Long-term financial obligation, less current portion | 4,038,022 | 4,112,658 |
| Long-term debt, less current portion, net of discounts | 529,499 | 256,675 |
| Deferred Income | 675,000 | - |
| Total liabilities | 9,513,661 | 8,464,331 |
| Shareholders' equity | | |
| Common stock - 29,245,080 and 28,235,001 shares issued and outstanding, respectively | 29,245 | 28,235 |
| Additional paid-in-capital | 43,943,928 | 43,071,201 |
| Accumulated deficit | (35,886,351) | (36,951,508) |
| Total shareholders' equity | 8,086,822 | 6,147,928 |
| **Total liabilities and shareholders' equity** | **$ 17,600,483** | **$ 14,612,259** |

## Superior Drilling Products, Inc.
### Consolidated Statements of Cash Flows
*(unaudited)*

| | For the Twelve Months Ended December 31, 2022 | 2021 |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| Net Income (Loss) | $ 1,065,157 | $ (529,801) |
| Adjustments to reconcile net income to net cash used in operating activities: | | |
| Depreciation and amortization expense | 1,503,976 | 2,103,534 |
| Amortization of right-of-use assets | 131,093 | - |
| Share-based compensation expense | 873,737 | 756,743 |
| Loss on disposition of assets | - | 249 |
| Impairment on asset held for sale | 130,375 | - |
| Amortization of deferred loan cost | 18,524 | 18,522 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (369,289) | (1,526,310) |
| Inventories | (906,625) | (143,590) |
| Prepaid expenses and other noncurrent assets | (62,946) | (338,255) |
| Accounts payable and accrued expenses | 127,274 | 85,020 |
| Income Tax expense | 145,128 | 100,044 |
| Other current liabilities | 216,000 | - |
| Deferred Income | 675,000 | - |
| **Net Cash Provided By Operating Activities** | $ 3,547,404 | $ 526,156 |
| | | |
| **Cash Flows From Investing Activities** | | |
| Purchases of propety, plant and equipment | (3,330,206) | (936,718) |
| Proceeds from sale of fixed assets | - | 50,000 |
| **Net Cash Provided By (Used In) Investing Activities** | $ (3,330,206) | $ (886,718) |
| | | |
| **Cash Flows From Financing Activities** | | |
| Principal payments on debt | (1,694,730) | (1,277,730) |
| Proceeds received from debt borrowings | 997,134 | - |
| Payments on revolving loan | (817,113) | (895,787) |
| Proceeds received from revolving loan | 633,436 | 1,697,427 |
| Proceeds from issuance of common stock | - | 1,697,311 |
| **Net Cash Used In Financing Activities** | $ (881,273) | $ 1,221,221 |
| | | |
| **Net change in Cash** | (664,075) | 860,659 |
| **Cash at Beginning of Period** | 2,822,100 | 1,961,441 |
| **Cash at End of Period** | $ 2,158,025 | $ 2,822,100 |

## Superior Drilling Products, Inc.
### Adjusted EBITDA[1] Reconciliation
*(unaudited)*

| | Three Months Ended | | |
|---|---|---|---|
| | **December 31, 2022** | **December 31, 2021** | **September 30, 2022** |
| **GAAP net income** | **$ 333,096** | **$ 644,884** | **$ 638,731** |
| Add back | | | |
| Depreciation and amortization | 327,825 | 422,733 | 362,773 |
| Interest expense, net | 148,962 | 125,512 | 143,564 |
| Share-based compensation | 232,921 | 226,148 | 218,217 |
| Net non-cash compensation | 88,200 | 88,200 | 88,200 |
| Income tax expense | 87,117 | 27,875 | 44,169 |
| Recovery of related party note receivable | - | (707,112) | - |
| Impairment of asset | 130,375 | - | - |
| Loss on disposition of assets | 1,550 | (939) | 29,381 |
| **Non-GAAP adjusted EBITDA[1]** | **$ 1,350,046** | **$ 827,301** | **$ 1,525,035** |
| GAAP Revenue | $ 5,254,136 | $ 3,950,469 | $ 5,172,545 |
| *Non-GAAP Adjusted EBITDA Margin* | *25.7%* | *20.9%* | *29.5%* |

| | Year Ended | |
|---|---|---|
| | **December 31, 2022** | **December 31, 2021** |
| **GAAP net gain (loss)** | **$ 1,065,157** | **$ (529,801)** |
| Add back: | | |
| Depreciation and amortization | 1,503,976 | 2,103,534 |
| Interest expense, net | 545,949 | 539,162 |
| Share-based compensation | 873,737 | 756,743 |
| Net non-cash compensation | 352,800 | 352,800 |
| Income tax expense | 194,969 | 110,751 |
| Gain on disposition of assets | - | (249) |
| Impairment of asset | 183,452 | - |
| Recovery of related party note receivable | - | (707,112) |
| **Non-GAAP adjusted EBITDA[1]** | **$ 4,720,040** | **$ 2,625,828** |
| GAAP Revenue | $ 19,097,687 | $ 13,336,149 |
| *Non-GAAP Adjusted EBITDA Margin* | *24.7%* | *19.7%* |

[1] Adjusted EBITDA represents net income adjusted for income taxes, interest, depreciation and amortization and other items as noted in the reconciliation table. The Company believes Adjusted EBITDA is an important supplemental measure of operating performance and uses it to assess performance and inform operating decisions. However, Adjusted EBITDA is not a GAAP financial measure. The Company's calculation of Adjusted EBITDA should not be used as a substitute for GAAP measures of performance, including net cash provided by operations, operating income and net income. The Company's method of calculating Adjusted EBITDA may vary substantially from the methods used by other companies and investors are cautioned not to rely unduly on it.

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