

# **Aris Water Solutions, Inc. (ARIS) Q1 2024 Earnings Call Transcript**

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**Body**

Aris Water Solutions, Inc. (ARIS)

Q1 2024 Earnings Conference Call

May 08, 2024 09:00 AM ET

Company Participants

David Tuerff - Senior Vice President, Finance and Investor Relations

Bill Zartler - Founder & Executive Chairman

Amanda Brock - President & Chief Executive Officer

Stephan Tompsett - Chief Financial Officer

Conference Call Participants

John Mackay - Goldman Sachs

Spiro Dounis - Citi

Wade Suki - Capital One

Noah Katz - JPMorgan Chase & Co.

Praneeth Satish - Wells Fargo

Sean Mitchell - Daniel Energy Partners

Presentation

Operator

Greetings, and welcome to Aris Water Solution 1Q 2024 Earnings Conference Call At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Mr. David Tuerff, Senior Vice President, Finance and Investor Relations. Thank you, Mr. Tuerff. You may begin.

David Tuerff

Good morning, and welcome to the Aris Water Solutions first quarter 2024 earnings conference call. I am joined today by our President and CEO, Amanda Brock, our Founder and Executive Chairman, Bill Zartler; and our CFO, Stephan Tompsett.

Before we begin, I'd like to remind you that in this call and the related presentation, we will make forward-looking statements regarding our current beliefs, plans and expectations, which are not guarantees of future performance and are subject to a number of known and unknown risks and uncertainties and other factors that could cause actual results to differ materially from results and events contemplated by such forward-looking statements.

You are cautioned not to place undue reliance on forward-looking statements. Please refer to the risk factors and other cautionary statements included in our filings made from time to time with the Securities and Exchange Commission.

I would also like to point out that our investor presentation and today's conference call will contain discussion of non-GAAP financial measures, which we believe are useful in evaluating our performance. These supplemental measures should not be considered in isolation or as a substitute for financial measures prepared in accordance with US GAAP. Reconciliations to the most directly comparable GAAP measures are included in our earnings release and the appendix of today's accompanying presentation.

I'll now turn the call over to our Founder and Executive Chairman, Bill Zartler.

Bill Zartler

Thank you, David. Aris is off to a great start in 2024, continuing our momentum and strong execution from last year to grow our produced water volumes while expanding our operating margins to a new record high. Our consistent performance is a testament to the hard work of our team, the continued production growth of our customers and our expansion in critical infrastructure.

It's been about two and a half years since we went public, and I think it's important to reiterate what differentiates Aris. Over 80% of our revenue comes from currently flowing production volumes under long-term contracts with great well capitalized and active customers. These long-term infrastructure contracts provide revenue visibility and security as evidenced by our tenth consecutive quarter of produced water volume growth. We paired those volumes with continued margin expansion, reaching a new high for adjusted operating margin per barrel in the first quarter.

Consistent volumetric growth and now record profitability are leading to accelerating earnings growth, which we are combining with an enhanced capital efficiency. As our asset footprint has increased in scale, we're now reducing our capital spending by approximately 40% year-over-year versus 2023. Combined with our accelerating earnings profile, we've reached a point where we can generate excess cash and are modifying our capital allocation framework to return additional capital to shareholders. We're off to a great start and are encouraged by our outlook for the rest of the year.

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With that, I'll turn it over to Amanda.

Amanda Brock

Thank you, Bill. As Bill said, we're off to a fantastic start this year, continuing our positive momentum and consistent growth. Volumetrically, we grew our produced water volume 6% sequentially and 19% year-over-year. We achieved adjusted EBITDA of $53 million for the quarter, up 8% sequentially and up nearly 40% year-over-year.

While quarterly volumes will fluctuate with our customers' activity, our long-term volumetric growth is supported by our long-dated infrastructure contracts in the core of the Permian Basin, covering over 625,000 contracted acres with premier operators, which deliver stable, growing and reliable revenues.

In the Water Solutions business, we sold 364,000 barrels of water per day, down seasonally from the fourth quarter as anticipated, but ahead of our expectations. And as we stated last quarter, we expect Water Solutions sales to ramp throughout the year.

In the first quarter, we also achieved a record adjusted operating margin of $0.46 per barrel. This high point reflects the benefits of not only top line growth from inflation escalators in our long-term contracts, but also cost improvements from our now substantially complete electrification efforts and additional efficiencies such as reduced chemical costs and improved processes for solid waste handling.

We also benefited from a pull-forward of volumes and skim oil proceeds, as well as delays in scheduled maintenance in the quarter, which Steve will elaborate on. Absent these timing impacts, our margins have successfully recovered from the inflationary pressures we saw in late 2022. And I want to congratulate our team for the hard work, dedication and creativity required to not only restore our profitability but also exceed our targets.

Quarterly timing aside, we continue to benefit from the deep inventory of highly economic acreage that our long-term contracted customers are committed to developing in the Northern Delaware Basin.

Our consistent growth in volumes, record profitability, efficient capital spending, and significant out performance in the first quarter has given us increased confidence in the growth of our free cash flow. As a result, we are increasing our quarterly dividend 17% to $0.105 per share. Our capital return priorities remain the same. We will prioritize balance sheet strength and flexibility. We will invest in high-return organic growth capital and return excess free cash flow to shareholders in line with the business's growth over time.

As early leaders in the development of the Energy Water Infrastructure business, we look to the future of the industry by developing and advancing technologies and beneficial reuse and mineral extraction. The current desalination pilot projects we are leading with the consortium of ConocoPhillips, Chevron and ExxonMobil are scheduled to be completed by the end of the third quarter. At this point, we have successfully tested two desalination and treatment processes and are currently testing a third, which could also meet standards for applier replenishment, agricultural and other industrial uses.

The next phase of the trial is to evaluate the most cost-effective means of scaling these technologies. As we progress our efforts, in the second quarter, we will be working with the Texas Railroad Commission for a land use permit for surface discharge are produced quarter related to our DOE-funded project which will use treated produced water for nonconsumptive agriculture.

Additionally, after testing our produced water for over a year, we've developed a better understanding of our produced water minerals content across our assets. We have focused our efforts on high-value minerals that can possibly be economically recovered. We are now evaluating technologies and potential partnerships for the commercialization of brine mining and minerals recovery from our produced water and concentrated brine. While we are focused on significant opportunities in our core Water Gathering Infrastructure and Recycling business, we are taking the lead in developing future options for sustainable full cycle water management for the energy industry.

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And with that, I'll turn it over to Steve to discuss our financial results for the quarter and details on our outlook for the rest of the year.

Stephan Tompsett

Thank you, Amanda. We recorded adjusted EBITDA for the first quarter of $53.1 million, up 39% from the first quarter of 2023 and up 8% sequentially from the fourth quarter of 2023, again exceeding our expectations for the quarter. The sequential increase was due to earlier and larger flowbacks from new well connections and associated skim oil, as well as the benefit of both top line CPI escalators and cost savings initiatives such as our electrification efforts.

As we mentioned last quarter, our 2024 capital program is front-end weighted. We invested approximately $38 million in the first quarter, slightly ahead of our expectations due to early completion of budgeted projects and we remain on track for full year CapEx of $85 million to $105 million, consistent with our prior guidance.

Looking ahead to the second quarter, we expect produced water volumes to be between 1.02 million and 1.05 million a day, down sequentially from the first quarter due to the pull forward of volumes referenced earlier, we're forecasting skim recoveries of approximately 1,200 barrels of oil per day.

For the Water Solutions business, we expect second quarter volumes to average 400,000 to 430,000 barrels per day, up approximately 15% sequentially over the first quarter as activity ramps throughout the year. As Amanda mentioned, we had an approximately $4 million pull forward of EBITDA, driven primarily by acceleration of contracted volumes and associated skim oil, as well as delayed well maintenance costs.

Adjusting for these timing differences, we believe we will continue to maintain margin improvements with adjusted operating margins anticipated to be between $0.42 and $0.44 per barrel for the second quarter, delivering adjusted EBITDA between $44 million and $48 million. This includes the impact of the deferred maintenance expense from the first quarter.

For the full year, we now expect adjusted EBITDA to be in the range of $185 million to $200 million, as we are breaking up the bottom end of the range to reflect the first quarter outperformance.

Turning to our balance sheet. We ended the quarter with a healthy 2.15x debt-to-adjusted EBITDA ratio, below the low end of our long-term leverage target and $345 million of available liquidity which provides us with significant financial flexibility. Finally, we are raising our quarterly dividend 17% to $0.105 per share to be paid June 20 to shareholders of record as of June 6. This increase in shareholder payout reflects our confidence in our contracted volume outlook, sustainable margin recovery and the growing free cash flow we expect over the course of 2024 and beyond.

Looking forward, we will continue to evaluate the dividend periodically as part of our overall capital allocation framework and anticipate increasing shareholder returns over time in line with business growth in a sustainable manner, which allows for additional investment in high-return business development opportunities, while maintaining financial strength.

With that, I'll turn it over to Amanda to wrap up.

Amanda Brock

Thanks, Steve. In closing, I want to again congratulate our talent and a dedicated team on the start to the year and to thank our customers for their continued confidence and our ability to deliver critical water management solutions. Our focused effort on margin recovery has pushed margins to new highs, alongside further optimized capital spending. We're running the business more efficiently and is evident in our results. We are seeing increased demand for our water infrastructure and full cycle water treatment capabilities, as operators further recognize the critical nature of reliable water management to their operations. We remain confident in our ability to increase free cash flow and shareholder returns, both in 2024 and beyond, as reflected by our dividend increase this quarter. Alongside the solid performance in our core business, we are leading the future of water technology, preserving scarce groundwater resources in the areas in which we operate and extracting additional value from complex wastewater streams.

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And with that, we are happy to take questions.

Question-and-Answer Session

Operator

Thank you. We will now be conducting a question-and-answer session [Operator Instructions] The first question comes from the line of John Mackay with Goldman Sachs. Please go ahead.

John Mackay

Hey, good morning. Thank you for the time. Maybe we'll start on the margin side if you don't mind. You guys have made a lot of progress and kind of working through some of those OpEx issues. Maybe just can you break down for us if you're backing out the $4 million of incremental gains this quarter? Just what underlying margin strength looked like? And then how we should think about that moving from here?

Amanda Brock

Thanks, John. Yes, happy to do that. We've discussed before and as we've talked about, we saw a high point of margins this quarter at the $0.46. We also have indicated that we saw a pull forward of about $4 million. So when you normalize that we think this quarter was still an all-time high at about $0.43, which is what we've also guided to in Q2. But Steve, why don't you go ahead and break that down in terms of what we saw with increased flow backs and how we account for that $4 million pull forward.

Stephan Tompsett

Yes, John. The $4 million pull forward, there was some volume we originally expected in Q2, which we saw come forward in Q1, both earlier timing as well as larger volumes and then there was associated skim oil with some of our volumes that was well in excess of what we see typically. We also see some CPI escalators come in January each year. So we had some uptick in some of our contracts so we see some revenue there. Going forward as Amanda alluded to it's about $0.03 per barrel on the margin side, that was in Q1 that would be the onetime item.

Amanda Brock

We had some maintenance items push into Q2.

Stephan Tompsett

Yes it's true. We had about $2 million of R&M expense related to wealth and maintenance that's going to go into Q2.

Amanda Brock

And that was just more of a timing issue. As we look forward we're very pleased with the progress that we've made. We guide $43 million. That is a high. And so overall, we think is sustainable and we continue to look at our operations, how we are running our operations to find additional efficiencies, which we still see opportunities but they won't be sort of some of the big strides forward that we were able to take in 2023 in this quarter.

John Mackay

I appreciate that detail. All makes sense. Maybe just turning to the dividend. Congrats on the announcement. Maybe if you could just kind of frame up, how you thought about the size of the increase? I know Stephen you talked a little bit about the growth pace going forward but maybe you could kind of just talk about the balance between investing in the business, growing the dividend and any other kind of capital allocation pieces you might have? How do we think about that going forward?

Amanda Brock

Great question. Steve why don't you go ahead and sort of talk about the deliberations on this one?

Stephan Tompsett

Yes. John, we've been thinking about growing shareholder returns now over the last couple of quarters. And given the outperformance in Q1 and given the forecast for reduced capital it seemed like the best time to go ahead and start increasing shareholder returns. Looking forward, we look to assess it periodically and we do expect to grow shareholder returns alongside growth in EBITDA and free cash flow over time that could come through annual dividend increases or could come through share repurchases, which is something that we've considered. So it's going to be in a measured pace that's sustainable and doesn't impede the balance sheet anyway.

John Mackay

Appreciate that. Thank you very much. Yes.

Amanda Brock

On your question on how we're going to grow the business, considering how we look at the dividend in the future, it's organic and inorganic. We have great organic opportunities. We continue to pursue opportunities in our area. We've got great infrastructure, great customers. It's core of the Permian Basin. I think on the inorganic side Bill, would you like to...

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Bill Zartler

I mean look at the dividend, it is still a relatively low portion of our cash flow. So from a traditional MLP coverage ratio perspective we're – we made a commitment to keep the dividend and we'll keep it there. It's got plenty of room to continue to grow or we use that cash to reinvest the balance sheet's in great shape. So we're not having to do any repair work there. And so we'll see how – we will evaluate these as we continue to grow along the way. And we've reserved here with capital that included in the current plan which does include some growth along with the core maintenance capital.

John Mackay

All right. That's clear. Thank you.

Operator

Thank you. Next question comes from the line of Spiro Dounis with Citi. Please go ahead.

Spiro Dounis

Thanks, operator. Good morning, team. I just want to pick up on some of those last comments. You all talked about your capital allocation priorities balance sheet first. But as you described you're sort of below your leverage target here seems to have a lot of dry powder, but second came growth capital and investing there. And so I was hoping to get maybe a little bit more color. One with respect to M&A just curious what the opportunity set looks like right now. And then with respect to commercial it was tough for us to see kind of what's going on beneath the surface. But curious as you think about grabbing more market share there what that market looks like today and just how to think about some of the competitive dynamics?

Amanda Brock

Good morning, Spiro. Certainly on M&A, we've talked about it consistently that this is something we would like to do under the right circumstances if it's accretive I mean it strategically helps us expand our footprint and we can do more with the assets. But why don't you sort of talk about the landscape right now?

Bill Zartler

Yes. They're still based on where we're valued a bit of a gap between seller expectations and where we're valued. Ultimately, we're very comfortable and highly confident our assets our customers and our contracts. And looking at other businesses there's a relative difference in some cases. In some cases it's small in some cases is large in this business.

So there's a as this water industry has evolved and developed the way they have -- businesses have grown has been very different in approaches around contracting and around building assets. And so we're very careful in evaluating and valuing bolt-on acquisitions. We do think there's some synergies there. We do like the additional size that could give us, but we're not going to do anything that doesn't ultimately make great economic sense for our shareholders. And -- so if you look at our cash position today and relative balance sheet strength – our stock is a better buy than what other people think there is worse. So we will see.

Amanda Brock

And on the commercial side, Spiro we continue to have great relationships with our customers getting repeat business from them as they expand their footprint. So we do see continued growth in the basin. And of course the basin that we're in the Northern Delaware is in many respects the growth engine of the Permian. So in terms of future market share, we are very deliberate. We are seeing high return projects. We have an exceptional BD commercial team and I expect us to continue to grow our market share.

Spiro Dounis

Great. Second question. Maybe just want to touch on some of these reuse initiatives. You all seem to be leaning in more here with this latest Brent. One you mentioned the sort of mineral extraction and then also this hydrogen pilot. It sounds early stages in both cases. But curious can you just give us a sense of what these projects look like over time and maybe some milestones we should be able to look out for?

Amanda Brock

Certainly, Spiro. As we've tried to emphasize the expansion into beneficial reuse and additional initiatives like mineral extraction does take time. The last thing we want to do is to start to set expectations. We've seen that happen to other companies and we are going to be very deliberate in what we say and we are going to be coming back with milestones as we feel confident that what we are seeing can actually come to fruition.

On the mineral extraction side, yes, we have referred to that now. We've spent over a year in examining the mineral content in our water across our assets. And we now have a much better idea and understanding of what is in our water. So at this point we are moving forward and evaluating opportunities to see with partners and other technology providers to see how we can commercialize, look at what revenue might be expected.

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We do not expect any revenue from beneficial reuse or mineral extraction definitely not 2024-2025 potentially in mineral extraction but we'll continue to be deliberate. We see this as promising and we will come back to you with milestones. The reference in the – our materials – our quarterly materials on the hydrogen project is just to reinforce that we are being viewed as leaders in the development of technology and the ability to bring innovative water treatment processes to different applications. So we've had majors come to us who are looking at smaller hydrogen projects to be their water treatment partner and to develop processes to potentially use treated produced water in hydrogen production. So standby and to -- be deliberate.

Spiro Dounis

Understood. Helpful as always. Thanks for the color everybody.

Amanda Brock

Thank you.

Operator

Thank you. Next question comes from the line of Wade Suki with Capital One. Please go ahead.

Amanda Brock

Wade, you are mute.

Operator

Mr. Suki, please go ahead with your question.

Wade Suki

Okay. Good morning. Can you hear me?

Bill Zartler

Yes. Good morning.

Amanda Brock

Good morning.

Wade Suki

Good morning. Thanks for taking my questions. I think most of them have been answered at this point, but just taking a step back. I'm wondering how do you think about the durability, sustainability or maybe as you put it the visibility into the longer term kind of revenue cash flow of the business given the profile contracting customers geography all that stuff that underpin the business today. How do you think about that on a longer-term basis?

Amanda Brock

We feel really good about it, Wade. If you think about where we sit, we've got these long-dated contracts with great customers, the premier customers in the basin and we've got great visibility under those contracts into 2025 and beyond. And I think you pair that with our infrastructure, you pair it with the fact that we get repeat contracts with the customers and the basins expanding.

And then most importantly under these long-dated contracts the fact that 80% of our revenue is coming from production that's currently flowing under these contracts. I think anybody with that type of profile will respectfully feel good about what the future looks like. We're going to continue to work extremely hard but we feel good about it.

Wade Suki

Fantastic. Thank you. And if I could just dovetail on a couple of the questions before thinking about capital allocation, free cash flow, et cetera. I just want to make sure I'm kind of reading the cue right here, or at least analyzing things within the ballpark.

Free cash, obviously, excellent performance in the first quarter. If I'm looking at the second half of the year, could I think about a similar cadence per quarter before dividends, after dividends? Is that reasonable to think about?

Stephan Tompsett

Well, when you look at the free cash flow quarter-to-quarter, of course, we are looking at this on more of a long-term basis. So you're always going to have some noise from working capital and timing of capital projects. So we look through cycles as we think about cash flow and shareholder return growth.

So it's not going to be necessarily quarterly dividend increases. We'll look on more of an annual basis. And there will be timing considerations just from a free cash flow standpoint.

Wade Suki

Understood. Thank you so much. Appreciate you all taking my questions.

Operator

Thank you. Next question comes from the line of Jeremy Tonet with JPMorgan Chase & Co. Please go ahead.

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Noah Katz

Hey, this is Noah Katz on for Jeremy. First, I wanted to touch on your line of sight into your customer needs and performance. I think you've previously said you received a six-month notice from customers. So if you could touch on any upside to volumes you're seeing in the second half of 2024 and what gives you guys confidence in providing your 2Q guidance? Thank you.

Amanda Brock

Thanks, Noah. Yes, we do under our contracts have to get a six-month notice. But we are talking to our customers constantly. And while that is a contractual provision, we do have visibility into more than six months longer dated. We know where they are. We run our own forecast. We talk to them every day. The commercial team is very embedded. It's a very sticky relationship. So we do have great visibility. And we do see total volumes trending into a ramp by the end of the year. So it does give us confidence. And I think we signaled that by the dividend increase. But we do see volumes ramping at the end of the year. But it's pretty steady.

Noah Katz

That's great. Thank you. And as a follow-up, I know you guys reduced leverage again this quarter to the 2.15 times mark from 2.4 previously. With the reduced leverage and the dividend raise this quarter, can you speak to how repurchases stack up with your capital allocation priorities?

Amanda Brock

Go ahead.

Stephan Tompsett

Yeah. Repurchases provide flexibility in capital return to shareholders because you can match free cash flow timing with the repurchases themselves. One of the considerations we have, of course, relative low float, which impedes trading day-to-day. So if you go take a large amount of shares out of the market, it could have some negative impacts there.

But given where we're trading right now from a valuation standpoint as Bill mentioned earlier there's tremendous upside in value in the stock right now. So it's going to be a tool that we'll look at alongside dividend growth for long-term shareholder returns.

Noah Katz

Thank you.

Amanda Brock

Thank you.

Operator

Thank you. Next question comes from the line of Praneeth Satish with Wells Fargo. Please go ahead.

Praneeth Satish

Thanks. Good morning. Maybe just to follow-up on that prior question on buybacks, I guess the way I think about it is, you're going to look to do M&A and to the extent you can't get deals done, it sounds like maybe you'll consider buybacks, but I don't want to put words in your mouth. So, one, is that true?

And then as a follow-up, it sounds like based on your comments on the M&A market from a previous question there is a gap between where you're valued and where assets are selling for. So if I read into those comments, it sounds like maybe we need to wait a little bit of time here for the bid-ask spreads to narrow on acquisition.

So putting that together, it feels like if you may or may not do M&A this year, which maybe does that open the door to doing buybacks in the second half of this year?

Bill Zartler

I mean, I think all of that is on the table. And we're very patient with our capital. And if it means, we continue to improve the balance sheet for a couple of quarters, we continue to improve the balance sheet for quarters. We're in no rush to do anything that doesn't make any sense. So, if we evaluate steady long-term dividend growth, which we believe will be a core part of the strategy. As we indicated two years ago, we started off with a low dividend to the IPO and we've continued to now, this will our first increase in probably the first of many over the next several years, and we'll evaluate where the -- what we do as Stephen alluded to, we don't have a ton of flow today. So that is a consideration with buybacks.

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That said, we will have excess cash beginning to build on the balance sheet or at least lower our leverage covenants to well below market averages. I don't think -- as you said where deals were getting down. I don't think anything is really getting done. So, there is a realization and it's sort of a relative value thing that will come into play over the course of the next, who knows whether it's a quarter or a year or two. But eventually, we believe these assets do consolidate in some form or fashion because it does make sense to operate them efficiently.

There is a tremendous opportunity in the Delaware Basin today and where we act and there's continued growth. We've seen announcements by some of the larger players, on their continued growth and interest level in there. And I think one of our large midstream counterparts called it the permanent basin, rather than the Permian Basin. And I think that -- that is a very accurate description of what we see the length of inventory and the economics of our customers, which at 2:4 to 5:1 water oil ratio continues to grow our business quite rapidly over time.

Praneeth Satish

Got it. No, that's helpful. And then when I look at the guidance for Q2, it seems like it implies a sequential decline here in produced water volumes between Q1 and Q2. Can you help explain what's driving that? I mean I know you mentioned, that you pulled forward some produced water volumes from Q2 into Q1. But I would imagine that that would continue into Q2. So I'm just trying to understand that decline there.

Amanda Brock

Some of that Praneeth, is the pull forward with 20 well pads flowbacks and that flowback is sort of your highest volume of water. So that decline is actually sharper as you -- as time goes on. So that does have an impact, which is why we're sort of guiding lower in Q2. Obviously, we're going to do everything we can as we always do, to reverse that. But a lot of this is just a function of what our customers are doing and what we're seeing in terms of either steady-state production or flow backs.

Bill Zartler

And we see some of our larger customers that have acreage outside of our area either in the Texas, Delaware or in the Midland Basin and they do move frac crews back and forth. And so I think we're seeing a little timing of that from the second and third quarter, which is why you talk about a ramp, this is effectively a ramp based on the movement of frac crews back and forth across the acreage that we have visibility into. So it's -- there's just a little bit of a quarter-on-quarter noise on that, but this growth continues to be steady.

Praneeth Satish

Got it. Thank you.

Amanda Brock

Thank you.

Operator

Thank you. Next question comes from the line of Sean Mitchell with Daniel Energy Partners. Please go ahead.

Q – Sean Mitchell

Good morning. Amanda. Thanks for taking the questions. Congrats on the quarter. Quickly just skim oil recoveries were up significantly. I'm kind of not very smart on this, but what drove that? And like it looks like you have that coming back down in Q2? And how impactful is that from a profitability standpoint, in terms of your outperformance for the quarter?

Amanda Brock

So Sean, good to hear from you and yes -- skim oil was a surprise in Q1 in the early part of that quarter. There were some flowbacks in a particular area and there was some outside production of skim oil. The operator, then made some changes and that skim oil declined. So, how much we get is always just a function of what our customers are doing. So, we do guide over the year, but we do have some lumpiness depending on activity area whether it's recycled and whether it's sort of flow back.

Q – Sean Mitchell

Got it. Okay. And then maybe remind us any color, you can provide around your inflation escalators on your long-term contracts. Obviously, that's very impressive. Can you give us any color around the inflation escalator?

Amanda Brock

Happy to do that. David, why don't you go ahead and explain how they come in at different times during the year?

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David Tuerff

Sure. They usually reset annually depending on the signature data of the contract. Some of our larger ones occur in the middle of the year, and then we have a couple at the beginning of the year as Steve referenced earlier. Question

Q – Sean Mitchell

Okay. Thanks, guys. Have a great day.

Amanda Brock

Thank you.

Operator

Thank you. Ladies and gentlemen, we have reached the end of question-and-answer session. I would now like to turn the floor over to Amanda Brock for closing comments

Amanda Brock

Thank you. As you saw and have heard we had a great first quarter. We're continuing to work very hard. And with that, I want to again emphasize that last year and on this call would not be possible without an amazing dedicated team and customers who've supported us, and have confidence in our ability to perform. So, thank you all. We look forward to updating you next quarter and thank you for participating this morning.

Operator

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

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