

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 001-35416



U.S. Silica Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
Incorporation or Organization)

26-3718801
(I.R.S. Employer
Identification No.)

24275 Katy Freeway, Suite 600
Katy, Texas 77494
(Address of Principal Executive Offices) (Zip Code)
(281) 258-2170
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$0.01 par value	SLCA	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of October 27, 2023, 77,154,412 shares of common stock, par value \$0.01 per share, of the registrant were outstanding.

U.S. SILICA HOLDINGS, INC.
FORM 10-Q
For the Quarter Ended September 30, 2023

TABLE OF CONTENTS

	<u>Page</u>
PART I	
Financial Information (Unaudited):	
<u>Item 1.</u> <u>Financial Statements</u>	<u>2</u>
<u>Condensed Consolidated Balance Sheets</u>	<u>2</u>
<u>Condensed Consolidated Statements of Operations</u>	<u>3</u>
<u>Condensed Consolidated Statements of Comprehensive Income (Loss)</u>	<u>4</u>
<u>Condensed Consolidated Statements of Stockholders' Equity</u>	<u>5</u>
<u>Condensed Consolidated Statements of Cash Flows</u>	<u>7</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>9</u>
<u>Item 2.</u> <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>26</u>
<u>Item 3.</u> <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>40</u>
<u>Item 4.</u> <u>Controls and Procedures</u>	<u>42</u>
PART II	
Other Information:	
<u>Item 1.</u> <u>Legal Proceedings</u>	<u>43</u>
<u>Item 1A.</u> <u>Risk Factors</u>	<u>43</u>
<u>Item 2.</u> <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>44</u>
<u>Item 3.</u> <u>Defaults Upon Senior Securities</u>	<u>45</u>
<u>Item 4.</u> <u>Mine Safety Disclosures</u>	<u>45</u>
<u>Item 5.</u> <u>Other Information</u>	<u>45</u>
<u>Item 6.</u> <u>Exhibits</u>	<u>45</u>
<u>Signatures</u>	<u>S-1</u>

PART I-FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

**U.S. SILICA HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands except share information)**

	Unaudited	Audited
	September 30, 2023	December 31, 2022
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 222,435	\$ 280,845
Accounts receivable, net	183,434	208,631
Inventories, net	162,636	147,626
Prepaid expenses and other current assets	26,375	20,182
Total current assets	<u>594,880</u>	<u>657,284</u>
Property, plant and mine development, net	1,131,970	1,178,834
Lease right-of-use assets	43,342	42,374
Goodwill	185,649	185,649
Intangible assets, net	133,750	140,809
Other assets	11,383	9,630
Total assets	<u>\$ 2,100,974</u>	<u>\$ 2,214,580</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 161,797	\$ 216,239
Current portion of operating lease liabilities	19,490	19,773
Current portion of long-term debt	19,763	19,535
Current portion of deferred revenue	5,479	16,275
Income tax payable	2,458	128
Total current liabilities	<u>208,987</u>	<u>271,950</u>
Long-term debt, net	847,849	1,037,458
Deferred revenue	13,100	14,477
Liability for pension and other post-retirement benefits	24,627	30,911
Deferred income taxes, net	94,000	64,636
Operating lease liabilities	58,922	64,478
Other long-term liabilities	28,467	25,976
Total liabilities	<u>1,275,952</u>	<u>1,509,886</u>
Commitments and Contingencies (Note N)		
Stockholders' Equity:		
Preferred stock, \$0.01 par value, 10,000,000 shares authorized; zero issued and outstanding at September 30, 2023 and December 31, 2022	—	—
Common stock, \$0.01 par value, 500,000,000 shares authorized; 87,877,234 issued and 77,133,239 outstanding at September 30, 2023; 85,631,109 issued and 75,738,512 outstanding at December 31, 2022	877	854
Additional paid-in capital	1,245,551	1,234,834
Retained deficit	(233,268)	(351,084)
Treasury stock, at cost, 10,743,995 and 9,892,597 shares at September 30, 2023 and December 31, 2022, respectively	(196,406)	(186,196)
Accumulated other comprehensive income (loss)	1,578	(1,723)
Total U.S. Silica Holdings, Inc. stockholders' equity	<u>818,332</u>	<u>696,685</u>
Non-controlling interest	6,690	8,009
Total stockholders' equity	<u>825,022</u>	<u>704,694</u>
Total liabilities and stockholders' equity	<u>\$ 2,100,974</u>	<u>\$ 2,214,580</u>

The accompanying notes are an integral part of these financial statements.

U.S. SILICA HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited; dollars in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Sales:				
Product	\$ 294,256	\$ 309,831	\$ 965,439	\$ 833,390
Service	72,705	108,982	250,546	278,823
Total sales	366,961	418,813	1,215,985	1,112,213
Cost of sales (excluding depreciation, depletion and amortization):				
Product	192,988	217,424	628,308	590,776
Service	47,969	74,096	165,555	196,509
Total cost of sales (excluding depreciation, depletion and amortization)	240,957	291,520	793,863	787,285
Operating expenses:				
Selling, general and administrative	29,287	33,933	87,144	108,860
Depreciation, depletion and amortization	35,822	34,500	104,754	106,964
Total operating expenses	65,109	68,433	191,898	215,824
Operating income	60,895	58,860	230,224	109,104
Other (expense) income:				
Interest expense	(26,039)	(20,174)	(76,087)	(54,777)
Other income, net, including interest income	4,016	3,576	4,161	7,206
Total other expense	(22,023)	(16,598)	(71,926)	(47,571)
Income before income taxes	38,872	42,262	158,298	61,533
Income tax expense	(12,064)	(10,259)	(40,774)	(15,209)
Net income	\$ 26,808	\$ 32,003	\$ 117,524	\$ 46,324
Less: Net loss attributable to non-controlling interest	(101)	(68)	(292)	(262)
Net income attributable to U.S. Silica Holdings, Inc.	\$ 26,909	\$ 32,071	\$ 117,816	\$ 46,586
Earnings per share attributable to U.S. Silica Holdings, Inc.:				
Basic	\$ 0.35	\$ 0.42	\$ 1.53	\$ 0.62
Diluted	\$ 0.34	\$ 0.41	\$ 1.50	\$ 0.60
Weighted average shares outstanding:				
Basic	77,125	75,587	76,913	75,446
Diluted	78,700	77,770	78,423	77,580
Dividends declared per share	\$ —	\$ —	\$ —	\$ —

The accompanying notes are an integral part of these financial statements.

U.S. SILICA HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited; dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income	\$ 26,808	\$ 32,003	\$ 117,524	\$ 46,324
Other comprehensive income (loss):				
Unrealized gain on derivatives (net of tax of \$68 and \$0 for the three months ended September 30, 2023 and 2022, respectively, and \$372 and \$0 for the nine months ended September 30, 2023 and 2022, respectively).	213	—	1,168	—
Foreign currency translation adjustment (net of tax of \$(130) and \$(89) for the three months ended September 30, 2023 and 2022, respectively, and \$(43) and \$(437) for the nine months ended September 30, 2023 and 2022, respectively).	(410)	(272)	(137)	(1,364)
Pension and other post-retirement benefits liability adjustment (net of tax of \$292 and \$(721) for the three months ended September 30, 2023 and 2022, respectively, and \$723 and \$(574) for the nine months ended September 30, 2023 and 2022, respectively).	918	(2,263)	2,270	(1,801)
Comprehensive income	\$ 27,529	\$ 29,468	\$ 120,825	\$ 43,159
Less: Comprehensive loss attributable to non-controlling interest	(101)	(68)	(292)	(262)
Comprehensive income attributable to U.S. Silica Holdings, Inc.	\$ 27,630	\$ 29,536	\$ 121,117	\$ 43,421

The accompanying notes are an integral part of these financial statements.

U.S. SILICA HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited; dollars in thousands)

	Common Stock	Treasury Stock	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Total U.S. Silica Holdings Inc., Stockholders' Equity	Non- controlling Interest	Total Stockholders' Equity
Balance at June 30, 2023	\$ 877	\$ (196,162)	\$ 1,241,828	\$ (260,177)	\$ 857	\$ 787,223	\$ 7,117	\$ 794,340
Net income	—	—	—	26,909	—	26,909	(101)	26,808
Unrealized gain on derivatives	—	—	—	—	213	213	—	213
Foreign currency translation adjustment	—	—	—	—	(410)	(410)	—	(410)
Pension and post-retirement liability	—	—	—	—	918	918	—	918
Distributions to non-controlling interest	—	—	—	—	—	—	(326)	(326)
Common stock-based compensation plans activity:								
Equity-based compensation	—	—	3,723	—	—	3,723	—	3,723
Tax payments related to shares withheld for vested restricted stock and stock units	—	(244)	—	—	—	(244)	—	(244)
Balance at September 30, 2023	\$ 877	\$ (196,406)	\$ 1,245,551	\$ (233,268)	\$ 1,578	\$ 818,332	\$ 6,690	\$ 825,022
Balance at June 30, 2022	\$ 852	\$ (186,826)	\$ 1,226,484	\$ (414,745)	\$ (281)	\$ 625,484	\$ 8,950	\$ 634,434
Net income	—	—	—	32,071	—	32,071	(68)	32,003
Foreign currency translation adjustment	—	—	—	—	(272)	(272)	—	(272)
Pension and post-retirement liability	—	—	—	—	(2,263)	(2,263)	—	(2,263)
Distributions to non-controlling interest	—	—	—	—	—	—	(383)	(383)
Common stock-based compensation plans activity:								
Equity-based compensation	—	—	4,743	—	—	4,743	—	4,743
Proceeds from options exercised	—	1,356	(933)	—	—	423	—	423
Tax payments related to shares withheld for vested restricted stock and stock units	1	(187)	(1)	—	—	(187)	—	(187)
Balance at September 30, 2022	\$ 853	\$ (185,657)	\$ 1,230,293	\$ (382,674)	\$ (2,816)	\$ 659,999	\$ 8,499	\$ 668,498

The accompanying notes are an integral part of these financial statements.

	Common Stock	Treasury Stock	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive (Loss) Income	Total U.S. Silica Holdings Inc., Stockholders' Equity	Non- controlling Interest	Total Stockholders' Equity
Balance at December 31, 2022	\$ 854	\$ (186,196)	\$ 1,234,834	\$ (351,084)	\$ (1,723)	\$ 696,685	\$ 8,009	\$ 704,694
Net income	—	—	—	117,816	—	117,816	(292)	117,524
Unrealized gain on derivatives	—	—	—	—	1,168	1,168	—	1,168
Foreign currency translation adjustment	—	—	—	—	(137)	(137)	—	(137)
Pension and post-retirement liability	—	—	—	—	2,270	2,270	—	2,270
Distributions to non-controlling interest	—	—	—	—	—	—	(1,027)	(1,027)
Common stock-based compensation plans activity:								
Equity-based compensation	—	—	10,740	—	—	10,740	—	10,740
Tax payments related to shares withheld for vested restricted stock and stock units	23	(10,210)	(23)	—	—	(10,210)	—	(10,210)
Balance at September 30, 2023	\$ 877	\$ (196,406)	\$ 1,245,551	\$ (233,268)	\$ 1,578	\$ 818,332	\$ 6,690	\$ 825,022
Balance at December 31, 2021	\$ 845	\$ (186,294)	\$ 1,218,575	\$ (429,260)	\$ 349	\$ 604,215	\$ 9,868	\$ 614,083
Net income	—	—	—	46,586	—	46,586	(262)	46,324
Foreign currency translation adjustment	—	—	—	—	(1,364)	(1,364)	—	(1,364)
Pension and post-retirement liability	—	—	—	—	(1,801)	(1,801)	—	(1,801)
Distributions to non-controlling interest	—	—	—	—	—	—	(1,107)	(1,107)
Common stock-based compensation plans activity:								
Equity-based compensation	—	—	13,821	—	—	13,821	—	13,821
Proceeds from options exercised	—	3,051	(2,095)	—	—	956	—	956
Tax payments related to shares withheld for vested restricted stock and stock units	8	(2,414)	(8)	—	—	(2,414)	—	(2,414)
Balance at September 30, 2022	\$ 853	\$ (185,657)	\$ 1,230,293	\$ (382,674)	\$ (2,816)	\$ 659,999	\$ 8,499	\$ 668,498

The accompanying notes are an integral part of these financial statements.

U.S. SILICA HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; dollars in thousands)

	Nine Months Ended September 30,	
	2023	2022
Operating activities:		
Net income	\$ 117,524	\$ 46,324
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	104,754	106,964
Debt issuance amortization	2,478	3,696
Original issue discount amortization	2,338	749
Deferred income taxes	28,312	9,789
Deferred revenue	(12,173)	(9,461)
Gain on disposal of property, plant and equipment	(1,154)	(557)
Equity-based compensation	10,740	13,821
Allowance for credit losses, net of recoveries	(27)	378
Other	21,984	5,067
Changes in operating assets and liabilities:		
Accounts receivable	25,223	(35,309)
Inventories	(14,912)	(26,918)
Prepaid expenses and other current assets	3,513	1,801
Income taxes	2,330	460
Accounts payable and accrued expenses	(52,620)	72,678
Operating lease liabilities	(19,131)	(17,643)
Liability for pension and other post-retirement benefits	(6,284)	1,854
Other noncurrent assets and liabilities	(3,187)	(4,233)
Net cash provided by operating activities	<u>209,708</u>	<u>169,460</u>
Investing activities:		
Capital expenditures	(47,626)	(28,691)
Capitalized intellectual property costs	(234)	(343)
Proceeds from sale of property, plant and equipment	2,635	2,171
Net cash used in investing activities	<u>(45,225)</u>	<u>(26,863)</u>
Financing activities:		
Dividends paid	(23)	(163)
Proceeds from options exercised	—	956
Tax payments related to shares withheld for vested restricted stock and stock units	(10,210)	(2,414)
Payments on short-term debt	(5,628)	(4,424)
Payments on long-term debt	(163,749)	(106,738)
Financing fees paid	(41,648)	—
Distributions to non-controlling interest	(1,027)	(1,107)
Principal payments on finance lease obligations	(608)	(999)
Net cash used in financing activities	<u>(222,893)</u>	<u>(114,889)</u>
Net (decrease) increase in cash and cash equivalents	(58,410)	27,708
Cash and cash equivalents, beginning of period	280,845	239,425
Cash and cash equivalents, end of period	\$ <u>222,435</u>	\$ <u>267,133</u>

U.S. SILICA HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Unaudited; dollars in thousands)

	Nine Months Ended September 30,	
	2023	2022
Supplemental cash flow information:		
Cash paid (received) during the period for:		
Interest	\$ 71,553	\$ 49,913
Taxes, net of refunds	\$ 10,489	\$ (16,512)
Non-cash items:		
Accrued capital expenditures	\$ 1,761	\$ 3,724

The accompanying notes are an integral part of these financial statements.

U.S. SILICA HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited; dollars in thousands, except per share amounts)

NOTE A—ORGANIZATION AND BASIS OF PRESENTATION

Organization

U.S. Silica Holdings, Inc. (“Holdings,” and together with its subsidiaries “we,” “us” or the “Company”) is a global performance materials company and a leading producer of commercial silica used in the oil and gas industry and in a wide range of industrial applications. In addition, through our subsidiary EP Minerals, LLC (“EPM”), we are an industry leader in the production of industrial minerals, including diatomaceous earth, clay (calcium bentonite and calcium montmorillonite) and perlite. During our 123-year history, we have developed core competencies in mining, processing, logistics and materials science that enable us to produce and cost-effectively deliver products to customers across our end markets. Our operations are organized into two reportable segments based on end markets served: (1) Oil & Gas Proppants and (2) Industrial & Specialty Products. See Note T - Segment Reporting for more information on our reportable segments.

Basis of Presentation and Consolidation

The accompanying unaudited Condensed Consolidated Financial Statements as of and for the three and nine months ended September 30, 2023 included in this Quarterly Report on Form 10-Q have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X issued by the U.S. Securities and Exchange Commission (“SEC”). They do not contain certain information included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022; therefore, the unaudited Condensed Consolidated Financial Statements should be read in conjunction with that Annual Report on Form 10-K. Operating results for the nine-month period ended September 30, 2023 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2023. In the opinion of management, all adjustments necessary for a fair presentation have been included. Such adjustments are of a normal, recurring nature.

The unaudited Condensed Consolidated Financial Statements include the accounts of Holdings and its direct and indirect wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Throughout this report we refer to (i) our unaudited Condensed Consolidated Balance Sheets as our “Balance Sheets,” (ii) our unaudited Condensed Consolidated Statements of Operations as our “Income Statements,” and (iii) our unaudited Condensed Consolidated Statements of Cash Flows as our “Cash Flows.”

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates and Assumptions

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the related disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The areas requiring the use of management estimates and assumptions relate to the purchase price allocation for businesses acquired; mineral reserves that are the basis for future cash flow estimates utilized in impairment calculations and units-of-production amortization calculations; environmental, reclamation and closure obligations; estimates of recoverable minerals; estimates of allowance for credit losses; estimates of fair value for certain reporting units and asset impairments (including impairments of goodwill, intangible assets and other long-lived assets); write-downs of inventory to net realizable value; equity-based compensation expense; post-employment, post-retirement and other employee benefit liabilities; valuation allowances for deferred tax assets; contingent considerations; reserves for contingencies and litigation and the fair value and accounting treatment of financial instruments. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Accordingly, actual results may differ significantly from these estimates under different assumptions or conditions.

New Accounting Pronouncements Recently Adopted

In March 2020, the FASB issued Accounting Standards Update ("ASU") 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting followed by ASU 2021-01, Reference Rate Reform (Topic 848): Scope, issued in January 2021 to provide clarifying guidance regarding the scope of Topic 848. ASU 2020-04 was issued to provide optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. Generally, the guidance is to be applied as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or prospectively from a date within an interim period that includes or is subsequent to March 12, 2020, up to the date that the financial statements are available to be issued. ASU 2020-04 and ASU 2021-01 are effective for all entities through December 31, 2022. In April 2022, the FASB proposed to extend the effective date through December 31, 2024 and affirmed this decision in December 2022. Upon execution of the Fourth Amended and Restated Credit Agreement, we have transitioned from LIBOR. See Note I - Debt for discussion of the Fourth Amended and Restated Credit Agreement.

New Accounting Pronouncements Not Yet Adopted

None.

NOTE C—EARNINGS PER SHARE

Basic earnings per common share is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per common share is computed similarly to basic earnings per common share except that the weighted average number of common shares outstanding is increased to include the number of additional common shares that would have been outstanding if the potentially dilutive common shares had been issued.

Diluted net earnings per share assumes the conversion of contingently convertible securities and stock options under the treasury stock method, if dilutive. Contingently convertible securities and stock options are excluded from the calculation of fully diluted earnings per share if they are anti-dilutive, including when we incur a loss from continuing operations.

The following table shows the computation of basic and diluted earnings per share:

<i>In thousands, except per share amounts</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Numerator:				
Net income attributable to U.S. Silica Holdings, Inc.	\$ 26,909	\$ 32,071	\$ 117,816	\$ 46,586
Denominator:				
Weighted average shares outstanding	77,125	75,587	76,913	75,446
Diluted effect of stock awards	1,575	2,183	1,510	2,134
Weighted average shares outstanding assuming dilution	78,700	77,770	78,423	77,580
Earnings per share attributable to U.S. Silica Holdings, Inc.:				
Basic earnings per share	\$ 0.35	\$ 0.42	\$ 1.53	\$ 0.62
Diluted earnings per share	\$ 0.34	\$ 0.41	\$ 1.50	\$ 0.60

Potentially dilutive shares are excluded from the calculation of diluted weighted average shares outstanding and diluted earnings per share if we are in a net loss position. Certain stock options, restricted stock awards and performance share units were excluded from the computation of diluted earnings per share because their effect would have been anti-dilutive. Such potentially dilutive shares and stock awards excluded from the calculation of diluted earnings per common share were as follows:

<i>In thousands</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Potentially dilutive shares excluded	—	—	—	—
Stock options excluded	413	521	413	509
Restricted stock and performance share unit awards excluded	7	7	49	24

NOTE D—ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income (loss) consists of fair value adjustments associated with cash flow hedges, accumulated adjustments for net experience losses and prior service costs related to employee benefit plans and foreign currency translation adjustments, net of tax. The following table presents the changes in accumulated other comprehensive income (loss) by component (in thousands):

	For the Nine Months Ended September 30, 2023			
	Unrealized (loss) gain on natural gas swaps	Foreign currency translation adjustments	Pension and other post- retirement benefits liability	Total
Beginning Balance	\$ (2,342)	\$ (1,262)	\$ 1,881	\$ (1,723)
Other comprehensive income (loss) before reclassifications	1,168	(137)	3,861	4,892
Amounts reclassified from accumulated other comprehensive income	—	—	(1,591)	(1,591)
Ending Balance	\$ (1,174)	\$ (1,399)	\$ 4,151	\$ 1,578

Any amounts reclassified from accumulated other comprehensive income (loss) related to pension and other post-retirement benefits are included in the computation of net periodic benefit costs at their pre-tax amounts.

NOTE E—ACCOUNTS RECEIVABLE

Accounts receivable are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of our accounts receivable, net of the allowance for credit losses, represents their estimated net realizable value. Accounts receivable (in thousands) consisted of the following:

	September 30, 2023	December 31, 2022
Trade receivables	\$ 187,110	\$ 209,683
Less: Allowance for credit losses	(5,604)	(5,691)
Net trade receivables	181,506	203,992
Other receivables	1,928	4,639
Total accounts receivable	\$ 183,434	\$ 208,631

We classify our trade receivables into the following portfolio segments: Oil & Gas Proppants and Industrial & Specialty Products, which also aligns with our reporting segments. We estimate the allowance for credit losses based on historical collection trends, the age of outstanding receivables, risks attributable to specific customers, such as credit history, bankruptcy or other going concern issues, and current economic and industry conditions. If events or circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due balances are written off when we have exhausted our internal and external collection efforts and have been unsuccessful in collecting the amount due.

The following table reflects the change of the allowance for credit losses (in thousands):

	Oil & Gas Proppants	Industrial & Specialty Products	Total
Beginning balance, December 31, 2022	\$ 4,028	\$ 1,663	\$ 5,691
Allowance for credit losses	—	(27)	(27)
Write-offs	—	(60)	(60)
Ending balance, September 30, 2023	\$ 4,028	\$ 1,576	\$ 5,604

Our ten largest customers accounted for 47% and 45% of total sales for the three and nine months ended September 30, 2023, respectively, and 42% and 40% for the three and nine months ended September 30, 2022, respectively. No customers accounted for 10% or more of our total sales for the three and nine months ended September 30, 2023 or 2022. At September 30, 2023 and December 31, 2022, none of our customers' accounts receivable represented 10% or more of our total trade accounts receivable.

NOTE F—INVENTORIES

Inventories (in thousands) consisted of the following:

	September 30, 2023	December 31, 2022
Supplies	\$ 65,746	\$ 54,805
Raw materials and work in process	58,020	47,042
Finished goods	38,870	45,779
Total inventories	\$ 162,636	\$ 147,626

NOTE G—PROPERTY, PLANT AND MINE DEVELOPMENT

Property, plant and mine development (in thousands) consisted of the following:

	September 30, 2023	December 31, 2022
Mining property and mine development	\$ 792,123	\$ 789,601
Asset retirement cost	10,567	8,869
Land	53,053	53,128
Land improvements	87,593	76,456
Buildings	76,188	73,151
Machinery and equipment	1,240,640	1,217,933
Furniture and fixtures	3,029	3,922
Construction-in-progress	56,370	55,696
	2,319,563	2,278,756
Accumulated depreciation, depletion, amortization and impairment charges	(1,187,593)	(1,099,922)
Total property, plant and mine development, net	\$ 1,131,970	\$ 1,178,834

Depreciation, depletion, and amortization expense related to property, plant and mine development was \$32.7 million and \$31.6 million for the three months ended September 30, 2023 and 2022, respectively, and \$95.5 million and \$98.2 million for the nine months ended September 30, 2023 and 2022, respectively.

NOTE H—GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying amount of goodwill (in thousands) by business segment consisted of the following:

	Oil & Gas Proppants Segment	Industrial & Specialty Products Segment	Total
Balance at December 31, 2022	\$ —	\$ 185,649	\$ 185,649
Impairment loss	—	—	—
Balance at September 30, 2023	\$ —	\$ 185,649	\$ 185,649

Goodwill and trade names are evaluated for impairment annually as of October 31, or more frequently when indicators of impairment exist. We evaluated events and circumstances since the date of our last qualitative assessment, including macroeconomic conditions, industry and market conditions, and our overall financial performance. There were no triggering events during the first nine months of 2023, therefore, no impairment charges were recorded related to goodwill or trade names for the nine months ended September 30, 2023.

The changes in the carrying amount of intangible assets (in thousands) consisted of the following:

	September 30, 2023			December 31, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Technology and intellectual property	\$ 71,870	\$ (33,666)	\$ 38,204	\$ 71,651	\$ (29,990)	\$ 41,661
Customer relationships	66,999	(36,393)	30,606	66,999	(32,791)	34,208
Total definite-lived intangible assets:	\$ 138,869	\$ (70,059)	\$ 68,810	\$ 138,650	\$ (62,781)	\$ 75,869
Trade names	64,240	—	64,240	64,240	—	64,240
Other	700	—	700	700	—	700
Total intangible assets:	\$ 203,809	\$ (70,059)	\$ 133,750	\$ 203,590	\$ (62,781)	\$ 140,809

Estimated useful life of technology and intellectual property is 15 years. Estimated useful life of customer relationships is a range of 13 - 20 years.

Amortization expense was \$2.4 million and \$7.3 million for the three and nine months ended September 30, 2023, respectively, and \$2.4 million and \$7.3 million for the three and nine months ended September 30, 2022, respectively.

The estimated amortization expense related to definite-lived intangible assets (in thousands) for the five succeeding years is as follows:

2023 (remaining three months)	\$	2,429
2024	\$	9,714
2025	\$	9,712
2026	\$	9,712
2027	\$	9,712

NOTE I—DEBT

Debt (in thousands) consisted of the following:

	September 30, 2023	December 31, 2022
Senior secured credit facility:		
Revolver expiring March 23, 2028 (10.17% at September 30, 2023 and 8.44% at December 31, 2022)	\$ —	\$ —
Term Loan—final maturity March 23, 2030 (10.17% at September 30, 2023 and 8.44% at December 31, 2022)	895,313	1,059,062
Less: Unamortized original issue discount	(25,902)	(2,035)
Less: Unamortized debt issuance cost	(14,384)	(8,922)
Insurance financing notes payable	9,705	5,628
Finance leases (See Note P - Leases)	2,880	3,260
Total debt	867,612	1,056,993
Less: current portion	(19,763)	(19,535)
Total long-term portion of debt	\$ 847,849	\$ 1,037,458

Senior Secured Credit Facility

On March 23, 2023, we entered into the Fourth Amended and Restated Credit Agreement (the "Credit Agreement"), by entering into a new \$1.1 billion senior secured credit facility, consisting of a \$950 million Term Loan (the "Term Loan") and a \$150 million revolving credit facility (the "Revolver") (collectively the "Credit Facility") that may also be used for swingline loans or letters of credit, and we may elect to increase the term loan or the revolving credit facility in accordance with the terms of the Credit Agreement. Borrowings under the Credit Agreement will bear interest at variable rates as determined at our election, based on the Term Secured Overnight Financing Rate ("SOFR") or a base rate, in each case, plus an applicable margin. In addition, under the Credit Agreement, we are required to pay a per annum commitment fee to revolving lenders and fees for letters of credit. The Credit Agreement is secured by substantially all of our assets and our domestic subsidiaries' assets and a pledge of the equity interests in such entities. The Term Loan matures on March 23, 2030, and the Revolver expires March 23, 2028. We capitalized \$45.9 million in debt issuance costs and original issue discount as a result of the Credit Agreement. Additionally, as a result of the exit of certain lending parties, a portion of debt issuance and original discount costs were written off which resulted in additional expense of approximately \$4.3 million. This was recorded as a loss on the extinguishment of debt, which was recorded in Other (expense) income, net, including interest income in the Condensed Consolidated Statements of Operations.

The Credit Facility contains covenants that, among other things, limit our ability, and certain of our subsidiaries' abilities, to create, incur or assume indebtedness and liens, to make acquisitions or investments, to sell assets and to pay dividends. The Credit Agreement also requires us to maintain a consolidated leverage ratio of no more than 4.00:1.00 as of the last day of any fiscal quarter whenever usage of the Revolver (other than certain undrawn letters of credit) exceeds 2.85:1.00, or 35%, of the Revolver commitment. These covenants are subject to a number of important exceptions and qualifications. The Credit Agreement includes events of default and other affirmative and negative covenants that are usual for facilities and transactions of this type. As of September 30, 2023 and December 31, 2022, we were in compliance with all covenants in accordance with our senior secured Credit Facility.

Term Loan

At September 30, 2023, contractual maturities of our Term Loan (in thousands) are as follows:

2023 (remaining three months)	\$	2,250
2024		9,000
2025		9,000
2026		9,000
2027		9,000
Thereafter		857,063
Total	\$	<u>895,313</u>

Prior to the execution of the Fourth Amended and Restated Credit Agreement, we repurchased outstanding debt under the Term Loan in the amount of \$109 million. A proportionate share of debt issuance and original discount costs were written off in conjunction with this repurchase which resulted in additional expense of approximately \$1.0 million. As a result, we recorded a loss on extinguishment of debt in the amount of \$1.0 million. The loss on extinguishment was recorded in Other (expense) income, net, including interest income in the Condensed Consolidated Statements of Operations.

During the second quarter of 2023, we made a voluntary prepayment on the Term Loan of \$25 million. A proportionate share of debt issuance and original discount costs were written off in conjunction with the prepayment of this debt which resulted in additional expense of \$1.1 million. This expense was recorded in Other (expense) income, net, including interest income in the Condensed Consolidated Statements of Operations.

During the third quarter of 2023, we made a voluntary prepayment on the Term Loan of \$25 million. A proportionate share of debt issuance and original discount costs were written off in conjunction with the prepayment of this debt which resulted in additional expense of \$1.1 million. This expense was recorded in Other (expense) income, net, including interest income in the Condensed Consolidated Statements of Operations.

Revolving Line-of-Credit

We have a \$150.0 million Revolver with zero drawn and \$20.8 million allocated for letters of credit as of September 30, 2023, leaving \$129.2 million available under the Revolver. Based on our consolidated leverage ratio of 1.91:1.00 as of September 30, 2023, we have access to the full availability of the Revolver.

Insurance Financing Notes Payable

During the third quarter of 2023, we renewed our insurance policies and financed the payments through notes payable with a stated interest rate of 6.6%. These payments will be made in installments throughout a nine-month period and, as such, have been classified as current debt. As of September 30, 2023, the notes payable had a balance of \$9.7 million.

NOTE J—ASSET RETIREMENT OBLIGATIONS

Mine reclamation or future remediation costs for inactive mines are accrued based on management's best estimate at the end of each period of the costs expected to be incurred at such site at the expected abandonment date. Such cost estimates include, where applicable, ongoing care, maintenance and monitoring costs. Changes in estimates at inactive mines are reflected in earnings in the period an estimate is revised. Liabilities related to our asset retirement obligations are reflected in other long-term liabilities on our balance sheets. Changes in the asset retirement obligations (in thousands) are as follows:

	Nine Months Ended September 30,	
	2023	2022
Beginning balance	\$ 20,732	\$ 32,049
Accretion	1,555	1,123
Additions and revisions of estimates	1,698	(3,126)
Payments	(5)	(62)
Ending balance	<u>\$ 23,980</u>	<u>\$ 29,984</u>

NOTE K—FAIR VALUE ACCOUNTING

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

Cash Equivalents

Due to the short-term maturity, we believe our cash equivalent instruments approximated their reported carrying values, therefore we have classified our cash equivalents as Level 1 of the fair value hierarchy.

Long-Term Debt, Including Current Maturities

The fair values of our long-term debt, including current maturities, approximated their carrying values based on their effective interest rates compared to current market rates, therefore we have classified our long-term debt as Level 1 of the fair value hierarchy.

Derivative Instruments

The estimated fair value of our derivative instruments is recorded at each reporting period and is determined based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets. Therefore, we have classified these swap agreements as Level 2 of the fair value hierarchy.

NOTE L—DERIVATIVE INSTRUMENTS

Cash Flow Hedges of Natural Gas Price Risk

Natural gas is the primary fuel source used for drying in the commercial silica production process. In the past, the price of natural gas has been volatile, and we believe this volatility may continue. In order to manage our exposure to natural gas price increases, we entered into natural gas swaps. The derivative instruments are recorded on the balance sheet within other current or long-term assets or liabilities based on maturity dates at their fair values. As of September 30, 2023, the fair value of our natural gas swaps was a liability of \$1.5 million, of which \$1.3 million was classified within accounts payable and accrued liabilities on our balance sheet and \$0.2 million was classified within other long-term obligations on our balance sheet. At December 31, 2022, the fair value of our natural gas swaps was a liability of \$3.1 million, of which \$2.3 million was classified within accounts payable and accrued liabilities on our balance sheet and \$0.8 million was classified within other long-term obligations on our balance sheet.

We designated the natural gas swap agreements as qualified cash flow hedges. Accordingly, the effective portion of the gain or loss on the derivative instrument was reported as a component of other comprehensive income and recognized in earnings in the same period or periods during which the hedged transaction affects earnings.

The following table summarizes the fair values of our derivative instruments (in thousands, except contract/notional amount). See Note K - Fair Value Accounting for more information regarding the estimated fair values of our derivative instruments.

	September 30, 2023				December 31, 2022			
	Maturity Date	Contract/Notional Amount (MMBtu)	Carrying Amount	Fair Value	Maturity Date	Contract/Notional Amount (MMBtu)	Carrying Amount	Fair Value
Natural Gas - W. Texas (WAHA) - Inside FERC	2023	1,200,000	\$ (365)	\$ (365)	2023	1,200,000	\$ (1,887)	\$ (1,887)
Natural Gas - W. Texas (WAHA) - Inside FERC	2024	870,000	\$ (879)	\$ (879)	2024	870,000	\$ (656)	\$ (656)
Natural Gas - W. Texas (WAHA) - Inside FERC	2024	750,000	\$ 109	\$ 109	N/A	N/A	\$ —	\$ —
Natural Gas - Henry Hub - NYMEX	2023	300,000	\$ (145)	\$ (145)	2023	300,000	\$ (425)	\$ (425)
Natural Gas - Henry Hub - NYMEX	2024	120,000	\$ (194)	\$ (194)	2024	120,000	\$ (85)	\$ (85)
Natural Gas - Henry Hub - NYMEX	2025	90,000	\$ (75)	\$ (75)	2025	90,000	\$ (35)	\$ (35)

During the nine months ended September 30, 2023, we had no ineffectiveness for the natural gas swap derivatives.

The following table summarizes the effect of derivative instruments (in thousands) on our income statements and our consolidated statements of comprehensive income:

	Nine Months Ended September 30,	
	2023	2022
Deferred losses from derivatives in OCI, beginning of period	\$ (2,342)	\$ —
Gain recognized in OCI from derivative instruments	1,168	—
Deferred losses from derivatives in OCI, end of period	\$ (1,174)	\$ —

NOTE M—EQUITY-BASED COMPENSATION

In July 2011, we adopted the U.S. Silica Holdings, Inc. 2011 Incentive Compensation Plan (the “2011 Plan”), which was amended and restated effective May 2015, amended and restated effective February 1, 2020, amended and restated effective May 13, 2021, amended and restated effective May 12, 2022 and amended and restated effective May 11, 2023. The 2011 Plan provides for grants of stock options, restricted stock, performance share units and other incentive-based awards. We believe our 2011 Plan aligns the interests of our employees and directors with those of our common stockholders. We use a combination of

treasury stock and new shares, if necessary, to satisfy option exercises or vesting of restricted awards and performance share units.

Stock Options

The following table summarizes the status of, and changes in, our stock option awards during the nine months ended September 30, 2023:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term in Years
Outstanding at December 31, 2022	508,523	\$ 36.22	2.0 years
Granted	—	\$ —	
Exercised	—	\$ —	
Forfeited	(58,160)	\$ 36.65	
Expired	(37,434)	\$ 24.80	
Outstanding at September 30, 2023	<u>412,929</u>	\$ 37.20	1.4 years
Exercisable at September 30, 2023	<u>412,929</u>	\$ 37.20	1.4 years

There were no grants of stock options during the three and nine months ended September 30, 2023 and 2022.

The following table summarizes stock option exercise activity:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Options exercised (in actual shares)	—	40,000	—	90,000
Intrinsic value of options exercised (in thousands)	\$ —	\$ 167	\$ —	\$ 613
Cash received from options exercised (in thousands)	\$ —	\$ 423	\$ —	\$ 956
Tax benefit realized from options exercised (in thousands)	\$ —	\$ 40	\$ —	\$ 148

As of September 30, 2023 and 2022, there was no unrecognized compensation expense related to these options. We account for forfeitures as they occur.

Restricted Stock and Restricted Stock Unit Awards

The following table summarizes the status of, and changes in, our unvested restricted stock awards during the nine months ended September 30, 2023:

	Number of Shares	Grant Date Weighted Average Fair Value
Unvested, December 31, 2022	1,438,386	\$ 9.37
Granted	737,239	\$ 12.13
Vested	(725,767)	\$ 9.03
Forfeited	(121,338)	\$ 8.70
Unvested, September 30, 2023	<u>1,328,520</u>	\$ 11.15

We granted 101,634 and 737,239 restricted stock and restricted stock unit awards during the three and nine months ended September 30, 2023, respectively. We granted 11,621 and 642,333 restricted stock and restricted stock units during the three and nine months ended September 30, 2022, respectively. The fair value of the awards was based on the market price of our stock at date of grant.

We recognized \$2.0 million and \$5.5 million of equity-based compensation expense related to restricted stock and restricted stock units during the three and nine months ended September 30, 2023, respectively. We recognized \$1.8 million and

\$5.2 million of equity-based compensation expense related to restricted stock and restricted stock units during the three and nine months ended September 30, 2022, respectively. As of September 30, 2023, there was \$10.5 million of unrecognized compensation expense related to these restricted stock and restricted stock units, which is expected to be recognized over a weighted-average period of 1.9 years.

We also granted cash awards during the three months ended March 31, 2020. These awards vested over a period of three years and were settled in cash. As such, these awards were classified as liability instruments. We recognized zero and \$0.3 million of expense related to these awards for the three and nine months ended September 30, 2023, respectively. We recognized \$0.2 million and \$0.6 million of expense related to these awards for the three and nine months ended September 30, 2022, respectively. The liability for these awards was included in accounts payable and other accrued expenses on our balance sheets. These awards were remeasured at fair value each reporting period with resulting changes reflected in our income statements. As of September 30, 2023, there was no unrecognized expense related to these awards.

Performance Share Unit Awards

The following table summarizes the status of, and changes in, our performance share unit awards during the nine months ended September 30, 2023:

	Number of Shares	Grant Date Weighted Average Fair Value
Unvested, December 31, 2022	2,292,751	\$ 9.51
Granted	1,295,904	\$ 9.54
Vested	(1,549,033)	\$ 6.60
Forfeited/Cancelled	(109,259)	\$ 11.52
Unvested, September 30, 2023	<u>1,930,363</u>	<u>\$ 11.75</u>

We granted zero and 1,295,904 performance share unit awards during the three and nine months ended September 30, 2023, respectively. We granted zero and 920,681 performance share unit awards during the three and nine months ended September 30, 2022, respectively. A portion of these awards was measured against total shareholder return ("TSR"), and a portion was measured against adjusted free cash flow ("ACF") targets. The grant date weighted average fair value of these awards was estimated to be \$9.54 and \$11.79 for the nine months ended September 30, 2023 and 2022, respectively.

The number of TSR measured units that will vest will depend on the percentage ranking of our TSR compared to the TSR for each of the companies in the peer group over the three year period from January 1, 2023 through December 31, 2025 for the 2023 grant, January 1, 2022 through December 31, 2024 for the 2022 grant, and January 1, 2021 through December 31, 2023 for the 2021 grant. The number of ACF measured units that will vest will be based on ACF achievement versus target. The ACF targets are set annually and are approved by the Board of Directors. The related compensation expense is recognized on a straight-line basis over the vesting period.

The grant date fair value for the TSR awards was estimated using a Monte Carlo simulation model. The Monte Carlo simulation model requires the use of highly subjective assumptions. Our key assumptions in the model included the price and the expected volatility of our common stock and our self-determined peer group companies' stock, risk-free rate of interest, dividend yields and cross-correlations between our common stock and our self-determined peer group companies' stock.

We recognized \$1.7 million and \$5.2 million of compensation expense related to performance share unit awards during the three and nine months ended September 30, 2023, respectively. We recognized \$2.9 million and \$8.6 million of compensation expense related to performance share unit awards during the three and nine months ended September 30, 2022, respectively. As of September 30, 2023, there was \$10.1 million of unrecognized compensation expense related to these performance share unit awards, which is expected to be recognized over a weighted-average period of 1.9 years.

We also granted cash awards during the three months ended March 31, 2020. These awards vested over a period of three years and were settled in cash. As such, these awards were classified as liability instruments. We recognized \$0.1 million and \$0.8 million of expense related to these awards for the nine months ended September 30, 2023 and 2022, respectively. The liability for these awards was included in accounts payable and other accrued expenses on our balance sheets. These awards were remeasured at fair value each reporting period with resulting changes reflected in our income statements. As of September 30, 2023, there was no unrecognized expense related to these awards.

NOTE N—COMMITMENTS AND CONTINGENCIES

Future Minimum Annual Commitments at September 30, 2023 (in thousands):

	Minimum Purchase Commitments
2023 (remaining three months)	\$ 1,891
2024	7,640
2025	6,431
2026	3,844
2027	2,288
Thereafter	7,484
Total future purchase commitments	<u>\$ 29,578</u>

Minimum Purchase Commitments

We enter into service agreements with our transload and transportation providers as well as commodity suppliers. Some of these agreements require us to purchase a minimum amount of services over a specific period of time. Any inability to meet these minimum contract requirements requires us to pay a shortfall fee, which is based on the difference between the minimum amount contracted for and the actual amount purchased.

Contingent Liability on Royalty Agreement

On May 17, 2017, we purchased reserves in Crane County, Texas, for \$94.4 million cash plus contingent consideration. The contingent consideration is a royalty that is based on the tonnage shipped to third-parties. Because the contingent consideration is dependent on future tonnage sold, the amounts of which are uncertain, it is not currently possible to estimate the fair value of these future payments. The contingent consideration will be capitalized at the time a payment is probable and reasonably estimable, and the related depletion expense will be adjusted prospectively.

Other Commitments and Contingencies

Our operating subsidiary, U.S. Silica Company (“U.S. Silica”), has been named as a defendant in various product liability claims alleging silica exposure causing silicosis. During the nine months ended September 30, 2023, no new claims were brought against U.S. Silica. As of September 30, 2023, there were 39 active silica-related product liability claims pending in which U.S. Silica is a defendant. Although the outcomes of these claims cannot be predicted with certainty, in the opinion of management, it is not reasonably possible that the ultimate resolution of these matters will have a material adverse effect on our financial position or results of operations that exceeds the accrual amounts.

We have recorded estimated liabilities for these claims in other long-term liabilities and an estimate of future recoveries under insurance in other assets on our consolidated balance sheets. For both September 30, 2023 and December 31, 2022, other non-current assets included zero for insurance for third-party product liability claims. As of September 30, 2023 and December 31, 2022 other long-term liabilities included \$0.7 million and \$0.8 million, respectively, for third-party product liability claims.

Obligations under Guarantees

We have indemnified our insurers against any loss they may incur in the event that holders of surety bonds, issued on our behalf, execute the bonds. As of September 30, 2023, there was \$42.8 million in bonds outstanding, of which \$38.8 million related to reclamation requirements issued by various governmental authorities. Reclamation bonds remain outstanding until the mining area is reclaimed and the authority issues a formal release. The remaining bonds relate to licenses, permits, and tax collection.

NOTE O—PENSION AND POST-RETIREMENT BENEFITS

We maintain a single-employer noncontributory defined benefit pension plan covering certain employees. The plan is frozen to all new employees. The plan provides benefits based on each covered employee's years of qualifying service. Our funding policy is to contribute amounts within the range of the minimum required and maximum deductible contributions for the plan consistent with a goal of appropriate minimization of the unfunded projected benefit obligations. The pension plan uses a benefit level per year of service for covered hourly employees and a final average pay method for covered salaried employees. The plan uses the projected unit credit cost method to determine the actuarial valuation.

In addition, we provide defined benefit post-retirement health care and life insurance benefits to some employees. Covered employees become eligible for these benefits at retirement after meeting minimum age and service requirements. The projected future cost of providing post-retirement benefits, such as healthcare and life insurance, is recognized as an expense as employees render services. In general, retiree health benefits are paid as covered expenses are incurred. Expenses incurred other than service costs are reported in Other (expense) income in our Condensed Consolidated Statements of Operations.

Net pension benefit cost (in thousands) consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Service cost	\$ 620	\$ 506	\$ 1,766	\$ 1,887
Interest cost	1,578	959	4,075	2,340
Expected return on plan assets	(1,855)	(1,573)	(4,892)	(4,415)
Net amortization and deferral	35	686	30	1,687
Net pension benefit costs	\$ 378	\$ 578	\$ 979	\$ 1,499

Net post-retirement benefit cost (in thousands) consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Service cost	\$ (2)	\$ 1	\$ 6	\$ 13
Interest cost	89	63	249	135
Unrecognized prior service cost	(516)	(516)	(1,547)	(1,547)
Unrecognized net gain	(333)	(154)	(595)	(223)
Net post-retirement benefit income	\$ (762)	\$ (606)	\$ (1,887)	\$ (1,622)

We made a voluntary contribution of \$2.0 million to the qualified pension plan for the three and nine months ended September 30, 2023 and no contributions for the three and nine months ended September 30, 2022. Our best estimates of expected required contributions to the pension and post-retirement medical benefit plans for the 2023 fiscal year are zero and \$1.0 million, respectively.

We contribute to three multiemployer defined benefit pension plans under the terms of collective-bargaining agreements for union-represented employees. A multiemployer plan is subject to collective bargaining for employees of two or more unrelated companies. These plans allow multiple employers to pool their pension resources and realize efficiencies associated with the daily administration of the plan. Multiemployer plans are generally governed by a board of trustees composed of management and labor representatives and are funded through employer contributions. However, in most cases, management is not directly represented. Our contributions to individual multiemployer pension funds did not exceed 5% of the fund's total contributions for the three and nine months ended September 30, 2023 and 2022. Additionally, our contributions to multiemployer post-retirement benefit plans were immaterial for all periods presented in the accompanying condensed consolidated financial statements.

We also sponsor a defined contribution plan covering certain employees. We contribute to the plan in two ways. For certain employees not covered by the defined benefit plan, we make a contribution equal to 4% of their salary. For all other eligible employees, we make a contribution up to 6% of eligible earnings. Contributions were \$1.9 million and \$5.9 million for the three and nine months ended September 30, 2023, respectively, and \$1.7 million and \$5.2 million for the three and nine months ended September 30, 2022, respectively.

NOTE P— LEASES

We lease railroad cars, office space, mining property, mining/processing equipment and transportation and other equipment. The majority of our leases have remaining lease terms of approximately one year to 20 years. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. We have lease agreements with lease and non-lease components, the latter of which are generally accounted for separately.

Supplemental balance sheet information related to leases was as follows (in thousands, except lease term and discount rate):

Leases	Classification	September 30, 2023	December 31, 2022
Assets			
Operating	Lease right-of-use assets	\$ 40,395	\$ 39,088
Finance	Lease right-of-use assets	2,947	3,286
Total leased assets		\$ 43,342	\$ 42,374
Liabilities			
Current			
Operating	Current portion of operating lease liabilities	\$ 19,490	\$ 19,773
Finance	Current portion of long-term debt	1,058	1,107
Non-current			
Operating	Operating lease liabilities	58,922	64,478
Finance	Long-term debt, net	1,822	2,153
Total lease liabilities		\$ 81,292	\$ 87,511
Lease Term and Discount Rate			
Weighted average remaining lease term:			
Operating		6.1 years	6.4 years
Finance		4.7 years	4.4 years
Weighted average discount rate:			
Operating		6.1%	5.7%
Finance		6.2%	5.1%

The components of lease expense (in thousands) were as follows:

Lease Costs	Classification	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Operating lease costs ⁽¹⁾	Cost of sales	\$ 8,498	\$ 10,925	\$ 29,193	\$ 27,844
Operating lease costs ⁽²⁾	Selling, general and administrative	711	392	2,054	1,193
Total ⁽³⁾		\$ 9,209	\$ 11,317	\$ 31,247	\$ 29,037

⁽¹⁾ Included short-term operating lease costs of \$5.3 million and \$18.7 million for the three and nine months ended September 30, 2023, respectively, and \$6.9 million and \$16.8 million for the three and nine months ended September 30, 2022, respectively.

⁽²⁾ Included short-term operating lease costs of \$0.4 million and \$1.1 million for the three and nine months ended September 30, 2023, respectively, and \$0.1 million and \$0.3 million for the three and nine months ended September 30, 2022, respectively.

⁽³⁾ Not included were expenses for finance leases of \$0.2 million and \$0.6 million for the three and nine months ended September 30, 2023, respectively, and \$0.4 million and \$1.2 million for the three and nine months ended September 30, 2022, respectively.

Supplemental cash flow information (in thousands) related to leases was as follows:

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	\$ 19,131	\$ 17,643
Financing cash flows for finance leases	\$ 725	\$ 999
Right-of-use assets obtained in exchange for new lease liabilities:		
Operating leases	\$ 4,354	\$ 13,579
Finance leases	\$ 1,166	\$ 2,097

Maturities of lease liabilities (in thousands) as of September 30, 2023:

	Operating leases	Finance leases
2023 (remaining three months)	\$ 6,529	\$ 272
2024	23,303	1,210
2025	17,146	928
2026	13,066	618
2027	9,327	46
Thereafter	28,815	191
Total lease payments	\$ 98,186	\$ 3,265
Less: Interest	17,869	385
Less: Other operating expenses	1,905	—
Total	\$ 78,412	\$ 2,880

NOTE Q— INCOME TAXES

For interim period reporting, we record income taxes using an estimated annual effective tax rate based upon projected annual income, forecasted permanent tax differences, discrete items and statutory rates in states in which we operate. At the end of each interim period, we update the estimated annual effective tax rate, and if the estimated tax rate changes based on new information, we make a cumulative adjustment in the period. We record the tax effect of an unusual or infrequently occurring item in the interim period in which it occurs as a discrete item of tax.

For the three and nine months ended September 30, 2023, we had tax expense of \$12.1 million and \$40.8 million, respectively. For the three and nine months ended September 30, 2022, we had tax expense of \$10.3 million and \$15.2 million, respectively. The effective tax rates were 31% and 26% for the three and nine months ended September 30, 2023, respectively, and 24% and 25% for the three and nine months ended September 30, 2022, respectively. Without discrete items, which primarily consist of the tax impact of equity compensation and non-US income taxes, the effective tax rates for the three and nine months ended September 30, 2023 would have been 29% and 26%, respectively, and 24% and 23% for the three and nine months ended September 30, 2022, respectively.

During the three and nine months ended September 30, 2023, we recorded tax expense of \$0.3 million and a tax benefit of \$1.9 million, respectively, related to equity compensation. During the three and nine months ended September 30, 2022, we recorded a tax benefit of zero and tax expense of \$0.1 million, respectively, related to equity compensation.

Historically, our actual effective tax rates have differed from the statutory effective rate primarily due to the benefit received from statutory percentage depletion allowances. The deduction for statutory percentage depletion does not necessarily change proportionately to changes in income before income taxes. For the three and nine months ended September 30, 2023, the benefit received from statutory percentage depletion allowances was offset by nondeductible executive compensation and state income taxes.

NOTE R— REVENUE

We consider sales disaggregated at the product and service level by business segment to depict how the nature, amount, timing and uncertainty of revenues and cash flow are impacted by changes in economic factors. The following table disaggregates our sales by major source (in thousands):

Category	Three Months Ended September 30, 2023			Three Months Ended September 30, 2022		
	Oil & Gas Proppants	Industrial & Specialty Products	Total Sales	Oil & Gas Proppants	Industrial & Specialty Products	Total Sales
Product	\$ 158,721	\$ 135,535	\$ 294,256	\$ 158,479	\$ 151,352	\$ 309,831
Service	72,705	—	72,705	108,982	—	108,982
Total Sales	\$ 231,426	\$ 135,535	\$ 366,961	\$ 267,461	\$ 151,352	\$ 418,813

Category	Nine Months Ended September 30, 2023			Nine Months Ended September 30, 2022		
	Oil & Gas Proppants	Industrial & Specialty Products	Total Sales	Oil & Gas Proppants	Industrial & Specialty Products	Total Sales
Product	\$ 543,178	\$ 422,261	\$ 965,439	\$ 409,128	\$ 424,262	\$ 833,390
Service	250,546	—	250,546	278,823	—	278,823
Total Sales	\$ 793,724	\$ 422,261	\$ 1,215,985	\$ 687,951	\$ 424,262	\$ 1,112,213

The following tables reflect the changes in our contract assets, which we classify as unbilled receivables and our contract liabilities, which we classify as deferred revenues, for the nine months ended September 30, 2023 and 2022 (in thousands):

	Unbilled Receivables	
	September 30, 2023	September 30, 2022
Beginning Balance	\$ —	\$ 1,957
Reclassifications to billed receivables	—	(4,457)
Revenues recognized in excess of period billings	—	3,021
Ending Balance	\$ —	\$ 521

	Deferred Revenue	
	September 30, 2023	September 30, 2022
Beginning Balance	\$ 30,752	\$ 20,741
Revenues recognized from balances held at the beginning of the period	(12,173)	(3,248)
Revenues deferred from period collections on unfulfilled performance obligations	—	21,398
Revenues recognized from period collections	—	(7,672)
Ending Balance	\$ 18,579	\$ 31,219

We have elected to use the practical expedients allowed under ASC 606-10-50-14, pursuant to which we have excluded disclosures of transaction prices allocated to remaining performance obligations and when we expect to recognize such revenue. The majority of our remaining performance obligations are primarily comprised of unfulfilled product, transportation service, and labor service orders, all of which hold a remaining duration of less than one year. The long-term portion of deferred revenue primarily represents a combination of refundable and nonrefundable customer prepayments for which related current performance obligations do not yet exist, but are expected to arise, before the expiration of the contract. Our residual unfulfilled performance obligations are comprised primarily of long-term equipment rental arrangements in which we recognize revenues equal to what we have a right to invoice. Generally, no variable consideration exists related to our remaining performance obligations and no consideration is excluded from the associated transaction prices.

Foreign Operations

The following table includes information related to our foreign operations (in thousands):

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Total Sales	\$ 21,959	\$ 28,891	\$ 77,708	\$ 83,803
Pre-tax income	\$ 3,850	\$ 7,936	\$ 15,051	\$ 22,464
Net income	\$ 3,042	\$ 6,270	\$ 11,890	\$ 17,747

Foreign operations constituted approximately \$28.2 million and \$35.4 million of consolidated assets as of September 30, 2023 and 2022, respectively.

NOTE S— RELATED PARTY TRANSACTIONS

There were no related party transactions during the three and nine months ended September 30, 2023 or 2022.

NOTE T— SEGMENT REPORTING

Our business is organized into two reportable segments, Oil & Gas Proppants and Industrial & Specialty Products, based on end markets. The reportable segments are consistent with how management views the markets that we serve and the financial information reviewed by the chief operating decision maker. We manage our Oil & Gas Proppants and Industrial & Specialty Products businesses as components of an enterprise for which separate information is available and is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and assess performance.

In the Oil & Gas Proppants segment, we serve the oil and gas recovery market primarily by providing and delivering fracturing sand, or “frac sand,” which is pumped down oil and natural gas wells to prop open rock fissures and increase the flow rate of oil and natural gas from the wells.

The Industrial & Specialty Products segment consists of over 600 product types and materials used in a variety of industries, including container glass, fiberglass, specialty glass, flat glass, building products, fillers and extenders, foundry products, chemicals, recreation products and filtration products.

An operating segment’s performance is primarily evaluated based on segment contribution margin, which excludes selling, general, and administrative costs, depreciation, depletion and amortization, corporate costs, plant capacity expansion expenses, and facility closure costs. We believe that segment contribution margin, as defined above, is an appropriate measure for evaluating the operating performance of our segments. However, segment contribution margin is a non-GAAP measure and should be considered in addition to, not a substitute for, or superior to, net income (loss) or other measures of financial performance prepared in accordance with GAAP. The other accounting policies of each of the two reportable segments are the same as those in Note B - Summary of Significant Accounting Policies to the Consolidated Financial Statements in Item 8 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

The following table presents sales and segment contribution margin (in thousands) for the reportable segments and other operating results not allocated to the reportable segments:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Sales:				
Oil & Gas Proppants	\$ 231,426	\$ 267,461	\$ 793,724	\$ 687,951
Industrial & Specialty Products	135,535	151,352	422,261	424,262
Total sales	366,961	418,813	1,215,985	1,112,213
Segment contribution margin:				
Oil & Gas Proppants	82,890	85,295	291,856	207,401
Industrial & Specialty Products	46,347	46,526	140,871	130,275
Total segment contribution margin	129,237	131,821	432,727	337,676
Operating activities excluded from segment cost of sales	(3,233)	(4,528)	(10,605)	(12,748)
Selling, general and administrative	(29,287)	(33,933)	(87,144)	(108,860)
Depreciation, depletion and amortization	(35,822)	(34,500)	(104,754)	(106,964)
Interest expense	(26,039)	(20,174)	(76,087)	(54,777)
Other income, net, including interest income	4,016	3,576	4,161	7,206
Income tax expense	(12,064)	(10,259)	(40,774)	(15,209)
Net income	\$ 26,808	\$ 32,003	\$ 117,524	\$ 46,324
Less: Net loss attributable to non-controlling interest	(101)	(68)	(292)	(262)
Net income attributable to U.S. Silica Holdings, Inc.	\$ 26,909	\$ 32,071	\$ 117,816	\$ 46,586

Asset information, including capital expenditures and depreciation, depletion, and amortization, by segment is not included in reports used by management in its monitoring of performance and, therefore, is not reported by segment. At both September 30, 2023 and December 31, 2022, goodwill of \$185.6 million has been allocated to these segments with zero allocated to Oil & Gas Proppants and \$185.6 million to Industrial & Specialty Products.

NOTE U— SUBSEQUENT EVENTS

Subsequent to the third quarter of 2023, we completed the sale of a non-operating parcel of land for approximately \$18.0 million, net of fees and other closing costs. A net gain of approximately \$13.4 million will be recognized in the fourth quarter of 2023 in Other income, net, including interest income in the Consolidated Statements of Operations.

We evaluated subsequent events through the date the consolidated financial statements were available for issuance and did not identify any other events requiring disclosure.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read together with the unaudited condensed consolidated financial statements and the accompanying notes included in Part I, Item 1 of this Quarterly Report on Form 10-Q as well as the consolidated financial statements, the accompanying notes and the related Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”), contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (the “2022 Annual Report”).

Adjusted EBITDA and segment contribution margin as used herein are non-GAAP measures. For a detailed description of Adjusted EBITDA and segment contribution margin and reconciliations to their most comparable GAAP measures, please see the discussion below under “How We Evaluate Our Business.”

Forward Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and Section 27A of the Securities Act of 1933, as amended. All statements other than statements of historical fact included in this Quarterly Report on Form 10-Q are forward-looking statements. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business. These statements may include words such as “anticipate,” “estimate,” “expect,” “project,” “plan,” “intend,” “believe,” “may,” “will,” “should,” “could,” “can have,” “likely” and other words and terms of similar meaning.

For example, all statements we make relating to our estimated and projected costs and cost reduction programs; the impact on our costs of heightened levels of inflation and rising interest rates; reserve and finished products estimates; demand for our products; the strategies of our customers; anticipated expenditures, cash flows, growth rates and financial results; our plans and objectives for future operations, growth or initiatives; strategies and their anticipated effect on our performance and liquidity; and the expected outcome or impact of pending or threatened litigation are forward-looking statements.

All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expect, including but not limited to: global economic conditions; fluctuations in demand for commercial silica, diatomaceous earth, perlite, clay and cellulose; fluctuations in demand for frac sand or the development of either effective alternative proppants or new processes to replace hydraulic fracturing; changes in production spending by companies in the oil and gas industry and changes in the level of oil and natural gas exploration and development; general economic, political and business conditions in key regions of the world including the ongoing conflicts between Russia and Ukraine and between Israel and Hamas; pricing pressure; cost inflation; weather and seasonal factors; the cyclical nature of our customers’ business; our inability to meet our financial and performance targets and other forecasts or expectations; our substantial indebtedness and pension obligations, including restrictions on our operations imposed by our indebtedness; operational modifications, delays or cancellations; prices for electricity, natural gas and diesel fuel; our ability to maintain our transportation network; changes in government regulations and regulatory requirements, including those related to mining, explosives, chemicals, and oil and gas production; silica-related health issues and corresponding litigation; and other risks and uncertainties detailed in this Quarterly Report on Form 10-Q and our most recent Forms 10-K, 10-Q, and 8-K filed with or furnished to the U.S. Securities and Exchange Commission (“SEC”).

We derive many of our forward-looking statements from our operating budgets and forecasts, which are based on many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of the known factors described above, and it is impossible for us to anticipate all factors that could affect our actual results. As a result, forward-looking statements are not guarantees of future performance, and you should not place undue reliance on any forward-looking statements we make. If one or more of the risks described above or other risks or uncertainties

materialize (or the consequences of any such development changes), or should our underlying assumptions prove incorrect, actual outcomes may vary materially from those reflected in our forward-looking statements. The forward-looking statements included in this Quarterly Report on Form 10-Q are made only as of the date hereof. We disclaim any intention or obligation to update publicly or revise such statements, whether as a result of new information, future events or otherwise. All written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by these cautionary statements as well as other cautionary statements that are made from time to time in our other filings with the SEC, and our other public communications.

Overview

We are a global performance materials company and a leading producer of commercial silica used in the oil and gas industry and in a wide range of industrial applications. In addition, through our subsidiary EP Minerals, LLC ("EPM"), we are an industry leader in the production of industrial minerals, including diatomaceous earth, clay (calcium bentonite and calcium montmorillonite) and perlite.

During our 123-year history, we have developed core competencies in mining, processing, logistics and materials science that enable us to produce and cost-effectively deliver over 600 diversified product types to customers across our end markets. As of September 30, 2023, we had 27 operating mines and processing facilities and two additional exploration stage properties across the United States. We control 479 million tons of reserves of commercial silica, which we believe can be processed to make 177 million tons of finished products that meet API frac sand specifications, and 81 million tons of reserves of diatomaceous earth, perlite, and clays.

Our operations are organized into two reportable segments based on end markets served and the manner in which we analyze our operating and financial performance: (1) Oil & Gas Proppants and (2) Industrial & Specialty Products. We believe our segments are complementary because our ability to sell to a wide range of customers across end markets in these segments allows us to maximize recovery rates in our mining operations and optimize our asset utilization.

Recent Trends and Outlook

Oil and gas proppants end market trends

Our operations in our Oil & Gas Proppants segment are materially dependent on the levels of activity in natural gas and oil exploration, development and production, which are affected by trends in natural gas and oil prices. In recent years, natural gas and oil prices and, therefore, the level of exploration, development and production activity, have experienced significant volatility.

During 2020, the COVID-19 pandemic and related economic repercussions, coupled with an inadequate supply response and exacerbated by the lack of global storage capacity, resulted in a precipitous decline in crude oil prices. Demand for our proppant and logistics services declined as our customers reduced their capital spending budgets and drilling and completion operations in response to lower oil prices. Crude oil prices began to rebound from 2020 levels, with the West Texas Intermediate price of crude oil increasing 55% during 2021 and as much as 52% during 2022. Though prices declined slightly during the first half of 2023, they have rebounded during the third quarter. This resulted in strong well completion activity and improved pricing for our Oil & Gas Proppants segment. Strong customer demand and favorable pricing in this segment have continued during 2023, offset in part by higher transportation and other costs.

Recent international conflicts, including Russia and Ukraine and Israel and Hamas have increased the disruption, instability and volatility in global markets and industries. As our operations are significantly U.S. based, we have not been, to date, materially impacted by these conflicts. We continue to monitor the uncertainty surrounding the extent and duration of the current international conflicts and the impact that these conflicts may have on the global economy and on our business.

Heightened levels of inflation present risk for us in terms of increased labor costs, transportation costs and energy costs that may not be able to be passed on to customers through increased pricing. In addition, rising interest rates will increase our borrowing costs on new and existing debt.

Sales decreased by 12% or \$30.9 million in our Oil & Gas Proppants segment during the three months ended September 30, 2023 compared to the three months ended June 30, 2023. This was due primarily to a 9% decrease in tons sold and a 3% decrease in average selling price per ton. Sales decreased by 13% or \$37.7 million in our Oil & Gas Proppants segment during the three months ended June 30, 2023 compared to the three months ended March 31, 2023. This was due primarily to a 13% decrease in tons sold. Our results for the nine-month period ended September 30, 2023 in this segment are not necessarily indicative of the results that may be expected for the full year ending December 31, 2023.

Amounts in thousands, except per ton data

	Three Months Ended			Percentage Change	
	September 30, 2023	June 30, 2023	March 31, 2023	September 30, 2023 vs. June 30, 2023	June 30, 2023 vs. March 31, 2023
Oil & Gas Proppants					
Sales	\$ 231,426	\$ 262,285	\$ 300,013	(12)%	(13)%
Tons Sold	3,122	3,419	3,921	(9)%	(13)%
Average Selling Price per Ton	\$ 74.13	\$ 76.71	\$ 76.51	(3)%	— %

If oil and gas drilling and completion activity is not sustained, or if frac sand supply remains greater than demand, then we may sell fewer tons, sell tons at lower prices, or both. If we sell less frac sand or sell frac sand at lower prices, our revenue, net income, cash generated from operating activities, and liquidity would be adversely affected, and we could incur material asset impairments. If these events occur, we may evaluate further actions to reduce costs and improve liquidity.

Industrial and specialty products end market trends

Demand in the industrial and specialty products end markets has been relatively stable in recent years and is primarily influenced by key macroeconomic drivers such as the housing market, population growth, light vehicle sales, beer and wine production, repair and remodel activity and industrial production. The primary end markets served by our Industrial & Specialty Products segment are building and construction products, fillers and extenders, filtration, glassmaking, absorbents, foundry, and sports and recreation. We have been increasing our value-added product offerings in the industrial and specialty products end markets organically as well as through acquisitions, such as White Armor® and EPM. Additionally, we have increased our focus on the alternative energy markets and products necessary for the supply chains of solar panels, renewable diesel and wind turbines. Sales of these new higher margin products have increased our Industrial & Specialty Products segment's profitability.

Heightened levels of inflation present risk for us in terms of increased labor costs, transportation costs and energy costs that may not be able to be passed on to customers through increased pricing. In addition, rising interest rates will increase our borrowing costs on new and existing debt. Additionally, we continue to monitor the uncertainty surrounding the extent and duration of the Russia and Ukraine and Israel and Hamas conflicts on our business as discussed above.

Our Business Strategy

The key drivers of our growth strategy include:

- increasing our presence and new product development in specialty products end markets;
- optimizing our product mix and further developing value-added capabilities to maximize margins;
- effectively positioning our Oil & Gas Proppants facilities to optimally serve our customers;
- optimizing our supply chain network and leveraging our logistics capabilities to meet our customers' needs;
- evaluating both Greenfield and Brownfield expansion opportunities and other acquisitions; and
- maintaining financial strength and flexibility.

How We Generate Our Sales

Products

We derive our product sales by mining and processing minerals that our customers purchase for various uses. Our product sales are primarily a function of the price per ton and the number of tons sold. We primarily sell our products through individual purchase orders executed under short-term price agreements or at prevailing market rates. The amount invoiced reflects the price of the product, transportation, surcharges, and additional handling services as applicable, such as storage, transloading the product from railcars to trucks and last mile logistics to the customer site. We invoice most of our product customers on a per shipment basis, although for some larger customers we consolidate invoices weekly or monthly. Standard collection terms are net 30 days, although extended terms are offered in competitive situations.

Services

We derive our service sales primarily through the provision of transportation, equipment rental, and contract labor services to companies in the oil and gas industry. Transportation services typically consist of transporting customer proppant from storage facilities to proximal well-sites and are contracted through work orders executed under established pricing agreements. The amount invoiced reflects transportation services rendered. Equipment rental services provide customers with

use of either dedicated or nonspecific wellhead proppant delivery equipment solutions for contractual periods defined either through formal lease agreements or executed work orders under established pricing agreements. The amounts invoiced reflect the length of time the equipment set was utilized in the billing period. Contract labor services provide customers with proppant delivery equipment operators through work orders executed under established pricing agreements. The amounts invoiced reflect the amount of time our customer utilized our labor services in the billing period. We typically invoice our customers weekly or bi-weekly; however, some customers receive invoices monthly or upon well-site operation completion, depending on terms established in contracts or work orders. Standard collection terms are net 30 days, although extended terms are offered in competitive situations.

Our ten largest customers accounted for 47% and 45% of total sales for the three and nine months ended September 30, 2023, respectively, and 42% and 40% for the three and nine months ended September 30, 2022, respectively. No customers accounted for 10% or more of our total sales for the three and nine months ended September 30, 2023 or 2022. At September 30, 2023 and December 31, 2022, none of our customers' accounts receivable represented 10% or more of our total trade accounts receivable.

For a limited number of customers, we sell under long-term, minimum purchase supply agreements. These agreements define, among other commitments, the volume of product that our customers must purchase, the volume of product that we must provide and the price that we will charge and that our customers will pay for each product. Prices under these agreements are generally fixed and subject to certain contractual adjustments. Sometimes these agreements may undergo negotiations regarding pricing and volume requirements, particularly in volatile market conditions. When these negotiations occur, we may deliver our product at prices or at volumes below the requirements in our existing supply agreements. An executed order specifying the type and quantity of product to be delivered, in combination with the noted agreements, comprise our contracts in these arrangements. Selling more tons under supply contracts enables us to be more efficient from a production, supply chain and logistics standpoint. As discussed in Part I, Item 1A., Risk Factors of our 2022 Annual Report, these customers may not continue to purchase the same levels of product in the future due to a variety of reasons, contract requirements notwithstanding.

As of September 30, 2023, we had 11 minimum purchase supply agreements in the Oil & Gas Proppants segment with initial terms expiring between 2023 and 2034. As of September 30, 2022, we had eight minimum purchase supply agreements in the Oil & Gas Proppants segment with initial terms expiring between 2022 and 2034. Collectively, sales to customers with minimum purchase supply agreements accounted for 62% and 58% of Oil & Gas Proppants segment sales during the three and nine months ended September 30, 2023, respectively, and 47% and 38% of Oil & Gas Proppants segment sales during the three and nine months ended September 30, 2022, respectively.

In the industrial and specialty products end markets we have not historically entered into long-term minimum purchase supply agreements with our customers because of the high cost to our customers of switching providers. We may periodically do so when capital or other investment is required to meet customer needs. Instead, we often enter into supply agreements with our customers with targeted volumes and terms of one to five years. Prices under these agreements are generally fixed and subject to annual increases.

The Costs of Conducting Our Business

The principal expenses involved in conducting our business are transportation costs, labor costs, electricity and drying fuel costs, and maintenance and repair costs for our mining and processing equipment and facilities. Transportation and related costs include freight charges, fuel surcharges, transloading fees, switching fees, railcar lease costs, demurrage costs, storage fees and labor costs. Our operating costs can vary significantly based on the volume of product produced and current economic conditions. We benefit from owning the majority of the mineral deposits that we mine and having long-term mineral rights leases or supply agreements for our other primary sources of raw material, which limits royalty payments.

Additionally, we incur expenses related to our corporate operations, including costs for sales and marketing; research and development; and the finance, legal, human resources, information technology, and environmental, health and safety functions of our organization. These costs are principally driven by personnel expenses.

How We Evaluate Our Business

Our management team evaluates our business using a variety of financial and operating metrics. We evaluate the performance of our two segments based on their tons sold, average selling price and contribution margin earned. Additionally, we consider a number of factors in evaluating the performance of our business as a whole, including total tons sold, average selling price, total segment contribution margin, and Adjusted EBITDA. We view these metrics as important factors in evaluating our profitability and review these measurements frequently to analyze trends and make decisions, and we believe the

presentation of these metrics provides useful information to our investors regarding our financial condition and results of operations for the same reasons.

Segment Contribution Margin

Segment contribution margin, a non-GAAP measure, is a key metric that management uses to evaluate our operating performance and to determine resource allocation between segments. Segment contribution margin excludes selling, general, and administrative costs, corporate costs, plant capacity expansion expenses, and facility closure costs.

Segment contribution margin is not a measure of our financial performance under GAAP and should not be considered as an alternative or superior to measures derived in accordance with GAAP. Our measure of segment contribution margin is not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the methods of calculation. For more information about segment contribution margin, including a reconciliation of this measure to its most directly comparable GAAP financial measure, net income (loss), see Note T - Segment Reporting to our Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q.

Adjusted EBITDA

Adjusted EBITDA, a non-GAAP measure, is included in this report because it is a key metric used by management to assess our operating performance and by our lenders to evaluate our covenant compliance. Adjusted EBITDA excludes certain income and/or costs, the removal of which improves comparability of operating results across reporting periods. Our target performance goals under our incentive compensation plan are tied, in part, to our Adjusted EBITDA.

Adjusted EBITDA is not a measure of our financial performance or liquidity under GAAP and should not be considered as an alternative or superior to net income (loss) as a measure of operating performance, cash flows from operating activities as a measure of liquidity or any other performance measure derived in accordance with GAAP. Additionally, Adjusted EBITDA is not intended to be a measure of free cash flow for management's discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. Adjusted EBITDA contains certain other limitations, including the failure to reflect our cash expenditures, cash requirements for working capital needs and cash costs to replace assets being depreciated and amortized, and excludes certain charges that may recur in the future. Management compensates for these limitations by relying primarily on our GAAP results and by using Adjusted EBITDA only supplementally. Our measure of Adjusted EBITDA is not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the methods of calculation.

The following table sets forth a reconciliation of net income, the most directly comparable GAAP financial measure, to Adjusted EBITDA:

<i>(amounts in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income attributable to U.S. Silica Holdings, Inc.	\$ 26,909	\$ 32,071	\$ 117,816	\$ 46,586
Total interest expense, net of interest income	23,912	19,495	69,848	53,926
Provision for taxes	12,064	10,259	40,774	15,209
Total depreciation, depletion and amortization expenses	35,822	34,500	104,754	106,964
EBITDA	98,707	96,325	333,192	222,685
Non-cash incentive compensation ⁽¹⁾	3,723	4,826	10,789	14,778
Post-employment expenses (excluding service costs) ⁽²⁾	(1,001)	(535)	(2,679)	(1,980)
Merger and acquisition related expenses ⁽³⁾	421	1,532	1,490	5,489
Plant capacity expansion expenses ⁽⁴⁾	59	32	157	127
Contract termination expenses ⁽⁵⁾	—	—	—	6,500
Business optimization projects ⁽⁶⁾	—	550	1,046	561
Facility closure costs ⁽⁷⁾	123	270	275	1,200
Other adjustments allowable under the Credit Agreement ⁽⁸⁾	105	(286)	6,139	43
Adjusted EBITDA	\$ 102,137	\$ 102,714	\$ 350,409	\$ 249,403

- (1) Reflects equity-based and other equity-related compensation expense.
- (2) Includes net pension cost and net post-retirement cost relating to pension and other post-retirement benefit obligations during the applicable period, but in each case excluding the service cost relating to benefits earned during such period. Non-service net periodic benefit costs are not considered reflective of our operating performance because these costs do not exclusively originate from employee services during the applicable period and may experience periodic fluctuations as a result of changes in non-operating factors, including changes in discount rates, changes in expected returns on benefit plan assets, and other demographic actuarial assumptions. See Note O - Pension and Post-Retirement Benefits to our Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information.
- (3) Merger and acquisition related expenses include legal fees, professional fees, bank fees, severance costs, and other employee related costs. While these costs are not operational in nature and are not expected to continue for any singular transaction on an ongoing basis, similar types of costs, expenses and charges have occurred in prior periods and may recur in the future as we continue to integrate prior acquisitions and pursue any future acquisitions.
- (4) Plant capacity expansion expenses include expenses that are not inventoriable or capitalizable as related to plant expansion projects greater than \$5 million in capital expenditures or plant start up projects. While these expenses are not operational in nature and are not expected to continue for any singular project on an ongoing basis, similar types of expenses have occurred in prior periods and may recur in the future if we continue to pursue future plant capacity expansions.
- (5) Reflects contract termination expenses related to strategically exiting a supplier service contract. While these expenses are not operational in nature and are not expected to continue for any singular event on an ongoing basis, similar types of expenses have occurred in prior periods and may recur in the future as we continue to strategically evaluate our contracts.
- (6) Reflects costs incurred related to business optimization projects within our corporate center, which aim to measure and improve the efficiency, productivity and performance of our organization. While these costs are not operational in nature and are not expected to continue for any singular project on an ongoing basis, similar types of expenses may recur in the future.
- (7) Reflects costs incurred related to idled sand facilities and closed corporate offices, including severance costs and remaining contracted costs such as office lease costs, maintenance, and utilities. While these costs are not operational in nature and are not expected to continue for any singular event on an ongoing basis, similar types of expenses may recur in the future.
- (8) Reflects miscellaneous adjustments permitted under the Credit Agreement, such as recruiting fees and relocation costs. The three and nine months ended September 30, 2023 also included costs related to severance restructuring of \$0.7 million, recruiting costs of \$0.9 million, an adjustment to non-controlling interest of \$0.4 million and \$7.5 million related to the loss on extinguishment of debt, offset by an insurance recovery of \$0.7 million and proceeds of the sale of assets of \$2.7 million. The three and nine months ended September 30, 2022 also included costs related to weather events and supplier and logistical issues of \$1.1 million, severance restructuring of \$1.0 million, an adjustment to non-controlling interest of \$0.5 million, partially offset by net proceeds of the sale of assets of \$1.3 million and \$1.7 million related to the gain on extinguishment of debt.

Adjusted EBITDA-Trailing Twelve Months

Our revolving credit facility (the "Revolver") contains a consolidated total net leverage ratio of no more than 4.00:1.00 that, unless we have the consent of our lenders, we must meet as of the last day of any fiscal quarter whenever usage of the Revolver (other than certain undrawn letters of credit) exceeds 2.85:1.00, or 35%, of the Revolver commitment. This ratio is calculated based on our Adjusted EBITDA for the trailing twelve months. Noncompliance with this financial ratio covenant could result in the acceleration of our obligations to repay all amounts outstanding under the Revolver and the Term Loan (the "Term Loan") (collectively the "Credit Facility"). Moreover, the Revolver and the Term Loan contain covenants that restrict, subject to certain exceptions, our ability to make permitted acquisitions, incur additional indebtedness, make restricted payments (including dividends) and retain excess cash flow based, in some cases, on our ability to meet leverage ratios calculated based on our Adjusted EBITDA for the trailing twelve months.

See the description under “Adjusted EBITDA” above for certain important information about Adjusted EBITDA-trailing twelve months, including certain limitations and management’s use of this metric in light of its status as a non-GAAP measure.

As of September 30, 2023, we were in compliance with all covenants under our Credit Facility, and our Revolver usage was zero (not including \$20.8 million allocated for letters of credit). Since the Revolver usage did not exceed 2.85:1.00, or 35%, of the Revolver commitment, the consolidated leverage ratio covenant did not apply. Based on our consolidated leverage ratio of 1.91:1.00 as of September 30, 2023, we have access to the full availability of the Revolver. The calculation of the consolidated leverage ratio incorporates the Adjusted EBITDA-trailing twelve months as follows:

<i>(All amounts in thousands, except calculated ratio)</i>	<u>September 30, 2023</u>
Total debt	\$ 864,732
Finance leases	2,880
Total consolidated debt	<u>\$ 867,612</u>
Adjusted EBITDA-trailing twelve months	\$ 454,564
Pro forma Adjusted EBITDA including impact of acquisitions ⁽¹⁾	—
Other adjustments for covenant calculation ⁽²⁾	254
Total Adjusted EBITDA-trailing twelve months for covenant calculation	<u>\$ 454,818</u>
Consolidated leverage ratio ⁽³⁾	1.91

(1) Covenant calculation allows for the Adjusted EBITDA-trailing twelve months to include the impact of acquisitions on a pro forma basis.

(2) Covenant calculation excludes activity at legal entities above the operating company, which is mainly interest income offset by public company operating expenses.

(3) Calculated by dividing total consolidated debt by total Adjusted EBITDA-trailing twelve months for covenant calculation.

Results of Operations for the Three Months Ended September 30, 2023 and 2022

Sales

(In thousands except per ton data)	Three Months Ended September 30,		Percent Change
	2023	2022	2023 vs. 2022
Sales:			
Oil & Gas Proppants	\$ 231,426	\$ 267,461	(13)%
Industrial & Specialty Products	135,535	151,352	(10)%
Total sales	<u>\$ 366,961</u>	<u>\$ 418,813</u>	(12)%
Tons:			
Oil & Gas Proppants	3,122	3,498	(11)%
Industrial & Specialty Products	999	1,126	(11)%
Total Tons	<u>4,121</u>	<u>4,624</u>	(11)%
Average Selling Price per Ton:			
Oil & Gas Proppants	\$ 74.13	\$ 76.46	(3)%
Industrial & Specialty Products	\$ 135.67	\$ 134.42	1 %
Overall Average Selling Price per Ton	\$ 89.05	\$ 90.57	(2)%

Total sales decreased 12% for the three months ended September 30, 2023 compared to the three months ended September 30, 2022, driven by an 11% decrease in total tons sold and a 2% decrease in overall average selling price.

The decrease in total sales was primarily driven by Oil & Gas Proppants sales, which decreased 13% for the three months ended September 30, 2023 compared to the three months ended September 30, 2022. Oil & Gas Proppants average selling price decreased 3% and tons sold decreased by 11%. This decrease is due to a reduction in overall crew activity, decreased demand for Northern white sand and decreased SandBox loads.

Industrial & Specialty Products sales decreased 10% for the three months ended September 30, 2023 compared to the three months ended September 30, 2022. Industrial & Specialty Products tons sold decreased 11% offset by a slight increase in average selling price of 1%. The overall decrease is due primarily to decreased demand in certain markets such as foundry, glass and housing, partially offset by pricing increases implemented throughout the prior and current years.

Cost of Sales (excluding depreciation, depletion, and amortization)

Cost of sales decreased by \$50.5 million, or 17%, to \$241.0 million for the three months ended September 30, 2023 compared to \$291.5 million for the three months ended September 30, 2022. These changes resulted from the main components of cost of sales as discussed below. As a percentage of sales, cost of sales represented 66% for the three months ended September 30, 2023 compared to 70% for the same period in 2022.

We incurred \$113.8 million and \$144.1 million of transportation and related costs for the three months ended September 30, 2023 and 2022, respectively. The \$30.3 million decrease was mainly due to decreased freight charges in the Industrial & Specialty Products segment, partially offset by increased rail car and barge rates. As a percentage of sales, transportation and related costs represented 31% and 34% for the three months ended September 30, 2023 and 2022, respectively.

We incurred \$42.4 million and \$43.8 million of operating labor costs for the three months ended September 30, 2023 and 2022, respectively. The \$1.4 million decrease in labor cost was mainly due to decreased business activity in the quarter. As a percentage of sales, operating labor costs represented 12% and 10% for the three months ended September 30, 2023 and 2022, respectively.

We incurred \$15.4 million and \$23.5 million of electricity and drying fuel (principally natural gas) costs for the three months ended September 30, 2023 and 2022, respectively. The \$8.1 million decrease in electricity and drying fuel costs was

mainly due to decreased natural gas prices. As a percentage of sales, electricity and drying fuel costs represented 4% and 6% for the three months ended September 30, 2023 and 2022, respectively.

We incurred \$19.8 million and \$24.9 million of maintenance and repair costs for the three months ended September 30, 2023 and 2022, respectively. The \$5.1 million decrease in maintenance and repair costs is mainly due to a decrease in maintenance projects as production decreased during the quarter. As a percentage of sales, maintenance and repair costs represented 5% and 6% for the three months ended September 30, 2023 and 2022, respectively.

Segment Contribution Margin

Industrial & Specialty Products contribution margin decreased by \$0.2 million to \$46.3 million for the three months ended September 30, 2023 compared to \$46.5 million for the three months ended September 30, 2022, driven by a \$15.8 million decrease in revenue offset by a \$15.6 million decrease in cost of sales.

Oil & Gas Proppants contribution margin decreased by \$2.4 million to \$82.9 million for the three months ended September 30, 2023 compared to \$85.3 million for the three months ended September 30, 2022, driven by a \$36.1 million decrease in sales offset by a \$33.7 million decrease in cost of sales.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by \$4.6 million, or 14%, to \$29.3 million for the three months ended September 30, 2023 compared to \$33.9 million for the three months ended September 30, 2022. The decrease was primarily due to expenses related to the strategic review of our Industrial & Specialty Products segment not recurring in 2023.

In total, our selling, general and administrative expenses represented approximately 8% of our sales for both the three months ended September 30, 2023 and 2022.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expense increased by \$1.3 million, or 4%, to \$35.8 million for the three months ended September 30, 2023 compared to \$34.5 million for the three months ended September 30, 2022 primarily due to a non-recurring adjustment made during the quarter. Depreciation, depletion and amortization expense represented approximately 10% and 8% of our sales for the three months ended September 30, 2023 and 2022, respectively.

Goodwill and Other Asset Impairments

During the three months ended September 30, 2023 and 2022, no asset impairment charges were recorded.

Operating Income

Operating income for the three months ended September 30, 2023 was \$60.9 million compared to \$58.9 million for the three months ended September 30, 2022. The change was mainly driven by a 14% decrease in selling, general and administrative expenses and a 17% decrease in cost of sales, offset by a 12% decrease in sales and a 4% increase in depreciation, depletion and amortization expense.

Interest Expense

Interest expense increased by \$5.8 million, or 29%, to \$26.0 million for the three months ended September 30, 2023 compared to \$20.2 million for the three months ended September 30, 2022 primarily due to higher interest rates.

Other Income (Expense), Net, Including Interest Income

Other income, net, increased by \$0.4 million, to \$4.0 million for the three months ended September 30, 2023 compared to \$3.6 million for the three months ended September 30, 2022, due primarily to an increase in interest income offset by the effects of debt extinguishment and pension adjustments.

Provision for Income Taxes

For the three months ended September 30, 2023 and 2022, we had tax expense of \$12.1 million and \$10.3 million, respectively. The effective tax rates were 31% and 24% for the three months ended September 30, 2023 and 2022, respectively. Without discrete items, which primarily consist of the tax impact of equity compensation and non-US income taxes, the effective tax rates for the three months ended September 30, 2023 and 2022 would have been 29% and 24%, respectively.

During the three months ended September 30, 2023 and 2022, we recorded tax expense of \$0.3 million and zero, respectively, related to equity compensation.

Historically, our actual effective tax rates have differed from the statutory effective rate primarily due to the benefit received from statutory percentage depletion allowances. The deduction for statutory percentage depletion does not necessarily change proportionately to changes in income before income taxes. For the three months ended September 30, 2023, the benefit received from statutory percentage depletion allowances was offset by nondeductible executive compensation and state income taxes.

Net Income

Net income attributable to U.S. Silica Holdings, Inc., was \$26.9 million and \$32.1 million for the three months ended September 30, 2023 and 2022, respectively. The year over year changes were due to the factors noted above.

Results of Operations for the Nine Months Ended September 30, 2023 and 2022

Sales

(In thousands except per ton data)	Nine Months Ended September 30,		Percent Change
	2023	2022	2023 vs. 2022
Sales:			
Oil & Gas Proppants	\$ 793,724	\$ 687,951	15 %
Industrial & Specialty Products	422,261	424,262	— %
Total sales	<u>\$ 1,215,985</u>	<u>\$ 1,112,213</u>	9 %
Tons:			
Oil & Gas Proppants	10,462	10,086	4 %
Industrial & Specialty Products	3,052	3,324	(8)%
Total Tons	<u>13,514</u>	<u>13,410</u>	1 %
Average Selling Price per Ton:			
Oil & Gas Proppants	\$ 75.87	\$ 68.21	11 %
Industrial & Specialty Products	\$ 138.36	\$ 127.64	8 %
Overall Average Selling Price per Ton	\$ 89.98	\$ 82.94	8 %

Total sales increased 9% for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022, driven by an 8% increase in overall average selling price and a 1% increase in total tons sold.

The increase in total sales was mainly driven by Oil & Gas Proppants sales, which increased 15% for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022. Oil & Gas Proppants average selling price increased 11% and tons sold increased 4%. This increase is due to improvements in overall well completion activity.

Industrial & Specialty Products sales remained consistent for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022. Industrial & Specialty Products average selling price increased 8% and tons sold decreased by 8%.

Cost of Sales (excluding depreciation, depletion, and amortization)

Cost of sales increased by \$6.6 million, or 1%, to \$793.9 million for the nine months ended September 30, 2023 compared to \$787.3 million for the nine months ended September 30, 2022. These changes result from the main components of

cost of sales as discussed below. As a percentage of sales, cost of sales represented 65% and 71% for the nine months ended September 30, 2023 and 2022, respectively.

We incurred \$383.5 million and \$374.7 million of transportation and related costs for the nine months ended September 30, 2023 and 2022, respectively. The \$8.8 million increase was mainly due to increased volumes, increased carrier costs for SandBox and increased rail car and barge rates. As a percentage of sales, transportation and related costs represented 32% for the nine months ended September 30, 2023 compared to 34% for the same period in 2022.

We incurred \$134.0 million and \$126.3 million of operating labor costs for the nine months ended September 30, 2023 and 2022, respectively. The \$7.7 million increase in labor costs incurred was mainly due to increased headcount to support increased production and merit increases. As a percentage of sales, operating labor costs represented 11% for both the nine months ended September 30, 2023 and 2022.

We incurred \$49.5 million and \$63.6 million of electricity and drying fuel (principally natural gas) costs for the nine months ended September 30, 2023 and 2022, respectively. The \$14.1 million decrease in electricity and drying fuel costs incurred was mainly due to decreased natural gas prices. As a percentage of sales, electricity and drying fuel costs represented 4% and 6% for the nine months ended September 30, 2023 and 2022, respectively.

We incurred \$68.8 million and \$67.8 million of maintenance and repair costs for the nine months ended September 30, 2023 and 2022, respectively. The \$1.0 million increase in maintenance and repair costs is primarily due to an increase in maintenance projects as production increased. As a percentage of sales, maintenance and repair costs represented 6% for both the nine months ended September 30, 2023 and 2022, respectively.

Segment Contribution Margin

Industrial & Specialty Products contribution margin increased by \$10.6 million to \$140.9 million for the nine months ended September 30, 2023 compared to \$130.3 million for the nine months ended September 30, 2022, driven by a \$12.6 million decrease in cost of sales, partially offset by a \$2.0 million decrease in revenue.

Oil & Gas Proppants contribution margin increased by \$84.5 million to \$291.9 million for the nine months ended September 30, 2023 compared to \$207.4 million for the nine months ended September 30, 2022, driven by a \$105.7 million increase in sales, partially offset by a \$21.3 million increase in cost of sales.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by \$21.8 million, or 20%, to \$87.1 million for the nine months ended September 30, 2023 compared to \$108.9 million for the nine months ended September 30, 2022. The decrease was primarily due to fees related to the termination of a supplier contract and expenses related to the strategic review of our Industrial & Specialty Products segment not recurring in 2023.

In total, our selling, general and administrative expenses represented approximately 7% and 10% of our sales for the nine months ended September 30, 2023 and 2022, respectively.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expense decreased by \$2.2 million, or 2%, to \$104.8 million for the nine months ended September 30, 2023 compared to \$107.0 million for the nine months ended September 30, 2022. The decrease was primarily due to certain assets fully depreciating during 2022. Depreciation, depletion and amortization expense represented approximately 9% and 10% of our sales for the nine months ended September 30, 2023 and 2022, respectively.

Goodwill and Other Asset Impairments

During the nine months ended September 30, 2023 and 2022 no asset impairment charges were recorded.

Operating Income

Operating income increased by \$121.1 million to \$230.2 million for the nine months ended September 30, 2023 compared to \$109.1 million for the nine months ended September 30, 2022. The increase was driven by a 9% increase in sales, a 20% decrease in selling, general and administrative expenses and a 2% decrease in depreciation, depletion and amortization expense, partially offset by a 1% increase in cost of sales during the nine months ended September 30, 2023.

Interest Expense

Interest expense increased by \$21.3 million, or 39%, to \$76.1 million for the nine months ended September 30, 2023 compared to \$54.8 million for the nine months ended September 30, 2022, primarily due to higher interest rates.

Other Income (Expense), Net, Including Interest Income

Other income decreased by \$3.0 million to \$4.2 million for the nine months ended September 30, 2023 compared to \$7.2 million for the nine months ended September 30, 2022. The decrease primarily related to effects of debt extinguishment and pension adjustments, offset by interest income.

Provision for Income Taxes

For the nine months ended September 30, 2023 and 2022, we had tax expense of \$40.8 million and \$15.2 million, respectively. The effective tax rates were 26% and 25% for the nine months ended September 30, 2023 and 2022, respectively. Without discrete items, which primarily consist of the tax impact of equity compensation and non-US income taxes, the effective tax rates for the nine months ended September 30, 2023 and 2022 would have been 26% and 23%, respectively.

During the nine months ended September 30, 2023 and 2022, we recorded a tax benefit related to equity compensation of \$1.9 million and tax expense of \$0.1 million, respectively.

Historically, our actual effective tax rates have differed from the statutory effective rate primarily due to the benefit received from statutory percentage depletion allowances. The deduction for statutory percentage depletion does not necessarily change proportionately to changes in income before income taxes. For the nine months ended September 30, 2023, the benefit received from statutory percentage depletion allowances was offset by nondeductible executive compensation and state income taxes.

Net Income

Net income attributable to U.S. Silica Holdings, Inc., was \$117.8 million and \$46.6 million for the nine months ended September 30, 2023 and 2022, respectively. The year over year changes were due to the factors noted above.

Liquidity and Capital Resources

Overview

Our principal liquidity requirements have historically been to service our debt, to meet our working capital, capital expenditure and mine development expenditure needs, to return cash to our stockholders, and to pay for acquisitions. We have historically met our liquidity and capital investment needs with funds generated through operations. We have historically funded our acquisitions through cash on hand, borrowings under our credit facilities, or equity issuances. Our working capital is the amount by which current assets exceed current liabilities and is a measure of our ability to pay our liabilities as they become due. As of September 30, 2023, our working capital was \$385.9 million and we had \$129.2 million of availability under the Revolver. Based on our consolidated leverage ratio of 1.91:1.00 as of September 30, 2023, we have access to the full availability of the Revolver.

On March 23, 2023, we entered into a Fourth Amended and Restated Credit Agreement (the "Credit Agreement"), by entering into a new \$1.1 billion senior secured credit facility, consisting of a \$950 million Term Loan and a \$150 million Revolver that may also be used for swingline loans or letters of credit, and we may elect to increase the term loan or the revolving credit facility in accordance with the terms of the Credit Agreement. Borrowings under the Credit Agreement will bear interest at variable rates as determined at our election, based on the Term Secured Overnight Financing Rate ("SOFR") or a base rate, in each case, plus an applicable margin.

Management and our Board of Directors remain committed to evaluating additional ways of creating shareholder value. Any determination to pay dividends or other distributions in cash, stock, or property in the future or otherwise return capital to our stockholders, including decisions about existing or new share repurchase programs, will be at the discretion of our Board of Directors and will be dependent on then-existing conditions, including industry and market conditions, our financial condition, results of operations, liquidity and capital requirements, contractual restrictions including restrictive covenants contained in debt agreements, and other factors. Additionally, because we are a holding company, our ability to pay dividends on our common stock may be limited by restrictions on the ability of our subsidiaries to pay dividends or make distributions to us, including restrictions under the terms of the agreements governing our indebtedness. During the second quarter of 2020, our

Board of Directors determined that it was not in the best interest of our shareholders to issue a dividend and we have not issued dividends subsequently. We do not have plans to resume issuing dividends.

Net Debt (non-GAAP measure)

Net debt is a non-GAAP measure and is included in this report because we believe it is meaningful to investors as we consider net debt and its components to be important indicators of liquidity and financial position. Net debt may not be computed the same as similarly titled measures used by other companies. We define net debt as total debt less cash and cash equivalents. Net debt should not be considered as an alternative or superior to other performance measures derived in accordance with GAAP.

The following table provides net debt (in thousands):

	September 30, 2023		December 31, 2022	
Total Debt	\$	867,612	\$	1,056,993
Less:				
Cash and cash equivalents		222,435		280,845
Net Debt	\$	645,177	\$	776,148

Total Debt:

Total debt was \$867.6 million and \$1.06 billion as of September 30, 2023 and December 31, 2022, respectively. The decrease was primarily due to the repurchase of \$109 million of debt, prepayment of \$50 million of debt and the capitalization of \$45.9 million of costs associated with the execution of the Credit Agreement.

Cash and Cash Equivalents:

Cash and cash equivalents were \$222.4 million and \$280.8 million as of September 30, 2023 and December 31, 2022, respectively. The decrease was primarily due to the repurchase of \$109 million of debt and \$41.6 million of financing fees paid associated with the execution of the Fourth Amended and Restated Credit Agreement and prepayments which totaled \$50 million of debt during the second and third quarters offset by strong cash generation from business operations.

Cash Flow Analysis

A summary of operating, investing and financing activities (in thousands) is shown in the following table:

	Nine Months Ended September 30,	
	2023	2022
Net cash provided by (used in):		
Operating activities	\$ 209,708	\$ 169,460
Investing activities	(45,225)	(26,863)
Financing activities	(222,893)	(114,889)

Net Cash Provided by / Used in Operating Activities

Operating activities consist primarily of net income (loss) adjusted for certain non-cash and working capital items. Adjustments to net income or loss for non-cash items include depreciation, depletion and amortization, deferred revenue, deferred income taxes, equity-based compensation and allowance for credit losses. In addition, operating cash flows include the effect of changes in operating assets and liabilities, principally accounts receivable, inventories, prepaid expenses and other current assets, income taxes payable and receivable, accounts payable and accrued expenses.

Net cash provided by operating activities was \$209.7 million for the nine months ended September 30, 2023. This was mainly due to \$117.5 million of net income adjusted for non-cash items, including \$104.8 million in depreciation, depletion and amortization, \$28.3 million in deferred income taxes, \$10.7 million in equity-based compensation, \$12.2 million in deferred revenue, and \$25.6 million in other miscellaneous non-cash items. Also contributing to the change was a \$25.2 million decrease in accounts receivable, a \$14.9 million increase in inventories, a \$3.5 million decrease in prepaid expenses and other current

assets, a \$52.6 million decrease in accounts payable and accrued liabilities, \$19.1 million of payments on lease liabilities, and a \$7.1 million change in other operating assets and liabilities.

Net cash provided by operating activities was \$169.5 million for the nine months ended September 30, 2022. This was mainly due to \$46.3 million of net income adjusted for non-cash items, including \$107.0 million in depreciation, depletion and amortization, \$9.8 million in deferred income taxes, \$13.8 million in equity-based compensation, \$9.5 million in deferred revenue, and \$9.3 million in other miscellaneous non-cash items. Also contributing to the change was a \$35.3 million increase in accounts receivable, a \$26.9 million increase in inventories, a \$1.8 million decrease in prepaid expenses and other current assets, a \$72.7 million increase in accounts payable and accrued liabilities, \$17.6 million of payments on lease liabilities, and a \$1.9 million change in other operating assets and liabilities.

Net Cash Used in / Provided by Investing Activities

Investing activities consist primarily of cash consideration paid to acquire businesses and capital expenditures for growth and maintenance.

Net cash used in investing activities was \$45.2 million for the nine months ended September 30, 2023. This was due to capital expenditures of \$47.6 million offset by \$2.6 million in proceeds from the sale of property, plant and equipment. Capital expenditures for the nine months ended September 30, 2023 were primarily related to growth projects, facility improvement and maintenance projects, and other environmental and health and safety projects.

Net cash used in investing activities was \$26.9 million for the nine months ended September 30, 2022. This was mainly due to capital expenditures of \$28.7 million offset by \$2.2 million in proceeds from the sale of property, plant and equipment.

Subject to our continuing evaluation of market conditions, we anticipate that our capital expenditures in 2023 will be approximately \$60 million to \$65 million, which will primarily be associated with maintenance, cost improvement capital projects, and various growth projects. We expect to fund our capital expenditures through cash on our balance sheet and cash generated from our operations.

Net Cash Used in / Provided by Financing Activities

Financing activities consist primarily of equity issuances, dividend payments, share repurchases, borrowings and repayments related to the Revolver and Term Loan, as well as fees and expenses paid in connection with our credit facilities.

Net cash used in financing activities was \$222.9 million for the nine months ended September 30, 2023. This was mainly due to \$5.6 million of short-term debt payments, \$163.7 million of long-term debt payments, \$41.6 million in financing fees paid, \$1.0 million of distributions to a non-controlling interest, \$0.6 million of principal payments on finance leases, and \$10.2 million of tax payments related to shares withheld for vested restricted stock and stock units.

Net cash used in financing activities was \$114.9 million for the nine months ended September 30, 2022. This was mainly due to \$4.4 million of short-term debt payments, \$106.7 million of long-term debt payments, \$1.1 million of distributions to a non-controlling interest, \$1.0 million of principal payments on finance leases, and \$2.4 million of tax payments related to shares withheld for vested restricted stock and restricted stock units, offset partially by \$1.0 million of proceeds from options exercised.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have a current material effect or are reasonably likely to have a future material effect on our financial condition, changes in financial condition, sales, expenses, results of operations, liquidity, capital expenditures or capital resources.

Contractual Obligations

There have been no significant changes outside of the ordinary course of business to our “Contractual Obligations” table in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” of our 2022 Annual Report. For more details on future minimum annual purchase commitments and operating leases commitments, please

see accompanying Note N - Commitments and Contingencies and Note P - Leases to our Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Environmental Matters

We are subject to various federal, state and local laws and regulations governing, among other things, hazardous materials, air and water emissions, environmental contamination and reclamation and the protection of the environment and natural resources. We have made, and expect to make in the future, expenditures to comply with such laws and regulations, but cannot predict the full amount of such future expenditures. As of September 30, 2023, we had \$24.0 million accrued for future reclamation costs, as compared to \$20.7 million as of December 31, 2022.

We discuss certain environmental matters relating to our various production and other facilities, certain regulatory requirements relating to human exposure to crystalline silica and our mining activity and how such matters may affect our business in the future under Item 1, "Business", Item 1A, "Risk Factors", Item 3, "Legal Proceedings" and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations-Environmental Matters" in our 2022 Annual Report.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported revenues and expenses during the reporting periods. We evaluate these estimates and assumptions on an ongoing basis and base our estimates on historical experience, current conditions and various other assumptions that are believed to be reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets and liabilities as well as identifying and assessing the accounting treatment with respect to commitments and contingencies. Our actual results may materially differ from these estimates.

A summary of our significant accounting policies, including certain critical accounting policies and estimates, are included in Note B - Summary of Significant Accounting Policies to the Consolidated Financial Statements in Item 8 of our 2022 Annual Report on Form 10-K. Management believes that the application of these policies on a consistent basis enables us to provide the users of the Consolidated Financial Statements with useful and reliable information about our operating results and financial condition.

Recent Accounting Pronouncements

New accounting pronouncements that have been recently adopted are described in Note B - Summary of Significant Accounting Policies to our Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Availability of Reports; Website Access; Other Information

Our Internet address is <http://www.ussilica.com>. Through "Investors" — "Financial Information" on our home page, we make available free of charge our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our proxy statements, our current reports on Form 8-K, SEC Forms 3, 4 and 5 and any amendments to those reports filed or furnished pursuant to Sections 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Our reports filed with the SEC are also available on its website at <http://www.sec.gov>.

Stockholders may also request a free copy of these documents from: U.S. Silica Holdings, Inc., attn.: Investor Relations, 24275 Katy Freeway, Suite 600, Katy, Texas 77494.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

We are exposed to certain market risks, which exist as a part of our ongoing business operations. Such risks arise from adverse changes in market rates, prices and conditions. We address such market risks in "Recent Trends and Outlook" and "How We Generate Our Sales" in Item 2. of this Quarterly Report on Form 10-Q.

Interest Rate Risk

We are exposed to interest rate risk arising from adverse changes in interest rates. As of September 30, 2023, we had \$895 million of debt outstanding under the Credit Agreement. Assuming SOFR is greater than the 1.0% minimum base rate on the Term Loan, a hypothetical increase in interest rates by 1.0% would have changed our interest expense by \$9.0 million per year.

Upon execution of the Credit Agreement, we have transitioned from LIBOR to SOFR. See Note I - Debt for discussion of the Credit Agreement.

We use natural gas swaps in order to manage our exposure to the volatility of natural gas prices. We do not use derivatives for trading or speculative purposes. As of September 30, 2023, the fair value of our natural gas swaps was a liability of \$1.5 million. As of December 31, 2022, the fair value of our natural gas swaps was a liability of \$3.1 million. For more information see Note L - Derivative Instruments to our Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q.

Credit Risk

We are subject to risks of loss resulting from nonpayment or nonperformance by our customers. We examine the creditworthiness of third-party customers to whom we extend credit and manage our exposure to credit risk through credit analysis, credit approval, credit limits and monitoring procedures, and for certain transactions, we may request letters of credit, prepayments or guarantees, although collateral is generally not required.

Despite enhancing our examination of our customers' creditworthiness, we may still experience delays or failures in customer payments. Some of our customers have reported experiencing financial difficulties. With respect to customers that may file for bankruptcy protection, we may not be able to collect sums owed to us by these customers and we also may be required to refund pre-petition amounts paid to us during the preference period (typically 90 days) prior to the bankruptcy filing.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2023. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Based on the evaluation of our disclosure controls and procedures as of September 30, 2023, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Changes in Internal Control over Financial Reporting

There were no changes in our existing internal control over financial reporting identified in management’s evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the quarter ended September 30, 2023 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In addition to the matters described below, we are subject to various legal proceedings, claims, and governmental inspections, audits or investigations incidental to our business, which can cover general commercial, governmental regulations, antitrust and trade regulations, product liability, environmental, intellectual property, employment and other matters. Although the outcomes of these ordinary routine claims cannot be predicted with certainty, in the opinion of management, the ultimate resolution of these matters will not have a material adverse effect on our financial position or results of operations.

Prolonged inhalation of excessive levels of respirable crystalline silica dust can result in silicosis, a disease of the lungs. Breathing large amounts of respirable silica dust over time may injure a person's lungs by causing scar tissue to form. Crystalline silica in the form of quartz is a basic component of soil, sand, granite and most other types of rock. Cutting, breaking, crushing, drilling, grinding and abrasive blasting of or with crystalline silica containing materials can produce fine silica dust, the inhalation of which may cause silicosis, lung cancer and possibly other diseases including immune system disorders such as scleroderma. Sources of exposure to respirable crystalline silica dust include sandblasting, foundry manufacturing, crushing and drilling of rock, masonry and concrete work, mining and tunneling, and cement and asphalt pavement manufacturing.

Since at least 1975, we and/or our predecessors have been named as a defendant, usually among many defendants, in numerous lawsuits brought by or on behalf of current or former employees of our customers alleging damages caused by silica exposure. Prior to 2001, the number of silicosis lawsuits filed annually against the commercial silica industry remained relatively stable and was generally below 100, but between 2001 and 2004 the number of silicosis lawsuits filed against the commercial silica industry substantially increased. This increase led to greater scrutiny of the nature of the claims filed, and in June 2005, the U.S. District Court for the Southern District of Texas issued an opinion in the former federal silica multi-district litigation remanding almost all of the 10,000 cases then pending in the multi-district litigation back to the state courts from which they originated for further review and medical qualification, leading to a number of silicosis case dismissals across the United States. In conjunction with this and other favorable court rulings establishing "sophisticated user" and "no duty to warn" defenses for silica producers, several states, including Texas, Ohio and Florida, have passed medical criteria legislation that requires proof of actual impairment before a lawsuit can be filed.

As a result of the above developments, the filing rate of new claims against us over the past few years has decreased to below pre-2001 levels, and we were named as a defendant in zero, two, and one new silicosis cases filed in 2022, 2021, and 2020, respectively. During the nine months ended September 30, 2023, no new claims were brought against U.S. Silica. As of September 30, 2023, there were 39 active silica-related product liability claims pending in which U.S. Silica is a defendant. Almost all of the claims pending against us arise out of the alleged use of our silica products in foundries or as an abrasive blast media and involve various other defendants. Prior to the fourth quarter of 2012, we had insurance policies for both our predecessors that cover certain claims for alleged silica exposure for periods prior to certain dates in 1985 and 1986 (with respect to certain insurance). As a result of a settlement with a former owner and its insurers in the fourth quarter of 2012, some of these policies are no longer available to us and we will not seek reimbursement for any defense costs or claim payments from these policies. Other insurance policies, however, continue to remain available to us and will continue to make such payments on our behalf.

The silica-related litigation brought against us to date has not resulted in a material liability to us. However, we may continue to have silica-related product liability claims filed against us, including claims that allege silica exposure for periods for which we do not have insurance coverage. Although the outcomes of these claims cannot be predicted with certainty, in the opinion of management, it is not reasonably possible that the ultimate resolution of these matters will have a material adverse effect on our financial position or results of operations that exceeds the accrual amounts.

For more information regarding silica-related litigation, see Part I, Item 1A. Risk Factors of our 2022 Annual Report on Form 10-K.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in Item 1A. Risk Factors in our 2022 Annual Report on Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**Share Repurchase Program**

The following table presents the total number of shares of our common stock that we repurchased during the third quarter of 2023, the average price paid per share, the number of shares that we repurchased as part of our share repurchase program, and the approximate dollar value of shares that still could have been repurchased at the end of the applicable fiscal period pursuant to our share repurchase program:

Period	Total Number of Shares Withheld ⁽²⁾	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program ⁽¹⁾	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program ⁽¹⁾
July 1, 2023 - July 31, 2023	1,834	\$ 13.26	—	126,540,060
August 1, 2023 - August 31, 2023	8,552	\$ 12.78	—	126,540,060
September 1, 2023 - September 30, 2023	7,855	\$ 14.04	—	126,540,060
Total	18,241	\$ 13.37	—	

⁽¹⁾ In May 2018, our Board of Directors authorized and announced the repurchase of up to \$200 million of our common stock from time to time on the open market or in privately negotiated transactions. Stock repurchases, if any, will be funded using our available liquidity. The timing and amount of stock repurchases will depend on a variety of factors, including the market conditions as well as corporate and regulatory considerations. As of September 30, 2023, we have repurchased a total of 5,036,139 shares of our common stock at an average price of \$14.59.

⁽²⁾ Shares withheld by U.S. Silica to pay taxes due upon the vesting of employee restricted stock and restricted stock units for the months ended July 31, August 31, and September 30, 2023, respectively.

We did not repurchase any shares of common stock under our share repurchase program during the three and nine months ended September 30, 2023.

ITEM 3. DEFAULT UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Safety is one of our core values and we strive to achieve a workplace free of injuries and occupational illnesses. Information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K (17 CFR 229.104) is included in Exhibit 95.1 to this Quarterly Report filed on Form 10-Q.

ITEM 5. OTHER INFORMATION**Rule 10b5-1 Trading Plans**

During the three months ended September 30, 2023, none of our directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c), as amended (the "Rule") or any "non-Rule 10b5-1 trading arrangement" except as described in the table below.

Name and Title	Action	Date of Action	Aggregate Number of Shares of Common Stock to be Sold ⁽¹⁾	Expiration Date
Stacy Russell –Executive Vice President, General Counsel and Secretary	Adoption	August 28, 2023	Up to 20,000 shares	August 30, 2024
Zach Carusona –Executive Vice President and President, Industrial & Specialty Products	Adoption	September 5, 2023	⁽²⁾	May 1, 2024
Derek Ussery –Executive Vice President and President, Oil & Gas	Adoption	September 12, 2023	Up to 46,433 shares	August 30, 2024

⁽¹⁾ Each trading arrangement is intended to satisfy the affirmative defense conditions of the Rule. Each trading arrangement permits transactions through and including the earlier to occur of (a) the completion of all sales or (b) the date listed in the table. Each trading arrangement only permits transactions upon expiration of the applicable mandatory cooling-off period under the Rule.

⁽²⁾ With respect to Mr. Carusona, the number of shares of common stock to be sold is comprised of up to (a) 78,398 long shares, (b) all net shares remaining after shares withheld for taxes for (i) 11,372 restricted stock units ("RSUs") vesting on February 9, 2024, (ii) 8,884 RSUs vesting on February 10, 2024, and (iii) 10,227 RSUs vesting on February 12, 2024, and (c) all net shares remaining after shares withheld for taxes for performance-based restricted stock units ("PSUs") expected to be granted in February 2024 for the 2021 through 2023 performance period for which the target number of PSUs to be granted to Mr. Carusona is 37,500 shares.

ITEM 6. EXHIBITS

Incorporated by Reference

Exhibit Number	Description	Form	File No.	Exhibit	Filing Date
<u>3.1</u>	<u>Third Amended and Restated Certificate of Incorporation of U.S. Silica Holdings, Inc., effective May 4, 2017.</u>	8-K	001-35416	3.1	May 10, 2017
<u>3.2</u>	<u>Third Amended and Restated Bylaws of U.S. Silica Holdings, Inc., effective May 4, 2017.</u>	8-K	001-35416	3.2	May 10, 2017
<u>10.1 +</u>	<u>Separation, Consulting and General Release Agreement dated August 10, 2023 by and between Michael L. Winkler, U.S Silica Company and U.S. Silica Holdings, Inc.</u>	8-K	001-35416	10.1	August 11, 2023
<u>31.1*</u>	<u>Rule 13a-14(a)/15(d)-14(a) Certification by Bryan A. Shinn, Chief Executive Officer.</u>				
<u>31.2*</u>	<u>Rule 13a-14(a)/15(d)-14(a) Certification by Kevin J. Hough, Chief Financial Officer.</u>				
<u>32.1#</u>	<u>Section 1350 Certification by Bryan A. Shinn, Chief Executive Officer.</u>				
<u>32.2#</u>	<u>Section 1350 Certification by Kevin J. Hough, Chief Financial Officer.</u>				
<u>95.1*</u>	<u>Mine Safety Disclosure.</u>				
101*	101.INS XBRL Instance - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document 101.SCH Inline XBRL Taxonomy Extension Schema 101.CAL Inline XBRL Taxonomy Extension Calculation 101.LAB Inline XBRL Taxonomy Extension Labels 101.PRE Inline XBRL Taxonomy Extension Presentation 101.DEF Inline XBRL Taxonomy Extension Definition				
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)				

+ Management contract or compensatory plan/arrangement

* Filed herewith

Furnished herewith

We will furnish to any of our stockholders a copy of any of the above exhibits upon the written request of such stockholder.

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, thereunto duly authorized, this 3rd day of November 2023.

U.S. Silica Holdings, Inc.

/s/ KEVIN J. HOUGH

Name: Kevin J. Hough
Executive Vice President & Chief
Financial Officer (Authorized Signatory
and Principal Financial Officer)

Title:

CERTIFICATION

I, Bryan A. Shinn, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of U.S. Silica Holdings, Inc. (the "Company") for the quarter ended September 30, 2023;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 3, 2023

/s/ BRYAN A. SHINN

Name: Bryan A. Shinn

Title: Chief Executive Officer

CERTIFICATION

I, Kevin J. Hough, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of U.S. Silica Holdings, Inc. (the “Company”) for the quarter ended September 30, 2023;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated: November 3, 2023

/s/ KEVIN J. HOUGH

Name: Kevin J. Hough
Title: Executive Vice President and Chief
Financial Officer

SECTION 1350 CERTIFICATION

I, Bryan A. Shinn, Chief Executive Officer, U.S. Silica Holdings, Inc. (the "Company"), hereby certify, on the date hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- i. The Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2023 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- ii. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 3, 2023

/s/ BRYAN A. SHINN

Name: Bryan A. Shinn

Title: Chief Executive Officer

A signed copy of this original statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff on request.

SECTION 1350 CERTIFICATION

I, Kevin J. Hough, Chief Financial Officer, U.S. Silica Holdings, Inc. (the "Company"), hereby certify, on the date hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- i. The Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2023 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- ii. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 3, 2023

/s/ KEVIN J. HOUGH

Name: Kevin J. Hough

Title: Executive Vice President and Chief
Financial Officer

A signed copy of this original statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff on request.

Exhibit 95.1

Mine Safety Disclosure

The following disclosures are provided pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”) and Item 104 of Regulation S-K, which requires certain disclosures by companies required to file periodic reports under the Securities Exchange Act of 1934, as amended, that operate mines regulated under the Federal Mine Safety and Health Act of 1977 (the “Mine Act”).

Mine Safety Information. Whenever the Federal Mine Safety and Health Administration (“MSHA”) believes a violation of the Mine Act, any health or safety standard or any regulation has occurred, it may issue a citation which describes the alleged violation and fixes a time within which the U.S. mining operator must abate the alleged violation. In some situations, such as when MSHA believes that conditions pose a hazard to miners, MSHA may issue an order removing miners from the area of the mine affected by the condition until the alleged hazards are corrected. When MSHA issues a citation or order, it generally proposes a civil penalty, or fine, as a result of the alleged violation, that the operator is ordered to pay. Citations and orders can be contested and appealed, and as part of that process, are often reduced in severity and amount, and are sometimes dismissed. The number of citations, orders and proposed assessments vary depending on the size and type (underground or surface) of the mine as well as by the MSHA District’s approach to enforcement. Due to timing and other factors, the data below may not agree with the mine data retrieval system maintained by the MSHA at www.MSHA.gov

The following table details the citations and orders issued and civil penalties assessed to us by MSHA during the quarter ended September 30, 2023:

(whole dollars)

Mine or Operating Name/MSHA Identification Number	Section 104 S&S Citations	Section 104(b) Orders	Section 104(d) Citations and Orders	Section 110(b)(2) Violations	Section 107(a) Orders	Total Dollar Value of MSHA Assessments Proposed (1)	Total Number of Mining Related Fatalities	Received Notice of Pattern of Violations Under Section 104(e) (yes/no)	Received Notice of Potential to Have Pattern Under Section 104(e) (yes/no)	Legal Actions Pending as of Last Day of Period	Legal Actions Initiated During Period	Legal Actions Resolved During Period
Berkley Springs, WV / 4602805	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Celatom Mine, OR / 3503237	0	0	0	0	0	\$143.00	0	No	No	0	0	0
Celatom Plant, OR / 3503236	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Cheto Mine, AZ / 0200103	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Clark, NV / 2600677	1	0	0	0	0	\$0.00	0	No	No	0	0	0
Columbia, SC / 3800138	0	0	0	0	0	\$0.00*	0	No	No	0	0	0
Crane, TX / 4105331	1	0	0	0	0	\$0.00*	0	No	No	1	1	0
Dubberly, LA / 1600489	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Femley, NV / 2601950	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Festus, MO / 2302377	0	0	0	0	0	\$0.00*	0	No	No	0	0	0
Fowlkes Mine, MS / 2200460	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Hazen Mine, NV/ 2600679	0	0	0	0	0	\$0.00	0	No	No	0	0	0

Hurtsboro, AL / 0100617	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Jackson, MS / 2200415	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Jackson, TN / 4002937	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Kosse, TX / 4100262	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Lamesa, TX / 4105363	0	0	0	0	0	\$0.00*	0	No	No	0	0	0
Lovelock (Colado Plant) / 2600680	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Lovelock, NV (Colado Mine) / 2600672	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Mapleton, PA / 3603122	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Mauricetown, NJ / 2800526	1	0	0	0	0	\$429.00	0	No	No	0	0	0
Middletown, TN / 4002968	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Mill Creek Mine, OK / 3400836	0	0	0	0	0	\$325.00	0	No	No	0	0	0
Mill Creek Plant, OK / 3400377	0	0	0	0	0	\$143.00	0	No	No	0	0	0
Millen, GA / 090232	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Montpelier, VA / 4402829	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Ottawa, IL / 1101013	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Pacific, MO / 2300544		0	0	0	0	\$2,442.00	0	No	No	0	0	29
Popcorn Mine, NV / 2602236	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Port Elizabeth, NJ / 2800510	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Rockwood, MI / 2000608	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Sparta, WI / 4703644	0	0	0	0	0	\$0.00*	0	No	No	0	0	0
Tyler, TX /4104182	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Utica, IL / 1103268	0	0	0	0	0	\$0.00	0	No	No	0	0	0

(1) Amounts included are the total dollar value of proposed assessments received from MSHA from July 1, 2023 through September 30, 2023, regardless of whether the assessment has been challenged or appealed. Citations and orders can be contested and appealed, and as part of that process, are sometimes reduced in severity and amount, and sometimes dismissed. The number of citations, orders, and proposed assessments vary by the MSHA District's approach to enforcement and vary depending on the size and type of the operation

* As of September 30, 2023, MSHA had not yet proposed an assessment for 9 non-S&S citations to the Columbia Plant, SC.
 * As of September 30, 2023, MSHA had not yet proposed an assessment for 1 S&S citation to the Crane Plant, TX.
 * As of September 30, 2023, MSHA had not yet proposed an assessment for 3 non-S&S citations to the Festus Plant, MO.
 * As of September 30, 2023, MSHA had not yet proposed an assessment for 7 non-S&S citations to the Lamesa Plant, TX.
 * As of September 30, 2023, MSHA had not yet proposed an assessment for 1 non-S&S citation to the Sparta Plant, WI.