# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

# FORM 8-K

# CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

November 6, 2018

Date of Report (Date of earliest event reported)

# NCS Multistage Holdings, Inc.

(Exact name of Registrant as specified in its charter)

**Delaware** (State or other jurisdiction of incorporation) **001-38071** (Commission File Number) 46-1527455 (IRS Employer Identification Number)

19450 State Highway 249, Suite 200 Houston, Texas 77070

(Address of principal executive offices) (Zip code)

(281) 453-2222

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

□ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

□ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

□ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

□ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company  $\blacksquare$ 

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.

## Item 2.02 Results of Operations and Financial Condition.

On November 6, 2018, NCS Multistage Holdings, Inc. (the "Company") issued a press release announcing its results for the quarter ended September 30, 2018. A copy of the Company's press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

The information contained in this Item 2.02 and the accompanying exhibit is being furnished and shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of Section 18. Furthermore, the information contained in this Item 2.02 and the accompanying exhibit shall not be deemed to be incorporated by reference in any filing under the Securities Act of 1933, as amended, unless specifically identified therein as being incorporated therein by reference.

#### Item 9.01 Financial Statements and Exhibits.

Exhibit	
Number	Description of the Exhibit
<u>99.1</u>	Press Release dated November 6, 2018.

# 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 hereunto duly authorized.

Date: November 6, 2018

# NCS Multistage Holdings, Inc.

By: /s/ Ryan Hummer

Ryan Hummer Chief Financial Officer



PRESS RELEASE

#### NCS MULTISTAGE HOLDINGS, INC. ANNOUNCES THIRD QUARTER 2018 RESULTS

#### Third Quarter Highlights

- · Total revenue of \$62.7 million, a 12% year-over-year increase
- Net income of \$6.3 million; adjusted net income of \$5.4 million
- Earnings per diluted share of \$0.13 and adjusted earnings per diluted share of \$0.11
- Adjusted EBITDA of \$18.0 million and a 29% Adjusted EBITDA margin
- Total liquidity of \$82.4 million, comprised of \$27.4 million in cash on hand and \$55.0 million of revolver availability

HOUSTON, November 6, 2018 – NCS Multistage Holdings, Inc. (NASDAQ: NCSM) (the "Company," "NCS," "we" or "us"), a leading provider of highly engineered products and support services that facilitate the optimization of oil and natural gas well completions and field development strategies, today announced its results for the quarter ended September 30, 2018.

#### **Financial Review**

Revenues were \$62.7 million for the quarter ended September 30, 2018, an increase of \$6.7 million or 12% as compared to the third quarter of 2017. This increase was primarily attributable to an increase in product sales and services revenue in the U.S. and international markets, including tracer diagnostics services, which we added in 2017 through the acquisition of Spectrum Tracer Services, LLC ("Spectrum"). These increases were offset by lower volumes of fracturing systems product sales and services in Canada, where customer activity was negatively impacted by weather conditions and increasing commodity price differentials during the quarter, and where we are facing increased pricing pressure. Total revenues increased by 44% as compared to the second quarter of 2018 with an increase of 110% in Canada and an increase of 297% in other international countries partially offset by a decrease of 5% in the U.S.

Net income was \$6.3 million, or \$0.13 per diluted share for the quarter ended September 30, 2018, which included a net benefit of \$1.2 million (\$0.9 million after tax, or \$0.02 per diluted share) related to the change in fair value of contingent consideration and realized and unrealized foreign currency gains and losses. Adjusted net income, which excludes these items, was \$5.4 million, or \$0.11 per diluted share, for the quarter ended September 30, 2018. This compares to a net income of \$3.4 million, or \$0.07 per diluted share in the third quarter of 2017, which included a net expense of \$1.0 million (\$0.8 million after tax, or \$0.02 per diluted share) related to professional expenses incurred in connection with the initial public offering of our common stock ("IPO") and acquisitions, change in fair value of contingent consideration and realized and unrealized foreign currency gains and losses. Adjusted net income, which excludes these items, was \$4.2 million or \$0.09 per diluted share, for the quarter ended September 30, 2017.

Adjusted EBITDA was \$18.0 million for the quarter ended September 30, 2018, an increase of \$2.9 million as compared to the third quarter of 2017. Gross profit, which we define as total revenues less total cost of sales exclusive of depreciation and amortization, increased to \$33.9 million, or 54% of total revenues in the third quarter of 2018, as compared to \$30.0 million, or 54% of total revenues, in the third quarter of 2017. This was offset by an increase in selling, general and administrative expenses in the third quarter as compared to the prior year, primarily related to increases in personnel to support growth and the inclusion of tracer diagnostics operations resulting from our Spectrum acquisition. Adjusted EBITDA margin for the quarter was 29%, as compared to 27% for the third quarter of 2017.

Based on current industry conditions and the Company's revenue through the first three quarters of 2018, NCS no longer expects to achieve the revenue guidance previously announced in August for the 2018 calendar year.

#### **Capital Expenditures and Liquidity**

The Company spent \$6.1 million in capital expenditures, net for the third quarter of 2018 and \$9.6 million, net, for the nine months ended September 30, 2018.

As of September 30, 2018, the Company had \$27.4 million in cash, total availability under its revolving credit facility of \$55.0 million and \$25.6 million in total debt.



#### **Review and Outlook**

NCS's Chief Executive Officer, Robert Nipper, commented, "I'm very proud of our team and how we are responding to dynamic market conditions. While our business was negatively impacted in the third quarter by a slowdown in completions activity in the U.S. and by a challenging operating environment in Canada, we grew our business on a year-over-year basis and had significant achievements in each of our geographical operating areas, including:

- The fourth consecutive quarter in which U.S. product sales increased sequentially by 10% or more;
- The completion of a 227-stage well for a customer operating in the Montney in Canada in which over 18 million pounds of proppant was efficiently placed into the formation in a single run;
- The first sales of our Purple Seal Express frac-plug deployment system, a pre-assembled system combining a disposable setting tool with our Purple Seal frac plug, to multiple operators in the Permian Basin;
- · Our first tracer diagnostics jobs outside of North America; and
- The delivery of sliding sleeves under our recently-announced Frame Agreement with Aker BP, to be utilized in the completion of several additional wells in the North Sea, and the completion of a well for a second customer in the North Sea.

We look to continue to build on these accomplishments over the coming quarters as we navigate a challenging industry environment in the U.S. and Canada. In both the United States and Canada, we currently anticipate that industry completions activity will decline in the fourth quarter as a result of seasonal holidays, customer budget exhaustion and customer response to elevated differentials. We believe that the pricing differentials in the United States will moderate in 2019 as pipeline capacity is commissioned, which could lead to higher completions activity as the year progresses. We believe elevated pricing differentials in Canada are likely to persist into 2019 and potentially beyond, which we expect to result in reduced customer activity levels and to result in continued customer and competitor-driven pricing pressure for our products and services, negatively impacting our margins. We believe that the increased breadth of our product and service portfolio positions us to benefit from the potential recovery in completions activity in the United States and that our growing international presence provides us with additional long-term growth opportunities."

Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net Income and Adjusted Net Earnings per Diluted Share are non-GAAP financial measures. For an explanation of these measures and a reconciliation, refer to "Non-GAAP Financial Measures" below.

#### **Conference Call**

The Company will host a conference call to discuss its third quarter 2018 results on Wednesday, November 7, 2018 at 7:30 a.m. Central Time (8:30 a.m. Eastern Time). To join the conference call from within the United States, participants may dial (844) 400-1696. To join the conference call from outside of the United States, participants may dial (703) 736-7385. The conference access code is 7987038. Participants are encouraged to log in to the webcast or dial in to the conference call approximately ten minutes prior to the start time. To listen via live webcast, please visit the Investors section of the Company's website, http://www.ncsmultistage.com.

An audio replay of the conference call will be available shortly after the conclusion of the call and will remain available for approximately seven days. It can be accessed by dialing (855) 859-2056 within the United States or (404) 537-3406 outside of the United States. The conference call replay access code is 7987038. The replay will also be available in the Investors section of the Company's website shortly after the conclusion of the call and will remain available for approximately seven days.

#### About NCS Multistage Holdings, Inc.

NCS Multistage Holdings, Inc. is a leading provider of highly engineered products and support services that facilitate the optimization of oil and natural gas well completions and field development strategies. NCS provides products and services to exploration and production companies for use in horizontal wells in unconventional oil and natural gas formations throughout North America and in selected international markets, including Argentina, China, Russia, and the North Sea. NCS's common stock is traded on the NASDAQ Global Select Market under the symbol "NCSM." Additional information is available on the website, www.ncsmultistage.com.



#### **Forward Looking Statements**

This press release contains forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as "anticipates," "intends," "plans," "seeks," "believes," "estimates," "expects" and similar references to future periods, or by the inclusion of forecasts or projections. Examples of forward-looking statements include, but are not limited to, statements we make regarding the outlook for our future business and financial performance. Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, by their nature, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. As a result, our actual results may differ materially from those contemplated by the forward-looking statements. Important factors that could cause our actual results to differ materially from those in the forwardlooking statements include regional, national or global political, economic, business, competitive, market and regulatory conditions and the following: declines in the level of oil and natural gas exploration and production activity within Canada and the United States; oil and natural gas price fluctuations; loss of significant customers; inability to successfully implement our strategy of increasing sales of products and services into the United States; significant competition for our products and services; our inability to successfully develop and implement new technologies, products and services; our inability to protect and maintain critical intellectual property assets; currency exchange rate fluctuations; impact of severe weather conditions; restrictions on the availability of our customers to obtain water essential to the drilling and hydraulic fracturing processes; our failure to identify and consummate potential acquisitions; our inability to integrate or realize the expected benefits from acquisitions; our inability to meet regulatory requirements for use of certain chemicals by our tracer diagnostics business; our inability to accurately predict customer demand; losses and liabilities from uninsured or underinsured drilling and operating activities; changes in legislation or regulation governing the oil and natural gas industry, including restrictions on emissions of greenhouse gases; failure to comply with or changes to federal, state and local and non-U.S. laws and other regulations, including environmental regulations and the U.S. Tax Cuts and Jobs Act of 2017; changes in trade policy, including the impact of additional tariffs; loss of our information and computer systems; system interruptions or failures, including cyber-security breaches, identity theft or other disruptions that could compromise our information; our failure to establish and maintain effective internal control over financial reporting; complications with the design and implementation of our new enterprise resource planning system; our success in attracting and retaining qualified employees and key personnel; our inability to satisfy technical requirements and other specifications under contracts and contract tenders and other factors discussed or referenced in our filings made from time to time with the Securities and Exchange Commission. Any forward-looking statement made by us in this press release speaks only as of the date on which we make it. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

#### Contact

Ryan Hummer Chief Financial Officer (281) 453-2222 IR@ncsmultistage.com

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# NCS MULTISTAGE HOLDINGS, INC. CONDENSED CONSOLIDATED STATEMENTS OF INCOME (In thousands, except per share data) (Unaudited)

	Three Mor Septen			Nine Months Ended September 30,					
	 2018	1011 0	2017		2018		2017		
Revenues									
Product sales	\$ 44,633	\$	39,391	\$	122,514	\$	114,362		
Services	18,058		16,566		54,261		37,088		
Total revenues	 62,691		55,957		176,775		151,450		
Cost of sales									
Cost of product sales, exclusive of depreciation									
and amortization expense shown below	20,275		19,326		57,600		59,774		
Cost of services, exclusive of depreciation									
and amortization expense shown below	8,542		6,632		24,721		14,423		
Total cost of sales, exclusive of depreciation									
and amortization expense shown below	28,817		25,958		82,321		74,197		
Selling, general and administrative expenses	 19,356		17,637		62,508		46,572		
Depreciation	1,174		812		3,429		2,054		
Amortization	3,255		6,486		9,859		18,481		
Change in fair value of contingent consideration	(1,865)		(182)		(3,005)		585		
Income from operations	 11,954		5,246		21,663		9,561		
Other income (expense)									
Interest expense, net	(317)		(235)		(1,382)		(3,751)		
Other income, net	28		94		68		1,132		
Foreign currency exchange (loss) gain	(688)		(787)		(399)		224		
Total other expense	 (977)		(928)		(1,713)		(2,395)		
Income before income tax	 10,977		4,318		19,950		7,166		
Income tax expense	3,211		777		3,137		2,022		
Net income	 7,766		3,541		16,813		5,144		
Net income (loss) attributable to non-controlling interest	1,443		155		3,565		(301)		
Net income attributable to									
NCS Multistage Holdings, Inc.	\$ 6,323	\$	3,386	\$	13,248	\$	5,445		
Earnings per common share									
Basic earnings per common share attributable to									
NCS Multistage Holdings, Inc.	\$ 0.14	\$	0.07	\$	0.29	\$	0.13		
Diluted earnings per common share attributable to									
NCS Multistage Holdings, Inc.	\$ 0.13	\$	0.07	\$	0.28	\$	0.13		
Weighted average common shares outstanding									
Basic	 44,943		43,676		44,660		39,329		
Diluted	47,404		47,119		47,254		42,537		

#### NCS MULTISTAGE HOLDINGS, INC. CONDENSED CONSOLIDATED BALANCE SHEETS (In thousands, except share data) (Unaudited)

	Sej	ptember 30, 2018	Г	December 31, 2017
Assets				-
Current assets				
Cash and cash equivalents	\$	27,440	\$	33,809
Accounts receivable—trade, net		58,002		47,880
Inventories		32,493		33,135
Prepaid expenses and other current assets		3,759		1,616
Other current receivables		4,827		1,369
Total current assets		126,521		117,809
Noncurrent assets				
Property and equipment, net		29,509		23,651
Goodwill		181,500		184,478
Identifiable intangibles, net		126,853		136,412
Deposits and other assets		1,393		1,563
Total noncurrent assets		339,255		346,104
Total assets	\$	465,776	\$	463,913
Liabilities and Stockholders' Equity				
Current liabilities				
Accounts payable—trade	\$	12,921	\$	7,448
Accrued expenses	Ŷ	4,225	Ŷ	6,673
Income taxes payable		119		10,561
Current contingent consideration		9,830		
Other current liabilities		2,921		1,673
Current maturities of long-term debt		2,530		5,334
Total current liabilities		32,546		31,689
Noncurrent liabilities		52,540		51,005
Long-term debt, less current maturities		23,052		21,702
Noncurrent contingent consideration		25,052		12,835
Other long-term liabilities		1,232		4,513
Deferred income taxes, net		20,912		24,183
Total noncurrent liabilities		45,196		
				63,233
Total liabilities		77,742		94,922
Commitments and contingencies				
Stockholders' equity Preferred stock, \$0.01 par value, 10,000,000 shares authorized, one share issued and outstanding at				
September 30, 2018 and December 31, 2017, respectively		_		_
Common stock, \$0.01 par value, 225,000,000 shares authorized, 45,038,934 shares issued				
and 45,010,626 shares outstanding at September 30, 2018 and 43,931,484 shares issued				
and 43,913,136 shares outstanding at December 31, 2017		450		439
Additional paid-in capital		408,613		399,426
Accumulated other comprehensive loss		(73,260)		(66,707)
Retained earnings		37,359		23,864
Treasury stock, at cost; 28,308 shares at September 30, 2018 and 18,348 shares				
at December 31, 2017		(337)		(175)
Total stockholders' equity		372,825		356,847
Non-controlling interest		15,209		12,144
Total equity		388,034		368,991
Total liabilities and stockholders' equity	\$	465,776	\$	463,913

#### NCS MULTISTAGE HOLDINGS, INC. CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (In thousands) (Unaudited)

Cash Boos from operating activities     2018     2017       Cash Boos from operating activities     5     16.813     \$     5.14       Adjustments to record line to from to net cash provided by operating activities:     13.288     2.053       Depreciation and amonization     6.197     3.68       Provision for inventory obsolicscnete     6.197     3.68       Provision for inventory obsolicscnete     1.219     -       Deferent income ta she nell     (2.148)     (12.00)       Gain on sale of property and equipment     (3.005)     9.88       Foreign exchape gain on financing item     -     (1,76)       Change in fain excluse of contingent consideration     (3.005)     9.88       Change in fain excluse     (10.787)     (16.60)       Accounts receivable—trade     (0.10,787)     (16.60)       Accounts receivable—trade     (2.207)     (16.60)       Accounts receivable—trade     (10.787)     (16.60)       Account serveivable—trade     (10.787)     (16.60)       Account serveivable—trade     (2.207)     (16.60)       Account serveivable—trade     (16.71)     (12.60) <th></th> <th colspan="6">Nine Months Ended September 30,</th>		Nine Months Ended September 30,					
Net income     S     1.1.31     S     5.1.4       Adjustments to record le net income to net cash provided by operating activities:     13.2.88     2.0.5.3       Amotization of deferred loan cost     2.51     36       Share-based compensation     6.1.97     3.0.8       Provision for inventory obsolescence     1.2.1.9     -       Deferred income tas benefit     (2.1.40)     (2.2.0.9)       Gain on sale of property and equipment     (3.00)     -     -       Foreign exchange gain on financing item     -     -     (1.7.67)       Change in diperating assets and liabilities:     -     -     1.4.20       Accounts receivabletrade     (1.5.29)     (1.6.10)       Inventorie     6.9.99     (0.60)     -       Accounts payabletrade     (1.5.29)     (1.6.10)       Inventorie     -     -     -       Net cash provided by operating activities     -     -     -       Proceeds from share and technology     (2.5.30)     -     -     -       Net cash provided by operating activities     -     -     1.001							
Adjustments to reconcile and acordization13.28820.53Depreciation and acordization251368Depreciation and acordization251368Share-based compensation8.1973,88Provision for inventory obsolescence1,219-Deferred income tax benefit(2,290)(2,290)Gain on sile of propery and equipment(39)(44Foreign exchange gain on financing item(1,76)Write-off of deferred lanc costs(1,72)Changes in fair value of contingent consideration(3,05)58Changes in fair value of contingent consideration(3,05)(2,62)Changes in fair value of contingent consideration(1,529)(61,60)Lavencoices(1,529)(2,26)(62)Prepaid expenses and other assets(2,271)3,53(3,61)Accounds payable-trade(2,71)3,53(1,52)(2,68)Accounds payable-trade(7,812)(1,91)(1,91)(1,92)Net cash provided by operating activities-(1,02)(6,53)Purchase af dropenty and equipment(-2,52)(68,56)(3,66)Cash flows form kinesting activities-(0,92)(85,69)Cash flows form kinesting activities-(0,92)(85,69)Cash flow form function activities-(1,92)(5,53)Purchase af dropenty and equipment-(1,92)(65,69)Cash flow form function activities-(1,92)(65,69)<	Cash flows from operating activities						
Depreciation and amotization     13.288     20.33       Amotization of deferred loan cost     2.51     3.68       Provision for inventory disoleccence     1,219     -       Deferred income tax benefit     (.2,14)     (.1,200)       Gain on sale of property and equipment     (.2,14)     (.1,200)       Foreign exclosuble to toal costs     -     1,424       Changes in operating assets and liabilities:     -     1,426       Changes in operating assets and liabilities:     (.0,787)     (.16,10)       Inventories     (.1,529)     (.1,529)     (.12,690)       Prepaid expenses and other assets     (.2,237)     (.16,10)     (.1,690)     (.1,690)       Accounts receivable-trade     .0,393     (.0,690)     (.0,	Net income	\$	16,813 \$	5,144			
Amorization of deferred loan cost     251     35       Share-based compensation     8,197     3,88       Provision for investory obsolescence     1,219     -       Deferred income tax benefit     (2,148)     (12,20)       Gain on sile of property and equipment     (30)     (44)       Foreign exchange gain on financing item     -     -     (1,76)       Write-eff of deferred loan costs     -     -     (1,67)       Change in fair value of contingent consideration     (3,005)     S8     (16,10)       Inventoris     (2,237)     (16,10)       Propaid expenses and other asets     (2,237)     (16,10)       Accounts payable-trade     (6,559     (0,80)       Accurud expenses     (2,237)     (16,10)       Accurud expenses     (2,237)     (16,10)       Income taxs receivable/payable     (17,812)     11,91       Net cash provided by operating activities     (2,237)     (2,68)       Cash flows from investing activities     (2,58)     -     1,000       Proteeds from sabor experity and equipment     (7,352)     5,533     6,543	Adjustments to reconcile net income to net cash provided by operating activities:						
Shar-hased compensation8,1973,88Provision for investory obsolescence1,219Deferred none tax benefit(2,14)Gain on sale of property and equipment(3)Provigen constance gain on financing item(3)Change if in operating assets and liabilities:-Change in in operating assets and liabilities:-Accounts receivable—trade(0,737)Change in provided by operating assets(2,237)Accounts receivable—trade(1,787)Other instance(2,271)Accounts receivable—trade(2,371)Accounts receivable—trade(1,7812)Increate spreses(2,271)Accounts receivable-trade(7,612)Increate spreses(2,271)Accounts provided by operating activities7,615Proceeds from sales of property and equipment(7,352)Proceeds from sales of property and equipment2,289Proceeds from sales of property and equipment2,08Proceeds from sales of property and equipment(0,85,07)Proceeds from sales of property and equipment(1,532)Proceeds from sales of property and equipment(1,532)Proceeds from sales of property and equipment(2,543)Proceeds from sales of property and equipment(0,65,07)Proceeds from sales of property and equipment(1,61)Proceeds from sales of property and equipment(2,533)Proceeds from sales of property and equipment(2,533)Proceeds from sales of property and equipment(2,630)Proceeds from	1			20,535			
Provision for inventory obsolescence1.2191.219Deferred income tax benefit(2,148)(12,200Gain on sale of property and equipment(39)(44Portige exchange gain on financing tem—(1,76)Write-stif of deferred loan costs—1,42Change in fair value of contingert consideration(3,005)S8Change in fair value of contingert consideration(10,787)(16,10)Inventories(10,787)(16,20)(12,60)Prepaid expenses and other assets(2,237)(16,80)(17,82)Accourde regeness(2,237)(16,80)(17,812)(11,91)Net cash provided by operating activities(7,612)(11,91)(17,812)(11,91)Net cash provided by operating activities(7,612)(12,80)(17,812)(11,91)Purchass of property and equipment(2,68)—(16,80)-Purchass of property and equipment(2,68)—(16,80)-(16,80)Purchass of property and equipment(2,68)—(16,80)-(16,80)Purchass of property and equipment(2,68)—(16,80)-(16,80)Purchass of property and equipment(2,68)—-(10,80)Purchass of property and equipment(2,68)—-(16,80)Purchass of property and equipment(2,68)—-(10,80)Purchass of property and equipment(2,68)—-(10,80)Purceeds from sistes, net of cash acquired <td></td> <td></td> <td></td> <td>360</td>				360			
Deferred income tax benefit     (2,148)     (2,148)       Gain on sale of property and equipment     (39)     (40)       Foreign exchange gain on financing item     -     (1,76)       Write-off of deferred loan costs     -     1,42       Change in financing item     (1,07)     (16,10)       Inventories     (10,787)     (16,10)       Inventories     (12,237)     (16)       Accounts receivable—rade     (6,359)     (08)       Accounts receivable-made     (6,359)     (08)       Accounts receivable-made     (17,812)     (11,912)       Not cash provided by operating activities     (7,352)     (5,33)       Purchase of development of Software and technology     (2,58)     -       Proceeds from sales of property and equipment     298     18       Proceeds from sales of property and equipment     (8,042)     (8,052)       Proceeds from sales of property and equipment ote borrowings     -     1,000       Acto adt property and equipment ote cost acquired     -     (8,02)       Proceeds from sheet property and equipment ote cost acquired     -     (20,00)       Procee	-			3,889			
Gain on sale of property and equipment     (39)     (44)       Foreign exchange gain on financing item     —     (1/76)       Write-off of deferred Ion costs     —     1.42       Change in fair value of contingent consideration     (3.005)     58       Change in fair value of contingent consideration     (10.787)     (16.10)       Inventories     (10.787)     (16.10)       Prepaid expenses and other assets     (2.237)     (16       Accrucet expenses     (2.371)     3.53       Other liabilities     816     12       Income taxes receivable/payable     (17.812)     (11.91)       Net cash provided by operating activities     (7.352)     (5.33)       Purchase of property and equipment     (2.580)     —       Proceeds form short-term note receivable     —     1.000       Acquistion of business, net of cash acquired     (0.642)     (85.07)       Proceeds from short-term note receivable     _     .000       Acquistion of business, net of cash acquired     _     .000       Acquistion of business, net of cash acquired     (8.642)     (8.57)       Proceeds from shor			1,219	_			
Proteign exchange gain on financing item     —     (1,72)       White off of defreed loan costs	Deferred income tax benefit		(2,148)	(12,902)			
Wite-off of deferred baar costs     —     1.42       Change in fair value of contingent consident	Gain on sale of property and equipment		(39)	(40)			
Change in fair value of contingent consideration   (3.005)   53     Changes in operating assets and liabilities:   (10,787)   (16,10)     Accounts receivable-trade   (10,787)   (16,10)     Inventories   (12,237)   (16,16)     Prepaid expenses and other assets   (2,237)   (36,16)     Accounts payable-trade   6,959   (08,10)     Accounts payable-trade   (6,157)   (2,36)     Other liabilities   816   122     Income taxes receivable/payable   (17,812)   11,91     Net cash provided by operating activities   7,615   2,860     Purchases of property and equipment   (7,352)   (5,33)     Proceeds from sales of property and equipment   (2,588)      Proceeds from sales of property and equipment   298   188     Proceeds from sales of property and equipment   (9,642)   (8,507)     Cash flows from finang activities   (1,001)   1,53     Payments on equipment note and capital leases   (1,001)   1,53     Proceeds from soles, part of cash acquired    (2,000)     Payment on promisory note   (8,366)   (3,66)   (3,66) </td <td></td> <td></td> <td>_</td> <td>(1,760)</td>			_	(1,760)			
Changes in operating assest and labilities:     (10.787)     (16.10)       Accounts receivable—trade     (15.29)     (12.69)       Prepaid expenses and other asses     (2.237)     (168)       Accounts payable—trade     (6.959)     (08)       Accounts payable—trade     (6.959)     (08)       Accounts payable—trade     (2.371)     (3.33)       Other liabilities     (17.812)     (1.11)       Income texes receivable/payable     (17.812)     (1.11)       Net cash provided by operating activities     7.615     2.268       Cash flows from investing activities     7.615     (2.533)       Purchases of property and equipment     298     18       Proceeds from sobers, net of cash acquired     ——     (10.00)       Acquisition of busines, net of cash acquired     ——     (80.322)       Net cash used in investing activities     (9.642)     (85.07)       Equipment on bornowings     5.053     6.54       Payments on equipment on act capital leases     (1.12)     (1.12)       Prometosory note bornowings     5.053     6.54       Payment of deferred loan cost related to senio	Write-off of deferred loan costs		—	1,422			
Accounts receivable—rande   (10,787)   (16,100)     Inventories   (1,529)   (12,600)     Prepaid expenses and other assets   (2,237)   (160)     Accounts payable—rande   6,959   (908)     Accounts dexpenses   (2,371)   3,353     Other liabilities   816   12     Income taxes receivable/payable   (17,812)   11,101     Net cash provided by operating activities   7,6155   2,2460     Cash flows from investing activities   7,6155   2,2460     Proceeds from sales of property and equipment   (7,352)   (5,33)     Proceeds from sales of property and equipment   (7,352)   (6,09,22)     Net cash used in investing activities   (9,042)   (06,072)     Cash flows from financing activities   (1,437)   (1,53)     Payment note borrowings   1,001   1,53     Payments on promissory note   (8,366)   (3,66)     Line of cricit borrowings   -   20,000     Payment of deferred loan cost related to senior secured credit facility   -   20,000     Payment of deferred loan cost related to senior secured credit facility   -   20,000 <t< td=""><td></td><td></td><td>(3,005)</td><td>585</td></t<>			(3,005)	585			
Inventories     (1,529)     (12,69)       Prepaid expenses and other assets     (2,237)     (16)       Accounts payable—trade     (6,959)     (980)       Accounts payable—trade     (2,371)     3,53       Other liabilities     816     12       Income taxes receivable/payable     (17,812)     (11,911)       Net cash provided by operating activities     (7,515)     2.86       Cash flows from investing activities     (7,352)     (5,333)       Purchases of property and equipment     (7,352)     (5,333)       Proceeds from short-term note receivable     —     1,000       Acquistion of business, net of cash acquired	Changes in operating assets and liabilities:						
Prepaid expenses and other assets   (2.237)   (163     Accrured expenses   (2.371)   (3.33     Other liabilities   816   122     Income taxes receivable/payble   (17.812)   (11.912)     Net cash provided by operating activities   75.155   2.266     Cash flows from investing activities   (7.352)   (5.33)     Purchases of property and equipment   (7.352)   (5.33)     Proceeds from sales of property and equipment   (2.358)	Accounts receivable—trade		(10,787)	(16,101)			
Accounts payable   6,559   (96     Accured expenses   (2,371)   3,53     Other liabilities   (17,812)   (11,812)     Income taxes receivable/payable   (17,812)   (11,812)     Net cash provided by operating activities   7,615   2,86     Cash flows from investing activities   (7,352)   (5,33)     Purchases of property and equipment   (2,588)   -     Proceeds from short-term note receivable   -   1,000     Acquisition of business, net of cash acquired   (8,042)   (80,922)     Net cash used in investing activities   (9,642)   (80,507)     Equipment note borrowings   1,001   1,53     Prometeds from shared activities   (1,437)   (155)     Equipment note borrowings   5,053   6,54     Prometeds from related on cast related to senior secured credit facility   -   20,000     Payments or leaded to public offering   -   (2,177)     Proceeds from related pay note receivable   -   151,35     Proceeds from related pay note receivable   -   151,35     Proceeds from related pay note receivable   -   151,35 <t< td=""><td></td><td></td><td>(1,529)</td><td>(12,690)</td></t<>			(1,529)	(12,690)			
Accued expenses(2,371)3,53Other labilities81612Income taxes receivable/payable(17,812)11,91Net cash provided by operating activities7,6152,86Cash Bows from investing activities7,6152,86Purchases of property and equipment(7,352)(5,33)Purchase and development of software and technology(2,588)-Proceeds from sales of property and equipment29818Proceeds from sales of property and equipment(9,642)(85,07)Net cash used in investing activities-1000Acquisition of business, net of cash acquired-(14,37)Cash Bows from financing activities1,0011,53Payments on equipment note and capital leases1,0011,53Payments on promissory note(8,366)3,664Payment sole borrowings5,0536,545Payment selated to public offering-20,00Payment selated to public offering-75Proceeds from related party note receivable-75Proceeds from insuance of common stock, net of offering costs-151,35Proceeds from insuance of common stock, net of offering costs-151,35Proceeds from the exercise of options for common stock(1,609)1,91Proceeds from the exercise of options for common stock3,8091,801Proceeds from the exercise of options for common stock(6,369)1,94Cash and cash equivalents end of period\$2,9203,209<	Prepaid expenses and other assets		(2,237)	(169)			
Other liabilities     816     122       Income taxes receivable/payable     (17,812)     11,911       Net cash provided by operating activities     7,615     2,366       Cash flows from investing activities     (7,352)     (5,333       Purchases of property and equipment     (2,588)        Proceeds from slots of property and equipment     298     18       Proceeds from short-term note receivable      1,000       Acquisition of business, net of cash acquired      (80,922)       Net cash used in investing activities     (9,642)     (85,077)       Cash flows from financing activities     (1,437)     (1,515)       Payments on equipment note and capital leases     1,001     1,533       Payments on equipment note and capital leases     (1,437)     (1,515)       Proceeds from solution of therm optic and capital leases      (2,000)       Payments on promissory note     (8,366)     (3,66)     (3,66)       Line of credit hornowings      (2,179)     (2,179)       Proceeds from note      (2,000)      (3,000)	Accounts payable—trade		6,959	(983)			
Income taxes receivable/payable     (17,812)     11,91       Net cash provided by operating activities     7,615     2,266       Cash flows from investing activities     (7,352)     (5,33)       Purchases of property and equipment     2,988     -       Proceeds from short-term note receivable     -     1,000       Acquisition of business, net of cash acquired     -     -     (80,922)       Net cash used in investing activities     (1,437)     (153)       Pomissory note borrowings     1,001     1,153       Payment one borrowings     1,011     1,153       Pomissory note borrowings     1,011     1,153       Payments on promissory note     (8,366)     (3,66)       Line of credit borrowings     -     2,000       Payment of deferred loan cost related to senior secured credit facility     -     2,000       Payment of deferred loan cost related to senior secured credit facility     -     6,900       Proceeds from issuarce of common stock, net of offering costs     -     6,933     2,22       Proceeds from issuarce of common stock, net of offering costs     -     6,933     2,22       <	Accrued expenses		(2,371)	3,531			
Net cash provided by operating activities7,6152,86Cash flows from investing activities(7,352)(5,33)Purchases of property and equipment(7,352)(5,33)Proceeds from sales of property and equipment29818Proceeds from short-erm note receivable	Other liabilities		816	129			
Cash flows from investing activities(7.352)(5.33)Purchases of property and equipment(7.352)(5.33)Purchases and development of software and technology(2.588)Proceeds from short-term note receivable(1.00)Acquisition of business, net of cash acquired(80,922)Net cash used in investing activities(9.642)(85,072)Cash flows from financing activities(9.642)(85,072)Cash flows from financing activities1.0011.533Payments on equipment note and capital leases(1,437)(155)Promissory note borrowings5.0536.544Payments on promissory note(8.366)(3.666)Line of credit borrowings(20,171)Payment of deferred loan cost related to senior secured credit facility(9.772)Payment of term note(7.572)Repayment of term note(2.173)Proceeds from related party note receivable(7.572)Proceeds from telated party note receivable(7.572)Proceeds from telated party note receivable(7.572)Proceeds from telated party note receivable(7.513)Proceeds from the exercise of options for common stock1,001Proceeds from telated party note receivable(7.573)Proceeds from telated hards on cash equivalents(3.409)84,113Effect of exchange rate changes on cash and cash equivalents(3.300)Net cash (used in)	Income taxes receivable/payable		(17,812)	11,919			
Purchases of property and equipment     (7,352)     (5,333)       Purchase and development of software and technology     (2,588)     -       Proceeds from sales of property and equipment     298     18       Proceeds from short-term note receivable     -     (80,922)       Net cash used in investing activities     (9,642)     (85,027)       Cash flows from financing activities     (9,642)     (85,027)       Equipment note and capital leases     1,001     1,533       Payments on equipment note and capital leases     1,001     1,533       Payments on promissory note     (8,366)     (3,666)       Line of credit borrowings     5,053     6,544       Payments on related to senior secured credit facility	Net cash provided by operating activities		7,615	2,869			
Purchases of property and equipment     (7,352)     (5,333)       Purchase and development of software and technology     (2,588)     -       Proceeds from sales of property and equipment     298     18       Proceeds from short-term note receivable     -     (80,922)       Net cash used in investing activities     (9,642)     (85,027)       Cash flows from financing activities     (9,642)     (85,027)       Equipment note and capital leases     1,001     1,533       Payments on equipment note and capital leases     1,001     1,533       Payments on promissory note     (8,366)     (3,666)       Line of credit borrowings     5,053     6,544       Payments on related to senior secured credit facility	Cash flows from investing activities						
Purchase and development of software and technology   (2,588)     Proceeds from sales of property and equipment   298   18     Proceeds from short-term note receivable   —   (80,921)     Net cash used in investing activities   (9,642)   (85,072)     Cash flows from financing activities   (9,642)   (85,072)     Equipment note borrowings   1,001   1,53     Payments on equipment note and capital leases   (1,437)   (151)     Promissory note borrowings   5,053   6,54     Payments on promissory note   (88,366)   (3,666)     Line of credit borrowings   —   (2,172)     Payments on to deferred loan cost related to senior secured credit facility   —   (2,172)     Proceeds from related party note receivable   —   (2,000)     Payments related to public offering   —   (2,017)     Proceeds from related party note receivable   —   (2,173)     Proceeds from subance of common stock, net of offering costs   —   (2,173)     Proceeds from term tote common stock, net of offering costs	-		(7,352)	(5,332)			
Proceeds from sales of property and equipment   298   18     Proceeds from short-term note receivable   —   1,000     Acquisition of business, net of cash acquired   (9,642)   (86,022)     Net cash used in investing activities   (9,642)   (86,507)     Cash flows from financing activities   (1,011)   1,533     Equipment note borrowings   1,001   1,533     Payments on equipment note and capital leases   (1,437)   (155)     Promissory note borrowings   5,053   6,544     Payments on promissory note   (8,366)   (3,666)     Line of credit borrowings   —   (20,000     Payment of deferred loan cost related to senior secured credit facility   —   (97)     Payments related to public offering   —   (21,77)     Proceeds from related party note receivable   —   (89,07)     Proceeds from issuance of common stock, net of offering costs   —   151,353     Proceeds from the exercise of options for common stock   1,001   —     Treasury shares withheld   (161)   —     Distribution to noncontrolling interest   (500)   —     Net cash ucash and cash equivalents			, ,	_			
Proceeds from short-term note receivable   —   1,00     Acquisition of business, net of cash acquired   (9,642)   (85,032)     Net cash used in investing activities   (9,642)   (85,072)     Cash flows from financing activities   1,001   1,533     Payments on equipment note and capital leases   (1,437)   (155)     Promissory note borrowings   5,053   6,544     Payments on equipment note and capital leases   (8,366)   (3,66)     Line of credit borrowings   —   (20,000)     Payment of deferred loan cost related to senior secured credit facility   —   (21,77)     Proceeds from related party note receivable   —   (21,77)     Proceeds from issuance of common stock, net of offering costs   —   (89,07)     Proceeds from issuance of common stock, net of offering costs   —   (89,07)     Proceeds from issuance of common stock, net of offering costs   —   (89,07)     Proceeds from issuance of common stock net of offering costs   —   (81,00)     Proceeds from issuance of common stock   1,001   —     Distribution to noncontrolling interest   (500)   —     Net cash (used in) provided by financing activities				181			
Acquisition of business, net of cash acquired—(80,922Net cash used in investing activities(9,642)(85,072Cash flows from financing activities1,0011,53Equipment note borrowings1,0011,53Payments on equipment note and capital leases(1,437)(151Promissory note borrowings5,0536,54Payments on promissory note(8,366)(3,66Line of credit borrowings—20,00Payment of deferred loan cost related to senior secured credit facility—(07Payment of deferred loan cost related to senior secured credit facility—(2,177Proceeds from related party note receivable—(8,807)Proceeds from related party note receivable—(161)Proceeds from the exercise of options for common stock1,001—Proceeds from the exercise of options for common stock1,001—Net cash used in in provided by financing activities(500)—Net cash used in in provide by financing activities(3,409)84,13Effect of exchange rate changes on cash and cash equivalents(6,369)1,94Cash and cash equivalents(6,369)1,94Cash and cash equivalents\$2,022Net change in cash and cash equivalents\$2,022Supplemental cash flow information*2,022Net change in cash and cash equivalents\$2,022Net change in cash and cash equivalents\$2,022Supplemental cash flow information* <t< td=""><td></td><td></td><td>_</td><td>1,000</td></t<>			_	1,000			
Net cash used in investing activities(9,642)(85,073)Cash flows from financing activities1,0011,53Equipment note borrowings1,0011,53Payments on equipment note and capital leases(1,437)(150)Promissory note borrowings5,0536,54Payments on promissory note(8,366)(3,66)Line of credit borrowings—20,000Payment of deferred loan cost related to senior secured credit facility—(97)Payments related to public offering—(2,17)Proceeds from related party note receivable—(75)Repayment of term note—(88,07)Proceeds from issuance of common stock, net of offering costs—151,435Proceeds from itsevences of options for common stock1,001—Distribution to noncontrolling interest(500)—Net cash (used in) provided by financing activities(933)22Net change in cash and cash equivalents(933)22Net change uncash equivalents end of period33,80918,27Cash and cash equivalents end of period\$ 227,440\$ 20,22Supplemental cash flow informationS 22,922\$ 3,355Noncash investing and financing activities\$ 22,922\$ 3,355Noncash investing and financing activitiesS 20,922\$ 3,355Supplemental cash flow information\$ 22,922\$ 3,355Noncash investing and financing activitiesS 20,922\$ 3,355Supplemental cash flow informationS 22,922<			_	(80,928)			
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Equipment note borrowings1,0011,533Payments on equipment note and capital leases(1,437)(154)Promissory note borrowings5,0536,54Payments on promissory note(8,366)(3,66)Line of credit borrowings—20,000Payment of deferred loan cost related to senior secured credit facility—(97)Payment of deferred loan cost related to senior secured credit facility—(2,174)Proceeds from related payt note receivable—(28,07)Proceeds from related party note receivable—(88,06)Proceeds from issuance of common stock, net of offering costs—151,35Proceeds from issuance of common stock net of offering costs—1011Distribution to noncontrolling interest(161)—Distribution to noncontrolling interest(161)—Cash and cash equivalents(933)2Net cash (used in) provided by financing activities(3,409)18,27Cash and cash equivalents beginning of period\$27,440\$Supplemental cash flow information\$20,202\$Supplemental cash flow information\$22,922\$3,35Noncash investing and financing activities\$22,922\$3,35Supplemental cash flow information\$\$4,933,35Supplemental cash flow information\$\$6,903,35Supplemental cash flow sinformation\$\$\$6,90Supplemental cash flow sinformation<	-		(0,0 )	(00,000)			
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Promissory note borrowings   5,053   6,54     Payments on promissory note   (8,366)   (3,66)     Line of credit borrowings   —   20,000     Payment of deferred loan cost related to senior secured credit facility   —   (2,17)     Payments related to public offering   —   (2,17)     Proceeds from related party note receivable   —   (89,07)     Proceeds from related party note receivable   —   (89,07)     Proceeds from issuance of common stock, net of offering costs   —   (89,07)     Proceeds from the exercise of options for common stock   1,001   —     Treasury shares withheld   (161)   —   —     Distribution to noncontrolling interest   (500)   —   —     Net cash (used in) provided by financing activities   (3,409)   84,13   22     Cash and cash equivalents beginning of period   33,809   18,27   33,809   18,27     Supplemental cash flow information   S   27,440   \$20,22   \$3,35     Noncash investing and financing activities   S   27,420   \$3,35     Supplemental cash flow information   S   2,32   3,35							
Payments on promissory note(8,366)(3,666)Line of credit borrowings—20,000Payment of deferred loan cost related to senior secured credit facility—(2,174)Payments related to public offering—(2,174)Proceeds from related party note receivable—(8,907)Proceeds from rissuance of common stock, net of offering costs—(890,07)Proceeds from the exercise of options for common stock1,001—Treasury shares withheld(161)——Distribution to noncontrolling interest(500)——Net cash (used in) provided by financing activities(3,409)84,1320Effect of exchange rate changes on cash and cash equivalents(6,369)1,9420,22Net change in cash and cash equivalents(6,369)1,9420,22Supplemental cash flow information\$27,400\$20,22Cash paid for income taxes (net of refunds)\$22,922\$3,355Noncash investing and financing activities\$2,922\$3,355Noncash investing and financing activities\$46,900Noncash investing and financing activities\$<				, ,			
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Payments related to public offering—(2,174)Proceeds from related party note receivable—75Repayment of term note—(89,07)Proceeds from issuance of common stock, net of offering costs—151,35Proceeds from the exercise of options for common stock1,001—Treasury shares withheld(161)——Distribution to noncontrolling interest	-						
Proceeds from related party note receivable							
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Proceeds from issuance of common stock, net of offering costs — 151,35 Proceeds from the exercise of options for common stock 1,001 1 1,001 1 1,001 1 1,001 1 1,00			_				
Proceeds from the exercise of options for common stock1,001-Treasury shares withheld(161)-Distribution to noncontrolling interest(500)-Net cash (used in) provided by financing activities(3,409)84,13Effect of exchange rate changes on cash and cash equivalents(933)2Net change in cash and cash equivalents(6,369)1,94Cash and cash equivalents beginning of period33,80918,27Cash and cash equivalents end of period\$ 27,440\$ 20,22Supplemental cash flow informationCash paid for income taxes (net of refunds)\$ 22,922\$ 3,35Noncash investing and financing activities-\$ 6,90				( , ,			
Treasury shares withheld(161)Distribution to noncontrolling interest(500)Net cash (used in) provided by financing activities(3,409)Effect of exchange rate changes on cash and cash equivalents(933)Net change in cash and cash equivalents(6,369)Net change in cash and cash equivalents(6,369)Cash and cash equivalents beginning of period33,809Cash and cash equivalents end of period\$ 27,440Supplemental cash flow informationSCash paid for income taxes (net of refunds)\$ 22,922Noncash investing and financing activitiesSIssuance of common stock for business acquisition\$\$\$ 6,900	•		1 001				
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Cash and cash equivalents end of period\$ 27,440\$ 20,22Supplemental cash flow information\$ 22,922\$ 3,35Cash paid for income taxes (net of refunds)\$ 22,922\$ 3,35Noncash investing and financing activities\$\$ 6,90			, ,				
Supplemental cash flow information     Cash paid for income taxes (net of refunds)     Noncash investing and financing activities     Issuance of common stock for business acquisition     \$ — \$ 6,90		¢					
Cash paid for income taxes (net of refunds)\$ 22,922\$ 3,35Noncash investing and financing activitiesIssuance of common stock for business acquisition\$ \$ 6,90		\$	27,440 \$	20,222			
Noncash investing and financing activities     Issuance of common stock for business acquisition   \$ — \$ 6,90							
Issuance of common stock for business acquisition\$-\$6,90	1	\$	22,922 \$	3,350			
	Issuance of common stock for business acquisition			6,907			
Assets obtained by entering into capital leases\$2,433\$450	Assets obtained by entering into capital leases	\$	2,433 \$	459			

#### NCS MULTISTAGE HOLDINGS, INC. RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL INFORMATION (In thousands, except per share data) (Unaudited)

#### **Non-GAAP Financial Measures**

EBITDA is defined as net income (loss) before interest expense, net, income tax expense and depreciation and amortization. Adjusted EBITDA is defined as EBITDA adjusted to exclude certain items which we believe are not reflective of ongoing performance or which, in the case of share-based compensation, are non-cash in nature. Adjusted EBITDA margin represents Adjusted EBITDA as a percentage of total revenues. Adjusted Net Income is defined as net income attributable to NCS Multistage Holdings, Inc. adjusted to exclude certain items which we believe are not reflective of ongoing performance. Adjusted Net Earnings per Diluted Share is defined as Adjusted Net Income divided by our diluted weighted average common shares outstanding during the relevant period. We believe that Adjusted EBITDA, Adjusted Net Income and Adjusted Net Earnings per Diluted Share are important measures that exclude costs that management believes do not reflect our ongoing operating performance and, in the case of Adjusted EBITDA, certain costs associated with our capital structure. Accordingly, Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net Income and Adjusted Net Income and Adjusted Net Earnings per Diluted Share are key metrics that management uses to assess the period-to-period performance of our core business operations. We believe that presenting Adjusted EBITDA, Adjusted Net Income and Adjusted EBITDA, Adjusted EBITDA margin, Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net Income and Adjusted EBITDA, Adjusted EBITDA margin, Adjusted EBITDA margin, Adjusted Net Income and Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net Income and Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net Income and Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net Income and Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net Income and Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net Income an

EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net Income and Adjusted Net Earnings per Diluted Share (our "non-GAAP financial measures") are not defined under generally accepted accounting principles ("GAAP"), are not measures of net income, income from operations or any other performance measure derived in accordance with GAAP, and are subject to important limitations. Our non-GAAP financial measures may not be comparable to similarly titled measures of other companies in our industry and are not measures of performance calculated in accordance with GAAP. Our non-GAAP financial measures have important limitations as analytical tools and you should not consider them in isolation or as substitutes for analysis of our financial performance as reported under GAAP and they should not be considered as alternatives to net income (loss) or any other performance measures derived in accordance with GAAP as measures of operating performance or as alternatives to cash flow from operating activities as measures of our liquidity.

The tables below set forth reconciliations of our non-GAAP financial measures to the most directly comparable measure of financial performance calculated under GAAP:

#### ADJUSTED NET INCOME AND ADJUSTED NET EARNINGS PER DILUTED SHARE

		Three Months Ended									Nine Months Ended								
	Effect on Net Income (After-		<b>F</b> · · · · ·		September Effect on Net Income (After- Tax)		er 30, 2017 Impact on Diluted Earnings Per Share		Septembe Effect on Net Income (After- Tax)		er 30, 2018 Impact on Diluted Earnings Per Share		Effect on Net Income (After-		er 30, 2017 Impact on Diluted Earnings Per Share				
Net income attributable to																			
NCS Multistage Holdings, Inc.	\$	6,323	\$	0.13	\$	3,386	\$	0.07	\$	13,248	\$	0.28	\$	5,445	\$	0.13			
Adjustments (after tax)																			
Write-off of deferred loan costs (a)														1,147		0.03			
IPO-related professional expense (b)						9								1,822		0.04			
Acquisition and merger costs (c)		_		—		315		0.01		—		—		843		0.02			
Realized and unrealized losses (gains)		489		0.01		652		0.01		270		0.01		(261)		(0.01)			
(d) Change in fair value of contingent		409		0.01		032		0.01		270		0.01		(201)		(0.01)			
consideration (e)		(1,369)		(0.03)		(154)				(2,202)		(0.05)		472		0.01			
Adjusted net income attributable																			
to NCS Multistage Holdings, Inc.	\$	5,443	\$	0.11	\$	4,208	\$	0.09	\$	11,316	\$	0.24	\$	9,468	\$	0.22			

(a) Includes the remaining deferred loan costs of \$1,422 related to the prior credit agreement that were expensed when the debt was repaid with a portion of our net proceeds from the IPO during the second quarter of 2017.

(b) Represents non-capitalizable costs of professional services incurred in connection with our IPO.

(c) Represents costs of professional services incurred in connection with our acquisition of a 50% interest in Repeat Precision and Spectrum acquisition.

(d) Represents realized and unrealized foreign currency translation gains and losses primarily in respect of our indebtedness.

(e) Represents the change in the fair value of the earn-outs associated with our acquisitions.

#### NCS MULTISTAGE HOLDINGS, INC. RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL INFORMATION (In thousands) (Unaudited)

### ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN

		Three Mo	nths E	nded	Nine Months Ended							
		Septen	nber 3	0,		Septen	ıber 30,					
	2018 2017 2018					2018		2017				
Net income	\$	7,766	\$	3,541	\$	16,813	\$	5,144				
Income tax expense		3,211		777		3,137		2,022				
Interest expense, net (a)		317		235		1,382		3,751				
Depreciation		1,174		812		3,429		2,054				
Amortization		3,255		6,486		9,859		18,481				
EBITDA		15,723		11,851		34,620		31,452				
Share-based compensation (b)		2,865		2,053		8,197		3,889				
Professional fees (c)		486		391		1,248		3,337				
Unrealized foreign currency loss (d)		515		735		2,172		20,175				
Realized foreign currency loss (gain) (e)		173		52		(1,773)		(20,399)				
Change in fair value of contingent consideration (f)		(1,865)		(182)		(3,005)		585				
Other (g)		98		202		528		66				
Adjusted EBITDA	\$	17,995	\$	15,102	\$	41,987	\$	39,105				
Adjusted EBITDA Margin		29%		27%		24%		26%				

(a) Includes the remaining deferred loan costs of \$1,422 related to the prior credit agreement that were expensed when the debt was repaid with a portion of our net proceeds from the IPO during the second quarter of 2017.

(b) Represents non-cash compensation charges related to share-based compensation granted to our officers, employees and directors.

(c) Represents non-capitalizable costs of professional services incurred in connection with our IPO, financings, refinancings, legal proceedings and the evaluation of proposed and completed acquisitions.

(d) Represents unrealized foreign currency translation gains and losses primarily in respect of our indebtedness.

(e) Represents realized foreign currency translation gains and losses with respect to principal and interest payments related to our indebtedness.

(f) Represents the change in the fair value of the earn-outs associated with our acquisitions.

(g) Represents the impact of a research and development subsidy that is included in income tax (benefit) expense in accordance with GAAP, fees incurred in connection with refinancing our credit facilities, arbitration awards, board of directors fees and travel expenses prior to our IPO as permitted by the terms of our prior credit agreement and other charges and credits.

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#### NCS MULTISTAGE HOLDINGS, INC. REVENUE BY GEOGRAPHIC AREA (In thousands) (Unaudited)

		onths Endec nber 30,	1				
	2018		2017 2018				2017
United States							
Product sales	\$ 18,125	\$	7,608	\$	48,011	\$	32,736
Services	8,157		5,693		27,976		11,043
Total United States	 26,282		13,301		75,987		43,779
Canada							
Product sales	21,215		30,342		67,653		74,954
Services	7,958		10,031		22,567		23,572
Total Canada	 29,173		40,373		90,220		98,526
Other Countries							
Product sales	5,293		1,441		6,850		6,672
Services	1,943		842		3,718		2,473
Total Other Countries	 7,236		2,283		10,568		9,145
Total							
Product sales	44,633		39,391		122,514		114,362
Services	18,058		16,566		54,261		37,088
Total	\$ 62,691	\$	55,957	\$	176,775	\$	151,450

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