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

Date of Report (Date of earliest event reported): November 6, 2019

SMART SAND, INC.
(Exact name of registrant as specified in its charter)

Delaware	**001-37936**	**45-2809926**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

1725 Hughes Landing Blvd, Suite 800
The Woodlands, Texas 77380
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: (281) 231-2660

Not Applicable
(Former name or former address, if changed since last report)

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))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001 per share	**SND**	**Nasdaq Global Select Market**

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 ☒

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, 2019, Smart Sand, Inc. issued a press release providing information regarding earnings for the third quarter endedSeptember 30, 2019. A copy of the press release is attached hereto as Exhibit 99.1.

The information, including Exhibit 99.1, in this Form 8-K 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 that Section. The information in this Form 8-K shall not be incorporated by reference into any filing under the Securities Act of 1933, as amended, except as shall otherwise be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits. The following exhibit is furnished herewith:

Exhibit Number	Description
99.1	Smart Sand, Inc. press release dated November 6, 2019

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.

SMART SAND, INC.

Dated:	November 6, 2019	By:	/s/ Lee E. Beckelman
			Lee E. Beckelman
			Chief Financial Officer

Smart Sand, Inc. Announces Third Quarter 2019 Results

- **3Q 2019 revenue of $65.7 million**
- **3Q 2019 total tons sold of approximately 611,000**
- **3Q 2019 net income of $10.9 million**
- **3Q 2019 Adjusted EBITDA of $28.8 million**
- **3Q 2019 Contribution Margin of $33.7 million**
- **3Q 2019 Contribution Margin per ton of $55.13**

THE WOODLANDS, Texas, November 6, 2019 – Smart Sand, Inc. (NASDAQ: SND) (the “Company” or “Smart Sand”), a fully integrated frac sand supply and services company that is a low-cost producer of high quality Northern White frac sand and provider of proppant logistics solutions through both its in-basin transloading terminal and SmartSystems™ wellsite proppant storage solutions, today announced results for the third quarter 2019.

Charles Young, Smart Sand’s Chief Executive Officer, stated “The third quarter produced both good financial results and continued progress on our long-term plans and objectives. We settled our lawsuit with Schlumberger and we were able to maintain our long-term relationship with them. We also executed contracts with two new SmartDepot customers, which brings us to four fleets currently in the field. We remained disciplined on maintaining low debt levels as we paid down approximately $16 million in debt during the quarter.”

Third Quarter 2019 Highlights

Revenues were $65.7 million in the third quarter of 2019, a decrease of 3% compared to second quarter of 2019 revenues of $67.9 million and an increase of 4% compared to third quarter of 2018 revenues of $63.1 million. Included in revenues were $15.6 million and $16.3 million of shortfall revenues for the third quarter of 2019 and the second quarter of 2019, respectively. Of these shortfall revenue amounts, $14.0 million and $14.5 million, respectively, was related to customers currently subject to litigation. The decrease in revenue over the second quarter of 2019 was primarily attributable to lower total volumes of sand sales. The increase over the third quarter 2018 was primarily attributable to higher shortfall revenue and increased in-basin sales.

Overall tons sold were approximately 611,000 in the third quarter of 2019, compared with approximately 741,000 tons in the second quarter of 2019 and 823,000 tons in the third quarter of 2018.

Net income was $10.9 million, or $0.27 per basic and diluted share, for the third quarter of 2019, compared with net income of $14.3 million, or $0.36 per basic and diluted share, for the second quarter of 2019 and net income of $12.1 million, or $0.30 per basic and diluted share, for the third quarter of 2018. The positive results in the third quarter of 2019 are primarily attributable to high shortfall revenues and strong in-basin sales along with lower operating costs despite the non-cash intangible asset impairment charge related to our existing transload system that was acquired as part of the Quickthree acquisition in June 2018.

Adjusted EBITDA was $28.8 million for the third quarter of 2019, compared with $26.2 million for the second quarter 2019 and $22.1 million during the same period last year, increases of 10% and 30%, respectively. The sequential increase in Adjusted EBITDA was primarily due to lower cost of goods sold driven by seasonal cost savings generated by the winter inventory build-up we experience in the third quarter of each year. The increase in Adjusted EBITDA year-over-year is primarily attributable to additional shortfall revenue and tons sold in 2019 at higher average selling prices.

Contribution margin was $33.7 million, or $55.13 per ton sold, for the third quarter of 2019 compared to $31.0 million or $41.80 per ton sold for the second quarter of 2019 and $27.1 million, or $32.95 per ton sold for the third quarter of 2018. The high contribution margin and contribution margin per ton sold for third quarter of 2019 was primarily due to high shortfall revenue on lower overall volumes and seasonal cost savings realized as we built up our winter stockpile.

Capital Expenditures

Smart Sand's capital expenditures totaled $5.6 million for the third quarter ended September 30, 2019 and $19.5 million for the nine months ended September 30, 2019, primarily for the manufacturing of our SmartSystems wellsite storage solutions and maintenance and efficiency upgrades at our Oakdale facility and Van Hook transload terminal. The Company estimates full year 2019 capital expenditures will be approximately $25 million to $30 million, excluding any additional acquisitions. This range of investment gives consideration to investment in the build-up of additional SmartSystems equipment. The Company's primary sources of liquidity are cash flow generated from its operations, its revolving credit facility ("Credit Facility") and other equipment financing arrangements. At September 30, 2019, the Company had approximately $2.1 million of cash on hand and $30.0 million available under its Credit Facility.

Conference Call

Smart Sand will host a conference call and live webcast for analysts and investors this morning, November 6, 2019 at 10:00 a.m. Eastern Time to discuss the Company's third quarter 2019 financial results. Investors are invited to listen to a live audio webcast of the conference call, which will be accessible on the "Investors" section of the Company's website at www.smartsand.com. To access the live webcast, please log in 15 minutes prior to the start of the call to download and install any necessary audio software. An archived replay of the call will also be available on the website following the call. The call can also be accessed live by dialing (888) 799-5165 or, for international callers, (478) 219-0056. The passcode for the call is 8993469. A replay will be available shortly after the call and can be accessed by dialing (855) 859-2056 or, for international callers, (404) 537-3406. The conference ID for the replay is 8993469.

Forward-looking Statements

All statements in this news release other than statements of historical facts are forward-looking statements that contain our current expectations about our future results. The Company has attempted to identify any forward-looking statements by using words such as "expect," "will," "estimate," "believe" and other similar expressions. Although the Company believes that the expectations reflected and the assumptions or bases underlying its forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. Such statements are not guarantees of future performance or events and are subject to known and unknown risks and uncertainties that could cause the Company's actual results, events or financial positions to differ materially from those included within or implied by such forward-looking statements.

Factors that could cause our actual results to differ materially from the results contemplated by such forward-looking statements include, but are not limited to, fluctuations in product demand, regulatory changes, adverse weather conditions, increased fuel prices, higher transportation costs, access to capital, increased competition, changes in economic or political conditions, and such other factors discussed or referenced in the "Risk Factors" section of the Company's Annual Report on Form 10-K for the year ended December 31, 2018, filed by the Company with the U.S. Securities and Exchange Commission ("SEC") on March 14, 2019, and the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, filed by the Company with the SEC on November 6, 2019.

You should not place undue reliance on our forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, unless required by law.

About Smart Sand

Smart Sand is a fully integrated frac sand supply and services company, offering complete mine to wellsite solutions for its customers. The Company produces low-cost, high quality Northern White frac sand and provides its customers with proppant logistics solutions from the mine to the wellsite. Northern White frac sand is a premium proppant used to enhance hydrocarbon recovery rates in the hydraulic fracturing of oil and natural gas wells. Smart Sand also offers logistics solutions to its customers through its Van Hook transloading terminal in the Bakken and SmartSystem wellsite storage capabilities. The Company owns and operates a frac sand mine and related processing facility near Oakdale, Wisconsin, at which it has approximately 317 million tons of proven recoverable sand reserves as of December 31, 2018. Smart Sand began operations with 1.1 million tons of annual nameplate processing capacity in July 2012. After several expansions, its current annual nameplate processing capacity at the Oakdale facility is approximately 5.5 million tons of frac sand per year. For more information, please visit www.smartsand.com.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended		
	September 30, 2019 (unaudited)	June 30, 2019 (unaudited)	September 30, 2018 (unaudited)
	(in thousands, except per share amounts)		
Revenues	$ 65,690	$ 67,941	$ 63,146
Cost of goods sold	38,555	43,068	40,595
Gross profit	27,135	24,873	22,551
Operating expenses:			
Salaries, benefits and payroll taxes	2,958	2,798	3,232
Depreciation and amortization	623	655	501
Selling, general and administrative	2,693	2,790	3,512
Change in the estimated fair value of contingent consideration	(1,215)	(575)	(2,100)
Impairment of intangible asset	7,628	—	—
Total operating expenses	12,687	5,668	5,145
Operating income	14,448	19,205	17,406
Other income (expenses):			
Interest expense, net	(968)	(994)	(758)
Other income	15	37	90
Total other income (expenses), net	(953)	(957)	(668)
Income before income tax expense	13,495	18,248	16,738
Income tax expense	2,569	3,972	4,613
Net income	$ 10,926	$ 14,276	$ 12,125
Net income per common share:			
Basic	$ 0.27	$ 0.36	$ 0.30
Diluted	$ 0.27	$ 0.36	$ 0.30
Weighted-average number of common shares:			
Basic	40,233	40,074	40,541
Diluted	40,240	40,173	40,551

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2019 (unaudited)	December 31, 2018
	(in thousands)	
Assets		
Current assets:		
Cash and cash equivalents	$ 2,098	$ 1,466
Accounts receivable, net	58,749	18,989
Unbilled receivables	1,189	7,823
Inventories	15,926	18,575
Prepaid expenses and other current assets	1,092	3,243
Total current assets	79,054	50,096
Property, plant and equipment, net	250,486	248,396
Operating lease right-of-use assets	29,702	—
Intangible assets, net	9,244	18,068
Other assets	3,537	3,732
Total assets	$ 372,023	$ 320,292
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 10,039	$ 11,336
Accrued and other expenses	10,234	8,392
Deferred revenue	5,545	4,095
Current portion of long-term debt	23,940	829
Operating lease liabilities, current portion	11,799	—
Total current liabilities	61,557	24,652
Deferred revenue, net of current portion	2,946	—
Long-term debt, net of current portion	6,791	47,893
Operating lease liabilities, long-term, net of current portion	17,397	—
Long-term deferred tax liabilities, net	24,685	17,898
Asset retirement obligation	14,897	13,322
Contingent consideration	2,800	7,167
Total liabilities	131,073	110,932
Commitments and contingencies		
Stockholders' equity		
Common stock	40	40
Treasury stock	(2,978)	(2,839)
Additional paid-in capital	164,499	162,195
Retained earnings	79,512	50,277
Accumulated other comprehensive loss	(123)	(313)
Total stockholders' equity	240,950	209,360
Total liabilities and stockholders' equity	$ 372,023	$ 320,292

Non-GAAP Financial Measures

EBITDA and Adjusted EBITDA

We define EBITDA as net income, plus: (i) depreciation, depletion and amortization expense; (ii) income tax expense; (iii) interest expense; and (iv) franchise taxes. We define Adjusted EBITDA as EBITDA, plus: (i) gain or loss on sale of fixed assets or discontinued operations; (ii) integration and transition costs associated with specified transactions; (iii) equity compensation; (iv) acquisition and development costs; (v) non-recurring cash charges related to restructuring, retention and other similar actions; (vi) earn-out, contingent consideration obligations and other acquisition and development costs; and (vii) non-cash charges and unusual or non-recurring charges. Adjusted EBITDA is used as a supplemental financial measure by management and by external users of our financial statements, such as investors and commercial banks, to assess:

- the financial performance of our assets without regard to the impact of financing methods, capital structure or historical cost basis of our assets;
- the viability of capital expenditure projects and the overall rates of return on alternative investment opportunities;
- our ability to incur and service debt and fund capital expenditures;
- our operating performance as compared to those of other companies in our industry without regard to the impact of financing methods or capital structure; and
- our debt covenant compliance, as Adjusted EBITDA is a key component of critical covenants to the Credit Facility.

We believe that our presentation of EBITDA and Adjusted EBITDA will provide useful information to investors in assessing our financial condition and results of operations. Net income is the GAAP measure most directly comparable to EBITDA and Adjusted EBITDA. EBITDA and Adjusted EBITDA should not be considered alternatives to net income presented in accordance with GAAP. Because EBITDA and Adjusted EBITDA may be defined differently by other companies in our industry, our definitions of EBITDA and Adjusted EBITDA may not be comparable to similarly titled measures of other companies, thereby diminishing their utility. The following table presents a reconciliation of EBITDA and Adjusted EBITDA to net income for each of the periods indicated.

The following table presents a reconciliation of EBITDA and Adjusted EBITDA to net income for each of the periods indicated:

	Three Months Ended		
	September 30, 2019	**June 30, 2019**	**September 30, 2018**
		(in thousands)	
Net income	$ 10,926	$ 14,276	$ 12,125
Depreciation, depletion and amortization	6,992	6,590	4,929
Income tax expense	2,569	3,973	4,612
Interest expense	969	997	760
Franchise taxes	56	93	54
EBITDA	$ 21,512	$ 25,929	$ 22,480
(Gain) on sale of fixed assets	(15)	(1)	253
Equity compensation (1)	663	685	791
Acquisition and development costs (2)	(1,208)	(577)	(1,723)
Non-cash impairment of intangible asset	7,628	—	—
Cash charges related to restructuring and retention	—	41	198
Accretion of asset retirement obligations	178	166	139
Adjusted EBITDA	$ 28,758	$ 26,243	$ 22,138

(1) Represents the non-cash expenses for stock-based awards issued to our employees and employee stock purchase plan compensation expense.

(2) Includes $1,215, $575, and $2,100 adjustments to the fair value adjustment of contingent consideration for the three months ended September 30, 2019, June 30, 2019, and September 30, 2018, respectively.

Contribution Margin

We also use contribution margin, which we define as total revenues less costs of goods sold excluding depreciation, depletion and accretion of asset retirement obligations, to measure our financial and operating performance. Contribution margin excludes other operating expenses and income, including costs not directly associated with the operations of our business such as accounting, human resources, information technology, legal, sales and other administrative activities.

We believe that reporting contribution margin and contribution margin per ton sold provides useful performance metrics to management and external users of our financial statements, such as investors and commercial banks, because these metrics provide an operating and financial measure of our ability, as a combined business, to generate margin in excess of our operating cost base.

Gross profit is the GAAP measure most directly comparable to contribution margin. Contribution margin should not be considered an alternative to gross profit presented in accordance with GAAP. Because contribution margin may be defined differently by other companies in our industry, our definition of contribution margin may not be comparable to similarly titled measures of other companies, thereby diminishing its utility. The following table presents a reconciliation of contribution margin to gross profit.

	Three Months Ended		
	September 30, 2019	June 30, 2019	September 30, 2018
	(in thousands)		
Revenue	$ 65,690	$ 67,941	$ 63,146
Cost of goods sold	$ 38,555	43,068	$ 40,595
Gross profit	27,135	24,873	22,551
Depreciation, depletion, and accretion of asset retirement obligations included in cost of goods sold	6,547	6,101	4,567
Contribution margin	$ 33,682	$ 30,974	$ 27,118
Contribution margin per ton	$ 55.13	$ 41.80	$ 32.95
Total tons sold	611	741	823

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