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

FORM 10-K

(Mark One)
☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2021

or

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

For the transition period from to
Commission File Number: 001-38390

Cactus, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**35-2586106**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
920 Memorial City Way, Suite 300 Houston, Texas	**77024**
(Address of principal executive offices)	(Zip code)

(713) 626-8800
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, par value $0.01	WHD	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

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 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, 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	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		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. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C.7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

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

As of June 30, 2021, the aggregate market value of the common stock of the registrant held by non-affiliates of the registrant was $2.1 billion.

As of February 24, 2022, the registrant had 59,035,237 shares of Class A common stock, $0.01 par value per share, and 16,674,282 shares of Class B common stock, $0.01 par value per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (this "Annual Report") contains "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). When used in this Annual Report, the words "could," "believe," "anticipate," "intend," "estimate," "expect," "project" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. These forward-looking statements are based on our current expectations and assumptions about future events and are based on currently available information as to the outcome and timing of future events. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements described under the heading "Item 1A. Risk Factors" included in this Annual Report and other cautionary statements contained herein. These forward-looking statements are based on management's current belief, based on currently available information, as to the outcome and timing of future events.

Important factors that could cause actual results to differ materially from those contained in the forward-looking statements include, but are not limited to:

- demand for our products and services, which is affected by, among other things, changes in the price of crude oil and natural gas in domestic and international markets;
- the number of active rigs, pad sizes, drilling and completion efficiencies, well spacings and associated well counts and availability of takeaway and storage capacity;
- Disparities in activity levels between private operators and large publicly-traded exploration and production ("E&P") companies
- the number of active workover rigs:
- availability of capital and the associated capital spending discipline exercised by customers;
- overall oilfield service cost inflation;
- the financial health of our customers and our credit risk of customer non-payment;
- changes in the number of drilled but uncompleted wells (DUC's) and the level of completion activity;
- the size and timing of orders;
- availability and cost of raw materials, components and imported items;
- increased inland and ocean shipping costs, the availability of containers and vessels from Asia as well as port congestion and domestic trucking capacity;
- transportation differentials associated with reduced capacity in and out of the storage hub in Cushing, Oklahoma;
- expectations regarding overhead and operating costs and margins;
- availability and cost of skilled and qualified workers;
- potential liabilities such as warranty and product liability claims arising out of the installation, use or misuse of our products;
- the possibility of cancellation of orders;
- our business strategy;
- our financial strategy, operating cash flows, liquidity and capital required for our business;
- our future revenue, income and operating performance;
- the ability to pay dividends and the amount of any such dividends;
- consolidation activity involving our customers;
- the addition or termination of relationships with major customers or suppliers;

- laws and regulations, including environmental regulations, that may increase our costs, limit the demand for our products and services or restrict our operations;
- disruptions in political, regulatory, economic or social conditions domestically or internationally;
- the severity and duration of the ongoing outbreak of coronavirus (“COVID-19”) and the extent of its impact on our business, including employee absenteeism;
- outbreaks of other pandemic or contagious diseases that may disrupt our operations, suppliers or facilities or impact demand for oil and natural gas;
- the impact of actions taken by the Organization of Petroleum Exporting Countries (“OPEC”) and other oil and gas producing countries affecting the supply of oil and gas;
- the impact of potential disruptions in Russian gas deliveries into Europe resulting from the conflict in Ukraine;
- increases in import tariffs or duties assessed on products and imported raw materials used in the production and assembly of our goods which could negatively impact margins and our working capital;
- the significance of future liabilities under the Tax Receivable Agreement (the “TRA”) we entered into with certain current or past direct and indirect owners of Cactus LLC (the “TRA Holders”) in connection with our initial public offering;
- a failure of our information technology infrastructure or any significant breach of security;
- potential uninsured claims and litigation against us;
- competition and capacity within the oilfield services industry;
- our dependence on the continuing services of certain of our key managers and employees;
- currency exchange rate fluctuations associated with our international operations; and
- plans, objectives, expectations and intentions contained in this Annual Report that are not historical.

We caution you that these forward‑looking statements are subject to all of the risks and uncertainties, most of which are difficult to predict and many of which are beyond our control, incident to the operation of our business. These risks include, but are not limited to the risks described in this Annual Report under “Item 1A. Risk Factors.” Should one or more of the risks or uncertainties described in this Annual Report occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in any forward‑looking statements.

All forward‑looking statements, expressed or implied, included in this Annual Report are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward‑looking statements that we or persons acting on our behalf may issue. Except as otherwise required by applicable law, we disclaim any duty to update any forward‑looking statements, all of which are expressly qualified by the statements in this section, to reflect events or circumstances after the date of this Annual Report.

PART I

Item 1. Business

General

Cactus, Inc. (“Cactus Inc.”) and its consolidated subsidiaries (the “Company,” “we,” “us,” “our” and “Cactus”), including Cactus Wellhead, LLC (“Cactus LLC”), are primarily engaged in the design, manufacture and sale of wellhead and pressure control equipment. Our products are sold and rented principally for onshore unconventional oil and gas wells and are utilized during the drilling, completion and production phases of our customers’ wells. We also provide field services for all of our products and rental items to assist with the installation, maintenance and handling of the wellhead and pressure control equipment. Additionally, we offer repair and refurbishment services. We operate through 15 U.S. service centers located in Texas, New Mexico, Pennsylvania, North Dakota, Louisiana, Oklahoma, Colorado, Utah and Wyoming as well as three service centers in Eastern Australia. We also provide rental and field service operations in the Kingdom of Saudi Arabia. Our corporate headquarters are located in Houston, Texas. We also have manufacturing and production facilities in Bossier City, Louisiana and Suzhou, China.

Cactus Inc. was incorporated on February 17, 2017 as a Delaware corporation for the purpose of completing an initial public offering of equity and related transactions, which was completed on February 12, 2018 (our “IPO”). We began operating in August 2011 following the formation of Cactus LLC in part by Scott Bender and Joel Bender, who have owned or operated wellhead manufacturing businesses since the late 1970s. Cactus Inc. is a holding company whose only material asset is an equity interest consisting of units representing limited liability company interests in Cactus LLC (“CW Units”). Cactus Inc. became the sole managing member of Cactus LLC upon completion of our IPO and is responsible for all operational, management and administrative decisions relating to Cactus LLC’s business. Pursuant to the First Amended and Restated Limited Liability Company Operating Agreement of Cactus LLC (the “Cactus Wellhead LLC Agreement”), owners of CW Units are entitled to redeem their CW Units for shares of Cactus Inc.’s Class A common stock, par value $0.01 per share (“Class A common stock”) on a one-for-one basis, which results in a corresponding increase in Cactus Inc.’s membership interest in Cactus LLC and an increase in the number of shares of Class A common stock outstanding. We refer to the owners of CW Units, other than Cactus Inc. (along with their permitted transferees), as “CW Unit Holders.” CW Unit Holders own one share of our Class B common stock, par value $0.01 per share (“Class B common stock”) for each CW Unit such CW Unit Holder owns. Holders of Class A common stock and Class B common stock vote together as a single class on all matters presented to our stockholders for their vote or approval, except as otherwise required by applicable law or our amended and restated certificate of incorporation. Cactus WH Enterprises, LLC (“Cactus WH Enterprises”) is the largest CW Unit Holder. Cactus WH Enterprises is a Delaware limited liability company owned by Scott Bender, Joel Bender, Steven Bender and certain other employees. Cadent Energy Partners II, L.P. (“Cadent”), an affiliate of Cadent Energy Partners LLC, owned more than 10% of issued and outstanding CW Units until March 2021, when it redeemed 4,111,250 of the CW Units (together with an equal number of shares of Class B common stock) owned by it in connection with our 2021 Secondary Offering, as defined below. Subsequently, in a series of additional transactions throughout 2021, Cadent and its affiliates transferred or redeemed the remainder of its CW Units. The redeemed CW Units were redeemed for Class A common stock, with such shares being distributed to their owners pro rata.

As of December 31, 2021, Cactus Inc. owned 78.0% and CW Unit Holders owned 22.0% of Cactus LLC, which was based on 59.0 million shares of Class A common stock issued and outstanding and 16.7 million shares of Class B common stock issued and outstanding. Cactus WH Enterprises held approximately 20% of our voting power as of December 31, 2021.

Since our IPO in February 2018, 43.9 million CW Units and a corresponding number of shares of Class B common stock have been redeemed in exchange for shares of Class A common stock. The following is a rollforward of ownership of legacy CW Units by CW Unit Holders for the three years ended December 31, 2021:

	CW Units (in thousands)
CW Units held by legacy CW Unit Holders as of December 31, 2018	37,236
March 2019 follow-on equity offering	(8,474)
Other CW Unit redemptions	(804)
CW Units held by legacy CW Unit Holders as of December 31, 2019	27,958
Other CW Unit redemptions	(303)
CW Units held by legacy CW Unit Holders as of December 31, 2020	27,655
March 2021 follow-on equity offering	(6,273)
Cadent redemption in June 2021	(3,292)
Cadent redemption in September 2021	(715)
Other CW Unit redemptions	(701)
CW Units held by legacy CW Unit Holders as of December 31, 2021	16,674

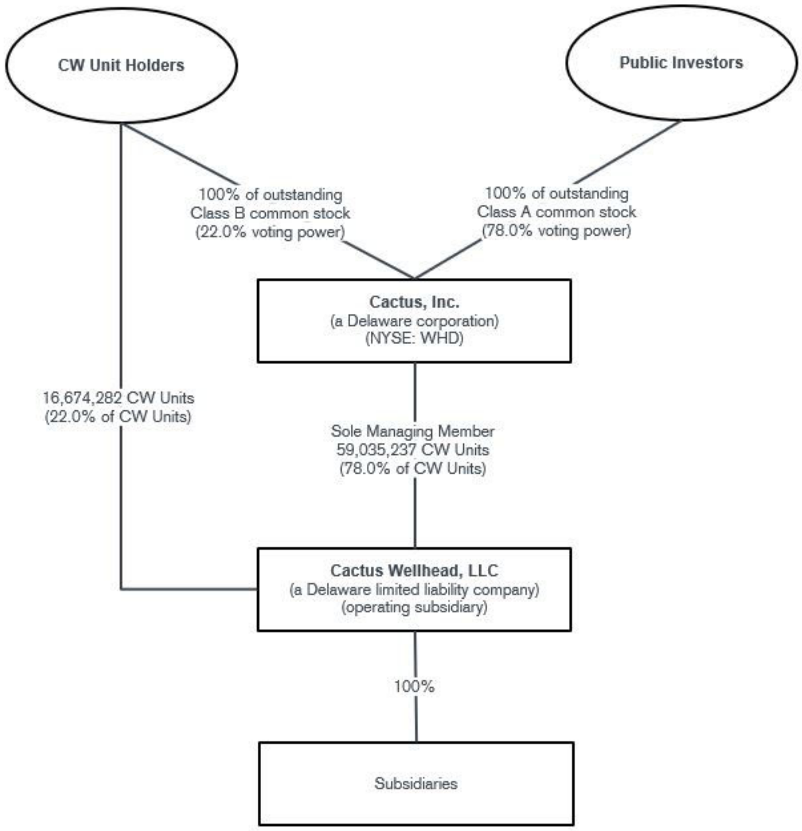
On March 9, 2021, Cactus Inc. entered into an underwriting agreement with Cactus LLC, certain selling stockholders of Cactus (the “Selling Stockholders”) and the underwriters named therein, providing for the offer and sale by the Selling Stockholders (the “2021 Secondary Offering”) of up to 6,325,000 shares of Class A common stock at a price to the underwriters of $30.555 per share. On March 12, 2021, in connection with the 2021 Secondary Offering, certain of the Selling Stockholders exercised their right to redeem 6,272,500 CW Units, together with a corresponding number of shares of Class B common stock, as provided in the Cactus Wellhead LLC Agreement. Upon the closing of the 2021 Secondary Offering, Cactus Inc. acquired the redeemed CW Units and a corresponding number of shares of Class B common stock (which shares of Class B common stock were then canceled) and issued 6,272,500 new shares of Class A common stock to the underwriters at the direction of the redeeming Selling Stockholders, as provided in the Cactus Wellhead LLC Agreement. In addition, certain other Selling Stockholders sold 52,500 shares of Class A common stock in the 2021 Secondary Offering, which shares were owned by them directly as of the time of the 2021 Secondary Offering. Cactus did not receive any of the proceeds from the sale of common stock in the 2021 Secondary Offering, and there was no change in the combined number of Cactus Inc. voting shares outstanding.

On June 17, 2021, Cadent transferred ownership of 944,093 CW Units, together with a corresponding number of shares of Class B common stock, to its general partner, Cadent Energy Partners II - GP, L.P., (“Cadent GP”), and its manager, Cadent Management Services, LLC (“Cadent Management”). Cadent then redeemed its remaining 3.3 million CW Units, together with a corresponding number of shares of Class B common stock, as provided in the Cactus Wellhead LLC Agreement. The redeemed CW Units (and the corresponding shares of Class B common stock) were canceled and Cactus Inc. issued 3.3 million new shares of Class A common stock to Cadent, which then distributed such shares to its limited partners. Cactus received no proceeds from these events, and there was no change in the combined number of Cactus Inc. voting shares outstanding.

On September 13, 2021, Cadent GP and Cadent Management transferred their aggregate ownership of 228,878 CW Units, together with a corresponding number of shares of Class B common stock, to their respective owners, which included certain Cactus Inc. board members and executive management. The transfers were made at the discretion of Cadent GP and Cadent Management without the consent of the transferees. Additionally, Cadent GP and Cadent Management redeemed their remaining 715,215 CW Units held, together with a corresponding number of shares of Class B common stock, thus liquidating its ownership in Cactus Wellhead, LLC. These transactions were in accordance with the Cactus Wellhead LLC Agreement. The redeemed CW Units (and the corresponding shares of Class B common stock) were canceled and Cactus Inc. issued 715,215 new shares of Class A common stock. Cactus received no proceeds from these events, and there was no change in the combined number of Cactus Inc. voting shares outstanding.

In addition to these significant redemptions during 2021, 700,957 CW Units were redeemed in exchange for shares of Class A common stock during the year ended December 31, 2021 pursuant to our regular quarterly redemption program. The above discussion focuses on the 2021 activity and redemptions. For further information on the follow-on equity offering that occurred in March 2019, see Note 10 in the Notes to the Consolidated Financial Statements.

The following diagram indicates our simplified ownership structure as of December 31, 2021:



Our Products

Our principal products include our Cactus SafeDrill® wellhead systems as well as frac stacks, our Cactus SafeLink® monobore, SafeClamp® and SafeInject® systems, zipper manifolds and production trees that we design and manufacture. Every oil and gas well requires a wellhead system, which is installed throughout the drilling process and remains with the well through its entire productive life. The Cactus SafeDrill® wellhead systems employ technology which allows technicians to land and secure casing strings more safely from the rig floor, reducing the need to descend into the cellar. We believe we are a market leader in the application of such technology, with thousands of our products sold and installed across the United States since 2011. During the completion phase of a well, we rent frac stacks, zipper manifolds and other high-pressure equipment including our SafeLink®, SafeClamp® and SafeInject® systems that are used for well control and managing the transmission of frac fluids and proppants during the hydraulic fracturing process. These severe service applications require robust and reliable equipment. Cactus, through its proprietary equipment, digital offerings and services, reduces the need for human intervention in the exclusion zone, minimizing non-productive time and leading to inherently safer and more environmentally responsible operations. For the subsequent production phase of a well, we sell production trees and equipment, when required, to interface with various forms of artificial lift that regulate hydrocarbon production, which are installed on the wellhead after the frac stack has been removed. In addition, we provide mission-critical field services for all of our products and rental items, including 24-hour service crews to assist with the installation, maintenance, repair and safe handling of the wellhead and pressure control equipment. Our innovative wellhead products and pressure control equipment are developed internally. We believe our close relationship with our customers provides us with insight into the specific issues encountered in the drilling and completion processes, allowing us to provide them the highest quality products and service solutions.

We have achieved substantial market share, as measured by the percentage of total active U.S. onshore rigs that we follow (which we define as the number of active U.S. onshore drilling rigs to which we are the primary provider of wellhead products and corresponding services during drilling), and brand name recognition with respect to our engineered products, which we believe is due to our focus on safety, reliability, cost effectiveness and time saving features. We optimize our products for pad drilling (i.e., the process of drilling multiple wellbores from a single surface location) to reduce rig time and provide operators with significant efficiencies that translate into increased safety, reduced environmental impact and cost savings at the wellsite.

We primarily operate through service centers in the United States, which are strategically located in the key oil and gas producing regions, including the Permian, Marcellus, Utica, Haynesville, Eagle Ford, Bakken and SCOOP/STACK, among other active oil and gas regions in the United States, and in Eastern Australia. These service centers support our field services and provide equipment assembly and repair services. We also conduct rental and field service operations in the Kingdom of Saudi Arabia. Our manufacturing and production facilities are located in Bossier City, Louisiana and Suzhou, China.

Our Revenues

We operate in one business segment. Our revenues are derived from three sources: products, rentals, and field service and other. Product revenues are primarily derived from the sale of wellhead systems and production trees. Rental revenues are primarily derived from the rental of equipment used during the completion process, the repair of such equipment and the rental of drilling tools. Field service and other revenues are primarily earned when we provide installation and other field services for both product sales and equipment rental. Additionally, other revenues are derived from providing repair and reconditioning services to customers that have previously installed wellheads or production trees. Items sold or rented generally have an associated service component. As a result, there is a close correlation between field service and other revenues and revenues from product sales and rentals.

For the year ended December 31, 2021, we derived 64% of our total revenues from the sale of our products, 14% from rental and 22% from field service and other. In 2020, we derived 59% of our total revenues from the sale of our products, 19% from rental and 22% from field service and other. In 2019, we derived 57% of our total revenues from the sale of our products, 22% from rental and 21% from field service and other. We have predominantly domestic operations, with a small amount of activity in Australia and the Kingdom of Saudi Arabia.

Most of our sales are made on a call out basis pursuant to agreements, wherein our clients provide delivery instructions for goods and/or services as their operations require. Such goods and services are most often priced in accordance with a preapproved price list. The actual pricing of our products and services is impacted by a number of factors including competitive pricing pressure, the value perceived by our customers, the level of utilized capacity in the oil service sector, cost of manufacturing the product, cost of providing the service and general market conditions.

Costs of Conducting Our Business

The principal elements of cost of sales for our products are the direct and indirect costs to manufacture and supply the product, including labor, materials, machine time, tariffs and duties, freight and lease expenses related to our facilities. The principal elements of cost of sales for rentals are the direct and indirect costs of supplying rental equipment, including depreciation, repairs specifically performed on such rental equipment and freight. The principal elements of cost of sales for field service and other are labor, equipment depreciation and repair, equipment and vehicle lease expenses, fuel and supplies. Selling, general and administrative expense is comprised of costs such as sales and marketing, engineering, general corporate overhead, business development, compensation, employment benefits, insurance, information technology, safety and environmental, legal and professional.

Suppliers and Raw Materials

Forgings and plate, castings, tube and bar stock represent the principal raw materials used in the manufacture of our products and rental equipment. In addition, we require accessory items (such as elastomers, ring gaskets, studs and nuts) and machined components. We purchase a majority of these items from vendors in the United States, China, India and Australia. For the year ended December 31, 2021, two vendors each represented approximately 9% of our total third-party vendor purchases of raw materials, finished products, components, equipment, machining and other services. During the years ended December 31, 2020 and 2019, we had one vendor who represented approximately 9% and 16%, respectively, of such purchases. We do not believe that we are overly dependent on any individual vendor to supply our required materials or services. Notwithstanding the supply disruptions experienced starting in 2021, the materials and services essential to our business are normally readily available and, where we use one or a few vendors as a source of any particular materials or services, we believe that we can, within a reasonable period of time, make satisfactory alternative arrangements in the event of an interruption of supply from any vendor. We believe our materials and services vendors have the capacity to meet additional demand should we require it, although at higher costs and with extended deliveries.

Manufacturing

Our manufacturing and production facilities are located in Bossier City, Louisiana and Suzhou, China. Although both facilities can produce our full range of products, our Bossier City facility has advanced capabilities and is designed to support time-sensitive and rapid turnaround of made-to-order equipment, while our facility in China is optimized for longer lead time orders and outsources its machining requirements. The facilities are licensed to the latest American Petroleum Institute (“API”) 6A specification for wellheads and valves and API Q1 and ISO 9001:2015 quality management systems. Where traditional manufacturing facilities are designed to run in batches with different machining processes occurring in stages, our Bossier City facility uses advanced computer numeric 5 Axis control machines to perform multiple machining operations with fewer steps. We believe eliminating the queue times between machining operations allows us to offer significantly shorter order-to-delivery times compared to our competitors, albeit at higher costs than our facility in China. Responsiveness to urgent needs strengthens our relationship with key customers. The Bossier City facility has the ability to perform phosphate and oil coating, copper coating and frac rental equipment remanufacturing. Our production facility in China is configured to efficiently produce our range of pressure control products and components for less time-sensitive, higher-volume orders. The Suzhou facility assembles and tests finished and semi-finished machined components before shipment to Cactus facilities in the United States and Australia. Our Suzhou subsidiary is wholly-owned, and its facility is staffed by Cactus employees, which we believe is a key factor in ensuring high quality and dependable deliveries.

Trademarks and Patents

Trademarks are important to the marketing of our products. We consider the Cactus Wellhead trademark to be important to our business as a whole. The Company has numerous trademarks registered with the U.S. Patent and Trademark Office and has also applied for registration status of several trademarks which are pending. Once registered, our trademarks can be renewed every 10 years as long as we are using them in commerce. We also seek to protect our technology through use of patents, which affords us 20 years of protection of our proprietary inventions and technology, although we do not deem patents to be critical to our success. We have been awarded several U.S. patents and currently have additional patent applications pending. We also rely on trade secret protection for our confidential and proprietary information. To protect our information, we customarily enter into confidentiality agreements with our employees and suppliers. There can be no assurance, however, that others will not independently obtain similar information or otherwise gain access to our trade secrets.

Cyclicality

We are substantially dependent on conditions in the oil and gas industry, including the level of exploration, development and production activity of, and the corresponding capital spending by, oil and natural gas companies. The level of exploration, development and production activity is directly affected by trends in oil and natural gas prices, which have historically been volatile, and by the availability of capital and the associated capital spending discipline exercised by customers. Declines, as well as anticipated declines, in oil and gas prices could negatively affect the level of these activities and capital spending, which could adversely affect demand for our products and services and, in certain instances, result in the cancellation, modification or rescheduling of existing and expected orders and the ability of our customers to pay us for our products and services. These factors could have an adverse effect on our revenue and profitability.

Seasonality

Our business is not significantly impacted by seasonality, although our fourth quarter has historically been impacted by holidays and our customers' budget cycles.

Customers

We serve over 200 customers representing majors, independents and other oil and gas companies with operations in the key U.S. oil and gas producing basins as well as in Australia and the Kingdom of Saudi Arabia. One customer represented approximately 12% of our total revenues during the year ended December 31, 2021, whereas no customer represented 10% or more of total revenues during the year ended December 31, 2020 and one customer represented approximately 10% of total revenues during the year ended December 31, 2019.

Competition

The markets in which we operate are highly competitive. We believe we are one of the largest suppliers of wellheads in the United States. We compete with divisions of Schlumberger and TechnipFMC, as well as a large number of other companies. We believe the rental market for frac stacks and related flow control equipment is more fragmented than the wellhead product market. Cactus does not believe any individual company represents more than 20% of the U.S. rental market.

We believe the competitive factors in the markets we serve include technical features, equipment availability, work force competency, efficiency, safety record, reputation, continuity of management and price. Additionally, projects are often awarded on a bid basis, which tends to create a highly competitive environment. While we seek to be competitive in our pricing, we believe many of our customers elect to work with us based on product features, safety, performance and quality of our people, equipment and services. We seek to differentiate ourselves from our competitors by delivering the highest-quality services and equipment possible, coupled with superior execution and operating efficiency in a safe working environment.

Environmental, Health and Safety Regulation

We are subject to stringent governmental laws and regulations, both in the United States and other countries, pertaining to protection of the environment and occupational safety and health. Compliance with environmental legal requirements in the United States at the federal, state or local levels may require acquiring permits to conduct regulated activities, incurring capital expenditures to limit or prevent emissions, discharges and any unauthorized releases, and complying with stringent practices to handle, recycle and dispose of certain wastes. These laws and regulations include, among others:

- the Federal Water Pollution Control Act (the “Clean Water Act”);
- the Clean Air Act;
- the Comprehensive Environmental Response, Compensation and Liability Act;
- the Resource Conservation and Recovery Act;
- the Occupational Safety and Health Act; and
- national and local environmental protection laws in Australia, the People’s Republic of China and the Kingdom of Saudi Arabia.

New, modified or stricter enforcement of environmental laws and regulations could be adopted or implemented that significantly increase our compliance costs, pollution mitigation costs, or the cost of any remediation of environmental contamination that may become necessary, and these costs could be material. Our customers are also subject to most, if not all, of the same laws and regulations relating to environmental protection and occupational safety and health in the United States and in foreign countries where we operate. Consequently, to the extent these environmental compliance costs, pollution mitigation costs or remediation costs are incurred by our customers, those customers could elect to delay, reduce or cancel drilling, exploration or production programs, which could reduce demand for our products and services and, as a result, have a material adverse effect on our business, financial condition, results of operations, or cash flows. Consistent with our quality assurance and Health, Safety & Environment (“HSE”) principles, we have established proactive environmental and worker safety policies in the United States and foreign countries for the management, handling, recycling or disposal of chemicals and gases and other materials and wastes resulting from our operations. Substantial fines and penalties can be imposed and orders or injunctions limiting or prohibiting certain operations may be issued in connection with any failure to comply with laws and regulations relating to worker health and safety.

Licenses and Certifications. Our manufacturing facility in Bossier City, Louisiana and our production facility in Suzhou, China are currently licensed by the API to monogram manufactured products in accordance with API 6A, 21st Edition product specification for both wellheads and valves while the quality management system is certified to API Q1, 9th Edition, Addendum 2 and ISO 9001:2015. These licenses and certifications expire every three years and are renewed upon successful completion of annual audits. Cactus has also developed an API Q2 program specific to our service business. At this time, we have not yet applied for API Q2 certification, but we are implementing the API Q2 Quality Management System at select service locations to reduce well site non-productive time, improve service tool reliability and enhance customer satisfaction and retention. Our current API licenses and certifications are published on our website under the “Quality Assurance & Control” section of our website at www.CactusWHD.com. API’s standards are subject to revision, however, and there is no guarantee that future amendments or substantive changes to the standards would not require us to modify our operations or manufacturing processes to meet the new standards. Doing so may materially affect our operational costs. We also cannot guarantee that changes to the standards would not lead to the rescission of our licenses should we be unable to make the changes necessary to meet the new standards. Loss of our API licenses could materially affect demand for these products.

Hydraulic Fracturing. Most of our customers utilize hydraulic fracturing in their operations. Environmental concerns have been raised regarding the potential impact of hydraulic fracturing and the resulting wastewater disposal on underground water supplies and seismic activity. These concerns have led to several regulatory and governmental initiatives in the United

States to restrict the hydraulic fracturing process, which could have an adverse impact on our customers' completions or production activities. Although we do not conduct hydraulic fracturing, increased regulation and attention given to the hydraulic fracturing process could lead to greater opposition to oil and gas production activities using hydraulic fracturing techniques. In December 2021, the Texas Railroad Commission, which regulates the state's oil and gas industry, suspended the use of deep wastewater disposal wells in four oil-producing counties in West Texas. The suspension is intended to mitigate earthquakes thought to be caused by the injection of waste fluids, including saltwater, that are a byproduct of hydraulic fracturing into disposal wells. The ban will require oil and gas production companies to find other options to handle the wastewater, which may include piping or trucking it longer distances to other locations not under the ban. The adoption of new laws or regulations at the federal, state, local or foreign level imposing reporting obligations on, or otherwise limiting, delaying or banning, the hydraulic fracturing process or other processes on which hydraulic fracturing and subsequent hydrocarbon production relies, such as water disposal, could make it more difficult to complete oil and natural gas wells. Further, it could increase our customers' costs of compliance and doing business, and otherwise adversely affect the hydraulic fracturing services for which they contract, which could negatively impact demand for our products.

Climate Change. State, national and foreign governments and agencies continue to evaluate, and in some instances adopt, climate-related legislation and other regulatory initiatives that would restrict emissions of greenhouse gases. Changes in environmental requirements related to greenhouse gases, climate change and alternative energy sources may negatively impact demand for our services. For example, oil and natural gas exploration and production may decline as a result of environmental requirements, including land use policies responsive to environmental concerns. In January 2021, the Acting Secretary of the Department of the Interior issued an order suspending new leasing and drilling permits for fossil fuel production on federal lands and waters for 60 days. President Biden then issued an executive order indefinitely suspending new oil and natural gas leases on public lands or in offshore waters pending completion of a comprehensive review and reconsideration of federal oil and gas permitting and leasing practices. Several states filed lawsuits challenging the suspension and in June 2021, a judge in the U.S. District Court for the Western District of Louisiana issued a nationwide temporary injunction blocking the suspension. The Department of the Interior appealed the U.S. District Court's ruling and the appeal is pending. To the extent that the Department of the Interior's report or other initiatives to reform federal leasing practices result in the development of additional restrictions on drilling, limitations on the availability of leases, or restrictions on the ability to obtain required permits, it could impact our customers' opportunities and reduce demand for our products and services in the aforementioned areas.

Because our business depends on the level of activity in the oil and natural gas industry, existing or future laws, regulations, treaties or international agreements related to greenhouse gases and climate change, may reduce demand for oil and natural gas and could have a negative impact on our business. Likewise, such restrictions may result in additional compliance obligations that could have a material adverse effect on our business, consolidated results of operations and consolidated financial position. In addition, our business could be impacted by initiatives to address greenhouse gases and climate change and incentives to conserve energy or use alternative energy sources. For example, the Build Back Better Act, passed by the U.S. House of Representatives and supported by President Biden, includes incentives to increase wind and solar electric generation and encourage consumers to use these alternative energy sources. At this time, it is uncertain whether, and in what form, the Build Back Better Act may become law. However, the Build Back Better Act or similar state or federal initiatives to incentivize a shift away from fossil fuels could reduce demand for hydrocarbons, thereby reducing demand for our products and services and negatively impacting our business.

Insurance and Risk Management

We rely on customer indemnifications and third-party insurance as part of our risk mitigation strategy. However, our customers may be unable to satisfy indemnification claims against them. In addition, we indemnify our customers against certain claims and liabilities resulting or arising from our provision of goods or services to them. Our insurance may not be sufficient to cover any particular loss or may not cover all losses. We carry a variety of insurance coverages for our operations, and we are partially self-insured for certain claims, in amounts that we believe to be customary and reasonable. Historically, insurance rates have been subject to various market fluctuations that may result in less coverage, increased premium costs, or higher deductibles or self-insured retentions.

Our insurance includes coverage for commercial general liability, damage to our real and personal property, damage to our mobile equipment, sudden and accidental pollution liability, workers' compensation and employer's liability, auto liability, foreign package policy, commercial crime, fiduciary liability employment practices, cargo, excess liability, and directors and officers' insurance. We also maintain a partially self-insured medical plan that utilizes specific and aggregate stop loss limits. Our insurance includes various limits and deductibles or self-insured retentions, which must be met prior to, or in conjunction with, recovery.

Human Capital Management

As of December 31, 2021, we employed over 1,000 people worldwide, of which a little more than 900 were employed in the United States. We are not a party to any collective bargaining agreements and have not experienced any strikes or work stoppages. We consider our relations with our workforce to be good. Our business's success depends mainly on our ability to attract, retain and motivate a diverse population of talented employees at all levels of our organization, including the individuals who comprise our global workforce and executive officers and other key personnel. To succeed in a competitive industry, we have developed key recruitment and retention strategies, objectives and measures which we focus on as part of the overall management of our business.

Recruiting and Development. Our talent strategy is focused on attracting the best talent and rewarding their performance while developing and retaining them. Fiscal year 2020 was a challenging year in which we made difficult staffing decisions, resulting in significant reductions to our workforce. As the economy showed signs of improvement in late 2020 and throughout 2021, we rebuilt our workforce, increasing our workforce by approximately 57% during 2021. We are approaching the workforce levels we were at right before the start of the pandemic in March 2020. We strive to maintain good relationships with our employees and have prioritized rehiring our most experienced branch and field positions as the industry has recovered. When hiring, we utilize employee referrals, a variety of social media platforms, regional job fairs and partner with educational organizations across the United States to find diverse, qualified, motivated and responsible candidates.

Training. We are dedicated to the continual training and development of our employees, especially those in field and branch operations. Our internal training focuses on safety, corporate and personal responsibility, product knowledge, behavioral development and ethical conduct. In 2021, Cactus built an internal database to track training progress and completion for all of our associates, with particular interest in tracking the training and skill sets of our field service technicians and managers. This tracking tool enables us to take a holistic view of our strength by branch and job title, which helps us to manage our operations and assign associates with the proper skills, training and experience to safely and efficiently meet or exceed customer demand. Other training courses offered outside of the company are attended by employees with specialized skills, knowledge or certifications as needed for their ongoing success and professional development.

Compensation and Benefits. We provide compensation and benefits programs to help meet the needs of our employees. In addition to salaries and wages, these programs (which vary by country) include annual bonuses, retirement plans such as a 401(k) plan, healthcare and insurance benefits, health savings accounts partially funded by the Company, standard flexible spending accounts, personal legal services insurance, company-sponsored long and short term disability, accident and critical illness, paid time off, family leave, partially paid maternity and paternity leave, family care resources and employee assistance programs, among others. We also offer tuition reimbursement in certain circumstances to support the continued growth and development of our employees. Additionally, we use targeted equity-based grants with vesting conditions to facilitate the retention of key personnel.

Health and Safety. Our health and safety programs are designed around global standards with appropriate variations addressing the multiple jurisdictions and regulations, specific hazards and unique working environments of our manufacturing and production facilities, service centers and headquarters. We require each location to conduct regular safety evaluations to verify that expectations for safety program procedures and training are being met. We also engage in third party conformity assessments of our HSE processes to determine adherence to our HSE management system and to global health and safety standards. We monitor our Occupational Safety and Health Administration Total Recordable Incident Rate ("TRIR") to assess our operation's health and safety performance. TRIR is defined as the number of incidents per 100 full-time employees that have resulted in a recordable injury or illness in the pertinent period. During fiscal year 2021, we had a TRIR of 1.29, which compares to 0.55 in 2020. We had no work-related fatalities in either year. Based on the most recent statistics available from the International Association of Drilling Contractors, our TRIR statistics are in line with the industry average.

We are committed to the health, safety and wellness of our employees. We provide our employees and their families with access to various flexible and convenient health and wellness programs. These programs include benefits that offer protection and security to have peace of mind concerning events that may require time away from work or impact their financial well-being. These tools also support their physical and mental health by providing resources to improve or maintain their health status. In response to the COVID-19 pandemic, we implemented additional safety measures for employees performing critical on-site work. Our facilities implemented mandatory personal protective wear, extensive deep cleaning and sanitation processes. We also work with third-party vendors to offer vaccination clinics and schedule vaccines for any associate who requests help in doing so. Any associate who has exhibited signs or symptoms or believes they may have been exposed to the virus is tested and quarantined based on guidelines provided by the Centers for Disease Control and Prevention. We provide paid time off for our associates to get vaccinated and boosted. We also provide additional time off for any fully vaccinated associates who miss work due to a breakthrough case of COVID-19. Additionally, during certain time periods, we have allowed administrative employees to work from home if desired. Lastly, we encourage our employees to be fully vaccinated against COVID-19 and offer financial incentives within our medical benefits plan to those associates who are fully vaccinated.

Available Information

Our principal executive offices are located at 920 Memorial City Way, Suite 300, Houston, TX 77024, and our telephone number at that address is (713) 626-8800. Our website address is www.CactusWHD.com. Our periodic reports and other information filed with or furnished to the Securities and Exchange Commission ("SEC"), including our Form 10-Ks, Form 10-Qs and Form 8-Ks, as well as amendments to such filings, are available free of charge through our website, as soon as reasonably practicable after those reports and other information are electronically filed with or furnished to the SEC. Information on our website or any other website is not incorporated by reference into this Annual Report and does not constitute a part of this Annual Report.

Item 1A. Risk Factors

Investing in our Class A common stock involves risks. You should carefully consider the information in this Annual Report, including the matters addressed under "Cautionary Statement Regarding Forward-Looking Statements," and the following risks before making an investment decision. Our business, results of operations and financial condition could be materially and adversely affected by any of these risks. Additional risks or uncertainties not currently known to us, or that we deem immaterial, may also have an effect on our business, results of operations and financial condition. The trading price of our Class A common stock could decline due to any of these risks, and you may lose all or part of your investment.

Risks Related to the Oilfield Services Industry and Our Business

The global outbreak of COVID-19 and associated responses have had, and are expected to continue to have, an adverse impact on our business and operations.

The ongoing COVID-19 pandemic has negatively affected, and could continue to negatively affect, our revenues and operations. We have experienced, and may experience in the future, slowdowns or temporary idling of certain of our manufacturing and service facilities due to a number of factors, including implementing additional safety measures, testing of our team members, team member absenteeism and governmental orders. A prolonged closure could have a material adverse impact on our ability to operate our business and on our results of operations. We have also experienced, and could continue to experience, disruption and volatility in our supply chain, which has resulted, and may continue to result, in increased costs for certain goods. The spread of COVID-19 has also disrupted and may continue to disrupt logistics necessary to import, export and deliver products to us and our customers. Further, we might experience temporary shortages of labor, making it difficult to provide field service technicians to install or service our equipment. The duration of the pandemic and its continued adverse impact on our business are unknown and impossible to predict with certainty. Despite vaccines and boosters being administered worldwide, the extent of future impacts of the coronavirus and any new variants related to COVID-19 on general economic conditions and on our business, operations and results of operations remains uncertain.

Demand for our products and services depends on oil and gas industry activity and customer expenditure levels, which are directly affected by trends in the demand for and price of crude oil and natural gas and availability of capital.

Demand for our products and services depends primarily upon the general level of activity in the oil and gas industry, including the number of drilling rigs in operation, the number of oil and gas wells being drilled, the depth and drilling conditions of these wells, the volume of production, the number of well completions and the level of well remediation activity, and the corresponding capital spending by oil and gas companies. Oil and gas activity is in turn heavily influenced by, among other factors, current and anticipated oil and natural gas prices locally and worldwide, which have historically been volatile. Declines, as well as anticipated declines, in oil and gas prices could negatively affect the level of these activities and capital spending, which could adversely affect demand for our products and services and, in certain instances, result in the cancellation, modification or rescheduling of existing and expected orders and the ability of our customers to pay us for our products and services. These factors could have an adverse effect on our results of operations, financial condition and cash flows.

Factors affecting the prices of oil and natural gas include, but are not limited to, the following:

- demand for hydrocarbons, which is affected by worldwide population growth, economic growth rates and general economic and business conditions;
- available excess production capacity within OPEC and the level of oil and gas production by non-OPEC countries;

- oil and gas inventory levels, production capacity and investment levels;
- the continued development of shale plays which may influence worldwide supply;
- transportation differentials associated with reduced capacity in and out of the storage hub in Cushing, Oklahoma;
- costs of exploring for, producing and delivering oil and natural gas;
- political and economic uncertainty and geopolitical unrest;
- oil refining activity and shifts in end-customer preferences toward fuel efficiency and increased transition to electric vehicles;
- conservation measures and technological advances affecting energy consumption;
- government initiatives to address greenhouse gases and climate change (including incentives to promote alternative energy sources);
- potential acceleration of the commercial development of alternative energy sources (such as wind, solar, geothermal, tidal, fuel cells and biofuels);
- access to capital and credit markets and investors' focus on shareholder returns, which may affect our customers' activity levels and spending for our products and services;
- changes in laws and regulations related to hydraulic fracturing activities, saltwater disposal or oil and gas drilling, particularly on public properties;
- changes in environmental laws and regulations (including relating to the use of coal in power plants which can impact the demand for natural gas);
- adverse weather conditions and natural disasters (including adverse conditions related to climate change);
- supply disruptions in key oil producing regions;
- terrorist attacks and armed conflicts, including the current conflict between Russia and Ukraine could cause temporary price increases which could dampen demand; and
- global pandemics.

The oil and gas industry is cyclical and has historically experienced periodic downturns, which have been characterized by diminished demand for our products and services and downward pressure on the prices we charge. These downturns cause many E&P companies to reduce their capital budgets and drilling activity. Any future downturn or expected downturn could result in a significant decline in demand for oilfield services and adversely affect our business, results of operations and cash flows.

Growth in U.S. drilling and completion activity, and our ability to benefit from such growth, could be adversely affected by any significant constraints in equipment, labor or takeaway capacity in the regions in which we operate.

Growth in U.S. drilling and completion activity may be impacted by, among other things, the availability and cost of Oil Country Tubular Goods (OCTG), pipeline capacity, and material and labor shortages. Should significant growth in activity occur there could be concerns over availability of the equipment, materials and labor required to drill and complete a well, together with the ability to move the produced oil and natural gas to market. Should significant constraints develop that materially impact the efficiency and economics of oil and gas producers, growth in U.S. drilling and completion activity could be adversely affected. This would have an adverse impact on the demand for the products we sell and rent, which could have a material adverse effect on our business, results of operations and cash flows.

We may be unable to employ a sufficient number of skilled and qualified workers to sustain or expand our current operations.

The delivery of our products and services requires personnel with specialized skills and experience. Our ability to be productive and profitable will depend upon our ability to attract and retain skilled workers. In addition, our ability to expand our operations depends in part on our ability to increase the size of our skilled labor force. The demand for skilled workers is high and the cost to attract and retain qualified personnel has increased. During industry downturns, skilled workers may leave the industry, reducing the availability of qualified workers when conditions improve. In addition, a significant increase in the wages paid by competing employers both within and outside of our industry could result in increases in the wage rates that we must pay. Throughout 2021, we experienced notable increases in salaries and wages, especially in certain key oil and gas producing regions, as we restored our workforce while trying to meet increasing customer demand. If we are not able to employ and retain skilled workers, our ability to respond quickly to customer demands or strong market conditions may inhibit our growth, which could have a material adverse effect on our business, results of operations and cash flows.

Our business is dependent on the continuing services of certain of our key managers and employees.

We depend on key personnel. The loss of key personnel could adversely impact our business if we are unable to implement certain strategies or transactions in their absence. The loss of qualified employees or an inability to retain and motivate additional highly-skilled employees required for the operation and expansion of our business could hinder our ability to successfully maintain and expand our market share.

Equity interests in us are a substantial portion of the net worth of our executive officers and several of our other senior managers. Following the completion of our IPO, those executive officers and other senior managers have increased liquidity with respect to their equity interests in us. As a result, those executive officers and senior managers may have less incentive to remain employed by us. After terminating their employment with us, some of them may become employed by our competitors.

Political, regulatory, economic and social disruptions in the countries in which we conduct business could adversely affect our business or results of operations.

In addition to our facilities in the United States, we operate one production facility in China and have facilities in Australia that sell and rent equipment as well as provide parts, repair services and field services associated with installation. Additionally, we provide rental and field service operations in the Kingdom of Saudi Arabia. Instability and unforeseen changes in any of the markets in which we conduct business could have an adverse effect on the demand for, or supply of, our business, results of operations and cash flows. These factors include, but are not limited to, the following:

- nationalization and expropriation;
- potentially burdensome taxation;
- inflationary and recessionary markets, including capital and equity markets;
- civil unrest, labor issues, political instability, natural disasters, terrorist attacks, cyber-terrorism, military activity and wars;
- outbreaks of pandemic or contagious diseases;
- supply disruptions in key oil producing countries;
- tariffs, trade restrictions, trade protection measures or price controls;
- foreign ownership restrictions;
- import or export licensing requirements;
- restrictions on operations, trade practices, trade partners and investment decisions resulting from domestic and foreign laws and regulations;
- changes in, and the administration of, laws and regulations;
- inability to repatriate income or capital;
- reductions in the availability of qualified personnel;
- development and implementation of new technologies;
- foreign currency fluctuations or currency restrictions; and
- fluctuations in the interest rate component of forward foreign currency rates.

We are dependent on a relatively small number of customers in a single industry. The loss of an important customer could adversely affect our results of operations and financial condition.

Our customers are engaged in the oil and natural gas E&P business primarily in the United States, but also in Australia and the Kingdom of Saudi Arabia. Historically, we have been dependent on a relatively small number of customers for our revenues. Our business, results of operations and financial position could be materially adversely affected if an important customer ceases to engage us for our services on favorable terms, or at all, or fails to pay or delays paying us significant amounts of our outstanding receivables. Additionally, the E&P industry is characterized by frequent consolidation activity. Changes in ownership of our customers may result in the loss of, or reduction in, business from those customers which could materially and adversely affect our business, results of operations and cash flows.

Delays in obtaining, or inability to obtain or renew, permits or authorizations by our customers for their operations could impair our business.

Our customers are required to obtain permits or authorizations from one or more governmental agencies or other third parties to perform drilling and completion activities, including hydraulic fracturing. Such permits or approvals are typically required by state agencies but can also be required by federal and local governmental agencies or other third parties. The requirements for such permits or authorizations vary depending on the location where such drilling and completion activities will be conducted. As with most permitting and authorization processes, there is a degree of uncertainty as to whether a permit will be granted, the time it will take for a permit or approval to be issued and the conditions which may be imposed in connection with the granting of the permit. In some jurisdictions, certain regulatory authorities have delayed or suspended the issuance of permits or authorizations while the potential environmental impacts associated with issuing such permits can be studied and appropriate mitigation measures evaluated. In Texas, rural water districts have begun to impose restrictions on water use and may require permits for water used in drilling and completion activities. In addition, in January 2021, President Biden indefinitely suspended new oil and natural gas leases on public lands or in offshore waters pending completion of a comprehensive review and reconsideration of federal oil and gas permitting and leasing practices. In November 2021, the Department of the Interior completed its review and issued a report on the federal oil and gas leasing program. The Department of the Interior's report recommends several changes to federal leasing practices, including changes to royalty payments, bidding, and bonding requirements. The effects of this report or other initiatives to reform the federal leasing process could result in additional restrictions or limitations on the issuance of federal leases and permits for drilling on public lands. Permitting, authorization or renewal delays, the inability to obtain new permits or the revocation of current permits could impact our customers' operations and cause a loss of revenue and potentially have a materially adverse effect on our business, results of operations and cash flows.

Competition within the oilfield services industry may adversely affect our ability to market our services.

The oilfield services industry is highly competitive and fragmented and includes numerous companies capable of competing effectively in our markets, including several large companies that possess substantially greater financial and other resources than we do. The amount of equipment available may exceed demand, which could result in active price competition. Many contracts are awarded on a bid basis, which may further increase competition based primarily on price. In addition, adverse market conditions lower demand for well servicing equipment, which results in excess equipment and lower utilization rates. If market conditions in our operating areas deteriorate from current levels or if adverse market conditions persist, the prices we are able to charge and utilization rates may decline. Any significant future increase in overall market capacity for the products, rental equipment or services that we offer could adversely affect our business, results of operations and cash flows.

New technology may cause us to become less competitive.

The oilfield services industry is subject to the introduction of new drilling and completions techniques and services using new technologies, some of which may be subject to patent or other intellectual property protections. Although we believe our equipment and processes currently give us a competitive advantage, as competitors and others use or develop new or comparable technologies in the future, we may lose market share or be placed at a competitive disadvantage. Further, we may face competitive pressure to develop, implement or acquire certain new technologies at a substantial cost. Some of our competitors have greater financial, technical and personnel resources that may allow them to enjoy various competitive advantages in the development and implementation of new technologies. We cannot be certain that we will be able to continue to develop and implement new technologies or products. Limits on our ability to develop, bring to market, effectively use and implement new and emerging technologies may have a material adverse effect on our business, results of operations and cash flows, including a reduction in the value of assets replaced by new technologies.

Increased costs, or lack of availability, of raw materials and other components may result in increased operating expenses and adversely affect our results of operations and cash flows.

Our ability to source low cost raw materials and components, such as steel plate, tube and bar stock, forgings and machined components is critical to our ability to successfully compete. Due to a shortage of steel caused primarily by production disruptions during the pandemic and increased demand as economies rebounded, steel and assembled component prices have been and continue to be elevated. Our results of operations may be adversely affected by our inability to manage rising costs and the availability of raw materials and components used in our wide variety of products and systems. Additionally, freight costs, specifically ocean freight costs, have risen significantly due to a number of factors including, but not limited to, a scarcity of shipping containers, congested seaports, a shortage of commercial drivers, capacity constraints on vessels or lockdowns in certain markets. We cannot assure that we will be able to continue to purchase and move these materials on a timely basis or at commercially viable prices, nor can we be certain of the impact of changes to tariffs and future legislation that may impact trade with China or other countries. Further, unexpected changes in the size of regional and/or product markets, particularly for short lead‑time products, could affect our results of operations and cash flows. Should our current suppliers be unable to provide the necessary raw materials or components or otherwise fail to deliver such materials and components timely and in the quantities required, resulting delays in the provision of products or services to our customers could have a material adverse effect on our business, results of operations and cash flows.

Currently, the United States is experiencing the highest inflation in decades primarily due to supply-chain issues, a shortage of labor and a build-up of demand for goods and services. The most noticeable adverse impact to our business has been increased freight, materials and vehicle-related costs as well as higher salaries and wages. While we believe that the current rate of inflation is transitory as it is pandemic-driven, we are unsure how long an elevated rate will continue. We cannot be confident that all costs will return to the lower levels experienced in prior years even as the rate of inflation abates. Our results of operations may be adversely affected by these rising costs to the extent we are unable to recoup them from our customers.

In accordance with Section 1502 of the Dodd‑Frank Act, the SEC's rules regarding mandatory disclosure and reporting requirements by public companies of their use of "conflict minerals" (tantalum, tin, tungsten and gold) originating in the Democratic Republic of Congo and adjoining countries became effective in 2014. While the conflict minerals rule continues in effect as adopted, there remains uncertainty regarding how the conflict minerals rule, and our compliance obligations, will be affected in the future. Additional requirements under the rule could affect sourcing at competitive prices and availability in sufficient quantities of tungsten, which is used in the manufacture of our products or in the provision of our services. This could have a material adverse effect on our ability to purchase these products in the future. The costs of compliance, including those related to supply chain research, the limited number of suppliers and possible changes in the sourcing of these minerals, could have a material adverse effect on our business, results of operations and cash flows.

We design, manufacture, sell, rent and install equipment that is used in oil and gas E&P activities, which may subject us to liability, including claims for personal injury, property damage and environmental contamination should such equipment fail to perform to specifications.

We provide products and systems to customers involved in oil and gas exploration, development and production. Some of our equipment is designed to operate in high‑temperature and/or high‑pressure environments, and some equipment is designed for use in hydraulic fracturing operations. We also provide parts, repair services and field services associated with installation at all of our facilities and service centers in the United States and Australia, as well as at customer sites, including sites in the Kingdom of Saudi Arabia. Because of applications to which our products and services are exposed, particularly those involving high pressure environments, a failure of such equipment, or a failure of our customers to maintain or operate the equipment properly, could cause damage to the equipment, damage to the property of customers and others, personal injury and environmental contamination and could lead to a variety of claims against us that could have an adverse effect on our business, results of operations and cash flows.

We indemnify our customers against certain claims and liabilities resulting or arising from our provision of goods or services to them. In addition, we rely on customer indemnifications, generally, and third‑party insurance as part of our risk mitigation strategy. However, our insurance may not be adequate to cover our liabilities. In addition, our customers may be unable to satisfy indemnification claims against them. Further, insurance companies may refuse to honor their policies, or insurance may not generally be available in the future, or if available, premiums may not be commercially justifiable. We could incur substantial liabilities and damages that are either not covered by insurance or that are in excess of policy limits, or incur liability at a time when we are not able to obtain liability insurance. Such potential liabilities could have a material adverse effect on our business, results of operations and cash flows.

Our operations are subject to hazards inherent in the oil and natural gas industry, which could expose us to substantial liability and cause us to lose customers and substantial revenue.

Risks inherent in our industry include the risks of equipment defects, installation errors, the presence of multiple contractors at the wellsite over which we have no control, vehicle accidents, fires, explosions, blowouts, surface cratering, uncontrollable flows of gas or well fluids, pipe or pipeline failures, abnormally pressured formations and various environmental hazards such as oil spills and releases of, and exposure to, hazardous substances. For example, our operations are subject to risks associated with hydraulic fracturing, including any mishandling, surface spillage or potential underground migration of fracturing fluids, including chemical additives. The occurrence of any of these events could result in substantial losses to us due to injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, clean‑up responsibilities, regulatory investigations and penalties, suspension of operations and repairs required to resume operations. The cost of managing such risks may be significant. The frequency and severity of such incidents will affect operating costs, insurability and relationships with customers, employees and regulators. In particular, our customers may elect not to purchase our products or services if they view our environmental or safety record as unacceptable, which could cause us to lose customers and substantial revenues.

Our insurance may not be adequate to cover all losses or liabilities we may suffer. Also, insurance may no longer be available to us or its availability may be at premium levels that do not justify its purchase. The occurrence of a significant uninsured claim, a claim in excess of the insurance coverage limits maintained by us or a claim at a time when we are not able to obtain liability insurance could have a material adverse effect on our ability to conduct normal business operations and on our results of operations, financial condition and cash flows. In addition, we may not be able to secure additional insurance or bonding that might be required by new governmental regulations. This may cause us to restrict our operations, which might severely impact our business, results of operations and cash flows.

Oilfield anti-indemnity provisions enacted by many states may restrict or prohibit a party's indemnification of us.

We typically enter into agreements with our customers governing the provision of our services, which usually include certain indemnification provisions for losses resulting from operations. Such agreements may require each party to indemnify the other against certain claims regardless of the negligence or other fault of the indemnified party; however, many states place limitations on contractual indemnity agreements, particularly agreements that indemnify a party against the consequences of its own negligence. Furthermore, certain states, including Louisiana, New Mexico, Texas, and Wyoming, have enacted statutes generally referred to as "oilfield anti-indemnity acts" expressly prohibiting certain indemnity agreements contained in or related to oilfield services agreements. Such oilfield anti-indemnity acts may restrict or void a party's indemnification of us, which could have a material adverse effect on our business, results of operations and cash flows.

Our operations require us to comply with various domestic and international regulations, violations of which could have a material adverse effect on our results of operations, financial condition and cash flows.

We are exposed to a variety of federal, state, local and international laws and regulations relating to matters such as environmental, workplace, health and safety, labor and employment, customs and tariffs, export and re-export controls, economic sanctions, currency exchange, bribery and corruption and taxation. These laws and regulations are complex, frequently change and have tended to become more stringent over time. They may be adopted, enacted, amended, enforced or interpreted in such a manner that the incremental cost of compliance could adversely impact our business, results of operations and cash flows.

In addition to our U.S. operations, we have operations in the People's Republic of China, Australia and the Kingdom of Saudi Arabia. Our operations outside of the United States require us to comply with numerous anti-bribery and anti-corruption regulations. The U.S. Foreign Corrupt Practices Act, among others, applies to us and our operations. Our policies, procedures and programs may not always protect us from reckless or criminal acts committed by our employees or agents, and severe criminal or civil sanctions may be imposed as a result of violations of these laws. We are also subject to the risks that our employees and agents outside of the United States may fail to comply with applicable laws.

In addition, we import raw materials, semi-finished goods, and finished products into the United States, China, Australia and the Kingdom of Saudi Arabia for use in such countries or for manufacturing and/or finishing for re-export and import into another country for use or further integration into equipment or systems. Most movement of raw materials, semi-finished or finished products involves imports and exports. As a result, compliance with multiple trade sanctions, embargoes and import/export laws and regulations pose a constant challenge and risk to us since a portion of our business is conducted outside of the United States through our subsidiaries. Our failure to comply with these laws and regulations could materially affect our business, results of operations and cash flows.

Compliance with environmental laws and regulations may adversely affect our business and results of operations.

Environmental laws and regulations in the United States and foreign countries affect the equipment, systems and services we design, market and sell, as well as the facilities where we manufacture and produce our equipment and systems in the United States and China, and opportunities our customers pursue that create demand for our products. For example, we may be affected by such laws as the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation, and Liability Act, the Clean Water Act, the Clean Air Act and the Occupational Safety and Health Act of 1970. Further, our customers may be subject to a range of laws and regulations governing hydraulic fracturing, drilling and greenhouse gas emissions.

We are required to invest financial and managerial resources to comply with environmental laws and regulations and believe that we will continue to be required to do so in the future. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, the imposition of remedial obligations, or the issuance of orders enjoining operations. These laws and regulations, as well as the adoption of other new laws and regulations affecting our operations or the exploration and production and transportation of crude oil and natural gas by our customers, could adversely affect our business and operating results by increasing our costs of compliance, increasing the costs of compliance and costs of doing business for our customers, limiting the demand for our products and services or restricting our operations. Increased regulation or a move away from the use of fossil fuels caused by additional regulation could also reduce demand for our products and services.

Existing or future laws and regulations related to greenhouse gases and climate change and related public and governmental initiatives and additional compliance obligations could have a material adverse effect on our business, results of operations, prospects, and financial condition.

Changes in environmental requirements related to greenhouse gas emissions may negatively impact demand for our products and services. For example, oil and natural gas E&P may decline as a result of environmental requirements, including land use policies and other actions to restrict oil and gas leasing and permitting in response to environmental and climate change concerns. In January 2021, the Acting Secretary of the Department of the Interior issued an order suspending new leasing and drilling permits for fossil fuel production on federal lands and waters for 60 days. President Biden then issued an executive order indefinitely suspending new oil and natural gas leases on public lands or in offshore waters pending completion of a comprehensive review and reconsideration of federal oil and gas permitting and leasing practices. Several states filed lawsuits challenging the suspension and in June 2021, a judge in the U.S. District Court for the Western District of Louisiana issued a nationwide temporary injunction blocking the suspension. The Department of the Interior appealed the U.S. District Court’s ruling. If the Department of the Interior succeeds on its appeal of the U.S. District Court’s decision and reinstitutes a leasing suspension, the reinstitution of such suspension could reduce demand for our services. Further, to the extent that the Department of Interior’s report or other initiatives to reform federal leasing practices result in the development of additional restrictions on drilling, limitations on the availability of leases, or restrictions on the ability to obtain required permits, it could impact our customers’ opportunities and reduce demand for our products and services in the aforementioned areas.

Federal, state, and local agencies continue to evaluate climate-related legislation and other regulatory initiatives that would restrict emissions of greenhouse gases in areas in which we conduct business. Because our business depends on the level of activity in the oil and natural gas industry, existing or future laws and regulations related to greenhouse gases could have a negative impact on our business if such laws or regulations reduce demand for oil and natural gas. Likewise, such laws or regulations may result in additional compliance obligations with respect to the release, capture, sequestration, and use of greenhouse gases. These additional obligations could increase our costs and have a material adverse effect on our business, results of operations, prospects, and financial condition. Additional compliance obligations could also increase costs of compliance and costs of doing business for our customers, thereby reducing demand for our products and services. Finally, increasing concentrations of greenhouse gases in the Earth’s atmosphere may produce climate changes that could have significant physical effects, such as increased frequency and severity of storms, droughts, floods and other climatic events; if such effects were to occur, they could have an adverse impact on our operations.

Many of our customers utilize hydraulic fracturing in their operations. Environmental concerns have been raised regarding the potential impact of hydraulic fracturing on underground water supplies and seismic activity. These concerns have led to several regulatory and governmental initiatives in the United States to restrict the hydraulic fracturing process, which could have an adverse impact on our customers’ completions or production activities. Although we do not conduct hydraulic fracturing, increased regulation and attention given to the hydraulic fracturing process could lead to greater opposition to oil and gas production activities using hydraulic fracturing techniques. In December 2021, the Texas Railroad Commission, which regulates the state’s oil and gas industry, suspended the use of deep wastewater disposal wells in four oil-producing counties in West Texas. The suspension is intended to mitigate earthquakes thought to be caused by the injection of waste fluids, including saltwater, that are a byproduct of hydraulic fracturing into disposal wells. The ban will require oil and gas production companies to find other options to handle the wastewater, which may include piping or trucking it longer distances to other locations not under the ban. The adoption of new laws or regulations at the federal, state, local or foreign level imposing reporting obligations on, or otherwise limiting, delaying or banning, the hydraulic fracturing process or other processes on which hydraulic fracturing and subsequent hydrocarbon production relies, such as water disposal, could make it more difficult to complete oil and natural gas wells. Further, it could increase our customers’ costs of compliance and doing business, and otherwise adversely affect the hydraulic fracturing services they perform, which could negatively impact demand for our products.

Increasing attention by the public and government agencies to climate change and environmental, social and governance ("ESG") matters could also negatively impact demand for our products and services. In recent years, increasing attention has been given to corporate activities related to ESG in public discourse and the investment community. A number of advocacy groups, both domestically and internationally, have campaigned for governmental and private action to promote change at public companies related to ESG matters, including through the investment and voting practices of investment advisers, public pension funds, universities and other members of the investing community. These activities include increasing attention and demands for action related to climate change and energy rebalancing matters, such as promoting the use of substitutes to fossil fuel products and encouraging the divestment of fossil fuel equities, as well as pressuring lenders and other financial services companies to limit or curtail activities with fossil fuel companies. If this were to continue, it could have a material adverse effect on the valuation of our Class A common stock and our ability to access equity capital markets.

In addition, our business could be impacted by initiatives to address greenhouse gases and climate change and incentives to conserve energy or use alternative energy sources. For example, the Build Back Better Act, passed by the U.S. House of Representatives and supported by President Biden, includes incentives to increase wind and solar electric generation and encourage consumers to use these alternative energy sources. At this time, it is uncertain whether, and in what form, the Build Back Better Act may become law. However, the Build Back Better Act or similar state or federal initiatives to incentivize a shift away from fossil fuels could reduce demand for hydrocarbons, thereby reducing demand for our products and services and negatively impacting our business.

Risks Related to Our Class A Common Stock

We are a holding company whose only material asset is our equity interest in Cactus LLC, and accordingly, we are dependent upon distributions from Cactus LLC to pay taxes, make payments under the TRA and cover our corporate and other overhead expenses and pay dividends to holders of our class A common stock.

We are a holding company and have no material assets other than our equity interest in Cactus LLC. We have no independent means of generating revenue. To the extent Cactus LLC has available cash and subject to the terms of any current or future credit agreements or debt instruments, we intend to cause Cactus LLC to make (i) pro rata distributions to its unitholders, including us, in an amount at least sufficient to allow us to pay our taxes and to make payments under the TRA and (ii) non-pro rata payments to us to reimburse us for our corporate and other overhead expenses. To the extent that we need funds and Cactus LLC or its subsidiaries are restricted from making such distributions or payments under applicable law or regulation or under the terms of any future financing arrangements, or are otherwise unable to provide such funds, our financial condition and liquidity could be materially adversely affected. In addition, our ability to pay dividends to holders of our Class A common stock depends on receipt of distributions from Cactus LLC.

Moreover, because we have no independent means of generating revenue, our ability to make payments under the TRA is dependent on the ability of Cactus LLC to make distributions to us in an amount sufficient to cover our obligations under the TRA. This ability, in turn, may depend on the ability of Cactus LLC's subsidiaries to make distributions to it. The ability of Cactus LLC and its subsidiaries to make such distributions will be subject to, among other things, (i) the applicable provisions of Delaware law (or other applicable U.S. and foreign jurisdictions) that may limit the amount of funds available for distribution and (ii) restrictions in relevant debt instruments issued by Cactus LLC or its subsidiaries. To the extent that we are unable to make payments under the TRA for any reason, such payments will be deferred and will accrue interest until paid.

Cactus WH Enterprises LLC has the ability to direct the voting of a significant percentage of the voting power of our common stock, and its interests may conflict with those of our other shareholders.

Holders of Class A common stock and Class B common stock vote together as a single class on all matters presented to our stockholders for their vote or approval, except as otherwise required by applicable law or our amended and restated certificate of incorporation. Cactus WH Enterprises owned approximately 20% of our voting power as of December 31, 2021. This concentration of ownership may limit a stockholder's ability to affect the way we are managed or the direction of our business. The interests of Cactus WH Enterprises with respect to matters potentially or actually involving or affecting us, such as future acquisitions, financings and other corporate opportunities and attempts to acquire us, may conflict with the interests of our other stockholders. Furthermore, in connection with our IPO, we entered into a stockholders' agreement with Cactus WH Enterprises. Among other things, the stockholders' agreement provides Cactus WH Enterprises with the right to designate a certain number of nominees to our board of directors so long as they and their respective affiliates collectively beneficially own at least 5% of the outstanding shares of our common stock. The existence of significant stockholders and the stockholders' agreement may have the effect of deterring hostile takeovers, delaying or preventing changes in control or changes in management or limiting the ability of our other stockholders to approve transactions that they may deem to be in our best interests. Cactus WH Enterprises' concentration of stock ownership may also adversely affect the trading price of our Class A common stock to the extent investors perceive a disadvantage in owning stock of a company with significant stockholders. See "Item 13. Certain Relationships and Related Party Transactions, and Director Independence—Stockholders' Agreement."

Our amended and restated certificate of incorporation and amended and restated bylaws, as well as Delaware law, contain provisions that could discourage acquisition bids or merger proposals, which may adversely affect the market price of our Class A common stock.

Our amended and restated certificate of incorporation authorizes our board of directors to issue preferred stock without shareholder approval. If our board of directors elects to issue preferred stock, it could be more difficult for a third party to acquire us. In addition, some provisions of our amended and restated certificate of incorporation and amended and restated bylaws could make it more difficult for a third party to acquire control of us, even if the change of control would be beneficial to our shareholders, including:

- limitations on the removal of directors;
- limitations on the ability of our shareholders to call special meetings;
- establishing advance notice provisions for shareholder proposals and nominations for elections to the board of directors to be acted upon at meetings of shareholders;
- providing that the board of directors is expressly authorized to adopt, or to alter or repeal our bylaws; and
- establishing advance notice and certain information requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by shareholders at shareholder meetings.

In addition, certain change of control events have the effect of accelerating the payment due under the TRA, which could be substantial and accordingly serve as a disincentive to a potential acquirer of our company.

Future sales of our Class A common stock in the public market, or the perception that such sales may occur, could reduce our stock price, and any additional capital raised by us through the sale of equity or convertible securities may dilute your ownership in us.

Subject to certain limitations and exceptions, the CW Unit Holders may cause Cactus LLC to redeem their CW Units for shares of Class A common stock (on a one-for-one basis, subject to conversion rate adjustments for stock splits, stock dividends and reclassification and other similar transactions) and then sell those shares of Class A common stock. Additionally, we may issue additional shares of Class A common stock or convertible securities in subsequent public offerings. We had 59,035,237 outstanding shares of Class A common stock and 16,674,282 outstanding shares of Class B common stock as of December 31, 2021. The CW Unit Holders own all 16,674,282 shares of Class B common stock, representing approximately 22.0% of our total outstanding common stock. As required pursuant to the terms of the registration rights agreement that we entered into at the time of our IPO, we have filed a registration statement on Form S-3 under the Securities Act of 1933, as amended, to permit the public resale of shares of Class A common stock owned by Cactus WH Enterprises, Lee Boquet and certain members of our board of directors. See "Item 13. Certain Relationships and Related Party Transactions, and Director Independence—Stockholders' Agreement" for more information.

We cannot predict the size of future issuances of our Class A common stock or securities convertible into Class A common stock or the effect, if any, that future issuances and sales of shares of our Class A common stock will have on the market price of our Class A common stock. Sales of substantial amounts of our Class A common stock (including shares issued in connection with an acquisition), or the perception that such sales could occur, may adversely affect prevailing market prices of our Class A common stock.

Cactus Inc. will be required to make payments under the TRA for certain tax benefits that we may claim, and the amounts of such payments could be significant.

In connection with our IPO, we entered into the TRA with the TRA Holders. This agreement generally provides for the payment by Cactus Inc. to each TRA Holder of 85% of the net cash savings, if any, in U.S. federal, state and local income tax and franchise tax that Cactus Inc. actually realizes or is deemed to realize in certain circumstances as a result of certain increases in tax basis and certain benefits attributable to imputed interest. Cactus Inc. will retain the benefit of the remaining 15% of these net cash savings.

The term of the TRA will continue until all tax benefits that are subject to the TRA have been utilized or expired, unless we exercise our right to terminate the TRA (or the TRA is terminated due to other circumstances, including our breach of a material obligation thereunder or certain mergers or other changes of control), and we make the termination payment specified in the TRA. In addition, payments we make under the TRA will be increased by any interest accrued from the due date (without extensions) of the corresponding tax return. Payments under the TRA commenced in 2019, and in the event that the TRA is not terminated, the payments under the TRA are anticipated to continue for approximately 20 years after the date of the last redemption of CW Units.

The payment obligations under the TRA are our obligations and not obligations of Cactus LLC, and we expect that the payments we will be required to make under the TRA will be substantial. Estimating the amount and timing of payments that may become due under the TRA Agreement is by its nature imprecise. For purposes of the TRA, cash savings in tax generally are calculated by comparing our actual tax liability (determined by using the actual applicable U.S. federal income tax rate and an assumed combined state and local income tax rate) to the amount we would have been required to pay had we not been able to utilize any of the tax benefits subject to the TRA. The amounts payable, as well as the timing of any payments under the TRA, are dependent upon significant future events and assumptions, including the timing of the redemption of CW Units, the price of our Class A common stock at the time of each redemption, the extent to which such redemptions are taxable transactions, the amount of the redeeming unit holder's tax basis in its CW Units at the time of the relevant redemption, the depreciation and amortization periods that apply to the increase in tax basis, the amount and timing of taxable income we generate in the future and the U.S. federal income tax rates then applicable, and the portion of our payments under the TRA that constitute imputed interest or give rise to depreciable or amortizable tax basis. The payments under the TRA are not conditioned upon a holder of rights under the TRA having a continued ownership interest in us. For additional information regarding the TRA, see "Item 13. Certain Relationships and Related Party Transactions, and Director Independence—Tax Receivable Agreement."

In certain cases, payments under the TRA may be accelerated and/or significantly exceed the actual benefits, if any, we realize in respect of the tax attributes subject to the TRA.

If we elect to terminate the TRA early or it is terminated early due to Cactus Inc.'s failure to honor a material obligation thereunder or due to certain mergers or other changes of control, our obligations under the TRA would accelerate and we would be required to make an immediate payment equal to the present value of the anticipated future payments to be made by us under the TRA (determined by applying a discount rate of one-year LIBOR plus 150 basis points) and such payment is expected to be substantial. The calculation of anticipated future payments will be based upon certain assumptions and deemed events set forth in the TRA, including (i) the assumption that we have sufficient taxable income to fully utilize the tax benefits covered by the TRA and (ii) the assumption that any CW Units (other than those held by Cactus Inc.) outstanding on the termination date are deemed to be redeemed on the termination date. Any early termination payment may be made significantly in advance of the actual realization, if any, of the future tax benefits to which the termination payment relates.

As a result of either an early termination or a change of control, we could be required to make payments under the TRA that exceed our actual cash tax savings under the TRA. In these situations, our obligations under the TRA could have a substantial negative impact on our liquidity and could have the effect of delaying, deferring or preventing certain mergers, asset sales, or other forms of business combinations or changes of control. If the TRA were terminated as of December 31, 2021, the estimated termination payments, based on the assumptions discussed above, would have been approximately $361.9 million (calculated using a discount rate equal to one-year LIBOR plus 150 basis points, applied against an undiscounted liability of approximately $422.0 million). The foregoing number is merely an estimate and the actual payment could differ materially. There can be no assurance that we will be able to finance our obligations under the TRA.

Payments under the TRA are based on the tax reporting positions that we will determine. The TRA Holders will not reimburse us for any payments previously made under the TRA if any tax benefits that have given rise to payments under the TRA are subsequently disallowed, except that excess payments made to any TRA Holder will be netted against payments that would otherwise be made to such TRA Holder, if any, after our determination of such excess. As a result, in some circumstances, we could make payments that are greater than our actual cash tax savings, if any, and may not be able to recoup those payments, which could adversely affect our liquidity.

If Cactus LLC were to become a publicly traded partnership taxable as a corporation for U.S. federal income tax purposes, we and Cactus LLC might be subject to potentially significant tax inefficiencies, and we would not be able to recover payments previously made by us under the TRA even if the corresponding tax benefits were subsequently determined to have been unavailable due to such status.

We intend to operate such that Cactus LLC does not become a publicly traded partnership taxable as a corporation for U.S. federal income tax purposes. A "publicly traded partnership" is a partnership the interests of which are traded on an established securities market or are readily tradable on a secondary market or the substantial equivalent thereof. Under certain circumstances, redemptions of CW Units pursuant to the Redemption Right (or our Call Right) or other transfers of CW Units could cause Cactus LLC to be treated as a publicly traded partnership. Applicable U.S. Treasury regulations provide for certain safe harbors from treatment as a publicly traded partnership, and we intend to operate such that one or more such safe harbors shall apply. For example, we intend to limit the number of unitholders of Cactus LLC, and the Cactus Wellhead LLC Agreement, which was entered into in connection with the closing of our IPO, provides for limitations on the ability of CW Unit Holders to transfer their CW Units and provides us, as managing member of Cactus LLC, with the right to impose restrictions (in addition to those already in place) on the ability of unitholders of Cactus LLC to redeem their CW Units pursuant to the Redemption Right to the extent we believe it is necessary to ensure that Cactus LLC will continue to be treated as a partnership for U.S. federal income tax purposes.

If Cactus LLC were to become a publicly traded partnership, significant tax inefficiencies might result for us and for Cactus LLC, including as a result of our inability to file a consolidated U.S. federal income tax return with Cactus LLC. In addition, we would no longer have the benefit of certain increases in tax basis covered under the TRA, and we would not be able to recover any payments previously made by us under the TRA, even if the corresponding tax benefits (including any claimed increase in the tax basis of Cactus LLC's assets) were subsequently determined to have been unavailable.

General Risks

A failure of our information technology infrastructure and cyberattacks could adversely impact us.

We depend on our information technology ("IT") systems for the efficient operation of our business. Accordingly, we rely upon the capacity, reliability and security of our IT hardware and software infrastructure and our ability to expand and update this infrastructure in response to our changing needs. Despite our implementation of security measures, our systems are vulnerable to damage from computer viruses, natural disasters, incursions by intruders or hackers, failures in hardware or software, power fluctuations, cyber terrorists and other similar disruptions. Additionally, we rely on third parties to support the operation of our IT hardware and software infrastructure, and in certain instances, utilize web-based applications. The failure of our IT systems or those of our vendors to perform as anticipated for any reason or any significant breach of security could disrupt our business and result in numerous adverse consequences, including reduced effectiveness and efficiency of operations, inappropriate disclosure of confidential and proprietary information, reputational harm, increased overhead costs and loss of important information, which could have a material adverse effect on our business and results of operations. In addition, we may be required to incur significant costs to protect against damage caused by these disruptions or security breaches in the future.

Holders of our Class A common stock may not receive dividends on their Class A common stock.

Holders of our Class A common stock are entitled to receive only such dividends as our board of directors may declare out of funds legally available for such payments. We are incorporated in Delaware and are governed by the Delaware General Corporation Law ("DGCL"). The DGCL allows a corporation to pay dividends only out of a surplus, as determined under Delaware law or, if there is no surplus, out of net profits for the fiscal year in which the dividend was declared and for the preceding fiscal year. Under the DGCL, however, we cannot pay dividends out of net profits if, after we pay the dividend, our capital would be less than the capital represented by the outstanding stock of all classes having a preference upon the distribution of assets. We are not required to pay a dividend, and any determination to pay dividends and other distributions in cash, stock or property by us in the future (including determinations as to the amount of any such dividend or distribution) will be at the discretion of our board of directors and will be dependent on then-existing conditions, including business conditions, our financial condition, results of operations, liquidity, capital requirements, contractual restrictions, including restrictive covenants contained in debt agreements, and other factors.

If we are unable to fully protect our intellectual property rights or trade secrets, we may suffer a loss in revenue or any competitive advantage or market share we hold, or we may incur costs in litigation defending intellectual property rights.

While we have some patents and others pending, we do not have patents relating to many of our key processes and technology. If we are not able to maintain the confidentiality of our trade secrets, or if our competitors are able to replicate our technology or services, our competitive advantage would be diminished. We also cannot provide any assurance that any patents we may obtain in the future would provide us with any significant commercial benefit or would allow us to prevent our competitors from employing comparable technologies or processes. We may initiate litigation from time to time to protect and enforce our intellectual property rights. In any such litigation, a defendant may assert that our intellectual property rights are invalid or unenforceable. Third parties from time to time may also initiate litigation against us by asserting that our businesses infringe, impair, misappropriate, dilute or otherwise violate another party's intellectual property rights. We may not prevail in any such litigation, and our intellectual property rights may be found invalid or unenforceable or our products and services may be found to infringe, impair, misappropriate, dilute or otherwise violate the intellectual property rights of others. The results or costs of any such litigation may have an adverse effect on our business, results of operations and financial condition. Any litigation concerning intellectual property could be protracted and costly, is inherently unpredictable and could have an adverse effect on our business, regardless of its outcome.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The following table sets forth information with respect to our principal facilities as of December 31, 2021. We do not believe any of the omitted properties, consisting primarily of sales offices and service centers, are individually or collectively material to our operations or business. We believe that our facilities are suitable and adequate for our current operations.

Location	Type	Own/ Lease
United States		
Bossier City, LA(1)	Manufacturing Facility and Service Center	Lease
Bossier City, LA(1)	Manufacturing and Assembly Facilities, Warehouse and Land	Own
Donora, PA	Service Center	Lease
DuBois, PA(2)	Service Center	Lease
Hobbs, NM	Service Center / Land	Own
Houston, TX	Administrative Headquarters	Lease
New Waverly, TX	Service Center / Land	Own
Odessa, TX	Service Center	Lease
Odessa, TX	Land	Own
Oklahoma City, OK	Service Center	Lease
Pleasanton, TX(2)	Service Center	Lease
Williston, ND(2)	Service Center	Lease
China and Australia		
Queensland, Australia	Service Centers and Offices / Land	Lease
Suzhou, China	Production Facility and Offices	Lease

(1) Consists of various facilities adjacent to each other constituting our manufacturing facility, assembly facility, warehouse and service center.

(2) We also own land adjacent to these facilities.

Item 3. Legal Proceedings

Due to the nature of our business, we are, from time to time, involved in routine litigation or subject to disputes or claims related to our business activities, including workers' compensation claims and employment related disputes. In the opinion of our management, there is no pending litigation, dispute or claim against us that, if decided adversely, will have a material adverse effect on our results of operations, financial condition or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Common Stock

We have issued and outstanding two classes of common stock, Class A common stock and Class B common stock. Holders of Class B common stock own a corresponding number of CW Units which may be redeemed for shares of Class A common stock. The principal market for our Class A common stock is the New York Stock Exchange ("NYSE"), where it is traded under the symbol "WHD." No public trading market currently exists for our Class B common stock. As of December 31, 2021, there were three holders of record of our Class A common stock. This number excludes owners for whom Class A common stock may be held in "street name." There were seven holders of record of our Class B common stock.

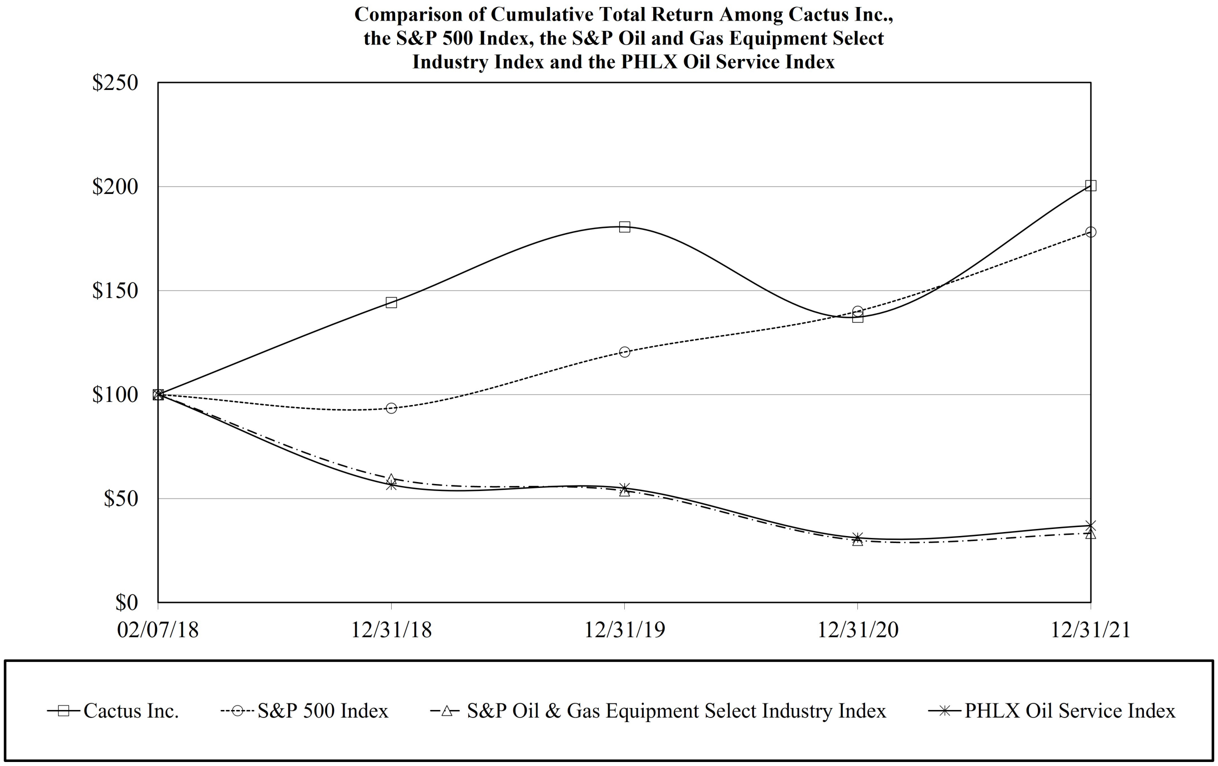
Dividends

In October 2019, our board of directors authorized the introduction of a regular quarterly cash dividend of $0.09 per share of Class A common stock. Dividends are not paid to our Class B common stock holders; however, a corresponding distribution up to the same amount per share as our Class A common stockholders is paid to our CW Unitholders for any dividends declared on our Class A common stock. We have paid quarterly dividends uninterrupted since initiation of the program and in July 2021, our board of directors approved an increase in the quarterly cash dividend to $0.10 per share of Class A common stock. In fiscal year 2021, the annual dividend rate for our Class A common stock was $0.38 per share compared to $0.36 per share in fiscal year 2020.

In January 2022, our board of directors approved an additional increase in the quarterly cash dividend of $0.01 per share to $0.11 per share of Class A common stock. We currently intend to continue paying the quarterly dividend at the current levels while retaining the balance of future earnings, if any, to finance the growth of our business. We would seek to increase the dividend in the future if our financial condition and results of operations permit. Our future dividend policy is within the discretion of our board of directors and will depend upon then-existing conditions, including our results of operations, financial condition, capital requirements, investment opportunities, statutory and contractual restrictions on our ability to pay dividends and other factors our board of directors may deem relevant.

Performance Graph

The graph below compares the cumulative total shareholder return on our common stock to the S&P 500 Index, the S&P Oil & Gas Equipment & Services Index and the PHLX Oil Service Index from the date our common stock began trading through December 31, 2021. The total shareholder return assumes $100 invested on February 7, 2018 in Cactus Inc., the S&P 500 Index, the S&P Oil & Gas Equipment & Services Index and the PHLX Oil Service Index. It also assumes reinvestment of all dividends. The following graph and related information shall not be deemed "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that Cactus Inc. specifically incorporates it by reference into such filing.



Issuer Purchases of Equity Securities

The following sets forth information with respect to our repurchase of Class A common stock during the three months ended December 31, 2021 (in whole shares).

Period	Total number of shares purchased(1)	Average price paid per share(2)
October 1-31, 2021	1,196	$44.80
November 1-30, 2021	436	41.34
December 1-31, 2021	539	35.79
Total	2,171	$41.87

(1) Consists of shares of Class A common stock repurchased from employees to satisfy tax withholding obligations related to restricted stock units that vested during the period.

(2) Average price paid for Class A common stock purchased from employees to satisfy tax withholding obligations related to restricted stock units that vested during the period.

Item 6. (Reserved)

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Except as otherwise indicated or required by the context, all references in this Annual Report to the "Company," "Cactus," "we," "us" and "our" refer to Cactus, Inc. and its consolidated subsidiaries, unless we state otherwise or the context otherwise requires. The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the accompanying consolidated financial statements and related notes. The following discussion contains "forward-looking statements" that reflect our plans, estimates, beliefs and expected performance. Our actual results may differ materially from those anticipated as discussed in these forward-looking statements as a result of a variety of risks and uncertainties, including those described in "Cautionary Statement Regarding Forward-Looking Statements" and "Item 1A. Risk Factors" included elsewhere in this Annual Report, all of which are difficult to predict. In light of these risks, uncertainties *and assumptions, the forward-looking events discussed may not occur. We assume no obligation to update any of these forward-looking statements except as otherwise required by law.*

This section includes comparisons of certain 2021 financial information to the same information for 2020. Year-to-year comparisons of the 2020 financial information to the same information for 2019 are contained in "Item 7. Management's Discussion and Analysis of Financial Condition and Result of Operations" of our Annual Report on Form 10-K for the year ended December 31, 2020 filed with the Securities and Exchange Commission on March 1, 2021, which comparative information and the information therein under the caption "Factors Affecting the Comparability of our Financial Condition and Results of Operations" are incorporated by reference herein.

Market Factors

See "Item 1. Business" for information on our products and business. Demand for our products and services depends primarily upon the general level of activity in the oil and gas industry, including the number of drilling rigs in operation, the number of wells being drilled, the depth and working pressure of these wells, the number of well completions, the level of well remediation activity, the volume of production and the corresponding capital spending by oil and natural gas companies. Oil and gas activity is in turn heavily influenced by, among other factors, investor sentiment, availability of capital and oil and gas prices locally and worldwide, which have historically been volatile.

The key market factors impacting our product sales are the number of wells drilled and placed on production, as each well requires an individual wellhead assembly and, at some time after completion, the installation of an associated production tree. We measure our product sales activity levels against our competitors by the number of rigs that we are supporting on a monthly basis as it is correlated to wells drilled. Each active drilling rig produces different levels of revenue based on the customer's drilling program and efficiencies, which includes factors such as the number of wells drilled per pad, the time taken to drill each well, the number and size of casing strings, the working pressure, material selection, the complexity of the wellhead system chosen by the customer and the rate at which production trees are eventually deployed. All of these factors may be influenced by the oil and gas region in which our customer is operating. While these factors may lead to differing revenues per rig, we have generally been able to forecast our product needs and anticipated revenue levels based on historic trends in a given region and with a specific customer. Increases in horizontal wells drilled as a percentage of total wells drilled, the shift towards pad drilling, and an increase in the number of wells drilled per rig are all favorable trends that we believe enhance the demand for our products relative to the active rig count. However, such favorable trends might be adversely affected by overall supply chain-related disruptions.

Our rental revenues are primarily dependent on the number of wells completed (i.e., hydraulically fractured), the number of wells on a well pad, the number of fracture stages per well and the number of fracture stages completed per day. Well completion activity generally follows the level of drilling activity over time, but can be delayed or accelerated due to such factors as pressure pumping availability, takeaway capacity, storage capacity, spot prices, overall service cost inflation and budget considerations.

Field service and other revenues are closely correlated to revenues from product sales and rentals, as items sold or rented almost always have an associated service component. Therefore, the market factors and trends of product sales and rental revenues similarly impact the associated levels of field service and other revenues generated.

Our business experiences some seasonality during the fourth quarter due to holidays and customers managing their budgets as the year closes out. This can lead to lower activity in our three revenue categories as well as lower margins, particularly in field services due to lower labor utilization.

Recent Developments and Trends

In spite of multiple surges of COVID cases in the United States and worldwide, economies reopened throughout 2021 and global demand for fossil fuels rebounded. As demand grew and the Organization of Petroleum Exporting Countries Plus (OPEC+) group constrained its production targets, oil prices increased. West Texas Intermediate ("WTI") prices exceeded $80 per barrel in October 2021 and January 2022, surpassing $90 per barrel in February 2022. Natural gas prices also increased significantly in 2021, increasing from an average of $2.59 per one million British Thermal Units ("MMBtu") in December 2020 to $3.76 per MMBtu in December 2021 after exceeding $5.00 per MMBtu for three months beginning in September 2021. In January 2022, the U.S. Energy Information Administration forecasted that natural gas prices are expected to remain near $4.00 per MMBtu in 2022. These higher commodity prices have resulted in increased drilling and completion activity by customers and improved demand for our products and services which has translated into higher activity and revenues for our business. In response to increased activity levels, we added almost 400 associates during 2021, reinstated wages and salaries to their full amounts and restored the 401(k) match and other programs that were suspended or reduced in response to the industry downturn in 2020. We have also added fleet vehicles in line with headcount additions and invested capital in our rental fleet primarily to use a more environmentally friendly method of powering certain equipment that reduces diesel fuel usage. Barring significant adverse impacts to fossil fuel demand, including that caused by the Delta variant, Omicron variant, other variants, or the perception thereof, we anticipate continued activity growth in 2022.

On February 24, 2022, Russia launched a “special military operation” and invaded Ukraine. The assault represents the biggest attack on a European state since World War Two. In response to news of the attack, WTI exceeded $100 per barrel before falling back down to the $90s range. Natural gas prices also spiked but not as dramatically as oil as natural gas prices have been high in 2022 due to several powerful winter storms that have impacted the U.S., particularly the Northeast. Additionally, with the current conflict in Ukraine, Russia has threatened to cut off all natural gas transported into the European Union adding to the volatility and high natural gas prices that began in early February 2022. The ongoing conflict in Ukraine could have repercussions globally and in the U.S. by continuing to cause uncertainty, not only in the oil and natural gas markets, but also in the stock market. Such uncertainty could result in stock price volatility and supply chain disruptions as well as higher oil and natural gas prices which could potentially result in higher inflation worldwide and could negatively impact demand for our goods and services.

The significant increase in commodity prices in 2021 and into early 2022 led to meaningful increases in the level of U.S. onshore drilling activity, particularly among private operators. At the end of 2020, the U.S. onshore rig count as reported by Baker Hughes was 332 rigs compared to 570 at the end of 2021. The weekly average U.S. onshore rig count for the three months ended December 31, 2021 was 543 rigs, an 84% increase when compared to 295 rigs for the comparable period in 2020. Although these gains are encouraging, current rig activity is still significantly reduced from the levels in 2019 when the weekly average rig count for the three months ended December 31, 2019 was 796. However, improved rig efficiencies have partially offset the impact of this reduction. As of February 25, 2022, the U.S. onshore rig count was 635.

Private E&P companies were responsible for the majority of the rig additions in the U.S. onshore market in 2021. We significantly increased our revenues and rigs followed since our recent low in activity in the third quarter of 2020 despite a greater portion of Cactus’ revenues having historically resulted from publicly traded E&P companies. During this time, Cactus meaningfully increased its business with private E&P companies. Disproportionate changes in activity from private or publicly traded E&P companies present both risks and opportunities for Cactus, depending on a number of factors, such as which customers add or drop rigs and their relative efficiency in drilling wells.

Increased Costs

While our revenues have benefited from increased demand and activity levels, we have also experienced substantial cost increases beginning in 2021. Due to COVID-related pressures on the supply chain and significantly increased demand for goods and services worldwide, we have experienced substantial increases in salaries and wages, raw materials and ocean freight costs. Salaries and wages increased significantly during 2021 as a result of competitive labor markets, especially in certain key oil and gas producing areas, but also due to labor shortages and inflation. Due to heightened demand and a shortage of steel caused primarily by production disruptions during the pandemic, steel and assembled component prices have been and remain elevated. Freight costs, specifically ocean freight costs, have also risen significantly due to a number of factors including, but not limited to, a scarcity of shipping containers, congested seaports, a shortage of commercial drivers, capacity constraints on vessels and lockdowns in certain markets. In addition to dealing with these unprecedented cost increases, we have also been impacted by the global supply chain issues which have, in some cases, resulted in increased costs when we are required to use other more expensive modes of transportation or substitute more costly products in order to meet customer demand. Although we believe certain cost increases are temporary, we do not believe that commodity and freight prices will normalize until late 2022. Additionally, we cannot be confident that prices will return to the lower levels experienced in prior years. These cost increases have already had, and could continue to have, a negative impact on our margins and results of operations absent further cost recovery efforts.

Consolidated Results of Operations

The following discussions relating to significant line items from our condensed consolidated statements of income are based on available information and represent our analysis of significant changes or events that impact the comparability of reported amounts. Where appropriate, we have identified specific events and changes that affect comparability or trends and, where reasonably practicable, have quantified the impact of such items.

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

The following table presents summary consolidated operating results for the periods indicated:

	Year Ended December 31, 2021	Year Ended December 31, 2020	$ Change	% Change
	(in thousands)			
Revenues				
Product revenue	$ 280,907	$ 206,801	$ 74,106	35.8 %
Rental revenue	61,629	66,169	(4,540)	(6.9)
Field service and other revenue	96,053	75,596	20,457	27.1
Total revenues	438,589	348,566	90,023	25.8
Costs and expenses				
Cost of product revenue	189,083	131,728	57,355	43.5
Cost of rental revenue	54,377	49,077	5,300	10.8
Cost of field service and other revenue	73,681	56,143	17,538	31.2
Selling, general and administrative expenses	46,021	39,715	6,306	15.9
Severance expenses	—	1,864	(1,864)	nm
Total costs and expenses	363,162	278,527	84,635	30.4
Income from operations	75,427	70,039	5,388	7.7
Interest income (expense), net	(774)	701	(1,475)	nm
Other income (expense), net	492	(555)	1,047	nm
Income before income taxes	75,145	70,185	4,960	7.1
Income tax expense	7,675	10,970	(3,295)	(30.0)
Net income	67,470	59,215	8,255	13.9
Less: net income attributable to non-controlling interest	17,877	24,769	(6,892)	(27.8)
Net income attributable to Cactus Inc.	$ 49,593	$ 34,446	$ 15,147	44.0 %

nm = not meaningful

Revenues

Product revenue for the year ended December 31, 2021 was $280.9 million compared to $206.8 million for the year ended December 31, 2020. The increase of $74.1 million, representing a 36% increase from 2020, was primarily due to higher sales of wellhead and production related equipment resulting from higher drilling and completion activity by our customers compared to 2020 and the impact of cost recovery efforts implemented throughout 2021. In the prior year, the industry downturn impacted sales for the majority of 2020 due to depressed commodity prices as a result of the pandemic.

Rental revenue for the year ended December 31, 2021 was $61.6 million, a decrease of $4.5 million, or 7%, from $66.2 million for the year ended December 31, 2020. The decrease was primarily due to reduced completion rental activity among our customer base and the extraordinary market pressure driven by depressed energy demand associated with the COVID-19 pandemic. Recovery in our rental business has been slower than our product business as an excess supply of competing rental equipment relative to demand from customers led to market dynamics that did not justify the deployment of our assets in certain cases.

Field service and other revenue for the year ended December 31, 2021 was $96.1 million, an increase of $20.5 million, or 27%, from $75.6 million for the year ended December 31, 2020. The increase was attributable to increased customer activity compared to the prior year, resulting in higher billable hours, ancillary services and repairs of customer property primarily related to product sales in 2021.

Costs and expenses

Cost of product revenue for the year ended December 31, 2021 was $189.1 million, an increase of $57.4 million, or 44%, from $131.7 million for the year ended December 31, 2020. The increase was largely attributable to an increase in product sales and costs associated with materials, freight and overhead, including increased labor costs in 2021. Additionally, cost of product revenue in 2020 included $8.7 million in non-recurring credits related to tariff refunds.

Cost of rental revenue for the year ended December 31, 2021 was $54.4 million, an increase of $5.3 million, or 11%, from $49.1 million for the year ended December 31, 2020. The increase was primarily due to higher repair and reactivation costs offset by decreased scrap and rework expense, lower depreciation expenses on our rental fleet and other savings resulting from lower activity compared to 2020. Rental cost of sales in 2020 also included approximately $1.0 million in credits related to tariff refunds.

Cost of field service and other revenue for the year ended December 31, 2021 was $73.7 million, an increase of $17.5 million, or 31%, from $56.1 million for the year ended December 31, 2020. The increase was mainly related to higher personnel costs associated with higher wages and an increase in the number of field and branch personnel as well as higher fuel and other remobilization expenses associated with increased field service activity levels compared to the prior year. Additionally, gains from sales of field service vehicles decreased by $3.4 million from 2020 as we rationalized our fleet vehicles in line with the headcount reductions in the prior year.

Selling, general and administrative expense for the year ended December 31, 2021 was $46.0 million, an increase of $6.3 million, or 16%, from $39.7 million for the year ended December 31, 2020. The increase was largely attributable to increased personnel costs primarily related to higher salaries and wages and associated payroll taxes, increased annual incentive bonuses based on current year performance and higher stock-based compensation expense. Additional increases from 2020 related to higher professional fees, information technology expenses and travel and entertainment expenses. These increases were partially offset by a reduction in foreign currency losses.

Severance expense for the year ended December 31, 2020 of $1.9 million was related to severance benefits associated with headcount reductions resulting from the economic downturn and decline in demand for our products and services.

Interest income (expense), net. Interest expense, net was $0.8 million in 2021 compared to interest income, net of $0.7 million in 2020. The decrease in interest income, net of $1.5 million was primarily due to lower interest income on cash invested resulting from significantly lower interest rates in 2021 as well as the prior year period including $0.5 million of interest income recognized on tariff refunds.

Other income (expense), net. Other income, net for the year ended December 31, 2021 of $0.5 million related to a $0.9 million non-cash gain associated with the revaluation of the liability related to the TRA and $0.4 million for professional fees and other expenses associated with the 2021 Secondary Offering. Other expense, net for the year ended December 31, 2020 of $0.6 million represented non-cash adjustments for the revaluation of the liability related to the TRA.

Income tax expense. Income tax expense for the year ended December 31, 2021 was $7.7 million (10.2% effective tax rate) compared to $11.0 million (15.6% effective tax rate) for 2020. Income tax expense for the year ended 2021 was primarily related to approximately $16.3 million expense associated with our 2021 operations and $1.3 million expense resulting from a change in our forecasted state tax rate. This tax expense was partially offset by a $1.1 million benefit associated with permanent differences related to equity compensation and a $9.0 million tax benefit associated with the partial valuation allowance release in conjunction with 2021 redemptions of CW Units. Partial valuation releases occur in conjunction with redemptions of CW Units as a portion of Cactus Inc.'s deferred tax assets from its investment in Cactus LLC becomes realizable. Income tax expense for the year ended December 31, 2020 was primarily due to approximately $11.0 million expense associated with our 2020 operations and a $2.8 million expense associated with changes in our valuation allowance. These expenses were partially offset by a $1.7 million tax benefit related to finalization of our 2019 tax returns and a $1.2 million benefit primarily comprised of tax credit adjustments and a change in our forecasted state tax rate.

Our effective tax rate is typically lower than the federal statutory rate of 21% due to the fact that Cactus Inc. is only subject to federal and state income tax on its share of income from Cactus LLC. Income allocated to the non-controlling interest is not subject to U.S. federal or state tax.

Liquidity and Capital Resources

At December 31, 2021 we had $301.7 million of cash and cash equivalents. Our primary sources of liquidity and capital resources are cash on hand, cash flows generated by operating activities and, if necessary, borrowings under our ABL Credit Facility. Depending upon market conditions and other factors, we may also have the ability to issue additional equity and debt if needed. As of December 31, 2021, we had no borrowings outstanding under our ABL Credit Facility and had $75.0 million of available borrowing capacity. Additionally, we were in compliance with the covenants of the ABL Credit Facility as of December 31, 2021.

We expect that our existing cash on hand, cash generated from operations and available borrowings under our ABL Credit Facility will be sufficient for the next 12 months to meet working capital requirements, anticipated capital expenditures, expected TRA liability payments, anticipated tax liabilities and dividends to holders of our Class A common stock as well as pro rata cash distributions to holders of CW units (other than Cactus Inc.).

We currently estimate our net capital expenditures for the year ending December 31, 2022 will range from $20 million to $30 million, excluding acquisitions, mostly related to rental fleet investments, including drilling tools, additional investment and expansion of our manufacturing facility in Bossier and the further development of a research and development facility. We continuously evaluate our capital expenditures, and the amount we ultimately spend will depend on a number of factors, including, among other things, demand for rental assets, available capacity in existing locations, prevailing economic conditions, market conditions in the E&P industry, customers' forecasts, volatility and company initiatives.

Our ability to satisfy our long-term liquidity requirements, including cash distributions to CW Unit Holders to fund their respective income tax liabilities relating to their share of the income of Cactus LLC and to fund liabilities related to the TRA, depends on our future operating performance, which is affected by, and subject to, prevailing economic conditions, market conditions in the E&P industry, availability and cost of raw materials, and financial, business and other factors, many of which are beyond our control. We will not be able to predict or control many of these factors, such as economic conditions in the markets where we operate and competitive pressures. If necessary, we could choose to further reduce our spending on capital projects and operating expenses to ensure we operate within the cash flow generated from our operations.

Tax Receivable Agreement (TRA)

The TRA generally provides for the payment by Cactus Inc. to the TRA Holders of 85% of the net cash savings, if any, in U.S. federal, state and local income tax and franchise tax that Cactus Inc. actually realizes or is deemed to realize in certain circumstances. Cactus Inc. will retain the benefit of the remaining 15% of these net cash savings. To the extent Cactus LLC has available cash, we intend to cause Cactus LLC to make pro rata distributions to its unitholders, including Cactus Inc., in an amount at least sufficient to allow us to pay our taxes and to make payments under the TRA.

Except in cases where we elect to terminate the TRA early, the TRA is terminated early due to certain mergers, asset sales, or other forms of business combinations or changes of control or if we have available cash but fail to make payments when due under circumstances where we do not have the right to elect to defer the payment. We may generally elect to defer payments due under the TRA if we do not have available cash to satisfy our payment obligations under the TRA. Any such deferred payments under the TRA generally will accrue interest. In certain cases, payments under the TRA may be accelerated and/or significantly exceed the actual benefits, if any, we realize in respect of the tax attributes subject to the TRA. In these situations, our obligations under the TRA could have a substantial negative impact on our liquidity.

Assuming no material changes in the relevant tax law, we expect that if the TRA were terminated as of December 31, 2021, the estimated termination payments, based on the assumptions discussed in Note 9 of the Notes to the Consolidated Financial Statements, would be approximately $361.9 million, calculated using a discount rate equal to one-year LIBOR plus 150 basis points, applied against an undiscounted liability of $422.0 million. A 10% increase in the price of our Class A common stock at December 31, 2021 would have increased the discounted liability by $12.9 million to $374.8 million (an undiscounted increase of $15.4 million to $437.5 million), and likewise, a 10% decrease in the price of our Class A common stock at December 31, 2021 would have decreased the discounted liability by $12.9 million to $349.0 million (an undiscounted decrease of $15.4 million to $406.7 million).

Cash Flows

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

The following table summarizes our cash flows for the periods indicated:

	Year Ended December 31,	
	2021	2020
	(in thousands)	
Net cash provided by operating activities	$ 63,759	$ 143,380
Net cash used in investing activities	(11,633)	(18,147)
Net cash used in financing activities	(39,388)	(40,206)

Net cash provided by operating activities was $63.8 million and $143.4 million for the years ended December 31, 2021 and 2020, respectively. Operating cash flows for 2021 decreased from 2020 primarily due to an increase in working capital, largely related to the increase in accounts receivable and inventories, partially offset by an increase in accounts payable and other liabilities. Additionally, 2020 included $14.2 million in tariff refunds. A $4.5 million decrease in TRA payments offset these decreases slightly.

Net cash used in investing activities was $11.6 million and $18.1 million for the years ended December 31, 2021 and 2020, respectively. The decrease was primarily due to lower capital expenditures associated with our rental fleet in 2021 as well as lower proceeds from sale of assets.

Net cash used in financing activities was $39.4 million and $40.2 million for the years ended December 31, 2021 and 2020, respectively. The decrease was primarily related to the $6.6 million decrease in Cactus LLC member distributions offset by a $4.0 million increase in dividend payments and a $1.8 million increase in share repurchases from employees to satisfy tax withholding obligations related to restricted stock units that vested during the period.

Critical Accounting Policies and Estimates

In preparing our financial statements in accordance with GAAP, we make numerous estimates and assumptions that affect the accounting for and recognition and disclosure of assets, liabilities, equity, revenues and expenses. We must make these estimates and assumptions because certain information that we use is dependent on future events, cannot be calculated with a high degree of precision from available data or is not otherwise capable of being readily calculated based on generally accepted methodologies. In some cases, these estimates are particularly difficult to determine, and we must exercise significant judgment. Actual results could differ materially from the estimates and assumptions that we use in the preparation of our financial statements. We identify certain accounting policies as critical based on, among other things, their impact on the portrayal of our financial condition and results of operations and the degree of difficulty, subjectivity and complexity in their deployment. Note 2 of the Notes to the Consolidated Financial Statements includes a summary of the significant accounting policies used in the preparation of the accompanying consolidated financial statements. The following is a brief discussion of our most critical accounting policies and related estimates and assumptions.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using standard cost (which approximates average cost) and weighted average methods. Costs include an application of related direct labor and overhead cost. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. We evaluate the components of inventory on a regular basis for excess and obsolescence. Reserves are made based on a range of factors, including age, usage and technological or market changes that may impact demand for those products. The amount of reserve recorded is subjective and is susceptible to change from period to period.

Long-Lived Assets

Key estimates related to long-lived assets include useful lives and recoverability of carrying values. Such estimates could be modified, as impairment could arise as a result of changes in supply and demand fundamentals, technological developments, new competitors with cost advantages and the cyclical nature of the oil and gas industry. We evaluate long-lived assets for potential impairment indicators whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets assessed for impairment are grouped at the lowest level for which identifiable cash flows are available, and a provision made where the cash flow is less than the carrying value of the asset. The estimation of future cash flows and fair value is highly subjective and inherently imprecise. Estimates can change materially from period to period based on many factors. Accordingly, if conditions change in the future, we may record impairment losses, which could be material to any particular reporting period.

Income Taxes

Deferred taxes are recorded using the asset and liability method, whereby tax assets and liabilities are determined based on the differences between the financial statement and tax basis of assets and liabilities using enacted tax laws and rates expected to apply to taxable income in the year in which the differences are expected to reverse. We assess the likelihood that our deferred tax assets will be recovered through adjustments to future taxable income. To the extent we believe recovery is not likely, we establish a valuation allowance to reduce the asset to a value we believe will be recoverable based on our expectation of future taxable income. In evaluating our ability to recover our deferred tax assets, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and results of recent operations. The assumptions about future taxable income require significant judgment and are consistent with the plans and estimates management is using to manage the underlying business. If the projected future taxable income changes materially, we may be required to reassess the amount of valuation allowance recorded against our deferred tax assets.

Tax Receivable Agreement

The TRA generally provides for the payment by Cactus Inc. to the TRA Holders of 85% of the net cash savings, if any, in U.S. federal, state and local income tax and franchise tax that Cactus Inc. actually realizes or is deemed to realize in certain circumstances as a result of (i) certain increases in tax basis that occur as a result of Cactus Inc.'s acquisition (or deemed acquisition for U.S. federal income tax purposes) of all or a portion of such TRA Holder's CW Units in connection with our IPO or any subsequent offering, or pursuant to any other exercise of the Redemption Right or the Call Right, (ii) certain increases in tax basis resulting from the repayment of borrowings outstanding under Cactus LLC's term loan facility in connection with our IPO and (iii) imputed interest deemed to be paid by Cactus Inc. as a result of, and additional tax basis arising from, any payments Cactus Inc. makes under the TRA. We will retain the remaining 15% of the cash savings. The TRA liability is calculated by determining the tax basis subject to TRA ("tax basis") and applying a blended tax rate to the basis differences and calculating the iterative impact. The blended tax rate consists of the U.S. federal income tax rate and an assumed combined state and local income tax rate driven by the apportionment factors applicable to each state.

Redemptions of CW Units result in adjustments to the tax basis of the tangible and intangible assets of Cactus LLC. These adjustments are allocated to Cactus Inc. Such adjustments to the tax basis of the tangible and intangible assets of Cactus LLC would not have been available to Cactus Inc. absent its acquisition or deemed acquisition of CW Units. In addition, the repayment of borrowings outstanding under the Cactus LLC term loan facility resulted in adjustments to the tax basis of the tangible and intangible assets of Cactus LLC, a portion of which was allocated to Cactus Inc. These basis adjustments are expected to increase (for tax purposes) Cactus Inc.'s depreciation and amortization deductions and may also decrease Cactus Inc.'s gains (or increase its losses) on future dispositions of certain assets to the extent tax basis is allocated to those assets. Such increased deductions and losses and reduced gains may reduce the amount of tax that Cactus Inc. would otherwise be required to pay in the future.

Estimating the amount and timing of the tax benefit is by its nature imprecise and the assumptions used in the estimates can change. The tax benefit is dependent upon future events and assumptions, the amount of the redeeming unit holders' tax basis in its CW Units at the time of the relevant redemption, the depreciation and amortization periods that apply to the increase in tax basis, the amount and timing of taxable income we generate in the future and the U.S. federal, state and local income tax rate then applicable, and the portion of Cactus Inc.'s payments under the TRA that constitute imputed interest or give rise to depreciable or amortizable tax basis. The most critical estimate included in calculating the TRA liability to record is the combined U.S. federal income tax rate and an assumed combined state and local income tax rate, to determine the future benefit we will realize. A 100 basis point decrease/increase in the blended tax rate used would decrease/increase the TRA liability recorded at December 31, 2021 by approximately $15.2 million.

Recent Accounting Pronouncements

There were no new accounting standards adopted in 2021 and there are no new accounting pronouncements issued but not yet effective that are expected to have a material impact on our consolidated financial statements.

Inflation

While inflationary cost increases can affect our income from operations' margin, we believe that inflation generally has not had, and in the near future is not expected to have, a material adverse effect on our results of operations. Currently, the United States is experiencing the highest inflation in decades primarily due to supply-chain issues, a shortage of labor and a build-up of demand for goods and services. The most noticeable adverse impact to our business has been increased costs associated with freight, materials, vehicle-related costs and personnel expenses. While we believe that this current rate of inflation is transitory as it is pandemic-driven, we are unsure how long an elevated rate will continue. Additionally, we cannot be confident that costs will return to the lower levels experienced in prior years.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

In the normal course of business, we are exposed to market risk from changes in foreign currency exchange rates and changes in interest rates.

Foreign Currency Exchange Rate Risk

We have subsidiaries with operations in China and Australia who conduct business in their local currencies (functional currencies) and are therefore subject to foreign currency exchange rate risk on cash flows related to sales, expenses, financing and investing transactions in currencies other than the U.S. dollar. Currently, we do not have any open foreign currency forward contracts to hedge this risk.

Additionally, certain intercompany balances between our U.S. and foreign subsidiaries as well as other financial assets and liabilities are denominated in U.S. dollars. Since this is not the functional currency of our subsidiaries in China and Australia, the changes in these balances are translated in our Consolidated Statements of Income, resulting in the recognition of a remeasurement gain or loss. In order to provide a hedge against currency fluctuations on the U.S. dollar denominated assets and liabilities held by our foreign subsidiaries, we enter into monthly foreign currency forward contracts (balance sheet hedges) to offset a portion of the remeasurement gain or loss recorded. As of December 31, 2021, if the U.S. dollar strengthened or weakened 5%, the impact to the unrealized value of our forward contracts would be approximately $1.0 million. The gain or loss on the forward contracts would be largely offset by the gain or loss on the underlying transactions, and therefore, would have minimal impact on future earnings.

Interest Rate Risk

Our ABL Credit Facility is variable rate debt. At December 31, 2021, although there were no borrowings outstanding, the applicable margin on Eurodollar borrowings was 1.5% plus an adjusted base rate of one or three month LIBOR.

Item 8. Financial Statements and Supplementary Data

The following Consolidated Financial Statements are filed as part of this Annual Report:

Cactus, Inc. and Subsidiaries

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Our internal control over financial reporting was designed 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. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In making its assessment, management has utilized the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (or "COSO") in *Internal Control-Integrated Framework* (2013 framework). Based on this assessment, management has concluded that, as of December 31, 2021, our internal control over financial reporting was effective.

Our independent registered public accounting firm, PricewaterhouseCoopers, LLP, has issued an audit report on the effectiveness of our internal control over financial reporting as of December 31, 2021, which appears herein.

/s/ Scott Bender	/s/ Stephen Tadlock
President, Chief Executive Officer and Director	*Vice President, Chief Financial Officer and Treasurer*

Houston, Texas
February 28, 2022

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Cactus, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Cactus, Inc. and its subsidiaries (the "Company") as of December 31, 2021 and 2020, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2021, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Liability related to the Tax Receivable Agreement

As described in Notes 2 and 9 to the consolidated financial statements, the Company has a liability under the Tax Receivable Agreement (“TRA”) of $281.6 million as of December 31, 2021. In connection with its initial public offering, the Company entered into the TRA with certain direct and indirect owners of Cactus Wellhead, LLC (the “TRA Holders”). The TRA generally provides for the payment by the Company to the TRA Holders of 85% of the net cash tax savings, if any, in United States federal, state and local income tax and franchise tax that the Company actually realizes or is deemed to realize in certain circumstances as a result of (i) certain increases in tax basis that occur as a result of the Company’s acquisition (or deemed acquisition for U.S. federal income tax purposes) of all or a portion of such TRA Holder’s ownership interest in Cactus Wellhead, LLC, (ii) certain increases in tax basis resulting from the repayment of borrowings outstanding under Cactus Wellhead, LLC’s term loan facility, and (iii) imputed interest deemed to be paid by the Company as a result of, and additional tax basis arising from, any payments the Company makes under the TRA. Management calculates the TRA liability by determining the tax basis subject to the TRA (“tax basis”) and applying a blended tax rate to the basis differences and calculating the iterative impact. The blended tax rate consists of the U.S. federal income tax rate and an assumed combined state and local income tax rate driven by the apportionment factors applicable to each state.

The principal considerations for our determination that performing procedures relating to the liability related to the TRA is a critical audit matter are the significant complexity in i) management’s calculation of the tax basis, and (ii) developing the applicable state apportionment factors utilized in determining the appropriate blended tax rate. This in turn led to a high degree of auditor subjectivity and effort in performing procedures and evaluating the appropriateness of the calculation of the tax basis and the blended tax rate. In addition, the audit effort involved the use of professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained from these procedures.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the calculation and recognition of the TRA liability, including controls over the completeness and accuracy of the underlying data used in the tax basis and blended tax rate calculations. These procedures also included, among others, testing the information used in the calculation of the TRA liability, and the involvement of professionals with specialized skills and knowledge to assist in (i) developing an independent calculation of the tax basis, (ii) comparing the independent calculation to management’s calculations to evaluate the reasonableness of the tax basis, (iii) evaluating the apportionment factors and the resulting blended tax rate, and (iv) assessing management’s application of the tax laws. Evaluating management’s determination of the apportionment factors involved considering the current and expected activity levels of the Company and whether the apportionment factors were consistent with evidence obtained in other areas of the audit.

/s/ PricewaterhouseCoopers LLP
Houston, Texas
February 28, 2022

We have served as the Company’s auditor since 2015, which includes periods before the Company became subject to SEC reporting requirements.

CACTUS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2021	December 31, 2020
	(in thousands, except per share data)	
Assets		
Current assets		
Cash and cash equivalents	$ 301,669	$ 288,659
Accounts receivable, net of allowance of $741 and $598, respectively	89,205	44,068
Inventories	119,817	87,480
Prepaid expenses and other current assets	7,794	4,935
Total current assets	518,485	425,142
Property and equipment, net	129,117	142,825
Operating lease right-of-use assets, net	22,538	21,994
Goodwill	7,824	7,824
Deferred tax asset, net	303,074	216,603
Other noncurrent assets	1,040	1,206
Total assets	$ 982,078	$ 815,594
Liabilities and Equity		
Current liabilities		
Accounts payable	$ 42,818	$ 20,163
Accrued expenses and other current liabilities	28,240	11,392
Current portion of liability related to tax receivable agreement	11,769	9,290
Finance lease obligations, current portion	4,867	3,823
Operating lease liabilities, current portion	4,880	4,247
Total current liabilities	92,574	48,915
Deferred tax liability, net	1,172	786
Liability related to tax receivable agreement, net of current portion	269,838	195,061
Finance lease obligations, net of current portion	5,811	2,240
Operating lease liabilities, net of current portion	17,650	17,822
Total liabilities	387,045	264,824
Commitments and contingencies		
Stockholders’ equity		
Preferred stock, $0.01 par value, 10,000 shares authorized, none issued and outstanding	—	—
Class A common stock, $0.01 par value, 300,000 shares authorized, 59,035 and 47,713 shares issued and outstanding	590	477
Class B common stock, $0.01 par value, 215,000 shares authorized, 16,674 and 27,655 shares issued and outstanding	—	—
Additional paid-in capital	289,600	202,077
Retained earnings	178,446	150,086
Accumulated other comprehensive income	8	330
Total stockholders’ equity attributable to Cactus Inc.	468,644	352,970
Non-controlling interest	126,389	197,800
Total stockholders’ equity	595,033	550,770
Total liabilities and equity	$ 982,078	$ 815,594

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

CACTUS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	2021	2020	2019
	(in thousands, except per share data)		
Revenues			
Product revenue	$ 280,907	$ 206,801	$ 357,087
Rental revenue	61,629	66,169	141,816
Field service and other revenue	96,053	75,596	129,511
Total revenues	438,589	348,566	628,414
Costs and expenses			
Cost of product revenue	189,083	131,728	220,615
Cost of rental revenue	54,377	49,077	69,829
Cost of field service and other revenue	73,681	56,143	103,163
Selling, general and administrative expenses	46,021	39,715	51,657
Severance expenses	—	1,864	—
Total costs and expenses	363,162	278,527	445,264
Income from operations	75,427	70,039	183,150
Interest income (expense), net	(774)	701	879
Other income (expense), net	492	(555)	4,294
Income before income taxes	75,145	70,185	188,323
Income tax expense	7,675	10,970	32,020
Net income	$ 67,470	$ 59,215	$ 156,303
Less: net income attributable to non-controlling interest	17,877	24,769	70,691
Net income attributable to Cactus Inc.	$ 49,593	$ 34,446	$ 85,612
Earnings per Class A share - basic	$ 0.90	$ 0.73	$ 1.90
Earnings per Class A share - diluted	$ 0.83	$ 0.72	$ 1.88
Weighted average Class A shares outstanding - basic	55,398	47,457	44,983
Weighted average Class A shares outstanding - diluted	76,107	75,495	75,353

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

CACTUS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2021	2020	2019
	(in thousands)		
Net income	$ 67,470	$ 59,215	$ 156,303
Foreign currency translation adjustments	(567)	1,375	368
Comprehensive income	66,903	60,590	156,671
Less: comprehensive income attributable to non-controlling interest	17,632	25,362	70,581
Comprehensive income attributable to Cactus Inc.	$ 49,271	$ 35,228	$ 86,090

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

CACTUS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands)	Class A Common Stock Shares	Class A Common Stock Amount	Class B Common Stock Shares	Class B Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest	Total Equity
Balance at December 31, 2018	**37,654**	**$ 377**	**37,236**	**$ —**	**$ 126,418**	**$ 51,683**	**$ (820)**	**$ 184,670**	**$ 362,328**
Adjustment to prior periods	—	—	—	—	10,424	—	409	(11,339)	(506)
Member distributions	—	—	—	—	—	—	—	(8,392)	(8,392)
Effect of CW Unit redemptions	9,278	93	(9,278)	—	48,635	—	(59)	(48,669)	—
Tax impact of equity transactions	—	—	—	—	5,499	—	—	—	5,499
Equity award vestings	227	2	—	—	(791)	—	—	(760)	(1,549)
Other comprehensive income	—	—	—	—	—	—	18	4	22
Stock-based compensation	—	—	—	—	4,271	—	—	2,724	6,995
Cash dividends declared ($0.09 per share)	—	—			—	(4,305)	—	—	(4,305)
Net income	—	—	—	—	—	85,612	—	70,691	156,303
Balance at December 31, 2019	**47,159**	**$ 472**	**27,958**	**$ —**	**$ 194,456**	**$ 132,990**	**$ (452)**	**$ 188,929**	**$ 516,395**
Member distributions	—	—	—	—	—	—	—	(16,304)	(16,304)
Effect of CW Unit redemptions	303	3	(303)	—	2,155	—	—	(2,158)	—
Tax impact of equity transactions	—	—	—	—	284	—	—	—	284
Equity award vestings	251	2	—	—	(238)	—	—	(1,208)	(1,444)
Other comprehensive income	—	—	—	—	—	—	782	593	1,375
Stock-based compensation	—	—	—	—	5,420	—	—	3,179	8,599
Cash dividends declared ($0.36 per share)	—	—			—	(17,350)	—	—	(17,350)
Net income	—	—	—	—	—	34,446	—	24,769	59,215
Balance at December 31, 2020	**47,713**	**$ 477**	**27,655**	**$ —**	**$ 202,077**	**$ 150,086**	**$ 330**	**$ 197,800**	**$ 550,770**
Member distributions	—	—	—	—	—	—	—	(9,742)	(9,742)
Effect of CW Unit redemptions	10,981	110	(10,981)	—	79,276	—	—	(79,386)	—
Tax impact of equity transactions	—	—	—	—	2,998	—	—	—	2,998
Equity award vestings	341	3	—	—	(1,141)	—	—	(2,145)	(3,283)
Other comprehensive loss	—	—	—	—	—	—	(322)	(245)	(567)
Stock-based compensation	—	—	—	—	6,390	—	—	2,230	8,620
Cash dividends declared ($0.38 per share)	—	—			—	(21,233)	—	—	(21,233)
Net income	—	—	—	—	—	49,593	—	17,877	67,470
Balance at December 31, 2021	**59,035**	**$ 590**	**16,674**	**$ —**	**$ 289,600**	**$ 178,446**	**$ 8**	**$ 126,389**	**$ 595,033**

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

CACTUS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2021	2020	2019
	(in thousands)		
Cash flows from operating activities			
Net income	$ 67,470	$ 59,215	$ 156,303
Reconciliation of net income to net cash provided by operating activities:			
Depreciation and amortization	36,308	40,520	38,854
Deferred financing cost amortization	168	168	168
Stock-based compensation	8,620	8,599	6,995
Provision for expected credit losses	310	342	355
Inventory obsolescence	3,490	4,840	2,552
(Gain) loss on disposal of assets	(1,386)	(2,480)	236
Deferred income taxes	4,829	6,948	25,403
(Gain) loss from revaluation of liability related to tax receivable agreement	(898)	555	(5,336)
Changes in operating assets and liabilities:			
Accounts receivable	(45,492)	44,829	4,204
Inventories	(36,083)	18,201	(17,592)
Prepaid expenses and other assets	(2,789)	6,177	438
Accounts payable	22,281	(19,434)	(607)
Accrued expenses and other liabilities	16,628	(10,893)	6,994
Payments pursuant to tax receivable agreement	(9,697)	(14,207)	(9,335)
Net cash provided by operating activities	63,759	143,380	209,632
Cash flows from investing activities			
Capital expenditures and other	(13,939)	(24,493)	(59,703)
Proceeds from sale of assets	2,306	6,346	3,755
Net cash used in investing activities	(11,633)	(18,147)	(55,948)
Cash flows from financing activities			
Payments on finance leases	(5,205)	(5,317)	(7,484)
Dividends paid to Class A common stock shareholders	(21,158)	(17,140)	(4,244)
Distributions to members	(9,742)	(16,304)	(8,392)
Repurchases of shares	(3,283)	(1,445)	(1,549)
Net cash used in financing activities	(39,388)	(40,206)	(21,669)
Effect of exchange rate changes on cash and cash equivalents	272	1,029	(253)
Net increase in cash and cash equivalents	13,010	86,056	131,762
Cash and cash equivalents			
Beginning of period	288,659	202,603	70,841
End of period	$ 301,669	$ 288,659	$ 202,603

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

CACTUS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share and per share data, or as otherwise indicated)

1. Organization and Nature of Operations

Cactus, Inc. ("Cactus Inc.") and its consolidated subsidiaries (the "Company"), including Cactus Wellhead, LLC ("Cactus LLC"), are primarily engaged in the design, manufacture and sale of wellhead and pressure control equipment. In addition, we maintain a fleet of frac valves and ancillary equipment for short-term rental, offer repair and refurbishment services and provide field service crews to assist in the installation and operations of pressure control systems. We operate through U.S. service centers located in Texas, New Mexico, Pennsylvania, North Dakota, Louisiana, Oklahoma, Colorado, Wyoming and Utah as well as in Eastern Australia. We also provide rental and service operations in the Kingdom of Saudi Arabia. Our manufacturing and production facilities are located in Bossier City, Louisiana and Suzhou, China and our corporate headquarters are located in Houston, Texas.

Cactus Inc. was incorporated on February 17, 2017 as a Delaware corporation for the purpose of completing an initial public offering of equity and related transactions, which was completed on February 12, 2018 (our "IPO"). Cactus Inc. is a holding company whose only material asset is an equity interest consisting of units representing limited liability company interests in Cactus LLC ("CW Units"). Cactus Inc. became the sole managing member of Cactus LLC upon completion of our IPO. Cactus LLC is a Delaware limited liability company and was formed on July 11, 2011. Except as otherwise indicated or required by the context, all references to "Cactus," "we," "us" and "our" refer to Cactus Inc. and its consolidated subsidiaries (including Cactus LLC). For detailed information regarding our IPO, see our Annual Report on Form 10-K for the year ended December 31, 2018.

As the sole managing member of Cactus LLC, Cactus Inc. operates and controls all of the business and affairs of Cactus LLC and conducts its business through Cactus LLC and its subsidiaries. As a result, Cactus Inc. consolidates the financial results of Cactus LLC and its subsidiaries and reports a non-controlling interest related to the portion of CW Units not owned by Cactus Inc., which reduces net income attributable to holders of Cactus Inc.'s Class A common stock, par value $0.01 per share ("Class A common stock").

As of December 31, 2021, Cactus Inc. owned 78.0% of Cactus LLC, as compared to 63.3% as of December 31, 2020. As of December 31, 2021, Cactus Inc. had outstanding 59.0 million shares of Class A common stock (representing 78.0% of the total voting power) and 16.7 million shares of Class B common stock (representing 22.0% of the total voting power).

2. Summary of Significant Accounting Policies and Other Items

Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). These consolidated financial statements include the accounts of Cactus Inc. and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated upon consolidation.

Cactus Inc. consolidates the financial results of Cactus LLC and its subsidiaries and reports a non-controlling interest related to the portion of CW Units not owned by Cactus Inc., which reduces net income attributable to holders of Cactus Inc.'s Class A common stock.

Use of Estimates

In preparing our consolidated financial statements in conformity with GAAP, we make numerous estimates and assumptions that affect the accounting for and recognition and disclosure of assets, liabilities, equity, revenues and expenses. We must make these estimates and assumptions because certain information that we use is dependent on future events, cannot be calculated with a high degree of precision from available data or is not otherwise capable of being readily calculated based on accepted methodologies. In some cases, these estimates are particularly difficult to determine, and we must exercise significant judgment. Actual results could differ materially from the estimates and assumptions that we use in the preparation of our consolidated financial statements.

Segment Information

We operate in a single operating segment, which reflects how we manage our business and the fact that all of our products and services are dependent upon the oil and natural gas industry. Substantially all of our products and services are sold in the U.S. to oil and natural gas exploration and production companies. We operate in the United States, Australia, China and the Kingdom of Saudi Arabia. Our operations outside of the United States represented less than 10% of our consolidated operations for all periods presented in these consolidated financial statements.

Concentrations of Credit Risk

Our assets that are potentially subject to concentrations of credit risk are cash and cash equivalents and accounts receivable. We manage the credit risk associated with these financial instruments by transacting only with what management believes are financially secure counterparties, requiring credit approvals and credit limits and monitoring counterparties' financial condition. Our receivables are spread over a number of customers, a majority of which are operators and suppliers to the oil and natural gas industry. Our maximum exposure to credit loss in the event of non-performance by the customer is limited to the receivable balance. We perform ongoing credit evaluations and monitoring as to the financial condition of our customers with respect to trade receivables. Generally, no collateral is required as a condition of sale. We also control our exposure associated with trade receivables by discontinuing sales and service to non-paying customers. For the year ended December 31, 2021, we had one customer representing approximately 12% of total revenues. No customer represented 10% or more of total revenues for the year ended December 2020 and one customer represented approximately 10% of total revenues in the year ended December 31, 2019.

Significant Vendors

The principal raw materials used in the manufacture of our products and rental equipment include forgings and plate, castings, tube and bar stock. In addition, we require accessory items (such as elastomers, ring gaskets, studs and nuts) and machined components and assemblies. We purchase these items from vendors primarily located in the United States, China, India and Australia. For the year ended December 31, 2021, two vendors each represented approximately 9% of our total third-party vendor purchases of raw materials, finished products, equipment, machining and other services. For the years ended December 31, 2020 and 2019, one vendor represented approximately 9% and 16%, respectively, of such purchases. Amounts due to these vendors included in accounts payable, in the consolidated balance sheets, as of December 31, 2021 and 2020 totaled $6.4 million (combined total for two vendors) and $1.5 million, respectively.

Tax Receivable Agreement (TRA)

We account for amounts payable under the TRA in accordance with Accounting Standards Codification ("ASC") Topic 450, Contingencies. As such, subsequent changes to the measurement of the TRA liability are recognized in the statements of income as a component of other income (expense), net. During the years ended December 31, 2021, 2020 and 2019, we recognized a $0.9 million gain, a $0.6 million loss and a $5.3 million gain on the change in the TRA liability, respectively. See Note 9 for further details on the TRA liability.

Revenue Recognition

The majority of our revenues are derived from short-term contracts for fixed consideration. Product sales generally do not include right of return or other significant post-delivery obligations. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Revenues are recognized when we satisfy a performance obligation by transferring control of the promised goods or providing services to our customers at a point in time, in an amount specified in the contract with our customer and that reflects the consideration to which we expect to be entitled in exchange for those goods or services. The majority of our contracts with customers contain a single performance obligation to provide agreed upon products or services. For contracts with multiple performance obligations, we allocate revenue to each performance obligation based on its relative standalone selling price. We do not assess whether promised goods or services are performance obligations if they are immaterial in the context of the contract with the customer. We do not incur any material costs of obtaining contracts.

We do not adjust the amount of consideration per the contract for the effects of a significant financing component when we expect, at contract inception, that the period between the transfer of a promised good or service to a customer and when the customer pays for that good or service will be one year or less, which is in substantially all cases. Payment terms and conditions vary, although terms generally include a requirement of payment within 30 to 45 days. Revenues are recognized net of any taxes collected from customers, which are subsequently remitted to governmental authorities. We treat shipping and handling associated with outbound freight as a fulfillment cost instead of as a separate performance obligation. We recognize the cost for the associated shipping and handling when incurred as an expense in cost of sales. Our revenues are derived from three sources: products, rentals, and field service and other:

Product revenue. Product revenues are primarily derived from the sale of wellhead systems and production trees. Revenue is recognized when the products have shipped and the customer obtains control of the products.

Rental revenue. Rental revenues are primarily derived from the rental of equipment, tools and products used for well control during the drilling and completion phases to customers. Our rental agreements are directly with our customers and provide for a rate based on the period of time the equipment is used or made available to the customer. In addition, customers are charged for repair costs, typically through an agreed upon rate for each rental job. Revenue is recognized ratably over the rental period, which tends to be short-term in nature with most equipment on site for less than 90 days.

Field service and other revenue. We provide field services to our customers based on contractually agreed rates. Other revenues are derived from providing repair and reconditioning services to customers who have installed wellheads and production trees on their wellsite. Revenues are recognized as the services are performed or rendered.

Foreign Currency Translation

The financial position and results of operations of our foreign subsidiaries are measured using the local currency as the functional currency. Revenues and expenses of the subsidiaries have been translated into U.S. dollars at average exchange rates prevailing during the period. Assets and liabilities have been translated at the rates of exchange on the balance sheet dates. The resulting translation gain and loss adjustments have been recorded directly as a separate component of other comprehensive income in the consolidated statements of comprehensive income and stockholders' equity. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in our consolidated statements of income as incurred.

Derivative Financial Instruments

We utilize a hedging program to reduce the risks associated with changes in the value of monetary assets and liabilities denominated in currencies other than the functional currency of our subsidiaries. Under this program, we utilize foreign currency forward contracts to offset gains or losses recorded upon remeasurement of assets and liabilities stated in the non-functional currencies of our subsidiaries. These forward contracts are not designated as hedges for accounting purposes. As such, we record changes in fair value of the forward contracts in our consolidated statements of income along with the gain or loss resulting from remeasurement of the U.S. dollar denominated financial assets and liabilities held by our foreign subsidiaries. The forward contracts are typically only 30 days in duration and are settled and renewed each month. As of December 31, 2021 and 2020, the fair value of our forward contracts was a liability of approximately $37 thousand and $56 thousand, respectively.

Stock-based Compensation

We measure the cost of equity-based awards based on the grant date fair value and allocate the compensation expense over the requisite service period, which is usually the vesting period. Beginning with our 2021 grants, the grant date fair value is determined by the closing price of our Class A common stock on the grant date. Prior to 2021, the grant date fair value was determined by the average price of the trading high and trading low of our Class A common stock on the grant date.

Income Taxes

Deferred taxes are recorded using the asset and liability method, whereby tax assets and liabilities are determined based on the differences between the financial statement and tax basis of assets and liabilities using enacted tax laws and rates expected to apply to taxable income in the year in which the differences are expected to reverse. We regularly evaluate the valuation allowances established for deferred tax assets for which future realization is uncertain. In assessing the realizability of deferred tax assets, we consider both positive and negative evidence, including scheduled reversals of deferred tax assets and liabilities, projected future taxable income, tax planning strategies and results of recent operations. If, based on the weight of available evidence, it is more likely than not that the deferred tax assets will not be realized, a valuation allowance is recorded.

Cactus Inc. is a corporation and is subject to U.S. federal as well as state income tax related to its ownership percentage in Cactus LLC. Cactus LLC is a limited liability company treated as a partnership for U.S. federal income tax purposes and files a U.S. Return of Partnership Income, which includes both our U.S. and foreign operations. Consequently, the members of Cactus LLC are taxed individually on their share of earnings for U.S. federal and state income tax purposes. However, Cactus LLC is subject to the Texas Margins Tax. Additionally, our operations in both Australia and China are subject to local country income taxes. See Note 5 “Income Taxes” for additional information regarding income taxes.

Cash and Cash Equivalents

Cash in excess of current operating requirements is invested in short-term interest-bearing investments with maturities of three months or less at the date of purchase and is stated at cost, which approximates fair value. Throughout the year we maintained cash balances that were not covered by federal deposit insurance. We have not experienced any losses in such accounts.

Accounts Receivable and Allowance for Credit Losses

We extend credit to customers in the normal course of business. Our customers are predominantly oil and gas companies in the United States. Our receivables are short-term in nature and typically due in 30 to 45 days. We do not accrue interest on delinquent receivables. Accounts receivable includes amounts billed and currently due from customers and unbilled amounts for products delivered and services performed for which billings had not yet been submitted to the customers. Total unbilled revenue included in accounts receivable as of December 31, 2021 and 2020 was $24.1 million and $8.7 million, respectively.

We maintain an allowance for credit losses to provide for the amount of billed receivables we believe to be at risk of loss. In our determination of the allowance for credit losses, we pool receivables with similar risk characteristics based on customer size, credit ratings, payment history, bankruptcy status and other factors known to us and apply an expected credit loss percentage. The expected credit loss percentage is determined using historical loss data adjusted for current conditions and forecasts of future economic conditions. Accounts deemed uncollectible are applied against the allowance for credit losses. The following is a rollforward of our allowance for credit losses:

	Balance at Beginning of Period	Expense	Write off	Balance at End of Period
Year Ended December 31, 2021	$ 598	$ 310	$ (167)	$ 741
Year Ended December 31, 2020	837	342	(581)	598
Year Ended December 31, 2019	576	355	(94)	837

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using standard cost (which approximates average cost) and weighted average methods. Costs include an application of related direct labor, duties, tariffs, freight and overhead costs. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. Reserves are made for excess and obsolete items based on a range of factors, including age, usage and technological or market changes that may impact demand for those products. The inventory obsolescence reserve was $18.0 million and $14.6 million as of December 31, 2021 and 2020, respectively. The following is a rollforward of our inventory obsolescence reserve:

	Balance at Beginning of Period	Expense	Write off	Translation Adjustments	Balance at End of Period
Year Ended December 31, 2021	$ 14,637	$ 3,490	$ (62)	$ (53)	$ 18,012
Year Ended December 31, 2020	9,772	4,840	(53)	78	14,637
Year Ended December 31, 2019	7,310	2,552	(90)	—	9,772

Property and Equipment

Property and equipment are stated at cost. We manufacture or construct most of our own rental assets and during the manufacture of these assets, they are reflected as construction in progress until complete. We depreciate the cost of property and equipment using the straight-line method over the estimated useful lives and depreciate our rental assets to their salvage value. Leasehold improvements are amortized over the shorter of the remaining lease term or economic life of the related assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss are reflected in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and improvements are capitalized. Estimated useful lives are as follows:

Land			N/A	
Buildings and improvements	5	-	30	years
Machinery and equipment	2	-	12	years
Vehicles under finance lease			3	years
Rental equipment	2	-	11	years
Furniture and fixtures			5	years
Computers and software			4	years

Property and equipment as of December 31, 2021 and 2020 consists of the following:

	December 31,	
	2021	2020
Land	$ 3,203	$ 3,203
Buildings and improvements	22,532	21,935
Machinery and equipment	56,937	57,726
Vehicles under finance lease	23,450	14,371
Rental equipment	180,704	172,012
Furniture and fixtures	1,755	1,780
Computers and software	3,495	3,530
Gross property and equipment	292,076	274,557
Less: Accumulated depreciation	(175,992)	(147,221)
Net property and equipment	116,084	127,336
Construction in progress	13,033	15,489
Total property and equipment, net	$ 129,117	$ 142,825

Depreciation and amortization was $36.3 million, $40.5 million and $38.9 million for 2021, 2020 and 2019, respectively. Depreciation and amortization expense is included in the consolidated statements of income as follows:

	Year Ended December 31,		
	2021	2020	2019
Cost of product revenue	$ 3,176	$ 3,506	$ 3,304
Cost of rental revenue	25,812	28,063	24,881
Cost of field service and other revenue	6,863	8,075	9,986
Selling, general and administrative expenses	457	876	683
Total depreciation and amortization	$ 36,308	$ 40,520	$ 38,854

Impairment of Long-Lived Assets

We review the recoverability of long-lived assets, such as property and equipment, when events or changes in circumstances occur that indicate the carrying value of the asset or asset group may not be recoverable. The assessment of possible impairment is based on our ability to recover the carrying value of the asset or asset group from the expected future pre-tax cash flows (undiscounted) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. We concluded there were no indicators evident or other circumstances present that these assets were not recoverable and accordingly, no impairment charges of long-lived assets were recognized for 2021. Due to reduced sales and cash flows in 2020, we assessed the recoverability of our long-lived assets at each interim period of 2020 and as of December 31, 2020. No impairments were recognized in 2020 as a result of these assessments. Additionally, no impairment charges of long-lived assets were recognized in 2019.

Goodwill

Goodwill represents the excess of purchase price paid over the fair value of the net assets of acquired businesses. Our goodwill resulted from the acquisition of a manufacturing facility in Bossier City, Louisiana in 2011. The facility supports our full range of products, rentals and services. Goodwill is not amortized, but we evaluate at least annually whether it is impaired. Goodwill is considered impaired if the carrying amount of the reporting unit exceeds its estimated fair value. We conduct our annual assessment of the recoverability of goodwill as of December 31 of each year. We first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the goodwill impairment test. If the qualitative assessment indicates that it is more likely than not that the fair value of the reporting unit is less than its carrying amount or we elect not to perform a qualitative assessment, the quantitative assessment of goodwill test is performed. The goodwill impairment test is also performed whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If it is necessary to perform the quantitative assessment to determine if our goodwill is impaired, we typically utilize a discounted cash flow analysis using management’s projections that are subject to various risks and uncertainties of revenues, expenses and cash flows as well as assumptions regarding discount rates, terminal value and control premiums. Estimates of future cash flows and fair value are highly subjective and inherently imprecise. These estimates can change materially from period to period based on many factors. Accordingly, if conditions change in the future, we may record impairment losses, which could be material to any particular reporting period.

No goodwill impairment losses were deemed necessary in 2021. Due to the depressed oil price environment, reduced sales and cash flow projections and a significant decline in our market capitalization as of March 31, 2020, we assessed whether our goodwill may have been impaired as of March 31, 2020. Our quantitative impairment test using management’s current projections of revenues, expenses and cash flows as of March 31, 2020 calculated significant cushion and no impairment was recognized as a result of this assessment. Actual results during the remainder of the year were consistent with expectations and our forecasts had not materially changed; therefore, we concluded that our goodwill was not impaired at each subsequent interim period of 2020 and as of December 31, 2020. Additionally, no goodwill impairment losses were deemed necessary in 2019.

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities as of December 31, 2021 and 2020 are as follows:

	December 31,	
	2021	**2020**
Accrued international freight and tariffs	$ 14,794	$ 2,087
Payroll, incentive compensation, payroll taxes and benefits	7,030	4,210
Deferred revenue	1,764	1,068
Taxes other than income	1,641	450
Income based tax payable	1,182	2,336
Accrued professional fees and other	1,078	687
Accrued dividends	346	271
Accrued workers’ compensation insurance	269	—
Product warranties	136	283
Total accrued expenses and other current liabilities	$ 28,240	$ 11,392

Self-Insurance Accrued Expenses

We maintain a partially self-insured health benefit plan which provides medical and prescription drug benefits to certain of our employees electing coverage under the plan. Our exposure is limited by individual and aggregate stop loss limits through third-party insurance carriers. Our self-insurance expense is accrued based upon the aggregate of the expected liability for reported claims and the estimated liability for claims incurred but not reported, based on historical claims experience provided by our third-party insurance advisors, adjusted as necessary based upon management’s reasoned judgment. Actual employee medical claims expense may differ from estimated loss provisions based on historical experience. The liabilities for these claims are included as a component of payroll, incentive compensation, payroll taxes and benefits in the table above and were $1.1 million and $1.3 million as of December 31, 2021 and 2020, respectively.

Product Warranties

We generally warrant our manufactured products for 12 months from the date placed in service. The estimated liability for product warranties is based on historical and current claims experience.

Fair Value Measurements

Authoritative guidance on fair value measurements provides a framework for measuring fair value and establishes a fair value hierarchy that prioritizes the inputs used to measure fair value, giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). The carrying value of cash and cash equivalents, receivables, accounts payable and accrued expenses approximates fair value based on the short-term nature of these accounts. The fair value of our foreign currency forwards is determined using market observable inputs including forward and spot prices (Level 2 inputs). We had no long-term debt outstanding as of December 31, 2021 or 2020.

Employee Benefit Plans

Our employees within the United States are eligible to participate in a 401(k) plan sponsored by us. These employees are eligible to participate on the first day of the month following 30 days of employment and if they are at least eighteen years of age. Eligible employees may contribute a percentage of their compensation subject to a maximum imposed by the Internal Revenue Code. Similar benefit plans exist for employees of our foreign subsidiaries. We match 100% of the first 3% of gross pay contributed by each employee and 50% of the next 4% of gross pay contributed by each employee and we may also make additional non-elective employer contributions at our discretion under the plan. Due to the difficult economic environment at that time, the 401(k) match was temporarily suspended in the U.S. in June 2020 and reinstated in August 2021. During 2021, 2020 and 2019, employer matching contributions totaled $1.2 million, $1.6 million and $3.1 million, respectively. During the year ended December 31, 2019, a $0.1 million non-elective contribution was made under the 401(k) plan, whereas no such contributions were made in 2021 or 2020.

3. Inventories

Inventories consist of the following:

	December 31,	
	2021	**2020**
Raw materials	$ 1,870	$ 2,003
Work-in-progress	4,288	3,598
Finished goods	113,659	81,879
Total inventories	$ 119,817	$ 87,480

4. Debt

We had no debt outstanding as of December 31, 2021 and 2020.

On August 21, 2018, Cactus LLC entered into a five-year senior secured asset-based revolving credit facility with a syndicate of lenders and JPMorgan Chase Bank, N.A., as administrative agent for such lenders and as an issuing bank and swingline lender (the “ABL Credit Facility”). The ABL Credit Facility provides for $75.0 million in revolving commitments, up to $15.0 million of which is available for the issuance of letters of credit. The ABL Credit Facility matures on August 21, 2023. The maximum amount that Cactus LLC may borrow under the ABL Credit Facility is subject to a borrowing base, which is based on a percentage of eligible accounts receivable and eligible inventory, subject to reserves and other adjustments.

The ABL Credit Facility was amended in September 2020 to incorporate certain changes related to revised and new definitions associated with alternative interest rates to LIBOR and satisfaction of payment conditions for restricted payments, investments, permitted acquisitions and asset dispositions. The amendment did not change covenants, the Alternate Base Rate, applicable margin rates, commitment fees, the maturity date or borrowing availability under the ABL Credit Facility.

Borrowings under the ABL Credit Facility bear interest at Cactus LLC’s option at either (i) the Alternate Base Rate (as defined therein) (“ABR”), or (ii) the Adjusted LIBO Rate (as defined therein) (“Eurodollar”), plus, in each case, an applicable margin. Letters of credit issued under the ABL Credit Facility accrue fees at a rate equal to the applicable margin for Eurodollar borrowings. The applicable margin ranges from 0.50% to 1.00% per annum for ABR borrowings and 1.50% to 2.00% per annum for Eurodollar borrowings and, in each case, is based on the average quarterly availability under the ABL Credit Facility for the immediately preceding fiscal quarter. The unused portion of the ABL Credit Facility is subject to a commitment fee that varies from 0.250% to 0.375% per annum, according to the average quarterly availability under the ABL Credit Facility for the immediately preceding fiscal quarter.

The ABL Credit Facility contains various covenants and restrictive provisions that limit Cactus LLC's and each of its subsidiaries' ability to, among other things, incur additional indebtedness and create liens, make investments or loans, merge or consolidate with other companies, sell assets, make certain restricted payments and distributions, and engage in transactions with affiliates. The ABL Credit Facility also requires Cactus LLC to maintain a fixed charge coverage ratio of 1.0 to 1.0 based on the ratio of EBITDA (as defined therein) minus Unfinanced Capital Expenditures (as defined therein) to Fixed Charges (as defined therein) during certain periods, including when availability under the ABL Credit Facility is under certain levels. If Cactus LLC fails to perform its obligations under the ABL Credit Facility, (i) the commitments under the ABL Credit Facility could be terminated, (ii) any outstanding borrowings under the ABL Credit Facility may be declared immediately due and payable and (iii) the lenders may commence foreclosure or other actions against the collateral.

At December 31, 2021 and 2020, although there were no borrowings outstanding, the applicable margins on our Eurodollar borrowings were 1.50% and 1.75%, respectively, plus an adjusted base rate of one or three month LIBOR. We were in compliance with all covenants under the ABL Credit Facility as of December 31, 2021.

Interest (Income) Expense, net

Interest (income) expense, net, including deferred financing cost amortization, was comprised of the following:

	Year Ended December 31,		
	2021	**2020**	**2019**
Interest under bank facilities	$ 313	$ 317	$ 315
Deferred financing cost amortization	168	168	168
Finance lease interest	520	639	877
Other	126	3	164
Interest income	(353)	(1,828)	(2,403)
Interest (income) expense, net	$ 774	$ (701)	$ (879)

5. Income Taxes

Domestic and foreign components of income before income taxes were as follows:

	Year Ended December 31,		
	2021	**2020**	**2019**
Domestic	$ 64,139	$ 61,028	$ 173,039
Foreign	11,006	9,157	15,284
Income before income taxes	$ 75,145	$ 70,185	$ 188,323

The provision for income taxes consisted of:

	Year Ended December 31,		
	2021	2020	2019
Current:			
Federal	$ —	$ (786)	$ 1,088
State	348	597	1,408
Foreign	2,497	4,211	4,121
Total current income taxes	2,845	4,022	6,617
Deferred:			
Federal	2,658	8,040	14,853
State	1,516	(253)	10,681
Foreign	656	(839)	(131)
Total deferred income taxes	4,830	6,948	25,403
Total provision for income taxes	$ 7,675	$ 10,970	$ 32,020

The effective income tax rate was different from the statutory U.S. federal income tax rate due to the following:

	Year Ended December 31,		
	2021	2020	2019
Income taxes at 21% statutory tax rate	$ 15,780	$ 14,739	$ 39,548
Net difference resulting from:			
Profit of non-controlling interest not subject to U.S. federal tax	(3,754)	(5,508)	(15,477)
Foreign income taxes (net of foreign tax credit)	2,423	269	364
State income taxes (excluding rate change)	1,348	883	4,887
Impact of change in forecasted state income tax rate	1,347	(1,216)	5,774
Foreign withholding taxes	730	462	988
Change in valuation allowance	(8,977)	2,840	(3,888)
Adjustments of prior year taxes	79	(1,663)	1,336
Stock compensation	(1,096)	(34)	(762)
Other	(205)	198	(750)
Total provision for income taxes	$ 7,675	$ 10,970	$ 32,020

Our effective tax rate was 10.2%, 15.6% and 17.0% for the years ended December 31, 2021, 2020 and 2019, respectively. Our effective tax rate is typically lower than the federal statutory rate of 21% due to the fact that Cactus Inc. is only subject to federal and state income tax on its share of income from Cactus LLC. Income allocated to the non-controlling interest is not subject to U.S. federal or state tax.

The components of deferred tax assets and liabilities are as follows:

	December 31, 2021	December 31, 2020
Investment in Cactus LLC	$ 292,956	$ 224,485
Imputed interest	12,297	10,333
Tax credits	3,713	5,719
Net operating loss carryforwards	11,198	2,333
Other	152	546
Deferred tax assets	320,316	243,416
Valuation allowance	(17,242)	(26,813)
Deferred tax asset, net	303,074	216,603
Foreign withholding taxes	854	562
Other	318	224
Deferred tax liability, net	$ 1,172	$ 786

As of December 31, 2021, our liability related to the TRA was $281.6 million, representing 85% of the calculated net cash savings in the United States federal, state and local and franchise tax that we anticipate realizing in future years from certain increases in tax basis and certain tax benefits attributed to imputed interest as a result of our acquisition of CW Units. We have determined it is more-likely-than-not that we will be able to utilize all of our tax basis subject to the TRA; therefore, we have recorded a liability related to the TRA for the tax savings we may realize from certain increases in tax basis and certain tax benefits attributable to imputed interest as a result of our acquisition (or deemed acquisition for United States federal income tax purposes) of CW Units. If we determine the utilization of this tax basis is not more-likely-than-not in the future, our estimate of amounts to be paid under the TRA would be reduced. In this scenario, the reduction of the liability under the TRA would result in a benefit to our pre-tax consolidated results of operations in conjunction with an increase to the valuation allowance and an offsetting adjustment to tax expense.

We record a deferred tax asset for the differences between our tax and book basis in the investment in Cactus LLC and imputed interest on the TRA. Based upon our cumulative earnings history and forecasted future sources of taxable income, we believe that we will be able to realize the majority of our U.S. deferred tax assets in the future. We do not expect to realize the portion of our deferred tax asset for our investment in Cactus LLC that may only be realizable through the sale or liquidation of the investment and our ability to generate sufficient capital gains. For the year ended December 31, 2021, as a result of redemptions of CW Units, we released $9.0 million of our valuation allowance and recorded a tax benefit of $9.0 million related to the realizable portion of the deferred tax asset. As of December 31, 2021, we have a valuation allowance of $13.5 million against the $293.0 million deferred tax asset. During the year ended December 31, 2020, as a result of redemptions of CW Units, we released $0.1 million of our valuation allowance and recorded a tax benefit of $0.1 million related to the realizable portion of the deferred tax asset. As of December 31, 2020, we had a valuation allowance of $22.5 million against the $224.5 million deferred tax asset. We also record deferred tax assets for imputed interest, certain tax credits and net operating loss carryforwards. As of December 31, 2021, we have a valuation allowance of $3.7 million against these deferred tax assets, primarily associated with our portion of Cactus LLC's accrued foreign taxes and state tax credits, due to uncertainty of realization.

As of December 31, 2021, we have deferred tax assets on U.S. federal and state net operating loss ("NOL") carryforwards of approximately $10.4 million and $0.8 million, respectively, which can be used to offset U.S. federal and state taxes payable in future years. The U.S. federal NOL carryforwards have no expiration date whereas the U.S. state NOL carryforwards generally will expire in periods beginning in 2040.

As of December 31, 2021 and 2020, we had no uncertain tax positions.

None of our federal or state income tax returns are currently under examination by state taxing authorities.

6. Stock-Based Compensation

We have a long-term incentive plan ("LTIP") that provides for the grant of various stock-based compensation awards at the discretion of our compensation committee of our board of directors. Employees and non-employee directors are eligible to receive awards under the LTIP. Stock-based awards granted pursuant to the LTIP are expected to be settled in shares of our Class A common stock if they vest. Our stock-based awards do not have voting rights prior to vesting. Dividends declared are accumulated and paid upon vesting. We account for forfeitures when they occur and recognize the impact to stock-based compensation expense at that time. We recorded $8.6 million of stock-based compensation expense during each of the years ended December 31, 2021 and 2020 and $7.0 million during the year ended December 31, 2019. Stock-based compensation expense is primarily recorded in selling, general and administrative expenses. We recognized $1.1 million, $34 thousand and $0.8 million in tax benefits for tax deductions from the vesting of stock-based awards benefits during the years ended December 31, 2021, 2020 and 2019, respectively. As of December 31, 2021, 1.3 million stock awards were available for grant.

Restricted Stock Units

Restricted stock units ("RSUs") granted to our key employees generally vest over a three-year period (vesting ratably in equal tranches over a three-year period); however, RSUs granted to our non-employee directors generally vest on the first anniversary of the grant date. We recognize compensation expense over the requisite service period using straight-line amortization.

The following table summarizes our RSU activity during the year ended December 31, 2021 (RSUs in thousands):

	No. of RSUs	Weighted Average Grant Date Fair Value ($)
Nonvested as of December 31, 2020	757	$ 19.97
Granted	168	32.92
Vested	(447)	20.20
Forfeited	(2)	26.83
Nonvested as of December 31, 2021	476	$ 24.29

There was approximately $6.6 million of unrecognized compensation expense relating to the unvested RSUs as of December 31, 2021. The unrecognized compensation expense will be recognized over the weighted average remaining vesting period of 1.8 years.

Performance Stock Units

Performance stock units ("PSUs") are granted to our executive officers. Under these awards, the number of shares vested and earned is currently determined at the end of a three-year performance period based on our Return on Capital Employed ("ROCE"). The number of shares earned may range from 0% to 200% of the target units set forth in the applicable award agreement and is determined at the end of the performance period conditioned upon continued service and on our achievement of certain predefined targets as defined in the underlying performance stock unit agreements. PSUs cliff vest upon conclusion of the three-year performance period. As the ROCE target represents a performance condition, we recognize compensation expense for the performance share units on a straight-line basis over three years based on the probable outcome of the ROCE performance.

In 2020, we granted PSU awards that contained a two-year performance period. Our ROCE performance did not meet the minimum requirements for vesting; therefore, those awards were forfeited as of December 31, 2021. As of December 31, 2020, we had not recognized compensation expense related to any of the 2020 awards as it was not probable that the minimum performance level would be achieved for each award as determined by the actual and forecasted ROCE performance over the applicable performance periods. In 2021, we recorded a cumulative catch-up of compensation expense for the three-year awards as it was probable that the minimum ROCE performance level will be achieved.

The following table summarizes our PSU activity during the year ended December 31, 2021 (PSUs in thousands at their target values which assumes achievement of 100% of target):

	No. of PSUs	Weighted Average Grant Date Fair Value ($)
Nonvested as of December 31, 2020	152	$ 13.66
Granted	74	32.82
Vested	—	—
Forfeited	(28)	13.66
Nonvested as of December 31, 2021	198	$ 20.80

As of December 31, 2021, there was approximately $2.2 million of unrecognized compensation expense relating to the unvested PSUs (based on the grant date fair value of the awards at 100% of target) which is expected to be recognized over a weighted average period of 1.7 years.

7. Revenue

We disaggregate revenue from contracts with customers into three revenue categories: (i) product revenues, (ii) rental revenues and (iii) field service and other revenues. We have predominately domestic operations, with a small amount of sales in Australia and the Kingdom of Saudi Arabia. For the year ended December 31, 2021, we derived 64% of our total revenues from the sale of our products, 14% of our total revenues from rental and 22% of our total revenues from field service and other. This compares to 59% of our total revenues from the sale of our products, 19% of our total revenues from rental and 22% of our total revenues from field service and other for the year ended December 31, 2020. In 2019, we derived 57% of our total revenues from the sale of our products, 22% from rental and 21% from field service and other. The following table presents our revenues disaggregated by category:

	Year Ended December 31,		
	2021	2020	2019
Product revenue	$ 280,907	$ 206,801	$ 357,087
Rental revenue	61,629	66,169	141,816
Field service and other revenue	96,053	75,596	129,511
Total revenue	$ 438,589	$ 348,566	$ 628,414

At December 31, 2021, we had a deferred revenue balance of $1.8 million compared to the December 31, 2020 balance of $1.1 million included in accrued expenses and other current liabilities in the consolidated balance sheets. Deferred revenue represents our obligation to transfer products or perform services for a customer for which we have received cash or billed in advance. The revenue that has been deferred will be recognized upon product delivery or as services are performed. As of December 31, 2021, we did not have any contracts with an original length of greater than a year from which revenue is expected to be recognized in the future related to performance obligations that are unsatisfied.

8. Leases

We lease real estate, apartments, forklifts, vehicles and other equipment under non-cancellable agreements. Certain of our leases include one or more options to renew, with renewal terms that can extend the lease term from one to 10 years or greater. The exercise of lease renewal options is typically at our discretion. The measurement of the lease term includes options to extend or renew the lease when it is reasonably certain that we will exercise those options. Lease assets and liabilities are recognized at the commencement date based on the present value of minimum lease payments over the lease term. To determine the present value of future minimum lease payments, we use the implicit rate when readily determinable; however, many of our leases do not provide an implicit rate. Therefore, to determine the present value of minimum lease payments, we use our incremental borrowing rate based on the information available at the commencement date of the lease. Our finance lease agreements typically include an interest rate that is used to determine the present value of future lease payments. Short-term operating leases with an initial term of twelve months or less are not recorded on our balance sheet. Minimum lease payments are expensed on a straight-line basis over the lease term, including reasonably certain renewal options.

The following are the components of operating and finance lease costs:

	Year Ended December 31, 2021	2020
Finance lease cost:		
Amortization of right-of-use assets	$ 4,906	$ 5,739
Interest expense	520	639
Operating lease cost	6,638	7,747
Short-term lease cost	1,894	329
Sublease income	(265)	(475)
Total lease cost	$ 13,693	$ 13,979

The following is supplemental cash flow information for our operating and finance leases:

	Year Ended December 31, 2021	2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	$ 520	$ 639
Operating cash flows from operating leases	5,398	6,875
Financing cash flows from finance leases	5,205	5,317
Total	$ 11,123	$ 12,831
Right-of-use assets obtained in exchange for new lease obligations:		
Operating leases	$ 5,342	$ 1,329
Finance leases	9,941	2,973
Total	$ 15,283	$ 4,302

The following is the aggregate future lease payments for operating and finance leases as of December 31, 2021:

	Operating	Finance
2022	$ 5,506	$ 5,269
2023	4,721	3,848
2024	3,932	2,320
2025	3,069	30
2026	2,134	—
Thereafter	5,269	—
Total undiscounted lease payments	24,631	11,467
Less: effects of discounting	(2,101)	(789)
Present value of lease payments	$ 22,530	$ 10,678

The following represents the average lease terms and discount rates for our operating and finance lease portfolio as of December 31, 2021:

	Year ended December 31,	
	2021	2020
Weighted average remaining lease term:		
Finance leases	2.1 years	1.6 years
Operating leases	5.8 years	6.6 years
Weighted average discount rate		
Finance leases	8.58 %	10.78 %
Operating leases	3.01 %	3.52 %

As a lessor, we rent a fleet of frac valves and ancillary equipment for short-term rental periods, typically one to two months. Our lessor portfolio consists mainly of operating leases for equipment utilized during the drilling, completion and production phases of our customers' wells. At this time, most lessor agreements contain less than three-month terms with no renewal options that are reasonably certain to exercise, or early termination options based on established terms specific to the individual agreement. See Note 7 for disaggregation of revenue.

9. Tax Receivable Agreement

In connection with our IPO, we entered into the TRA with certain direct and indirect owners of Cactus LLC (the "TRA Holders"). The TRA generally provides for payment by Cactus Inc. to the TRA Holders of 85% of the net cash savings, if any, in U.S. federal, state and local income tax and franchise tax that Cactus Inc. actually realizes or is deemed to realize in certain circumstances as a result of (i) certain increases in tax basis that occur as a result of Cactus Inc.'s acquisition (or deemed acquisition for U.S. federal income tax purposes) of all or a portion of such TRA Holder's CW Units in connection with our IPO or any subsequent offering, or pursuant to any other exercise of the Redemption Right or the Call Right, (ii) certain increases in tax basis resulting from the repayment of borrowings outstanding under Cactus LLC's term loan facility in connection with our IPO and (iii) imputed interest deemed to be paid by Cactus Inc. as a result of, and additional tax basis arising from, any payments Cactus Inc. makes under the TRA. We will retain the remaining 15% of the cash savings.

The TRA liability is calculated by determining the tax basis subject to TRA ("tax basis") and applying a blended tax rate to the basis differences and calculating the iterative impact. The blended tax rate consists of the U.S. federal income tax rate and an assumed combined state and local income tax rate driven by the apportionment factors applicable to each state. As of December 31, 2021, the total liability from the TRA was $281.6 million with $11.8 million reflected in current liabilities based on the expected timing of our next payment. The payments under the TRA will not be conditional on a holder of rights under the TRA having a continued ownership interest in either Cactus LLC or Cactus Inc.

The term of the TRA commenced upon completion of our IPO and will continue until all tax benefits that are subject to the TRA have been utilized or expired, unless we exercise our right to terminate the TRA. If we elect to terminate the TRA early (or it is terminated early due to certain mergers, asset sales, other forms of business combinations or other changes of control), our obligations under the TRA would accelerate and we would be required to make an immediate payment equal to the present value of the anticipated future payments to be made by us under the TRA and such payment is expected to be substantial. The calculation of anticipated future payments will be based upon certain assumptions and deemed events set forth in the TRA, including the assumptions that (i) we have sufficient taxable income to fully utilize the tax benefits covered by the TRA and (ii) any CW Units (other than those held by Cactus Inc.) outstanding on the termination date are deemed to be redeemed on the termination date. Any early termination payment may be made significantly in advance of the actual realization, if any, of the future tax benefits to which the termination payment relates.

We may elect to defer payments due under the TRA if we do not have available cash to satisfy our payment obligations under the TRA. Any such deferred payments under the TRA generally will accrue interest from the due date for such payment until the payment date.

10. Equity

Redemptions of CW Units

Pursuant to the First Amended and Restated Limited Liability Company Operating Agreement of Cactus LLC (the “Cactus LLC Agreement”), each holder of CW Units (“CW Unit Holder”) has, subject to certain limitations, the right (the “Redemption Right”) to cause Cactus LLC to acquire all or at least a minimum portion of its CW Units for, at Cactus LLC’s election, (x) shares of our Class A common stock at a redemption ratio of one share of Class A common stock for each CW Unit redeemed, subject to conversion rate adjustments for stock splits, stock dividends and reclassification and other similar transactions, or (y) an equivalent amount of cash. Alternatively, upon the exercise of the Redemption Right, Cactus Inc. (instead of Cactus LLC) will have the right (the “Call Right”) to acquire each tendered CW Unit directly from the exchanging CW Unit Holder for, at its election, (x) one share of Class A common stock, subject to conversion rate adjustments for stock splits, stock dividends and reclassifications and other similar transactions, or (y) an equivalent amount of cash. In connection with any redemption of CW Units pursuant to the Redemption Right or our Call Right, the corresponding number of shares of Class B common stock, par value $0.01 per share (“Class B common stock”), will be canceled.

Any exercise by Cactus LLC or Cactus Inc. of the right to acquire redeemed CW Units for cash must be approved by the board of directors of Cactus Inc. To date, neither Cactus Inc. nor Cactus LLC have elected to acquire CW Units for cash in connection with exchanges by CW Unit Holders. It is the policy of Cactus Inc. that any exercise by Cactus Inc. or Cactus LLC of the right to acquire redeemed CW Units for cash must be approved by a majority of those members of the board of directors of Cactus Inc. who have no interest in such transaction.

Since our IPO in February 2018, 43.9 million CW Units and a corresponding number of shares of Class B common stock have been redeemed in exchange for shares of Class A common stock. For more information regarding our IPO, see our Annual Report on Form 10-K for the year ended December 31, 2018.

The following is a rollforward of ownership of legacy CW Units by CW Unit Holders for the three years ended December 31, 2021:

	CW Units (in thousands)
CW Units held by legacy CW Unit Holders as of December 31, 2018	37,236
March 2019 Secondary Offering	(8,474)
Other CW Unit redemptions	(804)
CW Units held by legacy CW Unit Holders as of December 31, 2019	27,958
Other CW Unit redemptions	(303)
CW Units held by legacy CW Unit Holders as of December 31, 2020	27,655
March 2021 Secondary Offering	(6,273)
Cadent redemption in June 2021	(3,292)
Cadent redemption in September 2021	(715)
Other CW Unit redemptions	(701)
CW Units held by legacy CW Unit Holders as of December 31, 2021	16,674

On March 19, 2019, Cactus Inc. entered into an underwriting agreement by and among Cactus Inc., Cactus LLC, certain selling stockholders of Cactus (the “Selling Stockholders”) and the underwriters named therein, providing for the offer and sale of Class A common stock by the Selling Stockholders (the “March 2019 Secondary Offering”). As described in the prospectus supplement dated March 19, 2019 and filed with the Securities and Exchange Commission on March 20, 2019, in connection with the March 2019 Secondary Offering, certain Selling Stockholders owning CW Units exercised their Redemption Right with respect to 8.5 million CW Units, together with a corresponding number of shares of Class B common stock, as provided in the Cactus LLC Agreement. The March 2019 Secondary Offering closed on March 21, 2019, at which time, in exercise of its Call Right, Cactus Inc. acquired the redeemed CW Units and a corresponding number of shares of Class B common stock (which shares of Class B common stock were then canceled) and issued 8.5 million shares of Class A common stock to the underwriters at the direction of the redeeming Selling Stockholders, as provided in the Cactus LLC Agreement. In addition, certain other Selling Stockholders sold 26 thousand shares of Class A common stock in the March 2019 Secondary Offering, which shares were owned by them directly prior to the closing of this offering. Cactus did not receive any of the proceeds from the sale of common stock in the March 2019 Secondary Offering, and there was no change in the combined number of Cactus Inc. voting shares outstanding. Cactus incurred $1.0 million in offering expenses which were recorded in other income (expense), net, in the consolidated statements of income.

On March 9, 2021, Cactus Inc. entered into an underwriting agreement with Cactus LLC, certain selling stockholders of Cactus (the “Selling Stockholders”) and the underwriters named therein, providing for the offer and sale by the Selling Stockholders (the “2021 Secondary Offering”) of up to 6,325,000 shares of Class A common stock at a price to the underwriters of $30.555 per share. On March 12, 2021, in connection with the 2021 Secondary Offering, certain of the Selling Stockholders exercised their right to redeem 6,272,500 CW Units, together with a corresponding number of shares of Class B common stock, as provided in the Cactus Wellhead LLC Agreement. Upon the closing of the 2021 Secondary Offering, Cactus Inc. acquired the redeemed CW Units and a corresponding number of shares of Class B common stock (which shares of Class B common stock were then canceled) and issued 6,272,500 new shares of Class A common stock to the underwriters at the direction of the redeeming Selling Stockholders, as provided in the Cactus Wellhead LLC Agreement. In addition, certain other Selling Stockholders sold 52,500 shares of Class A common stock in the 2021 Secondary Offering, which shares were owned by them directly as of the time of the 2021 Secondary Offering. Cactus did not receive any of the proceeds from the sale of common stock in the 2021 Secondary Offering and incurred $0.4 million in expenses which were recorded in other expense, net, in the consolidated statements of income. There was no change in the combined number of Cactus Inc. voting shares outstanding as a result of the 2021 Secondary Offering.

On June 17, 2021, Cadent Energy Partners II, L.P. (“Cadent”) transferred ownership of 944,093 CW Units, together with a corresponding number of shares of Class B common stock, to its general partner, Cadent Energy Partners II - GP, L.P., (“Cadent GP”), and its manager, Cadent Management Services, LLC (“Cadent Management”). Cadent then redeemed its remaining 3.3 million CW Units, together with a corresponding number of shares of Class B common stock, as provided in the Cactus Wellhead LLC Agreement. The redeemed CW Units (and the corresponding shares of Class B common stock) were canceled and Cactus Inc. issued 3.3 million new shares of Class A common stock to Cadent, which then distributed such shares to its limited partners. Cactus received no proceeds from these events, and there was no change in the combined number of Cactus Inc. voting shares outstanding.

On September 13, 2021, Cadent GP and Cadent Management transferred their aggregate ownership of 228,878 CW Units, together with a corresponding number of shares of Class B common stock, to their respective owners, which included certain Cactus Inc. board members and executive management. The transfers were made at the discretion of Cadent GP and Cadent Management without the consent of the transferees. Additionally, Cadent GP and Cadent Management redeemed their remaining 715,215 CW Units held, together with a corresponding number of shares of Class B common stock, thus liquidating its ownership in Cactus Wellhead, LLC. These transactions were in accordance with the Cactus Wellhead LLC Agreement. The redeemed CW Units (and the corresponding shares of Class B common stock) were canceled and Cactus Inc. issued 715,215 new shares of Class A common stock. Cactus received no proceeds from these events, and there was no change in the combined number of Cactus Inc. voting shares outstanding.

In addition to the redemptions associated with the March 2019 Secondary Offering, the March 2021 Secondary Offering and the 2021 redemptions by Cadent and its affiliates, certain legacy CW Unit Holders redeemed 0.7 million, 0.3 million and 0.8 million CW Units (together with a corresponding number of shares of Class B common stock) pursuant to the Redemption Right for the years ended December 31, 2021, 2020 and 2019, respectively. Cactus acquired the redeemed CW Units and a corresponding number of shares of Class B common stock (which shares of Class B common stock were then canceled) and issued 0.7 million, 0.3 million and 0.8 million shares of Class A common stock to the redeeming CW Unit Holders during the same respective time periods. Pursuant to the TRA described in Note 9, CW Unit redemptions create additional TRA liability. As a result of all of the CW Unit redemptions during the years ended December 31, 2021, 2020 and 2019, Cactus Inc. increased its ownership in Cactus LLC and accordingly, increased its equity by approximately $79.4 million, $2.2 million and $48.7 million, respectively, from the non-controlling interest.

Dividends

Aggregate cash dividends of $0.38, $0.36 and $0.09 per share of Class A common stock declared during the years ended December 31, 2021, 2020 and 2019 totaled $21.2 million, $17.4 million and $4.3 million, respectively. The fourth quarter of 2019 was the first quarter we declared and paid a dividend. Cash dividends paid during the years ended December 31, 2021, 2020 and 2019 totaled $21.2 million, $17.1 million and $4.2 million, respectively. Dividends accrue on unvested stock-based awards on the date of record and are paid upon vesting. Dividends are not paid to our Class B common stock holders; however, a corresponding distribution up to the same amount per share as our Class A common stockholders is paid to our CW Unitholders for any dividends declared on our Class A common stock. See Note 11 “Related Party Transactions” for further discussion of distributions made by Cactus LLC.

Limitation of Members' Liability

Under the terms of the Cactus Wellhead LLC Agreement, the members of Cactus LLC are not obligated for debt, liabilities, contracts or other obligations of Cactus LLC. Profits and losses are allocated to members as defined in the Cactus Wellhead LLC Agreement.

11. Related Party Transactions

When needed, we rent a plane under dry-lease from a company owned by a member of Cactus LLC. These transactions are under short-term rental arrangements and the agreement governing these transactions does not qualify as a lease. We paid a base hourly rent of $1,750 per flight hour of use of the aircraft, payable monthly, for the hours of aircraft operation during the prior calendar month. During 2021, 2020 and 2019, expense recognized in connection with these rentals totaled $0.2 million, $0.1 million and $0.3 million, respectively. As of December 31, 2021 and 2020, we owed less than $0.1 million to the related party which are included in accounts payable in the consolidated balance sheets. We are also responsible for employing pilots and fuel expenses. Our Chief Executive Officer and Chief Operating Officer paid the Company from $600 to $1,800/day for their personal use of the pilots employed by the Company, depending on how many company pilots are utilized for the day.

The TRA agreement is with certain direct and indirect holders of CW Units, including certain of our officers, directors and employees. These TRA Holders have the right in the future to receive 85% of the net cash savings, if any, in U.S. federal, state and local income tax and franchise tax that Cactus Inc. actually realizes or is deemed to realize in certain circumstances. The total liability from the TRA as of December 31, 2021 was $281.6 million. We pay professional fees to assist with maintenance of the TRA which are reimbursable from the TRA Holders. As of December 31, 2021 and 2020, $0.2 million was due from the TRA Holders for fees paid on their behalf. The balances are included in accounts receivable, net in the consolidated balance sheets.

Distributions made by Cactus LLC are generally required to be made pro rata among all its members. During the years ended December 31, 2021, 2020 and 2019, Cactus LLC distributed $30.6 million, $27.8 million and $14.2 million, respectively, to Cactus Inc. to fund its dividend, TRA liability and estimated tax payments. During the years ended December 31, 2021, 2020 and 2019, Cactus LLC made pro rata distributions to the other members totaling $9.7 million, $16.3 million and $8.4 million, respectively.

12. Commitments and Contingencies

We are involved in various disputes arising in the ordinary course of business. Management does not believe the outcome of these disputes will have a material adverse effect on our consolidated financial position or consolidated results of operations.

13. Earnings Per Share

Basic earnings per share of Class A common stock is calculated by dividing the net income attributable to Cactus Inc. during the period by the weighted average number of shares of Class A common stock outstanding during the same period. Diluted earnings per share of Class A common stock is calculated by dividing the net income attributable to Cactus Inc. during that period by the weighted average number of common shares outstanding assuming all potentially dilutive shares were issued.

We use the if-converted method to determine the potential dilutive effect of outstanding CW Units (and corresponding shares of outstanding Class B common stock), the treasury stock method to determine the potential dilutive effect of unvested restricted stock units assuming that the proceeds will be used to purchase shares of Class A common stock and the contingently issuable share method to determine the potential dilutive effect of unvested performance stock units.

The following table summarizes the basic and diluted earnings per share calculations:

	Year Ended December 31, 2021	2020	2019
Numerator:			
Net income attributable to Cactus Inc.—basic	$ 49,593	$ 34,446	$ 85,612
Net income attributable to non-controlling interest[(1)]	13,744	19,934	56,012
Net income attributable to Cactus Inc.—diluted[(1)]	$ 63,337	$ 54,380	$ 141,624
Denominator:			
Weighted average Class A shares outstanding—basic	55,398	47,457	44,983
Effect of dilutive shares	20,709	28,038	30,370
Weighted average Class A shares outstanding—diluted	76,107	75,495	75,353
Earnings per Class A share—basic	$ 0.90	$ 0.73	$ 1.90
Earnings per Class A share—diluted[(1)]	$ 0.83	$ 0.72	$ 1.88

(1) The numerator is adjusted in the calculation of diluted earnings per share under the if-converted method to include net income attributable to the non-controlling interest calculated as its pre-tax income adjusted for a corporate effective tax rate of 27.0% for the year ended December 31, 2021 and 24.0% for the years ended December 31, 2020 and 2019.

14. Supplemental Cash Flow Information

Non-cash investing and financing activities were as follows:

	Year Ended December 31, 2021	2020	2019
Property and equipment acquired under finance leases	$ 9,941	$ 2,973	$ 3,008
Property and equipment in payables	405	197	1,052

Cash paid for interest and income taxes was as follows:

	Year Ended December 31, 2021	2020	2019
Cash paid for interest	$ 959	$ 959	$ 1,187
Cash paid for income taxes, net	4,542	1,600	5,301

During the years ended December 31, 2021, 2020 and 2019, we issued 11.0 million, 0.3 million and 9.3 million shares of Class A common stock, respectively, pursuant to redemptions of CW Units by holders thereof.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We have evaluated, under the supervision and with the participation of our principal executive officer and principal financial officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as amended) as of December 31, 2021. Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of such date. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Not applicable.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Directors and Executive Officers

The directors and executive officers of the Company are:

Name	Age	Title
Bruce Rothstein	69	Chairman of the Board of Directors
Scott Bender	68	President, Chief Executive Officer and Director
Joel Bender	62	Senior Vice President, Chief Operating Officer and Director
Melissa Law	48	Director, Audit Committee member and Compensation Committee member
Michael McGovern	70	Director, Compensation Committee Chairman and Audit Committee member
John (Andy) O’Donnell	73	Director, Audit Committee member, Compensation Committee member and Nominating and Governance Committee member
Gary Rosenthal	72	Director, Nominating and Governance Committee Chairman and Compensation Committee member
Alan Semple	62	Director, Audit Committee Chairman and Nominating and Governance Committee member
Tym Tombar	48	Director, Audit Committee member and Compensation Committee member
Steven Bender	39	Vice President of Operations
Stephen Tadlock	43	Vice President, Chief Financial Officer and Treasurer
David Isaac	61	General Counsel, Vice President of Administration and Secretary

Set forth below is biographical information about each of our directors and executive officers.

Directors

Bruce Rothstein—Chairman of the Board of Directors. Bruce Rothstein has been our Chairman of the Board since 2011. Mr. Rothstein co-founded Cadent Energy Partners LLC (“Cadent Energy Partners”), a natural resources private equity firm that invests in companies in the North American energy industry, in 2003 and served as a Member of Cadent Energy Partners from 2003 until March 2021. From November 2005 until November 2017, Mr. Rothstein served on the board of directors of Array Holdings, Inc. From May 2006 to August 2016, he served on the board of directors of Vedco Holdings, Inc. From December 2007 to April 2016, Mr. Rothstein served on the board of directors of Torqued-Up Energy Services, Inc. From December 2008 until February 2012, Mr. Rothstein served as a director of Ardent Holdings, LLC. Mr. Rothstein graduated from Cornell University in 1974 with a Bachelor of Arts in Mathematics and New York University’s Stern School of Business in 1985 with a Master of Business Administration. We believe that Mr. Rothstein’s extensive financial and energy investment experience brings valuable skills to our board of directors and qualifies him to serve on our board of directors.

Scott Bender—President, Chief Executive Officer and Director. Scott Bender has been our President and Chief Executive Officer and one of our directors since 2011, when he and Mr. Joel Bender founded Cactus LLC. Prior to founding Cactus LLC, Mr. Bender was President of Wood Group Pressure Control from 2000 to 2011. He began his career in 1977 as President of Cactus Wellhead Equipment, a subsidiary of Cactus Pipe that was eventually sold to Cooper Cameron Corporation in 1996. Mr. Bender graduated from Princeton University in 1975 with a Bachelor of Science in Engineering and the University of Texas at Austin in 1977 with a Master of Business Administration. We believe that Mr. Bender's significant experience in the oilfield services industry and his founding and leading of Cactus LLC bring important skills to our board of directors and qualifies him to serve on our board. Mr. Bender is the father of Steven Bender, our Vice President of Operations, and the brother of Joel Bender, our Senior Vice President and Chief Operating Officer and one of our directors.

Joel Bender—Senior Vice President, Chief Operating Officer and Director. Joel Bender has been our Senior Vice President and Chief Operating Officer and one of our directors since 2011, when he and Mr. Scott Bender founded Cactus LLC. Prior to founding Cactus LLC, Mr. Bender was Senior Vice President of Wood Group Pressure Control from 2000 to 2011. He began his career in 1984 as Vice President of Cactus Wellhead Equipment, a subsidiary of Cactus Pipe that was eventually sold to Cooper Cameron Corporation in 1996. Mr. Bender graduated from Washington University in 1981 with a Bachelor of Science in Engineering and the University of Houston in 1985 with a Master of Business Administration. We believe that Mr. Bender's significant experience in the oilfield services industry and his founding and leading of Cactus LLC bring important skills to our board of directors and qualifies him to serve on our board. Mr. Bender is the brother of Scott Bender, our President and Chief Executive Officer and one of our directors.

Melissa Law—Director. Ms. Law has served as one of our directors since January 2020. Ms. Law is an accomplished executive leader with significant experience in the oilfield services industry and more recent experience in the food & beverage ingredient industry. Ms. Law has served as the President of Global Operations for Tate & Lyle since September 2017. As a member of the Executive Leadership team, Ms. Law is responsible for leading the EHS, Quality, and Sustainability Programs, the end to end supply chain and logistics function as well as the global manufacturing and engineering organizations. Prior to joining Tate & Lyle, Ms. Law held various roles of increasing responsibility at Baker Hughes Incorporated from 1997 to 2017. At Baker Hughes, Ms. Law had full profit and loss responsibility for Baker Hughes' Global Specialty Chemical Business from 2014 to 2017 as well as Baker Hughes' Australasia geo-market from 2013 to 2014. Prior to those roles, Ms. Law held various other senior leadership roles in technology, manufacturing and operations at Baker Hughes. Ms. Law is a graduate of the University of Houston from where she holds a Master of Science in Environmental Chemistry. We believe Ms. Law's qualifications to serve on the board include her 20 years of experience in the energy industry and her multi-industry executive leadership and management experiences.

Michael McGovern—Director. Mr. McGovern has served as one of our directors since 2011. In February 2021, Mr. McGovern was elected Chairman of the board of directors of Superior Energy Services, Inc. ("Superior") and in March 2021, he assumed the role as Superior's principal executive officer. In January 2022, he stepped down as the principal executive officer but remains as Superior's Executive Chairman of the Board. Mr. McGovern has served as Chairman and Chief Executive Officer of Sherwood Energy, LLC since March 2009 and has served on the board of directors of Ion Geophysical (NYSE: IO) since June 2019. He served on the board of directors of Nuverra Environmental Solutions, Inc. from August 2017 until February 2022. Mr. McGovern served as Executive Advisor to Cadent Energy Partners from January 2008 to December 2014. Mr. McGovern graduated from the Centenary College of Louisiana in 1973 with a Bachelor of Science in Business. We believe Mr. McGovern's qualifications to serve on our board of directors include his 40 years of experience in the energy industry and his extensive executive leadership and management experience, including as Chief Executive Officer of several public companies.

John (Andy) O'Donnell—Director. Mr. O'Donnell has served as one of our directors since January 2015. Mr. O'Donnell served as an officer of Baker Hughes Incorporated from 1998 until his retirement in January 2014. In his most recent role he served as Vice President, Office of the CEO of Baker Hughes Incorporated. Prior to that he held multiple leadership positions within Baker Hughes Incorporated, including President of Western Hemisphere, President of BJ Services, President of Baker Petrolite and President of Baker Hughes Drilling Fluids. He was responsible for the process segment, which was divested in early 2004. Mr. O'Donnell also managed Project Renaissance, an enterprise-wide cost savings effort, completed in 2001. Prior to that he served as Vice President Manufacturing for Baker Oil Tools and Plant Manager for Hughes Tool Company. He joined Hughes Tool Company in 1975 starting his career as a systems analyst. Mr. O'Donnell served as an officer and aviator in the U.S. Marine Corps and holds a B.S. degree from the University of California, Davis. He is a member of the board of directors of CIRCOR International, Inc., where he serves on the Compensation Committee and the Nominating and Governance Committee. We believe Mr. O'Donnell's qualifications to serve on our board of directors include his years of experience in the energy industry and his extensive executive leadership and management experience, including as an officer of Baker Hughes Incorporated from 1998 until 2014.

Gary Rosenthal—Director. Mr. Rosenthal has served as one of our directors since January 2018. Mr. Rosenthal has been a partner in The Sterling Group, L.P., a private equity firm based in Houston, Texas, since January 2005. He served as Chairman of the Board of Highline Aftermarket LLC, a former Sterling Group investment, from September 2019 until October 2020 and as a director from April 2016 until October 2020. Mr. Rosenthal has served as Chairman of the Board of Greenbridge

Investments LLC since March 2019 and Evergreen Recycling Investments LLC since June 2021. From October 2013 until February 2018, he was Chairman of the Board of Safe Fleet Investments LLC. Greenbridge Investments LLC, Evergreen Recycling Investments LLC and Safe Fleet Investments LLC are all Sterling Group portfolio companies. From 2001 until 2018, Mr. Rosenthal served as a director and chairman of the Compensation Committee of Oil States International, Inc. He also served as Chairman of the Board of Hydrochem Holdings, Inc. from May 2003 until December 2004. From August 1998 to April 2001, he served as Chief Executive Officer of AXIA Incorporated, a diversified manufacturing company. From 1991 to 1994, Mr. Rosenthal served as Executive Chairman and then after its initial public offering, as Chairman and Chief Executive Officer of Wheatley-TXT Corp., a manufacturer of pumps and valves for the oilfield. Mr. Rosenthal holds J.D. and A.B. degrees from Harvard University. We believe that Mr. Rosenthal's qualifications to serve on our board of directors include his extensive executive leadership experience and his experience in the energy sector.

Alan Semple—Director. Mr. Semple has served as one of our directors since April 2017. Since December 2015, Mr. Semple has served as a member of the board of directors and the Audit Committee of Teekay Corporation, a leading provider of international crude oil and gas marine transportation services, and as the Audit Committee Chairman since March 2018. From May 2019 until January 2022, Mr. Semple served as a member of the Board of Directors and Chairman of the Audit Committee of Teekay GP, LLC, the general partner of Teekay LNG Partners, LP. He was formerly Director and Chief Financial Officer at John Wood Group PLC (Wood Group), a provider of engineering, production support and maintenance management services to the oil and gas and power generation industries, a role he held from 2000 until his retirement in May 2015. Prior to this, he held a number of senior finance roles in Wood Group since 1996. Mr. Semple graduated from the University of Strathclyde (Glasgow, Scotland) in 1979 with a Bachelor of Arts degree in Business Administration and is a member of the Institute of Chartered Accountants of Scotland. We believe that Mr. Semple's more than 30 years of finance experience, primarily in the energy industry, makes him qualified to serve on our board of directors.

Tym Tombar—Director. Mr. Tombar has served as one of our directors since July 2021. Mr. Tombar is a Managing Director and Co-Founder of Arcadius Capital Partners and its predecessor SW Capital Partners. Since 2011, Arcadius Capital Partners, an energy private equity firm, has invested growth capital into start-ups and early-stage companies in the upstream oil and gas industry. From 2007 to 2011, he was a Managing Director and co-head of Scotiabank's Energy Private Equity group. Since 2007, Mr. Tombar has served on the boards of over 12 private oil and gas companies. Prior to April 2007, he was a Vice President with Goldman, Sachs & Co. ("Goldman") and led deal teams through sourcing, execution, and management of a variety of primary market energy investments in securities and loans. Prior to that, Mr. Tombar worked in Goldman's Investment Banking Division in New York, London and Houston, where he advised several upstream oil and gas, oilfield services and petrochemical clients and executed a variety of transactions for public and private oil and gas companies. Mr. Tombar began his career with Goldman in its Energy & Power Principal Investment Area and Banking Group based in New York in 1994. Mr. Tombar graduated with a Master of Business Administration from Stanford University's Graduate School of Business and a Bachelor of Arts degree in Applied Math from Harvard University. We believe Mr. Tombar's qualifications to serve on the board include his executive leadership and 25 years of investment and finance experience in the energy industry.

Our Executive Officers

Steven Bender—Vice President of Operations. Steven Bender has been our Vice President of Operations since 2011. From 2005 to 2011, Mr. Bender served as Rental Business Manager of Wood Group Pressure Control. Mr. Bender graduated from Rice University in 2005 with a Bachelor of Arts in English and Hispanic Studies and the University of Texas at Austin in 2010 with a Master of Business Administration. Mr. Bender is the son of Scott Bender, our President and Chief Executive Officer and one of our directors.

Stephen Tadlock—Vice President, Chief Financial Officer and Treasurer. Mr. Tadlock has been our Vice President, Chief Financial Officer and Treasurer since March 2019. He was our Vice President and Chief Administrative Officer from March 2018 until March 2019 and joined our company in June 2017 as our Vice President of Corporate Services. Mr. Tadlock previously worked at Cadent Energy Partners LLC from 2007 to 2017, where he most recently served as a Partner from 2014 to 2017. While at Cadent Energy Partners LLC, Mr. Tadlock managed investments across all energy sectors and worked with Cactus LLC since its founding in 2011 as a board observer. Prior to joining Cadent Energy Partners LLC, Mr. Tadlock was a consultant to Cairn Capital, a London based asset management firm. Previously he was associate to the CEO of SoundView, a publicly traded investment bank in Old Greenwich, Connecticut. Mr. Tadlock began his career as an analyst at UBS Investment Bank in New York, New York. Mr. Tadlock served as a director and chairman of Polyflow Holdings, LLC until his resignation in 2018. Mr. Tadlock also served as a director of Composite Energy Services, LLC and Energy Services Holdings, LLC until his respective resignations in 2017. Mr. Tadlock graduated from Princeton University in 2001 with a Bachelor of Science in Engineering in Operations Research and from the Wharton School at the University of Pennsylvania in 2007 with a Master of Business in Administration.

David Isaac—General Counsel, Vice President of Administration and Secretary. David Isaac has been our General Counsel, Vice President of Administration and Secretary since 2018. Mr. Isaac previously worked at Rockwater Energy Solutions, Inc. from 2011 to 2017 where he most recently served as Senior Vice President of Human Resources and General Counsel. While at Rockwater, Mr. Isaac led the Human Resources, HSE, and Legal functions of the organization. Prior to joining Rockwater, Mr. Isaac was the Vice President of Human Resources and General Counsel of Inmar, Inc. a private business-process outsourcing and reverse logistics firm in Winston-Salem, North Carolina. Previously he served as Senior Vice President of Human Resources at Wachovia Bank, also in Winston-Salem, North Carolina. Before Wachovia, Mr. Isaac performed legal and human resources functions for Baker Hughes, Inc. and its subsidiaries in Houston, Texas. Mr. Isaac graduated from The College of William & Mary in 1983 with a Bachelor of Arts in Economics and from The Ohio State University in 1986 with a Juris Doctor.

Composition of Our Board of Directors

Our business and affairs are managed under the direction of our board of directors. Our board of directors consists of nine members, including our Chief Executive Officer. Among the nine members of our board of directors, we have one female director and one director who is a member of a racial or ethnic minority group. In connection with our IPO, we entered into a Stockholders' Agreement with Cadent and Cactus WH Enterprises, a Delaware limited liability company owned by Messrs. Scott Bender, Joel Bender and Steven Bender and certain of our other employees. The Stockholders' Agreement was amended in 2021 after Cadent withdrew from the Agreement. The Amended and Restated Stockholders' Agreement provides Cactus WH Enterprises with the right to designate a certain number of nominees to our board of directors so long as they and their respective affiliates collectively beneficially own at least 5%, respectively, of the outstanding shares of our common stock. See "Item 13. Certain Relationships and Related Transactions, and Director Independence—Stockholders' Agreement."

In evaluating director candidates, our board of directors will assess whether a candidate possesses the integrity, judgment, knowledge, experience, skills and expertise that are likely to enhance the board's ability to manage and direct our affairs and business, including, when applicable, to enhance the ability of committees of our board of directors to fulfill their duties. Our directors are divided into three classes serving staggered three-year terms. Class I, Class II and Class III directors will serve until our annual meetings of stockholders in 2024, 2022 and 2023, respectively. Messrs. McGovern, O'Donnell and Tombar have been assigned to Class I, Messrs. Semple and Joel Bender and Ms. Law have been assigned to Class II, and Mr. Rothstein, Scott Bender and Mr. Rosenthal have been assigned to Class III. At each of the Company's annual meeting of stockholders, directors will be elected to succeed the class of directors whose terms have expired.

Our board of directors has reviewed the independence of our directors using the independence standards of the New York Stock Exchange ("NYSE") and based on this review, determined that Messrs. McGovern, O'Donnell, Rosenthal, Rothstein, Semple and Tombar and Ms. Law are independent within the meaning of the NYSE listing standards currently in effect and within the meaning of Section 10A-3 of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Committees of the Board of Directors

We have a standing Audit Committee, Compensation Committee and a Nominating and Governance Committee.

Audit Committee

Rules implemented by the NYSE and the SEC require us to have an Audit Committee comprised of at least three directors who meet the independence and experience standards established by the NYSE and the Exchange Act. Our Audit Committee is currently comprised of Messrs. Semple, McGovern, O'Donnell and Tombar and Ms. Law, each of whom are independent under the rules of the SEC. SEC rules also require that a public company disclose whether or not its audit committee has an "audit committee financial expert" as a member. An "audit committee financial expert" is defined as a person who, based on his or her experience, possesses the attributes outlined in such rules. The board has determined that Messrs. Semple, McGovern and Tombar satisfy the definition of an "audit committee financial expert." Mr. Semple serves as the chairman of the Audit Committee.

The Audit Committee oversees, reviews, acts on and reports on various auditing and accounting matters to the board, including: the selection of our independent accountants, the scope of our annual audits, fees to be paid to the independent accountants, the performance of our internal audit function and our independent accountants and our accounting practices. In addition, the Audit Committee assists our board of directors in fulfilling its oversight responsibilities regarding our compliance programs relating to legal and regulatory requirements. In connection with our IPO, we adopted an Audit Committee charter defining the committee's primary duties in a manner consistent with the rules of the SEC and applicable stock exchange or market standards. Our Audit Committee charter is available on our website at www.CactusWHD.com.

Compensation Committee

Our Compensation Committee is currently comprised of Messrs. McGovern, O'Donnell, Rosenthal and Tombar and Ms. Law, all of whom meet the independence standards established by the NYSE. Mr. McGovern serves as the chairman of the Compensation Committee. The Compensation Committee establishes salaries, incentives and other forms of compensation for officers and other employees. The Compensation Committee also administers our incentive compensation plans. We have adopted a Compensation Committee charter defining the committee's primary duties in a manner consistent with the rules of the SEC and applicable stock exchange or market standards. Our Compensation Committee charter is available on our website at www.CactusWHD.com.

Nominating and Governance Committee

Our Nominating and Governance Committee is currently comprised of Messrs. O'Donnell, Rosenthal and Semple, all of whom meet the independence standards established by the NYSE. Mr. Rosenthal serves as the chairman of the Nominating and Governance Committee. The Nominating and Governance Committee identifies, evaluates and recommends qualified nominees to serve on our board of directors, develops and oversees our internal corporate governance processes and maintains a management succession plan. We have adopted a Nominating and Governance Committee charter defining the committee's primary duties in a manner consistent with the rules of the SEC and applicable stock exchange or market standards. Our Nominating and Governance Committee charter is available on our website at www.CactusWHD.com.

Corporate Governance

Corporate Governance Guidelines

Our board of directors believes that sound governance practices and policies provide an important framework to assist it in fulfilling its duty to stockholders. The Company's "Corporate Governance Guidelines" cover the following principal subjects:

- the size of the board;
- qualifications and independence standards for the board;
- director responsibilities;
- board of director leadership;
- meetings of the board and of non-employee directors;
- committee functions and independence of committee members;
- compensation of the board;
- self-evaluation and succession planning;
- ethics and conflicts of interest (a copy of the current "Code of Business Conduct and Ethics" is posted on the Company's website at www.CactusWHD.com);
- stockholder communications with directors; and
- access to senior management and to independent advisors.

The Corporate Governance Guidelines are posted on the Company's website at www.CactusWHD.com. The Corporate Governance Guidelines will be reviewed periodically and as necessary by the board for its approval. The NYSE has adopted rules that require listed companies to adopt governance guidelines covering certain matters. The Company believes that the Corporate Governance Guidelines comply with the NYSE rules.

Anti-Hedging and Pledging Policies

Our directors and executive officers are prohibited from hedging their ownership of Company stock. Furthermore, our directors and executive officers are prohibited from pledging their Company stock.

Board Leadership

Our board of directors directs and oversees the management of the business and affairs of the Company in a manner consistent with the best interests of the Company. Our board's responsibility is one of oversight, and in performing its oversight role, our board serves as the ultimate decision-making body of the Company, except for those matters reserved to or shared with our stockholders.

In accordance with the Company's Corporate Governance Guidelines, our board of directors selects the Company's Chairman and the Company's CEO in any way it considers in the best interests of the Company and, accordingly, does not have a policy on whether the roles of Chairman and CEO should be separate or combined and, if separate, whether the Chairman should be selected from the independent directors. At the present time, the roles of Chairman and CEO are separate.

Executive Sessions of Non-Employee Directors

Our board of directors holds regular executive sessions in which the non-employee directors meet without any members of management present. The purpose of these executive sessions is to promote open and candid discussion among the non-employee directors. The Chairman of the Board will serve as the lead director at executive sessions of the non-employee directors, unless the Chairman of the Board is a member of management, in which case the lead director at such meetings will be the chairman of the Audit Committee.

If the non-employee directors include members who are not independent within the listing requirements of the NYSE, the independent members of the board will meet in executive session at least once per year. Our Corporate Governance Guidelines provide that the Chairman of the Board will serve as the lead director at executive sessions of the independent directors, unless the Chairman of the Board is not independent, in which case the lead director at such meetings will be an independent director selected by our board of directors. The Chairman of the Board is independent and he serves as the lead director at executive sessions of the independent directors.

Communications with the Board of Directors

Stockholders and any other interested parties may send communications to the board, any committee of the board, the Chairman of the Board or any other director in particular to: Cactus, Inc., 920 Memorial City Way, Suite 300 Houston, Texas 77024. Stockholders and any other interested parties should mark the envelope containing each communication as "Stockholder Communication with Directors" and clearly identify the intended recipient(s) of the communication. Our General Counsel will review each communication received from stockholders and other interested parties and will forward the communication, as expeditiously as reasonably practicable, to the addressees if: (1) the communication complies with the requirements of any applicable policy adopted by the board relating to the subject matter of the communication; and (2) the communication falls within the scope of matters generally considered by the board. To the extent the subject matter of a communication relates to matters that have been delegated by the board to a committee or to an executive officer of the Company, then our General Counsel may forward the communication to the executive officer or chairman of the committee to which the matter has been delegated. The acceptance and forwarding of communications to the members of the board or an executive officer does not imply or create any fiduciary duty of the board members or executive officer to the person submitting the communications.

Oversight of Risk Management

Risk assessment, management and oversight are an integral part of our governance and management processes. Our board of directors encourages management to promote a culture that incorporates risk management into our corporate strategy and day-to-day business operations. Management discusses strategic and operational risks at regular management meetings and conducts specific strategic planning and review sessions during the year that include a focused discussion and analysis of the risks facing us, including information security and cybersecurity risks. Throughout the year, senior management reviews these risks at regular board of directors meetings as part of management presentations that focus on particular business functions, operations or strategies, and presents the steps taken by management to mitigate such risks. Specific to information security and cybersecurity risks, the Company undertakes intrusion prevention and detection measures, penetration testing, vulnerability assessments and total threat telemetry of various aspects of our information system.

Our board of directors does not have a standing risk management committee, but rather administers this oversight function directly through the board as a whole. Our board of directors is responsible for monitoring and assessing strategic risk exposure, and the Audit Committee assists the board in fulfilling its oversight responsibilities by overseeing our major financial and information technology risk exposures and the steps our management has taken to monitor and control these exposures.

Risks specific to information security and cybersecurity are discussed with and presented to the board of directors as well as the audit committee on a quarterly basis. One member of the audit committee has information security experience. The Company has not experienced an information security breach in over three years. Over this three-year timeframe it has not incurred any net expenses related to information security breaches and it has not incurred any penalties or settlements related to information security breaches. In addition to a variety of projects designed to enhance the security of the Company's systems, networks and technologies, the Company conducts periodic information security training for all employees.

Attendance at Annual Meetings

While we have no formal policy regarding director attendance at our annual meetings of stockholders, directors are encouraged to attend our annual meetings, if practicable. All of the directors attended our annual meeting held in 2021.

Board of Directors and Committee Meeting Attendance

During 2021, the entire board of directors held ten meetings, the Audit Committee and the Nominating and Governance Committee each held four meetings and the Compensation Committee held three meetings. Each of our directors attended more than 75% of the aggregate of the total number of board of directors meetings and the total number of meetings held by all committees on which he or she served.

Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act requires our directors, executive officers, and persons who beneficially own more than ten percent of the shares of our common stock, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Copies of all filed reports are required to be furnished to us. Based solely on the reports received by us and on the representations of the reporting persons, we believe that these persons have complied with all applicable filing requirements during the years ended December 31, 2021 except in August 2021, a Form 4 was filed late for each of Cactus WH Enterprises, Scott Bender and Joel Bender. The Form 4s related to the same transaction.

Code of Business Conduct and Ethics

Our board of directors has adopted a Code of Business Conduct and Ethics applicable to all of our officers, directors and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions and is available on our website at www.CactusWHD.com under “Corporate Governance” within the “Investors” section. We will provide a copy of this document to any person, without charge, upon request, by writing to us at Cactus, Inc., Investor Relations, 920 Memorial City Way, Suite 300, Houston, Texas 77024. We intend to satisfy the disclosure requirement under Item 406(b) of Regulation S-K regarding amendments to, or waivers from, provisions of our Code of Business Conduct and Ethics by posting such information on our website at the address and the location specified above.

Item 11. Executive Compensation

Introduction

This Compensation Discussion and Analysis (“CD&A”) provides information about the compensation objectives and policies for our principal executive officer, our principal financial officer and our three other most highly compensated executive officers (collectively our named executive officers or “NEOs”) during the last completed fiscal year and is intended to place in perspective the information contained in the executive compensation tables that follow this discussion. Throughout this discussion, the following individuals are referred to as our NEOs and are included in the Summary Compensation Table which follows:

Name	Position
Scott Bender	President, Chief Executive Officer and Director
Joel Bender	Senior Vice President, Chief Operating Officer and Director
Stephen Tadlock	Vice President, Chief Financial Officer and Treasurer
Steven Bender	Vice President of Operations
David Isaac	General Counsel, Vice President of Administration and Secretary

Executive Compensation Philosophy and Objectives

The core principle of our executive compensation philosophy is to pay for performance that is aligned with our business strategy and drives growth in shareholder value over the short and long term. Accordingly, a significant portion of the compensation that we pay to our NEOs is in the form of variable, "at-risk" cash and equity incentives. The following compensation objectives are considered in setting the compensation components for our executive officers:

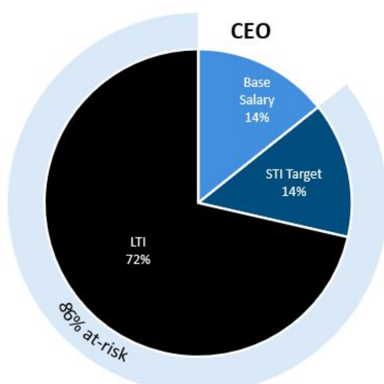
- **Attraction and retention:** providing compensation opportunities that reflect competitive market practices so that we can attract and retain key executives responsible not only for our continued growth and profitability, but also for ensuring proper corporate governance while carrying out the goals and plans of the Company;
- **Paying for performance:** linking a significant portion of compensation to variable, "at-risk" incentive compensation with realized values dependent upon financial, operational, and stock price performance to ensure that compensation earned by our NEOs reflects our performance; and
- **Shareholder alignment:** providing a balance of short-term and long-term incentive opportunities with a majority of NEO compensation in the form of equity in order to ensure alignment of interests between our NEOs and our shareholders, and to promote an ownership culture among our executive officers.

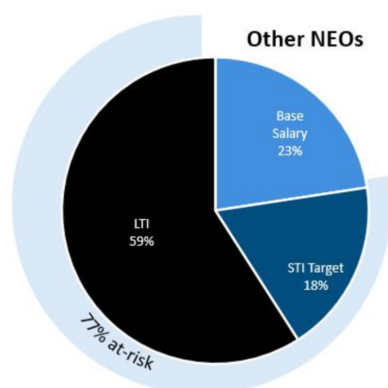
Our compensation philosophy is supported by the following pay elements:

		Grounding Principles		
Element	**Key Characteristic**	**Attraction & Retention**	**Pay for Performance**	**Shareholder Alignment**
Base Salary	• Annual fixed cash compensation • Critical factor in attracting and retaining qualified talent	✓		
Short-term Incentives (STI)	• Annual variable cash award • Awards are tied to achievement of key financial and safety objectives	✓	✓	✓
Long-term Incentives (LTI)	• Provided in the form of performance-based and time-based equity • Promotes alignment with shareholders by tying a majority of NEO compensation to creation of long-term value and by encouraging NEOs to build meaningful equity ownership	✓	✓	✓

Target Pay Mix

The charts below show the target mix of total direct compensation of our Chief Executive Officer and our other NEOs for 2021. These charts illustrate that a majority of NEO total direct compensation is at-risk (86% for our Chief Executive Officer and an average of 77% for our other NEOs).





Compensation Program Governance

We have worked extensively and deliberately to develop a thoughtful, fair, and effective executive compensation program that helps us to deliver long-term sustainable growth to our shareholders. The following chart highlights several features of our compensation practices that are intended to meet our objectives:

	What We Do		What We Don't Do
✓	Significant majority of pay at risk	X	No excessive perquisites
✓	50% of CEO LTI value performance-based	X	No guaranteed bonuses
✓	Balance of short-term and long-term incentives	X	No excise tax gross-ups
✓	Clawback policy for NEOs that applies to cash and equity incentives	X	Prohibition on hedging, pledging and short sales by insiders
✓	Share ownership guidelines for NEOs and directors	X	Prohibition on option repricing
✓	Regularly evaluate risks of our compensation policy		
✓	Independent compensation consultant		
✓	One-year minimum vesting requirement for LTIP grants		

Say on Pay and Say on Frequency

At our 2019 Annual Meeting, a plurality of our stockholders expressed their preference for an advisory vote on executive compensation occurring every three years ("say on frequency"), and we have implemented their recommendation. While not required to do so, the board of directors currently plan to hold another vote regarding say on frequency at the 2025 Annual Meeting. In addition, at the 2019 Annual Meeting, we also held an advisory vote on compensation for our NEOs ("say on pay"). The next advisory vote on this matter will therefore be held at the 2022 Annual Meeting. In 2019, our stockholders expressed their support regarding say on pay, with 94% of the shares of our Class A common stock and Class B common stock present or represented by proxy at the 2019 Annual Meeting voting in support of our executive compensation policies and practices for our NEOs during 2018.

Our Compensation Committee values the opinions of our shareholders regarding NEO compensation. The Compensation Committee welcomes feedback from shareholders on the topic of executive compensation and is open to dialogue with shareholders on the topic. In reviewing our program, our Compensation Committee considered the results of the 2019 advisory vote on executive compensation and the support expressed by stockholders in their overall assessment of our programs. Our Compensation Committee elected to apply similar principles in determining the types and amounts of compensation to be paid to our NEOs for 2021.

How We Make Compensation Decisions

Role of the Compensation Committee

The Compensation Committee has the responsibility for reviewing and approving the compensation policies, programs, and plans for our senior officers (including our NEOs) and our non-employee directors. The Compensation Committee's responsibilities include administering our Management Incentive Plan ("MIP"), which provides for annual cash incentive opportunities, and our long-term incentive plan (the "LTIP"), which provides for the grant of equity-based awards. In addition, the Compensation Committee regularly reviews current best compensation and governance practices to ensure that our executive compensation program is consistent with recent developments and market practice. In overseeing the compensation of our directors and officers, our Compensation Committee considers various analyses and perspectives provided by its independent compensation consultant and by Company management. Subject to Board approval in certain circumstances, the Compensation Committee has the sole authority to make final decisions with respect to our executive compensation program, and the Compensation Committee is under no obligation to use the input of other parties. For more detailed information regarding the Compensation Committee, please refer to the Compensation Committee Charter, which may be accessed via our website at www.CactusWHD.com by selecting "Investors," "Corporate Governance" and then "Governance Documents."

Role of Executive Officers in Compensation Decisions

With respect to the compensation of the NEOs other than our Chief Executive Officer, the Compensation Committee considers the recommendations of our Chief Executive Officer and each NEO's individual performance. In light of our NEOs' integral role in establishing and executing the Company's overall operational and financial objectives, the Compensation

Committee requests that our CEO provide the initial recommendations on the appropriate goals for the qualitative and quantitative performance metrics used in our short-term cash incentive program. However, the Committee is under no obligation to follow those recommendations, and only Compensation Committee members are allowed to vote on decisions regarding NEO compensation.

The Compensation Committee may invite any NEO to attend Compensation Committee meetings to report on the Company's progress with respect to the annual quantitative and qualitative performance metrics, but any such officer is excluded from any decisions or discussions regarding his individual compensation. In addition, the Board has granted limited authority to Scott Bender, our Chief Executive Officer, to make awards under the LTIP to certain individuals who are not executive officers.

Role of Independent Compensation Consultant

Pearl Meyer & Partners, LLC ("Pearl Meyer") serves as independent compensation consultant for, and reports directly to, the Compensation Committee. Representatives of Pearl Meyer attend Compensation Committee meetings as requested and communicate with the Compensation Committee informally between meetings as necessary. Pearl Meyer assists and advises the Compensation Committee on all aspects of our executive compensation program. Services provided by the independent compensation consultant include:

- reviewing the compensation and stock performance of peer companies and recommending changes to our peer group, as necessary;
- reviewing executive compensation based on an analysis of market-based compensation data;
- analyzing the effectiveness of our executive compensation program and recommending changes, as necessary; and
- evaluating how well our executive compensation adheres to program objectives.

To facilitate the delivery of these services to the Compensation Committee, Pearl Meyer interfaces with our management, primarily with our General Counsel and VP of Administration. In 2021, Pearl Meyer did not provide any services to the Company other than those requested by the Compensation Committee in Pearl Meyer's role as the Committee's independent advisor. Other than those services requested by the Compensation Committee, Pearl Meyer did not have any business or personal relationships with members of the Compensation Committee or executives of the Company, did not own any of the Company's common stock and maintained policies and procedures designed to avoid such conflicts of interest. As such, the Compensation Committee determined the engagement of Pearl Meyer in 2021 did not create any conflicts of interest.

Role of Competitive Benchmarking

The Compensation Committee periodically evaluates the Company's executive compensation against that of comparable companies. The Compensation Committee does not set specific percentile goals against competitive data for purposes of determining executive compensation levels. In establishing individual compensation opportunities, the Committee considers this competitive data as well as a variety of other factors including individual performance, competencies, scope of responsibility, and internal equity.

The Compensation Committee considers the competitive market to consist of the oilfield services industry broadly, as well as other similarly sized companies in related industries that could potentially compete with us for executive talent. The Committee periodically reviews data for a selected peer group approved by the Compensation Committee (the "peer group"), as well as for broader general industry companies of comparable size and business complexity (compensation survey data), as provided to the Committee by their independent advisor. In selecting comparison companies, the Compensation Committee considers various factors including each company's participation in the energy services sector as well as market capitalization, annual revenues, business complexity, profitability, returns on equity and assets, the number of divisions/segments, countries in which they operate and total number of employees. The selected peer companies are reviewed from time to time to ensure their continued appropriateness for comparative purposes. For the 2021 compensation analysis, the Company used the following peer group companies:

2021 Compensation Peer Group[(1)]

Archrock, Inc.	ProPetro Holding Corp.
Core Laboratories, NV	Patterson-UTI Energy, Inc.
Dril-Quip, Inc.	Oil States International, Inc.
DMC Global Inc.	ChampionX Corporation
Frank's International, NV	Liberty Oilfield Services Inc.
Helix Energy Solutions Group, Inc.	USA Compression Partners, LP

(1) In 2020, the peer group companies included Forum Energy Technologies, NCS Multistage Holdings, Inc., Newpark Resources, Inc. and RPC, Inc. These companies were replaced by DMC Global Inc., ProPetro Holding Corp., Patterson-UTI Energy, Inc. and Liberty Oilfield Services Inc. for the 2021 peer group analysis as our independent compensation consultant advised the Compensation Committee that the changes to the peer group would provide a better market comparison.

Elements of Compensation

Base Salary

Base salary is the guaranteed element of an executive's direct compensation and is intended to provide a foundation for a competitive overall compensation opportunity for the executive. The Compensation Committee reviews each executive's base salary annually. Executive officer base salaries are determined after an evaluation that considers the executive's prior experience and breadth of knowledge. The Compensation Committee also considers compensation data from peer group companies and other similarly sized companies in businesses comparable to the Company's, the Company's and the executive's performance, and any significant changes in the executive's responsibilities. The Compensation Committee considers all of these factors together plus overall industry conditions.

At the time of the Compensation Committee meeting in January 2021, our NEOs were receiving reduced salaries due to the economic challenges that were faced by the Company in 2020. The base salaries of our NEOs, and in particular that of our CEO, were already well below those of our peer group median when they were voluntarily and substantially reduced in 2020 in light of the challenging economic conditions. The reductions reflected the alignment of the interests of our NEOs with those of our shareholders and resulted in reduced short-term incentive compensation, which is discussed in the next section. At the January 2021 meeting, the Compensation Committee approved the reinstatement of the previously approved base salary amounts for Messrs. Tadlock and Isaac. The base salaries for Scott Bender, Joel Bender and Steven Bender were approved by the Committee and also increased to previously approved amounts in April 2021. In January 2022, the Compensation Committee approved additional prospective salary increases for our NEOs in recognition of their contributions to the Company. The following table details our NEOs' 2020 salaries prior to reduction, 2020 reduced salaries, fully-reinstated salaries in 2021 as well as their approved 2022 base salaries.

Name	Original 2020 Base Salary	Reduced 2020 Base Salary	2021 Base Salary[(1)]	2022 Base Salary
Scott Bender	$ 300,000	$ 57,207	$ 300,000	$ 400,000
Joel Bender	300,000	135,000	300,000	400,000
Stephen Tadlock	335,000	226,125	335,000	400,000
Steven Bender	300,000	135,000	300,000	400,000
David Isaac	300,000	202,500	300,000	350,000

(1) Reflects the reinstatement of salaries in January 2021 for Messrs. Tadlock and Isaac and April 2021 for Scott Bender, Joel Bender and Steven Bender as discussed above.

Short-Term Incentives

Our NEOs are eligible for an annual incentive bonus which is designed to focus executives on execution of our annual plan, which is linked to our long-term strategy. Execution against our annual corporate plan is important to drive long-term shareholder value by improving financial strength, managing costs and investing in projects that will deliver future value. We employ financial and safety performance metrics to further specific objectives of our strategy, such as Adjusted EBITDA, Operating Capital Employed ("OCE") divided by revenue and total recordable incident rate ("TRIR").

In January 2021, the Board approved the 2021 Management Incentive Plan (the "2021 MIP"), pursuant to which all participating employees would be eligible to receive a cash bonus upon the achievement of certain financial performance and safety metrics. Under the 2021 MIP, all eligible employees, including NEOs, were eligible to receive base cash bonus payments equal to a certain specified percentage of their annual base salaries ("Target Bonus") in the event that the Company met the specified performance targets. Bonuses are calculated as a percentage of actual base salary paid in 2021. The approved 2021 Target Bonus percentage for each NEO, which remained unchanged from 2020, is set forth in the table below.

Name	Target Bonus %
Scott Bender	100%
Joel Bender	100%
Stephen Tadlock	80%
Steven Bender	80%
David Isaac	65%

Target Bonus Opportunity

Performance under the MIP is assessed relative to pre-established goals approved by the Committee near the beginning of the fiscal year. For 2021, the Compensation Committee approved performance objectives under the 2021 MIP after considering a combination of factors, including alignment with the Company's business strategy, 2021 budget, investor expectations, recommendations from management and the Committee's assessment of management's ability to impact outcomes. The 2021 MIP had three performance parameters on which the bonus for our NEOs was calculated. The first parameter was Earnings Before Interest, Taxes, Depreciation and Amortization, excluding exceptional items, as defined by the board of directors ("Adjusted EBITDA"), which was weighted as 80% of the bonus opportunity. Participants began to earn a bonus payout when Adjusted EBITDA performance reached Threshold Adjusted EBITDA, which was set at 80% of Target Adjusted EBITDA. NEOs and other participants were eligible for a Stretch bonus opportunity if actual Adjusted EBITDA exceeded Target Adjusted EBITDA. The maximum Stretch bonus payment was achieved when Adjusted EBITDA performance reached 120% of Target Adjusted EBITDA. The maximum Stretch payment was 40% of the full, non-stretch bonus payment. The calculation of the Adjusted EBITDA portion of the bonus payout is linear between Threshold and Target and between Target and Stretch. The second parameter was OCE divided by revenue which was weighted as 10% of the bonus opportunity. Participants began to earn a bonus payout on this parameter when the Company achieved its Threshold of 65.5% percent. A full bonus payout on this parameter would be earned when the Company achieved its Target of 61.5%. The calculation of the OCE/revenue portion of the bonus payout is linear between Threshold and Target. The third parameter was TRIR, which was weighted as 10% of the bonus opportunity. Participants began to earn a bonus payout when TRIR performance reached Threshold TRIR of 1.20. A full bonus payout on the TRIR parameter would be achieved when safety performance reached Target TRIR of 1.00 or lower. The calculation of the TRIR portion of the bonus payout is linear between Threshold and Target. Depending upon Company performance, actual payouts under the 2021 MIP may be between 0% and 140% of the Target Bonus for each NEO. The percentages of base salary payable to each NEO with respect to 2021 performance are set forth in the tables below.

	Adjusted EBITDA (in millions)	Bonus %
Threshold	$89.2	0%
Target	111.5	100%
Maximum (Stretch)	133.8	140%

	OCE/Revenue	Payout
Threshold	65.5%	0%
Target	61.5%	100%

	TRIR	Payout
Threshold	1.20	0%
Target	1.00	100%

2021 Award Determination

For 2021, the actual Adjusted EBITDA performance was $120.4 million which was between Target and Stretch performance. Actual OCE/Revenue performance in 2021 was 57.7% which was better than Target while the 2021 TRIR performance was 1.29 which was higher than the required Threshold. Based on this performance, in addition to earning a full target bonus on the Adjusted EBITDA component, our NEOs also earned 39.7% of their maximum stretch opportunity, or an additional 14.3% of the full, non-stretch bonus calculation. NEOs also earned 100% of their bonus for performance on the OCE/Revenue parameter. Based on the Company's TRIR performance, our NEOs received no payment on the TRIR element. The table below summarizes the metrics and performance standards approved for the 2021 MIP, and management's level of achievement under the plan:

	($ in millions)				
Performance Parameter	**Threshold**	**Target**	**Stretch**	**Actual[1]**	**% of Target**
Adjusted EBITDA	$89.2	$111.5	$133.8	$120.4	107.9%
OCE/Revenue	65.5%	61.5%		57.7%	100%
TRIR	1.20	1.00		1.29	0%

(1) Adjusted EBITDA is a non-GAAP financial measure. See the reconciliation of actual Adjusted EBITDA to the most comparable financial measure calculated in accordance with GAAP under "Reconciliation of GAAP to Non-GAAP Financial Measures."

The following table shows the calculation of the 2021 bonus payment:

Performance Parameter	**% of Parameter Target**	**Parameter % Earned**	**Weighting**	**Target Bonus % Earned**
Adjusted EBITDA	107.9%	100.0%	80.0%	100.0%
OCE/Revenue	100.0%	100.0%	10.0%	10.0%
TRIR	0.0%	0.0%	10.0%	0.0%
Total			100.0%	90.0%
Stretch Bonus Component (39.7%[1] of Non-Stretch Bonus)				14.3%
Total Bonus Percentage				104.3%

(1) Represents the 7.9% Adjusted EBITDA performance above Target applied against the maximum 120% of Target Adjusted EBITDA.

Long-Term Incentives

The primary purpose of awards under our long-term incentive plan (the "LTIP") is to enforce direct alignment between the long-term interests of our NEOs and those of our shareholders through the use of multi-year vesting and realized value of equity incentives that are contingent upon our stock price performance. Equity awards under the LTIP also promote long-term share ownership by our NEOs. The LTIP provides for the grant, from time to time, at the discretion of the Board or a committee thereof, of stock options, stock appreciation rights, restricted stock, restricted stock units, stock awards, dividend equivalents, other stock-based awards, cash awards, substitute awards and performance awards. The Board has delegated to the Compensation Committee the authority to administer the LTIP, including the power to determine the eligible individuals to whom awards will be granted, the number and type of awards to be granted and the terms and conditions of awards. In addition, the Board has granted limited authority to Scott Bender, our Chief Executive Officer, to make awards under the LTIP to certain individuals who are not executive officers.

In 2021, the Compensation Committee approved LTIP awards using a mix of performance stock units ("PSUs") and time-based restricted stock units ("RSUs"). Under the PSU awards granted to our NEOs in 2021, NEOs may earn shares based upon the company's Return on Capital Employed ("ROCE") performance. The PSU Award Agreement provides for the issuance of a number of shares of our common stock within sixty (60) days of the end of the performance period based on the Company's average annual ROCE during the applicable performance period, subject to a maximum based on the Company's ROCE relative to the ROCE of the median performer of the Company's compensation peer companies during such performance period.

2021 LTIP Awards

On March 11, 2021, our NEOs received grants of PSUs and RSUs as set forth in the table below.

NEO	Target # of PSUs Awarded[(1)]	# of RSUs Awarded[(2)]	Approximate Compensation Value Intended to be Delivered
Scott Bender	23,358	23,358	$ 1,500,000
Joel Bender	23,358	23,358	1,500,000
Stephen Tadlock	9,390	9,390	603,000
Steven Bender	9,343	9,343	600,000
David Isaac	8,176	8,176	525,000

(1) PSU awards vest upon the conclusion of the three-year performance period ending December 31, 2023 based on the Company's ROCE performance.

(2) RSUs vest 33% per year, beginning on the first anniversary of the grant date.

2021-2023 Performance Stock Unit Metrics and Goals:

	Weight (% of Target)	Threshold (50% Payout)	Target (100% Payout)	Maximum (200% Payout)
ROCE for January 1, 2021 to December 31, 2023[(1)]	100%	15%	20%	25%

(1) The PSUs cliff vest upon the conclusion of the three-year performance period based on the ROCE performance.

If the Company's ROCE performance falls between any of these payout levels, the percentage multiple of the target PSUs will be interpolated based on the actual ROCE of the Company in relation to the payout levels. Notwithstanding the foregoing, in the event the Company's ROCE for the performance period is less than the ROCE of the median performer of the Company's peer companies (as defined per the agreement), when ranked by ROCE over the performance period, then the number of earned PSUs will be capped at 100% of the target number of PSUs.

Other Compensation Practices and Policies

Stock Ownership Guidelines

The Committee has established stock ownership guidelines for our NEOs and non-employee directors which are as follows:

Position	Required Level of Ownership
Chief Executive Officer	6 *times* base salary
Other NEOs	2 *times* base salary
Non-Employee Directors	3 *times* annual cash retainer for Board service

Stock ownership levels must be achieved by each NEO or non-employee director within five years of becoming subject to the guidelines, or within five years of any material change to the guideline level of ownership. As of February 11, 2022, each of our NEOs and non-employee directors met or exceeded the ownership expectations under the guidelines.

Clawback Policy

Our Executive Compensation Clawback Policy (the "Clawback Policy") provides that in the event of a restatement of our financial statements (other than a restatement caused by a change in applicable accounting rules or interpretations), the result of which is that any performance-based compensation paid under an incentive compensation plan would have been a lower amount had it been calculated based on such restated results, the Compensation Committee may seek to recover for the benefit of the Company the after tax portion of the difference between the compensation actually paid to the executive and the corrected amount based on the restated financial results.

Retirement, Health and Welfare Benefits

The Company offers retirement, health and welfare benefits to substantially all of its U.S. employees including executive officers. Executive officers are eligible for these benefits on the same basis as other employees. Health and welfare benefits we offer to our employees include medical, vision and dental coverage, life insurance, accidental death and dismemberment, short and long-term disability insurance, flexible spending accounts and employee assistance.

The Company also offers a defined contribution 401(k) retirement plan to substantially all of its U.S. employees, including the NEOs. Participants may contribute from 1% to 85% of their base pay and cash incentive compensation (subject to U.S. Internal Revenue Service ("IRS") limitations), and the Company has historically made matching contributions under this plan on the first 7% of the participant's compensation (100% match of the first 3% employee contribution and 50% match on the next 4% employee contribution). Company matching contributions vest 20% per year on the first five anniversaries of the respective employee's hire date. In light of the challenging economic environment, the Company temporarily suspended matching contributions to the retirement plan in June 2020 and reinstated the matching contributions in August 2021.

Perquisites

We provide Scott Bender, Joel Bender, Stephen Tadlock and Steven Bender with bi-weekly vehicle allowances. Additionally, Scott Bender receives a gasoline reimbursement.

Compensation Risk

Our compensation policies and practices are designed to provide rewards for short-term and long-term performance, both on an individual basis and at the entity level. In general, optimal financial and operational performance, particularly in a competitive business, requires some degree of risk-taking. Our compensation strategies are designed to encourage company growth and appropriate risk taking but not to encourage excessive risk taking. We also attempt to design the compensation program for our larger general employee population so that it does not inappropriately incentivize our employees to take unnecessary risks in their day-to-day activities. We recognize, however, that there are trade-offs and that it can be difficult in specific situations to maintain the appropriate balance. As such, we continue to evaluate our programs with a goal of preventing them from becoming materially imbalanced one way or the other.

Our compensation arrangements contain certain design elements that are intended to minimize the incentive for taking unwarranted risk to achieve short-term, unsustainable results. Those elements include a maximum amount that can be earned under our annual incentive cash compensation program. We also provide compensation to our NEOs in the form of a reasonable base salary (adjusted in 2020 and early 2021 to address market conditions). We want our executives to be motivated to achieve our short-term and long-term goals, without sacrificing our financial and corporate integrity in trying to achieve those goals. While an executive's overall compensation should be strongly influenced by the achievement of specific financial and operational targets, we also believe that a portion of an executive's compensation should be awarded in components that provide a degree of financial certainty. In combination with our risk management practices, we do not believe that risks arising from our compensation policies and practices for our employees, including our NEOs, are reasonably likely to have a material adverse effect on us.

Employment, Severance, and Change-in-Control Agreements

Employment Agreements

In February 2019, we amended our employment agreements with Messrs. Scott and Joel Bender to provide that they be eligible to receive an additional annual cash bonus of up to 40% of the regular annual target cash bonus actually paid, determined in the good faith discretion of the Board if the executive satisfies additional budgetary and performance goals, as determined annually by the Board. In April 2021, the Company entered into Second Amended and Restated Employment Agreements (as amended and restated, each, an "Employment Agreement") with Messrs. Scott and Joel Bender in order to establish new three-year terms of employment with each. Under each Employment Agreement, Messrs. Scott and Joel Bender are entitled to receive severance compensation if his employment is terminated under certain conditions, such as a termination by the executive officer for "good reason" or by us without "cause," each as defined in the agreements and further described below under "—Potential Payments upon Termination or Change of Control." In addition, the agreements provide for:

- specified minimum base salaries;
- participation in all of our employee benefit plans to the extent the executive is eligible thereunder;

- termination benefits, including, in specified circumstances, severance payments; and
- an annual cash bonus of up to 100% of annual base salary ("Base Bonus") and an opportunity to earn an additional Stretch Bonus opportunity of up to 40% of the Base Bonus in the good faith discretion of the Board if the executive satisfies budgetary and performance goals, as determined annually by the Board.

We have not entered into separate severance agreements with Messrs. Scott and Joel Bender and instead rely on the terms of each executive's Employment Agreement to dictate the terms of any severance arrangements. The Employment Agreements do not provide for accelerated or enhanced cash payments or health and welfare benefits upon a change in control but do provide for salary continuation payments and subsidized health and welfare benefits upon the termination of the executive's employment for "good reason" or without "cause." Mr. Tadlock will be eligible to receive severance payments should a merger or sale transaction result in Mr. Tadlock being terminated by the new entity. Severance payments that could become payable to Messrs. Scott and Joel Bender and Mr. Tadlock pursuant to these arrangements have been described in more detail below under "—Potential Payments upon Termination or Change of Control—Employment Agreements."

Non-Compete Agreements

In connection with our IPO, on February 12, 2018, Cactus LLC entered into amended and restated noncompetition agreements (each, a "Noncompetition Agreement") with each of Scott Bender and Joel Bender. Each of the Noncompetition Agreements provide that, for a period of one year following termination of his employment, Scott Bender and Joel Bender will not (i) compete against us in connection with our business, (ii) solicit or induce any of our employees to leave his or her employment with us or hire any of our employees or (iii) solicit or entice customers who were our customers within the one-year period immediately prior to his date of termination to cease doing business with us or to begin doing business with our competitors. Pursuant to his employment arrangement with the Company, Mr. Isaac is subject to the same restrictions.

Summary Compensation Table

The following table sets forth information regarding the compensation awarded to, earned by or paid to our NEOs:

Name and Principal Position	Year	Salary	Bonus[1]	Non-Equity Incentive Plan Compensation[2]	Stock Awards[3]	All Other Compensation[4]	Total
Scott Bender, *President, Chief Executive Officer and Director*[5]	2021	$ 225,294	$ 24,964	$ 234,968	$ 1,533,220	$ 13,400	$ 2,031,846
	2020	122,745	—	18,301	1,500,004	14,612	1,655,662
	2019	300,000	—	334,835	1,499,994	29,102	2,163,931
Joel Bender, *Senior Vice President, Chief Operating Officer and Director*[5]	2021	249,231	—	259,932	1,533,220	13,400	2,055,783
	2020	183,750	—	18,301	1,500,004	15,201	1,717,256
	2019	300,000	—	334,835	1,499,994	30,120	2,164,949
Stephen Tadlock, *Vice President, Chief Financial Officer and Treasurer*	2021	328,719	—	274,266	616,360	11,313	1,230,658
	2020	265,906	28,827	21,173	603,007	16,508	935,421
	2019	321,923	—	180,971	1,502,947	24,773	2,030,614
Steven Bender, *Vice President of Operations*	2021	249,231	34,417	207,946	613,274	10,456	1,115,324
	2020	183,750	—	14,641	600,016	15,204	813,611
	2019	296,154	—	248,489	599,975	25,789	1,170,407
David Isaac, *General Counsel, Vice President of Administration and Secretary*	2021	294,375	—	199,560	536,672	865	1,031,472
	2020	238,125	21,094	15,406	525,022	5,675	805,322
	2019	296,154	—	165,659	449,972	14,260	926,045

(1) In calculating payments due under the 2021 Non-Equity Incentive Plan, the Company uses the NEO's eligible earnings as a basis to determine the bonus amount. In recognition of the fact that Scott Bender voluntarily incurred a larger salary decrease than Joel Bender during a portion of 2021, the Compensation Committee approved a bonus award to Scott Bender in order for his total 2021 cash bonus payment to be equal to that of Joel Bender. Additionally, due to the fact that Steven Bender's full salary was restored at a date later than the restoration of full salaries for Mr. Tadlock and Mr. Isaac, the Compensation Committee approved a bonus award for Steven Bender equivalent to the Non-Equity Incentive Plan payment Steven Bender would have received if his full salary had been restored on the same date as Messrs. Tadlock and Isaac.

(2) Amounts of "Non-Equity Incentive Plan Compensation" paid to each applicable NEO were made pursuant to the Company's short-term incentive program. For a description of this plan please see "Compensation Discussion and Analysis—Elements of Compensation—Short-Term Incentives."

(3) The amounts reported in this column represent the aggregate grant date fair value of RSUs and target PSUs granted to each NEO and computed in accordance with FASB ASC Topic 718.

(4) Amounts reflected within the "All Other Compensation" column for 2021 are comprised of the following amounts:

Name	Employer Contributions to 401(k) Plan	Vehicle Allowance
Scott Bender	$ 6,200	$ 7,200
Joel Bender	6,200	7,200
Stephen Tadlock	4,113	7,200
Steven Bender	3,256	7,200
David Isaac	865	—

(5) Although Messrs. Scott and Joel Bender each serve on our Board, they are not compensated for their services as directors.

Grants of Plan-Based Awards

The following table provides information about equity and non-equity awards granted to our NEOs in 2021.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards[1]			Estimated Future Payouts Under Equity Incentive Plan Awards[2]				
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#)[3]	Grant Date Fair Value of Stock Awards ($)[4]
Scott Bender		$ —	$ 225,294	$ 315,412					
	3/11/2021				11,679	23,358	46,716		$ 766,610
	3/11/2021							23,358	766,610
Joel Bender		—	249,231	348,923					
	3/11/2021				11,679	23,358	46,716		766,610
	3/11/2021							23,358	766,610
Stephen Tadlock		—	262,975	368,165					
	3/11/2021				4,695	9,390	18,780		308,180
	3/11/2021							9,390	308,180
Steven Bender		—	199,385	279,139					
	3/11/2021				4,672	9,343	18,686		306,637
	3/11/2021							9,343	306,637
David Isaac		—	191,344	267,881					
	3/11/2021				4,088	8,176	16,352		268,336
	3/11/2021							8,176	268,336

(1) Amounts in these columns represent the threshold, target and maximum estimated payouts for 2021 MIP cash bonus awards. The actual value of bonuses paid to our NEOs for 2021 under this program can be found in the "Non-Equity Incentive Plan Compensation" column of the Summary Compensation Table above.

(2) Shares in these columns represent the threshold, target and maximum number of estimated PSUs eligible for vesting per the award agreements executed on March 11, 2021. "Threshold" reflects the lowest possible payout (50% of the grant), "Target" represents the number of PSUs awarded under each grant, and "Maximum" reflects the highest possible payout (200% of the grant). The award agreements under which the PSUs were issued provide that no PSUs will vest unless a specified threshold level of performance is achieved. Vested PSUs are paid in shares of our Class A common stock, and the payout, if any, with respect to PSUs will occur at the end of the three-year performance period. See "Compensation Discussion and Analysis—Elements of Compensation—Long-Term Incentives—2021 LTIP Awards" for more information regarding these PSUs. The target number of PSUs granted was determined based on the average of the closing price on the 20 business days prior to the grant date.

(3) This column includes the number of RSUs granted to our NEOs during 2021. The number of RSUs granted was determined based on the average of the closing price on the 20 business days prior to the grant date.

(4) The amounts shown in this column represent the grant date fair value of each equity award computed in accordance with FASB ASC Topic 718. With respect to the PSU awards, this column reflects the grant date fair value for such PSUs at target.

Outstanding Equity Awards at 2021 Fiscal Year-End

The following table reflects information regarding outstanding stock awards held by our NEOs as of December 31, 2021.

Name	Grant Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units That Have Not Vested ($)[1]	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)[1]
Scott Bender	3/11/2019	13,380[2]	$ 510,179		
	3/11/2020	36,603[3]	1,395,672	54,905[5]	$ 2,093,528
	3/11/2021	23,358[4]	890,641	23,358[6]	890,641
Joel Bender	3/11/2019	13,380[2]	$ 510,179		
	3/11/2020	36,603[3]	1,395,672	54,905[5]	$ 2,093,528
	3/11/2021	23,358[4]	890,641	23,358[6]	890,641
Stephen Tadlock	3/11/2019	13,406[2]	$ 511,171		
	3/11/2020	19,619[3]	748,072	4,905[5]	$ 187,028
	3/11/2021	9,390[4]	358,041	9,390[6]	358,041
Steven Bender	3/11/2019	5,352[2]	$ 204,072		
	3/11/2020	19,522[3]	744,374	4,880[5]	$ 186,074
	3/11/2021	9,343[4]	359,249	9,343[6]	356,249
David Isaac	3/11/2019	4,014[2]	$ 153,054		
	3/11/2020	17,082[3]	651,337	4,270[5]	$ 162,815
	3/11/2021	8,176[4]	311,751	8,176[6]	311,751

(1) The market value of these units is based on $38.13 per share, the closing price of the Company's Class A common stock on December 31, 2021, the last trading day of the fiscal year.

(2) Reflects RSUs which vest on March 11, 2022.

(3) Reflects RSUs which vest over two years in equal annual installments on March 11, 2022 and March 11, 2023.

(4) Reflects RSUs which vest over three years in equal annual installments on March 11, 2022, March 11, 2023 and March 11, 2024.

(5) Reflects PSUs which will vest on December 31, 2022 subject to the Company's satisfaction of ROCE performance targets.

(6) Reflects PSUs which vest on December 31, 2023 subject to the Company's satisfaction of ROCE performance targets. See "Compensation Discussion and Analysis—Elements of Compensation—2021 LTIP Awards."

Stock Vested

The following table provides information for our NEOs on the number of shares of Class A common stock acquired upon the vesting of RSU awards in 2021 and the value realized, in each case before payment of any applicable withholding tax.

Name	Stock Awards[1]	
	Number of Shares Acquired on Vesting (#)	Pre-tax Value Realized on Vesting ($)
Scott Bender	49,225	$ 1,549,073
Joel Bender	49,225	1,549,073
Stephen Tadlock	56,110	1,716,858
Steven Bender	25,638	801,546
David Isaac	15,593	548,169

(1) Reflects shares received pursuant to RSU awards vesting in 2021. The value realized upon vesting of these awards represents the aggregate dollar amount realized by the NEO upon vesting computed by multiplying the number of shares of stock by the closing price of the underlying shares on the applicable vesting dates. For Scott Bender, Joel Bender, Stephen Tadlock and Steven Bender, the applicable vesting dates were February 7, 2021 and March 11, 2021 and the closing price of the Class A common stock on these dates was $29.03 and $32.82, respectively. For David Isaac, the applicable vesting dates were March 11, 2021 and October 24, 2021, and the closing price of the Class A common stock on these dates was $32.82 and $44.80, respectively.

Pension Benefits and Nonqualified Deferred Compensation

We have not maintained, and do not currently maintain, a defined benefit pension plan or a nonqualified deferred compensation plan providing for retirement benefits.

Potential Payments Upon Termination or Change of Control

Each of our NEOs may be entitled to certain severance and other benefits upon a termination of employment under their respective award agreements and employment agreements, as described in further detail below. The description of the relevant terms of such award agreements and employment agreements set forth below does not purport to be a complete description of all of the provisions of any such agreements and is qualified in its entirety by reference to the forms of award agreements and severance agreements previously filed.

Employment Agreements

Scott Bender and Joel Bender Employment Agreements

We have entered into employment agreements with Messrs. Scott and Joel Bender. The Employment Agreements do not provide for accelerated or enhanced cash payments or health and welfare benefits upon a change in control but do provide for salary continuation payments and subsidized health and welfare benefits upon the termination of the executive's employment for "good reason" or without "cause." To receive benefits under the Employment Agreements, the executive officer will be required to execute a release of all claims against the Company.

Termination for Good Reason or Without Cause. If either Scott or Joel Bender terminates his employment for "good reason" or is terminated by us without "cause," he will be entitled to receive as severance, in addition to any amounts earned and unpaid through the date of termination, his then-current base salary and benefits (except car and expense reimbursement benefits) for the remaining term of the Employment Agreement if such term is greater than one year, or if such term is not greater than one year, one year from the date of termination, paid in lump sum within 60 days after the executive's separation from service.

Termination Due to Disability. If either Scott or Joel Bender's employment is terminated by either us or the executive due to disability, he will be entitled to receive as severance his then-current base salary and benefits through the remainder of the calendar month during which such termination is effective and for the lesser of (a) six consecutive months thereafter or (b) the date on which disability insurance benefits commence under any disability insurance coverage which may be provided by us, paid in lump sum within 30 days after the executive's termination due to disability.

Termination Due to Death. If either Scott or Joel Bender's employment is terminated due to death, his estate will be entitled to receive his then-current base salary and accrued benefits through the end of the calendar month in which his death occurs, paid in lump sum within 30 days after the executive's termination due to death. In each case, if the executive is entitled to severance payments, during such severance period we will pay such executive's portion of Consolidated Omnibus Budget Reconciliation Act ("COBRA") premium payments, and if COBRA is no longer available during such period, we will provide similar health insurance coverage for such executive during the severance period.

For purposes of Scott and Joel Bender's Employment Agreements:

- The term "cause" means the executive (i) is convicted of, or enters a *nolo contendre* or guilty plea with respect to, a crime involving fraud, theft, embezzlement or other act of material dishonesty or the Board's loss of confidence in the executive because he is convicted of, or enters a *nolo contendre* or guilty plea with respect to, any felony or crime involving moral turpitude; (ii) commits any other material breach of any of the provisions of his employment agreement other than a breach which (being capable of being remedied) is remedied by him within 14 days of being called upon to do so in writing by us; or (iii) fails to perform his duties and responsibilities (other than a failure from disability) for a period of 30 consecutive days.
- The term "good reason" means any of the following: (i) we commit any material breach of the provisions of the executive's Employment Agreement; (ii) we assign the executive to a position, responsibilities or duties of a materially lesser status or degree of responsibility than his position, responsibilities or duties as of the effective date of the Employment Agreement; (iii) the requirement by us that the executive be based anywhere other than Houston, Texas, provided that such a change in geographic location be deemed material; or (iv) any decrease of more than 10% in the executive's base salary as of the effective date of the Employment Agreement. In any case, the executive must provide written notice of termination for good reason within 90 days of the initial existence of the condition at issue, and we will have the opportunity to cure such circumstances within a 30-day period of receipt of such notice.

Stephen Tadlock Offer Letter

Pursuant to the terms of his offer letter, Mr. Tadlock will be eligible to receive six months of severance should a merger or sale transaction result in Mr. Tadlock being terminated by the new entity.

LTIP Awards

The Company's RSU award agreements provide that restricted stock awards will become fully vested on (i) the date a Change of Control occurs, (ii) the termination of an employee's employment due to his or her death or a Disability or (iii) upon the employee's Normal Retirement. As used in the RSU award agreements, "Disability" means that the employee is unable to perform the essential functions of their duties for three consecutive months, or three months during any six-month period, as determined after an examination by a medical doctor selected by written agreement of the employee and the Company. As used in the RSU award agreements, "Normal Retirement" means an employee's separation from service without Cause on or following the age of 65. For purposes of the RSU award agreements, "Cause" means the employee (i) is convicted of, or enters a *nolo contendere* or guilty plea with respect to a crime involving fraud, theft, embezzlement or other act of material dishonesty, the Board's loss of confidence in the employee because he or she is convicted of or enters a *nolo contendere* or guilty plea with respect to any felony or crime involving moral turpitude; (ii) commits any other material breach of any of the provisions of their employment agreement with the Company (if applicable) or any material employment contract, policy or agreement the employee has entered into with the Company, other than a breach which (being capable of being remedied) is remedied by the employee within fourteen days of being called upon to do so in writing by the Company; or (iii) fails to perform their duties and responsibilities (other than a failure resulting from Disability).

The Company's PSU award agreements provide that 100% of target PSUs shall immediately become earned units upon (i) the employee's termination of employment due to death or Disability or (ii) the employee's Normal Retirement. As used in the PSU award agreement, the term "Disability" means an employee's inability to perform the essential functions of their duties for three consecutive months or three months during any six-month period, and the term "Normal Retirement" means an employee's separation from service without Cause on or following the age of 65. In the event of a change in control, the performance period will be deemed to have ended, and the Company shall calculate the number of earned units to which the employee is entitled (if any) based on actual performance during the truncated period.

Management Incentive Plan Awards

The Company's Management Incentive Plan provides that participants whose employment ends before the bonus payments are made forfeit all rights to participate in the Management Incentive Plan and to receive any bonus relating to prior service, except for the following:

- Injury, disability or ill-health (as determined by the Compensation Committee);
- Change of control; or
- Death.

Quantification of Payments

Shown in the table below are potential payments upon the assumed (i) involuntary not for Cause termination of our NEOs other than during the 24-month period following a Change of Control, or (ii) involuntary not for Cause termination or termination by the NEO for "Good Reason," in either case, during the 24-month period following a Change of Control of the Company, occurring as of December 31, 2021. In addition, the table that follows shows the potential payments upon the hypothetical (i) disability, retirement or death of our NEOs, and (ii) Change of Control of the Company, in each case, occurring as of December 31, 2021. The table includes estimated amounts because actual amounts to be paid can only be determined at the time of such executive's separation from the Company or upon a Change of Control.

		Potential Payments Upon Termination and Change of Control					
Executive Benefits and Payments Upon Separation		Termination for Cause	Involuntary Not for Cause Termination without a Change of Control	Termination with a Change of Control	Disability or Normal Retirement	Death	Change of Control (No Termination)
Scott Bender	Compensation:						
	Cash Severance	$ —	$ 300,000	$ 300,000	$ 150,000	$ 25,000	$ —
	Stock Awards(1)	—	5,780,661(4)	4,577,773	5,780,661	5,780,661	4,577,773
	Performance Cash Awards(2)	—	—	234,968	234,968	234,968	234,968
	Benefits & Perquisites:						
	Health and Welfare Benefits(3)	—	11,369	11,369	5,684	947	—
Total		**$ —**	**$ 6,092,030**	**$ 5,124,110**	**$ 6,171,313**	**$ 6,041,576**	**$ 4,812,741**
Joel Bender	Compensation:						
	Cash Severance	$ —	$ 300,000	$ 300,000	$ 150,000	$ 25,000	$ —
	Stock Awards(1)	—	—	4,577,773	5,780,661	5,780,661	4,577,773
	Performance Cash Awards(2)	—	—	259,932	259,932	259,932	259,932
	Benefits & Perquisites:						
	Health and Welfare Benefits(3)	—	11,369	11,369	5,684	947	—
Total		**$ —**	**$ 311,369**	**$ 5,149,074**	**$ 6,196,277**	**$ 6,066,540**	**$ 4,837,705**
Stephen Tadlock	Compensation:						
	Cash Severance	$ —	$ —	$ 167,500	$ —	$ —	$ —
	Stock Awards(1)	—	—	2,333,365	2,162,352	2,162,352	2,333,365
	Performance Cash Awards(2)	—	—	274,266	274,266	274,266	274,266
	Benefits & Perquisites:						
	Health and Welfare Benefits(3)	—	—	—	—	—	—
Total		**$ —**	**$ —**	**$ 2,775,131**	**$ 2,436,618**	**$ 2,436,618**	**$ 2,607,631**
Steven Bender	Compensation:						
	Cash Severance	$ —	$ —	$ —	$ —	$ —	$ —
	Stock Awards(1)	—	—	2,017,191	1,847,017	1,847,017	2,017,191
	Performance Cash Awards(2)	—	—	207,946	207,946	207,946	207,946
	Benefits & Perquisites:						
	Health and Welfare Benefits(3)	—	—	—	—	—	—
Total		**$ —**	**$ —**	**$ 2,225,137**	**$ 2,054,963**	**$ 2,054,963**	**$ 2,225,137**
David Isaac	Compensation:						
	Cash Severance	$ —	$ —	$ —	$ —	$ —	$ —
	Stock Awards(1)	—	—	1,739,643	1,590,707	1,590,707	1,739,643
	Performance Cash Awards(2)	—	—	199,560	199,560	199,560	199,560
	Benefits & Perquisites:						
	Health and Welfare Benefits(3)	—	—	—	—	—	—
Total		**$ —**	**$ —**	**$ 1,939,203**	**$ 1,790,267**	**$ 1,790,267**	**$ 1,939,203**

(1) Reflects the value of unvested RSU and target PSU awards as of December 31, 2021 that would be accelerated as a result of the separation event based on the Company's stock price of $38.13, which was the closing market price of the Company's Class A common stock as of December 31, 2021. For PSUs, upon a change in control, the performance period is deemed to have ended and a calculation is made to determine the number of earned units for the truncated period. As of December 31, 2021, the Company's ROCE performance relating to the 2020 PSU grants did not exceed the threshold level; therefore, the 2020 PSUs would not have vested upon a change in control event. Additionally, the Company's ROCE performance relating to the 2021 PSU grants exceeded the maximum level as of December 31, 2021; therefore, the 2021 PSUs would have vested at 200% upon a change in control event.

(2) Reflects each NEO's 2021 performance cash award earned under the Company's short-term incentive program.

(3) Reflects the estimated lump-sum present value of all future premiums which will be paid on behalf of the NEO under the Company's health and welfare benefit plans for the applicable continuation period specified in the Executive Agreements.

(4) Due to Mr. Bender's eligibility for "Normal Retirement" treatment in the event of a separation from service without cause, this reflects the value of unvested RSUs and PSUs held by Mr. Bender as of December 31, 2021 that would be accelerated upon his "Normal Retirement."

2021 Chief Executive Officer Pay Ratio

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(u) of Regulation S-K, we are providing the following information about the relationship of the median annual total compensation of our employees (other than the Chief Executive Officer) and the annual total compensation of Scott Bender, our Chief Executive Officer.

For 2021, our last completed fiscal year:

- Scott Bender had total annual compensation of $2,031,846 as reflected in the Summary Compensation Table.
  - Our median employee's annual total compensation was $92,211.
  - As a result, we estimate that Scott Bender's 2021 annual total compensation was approximately 22 times that of our median employee.

- To identify the median employee, we took the following steps:
  - We determined that, as of December 1, 2021, our employee population consisted of 1,037 individuals. This population consisted of our full-time and part-time employees (including both active employees and employees on leave as of December 1, 2021).
  - We selected December 1, 2021 as our identification date for determining our median employee because it enabled us to make such identification in a reasonably efficient and economic manner.
  - We used a consistently applied compensation measure to identify our median employee by comparing the actual amount of salary or wages as reflected in our payroll records. Compensation was annualized for employees that were not employed by us for all of 2021.
  - For our employees located outside of the United States, we obtained similar payroll records and converted such information into U.S. dollars using the year-end currency exchange rate.

- To determine the annual total compensation of our median employee and our Chief Executive Officer, we took the following steps:
  - After we identified our median employee, we combined all of the elements of such employee's compensation for the 2021 year in accordance with the requirements of Item 402(c)(2)(x) of Regulation S-K.
  - With respect to the annual total compensation of our Chief Executive Officer, we used the amount reported in the "Total" column of our 2021 Summary Compensation Table.

Director Compensation

In April 2021, the Compensation Committee approved a restoration of the compensation program of non-employee directors to the levels prior to the 25% reductions enacted on April 1, 2020. Accordingly, in the second quarter of 2021, each non-employee director received the following compensation for his or her service on the Board:

- a cash retainer of $80,000 per year, payable quarterly in arrears;

- an additional cash retainer of $20,000 per year, payable quarterly in arrears if such non-employee director serves as the chairperson of our Audit Committee and an additional cash retainer of $10,000 per year for each other member of our Audit Committee;
- an additional cash retainer of $10,000 per year, payable quarterly in arrears if such non-employee director serves as the chairperson of our Compensation Committee and an additional cash retainer of $5,000 per year for each other member of our Compensation Committee;
- an additional cash retainer of $10,000 per year, payable quarterly in arrears if such non-employee director serves as the chairperson of our Nominating and Governance Committee and an additional $5,000 per year for each other member of our Nominating and Governance Committee; and
- annual equity-based compensation with an aggregate grant date value of $100,000.

In addition, a cash retainer of $20,000 per year is payable to a non-employee Chairman of the Board quarterly in arrears. Each director is reimbursed for out-of-pocket expenses incurred in connection with attending board and committee meetings.

Messrs. Scott and Joel Bender, as employees of the Company, do not receive compensation for their services as directors in addition to their employee compensation described above. The table below reflects the compensation provided during 2021 to each member of the Board who was not employed by the Company.

Name	Fees Earned or Paid in Cash[(1)]	Stock Awards[(2)]	Total
Bruce Rothstein	$ 92,239	$ 102,234	$ 194,473
Melissa Law	87,628	102,234	189,862
Michael McGovern	92,239	102,234	194,473
John (Andy) O'Donnell	92,239	102,234	194,473
Gary L. Rosenthal	87,628	102,234	189,862
Alan Semple	96,851	102,234	199,085
Tym Tombar	47,500	98,546	146,046

(1) The amounts shown in this column reflect cash fees earned by each director during 2021. Amounts reflect compensation at the 25% reduction previously enacted in 2020 for the period from January 2021 through April 2021 and the reinstated cash fees enacted in April 2021 for the remainder of 2021.

(2) Amounts reported in this column represent the grant date fair market value determined in accordance with FASB ASC Topic 718 of restricted stock units granted during 2021.

On March 11, 2021, the Compensation Committee awarded each of Messrs. Rothstein, O'Donnell, McGovern, Semple and Rosenthal and Ms. Law 3,115 restricted stock units at a fair value of $32.82 per share. Consistent with the director compensation program, the Compensation Committee also awarded Tym Tombar 2,512 RSUs at a fair value of $39.23 per share. The number of RSUs granted was determined based on the average of the closing price on the 20 business days prior to the grant date. The RSU awards will vest in full on the first anniversary of the date of grant and are subject to forfeiture pursuant to the terms of the notice of grant and award agreement under which they were granted as well as the terms of the LTIP on that date.

As of December 31, 2021, the aggregate number of unvested restricted stock unit awards held by non-employee directors were as follows:

Name	Stock Awards (#)
Bruce Rothstein	3,115[(1)]
Melissa Law	3,115[(1)]
Michael McGovern	3,115[(1)]
John (Andy) O'Donnell	3,115[(1)]
Gary L. Rosenthal	3,115[(1)]
Alan Semple	3,115[(1)]
Tym Tombar	2,512[(2)]

(1) RSUs vest on March 11, 2022.

(2) RSUs vest on July 1, 2022.

Compensation Committee Interlocks and Insider Participation

During 2021, the Company's Compensation Committee consisted of Messrs. McGovern, O'Donnell, Rosenthal and Tombar and Ms. Law. During 2021, no member of the Compensation Committee had a relationship that must be described under the SEC rules relating to disclosure of related person transactions. In 2021, none of our executive officers served on the board of directors or compensation committee of any entity that had one or more of its executive officers serving on the Board or the Compensation Committee of Cactus Inc.

Compensation Committee Report

The Compensation Committee reviewed and discussed the Compensation Discussion and Analysis required by Item 402 of Regulation S-K promulgated by the SEC with management of the Company, and, based on such review and discussions, the Compensation Committee recommended to the Board of Directors that such Compensation Discussion and Analysis be included in the Company's Proxy Statement for the 2022 annual meeting and the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

Compensation Committee of the Board of Directors
Michael McGovern, Chairman
Melissa Law, Member
John (Andy) O'Donnell, Member
Gary Rosenthal, Member
Tym Tombar, Member

Reconciliation of GAAP to Non-GAAP Financial Measures

EBITDA and Adjusted EBITDA are not measures of net income as determined by GAAP. EBITDA and Adjusted EBITDA are supplemental non-GAAP financial measures that are used by management and external users of the Company's consolidated financial statements, such as industry analysts, investors, lenders and rating agencies. Cactus defines EBITDA as net income excluding net interest, income tax and depreciation and amortization. Cactus defines Adjusted EBITDA as EBITDA excluding the other items outlined below. See the following reconciliation (in thousands):

	Year Ended December 31, 2021
Net income	$ 67,470
Interest income, net	774
Income tax expense	7,675
Depreciation and amortization	36,308
EBITDA	112,227
Other non-operating income	(898)
Secondary offering related expenses	406
Stock-based compensation	8,620
Adjusted EBITDA	$ 120,355

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information regarding the beneficial ownership of common stock as of February 14, 2022, by (i) each person who is known by the Company to own beneficially more than five percent of the outstanding shares of common stock, (ii) each NEO of the Company, (iii) each director and director nominee of the Company and (iv) all directors and executive officers as a group. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of Class A common stock issuable upon the vesting of RSUs held by that person that will vest within 60 days of February 14, 2022, are deemed to be issued and outstanding. These shares, however, are not deemed outstanding for purposes of computing percentage ownership of any other stockholder. All of such information is based on publicly available filings, unless otherwise known to us from other sources. As of February 14, 2022, 59,035,237 shares of our Class A common stock and 16,674,282 shares of our Class B common stock were outstanding. Unless otherwise noted, the mailing address of each person or entity named below is 920 Memorial City Way, Suite 300 Houston, Texas 77024.

	Shares Beneficially Owned by Certain Beneficial Owners and Management[1]					
	Class A Common Stock		**Class B Common Stock**		**Combined Voting Power[2]**	
	Number	**% of class**	**Number**	**% of class**	**Number**	**% of class**
5% Stockholders						
Cactus WH Enterprises, LLC[3]	—	— %	15,014,963	90.0 %	15,014,963	19.8 %
The Vanguard Group[4]	5,627,890	9.5 %	—	— %	5,627,890	7.4 %
T. Rowe Price Associates[5]	5,416,577	9.2 %	—	— %	5,416,577	7.2 %
AllianceBernstein L.P.[6]	4,864,730	8.2 %	—	— %	4,864,730	6.4 %
BlackRock, Inc.[7]	3,892,630	6.6 %	—	— %	3,892,630	5.1 %
The Bank of New York Mellon Corporation[8]	3,042,294	5.2 %	—	— %	3,042,294	4.0 %
Directors and NEOs:						
Scott Bender[3]	109,931	*	15,014,963	90.0 %	15,124,894	20.0 %
Joel Bender[3]	108,071	*	15,014,963	90.0 %	15,123,034	20.0 %
Bruce Rothstein[9],[12]	8,202	*	212,186	1.3 %	220,388	*
Stephen Tadlock[10]	110,474	*	—	— %	110,474	*
Steven Bender[11]	54,794	*	—	— %	54,794	*
Alan Semple[12]	50,035	*	—	— %	50,035	*
John (Andy) O’Donnell[12]	18,375	*	27,508	*	45,883	*
Michael McGovern[12]	18,375	*	24,024	*	42,399	*
David Isaac[13]	30,003	*	—	— %	30,003	*
Gary Rosenthal[12]	20,208	*	—	— %	20,208	*
Tym Tombar	15,400	*	—	— %	15,400	*
Melissa Law[12]	6,476	*	—	— %	6,476	*
Directors and executive officers as a group (12 persons)	550,344	*	15,278,681	91.6 %	15,829,025	20.9 %

* Less than 1.0%

(1) Subject to the terms of the First Amended and Restated Limited Liability Company Operating Agreement of Cactus LLC (the “Cactus Wellhead LLC Agreement”), each holder of common units representing limited liability company interests in Cactus LLC (such units, “CW Units” and holders of CW Units, “CW Unit Holders”), subject to certain limitations, has the right (the “Redemption Right”) to cause Cactus LLC to acquire all or at least a minimum portion of its CW Units for, at our election, (x) shares of our Class A Common Stock at a redemption ratio of one share of Class A Common Stock for each CW Unit redeemed, subject to conversion rate adjustments for stock splits, stock dividends and reclassifications and other similar transactions, or (y) an equivalent amount of cash. Alternatively, upon the exercise of the Redemption Right, Cactus Inc. (instead of Cactus LLC) will have the right (the “Call Right”) to acquire each tendered CW Unit directly from the exchanging CW Unit Holder for, at its election, (x) one share of Class A Common Stock, subject to conversion rate adjustments for stock splits, stock dividends and reclassification and other similar transactions, or (y) an equivalent amount of cash. In connection with any redemption of CW Units pursuant to the Redemption Right or our Call Right, the corresponding number of shares of Class B Common Stock will be canceled. See “Transactions with Related Persons— Cactus Wellhead LLC Agreement.” The amounts and percentages of common stock beneficially owned are reported on the basis of regulations of the SEC governing the determination of beneficial ownership of securities. Under the rules of the SEC, a person is deemed to be a “beneficial owner” of a security if that person has or shares voting power, which includes the power to vote or direct the voting of such security, or investment power, which includes the power to dispose of or to

direct the disposition of such security. Securities that can be so acquired are deemed to be outstanding for purposes of computing such person's ownership percentage, but not for purposes of computing any other person's percentage. Under these rules, more than one person may be deemed a beneficial owner of the same securities, and a person may be deemed to be a beneficial owner of securities as to which such person has no economic interest. Except as otherwise indicated in these footnotes, each of the beneficial owners has, to our knowledge, sole voting and investment power with respect to the indicated shares of common stock, except to the extent this power may be shared with a spouse.

(2) Represents percentage of voting power of our Class A Common Stock and Class B Common Stock voting together as a single class. The CW Unit Holders hold one share of Class B Common Stock for each CW Unit that they own. Each share of Class B Common Stock has no economic rights but entitles the holder thereof to one vote for each CW Unit held by such holder. Accordingly, the CW Unit Holders collectively have a number of votes in Cactus Inc. equal to the number of CW Units that they hold.

(3) Scott Bender and Joel Bender control Cactus WH Enterprises and may be deemed to share voting and dispositive power over the 15,014,963 shares listed as being owned by Cactus WH Enterprises and, therefore, will also be deemed to be the beneficial owners of such shares. The number of shares shown under the columns "Class A Voting Stock" and "Combined Voting Power" for Scott Bender includes 39,467 shares of Class A Common Stock issuable to Scott Bender upon the vesting of previously granted RSU awards. The number of shares shown under the columns "Class A Voting Stock" and "Combined Voting Power" for Joel Bender includes 39,467 shares of Class A Common Stock issuable to Joel Bender upon the vesting of previously granted RSU awards.

(4) Based on the Schedule 13G/A, filed February 9, 2022 by The Vanguard Group ("Vanguard"), which states that Vanguard has shared voting power over 105,918 shares of our Class A common stock, sole dispositive power over 5,471,985 shares of our Class A common stock and shared dispositive power over 155,905 shares of our Class A common stock. The address of Vanguard is 100 Vanguard Boulevard, Malvern, PA 19355.

(5) Based on the Schedule 13G/A filed on February 14, 2022 by T. Rowe Price Associates, Inc. ("T. Rowe Price"), which states that T. Rowe Price and its affiliates have sole voting power over 1,796,800 shares of our Class A common stock and sole dispositive power over 5,416,577 shares of our Class A common stock. The address of T. Rowe Price is 100 E. Pratt Street, Baltimore, MD 21202.

(6) Based on the Schedule 13G filed on February 14, 2022 by AllianceBernstein L.P. ("AllianceBernstein"), which states that AllianceBernstein has sole voting power over 4,204,305 shares of our Class A common stock and sole dispositive power over 4,864,730 shares of our Class A common stock. The address of AllianceBernstein is 1345 Avenue of the Americas, New York, NY 10105.

(7) Based on the Schedule 13G/A, filed on February 3, 2022 by BlackRock, Inc., ("BlackRock") a parent holding company, which states that BlackRock and its affiliates have sole voting power over 3,818,218 shares of our Class A common stock and sole dispositive power over 3,892,630 shares of our Class A common stock. All shares covered by such filings are held by BlackRock and/or its subsidiaries. The address of BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055.

(8) Based on the Schedule 13G filed on February 2, 2022 by The Bank of New York Mellon Corporation ("The Bank of New York"), which states that The Bank of New York and its affiliates have sole voting power over 2,882,029 shares of our Class A common stock, shared voting power over 522 shares of our Class A common stock, sole dispositive power over 917,683 shares of our Class A common stock and shared dispositive power over 2,110,466 shares of our Class A common stock. All shares covered by such filings are held by The Bank of New York and/or its subsidiaries. The address of The Bank of New York is c/o The Bank of New York Mellon Corporation, 240 Greenwich Street, New York, NY 10286.

(9) The Class B common stock held by Mr. Rothstein includes 184,390 shares held in trusts for members of his family.

(10) The number of shares shown under the columns "Class A Voting Stock" and "Combined Voting Power" for Mr. Tadlock includes 26,345 shares of Class A Common Stock issuable to Mr. Tadlock upon the vesting of previously granted RSU awards.

(11) The number of shares shown under the columns "Class A Voting Stock" and "Combined Voting Power" for Mr. Steven Bender includes 18,228 shares of Class A Common Stock issuable to Mr. Steven Bender upon the vesting of previously granted RSU awards.

(12) The number of shares shown under the columns "Class A Voting Stock" and "Combined Voting Power" includes 3,115 shares of Class A Common Stock issuable upon the vesting of previously granted RSU awards.

(13) The number of shares shown under the columns "Class A Voting Stock" and "Combined Voting Power" for Mr. Isaac includes 15,281 shares of Class A Common Stock issuable to Mr. Isaac upon the vesting of previously granted RSU awards.

Changes in Control

We know of no arrangements, including any pledge by any person of our securities, the operation of which may at a subsequent date result in a change in control of the Company.

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth certain information relating to our LTIP as of December 31, 2021.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights(1)	Weighted average exercise price of outstanding options, warrants and rights ($)(2)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))(3)
	(a)	(b)	(c)
Equity compensation plans approved by security holders	N/A	N/A	N/A
Equity compensation plans not approved by security holders(4)	673,337	N/A	1,295,150
Total	673,337	N/A	1,295,150

(1) This column reflects all shares subject to time-based restricted stock units and performance-based stock units granted under the LTIP that were outstanding and unvested as of December 31, 2021. No stock options or warrants have been granted under the LTIP.

(2) No stock options have been granted under the LTIP, and the restricted stock units reflected in column (a) are not reflected in this column as they do not have an exercise price.

(3) This column reflects the total number of shares remaining available for issuance under the LTIP as of December 31, 2021.

(4) See “Item 11. Executive Compensation—Elements of Compensation” for more information about our LTIP.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Policies and Procedures for Review of Related Party Transactions

A “Related Party Transaction” is a transaction, arrangement or relationship in which we or any of our subsidiaries was, is or will be a participant, the amount of which involved exceeds $120,000, and in which any related person had, has or will have a direct or indirect material interest. A “Related Person” means:

- any person who is, or at any time during the applicable period was, one of our executive officers or one of our directors;
- any person who is known by us to be the beneficial owner of more than 5% of any class of our voting securities;
- any immediate family member of any of the foregoing persons, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of a director, executive officer or a beneficial owner of more than 5% of our Common Stock, and any person (other than a tenant or employee) sharing the household of such director, executive officer or beneficial owner of more than 5% of our Common Stock; and
- any firm, corporation or other entity in which any of the foregoing persons is a partner or principal or in a similar position or in which such person has a 10% or greater beneficial ownership interest.

Our board of directors adopted a written Related Party Transactions policy prior to the completion of our IPO. Pursuant to this policy, our Audit Committee has and will continue to review all material facts of all Related Party Transactions and either approve or disapprove entry into the Related Party Transaction, subject to certain limited exceptions. In determining whether to approve or disapprove entry into a Related Party Transaction, our Audit Committee takes into account, among other factors, the following: (i) whether the Related Party Transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and (ii) the extent of the Related Person’s interest in the transaction. Further, the policy requires that all Related Party Transactions required to be disclosed in our filings with the SEC be so disclosed in accordance with applicable laws, rules and regulations.

Cactus Wellhead LLC Agreement

Under the Cactus Wellhead LLC Agreement, each CW Unit Holder, subject to certain limitations, has the right, pursuant to the Redemption Right, to cause Cactus LLC to acquire all or at least a minimum portion of its CW Units for, at Cactus LLC's election, (x) shares of our Class A Common Stock at a redemption ratio of one share of Class A Common Stock for each CW Unit redeemed, subject to conversion rate adjustments for stock splits, stock dividends and reclassification and other similar transactions, or (y) an equivalent amount of cash. Alternatively, upon the exercise of the Redemption Right, Cactus Inc. (instead of Cactus LLC) will have the right, pursuant to the Call Right, to acquire each tendered CW Unit directly from the exchanging CW Unit Holder for, at its election, (x) one share of Class A Common Stock, subject to conversion rate adjustments for stock splits, stock dividends and reclassifications and other similar transactions, or (y) an equivalent amount of cash. In connection with any redemption of CW Units pursuant to the Redemption Right or our Call Right, the corresponding number of shares of Class B Common Stock will be canceled. In addition, any redemptions involving all of the CW Units held by a CW Unit Holder (subject to the discretion of Cactus Inc. to suspend or otherwise restrict redemptions under certain circumstances) may occur at any time. As the CW Unit Holders redeem their CW Units, our membership interest in Cactus LLC will be correspondingly increased, the number of shares of Class A Common Stock outstanding will be increased, and the number of shares of Class B Common Stock outstanding will be reduced.

Any exercise by Cactus LLC or Cactus Inc. of the right to acquire redeemed CW Units for cash must be approved by the board of directors of Cactus Inc. To date, neither Cactus Inc. nor Cactus LLC have elected to acquire CW Units for cash in connection with exchanges by CW Unit Holders. It is the policy of Cactus Inc. that any exercise by Cactus Inc. or Cactus LLC of the right to acquire redeemed CW Units for cash must be approved by a majority of those members of the board of directors of Cactus Inc. who have no interest in such transaction.

Under the Cactus Wellhead LLC Agreement, we have the right to determine when distributions will be made to CW Unit Holders and the amount of any such distributions. If we authorize a distribution, such distribution will be made to the holders of CW Units on a pro rata basis in accordance with their respective percentage ownership of CW Units. For the year ended December 31, 2021, Cactus LLC distributed $30.6 million to Cactus Inc. to fund its dividend, TRA liability and estimated tax payments and made pro rata distributions to the other members totaling $9.7 million. Three of our independent directors, Messrs. McGovern, O'Donnell and Rothstein, have the right to receive pro rata distributions with respect to their percentage ownership of CW Units. During 2021, Messrs. McGovern, O'Donnell and Rothstein received approximately $12 thousand, $15 thousand and $21 thousand, respectively, in pro rata distributions from Cactus LLC. During 2021, a company controlled by Scott Bender and Joel Bender received approximately $8.1 million in pro rata distributions with respect to its percentage ownership of CW Units. In addition, Cadent and Steven Bender received pro rata distributions of approximately $0.8 million and $0.7 million, respectively, during 2021 with respect to their percentage ownership of CW Units.

The holders of CW Units, including us, will generally incur U.S. federal, state and local income taxes on their proportionate share of any taxable income of Cactus LLC and will be allocated their proportionate share of any taxable loss of Cactus LLC. Net profits and net losses of Cactus LLC generally will be allocated to holders of CW Units on a pro rata basis in accordance with their respective percentage ownership of CW Units, except that certain non pro rata adjustments will be required to be made to reflect built-in gains and losses and tax depletion, depreciation and amortization with respect to such built-in gains and losses. To the extent Cactus LLC has available cash and subject to the terms of any current or future credit agreements or debt instruments, we intend to cause Cactus LLC to make (i) pro rata distributions to the holders of CW Units, including us, in an amount at least sufficient to allow us to pay our taxes and make payments under the Tax Receivable Agreement that we entered into with the TRA Holders in connection with our IPO and (ii) non pro rata payments to Cactus Inc. to reimburse us for our corporate and other overhead expenses incurred by us in connection with serving as a managing member of Cactus LLC.

The Cactus Wellhead LLC Agreement provides that, except as otherwise determined by us, at any time we issue a share of our Class A Common Stock or any other equity security, the net proceeds received by us with respect to such issuance, if any, shall be concurrently invested in Cactus LLC, and Cactus LLC shall issue to us one CW Unit or other economically equivalent equity interest. Conversely, if at any time, any shares of our Class A Common Stock are redeemed, repurchased or otherwise acquired, Cactus LLC shall redeem, repurchase or otherwise acquire an equal number of CW Units held by us, upon the same terms and for the same price, as the shares of our Class A Common Stock are redeemed, repurchased or otherwise acquired.

Cactus LLC will be dissolved only upon the first to occur of (i) the sale of substantially all of its assets or (ii) an election by us to dissolve the company. Upon dissolution, Cactus LLC will be liquidated and the proceeds from any liquidation will be applied and distributed in the following manner: (a) first, to creditors (including to the extent permitted by law, creditors who are members) in satisfaction of the liabilities of Cactus LLC, (b) second, to establish cash reserves for contingent or unforeseen liabilities and (c) third, to the members in proportion to the number of CW Units owned by each of them.

Tax Receivable Agreement

Pursuant to the Cactus Wellhead LLC Agreement, each TRA Holder will, subject to certain limitations, have the right (the “Redemption Right”) to cause Cactus LLC to acquire all or at least a minimum portion of its CW Units for, at Cactus LLC’s election, (x) shares of our Class A common stock at a redemption ratio of one share of Class A common stock for each CW Unit redeemed, subject to conversion rate adjustments for stock splits, stock dividends and reclassification and other similar transactions, or (y) an equivalent amount of cash. Alternatively, upon the exercise of the Redemption Right, Cactus Inc. (instead of Cactus LLC) will have the right (the “Call Right”) to acquire each tendered CW Unit directly from the exchanging TRA Holder for, at its election, (x) one share of Class A common stock, subject to conversion rate adjustments for stock splits, stock dividends and reclassifications and other similar transactions, or (y) an equivalent amount of cash. In connection with any redemption of CW Units pursuant to the Redemption Right or our Call Right, the corresponding number of shares of Class B common stock will be canceled.

Cactus LLC has made for itself (and for each of its direct or indirect subsidiaries that is treated as a partnership for U.S. federal income tax purposes and that it controls) an election under Section 754 of the Internal Revenue Code (the “Code”), effective for 2018 and each taxable year in which a redemption of CW Units pursuant to the Redemption Right or the Call Right occurs. Pursuant to the Section 754 election, redemptions of CW Units pursuant to the Redemption Right or the Call Right are expected to result in adjustments to the tax basis of the tangible and intangible assets of Cactus LLC. These adjustments will be allocated to Cactus Inc. Such adjustments to the tax basis of the tangible and intangible assets of Cactus LLC would not have been available to Cactus Inc. absent its acquisition or deemed acquisition of CW Units pursuant to the exercise of the Redemption Right or the Call Right. In addition, the repayment of borrowings outstanding under the Cactus LLC term loan facility resulted in adjustments to the tax basis of the tangible and intangible assets of Cactus LLC, a portion of which was allocated to Cactus Inc.

These basis adjustments are expected to increase (for tax purposes) Cactus Inc.’s depreciation and amortization deductions and may also decrease Cactus Inc.’s gains (or increase its losses) on future dispositions of certain assets to the extent tax basis is allocated to those assets. Such increased deductions and losses and reduced gains may reduce the amount of tax that Cactus Inc. would otherwise be required to pay in the future.

The TRA will generally provide for the payment by Cactus Inc. to each TRA Holder of 85% of the net cash savings, if any, in U.S. federal, state and local income tax and franchise tax that Cactus Inc. actually realizes or is deemed to realize in certain circumstances as a result of (i) certain increases in tax basis that occur as a result of Cactus Inc.’s acquisition (or deemed acquisition for U.S. federal income tax purposes) of all or a portion of such TRA Holder’s CW Units in connection with CW Unit exchanges or pursuant to the exercise of the Redemption Right or the Call Right, (ii) certain increases in tax basis resulting from the repayment of borrowings outstanding under Cactus LLC’s term loan facility and (iii) imputed interest deemed to be paid by Cactus Inc. as a result of, and additional tax basis arising from, any payments Cactus Inc. makes under the TRA. We will retain the benefit of the remaining 15% of the cash savings.

The payment obligations under the TRA are Cactus Inc.’s obligations and not obligations of Cactus LLC, and we expect that the payments we will be required to make under the TRA will be substantial. We have determined that it is more likely than not that actual cash tax savings will be realized by Cactus Inc. from the tax benefits resulting from our IPO (and the related transactions), the follow-on equity offerings in July 2018, March 2019 and March 2021 and other CW Unit exchanges. Future exchanges of CW Units create additional liability and follow the same accounting procedures. Estimating the amount and timing of payments that may become due under the TRA is by its nature imprecise and the assumptions used in the estimate can change. For purposes of the TRA, net cash savings in tax generally will be calculated by comparing Cactus Inc.’s actual tax liability (determined by using the actual applicable U.S. federal income tax rate and an assumed combined state and local income tax rate) to the amount it would have been required to pay had it not been able to utilize any of the tax benefits subject to the TRA. The amounts payable, as well as the timing of any payments under the TRA, are dependent upon significant future events and assumptions, including the timing of the redemption of CW Units, the price of our Class A common stock at the time of each redemption, the extent to which such redemptions are taxable transactions, the amount of the redeeming unit holder’s tax basis in its CW Units at the time of the relevant redemption, the depreciation and amortization periods that apply to the increase in tax basis, the amount and timing of taxable income we generate in the future and the U.S. federal income tax rate then applicable, and the portion of Cactus Inc.’s payments under the TRA that constitute imputed interest or give rise to depreciable or amortizable tax basis.

A delay in the timing of redemptions of CW Units, holding other assumptions constant, would be expected to decrease the discounted value of the amounts payable under the TRA as the benefit of the depreciation and amortization deductions would be delayed and the estimated increase in tax basis could be reduced as a result of allocations of Cactus LLC taxable income to the redeeming unit holder prior to the redemption. Stock price increases or decreases at the time of each redemption of CW Units would be expected to result in a corresponding increase or decrease in the undiscounted amounts payable under the TRA in an amount equal to 85% of the tax-effected change in price. The amounts payable under the TRA are dependent upon Cactus Inc. having sufficient future taxable income to utilize the tax benefits on which it is required to make payments under the TRA. If Cactus Inc.'s projected taxable income is significantly reduced, the expected payments would be reduced to the extent such tax benefits do not result in a reduction of Cactus Inc.'s future income tax liabilities.

It is possible that future transactions or events could increase or decrease the actual tax benefits realized and the corresponding liability from the TRA. Moreover, there may be a negative impact on our liquidity if, as a result of timing discrepancies or otherwise, (i) the payments under the TRA exceed the actual benefits we realize in respect of the tax attributes subject to the TRA or (ii) distributions to Cactus Inc. by Cactus LLC are not sufficient to permit Cactus Inc. to make payments under the TRA after it has paid its taxes and other obligations. The payments under the TRA are not conditional on a holder of rights under the TRA having a continued ownership interest in either Cactus LLC or Cactus Inc.

In addition, although we are not aware of any issue that would cause the Internal Revenue Service ("IRS") or other relevant tax authorities to challenge potential tax basis increases or other tax benefits covered under the TRA, the TRA Holders will not reimburse us for any payments previously made under the TRA if such basis increases or other benefits are subsequently disallowed, except that excess payments made to any such holder will be netted against payments otherwise to be made, if any, to such holder after our determination of such excess. As a result, in such circumstances, Cactus Inc. could make payments that are greater than its actual cash tax savings, if any, and may not be able to recoup those payments.

The term of the TRA commenced upon completion of our IPO and will continue until all tax benefits that are subject to the TRA have been utilized or expired, unless we exercise our right to terminate the TRA. In the event that the TRA is not terminated, the payments under the TRA, which commenced in 2019, will continue for approximately 20 years after the date of the last redemption of CW Units. Accordingly, it is expected that payments will continue to be made under the TRA for more than 20 years. If we elect to terminate the TRA early (or it is terminated early due to certain mergers, asset sales, other forms of business combinations or other changes of control), our obligations under the TRA would accelerate and we would be required to make an immediate payment equal to the present value of the anticipated future payments to be made by us under the TRA (determined by applying a discount rate of one-year LIBOR plus 150 basis points) and such payment is expected to be substantial. The calculation of anticipated future payments will be based upon certain assumptions and deemed events set forth in the TRA, including the assumptions that (i) we have sufficient taxable income to fully utilize the tax benefits covered by the TRA and (ii) any CW Units (other than those held by Cactus Inc.) outstanding on the termination date are deemed to be redeemed on the termination date. Any early termination payment may be made significantly in advance of the actual realization, if any, of the future tax benefits to which the termination payment relates. Assuming no material changes in the relevant tax law, we expect that if the TRA were terminated as of December 31, 2021, the estimated termination payments, based on the assumptions discussed above, would be approximately $361.9 million (calculated using a discount rate equal to one-year LIBOR plus 150 basis points, applied against an undiscounted liability of $422.0 million). A 10% increase in the price of our Class A Common Stock at December 31, 2021 would have increased the discounted liability by $12.9 million to $374.8 million (an undiscounted increase of $15.4 million to $437.5 million), and likewise, a 10% decrease in the price of our Class A Common Stock at December 31, 2021 would have decreased the discounted liability by $12.9 million to $349.0 million (an undiscounted decrease of $15.4 million to $406.7 million).

The TRA provides that in the event that we breach any of our material obligations under the TRA, whether as a result of (i) our failure to make any payment when due (including in cases where we elect to terminate the TRA early, the TRA is terminated early due to certain mergers, asset sales, or other forms of business combinations or changes of control or we have available cash but fail to make payments when due under circumstances where we do not have the right to elect to defer the payment, as described below), (ii) our failure to honor any other material obligation under it or (iii) by operation of law as a result of the rejection of the TRA in a case commenced under the U.S. Bankruptcy Code or otherwise, then the TRA Holders may elect to treat such breach as an early termination, which would cause all our payment and other obligations under the TRA to be accelerated and become due and payable applying the same assumptions described above.

As a result of either an early termination or a change of control, we could be required to make payments under the TRA that exceed our actual cash tax savings under the TRA. In these situations, our obligations under the TRA could have a substantial negative impact on our liquidity and could have the effect of delaying, deferring or preventing certain mergers, asset sales, or other forms of business combinations or changes of control.

Decisions we make in the course of running our business, such as with respect to mergers, asset sales, other forms of business combinations or other changes in control, may influence the timing and amount of payments that are received by the TRA Holders under the TRA. For example, the earlier disposition of assets following a redemption of CW Units may accelerate payments under the TRA and increase the present value of such payments, and the disposition of assets before a redemption of CW Units may increase the TRA Holders' tax liability without giving rise to any rights of the TRA Holders to receive payments under the TRA. Such effects may result in differences or conflicts of interest between the interests of the TRA Holders and other shareholders.

Payments generally are due under the TRA within five business days following the finalization of the schedule with respect to which the payment obligation is calculated. However, interest on such payments will begin to accrue from the due date (without extensions) of our U.S. federal income tax return for the period to which such payments relate until such payment date at a rate equal to one-year LIBOR plus 150 basis points. Except in cases where we elect to terminate the TRA early or it is otherwise terminated as described above, generally we may elect to defer payments due under the TRA if we do not have available cash to satisfy our payment obligations under the TRA. Any such deferred payments under the TRA generally will accrue interest from the due date for such payment until the payment date at a rate of one-year LIBOR plus 550 basis points. However, interest will accrue from the due date for such payment until the payment date at a rate of one-year LIBOR plus 150 basis points if we are unable to make such payment as a result of limitations imposed by our credit facility. We have no present intention to defer payments under the TRA.

Because we are a holding company with no operations of our own, our ability to make payments under the TRA is dependent on the ability of Cactus LLC to make distributions to us in an amount sufficient to cover our obligations under the TRA. This ability, in turn, may depend on the ability of Cactus LLC's subsidiaries to make distributions to it. The ability of Cactus LLC, its subsidiaries and other entities in which it directly or indirectly holds an equity interest to make such distributions will be subject to, among other things, the applicable provisions of Delaware law (or other applicable jurisdiction) that may limit the amount of funds available for distribution and restrictions in relevant debt instruments issued by Cactus LLC or its subsidiaries and other entities in which it directly or indirectly holds an equity interest. Additionally, distributions made by Cactus LLC generally require pro-rata distribution among all its members, which could be significant. To the extent that we are unable to make payments under the TRA for any reason, such payments will be deferred and will accrue interest until paid.

Two of our independent directors, Messrs. McGovern and O'Donnell, have the right to receive payments under the Tax Receivable Agreement in respect of CW Units owned by them at the time of our IPO. In 2021, Messrs. McGovern and O'Donnell each received payments, net of administrative fees, under the TRA of approximately $6 thousand. Mr. Rothstein, one of our independent directors, and trusts established for the benefit of Mr. Rothstein's family have the right to receive payments under the Tax Receivable Agreement in respect of CW Units distributed to them by Cadent in 2021. Mr. Rothstein did not receive any payments under the Tax Receivable Agreement during 2021. During 2021, a company controlled by Scott Bender and Joel Bender received approximately $2.8 million in payments, net of administrative fees, under the TRA in respect of CW Units owned by them. In addition, Cadent and Steven Bender received payments, net of administrative fees, under the TRA of approximately $6.4 million and $0.2 million, respectively, during 2021 in respect of CW Units owned by them.

Registration Rights Agreement

In connection with our IPO, we entered into a registration rights agreement (the "Registration Rights Agreement") with Cadent, Cactus WH Enterprises and Lee Boquet. As Cadent no longer owns any "Registrable Securities," as defined in the Registration Rights Agreement, references herein to the "Registration Rights Holders" refer to Cactus WH Enterprises and Lee Boquet. Pursuant to the Registration Rights Agreement, we agreed to register the sale of shares of Class A Common Stock by the Registration Rights Holders under certain circumstances as described below.

On March 15, 2019, in accordance with the requirements of the Registration Rights Agreement, we filed a shelf registration statement on Form S-3 (the "Expiring Shelf Registration Statement") pursuant to the Securities Act of 1933, as amended, to, among other things, permit the resale by the Registration Rights Holders of shares of Class A Common Stock issuable upon the exercise of redemption rights. Shortly following the filing of this annual report, we intend to file a new registration statement to replace the Expiring Shelf Registration Statement. If at any time we are not eligible to register the sale of our securities on Form S-3, Cactus WH Enterprises will have the right to request three "demand" registrations, provided that the aggregate amount of registrable securities that are requested to be included in such demand registration is at least $25,000,000. Further, the Registration Rights Holders and certain of their assignees will have customary "piggyback" registration rights.

Upon the demand of a Registration Rights Holder, we will facilitate in the manner described in the Registration Rights Agreement a "takedown" of Class A Common Stock off of an effective shelf registration statement. A shelf takedown may take the form of an underwritten public offering provided that the aggregate amount of registrable securities that are requested to be included in such offering is at least $25,000,000.

These registration rights are subject to certain conditions and limitations, including the right of the underwriters to limit the number of shares to be included in a registration and our right to delay or withdraw a registration statement under certain circumstances. Also, any demand for a registered offering or a takedown and the exercise of any piggyback registration rights will be subject to the constraints of any applicable lock-up arrangements. In addition, we may postpone the filing of a demanded registration statement, suspend the initial effectiveness of any shelf registration statement or delay offerings and sales under any effective shelf registration statement for a reasonable “blackout period” not in excess of 90 days if the board determines that such registration or offering could materially interfere with a bona fide business, acquisition or divestiture or financing transaction or is reasonably likely to require premature disclosure of information, the premature disclosure of which could materially and adversely affect us; provided that we shall not delay the filing of any demanded registration statement more than once in any 12-month period.

We will generally pay all registration expenses in connection with our obligations under the registration rights agreement, regardless of whether a registration statement is filed or becomes effective.

Stockholders’ Agreement

In connection with our IPO, we entered into a stockholders’ agreement (the “Stockholders’ Agreement”) with Cadent and Cactus WH Enterprises. The Stockholders’ Agreement was subsequently amended in 2021 after Cadent withdrew from the Agreement. The Amended and Restated Stockholders’ Agreement provides Cactus WH Enterprises, but not Cadent, with the right to designate a certain number of nominees to our board of directors (“CWHE Directors”) so long as it and its respective affiliates collectively beneficially own at least 5% of the outstanding shares of our common stock as set forth below. Among other things, the Stockholders’ Agreement provides Cactus WH Enterprises with the right to designate a number of nominees (each, a “CWHE Director”) to the Board such that:

- at least 50% of the directors on the board are CWHE Directors for so long as Cactus WH Enterprises and its affiliates collectively beneficially own at least 20% of the outstanding shares of Common Stock;
- at least 25% of the directors on the board are CWHE Directors for so long as Cactus WH Enterprises and its affiliates collectively beneficially own less than 20% but at least 10% of the outstanding shares of Common Stock;
- at least one of the directors on the board are CWHE Directors for so long as Cactus WH Enterprises and its affiliates collectively beneficially own less than 10% but at least 5% of the outstanding shares of Common Stock; and
- once Cactus WH Enterprises and its affiliates collectively own less than 5% of the outstanding shares of Common Stock, Cactus WH Enterprises will not have any Board designation rights.

In the event that the percentage ownership of Cactus WH Enterprises declines such that the number of CWHE Directors exceeds the number of directors that Cactus WH Enterprises is then entitled to designate to our board of directors under the Stockholders’ Agreement, then if requested by the Company, Cactus WH Enterprises shall take such actions as are reasonably necessary to remove such excess CWHE Directors from the board.

Currently, Scott Bender, Joel Bender and Alan Semple are each deemed to be designees of Cactus WH Enterprises.

Pursuant to the Stockholders’ Agreement, the Company and Cactus WH Enterprises are required to take all necessary action, to the fullest extent permitted by applicable law (including with respect to any fiduciary duties under Delaware law), to cause the election of the nominees designated by Cactus WH Enterprises.

The rights granted to Cactus WH Enterprises to designate directors are additive to and not intended to limit in any way the rights that Cactus WH Enterprises or any of its affiliates may have to nominate, elect or remove our directors under our amended and restated certificate of incorporation, our amended and restated bylaws or the Delaware General Corporation Law. The Stockholders’ Agreement shall terminate on January 29, 2023.

Non-Exclusive Aircraft Lease Agreements

In July 2019, Cactus LLC entered into a Non-Exclusive Aircraft Lease Agreement (the “SusieAir Lease”) with SusieAir, LLC (“SusieAir”), an entity wholly owned by Mr. Scott Bender, pursuant to which Cactus LLC leases an aircraft, excluding crew, from SusieAir. The 2019 agreement replaced the previous agreement originally entered into in 2014 due to the sale of the aircraft under the previous lease. Under the SusieAir Lease, the aircraft may be subject to use by other lessees. The SusieAir Lease has an initial term of one year and automatically renews for successive one year terms unless either party gives at least 15 days' advance notice of its intention to terminate the agreement. The SusieAir Lease shall terminate automatically upon a sale or total loss of the aircraft or at any time, upon 30 days' written notice by either party. Cactus LLC paid SusieAir a base hourly rent of $1,750 per flight hour of use of the aircraft, payable monthly, for the hours of aircraft operation during the prior calendar month. The SusieAir Lease generally provides that Cactus LLC will indemnify SusieAir from liabilities arising from the operation of the aircraft. During 2021, total expense recognized in connection with these rentals totaled $0.2 million. As of December 31, 2021, we owed less than $0.1 million to SusieAir, which amount is included in accounts payable in the consolidated balance sheets. Cactus LLC is also responsible for employing pilots and certain fuel true up fees. Mr. Scott Bender and Mr. Joel Bender paid the Company from $600 to $1,800/day for their personal use of the pilots employed by the Company, depending on how many company pilots are utilized for the day.

Employment Agreements

We have entered into employment agreements and non-compete agreements with Scott Bender, our Chief Executive Officer, and Joel Bender, our Chief Operating Officer. Mr. Tadlock has an agreement providing him severance pay under certain circumstances. For more information, please read Part III. Item 11. Executive Compensation—Employment, Severance and Change in Control Agreements—Employment Agreements.

Director Independence

See "Item 10. Directors, Executive Officers and Corporate Governance" for a discussion of the directors who our Board has determined to be independent.

Item 14. Principal Accountant Fees and Services

The table below sets forth the aggregate fees billed or expected to be billed by PricewaterhouseCoopers LLP, our independent registered public accounting firm, for services rendered for each of the last two fiscal years:

	2021	2020
	(in thousands)	
Audit Fees[1]	$ 1,722	$ 1,422
Audit-Related Fees	1	1
Tax Fees	—	—
All Other Fees	—	—
Total	$ 1,723	$ 1,423

[1] Audit fees consist of the aggregate fees billed or expected to be billed for professional services rendered for (i) the audit of annual financial statements, (ii) reviews of our quarterly financial statements, (iii) statutory audits, (iv) research necessary to comply with generally accepted accounting principles and (v) other filings with the SEC, including consents and comfort letters.

The charter of the Audit Committee and its pre-approval policy require that the Audit Committee review and pre-approve the plan and scope of our independent registered public accounting firm's audit, audit-related, tax and other services. During 2021 and 2020, all audit and non-audit services were pre-approved by the Audit Committee.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(1) Financial Statements

The consolidated financial statements of Cactus, Inc. and Subsidiaries and the Report of Independent Registered Public Accounting Firm are included in Part II, Item 8. of this Annual Report. Reference is made to the accompanying Index to Consolidated Financial Statements.

(2) Financial Statement Schedules

All financial statement schedules have been omitted because they are not applicable or the required information is presented in the financial statements or the notes thereto.

(3) Index to Exhibits

The exhibits required to be filed or furnished pursuant to Item 601 of Regulation S-K are set forth below.

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of Cactus, Inc., effective February 12, 2018 (incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K filed with the Commission on February 12, 2018)
3.2	Amended and Restated Bylaws of Cactus, Inc effective as of September 8, 2020 (incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K filed with the Commission on September 9, 2020)
4.1	Description of Securities (incorporated by reference to Exhibit 4.1 to the Registrant's Form 10-K filed with the Commission on February 28, 2020)
10.1	First Amended and Restated Limited Liability Company Operating Agreement of Cactus Wellhead, LLC, (incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K filed with the Commission on February 12, 2018)
10.2†	Amended and Restated Employment Agreement with Scott Bender, dated as of February 12, 2018 (incorporated by reference to Exhibit 10.3 to the Registrant's Form 8-K filed with the Commission on February 12, 2018)
10.3†	First Amendment to the Amended and Restated Employment Agreement, dated February 21, 2019, by and between Scott Bender and Cactus Wellhead, LLC (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed with the Commission on February 22, 2019)
10.4†	Second Amended and Restated Employment Agreement with Scott Bender, dated as of April 25, 2021 (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed with the Commission on April 28, 2021)
10.5†	Amended and Restated Employment Agreement with Joel Bender, dated as of February 12, 2018 (incorporated by reference to Exhibit 10.4 to the Registrant's Form 8-K filed with the Commission on February 12, 2018)
10.6†	First Amendment to the Amended and Restated Employment Agreement, dated February 21, 2019, by and between Joel Bender and Cactus Wellhead, LLC (incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K filed with the Commission on February 22, 2019)
10.7†	Second Amended and Restated Employment Agreement with Joel Bender, dated as of April 25, 2021 (incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K filed with the Commission on April 28, 2021)
10.8†	Amended and Restated Noncompetition Agreement with Scott Bender, dated as of February 12, 2018 (incorporated by reference to Exhibit 10.5 to the Registrant's Form 8-K filed with the Commission on February 12, 2018)
10.9†	Amended and Restated Noncompetition Agreement with Joel Bender, dated as of February 12, 2018 (incorporated by reference to Exhibit 10.6 to the Registrant's Form 8-K filed with the Commission on February 12, 2018)
10.10†	Form of Director and Officer Indemnification Agreement (incorporated by reference to Exhibit 10.5 to the Registrant's Registration Statement on Form S-1 filed with the Commission on January 12, 2018)
10.11†*	Schedule of Director and Officer Indemnification Agreements Identical in All Material Respects to the Form of Director and Officer Indemnification Agreement Filed as Exhibit 10.10 to this Annual Report pursuant to Instruction 2 to Item 6-1 of Regulation S-K
10.12	Tax Receivable Agreement (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed with the Commission on February 12, 2018)

Exhibit No.	Description
10.13	Registration Rights Agreement (incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-K filed with the Commission on February 12, 2018)
10.14	Amended and Restated Stockholder's Agreement dated as of March 24, 2021, by and between Cactus, Inc. and Cactus WH Enterprises, LLC (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed with the Commission on March 29, 2021)
10.15	Credit Agreement, dated July 31, 2014, among Cactus Wellhead, LLC, Credit Suisse AG, as administrative agent, collateral agent and issuing bank, and the lenders named therein as parties thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Registration Statement on Form S-1 (File No. 333-222540) filed with the Commission on January 12, 2018)
10.16†	Cactus, Inc. Long Term Incentive Plan (incorporated by reference to Exhibit 10.18 to the Registrant's Form 8-K filed with the Commission on February 12, 2018)
10.17†	Amendment No. 1 to Cactus, Inc. Long Term Incentive Plan, dated November 25, 2019 (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed with the Commission on November 26, 2019)
10.18†	Form of Restricted Stock Agreement under the Cactus Inc. Long Term Incentive Plan (incorporated by reference to Exhibit 10.10 to the Registrant's Form S-1 Registration Statement (File No. 333-222540) filed with the Commission on January 12, 2018)
10.19†	Form of Restricted Stock Unit Agreement under the Cactus Inc. Long Term Incentive Plan (incorporated by reference to Exhibit 10.11 to the Registrant's Form S-1 Registration Statement (File No. 333-222540) filed with the Commission on January 12, 2018)
10.20	Credit Agreement, dated as of August 21, 2018, among Cactus Wellhead, LLC, as borrower, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent, an issuing bank and swingline lender (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed with the Commission on August 24, 2018)
10.21	First Amendment to Credit Agreement, dated as of September 18, 2020, among Cactus Wellhead, LLC, as borrower, the lenders party thereto and JPMorgan Chase Bank, N.C., as administrative agent, an issuing bank and swingline lender (incorporated by reference to Exhibit 10.1 to the Registrant's Form 10-Q filed with the Commission on November 5, 2020)
10.22†	Form of Restricted Stock Unit Agreement (Directors, one-year vesting) (incorporated by reference to Exhibit 4.7 to the Registrants Form S-8 Registration Statement (File No. 333-225269) filed with the Commission on May 29, 2018)
10.23†	Form of Restricted Stock Unit Agreement (Directors, three-year vesting) (incorporated by reference to Exhibit 4.8 to the Registrants Form S-8 Registration Statement (File No. 333-225269) filed with the Commission on May 29, 2018)
10.24†	Form of Performance Stock Unit Agreement (three-year vesting) under the Cactus, Inc. Long Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed with the Commission on March 17, 2020)
10.25†	Form of Performance Stock Unit Agreement (two and three-year vesting) under the Cactus, Inc. Long Term Incentive Plan (incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K filed with the Commission on March 17, 2020)
10.26†*	Form of Performance Stock Unit Agreement under the Cactus, Inc. Long Term Incentive Plan
10.27†	Offer Letter to Stephen Tadlock dated May 30, 2017 (incorporated by reference to Item 10.17 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2018, filed with the Commission on March 15, 2019)
10.28†	Offer letter to David Isaac dated September 17, 2018 (incorporated by reference to Exhibit 10.22 to the Registrant's Form 10-K filed with the Commission on February 28, 2020)
10.29†	Severance Agreement by and between Cactus Wellhead, LLC and David Isaac, dated as of September 24, 2018 (incorporated by reference to Exhibit 10.23 to the Registrant's Form 10-K filed with the Commission on February 28, 2020)
21.1*	List of Subsidiaries of Cactus, Inc.
23.1*	Consent of PricewaterhouseCoopers LLP
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit No.	Description
101.INS*	XBRL Instance Document - the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Calculation Linkbase Document
101.LAB*	XBRL Taxonomy Label Linkbase Document
101.PRE*	XBRL Taxonomy Presentation Linkbase Document
101.DEF*	XBRL Taxonomy Definition Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.
** Furnished herewith.
† Management contract or compensatory plan or arrangement.

Item 16. Form 10-K Summary

None.

Signatures

Pursuant to the requirements of Section 13 or 15(d) 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.

Cactus, Inc.

Date: February 28, 2022

By: /s/ Scott Bender
Scott Bender
President, Chief Executive Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Scott Bender Scott Bender	President, Chief Executive Officer and Director (Principal Executive Officer)	February 28, 2022
/s/ Stephen Tadlock Stephen Tadlock	Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)	February 28, 2022
/s/ Donna Anderson Donna Anderson	Chief Accounting Officer (Principal Accounting Officer)	February 28, 2022
/s/ Bruce Rothstein Bruce Rothstein	Chairman of the Board and Director	February 28, 2022
/s/ Joel Bender Joel Bender	Senior Vice President, Chief Operating Officer and Director	February 28, 2022
/s/ Melissa Law Melissa Law	Director	February 28, 2022
/s/ Michael McGovern Michael McGovern	Director	February 28, 2022
/s/ John (Andy) O’Donnell John (Andy) O’Donnell	Director	February 28, 2022
/s/ Gary Rosenthal Gary Rosenthal	Director	February 28, 2022
/s/ Alan Semple Alan Semple	Director	February 28, 2022
/s/ Tym Tombar Tym Tombar	Director	February 28, 2022

Exhibit 10.11

SCHEDULE OF DIRECTOR AND OFFICER INDEMNIFICATION AGREEMENTS SUBSTANTIALLY IDENTICAL TO FORM OF DIRECTOR AND OFFICER INDEMNIFICATION AGREEMENT FILED AS EXHIBIT TO ANNUAL REPORT

In accordance with Instruction 2 to Item 601 of Regulation S-K, the Registrant has omitted filing the following Director and Officer Indemnification Agreements by and between Cactus, Inc. and the parties named below because they are substantially identical in all material respects to the form of Director and Officer Indemnification Agreement filed as Exhibit 10.8 to Cactus, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2020:

1. Indemnification Agreement with Scott Bender, dated as of February 12, 2018
2. Indemnification Agreement with Joel Bender, dated as of February 12, 2018
3. Indemnification Agreement with Bruce Rothstein, dated as of February 12, 2018
4. Indemnification Agreement with Steven Bender dated as of February 12, 2018
5. Indemnification Agreement with Stephen Tadlock, dated as of February 12, 2018
6. Indemnification Agreement with John (Andy) O'Donnell, dated as of February 12, 2018
7. Indemnification Agreement with Michael McGovern, dated as of February 12, 2018
8. Indemnification Agreement with Alan Semple, dated as of February 12, 2018
9. Indemnification Agreement with Gary Rosenthal, dated as of February 12, 2018
10. Indemnification Agreement with David Isaac, dated as of September 24, 2018
11. Indemnification Agreement with Donna Anderson, dated as of December 9, 2019
12. Indemnification Agreement with Melissa Law, dated as of January 30, 2020
13. Indemnification Agreement with Tym Tombar, dated as of July 1, 2021

CACTUS, INC.
LONG TERM INCENTIVE PLAN

PERFORMANCE STOCK UNIT AGREEMENT

Grant Date: [●]	(the "***Grant Date***")
Name of Grantee: [●]	(the "***Grantee***" or "***you***")
	(the "***Target Units***")
Number of Target Units: [●]	

This Performance Stock Unit Agreement ("***Agreement***") is made and entered into as of the Grant Date by and between Cactus, Inc., a Delaware corporation (the "***Company***"), and you.

WHEREAS, the Company adopted the Cactus, Inc. Long Term Incentive Plan (as amended from time to time, the "***Plan***"), under which the Company is authorized to grant equity-based awards to certain employees and service providers of the Company;

WHEREAS, the Company agrees to grant you this award of Performance Stock Units (as defined below);

WHEREAS, you acknowledge that a copy of the Plan has been furnished to you and shall be deemed a part of this Agreement as if fully set forth herein and the terms capitalized but not defined herein shall have the meanings set forth in the Plan; and

WHEREAS, you desire to accept the award of Performance Stock Units granted pursuant to this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants set forth herein and for other valuable consideration hereinafter set forth, the parties agree as follows:

1. The Grant. Subject to the conditions set forth below, the Company hereby grants you, effective as of the Grant Date, as a matter of separate inducement and not in lieu of any salary or other compensation for your services for the Company, an award (the "***Award***") consisting of the right to earn shares of common stock based on a number of Target Units set forth above (the "***Performance Stock Units***" or "***PSUs***"), plus the additional rights to receive possible dividend equivalents. The number of earned Performance Stock Units (the "***Earned Units***") and any related dividend equivalents shall be determined in accordance with the terms and conditions set forth herein, including Attachment A hereto.

2. No Shareholder Rights. The Performance Stock Units granted pursuant to this Agreement do not and shall not entitle you to any rights of a holder of Stock prior to the date shares of Stock are issued to you in settlement of the Award. Your rights with respect to the Performance Stock Units shall remain forfeitable at all times prior to the date on which you are entitled to Earned Units in accordance with Section 5.

3. Dividend Equivalents. In the event that the Company declares and pays a dividend in respect of its outstanding shares of Stock and, on the record date for such dividend, you hold Performance Stock Units granted pursuant to this Agreement that have not been settled, then in the event you become entitled to Earned Units pursuant to the Award, the Company shall pay to you an amount in cash equal to the cash dividends you would have received if you were the holder of record, as of such record date, of the number of shares of Stock related to the number of Earned Units to which you become entitled, such payment ("Dividend Equivalents") to be made as and when payment is made in settlement of such Earned Units in accordance with Section 8. You shall not be entitled to receive any interest with respect to the timing of payment of dividend equivalents.

4. Restrictions; Forfeiture. The Performance Stock Units are restricted in that they may not be sold, transferred or otherwise alienated or hypothecated.

5. Earned Units; Risk of Forfeiture. You shall be entitled to a number of Earned Units, if any, determined in accordance with the provisions of Attachment A; provided that, subject to Section 6, you remain in the employ of, or a service provider to, the Company or its Affiliates through the completion of the period beginning on January 1, 20[●] and ending December 31, 20[●] (the "***Performance Period***").

6. Termination of Employment or Services and Change in Control.

(a) Termination Generally. If your employment or service relationship with the Company or its Affiliates is terminated for any reason other than death, Disability or Normal Retirement prior to the completion of the Performance Period, then the Performance Stock Units shall become null and void, shall be forfeited to the Company and shall not become Earned Units. If the Performance Period has been completed as of the date of such termination, the Performance Units shall not be forfeited to the Company and shall be settled as set forth in Section 8.

(b) Termination due to Death, Disability or Normal Retirement. If your employment or service relationship with the Company or its Affiliates is terminated due to death, Disability (defined below) or your Normal Retirement (defined below), 100% of the Target Units shall immediately become Earned Units upon your death or separation from service due to Disability or Normal Retirement. For purposes of this Agreement, a "***Disability***" means you are unable to perform the essential functions of your duties for three (3) consecutive months, or three (3) months during any six (6)-month period. Your Disability will be determined by your examination by a medical doctor selected by written agreement of you and the Company. If you and the Company are unable to agree on the selection of a medical doctor, you and the Company will each select a medical doctor and the two (2) medical doctors will select a third (3rd) medical doctor who will conduct the examination to determine whether you have a Disability. The determination of the examining medical doctor will be final and binding on you and the Company. You must submit to a reasonable number of examinations by the examining medical doctor and you hereby authorize the disclosure and release to the Company of such determination and all supporting medical records. If you are not legally competent then your legal guardian or duly authorized attorney-in-fact will act in such your stead for the purposes of submitting you to the examination and providing the authorization of disclosure required. If requested by the Company, you will execute such further documents as are necessary to permit such disclosure in a timely manner. For purposes of this Agreement, your "***Normal Retirement***" shall be defined as your separation from service without Cause on or following the age of 65. For purposes of this Agreement, "***Cause***" means you (i) are convicted of, or enter a nolo contendere or guilty plea with respect to a crime involving fraud, theft, embezzlement or other act of material dishonesty, the Board's loss of confidence in you because you are convicted of or enter a nolo contendere or guilty plea with respect to any felony or crime involving moral turpitude; (ii) commit any other material breach of any of the provisions of your employment agreement with the Company (if applicable) or any material employment contract, policy or agreement you have entered into with the Company, other than a breach which (being capable of being remedied) is remedied by you within fourteen (14) days of being called upon to do so in writing by the Company; or (iii) fail to perform your duties and responsibilities (other than a failure from Disability).

(c) Change in Control. Notwithstanding the vesting schedule set forth in Section 5 above, upon the occurrence of a Change in Control, the Performance Period shall be deemed to have ended, and the Company shall calculate the number of Earned Units to which you are entitled (if any) based on the methodology set forth in Attachment A, adjusted to account for the truncated Performance Period.

(d) Effect of Other Agreements. Notwithstanding any provision herein to the contrary, in the event of any inconsistency between this Section 6 and any employment, severance or change in control agreement between you and the Company or a similar plan or arrangement sponsored or maintained by the Company in which you participate, the terms of such employment, severance or change in control agreement or similar plan or arrangement shall control; provided, however, that nothing in this Section 6(d) is intended to override Section 24 of this Agreement.

7. Leave of Absence. With respect to the Award, the Company may, in its sole discretion, determine that if you are on leave of absence for any reason you will be considered to still be in the employ of, or providing services for, the Company; provided that rights to the Performance Stock Units during a leave of absence will be limited to the extent to which those rights were earned or vested when the leave of absence began.

8. Settlement of Awards. Shares of Stock shall be issued to you in settlement of your Earned Units within 60 days following the date or event that resulted in your right to receive such Earned Units. At the time of settlement, the Company shall cause to be issued shares of Stock registered in your name in payment of the Award subject to payment of any required tax withholding in accordance with Section 9. The Company shall evidence the Stock to be issued in payment of the Earned Units in the manner it deems appropriate. The value of any fractional Earned Units shall be rounded down at the time the Stock is issued to you. No fractional shares of Stock, nor the cash value of any fractional shares of Stock, will be issuable or payable to you pursuant to this Agreement. The value of such shares of Stock shall not bear any interest owing to the passage of time. Neither this Section 8 nor any action taken pursuant to or in accordance with this Section 8 shall be construed to create a trust or a funded or secured obligation of any kind.

9. Payment of Taxes. In connection with the vesting or settlement of the Award, you (or any person permitted to receive settlement of the Award in the event of your death) shall be responsible for satisfying withholding taxes and other tax obligations relating to the Award. Such tax obligations shall be satisfied through net withholding (which is a reduction of the amount of Shares otherwise issuable or deliverable pursuant to the Award) and the maximum number of shares of Stock that may be so withheld shall be the number of shares of Stock that have an aggregate Fair Market Value on the date of withholding or surrender equal to the aggregate amount of such tax liabilities determined based on an amount that is up to the greatest withholding rates for federal, state, local and/or foreign tax purposes, including payroll taxes, that may be utilized without creating adverse accounting treatment for the Company with respect to the Award, as determined by the Committee. You acknowledge that there may be adverse tax consequences upon the transfer, vesting or settlement of the Award or disposition of the underlying Stock and that you have been advised, and hereby are advised, to consult a tax advisor prior to such transfer, vesting or settlement. You represent that you are in no manner relying on the Board, the Committee, the Company or any of its Affiliates or any of their respective managers, directors, officers, employees or authorized representatives (including, without limitation, attorneys, accountants, consultants, bankers, lenders, prospective lenders and financial representatives) for tax advice or an assessment of such tax consequences.

10. Compliance with Securities Law. Notwithstanding any provision of this Agreement to the contrary, the issuance of Stock will be subject to compliance with all applicable requirements of federal, state, or foreign law with respect to such securities and with the requirements of any stock exchange or market system upon which the Stock may then be listed. No Stock will be issued hereunder if such issuance would constitute a violation of any applicable federal, state, or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Stock may then be listed. In addition, Stock will not be issued hereunder unless (a) a registration statement under the Securities Act of 1933, as amended (the "*Act*"), is at the time of issuance in effect with respect to the shares issued or (b) in the opinion of legal counsel to the Company, the shares issued may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Act. YOU ARE CAUTIONED THAT ISSUANCE OF STOCK UPON THE VESTING OF PERFORMANCE STOCK UNITS GRANTED PURSUANT TO THIS AGREEMENT MAY NOT OCCUR UNLESS THE FOREGOING CONDITIONS ARE SATISFIED. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares subject to the Award will relieve the Company of any liability in respect of the failure to issue such shares as to which such requisite authority has not been obtained. As a condition to any issuance hereunder, the Company may require you to satisfy any qualifications that may be necessary or appropriate to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect to such compliance as may be requested by the Company. From time to time, the Board and appropriate officers of the Company are authorized to take the actions necessary and appropriate to file required documents with governmental authorities, stock exchanges, and other appropriate Persons to make shares of Stock available for issuance.

11. No Right to Continued Employment. Nothing in this Agreement confers upon you the right to continue in the employ of, or to continue performing services for, the Company or any of its Affiliates.

12. Remedies. The parties to this Agreement shall be entitled to recover from each other reasonable attorneys' fees incurred in connection with the successful enforcement of the terms and provisions of this Agreement whether by an action to enforce specific performance or for damages for its breach or otherwise.

13. No Liability for Good Faith Determinations. The Company and the members of the Board shall not be liable for any act, omission or determination taken or made in good faith with respect to this Agreement or the Performance Stock Units granted hereunder.

14. Execution of Receipts and Releases. Any payment of cash or any issuance or transfer of shares of Stock or other property to you, or to your legal representative, heir, legatee or distributee, in accordance with the provisions hereof, shall, to the extent thereof, be in full satisfaction of all claims of such Persons hereunder. The Company may require you or your legal representative, heir, legatee or distributee, as a condition precedent to such payment or issuance, to execute a release and receipt therefor in such form as it shall determine.

15. No Guarantee of Interests. The Board and the Company do not guarantee the Stock of the Company from loss or depreciation.

16. Company Records. Records of the Company or its subsidiaries regarding your period of service, termination of service and the reason(s) therefor, and other matters shall be conclusive for all purposes hereunder, unless determined by the Company to be incorrect.

17. Notice. All notices required or permitted under this Agreement must be in writing and personally delivered or sent by mail and shall be deemed to be delivered on the date on which it is actually received by the person to whom it is properly addressed or if earlier the date it is sent via certified United States mail.

18. Waiver of Notice. Any person entitled to notice hereunder may waive such notice in writing.

19. Information Confidential. As partial consideration for the granting of the Award hereunder, you hereby agree to keep confidential all information and knowledge, except that which has been disclosed in any public filings required by law, that you have relating to the terms and conditions of this Agreement; provided, however, that such information may be disclosed as required by law and may be given in confidence to your spouse and tax and financial advisors. In the event any breach of this promise comes to the attention of the Company, it shall take into consideration that breach in determining whether to recommend the grant of any future similar award to you, as a factor weighing against the advisability of granting any such future award to you. Nothing in this Agreement will prevent you from: (a) making a good faith report of possible violations of applicable law to any governmental agency or entity or (b) making disclosures that are protected under the whistleblower provisions of applicable law. For the avoidance of doubt, nothing herein shall prevent you from making a disclosure that: (i) is made (A) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney; and (B) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Further, an individual who files a lawsuit for retaliation by an employer of reporting a suspected violation of law may make disclosures without violating this Section 19 to the attorney of the individual and use such information in the court proceeding.

20. Successors. This Agreement shall be binding upon you, your legal representatives, heirs, legatees and distributees, and upon the Company, its successors and assigns.

21. Severability. If any provision of this Agreement is held to be illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining provisions hereof, but such provision shall be fully severable, and this Agreement shall be construed and enforced as if the illegal or invalid provision had never been included herein.

22. Headings. The titles and headings of Sections are included for convenience of reference only and are not to be considered in construction of the provisions hereof.

23. Governing Law. All questions arising with respect to the provisions of this Agreement shall be determined by application of the laws of Delaware without giving any effect to any conflict of law provisions thereof, except to the extent Delaware state law is preempted by federal law. The obligation of the Company to sell and deliver Stock hereunder is subject to applicable laws and to the approval of any governmental authority required in connection with the authorization, issuance, sale, or delivery of such Stock.

24. Clawback. To the extent required by applicable law or any applicable securities exchange listing standards, or as otherwise determined by the Board (or a committee thereof), all shares of Stock granted under this Agreement shall be subject to the provisions of any applicable clawback policies or procedures adopted by the Company, which clawback policies or procedures may provide for forfeiture and/or recoupment of such shares of Stock. Notwithstanding any provision of this Agreement to the contrary, the Company reserves the right, without your consent, to adopt any such clawback policies and procedures, including such policies and procedures applicable to this Agreement with retroactive effect.

25. The Plan. This Agreement is subject to all the terms, conditions, limitations and restrictions contained in the Plan.

26. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original and all of which together shall constitute one instrument. Delivery of an executed counterpart of this Agreement by facsimile or portable document format (.pdf) attachment to electronic mail shall be effective as delivery of a manually executed counterpart of this Agreement.

27. Consent to Electronic Delivery; Electronic Signature. In lieu of receiving documents in paper format, you agree, to the fullest extent permitted by law, to accept electronic delivery of any documents that the Company may be required to deliver (including, but not limited to, prospectuses, prospectus supplements, grant or award notifications and agreements, account statements, annual and quarterly reports and all other forms of communications) in connection with this and any other award made or offered by the Company. Electronic delivery may be via a Company electronic mail system or by reference to a location on a Company intranet to which you have access. You hereby consent to any and all procedures the Company has established or may establish for an electronic signature system for delivery and acceptance of any such documents that the Company may be required to deliver, and agrees that his or her electronic signature is the same as, and shall have the same force and effect as, his or her manual signature.

28. Amendment. The Committee may, in its sole discretion, amend this Agreement from time to time in any manner that is not inconsistent with the Plan; provided, however, that except as otherwise provided in the Plan or this Agreement, any such amendment that materially reduces your rights shall be effective only if it is in writing and signed by both you and an authorized officer of the Company.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its officer thereunto duly authorized, and the Grantee has set his hand as to the date and year first above written.

CACTUS, INC.

____

Name: Scott Bender
Title: President and Chief Executive Officer

[NAME]

____

GRANTEE

[Signature Page Performance Stock Unit Agreement]

Attachment A

Determination of Earned Units

Following the conclusion of the Performance Period, the Committee will make a determination with respect to the Company's ROCE and the number of Earned Units to which you are entitled.

The Committee's determination of the number of Earned Units to which you are entitled will be based on the Company's ROCE over the Performance Period as follows:

- If the Company's ROCE for the Performance Period is equal to or greater than [●]%, the Earned Units will be 200% of the Target Units;
- If the Company's ROCE for the Performance Period is equal to [●]%, the Earned Units will be 100% of the Target Units;
- If the Company's ROCE for the Performance Period is equal to [●]%, the Earned Units will be 50% of the Target Units;
- If the Company's ROCE for the Performance Period is less than [●]%, you will not be entitled to any Earned Units.

If the Company is ranked between any of these payout levels, the percentage multiple of the Target Units will be interpolated based on the actual ROCE of the Company (rounded to the nearest whole percent) in relation to the payout levels. Notwithstanding the foregoing, in the event the Company's ROCE for the Performance Period is less than the ROCE of the median performer of the Company's Peer Companies (as defined below), when ranked by ROCE over the Performance Period, then the number of Earned Units shall be capped at 100% of the Target Units, irrespective of the fact that you may have otherwise been entitled to additional Earned Units based on the Company's ROCE for the Performance Period (the "***Cap***"). (In the event that there are an even number of Peer Companies, for purposes of the previous sentence the median performer will be deemed to be the average of the two median performers of the Peer Companies.) Any fractional Earned Units will be rounded down to the next whole number.

Return on Capital Employed (ROCE)

"***Return on Capital Employed***" or "***ROCE***" for the Company and each of the Peer Companies for the applicable Performance Period shall be determined by averaging the ROCE of each calendar year, or portion of a calendar year, during the Performance Period.

ROCE for each calendar year, or portion of a calendar year, shall be determined pursuant to the formula x/y,

where (x) is income from operations (defined as earnings before interest and tax with adjustment for extraordinary items within the discretion of the Board) and

(y) is the average of the beginning and ending balances of each calendar year, or portion of a calendar year, of the following calculation:

(i) total book value of debt including capital leases
plus (ii) stockholders' and members' equity including non-controlling interest,
plus (iii) current and non-current liabilities related to tax receivable agreements,
less (iv) cash and cash equivalents,
less (v) current and non-current deferred tax net assets,
less (vi) operating lease ROU net assets per Accounting Standards Codification ("ASC") 842.

The Committee shall adjust the determination of ROCE for the Company and each of the Peer Companies to take into account any transactions, unusual events or other events as the Committee determines is appropriate.

Peer Companies

The Peer Companies used for purposes of determining whether the Cap applies shall be the following companies:

[•]

In the event that a Peer Company is acquired, ceases to be publicly traded, files for bankruptcy or in any similar event, the Compensation Committee may remove such Peer Company from the list of Peer Companies and exclude it when determining whether the Cap applies, keep the Peer Company in the list of Peer Companies at a deemed ROCE or ranking, or take such other action as the Compensation Committee determines is appropriate.

Committee Authority

The Committee has the sole authority to interpret the formula for ROCE, revise the makeup of the peer group, or modify the ROCE determinations or applications in response to merger, consolidation or divestiture activity amongst companies, available public reporting or other events actually or potentially affecting the performance measure(s) or peer group. The Committee's determination of all matters in connection with the award will be final and binding.

Exhibit 21.1

Cactus, Inc.
Subsidiaries
December 31, 2021

Subsidiary	State or Country of Incorporation
Cactus Wellhead, LLC	Delaware
Cactus Wellhead (Suzhou) Pressure Control Co., Ltd.	China
Cactus Wellhead Australia Pty, Ltd	Australia

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-230328) and S-8 (No. 333-225269) of Cactus, Inc. of our report dated February 28, 2022 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Houston, TX
February 28, 2022

Exhibit 31.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER PURSUANT TO RULE 13a-14(a)

I, Scott Bender, certify that:

I have reviewed this Annual Report on Form 10-K of Cactus, Inc. (the "registrant");

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;

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;

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

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.

Date: February 28, 2022

/s/ Scott Bender

Scott Bender
President, Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER PURSUANT TO RULE 13a-14(a)

I, Stephen Tadlock, certify that:

I have reviewed this Annual Report on Form 10-K of Cactus, Inc. (the “registrant”);

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;

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;

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

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.

Date: February 28, 2022

/s/ Stephen Tadlock

Stephen Tadlock
Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Cactus, Inc. (the “Company”) for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Scott Bender, President, Chief Executive Officer and Director of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 28, 2022

/s/ Scott Bender

Scott Bender
President, Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Cactus, Inc. (the “Company”) for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Stephen Tadlock, Vice President, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 28, 2022	/s/ Stephen Tadlock
	Stephen Tadlock
	Vice President, Chief Financial Officer and Treasurer
	(Principal Financial Officer)