



# Earnings Conference Call

Third Quarter 2023

October 25, 2023

8:00am Central Time

## Forward-Looking Statements

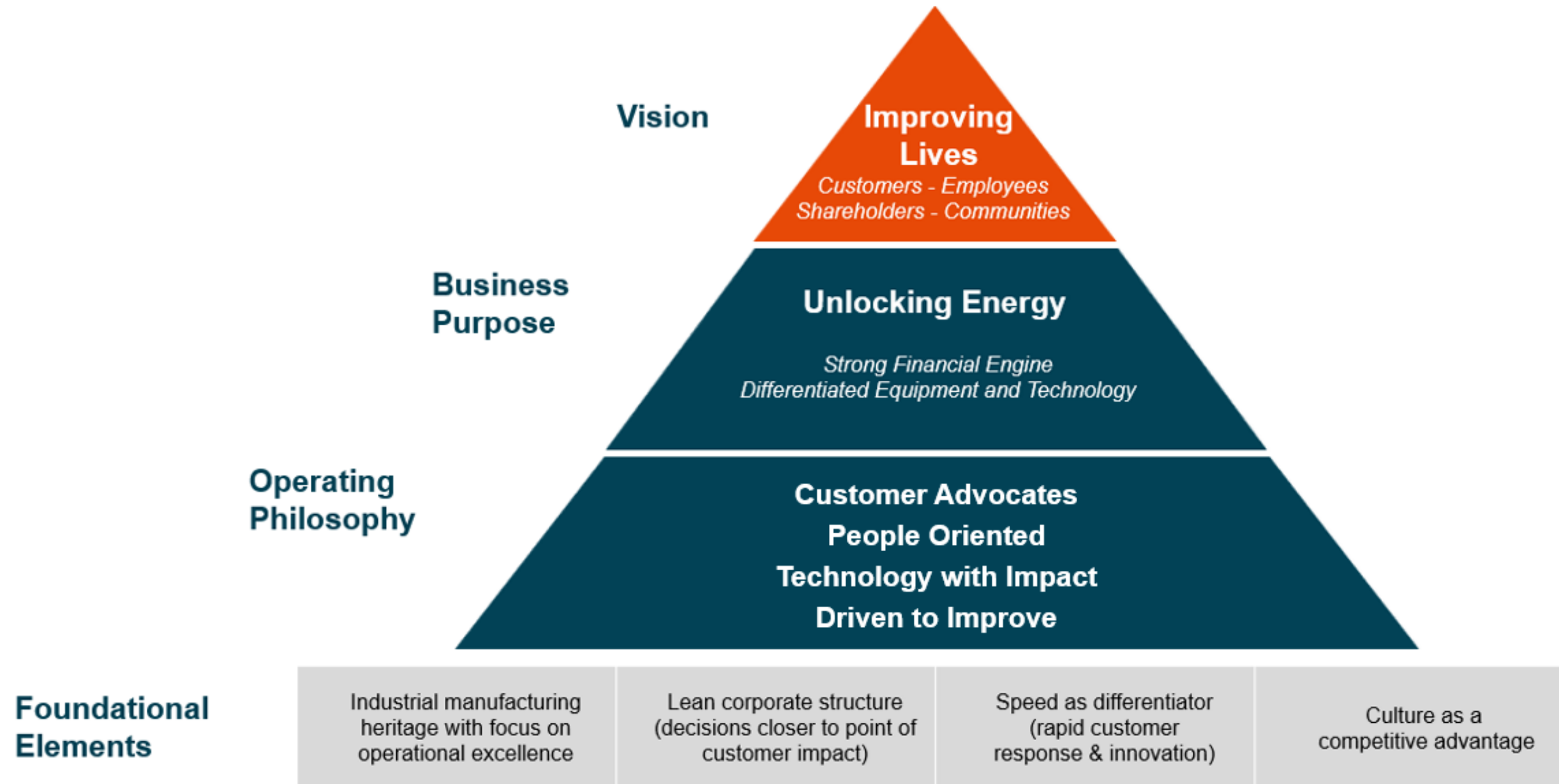
This investor presentation contains statements relating to future actions and results, which are "forward-looking statements" within the meaning of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. Such statements relate to, among other things, ChampionX's market position and growth opportunities. Forward-looking statements include statements related to ChampionX's expectations regarding the performance of the business, financial results, liquidity and capital resources of ChampionX. Forward-looking statements are subject to inherent risks and uncertainties that could cause actual results to differ materially from current expectations, including, but not limited to, changes in economic, competitive, strategic, technological, tax, regulatory or other factors that affect the operation of ChampionX's businesses. You are encouraged to refer to the documents that ChampionX files from time to time with the Securities and Exchange Commission ("SEC"), including the "Risk Factors" in ChampionX's Annual Report on Form 10-K for the fiscal year ended December 31, 2022, and in ChampionX's other filings with the SEC. Readers are cautioned not to place undue reliance on ChampionX's forward-looking statements. Forward-looking statements speak only as of the day they are made and ChampionX undertakes no obligation to update any forward-looking statement, except as required by applicable law.

## Non-GAAP Measures

In addition to financial results determined in accordance with generally accepted accounting principles in the United States ("GAAP"), this presentation presents non-GAAP financial measures. Non-GAAP financial measures should be considered only as supplemental to, and not as superior to financial measures prepared in accordance with GAAP. Management believes that adjusted EBITDA, adjusted EBITDA margin, adjusted segment EBITDA, and adjusted segment EBITDA margin, provide useful information to investors regarding the Company's financial condition and results of operations because they reflect the core operating results of our businesses and help facilitate comparisons of operating performance across periods. In addition, free cash flow and free cash flow to adjusted EBITDA ratio are used by management to measure our ability to generate positive cash flow for debt reduction and to support our strategic objectives. A reconciliation of these non-GAAP measures to the comparable GAAP measures, including net income attributable to ChampionX, income before income taxes margin, cash flows from operating activities, and total debt, is included in the appendix herein and the financial tables accompanying our earnings release for the third quarter 2023 results.

# Soma Somasundaram

President and Chief Executive Officer



### SOOFIE™ Methane Monitoring in Action

- Recently, The SOOFIE™ system provided timely detection of methane leak for one of our customers in the Permian, helping to avoid a catastrophic leak in one of their production facilities, resulting in significant environmental and financial savings.

### Emissions Challenge & AURA OGI™

- ChampionX recently launched a revolutionary OGI (Optical Gas Imaging) camera designed to meet current and future emissions monitoring needs, and to accurately detect and document even small methane leaks. The rugged AURA OGI™ camera captures images with four times higher resolution than other cameras on the market. The innovative technology is designed to make leak detection more efficient and consistent by using built-in smart routes and navigation. Sensor and metadata encoded into the camera's OGI image files help simplify documentation and compliance.



# Third Quarter 2023 ChampionX Highlights

## Strong Adjusted EBITDA Margin and Free Cash Flow Momentum



- **Healthy adjusted EBITDA margin**
  - Adjusted EBITDA margin of 20.2% is highest level since our transformational merger
  - Sixth consecutive quarter of sequential adjusted EBITDA margin improvement
- **Strong free cash flow generation**
  - Free cash flow of \$115 million represented 60% of adjusted EBITDA
  - We still expect to convert at least 50% of our adjusted EBITDA to free cash flow in 2023
- **Continued commitment to return capital to shareholders**
  - Returned 74% of free cash flow to shareholders in the third quarter via quarterly dividend and share repurchases
  - We remain committed to returning at least 60% of Free Cash Flow to shareholders

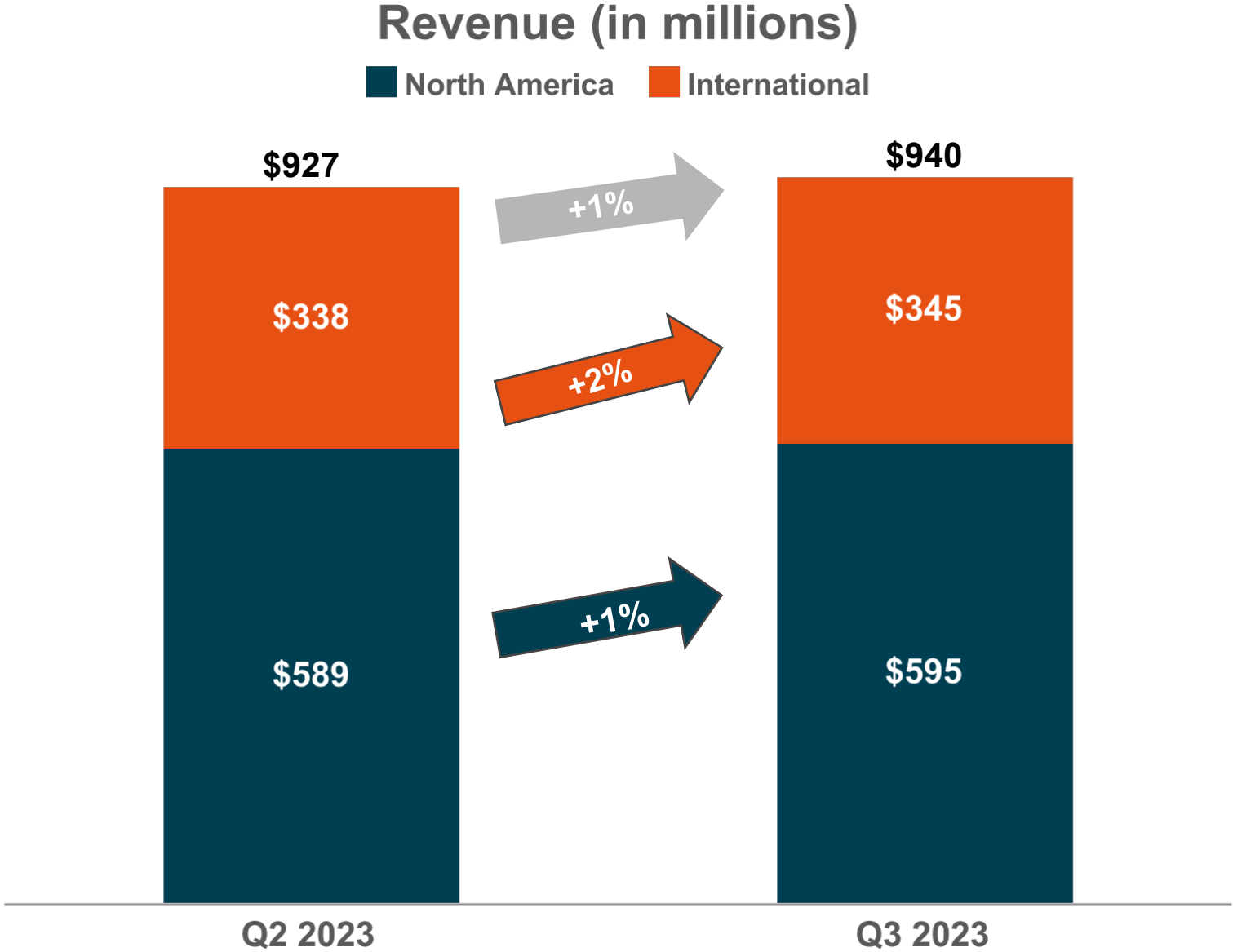
# Ken Fisher

Executive Vice President & Chief Financial Officer

# Third Quarter 2023 Financial Highlights



- 3Q Revenue of \$940MM
  - Down 8% year-over-year
  - Up 1% sequentially
- North America up 1% sequentially
  - Solid sequential growth in Canada
  - U.S. flat sequentially - Weakness in US land offset by growth in Gulf of Mexico
- International up 2% sequentially
  - Strong sequential growth in Latin America





# Third Quarter 2023 Financial Highlights



## 3Q 2023 Sequential Revenue Changes

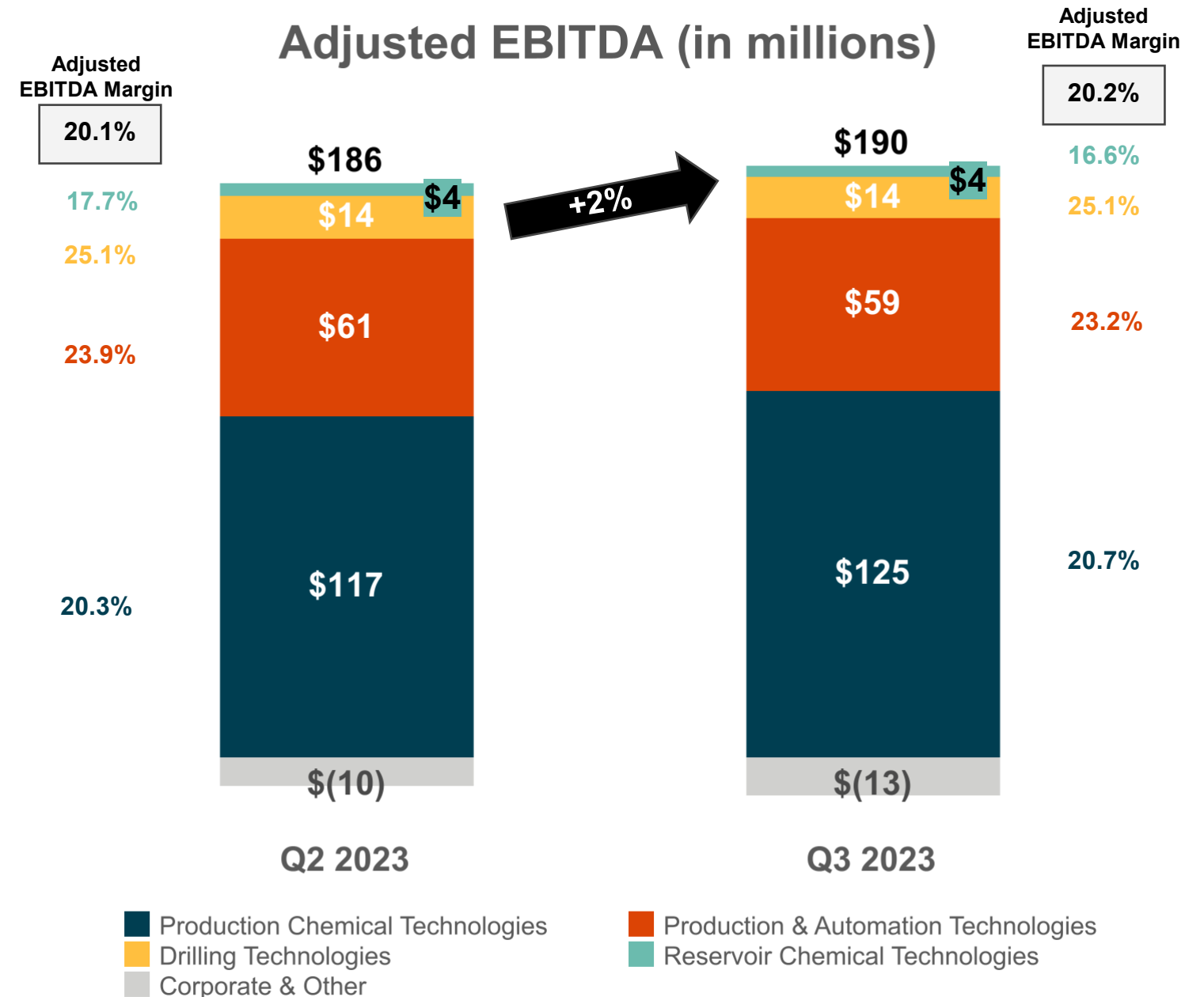
	United States	Non-U.S.	Total
Production Chemical Technologies	6%	5%	5%
Production & Automation Technologies	(3)%	15%	1%
Drilling Technologies	(7)%	4%	(4)%
Reservoir Chemical Technologies	21%	(10)%	5%
<b>Total</b>	<b>0%</b>	<b>3%</b>	<b>1%</b>

# Third Quarter 2023 Financial Highlights *(continued)*



## Achieved 20.2% EBITDA Margin

- Adjusted EBITDA of \$190 million
  - Up 2% sequentially, and up 14% year-over-year, on higher sales volumes, pricing realization and productivity
  - Includes \$7.2 million of foreign exchange losses related to the devaluation of the Argentine peso
- Adjusted EBITDA margin of 20.2%
  - Up 7 basis points sequentially
  - Up 391 basis points year-over-year
  - Driven by improvements in pricing realizations, productivity, and cost management
  - Argentine foreign exchange losses impact of approximately 70 basis points



# Financial Position

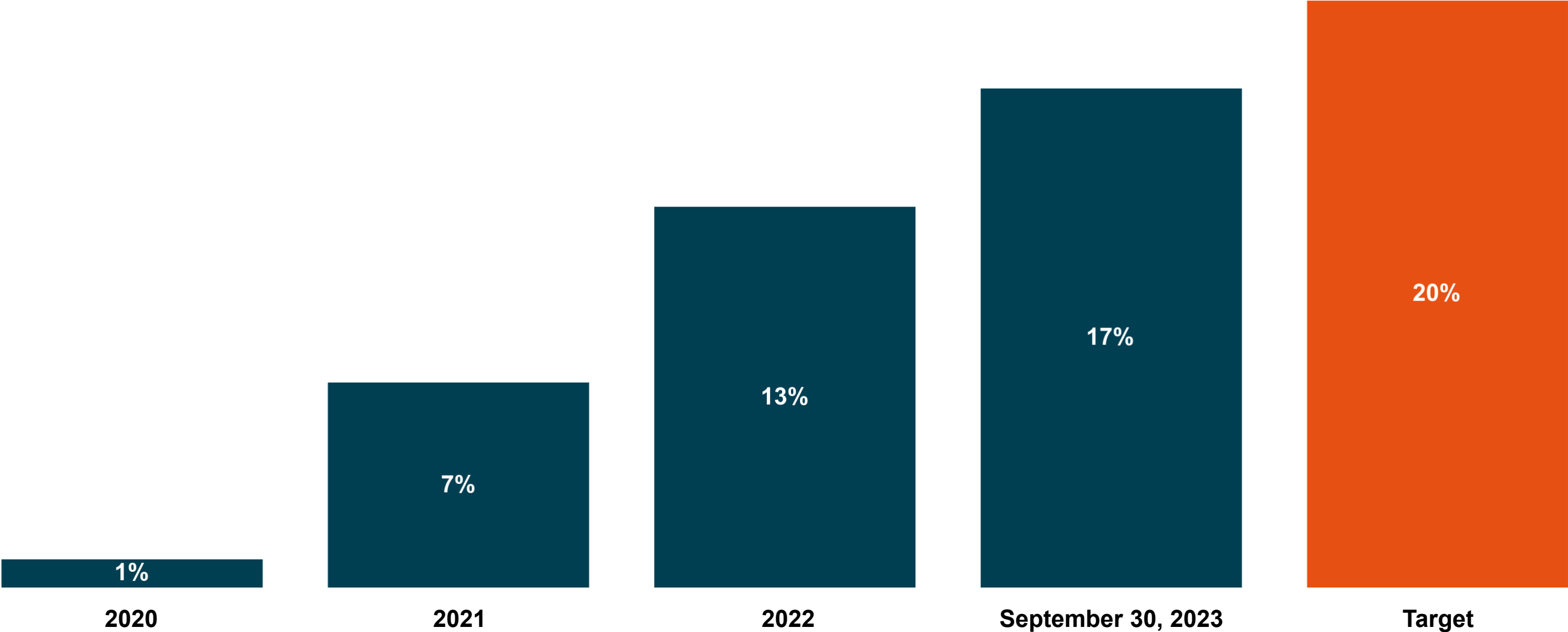
Utilizing Strong Free Cash Flow Profile To Return Capital To Shareholders



- Financial liquidity of \$954 million
  - \$285 million of cash and \$669 million available on revolving credit facility
- 0.4x net debt to trailing 12 months adjusted EBITDA
- Delivering on commitment to return capital to shareholders
  - Returned \$85 million, 74% of Q3 free cash flow to shareholders via:
    - \$17 million regular cash dividend payment
    - \$68 million of share repurchases

# Return on Invested Capital (ROIC)

Improving Returns Since Merger – Targeting greater than 20% (as reported)



ROIC = Adjusted net operating profit / (total assets – total liabilities excluding long-term debt)  
September 30, 2023 = trailing 12-month adjusted net operating profit divided by balance sheet data as of 9/30/2023

## On a consolidated basis in the fourth quarter of 2023, we expect:

- Revenue of \$930 million to \$970 million
  - Expect continued positive momentum in our international businesses, offset by seasonal declines in our North American businesses into the year-end holidays
  - Expect our Drilling Technologies business to experience a sequential revenue decline similar to Q4 of 2022 as some of our customers act to manage their working capital into year end
  
- Adjusted EBITDA of \$187 million to \$197 million
  - Estimating no significant change in Argentine Peso valuation

Note: This presentation also contains certain forward-looking non-GAAP financial measures, including adjusted EBITDA. Due to the forward-looking nature of the aforementioned non-GAAP financial measure, management cannot reliably or reasonably predict certain of the necessary components of the most directly comparable forward-looking GAAP measures, such as net income. Accordingly, we are not able to present a quantitative reconciliation of such forward-looking non-GAAP financial measures to their most directly comparable forward-looking GAAP financial measures. Amounts excluded from these non-GAAP measures in the future could be significant.

# Soma Somasundaram

President and Chief Executive Officer

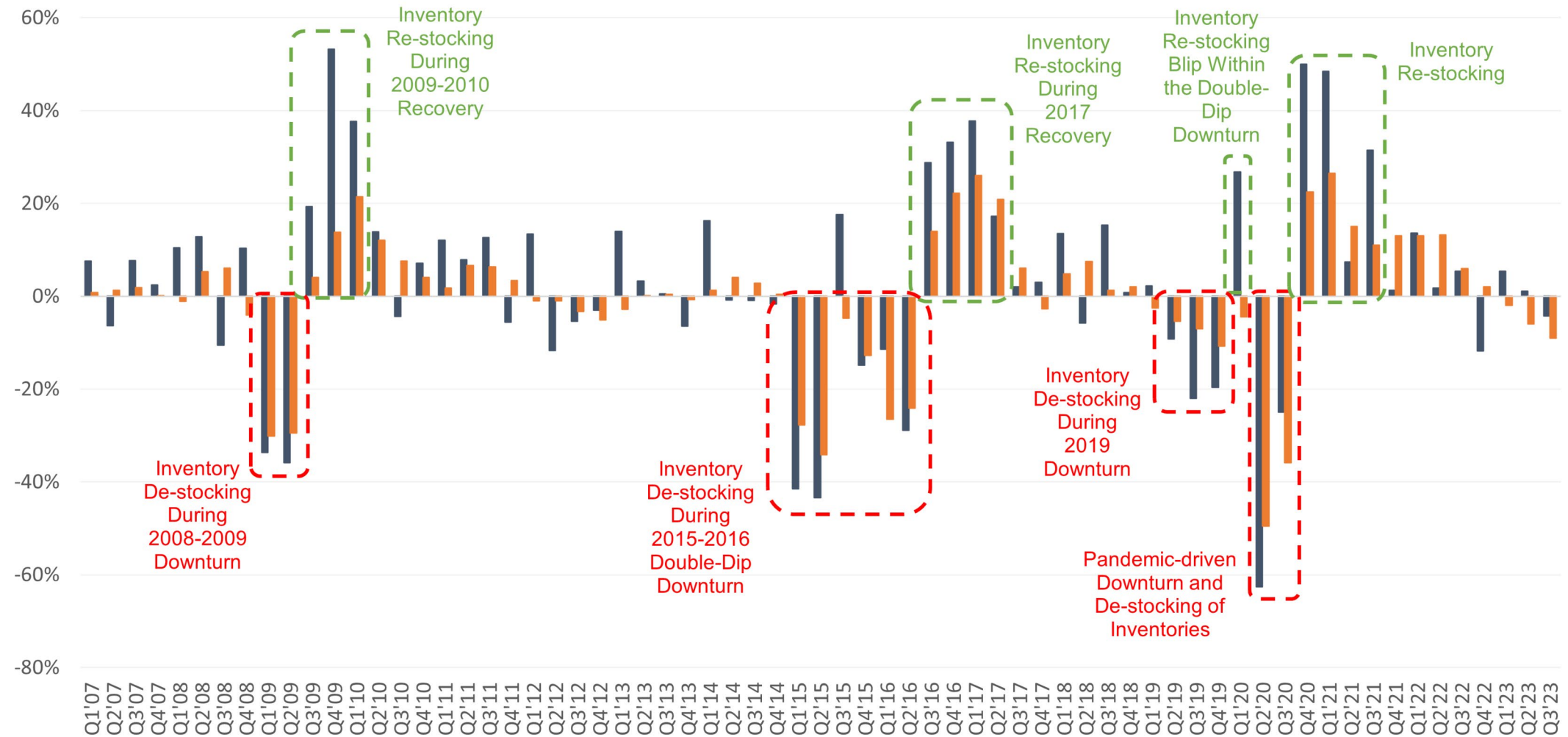
# Appendix

# Drilling Technologies

## Polycrystalline Diamond Cutter De-stocking and Re-stocking Cycles



■ Drilling Technologies Revenue % Change (q/q)  
 ■ US Rig Count % Change (q/q)





# Reconciliations of GAAP to non-GAAP Financial Measures

## Net Income Attributable to ChampionX to Adjusted EBITDA and Free Cash Flow



(in thousands)	Three Months Ended		
	September 30,	June 30,	September 30,
	2023	2023	2022
<b>Net income attributable to ChampionX</b>	\$ 77,711	\$ 95,797	\$ 23,068
Pre-tax adjustments:			
Loss (gain) on disposal group (1)	—	—	(6,409)
Russia sanctions compliance and impacts (2)	95	433	(1,620)
Loss on debt extinguishment and modification	—	—	—
Restructuring and other related charges	1,228	5,353	67,533
Merger integration costs	—	—	652
Acquisition costs and related adjustments (3)	—	(2,341)	(3,512)
Intellectual property defense	220	687	15
Merger-related indemnification responsibility	722	—	—
Tulsa, Oklahoma storm damage	1,895	607	—
Tax impact of adjustments	(925)	(1,478)	(11,898)
<b>Adjusted net income attributable to ChampionX</b>	<b>80,946</b>	<b>99,058</b>	<b>67,829</b>
Tax impact of adjustments	925	1,478	11,898
Net income attributable to noncontrolling interest	3,081	829	157
Depreciation and amortization	61,839	58,677	60,532
Provision for income taxes	29,009	11,656	14,246
Interest expense, net	13,744	14,544	11,454
<b>Adjusted EBITDA</b>	<b>\$ 189,544</b>	<b>\$ 186,242</b>	<b>\$ 166,116</b>

### Free Cash Flow

Cash flows from operating activities	\$ 163,030	\$ 115,910	\$ 187,152
Less: Capital expenditures, net of proceeds from sale of fixed assets	(48,469)	(27,143)	(19,719)
<b>Free cash flow</b>	<b>\$ 114,561</b>	<b>\$ 88,767</b>	<b>\$ 167,433</b>

(in thousands)	Three Months Ended		
	September 30,	June 30,	September 30,
	2023	2023	2022
<b>Income before income taxes:</b>			
<b>Segment operating profit (loss):</b>			
Production Chemical Technologies	\$ 94,560	\$ 87,163	\$ 86,649
Production & Automation Technologies	28,299	33,208	22,485
Drilling Technologies	12,255	12,660	14,856
Reservoir Chemical Technologies	2,461	2,186	(61,711)
Total segment operating profit	137,575	135,217	62,279
Corporate and other	14,030	12,391	13,354
Interest expense, net	13,744	14,544	11,454
Income before income taxes	<u>\$ 109,801</u>	<u>\$ 108,282</u>	<u>\$ 37,471</u>

### Operating profit margin / income before income taxes margin:

Production Chemical Technologies	15.6 %	15.2 %	13.5 %
Production & Automation Technologies	11.0 %	13.1 %	9.1 %
Drilling Technologies	22.3 %	22.1 %	24.4 %
Reservoir Chemical Technologies	9.8 %	9.2 %	(173.9)%
ChampionX Consolidated	11.7 %	11.7 %	3.7 %

(1) Amounts represent the loss recorded to properly adjust the carrying value of our CT Russia Business to the lower of carrying value or fair value less costs to sell.

(2) Includes charges incurred related to legal and professional fees to comply with, as well as additional foreign currency exchange losses associated with, the sanctions imposed in Russia.

(3) Includes revenue associated with the amortization of a liability established as part of the Merger, representing unfavorable terms under the Cross Supply Agreement, as well as costs incurred for the acquisition of businesses.

# Reconciliations of GAAP to non-GAAP Financial Measures

## Net Income (Loss) Attributable to ChampionX to Adjusted Net Operating Profit



(in thousands)	Years Ended December 31,			Trailing Twelve Months Ended
	2020	2021	2022	September 30,
<b>Net income (loss) attributable to ChampionX</b>	\$ (743,930)	\$ 113,299	\$ 154,969	\$ 304,896
Pre-tax adjustments:				
Restructuring and other related charges	23,291	14,624	65,158	(5,804)
Goodwill and long-lived asset impairment	657,251	—	39,617	39,617
(Gain) loss on disposal groups	—	(38,131)	18,493	14,943
Acquisition and integration related costs	84,779	35,233	10,759	1,246
Acquisition costs and related adjustments	6,463	(13,636)	(17,648)	(12,965)
Loss on debt extinguishment and modification	—	11,098	6,070	—
Russia sanctions compliance and impacts	—	—	928	(1,860)
Intellectual property defense	1,278	6,622	781	934
Separation and supplemental benefit costs	539	1,559	—	—
Latin America tax matters	—	(2,968)	—	—
Professional fees related to material weakness remediation and impairment analysis	6,240	—	—	—
Merger-related indemnification responsibility	—	—	—	722
Tulsa, Oklahoma storm damage	—	—	—	2,502
Tax impact of adjustments	(63,368)	(3,024)	(18,903)	(3,116)
<b>Adjusted net income attributable to ChampionX</b>	<b>(27,457)</b>	<b>124,676</b>	<b>260,224</b>	<b>341,115</b>
Tax impact of adjustments	63,368	3,024	18,903	3,116
Net income (loss) attributable to noncontrolling interest	1,577	941	1,594	1,934
Depreciation and amortization	214,362	237,285	241,880	241,345
Provision for (benefit from) income taxes	(20,396)	38,445	40,243	90,342
Interest expense, net	51,731	51,921	45,204	52,376
<b>Adjusted EBITDA</b>	<b>\$ 283,185</b>	<b>\$ 456,292</b>	<b>\$ 608,048</b>	<b>\$ 730,228</b>
<b>Adjusted operating profit</b>				
Less: Net income attributable to noncontrolling interest	\$ (1,577)	\$ (941)	\$ (1,594)	\$ (1,934)
Less: Depreciation and amortization	(214,362)	(237,285)	(241,880)	(241,345)
Less: Adjusted provision for income taxes	(44,714)	(54,277)	(68,219)	(95,919)
<b>Adjusted operating profit</b>	<b>\$ 22,532</b>	<b>\$ 163,789</b>	<b>\$ 296,355</b>	<b>\$ 391,030</b>