



# Earnings Conference Call

Second Quarter 2022

July 27, 2022

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, 2021, 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

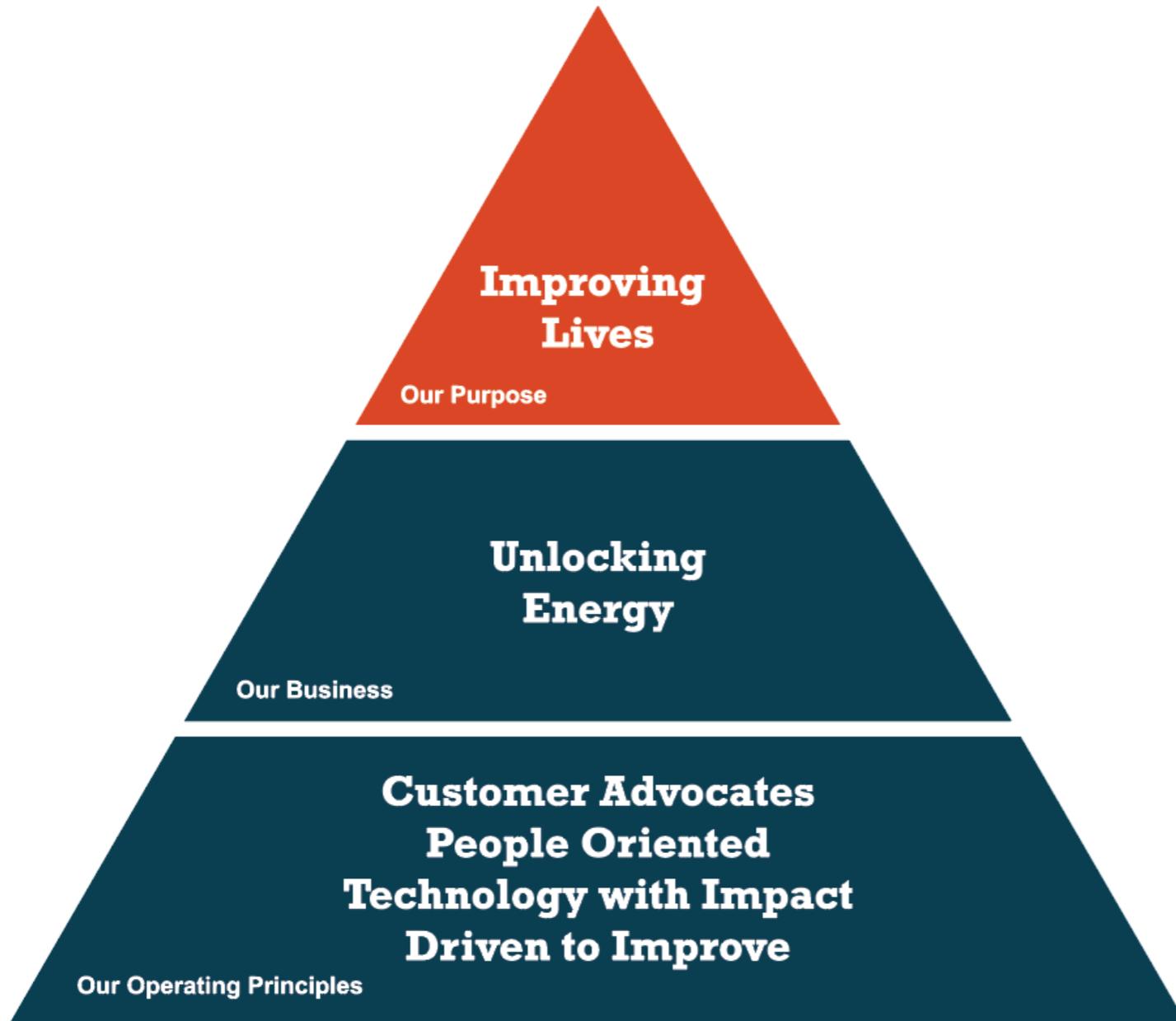
This investor presentation, and the related discussions, contains certain non-GAAP financial measures, which should be considered only as supplemental to, and not as superior to financial measures prepared in accordance with generally accepted accounting principles ("GAAP"). Please refer to our earnings release for the second quarter 2022 results for a reconciliation of these non-GAAP financial measures to the most directly comparable financial measures prepared in accordance with GAAP and definitions and calculation methodologies of defined terms used in this investor presentation. For additional information about our non-GAAP financial measures, see our filings with the SEC.

## About 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. 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. Although management believes the aforementioned non-GAAP financial measures are good tools for internal use and the investment community in evaluating ChampionX's overall financial performance, the foregoing non-GAAP financial measures should be considered in addition to, not as a substitute for or superior to, other measures of financial performance prepared in accordance with GAAP. A reconciliation of these non-GAAP measures to the comparable GAAP measures is included in the financial tables accompanying our earnings release for the second quarter 2022 results.

# Soma Somasundaram

President and Chief Executive Officer



United behind a  
**common purpose**

Guided by our shared  
**culture and  
operating principles**

# Days of Improving Lives

ChampionX employees around the world celebrated our 2-year anniversary by participating in locally organized service events supporting our communities.



**+1,400** volunteer hours worked by our team



◀ Our IT team helped meet the needs of food insecure families across south Texas with the **Houston Food Bank**.



◀ Our Essence ERG hosted a blood drive donations through the **Gulf Coast Regional Blood Center** – donating enough blood to save up to 54 lives.



◀ Our US Synthetic team members in Utah partnered with **Junior Achievement** to offer an innovative immersive program in problem solving.

Employees at our Alberta Oil Tool business volunteered **around Edmonton, Alberta**, to help remove litter from area streets. ▶



ChampionX employees volunteered with **Keep Australia Beautiful in Perth** as part of an area beautification program. ▶



Corporate and PAT employees assembled gift bags for children in foster care in cooperation with **CASA of Montgomery County**. ▶

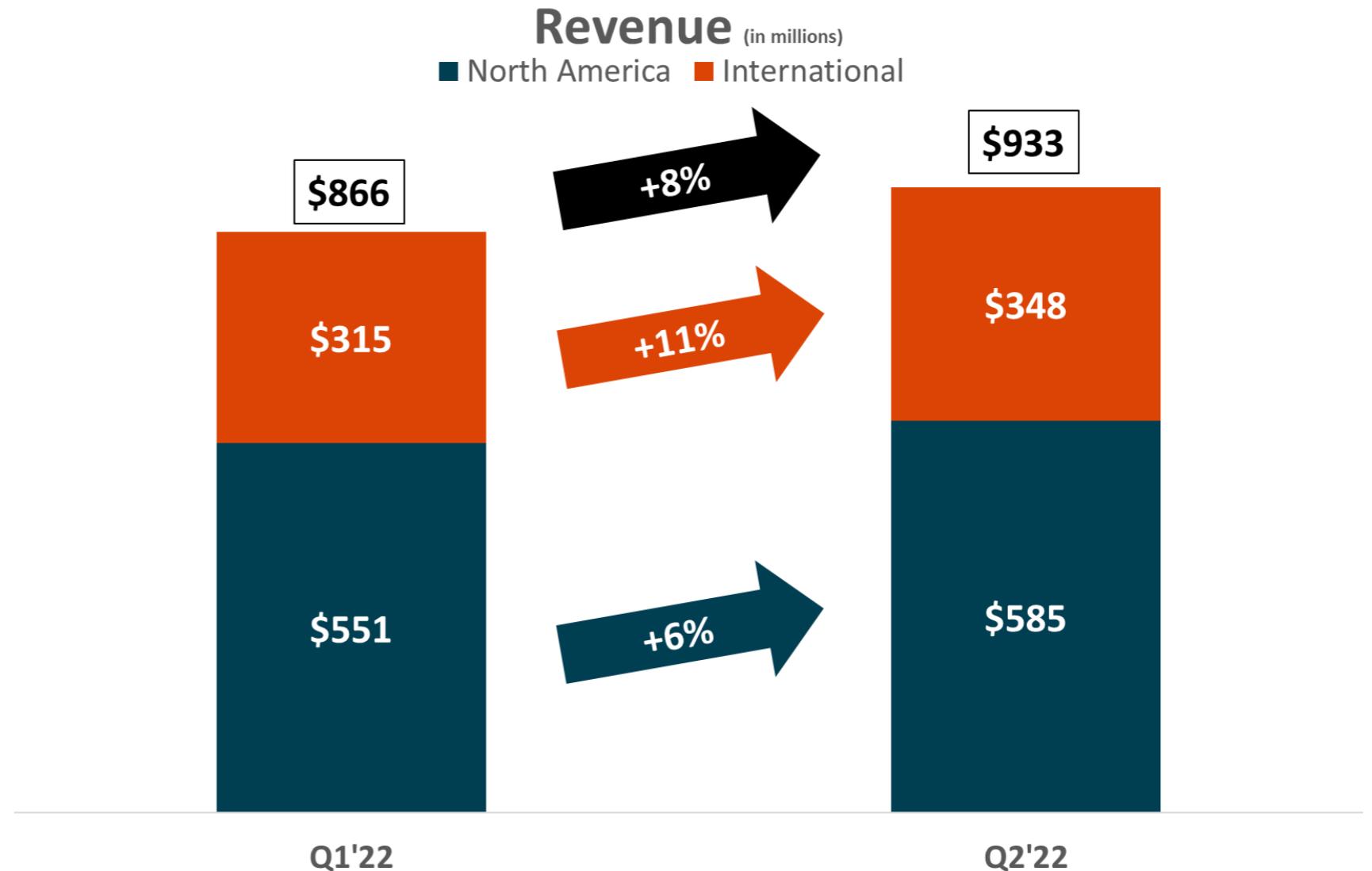


# Ken Fisher

Executive Vice President & Chief Financial Officer

# Second Quarter 2022 Financial Highlights

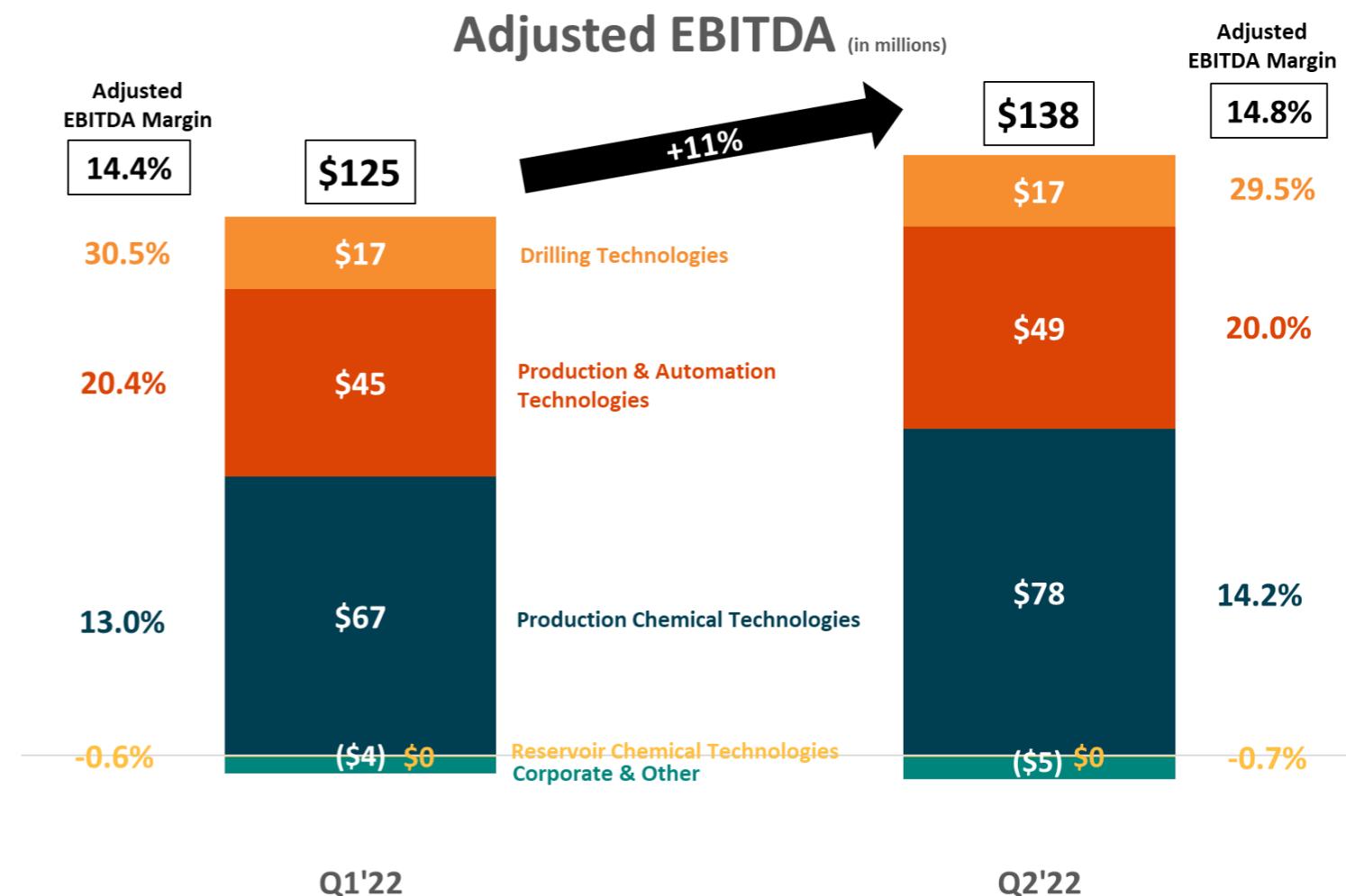
- Strong top-line revenue growth
  - Up 8% sequentially
  - Up 24% year-over-year
  - North America revenue growth
    - Up 6% sequentially
    - Up 27% year-over-year
  - International revenue growth
    - Up 11% sequentially
    - Up 20% year-over-year



# Second Quarter 2022 Financial Highlights *(continued)*



- Adjusted EBITDA of \$138 million
  - Up 11% sequentially, and up 31% year-over-year, on higher volumes and pricing realization, despite raw materials inflation and higher supply chain costs
- Net income of \$27 million and Adjusted Net Income of \$59 million
- Adjusted EBITDA margin of 14.8%
  - Up 41 basis points sequentially
  - Up 76 basis points year-over-year
- Income before income taxes margin of 2.9%



Segment Income Before Income Taxes: Q1'22 - Drilling Technologies \$15 million; Production & Automation Technologies \$25 million; Production Chemical Technologies \$31 million; Reservoir Chemical Technologies \$(3) million; Q2'22 - Drilling Technologies \$15 million; Production & Automation Technologies \$24 million; Production Chemical Technologies \$26 million; Reservoir Chemical Technologies \$(8) million.

Segment Operating Profit Margin: Q1'22 - Drilling Technologies 26.8%; Production & Automation Technologies 11.2%; Production Chemical Technologies 6.1%; Reservoir Chemical Technologies (8.7%); Q2'22 - Drilling Technologies 26.0%; Production & Automation Technologies 9.8%; Production Chemical Technologies 4.6%; Reservoir Chemical Technologies (18.5%).

See ChampionX Second Quarter 2022 earnings release for reconciliation of non-GAAP financial measures including adjusted EBITDA, and adjusted EBITDA margin.

- Explored strategic options for Reservoir Chemical Technologies
- Restructuring the business as the best path forward
- Exiting certain product lines, and associated manufacturing capacity, to improve overall profitability
- Incurred \$5.4 million in restructuring charges in Q2 related to severance and inventory; additional charges in Q3 related to manufacturing capacity rationalization
- Expect solid double-digit adjusted EBITDA margin exiting 2022, with further improvement in 2023

Note: This presentation also contains certain forward-looking non-GAAP financial measures, including adjusted EBITDA margin. 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.

# Financial Position



## Strong Balance Sheet And FCF Profile Enabling Return Of Capital To Shareholders

- Financial liquidity of \$740 million
  - Cash on hand and available revolving credit facility
  
- 1x net debt to trailing 12 months adjusted EBITDA
  
- Delivering on commitment to begin returning capital to shareholders
  - Returned \$35 million of Q2 free cash flow to shareholders via:
    - \$15 million regular cash dividend payment
    - \$20 million of share repurchases

## On a consolidated basis in the third quarter of 2022, we expect:

- Revenue of \$925 million to \$955 million
  - Sequential revenue improvement in our Production Chemical Technologies, Production & Automation Technologies and Drilling Technologies businesses, offset by lower revenue from:
    - Exiting certain product lines within Reservoir Chemical Technologies
    - Continuing decline in cross-supply sales to Ecolab, as previously communicated
- Adjusted EBITDA of \$148 million to \$156 million
- We still expect adjusted EBITDA margin to healthily improve during 2022, with a targeted exit rate of 18%, driven primarily by price and volume improvements
- Depreciation and amortization similar to the second quarter

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

# ChampionX Capital Allocation Framework

Committed To Value Creation For Our Shareholders

## Strong Balance Sheet Provides Flexibility...

Consistent,  
Strong Cash  
from  
Operations

**\$208mm**  
Trailing 4 Quarters  
~6% of Revenue

Target  
1x Net Debt /  
Adjusted  
EBITDA

Debt	\$699
(Less): Cash	(167)
<b>Net Debt</b>	<b>\$532</b>
~1.0x Trailing 4 Qtrs. Adjusted EBITDA	

Ample  
Liquidity

Cash	\$167
Credit Facility Availability <sup>(1)</sup>	572
<b>Liquidity</b>	<b>\$740</b>

## ...To Fund Our Capital Allocation Priorities

- 1 Maintain 1x Net Debt / EBITDA, through-the-cycle**
- 2 Fund internal investment**
  - Maintenance capital
  - Growth capital
  - Investments in innovation
  - Highest ROI investments
- 3 Pay sustainable, growing dividend**
  - Initiated regular quarterly cash dividend at \$0.075/share, ~1.5% annualized yield
  - Expect to grow over time with free cash flow growth
- 4 Pursue value-creating acquisitions**
  - Disciplined M&A framework
  - Strategic, tuck-in opportunities that add to our capabilities and growth profile
  - Drive returns above cost of capital
- 5 Return excess capital to shareholders**
  - \$250 million share repurchase authorization
  - Consideration of Special Dividends

Note: USD in millions. Certain numbers may not add up due to the rounding of numbers.

(1) At June 30, 2022.

# Appendix

# Drilling Technologies

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

