



# Earnings Conference Call

Fourth Quarter 2022

February 2, 2023

8:00 AM 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

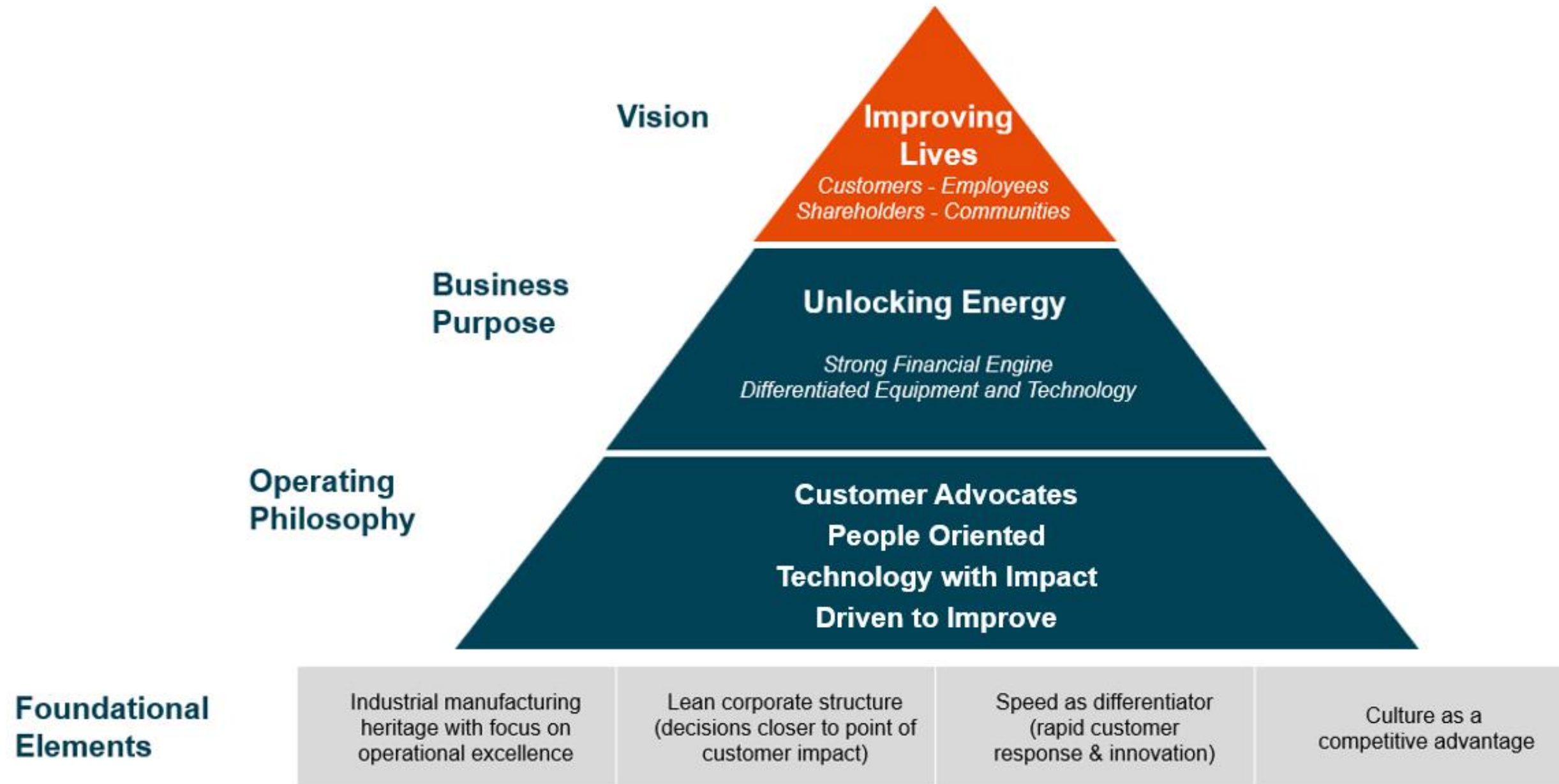
This investor presentation, and the related discussions, contains certain non-GAAP financial measures, which should be considered only as supplemental to, and not as superior to financial measures prepared in accordance with generally accepted accounting principles ("GAAP"). Please refer to the appendix herein and our earnings release for the fourth 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 appendix herein and the financial tables accompanying our earnings release for the fourth quarter 2022 results.

# Soma Somasundaram

President and Chief Executive Officer



## First recipient of ExxonMobil global honor

- Annual award based on high-performance standards, service quality, and responsiveness to meet ExxonMobil's business needs
- Nominees evaluated criteria including on-time delivery, safety, responsiveness, service quality, innovation capabilities, and commitment to sustainability and diversity
- ChampionX supports global ExxonMobil Upstream activities, including U.S. and Guyana operations



**“As our inaugural supplier of the year, ChampionX exemplified performance and responsiveness to our business needs that were especially noteworthy for our major assets in Guyana and the Permian Basin. We value our ongoing collaboration with ChampionX and congratulate them on this notable recognition.”**

**– Pamela Skaufel**  
ExxonMobil VP, Global Procurement  
*November 30, 2022*

# Fourth Quarter and Full Year 2022 ChampionX Highlights



## Strong Adjusted EBITDA Margin and Free Cash Flow Momentum

- **Robust full year 2022 revenue growth**
  - ChampionX full year 2022 revenue of \$3.8 billion, up 24% year-over-year
- **Positive adjusted EBITDA margin momentum**
  - Q4 Adjusted EBITDA margin of 18.1% is highest level since our transformational merger
  - Delivered targeted exit 2022 adjusted EBITDA margin of 18%
  - Q4 Income before income taxes margin of 8.9%
- **Strong free cash flow generation**
  - Q4 cash flows from operating activities of \$195 million
  - Q4 free cash flow of \$169 million represented 94% of adjusted EBITDA
  - Full year 2022 cash flows from operating activities of \$413 million
  - Full year 2022 free cash flow of \$329 million represented 54% of adjusted EBITDA
- **Continued commitment to return capital to shareholders**
  - Returned 56% of free cash flow to shareholders in Q4, 69% in full year 2022
    - \$80 million of ChampionX share repurchases in Q4, \$180 million in full year 2022
    - \$15 million regular cash dividend paid in Q4, \$46 million in full year 2022
  - Targeting at least 60% of free cash flow returned to shareholders, through-the-cycle

# Fourth Quarter 2022 Sequential Revenue Changes

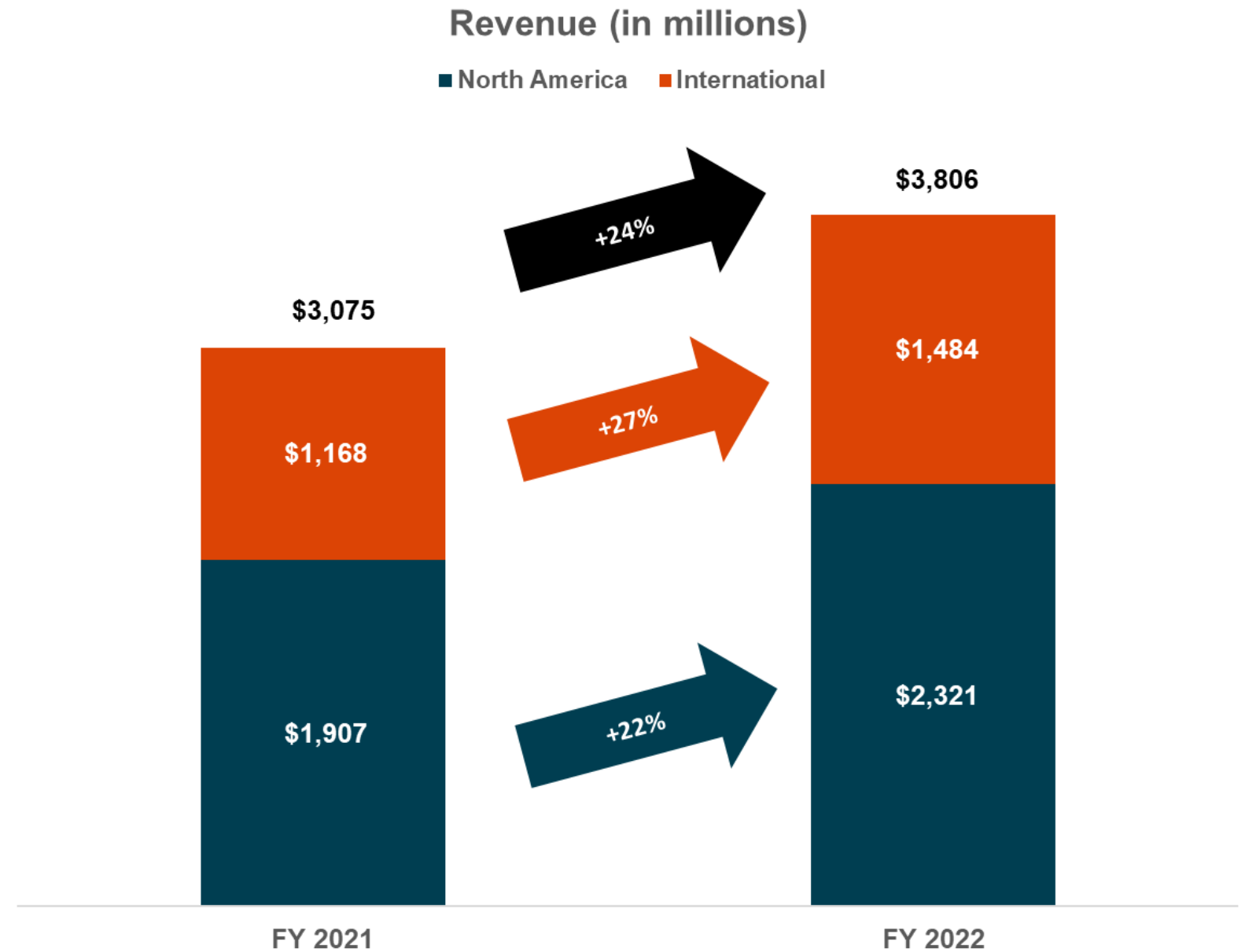


Business Segment	Q4'22 Revenue % Change (q/q)	Q4'22 Sequential Factors
Production Chemical Technologies	-1%	Excluding Russia, international revenue increased 1%; Middle East & Africa revenue increased 4%
Production & Automation Technologies	-1%	International revenue increased 3%, offset by North America weather and seasonality
Drilling Technologies	-12%	International revenue increased 11%, offset by temporary inventory destocking in North America
Reservoir Chemical Technologies	-28%	Exited certain product lines
Corporate & Other	-24%	Reduced Ecolab cross-sales activity post-merger
<b>CHX Consolidated</b>	<b>-3%</b>	

- ChampionX fourth quarter 2022 international revenue increased 27% year-over-year
- ChampionX fourth quarter 2022 North America revenue increased 22% year-over-year
- ChampionX fourth quarter 2022 consolidated revenue increased 24% year-over-year

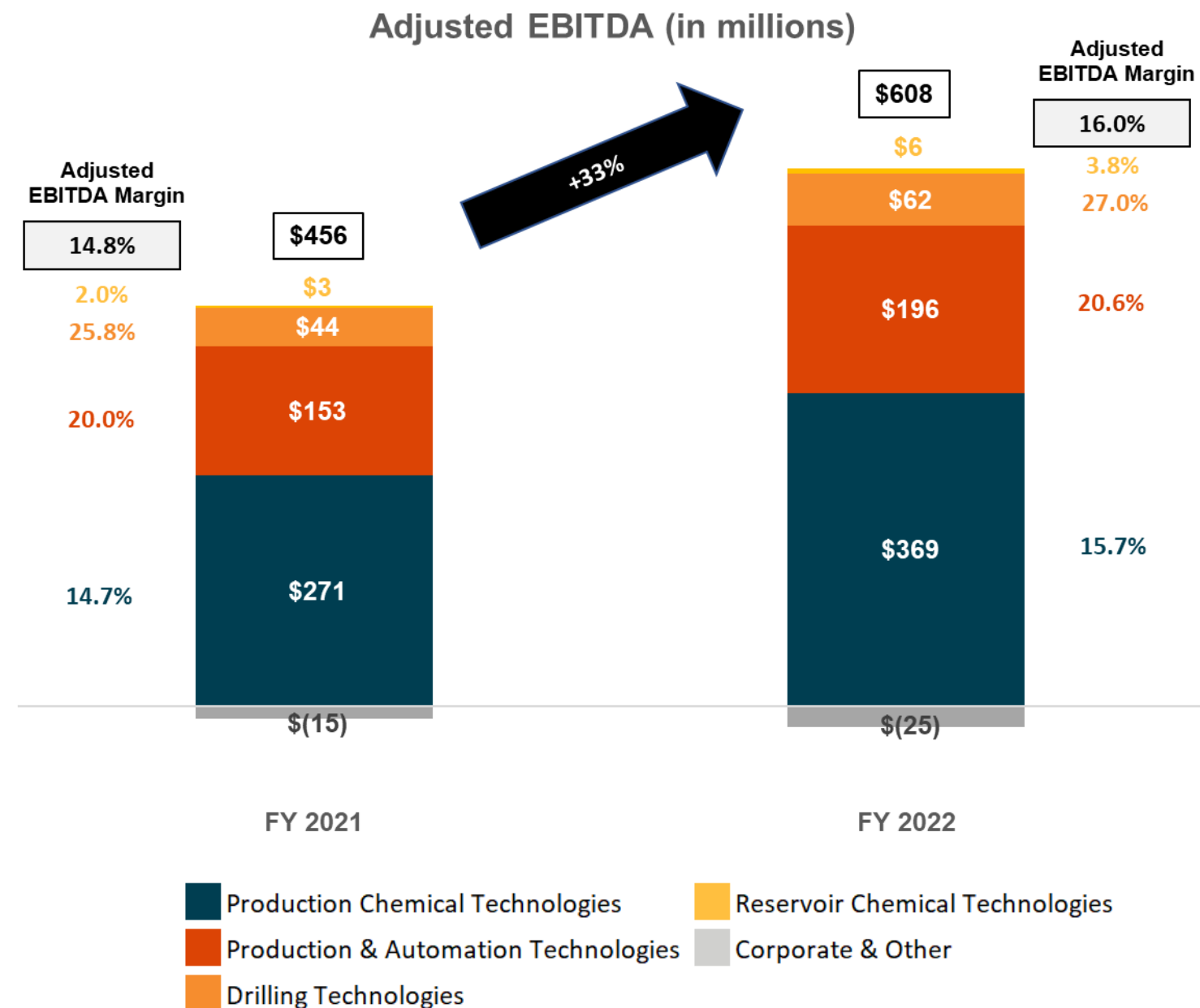
# Full Year 2022 ChampionX Highlights

- **ChampionX revenue**
  - Up 24% year-over-year
  - Strong underlying demand growth in North America and internationally
- **North America revenue**
  - Up 22% year-over-year
- **International revenue**
  - Up 27% year-over-year





- Adjusted EBITDA of \$608 million
  - Up 33% year-over-year
- Net income attributable to CHX of \$155 million and Adjusted net income attributable to CHX of \$260 million
- Adjusted EBITDA margin of 16.0%
  - Up approximately 120 basis points year-over-year
- Income before income taxes margin of 5.2%



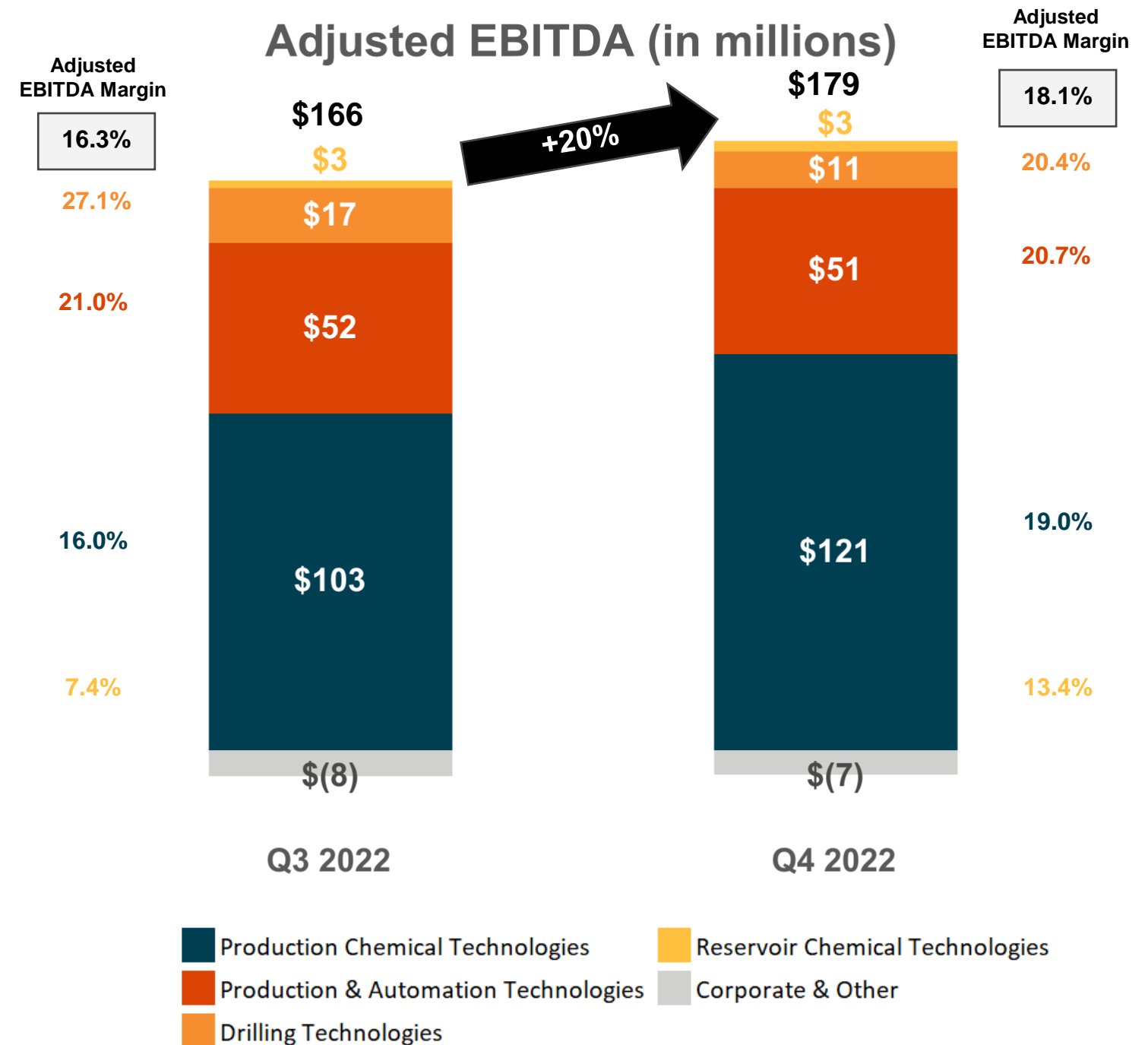
# Ken Fisher

Executive Vice President & Chief Financial Officer

# Fourth Quarter 2022 Financial Highlights



- Adjusted EBITDA of \$179 million
  - Up 8% sequentially, and up 34% year-over-year
- Net income attributable to CHX of \$68 million and Adjusted net income attributable to CHX of \$88 million
- Adjusted EBITDA margin of 18.1%
  - Up 188 basis points sequentially
  - Up 195 basis points year-over-year
- Income before income taxes margin of 8.9%



# Financial Position

## Utilizing Strong Free Cash Flow Profile To Return Capital To Shareholders



- Financial liquidity of \$889 million
  - Cash on hand and available revolving credit facility
- 0.6x net debt to trailing 12 months adjusted EBITDA
- Delivering on commitment to return capital to shareholders
  - Returned \$95 million of Q4 free cash flow to shareholders via:
    - \$15 million regular cash dividend payment
    - \$80 million of share repurchases

Note: Total debt to net income at 12/31/2022 of 4.0x. See ChampionX Fourth Quarter 2022 earnings release and the appendix herein for reconciliation of non-GAAP financial measures including adjusted EBITDA and free cash flow (FCF).

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

- Revenue of \$952 million to \$982 million
  - Expect typical seasonal declines in our international operations, partially offset by rebound in our North American businesses
- Adjusted EBITDA of \$164 million to \$172 million
- We expect adjusted EBITDA margin to improve during 2023 from the Q1 seasonal low
- Depreciation and amortization similar to the fourth quarter of 2022

## For full year 2023, we expect:

- 2023 exit rate adjusted EBITDA margin of 20%
- Adjusted EBITDA to free cash flow conversion of at least 50%
- Return of at least 60% of free cash flow to our shareholders

Note: This presentation also contains certain forward-looking non-GAAP financial measures, including adjusted EBITDA and free cash flow. 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

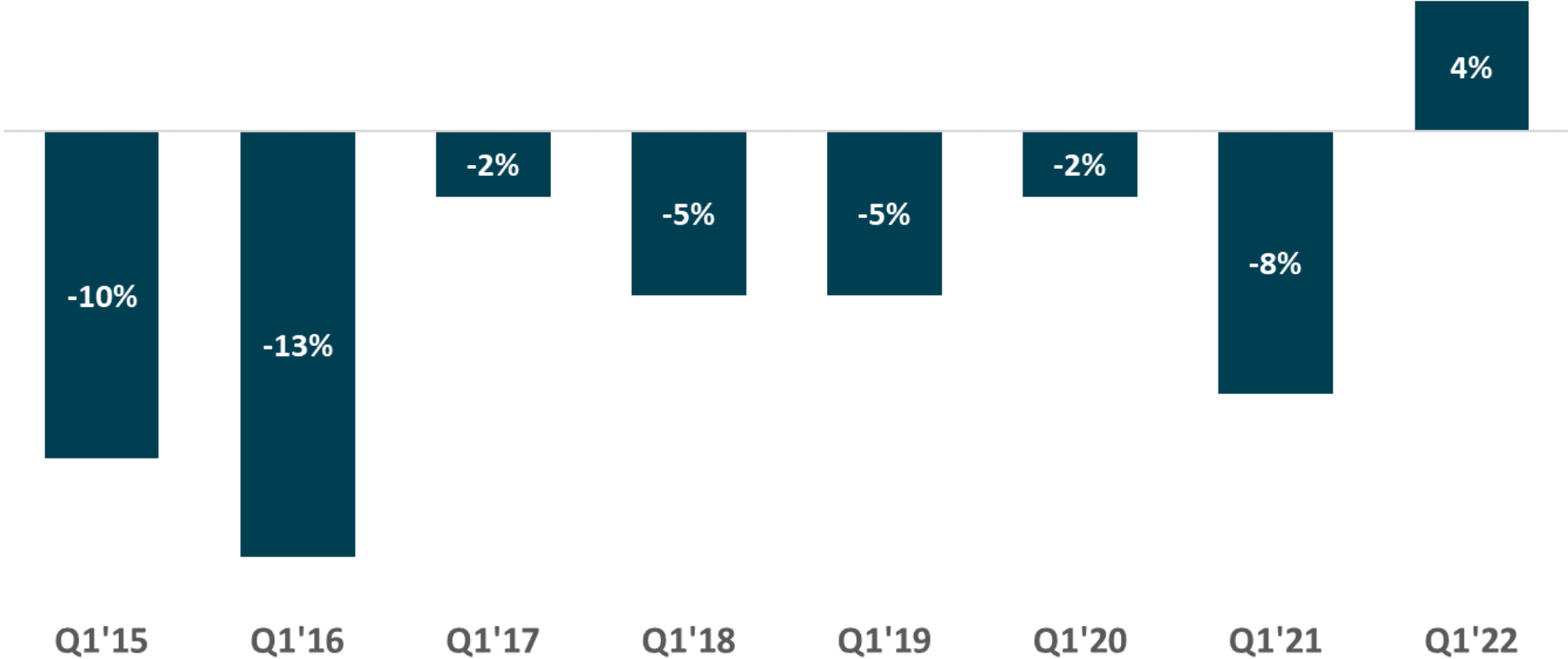
# Production Chemical Technologies (PCT)

## Historical First Quarter Revenue Seasonality



Production Chemical Technologies:  
Sequential Q1 Revenue % Change

Mean: -5%



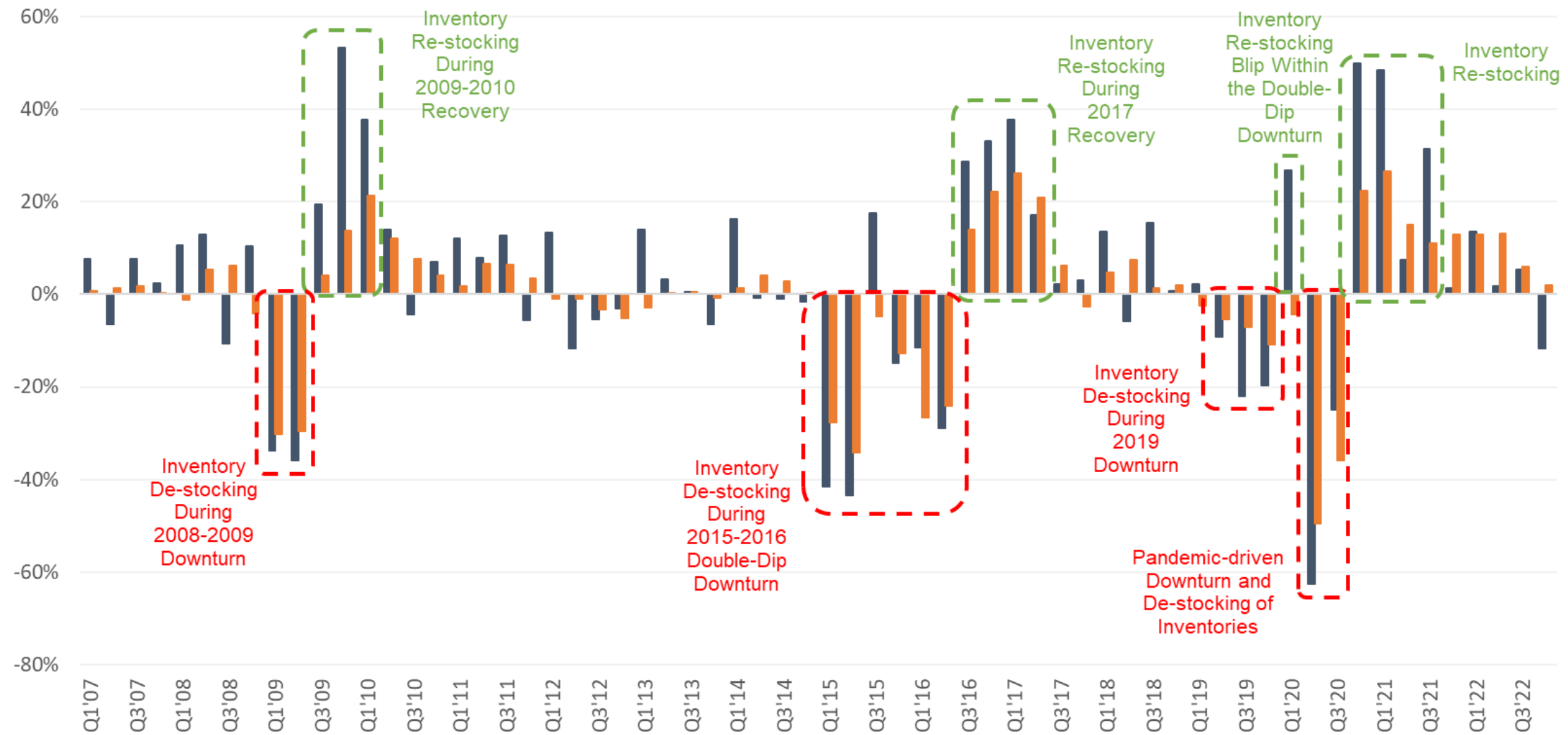


# Drilling Technologies

## 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



(in thousands)	Three Months Ended			Years Ended	
	Dec 31, 2022	Sep 30, 2022	Dec 31, 2021	December 31, 2022	December 31, 2021
<b>Net income attributable to ChampionX</b>	\$ 67,857	\$ 23,068	\$ 43,449	\$ 154,969	\$ 113,299
Pre-tax adjustments:					
(Gain) loss on disposal groups (1)	1,978	(6,409)	1,746	18,493	(38,131)
Russia sanctions compliance and impacts (2)	(2,909)	(1,620)	—	928	—
Goodwill impairment	39,617	—	—	39,617	—
Loss on debt extinguishment and modification	—	—	2,391	6,070	11,098
Restructuring and other related charges	(16,784)	67,533	4,505	65,158	14,624
Merger integration costs	1,001	652	6,033	10,759	35,233
Acquisition costs and related adjustments (3)	(7,112)	(3,512)	(3,512)	(17,648)	(13,636)
Intellectual property defense	27	15	2,477	781	6,622
Latin America tax matters	—	—	—	—	(2,968)
Separation and supplemental benefit costs	—	—	—	—	1,559
Tax impact of adjustments	3,848	(11,898)	(2,864)	(18,903)	(3,024)
<b>Adjusted net income attributable to ChampionX</b>	<b>87,523</b>	<b>67,829</b>	<b>54,225</b>	<b>260,224</b>	<b>124,676</b>
Tax impact of adjustments	(3,848)	11,898	2,864	18,903	3,024
Net income (loss) attributable to noncontrolling interest	(1,588)	157	317	1,594	941
Depreciation and amortization	64,119	60,532	58,480	241,880	237,285
Provision for income taxes	21,008	14,246	6,190	40,243	38,445
Interest expense, net	11,622	11,454	11,037	45,204	51,921
<b>Adjusted EBITDA</b>	<b>\$ 178,836</b>	<b>\$ 166,116</b>	<b>\$ 133,113</b>	<b>\$ 608,048</b>	<b>\$ 456,292</b>
<b>Free Cash Flow</b>					
Cash flows from operating activities	\$ 195,093	\$ 187,152	\$ 88,419	\$ 413,360	\$ 328,219
Less: Capital expenditures, net of proceeds from sale of fixed assets	(26,463)	(19,719)	(17,092)	(84,791)	(79,228)
Free cash flow	\$ 168,630	\$ 167,433	\$ 71,327	\$ 328,569	\$ 248,991

(1) For 2022, amounts represent the (gain)/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. For 2021, amounts represent the gain on the associated with the sale of our chemical manufacturing plant in Corsicana, Texas.

(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.

# Reconciliations of GAAP to non-GAAP Financial Measures



(in thousands)	Three Months Ended			Years Ended	
	December 31, 2022	Sep 30, 2022	December 31, 2021	December 31, 2022	December 31, 2021
<b>Income before income taxes:</b>					
<b>Segment operating profit (loss):</b>					
Production Chemical Technologies	\$ 96,418	\$ 86,649	\$ 55,539	\$ 239,936	\$ 165,463
Production & Automation Technologies	18,104	22,485	13,574	89,133	45,635
Drilling Technologies	9,426	14,856	9,010	54,512	30,409
Reservoir Chemical Technologies	(16,884)	(61,711)	(1,667)	(90,212)	30,311
Total segment operating profit	107,064	62,279	76,456	293,369	271,818
Corporate and other	8,165	13,354	15,463	51,359	67,212
Interest expense, net	11,622	11,454	11,037	45,204	51,921
Income before income taxes	\$ 87,277	\$ 37,471	\$ 49,956	\$ 196,806	\$ 152,685
<b>Operating profit margin / income before income taxes margin:</b>					
Production Chemical Technologies	15.1 %	13.5 %	11.2 %	10.2 %	9.0 %
Production & Automation Technologies	7.4 %	9.1 %	6.7 %	9.3 %	6.0 %
Drilling Technologies	17.5 %	24.4 %	18.0 %	23.8 %	17.7 %
Reservoir Chemical Technologies	(65.7)%	(173.9)%	(4.2)%	(62.1)%	21.5 %
ChampionX Consolidated	8.9 %	3.7 %	6.1 %	5.2 %	5.0 %