



# Earnings Conference Call

Third Quarter 2022

October 26, 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

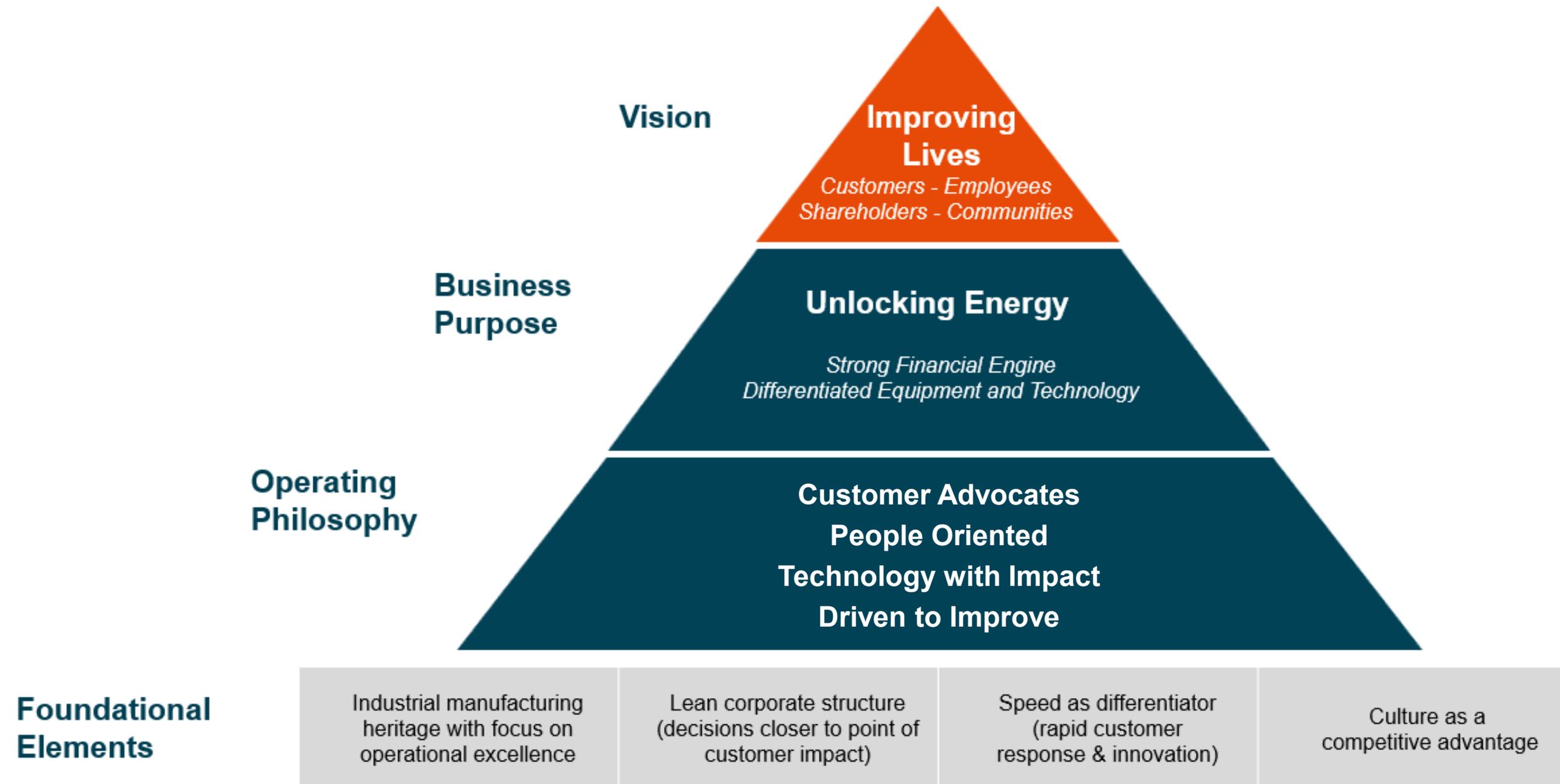
This investor presentation, and the related discussions, contains certain non-GAAP financial measures, which should be considered only as supplemental to, and not as superior to financial measures prepared in accordance with generally accepted accounting principles ("GAAP"). Please refer to our earnings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

# Soma Somasundaram

President and Chief Executive Officer



# Third Quarter 2022 ChampionX Highlights

Continuing To Build Momentum



- **Robust top-line growth**
  - Six consecutive quarters of sequential revenue growth
  - Revenue eclipsed \$1 billion for the first time
- **Positive adjusted EBITDA margin momentum**
  - Adjusted EBITDA margin of 16.3% is highest level since our transformational merger
  - On track to deliver targeted exit 2022 adjusted EBITDA margin of 18%
  - Income before income taxes margin of 3.7%
- **Strong free cash flow generation**
  - Free cash flow of \$167 million represented 101% of adjusted EBITDA
  - Cash flows from operating activities of \$187 million
- **Demonstrating commitment to return capital to shareholders**
  - Returned 57% of free cash flow to shareholders in Q3
  - Board approved increase in share repurchase authorization to \$750 million
  - Targeting at least 60% of free cash flow returned to shareholders, through-the-cycle

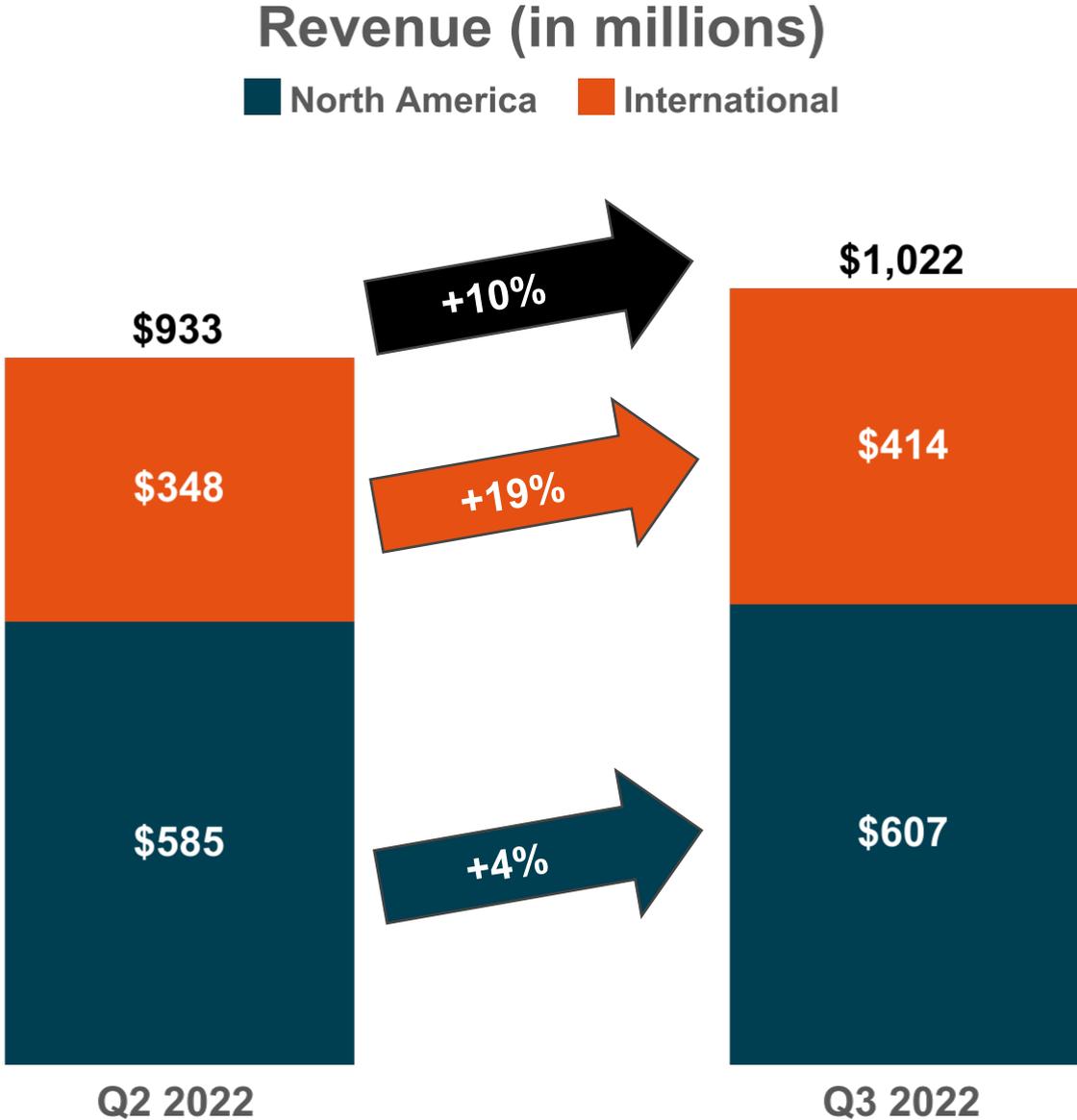
# Ken Fisher

Executive Vice President & Chief Financial Officer

# Third Quarter 2022 Financial Highlights



- Strong top-line revenue growth
  - Up 10% sequentially
  - Up 25% year-over-year
- North America revenue growth
  - Up 4% sequentially
  - Up 21% year-over-year
- International revenue growth
  - Up 19% sequentially
  - Up 30% year-over-year

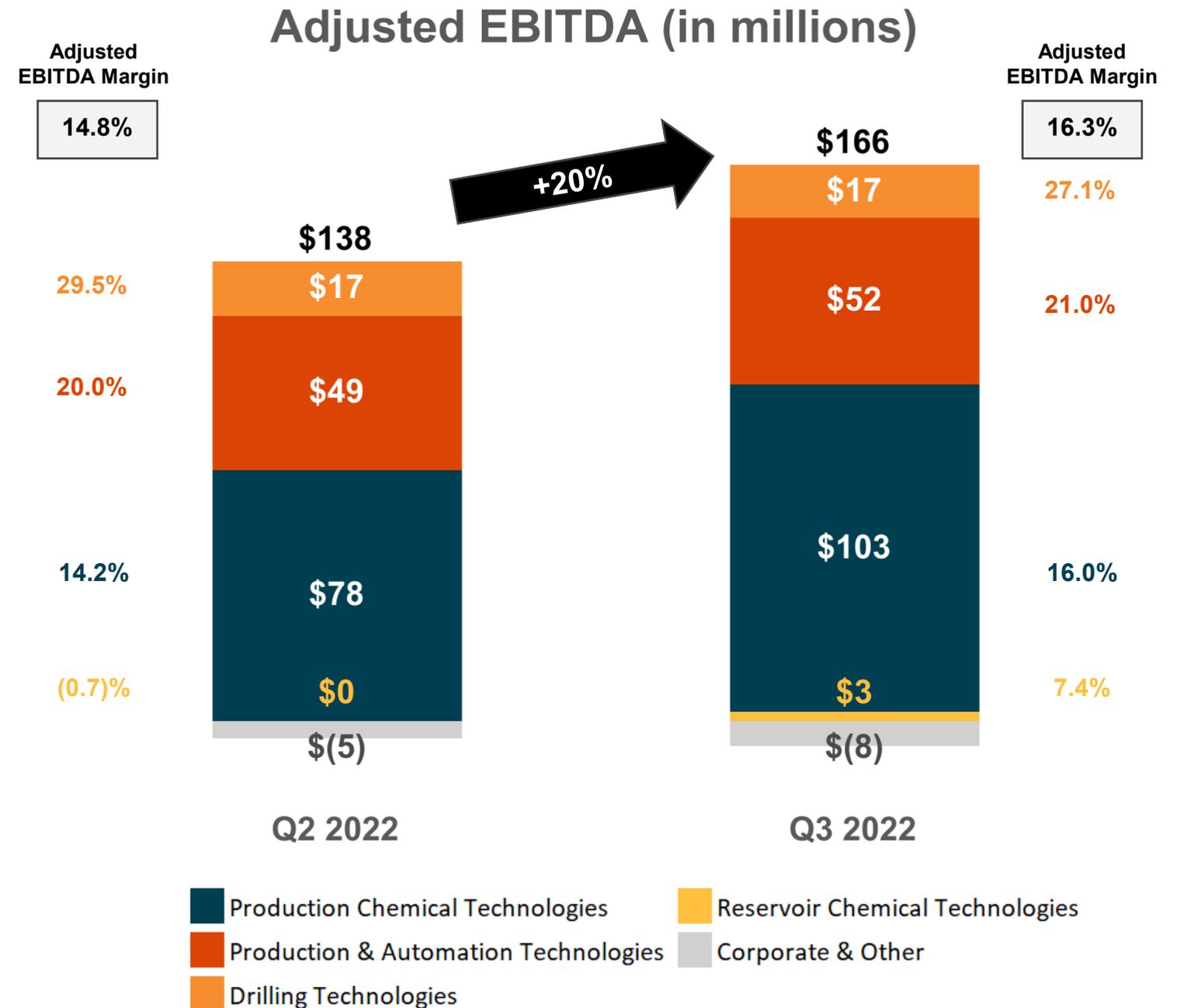


Note: Revenue includes \$35.8 million and \$33.8 million from Cross Supply and Product Transfer Agreement with Ecolab in Q2 2022 and Q3 2022, respectively.

# Third Quarter 2022 Financial Highlights *(continued)*



- Adjusted EBITDA of \$166 million
  - Up 20% sequentially, and up 34% year-over-year, on higher sales volumes and pricing realization
- Net income attributable to CHX of \$23 million and Adjusted net income attributable to CHX of \$68 million
- Adjusted EBITDA margin of 16.3%
  - Up 143 basis points sequentially
  - Up 117 basis points year-over-year
- Income before income taxes margin of 3.7%



# Financial Position

Utilizing Strong Free Cash Flow Profile To Return Capital To Shareholders



- Financial liquidity of \$811 million
  - Cash on hand and available revolving credit facility
- 0.8x net debt to trailing 12 months adjusted EBITDA
  - Repaid \$51 million of debt in Q3
- Delivering on commitment to return capital to shareholders
  - Returned \$95 million of Q3 free cash flow to shareholders via:
    - \$15 million regular cash dividend payment
    - \$80 million of share repurchases

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

- Revenue of \$985 million to \$1.015 billion
  - Expect normal seasonality in our North American businesses into the year-end holidays
  - In addition, lower revenue from:
    - Having exited certain product lines within Reservoir Chemical Technologies, as previously communicated
- Adjusted EBITDA of \$176 million to \$184 million
- We remain on track to deliver our targeted exit 2022 adjusted EBITDA margin of 18%
- Depreciation and amortization similar to the third 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

**\$307mm**  
Trailing 4 Quarters  
~8% of Revenue

Target 1x Net Debt / Adjusted EBITDA

Total Debt	\$649
Less: Cash	187
<b>Net Debt</b>	<b>\$461</b>

~0.8x Trailing 4 Qtrs. Adjusted EBITDA

Ample Liquidity

Cash	\$187
Credit Facility Availability <sup>(1)</sup>	623
<b>Liquidity</b>	<b>\$811</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, ~1.3% 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**
  - **\$750 million share repurchase authorization**

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

1. At September 30, 2022.

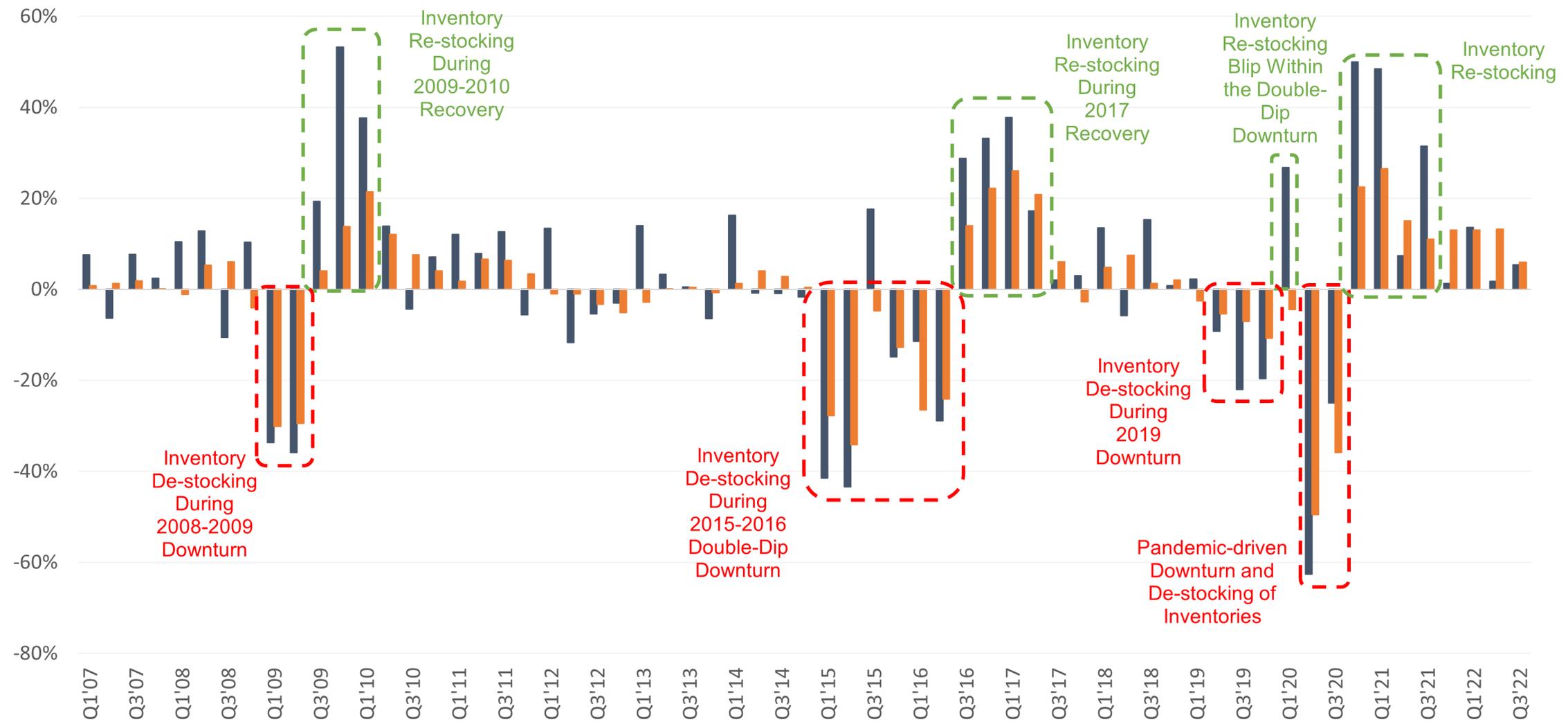
# Appendix

# 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



(in thousands)	Three Months Ended		
	September 30, 2022	June 30, 2022	September 30, 2021
<b>Net income attributable to ChampionX</b>	\$ 23,068	\$ 27,342	\$ 56,828
Pre-tax adjustments:			
(Gain)/loss on disposal group (1)	(6,409)	22,924	(39,876)
Russia sanctions compliance and impacts (2)	(1,620)	5,457	—
Loss on debt extinguishment and modification	—	6,070	5,402
Restructuring and other related charges	67,533	5,302	2,087
Merger integration costs	652	3,865	4,227
Acquisition costs and related adjustments (3)	(3,512)	(3,512)	(3,512)
Intellectual property defense	15	376	2,365
Latin America tax matters	—	—	(2,968)
Tax impact of adjustments	(11,898)	(8,501)	6,778
<b>Adjusted net income attributable to ChampionX</b>	<b>67,829</b>	<b>59,323</b>	<b>31,331</b>
Tax impact of adjustments	11,898	8,501	(6,778)
Net income attributable to noncontrolling interest	157	1,554	1,823
Depreciation and amortization	60,532	59,530	58,418
Provision for (benefit from) income taxes	14,246	(1,405)	25,910
Interest expense, net	11,454	10,765	12,849
<b>Adjusted EBITDA</b>	<b>\$ 166,116</b>	<b>\$ 138,268</b>	<b>\$ 123,553</b>
<b>Free Cash Flow</b>			
Cash flows from operating activities	\$ 187,152	\$ 74,240	\$ 88,662
Less: Capital expenditures, net of proceeds from sale of fixed assets	(19,719)	(20,743)	(18,938)
<b>Free cash flow</b>	<b>\$ 167,433</b>	<b>\$ 53,497</b>	<b>\$ 69,724</b>

(in thousands)	Three Months Ended		
	September 30, 2022	June 30, 2022	September 30, 2021
<b>Income before income taxes:</b>			
<b>Segment operating profit (loss):</b>			
Production Chemical Technologies	\$ 86,649	\$ 25,606	\$ 45,696
Production & Automation Technologies	22,485	23,650	14,407
Drilling Technologies	14,856	15,043	11,146
Reservoir Chemical Technologies	(61,711)	(8,147)	37,800
Total segment operating profit	62,279	56,152	109,049
Corporate and other	13,354	17,896	11,639
Interest expense, net	11,454	10,765	12,849
Income before income taxes	<u>\$ 37,471</u>	<u>\$ 27,491</u>	<u>\$ 84,561</u>
<b>Operating profit margin / income before income taxes margin:</b>			
Production Chemical Technologies	13.5 %	4.6 %	9.4 %
Production & Automation Technologies	9.1 %	9.8 %	7.0 %
Drilling Technologies	24.4 %	26.0 %	22.6 %
Reservoir Chemical Technologies	(173.9)%	(18.5)%	99.0 %
ChampionX Consolidated	3.7 %	2.9 %	10.3 %

(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 during 2022.

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, as well as costs incurred for the acquisition of businesses.