

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

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934**

**February 11, 2019**

Date of Report (Date of earliest event reported)

**Apergy Corporation**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction  
of incorporation)

**001-38441**

(Commission File Number)

**82-3066826**

(I.R.S. Employer Identification No.)

**2445 Technology Forest Blvd**

**Building 4, 12th Floor**

**The Woodlands, Texas 77381**

(Address of principal executive offices and zip code)

**(281) 403-5772**

(Registrant's telephone number, including area code)

**Not Applicable**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
- Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).
- 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.

## Item 2.02 Results of Operations and Financial Condition.

On February 7, 2019, Apergy Corporation (the “Company”) announced that Sivasankaran Somasundaram, the President and Chief Executive Officer of the Company, will present at the Credit Suisse Energy Summit on February 13, 2019. Mr. Somasundaram’s presentation will include the following information, updating the Company’s guidance for the year ended December 31, 2018:

### 2018 Financial Update

- We are updating our outlook for full year 2018:
  - Continue to expect full year 2018 revenue to increase approximately 20% from full year 2017
  - Full year 2018 adjusted EBITDA expected to be between \$294 and \$297 million, from previous guidance of \$289 to \$294 million
- Strong cash generation and repayment of \$25 million of term loan debt in Q4-18, bringing total repaid in the last two quarters of 2018 to \$45 million

A copy of the presentation is furnished as Exhibit 99.1 hereto and incorporated herein by reference.

The information furnished pursuant to this Item 2.02 (including Exhibit 99.1) shall not be deemed to be “filed” for the purposes of Section 18 of the Securities and Exchange Act of 1934, as amended (“Exchange Act”) or otherwise subject to the liabilities of that section, and shall not be deemed to be incorporated by reference into any filing made by the Company under the Exchange Act or the Securities Act of 1933, as amended, regardless of any general incorporation language in any such filing, except as shall be expressly set forth by specific reference in such filing.

### Non-GAAP Measures

This Current Report on Form 8-K and Exhibit 99.1 incorporated herein by reference contains information regarding the Company’s adjusted EBITDA, which is a non-GAAP financial measure made available as a supplement, and not an alternative, to the results provided in accordance with generally accepted accounting principles in the United States of America (“GAAP”). Adjusted EBITDA is defined as, or as a result of, net income excluding income taxes, interest income and expense, depreciation and amortization expense, separation and supplemental benefit costs associated with the spinoff from Dover Corporation, royalty expense incurred only prior to the spinoff, and restructuring and other related charges. Reconciliation to the nearest GAAP measure cannot be provided without unreasonable efforts due to the material elements of net income or loss and income taxes for full year 2018 not yet being finalized. The lack of such reconciling information should be considered when assessing the impact of such disclosures.

### Forward-Looking Statements

This Current Report on Form 8-K contains statements relating to future actions and results which are “forward-looking statements” within the meaning of the Exchange Act and the Private Securities Litigation Reform Act of 1995. Such statements relate to, among other things, the Company’s 2018 revenue and adjusted EBITDA forecast estimates. 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, the risk that the anticipated benefits from the Company’s separation from Dover Corporation may not be fully realized or may take longer to realize than expected; tax and regulatory matters; and changes in economic, competitive, strategic, technological, regulatory or other factors that affect the operation of the Company’s businesses. You are encouraged to refer to the documents that the Company files from time to time with the Securities and Exchange Commission (the “SEC”), including the “Risk Factors” section of Amendment No. 1 to the Company’s Form 10, filed with the SEC on April 12, 2018, as amended and supplemented, and in the Company’s other filings with the SEC, for a discussion of these and other risks and uncertainties. Readers are cautioned not to place undue reliance on the Company’s forward-looking statements. Forward-looking statements speak only as of the day they are made and the Company undertakes no obligation to update any forward-looking statement, except as required by applicable law.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	<a href="#">Apergy Corporation presentation to Credit Suisse Annual Energy Summit</a>

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**Apergy Corporation**

Date: February 11, 2019

By: /s/ JAY A. NUTT  
Jay A. Nutt  
Senior Vice President and Chief Financial Officer

**EXHIBIT INDEX**

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<u>99.1</u>	<a href="#">Apergy Corporation presentation to Credit Suisse Annual Energy Summit</a>

2019 Credit Suisse Annual  
Energy Summit  
February 11-13, 2019

**Apergy**® | Unlocking  
energy.

# Notices and Disclaimers

## Forward-Looking Statements

This investor presentation, and the related discussion, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934, that are based on the beliefs and assumptions of management of Apergy Corporation ("Apergy") and on information currently available to Apergy's management. Forward-looking statements include, but are not limited to, statements related to Apergy's expectations regarding the performance of the business, financial results, liquidity and capital resources of Apergy, the benefits resulting from Apergy's separation from Dover Corporation, the effects of competition and the effects of future legislation or regulations and other non-historical statements. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words "outlook," "believes," "expects," "potential," "continues," "may," "will," "should," "could," "seeks," "approximately," "projects," "predicts," "intends," "plans," "estimates," "anticipates" or the negative version of these words or other comparable words.

Forward-looking statements involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed in these forward-looking statements. You should not put undue reliance on any forward-looking statements in this presentation. Forward looking statements speak only as of the day they are made and Apergy does not have any intention or obligation to update forward-looking statements after Apergy distributes this presentation, except as required by law.

Apergy's outlook is provided for the purpose of providing information about our current expectations for 2019 and the general outlook for the business in the longer term. This information may not be appropriate for other purposes.

Factors that could cause Apergy's results to differ materially from those expressed in forward-looking statements are included in the section entitled "Risk Factors" in the Information Statement that is an exhibit to Apergy's Registration Statement on Form 10, originally filed with the Securities and Exchange Commission ("SEC") on March 26, 2018, as amended and supplemented, and in Apergy's other filings with the SEC. There may be other risks and uncertainties that Apergy is unable to predict at this time or that Apergy currently does not expect to have a material adverse effect on Apergy's business. Any such risks could cause Apergy's results to differ materially from those expressed in forward-looking statements.

## 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 of this investor presentation 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.

This investor presentation is not an offer to sell or the solicitation of an offer to buy any securities of Apergy, nor will there be any sales of securities of Apergy in any jurisdiction in which the offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

# Apergy Overview

- Leading onshore-focused equipment and digital technology provider to the upstream oil and gas industry
- Most trusted brands recognized for quality, performance and customer-service
- Highly engineered products, innovative technologies and digital solutions
- Focused strategy and operating philosophy leveraging a customer-centric business model
- Strong financial results – sustained profitability and free cash flow through business cycles
- Experienced and motivated team focused on collaborative approach to solving customer problems

## WE ARE APERGY...

Unlocking energy to drive value for our customers, employees and shareholders

# 2018 Financial Update

- We are updating our outlook for full year 2018:
  - Continue to expect full year 2018 revenue to increase approximately 20% from full year 2017
  - Full year 2018 adjusted EBITDA expected to be between \$294 and \$297 million, from previous guidance of \$289 to \$294 million <sup>1</sup>
- Strong cash generation and repayment of \$25 million of term loan debt in Q4-18, bringing total repaid in the last two quarters of 2018 to \$45 million
- Additional details on 2018 fourth quarter and full year performance, as well as our outlook for the beginning of 2019, to be provided with our earnings release on Monday, February 18<sup>th</sup> and call on Tuesday, February 19<sup>th</sup>

<sup>1</sup> Apergy is unable, without unreasonable efforts, to provide a quantitative reconciliation of non-GAAP projections of 2018 adjusted EBITDA because net income or loss and income taxes are material elements to the calculations which have not been finalized for 2018.

# Apergy Leads Oilfield Products Segment in Customer Satisfaction



#1 Total Satisfaction



#1 Artificial Lift



#1 Horizontal & Directional Wells



#1 Onshore Applications



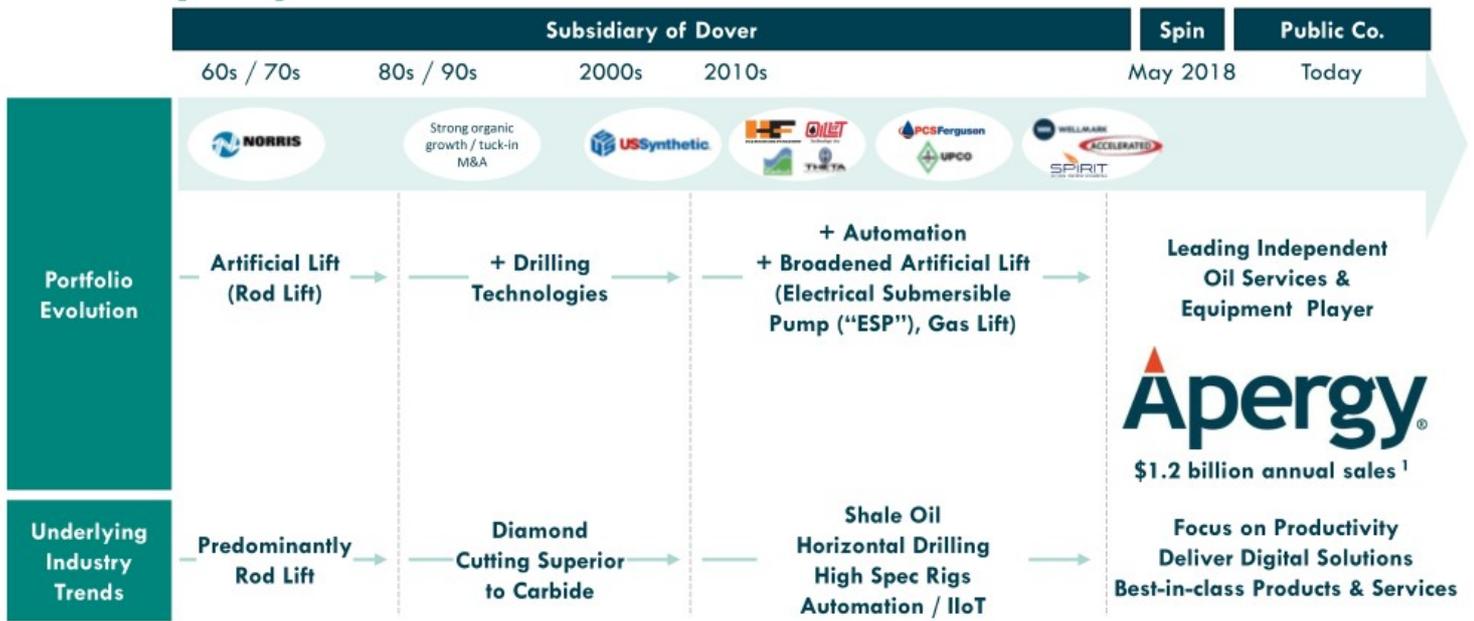
#1 Performance & Reliability



#1 Engineering & Design

Results based on independent survey of more than 4,000 qualified respondents

# Successfully Reached Milestone as a New Public Company



<sup>1</sup> Last Twelve Months ended Sept 30, 2018.

# Accomplishments Since Our Spin



## Consistent, strong financial performance

- We expect 2018 adjusted EBITDA of \$294 to \$297 million versus initial guidance of \$280 million



## Introduced our strategic vision and operating philosophy which is engrained in the Apergy culture

- Culture builds on our manufacturing heritage and emphasizes actively contributing to our communities



## Established the Apergy brand in the marketplace building on our 60+ year heritage



## Transitioned successfully from Dover and ended all transition services agreements

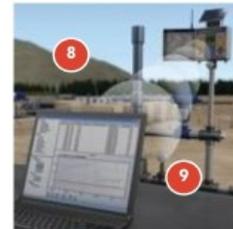
- Full corporate and standalone infrastructure in place
- Integrated new employees seamlessly

Reaching our operating rhythm as a standalone public company

# Apergy is Present Across the Wellsite

**Production & Automation Technologies:**  
Facilitating the efficient, safe and effective extraction of oil and gas through a suite of premier brands.

**Drilling Technologies:**  
Providing highly specialized, innovative, and proprietary products used in drilling oil and gas wells.



## ARTIFICIAL LIFT

- 1. Progressive Cavity Pumps
- 2. Rod Lift
- 3. Plunger Lift
- 4. ESP
- 5. Gas Lift

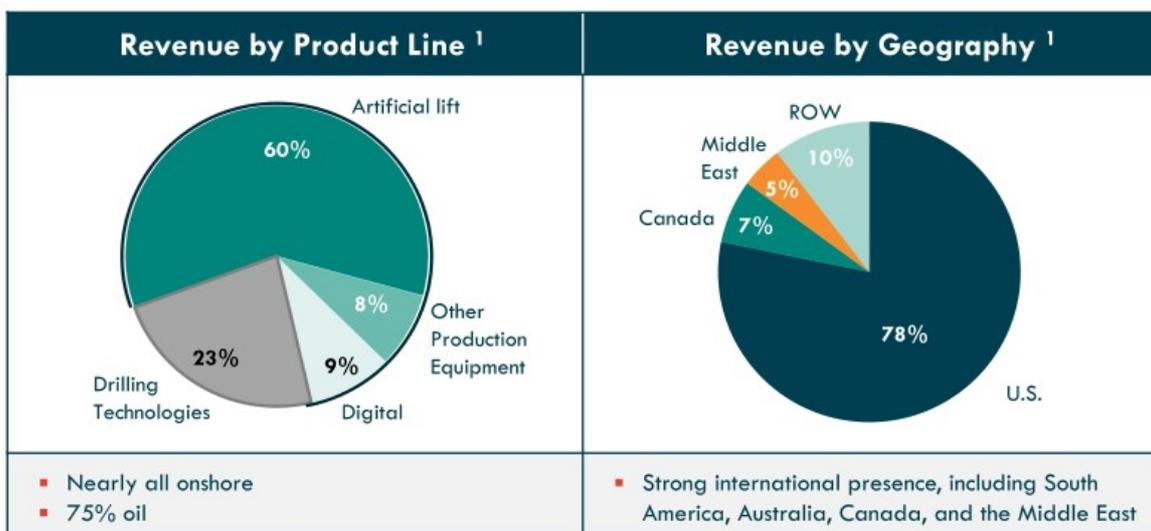
## DRILLING TECHNOLOGIES

- 6. Diamond Drill Bit Insets
- 7. Diamond Bearings

## DIGITAL

- 8. IIoT Enabled Technologies
- 9. Optimization Software
- 10. Remote Monitoring

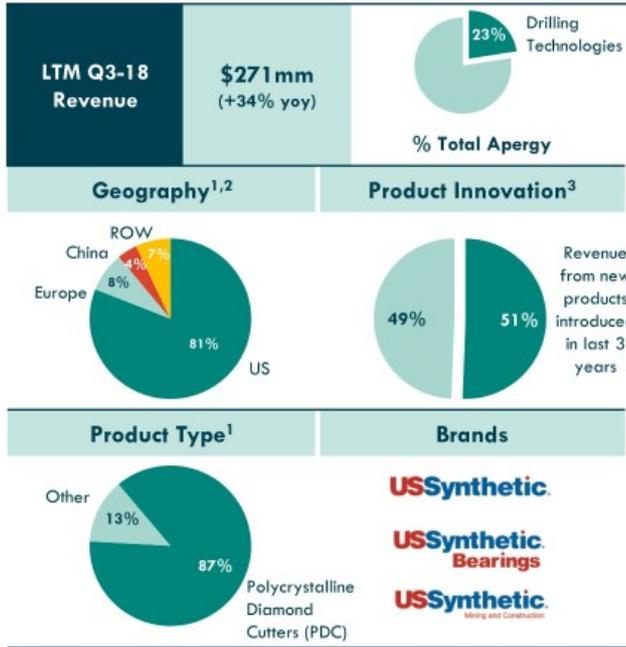
# Portfolio Profile



Onshore production-focused portfolio with strong product & technology offering

<sup>1</sup> Revenue from last twelve months ended Sept 30, 2018.

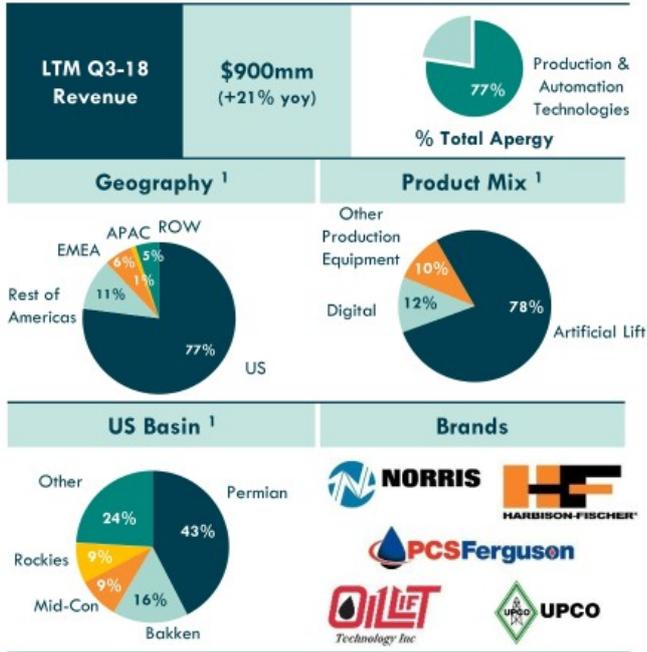
# Drilling Technologies



- Undisputed industry leader in polycrystalline diamond cutters for oil & gas drilling
- Uniquely positioned to leverage long-term favorable industry trends – U.S. shale, horizontal drilling, increasing laterals
- Critical partner to customers in achieving drilling productivity
  - 95%+ of cutters are designed to meet unique requirements and finished to exact customer specifications
  - Drill bit is mission-critical piece of equipment to avoid downtime and drilling failures
- Superior industry reputation for innovation, quality and customer service

<sup>1</sup> Revenue from the last twelve months ended Sept 30, 2018.  
<sup>2</sup> Represents geography by sales destination.  
<sup>3</sup> Revenue in Q3-18

# Production & Automation Technologies



- Leading provider of production and automation equipment and digital solutions in North America and targeted global basins
- Trusted brands known for superior technology, highest quality / reliability and strong aftermarket offering
- Broad portfolio facilitates the efficient, safe and cost effective extraction of oil and gas, resulting in revenue opportunities over life of well
- Enables lower production costs for operators and optimizes well efficiency
- Emerging leadership in new digital offerings

<sup>1</sup> Revenue from the last twelve months ended Sept 30, 2018.

# Positioned to Benefit from Growth Trends in Artificial Lift

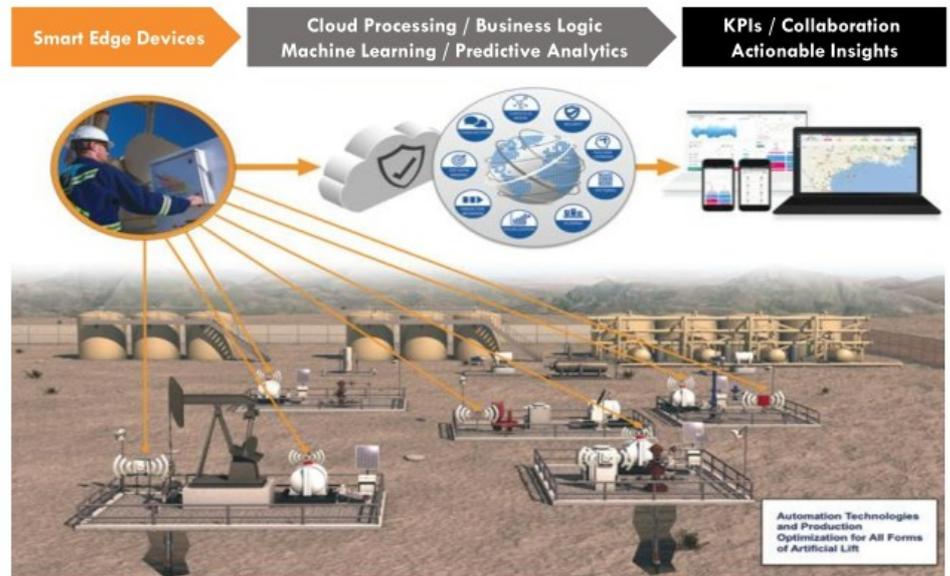
	ESP	Hydraulic & Gas Lift <sup>1</sup>	Rod Lift
2017 Mkt. Size	\$3.7bn	\$0.5bn	\$3.4bn
LTM Q3-18 % of Artificial Lift Revenue <sup>2</sup>	31%	9%	38%
Use Cases	<ul style="list-style-type: none"> <li>Favored for handling initial production (IP) rates</li> <li>Most effective for dewatering</li> </ul>	<ul style="list-style-type: none"> <li>Brought in as flow rate drops</li> <li>Fill lifting gap for deep and high rate horizontal wells</li> </ul>	<ul style="list-style-type: none"> <li>Installation at later stage in well life for lower flow rate</li> <li>Low cost and maintenance requirements</li> </ul>
Market Trends	<ul style="list-style-type: none"> <li>Higher ESP demand from shifts in unconventional drilling practices</li> <li>Longer laterals, increased frac stages</li> </ul>	<ul style="list-style-type: none"> <li>Applications in unconventional wells</li> </ul>	<ul style="list-style-type: none"> <li>Strong Permian switching demand expected in '19-'20E</li> <li>Increased efficiency – smaller footprint pumps</li> </ul>



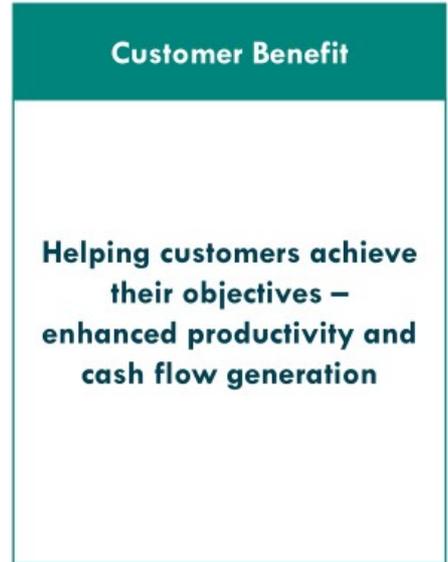
Apergy offers the right equipment and the best application engineering knowledge at every stage in the well lifecycle to design optimal solutions for customers

# Leader in Digital Technologies: Monitor, Analyze, Optimize

- Recognized as innovative leader in digital IIoT solutions that support and integrate all of our customer's digital needs at the wellsite
- Offers full portfolio of connected devices, cloud based analytics and actionable insights
- Provide 'tiered services' to offer fit for purpose digital solutions



# How Apergy Wins



# Growth Accelerators That Drive Above Market Growth

Artificial Lift	1	<b>Drive ESP Share Expansion in Growing Basins</b>	<ul style="list-style-type: none"> <li>Leveraging strong product / service offering with established relationships to drive ESP share expansion</li> </ul>
	2	<b>Capitalize on Rod Lift Conversions</b>	<ul style="list-style-type: none"> <li>Capitalize on significant rod lift switching demand from ESP / Gas Lift as decline rate stabilizes</li> </ul>
Drilling Technologies	3	<b>Continue Diamond Sciences Innovation</b>	<ul style="list-style-type: none"> <li>High velocity innovation driving share, performance leadership and widening technological moat</li> </ul>
	4	<b>Expand Diamond Bearing Adoption</b>	<ul style="list-style-type: none"> <li>Patented superior technology that lowers cost of drilling</li> </ul>
Digital	5	<b>Significantly Grow Digital Offering</b>	<ul style="list-style-type: none"> <li>Enhance customer safety and productivity through 'fit for purpose' digital solutions</li> </ul>

# ESP Momentum in the Permian Basin

## Well Completion Growth vs. Apergy New Install Growth in the Permian Basin <sup>1</sup>

% change in average monthly rate from 2016 average monthly rate



## ESP Growth Momentum

- Apergy 2018 monthly install rate is 2.5 times its 2016 rate
- ESP revenue growth of over 70% in 2017 & 2018 growth continues at a rapid pace
- Lookout™ monitoring & optimization has grown over 900% over last 2 years
- Due to high Initial Production Rates we expect ESP to continue to grow above market rates
- Leverage existing Apergy Artificial Lift relationships with majors and independent companies to drive ESP growth

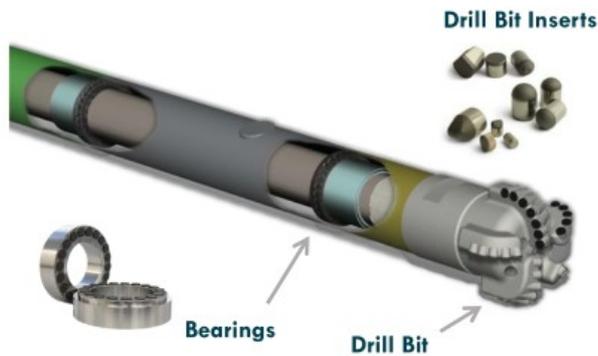
<sup>1</sup> Permian completion data as of October 2018.

<sup>2</sup> Growth rate reflects growth in average monthly installs and completions in 2017 vs. monthly average in 2016.

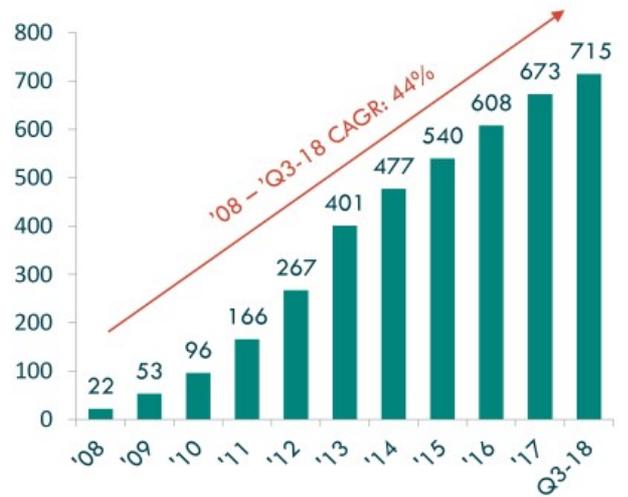
# Leading Innovation in Diamond Sciences

## Apergy Offering

- Custom designed and manufactured drill bit inserts
- Long-lasting diamond bearings



## Cumulative Patents Issued Since 2008



# Growth Momentum in Diamond Bearings

- Leveraging diamond science in a natural adjacency
- Diamond bearings in downhole tools is a fast-growing product line
  - Provides higher load capability
  - Allows designs without seals, less prone to failure
  - Longer life with lower repair costs and longer repair intervals
- We lead the market in diamond bearings solutions through broad product line and patent portfolio
- We expect to see continued adoption in downhole applications, chemical mixing, and applications beyond oil & gas

**Focus on driving growth and setting industry standard for diamond bearings**

## Diamond Bearings Revenue Trend



## Diamond Thrust and Radial Bearings



# Broad Portfolio of Digital Products & Solutions That Enhance Customer Safety & Productivity

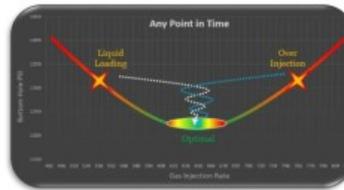
## ESP LOOKOUT™ Monitoring

- 24/7 ESP monitoring by exception program to reduce failures
- Bi-weekly optimization program with operator, reviewing each well & providing operating recommendations
- Best-in-class service and response time



## Gas Lift Automation

- Continuous optimization of gas injection rate yields maximum bottom hole pressure drawdown
- Technology adjusts gas injection rate as well conditions change by leveraging wellhead readings



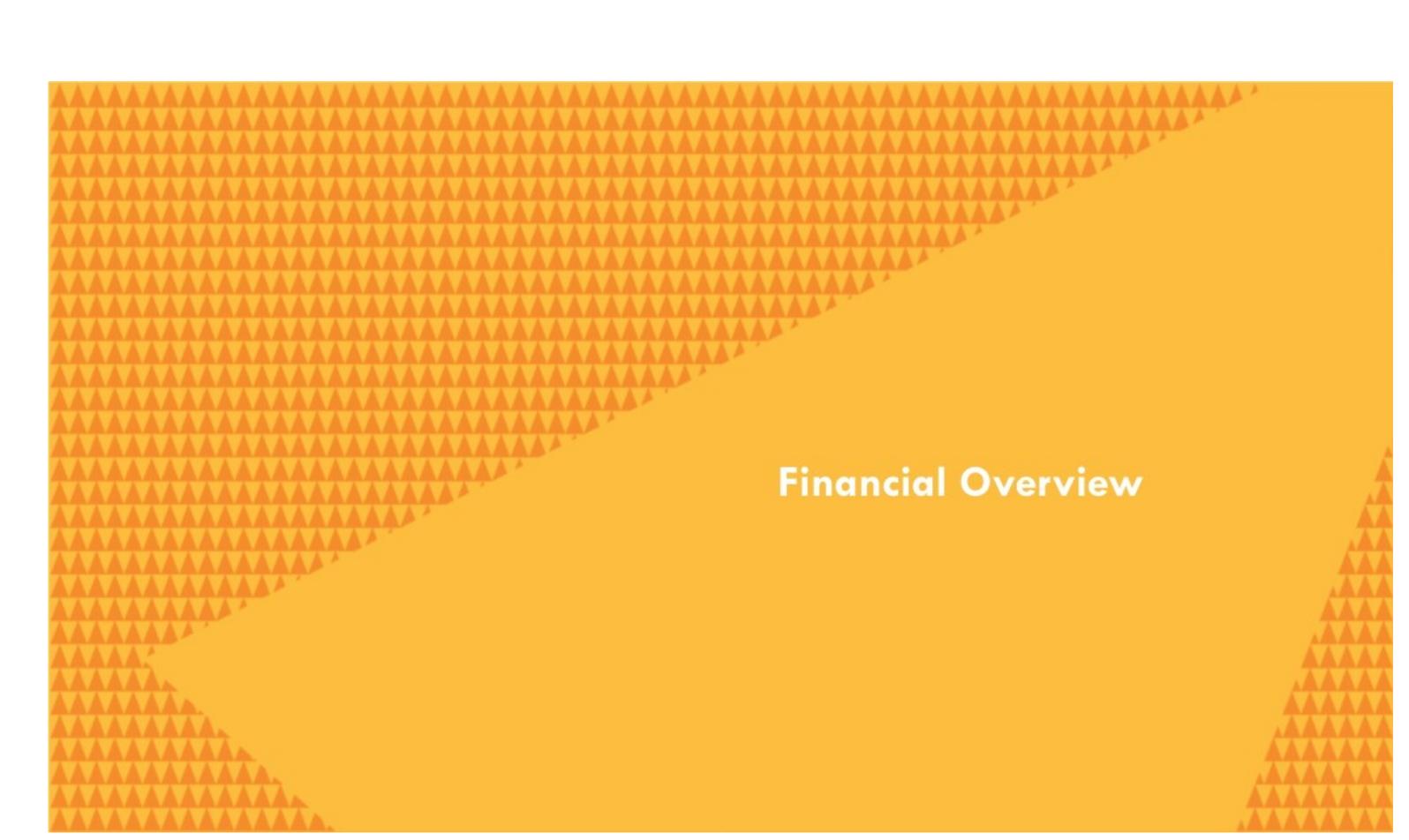
## Asset Integrity Management



- Reciprocating, rotating and vibrating equipment monitoring and analysis
  - Next-generation IIoT solution that provides intuitive infrastructure
  - Insights and predictions to optimize output, minimize risks and reduce unplanned downtime



- Remote and portable analyzers and online monitoring



## Financial Overview

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# Strong Performance Through the Cycle

## Revenue & Growth Rate

(\$ in millions)

- 2014 – 2016 revenue decline lowest among peers



## Adjusted EBITDA<sup>(1)</sup> & Margin

- Resilient industry-leading margins
- 2013 – 2018 average margin of 24% vs. 16% peer median



Note: Adjusted EBITDA is a non-GAAP measure. Please see the appendix for reconciliations to the most directly comparable GAAP measure. Peers include Baker Hughes GE, Core Labs, Drill-Quip, Flotek, Forum Energy, Gardner Denver, Halliburton, Hunting, National Oilwell Varco, Oil States, Schlumberger, Schoeller-Bleckmann, Superior Energy Services, and Weatherford.

<sup>1</sup> Apergy is unable, without unreasonable efforts, to provide a quantitative reconciliation of non-GAAP projections of 2018 adjusted EBITDA because net income or loss and income taxes are material elements to the calculations and which have not been finalized for 2018.

# Efficient Capital Structure and Capital Allocation

Strong Balance Sheet		Disciplined Capital Allocation Priorities
\$ in Millions	Sept 30, 2018	
Cash	\$18	<ul style="list-style-type: none"> <li>▪ Organic growth investments</li> <li>▪ Continued funding of research and development</li> <li>▪ Productivity improvements</li> <li>▪ Reducing debt and leverage</li> <li>▪ Selective acquisitions to expand our technology and product portfolio and broaden geographic reach</li> </ul>
Total Debt <sup>1</sup>	\$688	
Total Debt / EBITDA <sup>2</sup>	2.6x	
Available Liquidity <sup>3</sup>	\$263	

Strong balance sheet to support strategic objectives and maintain financial flexibility through the cycle

<sup>1</sup> Represents indebtedness including original issue discount and deferred financing costs.

<sup>2</sup> As defined in Apergy's credit agreement dated May 9, 2018.

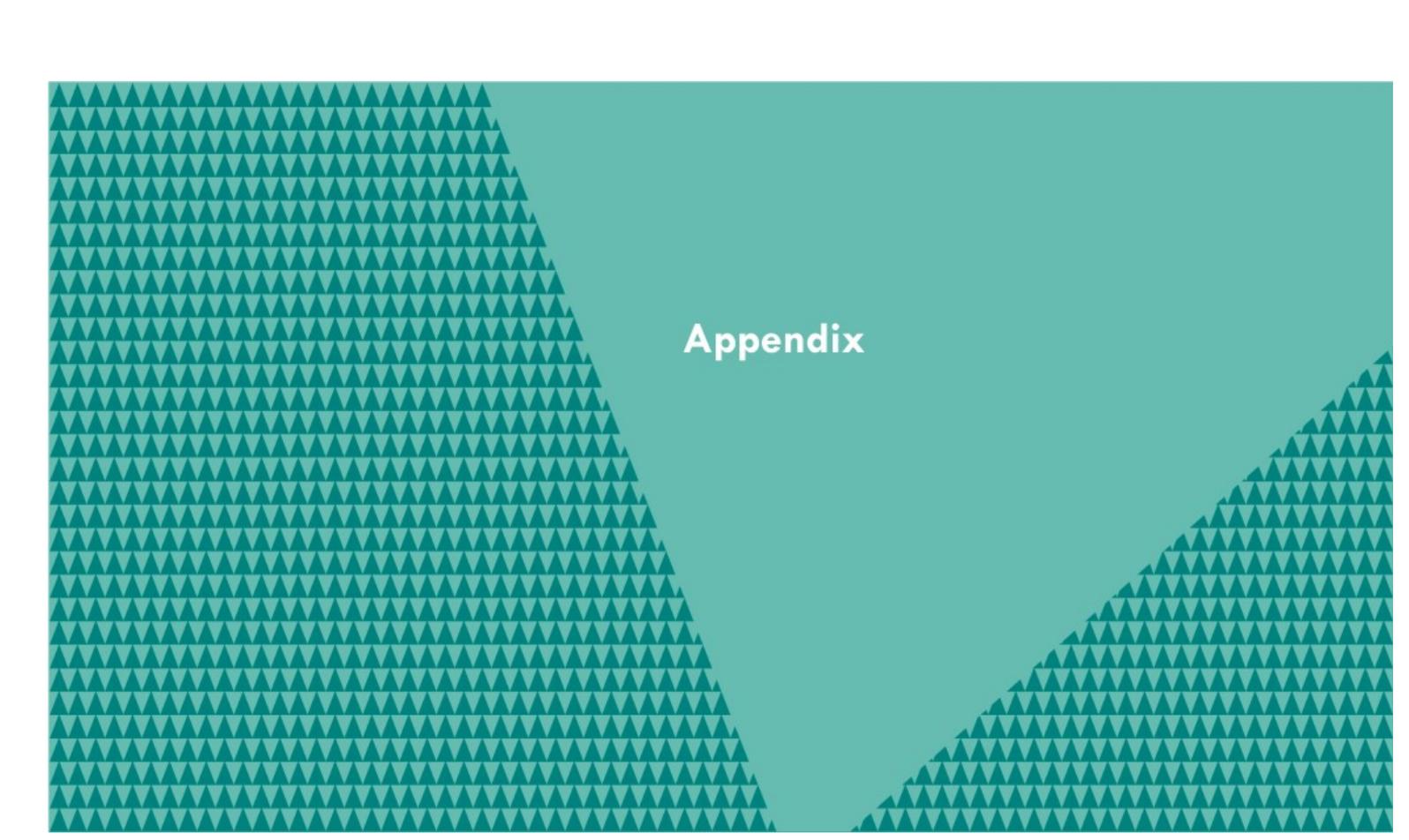
<sup>3</sup> Available liquidity defined as \$244.5 million available but undrawn capacity under Apergy's revolving credit facility plus \$18.0 million in cash and cash equivalents as of Sept 30, 2018. At Sept 30, 2018, Apergy had \$5.5 million of outstanding letters of credit.

# Strong Investment Thesis

- Leading equipment and digital technology provider to the upstream oil and gas industry
- Industry leadership with portfolio of trusted brands with reputation for quality, performance and service
- Substantial presence in growing basins, segments and regions with >80% of revenue in onshore North America
- Capitalizing on increasing customer adoption of digital solutions to drive wellsite productivity
- Proven business model and operating philosophy with strong relative performance across cycles, including industry leading margins and stable FCF generation
- Flexible balance sheet
- Returns-focused capital allocation strategy with track record of organic and inorganic growth
- Executive management team with proven track record of success

## WE ARE APERGY...

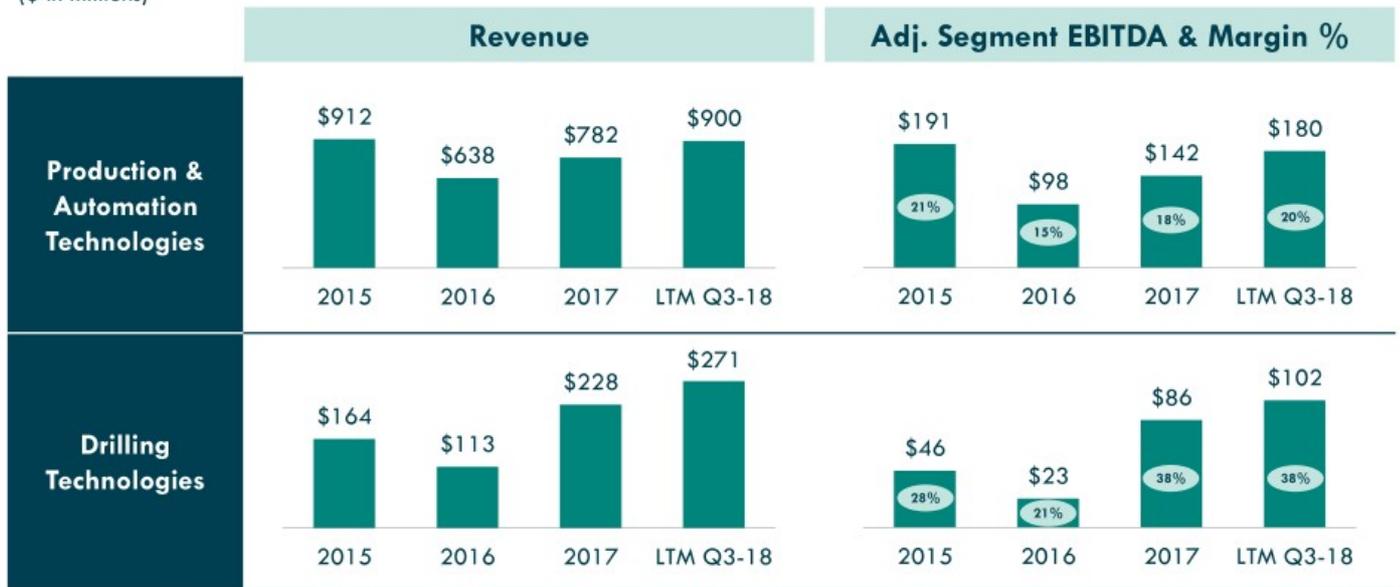
Unlocking energy to drive value for our customers, employees and shareholders



# Appendix

# Summary Segment Financial Metrics

(\$ in millions)



Note: Adjusted Segment EBITDA is a non-GAAP measure calculated by adding back depreciation and amortization expense and restructuring charges to segment earnings. Please see appendix for reconciliation to the most directly comparable GAAP measure.

# Reconciliation from Net Income to Adjusted EBITDA

(\$ in millions)

	2013	2014	2015	2016	2017
Net income (loss) attributable to Apergy	\$217	\$223	\$52	(\$13)	\$111
+ Net income (loss) attributable to noncontrolling interest	1	1	1	2	1
+ Interest expense, net	(0)	0	1	0	0
+ Provision for (benefit from) income taxes	103	110	24	(8)	(22)
+ Depreciation and amortization	77	89	120	112	112
+ Restructuring and other charges	0	3	21	15	7
+ Royalty expense	17	18	10	7	10
<b>Adjusted EBITDA<sup>1</sup></b>	<b>\$414</b>	<b>\$444</b>	<b>\$229</b>	<b>\$116</b>	<b>\$218</b>

Note: Totals may not foot due to rounding.

1. Adjusted EBITDA, a non-GAAP measure, is defined as net earnings (loss) excluding, income taxes, depreciation and amortization, interest expense, restructuring and other charges, and royalty expense.

# Reconciliation from Net Income to Adjusted EBITDA

(\$ in millions)

	Q1-17	Q2-17	Q3-17	Q1-18	Q2-18	Q3-18
Net income (loss) attributable to Apergy	\$13	\$19	\$18	\$25	\$22	\$25
+ Net income (loss) attributable to noncontrolling interest	0	0	0	0	(0)	0
+ Interest expense, net	0	0	0	0	6	11
+ Provision for (benefit from) income taxes	6	9	8	7	9	8
+ Depreciation and amortization	27	27	29	30	32	30
+ Separation and supplemental benefit costs	0	0	0	0	5	4
+ Restructuring and other charges	0	0	0	0	2	(0)
+ Royalty expense	2	3	2	2	0	0
<b>Adjusted EBITDA<sup>1</sup></b>	<b>\$49</b>	<b>\$57</b>	<b>\$58</b>	<b>\$64</b>	<b>\$77</b>	<b>\$78</b>

Note: Totals may not foot due to rounding.

1. Adjusted EBITDA, a non-GAAP measure, is defined as net earnings (loss) excluding, income taxes, depreciation and amortization, interest expense, separation and supplemental benefit costs, restructuring and other charges, and royalty expense.

# Reconciliation from Segment Earnings to Adj. Segment EBITDA

(\$ in millions)

<i>Production &amp; Automation Technologies</i>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Operating profit	\$58	(\$22)	\$25
+ Depreciation and amortization	104	100	100
+ Restructuring and other charges	19	13	7
+ Royalty expense	10	7	10
<b>Adjusted segment EBITDA<sup>1</sup></b>	<b>\$191</b>	<b>\$98</b>	<b>\$142</b>

<i>Drilling Technologies</i>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Operating profit	\$27	\$8	\$74
+ Depreciation and amortization	16	12	12
+ Restructuring and other charges	2	2	0
<b>Adjusted segment EBITDA<sup>1</sup></b>	<b>\$46</b>	<b>\$23</b>	<b>\$86</b>

Note: Totals may not foot due to rounding.

1. Adjusted segment EBITDA, a non-GAAP measure, is calculated by adding back depreciation and amortization expense, restructuring and other charges, and royalty expense to segment earnings (loss).

# Reconciliation from Segment Earnings to Adj. Segment EBITDA

(\$ in millions)

<i>Production &amp; Automation Technologies</i>	<u>Q1-17</u>	<u>Q2-17</u>	<u>Q3-17</u>	<u>Q1-18</u>	<u>Q2-18</u>	<u>Q3-18</u>
Operating profit (income before income taxes)	\$8	\$10	\$8	\$10	\$23	\$24
+ Depreciation and amortization	24	24	26	27	29	27
+ Restructuring and other charges	0	3	0	0	2	(0)
+ Royalty expense	2	0	2	2	0	0
<b>Adjusted Segment EBITDA</b>	<b>\$34</b>	<b>\$37</b>	<b>\$37</b>	<b>\$40</b>	<b>\$54</b>	<b>\$52</b>

<i>Drilling Technologies</i>	<u>Q1-17</u>	<u>Q2-17</u>	<u>Q3-17</u>	<u>Q1-18</u>	<u>Q2-18</u>	<u>Q3-18</u>
Operating profit (income before income taxes)	\$15	\$20	\$20	\$24	\$21	\$26
+ Depreciation and amortization	3	3	3	3	3	3
+ Restructuring and other charges	0	0	0	0	0	0
<b>Adjusted Segment EBITDA <sup>1</sup></b>	<b>\$18</b>	<b>\$23</b>	<b>\$23</b>	<b>\$27</b>	<b>\$24</b>	<b>\$29</b>

Note: Totals may not foot due to rounding.

1. Adjusted segment EBITDA, a non-GAAP measure, is calculated by adding back depreciation and amortization expense, restructuring and other charges, and royalty expense to segment earnings (loss).

