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

# FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)**
**OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended June 30, 2019**

**or**

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)**
**OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the transition period from to**

**Commission File Number: 001-38441**

# Apergy Corporation

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Delaware** | **82-3066826** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **2445 Technology Forest Blvd, Building 4, 12th Floor**<br>**The Woodlands, Texas** | **77381** |
| (Address of principal executive offices) | (Zip Code) |

**(281) 403-5772**
(Registrant's telephone number, including area code)
**Not Applicable**
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common stock, $0.01 par value | APY | New York Stock Exchange |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | |
|---|---|
| Large accelerated filer o | Accelerated filer o |
| Non-accelerated filer ☑ | Smaller reporting company o |
| | Emerging growth company o |

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 o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ☑

The registrant had 77,459,846 shares of common stock, $0.01 par value, outstanding as of July 25, 2019.

**APERGY CORPORATION**

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**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact, contained in this report are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements usually relate to future events and anticipated revenues, earnings, cash flows or other aspects of our operations or operating results. Forward-looking statements are often identified by the words “believe,” “anticipate,” “expect,” “may,” “intend,” “foresee,” “guidance,” “estimate,” “potential,” “outlook,” “plan,” “should,” “would,” “could,” “target,” “forecast” and similar expressions, including the negative thereof. The absence of these words, however, does not mean that the statements are not forward-looking statements. Forward-looking statements are based on our current expectations, beliefs and assumptions concerning future developments and business conditions and their potential effect on us. While management believes that these forward-looking statements are reasonable as and when made, there can be no assurance that future developments affecting us will be those that we anticipate.

All of our forward-looking statements involve risks, uncertainties (some of which are significant or beyond our control) and assumptions that could cause actual results to materially differ from our historical experience and our present expectations or projections. Known material factors that could cause actual results to materially differ from those contemplated in the forward-looking statements include those set forth in Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, including the following:

- Demand for our products and services, which is affected by changes in the price of, and demand for, crude oil and natural gas in domestic and international markets;
- Our ability to successfully compete with other companies in our industry;
- Our ability to develop and implement new technologies and services, as well as our ability to protect and maintain critical intellectual property assets;
- Cost inflation and availability of raw materials;
- Changes in federal, state and local legislation and regulations relating to oil and gas development and the potential for related litigation or restrictions on our customers;
- Changes in environmental and health and safety laws and regulations which may increase our costs, limit the demand for our products and services or restrict our operations;
- Our ability to successfully execute potential acquisitions;
- Potential liabilities arising out of the installation or use of our products;
- Continuing consolidation within our customers’ industry;
- A failure of our information technology infrastructure or any significant breach of security;
- Risks relating to our existing international operations and expansion into new geographical markets;
- The impact of tariffs and other trade measures on our business;
- Changes in domestic and foreign governmental public policies, risks associated with entry into emerging markets, changes in statutory tax rates and unanticipated outcomes with respect to tax audits;
- Failure to attract, retain and develop personnel for key management;
- Credit risks related to our customer base or the loss of significant customers;
- Our ability to protect or obtain intellectual property rights;
- Disruptions in the political, regulatory, economic and social conditions of the countries in which we conduct business;
- Deterioration in future expected profitability or cash flows and its effect on our goodwill;
- Risks relating to improper conduct by any of our employees, agents or business partners;
- Fluctuations in currency markets worldwide;
- The impact of natural disasters and other unusual weather conditions on our business; and
- The impact of our indebtedness on our financial position and operating flexibility.

We undertake no obligation to publicly update, revise or correct any of our forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise, except to the extent required under the federal securities laws.

PART I — FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

**APERGY CORPORATION**
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**
**(Unaudited)**

| (in thousands, except per share data) | Three Months Ended June 30, 2019 | Three Months Ended June 30, 2018 | Six Months Ended June 30, 2019 | Six Months Ended June 30, 2018 |
|---|---|---|---|---|
| Product revenue | $ 273,513 | $ 271,758 | $ 543,047 | $ 524,847 |
| Service revenue | 20,831 | 21,678 | 41,348 | 41,543 |
| Lease and other revenue | 11,710 | 12,414 | 23,350 | 22,586 |
| **Total revenue** | 306,054 | 305,850 | 607,745 | 588,976 |
| Cost of goods and services | 196,285 | 202,171 | 392,427 | 391,682 |
| **Gross profit** | 109,769 | 103,679 | 215,318 | 197,294 |
| Selling, general and administrative expense | 66,642 | 65,671 | 131,977 | 125,168 |
| Interest expense, net | 10,057 | 6,062 | 20,531 | 6,229 |
| Other expense, net | 2,676 | 499 | 3,778 | 3,192 |
| **Income before income taxes** | 30,394 | 31,447 | 59,032 | 62,705 |
| Provision for income taxes | 6,544 | 9,372 | 12,613 | 16,436 |
| **Net income** | 23,850 | 22,075 | 46,419 | 46,269 |
| Net income (loss) attributable to noncontrolling interest | 71 | (79) | 353 | 63 |
| **Net income attributable to Apergy** | $ 23,779 | $ 22,154 | $ 46,066 | $ 46,206 |
| | | | | |
| **Earnings per share attributable to Apergy: *** | | | | |
| Basic | $ 0.31 | $ 0.29 | $ 0.60 | $ 0.60 |
| Diluted | $ 0.31 | $ 0.28 | $ 0.59 | $ 0.59 |
| **Weighted-average shares outstanding: *** | | | | |
| Basic | 77,425 | 77,340 | 77,394 | 77,340 |
| Diluted | 77,632 | 77,770 | 77,636 | 77,904 |

* See Note 4—Earnings Per Share.

The accompanying notes are an integral part of the condensed consolidated financial statements.

**APERGY CORPORATION**
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(Unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **(in thousands)** | **2019** | **2018** | **2019** | **2018** |
| **Net income** | $ 23,850 | $ 22,075 | $ 46,419 | $ 46,269 |
| Other comprehensive income (loss), net of tax: | | | | |
| Foreign currency translation adjustments [1] | 974 | (6,874) | 2,064 | (8,565) |
| Pension and other post-retirement benefit plans: | | | | |
| Net actuarial gain (loss) arising during period | — | 170 | (323) | 170 |
| Reclassification adjustment for net actuarial loss included in net income | 68 | 46 | 135 | 95 |
| Reclassification adjustment for settlement losses included in net income | — | — | 355 | — |
| Total pension and other post-retirement benefit plans [2] | 68 | 216 | 167 | 265 |
| **Other comprehensive income (loss)** | 1,042 | (6,658) | 2,231 | (8,300) |
| **Comprehensive income** | 24,892 | 15,417 | 48,650 | 37,969 |
| Comprehensive income (loss) attributable to noncontrolling interest | 71 | (79) | 353 | 63 |
| **Comprehensive income attributable to Apergy** | $ 24,821 | $ 15,496 | $ 48,297 | $ 37,906 |

(1) Net of income tax (expense) benefit of nil for the three and six months ended June 30, 2019 and 2018.
(2) Net of income tax (expense) benefit of $(24) and $(54) for the three months ended June 30, 2019 and 2018, respectively, and $(179) and $(38) for the six months ended June 30, 2019 and 2018, respectively.

The accompanying notes are an integral part of the condensed consolidated financial statements.

**APERGY CORPORATION**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
**(Unaudited)**

| (in thousands) | June 30, 2019 | December 31, 2018 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 24,336 | $ 41,832 |
| Receivables, net of allowances of $3,724 in 2019 and $5,178 in 2018 | 256,379 | 249,948 |
| Inventories, net | 234,254 | 218,319 |
| Prepaid expenses and other current assets | 14,576 | 20,211 |
| Total current assets | 529,545 | 530,310 |
| Property, plant and equipment, net of accumulated depreciation of $413,653 in 2019 and $392,344 in 2018 | 250,573 | 244,328 |
| Goodwill | 905,885 | 904,985 |
| Intangible assets, net of accumulated amortization of $395,304 in 2019 and $380,960 in 2018 | 257,922 | 283,688 |
| Other non-current assets | 31,513 | 8,445 |
| **Total assets** | 1,975,438 | 1,971,756 |
| **Liabilities and Equity** | | |
| Accounts payable | 128,664 | 131,058 |
| Accrued compensation and employee benefits | 30,566 | 40,546 |
| Accrued expenses and other current liabilities | 41,874 | 30,391 |
| Total current liabilities | 201,104 | 201,995 |
| Long-term debt | 613,301 | 666,108 |
| Deferred income taxes | 91,022 | 101,724 |
| Other long-term liabilities | 38,274 | 20,402 |
| Total liabilities | 943,701 | 990,229 |
| Stockholders' equity: | | |
| Common stock (2.5 billion shares authorized, $0.01 par value) 77.5 million shares and 77.4 million shares issued and outstanding in 2019 and 2018, respectively | 775 | 774 |
| Capital in excess of par value of common stock | 968,593 | 965,372 |
| Retained earnings | 100,233 | 55,829 |
| Accumulated other comprehensive loss | (40,675) | (42,906) |
| Total stockholders' equity | 1,028,926 | 979,069 |
| Noncontrolling interest | 2,811 | 2,458 |
| Total equity | 1,031,737 | 981,527 |
| **Total liabilities and equity** | $ 1,975,438 | $ 1,971,756 |

The accompanying notes are an integral part of the condensed consolidated financial statements.

**APERGY CORPORATION**
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**
**(Unaudited)**

| | Common Stock | | | | | | |
|---|---|---|---|---|---|---|---|
| (in thousands) | Par Value | Capital in excess of par value | Retained Earnings | Net Parent Investment in Apergy | Accum. Other Comp. Loss | Non-controlling Interest | Total |
| **December 31, 2017** | $ — | $ — | $ — | $ 1,662,052 | $ (26,416) | $ 4,749 | $ 1,640,385 |
| Cumulative effect of accounting changes | — | — | — | 1,315 | (1,315) | — | — |
| Net income | — | — | — | 24,052 | — | 142 | 24,194 |
| Other comprehensive loss | — | — | — | — | (1,642) | — | (1,642) |
| Net transfer to Dover | — | — | — | (1,635) | — | — | (1,635) |
| **March 31, 2018** | — | — | — | 1,685,784 | (29,373) | 4,891 | 1,661,302 |
| Net income (loss) | — | — | 7,994 | 14,160 | — | (79) | 22,075 |
| Other comprehensive loss | — | — | — | — | (6,658) | — | (6,658) |
| Net transfer to/from Dover | — | — | — | (737,834) | (1,450) | — | (739,284) |
| Reclassification of net parent investment in Apergy | — | 962,110 | — | (962,110) | — | — | — |
| Issuance of common stock | 773 | (773) | — | — | — | — | — |
| Stock-based compensation | — | 851 | — | — | — | — | 851 |
| Distributions to noncontrolling interest | — | — | — | — | — | (2,720) | (2,720) |
| Other | — | — | — | — | — | (39) | (39) |
| **June 30, 2018** | $ 773 | $ 962,188 | $ 7,994 | $ — | $ (37,481) | $ 2,053 | $ 935,527 |

| (in thousands) | Common stock<br>Par Value | Capital in excess of par value | Retained Earnings | Net Parent Investment in Apergy | Accum. Other Comp. Loss | Non-controlling Interest | Total |
|---|---|---|---|---|---|---|---|
| **December 31, 2018** | $ 774 | $ 965,372 | $ 55,829 | $ — | $ (42,906) | $ 2,458 | $ 981,527 |
| Cumulative effect of accounting changes (Note 2) | — | — | (1,662) | — | — | — | (1,662) |
| Net income | — | — | 22,287 | — | — | 282 | 22,569 |
| Other comprehensive income | — | — | — | — | 1,189 | — | 1,189 |
| Stock-based compensation | — | 2,285 | — | — | — | — | 2,285 |
| Taxes withheld on issuance of stock-based awards | — | (719) | — | — | — | — | (719) |
| Other | — | — | — | — | — | 14 | 14 |
| **March 31, 2019** | 774 | 966,938 | 76,454 | — | (41,717) | 2,754 | 1,005,203 |
| Net income | — | — | 23,779 | — | — | 71 | 23,850 |
| Other comprehensive income | — | — | — | — | 1,042 | — | 1,042 |
| Stock-based compensation | 1 | 2,735 | — | — | — | — | 2,736 |
| Taxes withheld on issuance of stock-based awards | — | (1,080) | — | — | — | — | (1,080) |
| Other | — | — | — | — | — | (14) | (14) |
| **June 30, 2019** | $ 775 | $ 968,593 | $ 100,233 | $ — | $ (40,675) | $ 2,811 | $ 1,031,737 |

The accompanying notes are an integral part of the condensed consolidated financial statements.

**APERGY CORPORATION**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(Unaudited)**

| (in thousands) | Six Months Ended June 30, 2019 | Six Months Ended June 30, 2018 |
|---|---|---|
| **Cash provided (required) by operating activities:** | | |
| Net income | $ 46,419 | $ 46,269 |
| Adjustments to reconcile net income to net cash provided (required) by operating activities: | | |
| Depreciation | 34,191 | 35,129 |
| Amortization | 25,873 | 26,330 |
| Stock-based compensation | 5,021 | 1,361 |
| Impairment of held-for-sale assets | 1,746 | — |
| Loss on sale of business | 2,475 | — |
| Deferred income taxes | (10,891) | (3,479) |
| Employee benefit plan expense | 1,135 | 1,842 |
| Other | 647 | 1,220 |
| Changes in operating assets and liabilities (net of effects of foreign exchange): | | |
| Receivables | (6,115) | (53,496) |
| Inventories | (2,290) | (15,026) |
| Prepaid expenses and other current assets | 3,470 | (7,333) |
| Accounts payable | (1,506) | 31,361 |
| Accrued compensation and employee benefits | (10,570) | (3,119) |
| Accrued expenses and other current liabilities | 49 | 22,657 |
| Leased assets | (30,999) | (26,342) |
| Other | 646 | 1,339 |
| **Net cash provided by operating activities** | 59,301 | 58,713 |
| | | |
| **Cash provided (required) by investing activities:** | | |
| Capital expenditures | (22,688) | (28,938) |
| Proceeds from sale of fixed assets | 2,475 | 62 |
| Payment on sale of business | (2,194) | — |
| Purchase price adjustments on acquisition | — | 53 |
| **Net cash required by investing activities** | (22,407) | (28,823) |
| | | |
| **Cash provided (required) by financing activities:** | | |
| Proceeds from long-term debt, net of discounts | 4,000 | 713,963 |
| Payment of debt issue costs | — | (15,851) |
| Repayment of long-term debt | (54,000) | — |
| Distributions to Dover Corporation, net | — | (716,126) |
| Distribution to noncontrolling interest | — | (2,720) |
| Payment of finance lease obligations | (2,690) | (2,076) |
| Payments related to taxes withheld on stock-based compensation | (1,799) | — |
| **Net cash required by financing activities** | (54,489) | (22,810) |
| | | |
| Effect of exchange rate changes on cash and cash equivalents | 99 | 41 |
| | | |
| **Net increase (decrease) in cash and cash equivalents** | (17,496) | 7,121 |
| Cash and cash equivalents at beginning of period | 41,832 | 23,712 |
| **Cash and cash equivalents at end of period** | $ 24,336 | $ 30,833 |

The accompanying notes are an integral part of the condensed consolidated financial statements.

## NOTE 1—BASIS OF PRESENTATION AND SEPARATION

Apergy Corporation ("Apergy") is a leading provider of highly engineered equipment and technologies that help companies drill for and produce oil and gas safely and efficiently around the world. Our products provide efficient functioning throughout the lifecycle of a well—from drilling to completion to production. We report our results of operations in the following reporting segments: Production & Automation Technologies and Drilling Technologies. Our Production & Automation Technologies segment offerings consist of artificial lift equipment and solutions, including rod pumping systems, electric submersible pump systems, progressive cavity pumps and drive systems and plunger lifts, as well as a full automation and digital offerings consisting of equipment, software and Industrial Internet of Things solutions for downhole monitoring, wellsite productivity enhancement and asset integrity management. Our Drilling Technologies segment offerings provide market leading polycrystalline diamond cutters and bearings that result in cost effective and efficient drilling.

### Separation and Distribution

On April 18, 2018, Dover Corporation's ("Dover") Board of Directors approved the separation of entities conducting its upstream oil and gas energy business within Dover's Energy segment (the "Separation") into an independent, publicly traded company named Apergy Corporation. In accordance with the separation and distribution agreement, the two companies were separated by Dover distributing to Dover's stockholders all 77,339,828 shares of common stock of Apergy on May 9, 2018. Each Dover shareholder received one share of Apergy stock for every two shares of Dover stock held at the close of business on the record date of April 30, 2018. Following the Separation, Dover retained no ownership interest in Apergy, and each company, as of May 9, 2018, has separate public ownership, boards of directors and management.

### Basis of Presentation

Prior to the Separation, our results of operations, financial position and cash flows were derived from the consolidated financial statements and accounting records of Dover and reflect the combined historical results of operations, financial position and cash flows of certain Dover entities conducting its upstream oil and gas energy business within Dover's Energy segment, including an allocated portion of Dover's corporate costs. These financial statements have been presented as if such businesses had been combined for all periods prior to the Separation. All intercompany transactions and accounts within Dover were eliminated. The assets and liabilities were reflected on a historical cost basis since all of the assets and liabilities presented were wholly owned by Dover and were transferred within the Dover consolidated group. The statements of income also include expense allocations for certain corporate functions historically performed by Dover and not allocated to its operating segments, including corporate executive management, human resources, information technology, facilities, tax, shared services, finance and legal, including the costs of salaries, benefits and other related costs. These expense allocations were based on direct usage or benefit where identifiable, with the remainder allocated on the basis of revenue, headcount or other measures. These pre-Separation combined financial statements may not include all of the actual expenses that would have been incurred had we been a stand-alone public company during the periods presented prior to the Separation and consequently may not reflect our results of operations, financial position and cash flows had we been a stand-alone public company during the periods presented prior to the Separation. Actual costs that would have been incurred if we had been a stand-alone public company would depend on a variety of factors, including organizational structure and strategic decisions made in various areas, including information technology and infrastructure.

Prior to the Separation, transactions between Apergy and Dover, with the exception of transactions discussed in Note 3—Related Party Transactions, are reflected in the condensed consolidated statements of cash flows as a financing activity in "Distributions to Dover Corporation, net." Intercompany notes payable to Dover prior to the Separation were not settled in cash. Accordingly, no interest expense related to intercompany debt was presented in the condensed consolidated statements of income for the period presented prior to the Separation. See Note 3—Related Party Transactions for additional information.

All financial information presented after the Separation represents the consolidated results of operations, financial position and cash flows of Apergy. Accordingly, our results of operations and cash flows consist of the consolidated results of Apergy during the periods ended June 30, 2019 and for the period from May 9, 2018 to June 30, 2018, and the combined results of operations and cash flows for the periods prior to May 9, 2018. Our balance sheets as of June 30, 2019 and December 31, 2018, reflect the consolidated balances of Apergy. Our management believes the assumptions underlying these condensed consolidated financial statements, including the assumptions regarding the allocation of corporate expenses from Dover for periods prior to the Separation, are reasonable.

The legal transfer of the upstream oil and gas energy businesses from Dover to Apergy occurred on May 9, 2018; however, for ease of reference, and unless otherwise stated or the context otherwise requires, all references to "Apergy Corporation," "Apergy," "we," "us" or "our" refer (i) prior to the Separation, to the Apergy businesses, consisting of entities, assets and liabilities conducting the upstream oil and gas business within Dover's Energy segment and (ii) after the Separation, to Apergy Corporation and its consolidated subsidiaries.

*Interim Financial Information*

The accompanying unaudited condensed consolidated financial statements of Apergy have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission pertaining to interim financial information. As permitted under those rules, certain footnotes or other financial information that are normally required by GAAP have been condensed or omitted. Therefore, these financial statements should be read in conjunction with the audited consolidated financial statements, and notes thereto, which are included in our Annual Report on Form 10-K for the year ended December 31, 2018.

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions that we may undertake in the future, actual results may differ from our estimates. In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments (consisting of normal recurring adjustments unless otherwise specified) necessary for a fair presentation of our financial condition and results of operations as of and for the periods presented. Revenue, expenses, assets and liabilities can vary during each quarter of the year. Therefore, the results and trends in these financial statements may not be representative of the results that may be expected for the year ending December 31, 2019.

*Change in Accounting Estimate*

Effective January 1, 2019, we changed our estimate of the useful lives surrounding certain equipment used within our leased asset program in our Production & Automation Technologies segment to better reflect the estimated periods in which the assets will remain in service. The estimated useful lives of the equipment, previously estimated at three years, was increased to five years. The effect of this change in estimate for the three months ended June 30, 2019, was a reduction in depreciation expense of $1.9 million, an increase in net income of $1.5 million, and an increase in basic and diluted earnings per share of $0.02 per share. The effect of this change in estimate for the six months ended June 30, 2019, was a reduction in depreciation expense of $4.0 million, an increase in net income of $3.0 million, and an increase in basic and diluted earnings per share of $0.04 per share.

*Revisions and Reclassifications*

We revised our previously issued financial statements for the six months ended June 30, 2018 related to statement of cash flow presentation of capital leases. The effect of the revisions was a decrease of $0.2 million to cash provided by operating activities, a $2.3 million decrease to cash required by investing activities and a $2.1 million increase to cash required by financing activities. Certain prior-year amounts have been reclassified to conform to the current presentation.

## NOTE 2—NEW ACCOUNTING STANDARDS

### Recently Adopted Accounting Standards

Effective January 1, 2019, we adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-02, "*Leases (Topic 842).*" This update requires that a lessee recognize in the statement of financial position a right-of-use asset representing its right to use the underlying asset for the lease term and a liability for future lease payments. Similar to past guidance, the update continues to differentiate between finance leases and operating leases; however, this distinction now primarily relates to differences in the manner of expense recognition over time and in the classification of lease payments in the statement of cash flows. Additionally, lessors will be required to classify leases as sales-type, finance or operating, with classification affecting the pattern of income recognition. Classification for both lessees and lessors is now based on an assessment of whether a lease contract is economically similar to the purchase of a non-financial asset from the perspective of control. The update also requires quantitative and qualitative disclosures to enable users to understand the amount, timing, and judgments related to leases and the related cash flows. We applied the provisions of this ASU to our lease contracts as of January 1, 2019, using the modified retrospective method of adoption. Prior period amounts have not been adjusted and continue to be reflected in accordance with our historical accounting policies. As of January 1, 2019, we recorded operating lease right-of-use assets of $27.0 million, operating lease liabilities of $28.7 million, and a reduction to retained earnings of $1.7 million as a result of the adoption of this guidance.

We have applied the following practical expedients and elections under the new standard:

- We elected to utilize the package of transition practical expedients, which among other things, allowed us to carry forward our historical lease classifications for existing leases.
- For contracts in which we are a lessee, we have elected to account for each lease component and its associated non-lease components as a single lease component.
- We elected to utilize the short term lease exemption for lease contracts with a term of less than 12 months. These contracts are excluded from the measurement of our right-of-use assets and lease liabilities and are recognized in earnings on a straight-line basis over their lease term.
- We elected to utilize the practical expedient to exclude sales tax from the measurement of lease revenue.

*Lessee accounting*—Lease liabilities are measured at the lease commencement date and are based on the present value of remaining payments contractually required under the contract. Payments that are variable in nature are excluded from the measurement of our lease liabilities and are recorded as an expense as incurred. Options to renew or extend a lease are included in the measurement of our lease liabilities only when it is reasonably certain that we will exercise these rights. In estimating the present value of our lease liabilities, payments are discounted at our incremental borrowing rate ("IBR"), which has been applied utilizing a portfolio approach. We utilized information publicly available from companies within our industry with similar credit profiles to construct a company-specific yield curve in order to estimate the rate of interest we would pay to borrow at various lease terms. At lease commencement, we recognize a lease right-of-use asset equal to our lease liability, adjusted for lease payments paid to the lessor prior to the lease commencement date, and any initial direct costs incurred. Operating lease expense is recorded on a straight-line basis over the lease term. For finance leases, we amortize our right-of-use assets on a straight-line basis over the shorter of the asset's useful life or the lease term. Additionally, interest expense is recognized each period related to the accretion of our lease liabilities over their respective lease terms.

*Lessor accounting*—Our lease contracts generally allow customers to rent equipment on a daily basis with no stated end date. Customers may return the equipment at any point subsequent to the lease commencement date without penalty. We account for these arrangements as a daily renewal option beginning on the lease commencement date, with the lease term determined as the period in which it is reasonably certain the option will be exercised. Based on our assessment of the lease classification criteria, our lease contracts have been classified as operating leases. Our lease contracts generally include lease and non-lease components for which each component's standalone price is separately stated within the contract. Lease revenue is recognized on a straight-line basis over the term of the lease. Non-lease revenue is recognized in accordance with our revenue recognition accounting policy. Assets in our lease program are reported in "Property, plant, and equipment, net" on our condensed consolidated balance sheets and are depreciated over their estimated useful lives.

See Note 11—Leases for additional information related to our lease accounting. See Note 18—Cash Flow Information for additional information regarding the presentation of our leases within our condensed consolidated statements of cash flows.

**Recently Issued Accounting Standards**

In June 2016, the FASB issued ASU 2016-13, "*Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*." The update amends the impairment model to utilize an expected loss methodology in place of the currently used incurred loss methodology, which may result in earlier recognition of losses related to financial instruments. The guidance will be effective for us on January 1, 2020. Early adoption is permitted for annual periods beginning after December 15, 2018. We do not expect the adoption of this ASU to have a material impact on our financial statements.

In August 2018, the FASB issued ASU 2018-15, "*Intangibles—Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract.*" The amendments in this update align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by the amendments in this update. The amendments in this update are effective for interim and annual periods beginning on January 1, 2020, with early adoption permitted. The amendments in this update should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. We are in the process of assessing the impacts the guidance will have on our financial statements.

**NOTE 3—RELATED PARTY TRANSACTIONS**

Prior to the Separation, Dover provided certain services to us including corporate executive management, human resources, information technology, facilities, tax, shared services, finance and legal services. Dover continued to provide us certain of these services on a temporary basis following the Separation under a transition services agreement. Under the transition services agreement, Apergy paid a fee to Dover for services rendered under the transition services agreement, which fee was intended to allow Dover to recover all of its direct and indirect costs generally without profit. The transition services agreement was terminated on January 31, 2019, consistent with the initial term provided within the agreement.

Financial information presented prior to the Separation does not include all the expenses that would have been incurred had Apergy been a stand-alone public company. The corporate expenses allocated by Dover to these financial statements were $1.6 million and $7.4 million for the three and six month periods ended June 30, 2018, respectively, which were recorded in "Selling, general and administrative expense" in the condensed consolidated statements of income.

For periods prior to the Separation, transactions between Apergy and Dover are reflected in "Distributions to Dover Corporation, net" in the condensed consolidated statement of cash flows for the six months ended June 30, 2018, as a financing activity. Revenue with Dover and its affiliates were not material for the periods presented. We recognized royalty expense of $2.3 million for the six months ended June 30, 2018, related to the use of Dover's intellectual property and patents which was included in "Other expense, net" in the condensed consolidated statement of income. On April 1, 2018, patents and other intangibles owned by Dover related to our operations transferred to Apergy, and consequently, Apergy no longer incurred royalty charges related to these assets from Dover.

**NOTE 4—EARNINGS PER SHARE**

On May 9, 2018, 77,339,828 shares of our common stock were distributed to Dover stockholders in conjunction with the Separation. See Note 1—Basis of Presentation and Separation for additional information. For comparative purposes, and to provide a more meaningful calculation of weighted-average shares outstanding, we have assumed the shares issued in conjunction with the Separation to be outstanding as of the beginning of each period prior to the Separation. In addition, we have assumed the potential dilutive securities outstanding as of May 8, 2018, were outstanding and fully dilutive in each of the periods with positive income prior to the Separation.

A reconciliation of the number of shares used for the basic and diluted earnings per share calculation was as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **(in thousands, except per share data)** | **2019** | **2018** | **2019** | **2018** |
| Net income attributable to Apergy | $ 23,779 | $ 22,154 | $ 46,066 | $ 46,206 |
| Weighted-average number of shares outstanding | 77,425 | 77,340 | 77,394 | 77,340 |
| Dilutive effect of stock-based compensation | 207 | 430 | 242 | 564 |
| Total shares and dilutive securities | 77,632 | 77,770 | 77,636 | 77,904 |
| Basic earnings per share attributable to Apergy | $ 0.31 | $ 0.29 | $ 0.60 | $ 0.60 |
| Diluted earnings per share attributable to Apergy | $ 0.31 | $ 0.28 | $ 0.59 | $ 0.59 |

**NOTE 5—DISPOSITIONS**

During March 2019, we classified our pressure vessel manufacturing business in our Production & Automated Technologies segment as held for sale. We recognized an impairment loss of $1.7 million during the six months ended June 30, 2019, which was recorded in "Selling, general and administrative expense" in the condensed consolidated statement of income, to adjust the carrying amount of the disposal group to fair value. See Note 15—Fair Value Measurements for additional information. In June 2019, we completed the sale of our pressure vessel manufacturing business and made a cash payment of $2.2 million, resulting in a loss on disposition of $2.5 million, which was recorded in "Other expense, net" in the condensed consolidated statement of income for the three and six month periods ended June 30, 2019.

**NOTE 6—INVENTORIES**

Inventories consisted of the following:

| **(in thousands)** | **June 30, 2019** | **December 31, 2018** |
|---|---|---|
| Raw materials | $ 55,817 | $ 52,057 |
| Work in progress | 13,273 | 11,416 |
| Finished goods | 189,090 | 180,624 |
| | 258,180 | 244,097 |
| LIFO and valuation adjustments | (23,926) | (25,778) |
| Inventories, net | $ 234,254 | $ 218,319 |

**NOTE 7—DEBT**

Long-term debt consisted of the following:

| (in thousands) | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Revolving credit facility | $ — | $ — |
| Term loan facility | 320,000 | 370,000 |
| 6.375% Senior Notes due 2026 | 300,000 | 300,000 |
| Finance lease obligations | 3,844 | 7,485 |
| Total | 623,844 | 677,485 |
| Net unamortized discounts and issuance costs | (10,543) | (11,377) |
| Total long-term debt | $ 613,301 | $ 666,108 |

**NOTE 8—COMMITMENTS AND CONTINGENCIES**

**Guarantees and Indemnifications**

We have provided indemnities in connection with sales of certain businesses and assets, including representations and warranties, covenants and related indemnities for environmental health and safety, tax and employment matters. We do not have any material liabilities recorded for these indemnifications and are not aware of any claims or other information that would give rise to material payments under such indemnities.

In connection with the Separation, we entered into agreements with Dover that govern the treatment between Dover and us for certain indemnification matters and litigation responsibility. Generally, the separation and distribution agreement provides for cross-indemnities principally designed to place financial responsibility for the obligations and liabilities of our business with us and to place financial responsibility for the obligations and liabilities of Dover's business with Dover. The separation and distribution agreement also establishes procedures for handling claims subject to indemnification and related matters. In addition, pursuant to the tax matters agreement, we have agreed to indemnify Dover and its affiliates against any and all tax-related liabilities incurred by them relating to the Separation and/or certain related transactions to the extent caused by an acquisition of Apergy stock or assets or by any other action or failure to act undertaken by Apergy or its affiliates.

As of June 30, 2019 and December 31, 2018, we had $11.1 million and $3.6 million, respectively, of outstanding letters of credit, surety bonds and guarantees which expire at various dates through 2025. These financial instruments are primarily maintained as security for insurance, warranty and other performance obligations. Generally, we would only be liable for the amount of these letters of credit and surety bonds in the event of default in the performance of our obligations, the probability of which we believe is remote.

**Litigation**

We are involved in various pending or potential legal actions in the ordinary course of our business. These proceedings primarily involve claims by private parties alleging injury arising out of use of our products, patent infringement, employment matters, and commercial disputes. We review the probable outcome of such proceedings, the costs and expenses reasonably expected to be incurred and accrued to-date, and the availability and extent of insurance coverage. We accrue a liability for legal matters that are probable and estimable, and as of June 30, 2019 and December 31, 2018, these liabilities were not material. Management is unable to predict the ultimate outcome of these actions because of the inherent uncertainty of litigation. However, management believes the most probable, ultimate resolution of these matters will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Environmental matters that are probable and estimable were not material as of June 30, 2019 and December 31, 2018. Environmental matters relate to ongoing remedial activities performed in cooperation with regulatory authorities.

**NOTE 9—STOCKHOLDERS' EQUITY**

*Capital stock*—The following is a summary of our capital stock activity:

| (in thousands) | Common Stock |
|---|---|
| March 31, 2018 | — |
| Issuance of common stock | 77,340 |
| June 30, 2018 | 77,340 |

| (in thousands) | Common Stock |
|---|---|
| December 31, 2018 | 77,353 |
| Shares issued—share-based compensation | 39 |
| March 31, 2019 | 77,392 |
| Shares issued—share-based compensation | 67 |
| June 30, 2019 | 77,459 |

*Accumulated other comprehensive loss*—Accumulated other comprehensive loss consisted of the following:

| (in thousands) | Foreign Currency Translation | Defined Pension and Other Post-Retirement Benefits | Accumulated Other Comprehensive Loss |
|---|---|---|---|
| December 31, 2017 | $ (21,936) | $ (4,480) | $ (26,416) |
| Reclassification adjustment for cumulative effect of change in accounting principle | — | (1,315) | (1,315) |
| Other comprehensive loss before reclassifications, net of tax | (1,691) | — | (1,691) |
| Reclassification adjustment for net losses included in net income, net of tax | — | 49 | 49 |
| Other comprehensive income (loss), net of tax | (1,691) | 49 | (1,642) |
| March 31, 2018 | (23,627) | (5,746) | (29,373) |
| Net transfer from Dover | — | (1,450) | (1,450) |
| Other comprehensive income (loss) before reclassifications, net of tax | (6,874) | 170 | (6,704) |
| Reclassification adjustment for net losses included in net income, net of tax | — | 46 | 46 |
| Other comprehensive income (loss), net of tax | (6,874) | 216 | (6,658) |
| June 30, 2018 | $ (30,501) | $ (6,980) | $ (37,481) |

| (in thousands) | | Foreign Currency Translation | | Defined Pension and Other Post-Retirement Benefits | | Accumulated Other Comprehensive Loss |
|---|---|---|---|---|---|---|
| December 31, 2018 | $ | (36,146) | $ | (6,760) | $ | (42,906) |
| Other comprehensive income (loss) before reclassifications, net of tax | | 1,090 | | (323) | | 767 |
| Reclassification adjustment for net losses included in net income, net of tax | | — | | 422 | | 422 |
| Other comprehensive income, net of tax | | 1,090 | | 99 | | 1,189 |
| March 31, 2019 | | (35,056) | | (6,661) | | (41,717) |
| Other comprehensive income before reclassifications, net of tax | | 974 | | — | | 974 |
| Reclassification adjustment for net losses included in net income, net of tax | | — | | 68 | | 68 |
| Other comprehensive income, net of tax | | 974 | | 68 | | 1,042 |
| June 30, 2019 | $ | (34,082) | $ | (6,593) | $ | (40,675) |

*Reclassifications from accumulated other comprehensive loss*—Reclassification adjustments from accumulated other comprehensive loss to net income related to defined pension and other post-retirement benefits consisted of the following:

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | | Affected line items on the condensed consolidated statements of income |
|---|---|---|---|---|---|---|---|---|---|
| (in thousands) | | 2019 | | 2018 | | 2019 | | 2018 | |
| Amortization of actuarial loss and other (1) | $ | 92 | $ | 61 | $ | 183 | $ | 126 | Other expense, net |
| Settlement loss (1) | | — | | — | | 486 | | — | Other expense, net |
| Total before tax | | 92 | | 61 | | 669 | | 126 | Income before income taxes |
| Tax benefit | | (24) | | (15) | | (179) | | (31) | Provision for income taxes |
| | $ | 68 | $ | 46 | $ | 490 | $ | 95 | Net income |

(1) These accumulated other comprehensive loss components are included in the computation of net periodic benefit cost (See Note 13—Employee Benefit Plans for additional information).

## NOTE 10—REVENUE

### Disaggregation of Revenue

Revenue disaggregated by end market in each of our reporting segments was as follows:

| (in thousands) | Three Months Ended June 30, 2019 | Three Months Ended June 30, 2018 | Six Months Ended June 30, 2019 | Six Months Ended June 30, 2018 |
|---|---|---|---|---|
| **Drilling Technologies** | $ 70,351 | $ 65,242 | $ 147,886 | $ 134,473 |
| **Production & Automation Technologies:** | | | | |
| Artificial lift | 182,770 | 188,500 | 354,874 | 355,430 |
| Digital products | 34,306 | 30,516 | 65,596 | 55,513 |
| Other production equipment | 18,833 | 21,846 | 39,838 | 44,064 |
| Intra-segment eliminations | (206) | (254) | (449) | (504) |
| | 235,703 | 240,608 | 459,859 | 454,503 |
| Total revenue | $ 306,054 | $ 305,850 | $ 607,745 | $ 588,976 |

Revenue disaggregated by geography was as follows:

| (in thousands) | Three Months Ended June 30, 2019 | Three Months Ended June 30, 2018 | Six Months Ended June 30, 2019 | Six Months Ended June 30, 2018 |
|---|---|---|---|---|
| United States | $ 236,936 | $ 239,310 | $ 469,491 | $ 459,752 |
| Canada | 15,870 | 15,296 | 34,785 | 37,880 |
| Middle East | 14,439 | 16,108 | 28,043 | 26,446 |
| Europe | 13,091 | 11,158 | 30,050 | 20,180 |
| Latin America | 9,379 | 9,047 | 17,101 | 16,733 |
| Asia-Pacific | 7,865 | 4,115 | 13,410 | 10,185 |
| Other | 8,474 | 10,816 | 14,865 | 17,800 |
| Total revenue | $ 306,054 | $ 305,850 | $ 607,745 | $ 588,976 |

Revenue is attributed to regions based on the location of our direct customer, which in some instances is an intermediary and not necessarily the end user.

### Contract balances

Contract assets and contract liabilities from contracts with customers were as follows:

| (in thousands) | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Contract assets | $ 2,655 | $ 4,571 |
| Contract liabilities - current | 7,843 | 5,863 |

## NOTE 11—LEASES

### Lessee Accounting

We have operating and finance leases for real estate, vehicles and equipment. Certain of our vehicle leases include residual value guarantees, which have been excluded from the measurement of our lease liabilities as we do not believe it is probable they will be paid at the end of the lease. Our real estate and vehicle leases will generally include options to renew or extend the lease term at our discretion. These options are included in the measurement of our lease liabilities only when it is reasonably certain that we will exercise these rights.

*Balance sheet presentation*—Leases are presented in our condensed consolidated balance sheet as follows:

| (in thousands) | Balance Sheet Classification | June 30, 2019 |
|---|---|---|
| Right-of Use Assets: | | |
| Finance leases | Property, plant, and equipment, net | $ 8,008 |
| Operating leases | Other non-current assets | 23,275 |
| Total lease right-of-use assets | | 31,283 |
| Lease Liabilities: | | |
| Finance leases - current | Accrued expenses and other current liabilities | 4,411 |
| Finance leases | Long-term debt | 3,844 |
| Operating leases - current | Accrued expenses and other current liabilities | 8,460 |
| Operating leases | Other long-term liabilities | 18,096 |
| Total lease liabilities | | $ 34,811 |

*Components of total lease cost*—Components of total lease cost were as follows:

| (in thousands) | Three Months Ended June 30, 2019 | Six Months Ended June 30, 2019 |
|---|---|---|
| Finance lease cost: | | |
| Amortization of right-of-use assets | $ 1,349 | $ 2,676 |
| Interest on lease liabilities | 113 | 233 |
| Operating lease cost | 3,161 | 5,838 |
| Short-term lease cost | 907 | 1,922 |
| Variable lease cost | 1,014 | 2,061 |
| Sublease income | (145) | (234) |
| Total net lease cost | $ 6,399 | $ 12,496 |

*Lease term and discount rate*—Our weighted-average remaining lease term and weighted-average discount rate for operating and finance leases are as follows:

| | June 30, 2019 |
|---|---|
| Weighted-average remaining lease term (years): | |
| Operating lease | 4.5 |
| Finance lease | 2.1 |
| Weighted-average discount rate: | |
| Operating lease | 6.6% |
| Finance lease | 5.2% |

*Maturity Analysis*—Future minimum payments on our operating and finance leases as of June 30, 2019 are as follows:

| (in thousands) | Operating | Finance |
|---|---|---|
| 2019 | $ 5,413 | $ 2,524 |
| 2020 | 7,699 | 3,760 |
| 2021 | 4,549 | 2,023 |
| 2022 | 3,850 | 324 |
| 2023 | 3,385 | 67 |
| Thereafter | 6,926 | 2 |
| Total future minimum lease payments | 31,822 | 8,700 |
| Interest included within lease payments | (5,266) | (445) |
| Total lease liabilities | $ 26,556 | $ 8,255 |

**Lessor Accounting**

Lease revenue is primarily generated from our electric submersible pump ("ESP") leased asset program within our Production & Automation Technologies segment. Our lease contracts generally allow customers to rent equipment on a daily basis with no stated end date. Customers may return the equipment at any point subsequent to the lease commencement date without penalty. We account for these arrangements as a daily renewal option beginning on the lease commencement date, with the lease term determined as the period in which it is reasonably certain the option will be exercised. The average length of these arrangements generally range from six months to nine months.

*Leased assets*—Components of our leased assets are as follows:

| (in thousands) | June 30, 2019 |
|---|---|
| Property, plant, and equipment | $ 170,053 |
| Accumulated depreciation | (68,341) |
| Property, plant, and equipment, net | $ 101,712 |

Depreciation expense on our leased assets was $9.1 million and $17.8 million for the three month and six month periods ended June 30, 2019, respectively.

**NOTE 12—INCOME TAXES**

Prior to the Separation, the operations of Apergy were included in Dover's U.S. combined federal and state income tax returns. Consequently, income tax expense is presented for the pre-Separation periods as if Apergy filed its own tax returns in each jurisdiction and include tax losses and tax credits that may not reflect tax positions taken by Dover. In many cases, tax losses and tax credits generated by Apergy prior to the Separation have been utilized by Dover.

Our income tax provision reflected effective tax rates of 21.5% and 29.8% for the three months ended June 30, 2019 and 2018, respectively, and 21.4% and 26.2% for the six months ended June 30, 2019 and 2018, respectively. The year-over-year decrease in the effective tax rates was primarily due to tax benefits for foreign tax basis step-up, stock compensation, and favorable U.S. state tax rate changes.

**NOTE 13—EMPLOYEE BENEFIT PLANS**

Prior to the Separation, certain of our employees participated in defined benefit and non-qualified plans sponsored by Dover, which included participants of other Dover subsidiaries. For periods prior to the Separation, we accounted for such plans as multi-employer benefit plans and recorded a proportionate share of the cost in our condensed consolidated statements of income.

Total net periodic benefit cost was $0.4 million and $1.0 million for the three months ended June 30, 2019 and 2018, respectively, and $1.1 million and $1.8 million for the six months ended June 30, 2019 and 2018, respectively. Prior to the Separation, our net periodic benefit costs included benefit costs associated with plans accounted for as single-employer plans and an allocation from Dover Corporation for plans accounted for as multi-employer plans. After the Separation, total net periodic benefit costs include all costs associated with the plans we sponsor, including plans that transferred to Apergy.

**NOTE 14—EQUITY AND CASH INCENTIVE PROGRAM**

Prior to the Separation, Dover granted share-based awards to its officers and other key employees, including certain Apergy individuals. All awards granted under the program consisted of Dover common shares and are not necessarily indicative of the results that Apergy would have experienced as a stand-alone public company for the periods presented prior to the Separation. Effective with the Separation, outstanding Dover share-based awards were converted to Apergy share-based awards, with the exception of outstanding Dover performance share awards that relate to performance periods ending after the Separation. Such performance share awards were cancelled effective with the Separation.

Stock-based compensation expense is reported within “Selling, general and administrative expense” in the condensed consolidated statements of income. Stock-based compensation expense relating to all stock-based incentive plans was as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **(in thousands)** | **2019** | **2018** | **2019** | **2018** |
| Stock-based compensation expense | $ 2,736 | $ 851 | $ 5,021 | $ 1,361 |
| Tax benefit | (668) | (183) | (1,226) | (296) |
| Stock-based compensation expense, net of tax | $ 2,068 | $ 668 | $ 3,795 | $ 1,065 |

A summary of activity relating to our share-based awards for the six months ended June 30, 2019, is as follows:

| **(in shares)** | **Stock-Settled Appreciation Rights** | **Performance Share Awards** | **Restricted Stock Units** |
|---|---|---|---|
| Outstanding at January 1, 2019 | 477,950 | 86,817 | 414,840 |
| Granted | — | 92,919 | 154,196 |
| Forfeited | (2,636) | — | (4,526) |
| Exercised / Vested | (42,474) | — | (140,944) |
| Outstanding at June 30, 2019 | 432,840 | 179,736 | 423,566 |

## NOTE 15—FAIR VALUE MEASUREMENTS

We had no outstanding derivative contracts as of June 30, 2019 and December 31, 2018. Other assets and liabilities measured at fair value on a recurring basis as of June 30, 2019 and December 31, 2018, were not significant; thus, no fair value disclosures are presented.

The fair value, based on Level 1 quoted market rates, of our Senior Notes was approximately $304.9 million at June 30, 2019, as compared to the $300.0 million face value of the debt. The fair value, based on Level 2 quoted market rates, of our term loan facility was approximately $319.4 million at June 30, 2019, as compared to the $320.0 million face value of the debt.

The carrying amounts of cash and cash equivalents, trade receivables, accounts payable, as well as amounts included in other current assets and other current liabilities that meet the definition of financial instruments, approximate fair value due to their short-term nature.

### Impairment of Assets Held For Sale

In March 2019, we classified our pressure vessel manufacturing business in our Production & Automation Technologies segment as held for sale and recognized an impairment loss of $1.7 million to adjust the carrying amount of the disposal group to fair value. The fair value was determined by a negotiated selling price through a non-binding expression of interest with a third party, a Level 3 input. We completed the sale of our pressure vessel manufacturing business in June 2019. See Note 5—Dispositions for additional information.

### Credit Risk

By their nature, financial instruments involve risk, including credit risk, for non-performance by counterparties. Financial instruments that potentially subject us to credit risk primarily consist of trade receivables. We manage the credit risk on financial instruments by transacting only with what management believes are financially secure counterparties, requiring credit approvals and credit limits, and monitoring counterparties' financial condition. Our maximum exposure to credit loss in the event of non-performance by the counterparty is limited to the amount drawn and outstanding on the financial instrument. Allowances for losses on trade receivables are established based on collectability assessments.

**NOTE 16—SEGMENT INFORMATION**

We report our results of operations in the following reporting segments: Production & Automation Technologies and Drilling Technologies. Segment revenue and segment operating profit were as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| (in thousands) | 2019 | 2018 | 2019 | 2018 |
| **Segment revenue:** | | | | |
| Production & Automation Technologies | $ 235,703 | $ 240,608 | $ 459,859 | $ 454,503 |
| Drilling Technologies | 70,351 | 65,242 | 147,886 | 134,473 |
| Total revenue | $ 306,054 | $ 305,850 | $ 607,745 | $ 588,976 |
| | | | | |
| **Income before income taxes:** | | | | |
| **Segment operating profit:** | | | | |
| Production & Automation Technologies | $ 20,919 | $ 23,225 | $ 37,082 | $ 33,097 |
| Drilling Technologies | 24,251 | 21,340 | 51,057 | 45,529 |
| Total segment operating profit | 45,170 | 44,565 | 88,139 | 78,626 |
| Corporate expense and other (1) | 4,719 | 7,056 | 8,576 | 9,692 |
| Interest expense, net | 10,057 | 6,062 | 20,531 | 6,229 |
| Income before income taxes | $ 30,394 | $ 31,447 | $ 59,032 | $ 62,705 |

(1) Corporate expense and other includes costs not directly attributable or allocated to our reporting segments such as corporate executive management and other administrative functions, costs related to our Separation from Dover and the results attributable to our noncontrolling interest.

## NOTE 17—CONDENSED CONSOLIDATING FINANCIAL INFORMATION

Apergy Corporation has senior notes outstanding, the payment obligations of which are fully and unconditionally guaranteed by certain 100-percent-owned subsidiaries of Apergy on a joint and several basis. The following financial information presents the results of operations, financial position and cash flows for:

- Apergy Corporation (issuer);
- 100-percent-owned guarantor subsidiaries;
- All other non-guarantor subsidiaries; and
- Adjustments and eliminations necessary to present Apergy results on a consolidated basis.

This condensed consolidating financial information should be read in conjunction with the accompanying condensed consolidated financial statements and related notes.

| | Three Months Ended June 30, 2019 | | | | |
|---|---|---|---|---|---|
| **(in thousands)** | **Apergy Corporation** | **Subsidiary Guarantors** | **Subsidiary Non-guarantors** | **Adjustments and eliminations** | **Total** |
| Product revenue | $ — | $ 244,889 | $ 28,624 | $ — | $ 273,513 |
| Service revenue | — | 13,393 | 7,438 | — | 20,831 |
| Lease, related party and other revenue | — | 16,964 | 5,735 | (10,989) | 11,710 |
| **Total revenue** | — | 275,246 | 41,797 | (10,989) | 306,054 |
| Cost of goods and services | — | 171,686 | 35,558 | (10,959) | 196,285 |
| **Gross profit** | — | 103,560 | 6,239 | (30) | 109,769 |
| Selling, general and administrative expense | 82 | 60,861 | 5,699 | — | 66,642 |
| Interest expense, net | 9,961 | 88 | 8 | — | 10,057 |
| Other expense, net | — | 2,656 | 25 | (5) | 2,676 |
| **Income (loss) before income taxes and equity in earnings of affiliates** | (10,043) | 39,955 | 507 | (25) | 30,394 |
| Provision for (benefit from) income taxes | (2,364) | 10,245 | (1,331) | (6) | 6,544 |
| **Income (loss) before equity in earnings of affiliates** | (7,679) | 29,710 | 1,838 | (19) | 23,850 |
| Equity in earnings of affiliates | 31,458 | 4,165 | 5,421 | (41,044) | — |
| **Net income** | 23,779 | 33,875 | 7,259 | (41,063) | 23,850 |
| Net income attributable to noncontrolling interest | — | — | 71 | — | 71 |
| **Net income attributable to Apergy** | $ 23,779 | $ 33,875 | $ 7,188 | $ (41,063) | $ 23,779 |
| **Comprehensive income attributable to Apergy** | $ 24,821 | $ 33,718 | $ 8,390 | $ (42,108) | $ 24,821 |

| (in thousands) | Three Months Ended June 30, 2018 | | | | |
|---|---|---|---|---|---|
| | **Apergy Corporation** | **Subsidiary Guarantors** | **Subsidiary Non-guarantors** | **Adjustments and eliminations** | **Total** |
| Product revenue | $ — | $ 238,065 | $ 33,693 | $ — | $ 271,758 |
| Service revenue | — | 15,613 | 6,065 | — | 21,678 |
| Lease, related party and other revenue | — | 18,967 | 5,438 | (11,991) | 12,414 |
| **Total revenue** | — | 272,645 | 45,196 | (11,991) | 305,850 |
| Cost of goods and services | — | 174,663 | 39,499 | (11,991) | 202,171 |
| **Gross profit** | — | 97,982 | 5,697 | — | 103,679 |
| Selling, general and administrative expense | 1,502 | 58,773 | 5,396 | — | 65,671 |
| Interest expense, net | 6,002 | 51 | 9 | — | 6,062 |
| Other expense, net | — | 4 | 495 | — | 499 |
| **Income (loss) before income taxes and equity in earnings of affiliates** | (7,504) | 39,154 | (203) | — | 31,447 |
| Provision for (benefit from) income taxes | (1,643) | 8,456 | 2,559 | — | 9,372 |
| **Income (loss) before equity in earnings of affiliates** | (5,861) | 30,698 | (2,762) | — | 22,075 |
| Equity in earnings of affiliates | 28,015 | 7,472 | 18,411 | (53,898) | — |
| **Net income** | 22,154 | 38,170 | 15,649 | (53,898) | 22,075 |
| Net loss attributable to noncontrolling interest | — | — | (79) | — | (79) |
| **Net income attributable to Apergy** | $ 22,154 | $ 38,170 | $ 15,728 | $ (53,898) | $ 22,154 |
| **Comprehensive income attributable to Apergy** | $ 15,496 | $ 40,289 | $ 6,938 | $ (47,227) | $ 15,496 |

| (in thousands) | Six Months Ended June 30, 2019 | | | | |
|---|---|---|---|---|---|
| | Apergy Corporation | Subsidiary Guarantors | Subsidiary Non-guarantors | Adjustments and eliminations | Total |
| Product revenue | $ — | $ 488,026 | $ 55,021 | $ — | $ 543,047 |
| Service revenue | — | 26,735 | 14,613 | — | 41,348 |
| Lease, related party and other revenue | — | 32,402 | 10,860 | (19,912) | 23,350 |
| **Total revenue** | — | 547,163 | 80,494 | (19,912) | 607,745 |
| Cost of goods and services | — | 343,344 | 69,143 | (20,060) | 392,427 |
| **Gross profit** | — | 203,819 | 11,351 | 148 | 215,318 |
| Selling, general and administrative expense | 143 | 120,578 | 11,256 | — | 131,977 |
| Interest expense, net | 20,289 | 224 | 18 | — | 20,531 |
| Other expense, net | — | 2,963 | 815 | — | 3,778 |
| **Income (loss) before income taxes and equity in earnings of affiliates** | (20,432) | 80,054 | (738) | 148 | 59,032 |
| Provision for (benefit from) income taxes | (4,738) | 18,941 | (1,622) | 32 | 12,613 |
| **Income (loss) before equity in earnings of affiliates** | (15,694) | 61,113 | 884 | 116 | 46,419 |
| Equity in earnings of affiliates | 61,760 | 9,048 | 12,174 | (82,982) | — |
| **Net income** | 46,066 | 70,161 | 13,058 | (82,866) | 46,419 |
| Net income attributable to noncontrolling interest | — | — | 353 | — | 353 |
| **Net income attributable to Apergy** | $ 46,066 | $ 70,161 | $ 12,705 | $ (82,866) | $ 46,066 |
| **Comprehensive income attributable to Apergy** | $ 48,297 | $ 70,671 | $ 14,431 | $ (85,102) | $ 48,297 |

| (in thousands) | Six Months Ended June 30, 2018 | | | | |
|---|---|---|---|---|---|
| | Apergy Corporation | Subsidiary Guarantors | Subsidiary Non-guarantors | Adjustments and eliminations | Total |
| Product revenue | $ — | $ 463,316 | $ 61,531 | $ — | $ 524,847 |
| Service revenue | — | 28,588 | 12,955 | — | 41,543 |
| Lease, related party and other revenue | — | 34,466 | 9,486 | (21,366) | 22,586 |
| **Total revenue** | — | 526,370 | 83,972 | (21,366) | 588,976 |
| Cost of goods and services | — | 339,098 | 73,243 | (20,659) | 391,682 |
| **Gross profit** | — | 187,272 | 10,729 | (707) | 197,294 |
| Selling, general and administrative expense | 1,502 | 112,880 | 10,786 | — | 125,168 |
| Interest expense, net | 6,002 | 204 | 23 | — | 6,229 |
| Other expense, net | — | 2,776 | 416 | — | 3,192 |
| **Income (loss) before income taxes and equity in earnings of affiliates** | (7,504) | 71,412 | (496) | (707) | 62,705 |
| Provision for (benefit from) income taxes | (1,643) | 15,168 | 3,059 | (148) | 16,436 |
| **Income (loss) before equity in earnings of affiliates** | (5,861) | 56,244 | (3,555) | (559) | 46,269 |
| Equity in earnings of affiliates | 52,067 | 12,945 | 24,445 | (89,457) | — |
| **Net income** | 46,206 | 69,189 | 20,890 | (90,016) | 46,269 |
| Net income attributable to noncontrolling interest | — | — | 63 | — | 63 |
| **Net income attributable to Apergy** | $ 46,206 | $ 69,189 | $ 20,827 | $ (90,016) | $ 46,206 |
| **Comprehensive income attributable to Apergy** | $ 37,906 | $ 71,694 | $ 10,023 | $ (81,717) | $ 37,906 |

| (in thousands) | June 30, 2019 Apergy Corporation | Subsidiary Guarantors | Subsidiary Non-guarantors | Adjustments and eliminations | Total |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | $ 108 | $ 14,229 | $ 9,999 | $ — | $ 24,336 |
| Receivables, net | 115 | 228,662 | 34,579 | (6,977) | 256,379 |
| Inventories, net | — | 202,361 | 33,378 | (1,485) | 234,254 |
| Prepaid expenses and other current assets | 116 | 12,255 | 2,205 | — | 14,576 |
| Total current assets | 339 | 457,507 | 80,161 | (8,462) | 529,545 |
| Property, plant and equipment, net | — | 238,470 | 12,103 | — | 250,573 |
| Goodwill | — | 633,771 | 272,114 | — | 905,885 |
| Advances due from affiliates | 561,778 | 25,204 | 87,467 | (674,449) | — |
| Investment in subsidiaries | 1,080,540 | 697,691 | 556,398 | (2,334,629) | — |
| Intangible assets, net | — | 180,062 | 77,860 | — | 257,922 |
| Other non-current assets | 3,535 | 19,840 | 8,138 | — | 31,513 |
| **Total assets** | 1,646,192 | 2,252,545 | 1,094,241 | (3,017,540) | 1,975,438 |
| **Liabilities and Equity** | | | | | |
| Accounts payable | 16 | 118,988 | 16,637 | (6,977) | 128,664 |
| Accrued compensation and employee benefits | — | 25,408 | 5,158 | — | 30,566 |
| Accrued expenses and other current liabilities | 4,982 | 32,095 | 6,282 | (1,485) | 41,874 |
| Total current liabilities | 4,998 | 176,491 | 28,077 | (8,462) | 201,104 |
| Advances due to affiliates | — | 649,245 | 25,204 | (674,449) | — |
| Long-term debt | 609,457 | 3,701 | 143 | — | 613,301 |
| Deferred income taxes | — | 73,518 | 17,504 | — | 91,022 |
| Other long-term liabilities | — | 33,652 | 4,622 | — | 38,274 |
| Total liabilities | 614,455 | 936,607 | 75,550 | (682,911) | 943,701 |
| **Equity:** | | | | | |
| Total stockholders’ equity | 1,031,737 | 1,315,938 | 1,015,880 | (2,334,629) | 1,028,926 |
| Noncontrolling interest | — | — | 2,811 | — | 2,811 |
| Total equity | 1,031,737 | 1,315,938 | 1,018,691 | (2,334,629) | 1,031,737 |
| **Total liabilities and equity** | $ 1,646,192 | $ 2,252,545 | $ 1,094,241 | $ (3,017,540) | $ 1,975,438 |

| (in thousands) | December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | Apergy Corporation | Subsidiary Guarantors | Subsidiary Non-guarantors | Adjustments and eliminations | Total |
| **Assets** | | | | | |
| Cash and cash equivalents | $ 108 | $ 27,533 | $ 14,191 | $ — | $ 41,832 |
| Receivables, net | 1,743 | 230,230 | 35,019 | (17,044) | 249,948 |
| Inventories, net | — | 189,015 | 30,936 | (1,632) | 218,319 |
| Prepaid expenses and other current assets | 24,583 | 17,064 | 3,106 | (24,542) | 20,211 |
| Total current assets | 26,434 | 463,842 | 83,252 | (43,218) | 530,310 |
| Property, plant and equipment, net | — | 231,373 | 12,955 | — | 244,328 |
| Goodwill | — | 633,771 | 271,214 | — | 904,985 |
| Advances due from affiliates | 600,802 | 14,185 | 82,889 | (697,876) | — |
| Investment in subsidiaries | 1,013,869 | 687,691 | 545,298 | (2,246,858) | — |
| Intangible assets, net | — | 198,531 | 85,157 | — | 283,688 |
| Other non-current assets | 3,996 | 2,371 | 2,078 | — | 8,445 |
| **Total assets** | 1,645,101 | 2,231,764 | 1,082,843 | (2,987,952) | 1,971,756 |
| **Liabilities and Equity** | | | | | |
| Accounts payable | 22 | 114,745 | 33,335 | (17,044) | 131,058 |
| Accrued compensation and employee benefits | — | 35,278 | 5,268 | — | 40,546 |
| Accrued expenses and other current liabilities | 4,929 | 46,722 | 4,914 | (26,174) | 30,391 |
| Total current liabilities | 4,951 | 196,745 | 43,517 | (43,218) | 201,995 |
| Advances due to affiliates | — | 683,700 | 14,176 | (697,876) | — |
| Long-term debt | 658,623 | 7,363 | 122 | — | 666,108 |
| Deferred income taxes | — | 81,296 | 20,428 | — | 101,724 |
| Other long-term liabilities | — | 19,441 | 961 | — | 20,402 |
| Total liabilities | 663,574 | 988,545 | 79,204 | (741,094) | 990,229 |
| **Equity:** | | | | | |
| Total stockholders' equity | 981,527 | 1,243,219 | 1,001,181 | (2,246,858) | 979,069 |
| Noncontrolling interest | — | — | 2,458 | — | 2,458 |
| Total equity | 981,527 | 1,243,219 | 1,003,639 | (2,246,858) | 981,527 |
| **Total liabilities and equity** | $ 1,645,101 | $ 2,231,764 | $ 1,082,843 | $ (2,987,952) | $ 1,971,756 |

| (in thousands) | Apergy Corporation | Subsidiary Guarantors | Subsidiary Non-guarantors | Adjustments and eliminations | Total |
|---|---|---|---|---|---|
| | Six Months Ended June 30, 2019 | | | | |
| **Cash provided (required) by operating activities** | $ (33,657) | $ 102,888 | $ (9,930) | $ — | $ 59,301 |
| **Cash provided (required) by investing activities:** | | | | | |
| Capital expenditures | — | (21,933) | (755) | — | (22,688) |
| Proceeds from sale of fixed assets | — | 2,463 | 12 | — | 2,475 |
| Payment on sale of business | — | (2,194) | — | — | (2,194) |
| **Net cash required by investing activities** | — | (21,664) | (743) | — | (22,407) |
| **Cash provided (required) by financing activities:** | | | | | |
| Proceeds from long-term debt | 4,000 | — | — | — | 4,000 |
| Repayment of long-term debt | (54,000) | — | — | — | (54,000) |
| Advances due to (from) affiliates | 83,657 | (90,108) | 6,451 | — | — |
| Payments of finance lease obligations | — | (2,674) | (16) | — | (2,690) |
| Payments related to taxes withheld on stock-based compensation | — | (1,746) | (53) | — | (1,799) |
| **Net cash provided (required) by financing activities** | 33,657 | (94,528) | 6,382 | — | (54,489) |
| Effect of exchange rate changes on cash and cash equivalents | — | — | 99 | — | 99 |
| **Net decrease in cash and cash equivalents** | — | (13,304) | (4,192) | — | (17,496) |
| Cash and cash equivalents at beginning of period | 108 | 27,533 | 14,191 | — | 41,832 |
| **Cash and cash equivalents at end of period** | $ 108 | $ 14,229 | $ 9,999 | $ — | $ 24,336 |

| (in thousands) | Six Months Ended June 30, 2018<br>Apergy Corporation | Subsidiary Guarantors | Subsidiary Non-guarantors | Adjustments and eliminations | Total |
|---|---|---|---|---|---|
| **Cash provided (required) by operating activities** | $ (3,389) | $ 57,078 | $ 4,994 | $ 30 | $ 58,713 |
| | | | | | |
| **Cash provided (required) by investing activities:** | | | | | |
| Capital expenditures | — | (28,171) | (767) | — | (28,938) |
| Proceeds from sale of fixed assets | — | 56 | 6 | — | 62 |
| Purchase price adjustments on acquisition | — | — | 53 | — | 53 |
| **Net cash required by investing activities** | — | (28,115) | (708) | — | (28,823) |
| | | | | | |
| **Cash provided (required) by financing activities:** | | | | | |
| Proceeds from long-term debt, net of discounts | 713,963 | — | — | — | 713,963 |
| Payment of debt issue costs | (15,851) | — | — | — | (15,851) |
| Advances due to (from) affiliates | (695,069) | 709,599 | (14,530) | — | — |
| Distributions to Dover Corporation, net | 454 | (722,984) | 6,434 | (30) | (716,126) |
| Distribution to noncontrolling interest | — | — | (2,720) | — | (2,720) |
| Payments of finance lease obligations | — | (2,076) | — | — | (2,076) |
| **Net cash provided (required) by financing activities** | 3,497 | (15,461) | (10,816) | (30) | (22,810) |
| | | | | | |
| Effect of exchange rate changes on cash and cash equivalents | — | — | 41 | — | 41 |
| | | | | | |
| **Net increase (decrease) in cash and cash equivalents** | 108 | 13,502 | (6,489) | — | 7,121 |
| Cash and cash equivalents at beginning of period | — | 5,763 | 17,949 | — | 23,712 |
| **Cash and cash equivalents at end of period** | $ 108 | $ 19,265 | $ 11,460 | $ — | $ 30,833 |

**NOTE 18—CASH FLOW INFORMATION**

Supplemental cash flow information is as follows:

| (in thousands) | Statement of Cash Flows Classification | Six Months Ended June 30, 2019 | |
|---|---|---|---|
| **Cash information:** | | | |
| Cash required by operating leases[1] | Operating | $ | 6,359 |
| Cash required by finance leases - interest | Operating | | 233 |
| Cash required by finance leases - principal | Financing | | 2,690 |
| **Non-cash information:** | | | |
| Operating lease additions [2] | Non-cash | $ | 34,583 |
| Finance lease additions | Non-cash | | 3,018 |

(1) Cash required by operating leases is reported net of operating lease expense in the operating section of our condensed consolidated statements of cash flows in "Accrued expenses and other current liabilities."

(2) Operating lease additions include lease liabilities recognized at the time of adoption. Refer to Note 2—New Accounting Standards for additional information.

**Lease program**

Our ESP leased asset program is reported in our Production & Automation Technologies segment. At the time of purchase, assets are recorded to inventory and are transferred to property, plant, and equipment when a customer contracts for an asset under our lease program. During the six months ended June 30, 2019, we transferred $40.4 million of inventory into property, plant, and equipment as a result of assets entering our leased asset program, which is accounted for as a non-cash activity within our condensed consolidated statement of cash flows.

Expenditures for assets that are expected to be placed into our leased asset program and with a useful life of less than one year are reported in "Leased assets" in the operating section of our condensed consolidated statement of cash flows. Additionally, cash receipts related to the recovery of net book value from the sale of assets on lease are presented in "Lease assets" in the operating section of our condensed consolidated statements of cash flows.

Expenditures for assets that are expected to be placed into our lease asset program and with a useful life of greater than one year are reported in "Capital expenditures" in the investing section of our condensed consolidated statements of cash flows. During the six months ended June 30, 2019 and 2018, we purchased $11.2 million, and $10.1 million, respectively, of assets with a useful life of greater than one year that are expected to be placed into our leased asset program.

**Sale of assets**

In March 2019, we sold a property classified as held for sale. Net proceeds of $2.1 million were received upon the close of the transaction, resulting in a gain that was not material to the condensed consolidated statement of income during the six months ended June 30, 2019.

Refer to Note 5—Dispositions for information related to our sale of our pressure vessel manufacturing business in our Production & Automation Technologies segment.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*Management's discussion and analysis is our analysis of our financial performance, financial condition and significant trends that may affect our future performance. It should be read in conjunction with the consolidated financial statements, and notes thereto, included elsewhere in this report. It contains forward-looking statements including, without limitation, statements relating to Apergy's plans, strategies, objectives, expectations and intentions that are made pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are often identified by the words "believe," "anticipate," "expect," "may," "intend," "foresee," "guidance," "estimate," "potential," "outlook," "plan," "should," "would," "could," "target," "forecast" and similar expressions, including the negative thereof. We undertake no obligation to publicly update, revise or correct any of our forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise, except to the extent required under the federal securities laws.*
*Readers are cautioned that such forward-looking statements should be read in conjunction with the disclosures under the heading "CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS."*

**EXECUTIVE OVERVIEW AND BUSINESS OUTLOOK**

Apergy is a leading provider of highly engineered equipment and technologies that help companies drill for and produce oil and gas safely and efficiently around the world. Our products provide efficient functioning throughout the lifecycle of a well—from drilling to completion to production.

**Separation and Distribution**

On April 18, 2018, the Dover Corporation ("Dover") Board of Directors approved the separation of entities conducting its upstream oil and gas energy business within Dover's Energy segment (the "Separation") into an independent, publicly traded company named Apergy Corporation. In accordance with the separation and distribution agreement, the two companies were separated by Dover distributing to Dover's stockholders all 77,339,828 shares of common stock of Apergy on May 9, 2018. Each Dover shareholder received one share of Apergy stock for every two shares of Dover stock held at the close of business on the record date of April 30, 2018. Following the Separation, Dover retained no ownership interest in Apergy, and each company, as of May 9, 2018, has separate public ownership, boards of directors and management.

*Basis of Presentation*

Refer to Note 1—Basis of Presentation and Separation for information on the basis of presentation of the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

**Business Environment**

Our business provides a broad range of technologies and products for the oil and gas drilling and production industry and, as a result, is substantially dependent upon activity levels in the oil and gas industry. Demand for our offerings is impacted by overall global demand for oil and gas, ongoing depletion rates of existing wells which produce oil and gas, and our customers' willingness to invest in the development and production of oil and gas resources. Our customers determine their operating and capital budgets based primarily on current and future crude oil and natural gas prices, U.S. and worldwide rig count and U.S. well completions. Crude oil and natural gas prices are impacted by geopolitical, macroeconomic and local events and have historically been subject to substantial volatility and cyclicality. Future higher crude oil and natural gas prices typically translate into higher exploration and production budgets. Rig count, footage drilled and exploration and production investment by oil and gas operators have often been used as leading indicators for the level of drilling and development activity in the oil and gas sector.

### Market Conditions and Outlook

In the second quarter of 2019, WTI crude oil prices were volatile due to global oil demand concerns from trade discussions and rebounded at the end of the quarter as a result of the extension of OPEC and non-OPEC production cuts. Also in the second quarter of 2019, the North American rig count declined sequentially from the first quarter of 2019 due to Canadian seasonality and continued spending discipline by U.S. E&P operators. In the second half of 2019, we expect lower drilling activity in the U.S. due to E&P spending discipline. We expect international activity to show modest growth for the remainder of 2019. We remain focused on (i) growing our ESP product line in the U.S. unconventional markets, (ii) capitalizing on well conversions to rod lift as well production declines, particularly in the Permian basin, (iii) further adoption of our “fit-for-purpose” digital products to improve our customers’ productivity and economics, (iv) continued innovation and advancement of our technology in diamond sciences, and (v) continued adoption of our diamond bearings offering for downhole applications. We believe our growth initiatives will allow us to meet our operational and financial growth targets in 2019.

Tariffs instituted by the U.S. government, and retaliatory tariffs and other trade restrictions by other countries, introduce uncertainty to our business since some of our products are impacted by the tariffs. We continue to work to mitigate the impacts of higher costs through various measures, including customer price increases, supplier price concessions and stronger supplier relationships, as well as continued cost discipline and operational productivity improvement initiatives.

Although risk remains that crude oil prices and activity levels could deteriorate from current levels, we believe the long-term outlook for our businesses is favorable. Increasing global demand for oil and gas, in combination with ongoing depletion of existing reservoirs, is expected to drive continued investment in the drilling and completion of new wells. In addition, productivity and efficiency are becoming increasingly important in the oil and gas industry as operators focus on improving per-well economics.

Average crude oil and natural gas prices, rig counts and aggregate well completions are summarized below:

| | 2018 | | | | | 2019 | | |
|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | FY | Q1 | Q2 | YTD |
| WTI Crude (per bbl) (a) | $ 62.91 | $ 68.07 | $ 69.69 | $ 59.50 | $ 65.04 | $ 54.82 | $ 59.88 | $ 57.35 |
| Brent Crude (per bbl) (a) | 66.86 | 74.53 | 75.08 | 67.99 | 71.12 | 63.10 | 60.56 | 61.83 |
| Henry Hub Natural Gas (per mmBtu) (a) | 3.08 | 2.85 | 2.93 | 3.77 | 3.16 | 2.92 | 2.57 | 2.74 |
| | | | | | | | | |
| U.S. Rig Count (b) | 966 | 1,039 | 1,051 | 1,073 | 1,032 | 1,043 | 989 | 1,016 |
| Canada Rig Count (b) | 269 | 108 | 209 | 179 | 191 | 183 | 82 | 132 |
| International Rig Count (b) | 970 | 968 | 1,003 | 1,011 | 988 | 1,030 | 1,051 | 1,041 |
| Worldwide Rig Count | 2,205 | 2,115 | 2,263 | 2,263 | 2,211 | 2,256 | 2,122 | 2,189 |
| | | | | | | | | |
| Aggregate U.S. Well Completions (a) | 3,390 | 3,812 | 3,796 | 3,716 | 14,714 | 3,940 | 4,170 | 8,110 |

(a) Source: U.S. Energy Information Administration (EIA), as of July 11, 2019.
(b) Source: Baker Hughes Rig Count, as of July 11, 2019. Excludes Ukraine rig count.

**CONSOLIDATED RESULTS OF OPERATIONS**
**THREE MONTHS ENDED JUNE 30, 2019 AND 2018**

| | Three Months Ended June 30, | | Change | |
|---|---|---|---|---|
| **(dollars in thousands)** | **2019** | **2018** | **$** | **%** |
| Revenue | $ 306,054 | $ 305,850 | 204 | 0.1 |
| Cost of goods and services | 196,285 | 202,171 | (5,886) | (2.9) |
| **Gross profit** | 109,769 | 103,679 | 6,090 | 5.9 |
| Selling, general and administrative expense | 66,642 | 65,671 | 971 | 1.5 |
| Interest expense, net | 10,057 | 6,062 | 3,995 | * |
| Other expense, net | 2,676 | 499 | 2,177 | * |
| **Income before income taxes** | 30,394 | 31,447 | (1,053) | (3.3) |
| Provision for income taxes | 6,544 | 9,372 | (2,828) | (30.2) |
| **Net income** | 23,850 | 22,075 | 1,775 | 8.0 |
| Net income (loss) attributable to noncontrolling interest | 71 | (79) | 150 | * |
| **Net income attributable to Apergy** | $ 23,779 | $ 22,154 | 1,625 | 7.3 |
| | | | | |
| *Gross profit margin* | *35.9%* | *33.9%* | | 200 bps. |
| *SG&A expense, percent of revenue* | *21.8%* | *21.5%* | | 30 bps. |
| *Effective tax rate* | *21.5%* | *29.8%* | | (830) bps. |

* Not meaningful

**Revenue.** Revenue for the second quarter of 2019 increased $0.2 million, or 0.1%, year-over-year. Drilling Technologies revenue increased $5.1 million year-over-year primarily due to improved volumes driven by slightly higher worldwide rig counts and continued customer adoption of our diamond bearings technology. Production & Automation Technologies revenue decreased $4.9 million year-over-year, driven by lower volumes and an unfavorable impact due to foreign currency translation in our artificial lift offering. Revenue from our digital portfolio increased primarily due to expansion of our products and increased customer adoption, led mostly by growth in our downhole monitoring and production optimization technologies.

**Gross profit.** Gross profit for the second quarter of 2019 increased $6.1 million, or 5.9%, year-over-year, reflecting benefits of higher sales volumes in our Drilling Technologies segment, the realization of productivity initiatives in both our Production & Automation and Drilling Technologies segments and lower depreciation expense related to the change in useful life of our surface lease equipment. These increases were partially offset by overall higher material costs.

**Selling, general and administrative expense.** Selling, general and administrative expense in the second quarter of 2019 increased $1.0 million, or 1.5%, year-over-year, primarily due to higher headcount in support of our growth initiatives and $1.9 million of stock compensation expense, partially offset by lower professional fees and other related charges associated with the Separation in the second quarter of 2018.

**Interest expense, net.** Interest expense, net in the second quarter of 2019 increased $4.0 million year-over-year as a result of issuances of our term loan facility and senior notes during May 2018.

**Other expense, net.** Other expense, net in the second quarter of 2019 increased $2.2 million year-over-year due to the $2.5 million loss on sale of our pressure vessel manufacturing business in our Production & Automation Technologies segment.

**Provision for income taxes.** The effective tax rates for the second quarter of 2019 and 2018 were 21.5% and 29.8%, respectively. The year-over-year decrease in the effective tax rates was primarily due to tax benefits for foreign tax basis step-up, stock compensation and favorable U.S. state tax rate changes.

## CONSOLIDATED RESULTS OF OPERATIONS
## SIX MONTHS ENDED JUNE 30, 2019 AND 2018

| | Six Months Ended June 30, | | Change | |
|---|---|---|---|---|
| **(dollars in thousands)** | **2019** | **2018** | **$** | **%** |
| Revenue | $ 607,745 | $ 588,976 | 18,769 | 3.2 |
| Cost of goods and services | 392,427 | 391,682 | 745 | 0.2 |
| **Gross profit** | 215,318 | 197,294 | 18,024 | 9.1 |
| Selling, general and administrative expense | 131,977 | 125,168 | 6,809 | 5.4 |
| Interest expense, net | 20,531 | 6,229 | 14,302 | * |
| Other expense, net | 3,778 | 3,192 | 586 | * |
| **Income before income taxes** | 59,032 | 62,705 | (3,673) | (5.9) |
| Provision for income taxes | 12,613 | 16,436 | (3,823) | (23.3) |
| **Net income** | 46,419 | 46,269 | 150 | 0.3 |
| Net income attributable to noncontrolling interest | 353 | 63 | 290 | * |
| **Net income attributable to Apergy** | $ 46,066 | $ 46,206 | (140) | (0.3) |
| | | | | |
| *Gross profit margin* | *35.4%* | *33.5%* | | 190 bps. |
| *SG&A expense, percent of revenue* | *21.7%* | *21.3%* | | 40 pts. |
| *Effective tax rate* | *21.4%* | *26.2%* | | (480) pts. |

* Not meaningful

**Revenue.** Revenue for the first half of 2019 increased $18.8 million, or 3.2%, year-over-year. Drilling Technologies revenue increased $13.4 million, year-over-year due to increased volumes driven by continued customer adoption of our diamond bearings technology. Production & Automation Technologies revenue for the first half of 2019 increased $5.4 million, year-over-year, driven by our digital portfolio due to expansion of our products and increased customer adoption, led mostly by growth in our downhole monitoring and production optimization products, partially offset by lower volumes in our artificial lift offering.

**Gross profit.** Gross profit for the first half of 2019 increased $18.0 million, or 9.1%, year-over year, reflecting benefits of increased sales volumes in both our Production & Automation Technologies and Drilling Technologies segments, combined with realization of productivity initiatives and lower depreciation expense related to the change in useful life of our surface lease equipment, partially offset by higher material costs.

**Selling, general and administrative expense.** Selling, general and administrative expense for the first half of 2019 increased $6.8 million, or 5.4%, year-over-year, primarily due to increased headcount in support of our growth initiatives, $3.7 million of stock compensation expense, and $1.7 million in impairment charges related to the held-for-sale classification of our pressure vessel manufacturing business in our Production & Automation Technologies segment, partially offset by lower professional fees and other related charges associated with the Separation in the second quarter of 2018.

**Interest expense, net.** Interest expense, net in the first half of 2019 increased $14.3 million year-over-year due to issuances of our term loan facility and senior notes in May 2018.

**Provision for income taxes.** The effective tax rates for the first half of 2019 and 2018 were 21.4% and 26.2%, respectively. The year-over-year decrease in the effective tax rates was primarily due to tax benefits for foreign tax basis step-up, stock compensation and favorable U.S. state tax rate changes.

## SEGMENT RESULTS OF OPERATIONS
## THREE MONTHS ENDED JUNE 30, 2019 AND 2018

**Production & Automation Technologies**

| | Three Months Ended June 30, | | Change | |
|---|---|---|---|---|
| **(dollars in thousands)** | **2019** | **2018** | **$** | **%** |
| Revenue | $ 235,703 | $ 240,608 | (4,905) | (2.0) |
| Operating profit | 20,919 | 23,225 | (2,306) | (9.9) |
| Operating profit margin | 8.9% | 9.7% | | (80) bps. |
| | | | | |
| Depreciation and amortization | $ 27,689 | $ 28,943 | (1,254) | (4.3) |
| Restructuring and other related charges ** | 3,135 | 2,030 | 1,105 | * |
| | | | | |
| Bookings | $ 227,405 | $ 249,461 | (22,056) | (8.8) |

* Not meaningful
** Includes a $2.5 million loss during the three months ended June 30, 2019, related to the disposal of our pressure vessel manufacturing business.

**Revenue.** Production & Automation Technologies revenue decreased $4.9 million, or 2.0%, year-over-year, driven by lower volumes and an unfavorable impact due to foreign currency translation in our artificial lift offering. Revenue from our digital portfolio increased primarily due to expansion of our products and increased customer adoption, led mostly by growth in our downhole monitoring and production optimization technologies.

**Operating profit.** Production & Automation Technologies operating profit decreased $2.3 million year-over-year, primarily driven by lower sales volume in artificial lift, higher material costs related to aluminum and steel, and higher restructuring costs. The decrease in operating profit was partially offset by lower depreciation expense and overall productivity gains.

| (dollars in thousands) | Six Months Ended June 30, 2019 | 2018 | Change $ | % |
|---|---|---|---|---|
| Revenue | $ 459,859 | $ 454,503 | 5,356 | 1.2 |
| Operating profit | 37,082 | 33,097 | 3,985 | 12.0 |
| Operating profit margin | 8.1% | 7.3% | | 80 bps. |
| | | | | |
| Depreciation and amortization | $ 54,982 | $ 55,701 | (719) | (1.3) |
| Royalty expense | — | 2,277 | (2,277) | * |
| Restructuring and other related charges ** | 5,777 | 2,512 | 3,265 | * |
| | | | | |
| Bookings | $ 446,870 | $ 466,395 | (19,525) | (4.2) |

* Not meaningful
** Includes a $2.5 million loss during the six months ended June 30, 2019, related to the disposal of our pressure vessel manufacturing business.

**Revenue.** Production & Automation Technologies revenue for the first half of 2019 increased $5.4 million, or 1.2%, year-over-year, driven by our digital portfolio due to expansion of our products and increased customer adoption, led mostly by growth in our downhole monitoring and asset integrity management products and improved pricing in our artificial lift offerings. The increase was partially offset by lower volumes in our artificial lift offering. The increase in revenue was due to improving oil and gas markets, particularly U.S. rig count and well completion activity.

**Operating profit.** Production & Automation Technologies operating profit increased $4.0 million year-over-year. The increase in operating profit was due to lower depreciation expense and productivity savings, partially offset by higher material costs related to aluminum and steel, and higher restructuring charges related to the impairment and associated disposal of our pressure vessel manufacturing business. Operating profit during the first half 2019 benefitted from lower royalty charges from Dover which ended on April 1, 2018.

**Drilling Technologies**

| (dollars in thousands) | Three Months Ended June 30, 2019 | 2018 | Change $ | % |
|---|---|---|---|---|
| Revenue | $ 70,351 | $ 65,242 | 5,109 | 7.8 |
| Operating profit | 24,251 | 21,340 | 2,911 | 13.6 |
| Operating profit margin | 34.5% | 32.7% | | 180 bps. |
| | | | | |
| Depreciation and amortization | $ 2,326 | $ 2,795 | (469) | (16.8) |
| | | | | |
| Bookings | $ 64,401 | $ 70,450 | (6,049) | (8.6) |

**Revenue.** Drilling Technologies revenue increased $5.1 million, or 7.8%, year-over-year primarily due to improved volumes driven by continued customer adoption of our diamond bearings technology and slightly higher worldwide rig counts.

**Operating profit.** Drilling Technologies operating profit increased $2.9 million year-over-year primarily due to higher revenue and overall operational productivity gains. Partially offsetting the increase in operating profit was a decrease due to product mix and higher input costs.

| (dollars in thousands) | Six Months Ended June 30, 2019 | 2018 | Change $ | % |
|---|---|---|---|---|
| Revenue | $ 147,886 | $ 134,473 | 13,413 | 10.0 |
| Operating profit | 51,057 | 45,529 | 5,528 | 12.1 |
| Operating profit margin | 34.5% | 33.9% | | 60 bps. |
| | | | | |
| Depreciation and amortization | $ 4,835 | $ 5,662 | (827) | (14.6) |
| | | | | |
| Bookings | $ 142,987 | $ 139,634 | 3,353 | 2.4 |

**Revenue.** Drilling Technologies revenue increased $13.4 million, or 10.0%, year-over-year due to increased volumes driven by increased worldwide rig counts and continued customer adoption of our diamond bearings technology.

**Operating profit.** Drilling Technologies operating profit increased $5.5 million year-over-year due to higher revenue and overall operational productivity gains. Partially offsetting the increase in operating profit was a decrease due to product mix, higher input costs, and additional corporate costs which did not exist in the first quarter of 2018.

## CAPITAL RESOURCES AND LIQUIDITY

As of June 30, 2019, approximately 46% of our cash balances were held outside the United States primarily for working capital and operational support needs. All of our cash held outside the United States could be repatriated; however, we have not provided for foreign withholding taxes on our undistributed foreign earnings from jurisdictions which impose such taxes since we have determined that such earnings are indefinitely reinvested in those jurisdictions.

We have historically generated, and expect to continue to generate, positive cash flow from operations. We expect to meet the continuing funding requirements of our operations with cash generated by such operations and, when needed, our revolving credit facility. Refer to "Capital Resources and Liquidity—Outlook" below for information related to our revolving credit facility.

### Cash Flows

| | Six Months Ended June 30, | |
|---|---|---|
| **(in thousands)** | **2019** | **2018** |
| Cash provided by operating activities | $ 59,301 | $ 58,713 |
| Cash required by investing activities | (22,407) | (28,823) |
| Cash required by financing activities | (54,489) | (22,810) |
| Effect of exchange rate changes on cash and cash equivalents | 99 | 41 |
| Net increase (decrease) in cash and cash equivalents | $ (17,496) | $ 7,121 |

*Operating Activities*

Cash provided by operating activities for the six months ended June 30, 2019 and 2018, was $59.3 million and $58.7 million, respectively. The increase in cash provided by operating activities was primarily driven by improvements in our working capital position, partially offset by lower income due to interest expense associated with debt incurred as part of the Separation.

Refer to Note 18—Cash Flow Information for additional information related to cash flow presentation of our lease asset program.

*Investing Activities*

For the six months ended June 30, 2019 and 2018, we used cash from investing activities of $22.4 million and $28.8 million, respectively. The decrease in cash used by investing activities was primarily due to higher growth and maintenance capital infrastructure spending in the first half of 2018. During the six months ended June 30, 2019, we received $2.5 million of proceeds from the sale of fixed assets which was partially offset by a $2.2 million payment related to the sale of our pressure vessel manufacturing business in our Production & Automation Technologies segment.

*Financing Activities*

Cash used in financing activities of $54.5 million for the six months ended June 30, 2019, was primarily the result of a $50.0 million repayment on our term loan and $2.7 million of payments of finance lease obligations. Cash used in financing activities of $22.8 million for the six months ended June 30, 2018, was the result of distributions to Dover of $716.1 million, $2.1 million of payments of finance lease obligations and a $2.7 million distribution to our noncontrolling interest, partially offset by $698.1 million of proceeds from long-term debt, net of discounts and debt issue costs.

**Debt and Liquidity**

*Senior Notes*

Refer to Note 10—Debt included in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2018, for information related to our Senior Notes.

*Senior Secured Credit Facilities*

In May 2018, Apergy entered into a credit agreement ("credit agreement") governing the terms of its senior secured credit facilities, consisting of (i) a seven-year senior secured term loan B facility ("term loan facility") and (ii) a five-year senior secured revolving credit facility ("revolving credit facility," and together with the term loan facility, the "senior secured credit facilities"). Refer to Note 10—Debt included in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2018, for additional information related to our senior secured credit facilities.

During the six months ended June 30, 2019, we repaid $50 million of our term loan facility.

*Revolving Credit Facility.*

A summary of our revolving credit facility at June 30, 2019, was as follows:

| (in millions) **Description** | **Amount** | **Debt Outstanding** | **Letters of Credit** | **Unused Capacity** | **Maturity** |
|---|---|---|---|---|---|
| Five-year revolving credit facility | $ 250.0 | $ — | $ 5.3 | $ 244.7 | May 2023 |

As of June 30, 2019, we were in compliance with all restrictive covenants under our revolving credit facility.

**Outlook**

We expect to generate our liquidity and capital resources through operations and, when needed, through our revolving credit facility. We have $244.7 million of capacity available under our revolving credit facility that we expect to utilize if working capital needs temporarily increase. The volatility in credit, equity and commodity markets creates some uncertainty for our businesses. However, management believes, based on our current financial condition and current expectations of future market conditions, that we will meet our short- and long-term needs with a combination of cash on hand, cash generated from operations, our use of our revolving credit facility and access to capital markets.

Over the next year, we expect to fund our organic capital expenditure needs and reduce our leverage through earnings growth and further debt reduction. We continue to focus on improving our customer collection efforts and overall working capital efficiency to improve our cash flow position. In 2019 we project spending approximately 2.5 percent of revenue for infrastructure related capital expenditures and maintenance and an additional $15 million to $20 million for capital investments directed at expanding our portfolio of electric submersible pump leased assets.

We continue to evaluate acquisitions that meet our strategic priorities, expand our technology and product portfolio, improve our cost position or productivity, or broaden our geographic reach.

## OFF-BALANCE SHEET ARRANGEMENTS

Information related to guarantees is incorporated herein by reference from Note 8—Commitments And Contingencies to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

## CRITICAL ACCOUNTING ESTIMATES

Refer to our "Critical Accounting Estimates" included in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2018, for a discussion of our critical accounting estimates. During the three months ended June 30, 2019, there were no changes to our identified critical accounting estimates.

## RECENTLY ISSUED ACCOUNTING STANDARDS

See Note 2—New Accounting Standards to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For quantitative and qualitative disclosures about market risk affecting Apergy, see Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," in our Annual Report on Form 10-K for the year ended December 31, 2018. Our exposure to market risk has not materially changed since December 31, 2018.

## ITEM 4. CONTROLS AND PROCEDURES

With the participation of management, our principal executive officer and principal financial officer carried out an evaluation, pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Act) as of the end of the period covered by this report. Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were operating effectively as of June 30, 2019.

There were no changes in internal controls over financial reporting identified in the evaluation for the quarter ended June 30, 2019, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act.

## PART II — OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

We are involved in various pending or potential legal actions in the ordinary course of our business. Management is unable to predict the ultimate outcome of these actions because of the inherent uncertainty of litigation. However, management believes the most probable, ultimate resolution of these matters will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

### ITEM 1A. RISK FACTORS

There have been no material changes or updates to our risk factors that were previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2018.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) None.

(b) None.

(c) None.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

### ITEM 5. OTHER INFORMATION

None.

### ITEM 6. EXHIBITS

Information required by this item is incorporated herein by reference from the section entitled “Exhibit Index” of this Quarterly Report on Form 10-Q for the period ended June 30, 2019.

## 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 thereunto duly authorized.

**APERGY CORPORATION**
(Registrant)

/s/ MICHAEL D. WHITE

Michael D. White
Vice President, Corporate Controller and Chief Accounting Officer
(Principal Accounting Officer and a Duly Authorized Officer)

Date: July 29, 2019

## EXHIBIT INDEX

| Exhibit No. | Exhibit Description |
|---|---|
| 31.1* | Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended. |
| 31.2* | Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended. |
| 32.1** | Certification of Chief Executive Officer Under Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. 1350. |
| 32.2** | Certification of Chief Financial Officer Under Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. 1350. |
| 101.INS* | XBRL Instance Document |
| 101.SCH* | XBRL Taxonomy Extension Schema Document |
| 101.CAL* | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF* | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB* | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE* | XBRL Taxonomy Extension Presentation Linkbase Document |

* Filed herewith

** Furnished herewith

**Exhibit 31.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**
**PURSUANT TO RULE 13A-14(A) AND RULE 15D-14(A)**
**OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Sivasankaran Somasundaram, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Apergy Corporation (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (c) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: July 29, 2019

/s/ SIVASANKARAN SOMASUNDARAM

Sivasankaran Somasundaram

President and Chief Executive Officer
(Principal Executive Officer)

**Exhibit 31.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13A-14(A) AND RULE 15D-14(A)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Jay A. Nutt, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Apergy Corporation (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: July 29, 2019

/s/ JAY A. NUTT

Jay A. Nutt

Senior Vice President and
Chief Financial Officer
(Principal Financial Officer)

**Exhibit 32.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**
**UNDER SECTION 906 OF THE SARBANES-OXLEY**
**ACT OF 2002, 18 U.S.C. SECTION 1350**

I, Sivasankaran Somasundaram, President and Chief Executive Officer of Apergy Corporation (the “Company”), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(a) The Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2019, as filed with the Securities and Exchange Commission (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(b) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

| | | |
|---|---|---|
| Date: | July 29, 2019 | /s/ SIVASANKARAN SOMASUNDARAM |
| | | Sivasankaran Somasundaram |
| | | President and Chief Executive Officer<br>(Principal Executive Officer) |

**Exhibit 32.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
UNDER SECTION 906 OF THE SARBANES-OXLEY
ACT OF 2002, 18 U.S.C. SECTION 1350**

I, Jay A. Nutt, Senior Vice President and Chief Financial Officer of Apergy Corporation (the “Company”), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(a) The Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2019, as filed with the Securities and Exchange Commission (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(b) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

| | | |
|---|---|---|
| Date: | July 29, 2019 | /s/ JAY A. NUTT |
| | | Jay A. Nutt |
| | | Senior Vice President and<br>Chief Financial Officer |
| | | (Principal Financial Officer) |