



CHAMPIONX

Earnings Conference Call

Fourth Quarter 2023

February 6, 2024

8:00am Central Time

Notices & Disclaimers



Forward-Looking Statements

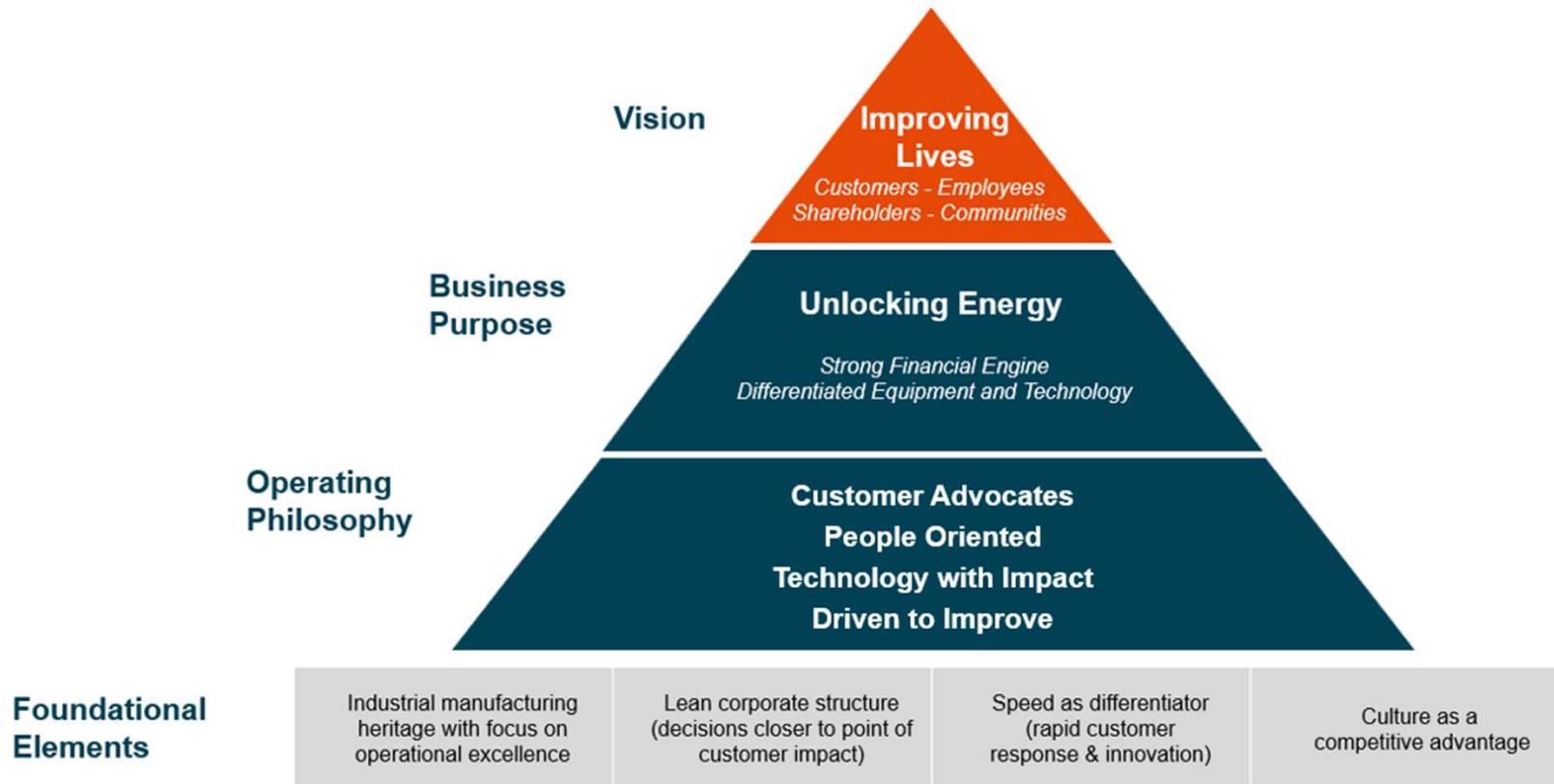
This investor presentation contains statements relating to future actions and results, which are "forward-looking statements" within the meaning of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. Such statements relate to, among other things, ChampionX's market position and growth opportunities. Forward-looking statements include statements related to ChampionX's expectations regarding the performance of the business, financial results, liquidity and capital resources of ChampionX. Forward-looking statements are subject to inherent risks and uncertainties that could cause actual results to differ materially from current expectations, including, but not limited to, changes in economic, competitive, strategic, technological, tax, regulatory or other factors that affect the operation of ChampionX's businesses. You are encouraged to refer to the documents that ChampionX files from time to time with the Securities and Exchange Commission ("SEC"), including the "Risk Factors" in ChampionX's Annual Report on Form 10-K for the fiscal year ended December 31, 2023, and in ChampionX's other filings with the SEC. Readers are cautioned not to place undue reliance on ChampionX's forward-looking statements. Forward-looking statements speak only as of the day they are made and ChampionX undertakes no obligation to update any forward-looking statement, except as required by applicable law.

Non-GAAP Measures

In addition to financial results determined in accordance with generally accepted accounting principles in the United States ("GAAP"), this presentation presents non-GAAP financial measures. Non-GAAP financial measures should be considered only as supplemental to, and not as superior to financial measures prepared in accordance with GAAP. Management believes that adjusted EBITDA, adjusted EBITDA margin, adjusted segment EBITDA, and adjusted segment EBITDA margin, provide useful information to investors regarding the Company's financial condition and results of operations because they reflect the core operating results of our businesses and help facilitate comparisons of operating performance across periods. In addition, free cash flow and free cash flow to adjusted EBITDA ratio are used by management to measure our ability to generate positive cash flow for debt reduction and to support our strategic objectives. A reconciliation of these non-GAAP measures to the comparable GAAP measures, including net income attributable to ChampionX, income before income taxes margin, cash flows from operating activities, and total debt, is included in the appendix herein and the financial tables accompanying our earnings release for the fourth quarter 2023 results.

Soma Somasundaram

President and Chief Executive Officer



Fourth Quarter and Full Year 2023 ChampionX Highlights

Strong Adjusted EBITDA, Adjusted EBITDA Margin and Free Cash Flow Momentum



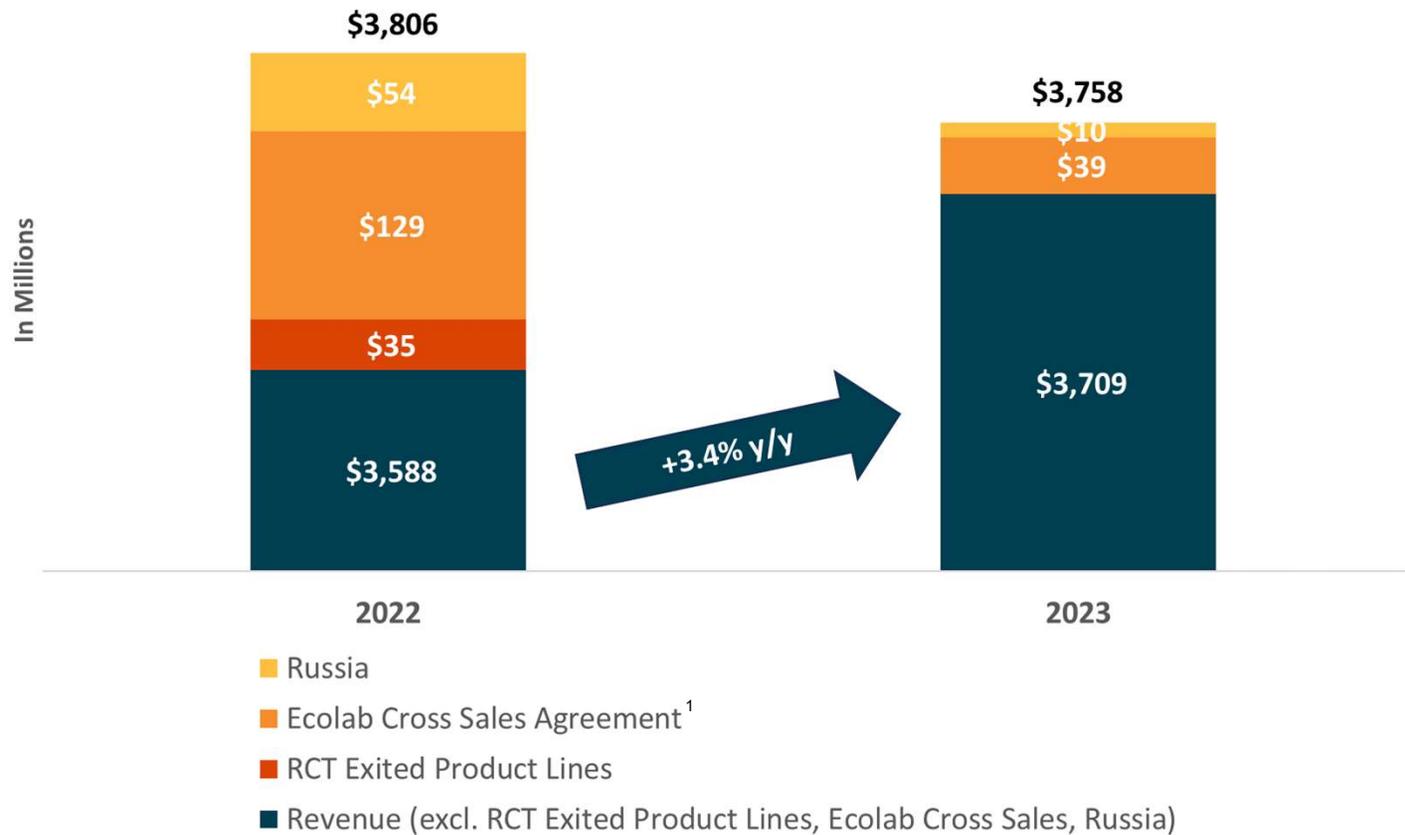
- **Robust full-year 2023 adjusted EBITDA growth**
 - Full-year 2023 adjusted EBITDA of \$771 million, up 25% year-over-year
- **Positive adjusted EBITDA margin momentum**
 - Q4 adjusted EBITDA margin of 21.0% is highest level since our ChampionX merger
 - Full-year 2023 adjusted EBITDA margin of 20.5%, up 431 basis points year-over-year
 - Q4 income before income taxes margin of 12.1%, full-year margin of 11.3%
- **Strong free cash flow generation**
 - Q4 cash flows from operating activities of \$169 million
 - Q4 free cash flow of \$140 million represented 71% of adjusted EBITDA
 - Full-year 2023 cash flows from operating activities of \$540 million
 - Full-year 2023 free cash flow of \$412 million represented 53% of adjusted EBITDA
- **Continued commitment to return capital to shareholders**
 - Returned 96% of free cash flow to shareholders in Q4, and 83% in full-year 2023
 - \$118 million of ChampionX share repurchases in Q4, \$277 million in full-year 2023
 - \$17 million regular cash dividend paid in Q4, \$65 million in full-year 2023

ChampionX Key Performance Metrics



Performance Metric	2022 Performance	2023 Performance
Revenue	\$3,806 million	\$3,758 million
Adjusted EBITDA	\$617 million	\$771 million
Adjusted EBITDA Margin	18.2% Exit Margin; 16.2% Full Year Margin	21.0% Exit Margin; 20.5% Full Year Margin
% of Adjusted EBITDA Converted to Free Cash Flow	53%	53%
Net Leverage	0.6x	0.4x S&P and Moody's upgrade
ROIC	14%	18%
Liquidity	\$889 million	\$959 million
Shareholder Returns (regular cash dividend + share repurchases)	\$226 million; 69% of Free Cash Flow	\$343 million; 83% of Free Cash Flow

ChampionX Revenue Detail

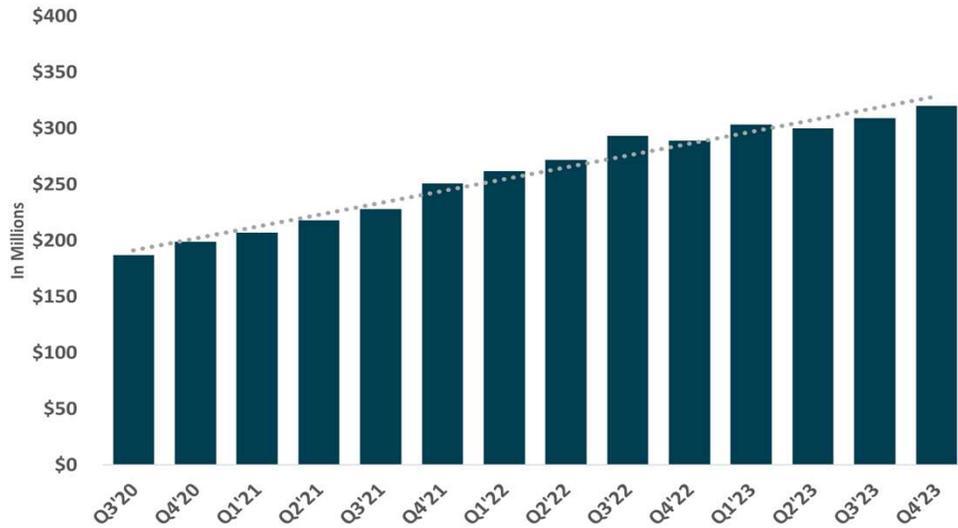


¹The sales related to the Cross Supply and Product Transfer Agreement with Ecolab were included within Corporate and Other from June 3, 2020, the date of the Merger, through June 30, 2023. Beginning, July 1, 2023, any sales are recognized in the Production Chemical Technologies segment.

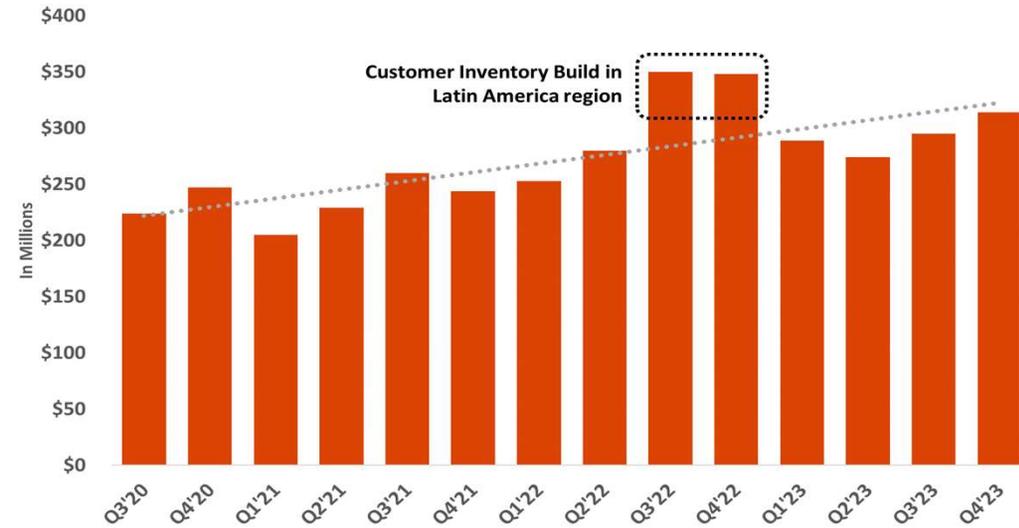
PCT Quarterly Revenue Trends



North America (steady growth)



International (growth with seasonality)



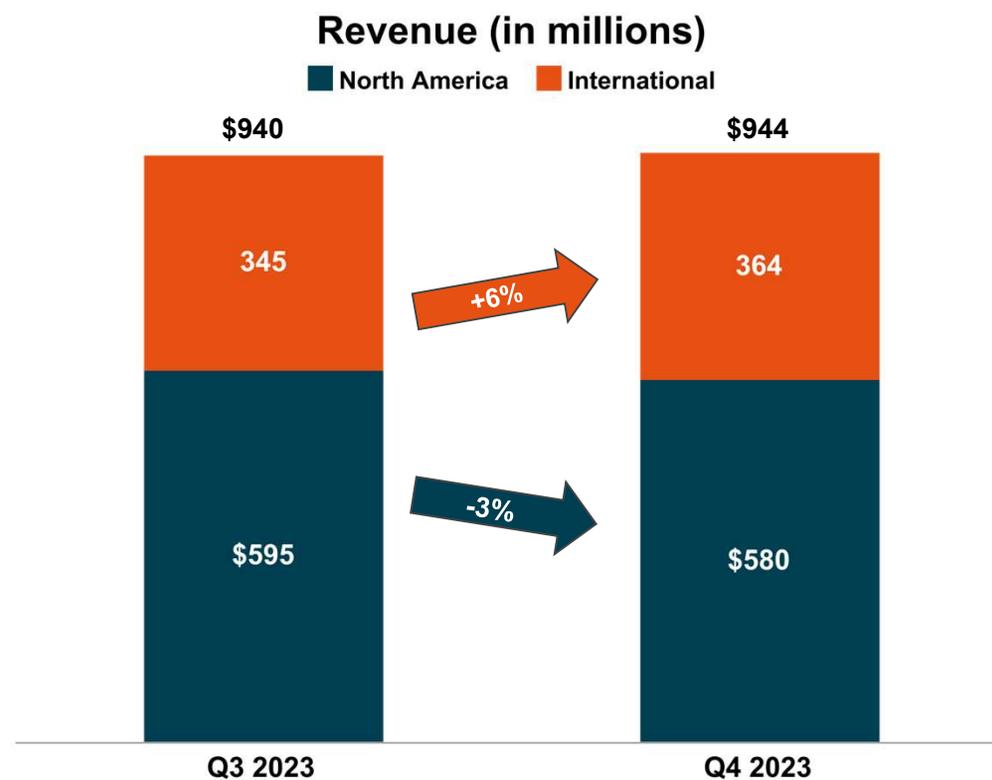
Ken Fisher

Executive Vice President & Chief Financial Officer

Fourth Quarter 2023 ChampionX Financial Highlights



- **ChampionX Q4 revenue of \$944 million**
 - Up slightly sequentially
- **International up 6% sequentially**
 - Driven by seasonal strength in Production Chemical Technologies international business
- **North America down 3% sequentially**
 - Seasonal declines in North American businesses into the year-end holidays

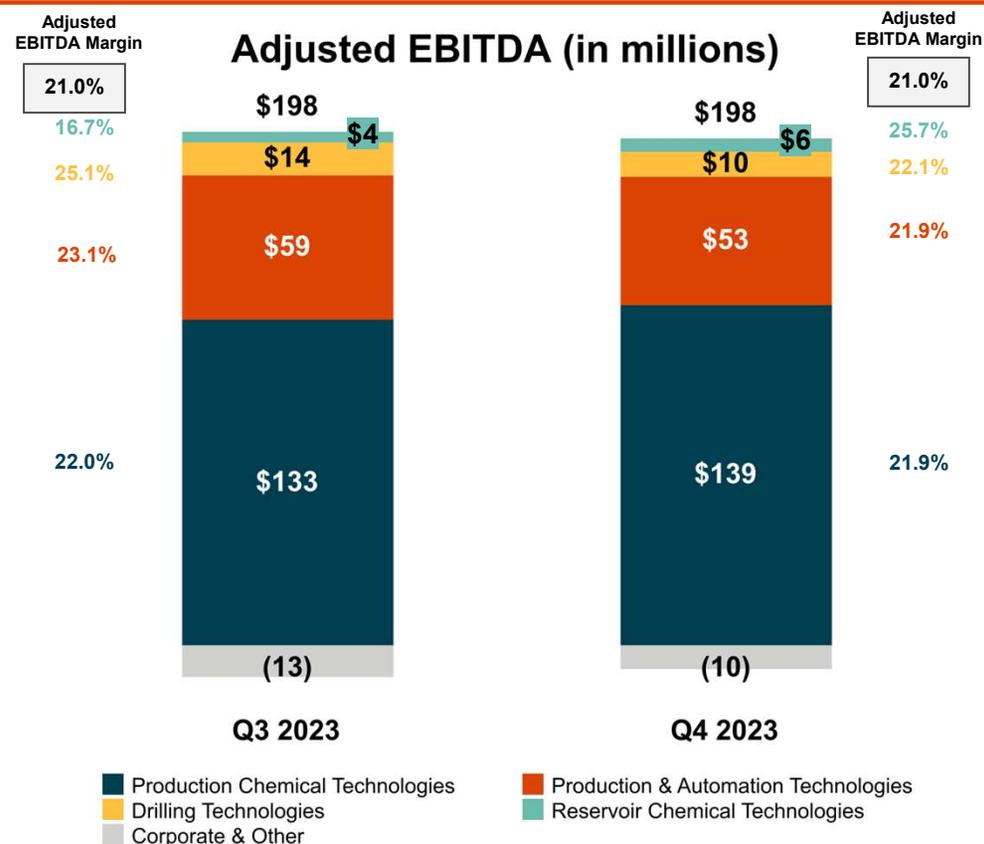


Fourth Quarter 2023 Financial Highlights *(continued)*



Achieved 21.0% Adjusted EBITDA Margin

- **Adjusted EBITDA of \$198 million**
 - Adjusted EBITDA margin of 21.0%, flat sequentially
- **Net income attributable to CHX of \$77 million and adjusted net income attributable to CHX of \$86 million**
- **Production & Automation Technologies and Drilling Technologies impacted by typical seasonal declines in U.S. land into the year-end holidays**
- **Corporate expense returned to more normal level**

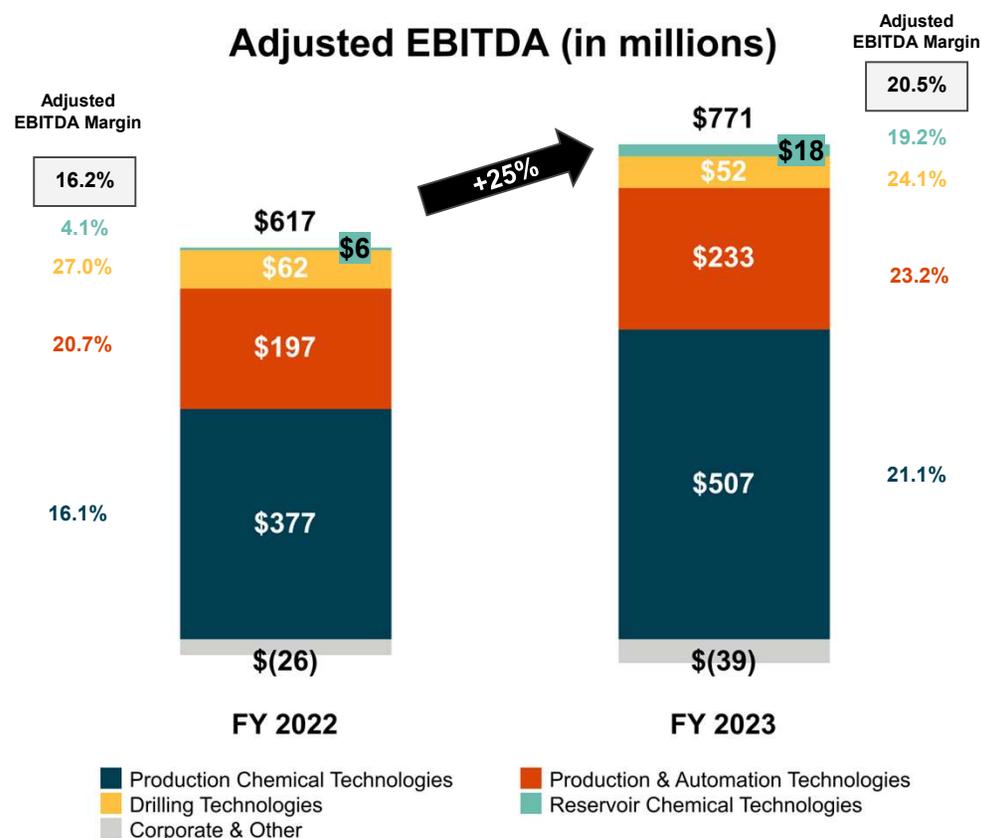


Full Year 2023 Financial Highlights



Achieved 20.5% Adjusted EBITDA Margin

- **Adjusted EBITDA of \$771 million**
 - Up 25% year-over-year
- **Net income attributable to CHX of \$314 million and adjusted net income attributable to CHX of \$358 million**
- **Adjusted EBITDA margin of 20.5%**
 - Up 431 basis points year-over-year
 - Driven by improvements in pricing realizations, productivity, and cost management



Financial Position

Utilizing Strong Free Cash Flow Profile To Return Capital To Shareholders

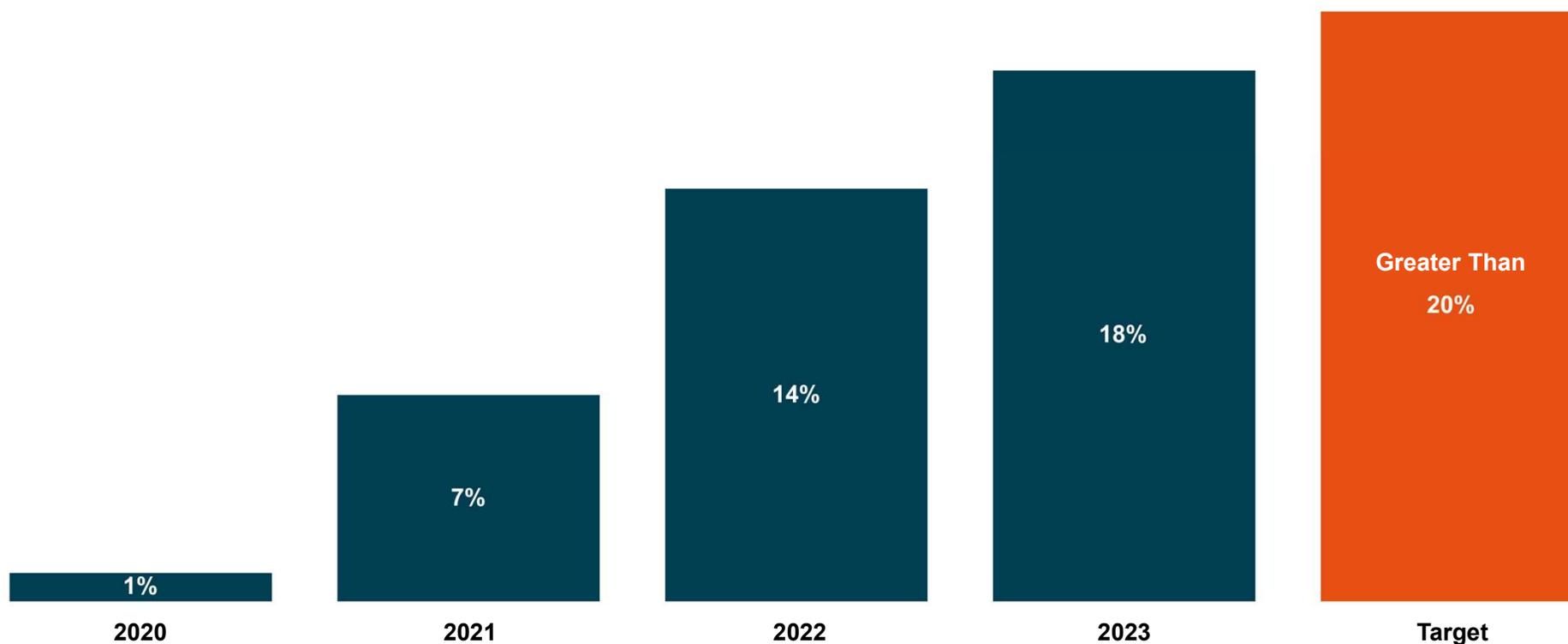


- Financial liquidity of \$959 million
 - \$289 million of cash and \$670 million available on revolving credit facility
- 0.4x net debt to trailing 12 months adjusted EBITDA
- Delivering on commitment to return capital to shareholders
 - Returned \$135 million, 96% of Q4 free cash flow to shareholders via:
 - \$17 million regular cash dividend payment
 - \$118 million of share repurchases
 - Since inception, Share Repurchase Program has returned \$458 million to shareholders
 - **Board approved increase in Share Repurchase Program authorization to \$1.5 billion**
 - **Board approved a 12% increase in regular quarterly dividend to \$0.095 per share**

Return on Invested Capital (ROIC)



Improving Returns Since Merger – Targeting greater than 20% (as reported)



ROIC = Adjusted net operating profit / (total assets – total liabilities excluding long-term debt)

First Quarter 2024 Outlook



On a consolidated basis in the first quarter of 2024, we expect:

- Revenue of \$908 million to \$938 million
 - Expect typical seasonal declines internationally, partially offset by sequential improvement in our North America business
- Adjusted EBITDA of \$179 million to \$189 million

For full year 2024, we expect:

- Adjusted EBITDA to free cash flow conversion of at least 50%
- Return of at least 60% of free cash flow to our shareholders
- Capital expenditures of ~3.5% of revenue

Note: This presentation also contains certain forward-looking non-GAAP financial measures, including adjusted EBITDA. Due to the forward-looking nature of the aforementioned non-GAAP financial measure, management cannot reliably or reasonably predict certain of the necessary components of the most directly comparable forward-looking GAAP measures, such as net income. Accordingly, we are not able to present a quantitative reconciliation of such forward-looking non-GAAP financial measures to their most directly comparable forward-looking GAAP financial measures. Amounts excluded from these non-GAAP measures in the future could be significant.

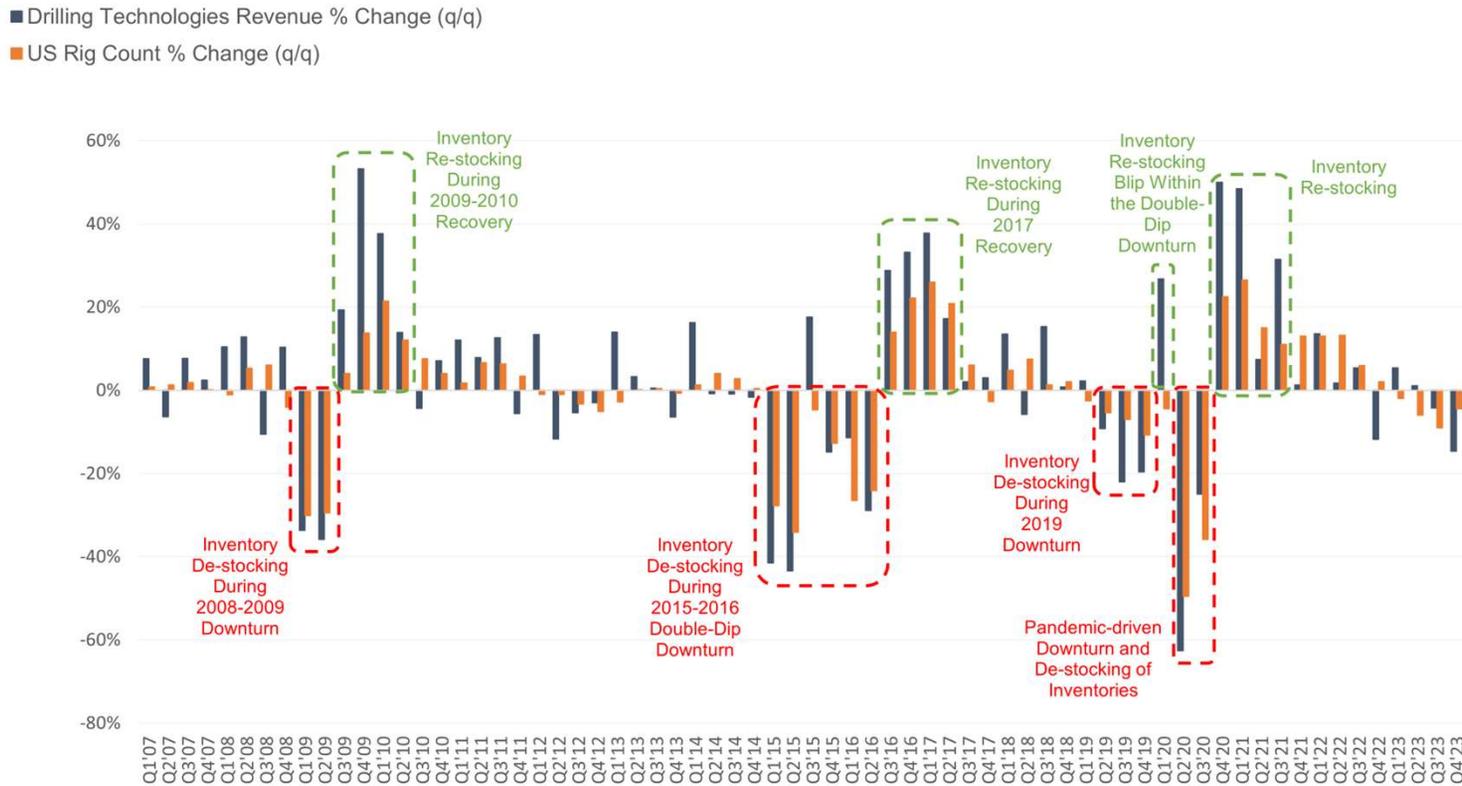
Soma Somasundaram

President and Chief Executive Officer

Appendix

Drilling Technologies

Polycrystalline Diamond Cutter De-stocking and Re-stocking Cycles



Reconciliations of GAAP to non-GAAP Financial Measures

Net Income Attributable to ChampionX to Adjusted EBITDA and Free Cash Flow

(in thousands)	Three Months Ended			Years Ended	
	Dec 31, 2023	Sep 30, 2023	Dec 31, 2022	December 31, 2023	December 31, 2022
Net income attributable to ChampionX	\$ 77,198	\$ 77,711	\$ 67,857	\$ 314,238	\$ 154,969
Pre-tax adjustments:					
Loss on disposal groups (1)	—	—	1,978	12,965	18,493
Russia sanctions compliance and impacts (2)	160	95	(2,909)	1,209	928
Goodwill impairment	—	—	39,617	—	39,617
Loss on debt extinguishment and modification	—	—	—	—	6,070
Restructuring and other related charges	2,407	1,228	(16,784)	13,387	65,158
Merger integration costs	—	—	1,001	245	10,759
Acquisition costs and related adjustments (3)	(6,817)	—	(7,112)	(12,670)	(17,648)
Intellectual property defense	638	220	27	1,545	781
Merger-related indemnification responsibility	—	722	—	722	—
Separation and supplemental benefit costs	—	—	—	—	—
Tulsa, Oklahoma storm damage	660	1,895	—	3,162	—
Foreign currency transaction losses, net	14,651	7,992	574	36,334	9,110
Tax impact of adjustments	(2,600)	(2,702)	3,604	(12,650)	(20,940)
Adjusted net income attributable to ChampionX	<u>86,297</u>	<u>87,161</u>	<u>87,853</u>	<u>358,487</u>	<u>267,297</u>
Tax impact of adjustments	2,600	2,702	(3,604)	12,650	20,940
Net income (loss) attributable to noncontrolling interest	959	3,081	(1,588)	4,481	1,594
Depreciation and amortization	58,710	61,839	64,119	235,936	241,880
Provision for income taxes	35,771	29,009	21,008	105,105	40,243
Interest expense, net	13,808	13,744	11,622	54,562	45,204
Adjusted EBITDA	<u>\$ 198,145</u>	<u>\$ 197,536</u>	<u>\$ 179,410</u>	<u>\$ 771,221</u>	<u>\$ 617,158</u>
Free Cash Flow					
Cash flows from operating activities	\$ 168,953	\$ 163,030	\$ 195,093	\$ 540,271	\$ 413,360
Less: Capital expenditures, net of proceeds from sale of fixed assets	(29,142)	(48,469)	(26,463)	(127,779)	(84,791)
Free cash flow	<u>\$ 139,811</u>	<u>\$ 114,561</u>	<u>\$ 168,630</u>	<u>\$ 412,492</u>	<u>\$ 328,569</u>

(1) Amounts represent the loss recorded to properly adjust the carrying value of our CT Russia Business to the lower of carrying value or fair value less costs to sell.

(2) Includes charges incurred related to legal and professional fees to comply with, as well as additional foreign currency exchange losses associated with, the sanctions imposed in Russia.

(3) Includes revenue associated with the amortization of a liability established as part of the merger transaction with Ecolab Inc. ("Ecolab") to acquire the Chemical Technologies business, representing unfavorable terms under the Cross Supply Agreement, as well as costs incurred for the acquisition of businesses. During the fourth quarter of 2023, we recorded a fair value adjustment to contingent consideration on a prior acquisition as well as the settlement of an item pursuant to the tax matters agreement with Ecolab.

Reconciliations of GAAP to non-GAAP Financial Measures

(in thousands)	Three Months Ended			Years Ended	
	December 31, 2023	Sep 30, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Income before income taxes:					
Segment operating profit (loss):					
Production Chemical Technologies	\$ 102,179	\$ 94,560	\$ 96,418	\$ 350,216	\$ 239,936
Production & Automation Technologies	22,110	28,299	18,104	118,409	89,133
Drilling Technologies	8,679	12,255	9,426	45,481	54,512
Reservoir Chemical Technologies	3,907	2,461	(16,884)	10,541	(90,212)
Total segment operating profit	136,875	137,575	107,064	524,647	293,369
Corporate and other	9,139	14,030	8,165	46,261	51,359
Interest expense, net	13,808	13,744	11,622	54,562	45,204
Income before income taxes	\$ 113,928	\$ 109,801	\$ 87,277	\$ 423,824	\$ 196,806
Operating profit margin / income before income taxes margin:					
Production Chemical Technologies	16.1 %	15.6 %	15.1 %	14.6 %	10.2 %
Production & Automation Technologies	9.2 %	11.0 %	7.4 %	11.8 %	9.3 %
Drilling Technologies	18.5 %	22.3 %	17.5 %	21.1 %	23.8 %
Reservoir Chemical Technologies	18.3 %	9.8 %	(65.7)%	11.0 %	(62.1)%
ChampionX Consolidated	12.1 %	11.7 %	8.9 %	11.3 %	5.2 %

Reconciliations of GAAP to non-GAAP Financial Measures

Net Income (Loss) Attributable to ChampionX to Adjusted Net Operating Profit



(in thousands)	Years Ended December 31,			
	2023	2022	2021	2020
Net income (loss) attributable to ChampionX	\$ 314,238	\$ 154,969	\$ 113,299	\$ (743,930)
Pre-tax adjustments:				
Restructuring and other related charges	13,387	65,158	14,624	23,291
Goodwill and long-lived asset impairment	—	39,617	—	657,251
Loss(gain) on disposal groups	12,965	18,493	(38,131)	—
Acquisition and integration related costs	245	10,759	35,233	84,779
Acquisition costs and related adjustments	(12,670)	(17,648)	(13,636)	6,463
Loss on debt extinguishment and modification	—	6,070	11,098	—
Russia sanctions compliance and impacts	1,209	928	—	—
Intellectual property defense	1,545	781	6,622	1,278
Separation and supplemental benefit costs	—	—	1,559	539
Latin America tax matters	—	—	(2,968)	—
Professional fees related to material weakness remediation and impairment analysis	—	—	—	6,240
Merger-related indemnification responsibility	722	—	—	—
Tulsa, Oklahoma storm damage	3,162	—	—	—
Foreign currency transaction losses, net	36,334	9,110	4,104	4,450
Tax impact of adjustments	(12,650)	(20,940)	(3,886)	(62,350)
Adjusted net income (loss) attributable to ChampionX	358,487	267,297	127,918	(21,989)
Tax impact of adjustments	12,650	20,940	3,886	62,350
Net income attributable to noncontrolling interest	4,481	1,594	941	1,577
Depreciation and amortization	235,936	241,880	237,285	214,362
Provision for (benefit from) income taxes	105,105	40,243	38,445	(20,396)
Interest expense, net	54,562	45,204	51,921	51,731
Adjusted EBITDA	\$ 771,221	\$ 617,158	\$ 460,396	\$ 287,635
Adjusted operating profit				
Less: Net income attributable to noncontrolling interest	\$ (4,481)	\$ (1,594)	\$ (941)	\$ (1,577)
Less: Depreciation and amortization	(235,936)	(241,880)	(237,285)	(214,362)
Less: Adjusted provision for income taxes	(130,175)	(61,999)	(55,167)	(43,295)
Adjusted operating profit	\$ 400,629	\$ 311,685	\$ 167,003	\$ 28,401