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

FORM 10-Q

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

For the quarterly period ended September 30, 2024

or

☐ **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

ChampionX 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 **The Woodlands, Texas**	**77381**
(Address of principal executive offices)	(Zip Code)

(281) 403-5772
(Registrant's telephone number, including area code)

(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	CHX	The Nasdaq Stock Market LLC

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 ☐

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 ☐

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	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

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

The registrant had 190.5 million shares of common stock, $0.01 par value, outstanding as of October 17, 2024.

CHAMPIONX 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 and assumptions (some of which are significant or beyond our control) 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 are those set forth in Part I, Item 1A, "Risk Factors," of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 and in Part II, Item 1A, "Risk Factors," in this Quarterly Report on Form 10-Q, and include the following:

- The impact of the Merger Agreement (as defined below), including the disruption of management's attention from ongoing operations, an inability to complete the Merger (as defined below) due to failure to obtain required regulatory approvals or satisfy other closing conditions, the risk that if the Merger is not completed, the market price of our common stock could decline, the risk that we may not be able to retain key personnel, the impact on our relationships with our customers and suppliers, the impact on our operations, the occurrence of any event, change or other circumstances that could give rise to the termination of the Merger Agreement.
- Demand for, and profitability of our products and services, is affected by changes in the price of, and demand for, crude oil and natural gas in domestic and international markets;
- Cost inflation and availability of raw materials;
- The impact of inflation on wholesale product costs, labor rates, transportation costs, and on our customers' financial position and ability to purchase our products;
- Global economic conditions, geopolitical issues, supply chain disruptions, and availability and cost of credit, and the impact thereof on our operations and those of our customers and suppliers;
- Changes in the amount of or types of products and services our customers buy from us due to their decreased spending or demand changes that could reduce our revenues or profit margin;
- Our ability to successfully compete with other companies in our industry;
- Our ability to develop and implement or introduce new technologies, products, and services, as well as our ability to protect and maintain intellectual property assets;
- Our ability to successfully execute potential acquisitions and integrate acquired businesses;
- Potential liabilities arising out of the installation, use or manufacturing of our products or from a chemical spill, release or other hazard;
- Manufacturing disruptions, particularly with respect to our chemical products, including as a result of fires, explosions and chemical spills, releases or discharges;
- Continuing consolidation within our customers' industry;
- Credit risks related to our customer base or the loss of significant customers;
- Risks relating to our existing international operations and expansion into new geographical markets;
- Risks relating to improper conduct by any of our employees, agents or business partners;
- Failure to attract, retain and develop personnel;
- The impact of natural disasters and other unusual weather conditions on our business;
- Investor sentiment towards companies in the oil and gas industry due to climate change, fossil fuels and other environmental, social and governance matters;
- Changes in domestic and foreign governmental public policies and actions of governments that impact oil and gas operations or favor renewable energy projects, risks associated with entry into emerging markets, changes in statutory tax rates and unanticipated outcomes with respect to tax audits;
- Disruptions in the political, regulatory, economic and social conditions of the countries in which we conduct business;
- Fluctuations in currency markets worldwide;
- The impact of our indebtedness on our financial position and operating flexibility;
- Disruptions in the capital and credit markets;
- The impact of war, terrorism and civil unrest;

- Risks relating to information technology and cybersecurity, including the potential for cyberattacks or security breaches that could disrupt our or our partners' or suppliers' operations, compromise confidential or otherwise protected information, damage our reputation, expose us to legal liability, or cause financial losses;
- 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; and
- The impact of tariffs and other trade measures on our business.

We wish to caution you not to place undue reliance on any forward-looking statements, which speak only as of the date hereof. 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

CHAMPIONX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(in thousands, except per share data)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Revenue:				
Product revenue	$ 771,827	$ 827,659	$ 2,342,866	$ 2,474,098
Service revenue	105,012	86,849	296,072	268,739
Lease and other revenue	29,694	25,275	83,008	71,893
Total revenue	906,533	939,783	2,721,946	2,814,730
Cost of goods and services	608,764	647,923	1,845,127	1,957,309
Gross profit	297,769	291,860	876,819	857,421
Costs and expenses:				
Selling, general and administrative expense	180,501	162,317	535,910	485,617
(Gain) loss on sale-leaseback transaction and disposal group	57	—	(29,826)	12,965
Interest expense, net	14,137	13,744	43,493	40,754
Foreign currency transaction losses, net	3,505	7,992	793	21,683
Other expense (income), net	(2,176)	(1,994)	1,689	(13,494)
Income before income taxes	101,745	109,801	324,760	309,896
Provision for income taxes	28,078	29,009	82,542	69,334
Net income	73,667	80,792	242,218	240,562
Net income attributable to noncontrolling interest	1,659	3,081	4,718	3,522
Net income attributable to ChampionX	$ 72,008	$ 77,711	$ 237,500	$ 237,040
Earnings per share attributable to ChampionX:				
Basic	$ 0.38	$ 0.40	$ 1.25	$ 1.20
Diluted	$ 0.37	$ 0.39	$ 1.23	$ 1.18
Weighted-average shares outstanding:				
Basic	190,496	195,881	190,575	197,058
Diluted	193,362	199,592	193,655	201,025

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

CHAMPIONX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

(in thousands)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Net income	$ 73,667	$ 80,792	$ 242,218	$ 240,562
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	13,808	(13,144)	(3,730)	(14,800)
Cash flow hedges	(5,653)	6,164	(1,944)	1,706
Defined pension and other post-retirement benefits adjustments, net	245	59	448	10
Other comprehensive income (loss)	8,400	(6,921)	(5,226)	(13,084)
Comprehensive income	82,067	73,871	236,992	227,478
Less: Comprehensive income attributable to noncontrolling interest	1,659	3,081	4,718	3,522
Comprehensive income attributable to ChampionX	$ 80,408	$ 70,790	$ 232,274	$ 223,956

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

CHAMPIONX CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in thousands, except share data)	September 30, 2024	December 31, 2023
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 389,109	$ 288,557
Receivables, net of allowances of $6,068 in 2024 and $5,734 in 2023	434,107	534,534
Inventories, net	546,817	521,549
Assets held for sale	14,839	15,565
Prepaid expenses and other current assets	53,379	65,212
Total current assets	1,438,251	1,425,417
Property, plant, and equipment, net of accumulated depreciation of $844,077 in 2024 and $781,367 in 2023	760,775	773,552
Goodwill	729,783	669,064
Intangible assets, net	270,361	243,553
Operating lease right-of-use assets	106,698	69,561
Other non-current assets	71,792	60,555
Total assets	$ 3,377,660	$ 3,241,702
LIABILITIES AND EQUITY		
Current Liabilities:		
Current portion of long-term debt	$ 6,203	$ 6,203
Accounts payable	455,485	451,680
Accrued compensation and employee benefits	91,973	109,626
Current portion of operating lease liabilities	21,111	23,292
Accrued distributor fees	—	56,443
Accrued expenses and other current liabilities	165,414	135,505
Total current liabilities	740,186	782,749
Long-term debt	592,161	594,283
Deferred income taxes	69,462	71,497
Operating lease liabilities	82,924	41,975
Other long-term liabilities	93,910	90,167
Total liabilities	1,578,643	1,580,671
Stockholders' equity:		
Common stock (2.5 billion shares authorized, $0.01 par value) 190.5 million shares and 191.3 million shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively	1,905	1,913
Capital in excess of par value of common stock	2,157,822	2,166,911
Accumulated deficit	(303,665)	(455,676)
Accumulated other comprehensive loss	(41,752)	(36,526)
ChampionX stockholders' equity	1,814,310	1,676,622
Noncontrolling interest	(15,293)	(15,591)
Total equity	1,799,017	1,661,031
Total liabilities and equity	$ 3,377,660	$ 3,241,702

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

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

	Common Stock						
(in thousands)	Shares	Par Value	Capital in Excess of Par Value	Accum. Deficit	Accum. Other Comp. Loss	Non-controlling Interest	Total
December 31, 2023	191,135	$ 1,913	$ 2,166,911	$ (455,676)	$ (36,526)	$ (15,591)	$ 1,661,031
Net income	—	—	—	112,923	—	237	113,160
Other comprehensive loss	—	—	—	—	(6,985)	—	(6,985)
Stock-based compensation	677	7	6,166	—	—	—	6,173
Stock options exercised	168	2	915	—	—	—	917
Taxes withheld on issuance of stock-based awards	—	—	(11,821)	—	—	—	(11,821)
Dividends declared to common stockholders ($0.095 per share)	—	—	—	(17,967)	—	—	(17,967)
Repurchase and cancellation of common stock	(1,611)	(18)	(18,288)	(31,093)	—	—	(49,399)
Cumulative translation adjustments	—	—	—	—	—	65	65
March 31, 2024	190,369	$ 1,904	$ 2,143,883	$ (391,813)	$ (43,511)	$ (15,289)	$ 1,695,174
Net income	—	—	—	52,569	—	2,822	55,391
Other comprehensive loss	—	—	—	—	(6,641)	—	(6,641)
Stock-based compensation	9	—	6,505	—	—	—	6,505
Stock options exercised	81	1	595	—	—	—	596
Taxes withheld on issuance of stock-based awards	—	—	(136)	—	—	—	(136)
Dividends declared to common stockholders ($0.095 per share)	—	—	—	(18,201)	—	—	(18,201)
Cumulative translation adjustments	—	—	—	—	—	(38)	(38)
Distributions to noncontrolling interest	—	—	—	—	—	(3,417)	(3,417)
June 30, 2024	190,459	$ 1,905	$ 2,150,847	$ (357,445)	$ (50,152)	$ (15,922)	$ 1,729,233
Net income	—	—	—	72,008		1,659	73,667
Other comprehensive income	—	—	—	—	8,400	—	8,400
Stock-based compensation	5	—	6,646	—	—	—	6,646
Stock options exercised	60	—	384	—	—	—	384
Taxes withheld on issuance of stock-based awards	—	—	(55)	—	—	—	(55)
Dividends declared to common stockholders ($0.095 per share)	—	—	—	(18,228)	—	—	(18,228)
Distributions to noncontrolling interest	—	—	—	—	—	(1,037)	(1,037)
Cumulative translation adjustments	—	—	—	—	—	7	7
September 30, 2024	190,524	$ 1,905	$ 2,157,822	$ (303,665)	$ (41,752)	$ (15,293)	$ 1,799,017

(in thousands)	Common Stock Shares	Common Stock Par Value	Capital in Excess of Par Value	Accum. Deficit	Accum. Other Comp. Loss	Non-controlling Interest	Total
December 31, 2022	198,466	$ 1,985	$ 2,249,698	$ (527,603)	$ (29,530)	$ (17,335)	$ 1,677,215
Net income	—	—	—	63,532	—	(388)	63,144
Other comprehensive loss	—	—	—	—	(15,312)	—	(15,312)
Stock-based compensation	327	3	5,231	—	—	—	5,234
Stock options exercised	481	5	3,009	—	—	—	3,014
Taxes withheld on issuance of stock-based awards	—	—	(5,100)	—	—	—	(5,100)
Dividends declared to common stockholders ($0.085 per share)	—	—	—	(16,784)	—	—	(16,784)
Repurchase and cancellation of common stock	(1,302)	(13)	(14,811)	(25,603)	—	—	(40,427)
Distributions to noncontrolling interest	—	—	—	—	—	(823)	(823)
Cumulative translation adjustments	—	—	—	—	—	8	8
March 31, 2023	197,972	$ 1,980	$ 2,238,027	$ (506,458)	$ (44,842)	$ (18,538)	$ 1,670,169
Net income	—	—	—	95,797	—	829	96,626
Other comprehensive income	—	—	—	—	9,149	—	9,149
Stock-based compensation	180	2	6,339	—	—	—	6,341
Stock options exercised	27	—	24	—	—	—	24
Taxes withheld on issuance of stock-based awards	—	—	(2,039)	—	—	—	(2,039)
Dividends declared to common stockholders ($0.085 per share)	—	—	—	(16,758)	—	—	(16,758)
Repurchase and cancellation of common stock	(1,883)	(19)	(21,442)	(29,729)	—	—	(51,190)
June 30, 2023	196,296	$ 1,963	$ 2,220,909	$ (457,148)	$ (35,693)	$ (17,709)	$ 1,712,322
Net income	—	—	—	77,711	—	3,081	80,792
Other comprehensive loss	—	—	—	—	(6,921)	—	(6,921)
Stock-based compensation	129	1	6,088	—	—	—	6,089
Stock options exercised	444	5	2,754	—	—	—	2,759
Taxes withheld on issuance of stock-based awards	—	—	(2,593)	—	—	—	(2,593)
Dividends declared to common stockholders ($0.085 per share)	—	—	—	(16,718)	—	—	(16,718)
Repurchase and cancellation of common stock	(1,883)	(19)	(21,418)	(46,676)	—	—	(68,113)
Distributions to noncontrolling interest	—	—	(766)	—	—	(716)	(1,482)
Cumulative translation adjustments	—	—	—	—	—	(7)	(7)
September 30, 2023	194,986	$ 1,950	$ 2,204,974	$ (442,831)	$ (42,614)	$ (15,351)	$ 1,706,128

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

CHAMPIONX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(in thousands)	Nine Months Ended September 30, 2024	2023
Cash flows from operating activities:		
Net income	$ 242,218	$ 240,562
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	183,291	177,226
(Gain) loss on sale-leaseback transaction and disposal group	(29,826)	12,965
Loss on Argentina Blue Chip Swap transaction	7,086	—
Stock-based compensation	19,324	17,664
Provision for inventory obsolescence and write-downs	11,339	16,354
Deferred income taxes	(16,810)	(15,380)
Loss (gain) on disposal of fixed assets	868	(1,480)
Amortization of deferred loan costs and accretion of discount	3,180	3,044
Other	4,796	4,791
Changes in operating assets and liabilities (net of effects of foreign exchange):		
Receivables	115,269	85,181
Inventories	(40,118)	(50,011)
Leased assets	(24,193)	(38,597)
Other assets	6,665	17,470
Accounts payable	(30,577)	(7,018)
Other liabilities	(70,081)	(91,453)
Net cash flows provided by operating activities	382,431	371,318
Cash flows from investing activities:		
Capital expenditures	(101,403)	(110,965)
Proceeds from sale of fixed assets	9,323	12,328
Proceeds from sale-leaseback transaction	44,292	—
Purchase of investments	(31,526)	—
Sale of investments	24,358	—
Acquisitions, net of cash acquired	(123,269)	—
Net cash used for investing activities	(178,225)	(98,637)
Cash flows from financing activities:		
Proceeds from long-term debt	—	15,500
Repayment of long-term debt	(4,652)	(43,625)
Payment of debt issue costs	—	(1,028)
Repurchases of common stock	(49,399)	(159,730)
Dividends paid	(52,430)	(48,309)
Payments related to taxes withheld on stock-based compensation	(12,012)	(9,732)
Proceeds expected to be remitted under the Accounts Receivable Facility	28,463	14,032
Other	(12,597)	(3,656)
Net cash used for financing activities	(102,627)	(236,548)
Effect of exchange rate changes on cash and cash equivalents	(1,027)	(1,314)
Net increase in cash and cash equivalents	100,552	34,819
Cash and cash equivalents at beginning of period	288,557	250,187
Cash and cash equivalents at end of period	$ 389,109	$ 285,006

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

CHAMPIONX CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1—BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Business

ChampionX Corporation is a global leader in chemistry solutions, artificial lift systems, and highly engineered equipment and technologies that help companies drill for and produce oil and gas safely, efficiently, and sustainably around the world. Our expertise, innovative products, and digital technologies provide enhanced oil and gas production, transportation, and real-time emissions monitoring throughout the lifecycle of a well.

Unless the context requires otherwise, references in this report to “we,” “us,” “our,” “the Company,” or “ChampionX” mean ChampionX Corporation, together with its subsidiaries where the context requires.

Merger Agreement

On April 2, 2024, ChampionX entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Schlumberger Limited, a Curaçao corporation (“SLB”), Sodium Holdco, Inc., a Delaware corporation and indirect wholly owned subsidiary of SLB, (“Holdco”), and Sodium Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of SLB and Holdco (“Merger Sub”), pursuant to which, and subject to the terms and conditions therein, Merger Sub will be merged with and into ChampionX (the “Merger,” together with the other transactions contemplated by the Merger Agreement, the “Transactions”), with ChampionX surviving the Merger as an indirect wholly owned subsidiary of SLB.

Pursuant to the Merger Agreement, at the effective time of the Merger (the “Effective Time”) and by virtue of the Merger, each share of common stock, par value $0.01 per share, of ChampionX issued and outstanding immediately prior to the Effective Time (other than any shares of ChampionX common stock held in the treasury of ChampionX or held by SLB, Holdco or any direct or indirect wholly owned subsidiary of SLB, in each case except for any such shares held on behalf of third parties) will be converted, without any action on the part of the holder thereof, into the right to receive 0.735 shares of common stock, par value $0.01 per share, of SLB (“SLB Common Stock”), which shares will be duly authorized and validly issued in accordance with applicable laws (the “Equity Consideration”) and, if applicable, cash in lieu of fractional shares.

The Merger Agreement contains certain termination rights for each of ChampionX and SLB. Upon termination of the Merger Agreement under specified circumstances, including the termination (1) by either party if certain Mutual Legal Restraints (as defined below) exist, specified regulatory approvals have not been obtained or if the consummation of the Merger does not occur on or prior to April 2, 2025 (subject to an automatic extension to October 2, 2025 under specified circumstances) and the parties will have satisfied conditions to the Merger (subject to certain exceptions) or (2) by SLB under specified circumstances, SLB would be required to pay ChampionX a termination fee of $326.6 million.

During the nine months ended September 30, 2024, we recorded third party legal and professional fees of $23.4 million in connection with the Merger Agreement with SLB. These costs are reflected in selling, general and administrative expense within our condensed consolidated statement of income.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of ChampionX 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 fiscal year ended December 31, 2023.

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 statement 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, 2024.

Significant Accounting Policies

Please refer to "Note 1─Basis of Presentation and Summary of Significant Accounting Policies" to our consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 for the discussion of our significant accounting policies.

New Accounting Standards Issued

In November 2023, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2023-07, *"Segment Reporting - Improvements to Reportable Segment Disclosures"* which requires a public business entity to disclose its significant segment expense categories and amounts for each reportable segment. A significant segment expense is an expense that is significant to the segment, regularly provided to or easily computed from information regularly provided to the chief operating decision maker, and included in the reported measure of segment profit or loss. The guidance is effective for fiscal years beginning after December 15, 2023, and interim periods in fiscal years beginning after December 15, 2024, with early adoption permitted.

In December 2023, the Financial Accounting Standards Board issued ASU 2023-09, *"Improvements to Income Tax Disclosure"* which requires a public business entity to disclose disaggregated information about the entity's effective tax rate reconciliation, using both percentages and reporting currency amounts for specific standardized categories. Separate disclosures will be required for any reconciling items that are equal to or greater than a specified quantitative threshold. The guidance is effective for annual periods beginning after December 15, 2024, with early adoption permitted.

NOTE 2—SEGMENT INFORMATION

Our reporting segments are:

- Production Chemical Technologies—provides oil and natural gas production and midstream markets with solutions to manage and control corrosion, oil and water separation, flow assurance, sour gas treatment and a host of water-related issues.

- Production & Automation Technologies—designs, manufactures, markets and services a full range of artificial lift equipment, and end-to-end digital automation solutions, as well as other production equipment and asset monitoring technologies. Production & Automation Technologies' products are sold under a collection of brands including Harbison-Fischer, Norris, Alberta Oil Tool, Oil Lift Technology, PCS Ferguson, Pro-Rod, Upco, Unbridled ESP, Norriseal-Wellmark, Quartzdyne, Spirit, Theta, Timberline, Windrock, Artificial Lift Performance and RMSpumptools.

- Drilling Technologies—designs, manufactures and markets polycrystalline diamond cutters and bearings for use in oil and gas drill bits under the US Synthetic brand.

- Reservoir Chemical Technologies—manufactures specialty products that support well stimulation, construction (including drilling and cementing) and remediation needs in the oil and natural gas industry.

We refer to our Production Chemical Technologies segment and our Reservoir Chemical Technologies segment collectively as our Chemical Technologies business. Although Reservoir Chemical Technologies is not required to be disclosed separately as a reportable segment based on materiality, management believes the additional information may contribute to a better understanding of the business. Other business activities that do not meet the criteria of an operating segment have been combined into Corporate and other. Corporate and other includes (i) corporate and overhead expenses, and (ii) revenue and costs for activities that are not operating segments.

Segment revenue and segment operating profit

(in thousands)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Segment revenue:				
Production Chemical Technologies	$ 559,539	$ 604,254	$ 1,719,224	$ 1,770,240
Production & Automation Technologies	275,700	256,148	772,801	761,852
Drilling Technologies	51,792	54,869	159,886	168,900
Reservoir Chemical Technologies	20,531	25,093	72,359	74,752
Corporate and other [(1)]	(1,029)	(581)	(2,324)	38,986
Total revenue	$ 906,533	$ 939,783	$ 2,721,946	$ 2,814,730
Segment operating profit (loss):				
Production Chemical Technologies	$ 87,260	$ 94,560	$ 260,480	$ 248,037
Production & Automation Technologies	34,136	28,299	84,813	96,299
Drilling Technologies	11,501	12,255	67,766	36,802
Reservoir Chemical Technologies	1,675	2,461	9,784	6,634
Total segment operating profit	134,572	137,575	422,843	387,772
Corporate and other [(1)]	18,690	14,030	54,590	37,122
Interest expense, net	14,137	13,744	43,493	40,754
Income before income taxes	$ 101,745	$ 109,801	$ 324,760	$ 309,896

(1) Corporate and other includes costs not directly attributable or allocated to our reportable segments such as overhead and other costs pertaining to corporate executive management and other administrative functions, and the results attributable to our noncontrolling interest. Additionally, the sales and expenses related to the Cross Supply and Product Transfer Agreement with Ecolab, Inc. ("Ecolab") were included within Corporate and other from June 3, 2020, the date of the merger in which we acquired the Chemical Technologies business, through June 30, 2023. Beginning, July 1, 2023, these sales and expenses are recognized in the Production Chemical Technologies segment.

NOTE 3—REVENUE

Our revenue is generated primarily from product sales. Service revenue is generated from providing services to our customers. These services include installation, repair and maintenance, laboratory and logistics services, chemical management services, troubleshooting, reporting, water treatment services, technical advisory assistance, emissions detection and monitoring, and other field services. Lease revenue is derived from rental income of leased production equipment. As our costs are shared across the various revenue categories, cost of goods sold is not tracked separately and is not discretely identifiable.

In certain geographical areas, the Company utilizes joint ventures and independent third-party distributors and sales agents to sell and market products and services. Amounts payable to independent third-party distributors and sales agents may fluctuate based on sales and timing of distributor fee payments. For services rendered by such independent third-party distributors and sales agents, the Company records the consideration received on a net basis within product revenue in our condensed consolidated statements of income. Additionally, amounts owed to distributors and sales agents are reported within accrued distributor fees within our condensed consolidated balance sheets.

Revenue disaggregated by geography was as follows:

	Three Months Ended September 30, 2024					
(in thousands)	**Production Chemical Technologies**	**Production & Automation Technologies**	**Drilling Technologies**	**Reservoir Chemical Technologies**	**Corporate and other [(1)]**	**Total**
United States	$ 259,673	$ 201,925	$ 41,114	$ 10,781	$ —	$ 513,493
Latin America	60,686	11,620	—	2,726	—	75,032
Middle East & Africa	83,660	22,175	1,884	4,425	(1,029)	111,115
Canada	76,537	18,304	4,543	564	—	99,948
Europe	55,262	4,146	3,101	1,371	—	63,880
Asia-Pacific	17,720	3,353	1,150	631	—	22,854
Australia	6,001	14,177	—	33	—	20,211
Other	—	—	—	—	—	—
Total revenue	$ 559,539	$ 275,700	$ 51,792	$ 20,531	$ (1,029)	$ 906,533

	Three Months Ended September 30, 2023					
(in thousands)	**Production Chemical Technologies**	**Production & Automation Technologies**	**Drilling Technologies**	**Reservoir Chemical Technologies**	**Corporate and other [(1)]**	**Total**
United States	$ 250,980	$ 191,139	$ 41,314	$ 14,131	$ (30)	$ 497,534
Latin America	136,714	5,400	—	2,821	—	144,935
Middle East & Africa	75,086	17,889	2,218	6,959	(547)	101,605
Canada	73,107	20,362	3,661	257	—	97,387
Europe	47,791	4,680	6,289	714	(4)	59,470
Asia-Pacific	15,075	3,846	1,387	199	—	20,507
Australia	5,501	12,832	—	12	—	18,345
Other	—	—	—	—	—	—
Total revenue	$ 604,254	$ 256,148	$ 54,869	$ 25,093	$ (581)	$ 939,783

(1) The sales related to the Cross Supply and Product Transfer Agreement with Ecolab were included within Corporate and other from June 3, 2020 through June 30, 2023. Beginning July 1, 2023, these sales and expenses are recognized in the Production Chemical Technologies segment.

(in thousands)	Nine Months Ended September 30, 2024 Production Chemical Technologies	Production & Automation Technologies	Drilling Technologies	Reservoir Chemical Technologies	Corporate and other [(1)]	Total
United States	$ 763,298	$ 588,545	$ 125,055	$ 37,444	$ —	$ 1,514,342
Latin America	247,262	22,696	221	10,691	—	280,870
Middle East & Africa	256,994	51,552	6,163	17,509	(2,324)	329,894
Canada	233,791	51,806	12,949	1,545	—	300,091
Europe	148,900	12,208	12,861	3,681	—	177,650
Asia-Pacific	53,665	7,664	2,637	1,452	—	65,418
Australia	15,314	38,330	—	37	—	53,681
Other	—	—	—	—	—	—
Total revenue	$ 1,719,224	$ 772,801	$ 159,886	$ 72,359	$ (2,324)	$ 2,721,946

(in thousands)	Nine Months Ended September 30, 2023 Production Chemical Technologies	Production & Automation Technologies	Drilling Technologies	Reservoir Chemical Technologies	Corporate and other [(1)]	Total
United States	$ 729,658	$ 581,335	$ 128,507	$ 38,381	$ 20,574	$ 1,498,455
Latin America	377,268	15,545	—	9,833	1,719	404,365
Middle East & Africa	233,849	48,066	7,666	20,819	(985)	309,415
Canada	219,674	56,547	10,350	1,215	18	287,804
Europe	151,009	14,619	18,993	1,857	5,121	191,599
Asia-Pacific	32,866	9,451	3,382	2,070	12,539	60,308
Australia	16,586	36,289	—	14	—	52,889
Other	9,330	—	2	563	—	9,895
Total revenue	$ 1,770,240	$ 761,852	$ 168,900	$ 74,752	$ 38,986	$ 2,814,730

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

The beginning and ending contract asset and contract liability balances from contracts with customers were as follows:

(in thousands)	September 30, 2024	December 31, 2023
Contract assets	$ —	$ —
Contract liabilities - current	$ 16,026	$ 27,406

NOTE 4—INTANGIBLE ASSETS AND GOODWILL

Intangible Assets

The components of our definite- and indefinite-lived intangible assets were as follows:

(in thousands)	September 30, 2024 Gross Carrying Amount	September 30, 2024 Accumulated Amortization	September 30, 2024 Net Carrying Amount	December 31, 2023 Gross Carrying Amount	December 31, 2023 Accumulated Amortization	December 31, 2023 Net Carrying Amount
Definite-lived intangible assets:						
Customer relationships	$ 616,141	$ 460,209	$ 155,932	$ 583,326	$ 438,181	$ 145,145
Unpatented technologies	175,231	91,220	84,011	142,760	75,224	67,536
Trademarks	62,050	42,120	19,930	59,862	39,564	20,298
Patents	36,223	30,535	5,688	36,438	30,664	5,774
	889,645	624,084	265,561	822,386	583,633	238,753
Indefinite-lived intangible assets:						
Trademarks	3,600	—	3,600	3,600	—	3,600
In-process research and development	1,200	—	1,200	1,200	—	1,200
	4,800	—	4,800	4,800	—	4,800
Total	$ 894,445	$ 624,084	$ 270,361	$ 827,186	$ 583,633	$ 243,553

Goodwill

The carrying amount of goodwill, including changes therein, by reportable segment is below:

(in thousands)	Production Chemical Technologies	Production & Automation Technologies	Drilling Technologies	Reservoir Chemical Technologies	Total
December 31, 2023	$ 356,558	$ 211,370	$ 101,136	$ —	$ 669,064
Acquisitions (1)	—	60,754	—	—	60,754
Foreign currency translation	(2,366)	2,331	—	—	(35)
September 30, 2024	$ 354,192	$ 274,455	$ 101,136	$ —	$ 729,783

(1) See Note 10—Acquisitions, Divestitures and Sale Leaseback for additional information related to the acquisitions completed during the first and third quarters of 2024.

Goodwill is not subject to amortization but is tested for impairment on an annual basis or more frequently if impairment indicators arise.

NOTE 5—DEBT

Long-term debt consisted of the following:

(in thousands)	September 30, 2024	December 31, 2023
2022 Revolving Credit Facility	$ —	$ —
2022 Term Loan Facility	614,109	618,762
Total	614,109	618,762
Net unamortized discounts and issuance costs	(15,745)	(18,276)
Total long-term debt	598,364	600,486
Current portion of long-term debt [1]	(6,203)	(6,203)
Long-term debt, less current portion	$ 592,161	$ 594,283

(1) Includes the mandatory amortization payments due within twelve months related to the 2022 Term Loan Facility as of September 30, 2024.

On June 7, 2022, we entered into a restated credit agreement (the "Restated Credit Agreement"), which amends and restates the prior credit agreement. The Restated Credit Agreement provides for (i) a $625.0 million seven-year senior secured term loan B facility (the "2022 Term Loan Facility") and (ii) a five-year senior secured revolving credit facility in an aggregate principal amount of $700.0 million, of which $100.0 million is available for the issuance of letters of credit (the "2022 Revolving Credit Facility," and, together with the 2022 Term Loan Facility, the "Senior Secured Credit Facility"). Proceeds from future borrowings under the 2022 Revolving Credit Facility are expected to be used for working capital and general corporate purposes. The initial amount drawn under the 2022 Revolving Credit Facility has been repaid. As of September 30, 2024, we had no amounts outstanding under the 2022 Revolving Credit Facility.

The 2022 Term Loan Facility matures June 7, 2029 and the 2022 Revolving Credit Facility matures June 7, 2027. The 2022 Term Loan Facility is subject to mandatory amortization payments of 1% per annum of the initial commitment paid quarterly, which began on December 30, 2022. The Senior Secured Credit Facility contains customary representations and warranties, covenants, and events of default for loan facilities of this type. We were in compliance with all covenants as of September 30, 2024.

On September 29, 2023, we amended the Restated Credit Agreement to, among other things, reprice the Company's $620.3 million of existing term loans under the 2022 Term Loan Facility, in connection with which new term loans in the same amount were issued. The new term loans bear interest at a per annum rate of (i) an adjusted SOFR Rate plus 2.75% per annum or (ii) a base rate plus 1.75%. The new term loans may be prepaid at any time without penalty, subject to the payment of customary breakage costs in the case of the SOFR rate loans.

On June 29, 2022, the Company executed a five-year amortizing floating-to-fixed interest rate swap to hedge our exposure to increases in variable interest rates on the 2022 Term Loan Facility. This interest rate swap agreement is based on a $300.0 million notional amount for the first three years, reducing to $150.0 million for years four and five. See Note 11—Fair Value Measurements and Note 12—Derivatives and Hedging Transactions for additional information on interest rate swaps.

NOTE 6—COMMITMENTS AND CONTINGENCIES

The Company is subject to various claims and contingencies related to, among other things, workers' compensation, general liability (including product liability), automobile claims, health care claims, environmental matters, and lawsuits. We record liabilities where a contingent loss is probable and can be reasonably estimated. If the reasonable estimate of a probable loss is a range, the Company records the most probable estimate of the loss or the minimum amount when no amount within the range is a better estimate than any other amount. In accordance with applicable GAAP, the Company discloses a contingent liability even if the liability is not probable or the amount is not estimable, or both, if there is a reasonable possibility that a material loss may have been incurred.

Guarantees and Indemnifications

We have provided indemnities in connection with sales of certain businesses and assets, including 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.

As of September 30, 2024 and December 31, 2023, we had $78.7 million and $70.7 million, respectively, of outstanding letters of credit, surety bonds and guarantees, which expire at various dates through 2039. 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, surety bonds, and guarantees in the event of default in the performance of our obligations, the probability of which we believe is remote.

Litigation and Environmental Matters

The Company is party to various proceedings and claims incidental to its business, including matters arising under provisions relating to the protection of the environment. 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 can be reasonably estimated. If the reasonable estimate of a probable loss is a range, the Company records the most probable estimate of the loss or the minimum amount when no amount within the range is a better estimate than any other amount. While many of these matters involve inherent uncertainty, we believe that the amount of the liability, if any, ultimately incurred with respect to these proceedings and claims will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Environmental Matters

The Company is currently participating in environmental assessments and remediation at approximately eight locations, the majority of which are in the United States ("U.S."). Environmental liabilities have been accrued to reflect our best estimate of future costs. Potential insurance reimbursements are not anticipated in the Company's accruals for environmental liabilities. As of September 30, 2024 and December 31, 2023, environmental liability accruals related to these locations were $5.8 million and $5.9 million, respectively.

Prior to the commencement of our operations as an independent publicly traded company in 2018, groundwater contamination was discovered at the Norris Sucker Rods plant site located in Tulsa, Oklahoma. Initial remedial efforts were undertaken at the time of discovery of the contamination and we have since coordinated monitoring and remediation with the Oklahoma Department of Environmental Quality ("ODEQ") ODEQ approved our long-term remediation plan, prepared in connection with an engineering and consulting firm engaged for this purpose and we have accrued liabilities of approximately $1.7 million for this remediation plan. We are now in discussion with ODEQ to finalize a consent order and we cannot fully anticipate the timing, outcome or possible impact of further remedial activities that may be required in a final order, financial or otherwise. Liabilities could increase in the future until such time as we ultimately reach agreement with ODEQ on our remediation plan in a final consent order and such liabilities become probable and can be reasonably estimated; however, there have been no changes to our estimated liability as of September 30, 2024.

Matters Related to Deepwater Horizon Incident Response

On April 22, 2010, the deepwater drilling platform, the Deepwater Horizon, operated by a subsidiary of BP plc, sank in the Gulf of Mexico after an explosion and fire, resulting in a massive oil spill. Certain entities that are now subsidiaries of ChampionX as a result of the acquisition of the Chemical Technologies business in 2020 (collectively the "COREXIT Defendants") supplied COREXIT™ 9500, an oil dispersant product listed on the U.S. EPA National Contingency Plan Product Schedule, which was used in the response to the spill. In connection with the provision of COREXIT™ 9500, the COREXIT Defendants were named in several lawsuits. Cases arising out of the Deepwater Horizon accident were administratively transferred and consolidated for pre-trial purposes under In Re: Oil Spill by the Oil Rig "Deepwater Horizon" in the Gulf of Mexico, on April 20, 2010, Case No. 10-md-02179 in the United States District Court in the Eastern District of Louisiana (E.D. La.) ("MDL 2179"). Claims related to the response to the oil spill were consolidated in a master complaint captioned the "B3 Master Complaint." In 2011, Transocean Deepwater Drilling, Inc. and its affiliates (the "Transocean Entities") named the COREXIT Defendants and other unaffiliated companies as first party defendants (In re the Complaint and Petition of Triton Asset Leasing GmbH, et al, MDL No. 2179, Civil Action 10-2771). In April and May 2011, the Transocean Entities, Cameron International Corporation, Halliburton Energy Services, Inc., M-I L.L.C., Weatherford U.S., L.P. and Weatherford International, Inc. (collectively, the "Cross Claimants") filed cross claims in MDL 2179 against the COREXIT Defendants and other unaffiliated cross defendants. In April and June 2011, in support of its defense of the claims against it, the COREXIT Defendants filed counterclaims against the Cross Claimants. On May 18, 2012, the COREXIT Defendants filed a motion for summary judgment as to the claims in the B3 Master Complaint. On November 28, 2012, the Court granted the COREXIT Defendants' motion and dismissed with prejudice the claims in the B3 Master Complaint asserted against the COREXIT Defendants. In February 2024, the remaining claims against other defendants in the one pending "B3" case that had asserted claims against the COREXIT Defendants were dismissed and a final judgment was entered. The deadline for that plaintiff to appeal any rulings in that case, including the MDL 2179 Court's order granting Nalco's motion for summary judgment, expired on March 11, 2024. As a result, all claims against the Company related to the Deepwater Horizon accident have been dismissed and this matter is now concluded as to the Company.

NOTE 7—RESTRUCTURING EXPENSE

During the second quarter of 2024, management approved restructuring plans within our Production & Automation Technologies segment and Production Chemical Technologies segment to optimize profitability, which includes the exit of certain products, facility closures, and reducing headcount across the organization to support the remaining business. The actions were completed under the second quarter plans during the third quarter. Additionally, management approved a restructuring plan during the third quarter of 2024 related to a workforce reduction within our Production Chemical Technologies segment. We expect the completion of all actions under the plan by the fourth quarter of 2024. Management also approved various restructuring plans in the prior year, which we expect to be completed during 2024.

The following table presents the restructuring expense by segment as classified in our condensed consolidated statements of income.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2024**	**2023**	**2024**	**2023**
Segment restructuring expense (income):				
Production Chemical Technologies	$ 4,291	$ 58	$ 5,883	$ 4,636
Production & Automation Technologies	132	—	5,116	785
Drilling Technologies	—	—	—	—
Reservoir Chemical Technologies	—	32	—	855
Corporate and other	—	—	—	4
Total	$ 4,423	$ 90	$ 10,999	$ 6,280
Statements of Income classification:				
Cost of goods and services	$ 812	$ 29	$ 5,197	$ 2,573
Selling, general and administrative expense	3,611	61	5,802	3,707
Total	$ 4,423	$ 90	$ 10,999	$ 6,280

Our liability balance for restructuring expense at September 30, 2024 reflects contract termination costs, employee severance and related benefits initiated during prior periods.

The following table details our restructuring accrual activities during the nine months ended September 30, 2024:

(in thousands)	Restructuring Accrual Balance
December 31, 2023	$ 13,974
Restructuring charges	10,999
Asset sales and write-offs	(3,848)
Payments	(7,040)
Other, including foreign currency translation	(205)
September 30, 2024	$ 13,880

NOTE 8—STOCKHOLDERS' EQUITY

Dividends

On January 31, 2024, our Board of Directors ("Board") approved an increase of our regular quarterly cash dividend to $0.095 per share of the Company's common stock. Our third quarter cash dividend of $0.095 per share was declared on August 15, 2024 and is payable on October 25, 2024, to shareholders of record on October 4, 2024. As a result, we recorded a dividend payable of $19.0 million on our condensed consolidated balance sheet as of September 30, 2024. Subsequent dividend declarations, if any, including the amounts and timing of future dividends, are subject to approval by the Board and will depend on future business conditions, financial conditions, results of operations and other factors.

Repurchases

On March 7, 2022, the Company announced that our Board authorized the Company to repurchase up to $250 million of its common stock which was increased by our Board to $750 million on October 24, 2022. On January 31, 2024, our Board authorized a further increase in the aggregate value of shares that may be repurchased under the share repurchase program to $1.5 billion. This program has no time limit and does not obligate the Company to acquire any particular amount of shares of its common stock. During the three months ended September 30, 2024, we did not repurchase any shares under the share repurchase program. During the nine months ended September 30, 2024, we repurchased and cancelled 1,611,055 shares of common stock for a total of $49.4 million, including commissions and excise tax.

NOTE 9—EARNINGS PER SHARE

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands, except per share data)	2024	2023	2024	2023
Net income attributable to ChampionX	$ 72,008	$ 77,711	$ 237,500	$ 237,040
Weighted-average number of shares outstanding	190,496	195,881	190,575	197,058
Dilutive effect of stock-based compensation	2,866	3,711	3,080	3,967
Total shares and dilutive securities	193,362	199,592	193,655	201,025
Earnings per share attributable to ChampionX:				
Basic	$ 0.38	$ 0.40	$ 1.25	$ 1.20
Diluted	$ 0.37	$ 0.39	$ 1.23	$ 1.18

For all periods presented, the computation of diluted earnings per share excludes awards with an anti-dilutive impact. For the three and nine months ended September 30, 2024, the diluted shares include the dilutive impact of equity awards except for approximately 0.1 million and 0.1 million shares, respectively, that were excluded because their inclusion would be anti-dilutive. For the three and nine months ended September 30, 2023, the diluted shares include the dilutive impact of equity awards except for approximately 0.2 million shares and 0.4 million shares, respectively, that were excluded because their inclusion would be anti-dilutive.

NOTE 10—ACQUISITIONS, DIVESTITURES AND SALE LEASEBACK

Acquisitions

OTS Consulting Services LLP

On January 5, 2024, pursuant to an agreement with OTS Consulting Services LLP (“OTS”), a privately held engineering services company based in Pune, India, we acquired the assets and liabilities relating solely to the services performed by OTS for us prior to the acquisition. OTS specializes in digital transformation and advanced IT solutions. The acquired assets and liabilities are included in our Production & Automation Technologies segment. Under the terms of the agreement, we paid $8.7 million, inclusive of working capital adjustments. As part of our purchase price allocation, we recorded goodwill of $6.4 million. The pro forma effect of this acquisition on revenue and net income has been determined to be immaterial to our financial statements.

Artificial Lift Performance Limited

On February 26, 2024, we acquired Artificial Lift Performance Limited (“ALP”), a provider of advanced analytics solutions for enhancing oil and gas production performance based in Edinburgh, Scotland. These assets and liabilities have been included in our Production & Automation Technologies segment. Under the terms of the agreements, we paid $13.4 million, inclusive of working capital adjustments, with an additional $1.7 million payable on the first anniversary of the closing date, and a maximum earn out potential of $3.0 million over the next two years. As part of our purchase price allocation, we recorded definite-lived intangible assets of $10.4 million which consists of assumed software, trademarks and customer relationships and recorded $9.4 million of goodwill, which is inclusive of purchase price accounting adjustments. In addition, we assumed liabilities of $7.6 million, which includes the holdback payment and earn-out consideration. The pro forma effect of this acquisition on revenue and net income has been determined to be immaterial to our financial statements.

RMSpumptools Limited

On July 8, 2024, we completed the acquisition of RMSpumptools Limited, a UK-based company that designs and manufactures highly engineered mechanical and electrical solutions for complex artificial lift applications. The purpose of the acquisition is to create growth opportunities in the artificial lift business internationally and this business line will be included in our Production & Automation Technologies segment. We paid $106.1 million, and as part of our purchase price allocation, we recorded definite-lived intangible assets of $53.0 million, which consists of customer relationships, unpatented technology and trade names and recorded $45.0 million of goodwill, which is inclusive of purchase price accounting adjustments. In addition, we assumed liabilities of $29.0 million, which includes a $13.8 million deferred tax liability. The pro forma effect of this acquisition on revenue and net income has been determined to be immaterial to our financial statements.

The following table provides the initial allocation of the purchase price as of the acquisition date.

(in thousands)		
Cash and cash equivalents	$	4,262
Receivables		14,466
Inventories		15,168
Prepaid expenses and other current assets		484
Property, plant, and equipment		1,335
Identifiable intangible assets		53,000
Operating leases right-of-use asset		1,162
Other noncurrent assets		192
Total identifiable assets acquired		90,069
Accounts payable		6,342
Accrued compensation and employee benefits		3,261
Accrued expenses and other current liabilities		4,296
Deferred income taxes		13,849
Operating lease liabilities		1,267
Total liabilities assumed		29,015
Net identifiable assets acquired		61,054
Goodwill		45,005
Total net assets acquired	$	106,059

The purchase price was allocated to the tangible and intangible assets acquired and liabilities assumed based on their preliminary fair value estimates as of the acquisition date. The measurements of assets acquired and liabilities assumed are based on inputs that are not observable in the market and thus represent Level 3 inputs. The excess of the purchase price over such fair values was recorded as goodwill. The purchase price allocation is based upon a preliminary valuation only and will be finalized upon completion of certain valuation procedures. We will complete the purchase price allocation and valuation during the 12-month period following the acquisition date.

Divestitures

Russia

Due to the deteriorating business conditions in Russia following the Ukraine invasion and the resultant sanctions imposed by the United States, European Union, and United Kingdom, we initiated a plan to dispose of our operations in Russia (the “CT Russia Business”), which is included in our Production Chemical Technologies segment. As a result, the CT Russia Business met the criteria to be classified as held for sale during the second quarter of 2022 and we measured the carrying value of the disposal group to the lower of its carrying value or fair value less costs to sell.

We assess the fair value of the CT Russia Business (less any costs to sell) each reporting period that it remains classified as held for sale and report any subsequent changes as an adjustment to the carrying value of the asset or disposal group, as long as the new carrying value does not exceed the carrying value of the asset at the time it was initially classified as held for sale. During the first quarter of 2023, we assessed the fair value less cost to sell the business to be zero, resulting in a $13.0 million pre-tax impairment expense recorded during the three months ended March 31, 2023, which is reflected in loss (gain) on disposal group and sale-leaseback transaction within our condensed consolidated statements of income. There were no charges in the three and nine month periods ended September 30, 2024.

Sale Leaseback

Orem, Utah

On March 29, 2024, we entered into a sale-leaseback agreement with an unrelated party involving three buildings in Orem, Utah. Under the arrangement, the property (land and buildings) with a net book value of $14.1 million was sold for $45.5 million and leased back under a twenty year lease agreement. We received cash of $44.3 million, net of closing costs and other fees related to the sale of the property. The lease provides for annual base payments of $3.3 million and expires in March 2044 with an option to extend the term of the lease for one additional seven-year period. The transaction qualifies as a sale leaseback, and as a result, we recorded a $29.8 million net gain on sale. Additionally, we established a $37.7 million right of use asset and $37.7 million operating lease liability.

NOTE 11—FAIR VALUE MEASUREMENTS

Fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. A hierarchy has been established for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring the most observable inputs be used when available. The hierarchy is broken down into three levels:
Level 1- Inputs are quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
Level 2- Inputs include observable inputs other than quoted prices in active markets.
Level 3- Inputs are unobservable inputs for which there is little or no market data available.
The carrying amount and the estimated fair value for assets and liabilities measured on a recurring basis are as follows:

		Carrying Amount	
(in thousands)	**Measurement Level**	**September 30, 2024**	**December 31, 2023**
Assets			
Foreign currency forward contracts	Level 2	$ 5,828	$ 6,231
Interest rate swaps	Level 2	2,126	5,599
Total		$ 7,954	$ 11,830
Liabilities			
Foreign currency forward contracts	Level 2	$ 5,637	$ 5,354
Interest rate swaps	Level 2	94	—
Total		$ 5,731	$ 5,354

The carrying value of foreign currency forward contracts is at fair value, which is determined based on foreign currency exchange rates as of the balance sheet date and is classified within Level 2. The primary inputs into the valuation of interest rate swaps are interest yield curves, interest rate volatility, and credit spreads. Our interest rate swaps are classified within Level 2 of the fair value hierarchy, as these significant inputs are corroborated by observable market data. For purposes of fair value disclosure above, derivative values are presented gross. See Note 12—Derivatives and Hedging Transactions for further discussion of gross versus net presentation of the Company's derivatives.

The carrying amounts of cash and cash equivalents, trade receivables, and accounts payable approximate their fair value due to their short-term nature.

The fair value of our term loan facility is based on Level 2 quoted market prices for the same or similar debt instruments. The fair value of the revolving line of credit approximates carrying value due to the variable interest rates charged on the borrowings, which reprice frequently (Level 2). The carrying amount and the estimated fair value of long-term debt, including current maturities, held by the Company were:

	September 30, 2024		December 31, 2023	
(in thousands)	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
2022 Revolving Credit Facility	$ —	$ —	$ —	$ —
2022 Term Loan Facility	$ 614,109	$ 617,948	$ 618,762	$ 623,402

NOTE 12—DERIVATIVES AND HEDGING TRANSACTIONS

The Company uses foreign currency forward contracts to manage risks associated with foreign currency exchange rates. The Company also utilizes floating-to-fixed interest rate swap agreements as cash flow hedges on certain debt to mitigate interest rate risk. The Company does not hold derivative financial instruments of a speculative nature or for trading purposes. Derivative contracts are recorded as assets and liabilities on the balance sheet at fair value. We evaluated the interest rate swap hedge effectiveness and determined it to be perfectly effective. We evaluate foreign currency forward contracts' hedge effectiveness at contract inception and thereafter on a quarterly basis. If a derivative is no longer expected to be effective, hedge accounting is discontinued. Changes in fair value are recognized immediately in earnings unless the derivative qualifies and is designated as a hedge. Changes in fair value attributable to changes in spot exchange rates for derivative contracts that have been designated as cash flow hedges are recognized in accumulated other comprehensive income ("AOCI") and reclassified into earnings in the same period the hedged transaction affects earnings and are presented in the same income statement line as the earnings effect of the hedged item. The Company accounts for the interest rate swap agreements as a cash flow hedge, thus the effective portion of gains and losses resulting from changes in fair value are recognized in AOCI and are amortized to interest expense over the term of the respective debt. Cash flows from derivatives are classified in the statement of cash flows in the same category as the cash flows from the items subject to designated hedge or undesignated (economic) hedge relationships.

The Company is exposed to credit risk in the event of nonperformance of counterparties for foreign currency forward exchange contracts and interest rate swaps. We monitor our exposure to credit risk by using major banks and financial institutions as counterparties and monitoring their financial condition and credit profile. The Company does not anticipate nonperformance by any of these counterparties, and therefore, recording a valuation allowance against the Company's derivative balance is not considered necessary.

Derivative Positions Summary

Certain of the Company's derivative transactions are subject to master netting arrangements that allow the Company to settle with the same counterparties. These arrangements generally do not call for collateral and as of the applicable dates presented in the following table, no cash collateral had been received or pledged related to the underlying derivatives. We have elected to present our derivative balances on a gross basis on the condensed consolidated balance sheet.

The following table summarizes the gross fair value of the Company's outstanding derivatives and the lines in which they are presented on the condensed consolidated balance sheet.

	Derivative Assets		Derivative Liabilities	
(in thousands)	**September 30, 2024**	**December 31, 2023**	**September 30, 2024**	**December 31, 2023**
Prepaid expenses and other current assets	$ 7,954	$ 11,004	$ —	$ —
Other non-current assets	—	826	—	—
Accrued expenses and other current liabilities	—	—	5,637	5,354
Other long-term liabilities	—	—	94	—
	$ 7,954	$ 11,830	$ 5,731	$ 5,354

The following table summarizes the notional values of the Company's outstanding derivatives:

(in thousands)	**September 30, 2024**	**December 31, 2023**
Notional value of foreign currency forward contracts and interest rate swaps	$ 959,792	$ 892,711

Cash Flow Hedges

The Company utilizes foreign currency forward contracts to hedge the effect of foreign currency exchange rate fluctuations on forecasted foreign currency transactions, primarily related to business combinations and inventory purchases. These forward contracts are designated as cash flow hedges. The changes in fair value of these contracts attributable to changes in spot exchange rates are recorded in AOCI until the hedged items affect earnings, at which time the gain or loss is reclassified into the same line item in the condensed consolidated statements of income as the underlying exposure being hedged. The forward points are marked-to-market monthly and recognized in the same line item in the condensed consolidated statements of income as the underlying exposure being hedged.

Under interest rate swaps, we agree with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional principal amount. Any unrealized gain or loss at the time of settlement will be reclassified to interest expense, where we record the interest expense on the associated debt.

Derivatives Not Designated as Hedging Instruments

The Company also uses foreign currency forward contracts to offset its exposure to the change in value of certain foreign currency denominated assets and liabilities, primarily receivables and payables, which are remeasured at the end of each period. Although the contracts are effective economic hedges, they are not designated as accounting hedges. Therefore, changes in the value of these derivatives are recognized immediately in earnings, thereby offsetting the current earnings effect of the related foreign currency denominated assets and liabilities.

Effect of Derivative Instruments on Income

The loss (gain) of all derivative instruments recognized is summarized below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2024**	**2023**	**2024**	**2023**
Loss (gain) reclassified from AOCI to income on cash flow hedges:				
Cost of goods and services	$ (526)	$ (190)	$ (839)	$ (2,113)
Interest expense	(1,749)	(1,645)	(5,166)	(3,904)
Loss (gain) on derivatives not designated as hedging instruments:				
Other (income) expense, net	1,112	778	(1,759)	3,125
Total loss (gain) of derivative instruments	$ (1,163)	$ (1,057)	$ (7,764)	$ (2,892)

NOTE 13—INVENTORIES

Inventories consisted of the following:

(in thousands)	**September 30, 2024**	**December 31, 2023**
Raw materials	$ 144,386	$ 137,402
Work in progress	25,603	16,915
Finished goods	457,778	445,437
	627,767	599,754
Inventory reserve	(30,714)	(29,081)
LIFO adjustments [(1)]	(50,236)	(49,124)
Inventories, net	$ 546,817	$ 521,549

(1) Represents the amount by which the current cost of LIFO inventories exceeded their carrying value.

NOTE 14—ACCOUNTS RECEIVABLE FACILITIES

On June 28, 2022, we entered into an uncommitted accounts receivable purchase agreement (the "JPM Accounts Receivable Facility") with JPMorgan Chase Bank, N.A. as the purchaser. The amount available for sale under the JPM Accounts Receivable Facility fluctuates over time based on the total amount of eligible receivables generated during the normal course of business. A maximum of $160.0 million in receivables may be sold and remain unpaid under the JPM Accounts Receivable Facility at any time.

On March 28, 2024, we entered into an uncommitted accounts receivable purchase agreement (the "HSBC Accounts Receivable Facility" and, together with the JPM Accounts Receivable Facility, the "Accounts Receivable Facilities") with HSBC Bank USA, National Association, as the purchaser. The amount available for sale under the HSBC Accounts Receivable Facility fluctuates over time based on the total amount of eligible receivables generated during the normal course of business. A maximum of CAD $40.0 million or approximately $30.0 million in receivables may be sold and remain unpaid under the HSBC Accounts Receivable Facility at any time.

Accounts receivable sold under the JPM Accounts Receivable Facility were $513.6 million for the nine months ended September 30, 2024. The accounts receivable sold that remained outstanding under the JPM Accounts Receivable Facility as of September 30, 2024 was $97.0 million. Accounts receivable sold under the HSBC Accounts Receivable Facility were $59.8 million for the nine months ended September 30, 2024. The accounts receivable sold that remained outstanding under the HSBC Accounts Receivable Facility as of September 30, 2024 was $23.2 million.

During this period, cash receipts from the purchaser at the time of the sale were classified as operating activities in our condensed consolidated statement of cash flows. The difference between the carrying amount of the accounts receivables sold and the sum of the cash received is recorded as a loss on sale of receivables in other income (expense), net in our condensed consolidated statements of income. The loss on sale of accounts receivable was $1.8 million and $5.6 million for the three and nine months ended September 30, 2024, respectively, under the JPM Accounts Receivable Facility. The loss on sale of accounts receivable was $0.4 million and $0.6 million for the three and nine months ended September 30, 2024, respectively, under the HSBC Accounts Receivable Facility.

Transfers under the Accounts Receivable Facilities are accounted for as sales of receivables, resulting in the receivables being derecognized from our condensed consolidated balance sheet. The purchaser assumes the credit risk at the time of sale and has the right at any time to assign or transfer (including as a participation interest) any of its rights under the purchased receivables to another bank or financial institution.

NOTE 15—SUPPLY CHAIN FINANCE

We use a supply chain finance program in connection with the purchase of goods, which allows our suppliers to work directly with a third party to provide financing by purchasing their receivables earlier in the payment cycle. We maintain the same contractually agreed upon invoice terms prior to each supplier entering into the program. As of September 30, 2024, we had approximately $33.4 million outstanding under the program, which is included in accounts payable on our condensed consolidated balance sheet.

NOTE 16—CASH FLOW INFORMATION

Leased Asset Program

Our electrical submersible pumping 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 leased asset program. During the nine months ended September 30, 2024 and 2023, we transferred $80.7 million and $77.2 million, respectively, of inventory into property, plant, and equipment as a result of assets entering our leased asset program.

Expenditures for assets that are placed into our leased asset program expected to be recovered through sale are reported in leased assets in the operating section of our condensed consolidated statements of cash flows. All other capitalizable expenditures for assets that are placed into our leased asset program are classified as capital expenditures in the investing section of our condensed consolidated statements of cash flows.

Argentina Blue Chip Swap

The Central Bank of Argentina maintains currency controls that limit our ability to access U.S. dollars in Argentina and remit cash from our Argentine operations. During the three and six months ended June 30, 2024, we executed certain trades known as Blue Chip Swaps, which effectively results in the use of a parallel U.S. dollar exchange rate to convert available Argentine pesos to U.S. dollars. This parallel rate, which cannot be used as the basis to remeasure our net monetary assets in U.S. dollars under GAAP, was on average 27% and 29% higher than Argentina's official exchange during the three and six months ended June 30, 2024, respectively. The Blue Chip Swap transactions resulted in \$3.1 million and \$7.1 million pre-tax loss on investment during the three and six months ended June 30, 2024, respectively. These losses are reflected in other expense (income), net, within our condensed consolidated statements of income. We did not enter into any Blue Chip Swaps during the third quarter of 2024.

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

This section provides 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 condensed consolidated financial statements, and notes thereto, included elsewhere in this report. It contains forward-looking statements including, without limitation, statements relating to ChampionX'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

We are a global leader in chemistry solutions, artificial lift systems, and highly engineered equipment and technologies that help companies drill for and produce oil and gas safely, efficiently, and sustainably around the world. Our expertise, innovative products, and digital technologies provide enhanced oil and gas production, transportation, and real-time emissions monitoring throughout the lifecycle of a well. Our business is organized into four reportable segments: Production Chemical Technologies, Production & Automation Technologies, Drilling Technologies, and Reservoir Chemical Technologies. We refer to the Production Chemical Technologies segment and Reservoir Chemical Technologies segment together as the Chemical Technologies business.

Business Environment

We monitor macro-economic conditions and industry-specific drivers and key risk factors affecting our business segments as we formulate our strategic plans and make decisions related to allocating capital and human resources. Our business segments provide a broad range of technologies and products to support oil and gas production, exploration and development, and the midstream sector. As a result, we are substantially dependent upon global oil production levels, as well as new investment activity levels in the oil and gas and midstream sectors. Demand for our products, technologies and services is impacted by overall global demand for oil and gas, ongoing depletion rates of existing oil and gas wells, and our customers' willingness to invest in the exploration for and development of new oil and gas resources. Our customers determine their operating and capital budgets based on current and expected future crude oil and natural gas prices, U.S. and worldwide rig count, U.S. well completions and expected industry cost levels, among other factors. Crude oil and natural gas prices are impacted by supply and demand, which are influenced by macroeconomic, geopolitical, and other events, and have historically been subject to substantial volatility and cyclicality. Rig count, footage drilled and completed, 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 and future production levels in the oil and gas sector.

Market Conditions and Outlook

In recent years, oil prices have remained volatile due to various factors such as global economic growth, as well as oil supply constraints, geopolitical developments, and inflationary pressures. During the first three quarters of 2024, oil prices continued to rise, most likely driven by the perception of heightened geopolitical risk related to the attacks targeting commercial ships transiting the Red Sea shipping channel and elevated tensions in the Middle East region. In early October 2024, oil prices began to decline slightly driven by concerns over weaker than expected demand from China and the oil supply/demand outlook into 2025.

The OPEC+ voluntary production cuts extension through November 2024 is supportive of oil prices in the short term. However, in September 2024, OPEC+ announced a phase-out of the voluntary production cuts beginning December 2024 through the following 12 months. OPEC+ expects the gradual nature of the phase-out will not have a dramatic effect on supply and oil price in 2025. Thus, while commodity prices currently remain constructive overall, we believe we will continue to see volatility and variability in the global market. Additionally, in particular, the U.S. rig count has trended downward slightly during the first three quarters of 2024, and most U.S. public exploration and production operators appear to be continuing capital discipline and limiting capital expenditure and activity levels to production maintenance or modest growth levels in the short term.

Inflation rates have begun to moderate. Nonetheless, we continue to actively monitor market trends specifically related to the sourcing of raw materials. We also continue to work diligently to ensure selling prices offset the impact of raw material, labor, and logistics-related inflation on our businesses. Our productivity and continuous improvement initiatives are focused on delivering expanding profit margins in all our businesses.

Merger Agreement

On April 2, 2024, ChampionX entered into an Agreement and Plan of Merger (the "Merger Agreement") with Schlumberger Limited, a Curaçao corporation ("SLB"), Sodium Holdco, Inc., a Delaware corporation and indirect wholly owned subsidiary of SLB ("Holdco"), and Sodium Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of SLB and Holdco ("Merger Sub"), pursuant to which, and subject to the terms and conditions therein, Merger Sub will be merged with and into ChampionX (the "Merger," together with the other transactions contemplated by the Merger Agreement, the "Transactions"), with ChampionX surviving the Merger as an indirect wholly owned subsidiary of SLB.

Pursuant to the Merger Agreement, at the effective time of the Merger (the "Effective Time") and by virtue of the Merger, each share of ChampionX common stock issued and outstanding immediately prior to the Effective Time (other than any shares of ChampionX common stock held in the treasury of ChampionX or held by SLB, Holdco or any direct or indirect wholly owned subsidiary of SLB, in each case except for any such shares held on behalf of third parties) will be converted, without any action on the part of the holder thereof, into the right to receive 0.735 shares of common stock, par value $0.01 per share, of SLB ("SLB Common Stock"), which shares will be duly authorized and validly issued in accordance with applicable laws (the "Equity Consideration") and, if applicable, cash in lieu of fractional shares.

The parties' obligations to consummate the Merger are subject to satisfaction or waiver of customary closing conditions set forth in the Merger Agreement, including, among others: (a) adoption by ChampionX stockholders of the Merger Agreement; (b) the receipt of approval for listing of the shares of SLB Common Stock which will comprise Equity Consideration on the New York Stock Exchange, subject to official notice of issuance; (c) the absence of certain legal restraints that enjoin, prohibit, prevent or make illegal the consummation of the Transactions ("Mutual Legal Restraint"); (d) the expiration or termination of all waiting periods applicable to the Transactions under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), and any commitment to, or agreement with, any governmental entity to delay the consummation of, or not to consummate before a certain date, the Transactions and the receipt of all clearances, consents and approvals under certain specified regulatory laws; (e) the effectiveness of the registration statement on Form S-4 to be filed by SLB in connection with the issuance of the Equity Consideration, which will include a proxy statement of ChampionX (the "Form S-4"); (f) with respect to closing conditions for the benefit of SLB, (i) the absence of certain specified legal restraints that enjoin, prohibit, prevent or make illegal the consummation of the Transactions, (ii) the absence of investigations of the Transaction under specified regulatory laws, (iii) the expiration of all waiting periods applicable under specified regulatory filings following SLB's determination to submit such filings ("Specified Regulatory Filings"), (iv) receipt of all clearances, consents and approvals under the Specified Regulatory Filings and (v) the absence of certain other regulatory laws prohibiting or making illegal the consummation of the Transactions or otherwise as set forth in the Merger Agreement and (g) certain other customary conditions relating to the parties' representations and warranties in the Merger Agreement and the performance of their respective obligations. On May 15, 2024, the Form S-4 and proxy statement/prospectus that was filed with the Securities and Exchange Commission (the "SEC") in connection with the Transactions was declared effective by the SEC. On June 18, 2024, ChampionX's stockholders adopted the Merger Agreement at a special meeting of the stockholders.

On July 2, 2024, SLB announced that ChampionX and SLB had each received a Request for Additional Information and Documentary Material (collectively, the "Second Request") from the United States Department of Justice ("DOJ") in connection with the DOJ's review of the Merger. Issuance of the Second Request extends the waiting period under the HSR Act, until 30 days after both ChampionX and SLB substantially comply with the Second Request, unless the waiting period is extended voluntarily by the parties or terminated earlier.

Additional information about the Merger is set forth in our Current Report on Form 8-K/A filed with the SEC on April 3, 2024 and the Definitive Proxy on Schedule 14A filed with the SEC on May 15, 2024.

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, 2023 for a discussion of our critical accounting estimates.

CONSOLIDATED RESULTS OF OPERATIONS

	Three Months Ended		
	September 30,	June 30,	Variance
(in thousands)	2024	2024	$
Revenue	$ 906,533	$ 893,272	$ 13,261
Cost of goods and services	608,764	613,426	(4,662)
Gross profit	297,769	279,846	17,923
Selling, general and administrative expense	180,501	182,995	(2,494)
(Gain) loss on sale-leaseback transaction and disposal group	57	—	57
Interest expense, net	14,137	15,421	(1,284)
Foreign currency transaction losses (gains), net	3,505	(2,767)	6,272
Other (income) expense, net	(2,176)	938	(3,114)
Income before income taxes	101,745	83,259	18,486
Provision for income taxes	28,078	27,868	210
Net income	73,667	55,391	18,276
Net income attributable to noncontrolling interest	1,659	2,822	(1,163)
Net income attributable to ChampionX	$ 72,008	$ 52,569	$ 19,439

Revenue. Revenue increased $13.3 million, or 1%, sequentially primarily due to the incremental revenues associated with RMSpumptools Limited, acquired on July 8, 2024.

Gross profit. Gross profit increased $17.9 million, or 6%, sequentially mainly due to increased sales as well as a $2.5 million reduction in restructuring expense compared to the prior quarter.

Selling, general and administrative expense. Selling, general and administrative expense decreased $2.5 million, or 1%, sequentially, primarily due to a reduction in third party legal and professional fees incurred related to the Merger transaction with SLB.

Foreign currency transaction losses (gains), net. Foreign currency transaction losses, net was $3.5 million for the three months ended September 30, 2024, compared to foreign currency transaction gains, net of $2.8 million in the prior quarter. The change was primarily due to the gain realized on a cash flow hedge of the purchase price of RMSpumptools Limited for the three months ended June 30, 2024 that was not repeated during the current quarter.

Other (income) expense, net. Other income, net was $2.2 million for the three months ended September 30, 2024, compared to other expense, net of $0.9 million in the prior quarter. This change was primarily due to increased earnings on equity method investments.

Provision for income taxes. Our provision for income taxes reflected effective tax rates (“ETR”) of 27.6% and 33.5% for the three months ended September 30, 2024 and June 30, 2024, respectively. The decrease to the ETR for the quarter ending September 30, 2024 was driven by lower discrete tax expense.

(in thousands)	Nine Months Ended September 30, 2024	2023	Variance $
Revenue	$ 2,721,946	$ 2,814,730	$ (92,784)
Cost of goods and services	1,845,127	1,957,309	(112,182)
Gross profit	876,819	857,421	19,398
Selling, general and administrative expense	535,910	485,617	50,293
(Gain) loss on sale leaseback and disposal group	(29,826)	12,965	(42,791)
Interest expense, net	43,493	40,754	2,739
Foreign currency transaction losses (gains), net	793	21,683	(20,890)
Other expense (income), net	1,689	(13,494)	15,183
Income before income taxes	324,760	309,896	14,864
Provision for income taxes	82,542	69,334	13,208
Net income	242,218	240,562	1,656
Net income attributable to noncontrolling interest	4,718	3,522	1,196
Net income attributable to ChampionX	$ 237,500	$ 237,040	$ 460

Revenue. Revenue decreased $92.8 million, or 3%, for the nine months ended September 30, 2024 compared to prior year primarily due to a decline in revenues in Latin America along with an expected decline in revenue derived from the Cross Supply and Product Transfer Agreement with Ecolab Inc. (“Ecolab”).

Gross profit. Gross profit increased $19.4 million, or 2%, for the nine months ended September 30, 2024 compared to prior year, mainly due to productivity improvements and discretionary spend control.

Selling, general and administrative expense. Selling, general and administrative expense increased $50.3 million, or 10%, for the nine months ended September 30, 2024 compared to prior year, primarily due to $23.4 million in transaction costs incurred related to the Merger transaction with SLB and increased restructuring charges as compared to the prior period.

(Gain) loss on sale-leaseback transaction and disposal group. During the three months ended March 31, 2024, we entered into a sale-leaseback transaction. We received cash of $44.3 million, net of closing costs and other fees related to the sale of the property. The lease provides for annual base payments of $3.3 million and expires in March 2044 with an option to extend the term of the lease for one additional seven-year period. The transaction qualifies as a sale leaseback, and as a result, we recorded a $29.8 million net gain on sale. During the three months ended March 31, 2023, a $13.0 million loss was incurred to write down the assets within our CT Russia Business to its recoverable value, which as of March 31, 2023 was zero.

Foreign currency transaction losses (gains), net. Foreign currency transaction losses, net was $0.8 million for the six months ended September 30, 2024, compared to foreign currency transaction losses, net of $21.7 million in the prior year. The prior year included an $18.9 million exchange loss attributable to the Argentine peso devaluation.

Interest expense, net. Interest expense, net increased $2.7 million, or 7%, for the nine months ended September 30, 2024 compared to prior year primarily due to an increase in interest rates.

Other expense (income), net. Other expense, net was $1.7 million for the six months ended September 30, 2024, compared to other income, net of $13.5 million for the nine months ended September 30, 2023. This change was primarily due to the settlement of a liability that resulted in a gain during the nine months ended September 30, 2023, partially offset by the $7.1 million loss incurred on Blue Chip Swap transactions during the nine months ended September 30, 2024.

Provision for income taxes. The ETR for the first nine months of 2024 and 2023 were 25.4% and 22.4%, respectively. The increase in ETR year over year is primarily related to discrete benefits for return to provision adjustments in 2023.

SEGMENT RESULTS OF OPERATIONS

(in thousands)	Three Months Ended September 30, 2024	Three Months Ended June 30, 2024	Variance $
Segment revenue:			
Production Chemical Technologies	$ 559,539	$ 569,577	$ (10,038)
Production & Automation Technologies	275,700	244,487	31,213
Drilling Technologies	51,792	52,888	(1,096)
Reservoir Chemical Technologies	20,531	27,123	(6,592)
Corporate and other	(1,029)	(803)	(226)
Total revenue	$ 906,533	$ 893,272	$ 13,261
Segment operating profit (loss):			
Production Chemical Technologies	$ 87,260	$ 85,388	$ 1,872
Production & Automation Technologies	34,136	22,207	11,929
Drilling Technologies	11,501	11,863	(362)
Reservoir Chemical Technologies	1,675	4,363	(2,688)
Total segment operating profit	134,572	123,821	10,751
Corporate expense and other[1]	18,690	25,141	(6,451)
Interest expense, net	14,137	15,421	(1,284)
Income before income taxes	$ 101,745	$ 83,259	$ 18,486

Production Chemical Technologies

Revenue. Production Chemical Technologies revenue decreased $10.0 million, or 2%, sequentially, mainly due to lower sales volumes internationally.

Operating profit. Production Chemical Technologies operating profit increased $1.9 million, or 2%, in the third quarter of 2024 compared to the prior quarter due to a $3.1 million loss on the Blue Chip Swap during the three months ended June 30, 2024.

Production & Automation Technologies

Revenue. Production & Automation Technologies revenue increased $31.2 million, or 13%, in the third quarter of 2024 compared to the prior quarter primarily due to the acquisition of RMSpumptools Limited, which was completed on July 8, 2024, and higher sales in one of our artificial lift product lines.

Operating profit. Production & Automation Technologies operating profit increased by $11.9 million, or 54%, in the third quarter of 2024 compared to the prior quarter due to higher revenues and $5.0 million of restructuring charges related to the exit of certain products, facility closures and headcount reductions taken during the second quarter of 2024 that was not repeated in the current quarter.

Drilling Technologies

Revenue. Drilling Technologies revenue decreased $1.1 million, or 2%, in the third quarter of 2024 compared to the prior quarter primarily due to lower sales volumes in the bearings product line associated with customers managing inventory levels.

Operating profit. Drilling Technologies third quarter operating profit is essentially flat compared to the second quarter of 2024.

Reservoir Chemical Technologies

Revenue. Reservoir Chemical Technologies revenue decreased $6.6 million, or 24%, in the third quarter of 2024 compared to the prior quarter primarily due to lower sales volume in the U.S. and internationally.

Operating profit. Reservoir Chemical Technologies operating profit decreased $2.7 million or 62% primarily due to lower sales volume, as mentioned above.

	Nine Months Ended September 30,		Variance
(in thousands)	**2024**	**2023**	**$**
Segment revenue:			
Production Chemical Technologies	$ 1,719,224	$ 1,770,240	$ (51,016)
Production & Automation Technologies	772,801	761,852	10,949
Drilling Technologies	159,886	168,900	(9,014)
Reservoir Chemical Technologies	72,359	74,752	(2,393)
Corporate(1)	(2,324)	38,986	(41,310)
Total revenue	$ 2,721,946	$ 2,814,730	$ (92,784)
Segment operating profit (loss):			
Production Chemical Technologies	$ 260,480	$ 248,037	$ 12,443
Production & Automation Technologies	84,813	96,299	(11,486)
Drilling Technologies	67,766	36,802	30,964
Reservoir Chemical Technologies	9,784	6,634	3,150
Total segment operating profit	422,843	387,772	35,071
Corporate expense and other(1)	54,590	37,122	17,468
Interest expense, net	43,493	40,754	2,739
Income before income taxes	$ 324,760	$ 309,896	$ 14,864

(1) Corporate and other includes costs not directly attributable or allocated to our reporting segments such as overhead and other costs pertaining to corporate executive management and other administrative functions, and the results attributable to our noncontrolling interest. Additionally, the sales and expenses related to the Cross Supply and Product Transfer Agreement with Ecolab were included within Corporate and other from June 3, 2020, the date we acquired the Chemical Technologies business from Ecolab, through June 30, 2023. Beginning July 1, 2023, these sales and expenses are recognized in the Production Chemical Technologies segment.

Production Chemical Technologies

Revenue. Production Chemical Technologies revenue decreased $51.0 million, or 3%, as compared to the prior year, mainly due to lower sales volumes in Latin America.

Operating profit. Operating profit increased $12.4 million, or 5%, compared to the prior year, primarily due to continued productivity initiatives, and discretionary spend control. The prior year period included a $13.0 million pre-tax impairment expense recorded during the three months ended March 31, 2023, to write down the assets of the CT Russia business to zero.

Production & Automation Technologies

Revenue. Revenue remained essentially flat as compared to the prior year, primarily due to a decrease in customer activity partially offset by revenues related to the acquisition of RMSpumptools which was completed on July 8, 2024.

Operating profit. Operating profit decreased $11.5 million, or 12%, compared to the prior year primarily due to lower sales volumes as noted above, $5.1 million of restructuring charges related to the exit of certain products, facility closures, and headcount reductions across the segment and $2.6 million related to business acquisition costs.

Drilling Technologies

Revenue. Revenue decreased $9.0 million, or 5%, as compared to the prior year due to lower worldwide rig count and product mix.

Operating profit. Operating profit increased $31.0 million, or 84%, compared to the prior year primarily due to the $29.8 million gain on the sale leaseback of the U.S. Synthetic buildings and land during the first quarter of 2024. Excluding the gain, operating profit increased $1.1 million due to improved processing costs.

Reservoir Chemical Technologies

Revenue. Revenue decreased $2.4 million, or 3%, compared to the prior year primarily due to lower sales volumes.

Operating profit. Operating profit increased $3.2 million, or 47%, compared to the prior year, due to continued productivity initiatives, and discretionary spend control.

CAPITAL RESOURCES AND LIQUIDITY

Overview

Our primary source of cash is from operating activities. We have historically generated, and expect to continue to generate, positive cash flow from operations. Cash generated from operations is generally allocated to working capital requirements, investments to support profitable revenue growth and maintain our facilities and systems, acquisitions that create value through add-on capabilities that broaden our existing businesses and support our growth strategy, as well as share repurchases, dividend payments to stockholders, and debt repayments to reduce our leverage.

At September 30, 2024, we had cash and cash equivalents of $389.1 million compared to $288.6 million at December 31, 2023, primarily for working capital and operational purposes. At September 30, 2024, we had total liquidity of $1.1 billion, comprised of $389.1 million of cash and cash equivalents and $670.9 million of available capacity under the 2022 Revolving Credit Facility (as defined below).

The Company maintains a restated credit agreement (the “Restated Credit Agreement”) that provides for (i) a $625.0 million seven-year senior secured term loan B facility (the “2022 Term Loan Facility”) and (ii) a five-year senior secured revolving credit facility in an aggregate principal amount of $700.0 million, of which $100.0 million is available for the issuance of letters of credit (the “2022 Revolving Credit Facility” together with the 2022 Term Loan Facility, the “Senior Secured Credit Facility”). On September 29, 2023, we amended the Restated Credit Agreement to, among other things, reprice the Company’s $620.3 million of existing term loans under the 2022 Term Loan Facility, in connection with which new term loans in the same amount were issued. The new term loans bear interest at a per annum rate of (i) an adjusted SOFR Rate plus 2.75% per annum or (ii) a base rate plus 1.75%. The new term loans may be prepaid at any time without penalty, subject to the payment of customary breakage costs in the case of the SOFR rate loans. All other material terms of the Senior Secured Credit Facility remain unchanged.

At September 30, 2024, we had a long-term debt balance of $592.2 million, net of the current portion of long-term debt of $6.2 million, consisting of the 2022 Term Loan Facility with a principal amount of $614.1 million.

Outlook

We expect to generate cash from operations to support business requirements and, if necessary, through the use of the 2022 Revolving Credit Facility. Volatility in credit, equity and commodity markets can create uncertainty for our businesses. However, the Company 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, the 2022 Revolving Credit Facility and access to capital markets.

On January 31, 2024, our Board of Directors (“Board”) approved an increase of our regular quarterly cash dividend to $0.095 per share of the Company’s common stock. Our third quarter cash dividend of $0.095 per share was declared on August 15, 2024 and is payable on October 25, 2024, to shareholders of record on October 4, 2024. As a result, we recorded a dividend payable of $19.0 million on our condensed consolidated balance sheet as of September 30, 2024. Subsequent dividend declarations, if any, including the amounts and timing of future dividends, are subject to approval by the Board and will depend on future business conditions, financial conditions, results of operations and other factors.

On March 7, 2022, the Company announced that our Board approved a $250 million share repurchase program (“Share Repurchase Program”) which was increased to $750 million by the Board on October 24, 2022. On January 31, 2024, our Board authorized a further increase in the aggregate value of shares that may be repurchased under the share repurchase program to $1.5 billion. Under the Share Repurchase Program, shares of the Company’s common stock may be repurchased periodically, including in the open market or privately negotiated transactions. We expect to fund share repurchases from cash generated from operations. During the three months ended September 30, 2024, we did not repurchase any shares under the Share Repurchase Program. The actual timing, manner, number, and value of shares repurchased under the program will depend on a number of factors, including the availability of excess free cash, the market price of the Company’s common stock, general market and economic conditions, applicable requirements, and other business considerations.

Over the next year, we expect to fund our capital expenditures and reduce outstanding debt through earnings and working capital improvements. We project capital spending for 2024 to be approximately 3.5% of revenue inclusive of capital investments for our electric submersible pump leased assets.

Information related to guarantees is incorporated herein by reference from Note 6—Commitments and Contingencies to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Cash Flows

	Nine Months Ended September 30,	
(in thousands)	**2024**	**2023**
Cash from operating activities	$ 382,431	$ 371,318
Cash used in investing activities	(178,225)	(98,637)
Cash used in financing activities	(102,627)	(236,548)
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(1,027)	(1,314)
Net increase (decrease) in cash and cash equivalents and restricted cash	$ 100,552	$ 34,819

Operating Activities

Cash provided by operating activities during the nine months ended September 30, 2024 was $382.4 million as compared to $371.3 million for the nine months ended September 30, 2023. The change was primarily driven by the increase in net income of $1.7 million, and decreased use of cash for working capital items. Changes in working capital items used cash of $43.0 million during the nine months ended September 30, 2024 compared to cash used of $84.4 million during the nine months ended September 30, 2023. The change in working capital items primarily related to decreases in inventory purchases and a decrease in accounts payable as compared to the prior year period.

Expenditures for assets that are placed into our leased asset program expected to be recovered through sale are reported in leased assets in the operating section of our condensed consolidated statements of cash flows. All other capitalizable expenditures for assets that are placed into our leased asset program are classified as capital expenditures in the investing section of our condensed consolidated statements of cash flows.

Investing Activities

Cash used in investing activities was $178.2 million for the nine months ended September 30, 2024, and was primarily comprised of capital expenditures of $101.4 million, purchases of investments of $31.5 million, and acquisitions net of cash acquired of $123.3 million, partially offset by $44.3 million of proceeds from the sale-leaseback transaction, $24.4 million from the sale of investments, and $9.3 million from the sale of fixed assets.

Cash used in investing activities was $98.6 million for the nine months ended September 30, 2023, and was primarily comprised of capital expenditures of $111.0 million, partially offset by $12.3 million of cash proceeds from the sale of fixed assets.

Financing Activities

Cash used in financing activities of $102.6 million for the nine months ended September 30, 2024 was primarily the result of repurchases of our common stock of $49.4 million, dividends paid of $52.4 million, payments related to taxes withheld on stock-based compensation of $12.0 million, and net repayments totaling $4.7 million on long-term debt. This was partially offset by $28.5 million of proceeds expected to be remitted under the Accounts Receivable Facility (as defined below).

Cash used in financing activities of $236.5 million for the nine months ended September 30, 2023 was primarily the result of repurchases of our common stock of $159.7 million, dividends paid of $48.3 million, net repayments totaling $28.1 million on long-term debt, and payments related to taxes withheld on stock-based compensation of $9.7 million. This was partially offset by $14.0 million of proceeds expected to be remitted under the Accounts Receivable Facility and $5.8 million in cash proceeds from the exercise of stock options.

Revolving Credit Facility

A summary of the 2022 Revolving Credit Facility at September 30, 2024 was as follows:

(in millions) **Description**	Amount	Debt Outstanding	Letters of Credit	Unused Capacity	Maturity
Five-year revolving credit facility	$ 700.0	$ —	$ 29.1	$ 670.9	June 2027

Additionally, we have letters of credit outside of the 2022 Revolving Credit Facility totaling approximately $2.2 million. As of September 30, 2024, we were in compliance with all restrictive covenants under the 2022 Revolving Credit Facility.

Accounts Receivable Facilities

On June 28, 2022, we entered into an uncommitted accounts receivable purchase agreement (the "JPM Accounts Receivable Facility") with JPMorgan Chase Bank, N.A. as the purchaser. The amount available for sale under the JPM Accounts Receivable Facility fluctuates over time based on the total amount of eligible receivables generated during the normal course of business. A maximum of $160.0 million in receivables may be sold and remain unpaid under the JPM Accounts Receivable Facility at any time.

On March 28, 2024, we entered into an uncommitted accounts receivable purchase agreement (the "HSBC Accounts Receivable Facility" and, together with the JPM Accounts Receivable Facility, the "Accounts Receivable Facilities") with HSBC Bank USA, National Association, as the purchaser. The amount available for sale under the HSBC Accounts Receivable Facility fluctuates over time based on the total amount of eligible receivables generated during the normal course of business. A maximum of CAD $40.0 million or approximately $30.0 million in receivables may be sold and remain unpaid under the HSBC Accounts Receivable Facility at any time.

Accounts receivable sold under the JPM Accounts Receivable were $513.6 million for the nine months ended September 30, 2024. The accounts receivables sold that remained outstanding under the JPM Accounts Receivable Facility as of September 30, 2024 was $97.0 million. During this period, cash receipts from the purchaser at the time of the sale were classified as operating activities in our condensed consolidated statement of cash flows. The difference between the carrying amount of the accounts receivables sold and the sum of the cash received is recorded as a loss on sale of receivables in other income (expense), net in our condensed consolidated statements of income. The loss on sale of accounts receivable was $5.6 million and $5.3 million for the nine months ended September 30, 2024 and 2023, respectively.

Accounts receivable sold under the HSBC Accounts Receivable Facility were $59.8 million for the nine months ended September 30, 2024. The accounts receivables sold that remained outstanding under the HSBC Accounts Receivable Facility as of September 30, 2024 was $23.2 million. The loss on sale of accounts receivable was $0.6 million for the nine months ended September 30, 2024 under the HSBC Accounts Receivable Facility.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We may be exposed to certain market risks arising from the use of financial instruments in the ordinary course of business. For quantitative and qualitative disclosures about market risk, 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, 2023. Our exposure to market risk has not materially changed since December 31, 2023.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, carried out an evaluation, pursuant to Rule 13a-15(b) of the Exchange Act, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange 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 effective as of September 30, 2024.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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 condensed consolidated financial position, results of operations or cash flows. See Note 6—Commitments and Contingencies to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

ITEM 1A. RISK FACTORS

Except as set forth below, there have not been material changes from the risk factors previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023.

The Merger is subject to a number of conditions to the obligations of both ChampionX and SLB to complete the Merger, including receipt of required regulatory clearances, which may impose unacceptable conditions or could delay completion of the Merger or result in termination of the Merger Agreement.

On April 2, 2024, ChampionX entered into the Merger Agreement whereby SLB will acquire ChampionX in an all-equity transaction pursuant to the Merger. The respective obligations of each of ChampionX and SLB to consummate the Merger are subject to the satisfaction at or prior to the closing of numerous conditions, including, among other things, (a) adoption by ChampionX stockholders of the Merger Agreement; (b) the receipt of approval for listing of shares of the SLB Common Stock as Equity Consideration on the New York Stock Exchange, subject to official notice of issuance; (c) the absence of certain legal restraints that enjoin, prohibit, prevent or make illegal the consummation of the Transactions; (d) the expiration or termination of the waiting period (and any extension of such period) under the HSR Act and any commitment to, or agreement with, any governmental entity to delay the consummation of, or not to consummate before a certain date, the Transactions and the receipt of all clearances, consents and approvals under certain specified regulatory laws; (e) the effectiveness of the registration statement on Form S-4 to be filed by SLB in connection with the issuance of the Equity Consideration, which will include a proxy statement of ChampionX; (f) with respect to SLB, (i) the absence of Mutual Legal Restraints, (ii) the absence of investigations of the Transaction under specified regulatory laws, (iii) the expiration of all waiting periods applicable under Specified Regulatory Filings following SLB's determination to submit such filings, (iv) receipt of all clearances, consents and approvals under the Specified Regulatory Filings and (v) the absence of certain other regulatory laws prohibiting or making illegal the consummation of the Transactions or otherwise as set forth in the Merger Agreement and (g) certain other customary conditions relating to the parties' representations and warranties in the Merger Agreement and the performance of their respective obligations.

On May 15, 2024, the Form S-4 and proxy statement/prospectus that was filed with the SEC in connection with the Transactions was declared effective by the SEC. On June 18, 2024, ChampionX's stockholders adopted the Merger Agreement at a special meeting of the stockholders. However, we cannot predict whether and when the other conditions to the completion of the Merger will be satisfied. Many of the conditions to the completion of the Merger are not within ChampionX's or SLB's control, and ChampionX cannot predict when, or if, these conditions will be satisfied. Furthermore, the requirement for obtaining regulatory clearances could delay the completion of the Merger for a significant period of time or prevent it from occurring. Regulators may seek to enjoin the completion of the Merger or require the parties to license, or hold separate, assets or terminate existing relationships and contractual rights, which could be in excess of the contractual requirements for remedies, or which could prevent certain of the anticipated benefits of the Merger from being achieved in a timely manner or at all.

Failure to complete the Merger could negatively impact the price of our stock and have a material adverse effect on our results of operations, cash flows and financial position.

If the Merger is not completed for any reason, including as a result of failure to obtain all requisite regulatory approvals, our ongoing business may be materially and adversely affected and, without realizing any of the benefits of having completed the Merger, we would be subject to a number of risks, including the following:

- we may experience negative reactions from the financial markets, including negative stock price impacts;
- we may experience negative reactions from commercial and business partners; and
- we will still be required to pay certain significant costs relating to the Merger, such as legal, accounting, financial advisor, and printing fees.

If the Merger is not completed, the risks described above may materialize and they may have a material adverse effect on our results of operations, cash flows, financial position, and the price of our publicly-traded stock.

The pendency of the Merger may adversely affect our business, financial results and operations.

Whether or not the Merger is completed, its announcement and pendency could cause disruptions to our business, including:

- uncertainties associated with the Merger may cause us to lose management personnel and other key employees, which could adversely affect our future business and operations following the Merger;
- our business relationships may be subject to disruption due to uncertainty associated with the Merger, which could have a material adverse effect on our results of operations, cash flows, and financial position;
- matters relating to the Merger (including integration planning) require substantial commitments of time and resources by our management, which may result in the distraction of our management from ongoing business operations and pursuing other opportunities that could be beneficial to us; and
- the Merger Agreement places certain restrictions on how we conduct our operations, which may delay or prevent us from undertaking business opportunities that, absent the Merger Agreement, we may have pursued.

SLB may fail to realize the anticipated benefits of the Merger and may fail to successfully integrate the businesses and operations of the parties in the expected time frame.

The success of the Merger, and the value that ChampionX stockholders who receive SLB Common Stock following the Merger will realize, depends on, among other things, the successful combination of ChampionX's and SLB's businesses in a manner that realizes anticipated synergies and benefits and meets or exceeds the forecasted stand-alone cost savings anticipated by the combined business. If the combined business is not able to successfully achieve these synergies, or the cost to achieve these synergies is greater than expected, then the anticipated benefits of the Merger may not be realized fully or at all or may take longer to realize than expected. If the transaction closes, it is possible that the integration process could result in the loss of key ChampionX employees or key SLB employees, the loss of customers, providers, vendors, or business partners, the disruption of either or both parties' ongoing businesses, inconsistencies in standards, controls, procedures, and policies, potential unknown liabilities and unforeseen expenses, delays, or regulatory conditions associated with and following completion of the Merger, or higher than expected integration costs and an overall post-completion integration process that takes longer than originally anticipated.

In addition, at times the attention of certain members of our management team and resources may be focused on the completion of the Merger and planning the anticipated integration, and diverted from day-to-day business operations or other opportunities that may have been beneficial to ChampionX, which may disrupt our ongoing business and the operations of the combined business.

We may be subject to litigation challenging the Merger, and an unfavorable judgment or ruling in any such lawsuits could prevent or delay the consummation of the Merger and/or result in substantial costs.

Lawsuits related to the Merger may be filed against us, SLB, and our respective affiliates, directors and officers. If dismissals are not obtained or a settlement is not reached, these lawsuits could prevent or delay completion of the Merger and/or result in substantial costs to us.

The Merger Agreement contains provisions that could discourage or deter a potential competing offer to acquire our common stock.

We are not permitted to solicit proposals for certain alternative business combination transactions and, subject to certain exceptions, we are not permitted to engage in discussions or negotiations regarding an alternative business combination transaction. Such restrictions could discourage or deter a third party, that may be willing to pay more than SLB for our outstanding common stock, from considering or proposing such an acquisition.

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

We did not repurchase any equity securities registered under Section 12 of the Exchange Act during the third quarter of 2024.

On March 7, 2022, the Company announced that our Board authorized the Company to repurchase up to $250 million of its common stock. On October 24, 2022, our Board increased the authorization under this program to $750 million. On January 31, 2024, our Board authorized an increase in the aggregate value of shares that may be repurchased under the Share Repurchase Program to $1.5 billion. This program has no time limit and does not obligate the Company to acquire any particular amount of shares of its common stock. As of September 30, 2024, the approximate dollar value of shares that may yet be purchased under the Share Repurchase Program is $996.7 million.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Iran Threat Reduction and Syria Human Rights Act of 2012

Under the Iran Threat Reduction and Syria Human Rights Act of 2012, which added Section 13(r) of the Exchange Act, the Company is required to disclose in its periodic reports if it or any of its affiliates knowingly engaged in certain activities, transactions or dealings relating to Iran or with entities or individuals designated pursuant to certain Executive Orders. Disclosure is required even where the activities are conducted outside the U.S. by non-U.S. affiliates in compliance with applicable law, and even if the activities are not covered or prohibited by U.S. law.

As authorized by the U.S. Treasury's Office of Foreign Assets Control ("OFAC"), a non-U.S. subsidiary of the Company which is part of our Chemical Technologies business completed sales of products used for process and water treatment applications in upstream oil and gas production related to the operation of and production from the Rhum gas field off the Scottish coast ("Rhum") totaling two thousand dollars during the period from July 1, 2024 to September 30, 2024. The net profit before taxes associated with these sales for each period were nominal. Rhum is jointly owned by Serica Energy plc and Iranian Oil Company (U.K.) Limited. Our non-U.S. subsidiary does not intend to continue the Rhum-related activities which had previously been conducted consistent with a specific license obtained from OFAC by its customers that expires January 31, 2025.

Insider Trading Arrangements and Policies

During the three months ended September 30, 2024, none of the Company's directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) informed us of the adoption or termination of a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

ITEM 6. EXHIBITS

Exhibit No.	Exhibit Description	Incorporated by Reference		
		Form	Exhibit No.	Filing Date
2.1†	Agreement and Plan of Merger, dated as of April 2, 2024, by and among ChampionX Corporation, Sodium Holdco, Inc., Schlumberger Limited and Sodium Merger Sub, Inc.	8-K/A	2.1	April 3, 2024
3.1	Second Amended and Restated Certificate of Incorporation of the Company	8-K	3.1	May 11, 2023
3.2	Amended and Restated By-Laws of the Company	8-K	3.2	May 11, 2023
10.1*	Master Receivables Purchase Agreement Facility Extension Request dated August 30, 2024			
10.2*†	Fifth Amendment to Master Receivables Purchase Agreement, dated as of August 30, 2024 among ChampionX LLC and US Synthetic Corporation as Sellers, ChampionX Corporation, and JPMorgan Chase Bank, N.A., as Purchaser.			
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			
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)			

† Schedules (or similar attachments) have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The registrant hereby undertakes to furnish supplemental copies of any of the omitted schedules (or similar attachments) upon request by the Securities and Exchange Commission.

* Filed herewith

** Furnished herewith

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.

CHAMPIONX CORPORATION
(Registrant)

/s/ ANTOINE MARCOS
Antoine Marcos
Vice President, Corporate Controller and Chief Accounting Officer
(Principal Accounting Officer and a Duly Authorized Officer)

Date: October 24, 2024

Exhibit 10.1

Facility Extension Request

August 30, 2024

JPMorgan Chase Bank, N.A., as Purchaser
575 Washington Boulevard
Jersey City, NJ, 07310

Reference is hereby made to that certain Master Receivables Purchase Agreement, dated as of June 28, 2022, by and among, *inter alios*, ChampionX Corporation (the "Seller Representative"), the following subsidiaries of the Seller Representative, as sellers and servicers: ChampionX LLC ("ChampionX") and US Synthetic Corporation ("US Synthetic"), collectively the "Sellers," and each a "Seller") and JPMorgan Chase Bank, N.A. (the "Purchaser") (as it may be amended, restated, supplemented or otherwise modified from time to time, the "Agreement"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Agreement.

Pursuant to Section 1(b)(ii) of the Agreement, the Seller Representative on behalf of the Sellers hereby irrevocably requests that the Purchaser extend the current Purchase Termination Date to August 31, 2025 (the "New Purchase Termination Date").

Seller Representative for itself and on behalf of the Sellers hereby (a) represents and warrants to the Purchaser that: (i) the representations and warranties as Sellers and as Servicers in the Agreement are true and correct on and as of the date hereof; and (ii) no default under the Agreement has occurred or is continuing or would occur as a result of this Facility Extension Request, and (b) affirms its understanding that the Uncommitted Facility is not a commitment and does not in any way obligate the Purchaser to purchase any Offered Receivables under the Agreement.

ChampionX Corporation

By: /s/ Daniel T. Erdman
Name: Daniel T. Erdman
Title: Vice President and Treasurer

The Purchaser hereby consents to this Facility Extension Request, and effective as of the current Purchase Termination Date, the current Purchase Termination Date shall be amended to be the New Purchase Termination Date.

JPMORGAN CHASE BANK, N.A., as Purchaser

By: /s/ Jason Benson
Name: Jason Benson
Title: Executive Director

Exhibit 10.2

FIFTH AMENDMENT TO

MASTER RECEIVABLES PURCHASE AGREEMENT

This Fifth Amendment dated as of August 30th, 2024 (the "Amendment") is to that certain Master Receivables Purchase Agreement dated as of June 28, 2022, among ChampionX LLC and US Synthetic Corporation, as Seller and Servicer, ChampionX Corporation, as Company and Seller Representative, and JPMorgan Chase Bank, N.A., as Purchaser (as amended, extended, modified, supplemented, restated, renewed and/or replaced, the "RPA"), under which a Seller may request to sell and assign certain receivables to Purchaser pursuant to the terms therein and Purchaser may in its sole discretion purchase such receivables (such arrangement, the "Uncommitted Receivables Purchase Facility"). Unless otherwise defined herein, capitalized terms shall have the meanings assigned to them in the RPA.

NOW, THEREFORE, for mutual consideration, the receipt of which is hereby acknowledged by the parties, the Purchaser and Seller Representative (acting on behalf of each Seller) hereby agree to amend the RPA as follows:

1. Schedule I (Account Debtor Information) of the RPA is hereby deleted in its entirety and replaced with a new Schedule I in the form of Exhibit A attached to this Amendment.
2. The definition of "Eligible Account Debtor" in Annex A of the Agreement is hereby amended by deleting subsection (a) and replacing it with the following:
   a. that is listed on Schedule I, as such Schedule may be updated from time to time as agreed to in writing by the Purchaser and the Seller Representative, it being understood that any Account Debtor that is a Subsidiary of a "parent" listed on Schedule I must remain a direct or indirect majority-owned Subsidiary of that "parent" in order to be an Eligible Account Debtor;

1. Except as specifically amended by this Amendment, the provisions of the RPA remain in full force and effect, including without limitation, the uncommitted nature of the receivables purchase facility documented under the RPA.
2. This Amendment shall become effective only after it is fully executed and delivered by the Seller Representative and the Purchaser and shall be governed by, and construed in accordance with, the laws of the State of New York. This Amendment may be executed in counterparts, each of which shall be considered an original, but all of which shall be considered one and the same agreement. Delivery of an executed counterpart of a signature page of this Amendment by telecopy, emailed pdf or any other electronic means that reproduces an image of the actual executed signature page shall be effective as delivery of a manually executed counterpart of this Amendment.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the day and year of the first above written.

CHAMPIONX CORPORATION, as Seller Representative

By: ___/s/ Daniel T. Erdman____

Name: ___Daniel T. Erdman______

Title: ___Vice President and Treasurer__

JPMORGAN CHASE BANK, N.A., as Purchaser

By: ___/s/ Jason Benson______

Name: ___Jason Benson______

Title: ___Executive Director______

Exhibit A to Fifth Amendment to Master Receivables Purchase Agreement

Schedule I

[On file with Purchaser]

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 ChampionX 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) 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

   (d) 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: October 24, 2024

/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, Kenneth M. Fisher, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ChampionX 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) 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

   (d) 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: October 24, 2024

/s/ KENNETH M. FISHER

Kenneth M. Fisher

Executive 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 ChampionX 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 September 30, 2024, 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: October 24, 2024

/s/ SIVASANKARAN SOMASUNDARAM

Sivasankaran Somasundaram

President and Chief Executive Officer
(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, Kenneth M. Fisher, Executive Vice President and Chief Financial Officer of ChampionX 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 September 30, 2024, 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: October 24, 2024

/s/ KENNETH M. FISHER

Kenneth M. Fisher

Executive Vice President and
Chief Financial Officer

(Principal Financial Officer)