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 June 30, 2023
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 196,581,903 shares of common stock, $0.01 par value, outstanding as of July 20, 2023.

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 (some of which are significant or beyond our control) and assumptions that could cause actual results to materially differ from our historical experience and our present expectations or projections. Known material factors that could cause actual results to materially differ from those contemplated in the forward-looking statements 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, 2022 and in Part II, Item 1A, "Risk Factors," in this Quarterly Report on Form 10-Q, and include the following:

- 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, inflation, geopolitical issues, supply chain disruptions, and availability and cost of credit, and its impact on our operations and those of our customers and suppliers;
- 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 or release;
- 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;
- A failure of our information technology infrastructure or any significant breach of security;
- Risks relating to our existing international operations and expansion into new geographical markets;
- 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 and disruptions in capital and credit markets;
- 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;
- 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)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands, except per share data)	**2023**	**2022**	**2023**	**2022**
Revenue:				
Product revenue	$ 813,416	$ 807,553	$ 1,646,439	$ 1,558,221
Service revenue	88,645	101,843	181,890	198,237
Lease and other revenue	24,539	23,176	46,618	42,074
Total revenue	926,600	932,572	1,874,947	1,798,532
Cost of goods and services	644,394	720,684	1,309,386	1,379,034
Gross profit	282,206	211,888	565,561	419,498
Costs and expenses:				
Selling, general and administrative expense	162,484	141,351	323,300	291,711
Loss on disposal group	—	22,924	12,965	22,924
Interest expense, net	14,544	10,765	27,010	22,128
Other expense (income), net	(3,104)	9,357	2,191	10,677
Income before income taxes	108,282	27,491	200,095	72,058
Provision for (benefit from) income taxes	11,656	(1,405)	40,325	4,989
Net income	96,626	28,896	159,770	67,069
Net income attributable to noncontrolling interest	829	1,554	441	3,025
Net income attributable to ChampionX	$ 95,797	$ 27,342	$ 159,329	$ 64,044
Earnings per share attributable to ChampionX:				
Basic	$ 0.49	$ 0.13	$ 0.81	$ 0.32
Diluted	$ 0.48	$ 0.13	$ 0.79	$ 0.31
Weighted-average shares outstanding:				
Basic	197,034	203,322	197,657	203,200
Diluted	200,735	208,714	201,694	208,863

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

CHAMPIONX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2023**	**2022**	**2023**	**2022**
Net income	$ 96,626	$ 28,896	$ 159,770	$ 67,069
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	9,020	21,169	(1,656)	19,604
Cash flow hedges	231	(3,403)	(4,458)	(4,702)
Defined pension and other post-retirement benefits adjustments, net	(102)	70	(49)	139
Other comprehensive income (loss)	9,149	17,836	(6,163)	15,041
Comprehensive income	105,775	46,732	153,607	82,110
Less: Comprehensive income attributable to noncontrolling interest	829	1,554	441	3,025
Comprehensive income attributable to ChampionX	$ 104,946	$ 45,178	$ 153,166	$ 79,085

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

CHAMPIONX CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in thousands)	June 30, 2023	December 31, 2022
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 263,088	$ 250,187
Receivables, net	522,106	601,061
Inventories, net	599,040	542,543
Assets held for sale	13,165	29,334
Prepaid expenses and other current assets	87,432	75,456
Total current assets	1,484,831	1,498,581
Property, plant, and equipment, net of accumulated depreciation of $743,426 in 2023 and $693,226 in 2022	757,841	734,810
Goodwill	669,067	679,488
Intangible assets, net	270,599	305,010
Operating lease right-of-use assets	84,476	92,928
Other non-current assets	63,024	76,666
Total assets	$ 3,329,838	$ 3,387,483
LIABILITIES AND EQUITY		
Current Liabilities:		
Current portion of long-term debt	$ 6,250	$ 6,250
Accounts payable	550,827	469,566
Accrued compensation and employee benefits	85,521	102,750
Current portion of operating lease liabilities	26,641	28,838
Accrued distributor fees	19,297	102,034
Liabilities held for sale	—	7,186
Accrued expenses and other current liabilities	125,919	142,352
Total current liabilities	814,455	858,976
Long-term debt	595,165	621,702
Deferred income taxes	72,399	94,235
Operating lease liabilities	52,528	59,686
Other long-term liabilities	82,969	75,669
Total liabilities	1,617,516	1,710,268
Stockholders' equity:		
Common stock (2.5 billion shares authorized, $0.01 par value) 196.3 million shares and 198.5 million shares issued and outstanding in 2023 and 2022, respectively	1,963	1,985
Capital in excess of par value of common stock	2,220,909	2,249,698
Accumulated deficit	(457,148)	(527,603)
Accumulated other comprehensive loss	(35,693)	(29,530)
ChampionX stockholders' equity	1,730,031	1,694,550
Noncontrolling interest	(17,709)	(17,335)
Total equity	1,712,322	1,677,215
Total liabilities and equity	$ 3,329,838	$ 3,387,483

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

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

(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

(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, 2021	202,866	$ 2,029	$ 2,315,399	$ (525,158)	$ (21,625)	$ (16,338)	$ 1,754,307
Net income	—	—	—	36,702	—	1,471	38,173
Other comprehensive loss	—	—	—	—	(2,795)	—	(2,795)
Stock-based compensation	290	3	4,725	—	—	—	4,728
Stock options exercised	189	1	1,054	—	—	—	1,055
Taxes withheld on issuance of stock-based awards	—	—	(2,639)	—	—	—	(2,639)
Dividends declared to common stockholders ($0.075 per share)	—	—	—	(15,465)	—	—	(15,465)
Cumulative translation adjustments	—	—	—	—	—	208	208
March 31, 2022	203,345	$ 2,033	$ 2,318,539	$ (503,921)	$ (24,420)	$ (14,659)	$ 1,777,572
Net income	—	—	—	27,342	—	1,554	28,896
Other comprehensive income	—	—	—	—	17,836	—	17,836
Stock-based compensation	64	1	5,070	—	—	—	5,071
Stock options exercised	312	3	2,087	—	—	—	2,090
Taxes withheld on issuance of stock-based awards	—	—	(739)	—	—	—	(739)
Dividends declared to common stockholders ($0.075 per share)	—	—	—	(15,494)	—	—	(15,494)
Repurchase and cancellation of common stock	(790)	(8)	(8,992)	(11,016)	—	—	(20,016)
Distributions to noncontrolling interest	—	—	—	—	—	(2,369)	(2,369)
Cumulative translation adjustments	—	—	—	—	—	8	8
June 30, 2022	202,931	$ 2,029	$ 2,315,965	$ (503,089)	$ (6,584)	$ (15,466)	$ 1,792,855

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

CHAMPIONX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(in thousands)	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Cash flows from operating activities:		
Net income	$ 159,770	$ 67,069
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	115,387	117,229
Loss on disposal group	12,965	22,924
Stock-based compensation	11,575	9,799
Provision for inventory obsolescence and write-downs	12,344	6,926
Loss on debt extinguishment	—	4,043
Deferred income taxes	(22,187)	(34,386)
Gain on disposal of fixed assets	(1,070)	(6,284)
Amortization of deferred loan costs and accretion of discount	2,029	1,766
Other	3,185	805
Changes in operating assets and liabilities (net of effects of foreign exchange):		
Receivables	83,589	(42,456)
Inventories	(70,040)	(81,935)
Leased assets	(22,125)	(13,949)
Other assets	3,135	16,133
Accounts payable	40,632	21,507
Other liabilities	(120,901)	(58,076)
Net cash flows provided by operating activities	208,288	31,115
Cash flows from investing activities:		
Capital expenditures	(57,277)	(53,555)
Proceeds from sale of fixed assets	7,109	14,946
Acquisitions, net of cash acquired	—	(3,198)
Net cash used for investing activities	(50,168)	(41,807)
Cash flows from financing activities:		
Proceeds from long-term debt	15,500	844,838
Repayment of long-term debt	(43,633)	(869,987)
Payment of debt issue costs	—	(8,008)
Repurchases of common stock	(91,617)	(20,016)
Dividends paid	(31,591)	(15,465)
Payments related to taxes withheld on stock-based compensation	(7,139)	(3,378)
Proceeds from exercise of stock options	3,038	3,145
Payment of finance lease obligations	(4,376)	(3,123)
Distributions to noncontrolling interest	(823)	(2,369)
Proceeds expected to be remitted under the Accounts Receivable Facility	15,400	—
Net cash used for financing activities	(145,241)	(74,363)
Effect of exchange rate changes on cash and cash equivalents	22	659
Net increase (decrease) in cash and cash equivalents	12,901	(84,396)
Cash and cash equivalents at beginning of period	250,187	255,178
Cash and cash equivalents at end of period	$ 263,088	$ 170,782

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

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.

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, 2022.

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, 2023.

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, 2022 for the discussion of our significant accounting policies.

New Accounting Standards Issued

In September 2022, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2022-04, *“Liabilities—Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations,”* which requires that a buyer in a supplier finance program disclose information about the key terms of the program, outstanding confirmed amounts as of the end of the period, a rollforward of such amounts during each annual period, and a description of where in the financial statements outstanding amounts are presented. The ASU does not affect the recognition, measurement or financial statement presentation of obligations covered by supplier finance programs. The guidance is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, except for the amendment on rollforward information, which is effective for fiscal years beginning after December 15, 2023, with early adoption permitted.
The adoption of this ASU did not have a material effect on our consolidated financial statements, other than the newly required disclosures. See Note 15—Supply Chain Finance for information on our supplier finance programs.

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, 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 and Windrock.

- 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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2023**	**2022**	**2023**	**2022**
Segment revenue:				
Production Chemical Technologies	$ 574,302	$ 552,411	$ 1,165,986	$ 1,067,383
Production & Automation Technologies	254,156	242,399	505,704	462,748
Drilling Technologies	57,324	57,858	114,031	114,717
Reservoir Chemical Technologies	23,853	44,114	49,659	84,014
Corporate and other [(1)]	16,965	35,790	39,567	69,670
Total revenue	$ 926,600	$ 932,572	$ 1,874,947	$ 1,798,532
Segment operating profit (loss):				
Production Chemical Technologies	$ 87,163	$ 25,606	$ 153,477	$ 56,869
Production & Automation Technologies	33,208	23,650	68,000	48,360
Drilling Technologies	12,660	15,043	24,547	30,263
Reservoir Chemical Technologies	2,186	(8,147)	4,173	(11,616)
Total segment operating profit	135,217	56,152	250,197	123,876
Corporate and other [(1)]	12,391	17,896	23,092	29,690
Interest expense, net	14,544	10,765	27,010	22,128
Income before income taxes	$ 108,282	$ 27,491	$ 200,095	$ 72,058

(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 Inc. ("Ecolab") are included within Corporate and other.

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 consolidated balance sheets.

Revenue disaggregated by geography was as follows:

	Three Months Ended June 30, 2023					
(in thousands)	**Production Chemical Technologies**	**Production & Automation Technologies**	**Drilling Technologies**	**Reservoir Chemical Technologies**	**Corporate and other [1]**	**Total**
United States	$ 236,917	$ 197,655	$ 44,233	$ 11,677	$ 7,014	$ 497,496
Latin America	116,083	5,457	—	3,044	752	125,336
Middle East & Africa	81,776	14,756	2,967	7,123	(53)	106,569
Canada	72,403	15,648	2,922	540	7	91,520
Europe	53,415	4,980	6,544	775	2,494	68,208
Asia-Pacific	8,572	3,527	658	692	6,751	20,200
Australia	5,136	12,133	—	2	—	17,271
Other	—	—	—	—	—	—
Total revenue	$ 574,302	$ 254,156	$ 57,324	$ 23,853	$ 16,965	$ 926,600

	Three Months Ended June 30, 2022					
(in thousands)	**Production Chemical Technologies**	**Production & Automation Technologies**	**Drilling Technologies**	**Reservoir Chemical Technologies**	**Corporate and other [1]**	**Total**
United States	$ 205,457	$ 187,982	$ 45,848	$ 31,038	$ 20,039	$ 490,364
Latin America	124,540	6,358	—	3,221	905	135,024
Middle East & Africa	76,028	19,062	1,220	5,561	287	102,158
Canada	72,581	17,484	3,477	633	37	94,212
Europe	45,889	3,384	5,156	968	3,297	58,694
Asia-Pacific	9,518	784	2,142	909	11,225	24,578
Australia	4,960	7,308	15	91	—	12,374
Other	13,438	37	—	1,693	—	15,168
Total revenue	$ 552,411	$ 242,399	$ 57,858	$ 44,114	$ 35,790	$ 932,572

(in thousands)	Six Months Ended June 30, 2023					
	Production Chemical Technologies	Production & Automation Technologies	Drilling Technologies	Reservoir Chemical Technologies	Corporate and other [(1)]	Total
United States	$ 478,678	$ 390,196	$ 87,193	$ 24,250	$ 20,604	$ 1,000,921
Latin America	240,554	10,145	—	7,012	1,719	259,430
Middle East & Africa	158,763	30,177	5,448	13,860	(438)	207,810
Canada	146,567	36,185	6,689	958	18	190,417
Europe	103,218	9,939	12,704	1,143	5,125	132,129
Asia-Pacific	17,791	5,605	1,995	1,871	12,539	39,801
Australia	11,085	23,457	—	2	—	34,544
Other	9,330	—	2	563	—	9,895
Total revenue	$ 1,165,986	$ 505,704	$ 114,031	$ 49,659	$ 39,567	$ 1,874,947

(in thousands)	Six Months Ended June 30, 2022					
	Production Chemical Technologies	Production & Automation Technologies	Drilling Technologies	Reservoir Chemical Technologies	Corporate and other [(1)]	Total
United States	$ 396,363	$ 355,784	$ 92,667	$ 56,259	$ 41,893	$ 942,966
Latin America	224,145	11,361	—	6,811	1,630	243,947
Middle East & Africa	150,072	35,773	2,909	13,282	601	202,637
Canada	148,380	36,936	6,418	1,111	63	192,908
Europe	94,910	5,729	8,866	1,871	6,768	118,144
Asia-Pacific	18,001	2,455	3,817	1,954	18,715	44,942
Australia	10,803	14,583	15	199	—	25,600
Other	24,709	127	25	2,527	—	27,388
Total revenue	$ 1,067,383	$ 462,748	$ 114,717	$ 84,014	$ 69,670	$ 1,798,532

(1) Revenues associated with sales under the Cross Supply and Product Transfer Agreement with Ecolab are included within Corporate and other.

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)	June 30, 2023	December 31, 2022
Contract assets	$ —	$ —
Contract liabilities - current	$ 20,549	$ 14,113

NOTE 4—INTANGIBLE ASSETS AND GOODWILL

Intangible Assets

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

	June 30, 2023			December 31, 2022		
(in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Definite-lived intangible assets:						
Customer relationships	$ 583,522	$ 423,001	$ 160,521	$ 582,466	$ 407,212	$ 175,254
Unpatented technologies	142,760	65,713	77,047	142,760	56,264	86,496
Favorable supply agreements	57,000	57,000	—	57,000	49,056	7,944
Trademarks	59,862	37,865	21,997	59,856	36,048	23,808
Patents	38,346	32,112	6,234	38,175	31,481	6,694
Other	525	525	—	1,892	1,878	14
	882,015	616,216	265,799	882,149	581,939	300,210
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	$ 886,815	$ 616,216	$ 270,599	$ 886,949	$ 581,939	$ 305,010

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, 2022	$ 367,084	$ 211,268	$ 101,136	$ —	$ 679,488
Foreign currency translation	(10,554)	133	—	—	(10,421)
June 30, 2023	$ 356,530	$ 211,401	$ 101,136	$ —	$ 669,067

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)	June 30, 2023	December 31, 2022
2022 Revolving Credit Facility	$ —	$ 25,000
2022 Term Loan Facility	620,304	623,438
Total	620,304	648,438
Net unamortized discounts and issuance costs	(18,889)	(20,486)
Total long-term debt	601,415	627,952
Current portion of long-term debt (1)	(6,250)	(6,250)
Long-term debt, less current portion	$ 595,165	$ 621,702

(1) Includes the mandatory amortization payments due within twelve months related to the 2022 Term Loan Facility as of June 30, 2023.

On June 7, 2022, we entered into a restated credit agreement, which 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"). The full amount of the 2022 Term Loan Facility was funded, and $135.0 million of the 2022 Revolving Credit Facility was drawn, on June 7, 2022. As of June 30, 2023, we had no outstanding balance on 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 June 30, 2023.

At the Company's election, outstanding borrowings under the Senior Secured Credit Facility will accrue interest at a per annum rate of (i) an adjusted SOFR rate plus the applicable spread or (ii) a base rate plus the applicable spread. 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 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 June 30, 2023 and December 31, 2022, we had $72.2 million and $82.4 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 11 locations, the majority of which are in the United States ("U.S."), and environmental liabilities have been accrued reflecting our best estimate of future costs. Potential insurance reimbursements are not anticipated in the Company's accruals for environmental liabilities. As of June 30, 2023 and December 31, 2022, environmental liability accruals related to these locations were $6.0 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"). As part of the ongoing long-term remediation process, we contracted an engineering and consulting firm to develop a range of possible additional remedial alternatives in order to accelerate the remediation process and associated cost estimates for the work. In October 2019, we received the firm's preliminary remedial alternatives for consideration. We have submitted our long-term remediation plan and it was approved by ODEQ. We are now in discussion with ODEQ to finalize a consent order. Because we have not yet finalized the consent order for further remediation at the site and discussions with ODEQ remain ongoing, we cannot fully anticipate the timing, outcome or possible impact of such further remedial activities, financial or otherwise. As a result of the recommendations in the report, we accrued liabilities for these remediation efforts of approximately $2.0 million as of December 31, 2019. Liabilities could increase in the future at such time as we ultimately reach agreement with ODEQ on our remediation plan and such liabilities become probable and can be reasonably estimated; however, there have been no changes to our estimated liability as of June 30, 2023.

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. There currently remains one "B3" case that asserted claims against the COREXIT Defendants and that remains pending against other defendants. Because the Court's decision was not a "final judgment" for purposes of appeal with respect to those claims, under Federal Rule of Appellate Procedure 4(a), the plaintiff will have 30 days after entry of final judgment in the case to appeal the Court's summary judgment decision.

The Company believes the claims asserted against the COREXIT Defendants are without merit and intends to defend these lawsuits vigorously. The Company also believes that it has rights to contribution and/or indemnification (including legal expenses) from third parties. However, we cannot predict the outcome of these lawsuits, the involvement it might have in these matters in the future, or the potential for future litigation.

NOTE 7—RESTRUCTURING EXPENSE

We approved various restructuring plans related to the consolidation of product lines and associated facility closures and workforce reductions during prior periods, which we expect to be completed during 2023. We recognized charges of $4.0 million and $6.2 million during the three and six months ended June 30, 2023, respectively, consisting primarily of contract termination costs, inventory obsolescence, and employee severance and related benefits. During the three and six months ended June 30, 2022, we recorded restructuring expense of $6.6 million and $15.1 million, respectively.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2023**	**2022**	**2023**	**2022**
Segment restructuring expense (income):				
Production Chemical Technologies	$ 3,434	$ 336	$ 4,578	$ 11,972
Production & Automation Technologies	—	125	785	(4,022)
Drilling Technologies	—	—	—	—
Reservoir Chemical Technologies	427	5,358	823	6,101
Corporate and other	99	801	4	1,053
Total	$ 3,960	$ 6,620	$ 6,190	$ 15,104
Statements of Income classification:				
Cost of goods and services	$ 1,013	$ 5,147	$ 2,544	$ 1,008
Selling, general and administrative expense	2,947	1,473	3,646	14,096
Total	$ 3,960	$ 6,620	$ 6,190	$ 15,104

Our liability balance for restructuring expense at June 30, 2023 reflects contract termination costs, employee severance and related benefits initiated during the period. Additional programs may be initiated during the remainder of 2023 with related restructuring charges.

The following table details our restructuring accrual activities during the six months ended June 30, 2023:

(in thousands)	**Restructuring Accrual Balance**
December 31, 2022	$ 28,518
Restructuring charges	6,190
Asset sales and write-offs	(669)
Payments	(16,984)
Other, including foreign currency translation	(2)
June 30, 2023	$ 17,053

NOTE 8—STOCKHOLDERS' EQUITY

Dividends

On February 16, 2023, the Company announced that our Board of Directors ("Board") approved an increase of our regular quarterly cash dividend to $0.085 per share of the Company's common stock. Our second quarter cash dividend of $0.085 per share was declared on May 11, 2023 and is payable on July 28, 2023 to shareholders of record on July 7, 2023. As a result, we recorded a dividend payable of $17.3 million on our condensed consolidated balance sheet as of June 30, 2023. 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. On October 24, 2022, our Board increased the authorization under this program to $750 million. 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 June 30, 2023, we repurchased and cancelled 1,883,480 shares of common stock for a total of $51.2 million, including commissions and excise tax. During the six months ended June 30, 2023, we repurchased and cancelled 3,185,979 shares of common stock for a total of $91.6 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 June 30,		Six Months Ended June 30,	
(in thousands, except per share data)	**2023**	**2022**	**2023**	**2022**
Net income attributable to ChampionX	$ 95,797	$ 27,342	$ 159,329	$ 64,044
Weighted-average number of shares outstanding	197,034	203,322	197,657	203,200
Dilutive effect of stock-based compensation	3,701	5,392	4,037	5,663
Total shares and dilutive securities	200,735	208,714	201,694	208,863
Earnings per share attributable to ChampionX:				
Basic	$ 0.49	$ 0.13	$ 0.81	$ 0.32
Diluted	$ 0.48	$ 0.13	$ 0.79	$ 0.31

For all periods presented, the computation of diluted earnings per share excludes awards with an anti-dilutive impact. For the three and six months ended June 30, 2023, the diluted shares include the dilutive impact of equity awards except for approximately 1.0 million and 0.8 million shares, respectively, that were excluded because their inclusion would be anti-dilutive. For the three and six months ended June 30, 2022, the diluted shares include the dilutive impact of equity awards except for approximately 0.4 million shares and 0.4 million shares, respectively, that were excluded because their inclusion would be anti-dilutive.

NOTE 10—ACQUISITIONS AND DIVESTITURES

Acquisitions

On February 23, 2022, we acquired the assets of Leak Surveys, Inc., a leader in optical gas imaging technology that provides aerial and ground-based emissions leak detection to the oil and gas industry. These assets have been included in our Production & Automation Technologies segment. Under the terms of the agreement, we paid an initial amount of $3.2 million, net of cash acquired, with an additional $0.5 million which was paid on the first anniversary of the closing date. We may also be required to make future payments of up to an additional $2.5 million, contingent on the future performance of the business. As part of our purchase price allocation, we recorded goodwill of $6.3 million in the first quarter of 2022. The pro forma effect of this acquisition on revenue and net income has been determined to be immaterial to our financial statements.

Divestitures

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.

Due to the continued deterioration of the business environment, increasing trade regulations and sanctions and Russia’s imposition of an exit tax on divestments to facilitate exit from in-country operations, we assessed the fair value less cost to sell the business as of March 31, 2023 to be zero, resulting in a $13.0 million pre-tax impairment expense recorded during the three months ended March 31, 2023. There were no changes in the three month period ended June 30, 2023.

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**	**June 30, 2023**	**December 31, 2022**
Assets			
Foreign currency forward contracts	Level 2	$ 2,456	$ 7,066
Interest rate swaps	Level 2	5,982	8,476
Total		$ 8,438	$ 15,542
Liabilities			
Foreign currency forward contracts	Level 2	$ 3,821	$ 4,209
Interest rate swaps	Level 2	—	—
Total		$ 3,821	$ 4,209

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. 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 the 2022 Term Loan Facility is based on Level 2 quoted market prices for the same or similar debt instruments. The fair value of the 2022 Revolving Credit Facility 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:

	June 30, 2023		December 31, 2022	
(in thousands)	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
2022 Revolving Credit Facility	$ —	$ —	$ 25,000	$ 25,000
2022 Term Loan Facility	$ 620,304	$ 620,304	$ 623,438	$ 610,969

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 (loss) (“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)	**June 30, 2023**	**December 31, 2022**	**June 30, 2023**	**December 31, 2022**
Prepaid expenses and other current assets	$ 7,705	$ 11,911	$ —	$ —
Other non-current assets	733	3,631	—	—
Accrued expenses and other current liabilities	—	—	3,821	4,209
	$ 8,438	$ 15,542	$ 3,821	$ 4,209

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

(in thousands)	**June 30, 2023**	**December 31, 2022**
Notional value of foreign currency forward contracts and interest rate swaps	$ 931,238	$ 965,973

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2023**	**2022**	**2023**	**2022**
Loss (gain) reclassified from AOCI to income on cash flow hedges:				
Cost of goods and services	$ (966)	$ (118)	$ (1,923)	$ (47)
Interest expense	(1,322)	—	(2,259)	—
Loss on derivatives not designated as hedging instruments:				
Other (income) expense, net	906	1,251	2,347	5,411
Total loss of derivative instruments	$ (1,382)	$ 1,133	$ (1,835)	$ 5,364

NOTE 13—INVENTORIES

Inventories consisted of the following:

(in thousands)	**June 30, 2023**	**December 31, 2022**
Raw materials	$ 157,451	$ 142,571
Work in progress	20,456	19,582
Finished goods	518,913	467,628
	696,820	629,781
Inventory reserve	(34,010)	(24,702)
LIFO adjustments (1)	(63,770)	(62,536)
Inventories, net	$ 599,040	$ 542,543

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

NOTE 14—ACCOUNTS RECEIVABLE FACILITY

On June 28, 2022, we entered into an uncommitted accounts receivable purchase agreement (the "Accounts Receivable Facility") with JPMorgan Chase Bank, N.A. as the purchaser. Transfers under the Accounts Receivable Facility 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.

The amount available for sale under the 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 Accounts Receivable Facility at any time.

Accounts receivable sold were $359.3 million for the six months ended June 30, 2023. The accounts receivable sold that remained outstanding as of June 30, 2023 was $112.6 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 receivable 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 $3.4 million for the three and six months ended June 30, 2023, respectively.

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 June 30, 2023, we had approximately $50.0 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 six months ended June 30, 2023 and 2022, we transferred $54.8 million and $34.7 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.

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.

Recent Events

Russia's invasion of Ukraine and the related sanctions imposed present economic risk to companies that engage in business within, or have economic ties to, Russia. Our Russia operations (the "CT Russia Business") are fully contained within the country and include a manufacturing plant and related inventory, service operations, an established customer base and local employees, and has the ability to operate as a standalone business under the brand, Master Chemicals. During the second quarter of 2022, we initiated a plan to dispose of the CT Russia Business. As a result, the CT Russia Business met the criteria to be reported as held for sale and, therefore, was reflected in our condensed consolidated balance sheet at the lower of its carrying value or its fair value less costs to sell. Due to the continued economic pressure and sanctions imposed by the United States, European Union, and United Kingdom, increasing costs to sell and increased trade regulations and political instability in Russia, we assessed the fair value less cost to sell the business as of March 31, 2023 to be zero, resulting in a $13.0 million pre-tax impairment expense recorded during the three months ended March 31, 2023. Since March 31, 2023, we no longer recognize any revenues or expenses associated with the CT Russia Business. Prior to such date, the revenues, net income and total assets of the CT Russia Business represented less than 2% of our consolidated results of operations.

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, United States ("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 geopolitical, macroeconomic, and local events, and have historically been subject to substantial volatility and cyclicality. Rig count, footage drilled, and exploration and production investment by oil and gas operators have often been used as leading indicators for the level of drilling and development activity 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 the impact of the COVID-19 pandemic, oil supply constraints, geopolitical instability, extended periods of inflation, and concerns of a global recession. During the first half of 2023, oil prices declined by more than 10%, marking four consecutive quarterly declines. Rig counts in the U.S. have also declined in the first half of the year. Supply has continued to outpace demand thus far; however, this is expected to shift in the second half of 2023, particularly after the announced OPEC+ production cuts. According to the U.S. Energy Information Administration, global demand is expected to continue to increase, albeit moderately, through the remainder of the year. The decreasing inventories of oil, and to a lesser extent rising demand, is expected to lead to relatively moderate commodity price increases for oil.

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.

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, 2022 for a discussion of our critical accounting estimates.

CONSOLIDATED RESULTS OF OPERATIONS

	Three Months Ended		
	June 30,	March 31,	Variance
(in thousands)	2023	2023	$
Revenue	$ 926,600	$ 948,347	$ (21,747)
Cost of goods and services	644,394	664,992	(20,598)
Gross profit	282,206	283,355	(1,149)
Selling, general and administrative expense	162,484	160,816	1,668
Loss on disposal group	—	12,965	(12,965)
Interest expense, net	14,544	12,466	2,078
Other (income) expense, net	(3,104)	5,295	(8,399)
Income before income taxes	108,282	91,813	16,469
Provision for income taxes	11,656	28,669	(17,013)
Net income	96,626	63,144	33,482
Net income attributable to noncontrolling interest	829	(388)	1,217
Net income attributable to ChampionX	$ 95,797	$ 63,532	$ 32,265

Revenue. Revenue decreased $21.7 million, or 2%, sequentially, mainly due to a decrease in our Production Chemical Technologies segment associated with our decision to exit our CT Russia Business, shipment delays due to customer logistics in Latin America, extended customer maintenance turnarounds in the Gulf of Mexico and the impact of the Canadian wildfires. We also continue to experience declines in revenue derived from the Cross Supply and Product Transfer Agreement with Ecolab Inc., which is reported in Corporate and other but beginning with the third quarter of 2023, will be reported within Production Chemical Technologies.

Gross profit. Gross profit remained flat sequentially as the reduction in revenue in the second quarter of 2023 was offset by improvement in our cost of goods and services.

Selling, general and administrative expense. Selling, general and administrative expense was flat sequentially.

Loss on disposal group. During the first quarter of 2023, we recognized a $13.0 million pre-tax impairment expense to write down all of the assets within our CT Russia Business to its recoverable value of zero.

Interest expense, net. Interest expense, net increased $2.1 million, or 17%, sequentially primarily due to the increase in interest rates.

Other (income) expense, net. Other income, net was $3.1 million for the three months ended June 30, 2023, compared to other expense, net of $5.3 million in the prior quarter. This change was primarily due to the impact of varying foreign currency exchange gains and losses in each such quarter.

Provision for income taxes. Our provision for income taxes reflected effective tax rates ("ETR") of 10.8% and 31.2% for the three months ended June 30, 2023 and March 31, 2023, respectively. The decrease to the ETR for the quarter ending June 30, 2023 was primarily driven by discrete benefits due to a return to provision adjustment in Argentina and an update to a prior year estimate in the U.S.

	Six Months Ended June 30,		Variance
(in thousands)	**2023**	**2022**	**$**
Revenue	$ 1,874,947	$ 1,798,532	$ 76,415
Cost of goods and services	1,309,386	1,379,034	(69,648)
Gross profit	565,561	419,498	146,063
Selling, general and administrative expense	323,300	291,711	31,589
Long-lived asset impairment	12,965	22,924	(9,959)
Interest expense, net	27,010	22,128	4,882
Other expense, net	2,191	10,677	(8,486)
Income before income taxes	200,095	72,058	128,037
Provision for income taxes	40,325	4,989	35,336
Net income	159,770	67,069	92,701
Net income attributable to noncontrolling interest	441	3,025	(2,584)
Net income attributable to ChampionX	$ 159,329	$ 64,044	95,285

Revenue. Revenue increased $76.4 million, or 4%, for the six months ended June 30, 2023 compared to prior year primarily due to increases in revenue within our Production Chemical Technologies and Production & Automation Technologies reportable segments, which were driven by incremental volumes and global pricing. This increase was partially offset by a reduction in revenue within our Reservoir Chemical Technologies segment due to the exit of our friction reducer product line in the prior year as well as a decline in revenue derived from the Cross Supply and Product Transfer Agreement with Ecolab Inc.

Gross profit. Gross profit increased $146.1 million, or 35%, for the six months ended June 30, 2023 compared to prior year, mainly due to the incremental volumes and pricing noted above as well as improved margins as we exited certain product lines in our Reservoir Chemical Technologies segment.

Selling, general and administrative expense. Selling, general and administrative expense increased $31.6 million, or 11%, for the six months ended June 30, 2023 compared to prior year, primarily due to an increase in labor costs and employee incentives as activity levels have increased.

Interest expense, net. Interest expense, net increased $4.9 million, or 22%, for the six months ended June 30, 2023 compared to prior year primarily due to an increase in interest rates.

Other expense, net. Other expense, net decreased $8.5 million, primarily due to the loss on debt extinguishment recognized in the prior year.

Provision for income taxes. The ETR for the first six months of 2023 and 2022 were 20.2% and 6.9%, respectively. The ETR for the first six months of 2023 was positively impacted as a result of discrete benefits primarily due to a return to provision adjustment in Argentina and an update to a prior year estimate in the U.S. The ETR for the first six months of 2022 was positively impacted by the release of the valuation allowance on our operations in Angola, a charge incurred on the CT Russia Business upon classifying to held for sale, and return to provision adjustments in several foreign jurisdictions.

SEGMENT RESULTS OF OPERATIONS

	Three Months Ended		
	June 30,	March 31,	Variance
(in thousands)	2023	2023	$
Segment revenue:			
Production Chemical Technologies	$ 574,302	$ 591,684	$ (17,382)
Production & Automation Technologies	254,156	251,548	2,608
Drilling Technologies	57,324	56,707	617
Reservoir Chemical Technologies	23,853	25,806	(1,953)
Corporate and other	16,965	22,602	(5,637)
Total revenue	$ 926,600	$ 948,347	$ (21,747)
Segment operating profit (loss):			
Production Chemical Technologies	$ 87,163	$ 66,314	$ 20,849
Production & Automation Technologies	33,208	34,792	(1,584)
Drilling Technologies	12,660	11,887	773
Reservoir Chemical Technologies	2,186	1,987	199
Total segment operating profit	135,217	114,980	20,237
Corporate expense and other	12,391	10,701	1,690
Interest expense, net	14,544	12,466	2,078
Income before income taxes	$ 108,282	$ 91,813	$ 16,469

Production Chemical Technologies

Revenue. Production Chemical Technologies revenue decreased $17.4 million, or 3%, sequentially, mainly due to a $9.3 million decline in revenue related to no longer recognizing any revenue associated with our CT Russia Business from March 31, 2023. This segment was also impacted by shipment delays due to customer logistics in Latin America resulting in an $8.0 million sequential decline and approximately $9.0 million due to extended customer maintenance turnarounds in the Gulf of Mexico and the Canadian wildfires, partially offset by revenue growth in the Middle East, Africa and Europe.

Operating profit. Production Chemical Technologies operating profit increased $20.8 million, or 31%, in the second quarter of 2023 compared to the prior quarter due to raw materials cost improvements and productivity initiatives. The sequential results were impacted by the $13.0 million charge to write down the assets of the CT Russia Business recognized in the first quarter of 2023.

Production & Automation Technologies

Revenue. Production & Automation Technologies revenue increased marginally by $2.6 million, or 1%, as compared to the prior quarter due to higher demand in the U.S. and internationally, offset by declines caused by the Canadian wildfires.

Operating profit. Production & Automation Technologies operating profit decreased by $1.6 million, or 5%, in the second quarter of 2023 compared to the prior quarter due to an increase in depreciation expense as we invested additional capital into the business.

Drilling Technologies

Revenue. Drilling Technologies revenue increased $0.6 million, or 1%, in the second quarter of 2023 compared to the prior quarter primarily due to favorable product mix which offset the impact of lower worldwide rig count.

Operating profit. Drilling Technologies operating profit increased $0.8 million, or 7%, in the second quarter of 2023 compared to the prior quarter primarily due to lower processing costs.

Reservoir Chemical Technologies

Revenue. Reservoir Chemical Technologies revenue decreased $2.0 million, or 8%, in the second quarter of 2023 compared to the prior quarter primarily due to lower volumes in the U.S. and Latin America.

Operating profit. Reservoir Chemical Technologies operating profit increased $0.2 million, or 10%, in the second quarter of 2023 compared to the prior quarter as the segment continues to benefit from cost reduction initiatives associated with the exit of certain product lines.

	Six Months Ended June 30,		Variance
(in thousands)	**2023**	**2022**	**$**
Segment revenue:			
Production Chemical Technologies	$ 1,165,986	$ 1,067,383	$ 98,603
Production & Automation Technologies	505,704	462,748	42,956
Drilling Technologies	114,031	114,717	(686)
Reservoir Chemical Technologies	49,659	84,014	(34,355)
Corporate	39,567	69,670	(30,103)
Total revenue	$ 1,874,947	$ 1,798,532	$ 76,415
Segment operating profit (loss):			
Production Chemical Technologies	$ 153,477	$ 56,869	$ 96,608
Production & Automation Technologies	68,000	48,360	19,640
Drilling Technologies	24,547	30,263	(5,716)
Reservoir Chemical Technologies	4,173	(11,616)	15,789
Total segment operating profit	250,197	123,876	126,321
Corporate expense and other	23,092	29,690	(6,598)
Interest expense, net	27,010	22,128	4,882
Income before income taxes	$ 200,095	$ 72,058	$ 128,037

Production Chemical Technologies

Revenue. Production Chemical Technologies revenue increased $98.6 million, or 9%, as compared to the prior year, mainly due to market share expansion and price increases to offset inflation.

Operating profit. Operating profit increased $96.6 million compared to the prior year, primarily due to the incremental revenues noted above, improved operating efficiencies, and lower expenses in 2023 related to restructuring expenses and charges associated with the CT Russia Business.

Production & Automation Technologies

Revenue. Revenue increased $43.0 million, or 9%, as compared to the prior year, primarily due to higher volumes across our product offerings in North America and price increases to offset inflation.

Operating profit. Operating profit increased $19.6 million, or 41%, compared to the prior year primarily due to higher volumes and price as noted above, improvements in raw materials and freight costs, and productivity initiatives.

Drilling Technologies

Revenue. Revenue decreased $0.7 million, or 1%, as compared to the prior year due to customers restocking inventory during the 2022 period.

Operating profit. Operating profit decreased $5.7 million, or 19%, compared to the prior year primarily due to a change in product mix and the impact of inflation and certain operating cost increases.

Reservoir Chemical Technologies

Revenue. Revenue decreased $34.4 million, or 41%, compared to the prior year primarily due to the impact of the exit of our friction reducer product line.

Operating profit. Operating profit increased $15.8 million compared to the prior year, due to the positive impact associated with exiting certain unprofitable product lines and a $5.3 million reduction in restructuring charges compared to 2022.

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.

On June 7, 2022, we entered into a restated credit agreement, which 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"). The full amount of the 2022 Term Loan Facility was funded, and $135.0 million of the 2022 Revolving Credit Facility was drawn, on June 7, 2022.

At June 30, 2023, we had cash and cash equivalents of $263.1 million compared to $250.2 million at December 31, 2022, primarily for working capital and operational purposes. At June 30, 2023, we had total liquidity of $932.3 million, comprised of $263.1 million of cash and $669.2 million of available capacity on the 2022 Revolving Credit Facility, which expires in June 2027.

At June 30, 2023, we had a long-term debt balance of $595.2 million, net of the current portion of long-term debt of $6.3 million, primarily consisting of the 2022 Term Loan Facility with a principal amount of $620.3 million.

Outlook

We expect to support business requirements with cash generated from operations 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 February 16, 2023, the Company announced that our Board of Directors ("Board") approved an increase of our regular quarterly cash dividend to $0.085 per share of the Company's common stock. Our second quarter cash dividend of $0.085 per share was declared on May 11, 2023 and is payable on July 28, 2023 to shareholders of record on July 7, 2023. Subsequent dividend declarations, if any, including the amounts and timing of future dividends, are subject to approval by our 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 new $250 million share repurchase program ("2022 Share Repurchase Program"). On October 24, 2022, our Board increased the authorization under this program to $750 million. Under the 2022 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 June 30, 2023, we repurchased and cancelled 1,883,480 shares of common stock for a total of $51.2 million, including commissions and excise tax. 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.

In 2023, we expect to fund our capital expenditures and reduce outstanding debt through earnings and working capital improvements. We project 2023 capital expenditures of 3.0% to 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

	Six Months Ended June 30,	
(in thousands)	**2023**	**2022**
Cash from operating activities	$ 208,288	$ 31,115
Cash used in investing activities	(50,168)	(41,807)
Cash used in financing activities	(145,241)	(74,363)
Effect of exchange rate changes on cash and cash equivalents and restricted cash	22	659
Net increase (decrease) in cash and cash equivalents and restricted cash	$ 12,901	$ (84,396)

Operating Activities

Cash provided by operating activities during the six months ended June 30, 2023 was $208.3 million as compared to $31.1 million for the six months ended June 30, 2022. The change was primarily driven by the increase in net income of $92.7 million and the use of cash for working capital items. Changes in working capital items used cash of $85.7 million during the six months ended June 30, 2023 compared to cash used of $158.8 million during six months ended June 30, 2022. The change in working capital items primarily related to strong cash collections during the 2023 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 $50.2 million for the six months ended June 30, 2023, and was primarily comprised of capital expenditures of $57.3 million, partially offset by $7.1 million of cash proceeds from the sale of fixed assets.

Cash used in investing activities was $41.8 million for the six months ended June 30, 2022, and was primarily comprised of capital expenditures of $53.6 million and acquisitions, net of cash acquired, of $3.2 million. This was partially offset by $14.9 million of cash proceeds from the sale of fixed assets primarily due to the sale of facilities within our Production & Automation Technologies segment.

Financing Activities

Cash used in financing activities of $145.2 million for the six months ended June 30, 2023 was primarily the result of repurchases of our common stock of $91.6 million, dividends paid of $31.6 million, net repayments totaling $28.1 million on long-term debt, payments related to taxes withheld on stock-based compensation of $7.1 million, payments of finance lease obligations of $4.4 million, and distributions to non-controlling interests of $0.8 million. This was partially offset by $15.4 million of proceeds expected to be remitted under the Accounts Receivable Facility (as defined below) and $3.0 million in cash proceeds from the exercise of stock options.

Cash used in financing activities of $74.4 million for the six months ended June 30, 2022 was primarily the result of net repayments totaling $25.1 million on long-term debt as part of our refinancing, repurchases of our common stock of $20.0 million, dividends paid of $15.5 million, payment of debt issuance costs of $8.0 million, payments related to taxes withheld on stock-based compensation of $3.4 million, and payments totaling $3.1 million for finance lease obligations. This was partially offset by $3.1 million in cash proceeds from the exercise of stock options.

Revolving Credit Facility

A summary of the 2022 Revolving Credit Facility at June 30, 2023 was as follows:

(in millions) **Description**		Amount		Debt Outstanding		Letters of Credit		Unused Capacity	Maturity
Five-year revolving credit facility	$	700.0	$	—	$	30.8	$	669.2	June 2027

Additionally, we have letters of credit outside of the 2022 Revolving Credit Facility totaling approximately $2.4 million. As of June 30, 2023, we were in compliance with all restrictive covenants under the 2022 Revolving Credit Facility.

Accounts Receivable Facility

On June 28, 2022, we entered into an uncommitted accounts receivable purchase agreement (the "Accounts Receivable Facility") with JPMorgan Chase Bank, N.A. as the purchaser. Transfers under the Accounts Receivable Facility are accounted for as sales of receivables.

The amount available for sale under the 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 Accounts Receivable Facility at any time. Accounts receivable sold that remained outstanding were $112.6 million for the six months ended June 30, 2023.

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, 2022. Our exposure to market risk has not materially changed since December 31, 2022.

ITEM 4. 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 June 30, 2023.

There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2023, 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, 2022.

Risks Related to Our Business

Our operations are subject to the risk of manufacturing disruptions, and hazards common to manufacturing and supplying chemical products, the occurrence of which could materially and adversely affect our business.

As a manufacturer and supplier of chemical products, we face potential hazards common in such operations such as fires, explosions, and chemical spills, releases or discharges, either in liquid or gaseous form, during production, transportation, storage or use. Such an occurrence could result in loss of life, severe injury, environmental contamination, and disruption for, and damage to, our manufacturing facilities, customers, communities, and other stakeholders, as well as significant remediation costs and other liabilities that may exceed the coverage provided by our insurance policies. Accordingly, such hazards could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

The following table contains information about our purchases of our common stock during the three months ended June 30, 2023.

Period	Total Number of Shares Purchased	Average Price Paid Per Share (1)	Total Number of Shares Purchased as Part of a Publicly Announced Program (2)	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program (2)
April 1-30, 2023	331,015	$ 27.19	331,015	$ 521,000,236
May 1-31, 2023	1,168,305	$ 26.53	1,168,305	$ 490,000,048
June 1-30, 2023	384,160	$ 27.78	384,160	$ 479,328,501
Total	1,883,480	$ 26.90	1,883,480	

(1) Excluding fees, commissions, and expenses associated with the share repurchases.

(2) 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. This program has no time limit and does not obligate the Company to acquire any particular amount of shares of its common stock.

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 $377,033 during the period from April 1, 2023 to June 30, 2023. 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 intends to continue the Rhum-related activities, consistent with a specific license obtained from OFAC by its customers, and such activities may require additional disclosure pursuant to the above mentioned statute.

Insider Trading Arrangements and Policies

During the three months ended June 30, 2023, none of the Company's director or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted or terminated 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

		Incorporated by Reference		
Exhibit No.	Exhibit Description	Form	Exhibit No.	Filing Date
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
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)			

* 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: July 25, 2023

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: July 25, 2023

/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:	July 25, 2023	/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 June 30, 2023, as filed with the Securities and Exchange Commission (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

Date: July 25, 2023

/s/ SIVASANKARAN SOMASUNDARAM

Sivasankaran Somasundaram

President and Chief Executive Officer
(Principal Executive Officer)

**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 June 30, 2023, as filed with the Securities and Exchange Commission (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

Date: July 25, 2023

/s/ KENNETH M. FISHER

Kenneth M. Fisher

Executive Vice President and
Chief Financial Officer

(Principal Financial Officer)