



Upstream Spin-Off: Frequently Asked Questions for Suppliers

February 2020

This document contains answers to questions that Ecolab suppliers may have about the planned spin-off of Nalco Champion's Upstream business.

General and Organizational Questions

- What will happen to Nalco Champion's Upstream business?
 - On [December 19, Apergy Corporation \("Apergy"\) \(NYSE: APY\) and Ecolab Inc. \("Ecolab"\) \(NYSE: ECL\) announced](#) that their Boards of Directors approved a definitive agreement pursuant to which Ecolab will separate the Upstream Energy business of Nalco Champion (which is being renamed ChampionX) and simultaneously combine it with Apergy in a tax-free transaction, creating a scaled, global leader in production-optimization solutions (the "Combined Company").
 - The merger combines Apergy with Ecolab's ChampionX business, which is expected to generate approximately \$2.4 billion in revenue in 2019, and consists of the drilling, completion, and energy production, chemistry sciences, and solutions operations currently included within Ecolab's Energy segment.
 - The downstream chemistry solutions business from Ecolab's former Energy segment will be retained by Ecolab.
 - Following the completion of the transaction, the Combined Company will have approximately \$3.5 billion in pro forma 2019 sales, with a strong balance sheet and robust free cash flow generation.
 - The Combined Company will provide greater scale, a larger geographic footprint, enhanced customer touch points, and low leverage supported by strong cash flow generation through the oil and gas cycle.
 - Until the transaction closes, ChampionX and Apergy are operating as separate, independent companies. The ChampionX Upstream business remains wholly owned by Ecolab and, thus, remains part of Ecolab's strong balance sheet and credit ratings.
- What will happen to Nalco Champion's Downstream business?
 - The downstream chemistry solutions business from Ecolab's former Energy segment will be retained by Ecolab and will continue delivering value to customers under the Nalco Water brand. This enables our Downstream business to leverage the 90 years of success and innovation in process and water treatment technologies that customers have come to expect under the Nalco name. Process expertise is core to the Nalco Water Industrial business and to the Downstream business, and we will continue to provide industry-leading process offerings to customers during and after the transition.
- Who will lead the new combined company created through the merger of ChampionX and Apergy?
 - Soma Somasundaram, Apergy's president and CEO, will lead the combined organization.
 - Jay Nutt, Apergy's chief financial officer, will continue in that role, and Deric Bryant, current executive vice president and president of Nalco Champion's Upstream Energy business, will

serve as chief operating officer. Bryant will continue to lead the ChampionX business, and will lead the integration of the two businesses.

- Where will the new company's headquarters be?
 - Apergy is headquartered in The Woodlands, Texas, which will serve as the headquarters for the new company. However, ChampionX will continue to be based in Sugar Land, Texas.

Supplier Readiness Related Questions

- What is the process for separating the Upstream business from Ecolab?
 - The process involves two stages: **Operational Separation** and **Legal Separation**.
 - **Operational Separation** is the stage during which we carefully migrated many business processes while continuing to function as one company. (We began sharing details about these planned changes in September.)
 - During Operational Separation, we made changes to our ERP system, which manages billing, invoices, purchase orders, bills of lading and other documents and associated processes.
 - As part of Operational Separation, suppliers must set up a new customer profile to ensure business continuity.
 - Please note: Until Legal Separation takes place, ChampionX remains a wholly owned entity of Ecolab.
 - Ecolab does not provide financial information for its subsidiaries. Until Legal Separation, ChampionX remains part of Ecolab's strong balance sheet and credit ratings. See the financial section of this document for additional information.
 - **Legal Separation** is the final stage in the process when ChampionX will separate from Ecolab.
 - As previously announced, a merger with Apergy is planned to occur immediately follow the spin-off.
 - We expect Legal Separation and the merger to take place by the end of the second quarter of 2020.
- What do suppliers need to do to prepare for the spin-off?
 - To ensure business continuity, suppliers must create a new customer profile, or profiles. The information on how to do this has been provided to suppliers in a letter. The new customer profile(s) contain a customer name, address and tax registration number.
 - The letter also informs suppliers about where to send invoices and about the information that must be included in invoice reference fields.
 - Now that Operational Separation has taken place, all purchase orders must be placed with the new customer profile, and invoices must be sent to the customer profile listed on the purchase order.
 - If a supplier is supplying to multiple countries for Ecolab, that supplier will have received this information on a country-by-country basis.
 - For more information, suppliers should go to the portal that we have created on Ecolab.com, **Ecolab.com/about/suppliers**.
 - If you have questions regarding the customer profile setup, please reach out to your local contact provided in the country-specific letter.
 - If you have questions regarding the invoicing and payment process, please reach out to your local contact provided in the country-specific letter

Financial Questions

- What will the new company's financial situation be?
 - After the merger, the combined Apergy and ChampionX business is expected to have a strong balance sheet and an approximate pro-forma leverage (Net Debt/EBITDA) of 1.7x. The combined company has plans to further de-lever through 2021 as described in the December 19, 2019 *Apergy Combination with ChampionX* investor presentation posted on the Apergy website.
[<https://investors.apergy.com/events-and-presentations/presentations>]
 - Both S&P Global Ratings and Moody's Investors Service, Inc. have published reports on the combination and have placed Apergy's credit ratings on review for upgrade.
 - Once certain pro-forma combined financial statements are filed with the SEC, we can direct you to that information.
 - See the attached credit statement for more details.