



# First Quarter 2022 Supplemental Earnings Information

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## Forward-Looking Statements

The information furnished in this presentation contains “forward-looking statements” within the meaning of the federal securities laws. Forward-looking statements include, but are not limited to, the effects of the COVID-19 pandemic, and the effects of actions taken by third parties including, but not limited to, governmental authorities, customers, contractors and suppliers, in response to the ongoing COVID-19 pandemic, the impact of actions taken by the Organization of Petroleum Exporting Countries (OPEC) and non-OPEC nations to adjust their production levels, the general volatility of oil and natural gas prices and cyclical nature of the oil and gas industry, declines in investor and lender sentiment with respect to, and new capital investments in, the oil and gas industry, project terminations, suspensions or scope adjustments to contracts, uncertainties regarding the effects of new governmental regulations, the Company’s international operations, operating risks, the impact of our customers and the global energy sector shifting some of their asset allocation from fossil-fuel production to renewable energy resources, goals, projections, estimates, expectations, market outlook, forecasts, plans and objectives, including revenue and new product revenue, capital expenditures and other projections, project bookings, bidding and service activity, acquisition opportunities, forecasted supply and demand, forecasted drilling activity and subsea investment, liquidity, cost savings, and share repurchases and are based on assumptions, estimates and risk analysis made by management of Dril-Quip, Inc. (“Dril-Quip”) in light of its experience and perception of historical trends, current conditions, expected future developments and other factors. No assurance can be given that actual future results will not differ materially from those contained in the forward-looking statements in this presentation.

Although Dril-Quip believes that all such statements contained in this presentation are based on reasonable assumptions, there are numerous variables of an unpredictable nature or outside of Dril-Quip’s control that could affect Dril-Quip’s future results and the value of its shares. Each investor must assess and bear the risk of uncertainty inherent in the forward-looking statements contained in this presentation.

Please refer to Dril-Quip’s filings with the Securities and Exchange Commission (“SEC”) for additional discussion of risks and uncertainties that may affect Dril-Quip’s actual future results. Dril-Quip undertakes no obligation to update the forward-looking statements contained herein.

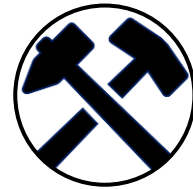
## Use of Non-GAAP Financial Measures

Adjusted Net Income, Adjusted Diluted EPS, Adjusted EBITDA and Free Cash Flow are non-GAAP measures. Adjusted Net Income and Adjusted Diluted EPS are defined as net income (loss) and earnings per share, respectively, excluding the impact of foreign currency gains or losses as well as other significant non-cash items and certain charges and credits. Adjusted EBITDA is defined as net income excluding income taxes, interest income and expense, depreciation and amortization expense, stock-based compensation, non-cash gains or losses from foreign currency exchange rate changes as well as other significant non-cash items and items that can be considered non-recurring. Free Cash Flow is defined as cash provided by operating activities less cash used in the purchase of property, plant and equipment. We believe that these non-GAAP measures enable us to evaluate and compare more effectively the results of our operations period over period and identify operating trends by removing the effect of our capital structure from our operating structure and certain other items including those that affect the comparability of operating results. In addition, we believe that these measures are supplemental measurement tools used by analysts and investors to help evaluate overall operating performance, ability to pursue and service possible debt opportunities and make future capital expenditures. These measures do not represent funds available for our discretionary use and are not intended to represent or to be used as a substitute for net income or net cash provided by operating activities, as measured under U.S. generally accepted accounting principles (“GAAP”). Non-GAAP financial information supplements should be read together with, and is not an alternative or substitute for, our financial results reported in accordance with GAAP. Because non-GAAP financial information is not standardized, it may not be possible to compare these financial measures with other companies’ non-GAAP financial measures. Reconciliations of these non-GAAP measures to the most directly comparable GAAP measure can be found in the appendix.

## Use of Website

Investors should note that Dril-Quip announces material financial information in SEC filings, press releases and public conference calls. Dril-Quip may use the Investors section of its website ([www.dril-quip.com](http://www.dril-quip.com)) to communicate with investors. It is possible that the financial and other information posted there could be deemed to be material information. Information on Dril-Quip’s website is not part of this presentation.

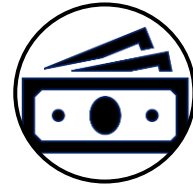
# Dril-Quip Investment Highlights



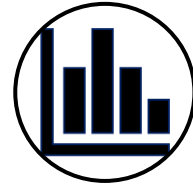
Leading Manufacturer of Highly Engineered Drilling & Production Equipment



Technically Innovative, Environmentally Responsible Products & First-class Service



Strong Financial Position



Historically Superior Margins to Peers



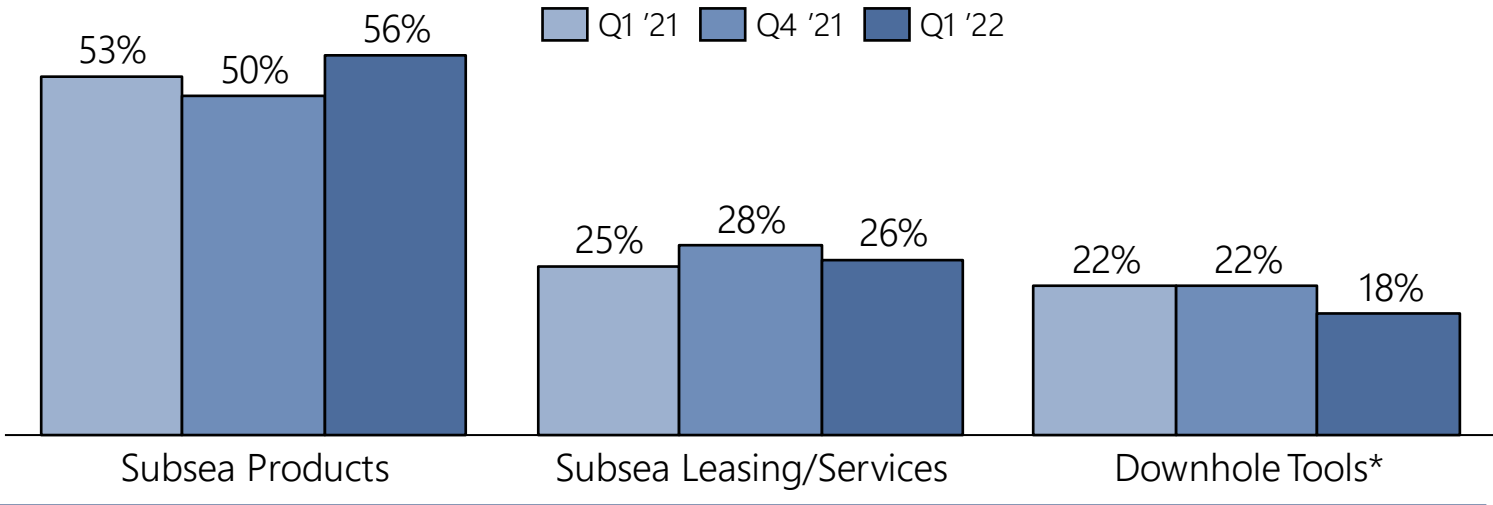
Results Driven Management Team

SUBSEA EQUIPMENT

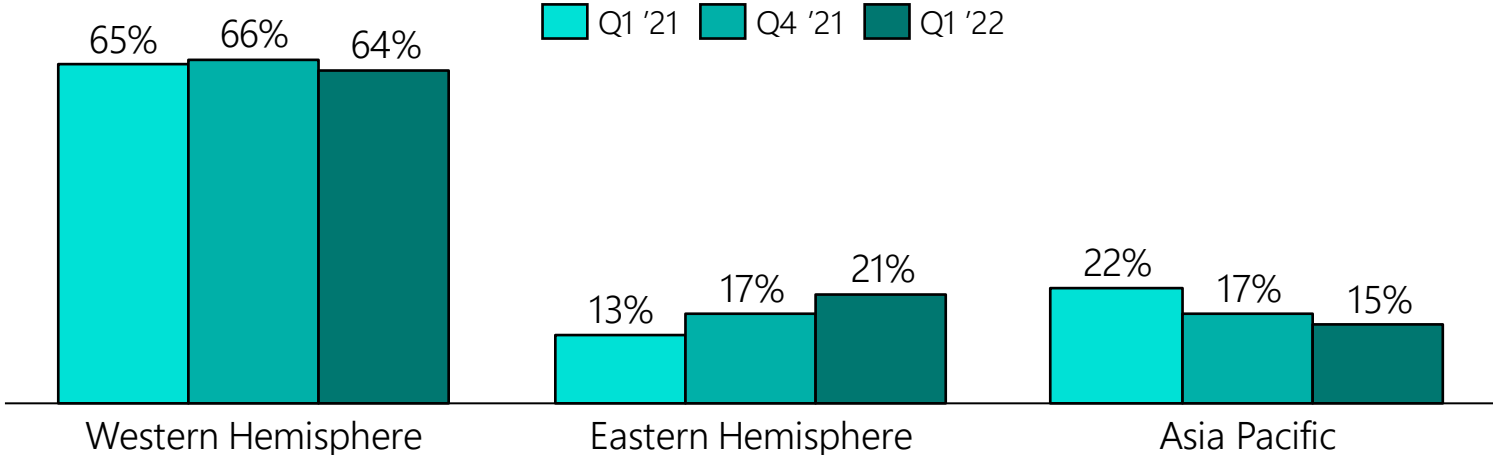
DOWNHOLE TOOLS

AFTERMARKET SERVICES

Product & Service Revenue Segments



Geographic Revenue Segments

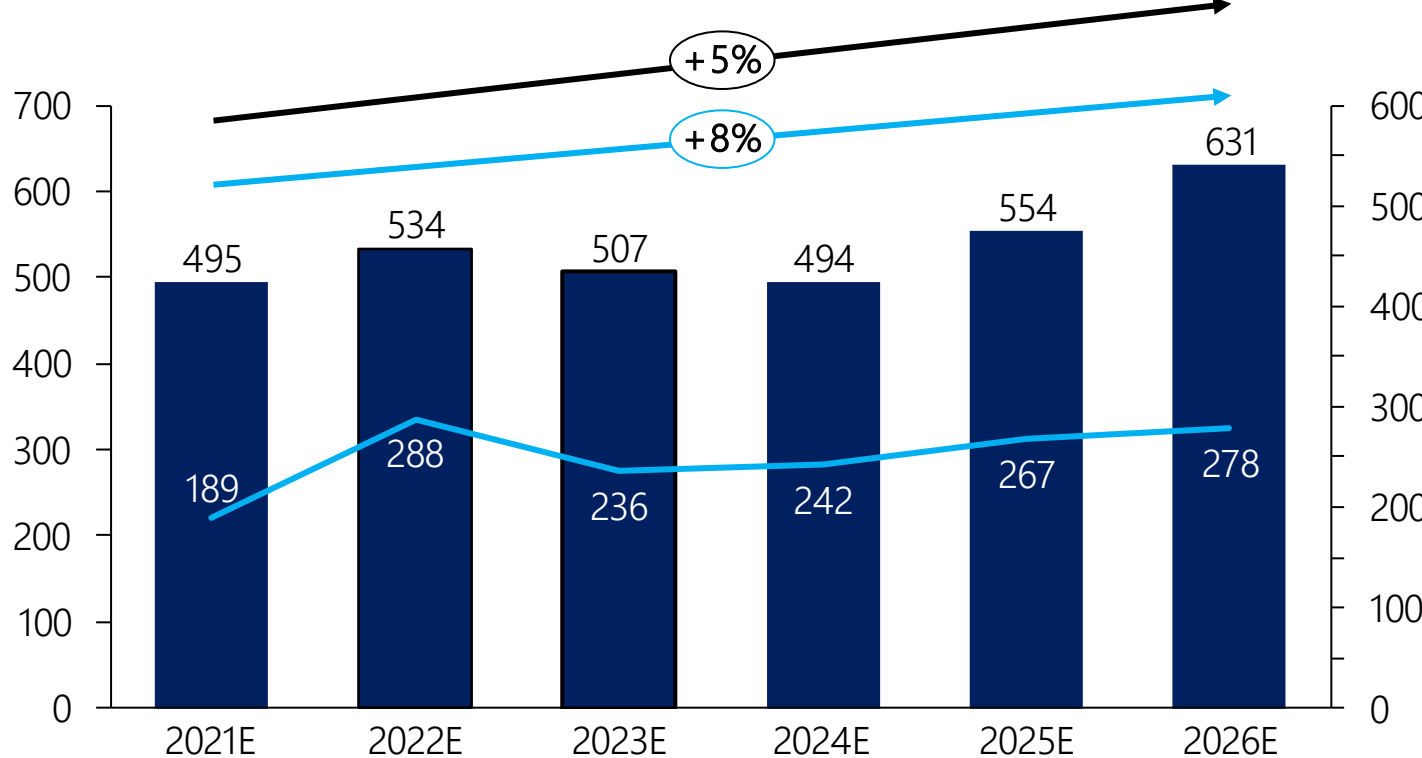


\* Includes downhole tools products, leasing and services

- Revenue of \$83.1 million for the first quarter of 2022, an increase of \$5.2 million from the fourth quarter of 2021 on higher subsea products revenue;
- Booked \$66.5 million of new orders during the first quarter of 2022, including approximately \$17 million in product and service orders for projects in Brazil;
- Reported a net loss of \$8.9 million, or a \$0.26 loss per share, an improvement of \$54.5 million, or \$1.55 per share compared to the fourth quarter of 2021, due to increased revenue and lower restructuring and other charge
- Generated adjusted EBITDA of \$3.2 million, or 3.8% of revenue; an increase of \$2.6 million from the fourth quarter of 2021;
- First quarter net cash used by operating activities of \$10.9 million and free cash flow of negative \$13.0 million, inclusive of \$2.1 million of capital expenditures
- Repurchased \$5.8 million of shares at an average price of \$21.20 during the first quarter of 2022.

## Estimated Offshore Deepwater Wells and Tree Awards

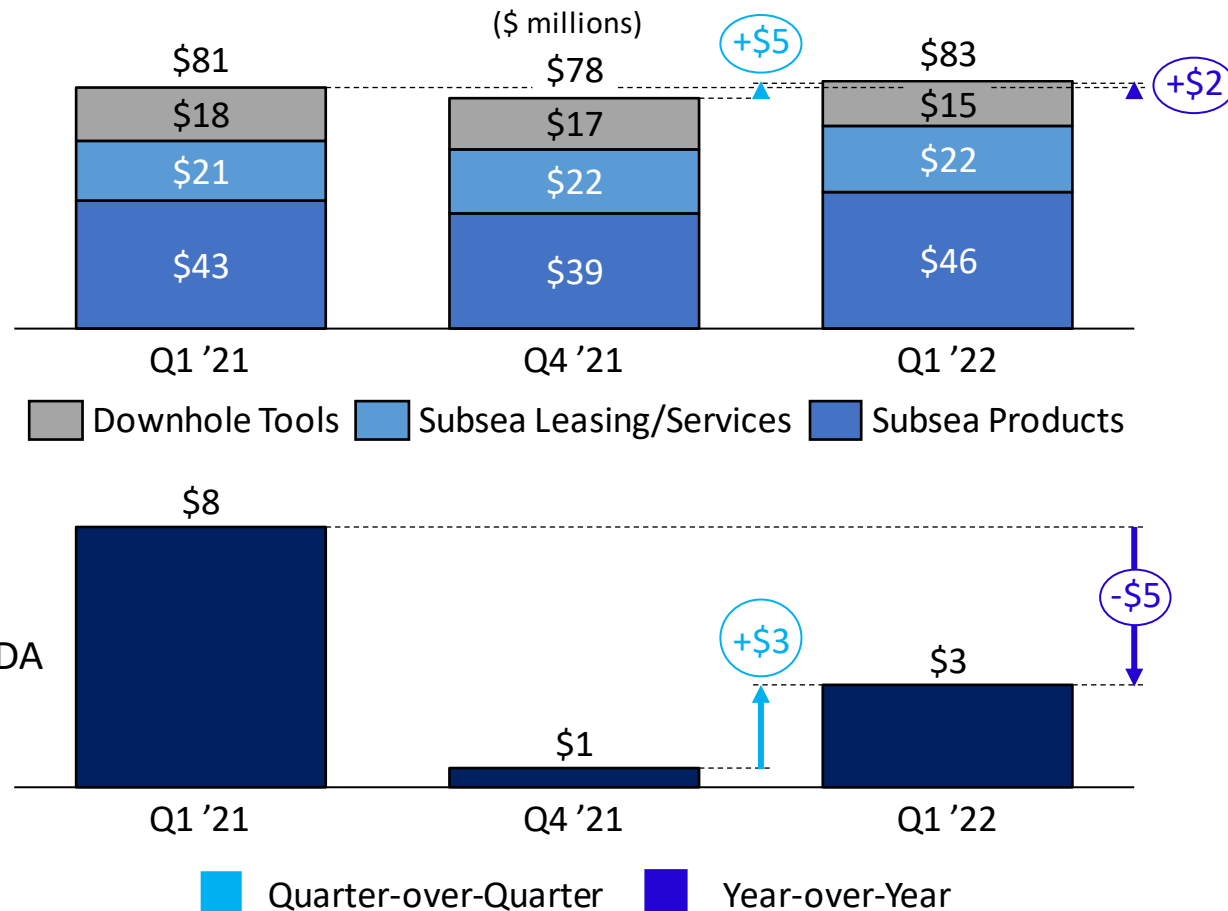
— Subsea Tree Awards ■ Offshore Deepwater Wells



- Offshore deepwater wells drilled forecasted compound annual growth rate (CAGR) of 5% through 2026
- Subsea Tree awards expected to experience significant growth in 2022 and moderate thereafter
- South America and Middle East leading overall offshore well count growth; shallow and deepwater
- Europe and South America expected to lead growth in tree awards

Collaborations & technology adoption provide tailwinds in improving overall market beginning in 2022

## Quarterly Comparisons



- Revenue up \$5 million sequentially due to increased subsea products revenue, partially offset by lower downhole tools revenue
- Revenue increased year-over-year due to higher rental revenue, partially offset by lower downhole tools revenue
- Adjusted EBITDA was approximately \$3 million, up sequentially due to higher revenue partially offset by unfavorable product mix and lower services
- Year-over-year decrease in adjusted EBITDA driven by unfavorable product mix, primarily fabricated joints replacing wellhead revenue, partially offset by increased leasing revenues

**Strong incremental margins sequentially, but product mix weighs on year-over-year Adjusted EBITDA margins**

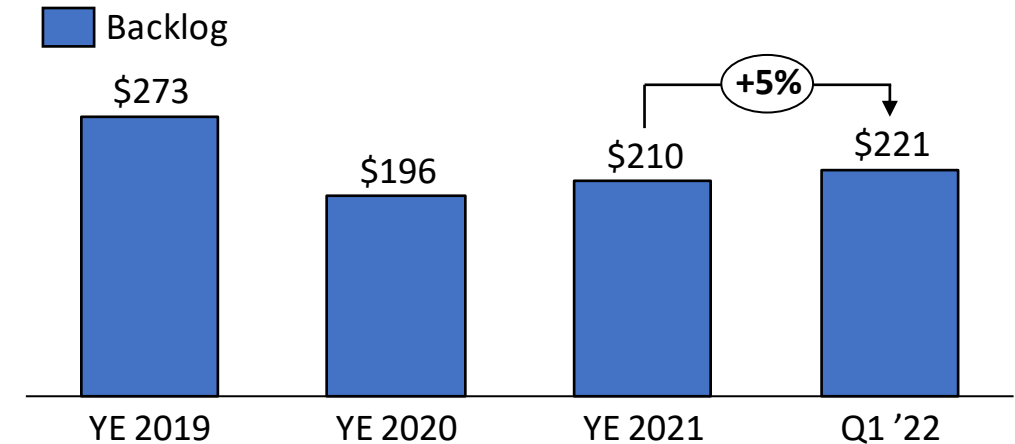
Note: Sum of components may not foot due to rounding. Adjusted EBITDA is a non-GAAP measure. See appendix for reconciliation to GAAP measure.



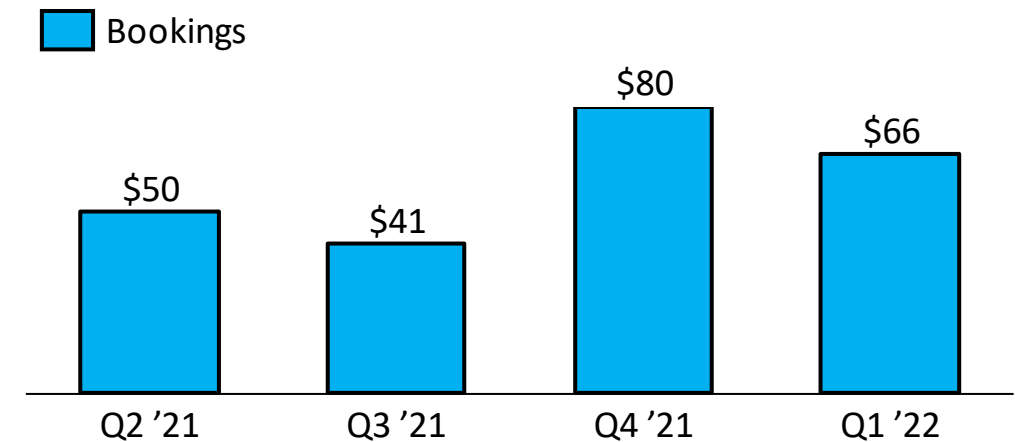
## Commercial Update | Bookings

- Q1 2022 bookings of ~\$66 million; inclusive of ~\$17 million of product and service bookings in Brazil
- Favorable mix of subsea wellheads in first quarter bookings
- Backlog increased 5% sequentially and up 12% from year-end 2020
- Bookings range expectation for 2022 revised to \$60 to \$80 million from \$40 to \$60 million
- Subsea production system orders weighted toward 2H 2022

Historical Backlog Trends (\$M)



Historical Booking Trends (\$M)



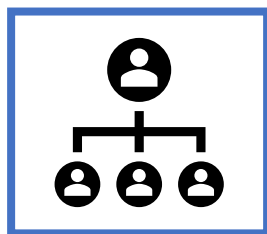
Targeted bookings growth of approximately 20% in 2022





## Strategic Growth Pillars

- Continue to execute on collaboration agreements, downhole tools growth and e-Series technology expansion



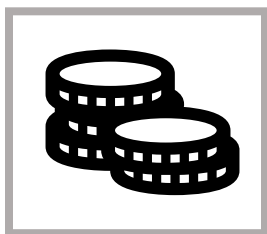
## Organizational Alignment

- Streamlined operations and leadership around more focused and integrated product and service lines



## Optimized Footprint

- Further transformation of our operational footprint to improve efficiency and reduce excess capacity



## Capital Allocation

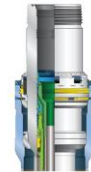
- Disciplined deployment of capital to generate attractive returns on capital employed

## Subsea Products

### Wellheads, Connectors & SPS

- Remain Tier 1 wellhead provider
- Execute collaboration & license agreements
- Increase shallow water tree share
- Grow deepwater presence through VXTe monetization

BB11e Wellhead



## Downhole Tools

### Liner Hangers and Services

- Continue share gains in key markets
- Convert from conventional to expandable liner hangers
- Expand through current and future collaborations
- Increase test & assembly in local markets



XPak De

## Subsea Services

### Technical Service, Rentals and Rework

- Highly reactive support for equipment installation
- Global network of trained technicians and specialized tooling
- Dedicated facilities for refurbishment and rework

## Energy Transition

### Expansion into Decarbonization Opportunities

- Wellhead and tree injection offering for CCUS
- Collaborations with integrated providers (i.e. Aker Solutions)
- New technology introduction



SBTe XT

Next stage in creating a more fit-for-purpose footprint

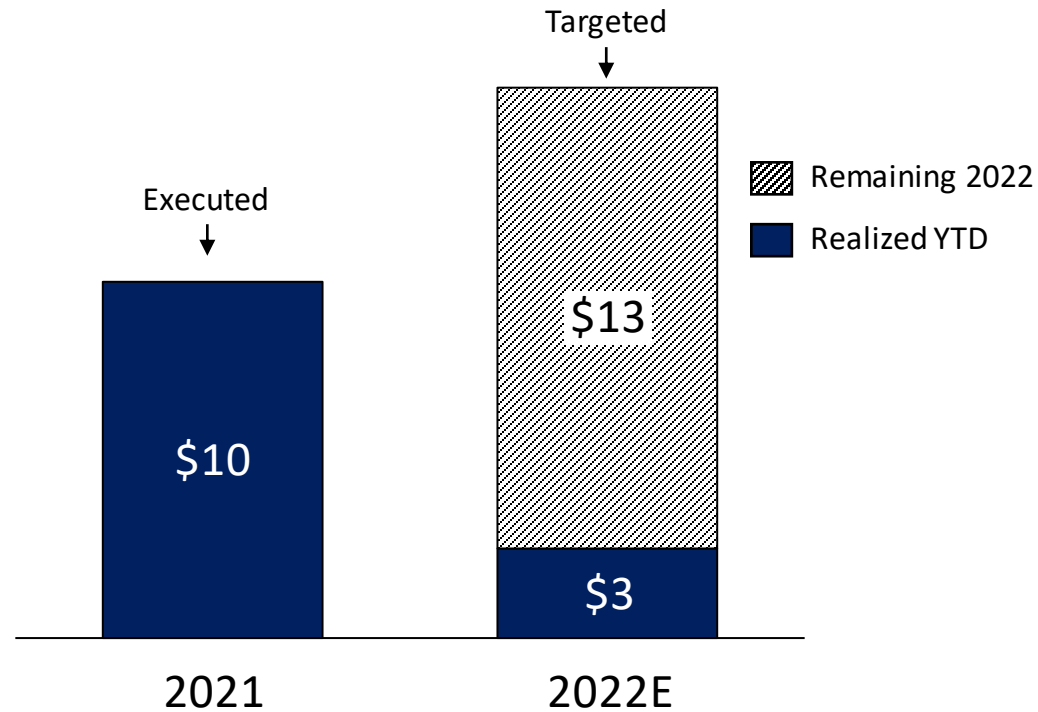
Multi-phased approach to invest in manufacturing, test & assembly

Monetize excess property for estimated proceeds of \$40 million to \$60 million

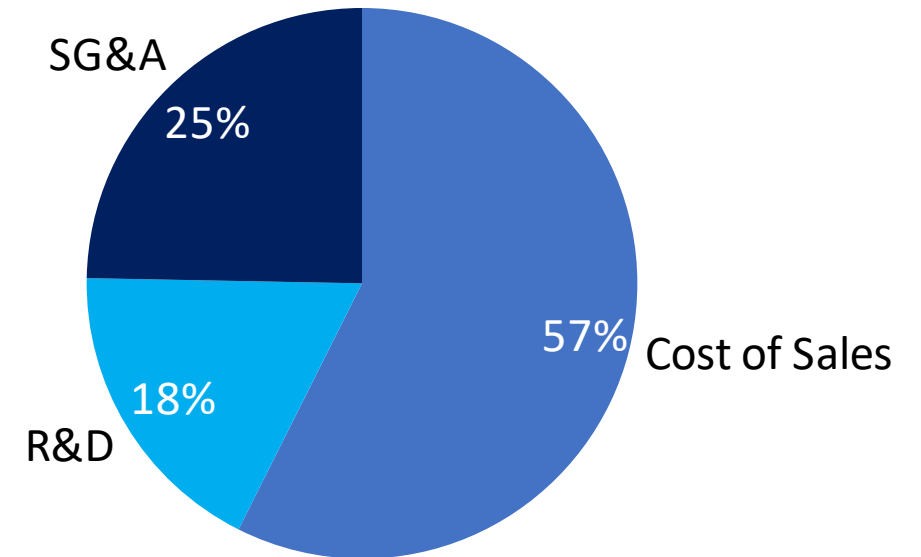
Expected to Yield \$15 to \$20 million in Annual Savings by 2024

## Driving ~\$15 million of savings in productivity in 2022

### Executed and Expected Cumulative Annualized Cost Savings (\$M)



### 2022 Breakdown of Productivity Savings



Productivity Savings Expected to Accelerate throughout 2022

## Capex / Internal

- Fund high return internal investments
- Targeted investments for franchise products
- Manufacturing, IT Systems, etc.

## Acquisition Growth

- Selective opportunities (energy and energy adjacent)

## Share Repurchase

- Returning excess cash to shareholders

Priority to organic growth, then attractive acquisitions that drive size and scale

2022 Estimated  
Product Bookings  
Up ~20% from 2021

2022 Estimated  
Revenue:  
Up ~10% from 2021  
levels

2022 Estimated Adj.  
EBITDA: 40% to 50%  
Incremental margins

2022 Estimated  
Capex of  
\$15M to \$17M

Targeting  
2022 Free Cash Flow\*  
Margin of ~3 to 5%

\*Free Cash Flow = Operating Cash Flow less Capital Expenditures and does not include potential real estate divestures

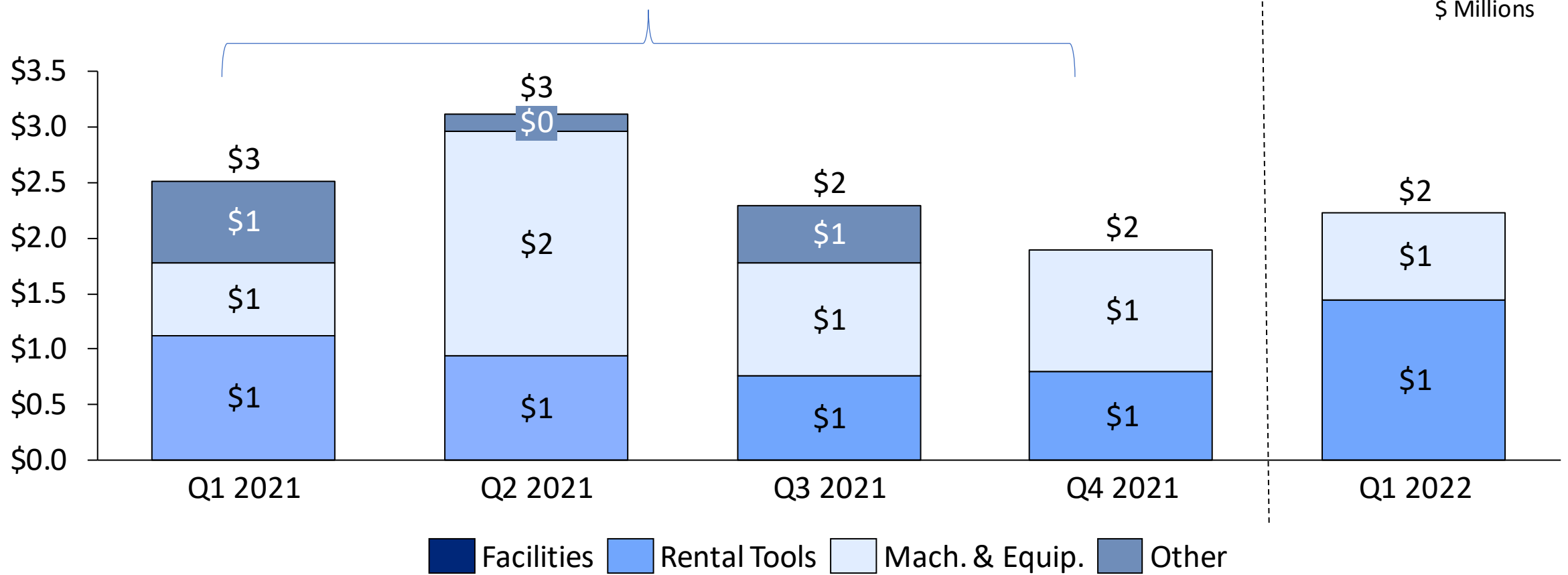
# Appendix

[dril-quip.com](https://dril-quip.com) | NYSE: DRQ



# Q1 2022 | Capital Expenditures

2021 CAPEX of ~\$10 million



Capital expenditures in 2022 are expected to be \$15 to \$17 million driven by rental tools and information technology upgrade to support growth

Note: Sum of components may not foot due to rounding.

## MARKET INFORMATION

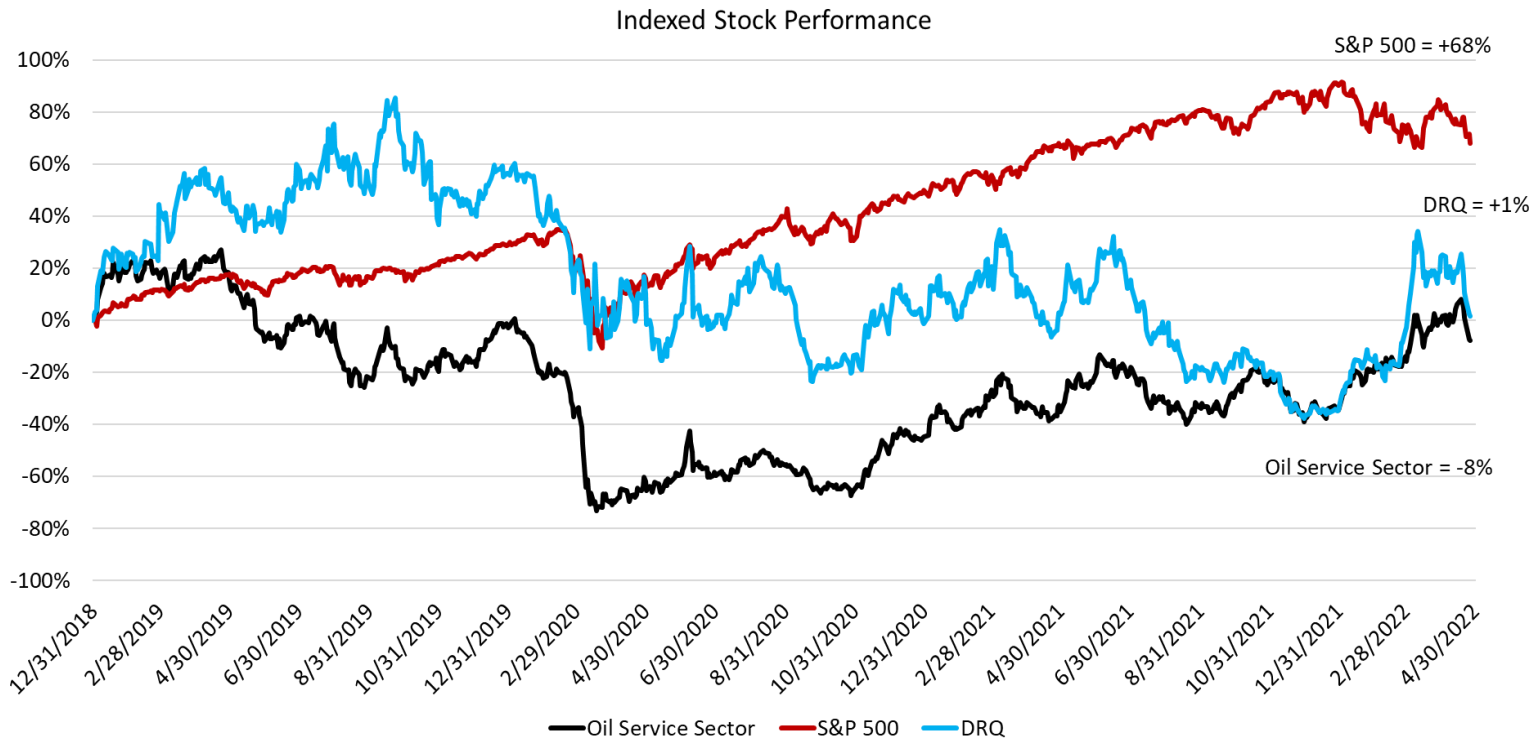
Ticker NYSE: DRQ

Share Price (at close: 4/26/22) \$30.20

52-Week Range \$18.17 - \$41.23

Performance:

	DRQ	OSX	SPX
Since Q4 Filing (2/23/22)	20%	12%	-1%
Year-to-Date	53%	41%	-12%



Balance Sheet Strength and Backlog Supporting Share Price Relative to OSX

**Dril-Quip, Inc.**  
**Comparative Condensed Consolidated Income Statement**  
(Unaudited)

	Three months ended		
	March 31, 2022	December 31, 2021	March 31, 2021
	(In thousands, except per share data)		
<b>Revenues:</b>			
Products	\$ 55,642	\$ 48,694	\$ 55,583
Services	17,499	19,380	17,667
Leasing	9,996	9,838	7,989
Total revenues	<u>83,137</u>	<u>77,912</u>	<u>81,239</u>
<b>Costs and expenses:</b>			
Cost of sales	63,995	61,197	56,787
Selling, general and administrative	22,393	30,620	29,558
Engineering and product development	3,676	3,834	4,037
Restructuring and other charges	32	52,913	25,020
Gain on sale of property, plant and equipment	(114)	(596)	(3,955)
Foreign currency transaction (gains) and losses	(1,254)	1,600	1,374
Total costs and expenses	<u>88,728</u>	<u>149,568</u>	<u>112,821</u>
Operating loss	(5,591)	(71,656)	(31,582)
Interest income	203	274	49
Interest expense	(54)	(195)	(439)
Income tax provision (benefit)	3,496	(8,148)	2,386
Net loss	<u>\$ (8,938)</u>	<u>\$ (63,429)</u>	<u>\$ (34,358)</u>
<b>Loss per share</b>			
Basic	<u>\$ (0.26)</u>	<u>\$ (1.81)</u>	<u>\$ (0.97)</u>
Diluted	<u>\$ (0.26)</u>	<u>\$ (1.81)</u>	<u>\$ (0.97)</u>
Depreciation and amortization	<u>\$ 7,559</u>	<u>\$ 7,723</u>	<u>\$ 7,416</u>
Capital expenditures	<u>\$ 2,066</u>	<u>\$ 2,062</u>	<u>\$ 2,513</u>
<b>Weighted Average Shares Outstanding</b>			
Basic	34,494	35,167	35,385
Diluted	34,494	35,167	35,385

**Dril-Quip, Inc.**  
**Comparative Condensed Consolidated Balance Sheets**  
**(Unaudited)**

	March 31, 2022	December 31, 2021
	(In thousands)	
<b>Assets:</b>		
Cash and cash equivalents	\$ 338,008	\$ 355,451
Other current assets	379,368	390,098
PP&E, net	212,944	216,200
Other assets	47,790	48,677
<b>Total assets</b>	<b>\$ 978,110</b>	<b>\$ 1,010,426</b>
<b>Liabilities and Equity:</b>		
Current liabilities	\$ 70,321	\$ 93,663
Deferred Income taxes	4,335	3,925
Other long-term liabilities	15,679	15,730
<b>Total liabilities</b>	<b>90,335</b>	<b>113,318</b>
Total stockholders equity	887,775	897,108
<b>Total liabilities and equity</b>	<b>\$ 978,110</b>	<b>\$ 1,010,426</b>

**Dril-Quip, Inc.**  
**Reconciliation of Net Income (Loss) to Adjusted Net Income (Loss) and Adjusted Diluted Earnings (Loss) per Share**  
**and Adjusted Diluted Earnings (Loss) per Share**

**Adjusted Net Income (Loss) and EPS:**

	Three months ended					
	March 31, 2022		December 31, 2021		March 31, 2021	
	Effect on net income (loss) (after-tax)	Impact on diluted earnings (loss) per share	Effect on net income (loss) (after-tax)	Impact on diluted earnings (loss) per share	Effect on net income (loss) (after-tax)	Impact on diluted earnings (loss) per share
	(In thousands, except per share amounts)					
Net loss	\$ (8,938)	\$ (0.26)	\$ (63,429)	\$ (1.80)	\$ (34,358)	\$ (0.97)
Adjustments (after tax):						
Reverse the effect of foreign currency transaction (gains) and losses	(991)	(0.03)	1,264	0.04	1,085	0.03
Restructuring and other costs, including severance	25	-	45,962	1.31	19,766	0.56
Gain on sale of property, plant and equipment	(90)	-	(471)	(0.01)	(3,124)	(0.09)
Adjusted net loss	<u>\$ (9,994)</u>	<u>\$ (0.29)</u>	<u>\$ (16,674)</u>	<u>\$ (0.46)</u>	<u>\$ (16,631)</u>	<u>\$ (0.47)</u>

**Dril-Quip, Inc.**  
**Reconciliation of Net Income (Loss) to Adjusted EBITDA**

<b><u>Adjusted EBITDA:</u></b>	<b>Three months ended</b>		
	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
	<b>(In thousands)</b>		
Net loss	\$ (8,938)	\$ (63,428)	\$ (34,358)
Add:			
Interest (income) expense, net	(149)	(80)	390
Income tax provision (benefit)	3,496	(8,148)	2,386
Depreciation and amortization expense	7,559	7,723	7,416
Restructuring and other costs, including severance	32	58,180	29,820
Gain on sale of property, plant and equipment	(114)	(596)	(3,955)
Foreign currency transaction (gains) and losses	(1,254)	1,600	1,374
Stock compensation expense	2,527	5,354	3,186
Brazilian amnesty settlement	-	-	1,787
<b>Adjusted EBITDA</b>	<b>\$ 3,159</b>	<b>\$ 605</b>	<b>\$ 8,046</b>

**Dril-Quip, Inc.**  
**Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow**

<b><u>Free Cash Flow:</u></b>	<b>Three months ended</b>		
	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
	<b>(In thousands)</b>		
Net cash provided (used) by operating activities	\$ (10,928)	\$ 4,689	\$ 13,072
Less:			
Purchase of property, plant and equipment	(2,066)	(2,062)	(2,513)
<b>Free cash flow</b>	<b>\$ (12,994)</b>	<b>\$ 2,627</b>	<b>\$ 10,559</b>

**Dril-Quip, Inc.**  
**Product and Service Revenue Segments**

**Three months ended**  
**March 31,**

**2022**

**2021**

(In millions)

Revenues:		
Products:		
Subsea equipment	\$ 46.3	\$ 42.9
Downhole tools	9.3	12.7
Total products	55.6	55.6
Services:		
Subsea equipment	13.2	13.8
Downhole tools	4.3	3.8
Total services	17.5	17.6
Leasing		
Subsea equipment	8.6	7.0
Downhole tools	1.4	1.0
Total leasing	10.0	8.0
<b>Total revenues</b>	<b>\$ 83.1</b>	<b>\$ 81.2</b>



- **Market Capitalization** = Share Price x Total Shares Outstanding
- **Enterprise Value** = Market Capitalization + Debt – Cash and Cash Equivalents
- **Non-cash Working Capital** = (Current Assets – Cash) – Current Liabilities
- **Book Value / Share** = Total Shareholders' Equity / Total Shares Outstanding
- **Cash / Share** = Cash & Cash Equivalents / Total Shares Outstanding
- **Non-cash Working Capital (WC) / Share** = Noncash Working Capital / Total Shares Outstanding
- **Total Debt / Capitalization** = Total Debt (Short-term + Long-term) / (Total Debt + Total Shareholders' Equity)

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