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dril-quip.com | NYSE: DRQ

Cautionary Statement

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 goals, projections, estimates, expectations, market outlook, forecasts, plans and objectives, including revenue and new product revenue and other projections, acquisition opportunities, forecasted supply and demand, liquidity, cost savings, and share repurchases and are based on assumptions, estimates and risk analysis made by management of 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 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, 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 net cash provided by operating activities less net 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. 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. Non-GAAP financial information supplements should be read together with, and are 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 on slides 23 – 24.



Company Overview

Deepwater Outlook
Strategic Objectives

Dril-Quip Investment Highlights



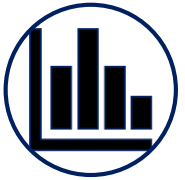
Leading Manufacturer of Highly Engineered Drilling & Production Equipment



Technically Innovative Products & First-class Service



Strong Financial Position



Historically Superior Margins to Peers



Experienced Management Team



Product & Service Offerings

Subsea Equipment

- Subsea Wellheads
- Mudline Suspension Systems
- Specialty Connectors
- Subsea Production Trees
- Subsea Manifolds
- Subsea Control Systems
- Production Risers
- Production Riser Tensioners

Surface Equipment

- Platform Wellheads
- Platform Production Trees

Downhole Tools

- Liner Hangers
- Specialty DH Tools
- Production Packers
- Safety Valves

Offshore Rig Equipment

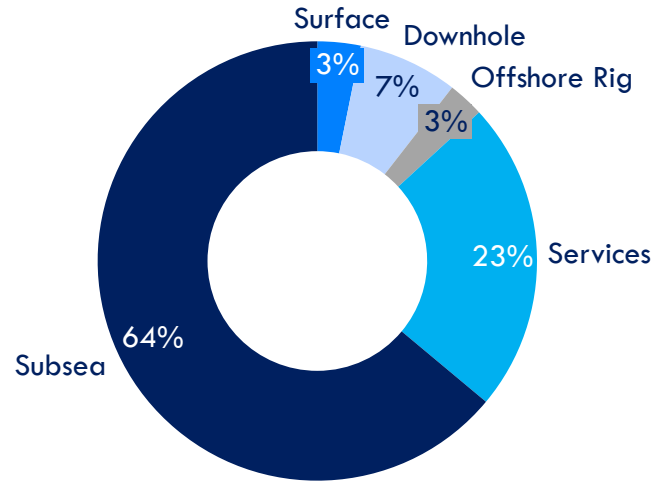
- Wellhead Connectors
- Diverters
- Drilling Risers

Aftermarket Services

- Reconditioning
- Rental Tools
- Technical Advisory

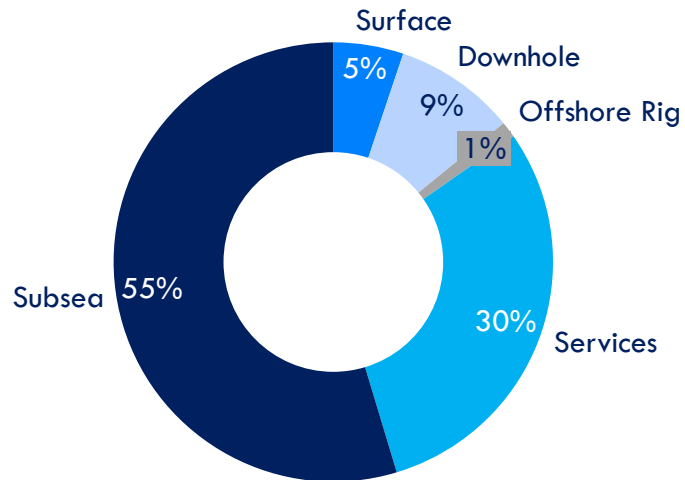
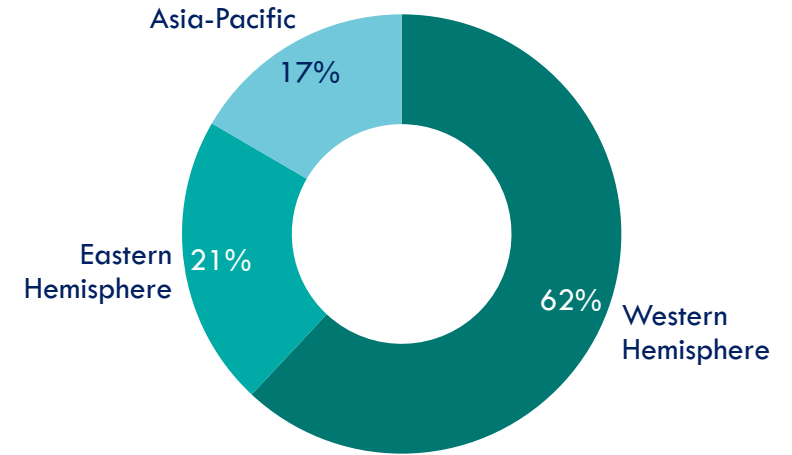
Revenue Mix

By Product and Service Segment

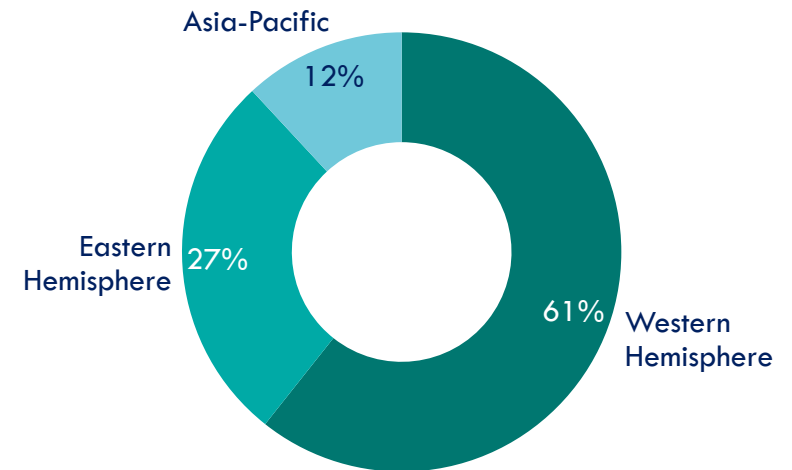


FY 2017
Total Revenue:
\$455 million

By Geographic Area



1H 2018
Total Revenue:
\$194 million





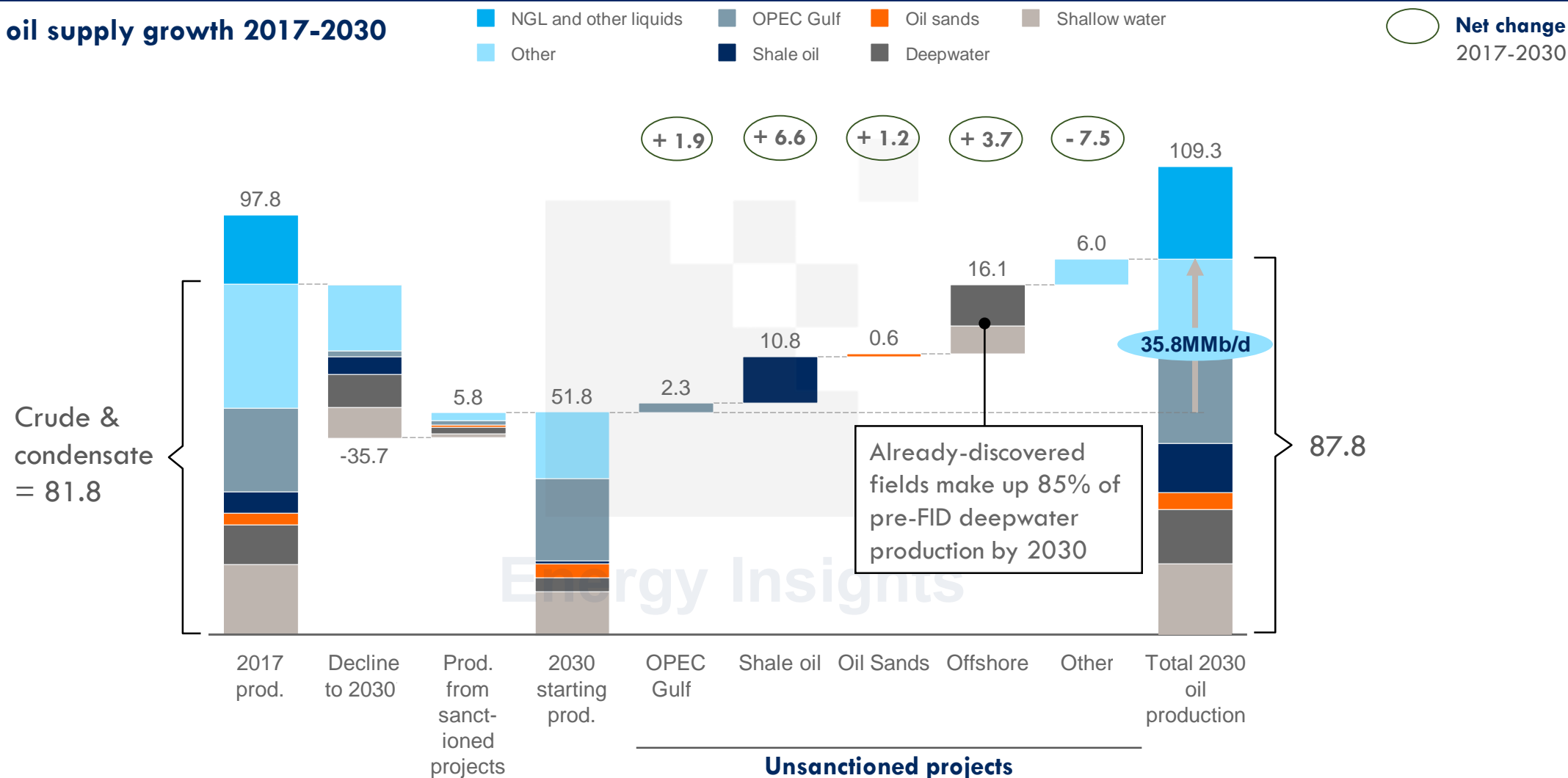
Company Overview

Deepwater Outlook

Strategic Objectives

Global Supply & Demand Through 2030

Global oil supply growth 2017-2030
mmb/d



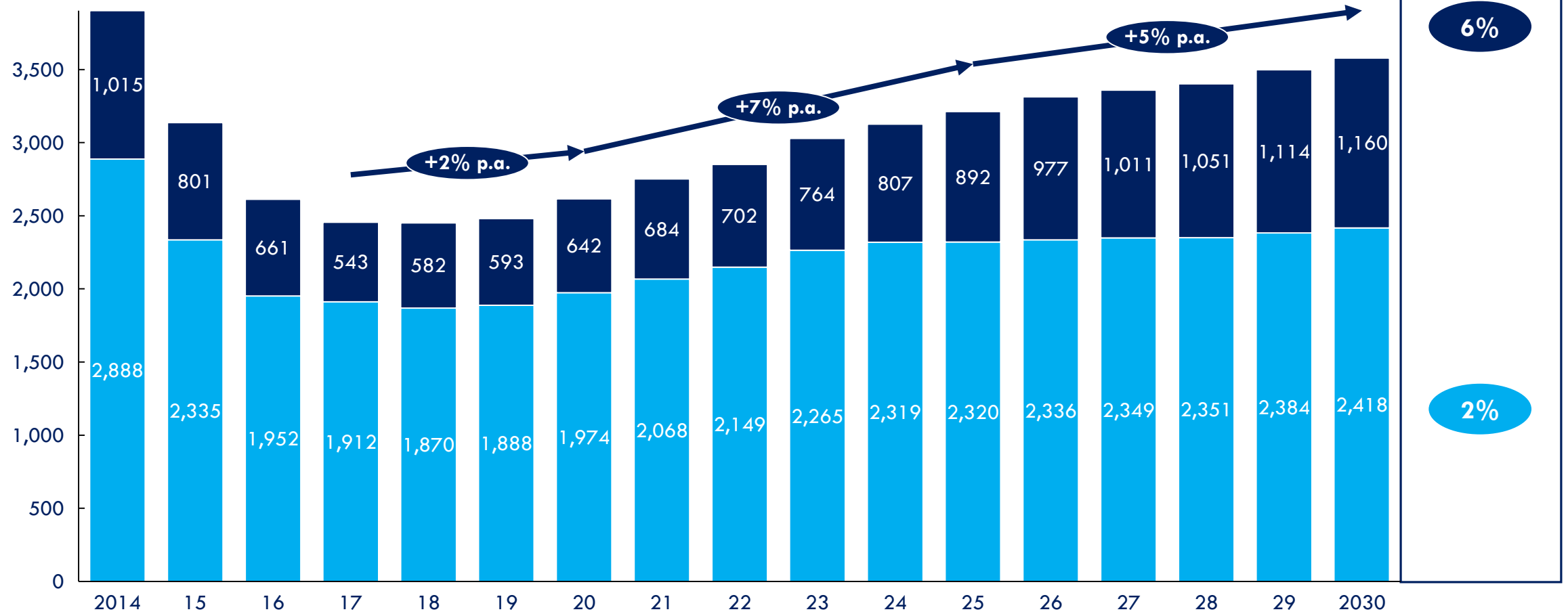
New Deepwater Project Sanctions Necessary to Satisfy Long-Term Demand

Evolving View of Timeline for Deepwater Recovery

Global offshore wells drilled

Number of wells

% Deepwater well CAGR ■ Deepwater ■ Shallow water

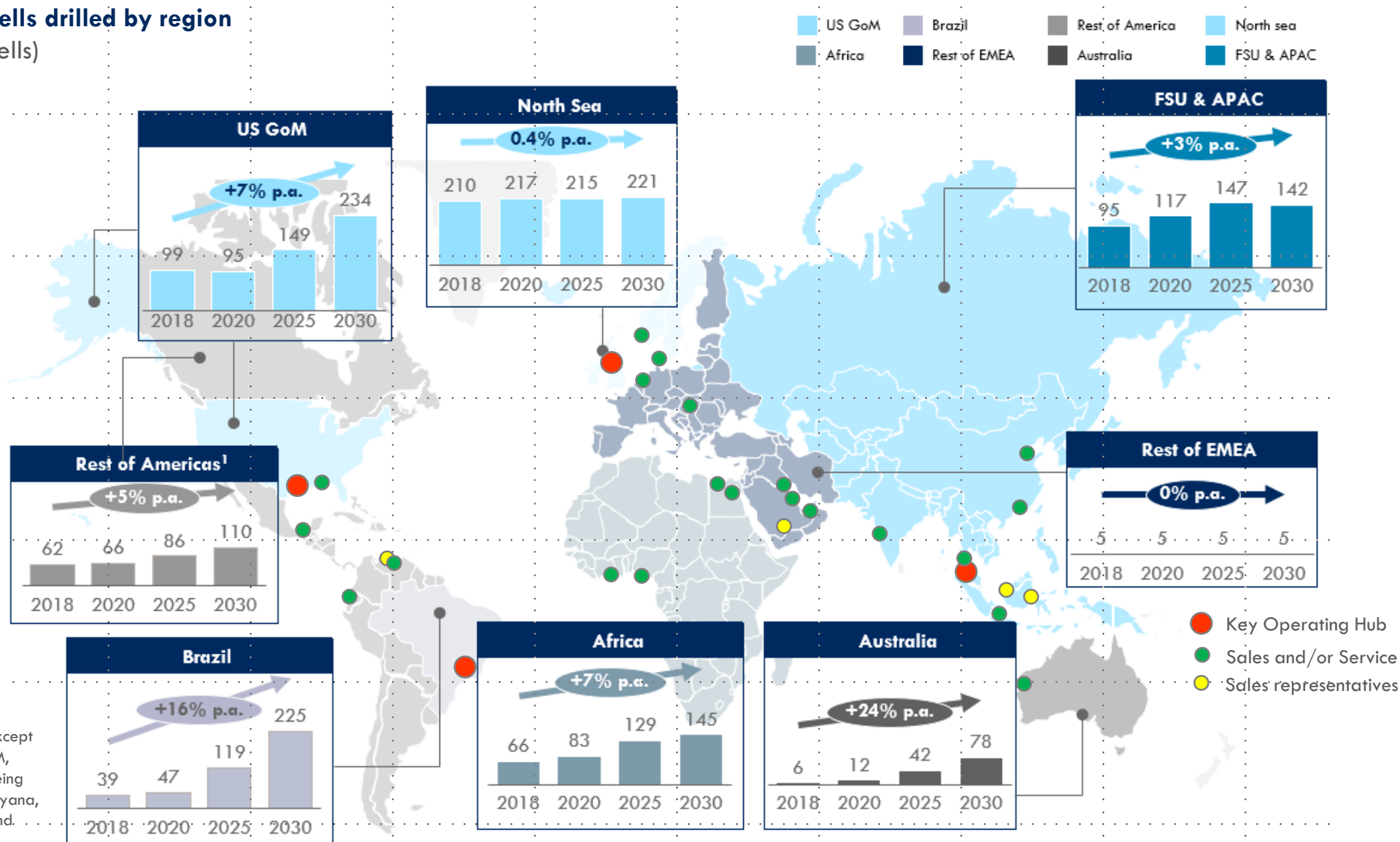


Deepwater Market Recovery Expected to be Gradual Until 2020

Well-Positioned to Serve Offshore Markets

Deepwater wells drilled by region

(Number of wells)





The image is a 3D digital rendering of an offshore oil and gas field. In the upper half, several large industrial platforms are visible on the surface of a blue sea under a sky with soft, orange and blue light, suggesting dawn or dusk. The platforms vary in design, with some featuring tall derrick-like structures. Below the water surface, the seabed is depicted in a detailed, brownish-orange 3D model. It shows a complex network of subsea infrastructure, including numerous vertical risers, manifolds, and smaller subsea wells, all interconnected by a system of yellow pipelines. The seabed topography includes a prominent ridge or canyon running through the center. The overall scene conveys a sense of large-scale industrial operations in a deepwater environment.

Company Overview Deepwater Outlook **Strategic Objectives**

Executing Our Strategy

Commercial Excellence

- Leverage Product Differentiation
- Pursue Value & Solution Selling
- Expand Existing Market Share
- Capture New Product and New Customer Revenue

Organization Optimization

- Champion Cost-Effective Operating Model
- Focus on Operational Excellence
- Streamline Organization Structure

Supply Chain

- Develop Centralized Model
- Achieve Scalability
- Reduce Fixed Cost Base
- Adopt Best Source Approach

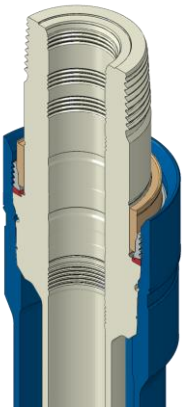
LEAN Implementation & Advanced Product Quality Planning (APQP)

Research & Development

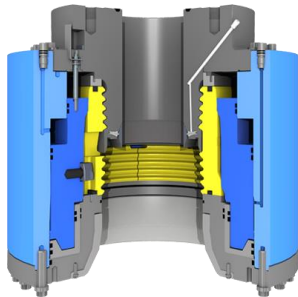
R&D is Key to Achieving Commercial Excellence

- Developing innovative products that structurally reduce total installed costs
- Expanding product portfolio to increase markets and market share
- Presented with *OTC Spotlight on New Technology* award for BigBore-Ile Wellhead System, DXe Wellhead Connector, and HFRé Hands-Free Drilling Riser

BigBore-Ile
Wellhead



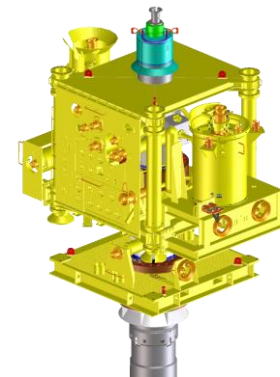
DXe Wellhead
Connector



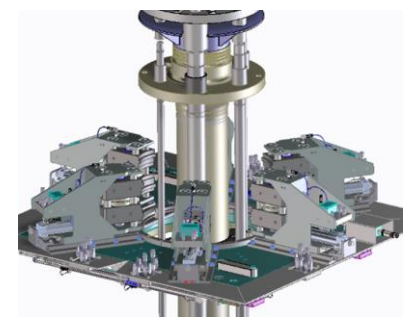
HorizontalBore
Subsea Tree



Concentric
Monobore Tree



HFRé Hands-Free
Drilling Riser



Executing on Commercial Excellence

❖ Targeting \$100 million in new product revenue by 2021

Subsea Production Systems

- R&D efforts served as key element for Sea Lion LOI

DXe Connector

- Emerging as the standard profile for HPHT wellhead connectors
- Connector profile licensed to three large peers

BigBore IIe

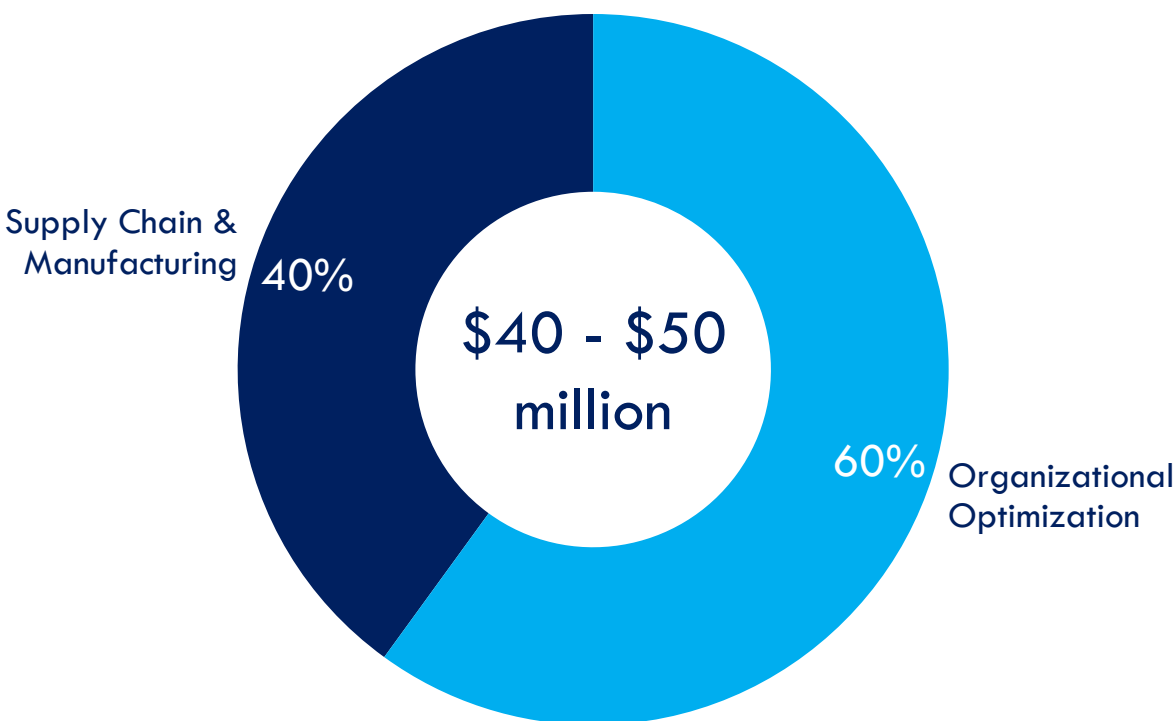
- Large customer standardizing on BBIIe (and DXe) profile

Award-Winning R&D Efforts Driving New Product Revenue

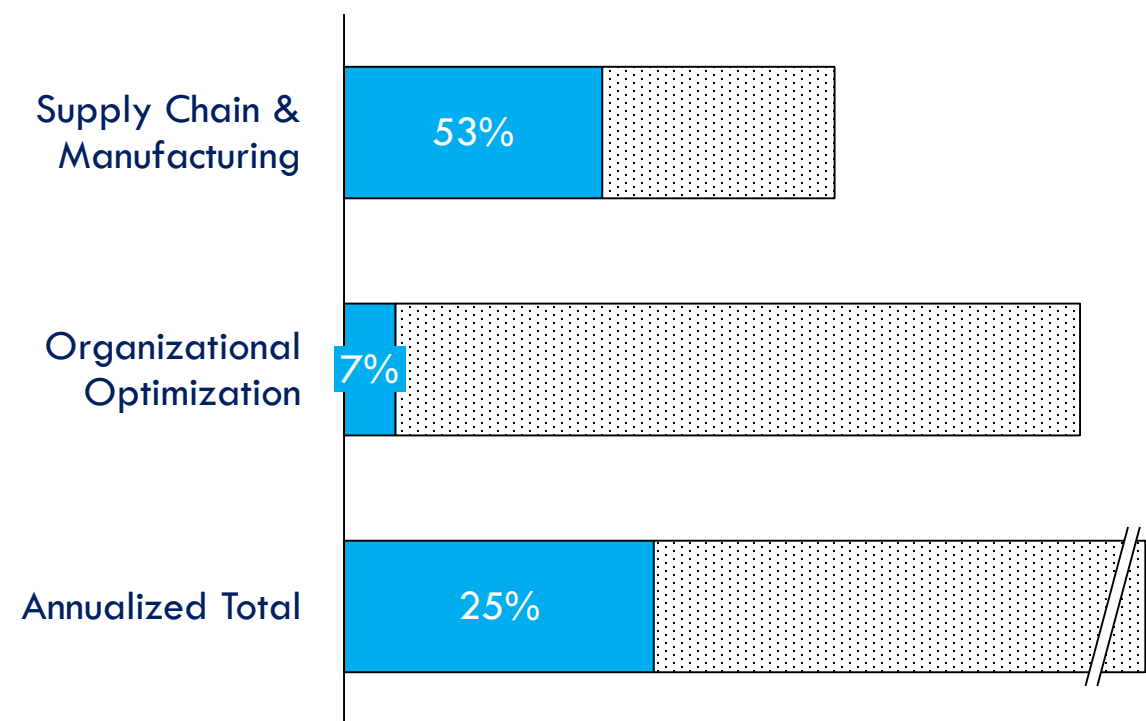
Sustainable Cost-Saving Initiatives

- Targeting Adjusted EBITDA impact of \$40 – \$50 million by YE2019

Estimated Recurring Impact of Cost Savings



Annualized Cost Savings Expected by End of Q3 (%)



Expecting ~\$10-\$15 Million of Annualized Cost Savings in Place by the End of Q3 2018

Liquidity Allocation Strategy

SOURCES

(\$ millions)

Internal Cash	493
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ABL Credit Facility	63
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Available Liquidity	556
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Notes

- Balances as of June 30, 2018
- ABL put in place on February 23, 2018
- Shelf registration statement filed on February 27, 2018 for general planning purposes

POTENTIAL USES

(\$ millions)

Support R&D	50 – 100
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Fund Upturn & Key Projects	150 – 200
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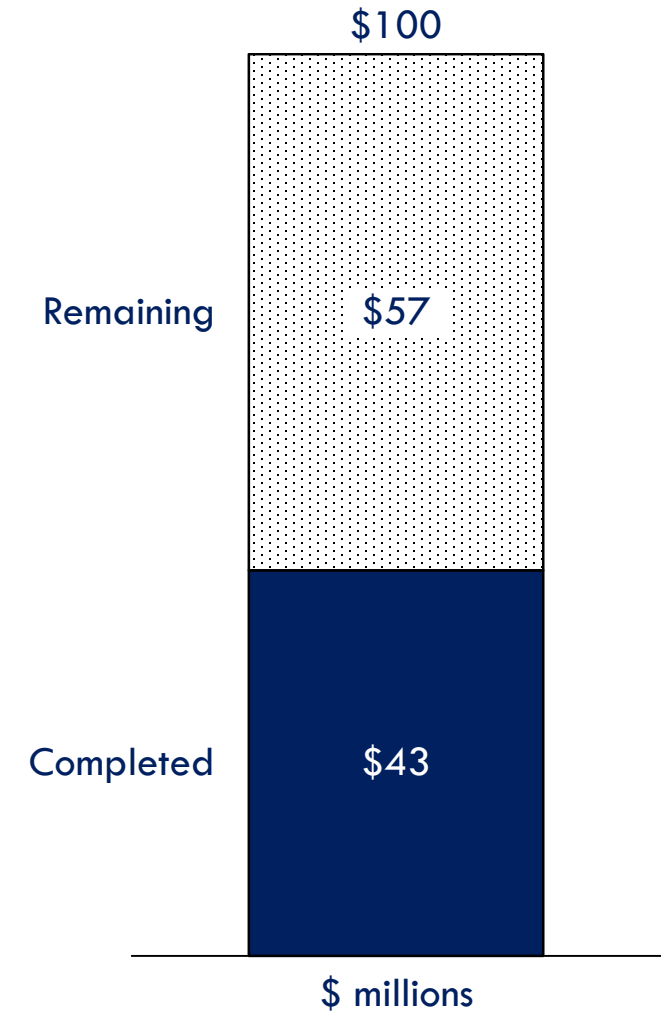
Pursue Complementary Acquisitions	50 – 100
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Share Repurchases	100
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Liquidity in Place to Support Growing Market Share

Share Repurchases

- \$100 million share repurchase program in progress
 - Completed ~\$10 million in common stock repurchases as of June 30, 2018 at an average price of approximately \$45.00
 - Completed ~\$33 million of additional share repurchases in the 3rd quarter through August 31, 2018 at an average price of approximately \$51.50
 - Maximum dollar value remaining is ~\$57 million as of August 31, 2018



Seeking Opportunities to Create Value for Shareholders

2018 Outlook & 2019 Targeted Cost Savings

Q3 & Q4 2018
Revenue
\$80 - \$90 million

Full-year 2018
Revenue
\$350 - \$370 million

Adj. EBITDA Near
Breakeven for Q3
2018 From Cost
Actions Taken to Date

Annualized Cost
Savings in place by
Q3 2018
\$10 - \$15 million

Annualized Cost
Savings in place by
YE2019
\$40 - \$50 million

Streamlining Structural Cost Base to Operate in Any Commodity Price Environment

Summary



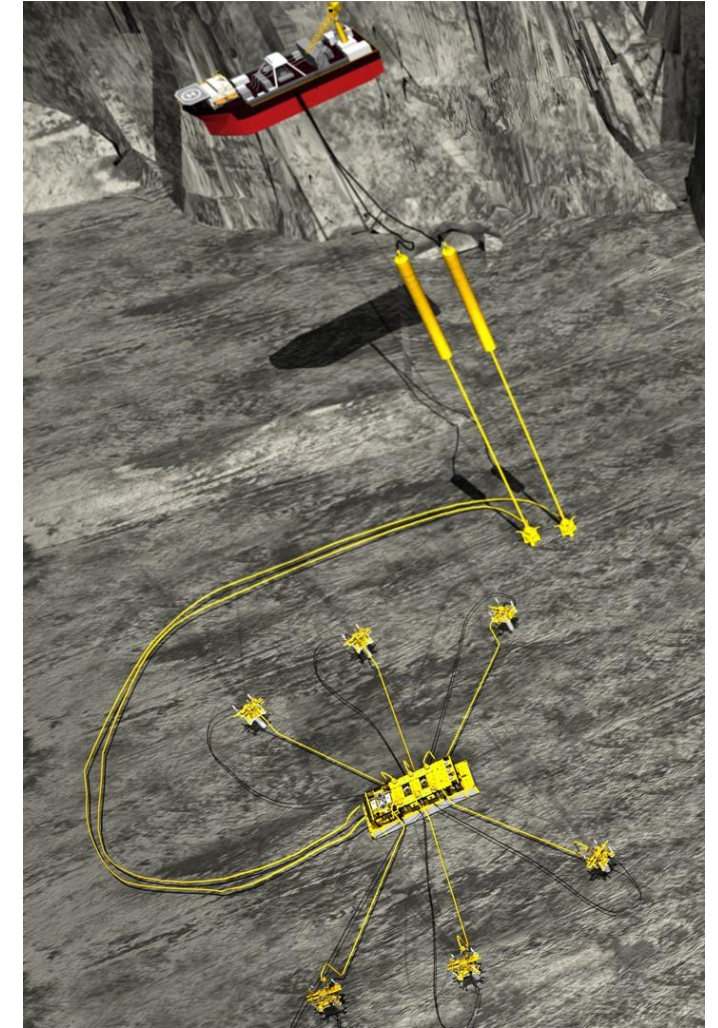


The image is a 3D digital rendering of an offshore oil and gas field. The upper portion shows a wide view of the ocean with several large offshore platforms and drilling rigs. The platforms are complex structures with cranes and various equipment. The water is a deep blue, and the sky is a mix of blue and orange, suggesting a sunset or sunrise. The lower portion of the image provides a detailed, cutaway view of the seabed. It shows the intricate network of pipes, valves, and structural supports that connect the platforms to the ocean floor. The seabed itself is depicted with realistic geological textures, showing layers of rock and sediment. The overall scene conveys a sense of industrial scale and technological complexity in the energy sector.

Appendix

Sea Lion LOI with Premier Oil

- Location: Offshore Falkland Islands
- Scope of work:
 - Pre-sanction engineering work commencing in Q3 2018
 - 23 subsea production systems (includes wellheads, trees, & control systems)
 - Injection manifolds
 - Subsea umbilicals
 - Related services
- Formal contract award dependent on Final Investment Decision (FID)
 - Premier working towards FID by end of year¹
- Dril-Quip to provide vendor financing for portion of contract
 - Premier expected to finance ~25% of Phase 1 with vendor loan notes¹



Leveraging New Technology and Strong Balance Sheet in Pursuit of Key Awards

¹ Per Premier Oil investor presentation dated June 27, 2018

Income Statement

	Three months ended		
	June 30, 2018	March 31, 2018	June 30, 2017
	(In thousands, except per share data)		
Revenues:			
Products	\$ 64,719	\$ 71,045	\$ 102,092
Services	30,142	28,128	25,830
Total revenues	94,861	99,173	127,922
Costs and expenses:			
Cost of sales	69,443	67,750	87,549
Selling, general and administrative	23,739	28,253	31,179
Engineering and product development	10,526	9,447	10,308
Impairment and other charges	(5,099)	-	-
Total costs and expenses	98,609	105,450	129,036
Operating loss	(3,748)	(6,277)	(1,114)
Interest income	2,275	1,797	1,070
Interest expense	(151)	(2)	(18)
Income tax provision (benefit)	1,418	2,901	(77)
Net income (loss)	<u>\$ (3,042)</u>	<u>\$ (7,383)</u>	<u>\$ 15</u>
Earnings (loss) per share	<u>\$ (0.08)</u>	<u>\$ (0.20)</u>	<u>\$ -</u>
Depreciation and amortization	<u>\$ 9,001</u>	<u>\$ 8,241</u>	<u>\$ 12,881</u>
Capital expenditures	<u>\$ 9,034</u>	<u>\$ 10,571</u>	<u>\$ 8,089</u>

Balance Sheet

	As of	
	June 30, 2018	December 31, 2017
	(In thousands)	
Assets:		
Cash and cash equivalents	\$ 493,422	\$ 493,180
Other current assets	483,000	515,369
PP&E, net	283,040	284,247
Other assets	102,229	107,009
Total assets	<u>\$ 1,361,691</u>	<u>\$ 1,399,805</u>
Liabilities and Stockholders' Equity:		
Current liabilities	80,469	99,911
Long-term liabilities	—	—
Deferred taxes	3,055	3,432
Other long-term liabilities	2,720	2,001
Total liabilities	<u>\$ 86,244</u>	<u>\$ 105,344</u>
Stockholders' equity	1,275,447	1,294,461
Total liabilities and stockholders' equity	<u>\$ 1,361,691</u>	<u>\$ 1,399,805</u>

Non-GAAP Financial Measures

Adjusted Net Income and EPS:

	Three months ended					
	June 30, 2018		March 31, 2018		June 30, 2017	
	Effect on net income (after-tax)	Impact on diluted earnings per share	Effect on net income (after-tax)	Impact on diluted earnings per share	Effect on net income (after-tax)	Impact on diluted earnings per share
(In thousands, except per share amounts)						
Net income (loss)	\$ (3,042)	\$ (0.08)	\$ (7,383)	\$ (0.20)	\$ 15	\$ —
Adjustments (after tax):						
Reverse effect of foreign currency	(1,703)	(0.05)	1,059	0.03	2,988	0.08
Restructuring costs	—	—	474	0.01	—	—
Gain on sale of assets	(4,028)	(0.11)	—	—	—	—
Add back severance payments	—	—	—	—	247	0.01
Adjusted net income (loss)	<u>\$ (8,773)</u>	<u>\$ (0.24)</u>	<u>\$ (5,850)</u>	<u>\$ (0.16)</u>	<u>\$ 3,250</u>	<u>\$ 0.09</u>

Non-GAAP Financial Measures

Adjusted EBITDA:

	Three months ended		
	June 30, 2018	March 31, 2018	June 30, 2017
	(In thousands)		
Net income (loss)	\$ (3,042)	\$ (7,383)	\$ 15
Add:			
Interest (income) expense	(2,124)	(1,795)	(1,088)
Income tax expense (benefit)	1,418	2,901	(77)
Depreciation and amortization expense	9,001	8,241	12,881
Restructuring costs	-	600	-
Gain on sale of assets	(5,099)	-	-
Foreign currency loss (gain)	(2,155)	1,304	3,689
Severance costs	-	-	305
Stock compensation expense	3,611	3,974	3,567
Adjusted EBITDA	<u>\$ 1,610</u>	<u>\$ 7,842</u>	<u>\$ 19,292</u>

Free Cash Flow:

	Three months ended		
	June 30, 2018	March 31, 2018	June 30, 2017
	(In thousands)		
Net cash provided by operating activities	\$ 12,078	\$ 11,388	\$ 27,224
Less:			
Purchase of property, plant and equipment	(9,034)	(10,571)	(8,089)
Free cash flow	<u>\$ 3,044</u>	<u>\$ 817</u>	<u>\$ 19,135</u>



Investor Relations Contact Information

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