DRIL-QUIP®

3rd Quarter 2018

Supplemental Earnings Information

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 21 and 22.

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

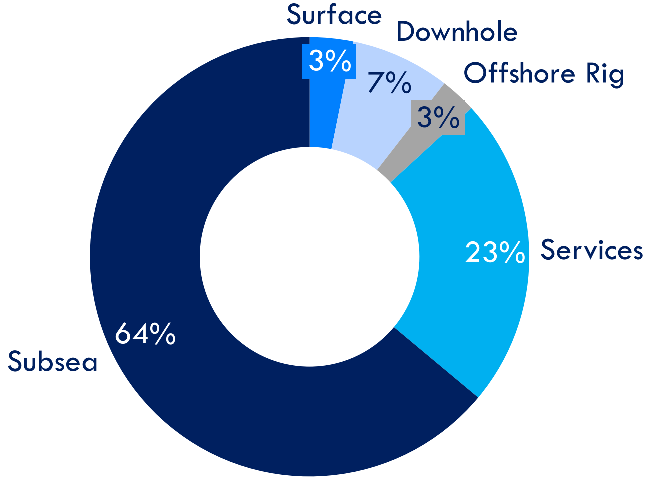
Aftermarket Services

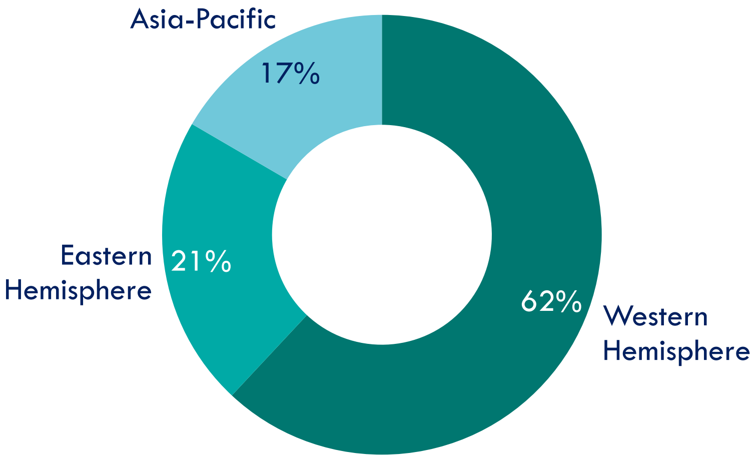
- Reconditioning
- Rental Tools
- Technical Advisory

Revenue Mix

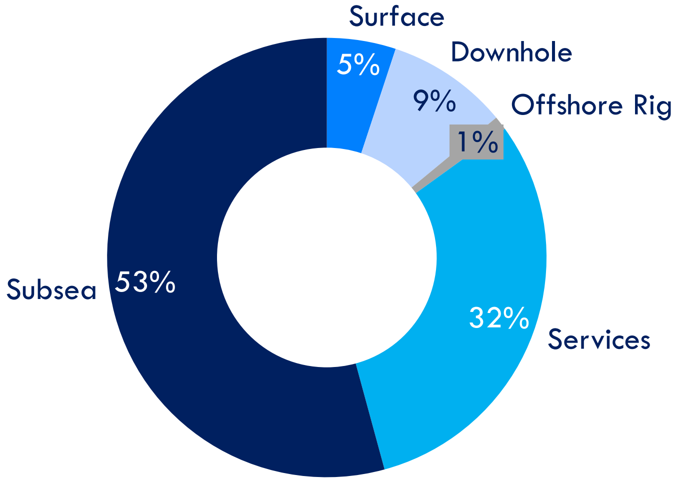
	By Product and Service Segment	By Geographic Area

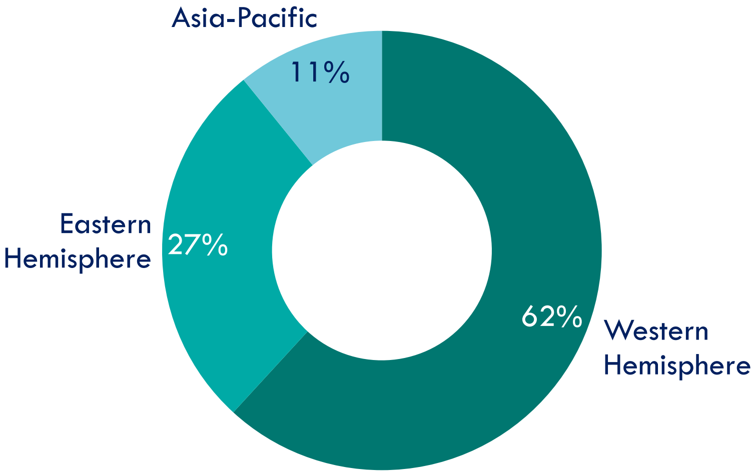
FY 2017
Total Revenue:
$455 million





3Q 2018 YTD
Total Revenue:
$287 million

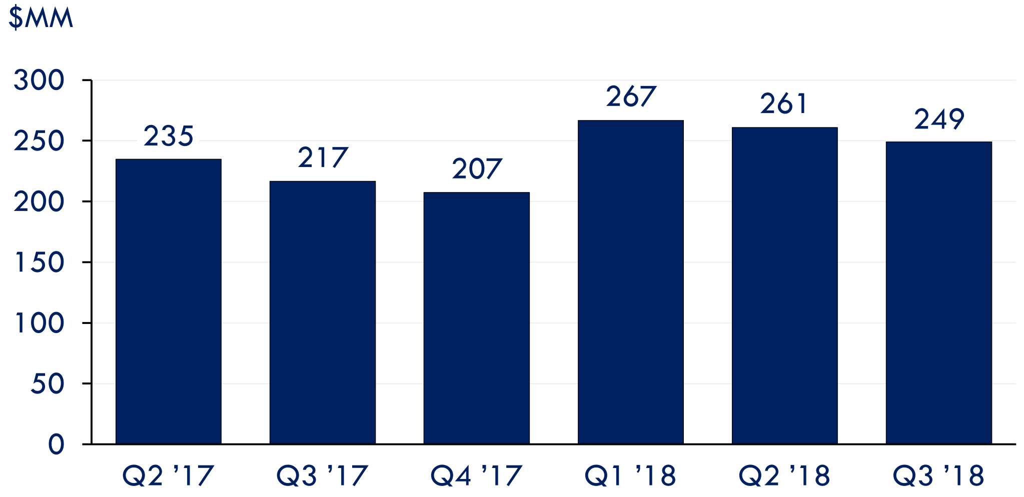




Snapshot

MARKET INFORMATION	
Ticker	DRQ
Share Price (10/24/18)	$42.86
52-Week Range	$37.35 - $58.95
YTD Return	-10.1%
Shares Outstanding (mm)	37.6
Market Cap ($mm)	$1,610
Enterprise Value ($mm)	$1,186

ENDING BACKLOG



BALANCE SHEET as of 9/30/2018 ($MM)	
Cash & Cash Equivalents	$424
PP&E (net)	293
Goodwill	47
Total Assets	**$1,293**
ST Debt	-
LT Debt	-
Total Liabilities	**$102**
Total Equity	**$1,191**

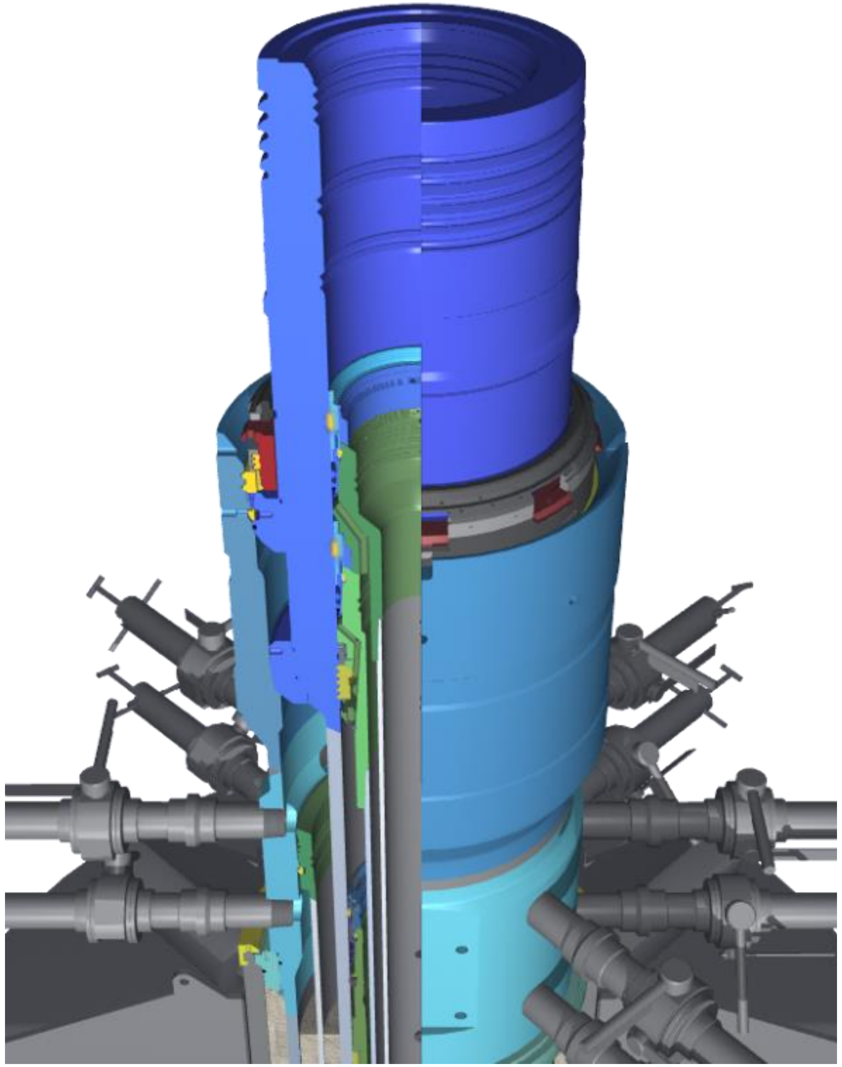
BALANCE SHEET METRICS ($MM)	
Non-cash Working Capital	$405
Book Value / Share	$31.72
Cash / Share	$11.29
Non-cash WC / Share	$10.79
Total Debt / Capitalization	0%
YTD Share Repurchases	$100

Q3 2018 Highlights

- Generated $93.3 million of revenue, above the high end of guidance range of $80 - $90 million
- Reported a net loss of $10.4 million, or $0.28 loss per diluted share, including restructuring costs of $3.7 million
- Incurred an adjusted net loss of $7.4 million excluding restructuring costs, or $0.20 loss per diluted share
- Generated net cash provided by operating activities of $9.1 million
- Reported cash on hand of $424.1 million as of September 30, 2018
- Completed $100 million share repurchase program in October 2018
- Maintained clean balance sheet with no debt as of September 30, 2018
- Progressed Sea Lion Phase 1 to frame agreement
- Achieved $13.5 million of targeted $40 - $50 million of annualized cost reductions

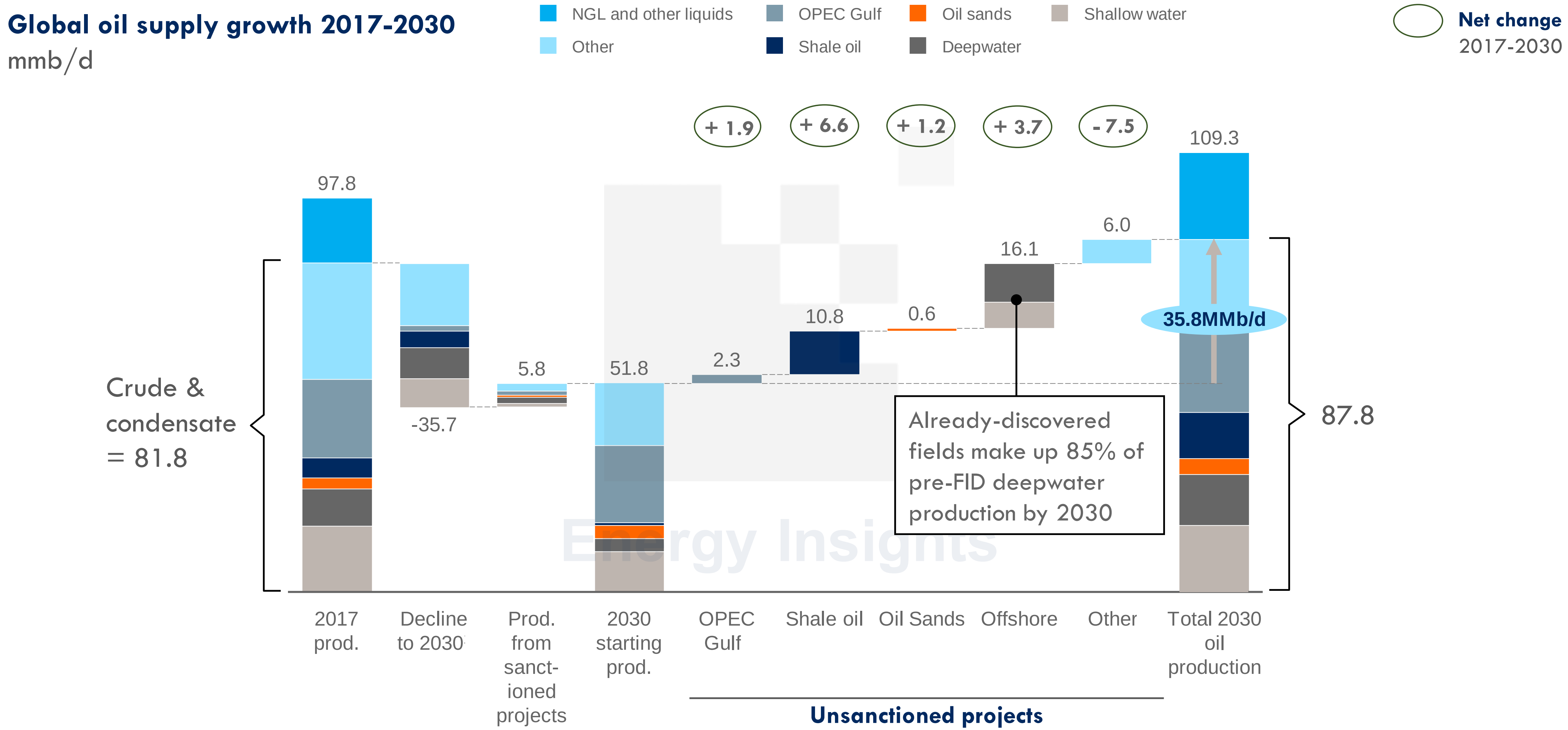
Market Update

- Signs of increased bidding and service activity; oil price & rig environments improving but remain uncertain
- Signed frame agreement with a current estimated value of $207 million with Premier Oil for the subsea production equipment for Sea Lion Phase I
- Repsol's Ca Rong Do (CRD) project continues to experience delays – Letter of Award extended through March 2019



Global Supply & Demand Through 2030

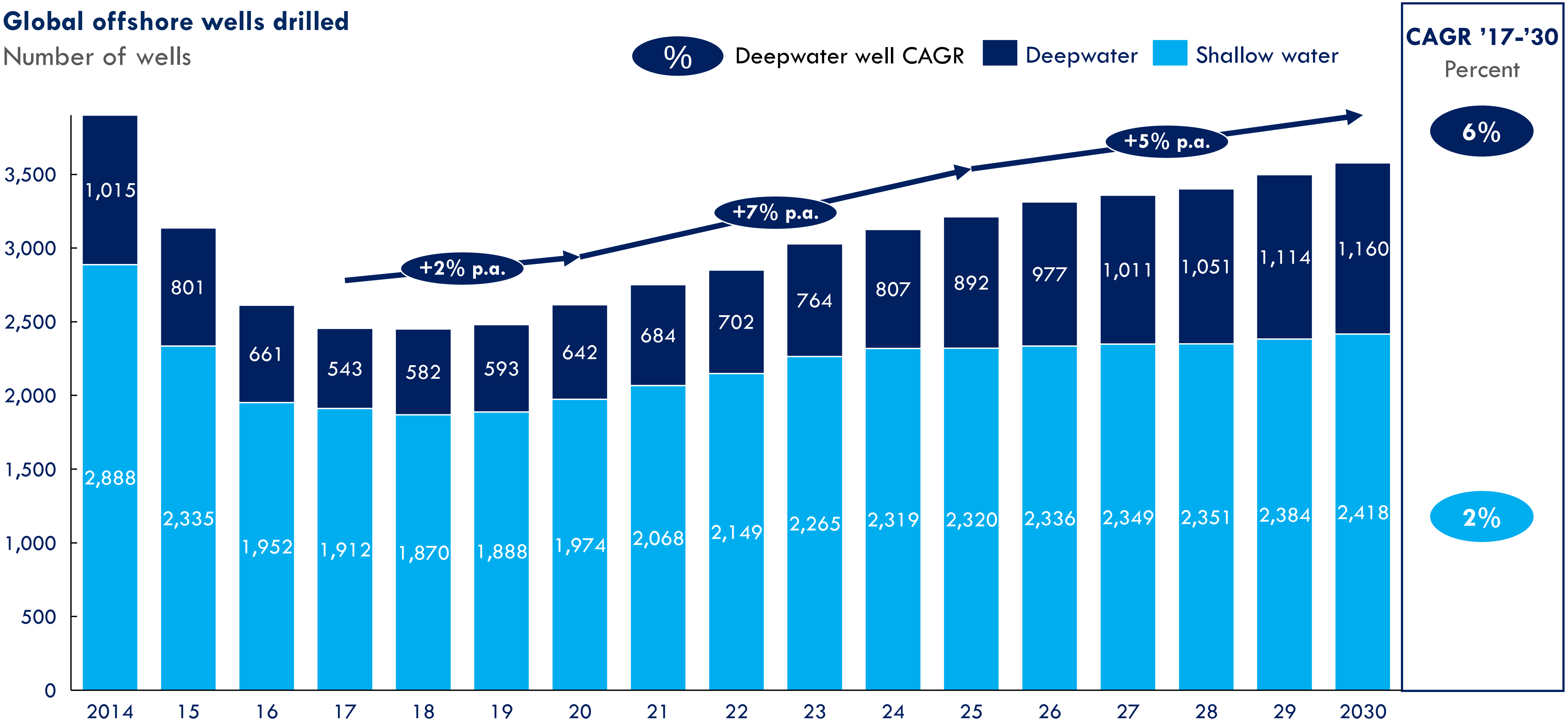
Global oil supply growth 2017-2030
mmb/d



New Deepwater Project Sanctions Necessary to Satisfy Long-Term Demand

Source: McKinsey Energy Insights

Evolving View of Timeline for Deepwater Recovery

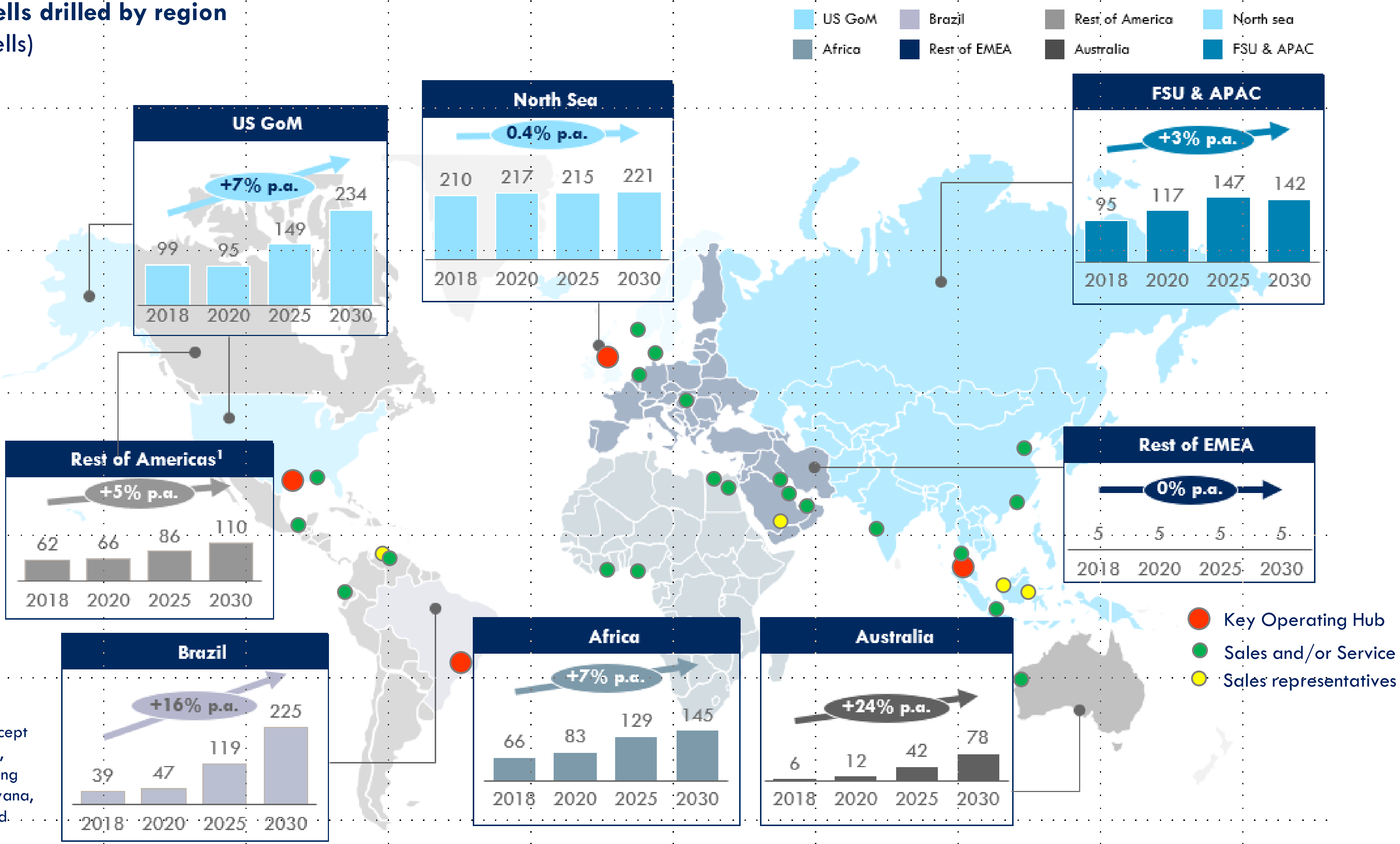


Deepwater Market Recovery Expected to be Gradual Until 2020

Source: McKinsey Energy Insights

Well-Positioned to Serve Offshore Markets

Deepwater wells drilled by region
(Number of wells)



1 Includes all America except for Brazil and US GoM, with larger markets being Mexico, Colombia, Guyana, Trinidad & Tobago, and Venezuela

Source: McKinsey Energy Insights

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

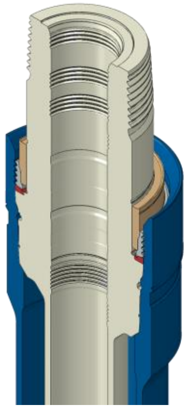
LEAN Implementation & Advanced Product Quality Planning (APQP)

Research & Development

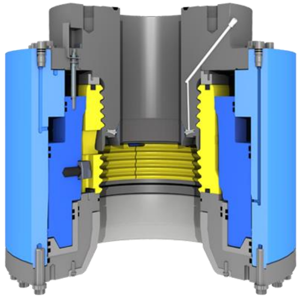
R&D is Key to Achieving Commercial Excellence

- 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-IIe Wellhead System, DXe Wellhead Connector, and HFRe Hands-Free Drilling Riser

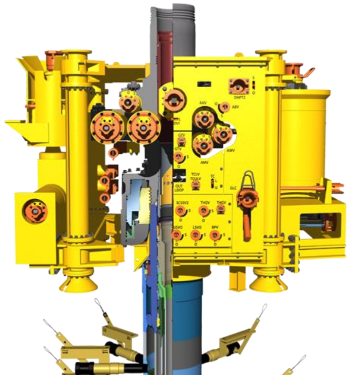
BigBore-IIe Wellhead



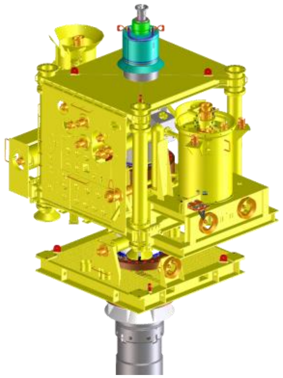
DXe Wellhead Connector



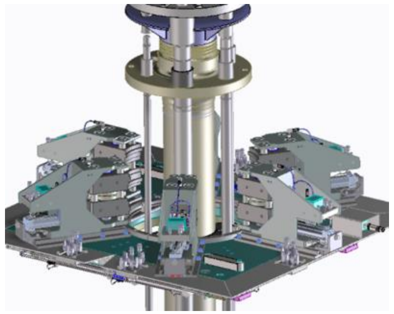
HorizontalBore Subsea Tree



Concentric Monobore Tree



HFRe 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 BB-IIe wellhead with DXe profile

Award-Winning R&D Efforts Driving New Product Revenue

Overview of the Business Transformation

EBITDA Improvement – $40-50 million by YE2019 in run rate enhancement across all elements of cost structure

Broad Workforce Engagement – including distributed initiative ownership and frontline idea generation

Organized Transformation Infrastructure – systematically optimizing all cost elements with broad workforce engagement

Structured Approach to Improve Cost Performance Across All Areas

Sustainable Cost-Saving Initiatives

Business transformation workstreams and example focus areas (not comprehensive)

Manufacturing	▪ Optimize footprint ▪ Implement lean practices ▪ Improve operational discipline
Supply chain	▪ Improve sourcing practices ▪ Consolidate supply base
SG&A	▪ Optimize G&A functions ▪ Leverage global footprint
Engineering and R&D	▪ Rationalize structure and support levels

Significant progress to date

- $11 million reduction in labor workforce
- $1+ million in supplier renegotiations
- $1 million reduction in rented facility footprint
- $0.5 million run-rate plus $2 million one-time benefits optimization
- Over 70 quick win initiatives in implementation

Full transformation pipeline: 350+ initiatives

Expecting $15+ Million of Recurring Cost Savings in Place by the End of 2018

Liquidity Allocation Strategy

SOURCES

($ millions)

Internal Cash	424
ABL Credit Facility	56
Available Liquidity	**480**

Notes
- Balances as of September 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
Fund Upturn & Key Projects	150 – 200
Pursue Complementary Acquisitions	50 – 100

Liquidity in Place to Support Growing Market Share

2018 Outlook & 2019 Targeted Cost Savings

Q4 2018 Revenue

$80 - $90 million

Full-year 2018 Revenue

$365 - $375 million

Adj. EBITDA Near Breakeven for Q4 2018 Due to Realized Cost Savings Actions

Annualized Cost Savings in place by Q3 2018

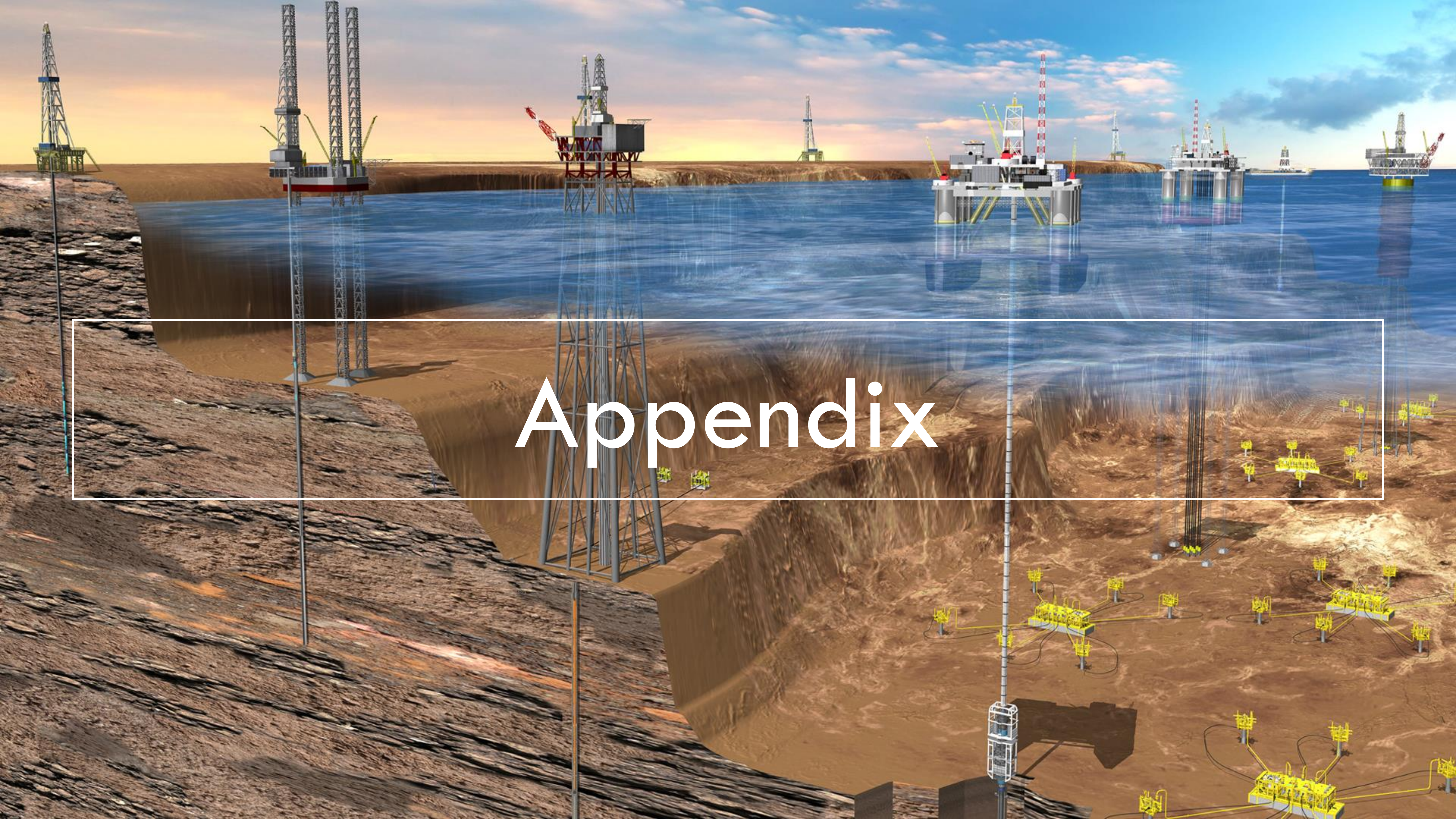
$13.5 million

Annualized Cost Savings in place by YE2019

$40 - $50 million

Streamlining Structural Cost Base to Operate in Current Environment

Appendix



Income Statement

Dril-Quip, Inc.

Comparative Condensed Consolidated Income Statement

(Unaudited)

	Three months ended		
	September 30, 2018	June 30, 2018	September 30, 2017
	(In thousands, except per share data)		
Revenues:			
Products	$ 63,246	$ 64,719	$ 75,885
Services	30,011	30,142	24,461
Total revenues	93,257	94,861	100,346
Costs and expenses:			
Cost of sales	65,630	69,443	63,050
Selling, general and administrative	31,566	23,739	27,985
Engineering and product development	10,159	10,526	10,379
Impairment and other charges	—	—	60,968
Gain on sale of assets	(14)	(5,099)	9
Total costs and expenses	107,341	98,609	162,391
Operating income (loss)	(14,084)	(3,748)	(62,045)
Interest income	1,893	2,275	957
Interest expense	(195)	(151)	(12)
Income tax provision (benefit)	(2,028)	1,418	(31,840)
Net income (loss)	$ (10,358)	$ (3,042)	$ (29,260)
Earnings (loss) per share	$ (0.28)	$ (0.08)	$ (0.78)
Depreciation and amortization	$ 8,724	$ 9,001	$ 9,518
Capital expenditures	$ 7,078	$ 9,034	$ 6,627

Balance Sheet

Dril-Quip, Inc.

Comparative Condensed Consolidated Balance Sheets

(Unaudited)

	September 30, 2018		December 31, 2017	
	(In thousands)			
Assets:				
Cash and cash equivalents	$	424,053	$	493,180
Other current assets		473,397		515,369
PP&E,net		292,667		284,247
Other assets		102,642		107,009
Total assets	$	1,292,759	$	1,399,805
Liabilities and Stockholders' Equity:				
Current liabilities	$	68,262	$	99,911
Long-term debt		—		—
Deferred taxes		3,211		3,432
Income Taxes		28,029		—
Other long-term liabilities		2,001		2,001
Total liabilities		101,503		105,344
Stockholders' equity		1,191,256		1,294,461
Total liabilities and stockholders' equity	$	1,292,759	$	1,399,805

Non-GAAP Financial Measures

Dril-Quip, Inc.

Unaudited Non-GAAP Financial Measures

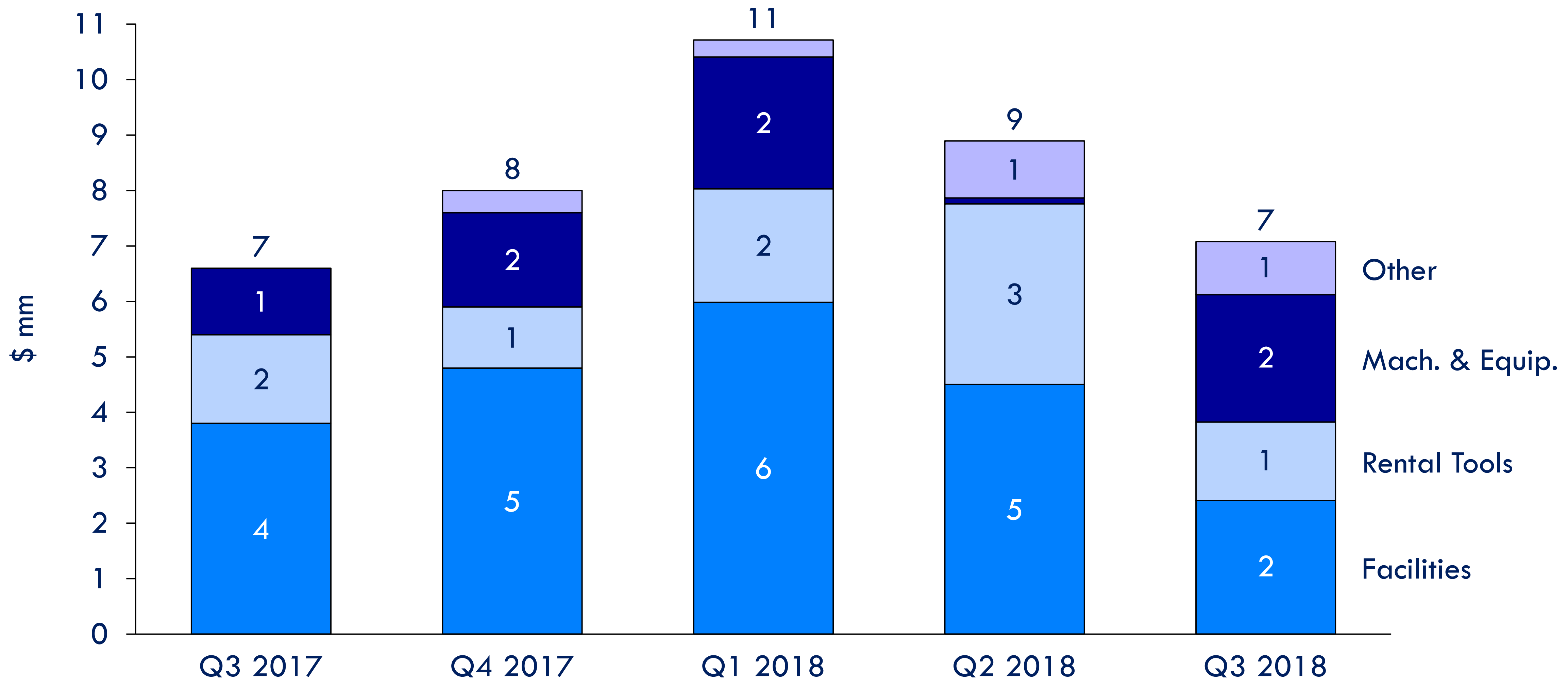
Adjusted Net Income and EPS:	**Three months ended**					
	September 30, 2018		**June 30, 2018**		**September 30, 2017**	
	Effect on net income (after-tax)	**Impact on diluted earnings per share**	**Effect on net income (after-tax)**	**Impact on diluted earnings per share**	**Effect on net income (after-tax)**	**Impact on diluted earnings per share**
	(In thousands, except per share data)					
Net income (loss)	$ (10,358)	$ (0.28)	$ (3,042)	$ (0.08)	$ (29,260)	$ (0.78)
Adjustments (after tax):						
Reverse the effect of foreign currency	32	—	(1,703)	(0.05)	308	0.01
Add back restructuring costs	2,959	0.08	—	—	35,876	0.96
Less gain on sale of assets	(11)	—	(4,028)	(0.11)	—	—
Less one-time tax adjustments	—	—	—	—	(6,075)	(0.16)
Add back severance payments	—	—	—	—	942	0.03
Adjusted net income (loss)	$ (7,378)	$ (0.20)	$ (8,773)	$ (0.24)	$ 1,791	$ 0.06

Non-GAAP Financial Measures

Adjusted EBITDA:	**Three months ended** September 30, 2018	June 30, 2018	September 30, 2017
	(In thousands)		
Net Income (Loss)	$ (10,358)	$ (3,042)	$ (29,260)
Add:			
Interest (income) expense	(1,698)	(2,124)	(945)
Income tax expense (benefit)	(2,028)	1,418	(31,840)
Depreciation and amortization expense	8,724	9,001	9,518
Restructuring costs	3,745	—	—
Impairment and other charges	—	—	60,968
Gain on sale of assets	(14)	(5,099)	—
Foreign currency loss (gain)	41	(2,155)	380
Severance costs	—	—	1,163
Stock compensation expense	2,366	3,611	3,694
Adjusted EBITDA	$ 778	$ 1,610	$ 13,678

Free Cash Flow:	**Three months ended** September 30, 2018	June 30, 2018	September 30, 2017
	(In thousands)		
Net cash provided by operating activities	$ 9,141	$ 12,078	$ 36,035
Less:			
Purchase of property, plant and equipment	(7,078)	(9,034)	(6,627)
Free Cash Flow	$ 2,063	$ 3,044	$ 29,408

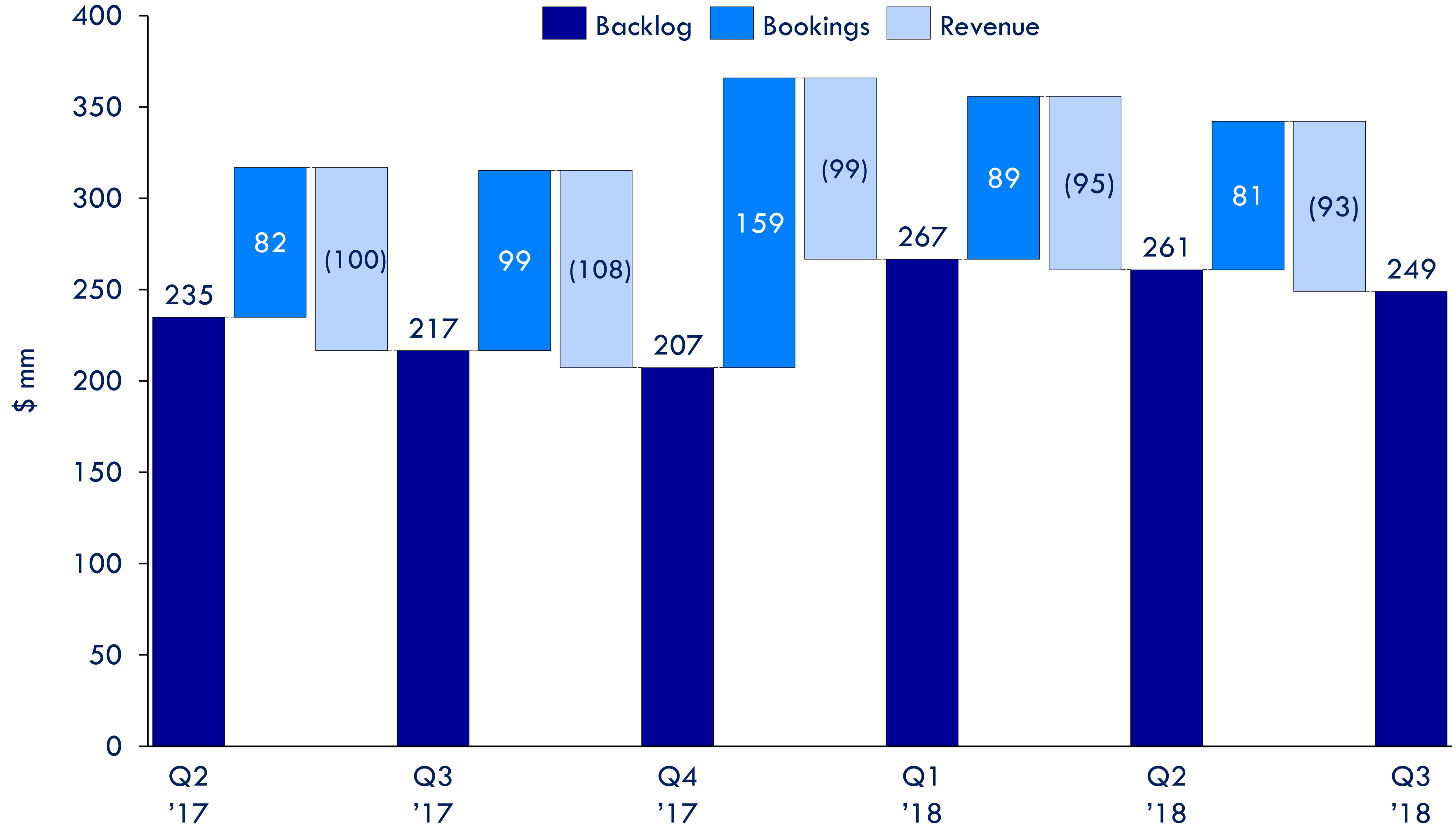
Capital Expenditures



Annual Maintenance Capex ~$15 - $20 million

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

Backlog



- 70% – 80% of year-end 2017 backlog expected to convert to revenue in twelve months or less
- Bookings require shorter lead times due to available capacity and inventory on hand
- Uncertainty of oil prices placing downward pressure on bookings

Note: The backlog data shown above includes all bookings as of September 30, 2018, including contract awards and signed purchase orders for which the contracts would not be considered enforceable under ASC 606.

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

Financial Metric Definitions

- **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)