

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (date of earliest event reported): April 28, 2022

DRIL-QUIP, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-13439
(Commission
File Number)

74-2162088
(I.R.S. Employer
Identification No.)

6401 N. Eldridge Parkway
Houston, Texas
(Address of principal executive offices)

77041
(Zip Code)

Registrant's telephone number, including area code: (713) 939-7711

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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, \$.01 par value per share	DRQ	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Item 2.02 Results of Operations and Financial Condition.

On April 28, 2022, Dril-Quip, Inc. (“Dril-Quip”) reported first quarter 2022 earnings. For additional information regarding Dril-Quip’s first quarter 2022 earnings, please refer to Dril-Quip’s press release attached to this report as Exhibit 99.1 (the “Press Release”), which Press Release is incorporated by reference herein.

Item 7.01 Regulation FD Disclosure.

On April 28, 2022, Dril-Quip posted the First Quarter 2022 Supplemental Earnings Information presentation (the “Presentation”) to its website at www.dril-quip.com. The Presentation is attached hereto as Exhibit 99.2.

The information in the Press Release and the Presentation is being furnished, not filed, pursuant to Items 2.02 and 7.01. Accordingly, the information in the Press Release and the Presentation will not be incorporated by reference into any registration statement filed by Dril-Quip under the Securities Act of 1933, as amended, unless specifically identified therein as being incorporated therein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

The exhibits listed below are being furnished pursuant to Items 2.02 and 7.01 of this Form 8-K:

Exhibit No.	Description
99.1	Press Release issued April 28, 2022.
99.2	First Quarter 2022 Supplemental Earnings Information Presentation.
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document.

SIGNATURE

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 hereunto duly authorized.

DRIL-QUIP, INC.

By: /s/ Kyle F. McClure
Kyle F. McClure
Vice President and Chief Financial Officer

Date: April 28, 2022

DRIL-QUIP, INC. ANNOUNCES FIRST QUARTER 2022 RESULTS

HOUSTON, April 28, 2022 — Dril-Quip, Inc. (NYSE: DRQ), (the “Company” or “Dril-Quip”) today reported operational and financial results for the first quarter of 2022.

Results for the first quarter of 2022 included:

- 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 charges
- 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.

Jeff Bird, Dril-Quip’s President and Chief Executive Officer, commented, “We continue to see a strengthening market that is supportive of customer activity and an increasing demand for our products and services. Orders this quarter represent the second straight quarter of strengthening bookings we saw off the pandemic lows of 2020 and most of 2021. This, along with our continued focus on our strategic growth pillars of peer-to-peer collaboration, downhole tools expansion and e-Series technology position us well for our expected 20% year-over-year growth in orders. The customer response from our Aker Solutions collaboration agreement has been strong, and we are beginning to align and dedicate resources to this effort that we expect will be an emerging revenue stream for us in the coming years. These strong order trends started to translate into revenue in the first quarter as revenue was up by approximately 7% sequentially. We would expect this trend to continue and ultimately drive revenues up 10% for the full year 2022 compared to 2021.”

“As discussed in our annual earnings call, we also continue to make progress in the strategy of creating product line teams that are organized and focused on end-to-end customer and financial execution of their respective product line and a smaller, leaner, more sustainable footprint. We expect this new model to create a more customer-focused organization that drives both operational and financial excellence. We are already beginning to realize the benefits of this more transparent organizational structure in several areas including manufacturing, supply chain, and sales. I look forward to discussing the timing and size of these benefits in the coming quarters.”

“As we look forward in 2022, we remain confident in our ability to achieve the goals we set forth during our annual earnings call. Bookings, revenue and adjusted EBITDA will be the primary focus of our team. We believe our strategic path and internal continuous improvement mindset coupled with our strong balance sheet will lead to a stronger Dril-Quip in the coming quarters and years for the benefit of our shareholders and stakeholders.”

In conjunction with today’s release, the Company posted a new investor presentation entitled “First Quarter 2022 Supplemental Earnings Information” to its website, www.dril-quip.com, on the “Events & Presentations” page under the Investors tab. Investors should note that Dril-Quip announces material financial information in Securities and Exchange Commission (“SEC”) filings, press releases and public conference calls. Dril-Quip may use the Investors section of its website (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 release.

Operational and Financial Results

Revenue, Cost of Sales and Gross Operating Margin

Consolidated revenue for the first quarter of 2022 was \$83.1 million, up \$5.2 million from the fourth quarter of 2021 and up \$1.9 million compared to the first quarter of 2021. The sequential increase was primarily a result of higher subsea product volumes, primarily fabricated joints, partially offset by a decrease in downhole tools product and service revenues. The increase in revenue year-over-year was driven by higher leasing revenues across most regions related to improved subsea rental tool utilization due to increased customer activity.

Cost of sales for the first quarter of 2022 was \$64.0 million, an increase of \$2.8 million from the fourth quarter of 2021 and an increase of \$7.2 million compared to the prior year. Gross operating margin for the first quarter of 2022 was 23.0%, an increase from 21.5% in the fourth quarter of 2021 and a decrease from 30.1% in the first quarter of 2021. The increase in gross margins compared to Q4 2021 was mostly attributed to increased absorption of fixed overhead from higher product revenues, partially offset by a decrease in service revenues and unfavorable product mix.

Selling, General and Administrative Expenses

Selling, general and administrative (“SG&A”) expenses for the first quarter of 2022 were \$22.4 million, a decrease of \$8.2 million compared to the fourth quarter of 2021 and a decrease of \$7.2 million compared to the first quarter of 2021. The sequential decrease in SG&A was due to a reduction in expense related to the executive separation agreement, lower incentive compensation accrual and a decrease in reserve for bad debt. The year-over-year decrease in SG&A is primarily attributable to lower legal expenses in connection with the FMC Technologies, Inc. lawsuit, a decrease in professional fees and the non-recurrence of expense associated with the importation tax settlement under the Brazilian tax amnesty program. Engineering and product development expenses were down \$0.2 million sequentially and \$0.4 million lower than the first quarter of 2021 due to lower research and development expenses as a result of the completion of investments in certain strategic projects.

Net Loss, Adjusted EBITDA and Free Cash Flow

For the first quarter of 2022, the Company reported a net loss of \$8.9 million, or a \$0.26 loss per share. Adjusted EBITDA totaled \$3.2 million for the first quarter of 2022 compared to \$0.6 million for the fourth quarter of 2021, representing incremental margins of 48.9% quarter over quarter. Adjusted EBITDA for the first quarter of 2022 was down \$4.9 million compared to the first quarter of 2021. The improvement in adjusted EBITDA sequentially can be attributed to increased revenues from subsea products. The decrease in adjusted EBITDA year-over-year can be mostly attributed to lower gross margins from unfavorable revenue mix, primarily lower margin subsea products contribution and a decrease in downhole tools product and service revenue.

Net cash used by operations was \$10.9 million and free cash flow was a negative \$13.0 million for the first quarter of 2022. This decrease from the previous quarter was primarily driven by seasonal cash tax payments and short-term incentive compensation, partially offset by a decrease in working capital. Capital expenditures in the first quarter of 2022 were approximately \$2.1 million, flat compared to the fourth quarter of 2021. The Company expects that capital expenditures will increase throughout the remainder of 2022 for rentals tools to support upcoming projects in Latin America and investments in information technology.

Share Repurchases

For the three-month period ended March 31, 2022, the Company purchased 273,629 shares under its share repurchase plan at an average price of \$21.20 per share, totaling \$5.8 million and retired such shares. The Company has purchased approximately \$82 million of the \$200 million currently authorized by the Board of Directors. The Company continues to evaluate the amount and timing of its share repurchases as part of the Company's overall capital allocation strategy.

About Dril-Quip

Dril-Quip is a developer, manufacturer and provider of highly engineered equipment, service and innovative technologies for use in the energy industry.

Forward-Looking Statements

Statements contained herein relating to future operations and financial results that are forward-looking statements, including those related to market conditions, anticipated project bookings, expected timing of completing strategic restructuring, anticipated timing of delivery of new orders, anticipated revenues, costs, cost synergies and savings, possible acquisitions, new product offerings and related revenues, share repurchases and expectations regarding operating results, are based upon certain assumptions and analyses made by the management of the Company in light of its experience and perception of historical trends, current conditions, expected future developments and other factors. These statements are subject to risks beyond the Company's control, including, but not limited to, the impact of the ongoing COVID-19 pandemic, the effects of actions taken by third parties, including, but not limited to, governmental authorities, customers, contractors and suppliers, in response to the 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, and other factors detailed in the Company's public filings with the SEC. Investors are cautioned that any such statements are not guarantees of future performance and actual outcomes may vary materially from those indicated.

Non-GAAP Financial Information

Adjusted Net Income (Loss), Adjusted Diluted EPS, Free Cash Flow and Adjusted EBITDA are non-GAAP measures.

Adjusted Net Income (Loss) 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.

Free Cash Flow is defined as net cash provided by operating activities less cash used in the purchase of property, plant and equipment.

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 other adjustments for certain charges and credits.

The Company believes that these non-GAAP measures enable it to evaluate and compare more effectively the results of our operations period over period and identify operating trends by removing the effect of its capital structure from its operating structure. In addition, the Company believes 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. Adjusted Net Income (Loss), Adjusted EBITDA and Free Cash Flow 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").

See "Unaudited Non-GAAP Financial Measures" below for additional information concerning non-GAAP financial information, including a reconciliation of the non-GAAP financial information presented in this press release to the most directly comparable financial information presented in accordance with GAAP. Non-GAAP financial information supplements and should be read together with, and is not an alternative or substitute for, the Company's 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.

Investor Relations Contact

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Blake_Holcomb@dril-quip.com

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)			
Revenues:			
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>
Costs and expenses:			
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>
Loss per share			
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>
Weighted Average Shares Outstanding			
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)		
Assets:		
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
Total assets	\$ 978,110	\$ 1,010,426
Liabilities and Equity:		
Current liabilities	\$ 70,321	\$ 93,663
Deferred Income taxes	4,335	3,925
Other long-term liabilities	15,679	15,730
Total liabilities	90,335	113,318
Total stockholders equity	887,775	897,108
Total liabilities and equity	\$ 978,110	\$ 1,010,426

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:

	March 31, 2022		Three months ended 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)	\$ (63,439)	\$ (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	\$ (9,994)	\$ (0.29)	\$ (16,674)	\$ (0.46)	\$ (16,631)	\$ (0.47)

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

Adjusted EBITDA

	Three months ended		
	March 31, 2022	December 31, 2021	March 31, 2021
	(In thousands)		
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
Adjusted EBITDA	\$ 3,159	\$ 605	\$ 8,046

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

Free Cash Flow

	Three months ended		
	March 31, 2022	December 31, 2021	March 31, 2021
	(In thousands)		
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)
Free cash flow	<u>\$ (12,994)</u>	<u>\$ 2,627</u>	<u>\$ 10,559</u>



First Quarter 2022 Supplemental Earnings Information

the power of e™

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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) 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



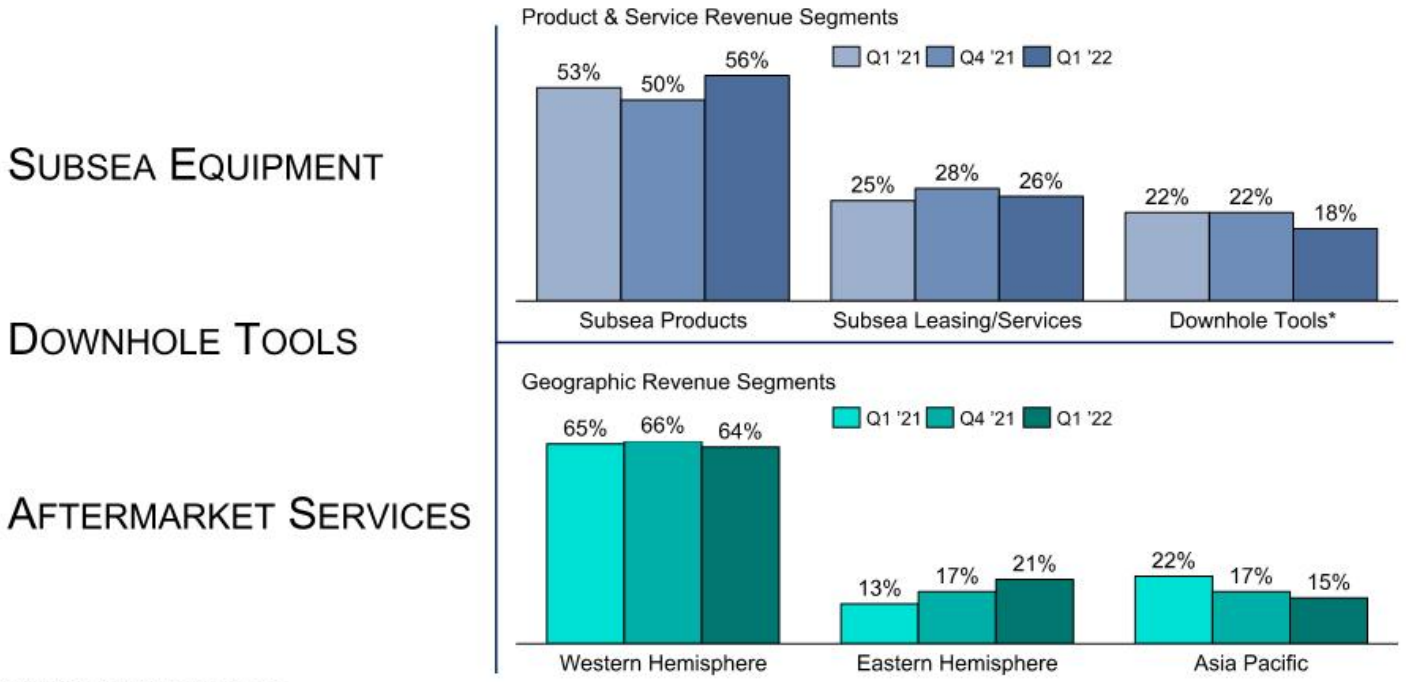
Strong Financial Position



Historically Superior Margins to Peers



Results Driven Management Team

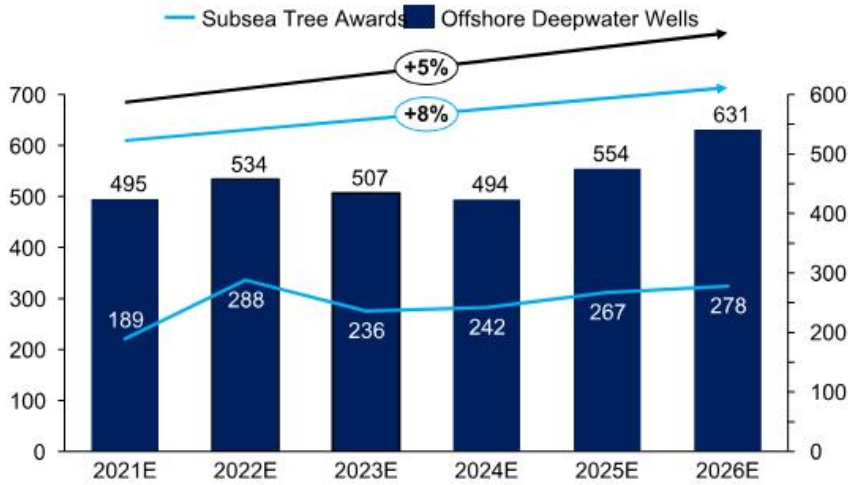


* Includes downhole tools products, leasing and services

- 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.

Adjusted EBITDA and free cash flow are non-GAAP measures. See appendix for reconciliation to GAAP measures.

Estimated Offshore Deepwater Wells and Tree Awards

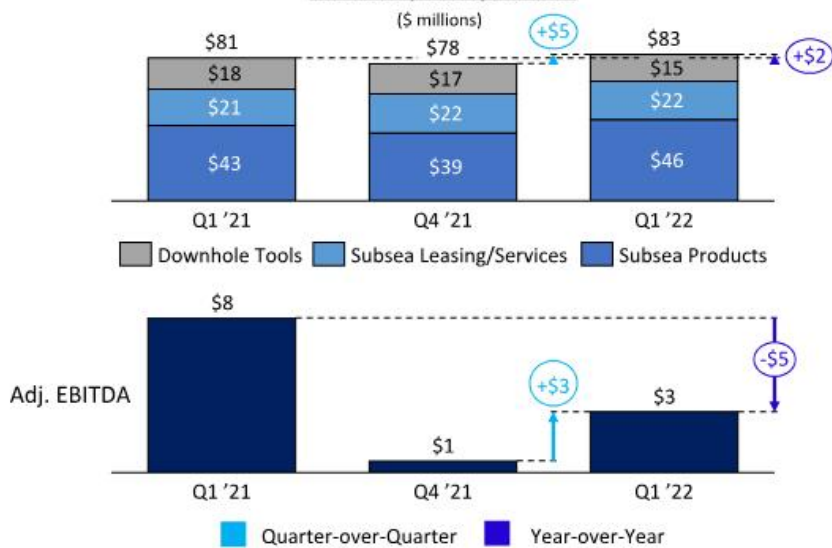


- Offshore deepwater wells drilled forecasted compound annual growth rate (CAGR) of 5% through 2026
- Subsea Tree awards expected to experience significant growth in 2022 and moderate thereafter
- South America and Middle East leading overall offshore well count growth; shallow and deepwater
- Europe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

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

Q1 2022 | Financial Performance

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

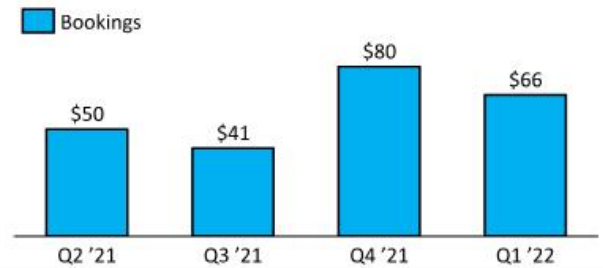
Note: Sum of components may not foot due to rounding. Adjusted EBITDA is a non-GAAP measure. See appendix for reconciliation to GAAP measure.

- 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)



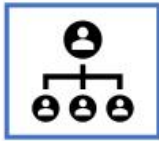
Targeted bookings growth of approximately 20% in 2022

Strategy | 2022 Focus Areas



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

Organizational Alignment | Updating Our Operating Structure

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

BBlle Wellhead



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

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

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

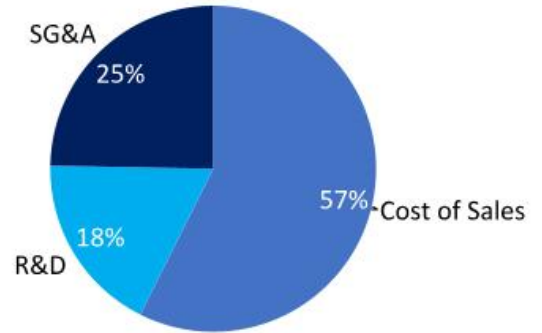
Operational Excellence | Productivity Improvements

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



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

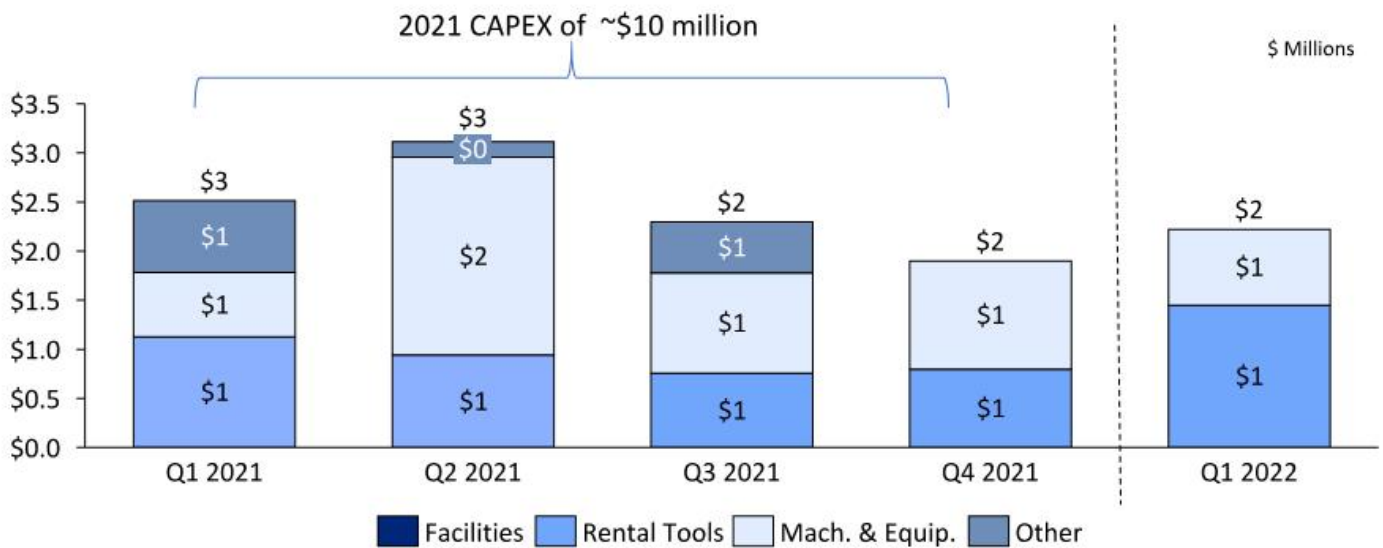
2022 Estimated
Capex of
\$15M to \$17M

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 divestitures

Appendix

dril-quip.com | NYSE: DRQ

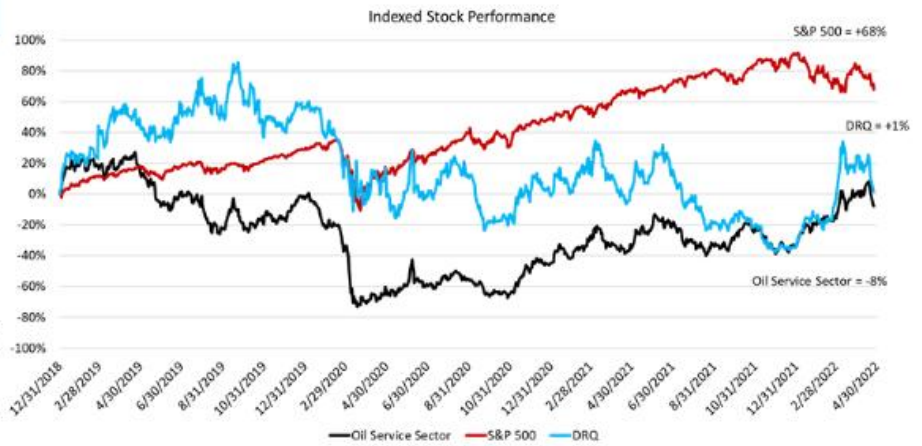


Capital expenditures in 2022 are expected to be \$15 to \$17 million driven by rental tools and information technology upgrade to support growth

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

Source: FactSet. Market data as of 4/26/2022

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)		
Revenues:			
Products	\$ 55,642	\$ 48,694	\$ 55,583
Services	17,499	19,380	17,667
Leasing	9,996	9,838	7,989
Total revenues	83,137	77,912	81,239
Costs and expenses:			
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	88,728	149,568	112,821
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	\$ (8,938)	\$ (63,429)	\$ (34,358)
Loss per share			
Basic	\$ (0.26)	\$ (1.81)	\$ (0.97)
Diluted	\$ (0.26)	\$ (1.81)	\$ (0.97)
Depreciation and amortization	\$ 7,559	\$ 7,723	\$ 7,416
Capital expenditures	\$ 2,066	\$ 2,062	\$ 2,513
Weighted Average Shares Outstanding			
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)	
Assets:		
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
Total assets	\$ 978,110	\$ 1,010,426
Liabilities and Equity:		
Current liabilities	\$ 70,321	\$ 93,663
Deferred income taxes	4,335	3,925
Other long-term liabilities	15,679	15,730
Total liabilities	90,335	113,318
Total stockholders equity	887,775	897,108
Total liabilities and equity	\$ 978,110	\$ 1,010,426

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	\$ (9,994)	\$ (0.29)	\$ (16,674)	\$ (0.46)	\$ (16,631)	\$ (0.47)

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

<u>Adjusted EBITDA:</u>	Three months ended		
	March 31, 2022	December 31, 2021	March 31, 2021
	(In thousands)		
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
Adjusted EBITDA	\$ 3,159	\$ 605	\$ 8,046

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

<u>Free Cash Flow:</u>	Three months ended		
	March 31, 2022	December 31, 2021	March 31, 2021
	(In thousands)		
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)
Free cashflow	\$ (12,994)	\$ 2,627	\$ 10,559

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
Total revenues	\$ 83.1	\$ 81.2

- **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)



the power of 