

# ***DRIL-QUIP***

PARETO SECURITIES 27<sup>TH</sup> ENERGY CONFERENCE  
SEPTEMBER 16, 2020

# 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 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 COVID-19 pandemic, 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

Free Cash Flow is a non-GAAP measure and is defined as net cash provided by operating activities less net cash used in the purchase of property, plant and equipment. We believe that non-GAAP measures, such as Free Cash Flow, 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 and 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.

## 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 Products & First-class Service



Strong Financial Position



Historically Superior Margins to Peers



Results Driven Management Team

# PRODUCTS & SERVICES

SUBSEA EQUIPMENT

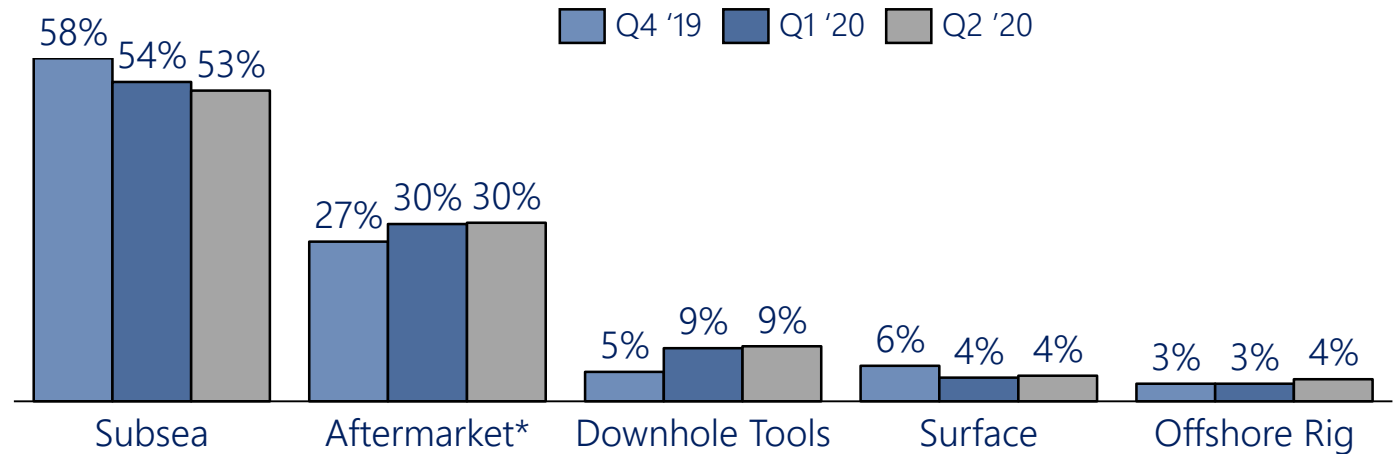
DOWNHOLE TOOLS

SERVICE EQUIPMENT

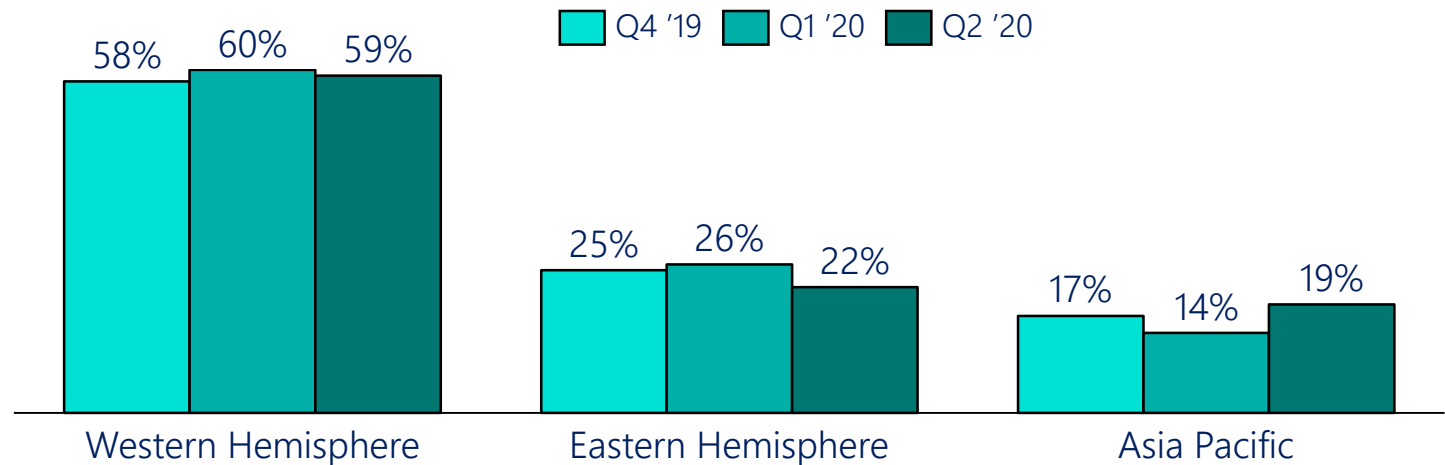
OFFSHORE RIG EQUIPMENT

AFTERMARKET SERVICES

Product & Service Revenue Segments\*



Geographic Revenue Segments

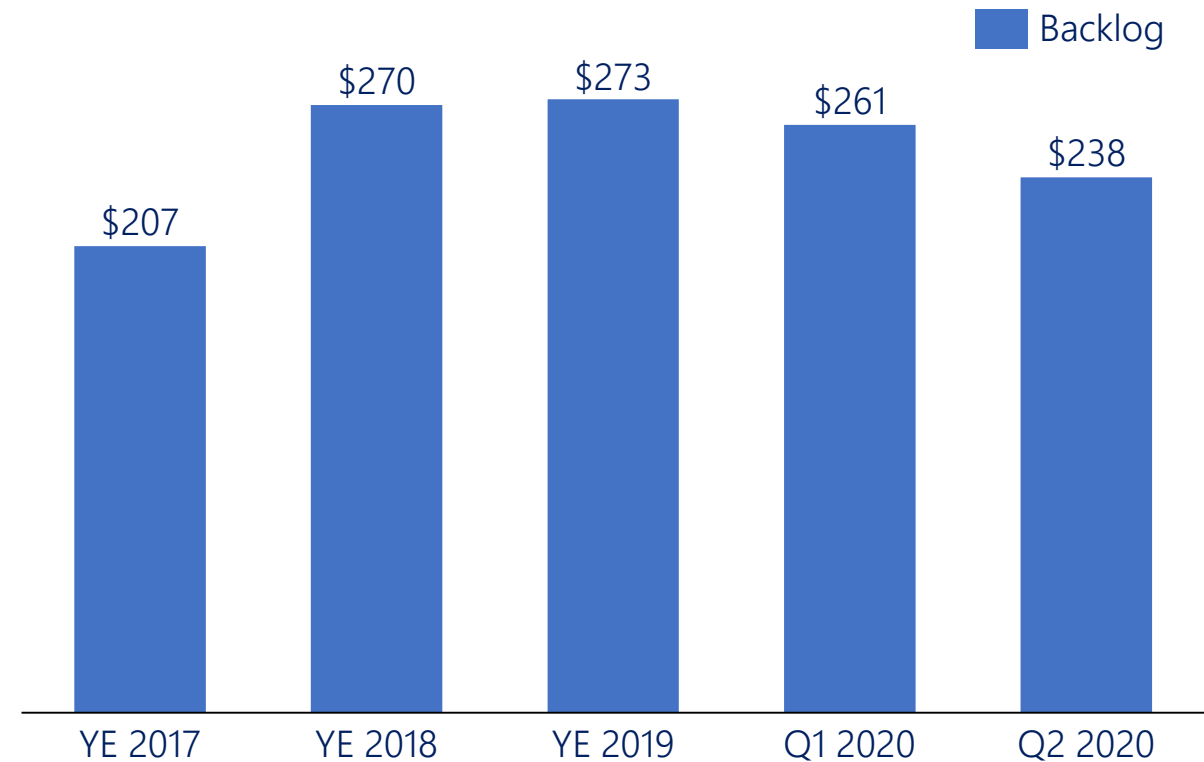


\*Aftermarket revenue includes both Services and Leasing revenue

# COMMERCIAL UPDATE

- Backlog of \$238 million as of 6/30/2020 after recording \$98 million of product bookings in 1H 2020
- Bookings expected to increase in 2H 2020 and to be approximately \$200 million in total for the full year 2020
- Visibility into timing of new orders remains challenging as customers look for commodity price and economic stability
- Booking green shoots in Eastern Hemisphere and with nationally owned or large integrated oil companies

Historical Backlog Trends (\$M)



# CONTINUE TO DIVERSIFY AND EXPAND CUSTOMER BASE

	Expanding Scope with Existing Customers	New Customer Relationships
SPS	   	 
Wellheads	 	     
Connectors	  	     

# 2020 HIGHLIGHTS

- Generated \$186 million in revenue during the first half of 2020 revenue despite challenges presented by the COVID-19 pandemic to global operations
- Maintained strong balance sheet with cash on hand of \$346 million and no debt
- Continued strategic transformation by implementing a plan to reduce annualized costs by \$20 million
  - In addition to the more than \$50 million annualized cost savings achieved in 2019
- Announced strategic collaboration agreement with Proserv for the development and manufacturing of subsea controls
- Presented with a “Spotlight on New Technology Award” by the 2020 Offshore Technology Conference for the VXTe vertical subsea tree system

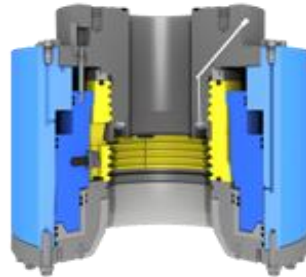
# R&D DRIVING BOOKINGS AND NEW CUSTOMERS

- Developing innovative products that structurally reduce total cost of ownership for customers
- Expanding product portfolio to increase addressable markets and market share
- Presented with *OTC Spotlight on New Technology* award for four new products the past four years



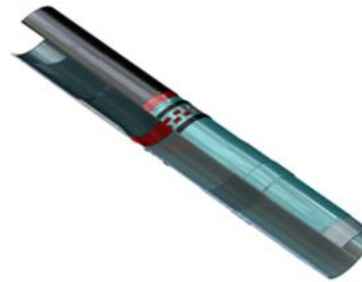
BigBore IIe  
Wellhead

**Spotlight**  
on new  
TECHNOLOGY  
2017



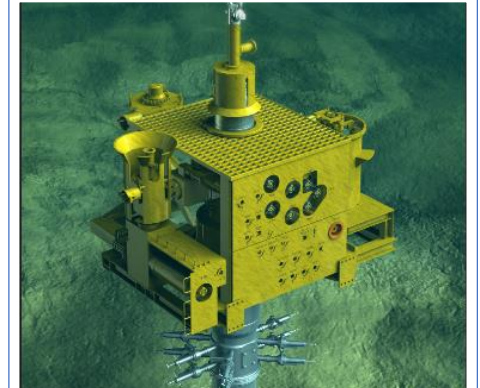
DXe Wellhead  
Connector

**Spotlight**  
on new  
TECHNOLOGY  
2017



Xpak De

**Spotlight**  
on new  
TECHNOLOGY  
2019



VXTe Vertical Subsea  
Tree System

**Spotlight**  
on new  
TECHNOLOGY  
2020



# KEY PRIORITIES

## Continue to Right-Size Organization and Operational Footprint

- Reallocate manufacturing equipment and personnel to improve plant utilization and cost efficiency
- Lease, mothball or divest excess capacity, as necessary, to align with long-term outlook
- Rationalize R&D spending to focus on highest return projects in current environment
- Streamline commercial function for maximum customer engagement

## Generate Cash Flow

- Continue collection efforts, supplier negotiations and inventory management
- Limit share repurchase amounts to annual free cash flow
- Reduce capital purchases to maintenance levels that ensure customer demand is met

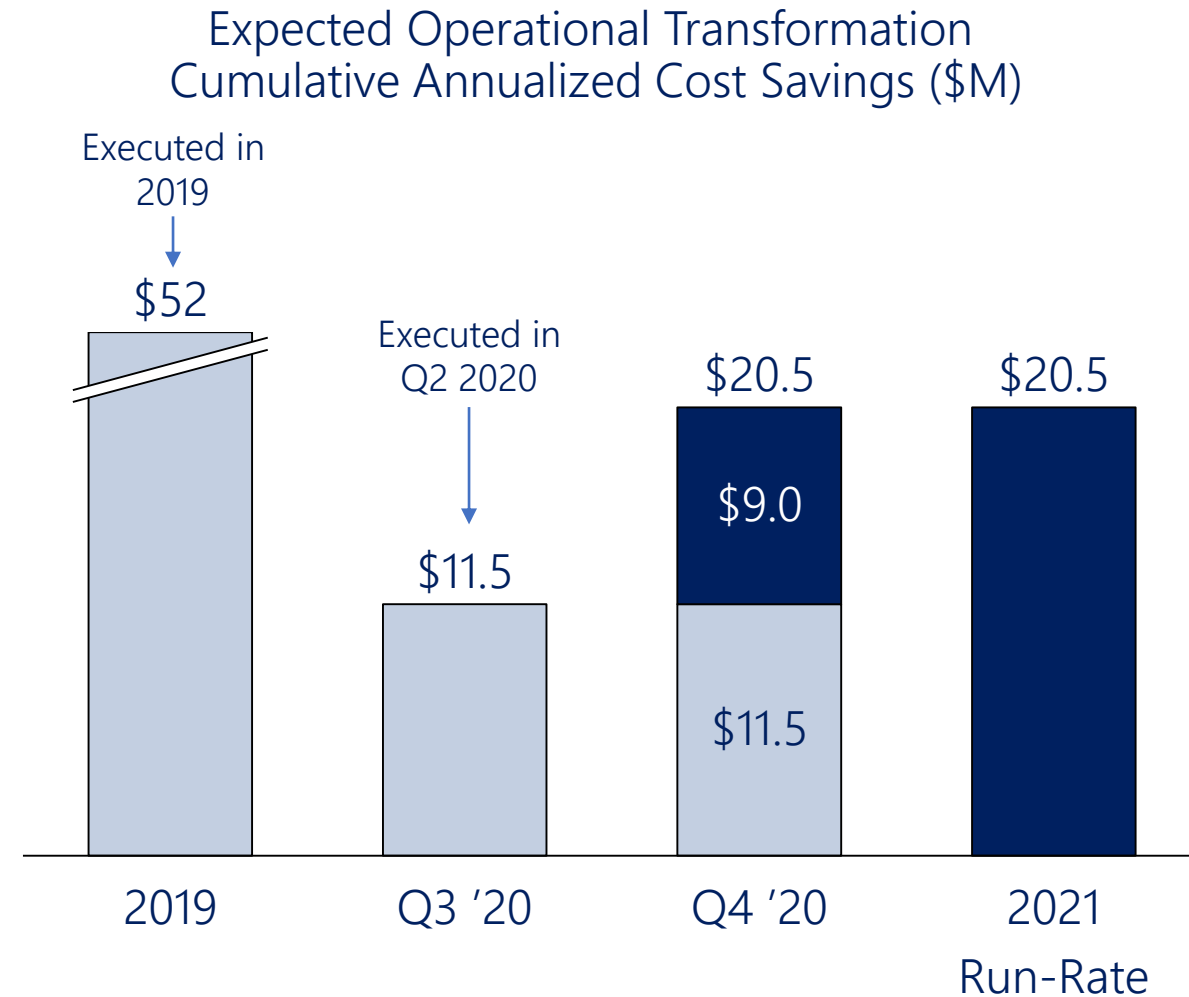
## Explore Strategic Growth Opportunities and Acquisitions

- Assess alternative methods for monetizing certain differentiated technologies
- Evaluate targets or partnerships that complement offering with a focus on technology (i.e. Proserv agreement)

Targeting Cash Neutrality for Full Year 2020

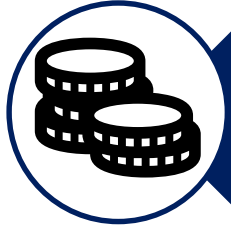
# CONTINUE TO TRANSFORM ORGANIZATION

- Utilizing 2019 playbook that resulted in more than \$50 million in annualized cost savings
- Western Hemisphere and Asia Pacific workforce adjustments completed in Q2 2020
- Aberdeen manufacturing transition underway in second half of 2020
- Actions taken in Q2 2020 represented \$11.5 million in annualized savings
- Several facilities to be divested to reduce excess capacity



2020 Transformation on Track to Deliver ~\$20 Million in Annualized Savings

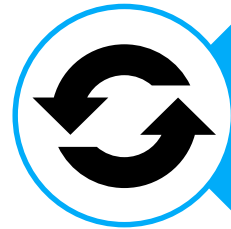
# TARGETING CASH NEUTRALITY IN 2020



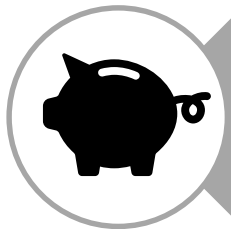
Improve cash flow generation from cost actions, collections and inventory management



Execute on real estate transactions to right-size operation footprint

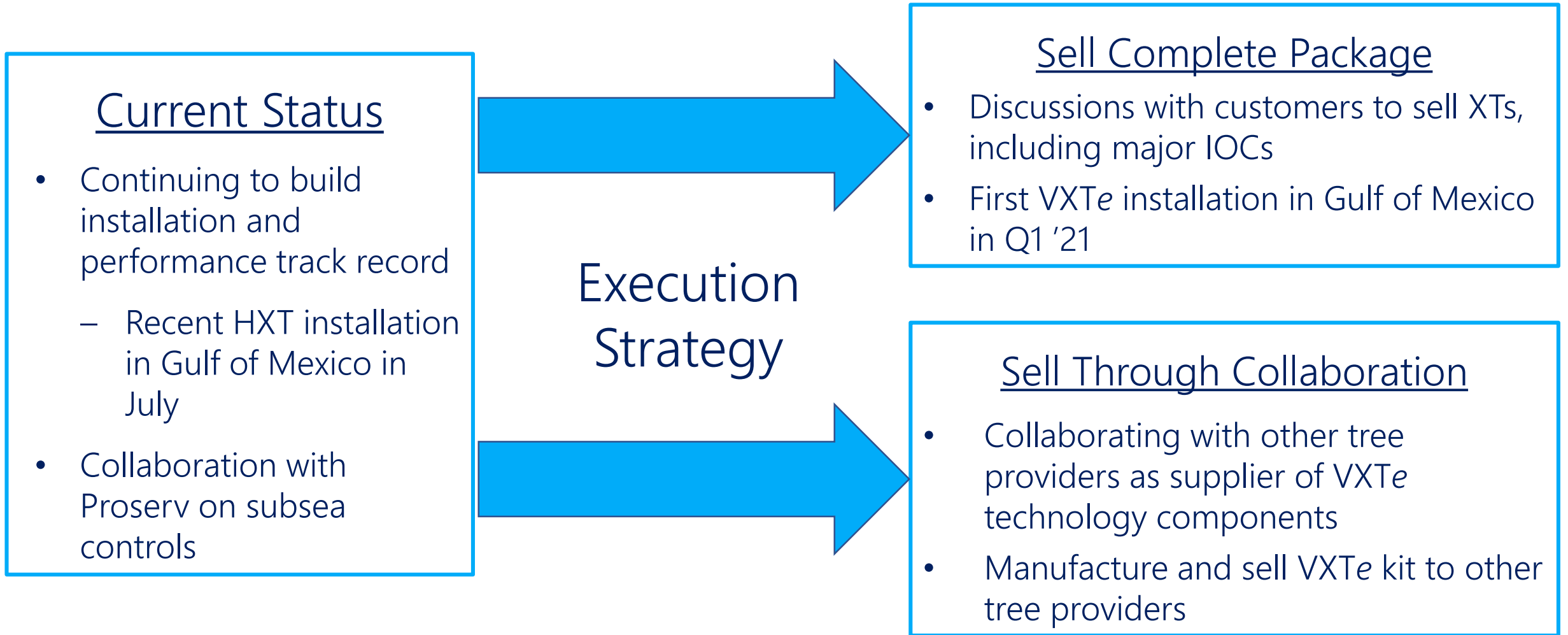


CARES Act federal tax refund of ~\$24 million



Limit capital expenditures to maintenance level of \$12 to \$15 million

# PATH TO SPS MONETIZATION



# KEY TAKEAWAYS

Proven track record of manufacturing and delivering quality, innovative and value-added technologies

Continuing to execute on strategic transformation and cost reduction plans

Expanding access to new customers and geographic markets through the potential monetization of new technologies or strategic partnerships

Strong financial position offers flexibility to maintain technological advantage and remain opportunistic for growth acquisitions

Focused on delivering long-term shareholder value through disciplined financial management throughout commodity cycles



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