



Fourth Quarter and Full Year 2021 Earnings Call Presentation

the power of 

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, 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 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.

Peer-to-Peer Collaboration

- Agreement to supply subsea wellheads, tubular goods and liner hangers to OneSubsea
- Collaboration with Aker Solution to supply subsea wellheads and trees for carbon capture, utilization and storage (CCUS) projects

Downhole Tools Market Growth

- Recorded highest revenue year since acquisition in 2016, up over 35% year-over-year
- First installation of XPak De in 2021 and awarded contract to deliver XPak De liner hangers for projects in Brazil through 2024

“e-Series” Technology Expansion

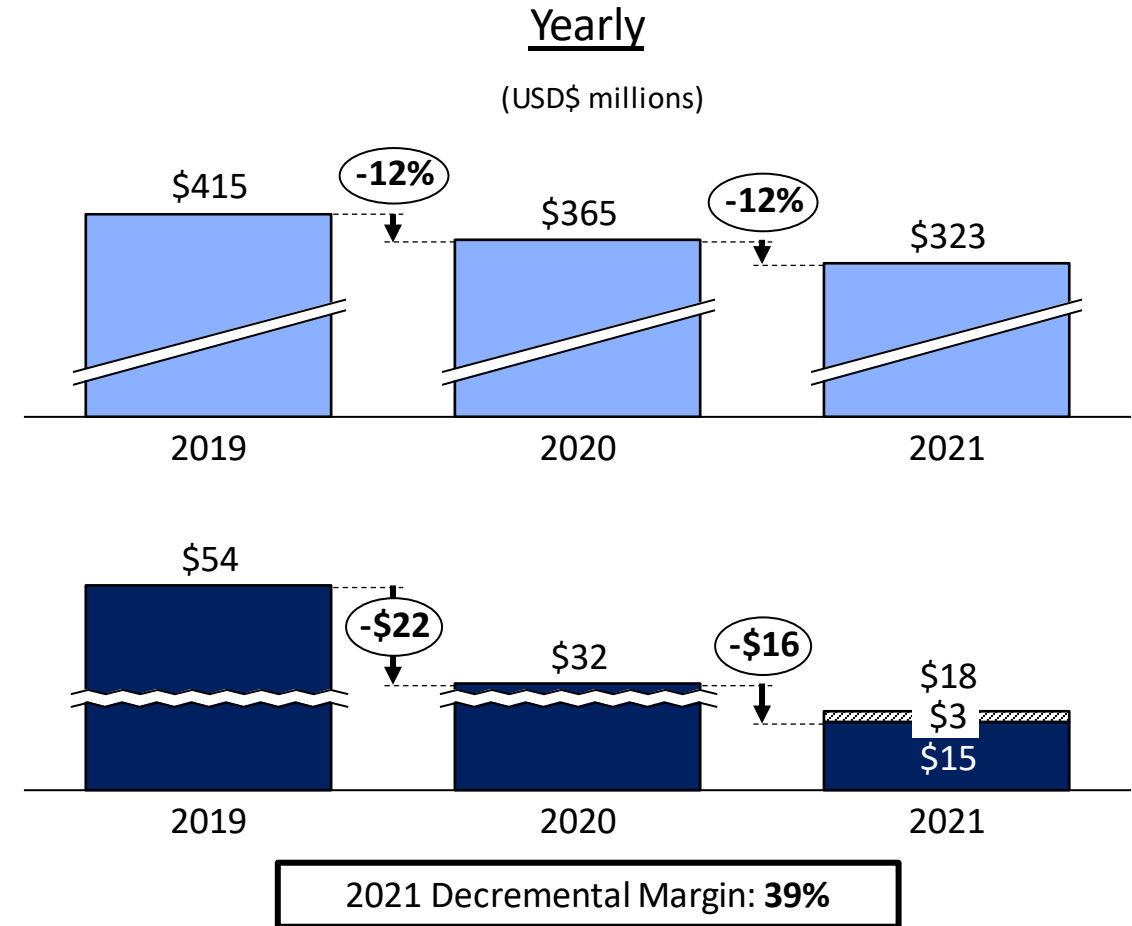
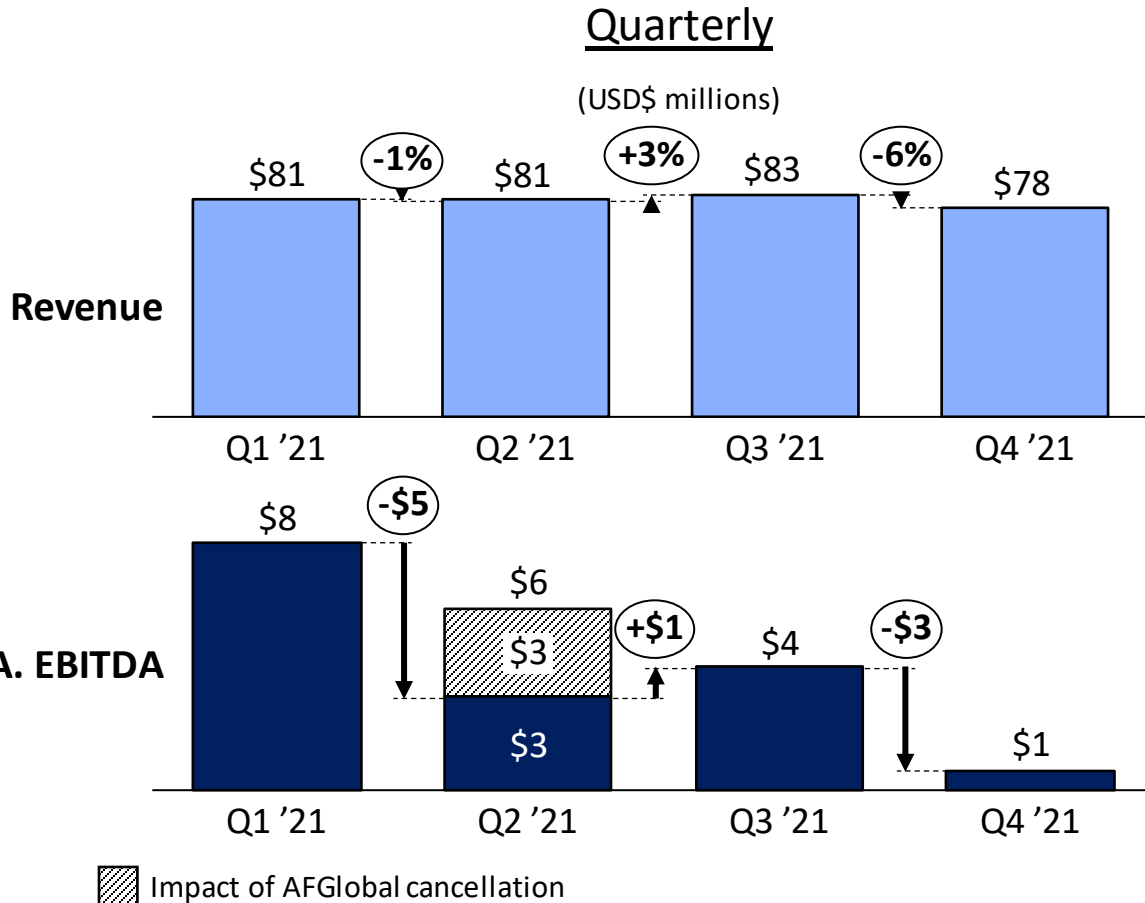
- Awarded up to 87 Big Bore IIe wellhead systems for the exploration and development phases of deepwater wells in Brazil through 2025
- Successful first runs of “e-Series” technologies including DXe wellhead connector, BADGeR casing connector and BBIIe wellhead

	Focus Areas	2021 initiatives
Environmental	<ul style="list-style-type: none"> • Lower Consumption and Emissions • Develop Next-gen technological innovation 	<ul style="list-style-type: none"> • Established reduction goals and targets • Green By Design™ technology to limit environmental / operational risk
Social	<ul style="list-style-type: none"> • Workplace health and safety • Diversity and inclusion • Community engagement 	<ul style="list-style-type: none"> • Sponsorship to support STEM education • Women’s “Lunch ‘N Learn” series to support career development
Governance	<ul style="list-style-type: none"> • Risk Management • Sustainability Oversight 	<ul style="list-style-type: none"> • UN Global Compact signatory • Global supply chain policy / vendor code of conduct



Continuing to Make Progress in Our ESG Journey

Financial Results | Q4 and Full Year 2021



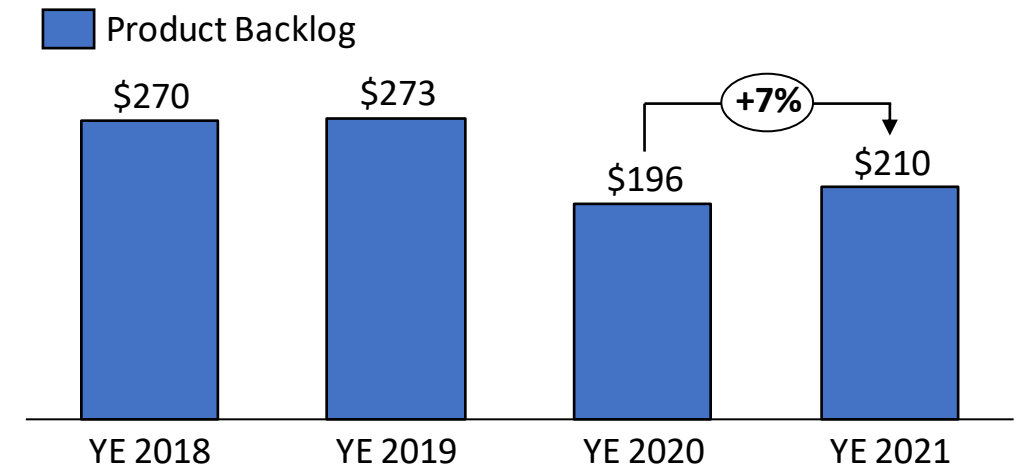
Cost Savings and Productivity Gains Helping to Mitigate Revenue Declines

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

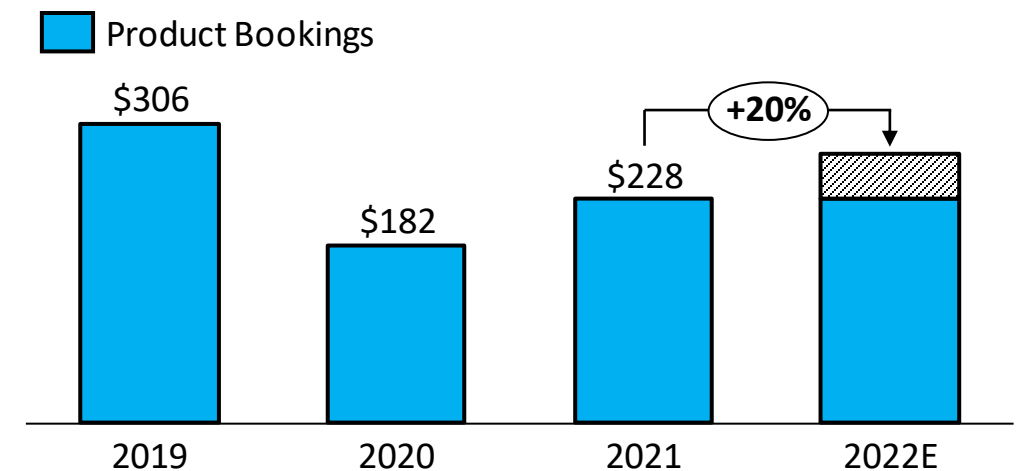
Bookings | 2021 Results and 2022 Outlook

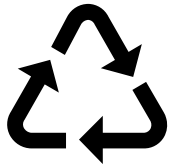
- Q4 2021 bookings of ~\$80 million; above expectations of top end of \$40-\$60 million range
- Backlog increased 7% year-over-year after recording \$228 million of product bookings in 2021
- Bookings expected to grow approximately 20% in 2022 from 2021 orders
- Subsea production system orders expected to more than double to 17 trees in 2022

Historical Backlog Trends (\$M)



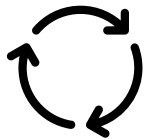
Historical Booking Trends (\$M)





Inventory Reduction Plan

- Order substitution program drove approximately \$5 million decrease in inventory from 2020 levels



Order-to-Cash Improvement

- Trade accounts receivable down over \$50M in 2021 from improved collections and unbilled conversion



Drive Productivity Initiatives through LEAN

- Achieved \$10M annualized target ahead of schedule and monitoring cost base against current market environment

Free Cash Flow of ~\$28 million, or ~9% margin, in 2021

First Half 2021 Actions to Finalize Transformation 1.0

- Exit from underperforming markets
- Outsourcing of certain downhole tool manufacturing functions to outside vendor

~\$26 million in Restructuring Charges

Q4 2021 Actions to Launch Transformation 2.0

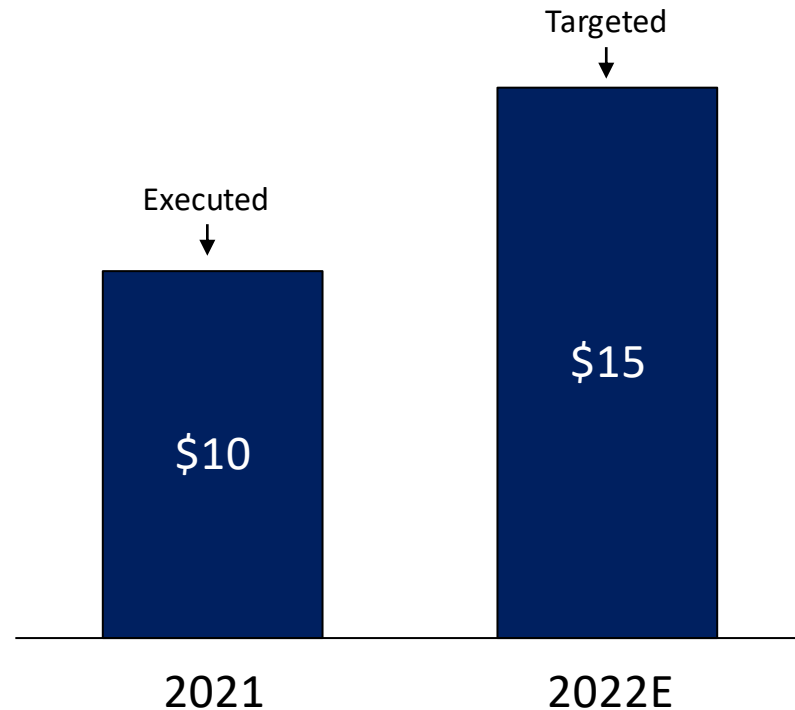
- Discontinuation of certain product categories as part of product and service line organizational realignment

~\$53 million in Restructuring Charges

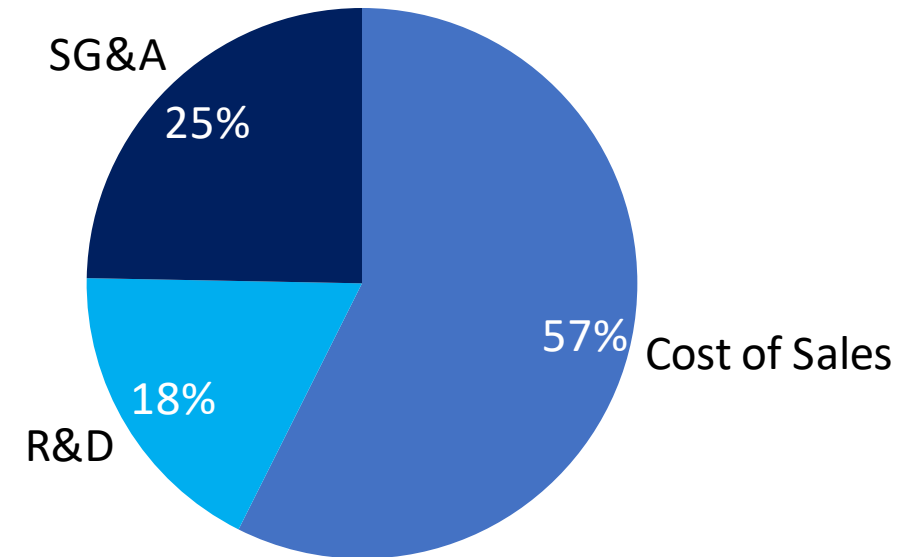
2021 Restructuring Charges Represent Initial Actions in Next Stage Business
Transformation Planning

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

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



2022 Breakdown of Productivity Savings



Cost Savings to Offset Expected Impacts of Inflationary Pressures

2022 Estimated
Product Bookings
Up ~20% from 2021

2022 Estimated
Revenue:
Up ~10% from 2021
levels

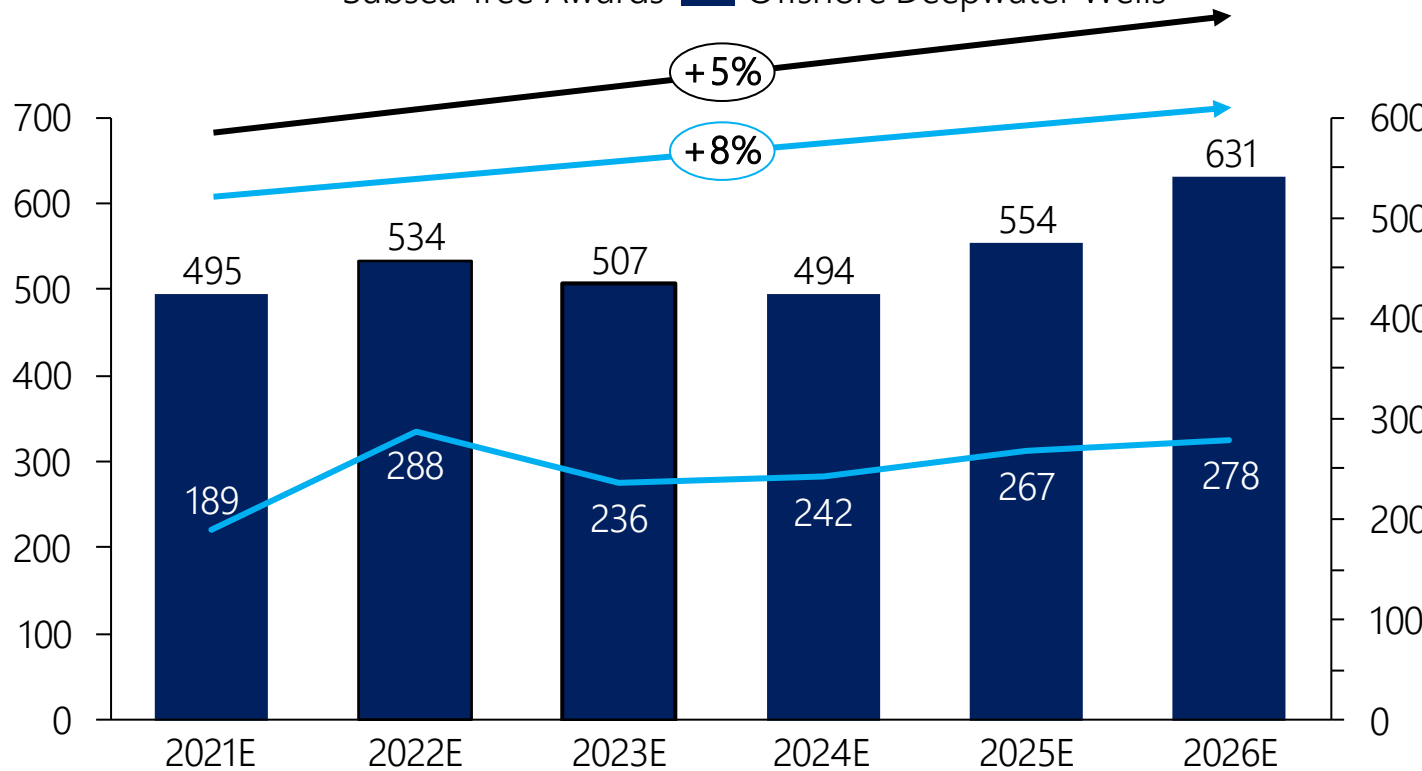
2022 Estimated Adj.
EBITDA: 40% to 50%
Incremental margins

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

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

Estimated Offshore Deepwater Wells and Tree Awards

— Subsea Tree Awards ■ Offshore Deepwater Wells



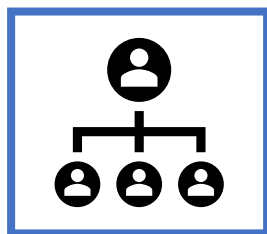
- Offshore deepwater wells drilled forecasted compound annual growth rate (CAGR) of 5% through 2026
- Subsea Tree awards expected to experience significant growth in 2022 and moderate thereafter
- South America and Middle East leading overall offshore well count growth; shallow and deepwater
- Europe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

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



Strategic Growth Pillars

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



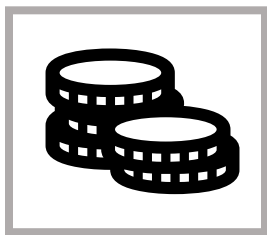
Organizational Alignment

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



Optimized Footprint

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



Capital Allocation

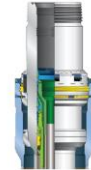
- Disciplined deployment of capital to generate attractive returns of capital employed

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

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

- **Market conditions are improving and activity is expected to increase**
- **Successfully executing on our commercial strategy**
- **Structurally changing our business**
- **Multi-year roadmap to improved profitability**
- **Strong balance sheet allows for inorganic activity**

Appendix

dril-quip.com | NYSE: DRQ

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

	Three months ended		Twelve months ended	
	December 31, 2021	September 30, 2021	December 31, 2021	December 31, 2020
	(In thousands, except per share data)			
Revenues:				
Products	\$ 48,694	\$ 53,622	\$ 213,760	\$ 258,834
Services	19,380	19,560	74,143	75,577
Leasing	9,838	9,815	35,042	30,562
Total revenues	<u>77,912</u>	<u>82,997</u>	<u>322,945</u>	<u>364,973</u>
Costs and expenses:				
Cost of sales	61,197	62,834	242,356	269,698
Selling, general and administrative	30,620	25,265	115,036	95,057
Engineering and product development	3,834	3,510	15,104	18,920
Impairment	-	-	-	7,719
Restructuring and other charges	52,913	-	78,933	35,380
(Gain) on sale of assets	(596)	(13)	(4,482)	(587)
Foreign currency transaction (gains) and losses	1,600	(1,663)	836	2,345
Total costs and expenses	<u>149,568</u>	<u>89,933</u>	<u>447,783</u>	<u>428,532</u>
Operating loss	(71,656)	(6,936)	(124,838)	(63,559)
Interest income	274	188	575	2,131
Interest expense	(195)	(94)	(787)	(621)
Income tax provision (benefit)	(8,148)	4,301	2,946	(31,281)
Net loss	<u>\$ (63,429)</u>	<u>\$ (11,143)</u>	<u>\$ (127,996)</u>	<u>\$ (30,768)</u>
Loss per share:				
Basic	<u>\$ (1.81)</u>	<u>\$ (0.31)</u>	<u>\$ (3.62)</u>	<u>\$ (0.87)</u>
Diluted	<u>\$ (1.81)</u>	<u>\$ (0.31)</u>	<u>\$ (3.62)</u>	<u>\$ (0.87)</u>
Depreciation and amortization	<u>\$ 7,723</u>	<u>\$ 7,899</u>	<u>\$ 30,381</u>	<u>\$ 32,389</u>
Capital expenditures	<u>\$ 2,062</u>	<u>\$ 2,303</u>	<u>\$ 9,990</u>	<u>\$ 11,943</u>
Weighted Average Shares Outstanding:				
Basic	35,167	35,387	35,331	35,260
Diluted	35,167	35,387	35,331	35,260

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

	<u>December 31, 2021</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>
	(In thousands)		
Assets:			
Cash and cash equivalents	\$ 355,451	\$ 375,172	\$ 345,955
Other current assets	390,098	452,099	517,238
PP&E, net	216,200	224,676	234,823
Other assets	48,677	41,790	53,156
Total assets	<u>\$ 1,010,426</u>	<u>\$ 1,093,737</u>	<u>\$ 1,151,172</u>
Liabilities and Equity:			
Current liabilities	\$ 93,663	\$ 91,826	\$ 85,512
Deferred Income taxes	3,925	6,194	6,779
Other long-term liabilities	15,730	15,940	17,353
Total liabilities	<u>113,318</u>	<u>113,960</u>	<u>109,644</u>
Total stockholders equity	<u>897,108</u>	<u>979,777</u>	<u>1,041,528</u>
Total liabilities and equity	<u>\$ 1,010,426</u>	<u>\$ 1,093,737</u>	<u>\$ 1,151,172</u>

Adjusted Net Loss and EPS:

	Three months ended					
	December 31, 2021		September 30, 2021		December 31, 2020	
	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	\$ (63,429)	\$ (1.80)	\$ (11,143)	\$ (0.31)	\$ (11,254)	\$ (0.33)
Adjustments (after tax):						
Reverse the effect of foreign currency	1,264	0.04	(1,314)	(0.04)	3,179	0.09
Restructuring costs, including severance	45,962	1.31	-	-	4,407	0.12
Gain on sale of assets	(471)	(0.01)	(10)	-	(39)	-
Adjusted net loss	\$ (16,674)	\$ (0.46)	\$ (12,467)	\$ (0.35)	\$ (3,707)	\$ (0.12)

Adjusted Net Income (Loss) and EPS:

	Twelve months ended December 31,					
	2021		2020		2019	
	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 income (loss)	\$ (127,996)	(3.62)	\$ (30,768)	\$ (0.87)	\$ 1,720	\$ 0.05
Adjustments (after tax):						
Reverse the effect of foreign currency	660	0.02	1,853	0.05	(1,287)	(0.04)
Add back impairment	-	-	6,098	0.17	-	-
Restructuring costs, including severance	76,354	2.16	31,979	0.91	3,473	0.10
Gain on sale of assets	(3,541)	(0.10)	(464)	(0.01)	(1,194)	(0.03)
Adjusted net income (loss)	\$ (54,523)	\$ (1.54)	\$ 8,698	\$ 0.25	\$ 2,712	\$ 0.08

Adjusted EBITDA:	Three months ended		
	December 31, 2021	September 30, 2021	December 31, 2020
	(In thousands)		
Net loss	\$ (63,428)	\$ (11,143)	\$ (11,254)
Add:			
Interest (income) expense, net	(80)	(94)	(1)
Income tax expense (benefit)	(8,148)	4,301	(373)
Depreciation and amortization expense	7,723	7,899	7,668
Restructuring costs, including severance	58,180	1,400	5,578
(Gain) loss on sale of assets	(596)	(13)	(49)
Foreign currency transaction (gains) losses	1,600	(1,663)	4,024
Stock compensation expense	5,354	3,276	3,453
Adjusted EBITDA	\$ 605	\$ 3,963	\$ 9,046

Adjusted EBITDA:	Year ended		
	December 31, 2021	December 31, 2020	December 31, 2019
	(In thousands)		
Net income (loss)	\$ (127,996)	\$ (30,768)	\$ 1,720
Add:			
Interest (income) expense, net	212	(1,510)	(7,626)
Income tax expense (benefit)	2,946	(31,281)	8,709
Depreciation and amortization expense	30,381	32,389	34,020
Impairment	-	7,719	4,396
Restructuring costs, including severance	96,650	40,480	-
(Gain) loss on sale of assets	(4,482)	(587)	(1,511)
Foreign currency transaction (gains) losses	836	2,345	(1,630)
Stock compensation expense	14,895	12,914	15,721
Brazilian amnesty settlement	1,787	-	-
Adjusted EBITDA	\$ 15,229	\$ 31,701	\$ 53,799

Free Cash Flow:

	Three months ended		
	December 31, 2021	September 30, 2021	December 31, 2020
	(In thousands)		
Net cash provided (used) by operating activities	\$ 4,689	\$ 9,323	\$ (16,786)
Less:			
Purchase of property, plant and equipment	(2,062)	(2,303)	(1,700)
Free cash flow	<u>\$ 2,627</u>	<u>\$ 7,020</u>	<u>\$ (18,486)</u>

Free Cash Flow:

	Year ended December 31,		
	2021	2020	2019
	(In thousands)		
Net cash provided (used) by operating activities	\$ 38,428	\$ (21,088)	\$ 14,678
Less:			
Purchase of property, plant and equipment	(9,990)	(11,943)	(11,501)
Free cash flow	<u>\$ 28,438</u>	<u>\$ (33,031)</u>	<u>\$ 3,177</u>

- **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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