

DRIL-QUIP

THIRD QUARTER 2021
SUPPLEMENTAL EARNINGS INFORMATION

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, 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.

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

PROGRESS TOWARD UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS



Community involvement and investment in STEM education through ASME INSPIRE STEM Readiness program



23% of recent new hires globally have been women and 16% of our executives and senior management positions are women



Global footprint provides a platform to increase access to affordable, reliable energy & transition to cleaner sources



Helping customers reduce their carbon footprint and minimize environmental impact through investing in technology and R&D

PRODUCTS & SERVICES

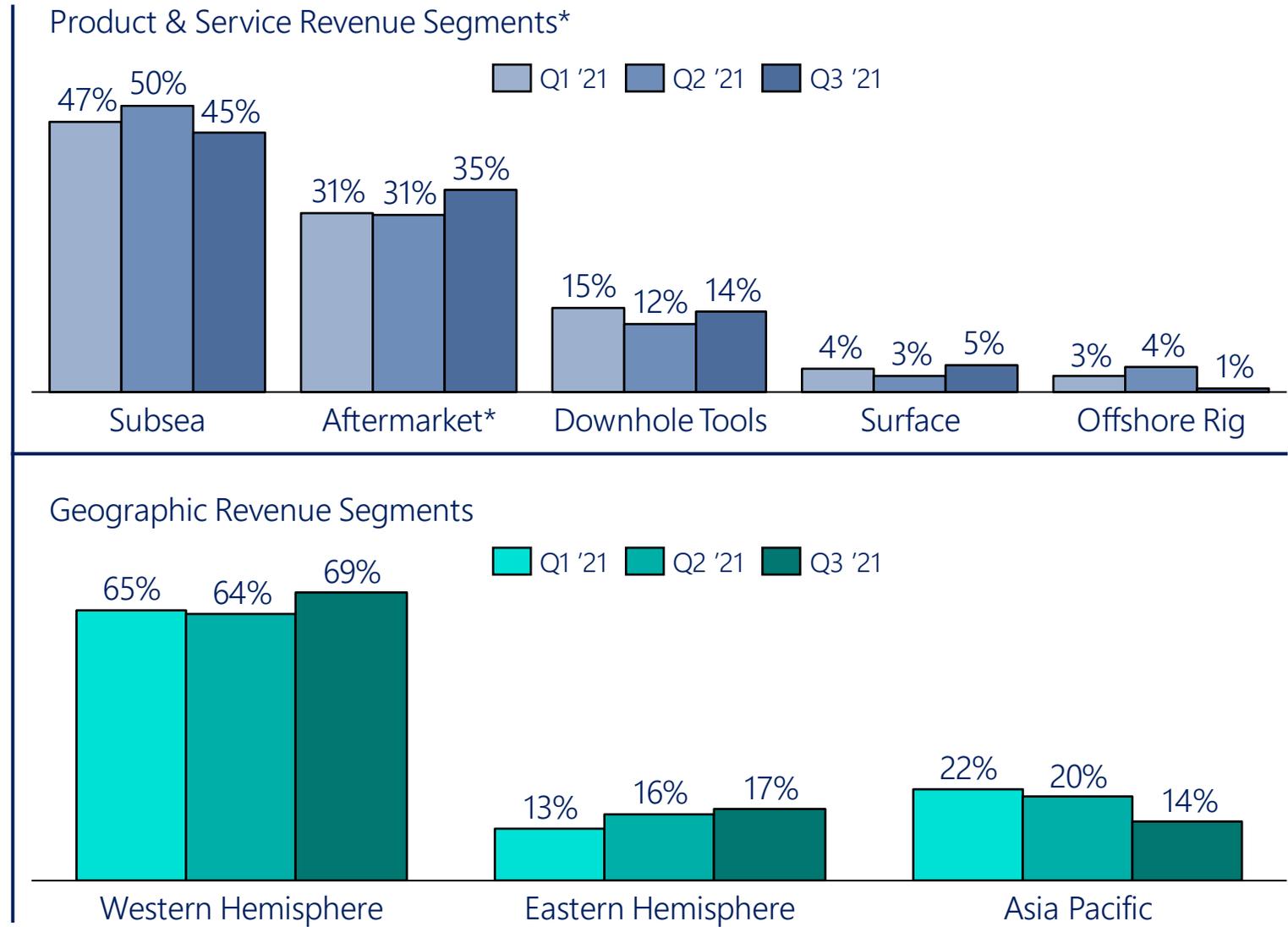
SUBSEA EQUIPMENT

SURFACE EQUIPMENT

DOWNHOLE TOOLS

OFFSHORE RIG EQUIPMENT

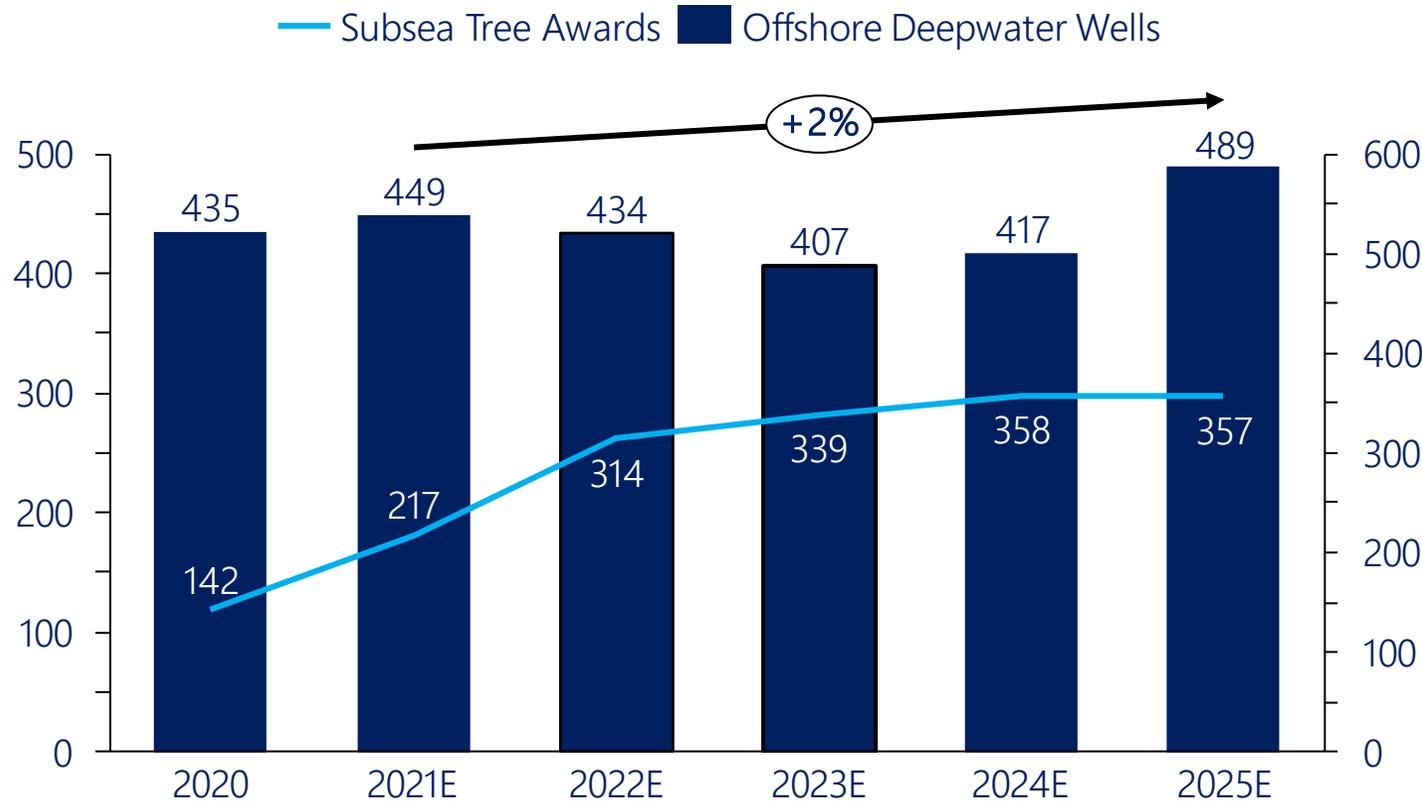
AFTERMARKET SERVICES



*Aftermarket revenue includes Services and Leasing revenue from Subsea and Downhole Tools businesses

GLOBAL MARKET ENVIRONMENT

Estimated Offshore Deepwater Wells and Tree Awards



- Offshore deepwater wells drilled forecasted compound annual growth rate of 2% through 2025
- South America and Middle East leading overall offshore well count growth; shallow and deepwater
- Subsea Tree awards expected to exceed 300 beginning in 2022
- Europe and South America expected to lead growth in tree awards through 2025

Flexible operating model and peer collaboration expected to improve profitability and increase market share

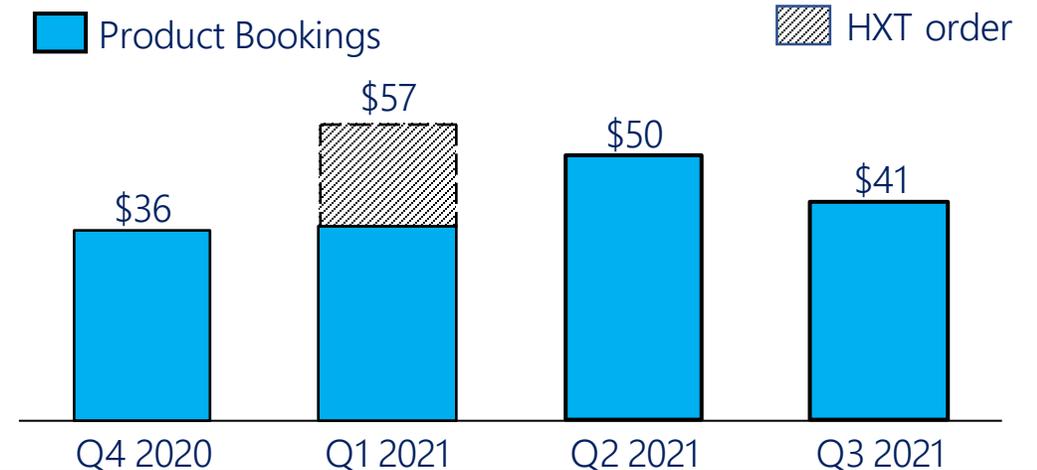
COMMERCIAL UPDATE

- Q4 bookings expected at top end of \$40-\$60 million range on strength of several subsea tree awards
- Backlog of \$179 million as of 9/30/2021 after recording \$41 million of product bookings in Q3 2021
- Highest revenue quarter for downhole tools business since acquisition in Q2 2021 and on track for 30% growth year-over-year
- Big Bore IIe wellhead seeing increased adoption with key customers

Historical Backlog Trends (\$M)



Historical Booking Trends (\$M)



BOOKINGS RECOVERY COMMENTARY



National Oil Companies invest more steadily through the cycle often for base demand and internal consumption needs

Q4 2021 Expected to Show Increase in Independent E&P orders
2H 2022 for Step-up in Integrated Customer Orders

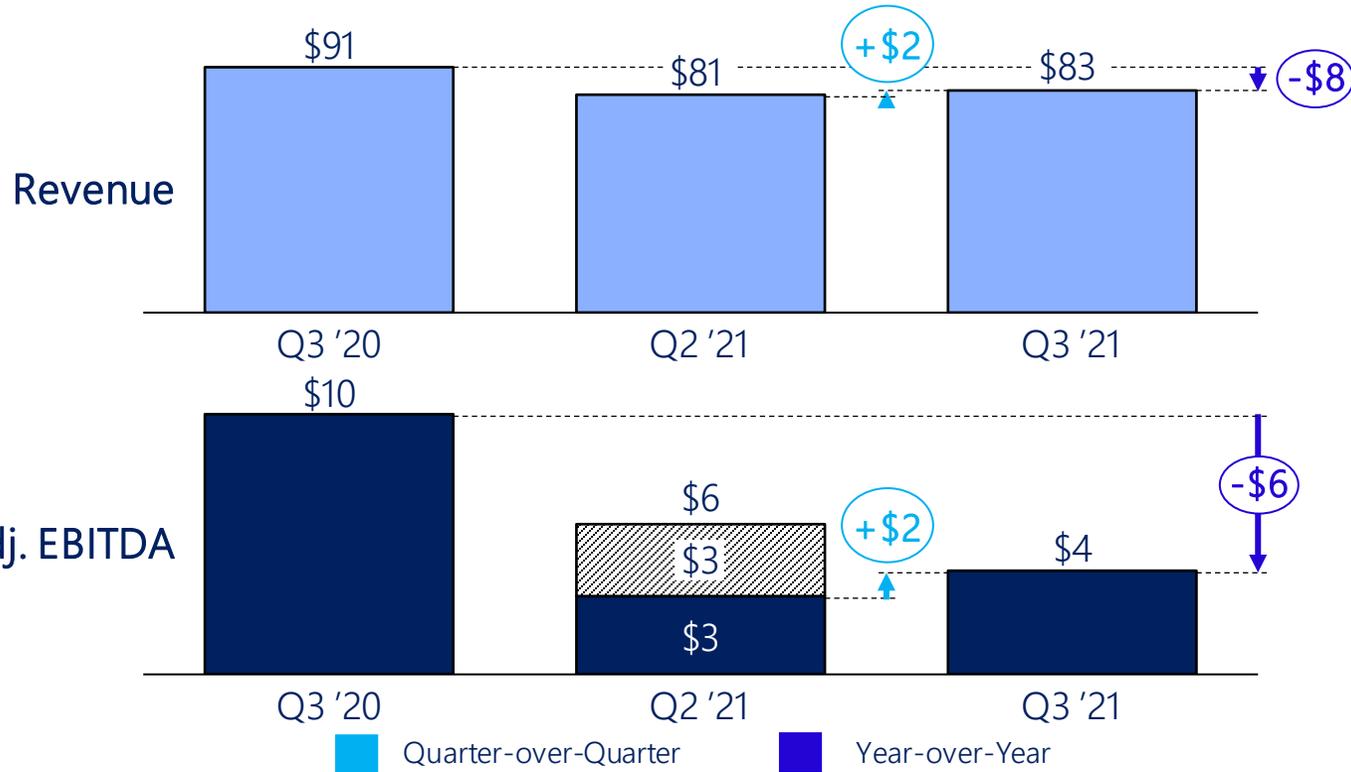
Q3 2021 HIGHLIGHTS

- Increased revenue to \$83.0 million on higher aftermarket activity in the Western Hemisphere;
- Recorded third quarter net loss of \$11.1 million, or \$0.31 per share, an improvement of \$7.9 million, or \$0.23 per share, from the second quarter of 2021;
- Reported adjusted EBITDA of \$4.0 million, or 4.8% of revenue, driven by improved aftermarket and downhole tools activity;
- Generated net cash provided by operating activities of \$9.3 million and free cash flow of \$7.0 million, or 8.5% of revenue;
- Initiated additional stock purchases under the previously Board authorized share repurchase program; and
- Achieved targeted \$10 million in annualized productivity gains ahead of schedule.

FINANCIAL PERFORMANCE

Quarterly Comparisons

(USD\$ millions)

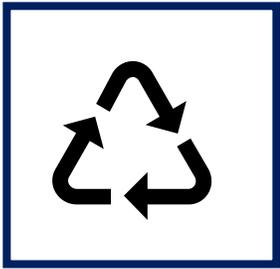


Impact of AFGlobal cancellation

- Revenue up \$2 million sequentially due to increased aftermarket and downhole tools revenue, partially offset by lower products revenue in Asia Pacific
- Revenue declined year-over-year due to lower product revenue, partially offset by downhole tools growth and aftermarket revenue
- Adjusted EBITDA was approximately \$4 million, up sequentially due to higher revenue and non-recurring impact of forge lease cancellation, partially offset by unfavorable mix
- Year-over-year decrease in adjusted EBITDA driven by lower revenue and increase in professional services and variable compensation costs

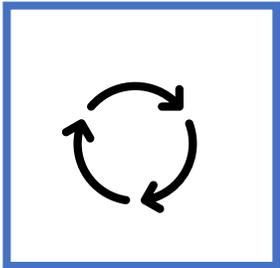
Margins Impacted by Mix and \$1M in non-recurring Professional Services

IMPROVE FREE CASH FLOW YIELD



Inventory Reduction Plan

- Inventory actions drove approximately \$8 million decrease from Q2 2021



Order-to-Cash Improvement

- Trade accounts receivable down almost \$40M in 2021 from improved collections



Drive Productivity Initiatives through LEAN

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

Free Cash Flow of ~\$26 million through Q3 2021

2021 STRATEGIC GROWTH PILLARS PROGRESS



Peer-to-Peer Collaboration

- Initial orders associated with wellhead collaboration agreement expected to begin in Q4 2021 and early 2022



Downhole Tool Market Expansion

- Reported highest quarterly revenue since acquisition and new awards in deepwater Asia Pacific and the Caribbean



Expansion of Power of e-Series Technology

- Big Bore IIe wellheads seeing increased adoption with key customers across geographic regions

PEER-TO-PEER COLLABORATION

Controls systems collaboration with Proserv yielding results

Regular meetings with collaborators on co-marketing opportunities

Wellhead and liner hanger supply collaboration expected to gain traction in 2022

Progressing toward energy transition collaboration agreements

Peer-to-peer collaborations are increasing opportunities for new orders and to grow backlog in coming quarters

EXECUTING DOWNHOLE TOOL GROWTH STRATEGY

Global Deepwater

- New purchase orders for liner hangers in Asia Pacific and the Caribbean

Latin America

- Growth coming from increased activity in Ecuador and Mexico and new deepwater projects in Brazil

Middle East

- Continue to expand opportunities and share in Saudi Arabia and UAE through quality service execution

e-SERIES MEASURABLE BENEFITS



the power of 

BADGeR™

- 5 hours
- \$115,000
- >33.5 metric tons of CO₂

XPak De™

- 1 day
- \$100,000
- >215 metric tons of CO₂

BigBore™ IIe

- 1 day
- \$500,000
- >220 metric tons of CO₂

VXTe™

- 3-5 days
- \$3-4 million
- >1,000 metric tons of CO₂

e-Series Products Combined

- 1 week
- \$5 million
- >1,500 metric tons of CO₂

The e-Series products save customer time and money, reduce risk and lower carbon emissions of their projects

Q4 2021 OUTLOOK

Q4 Revenue
Mostly Flat to Q3 2021

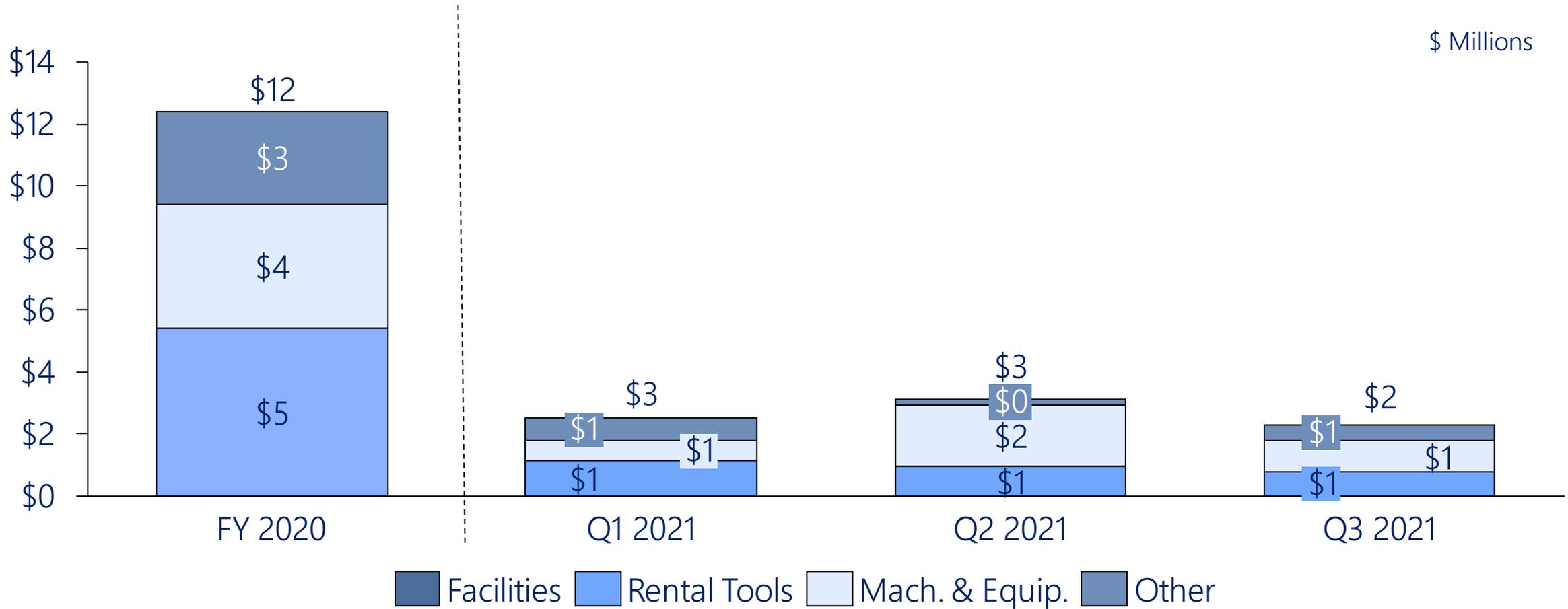
Q4 Bookings Expected to
be Top End of \$40 to
\$60M Range

Q4 Estimated Capex
\$2 to \$4M

Free Cash Flow Expected
to Exceed 5% Revenue
Margin Target

APPENDIX

CAPITAL EXPENDITURES



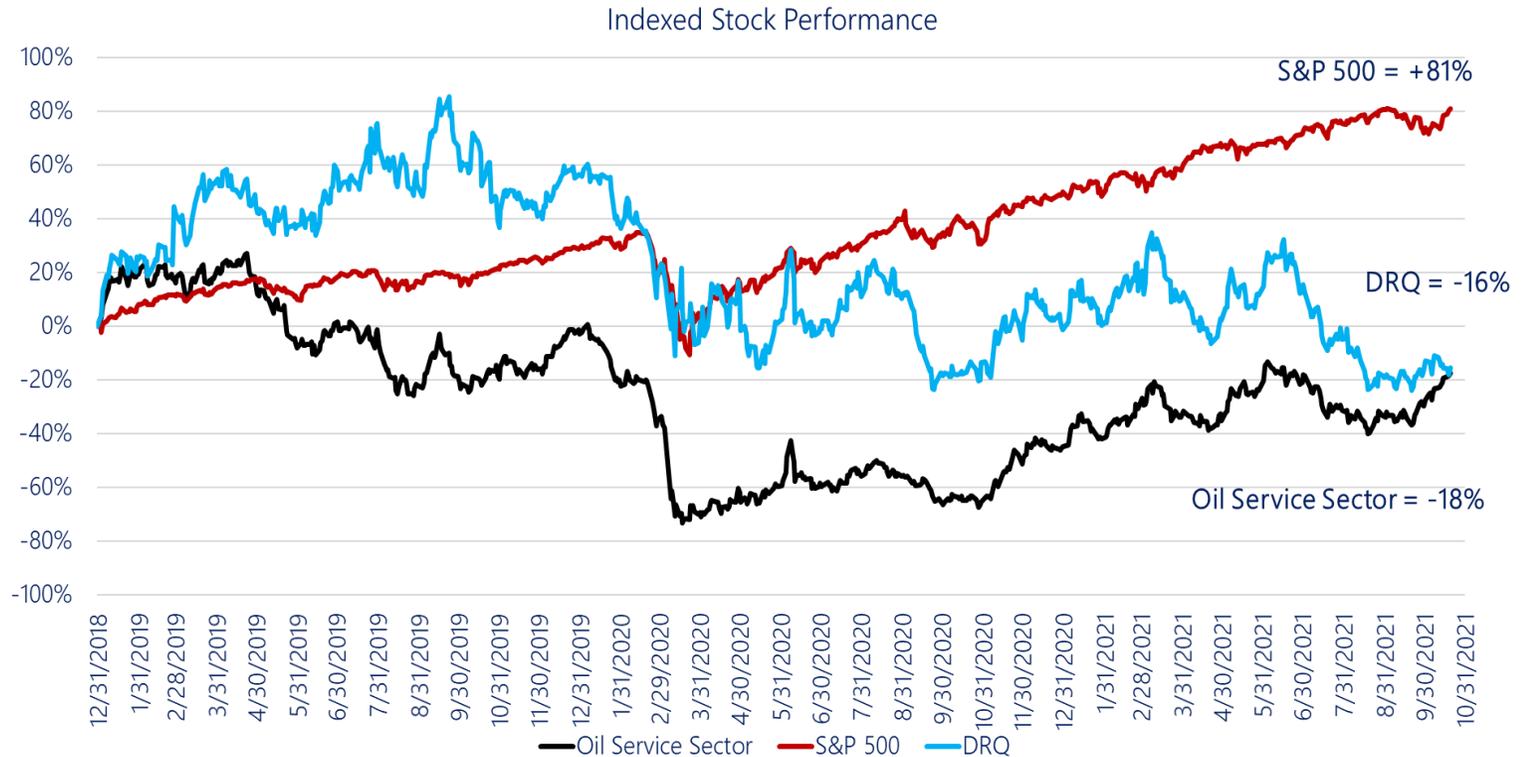
Capital expenditures in 2021 are expected to be \$12 to \$15 million driven by manufacturing equipment upgrades and downhole tools growth

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

MARKET PERFORMANCE

MARKET INFORMATION

Ticker	NYSE: DRQ		
Share Price (at close: 10/20/21)	\$25.33		
52-Week Range	\$22.38 - \$40.62		
Performance:	DRQ	OSX	SPX
Since Q2 Filing (7/29/21)	-18%	22%	8%
Year-to-Date	-14%	49%	21%



Delayed Offshore Recovery Impacting YTD Performance Relative to OSX

INCOME STATEMENT

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

	Three months ended		
	September 30, 2021	June 30, 2021	September 30, 2020
(In thousands, except per share data)			
Revenues:			
Products	\$ 53,622	\$ 55,860	\$ 66,451
Services	19,560	17,536	17,778
Leasing	9,815	7,401	7,066
Total revenues	82,997	80,797	91,295
Costs and expenses:			
Cost of sales	62,834	61,539	67,211
Selling, general and administrative	25,265	29,593	20,843
Engineering and product development	3,510	3,722	3,983
Restructuring and other charges	-	1,000	602
(Gain) loss on sale of assets	(13)	82	14
Foreign currency transaction (gains) and losses	(1,663)	(475)	746
Total costs and expenses	89,933	95,461	93,399
Operating loss	(6,936)	(14,664)	(2,104)
Interest income	188	63	188
Interest expense	(94)	(59)	(138)
Income tax provision (benefit)	4,301	4,407	(16,380)
Net income (loss)	\$ (11,143)	\$ (19,067)	\$ 14,326
Loss per share			
Basic	\$ (0.31)	\$ (0.54)	\$ 0.41
Diluted	\$ (0.31)	\$ (0.54)	\$ 0.41
Depreciation and amortization	\$ 7,899	\$ 7,343	\$ 7,908
Capital expenditures	\$ 2,303	\$ 3,112	\$ 1,925
Weighted Average Shares Outstanding			
Basic	35,387	35,387	35,049
Diluted	35,387	35,387	35,249

BALANCE SHEET

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

	September 30, 2021	December 31, 2020
	(In thousands)	
Assets:		
Cash and cash equivalents	\$ 375,172	\$ 345,955
Other current assets	452,099	517,238
PP&E, net	224,676	234,823
Other assets	41,790	53,156
Total assets	\$ 1,093,737	\$ 1,151,172
Liabilities and Equity:		
Current liabilities	\$ 91,826	\$ 85,512
Deferred Income taxes	6,194	6,779
Other long-term liabilities	15,940	17,353
Total liabilities	113,960	109,644
Total stockholders equity	979,777	1,041,528
Total liabilities and equity	\$ 1,093,737	\$ 1,151,172

NON-GAAP FINANCIAL MEASURES

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					
	September 30, 2021		June 30, 2021		September 30, 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 income (loss)	\$ (11,143)	\$ (0.31)	\$ (19,067)	\$ (0.54)	\$ 14,326	\$ 0.41
Adjustments (after tax):						
Reverse the effect of foreign currency	(1,314)	(0.04)	(375)	(0.01)	589	0.02
Restructuring costs, including severance	-	-	790	0.02	476	0.01
(Gain) loss on sale of assets	(10)	-	65	-	11	-
Adjusted net income (loss)	<u>\$ (12,467)</u>	<u>\$ (0.35)</u>	<u>\$ (18,587)</u>	<u>\$ (0.53)</u>	<u>\$ 15,402</u>	<u>\$ 0.44</u>

NON-GAAP FINANCIAL MEASURES

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

<u>Adjusted EBITDA:</u>	<u>Three months ended</u>		
	<u>September 30, 2021</u>	<u>June 30, 2021</u>	<u>September 30, 2020</u>
	(In thousands)		
Net income (loss)	\$ (11,143)	\$ (19,067)	\$ 14,326
Add:			
Interest (income) expense, net	(94)	(4)	(50)
Income tax provision (benefit)	4,301	4,407	(16,380)
Depreciation and amortization expense	7,899	7,343	7,908
Restructuring costs, including severance	1,400	7,250	602
(Gain) loss on sale of assets	(13)	82	14
Foreign currency transaction (gains) and losses	(1,663)	(475)	746
Stock compensation expense	3,276	3,079	3,003
Adjusted EBITDA	<u>\$ 3,963</u>	<u>\$ 2,615</u>	<u>\$ 10,169</u>

NON-GAAP FINANCIAL MEASURES

Dril-Quip, Inc.

Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow

Free Cash Flow:

	<u>Three months ended</u>		
	<u>September 30, 2021</u>	<u>June 30, 2021</u>	<u>September 30, 2020</u>
	(In thousands)		
Net cash provided (used) by operating activities	\$ 9,323	\$ 11,343	\$ 13,889
Less:			
Purchase of property, plant and equipment	(2,303)	(3,112)	(1,925)
Free cash flow	<u>\$ 7,020</u>	<u>\$ 8,231</u>	<u>\$ 11,964</u>

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)