



Bank of America Merrill Lynch  
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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 goals, projections, estimates, expectations, forecasts, plans and objectives, 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.

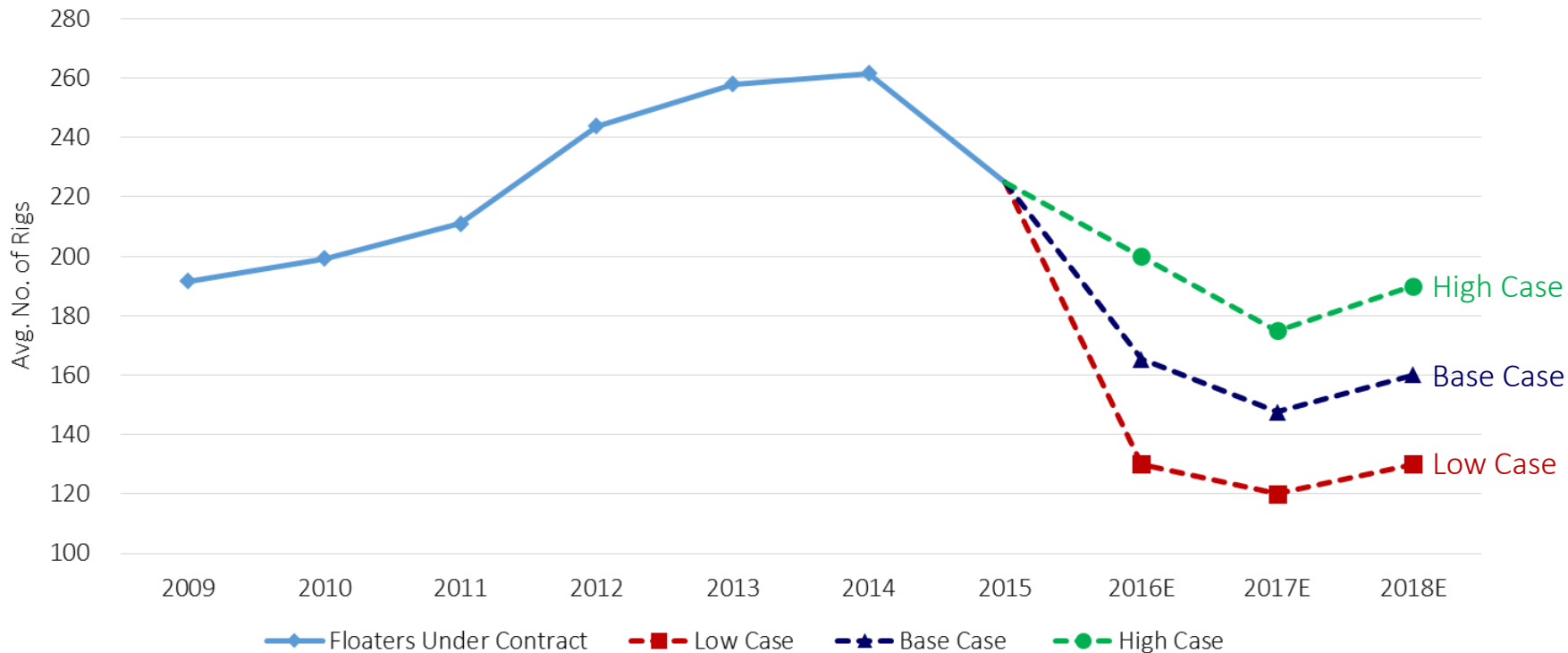


# Investment Highlights



- Pure play in world offshore market
- Technologically differentiated products and 1<sup>st</sup> class service
- Experienced management team
- Superior margins
- Impeccable balance sheet
- Well positioned to navigate the industry downturn

# Floating Rigs Under Contract



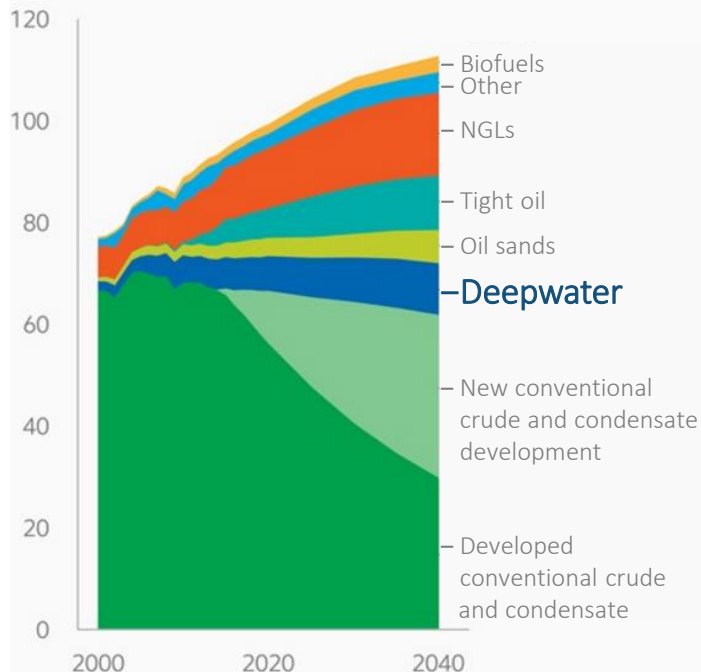
Source: IHS-Petrodata, Company Estimates

# Deepwater – Down, but Not Out



## Liquids Supply by Type

mmboe/d



Source: 2015 ExxonMobil The Outlook for Energy: A View to 2040

## Value in Deepwater

- Essential to meet growing long-term demand
  - Source of significant production and reserve replacement
- ↓ Improving breakeven levels

## Declining Costs

- Technological innovation
- Improving reliability
- Project efficiencies
- Rig day rate reductions
- Leveraging existing infrastructure

# DRQ – More than Just a Wellhead Company



- 17 internally developed product lines
- Vertically integrated manufacturing operations
- Global manufacturing capability of subsea trees and controls
- High reliability subsea control systems
- Approximately 300 subsea trees installed worldwide
- 19 floating production platforms globally with Dril-Quip Dry Tree Systems or components



# DRQ - Setting a Global Standard



- 1<sup>st</sup> Subsea Wellhead System fully qualified to API 17D, 2nd Edition up to 20,000 psi
- 1<sup>st</sup> Company to perform a full-scale system level validation test on a Subsea Wellhead System
- 1<sup>st</sup> Company capable of testing entire Connector product line to API 5C5/ISO 13679
- 1<sup>st</sup> Company to fully implement Advanced Product Quality Planning (APQP)



# Products and Services



## SUBSEA EQUIPMENT

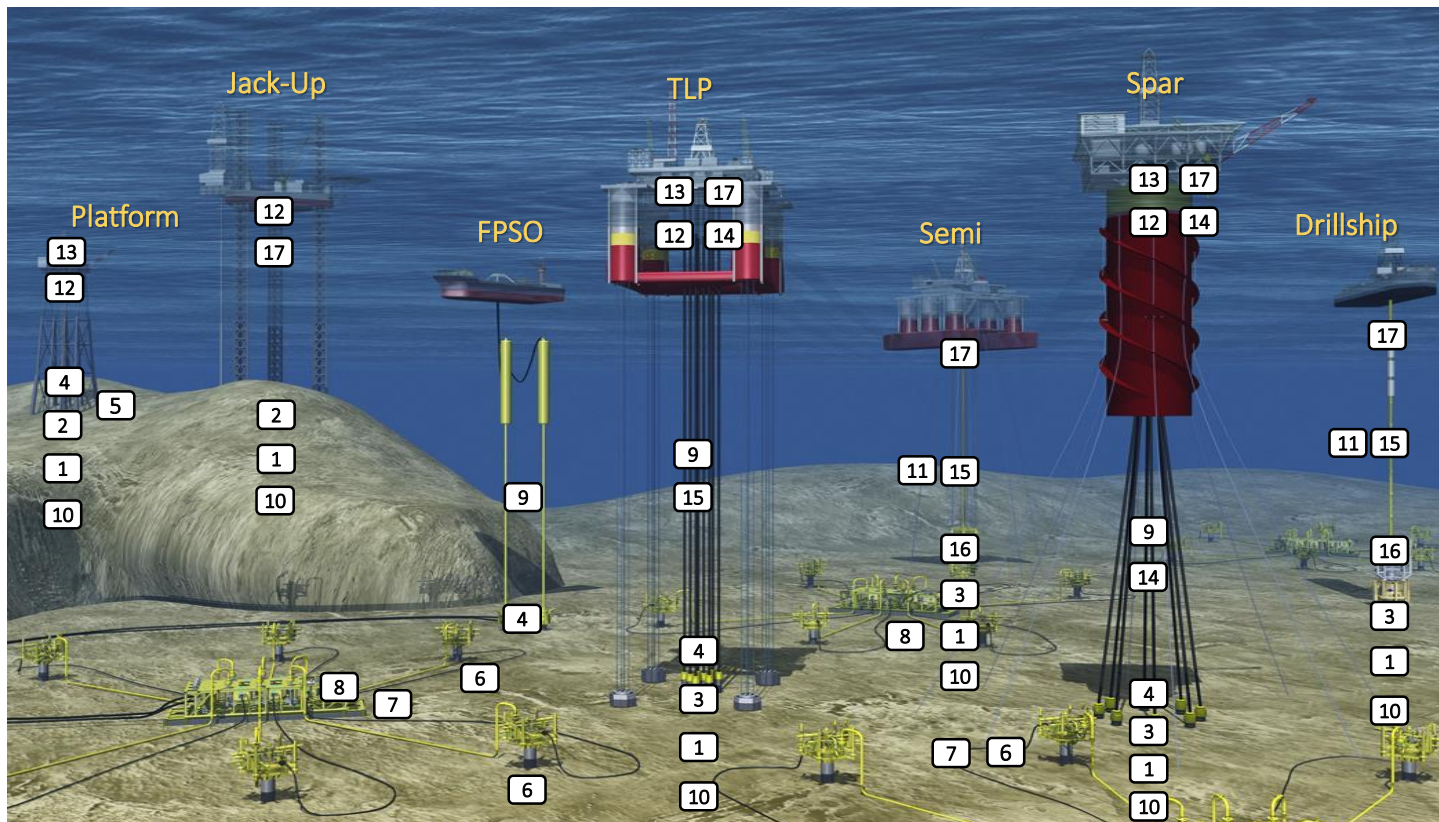
- 1 Specialty Connectors
- 2 Mudline Suspension
- 3 Subsea Wellheads
- 4 Tie-Back Connectors
- 5 Template Systems
- 6 Subsea Trees
- 7 Control Systems
- 8 Subsea Manifolds
- 9 Production Risers
- 10 Liner Hangers
- 11 Completion Risers

## SURFACE EQUIPMENT

- 12 Surface Wellheads
- 13 Surface Trees
- 14 Riser Tensioners

## OFFSHORE RIG EQUIPMENT

- 15 Drilling Risers
- 16 Wellhead Connectors
- 17 Diverters



## SERVICES:

Reconditioning - Rental Tools - Field Installation

# Subsea Well Systems



Utilized on all subsea wells drilled with floating rigs

- Subsea Wellheads
- Specialty Connectors
- Liner Hangers

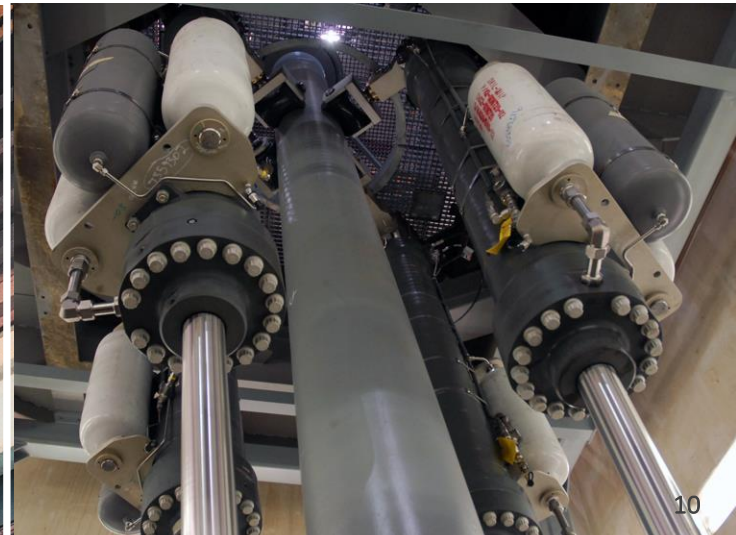


# Dry Tree Completion Systems



Utilized by SPARs and TLPs

- Surface Trees
- Surface Wellheads
- Riser Tensioners
- Production Risers
- Tie-Back Connectors
- Subsea Wellheads
- Specialty Connectors
- Liner Hangers



# Subsea Completion Systems



Utilized in subsea field developments

- Subsea Trees
- Control Systems
- Subsea Manifolds
- Subsea Wellheads
- Specialty Connectors
- Liner Hangers

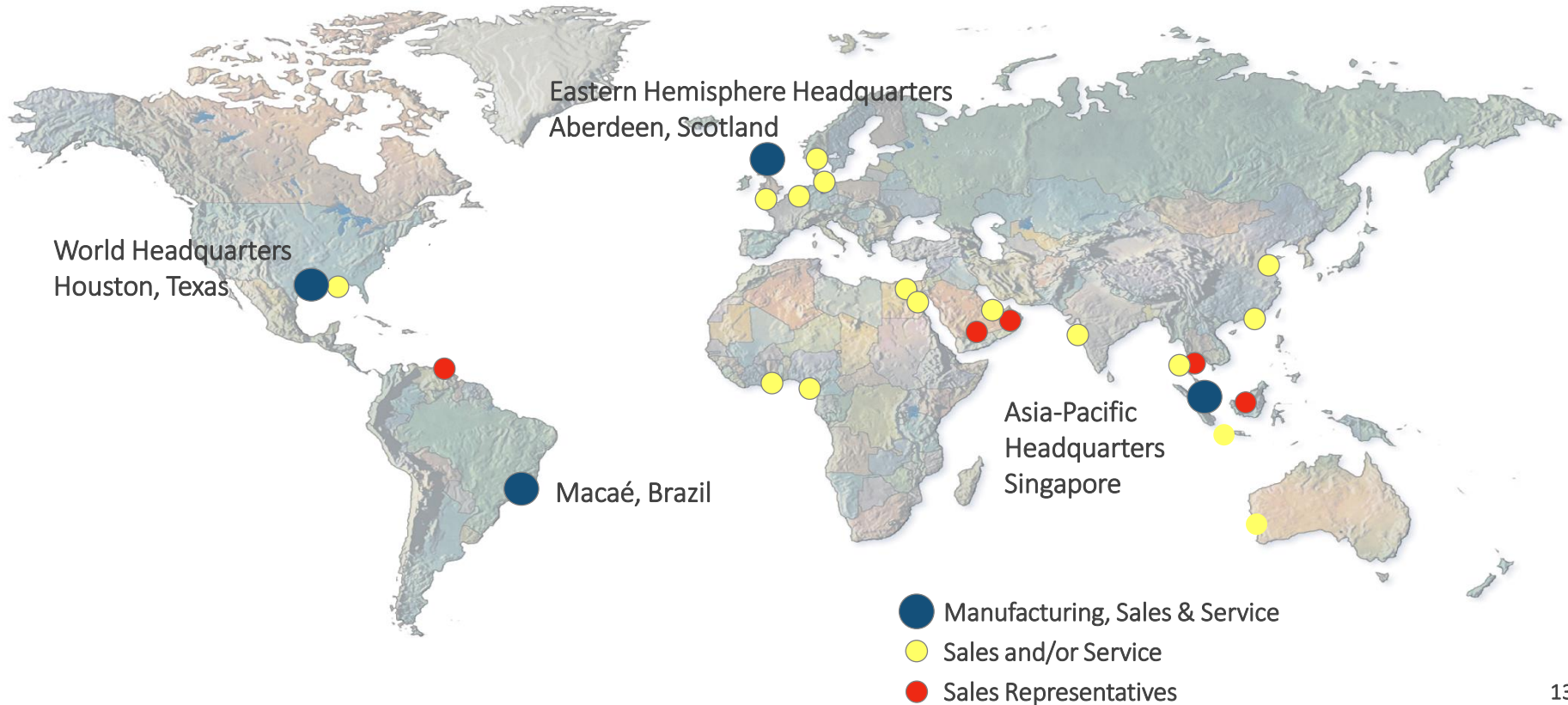


# Supporting Leading Offshore Companies



# DRIL-QUIP

# Located Worldwide To Serve Offshore Markets



# Manufacturing Locations



Houston Eldridge (218 acres)



Aberdeen, Scotland (22 acres)

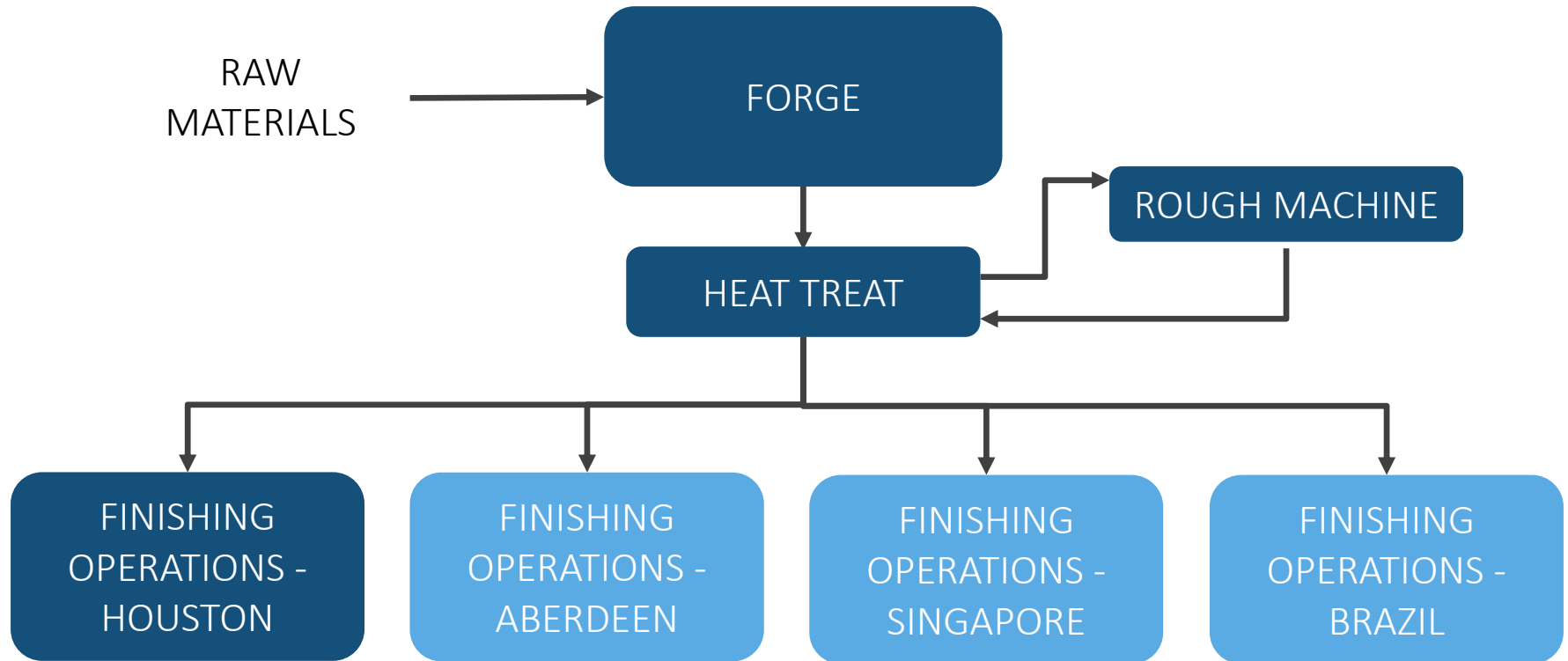


Singapore (11 acres)



Macaé, Brazil (10 acres)

# Vertically Integrated Manufacturing



# Machinery and Equipment Rebuilding



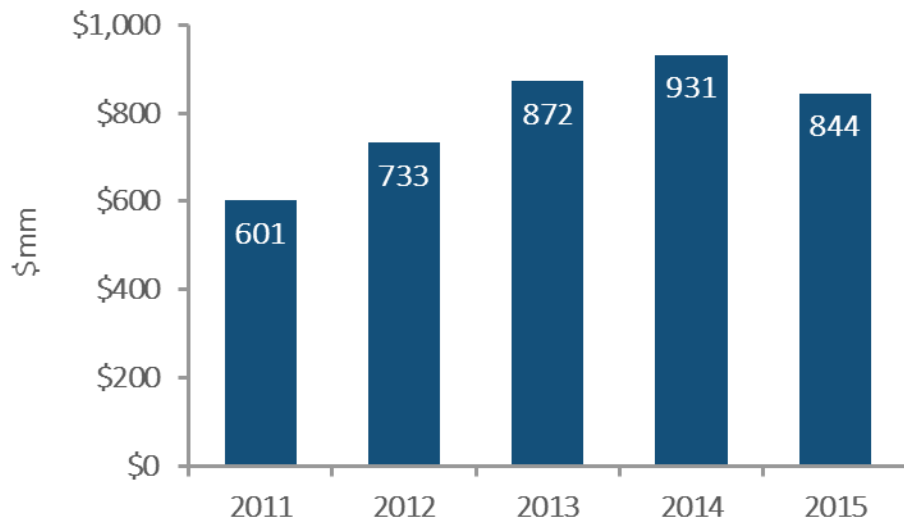
- Purchase used equipment
- Refurbish in-house with new CNC controls
- Purpose-built machine tools
- Resulting in reduced capex and lower depreciation



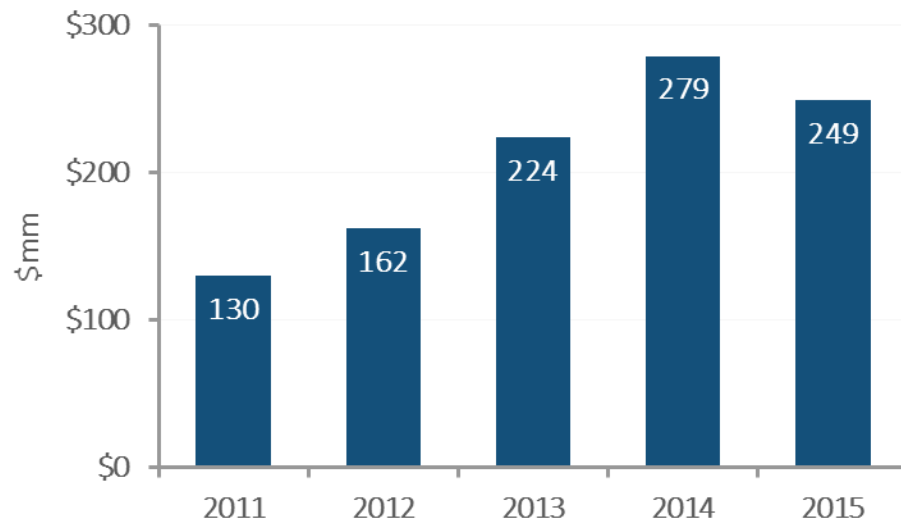
# Key Financial Results | Annual



## Revenue



## Operating Income (EBIT)



# Condensed Consolidated Statements of Income

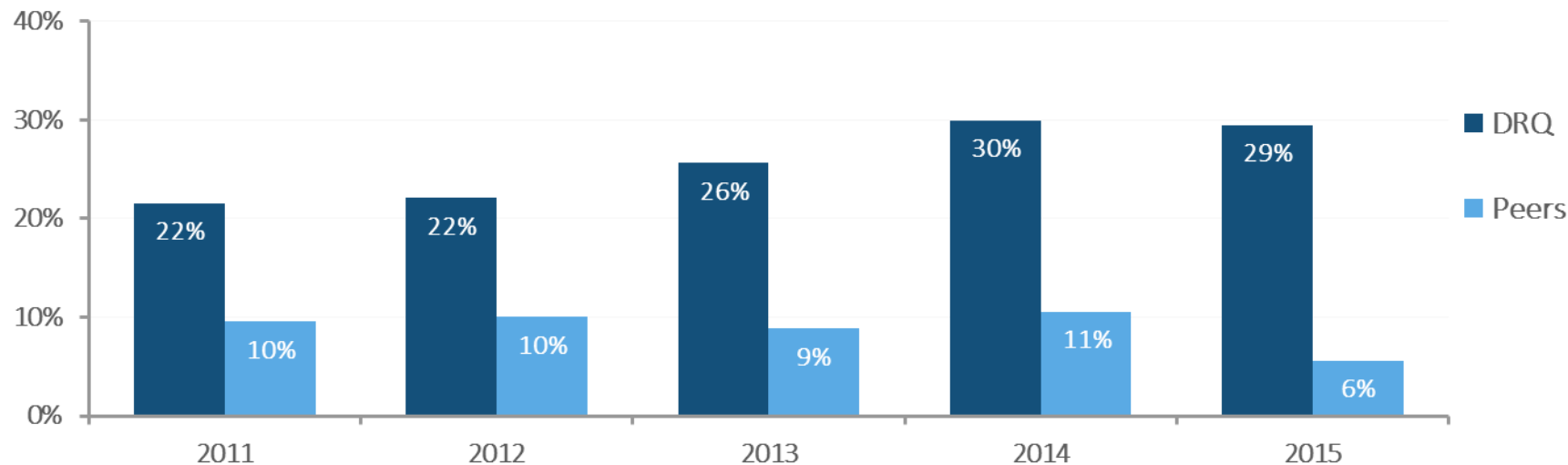


	Nine months ended Sept. 30,			
(000s of US\$)	2016		2015	
Revenues		\$ 432,640		\$ 642,680
Cost and expenses:				
Cost of sales	57.9%	250,610	54.6%	350,934
S, G & A		31,487		67,871
Engineering		33,050		35,348
		315,147		454,153
Operating income (EBIT)	27.2%	\$ 117,493	29.3%	\$ 188,527
Earnings per share		\$ 2.44		\$ 3.70

# Superior Margins vs. Peers\*



Operating (EBIT) Margins\*\* (%)



Dril-Quip's first-class margins can primarily be attributed to:

- Keen attention to cost
- Vertically integrated manufacturing
- Low spend on capital equipment

\* Peer group includes AKSO, CAM, & FTI

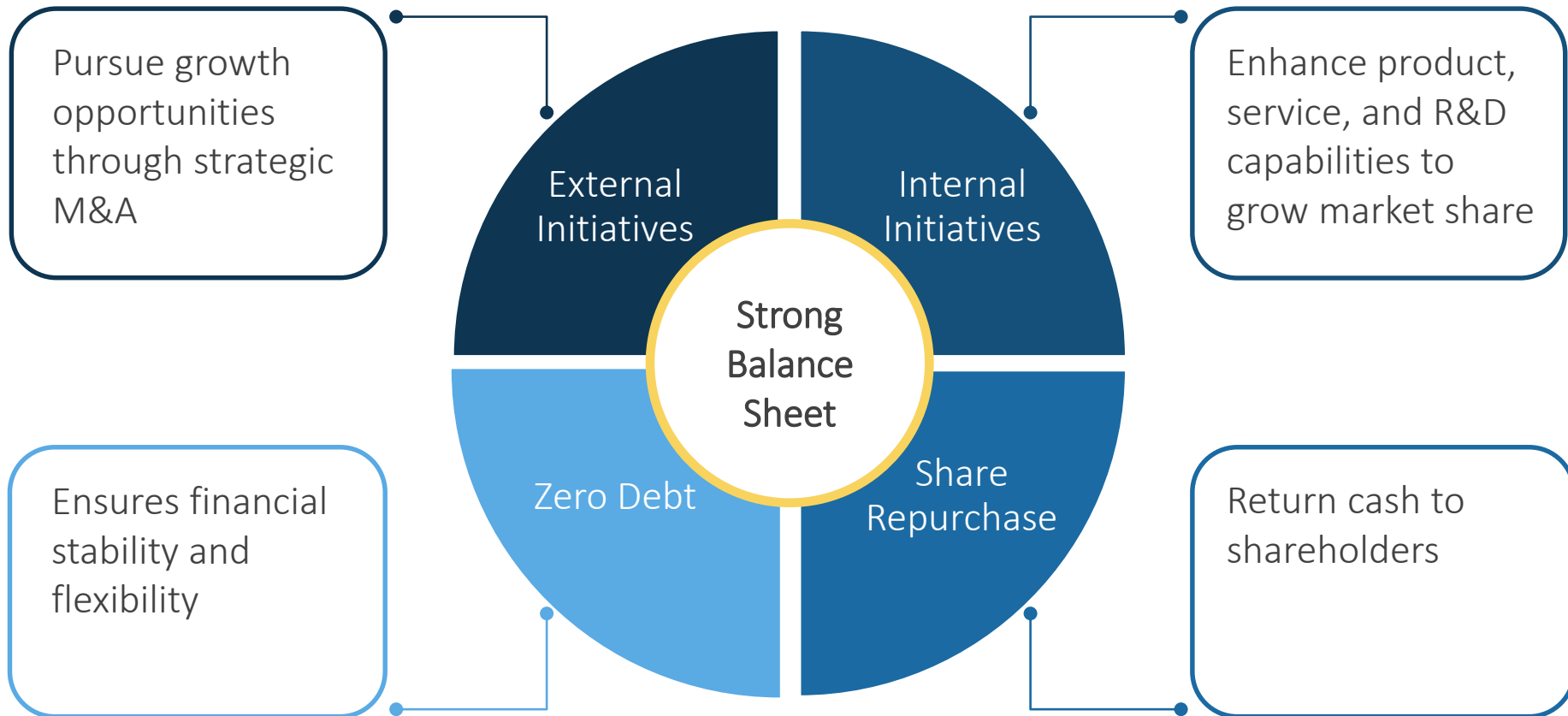
\*\*Operating (EBIT) margin defined as Operating Income divided by Total Revenue

# Consolidated Balance Sheet



<u>(millions of US\$)</u>	Sept. 30, 2016	Dec. 31, 2015
<u>Assets</u>		
Cash	\$ 543	\$ 381
Other current assets	615	743
Property, plant and equipment, net	290	294
Other assets	14	10
Total assets	<u>\$ 1,462</u>	<u>\$ 1,428</u>
<u>Liabilities and Stockholders' Equity</u>		
Current liabilities	\$ 87	\$ 101
Long-term debt	-	-
Deferred taxes	3	3
Total liabilities	<u>90</u>	<u>104</u>
Stockholders' equity	<u>1,372</u>	<u>1,324</u>
	<u>\$ 1,462</u>	<u>\$ 1,428</u>

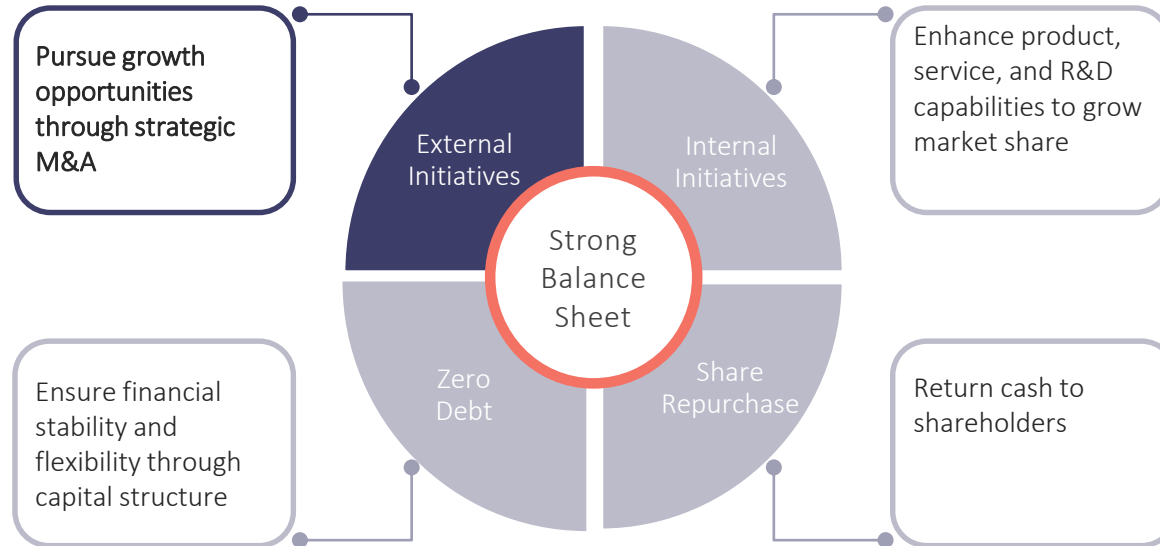
# Forward Focused



# Executing Our Strategy – TIW Acquisition



- Dril-Quip's first acquisition aligns with company efforts to pursue growth opportunities through strategic M&A

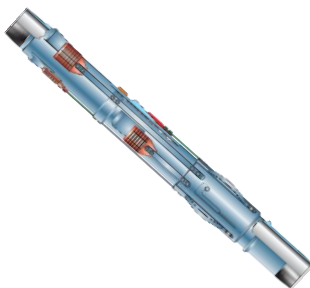


# TIW Corporation Overview



- TIW Corporation (“TIW”) is an industry-leading manufacturer of consumable downhole products for the global oil and gas market.
- Strong market position in conventional and expandable liner hanger systems
- Onshore and offshore applications
- Headquartered in Houston, TX
- Founded in 1917

## Conventional Liner Hanger Systems



*Mechanical Liner Hanger*

Liner hanger systems are used to hang a smaller casing string inside a larger casing string. TIW offers both mechanical and hydraulic set liner hangers.

## Tool Rental & Service



*FlowBoss™ Surge Reduction Tool*

All TIW systems are installed by a TIW technician utilizing tools that are rented to customers.

## Expandable Systems



*XPak Expandable Liner Hanger System*

Expandable liner hanger systems are typically utilized in challenging HPHT<sup>1</sup> environments. TIW also offers an expandable patching technology.

## Other Products



*TIW Kelly Valve*

TIW also provides Kelly and safety valves, a comprehensive suite of packers, and honing and boring services.

<sup>1</sup>High Pressure, High Temperature

# Strategic Considerations



## PRODUCTS & SERVICES

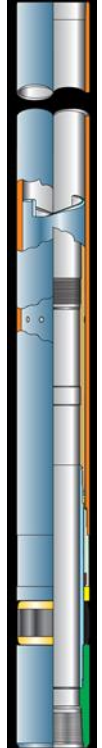
- Established brand and reputation for nearly 100 years
- Strong market positions for conventional and expandable liner hanger products
- Enhances Dril-Quip's exposure to liner hanger markets
- Skilled engineering and manufacturing workforce
- Substantial IP portfolio with established and patented technology

## KEY MARKETS SERVED

- Global footprint with considerable revenue from key international markets, including the Middle East and South America
- Approximately 70% of TIW's liner hanger installations occur onshore, providing onshore exposure

## SYNERGIES

- Achievable synergies that are driven by cost efficiencies
- Opportunity to consolidate operating locations
- Dril-Quip's established offshore presence provides sales opportunities for expandable liner hangers



# Transaction Details



## CONSIDERATION

- Approximately \$143 million in cash
- On a cash-free, debt-free basis

## FINANCIAL

- Peak revenue of approximately \$140 million in 2014
- Revenue expected between \$60 million and \$70 million in 2016
- Revenue expected between \$80 million and \$100 million<sup>1</sup> in 2018
- With synergies, 2018 EBITDA margins expected to be similar to Dril-Quip margins
- Expect double digit accretion for EPS and CFPS on a % basis in 2018 (neutral in 2017)

## MARKETING

- TIW to continue marketing its products and services under the TIW Corp. name

## CLOSING

- November 2016



<sup>1</sup>Based on consensus commodity price estimates

# Summary



TIW's products and services are highly complementary with Dril-Quip's

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Accretion primarily driven by cost synergies

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Provides onshore exposure and associated optionality

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Positive use of Dril-Quip's balance sheet; Well positioned for additional M&A

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Strong cultural fit will facilitate integration

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[WWW.DRIL-QUIP.COM](http://WWW.DRIL-QUIP.COM)

DRIL-QUIP, Inc.  
6401 N. Eldridge Pkwy.  
Houston, TX 77041  
USA  
+1 713 939 7711

DRIL-QUIP (Europe), Ltd.  
Stoneywood Park  
Dyce, Aberdeen, AB21 7DZ,  
Scotland  
+44 (0) 1224 727000

DRIL-QUIP Asia Pacific Pte., Ltd  
80 Tuas West Drive  
Singapore, 638417  
+65 68610600

DRIL-QUIP do Brasil, Ltda.  
Estrada de Imboassica, 853  
CEP 27920-34  
Macaé  
+55 22 27918950