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): October 27, 2022

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

Delaware	001-13439	74-2162088
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

6401 N. Eldridge Parkway Houston, Texas	77041
(Address of principal executive offices)	(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 October 27, 2022, Dril-Quip, Inc. ("Dril-Quip") reported third quarter 2022 earnings. For additional information regarding Dril-Quip's third 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 October 27, 2022, Dril-Quip posted the Third 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 October 27, 2022.
99.2	Third 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: October 27, 2022

DRIL-QUIP, INC. ANNOUNCES THIRD QUARTER 2022 RESULTS

HOUSTON, October 27, 2022 — Dril-Quip, Inc. (NYSE: DRQ), (the “Company” or “Dril-Quip”) today reported operational and financial results for the third quarter of 2022.

Results for the third quarter of 2022 included:

- Revenue of $88.1 million for the third quarter of 2022, a decrease of $5.8 million from the second quarter of 2022 driven by unfavorable foreign exchange rate impacts, supply chain delays in downhole tools and reduced leasing revenues in subsea service;
- Net income of $15.2 million, or $0.45 earnings per share, an increase of $20.8 million, or $0.61 per share compared to the second quarter of 2022, due to the gain on sale of the Houston forge facility, lower income taxes, and lower restructuring costs in the period;
- Generated adjusted EBITDA of $7.0 million, or 8.0% of revenue, a decrease of $2.3 million from the second quarter of 2022;
- Cash and short-term investments ended the third quarter at $315.6 million. Third quarter net cash provided by operating activities of $1.0 million and free cash flow of negative $9.2 million, inclusive of $10.3 million of capital expenditures;
- Closed on the sale of the Houston forge facility during the third quarter of 2022 driving a net gain on sale of $17.3 million;
- Booked $75.0 million of gross new orders during the third quarter of 2022. Net of $13.3 million of cancellations and adjustments, bookings were $61.7 million;
- Repurchased $11.1 million of shares at an average price of $24.35 during the third quarter of 2022. Year-to-date repurchases through the third quarter of 2022 total approximately $21 million; and
- Received upgraded MSCI ESG rating of an “A” in the quarter.

Jeff Bird, Dril-Quip’s President and Chief Executive Officer, commented, “Gross bookings in the quarter were $75.0 million reflecting the ongoing upcycle in the offshore market, but we were negatively impacted by a large project cancellation in the period. The geographies of Brazil, Saudi Arabia and Norway are continued bright spots for the Company and we are focusing additional resources there to capitalize in 2023 and beyond. We experienced foreign exchange rate headwinds in the period which when coupled with supply chain delays in our downhole tool business, caused us to be slightly lower than our revenue expectations for the quarter.

“The benefits of our new product-line focused teams continue to emerge as we are evaluating our 2023 strategies and key priorities. Our product line leadership is focused on our customer and supplier partnerships, eliminating excess costs, and improving operational efficiency and profitability. We also continue to progress on our footprint rationalization plan, with the sale of the Houston forge facility closing in the third quarter netting $17.3 million in proceeds. We continue to anticipate reaching agreements on the two remaining properties by year-end. For the remaining two properties for sale, we expect the combined net proceeds to be in the $20 to $30 million range. We used approximately $3.7 million of the third quarter sale proceeds to fund a portion of the manufacturing investment for our subsea wellhead product line. This will ultimately lower costs and improve productivity upon installation in late 2023. There is approximately $18 million remaining on that investment authorization.

“Additionally, I am proud to announce that Dril-Quip received an upgraded ESG rating by MSCI, Inc. of an “A” this quarter. This evidences our commitment to reduction in our greenhouse gas emissions. Tangible progress was also made in the third quarter with the conversion of our Singapore facilities to solar power. We are committed to continuously improving our ESG reporting and the identification of meaningful steps we can take to reduce our global emissions.

“As we look to the conclusion of this year, we now expect our full year bookings to grow 15% to 20% compared to 2021, due to the two customer project cancellations in the second and third quarters. Incremental adjusted EBITDA margins are expected to be in the 30% - 40% range for the full year 2022. We are also revising our free cash flow margin target to be break-even for the full year 2022, due to increased working capital investment in stocking programs to secure forging supplies.

“As we look forward to 2023, leading indicators such as tender volume and average quote value have recovered to pre-pandemic levels. We are well positioned to capitalize on what is clearly a constructive offshore market and believe the order trends will continue to accelerate into next year. This will be led by activity growth in markets such as Brazil, Middle East and the North Sea across all our product and service lines. We believe that the strategic moves related to the organization, footprint, and investment in manufacturing this year, and those we are currently targeting, will serve to benefit the company in years to come. We look forward to updating investors on our 2023 outlook and updates to our strategic initiatives for further improved profitability on our year-end earnings conference call in February 2023.”

In conjunction with today’s release, the Company posted a new investor presentation entitled “Third 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 third quarter of 2022 was $88.1 million, down $5.8 million from the second quarter of 2022 and up $5.1 million compared to the third quarter of 2021. The sequential decrease was primarily a result of lower product sales in downhole tools due to supply chain impacts and foreign exchange rate impacts. Service revenues in subsea also decreased due to lower rental tool utilization due to the completion of certain customer projects. The increase in revenue year-over-year was driven by higher subsea product sales volumes primarily in Asia-Pacific and Europe. This was partially offset by decreased downhole tools product revenues.

Cost of sales for the third quarter of 2022 was $65.7 million, a decrease of $4.0 million from the second quarter of 2022 and an increase of $2.9 million compared to the prior year. Gross operating margin for the third quarter of 2022 was 25.4%, a slight decrease from 25.9% in the second quarter of 2022 and an increase from 24.3% in the third quarter of 2021. The improvement in gross margins year-over-year is primarily attributed to increased absorption of fixed costs and favorable revenue mix.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses for the third quarter of 2022 were $22.4 million, essentially flat compared to the second quarter of 2022 and a decrease of $2.8 million compared to the third quarter of 2021. The year-over-year decrease in SG&A is primarily attributable to lower legal expenses in connection with the FMC Technologies, Inc. lawsuit and decreased administrative costs associated with the importation tax settlement under the Brazilian tax amnesty program. Engineering and product development expenses were down $0.1 million sequentially and down $0.9 million year-over-year due to lower research and development expenses as a result of the completion of investments in certain strategic projects. We are in the process of reprioritizing new research and development initiatives.

Net Income, Adjusted EBITDA and Free Cash Flow

For the third quarter of 2022, the Company reported net income of $15.2 million, or $0.45 earnings per share. Adjusted EBITDA totaled $7.0 million for the third quarter of 2022 compared to $9.3 million for the second quarter 2022. The decline in adjusted EBITDA sequentially can be attributed to decreased revenues across all product lines and subsea services. Adjusted EBITDA for the third quarter of 2022 was up $3.1 million compared to the third quarter of 2021. The increase in adjusted EBITDA year-over-year can be mostly attributed to increased revenues and reductions in administrative and engineering expense.

Net cash provided by operations was $1.0 million and free cash flow was a negative $9.2 million for the third quarter of 2022. Capital expenditures in the third quarter of 2022 were approximately $10.3 million, up approximately $8.9 million compared to the second quarter of 2022 due to investments in manufacturing equipment.

Share Repurchases

For the three-month period ended September 30, 2022, the Company purchased 457,467 shares under its share repurchase plan at an average price of $24.35 per share, totaling $11.1 million, and retired such shares. As of September 30, 2022, the company year-to-date has purchased 888,197 shares at an average price of $23.41 per share, totaling $20.8 million and retired such shares. The Company has approximately $103 million remaining of the current authorization 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 impact of general economic conditions, including inflation, on economic activity and on our operations, the general volatility of oil and natural gas prices and cyclicality 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

Erin Fazio, Director of Corporate Development, Investor Relations & FP&A
(713) 939-7711
Erin_Fazio@dril-quip.com

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

	Three months ended		
	September 30, 2022	June 30, 2022	September 30, 2021
	(In thousands, except per share data)		
Revenues:			
Products	$ 58,508	$ 61,979	$ 53,622
Services	20,443	19,596	19,560
Leasing	9,190	12,403	9,815
Total revenues	88,141	93,978	82,997
Costs and expenses:			
Cost of sales	65,710	69,663	62,834
Selling, general and administrative	22,431	22,498	25,265
Engineering and product development	2,645	2,720	3,510
Restructuring and other charges	2,180	5,765	-
Gain on sale of property, plant and equipment	(17,276)	(380)	(13)
Foreign currency transaction gains	(1,901)	(2,419)	(1,663)
Total costs and expenses	73,789	97,847	89,933
Operating income (loss)	14,352	(3,869)	(6,936)
Interest income	379	573	188
Interest expense	(131)	(99)	(94)
Income tas provision (benefit)	(610)	2,175	4,301
Net income (loss)	$ 15,210	$ (5,570)	$ (11,143)
Income (Loss) per share			
Basic	$ 0.45	$ (0.16)	$ (0.31)
Diluted	$ 0.44	$ (0.16)	$ (0.31)
Depreciation and amortization	$ 7,123	$ 7,670	$ 7,899
Capital expenditures	$ 10,283	$ 1,363	$ 2,303
Weighted Average Shares Outstanding			
Basic	33,948	34,476	35,387
Diluted	34,232	34,476	35,387

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

	September 30, 2022	December 31, 2021
	(In thousands)	
Assets:		
Cash and cash equivalents	$ 290,279	$ 355,451
Short-term investments	25,287	-
Other current assets	430,192	390,098
PP&E, net	181,359	216,200
Other assets	43,407	48,677
Total assets	$ 970,524	$ 1,010,426
Liabilities and Equity:		
Current liabilities	$ 89,287	$ 93,663
Deferred Income taxes	3,918	3,925
Other long-term liabilities	12,482	15,730
Total liabilities	105,687	113,318
Total stockholders equity	864,837	897,108
Total liabilities and equity	$ 970,524	$ 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**					
	September 30, 2022		**June 30, 2022**		**September 30, 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 income (loss)	$ 15,210	$ 0.44	$ (5,570)	$ (0.16)	$ (11,143)	$ (0.31)
Adjustments (after tax):						
Reverse the effect of foreign currency transaction gains	(1,502)	(0.04)	(1,911)	(0.06)	(1,314)	(0.04)
Restructuring and other costs, including severance	1,722	0.05	4,554	0.13	-	-
Gain on sale of property, plant and equipment	(13,648)	(0.40)	(300)	(0.01)	(10)	-
Adjusted net income (loss)	$ 1,782	$ 0.05	$ (3,227)	$ (0.10)	$ (12,467)	$ (0.35)

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

Adjusted EBITDA:	**Three months ended**		
	September 30, 2022	**June 30, 2022**	**September 30, 2021**
		(In thousands)	
Net Income (loss)	$ 15,210	$ (5,570)	$ (11,143)
Add:			
Interest (income) expense, net	(248)	(474)	(94)
Income tax provision (benefit)	(610)	2,175	4,301
Depreciation and amortization expense	7,123	7,670	7,899
Restructuring and other costs, including severance	2,180	5,765	1,400
Gain on sale of property, plant and equipment	(17,276)	(380)	(13)
Foreign currency transaction gains	(1,901)	(2,419)	(1,663)
Stock compensation expense	2,569	2,573	3,276
Adjusted EBITDA	$ 7,047	$ 9,340	$ 3,963

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

Free Cash Flow:	Three months ended		
	September 30, 2022	**June 30, 2022**	**September 30, 2021**
		(In thousands)	
Net cash provided (used) by operating activities	$ 1,042	$ (9,281)	$ 9,323
Less:			
Purchase of property, plant and equipment	(10,283)	(1,363)	(2,303)
Free cash flow	$ (9,241)	$ (10,644)	$ 7,020

Exhibit 99.2

Third Quarter 2022 Supplemental Earnings Information

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Disclaimer | 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 cyclicality 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
- Results Driven Management Team

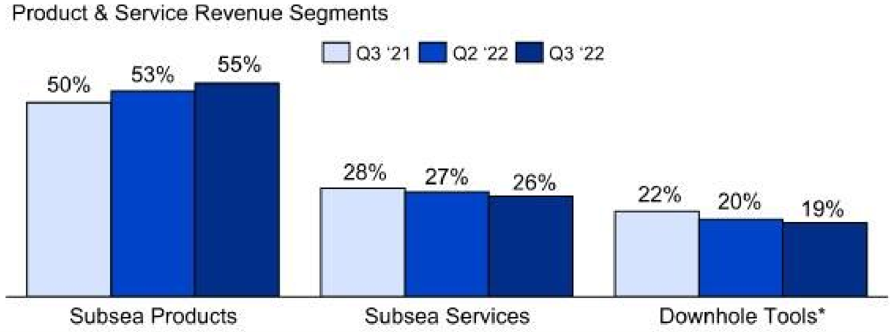
Q3 2022| Revenue Breakdown

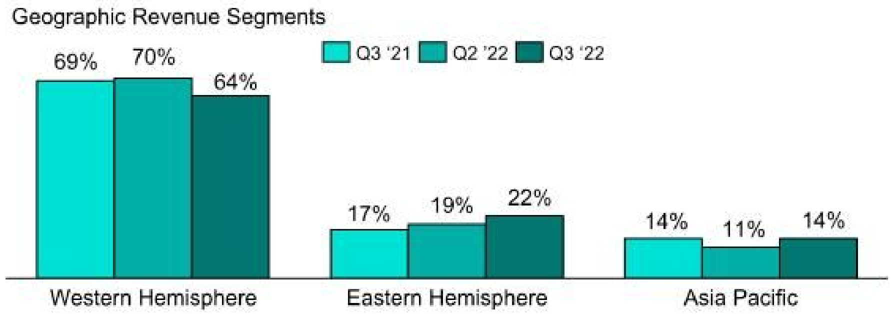
DRIL-QUIP | the power of e

SUBSEA PRODUCTS

SUBSEA SERVICES

DOWNHOLE TOOLS





* Includes downhole tools products, leasing and services

Q3 2022| Highlights

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- Revenue of $88.1 million for the third quarter of 2022, a decrease of $5.8 million from the second quarter of 2022 driven by unfavorable foreign exchange rate impacts, supply chain delays in downhole tools and reduced leasing revenues in subsea service;
- Net income of $15.2 million, or $0.45 earnings per share, an improvement of $20.8 million, or $0.61 per share compared to the second quarter of 2022, due to the gain on sale of the Houston forge facility, favorable income taxes, and lower restructuring costs in the period;
- Generated adjusted EBITDA of $7.0 million, or 8.0% of revenue; a decrease of $2.3 million from the second quarter of 2022;
- Cash and short-term investments ended the quarter at $315.6 million. Third quarter net cash provided by operating activities of $1.0 million and free cash flow of negative $9.2 million, inclusive of $10.3 million of capital expenditures;
- Closed on the sale of the Houston Forge facility during the third quarter of 2022 driving a net gain on sale of $17.3 million;
- Booked $75.0 million of gross new orders during the third quarter of 2022, net of $13.3 million of cancellations and adjustments, bookings were $61.7 million;
- Repurchased $11.1 million of shares at an average price of $24.35 during the third quarter of 2022. Year-to-date repurchases through the third quarter of 2022 total approx. $21 million; and
- Received upgraded MSCI ESG rating of an "A" in the quarter.

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

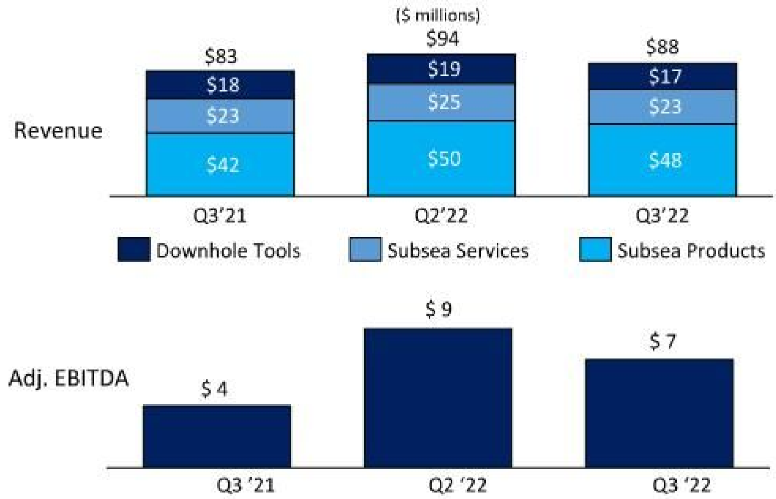
Market Environment| Constructive Geographies

- Brazil's plans to drill ~350 wells in coming years highlights importance of our strong relationship with Petrobras
- Saudi Arabia activity increases to continue to drive subsea products and downhole tools growth in 2023 and beyond
- Norway/North Sea represents long-term CCUS potential through our collaboration agreement with Aker Solutions to complement the opportunity in our product and service portfolio

Collaboration agreements to provide tailwinds in improving offshore market.

Q3 2022 | Financial Performance

Quarterly Comparisons

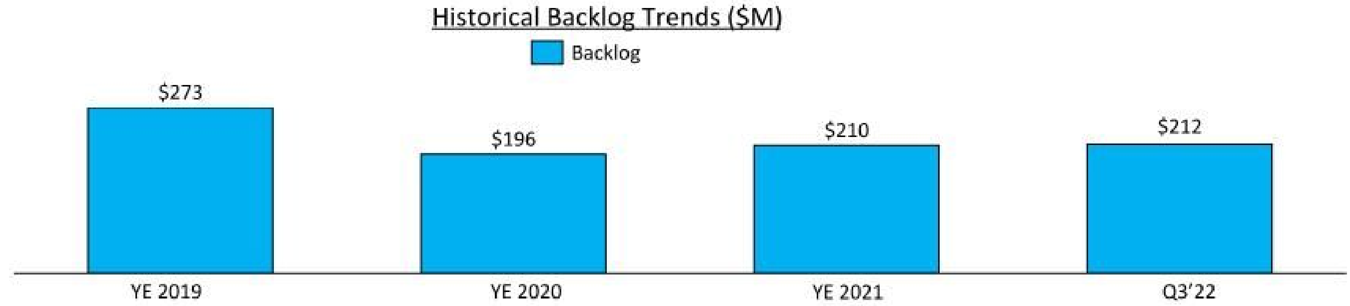


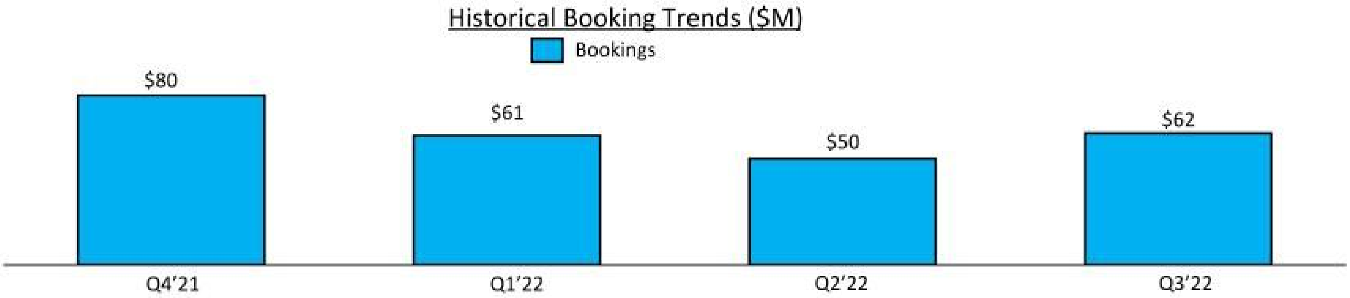
- Revenue down $5.8 million sequentially due to unfavorable foreign exchange rate impacts, supply chain delays in downhole tools and reduced leasing revenues in subsea service
- Revenue increased year-over-year due to higher subsea wellhead product sales primarily in Asia-Pacific and Europe
- Adjusted EBITDA was approximately $7.0 million, down sequentially due to lower revenues
- Year-over-year increase in adjusted EBITDA driven primarily by increased revenue and reductions in administrative and engineering expense.

Strong incremental margins compared to prior year. Decline in sequential revenue mitigated by cost reduction efforts.

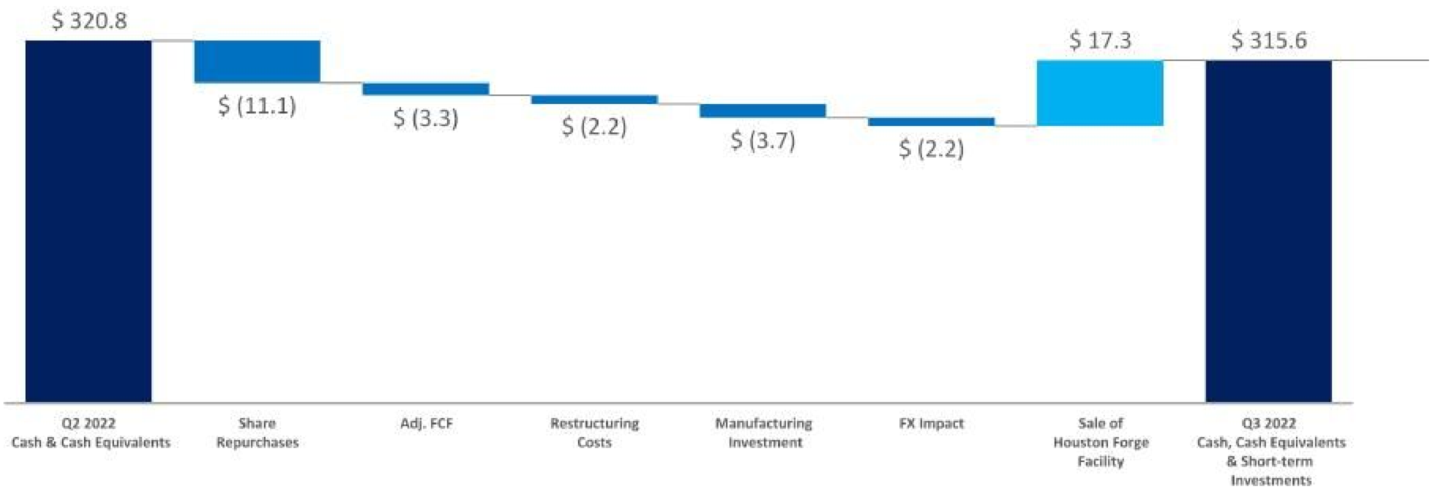
Note: Sum of components may not foot due to rounding. Adjusted EBITDA is a non-GAAP measure. See appendix for reconciliation to GAAP measure.

Commercial Update| Bookings





Q3 2022| Cash, Cash Equivalents & Short-term Investments



Note: Adj FCF is Free Cash Flow less restructuring costs and the manufacturing investment

Strategy| 2022 Focus Areas

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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

BBII*e* Wellhead

Wellheads, Connectors & SPS

- Remain Tier 1 wellhead provider
- Execute collaboration & license agreements
- Increase shallow water tree share
- Grow deepwater presence through VXT*e* monetization

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

XPak D*e*

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

Energy Transition

Expansion into Decarbonization Opportunities

- Wellhead and tree injection offering for CCUS
- Collaborations with integrated providers (i.e. Aker Solutions)
- New technology introduction

SBT*e* XT

Strategy| Q3 Progress Update

Footprint Optimization

- ✓ Closed on the sale of the Forge facility at the Houston, TX campus netting $17.3 million gain on sale
- ✓ Terms being negotiated for two additional properties at Houston, TX campus
- ✓ Total proceeds from two additional sales expected to be in the $20-$30 million range, net of expenses

Capital Allocation

- ✓ Initial cash outlay for manufacturing investment of $3.7M. Additional $18.3M remaining on authorization in coming twelve months
- ✓ Capex range for the year of $15 million - $17 million
- ✓ $11.1M of stock repurchased in Q3
  - ✓ Year-to-date, inclusive of Q3, $20.8M of cash returned to shareholders

*As of October 27, 2022

Capital Allocation | Framework

Capex / Internal	Acquisition Growth	Share Repurchase
• Fund high return internal investments • Targeted investments for franchise products • Manufacturing, IT Systems, etc.	• Selective opportunities (energy and energy adjacent)	• Returning excess cash to shareholders

Priority to organic growth, then attractive acquisitions that drive size and scale

| Updated Financial Outlook

2022 Estimated Product Bookings

Up 15% - 20% from 2021

2022 Estimated Revenue:

Up ~10% from 2021 levels

2022 Estimated Adj. EBITDA: 30% to 40% Incremental margins

2022 Estimated Capex of $15M to $17M

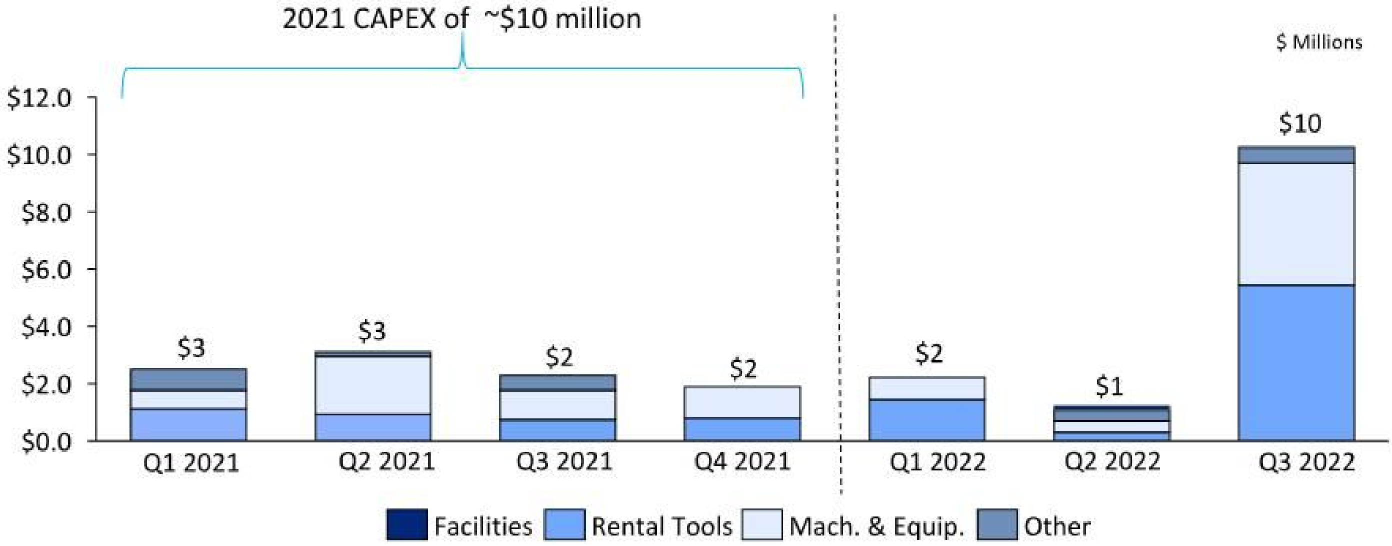
Targeting Break-Even 2022 Free Cash Flow* Margin

*Free Cash Flow = Operating Cash Flow less Capital Expenditures and does not include potential real estate divestures

Appendix

dril-quip.com | NYSE: DRQ

Q3 2022 | Capital Expenditures

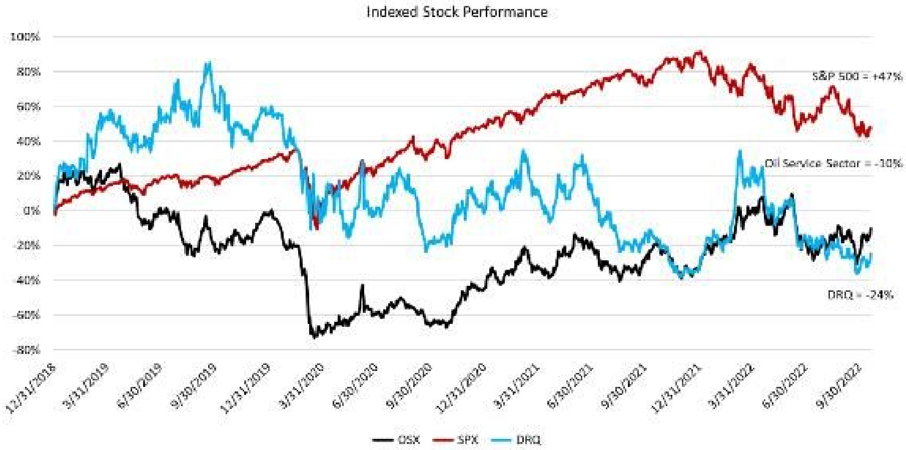


Capital expenditures in 2022 are expected to be $15 to $17 million driven by investments in manufacturing, rental tools and information technology upgrades to support growth.

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

Dril-Quip | Market Performance

MARKET INFORMATION			
Ticker	NYSE: DRQ		
Share Price (at close: 10/19/22)	$22.70		
52-Week Range	$18.17 - $41.23		
Cash per Share (as of 9/30/2022)	$ 9.30		
Performance:	DRQ	OSX	SPX
Since Q2 Filing (7/28/22)	-35%	99%	14%
Year-to-Date	15%	37%	-22%



Source: FactSet, Market data as of 10/19/2022

Financial Statements| Income Statement

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

	Three months ended		
	September 30, 2022	June 30, 2022	September 30, 2021
	(In thousands, except per share data)		
Revenues:			
Products	$ 58,508	$ 61,979	$ 53,622
Services	20,443	19,596	19,560
Leasing	9,190	12,403	9,815
Total revenues	88,141	93,978	82,997
Costs and expenses:			
Cost of sales	65,710	69,663	62,834
Selling, general and administrative	22,431	22,498	25,265
Engineering and product development	2,645	2,720	3,510
Restructuring and other charges	2,180	5,765	-
Gain on sale of property, plant and equipment	(17,276)	(380)	(13)
Foreign currency transaction gains	(1,901)	(2,419)	(1,663)
Total costs and expenses	73,789	97,847	89,933
Operating income (loss)	14,352	(3,869)	(6,936)
Interest income	379	573	188
Interest expense	(131)	(99)	(94)
Income tax provision (benefit)	(610)	2,175	4,301
Net income (loss)	$ 15,210	$ (5,570)	$ (11,143)
Income (Loss) per share			
Basic	$ 0.45	$ (0.16)	$ (0.31)
Diluted	$ 0.44	$ (0.16)	$ (0.31)
Depreciation and amortization	$ 7,123	$ 7,670	$ 7,899
Capital expenditures	$ 10,283	$ 1,363	$ 2,303
Weighted Average Shares Outstanding			
Basic	33,948	34,476	35,387
Diluted	34,232	34,476	35,387

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

	September 30, 2022	December 31, 2021
	(In thousands)	
Assets:		
Cash and cash equivalents	$ 290,279	$ 355,451
Short-term investments	25,287	-
Other current assets	430,192	390,098
PP&E, net	181,359	216,200
Other assets	43,407	48,677
Total assets	$ 970,524	$ 1,010,426
Liabilities and Equity:		
Current liabilities	$ 89,287	$ 93,663
Deferred Income taxes	3,918	3,925
Other long-term liabilities	12,482	15,730
Total liabilities	105,687	113,318
Total stockholders equity	864,837	897,108
Total liabilities and equity	$ 970,524	$ 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					
	September 30, 2022		June 30, 2022		September 30, 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 income (loss)	$ 15,210	$ 0.44	$ (5,570)	$ (0.16)	$ (11,143)	$ (0.31)
Adjustments (after tax):						
Reverse the effect of foreign currency transaction gains	(1,502)	(0.04)	(1,911)	(0.06)	(1,314)	(0.04)
Restructuring and other costs, including severance	1,722	0.05	4,554	0.13	-	-
Gain on sale of property, plant and equipment	(13,648)	(0.40)	(300)	(0.01)	(10)	-
Adjusted net income (loss)	$ 1,782	$ 0.05	$ (3,227)	$ (0.10)	$ (12,467)	$ (0.35)

Dril-Quip, Inc.

Reconciliation of Net Income (Loss) to Adjusted EBITDA

Adjusted EBITDA:	Three months ended		
	September 30, 2022	June 30, 2022	September 30, 2021
	(In thousands)		
Net income (loss)	$ 15,210	$ (5,570)	$ (11,143)
Add:			
Interest (income) expense, net	(248)	(474)	(94)
Income tax provision (benefit)	(610)	2,175	4,301
Depreciation and amortization expense	7,123	7,670	7,899
Restructuring and other costs, including severance	2,180	5,765	1,400
Gain on sale of property, plant and equipment	(17,276)	(380)	(13)
Foreign currency transaction gains	(1,901)	(2,419)	(1,663)
Stock compensation expense	2,569	2,573	3,276
Adjusted EBITDA	$ 7,047	$ 9,340	$ 3,963

Dril-Quip, Inc.

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

Free Cash Flow:	Three months ended		
	September 30, 2022	June 30, 2022	September 30, 2021
	(In thousands)		
Net cash provided (used) by operating activities	$ 1,042	$ (9,281)	$ 9,323
Less:			
Purchase of property, plant and equipment	(10,283)	(1,363)	(2,303)
Free cash flow	$ (9,241)	$ (10,644)	$ 7,020

Financial Metrics | 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 & Short-Term Investments / 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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