



J.P. Morgan  
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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.

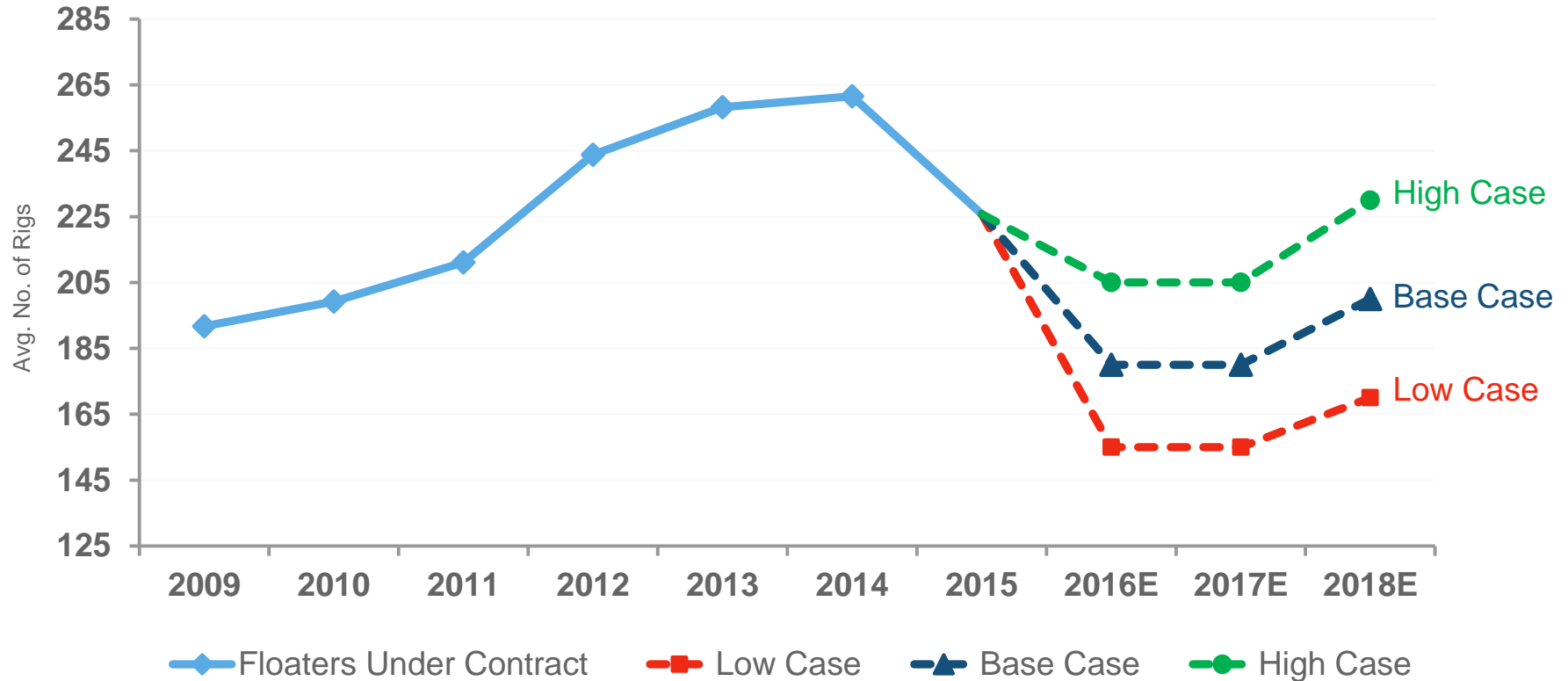


# Investment Highlights



- 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



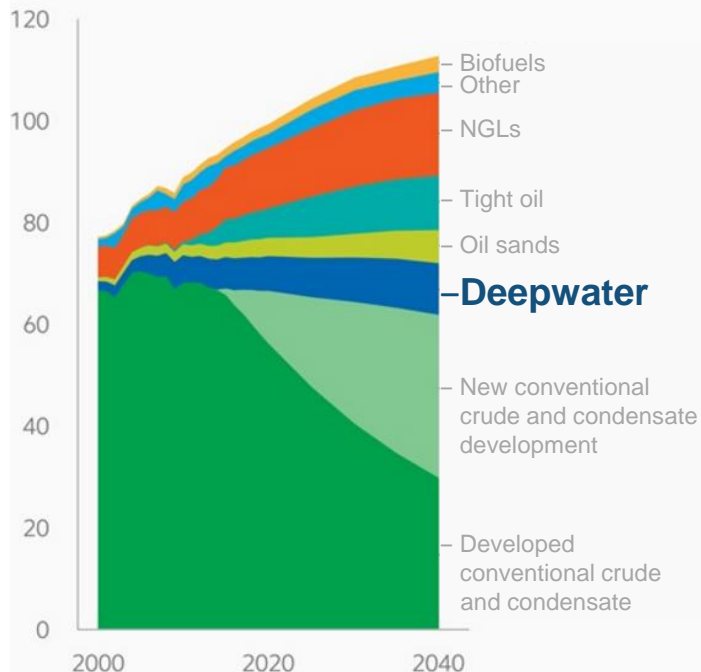
Source: IHS-Petrodata, Analyst Estimates, DRQ Estimates

# Deepwater – Down, but Not Out



## Liquids Supply by Type

mmboe/d



## 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, 2<sup>nd</sup> 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

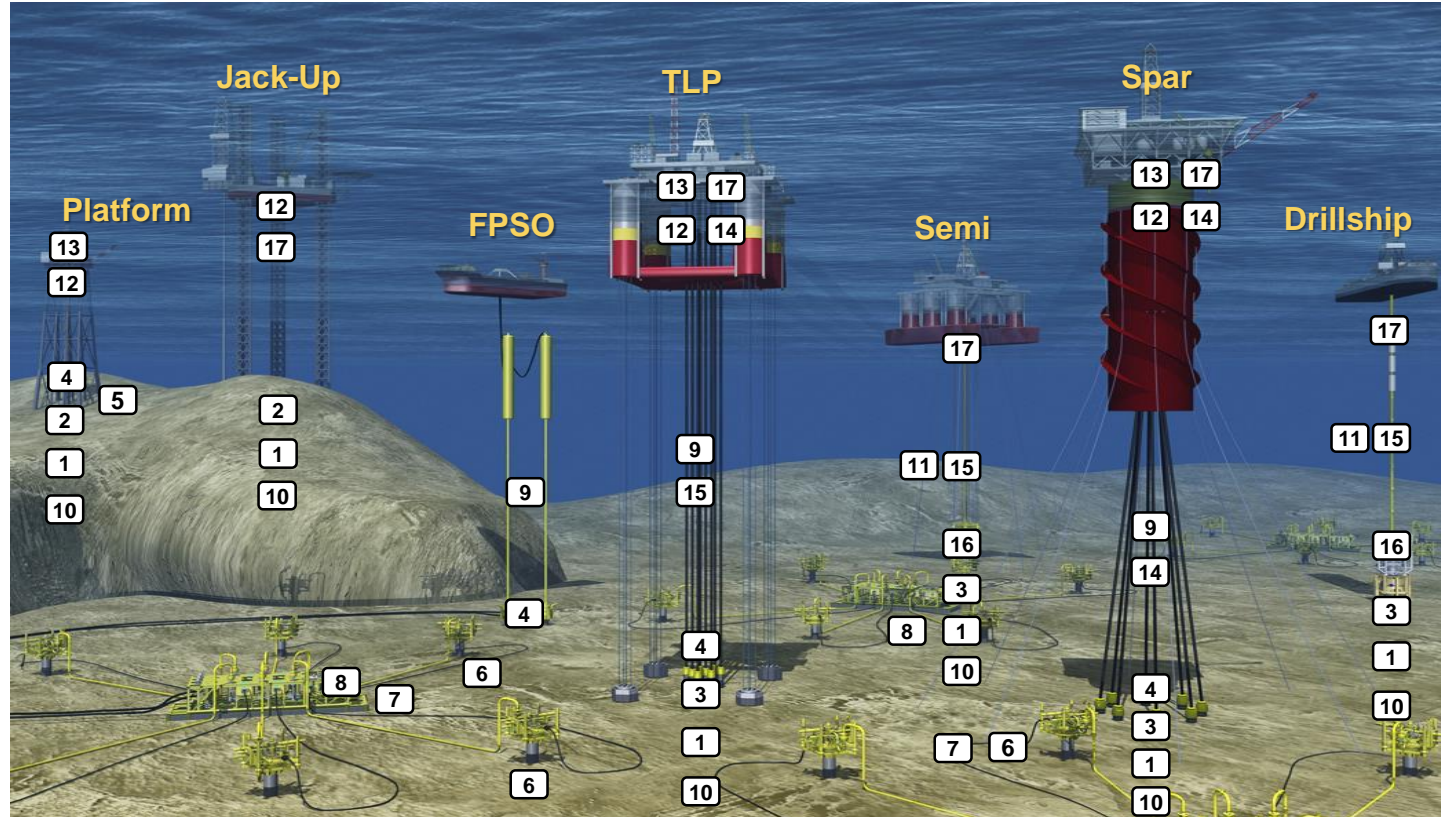
- 1 Specialty Connectors
- 2 Mudline Suspension
- 3 Subsea Wellheads
- 4 Tie-Back Connectors
- 5 Template Systems
- 6 Subsea Trees
- 7 Control Systems
- 8 Subsea Manifolds
- 9 Production Risers
- 10 Liner Hangers
- 11 Completion Risers

## 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

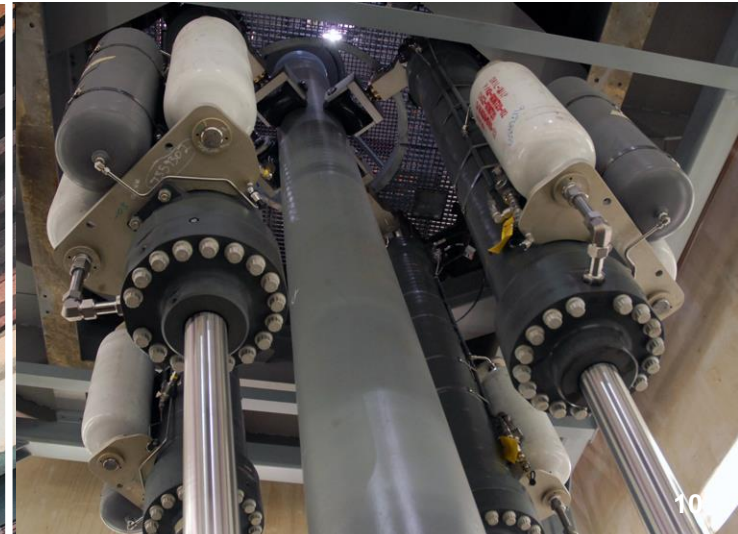


# Dry Tree Completion Systems



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

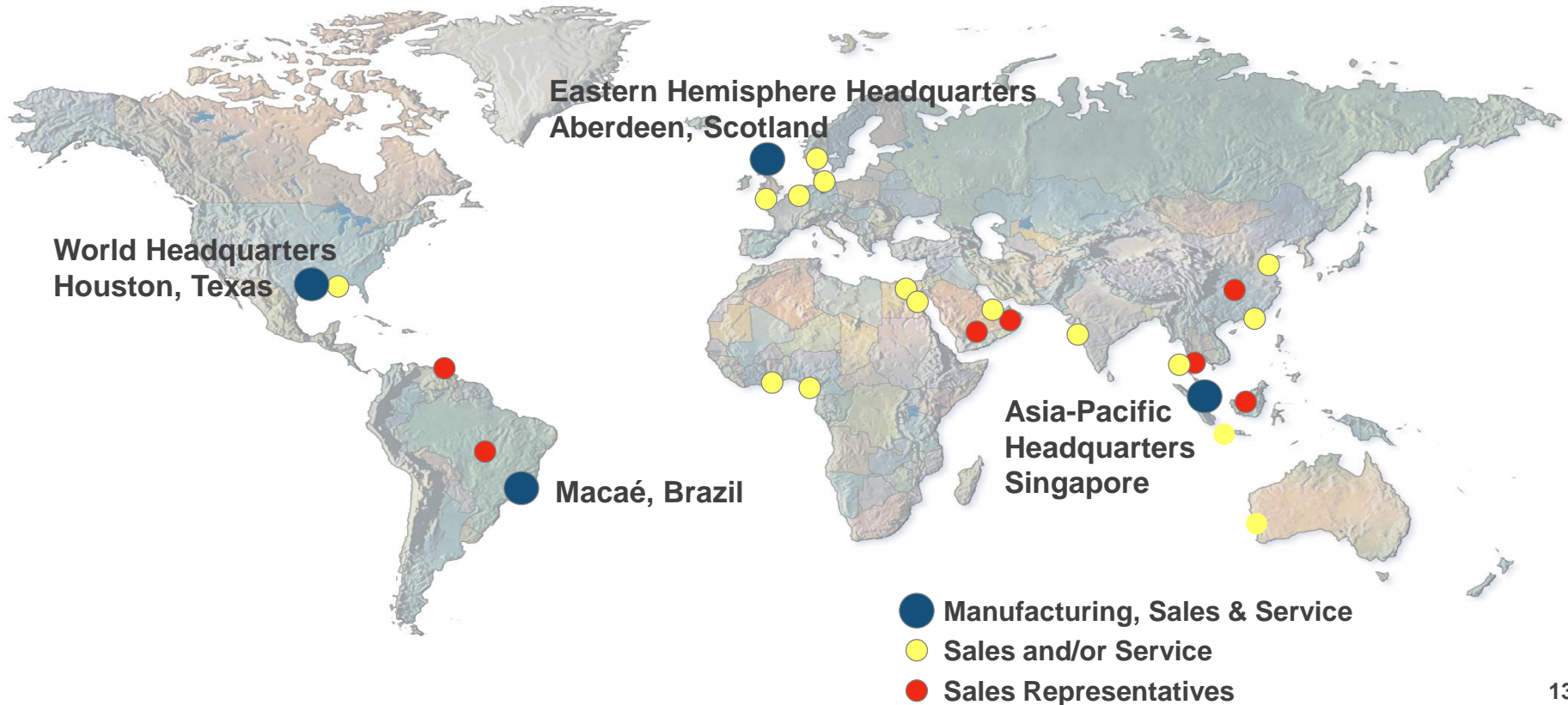


# Supporting Leading Offshore Companies



# DRIL-QUIP

# Located Worldwide To Serve Offshore Markets





# Manufacturing Locations



Houston Eldridge (218 acres)



Aberdeen, Scotland (22 acres)

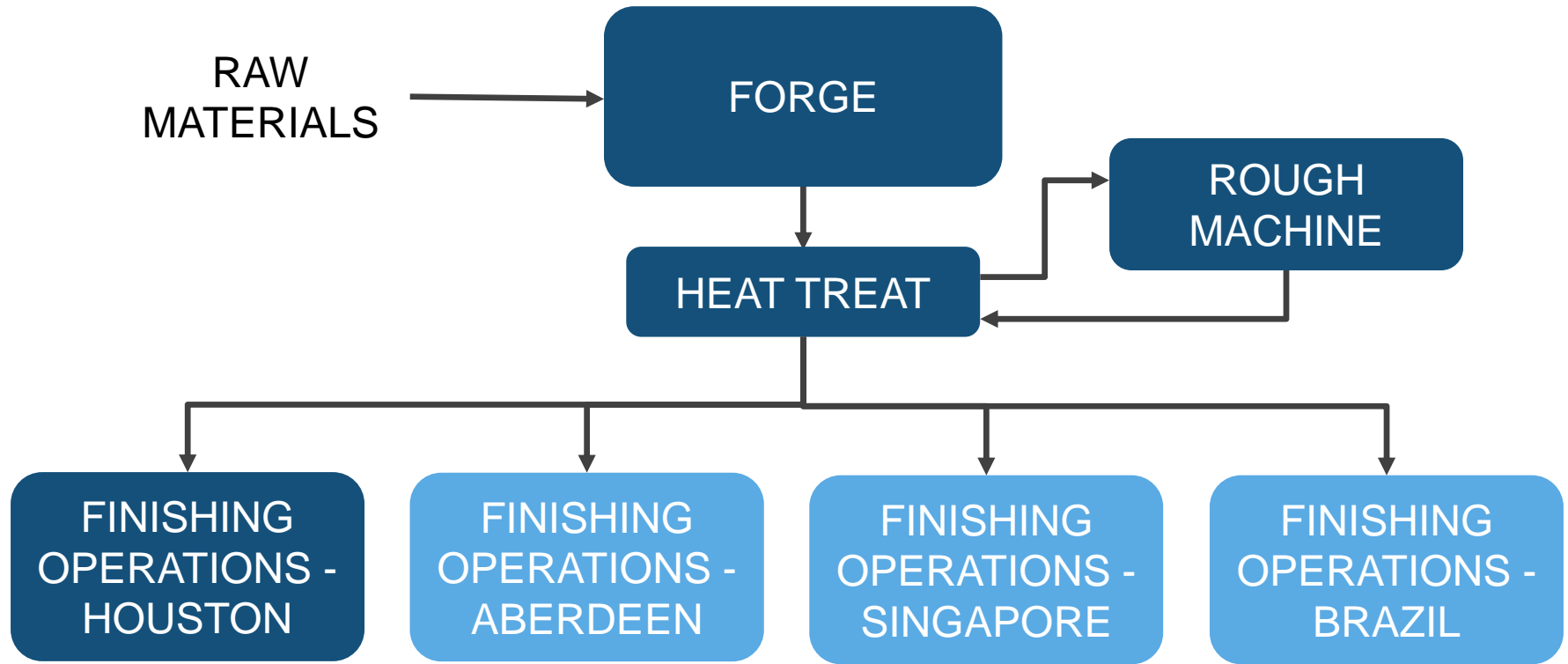


Singapore (11 acres)



Macaé, Brazil (10 acres)

# Vertically Integrated Manufacturing



# Machinery and Equipment Rebuilding



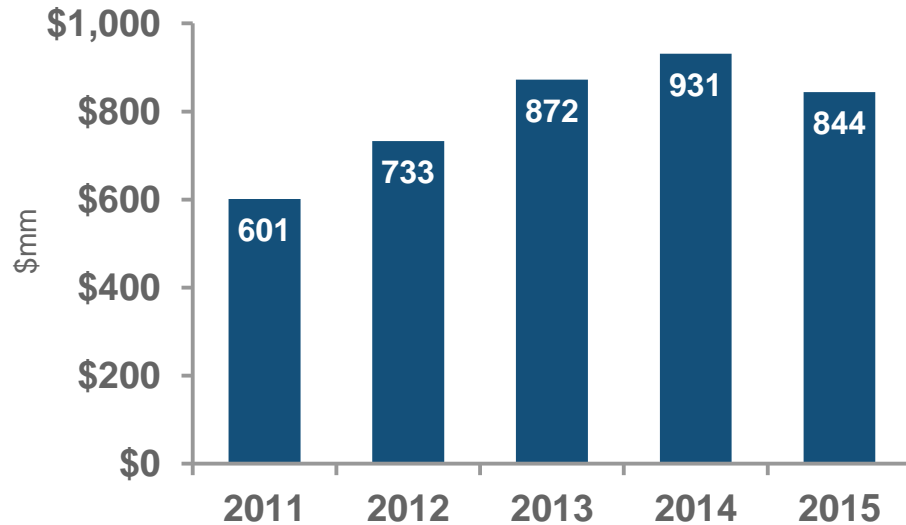
- Purchase used equipment
- Refurbish in-house with new CNC controls
- Purpose-built machine tools
- Resulting in reduced capex and lower depreciation



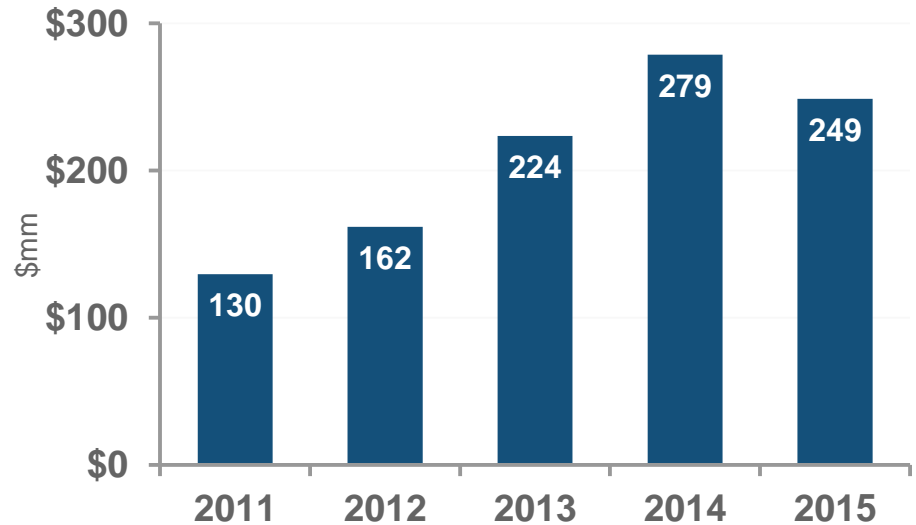
# Key Financial Results | Annual



## Revenue



## Operating Income (EBIT)



# Condensed Consolidated Statements of Income



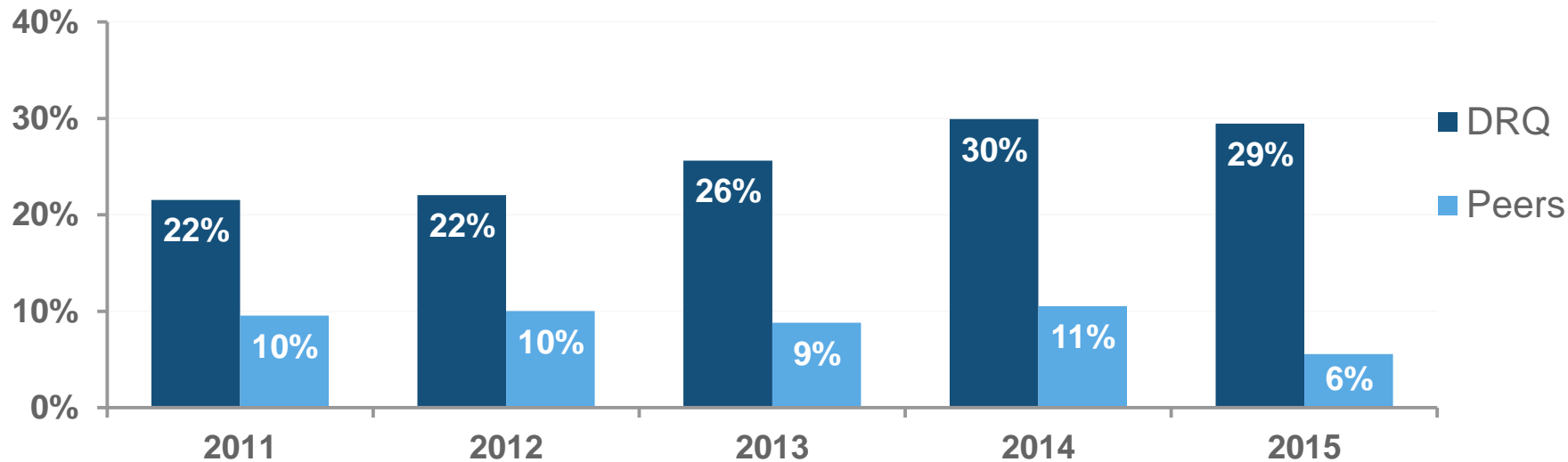
(\$mm)	For the year ended Dec. 31,			
	2015		2014	
Revenue	\$	844	\$	931
Costs and expenses:				
Cost of sales	54%	459	55%	513
S,G&A		88		93
Engineering		48		46
Total costs and expenses		595		652
Operating income (EBIT)	29%	\$ 249	30%	\$ 279
Earnings per share (diluted)		\$ 4.98		\$ 5.19



# 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

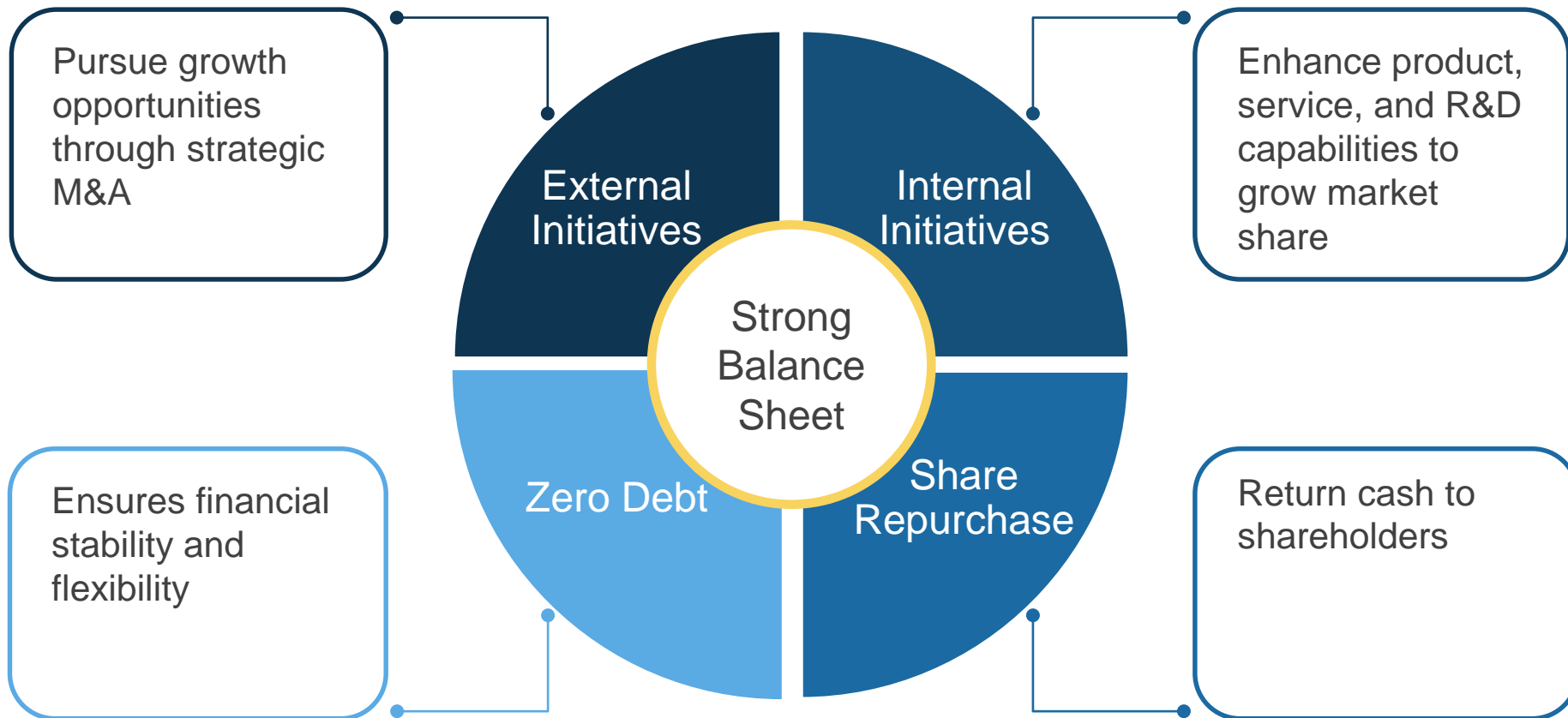
\*\*Operating (EBIT) margin defined as Operating Income divided by Total Revenue

# Consolidated Balance Sheet



(\$mm)	Dec. 31, 2015	Dec. 31, 2014
<u>Assets:</u>		
Cash	\$ 381	\$ 299
Other current assets	743	828
Property, plant and equipment, net	294	309
Other assets	10	13
Total assets	<u>\$ 1,428</u>	<u>\$ 1,449</u>
<u>Liabilities and Stockholders' Equity</u>		
Current liabilities	\$ 101	\$ 199
Long-term debt	-	-
Deferred taxes	3	5
Total liabilities	104	204
Stockholders' equity	1,324	1,245
Total liabilities and stockholders' equity	<u>\$ 1,428</u>	<u>\$ 1,449</u>

# Forward Focused





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