



# Investor Presentation

*Third Quarter 2023*

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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, but are not limited to, 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 the COVID-19 pandemic and the effects thereof, the general volatility of oil and natural gas prices and cyclicity 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](http://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.



# About Us



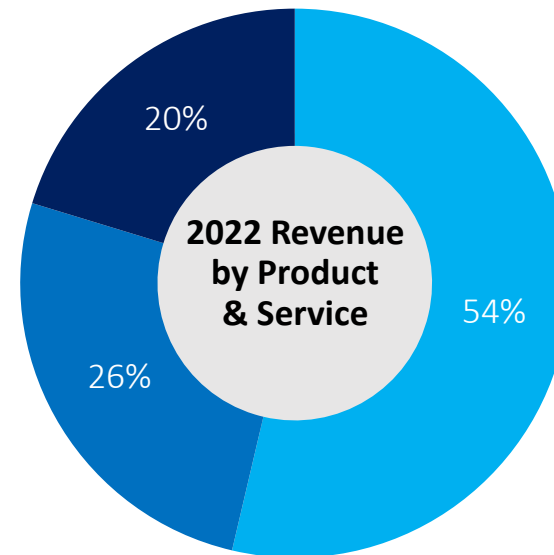
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# Who We Are | Dril-Quip Overview

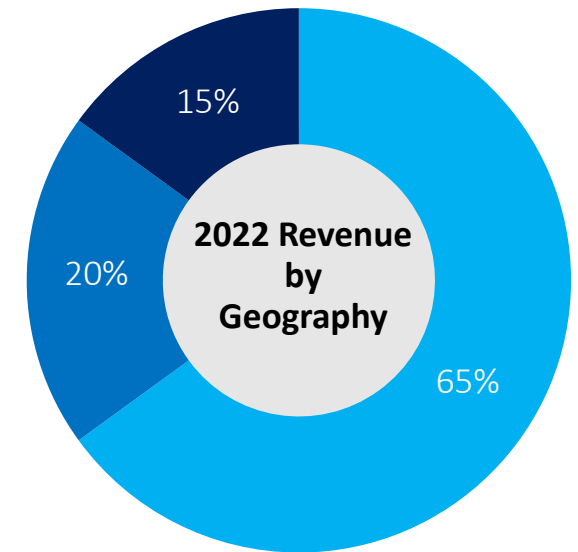


**Dril-Quip, Inc. is a leading developer of innovative technologies for the energy industry, designing and manufacturing best-in-class products for traditional oil and gas, and certain energy transition applications.**

<b>\$884 Million</b>	Market Cap <sup>1</sup>
<b>Houston, TX</b>	Headquarters
<b>\$361.9 Million</b>	2022 Revenue
NYSE since 1997	<b>DRQ</b>
Operations	<b>19 Countries</b>
Global Employees	<b>1,356</b>



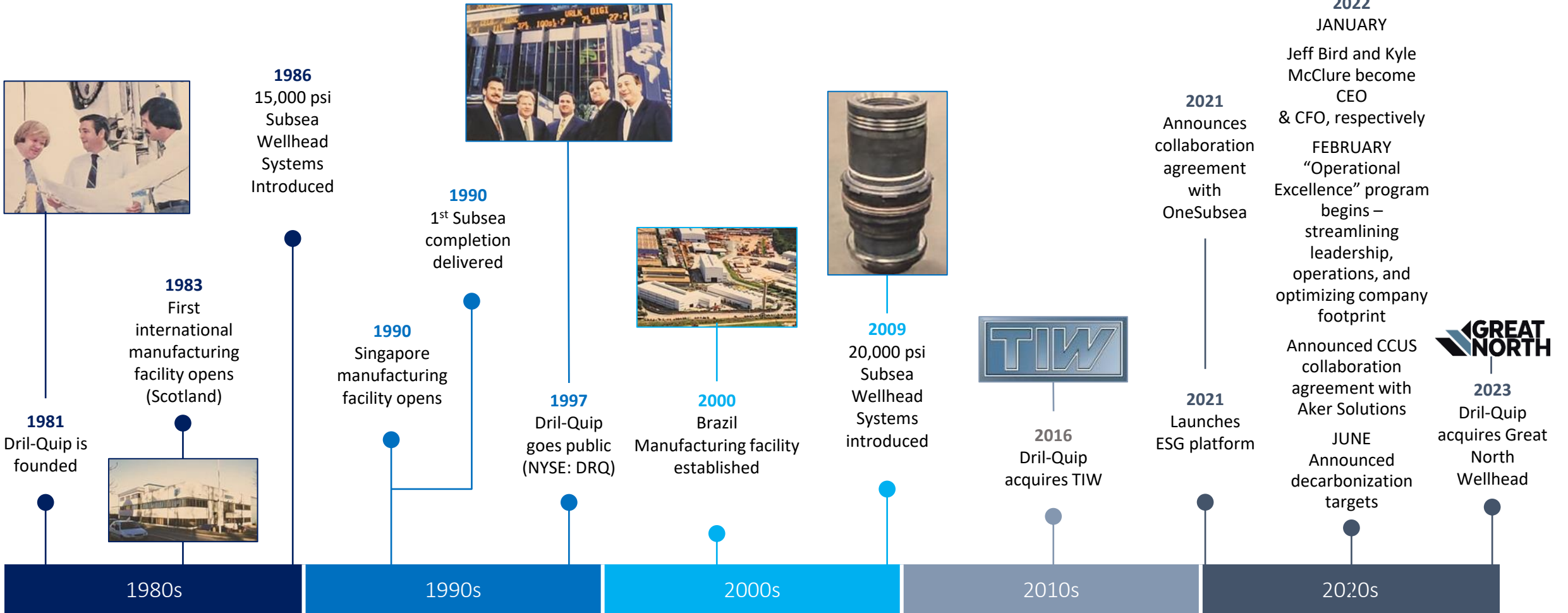
- Subsea Products
- Subsea Services
- Well Construction



- Western Hemisphere
- Eastern Hemisphere
- Asia Pacific

Notes: As of 10/17/23

# Our History | Dril-Quip Over the Years



**Dril-Quip provides a balanced investment proposition to growth and value investors, supported by a long history of commanding premium valuation.**



## **Leader in Design & Manufacturing**

Manufacturer of highly engineered drilling & production equipment



## **Footprint in Key Offshore Drilling Markets**

Competing in attractive long-term growth markets



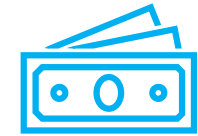
## **Organizational Alignment**

Small, self-contained teams that share a common strategy and control of own destiny



## **Strong Financial Profile**

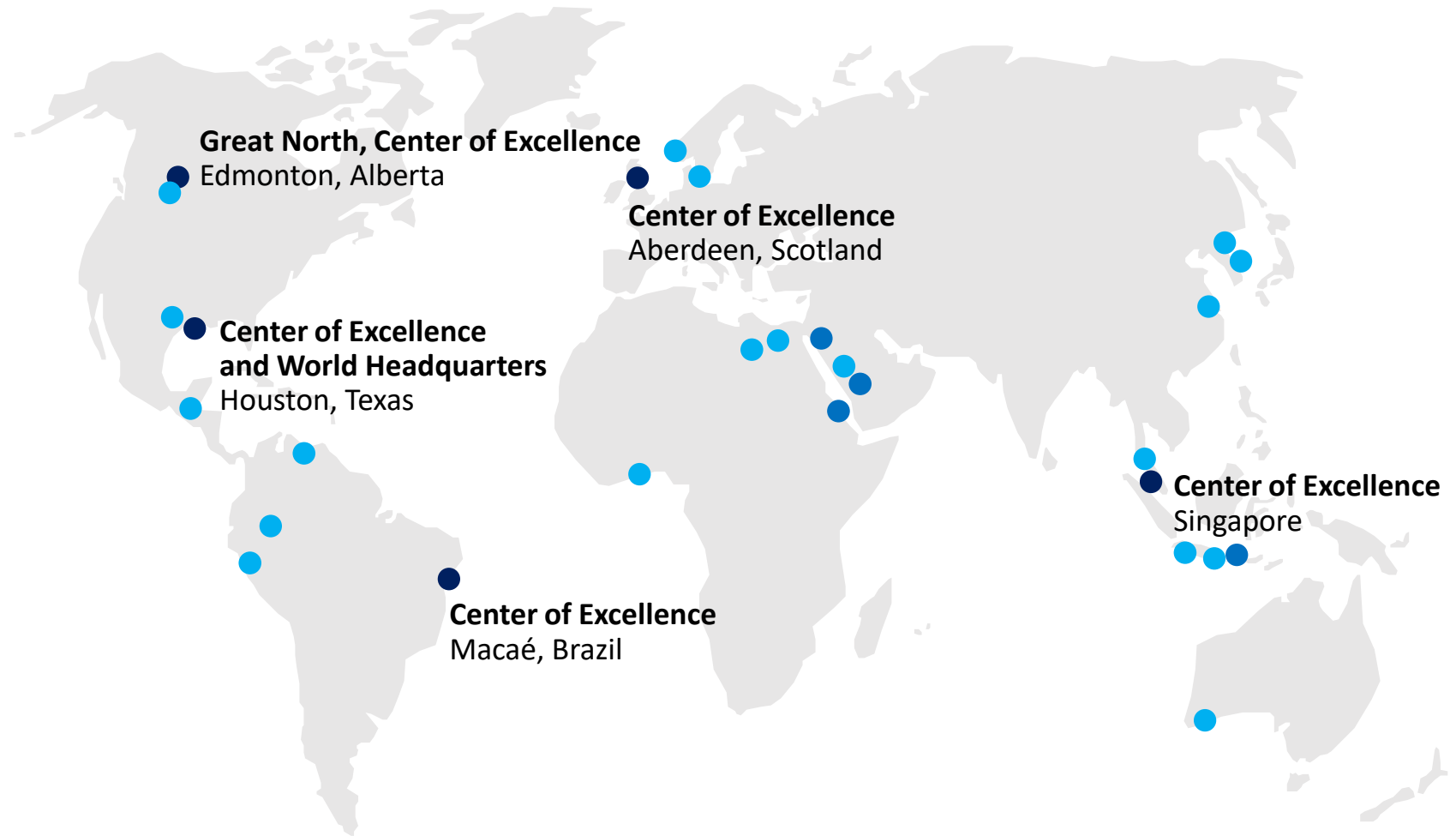
Continued progression on key organic initiatives that will drive profitable growth



## **Attractive Balance Sheet**

One of very few oilfield service companies with balance sheet optionality

**Dril-Quip is well positioned to serve the needs of the global energy industry with major manufacturing facilities in the United States (Texas), Canada, Scotland, Brazil and Singapore; and service facilities in Australia, Ecuador, Mexico, Norway, China, Egypt, Saudi Arabia Ghana, and Qatar.**



- Engineering, Manufacturing, Sales & Service
- Sales and/or Service
- Sales Representatives

# Customers | Extensive Customer Portfolio



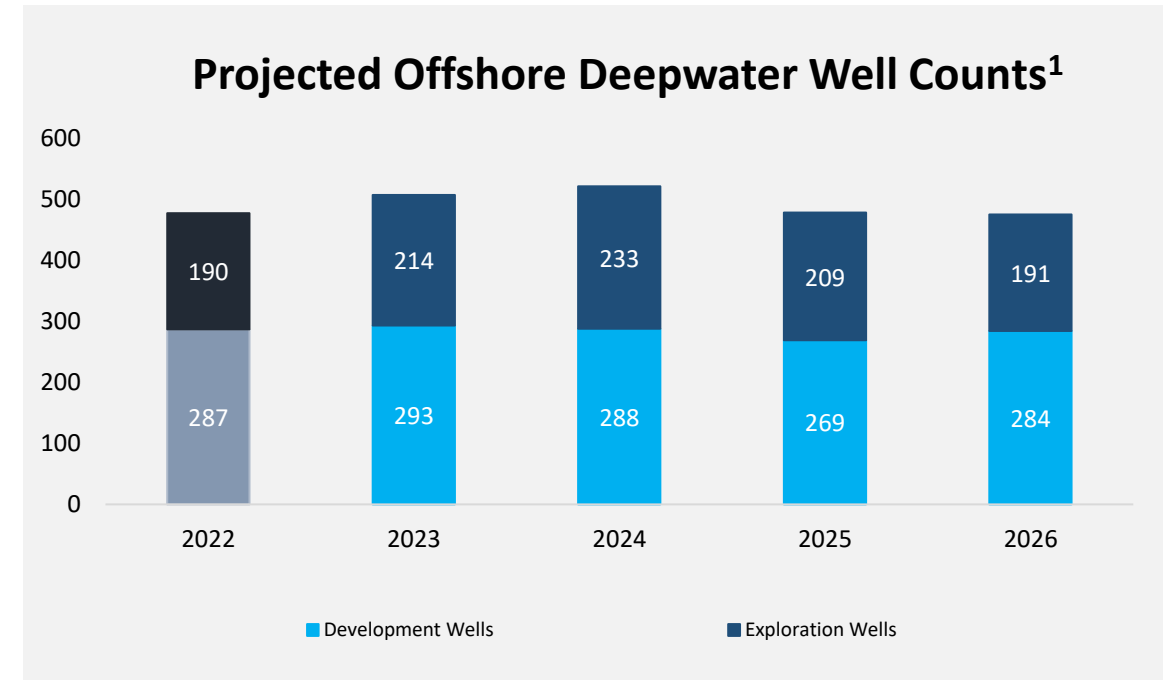
Our products are used by major integrated, independent, and foreign national energy companies throughout the world, and we are known for solving customers' most challenging problems with equipment that performs reliably, safely, and cost-effectively in deepwater, harsh environments, and severe service applications.





## Increasing tender volume and average quote value remains above pre-pandemic levels

- Compelling supply and demand fundamentals in traditional energy requirements and energy transition needs
- Supportive commodity prices and stability favorable for durable investment
- Oil & Gas demand is strong and showing resilience in uncertain economic conditions regionally
- International Energy Agency forecast Oil & Gas demand growth of 2.0 million barrels per day to 101.9 million total barrels per day in 2023
- Tight supply, modest production growth and growing demand indicate ongoing investment
- Energy security spurring investment, projects, partnerships, and increased offshore exploration
- Focus on decarbonization supporting R&D and ongoing investment across the space



Notes: <sup>1</sup>Based on exploration drilling forecast combined with tree forecasts from Rystad Energy

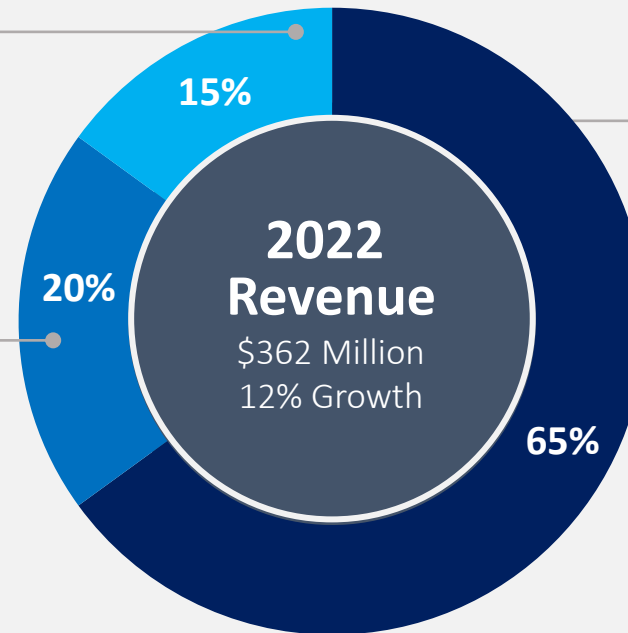
**Dril-Quip is well positioned to capitalize on a constructive offshore market with strong growth trends in Brazil, the Middle East, Norway, Latin America, and in reemerging markets such as West Africa.**

## Asia-Pacific

- Represented 15% of total revenue for FY 2022
- Upswing in activity in the region, particularly in Middle East, is expected to drive demand for subsea products and well construction

## Eastern Hemisphere

- Represented 20% of total revenue for FY 2022
- Long-term CCUS potential through our partnership with Aker Solutions
- Activity in Norway is seeing an uptick in demand due to energy security concerns

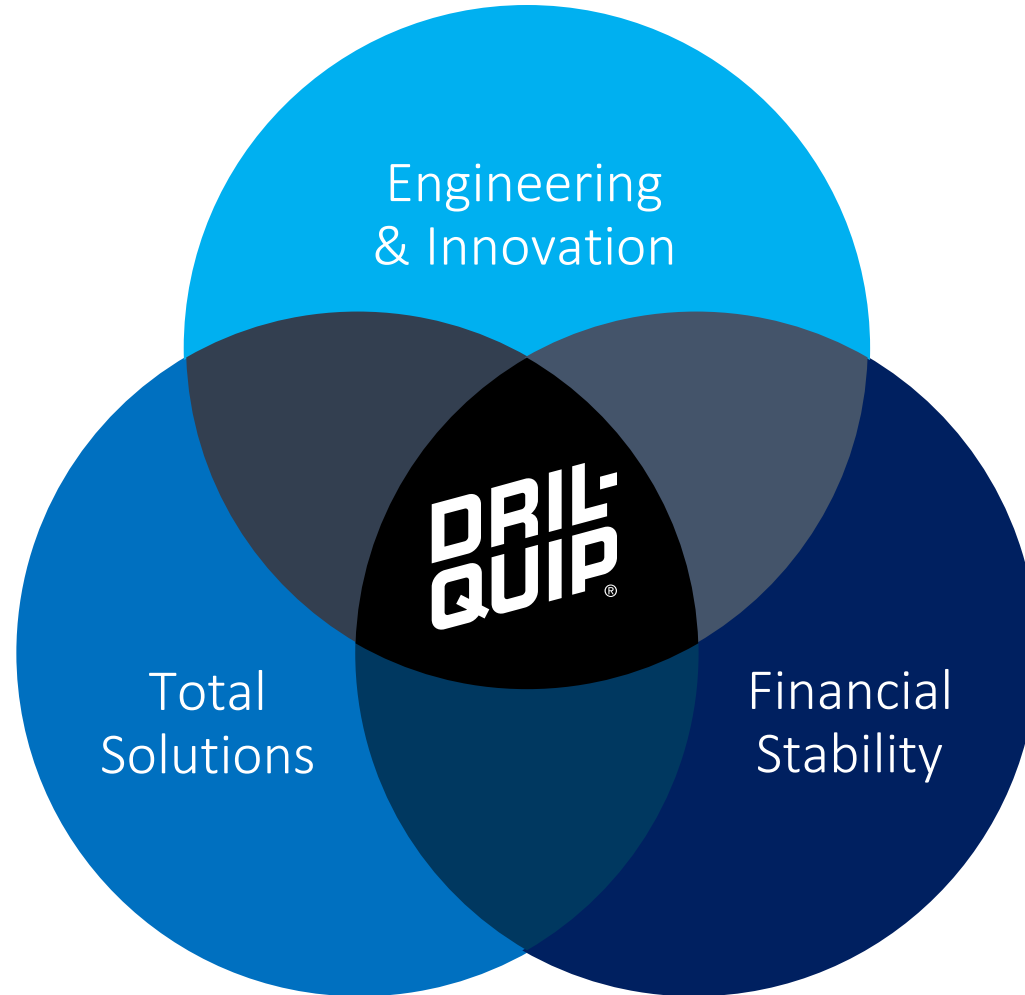


## Western Hemisphere

- Represented 65% of total revenue for FY 2022
- Strong growth in Brazil from Petrobras, which plans to invest \$78 billion between 2023 – 2027 with plans to drill ~350 wells
- Guyana and Suriname in the early stages of development for DRQ with follow on orders expected in 2023 and beyond

Notes:

1. Western Hemisphere includes North and South America
2. Eastern Hemisphere includes Europe and Africa
3. Asia-Pacific includes Pacific Rim, Southeast Asia, Australia, India, and the Middle East



- **Highly engineered, innovative solutions** designed to withstand the harshest environments, saving customers time and money
- Award-winning drilling and production products and services are utilized to **provide total solutions for field developments**
- Long operating history and a clean balance sheet with zero debt provides **strong financial stability**

# Commercial Excellence | Growth Update

*Focusing on core growth markets globally.*



- 1 **Brazil Growth – Subsea Wellheads & Liner Hangers**
- 2 **Latin America Expansion – Great North Wellheads**
- 3 **Saudi Arabia Growth – Liner Hangers & Great North Wellheads**

2023

2024

2025 & Beyond

# Operational Excellence Initiatives | Progress Update



*Driving organizational culture of continuous productivity improvement.*

## Footprint & Business Unit Restructuring

**\$5 million expected annual savings**

## Wellhead Manufacturing Investment

**\$10 million expected annual savings**

## Best Cost Region Supply Chain

**\$10 million - \$15 million expected annual savings**

Targeting >10% Adjusted EBITDA Margin

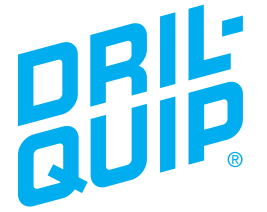
Targeting 15%-18% Adjusted EBITDA Margin

Targeting >20% Adjusted EBITDA Margin

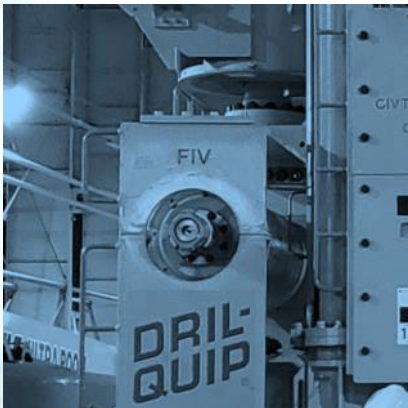
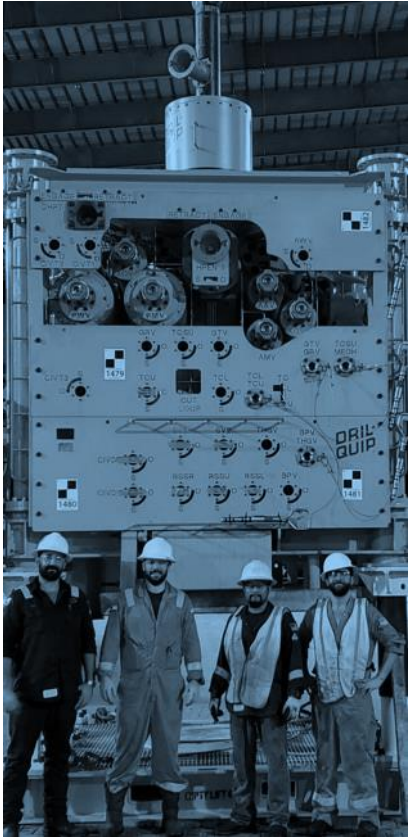
2023

2024

2025

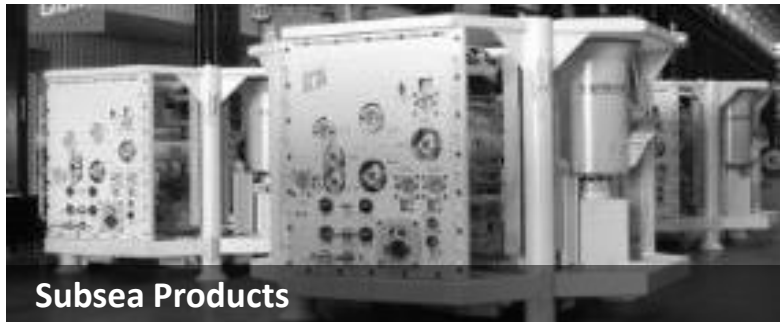


# Strategic Operating Products & Services



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**Dril-Quip is in the process of streamlining operations and leadership around more focused and integrated product and service lines in a manner that aligns with the strategy.**



*Market leader in subsea wellhead equipment and technology, manufacturing highly engineered, **field-proven products with wide array of deepwater drilling** equipment and technology that meets the requirements for **harsh subsea environments***



*Provider of **high-level aftermarket support** and technical services with field technicians that support the **full lifecycle management** of regulatory and industry standards, as well as offering clients **comprehensive industry training programs***



*Drilling, completions and productions solutions provider for **onshore and offshore** markets, supplying **consumable and rental well construction** products for the global energy market and offering highly experienced personnel with **extensive operational knowledge and engineering expertise***

**Business supported by Dril-Quip's expansion into high-growth decarbonization opportunities in our Energy Transition offering longer term.**

# Robust Product Offering | Equipment



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Wide range of innovative products serving the energy industry, even in the harshest environments.

## SUBSEA EQUIPMENT

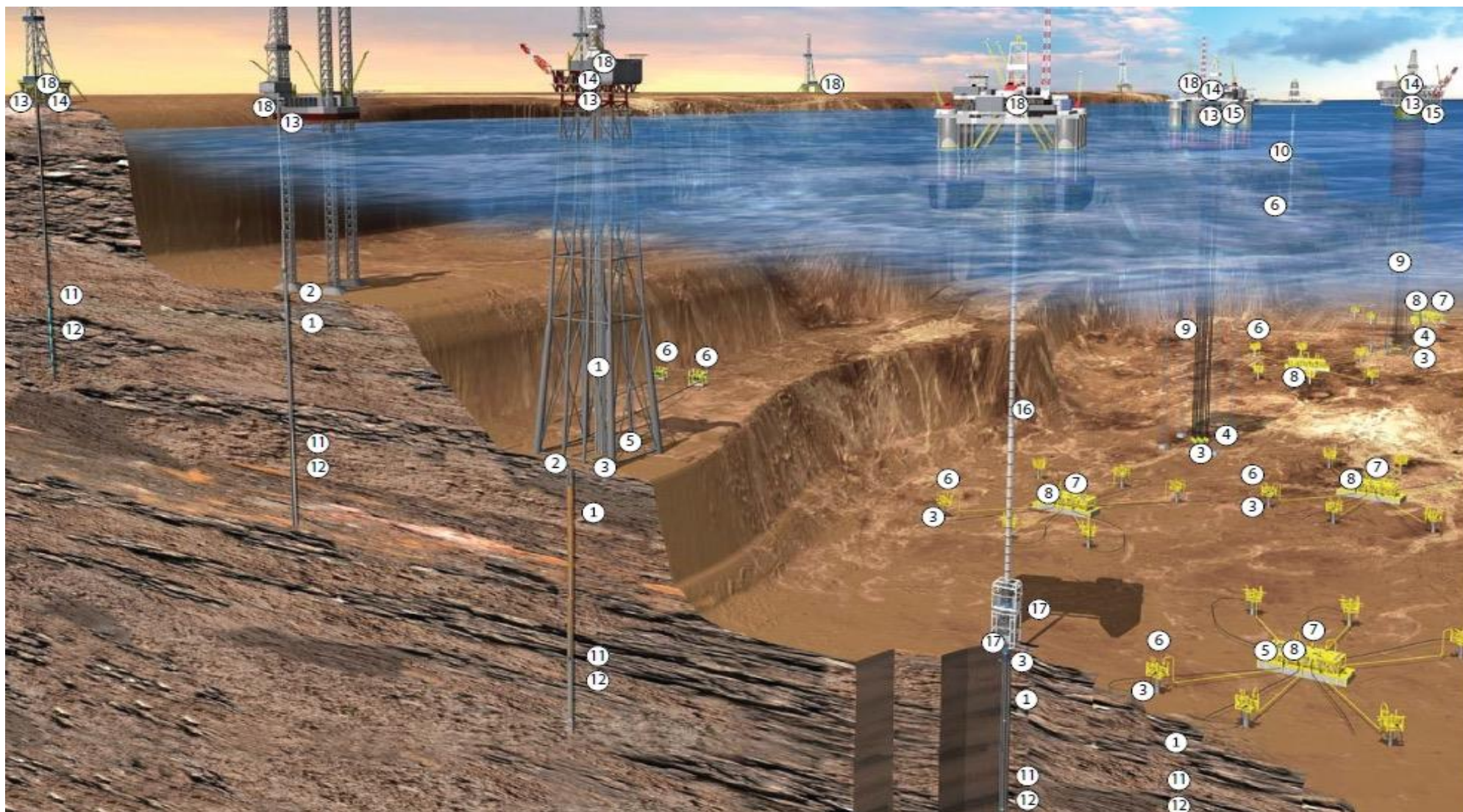
- ① Specialty Connectors
- ② Mudline Suspension
- ③ Subsea Wellheads
- ④ Tie-Back Connectors
- ⑤ Template Systems
- ⑥ Subsea Trees
- ⑦ Control Systems
- ⑧ Subsea Manifolds
- ⑨ Production Risers
- ⑩ Completion Risers
- ⑪ Liner Hangers
- ⑫ Downhole Tools

## SURFACE EQUIPMENT

- ⑬ Surface Wellheads
- ⑭ Surface Trees
- ⑮ Riser Tensioners

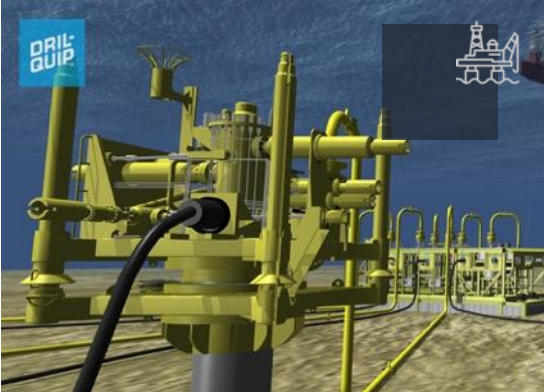


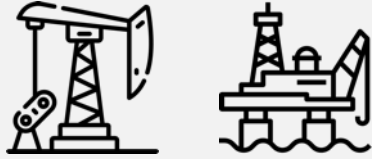


## OFFSHORE RIG EQUIPMENT

- ⑯ Drilling Risers
- ⑰ BOP Stack Connectors
- ⑱ Diversers







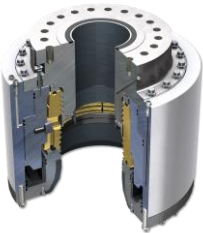
	PRODUCTS & SERVICES	EXPOSURE	PRIMARY MARKETS
SUBSEA PRODUCTS	 <ul style="list-style-type: none"> <li>• Subsea Wellheads</li> <li>• Specialty Connectors &amp; Associated Pipes</li> <li>• Subsea Production Systems</li> <li>• Mudline Hanger Systems</li> <li>• Production Riser Systems</li> <li>• Dry Tree Systems</li> <li>• Subsea Manifolds</li> </ul>		<ul style="list-style-type: none"> <li>• U.S. Gulf of Mexico, Mexico, Brazil, Trinidad &amp; Tobago</li> <li>• United Kingdom, Norway</li> <li>• Saudi Arabia, Ghana</li> <li>• China, Indonesia, Australia</li> </ul>
WELL CONSTRUCTION	 <ul style="list-style-type: none"> <li>• Liner Hangers &amp; Expandable Liner Systems</li> <li>• Multi-frac Well Connectors</li> <li>• Conventional Wellhead</li> <li>• Thermal Wellhead</li> <li>• Specialty Well Construction</li> <li>• Completion Packers</li> <li>• Safety &amp; Kelly Valves</li> <li>• Rental &amp; Service</li> </ul>		<ul style="list-style-type: none"> <li>• Canada</li> <li>• Deepwater Gulf of Mexico</li> <li>• Latin America                             <ul style="list-style-type: none"> <li>– Brazil</li> <li>– Ecuador</li> <li>– Mexico</li> </ul> </li> <li>• Saudi Arabia</li> <li>• Namibia</li> </ul>
SUBSEA SERVICES	 <ul style="list-style-type: none"> <li>• Technical Advisor Assistance</li> <li>• Leasing of Subsea Equipment</li> <li>• Reconditioning</li> <li>• Storage &amp; Maintenance</li> <li>• Rental Tools</li> </ul>		<ul style="list-style-type: none"> <li>• U.S. Gulf of Mexico, Mexico, Brazil, Trinidad &amp; Tobago</li> <li>• United Kingdom, Norway</li> <li>• Saudi Arabia, Ghana</li> <li>• China, Indonesia, Australia</li> </ul>

**Manufacturer of highly engineered, field-proven products with a wide array of deepwater drilling equipment and technology that meet the requirements for harsh subsea environments.**



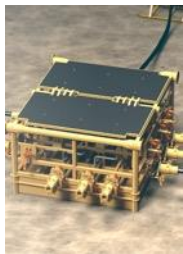
## Wellheads

- Field-proven wellhead system specially designed to meet the many challenges of working in shallow or deep-water environments and shallow or ultra-deep well applications



## Connectors & Surface Equipment

- Specialty connector suite of products that meet the varying casing challenges faced across well applications
- Solutions focused surface and capital drilling equipment that offer the appropriate balance of technology and economy



## Subsea Production Systems

- Innovative drilling and production products providing comprehensive field development solutions
- Production Trees, Manifolds, Connection & Control Systems, Production PLEM's, PLET's, Flowline Jumpers

## Initiatives & Accolades

- 673 patents
- Tier 1 wellhead provider
- Executing collaboration agreements
- Targeting shallow water and CCUS opportunities through SBTe offering

**Provider of high-level aftermarket support and technical services with field technicians that support the full installation and lifecycle management of regulatory and industry standards, as well as offer industry training programs.**



## Aftermarket Capabilities

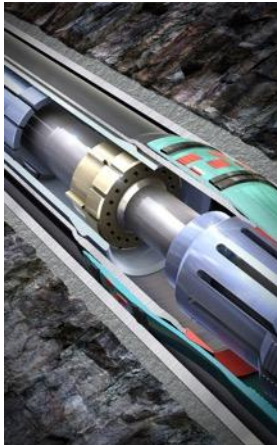
- Partners with customers throughout the lifecycle including full installation, strip-down, inspection, testing, assembly capabilities
- In-house machining capabilities for manufacturing and repairing from the smallest components to full subsea tree blocks
- Comprehensive engineering, project, and back-office support functions for seamless and continuous customer support
- Ability to serve customers and projects in the harshest environments

## Initiatives & Accolades

- Highly reactive support for equipment installation
- Global network of trained technicians and specialized tooling
- Dedicated facilities for refurbishment and rework

# Our Business | Well Construction Profile

**Well Construction provides solutions for onshore and offshore markets, supplying consumable and rental products for the global energy market and offering highly experienced personnel with extensive expertise.**



## Expandable Liner Hangers – XPak™ & Big Bore XPak De®

- Features innovative liner top anchor/sealing device, providing unmatched reliability
- Robust system suitable for HTHP and challenging applications
- Established technology with limited competitors

## Conventional & Thermal Wellhead Products

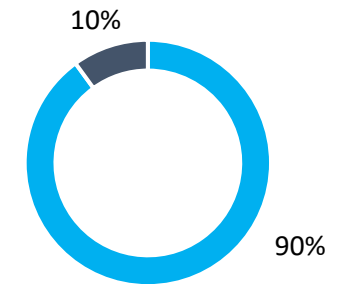
- Technical, engineered-to-order wellheads used in heavy oil and thermal production locations

## Rental Completion Solutions

- Multi-Well Frac Connector™
- Missile Frac Solution
- Dart & Frac Ball Launchers

## Casing Hardware & Well Services

- Providing accessories to liner hanger operations & long-string cementing
- Well intervention and slot recovery
- Tubular Running Services



■ International Onshore\* ■ Deepwater

## Initiatives & Accolades

- 388 patents
- Gaining share in key markets (Brazil, Canada, Namibia, US, Mexico)
- Converting from conventional to expandable liner hangers
- Focus on expanding presence in Saudi Arabia
- Integrating Great North into portfolio and expanding reach internationally

\*Splits inclusive of Great North Wellhead  
2023 Proforma Impact

# Energy Transition | Long-Term Opportunity



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Helping our customers adapt and evolve to the Energy Transition, while positioning DRQ to support these long-term, robust opportunities.

## Positive reduction of carbon footprint

- Measurement/audit of carbon footprint across our product portfolio
- Next generation Power of e™ incorporating Green by Design™

## Carbon conscious R&D

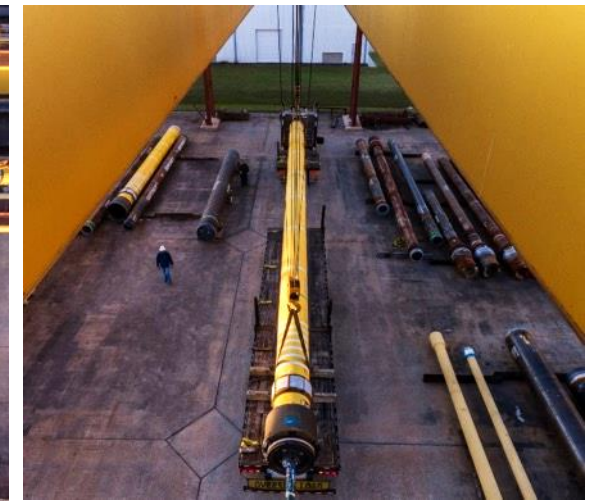
- Measurement of carbon footprint reduction per project
- Carbon footprint decision metric incorporated across operations
- Next generation Power of e™ incorporating Green by Design™ innovation philosophy

## Low Carbon Solutions

- Focus on CCUS markets
- Positive impact to carbon footprint through innovative technology application
- Develop adjacent markets to derive value

## eVolving industry

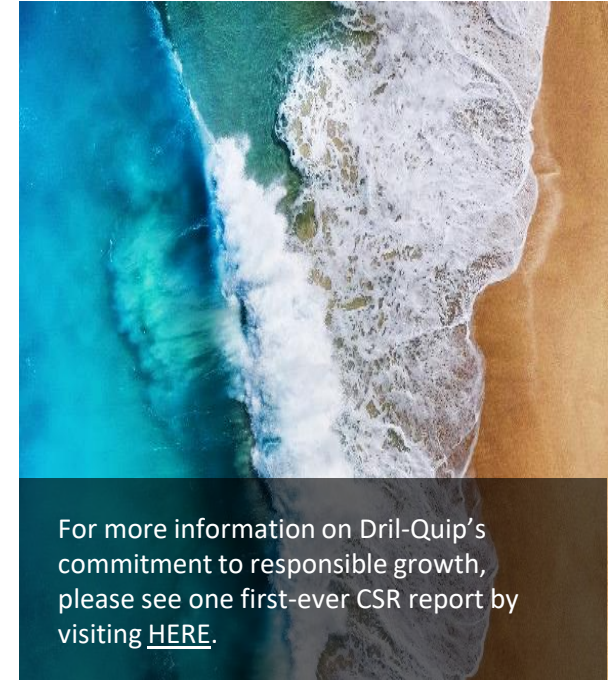
- Less steel/materials
- Less transportation
- Efficient operations
- Effective manufacturing
- Increased competitiveness
- Lower carbon footprint



At Dril-Quip, we believe technological innovation is key to improving energy efficiency and providing people around the world with universal access to reliable, affordable, clean energy. By doing so, we seek to stimulate economic growth and enhance the standard of living for all, improving health and creating employment opportunities globally.

**With an “A” rating from MSCI ESG, Dril-Quip’s approach to developing products that align with our commitment to UN Sustainable Development Goals (SDGs) is straightforward:**

- We continuously **engage** with customers to understand their strategic priorities around energy efficiency and carbon emission reduction.
- We **invest** heavily in R&D as innovation has been central to technologies we have been bringing to the marketplace since 1981 and incorporate the evaluation of climate change risks and opportunities in our R&D processes.
- We **innovate** based on customer feedback and continuously improve our product portfolio.
- We **empower** customers to minimize health and safety risks while reducing their carbon footprint.
- We **support** our local communities by fostering the availability of clean, affordable energy to all.



For more information on Dril-Quip’s commitment to responsible growth, please see our first-ever CSR report by visiting [HERE](#).



# Financial Performance



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# Recent Highlights | Third Quarter 2023



## Ongoing upcycle in the offshore market continues to create strong demand.

- Second consecutive quarter of positive cash flow from operations and positive free cash flow; highest quarterly free cash flow amount since 2017 of \$21.4 million
- First delivery of XPak DE™ liner hangers for exploratory projects in West Africa
- Participation in a geothermal project in New Zealand through our connector product line
- Remain on track to complete footprint optimization initiatives by year end 2023
- Successfully completed the acquisition of Great North which contributed \$15.5 million to third quarter revenue

Third Quarter
<b>Revenue</b> \$117.2 Million +33% YoY
<b>Net Loss</b> \$7.0 Million -\$20.3 Million YoY
<b>Adjusted EBITDA</b> \$12.4 Million +\$5.3 Million YoY
<b>Bookings</b> \$46.5 Million -25% YoY
<b>Gross Margin</b> 27.0% +154 BPs YoY



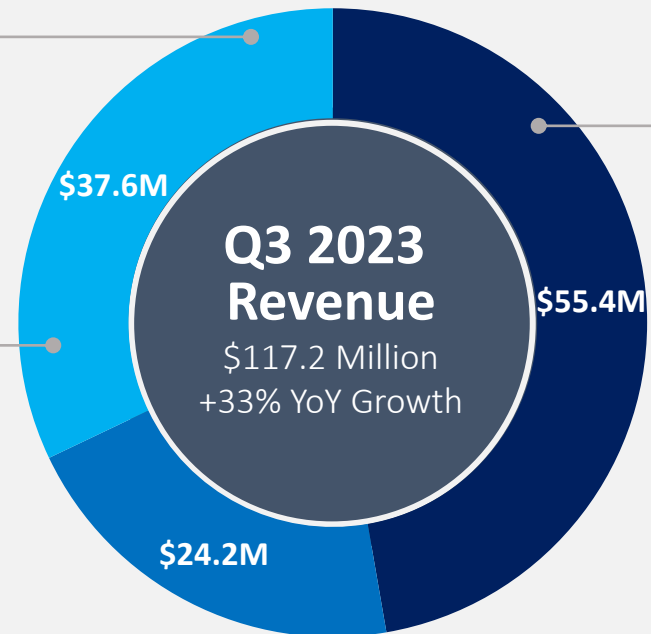
**New operating segments effective in 2023 provide better visibility into Dril-Quip’s business and align financial reporting with the Company’s internal operating structure.**

## Well Construction

- 117% YoY growth
- Includes: Liner Hangers & Expandable Liner Systems, Onshore Wellheads, Specialty Downhole Tools, Safety & Kelly Valves, and Rental & Service

## Subsea Services

- 6% YoY growth
- Includes: Technical Advisor Assistance, Leasing of Subsea Equipment, Reconditioning, Storage & Maintenance, and Rental Tools



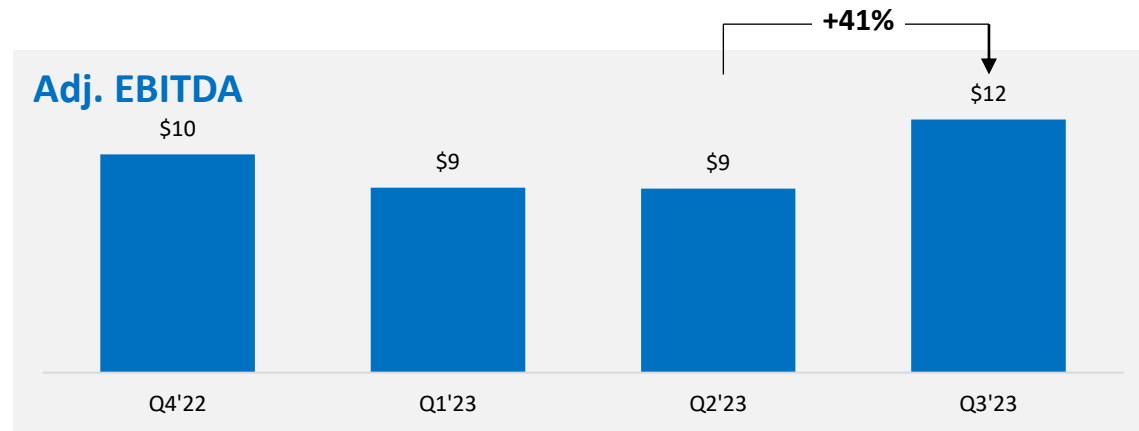
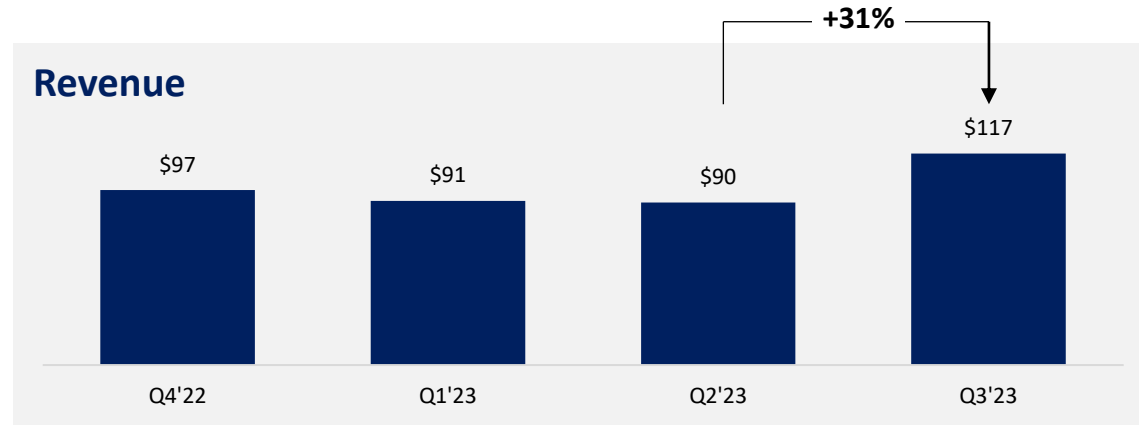
## Subsea Products

- 15% YoY growth
- Includes: Subsea Wellheads, Specialty Connectors & Associated Pipes, Subsea Production Systems, Mudline Hanger Systems, Production Riser Systems, Dry Tree Systems, and Subsea Manifolds

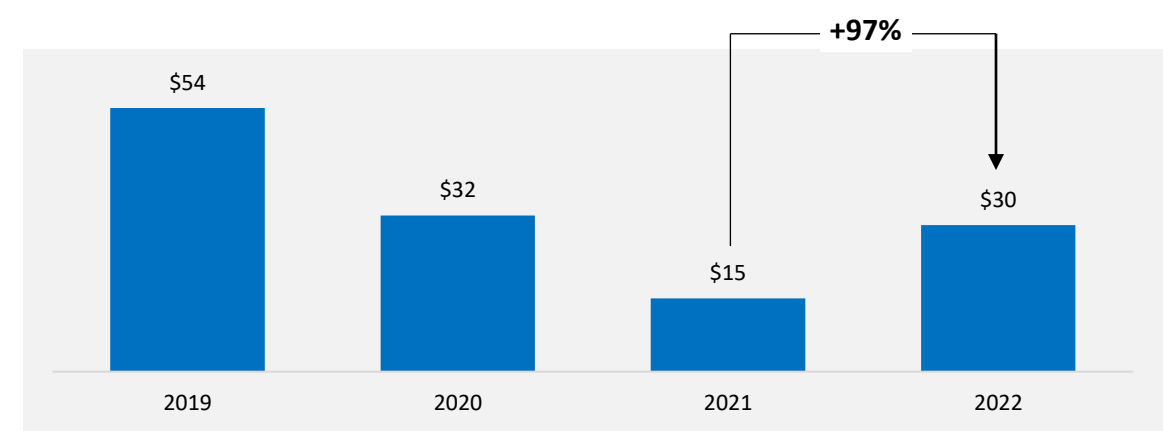
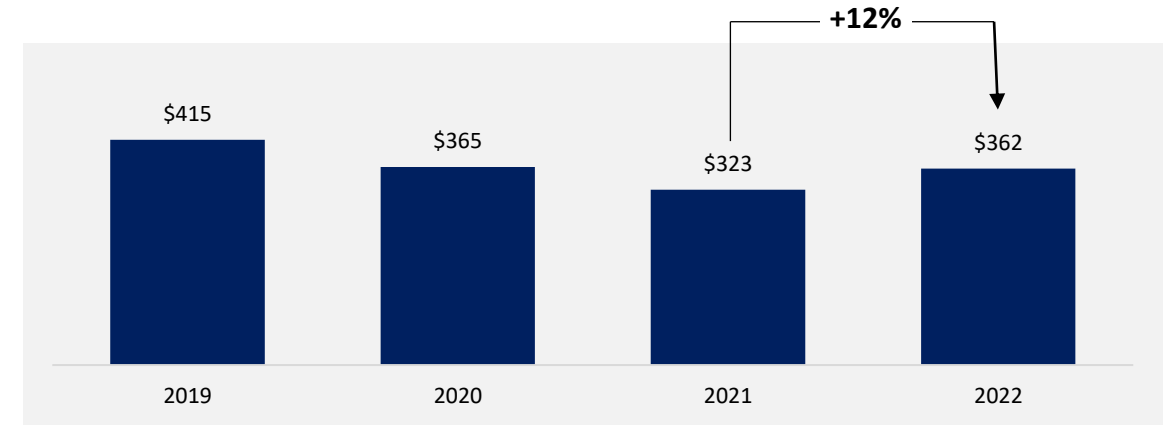
# Financial Results | Quarterly and Full Year



## Quarter (USD\$ millions)



## Full Year (USD\$ millions)

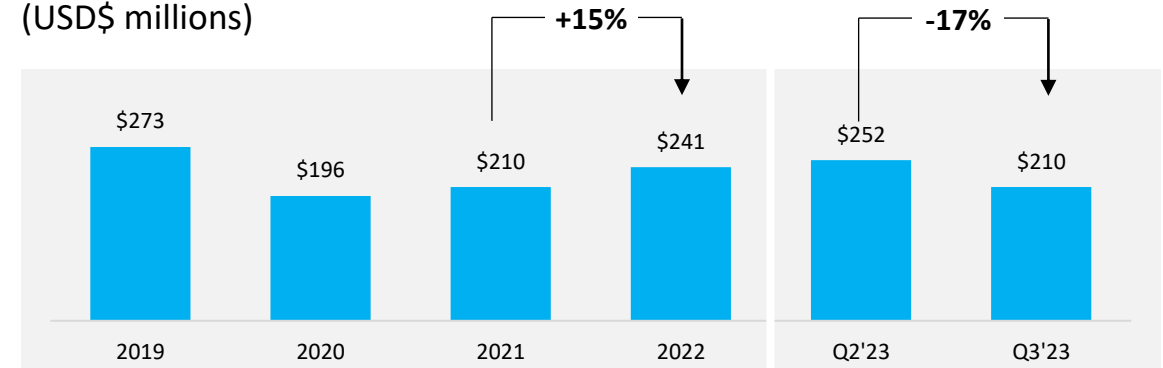


Note: Sum of components may not foot due to rounding. Adjusted EBITDA is a non-GAAP measure. See appendix for reconciliation to GAAP measure.

- Backlog for Q3'23 decreased 17% compared to Q2'23 and decreased by 1% year-over-year as capacity constraints in the offshore rig market are introducing headwinds
- Dril-Quip currently has ~70 open MSAs
- Subsea Products book-to-bill ratio of 0.3x for the third quarter of 2023.

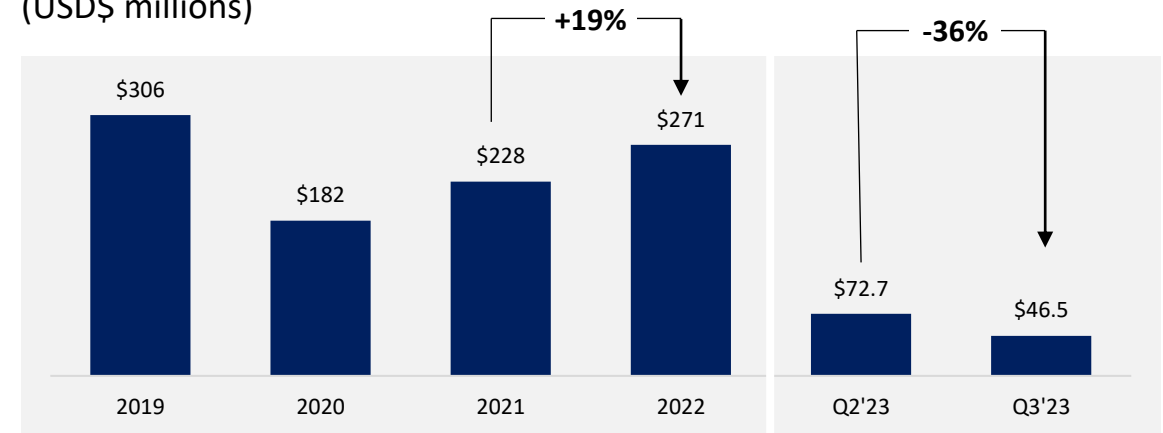
## Historical Backlog Trends

(USD\$ millions)



## Historical Booking Trends

(USD\$ millions)



**Strong balance sheet with ample liquidity and zero debt provides flexibility to support our growth strategy.**



1: As of September 30, 2023

**Demonstrating financial discipline in the pursuit of high-return opportunities that support long-term growth, while preserving our balance sheet strength and financial flexibility.**

<b>1</b> <b>High Return Organic Investments</b>	<b>2</b> <b>Disciplined M&amp;A</b>	<b>3</b> <b>Preserve Financial Flexibility</b>	<b>4</b> <b>Shareholder Returns</b>
<ul style="list-style-type: none"><li>• Prioritize investment into high ROI projects</li><li>• Support organic growth initiatives</li><li>• Manufacturing, R&amp;D, etc.</li></ul>	<ul style="list-style-type: none"><li>• Technology bolt-ons to enhance existing business</li><li>• Deals of scale that align with selective M&amp;A criteria</li><li>• Diversifying end-market exposure with energy adjacent opportunities</li></ul>	<ul style="list-style-type: none"><li>• Working capital to support operations growth</li><li>• Free cash flow generation focused</li><li>• Continue to maintain strong balance sheet</li></ul>	<ul style="list-style-type: none"><li>• Focused on delivering sustainable, long-term growth</li><li>• Return cash to shareholders as appropriate</li></ul>

## Primary considerations for disciplined M&A



### STRATEGIC CRITERIA

- Increases scale of operations
- Expanded geographic footprint
- Aligns with DRQ core competencies



### FINANCIAL CRITERIA

- Above average long-term growth projections
- Capable of delivering consistently high margins
- High return on capital



### ACQUISITION TARGETS

- Technology bolt-ons to enhance existing business
- Deals of scale that align with selective M&A criteria
- Diversifying end-market exposure with energy adjacent opportunities

# Outlook | Fourth Quarter Updates

Revenue	\$115 million - \$125 million
Bookings	\$75 million - \$100 million
Adj. EBITDA	Margins of 14% - 16%
Capex	~ \$10 million
FCF	Greater than \$0



# Appendix

[dril-quip.com](http://dril-quip.com) | NYSE: DRQ

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# Management | Result Driven Management Team



**Jeffrey J. Bird**  
President and  
Chief Executive Officer



**Kyle F. McClure**  
Vice President and  
Chief Financial Officer



**Stephen J. Chauffe**  
Vice President —  
Well Construction



**John Mossop**  
Vice President —  
Technology and  
Energy Transition



**Mahesh R. Puducheri**  
Vice President —  
Chief Human  
Resources Officer



**Mark Tripsa**  
Vice President —  
Integrated Supply Chain



**Don M. Underwood**  
Vice President —  
Subsea Products



**James C. Webster**  
Vice President, General  
Counsel and Secretary



**Bruce Witwer**  
Vice President —  
Subsea Services

# Financial Statements | Income Statement



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

	<b>Three months ended</b>		
	<b>September 30, 2023</b>	<b>June 30, 2023</b>	<b>September 30, 2022</b>
<b>(In thousands, except per share data)</b>			
<b>Revenues:</b>			
Products	\$ 77,603	\$ 55,828	\$ 58,508
Services	27,214	23,733	20,443
Leasing	12,427	10,046	9,190
<b>Total revenues</b>	<b>117,244</b>	<b>89,607</b>	<b>88,141</b>
<b>Costs and expenses:</b>			
Cost of sales	85,603	65,711	65,710
Selling, general and administrative	26,993	22,114	22,431
Engineering and product development	3,061	3,202	2,645
Restructuring and other charges	2,267	(610)	4,101
Gain on sale of property, plant and equipment	(1,027)	(738)	(17,276)
Acquisition costs	5,358	1,134	-
Foreign currency transaction loss (gain)	1,060	(4,812)	(1,901)
<b>Total costs and expenses</b>	<b>123,315</b>	<b>86,001</b>	<b>75,710</b>
<b>Operating income (loss)</b>	<b>(6,071)</b>	<b>3,606</b>	<b>12,431</b>
Interest income, net	(2,312)	(1,979)	(248)
Income tax provision (benefit)	3,275	2,102	(610)
<b>Net income (loss)</b>	<b>\$ (7,034)</b>	<b>\$ 3,483</b>	<b>\$ 13,289</b>
<b>Income (loss) per share</b>			
Basic	\$ (0.21)	\$ 0.10	\$ 0.39
Diluted	\$ (0.21)	\$ 0.10	\$ 0.39
Depreciation and amortization	\$ 7,899	\$ 7,049	\$ 7,123
Capital expenditures	\$ 5,430	\$ 10,187	\$ 10,283
<b>Weighted Average Shares Outstanding</b>			
Basic	34,132	34,130	33,948
Diluted	34,132	34,490	34,232

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

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
<b>(In thousands)</b>		
<b>Assets:</b>		
Cash and cash equivalents	\$ 181,072	\$ 264,804
Short-term investments	8,911	32,232
Other current assets	519,057	452,988
PP&E, net	211,806	181,270
Other assets	86,722	38,657
<b>Total assets</b>	<b>\$ 1,007,568</b>	<b>\$ 969,951</b>
<b>Liabilities and Equity:</b>		
Current liabilities	\$ 106,735	\$ 87,555
Deferred income taxes	12,114	3,756
Other long-term liabilities	18,257	6,288
<b>Total liabilities</b>	<b>137,106</b>	<b>97,599</b>
<b>Total stockholders equity</b>	<b>870,462</b>	<b>872,352</b>
<b>Total liabilities and equity</b>	<b>\$ 1,007,568</b>	<b>\$ 969,951</b>



Dril-Quip, Inc.

Reconciliation of Net Income (Loss) to Adjusted Net Income (Loss) and Adjusted Diluted Earnings (Loss) per Share to Adjusted Diluted Earnings (Loss) per Share

	Three months ended					
	September 30, 2023		June 30, 2023		September 30, 2022	
	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)	\$ (7,034)	\$ (0.21)	\$ 3,483	\$ 0.10	\$ 13,289	\$ 0.39
Adjustments (after tax):						
Reverse the effect of foreign currency transaction loss (gain)	837	0.02	(3,801)	(0.11)	(1,502)	(0.04)
Restructuring and other charges, including severance	2,036	0.06	(14)	-	3,240	0.09
Gain on sale of property, plant and equipment	(811)	(0.02)	(583)	(0.02)	(13,648)	(0.40)
Adjusted net income (loss)	\$ (4,972)	\$ (0.15)	\$ (915)	\$ (0.03)	\$ 1,379	\$ 0.04



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

	Three months ended		
	September 30, 2023	June 30, 2023	September 30, 2022
	(In thousands)		
Net income (loss)	\$ (7,034)	\$ 3,483	\$ 13,289
Add:			
Interest income, net	(2,312)	(1,979)	(248)
Income tax provision (benefit)	3,275	2,102	(610)
Depreciation and amortization expense	7,899	7,049	7,123
Restructuring and other charges	2,267	(610)	4,101
Acquisition costs	5,358	1,134	-
Gain on sale of property, plant and equipment	(1,027)	(738)	(17,276)
Foreign currency transaction loss (gain)	1,060	(4,812)	(1,901)
Stock compensation expense	2,576	2,566	2,569
Other	309	592	-
Adjusted EBITDA	<u>\$ 12,371</u>	<u>\$ 8,787</u>	<u>\$ 7,047</u>



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

	Three months ended		
	September 30, 2023	June 30, 2023	September 30, 2022
	(In thousands)		
Net cash provided by operating activities	\$ 26,805	\$ 11,282	\$ 1,042
Less:			
Purchase of property, plant and equipment	(5,430)	(10,187)	(10,283)
Free cash flow	<u>\$ 21,375</u>	<u>\$ 1,095</u>	<u>\$ (9,241)</u>

<b>Market Capitalization</b>	=	Share Price x Total Shares Outstanding
<b>Enterprise Value</b>	=	Market Capitalization + Debt – Cash and Cash Equivalents
<b>Non-cash Working Capital</b>	=	(Current Assets – Cash) – Current Liabilities
<b>Book Value / Share</b>	=	Total Shareholders' Equity / Total Shares Outstanding
<b>Cash / Share</b>	=	Cash, Cash Equivalents & Short-Term Investments / Total Shares Outstanding
<b>Non-cash Working Capital (WC) / Share</b>	=	Noncash Working Capital / Total Shares Outstanding
<b>Total Debt / Capitalization</b>	=	Total Debt (Short-term + Long-term) / (Total Debt + Total Shareholders' Equity)



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