

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): February 27, 2023

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

Delaware
(State or other jurisdiction
of incorporation)

001-13439
(Commission
File Number)

74-2162088
(I.R.S. Employer
Identification No.)

2050 West Sam Houston Parkway S., Suite 1100
Houston, Texas
(Address of principal executive offices)

77042
(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 February 27, 2023, Dril-Quip, Inc. (“Dril-Quip”) reported fourth quarter 2022 earnings. For additional information regarding Dril-Quip’s fourth 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 February 27, 2023, Dril-Quip posted the Fourth 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 February 27, 2023.
99.2	Fourth 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: February 27, 2023

DRIL-QUIP, INC. ANNOUNCES FOURTH QUARTER AND FULL YEAR 2022 RESULTS

*Fourth quarter and full year revenue increase double digits year-over-year
 Significant progress made along operational excellence initiatives
 Company provides fiscal 2023 financial outlook*

HOUSTON, February 27, 2023 — Dril-Quip, Inc. (NYSE: DRQ), (the “Company” or “Dril-Quip”), a developer, manufacturer and provider of highly engineered equipment, service and innovative technologies for use in the energy industry, today reported operational and financial results for the fourth quarter and full year 2022.

Fourth Quarter Highlights

- Revenue of \$96.8 million increased 10% sequentially and 24% year-over-year
- Net Bookings of \$93.8 million increased 52% sequentially and 18% year-over-year
- Net Loss of \$0.3 million improved \$63.2 million year-over-year
- Adjusted EBITDA of \$10.4 million improved from \$0.6 million one year ago and increased 48% sequentially
- Gross Margin of 31% increased 579 basis points sequentially and 979 basis points year-over-year
- Published first corporate sustainability report

Full Year Highlights

- Revenue of \$362.1 increased 12% year-over-year
- Net Bookings of \$271.6 million increased 19% year-over-year
- Signed \$122.0 million of master service agreements (MSAs) in 2022
- Net Income of \$0.4 million increased \$128.4 million year-over-year
- Adjusted EBITDA of \$30.0 million increased 97% year-over-year
- Gross Margin of 27% increased 160 basis points year-over-year
- Repurchased \$20.8 million of shares during the year at an average price of \$23.41 per share
- Announced a Collaboration Agreement with Aker Solutions to offer subsea injection systems for carbon capture, utilization, and storage (“CCUS”) projects
- Announced Scope 1 and Scope 2 GHG emissions reduction target of 50% by 2030
- Received upgraded MSCI ESG rating of an “A”
- Closed on the sale of the Houston forge facility and entered into purchase and sale agreements for Houston’s administrative and aftermarket buildings
- Committed investment of \$22 million in wellhead manufacturing equipment that is expected to be delivered in Q4’23

“Dril-Quip delivered a strong fourth quarter, capping an important year where we met or exceeded most of our targets and made significant progress along our longer-term financial, operational, and strategic objectives,” said Jeff Bird, Dril-Quip’s President and Chief Executive Officer. “Our double digit, top-line growth was driven by strong activity in key geographies and aggressive investment by larger offshore customers, helping offset some lingering foreign exchange

headwinds. Bookings of \$94 million in the quarter were the highest quarterly mark we have achieved since the fourth quarter of 2019, reflecting the ongoing upcycle in the offshore market. Accelerating MSA activity throughout the year is also a favorable indicator for our bookings growth potential in 2023 and beyond. Our profitability continues to improve as our operational alignment initiatives are yielding meaningful results and support our future profitable growth.

“Looking ahead, we expect to continue to capitalize on the constructive offshore drilling market. We are keeping a pulse on customer behaviors and confidence, and we expect order trends and spending to accelerate in 2023. We continue to see increased investment and activity in key markets such as Saudi Arabia, Norway and Latin America with additional promise coming from West Africa, a region that has been dormant. We enter the year with a stronger, more nimble business able to drive organic growth, supported by a strong balance sheet and the financial flexibility that allows us to pursue inorganic growth opportunities where appropriate, as we continue to make strides in our business alignment efforts, capturing market share, and driving sustained, profitable growth for our shareholders.”

2023 Financial Outlook

- Revenue growth of 10%
- Bookings year-over-year growth of 10% to 20%
- Adjusted EBITDA incremental margins of 40% to 60%
- Capital Expenditures of \$25 million to \$30 million

In conjunction with today’s release, the Company posted a new investor presentation entitled “2023 Investor Presentation” 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 fourth quarter of 2022 was \$96.8 million, up \$8.7 million from the third quarter of 2022 and up \$18.9 million compared to the fourth quarter of 2021. The increase in revenue was driven by higher product and service revenues across all regions reflecting the ongoing upcycle in the offshore market. For the full year 2022, revenue was \$362.1 million, up \$39.1 million from the full year of 2021. The increase in revenue year-over-year was driven by higher product revenues across all regions and higher service revenues in the western hemisphere and Europe, partially offset by lower service revenues in the Asia-Pacific region.

Cost of sales for the fourth quarter of 2022 was \$66.6 million, an increase of \$0.9 million sequentially from the third quarter of 2022. Gross operating margin for the fourth quarter of 2022 was 31.2%, up from 25.4% for the third quarter of 2022. Gross margins increased sequentially

driven by favorable product line mix from subsea projects, strong downhole tools growth and leverage on higher revenue.

Cost of sales for the full year of 2022 was \$265.9 million, an increase of \$23.6 million from the full year 2021. Gross operating margin for the full year 2022 was 26.6% compared to a gross operating margin of 25.0% for the full year 2021. The increase in gross operating margin year-over-year can be primarily attributed to favorable product line mix and productivity initiatives, partially offset by some higher materials costs from inflationary pressures.

Selling, General, Administrative, and Engineering Expenses

Selling, general and administrative (“SG&A”) expenses for the fourth quarter of 2022 were \$26.9 million, an increase of \$4.4 million compared to the third quarter of 2022. SG&A increased sequentially primarily due to bad debt expense incurred during the quarter. SG&A expenses for the full year 2022 were \$94.2 million, a decrease of \$20.8 million compared to the full year 2021. The year-over-year decrease in SG&A is primarily attributable to lower legal expenses in connection with the FMC lawsuit and decreased administrative costs associated with the importation tax settlement under the Brazilian tax amnesty program. Engineering and product development expenses of \$2.7 million for the fourth quarter of 2022 were largely unchanged compared to the third quarter of 2022. Engineering and product development expense of \$11.7 million for the full year of 2022 decreased by \$3.4 million, or 22%, compared to the full year 2021. The decrease year-over-year is attributed to lower research and development activities as we completed certain strategic projects.

Net Income, Adjusted EBITDA and Free Cash Flow

For the fourth quarter of 2022, the Company reported net loss of \$0.3 million, or \$0.01 loss per share, compared to a net income of \$15.2 million or \$0.44 per share for the third quarter of 2022. For the full year of 2022, the Company reported a net income of \$0.4 million, or \$0.01 per share, compared to a net loss of \$128.0 million, or \$3.62 loss per share, for the full year of 2021.

Adjusted EBITDA totaled \$10.4 million for the fourth quarter of 2022 compared to \$7.0 million for the third quarter 2022. The increase in adjusted EBITDA sequentially can be attributed to higher revenues and favorable product mix from certain subsea and downhole tools projects. Adjusted EBITDA for the full year of 2022 was \$30.0 million compared to \$15.2 million the full year of 2021. The increase in adjusted EBITDA year-over-year can be mostly attributed to leverage on incremental product and service revenues and the impacts of operational efficiency initiatives throughout the year.

Net cash used in operations was \$17.6 million and free cash flow was a negative \$22.8 million for the fourth quarter of 2022. The decrease in net cash provided by operations of \$18.6 million compared to the third quarter of 2022 was primarily driven by working capital requirements, capital expenditures and some restructuring related costs. Net cash used in operating activities was \$36.8 million, and free cash flow was a negative \$55.6 million for the full year of 2022. The decrease in net cash provided by operations of \$75.2 million compared to the full year of 2021 was primarily driven by working capital consumption due to revenue growth, strategic purchases of inventory and restructuring related costs. Capital expenditures in the fourth quarter of 2022

were \$5.2 million and \$18.9 million for the full year of 2022, the majority of which were related to investments in manufacturing equipment and rental tools bound for work already secured.

Gain on sale of property, plant and equipment was approximately \$20.0 million in the fiscal year 2022, primarily related to the sale of our Houston forge facility building and obsolete machinery and equipment.

Share Repurchases

As of December 31, 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 its overall capital allocation strategy.

Conference Call and Webcast

Management will host a conference call and a webcast to discuss the financial results on February 28, 2023, at 10:00 a.m. Eastern Standard Time / 9:00 a.m. Central Standard Time. The presentation is open to all interested parties and may include forward-looking information.

To pre-register for the conference call and obtain a dial-in number and passcode, please click on the registration link below.

Conference Call and Webcast Details

Date / Time:	Tuesday, February 28, 2023, at 10:00 a.m. EST / 9:00 a.m. CST
Dial-in Registration	https://register.vevent.com/register/BId225fc2493c24803a6596c6eba9e08da
Webcast:	https://edge.media-server.com/mmc/p/mmhy2ipd

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 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 cyclical nature of the oil and gas industry, declines in investor and lender sentiment with respect to, and new capital investments in, the oil and gas industry, project terminations, suspensions or scope adjustments to contracts, uncertainties regarding the effects of new governmental regulations, the Company's international operations, operating risks, the impact of our customers and the global energy sector shifting some of their asset allocation from fossil-fuel production to renewable energy resources, 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 (loss) 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 Finance
Erin_Fazio@dril-quip.com

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

	Three months ended		Twelve months ended	
	December 31, 2022	September 30, 2022	December 31, 2022	December 31, 2021
	(In thousands, except per share data)			
Revenues:				
Products	\$ 64,713	\$ 58,508	\$ 240,842	\$ 213,760
Services	21,657	20,443	79,195	74,143
Leasing	10,444	9,190	42,033	35,042
Total revenues	96,814	88,141	362,070	322,945
Costs and expenses:				
Cost of sales	66,567	65,710	265,935	242,356
Selling, general and administrative	26,877	22,431	94,206	115,036
Engineering and product development	2,699	2,645	11,740	15,104
Restructuring and other charges	3,466	2,180	11,443	78,933
Gain on sale of property, plant and equipment	(2,249)	(17,276)	(20,019)	(4,482)
Foreign currency transaction (gain) loss	1,818	(1,901)	(3,756)	836
Total costs and expenses	99,178	73,789	359,549	447,783
Operating income (loss)	(2,364)	14,352	2,521	(124,838)
Interest income	3,310	379	4,465	575
Interest expense	68	(131)	(216)	(787)
Income tax provision (benefit)	1,266	(610)	6,327	2,946
Net income (loss)	\$ (252)	\$ 15,210	\$ 443	\$ (127,996)
Income (Loss) per share				
Basic	\$ (0.01)	\$ 0.45	\$ 0.01	\$ (3.62)
Diluted	\$ (0.01)	\$ 0.44	\$ 0.01	\$ (3.62)
Depreciation and amortization	\$ 7,069	\$ 7,123	\$ 29,421	\$ 30,381
Capital expenditures	\$ 5,154	\$ 10,283	\$ 18,866	\$ 9,990
Weighted Average Shares Outstanding				
Basic	34,038	33,948	34,237	35,331
Diluted	34,038	34,232	34,467	35,331

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

	December 31, 2022	September 30, 2022	December 31, 2021
	(In thousands)		
Assets:			
Cash and cash equivalents	\$ 264,804	\$ 290,279	\$ 355,451
Short-term investments	32,232	25,287	-
Other current assets	455,552	430,192	390,098
PP&E, net	181,270	181,359	216,200
Other assets	38,657	43,407	48,677
Total assets	\$ 972,515	\$ 970,524	\$ 1,010,426
Liabilities and Equity:			
Current liabilities	\$ 87,555	\$ 89,287	\$ 93,663
Deferred Income taxes	3,756	3,918	3,925
Other long-term liabilities	6,288	12,482	15,730
Total liabilities	97,599	105,687	113,318
Total stockholders equity	874,916	864,837	897,108
Total liabilities and equity	\$ 972,515	\$ 970,524	\$ 1,010,426

Dril-Quip, Inc.
Reconciliation of Net Income (Loss) to Adjusted Net Income (Loss) and Diluted Earnings (Loss) per Share
to Adjusted Diluted Earnings (Loss) per Share

Adjusted Net Income (Loss) and Diluted EPS:

	December 31, 2022		Three months ended September 30, 2022		December 31, 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)	\$ (252)	\$ (0.01)	\$ 15,210	\$ 0.44	\$ (63,429)	\$ (1.80)
Adjustments (after tax):						
Foreign currency transaction (gain) loss	1,436	0.04	(1,502)	(0.04)	1,264	0.04
Restructuring and other costs, including severance	2,738	0.08	1,722	0.05	45,962	1.31
Gain on sale of property, plant and equipment	(1,777)	(0.05)	(13,648)	(0.40)	(471)	(0.01)
Adjusted net income (loss)	\$ 2,145	\$ 0.06	\$ 1,782	\$ 0.05	\$ (16,674)	\$ (0.46)

Adjusted Net Income (Loss) and Diluted EPS:

	2022		Twelve months ended December 31, 2021		2020	
	Effect on net income (loss) (after-tax)	Impact on diluted earnings (loss) per share	Effect on net income (loss) (after-tax)	Impact on diluted earnings (loss) per share	Effect on net income (loss) (after-tax)	Impact on diluted earnings (loss) per share
	(In thousands, except per share amounts)					
Net income (loss)	\$ 443	\$ 0.01	\$ (127,996)	\$ (3.62)	\$ (30,768)	\$ (0.87)
Adjustments (after tax):						
Foreign currency transaction (gain) loss	(2,967)	(0.09)	660	0.02	1,853	0.05
Impairments	-	-	-	-	6,098	0.17
Restructuring and other costs, including severance	9,040	0.26	76,354	2.16	31,979	0.91
Gain on sale of property, plant and equipment	(15,815)	(0.46)	(3,541)	(0.10)	(464)	(0.01)
Adjusted net income (loss)	\$ (9,299)	\$ (0.28)	\$ (54,523)	\$ (1.54)	\$ 8,698	\$ 0.25

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

Adjusted EBITDA:	Three months ended		
	December 31, 2022	September 30, 2022	December 31, 2021
	(In thousands)		
Net income (loss)	\$ (252)	\$ 15,210	\$ (63,428)
Add:			
Interest (income) expense, net	(3,378)	(248)	(80)
Income tax provision (benefit)	1,266	(610)	(8,148)
Depreciation and amortization expense	7,069	7,123	7,723
Restructuring and other costs, including severance	3,466	2,180	58,180
Gain on sale of property, plant and equipment	(2,249)	(17,276)	(596)
Foreign currency transaction (gain) loss	1,818	(1,901)	1,600
Stock compensation expense	2,694	2,569	5,354
Adjusted EBITDA	<u>\$ 10,434</u>	<u>\$ 7,047</u>	<u>\$ 605</u>

Adjusted EBITDA:	Year ended		
	December 31, 2022	December 31, 2021	Year ended December 31, 2020
	(In thousands)		
Net income (loss)	\$ 443	\$ (127,996)	\$ (30,768)
Add:			
Interest (income) expense, net	(4,249)	212	(1,510)
Income tax provision (benefit)	6,327	2,946	(31,281)
Depreciation and amortization expense	29,421	30,381	32,389
Impairments	-	-	7,719
Restructuring and other costs, including severance	11,443	96,650	40,480
Gain on sale of property, plant and equipment	(20,019)	(4,482)	(587)
Foreign currency transaction gain (loss)	(3,756)	836	2,345
Stock compensation expense	10,363	14,895	12,914
Brazilian amnesty settlement	-	1,787	-
Adjusted EBITDA	<u>\$ 29,973</u>	<u>\$ 15,229</u>	<u>\$ 31,701</u>

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

<u>Free Cash Flow:</u>	<u>Three months ended</u>		
	<u>December 31, 2022</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>
	(In thousands)		
Net cash provided by (used in) operating activities	\$ (17,604)	\$ 1,042	\$ 4,689
Less:			
Purchase of property, plant and equipment	(5,154)	(10,283)	(2,062)
Free cash flow	<u>\$ (22,758)</u>	<u>\$ (9,241)</u>	<u>\$ 2,627</u>
 <u>Free Cash Flow:</u>			
	<u>Twelve months ended December 31,</u>		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
	(In thousands)		
Net cash provided by (used in) operating activities	\$ (36,771)	\$ 38,428	\$ (21,088)
Less:			
Purchase of property, plant and equipment	(18,866)	(9,990)	(11,943)
Free cash flow	<u>\$ (55,637)</u>	<u>\$ 28,438</u>	<u>\$ (33,031)</u>



Investor Presentation

Fourth Quarter 2022

the power of 

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Forward-Looking Statements

The information furnished in this presentation contains “forward-looking statements,” including those related to 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, within the meaning of the federal securities laws. These statements are subject to risks, beyond the Company’s control, including but 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 impact of general economic conditions, including inflation, on economic activity and our operations, the general volatility of oil and natural gas prices and cyclicalities 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, 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

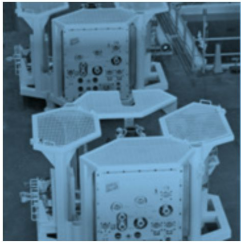
Adjusted Net Income, Adjusted Diluted EPS, Adjusted EBITDA and Free Cash Flow are non-GAAP measures. Adjusted Net Income and Adjusted Diluted EPS are defined as net income (loss) and earnings per share, respectively, excluding the impact of foreign currency gains or losses as well as other significant 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.



About Us

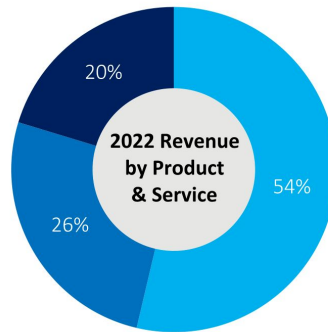


the power of 

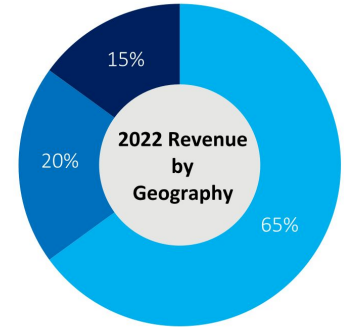
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Dril-Quip, Inc. is a leading developer of innovative technologies for the energy industry, designing and manufacturing best-in-class products for traditional oil and gas, and certain energy transition applications.

\$1.02B	Market Cap ¹
Houston, TX	Headquarters
\$362.1 Million	2022 Revenue
NYSE since 1997	DRQ
Operations	18 Countries
Global Employees	+1,000



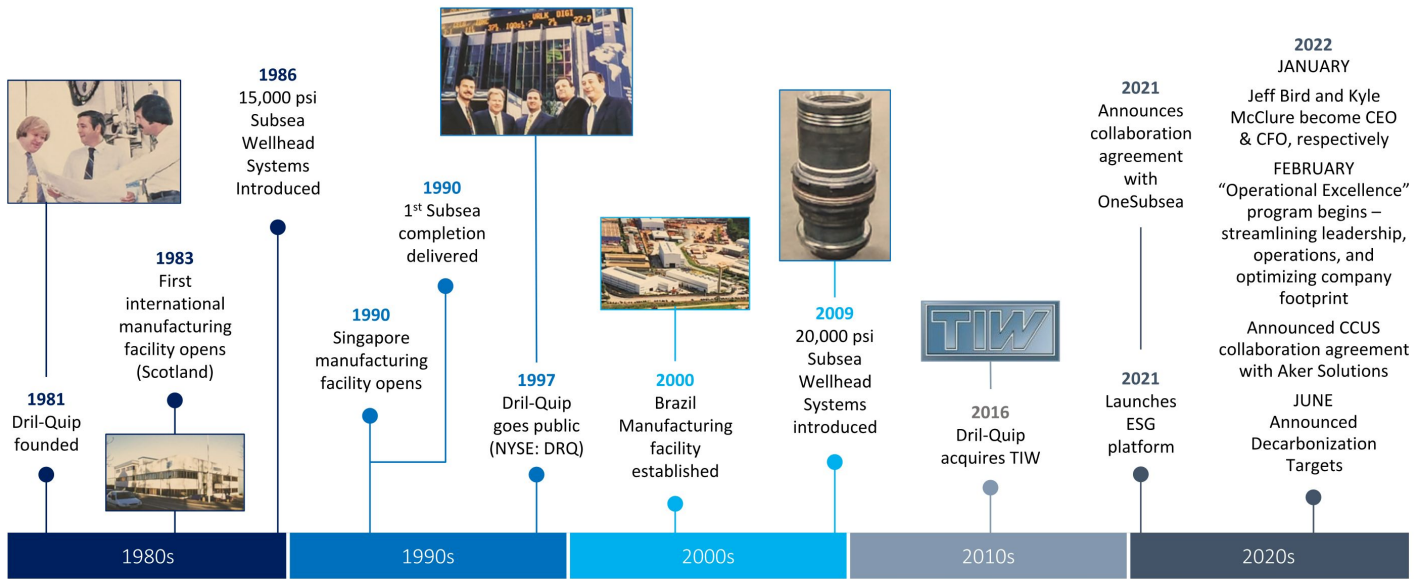
- Subsea Products
- Subsea Services
- Downhole Tools



- Western Hemisphere
- Eastern Hemisphere
- Asia Pacific

Notes: As of 2/21/23

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 their 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), Scotland, and Singapore; and service facilities in Australia, Ecuador, Mexico, Norway, China, Egypt, Ghana, and Qatar.



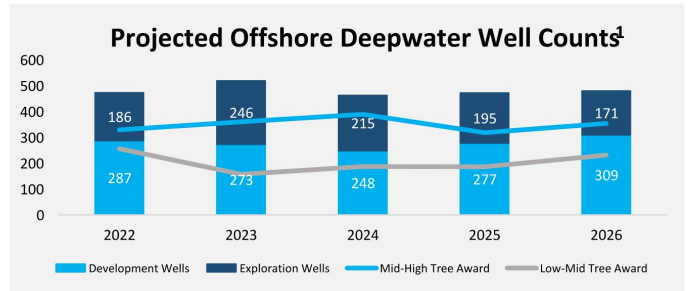
- Engineering, Manufacturing, Sales & Service
- Sales and/or Service
- Sales Representatives

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 1.9 million barrels per day to 102 million total barrels per day in 2023
- Tight supply, modest production 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: ¹Based on exploration drilling forecast combined with tree forecasts from Rystad Energy

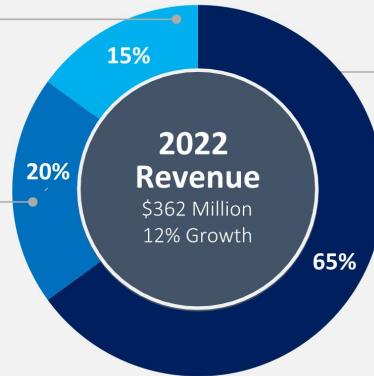
Dril-Quip is well positioned to capitalize on a constructive offshore market with strong growth trends in Brazil, the Middle East, Norway, Latin America, and in reemerging markets such as West Africa.

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 downhole tools

Eastern Hemisphere

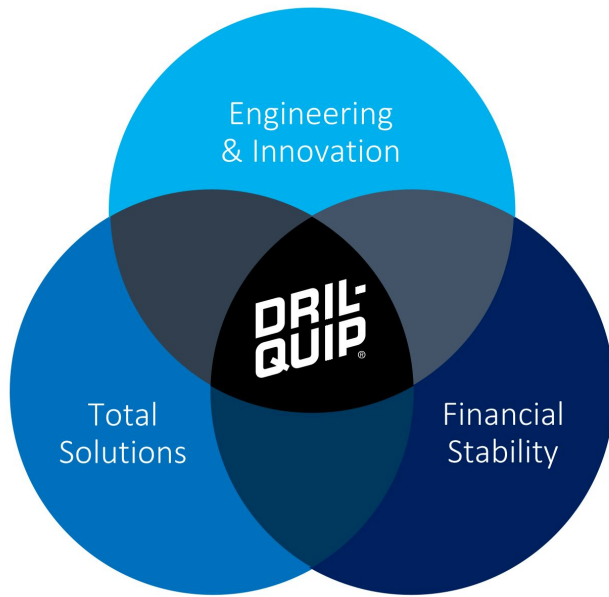
- Represented 20% of total revenue for FY 2022
- Long-term CCUS potential through our partnership with Aker Solutions
- Activity in Norway is seeing an uptick in demand due to energy security concerns



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 subsea environments, saving customers time and money on rigs
- Award-winning drilling and production products and services are utilized to **provide total solutions for offshore field developments**
- Long operating history and a clean balance sheet with zero debt provides **strong financial stability**

Footprint Rationalization

\$5 million - \$10 million expected annual savings

Additional progress has been made on footprint optimization plan to improve efficiency and reduce excess capacity

- Closed on the sale of Houston forge facility for gain on sale of \$17.3 million
- Secured two purchase & sale agreements for Dril-Quip's administrative and aftermarket buildings for a net gain on sale in the range of \$20 - \$30 million

Manufacturing Investments Targeting ~35% Gross Margins Improvement

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

Through operational excellence initiatives and realignment efforts, foundation of strong product-line focused teams have been established

- Provides greater visibility, accountability, and improved ability to make smart, high ROI investment decisions
- Approved \$22 million wellhead manufacturing AFE - expected delivery in Q4'23 will drive savings

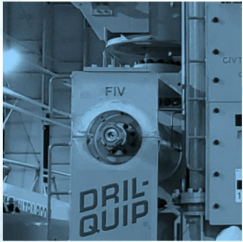
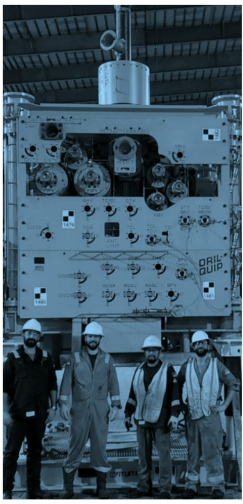
Q4 2022

2023 Exit

2024 Exit



Strategic Operating Products & Services



the power of 

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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.



Subsea Products

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*



Subsea Services

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*



Downhole Tools

Drilling and productions solutions provider for *onshore and offshore* markets, supplying *consumable and rental downhole tool* 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.

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

SUBSEA EQUIPMENT

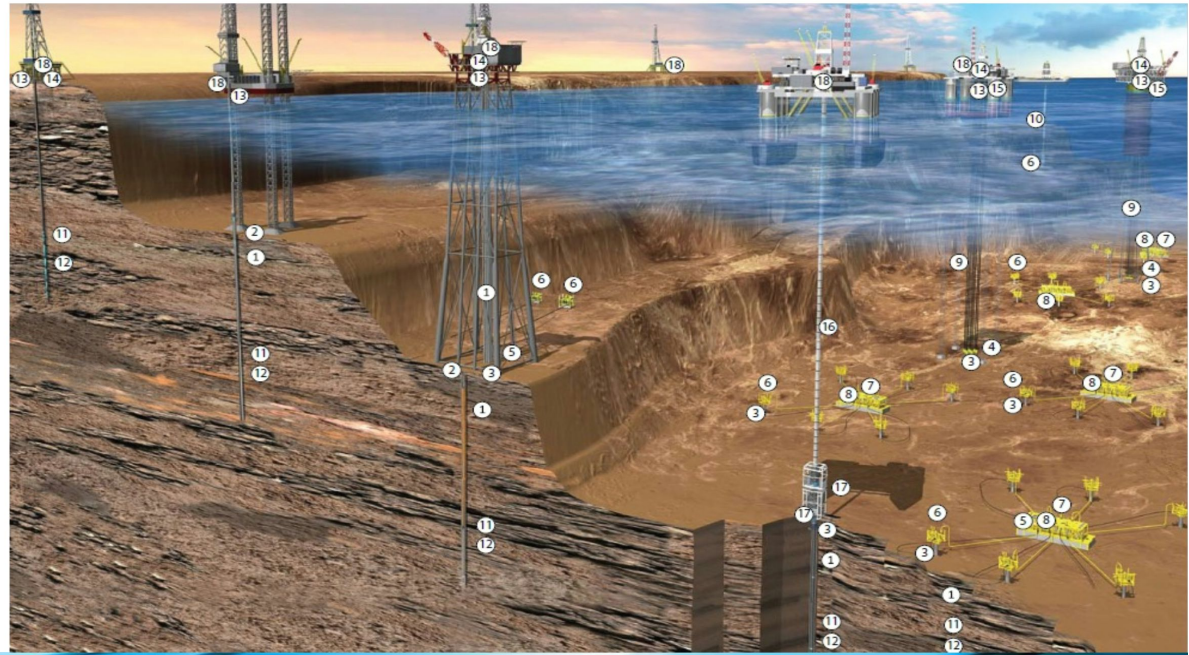
- ① Specialty Connectors
- ② Mudline Suspension
- ③ Subsea Wellheads
- ④ Tie-Back Connectors
- ⑤ Template Systems
- ⑥ Subsea Trees
- ⑦ Control Systems
- ⑧ Subsea Manifolds
- ⑨ Production Risers
- ⑩ Completion Risers
- ⑪ Liner Hangers
- ⑫ Downhole Tools

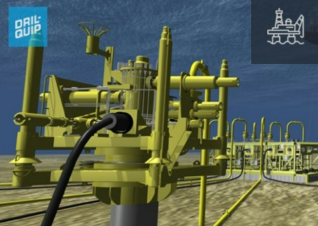





SURFACE EQUIPMENT

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

OFFSHORE RIG EQUIPMENT

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



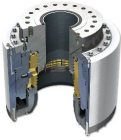
PRODUCTS & SERVICES		EXPOSURE	PRIMARY MARKETS	
SUBSEA PRODUCTS	 <ul style="list-style-type: none"> • Subsea Wellheads • Specialty Connectors & Associated Pipes • Subsea Production Systems • Mudline Hanger Systems • Production Riser Systems • Dry Tree Systems • Subsea Manifolds 		<ul style="list-style-type: none"> • US Gulf of Mexico, Mexico, Brazil, Trinidad & Tobago • United Kingdom, Norway • Saudi Arabia, Ghana • China, Indonesia, Australia 	<p>54%</p> <p>2022 % OF TOTAL REVENUE</p>
DOWNHOLE TOOLS	 <ul style="list-style-type: none"> • Liner Hangers & Expandable Liner Systems • Specialty Downhole Tools • Completion Packers • Safety & Kelly Valves • Window Cutting Products • Rental & Service 		<ul style="list-style-type: none"> • Deepwater Gulf of Mexico • Latin America <ul style="list-style-type: none"> – Brazil – Ecuador – Mexico – Guyana • Saudi Arabia 	<p>26%</p> <p>2022 % OF TOTAL REVENUE</p>
SUBSEA SERVICES	 <ul style="list-style-type: none"> • Technical Advisor Assistance • Leasing of Subsea Equipment • Reconditioning • Storage & Maintenance • Rental Tools 		<ul style="list-style-type: none"> • US Gulf of Mexico, Mexico, Brazil, Trinidad & Tobago • United Kingdom, Norway • Saudi Arabia, Ghana • China, Indonesia, Australia 	<p>20%</p> <p>2022 % OF TOTAL REVENUE</p>

Manufacturer of highly engineered, field-proven products with a wide array of deepwater drilling equipment and technology that meets 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 Subsea Product 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 offering 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

Initiatives & Accolades

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

Downhole Tools | Profile

Downhole Tool 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.



Big Bore Expandable Liner Hangers -XPak De®

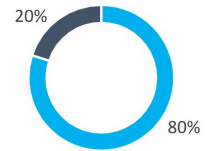
- Disruptive new product introduction
- Converting market from wellhead equipment
- Can be run with any wellhead provider
- Improved margins and revenue volume
- Excellent customer value proposition

Expandable Liner Hangers – XPak™

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

Conventional Liner Hangers & Other

- Designed to run in standard liner applications
- Established field-proven products are widely accepted
- Tubular Running Services



■ International Onshore ■ Deepwater

Initiatives & Accolades

- 382 Downhole Tool patents
- Gaining share in key markets (Brazil, Guyana, US, Mexico)
- Converting from conventional to expandable liner hangers
- Focus on expanding presence in Saudi Arabia
- Targeting \$100M Annual Revenue Run-Rate

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

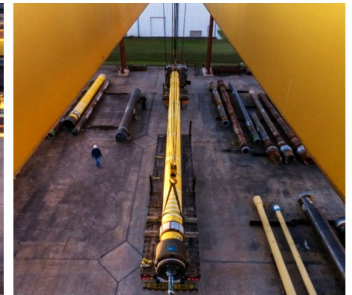
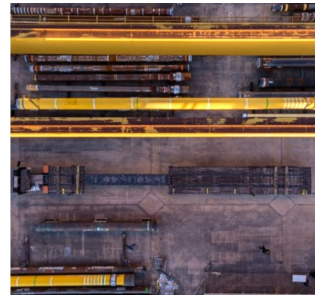
- Measurement of carbon footprint reduction per project
- Carbon footprint decision metric incorporated across operations
- Next generation Power of e™ incorporating Green by Design™ innovation philosophy

Low Carbon Solutions

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

eVolving industry

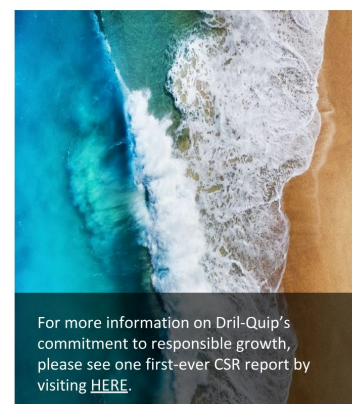
- Less steel/materials
- Less transportation
- Efficient operations
- Effective manufacturing
- Increased competitiveness
- Lower carbon footprint



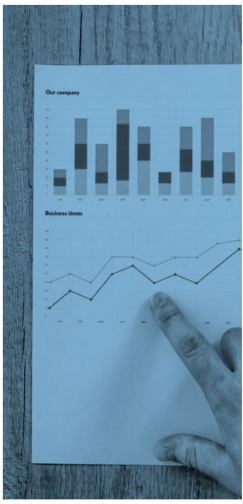
At Dril-Quip, we believe technological innovation is key to improving energy efficiency and providing people around the world with universal access to reliable, affordable, clean energy. By doing so, we stimulate economic growth and enhance the standard of living for all, improving health and creating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



Financial Performance

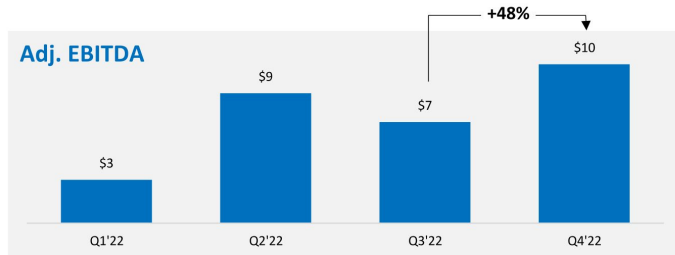
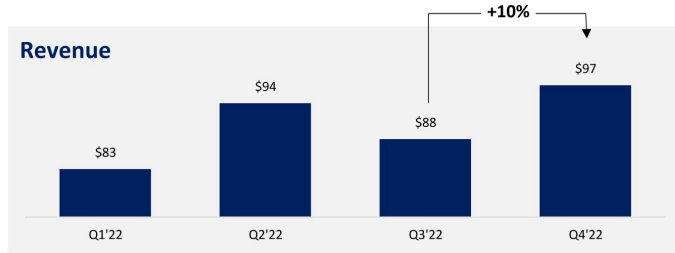


Strong fourth quarter and fiscal year, reflecting early participation in the ongoing upcycle in the offshore market

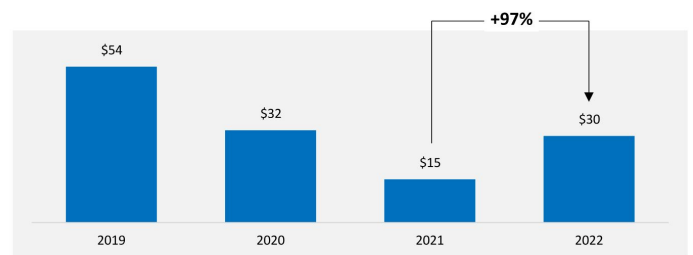
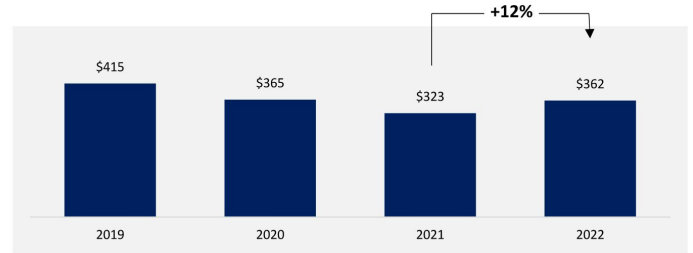
- Double-digit revenue growth in Q4 and fiscal 2022 with good sequential trends
- Double-digit bookings growth in Q4 and fiscal 2022 with additional upside from strong MSA additions
- Gross margin and adjusted EBITDA continue to improve, supported by continued progress on organic improvement initiatives
- Repurchased approximately \$20.8 million of shares during the year
- Announced a Collaboration Agreement with Aker Solutions to offer subsea injection systems for carbon capture, utilization and storage (“CCUS”) projects
- Published first corporate sustainability report
- Announced Scope 1 and Scope 2 GHG emissions reduction target of 50% by the year 2030
- Received upgraded MSCI ESG rating of an “A”
- Closed on sale of Houston forge facility and entered into purchase and sale agreements for Houston’s administrative and aftermarket buildings
- Committed investment of \$22 million in wellhead manufacturing that is expected in Q4’23

Quarter	Annual
Q4 Revenue \$96.8 Million +24% YoY	2022 Revenue \$362.1 Million +12% YoY
Q4 Net Loss \$(0.3) Million +\$63.2 Million YoY	2022 Net Income \$0.4 Million +\$128.4 Million YoY
Q4 Adjusted EBITDA \$10.4 Million +\$9.8 Million YoY	2022 Adjusted EBITDA \$30.0 Million +97% YoY
Q4 Bookings \$93.8 Million +18% YoY	2022 Bookings \$271.6 Million +19% YoY
Q4 Gross Margin 31.2% +979 BPs YoY	2022 Gross Margin 26.6% +160 BPs YoY

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.
 Reconciliations of GAAP to Non-GAAP measures for 2019 and 2020 may be referenced in the FY 2019 and FY 2020 Form 8K announcing results on the Company's website and on SEC.gov.

- 2022 backlog increased by 15% year-over-year as product bookings increased due to improving market conditions.
- Expected to fill ~70% - 80% of current backlog in 2023, with the remaining amount consisting of longer-term projects.
- 2022 bookings increased by 19% as demand for products and services continues to increase in key markets.
- Signed \$122M in new MSAs during 2022. As of year-end, Dril-Quip has ~70 open MSAs.

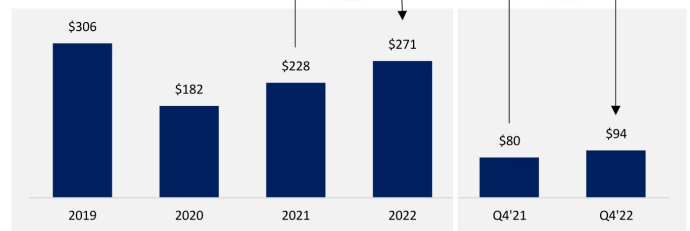
Historical Backlog Trends

(USD\$ millions)



Historical Booking Trends

(USD\$ millions)



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



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

1 High Return Organic Investments	2 Disciplined M&A	3 Preserve Financial Flexibility	4 Shareholder Returns
<ul style="list-style-type: none"> • Prioritize investment into high ROI projects • Support organic growth initiatives • Manufacturing, R&D, etc. 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Working capital to support operations growth • Free cash flow generation focused • Continue to maintain strong balance sheet 	<ul style="list-style-type: none"> • Focused on delivering sustainable, long-term growth • Return cash to shareholders as appropriate

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 aligns with selective M&A criteria
- Diversifying end market exposure with energy adjacent opportunities


Well positioned to continue to capitalize on the constructive offshore drilling market in 2023.

ANNUAL REVENUE	PRODUCT BOOKINGS	ADJUSTED EBITDA	CAPITAL EXPENDITURES
10% Growth over 2022	10% to 20% Growth over 2022	40% to 60% Incremental Margins	\$25 million to \$30 million



Appendix

dril-quip.com | NYSE: DRQ

the power of 

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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 —
Downhole Tools



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

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

	Three months ended		Twelve months ended	
	December 31, 2022	September 30, 2022	December 31, 2022	December 31, 2021
	(In thousands, except per share data)			
Revenues:				
Products	\$ 64,713	\$ 58,508	\$ 240,842	\$ 213,760
Services	21,657	20,443	79,195	74,143
Leasing	10,444	9,190	42,033	35,042
Total revenues	96,814	88,141	362,070	322,945
Costs and expenses:				
Cost of sales	66,567	65,710	265,935	242,356
Selling, general and administrative	26,877	22,431	94,206	115,036
Engineering and product development	2,699	2,645	11,740	15,104
Restructuring and other charges	3,466	2,180	11,443	78,933
Gain on sale of property, plant and equipment	(2,249)	(17,276)	(20,019)	(4,482)
Foreign currency transaction (gain) loss	1,818	(1,901)	(3,756)	836
Total costs and expenses	99,178	73,789	359,549	447,783
Operating income (loss)	(2,364)	14,352	2,521	(124,838)
Interest income	3,310	379	4,465	575
Interest expense	68	(131)	(216)	(787)
Income tax provision (benefit)	1,266	(610)	6,327	2,946
Net income (loss)	\$ (252)	\$ 15,210	\$ 443	\$ (127,996)
Income (Loss) per share				
Basic	\$ (0.01)	\$ 0.45	\$ 0.01	\$ (3.62)
Diluted	\$ (0.01)	\$ 0.44	\$ 0.01	\$ (3.62)
Depreciation and amortization	\$ 7,069	\$ 7,123	\$ 29,421	\$ 30,381
Capital expenditures	\$ 5,154	\$ 10,283	\$ 18,866	\$ 9,990
Weighted Average Shares Outstanding				
Basic	34,038	33,948	34,237	35,331
Diluted	34,038	34,232	34,467	35,331

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

	December 31, 2022	September 30, 2022	December 31, 2021
	(In thousands)		
Assets:			
Cash and cash equivalents	\$ 264,804	\$ 290,279	\$ 355,451
Short-term investments	32,232	25,287	-
Other current assets	455,552	430,192	390,098
PP&E, net	181,270	181,359	216,200
Other assets	38,657	43,407	48,677
Total assets	\$ 972,515	\$ 970,524	\$ 1,010,426
Liabilities and Equity:			
Current liabilities	\$ 87,555	\$ 89,287	\$ 93,663
Deferred income taxes	3,756	3,918	3,925
Other long-term liabilities	6,288	12,482	15,730
Total liabilities	97,599	105,687	113,318
Total stockholders equity	874,916	864,837	897,108
Total liabilities and equity	\$ 972,515	\$ 970,524	\$ 1,010,426

Dril-Quip, Inc.
 Reconciliation of Net Income (Loss) to Adjusted Net Income (Loss) and Diluted Earnings (Loss) per Share
 to Adjusted Diluted Earnings (Loss) per Share

Adjusted Net Income (Loss) and Diluted EPS:

	Three months ended					
	December 31, 2022		September 30, 2022		December 31, 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)	\$ (252)	\$ (0.01)	\$ 15,210	\$ 0.44	\$ (63,429)	\$ (1.80)
Adjustments (after tax):						
Foreign currency transaction (gain) loss	1,436	0.04	(1,502)	(0.04)	1,264	0.04
Restructuring and other costs, including severance	2,738	0.08	1,722	0.05	45,962	1.31
Gain on sale of property, plant and equipment	(1,777)	(0.05)	(13,648)	(0.40)	(471)	(0.01)
Adjusted net income (loss)	\$ 2,145	\$ 0.06	\$ 1,782	\$ 0.05	\$ (16,674)	\$ (0.46)

Adjusted Net Income (Loss) and Diluted EPS:

	Twelve months ended December 31,					
	2022		2021		2020	
	Effect on net income (loss) (after-tax)	Impact on diluted earnings (loss) per share	Effect on net income (loss) (after-tax)	Impact on diluted earnings (loss) per share	Effect on net income (loss) (after-tax)	Impact on diluted earnings (loss) per share
	(In thousands, except per share amounts)					
Net income (loss)	\$ 443	\$ 0.01	\$ (127,996)	\$ (3.62)	\$ (30,768)	\$ (0.87)
Adjustments (after tax):						
Foreign currency transaction (gain) loss	(2,967)	(0.09)	660	0.02	1,853	0.05
Impairments	-	-	-	-	6,098	0.17
Restructuring and other costs, including severance	9,040	0.26	76,354	2.16	31,979	0.91
Gain on sale of property, plant and equipment	(15,815)	(0.46)	(3,541)	(0.10)	(464)	(0.01)
Adjusted net income (loss)	\$ (9,299)	\$ (0.28)	\$ (54,523)	\$ (1.54)	\$ 8,698	\$ 0.25

Dril-Quip, Inc.

Reconciliation of Net Income (Loss) to Adjusted EBITDA

Adjusted EBITDA:	Three months ended		
	December 31, 2022	September 30, 2022	December 31, 2021
	(In thousands)		
Net income (loss)	\$ (252)	\$ 15,210	\$ (63,428)
Add:			
Interest (income) expense, net	(3,378)	(248)	(80)
Income tax provision (benefit)	1,266	(610)	(8,148)
Depreciation and amortization expense	7,069	7,123	7,723
Restructuring and other costs, including severance	3,466	2,180	58,180
Gain on sale of property, plant and equipment	(2,249)	(17,276)	(596)
Foreign currency transaction (gain) loss	1,818	(1,901)	1,600
Stock compensation expense	2,694	2,569	5,354
Adjusted EBITDA	\$ 10,434	\$ 7,047	\$ 605

Adjusted EBITDA:	Year ended		
	December 31, 2022	December 31, 2021	Year ended December 31, 2020
	(In thousands)		
Net income (loss)	\$ 443	\$ (127,996)	\$ (30,768)
Add:			
Interest (income) expense, net	(4,249)	212	(1,510)
Income tax provision (benefit)	6,327	2,946	(31,281)
Depreciation and amortization expense	29,421	30,381	32,389
Impairments	-	-	7,719
Restructuring and other costs, including severance	11,443	96,650	40,480
Gain on sale of property, plant and equipment	(20,019)	(4,482)	(587)
Foreign currency transaction gain (loss)	(3,756)	836	2,345
Stock compensation expense	10,363	14,895	12,914
Brazilian amnesty settlement	-	1,787	-
Adjusted EBITDA	\$ 29,973	\$ 15,229	\$ 31,701

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

Free Cash Flow:	Three months ended		
	December 31, 2022	September 30, 2022	December 31, 2021
	(In thousands)		
Net cash provided by (used in) operating activities	\$ (17,604)	\$ 1,042	\$ 4,689
Less:			
Purchase of property, plant and equipment	(5,154)	(10,283)	(2,062)
Free cash flow	<u>\$ (22,758)</u>	<u>\$ (9,241)</u>	<u>\$ 2,627</u>

Free Cash Flow:	Twelve months ended December 31,		
	2022	2021	2020
	(In thousands)		
Net cash provided by (used in) operating activities	\$ (36,771)	\$ 38,428	\$ (21,088)
Less:			
Purchase of property, plant and equipment	(18,866)	(9,990)	(11,943)
Free cash flow	<u>\$ (55,637)</u>	<u>\$ 28,438</u>	<u>\$ (33,031)</u>

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)



the power of 

The text "the power of" is written in a black, italicized, sans-serif font. To its right is a circular logo containing a stylized blue and white 'e' shape.