

# Dril-Quip, Inc.

DRIL-QUIP®



**Cowen & Company**  
**5<sup>th</sup> Annual Ultimate Energy Conference**  
**New York, N.Y.**  
**December 1, 2015**

# Forward-Looking Statements



The information furnished in this presentation contains “forward-looking statements” within the meaning of the Federal Securities laws. Forward-looking statements include goals, projections, estimates, expectations, forecasts, plans and objectives, and are based on assumptions, estimates and risk analysis made by management of Dril-Quip in light of its experience and perception of historical trends, current conditions, expected future developments and other factors. No assurance can be given that actual future results will not differ materially from those contained in the forward-looking statements in this presentation.

Although Dril-Quip believes that all such statements contained in this presentation are based on reasonable assumptions, there are numerous variables of an unpredictable nature or outside of Dril-Quip’s control that could affect Dril-Quip’s future results and the value of its shares. Each investor must assess and bear the risk of uncertainty inherent in the forward-looking statements contained in this presentation.

Please refer to Dril-Quip’s filings with the SEC for additional discussion of risks and uncertainties that may affect Dril-Quip’s actual future results. Dril-Quip undertakes no obligation to update the forward-looking statements contained herein.

# DRQ - Investment Highlights



- **Pure play in worldwide offshore market**
- **Technically differentiated products**
- **Superior margins**
- **Strong balance sheet**
- **Experienced management team**
- **Well positioned to navigate industry downturn and exploit opportunities**



# DRQ - Things You May Not Know



- 17 product lines internally developed
- Vertically integrated manufacturing operations
- Capability to manufacture subsea trees and controls in Houston, Aberdeen and Singapore
- Approximately 300 subsea trees installed worldwide
- High reliability subsea control systems
- 19 floating production platforms worldwide with Dril-Quip Dry Tree Systems or components

# DRQ - Setting a Global Standard



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

# Products and Services Summary



## SUBSEA EQUIPMENT

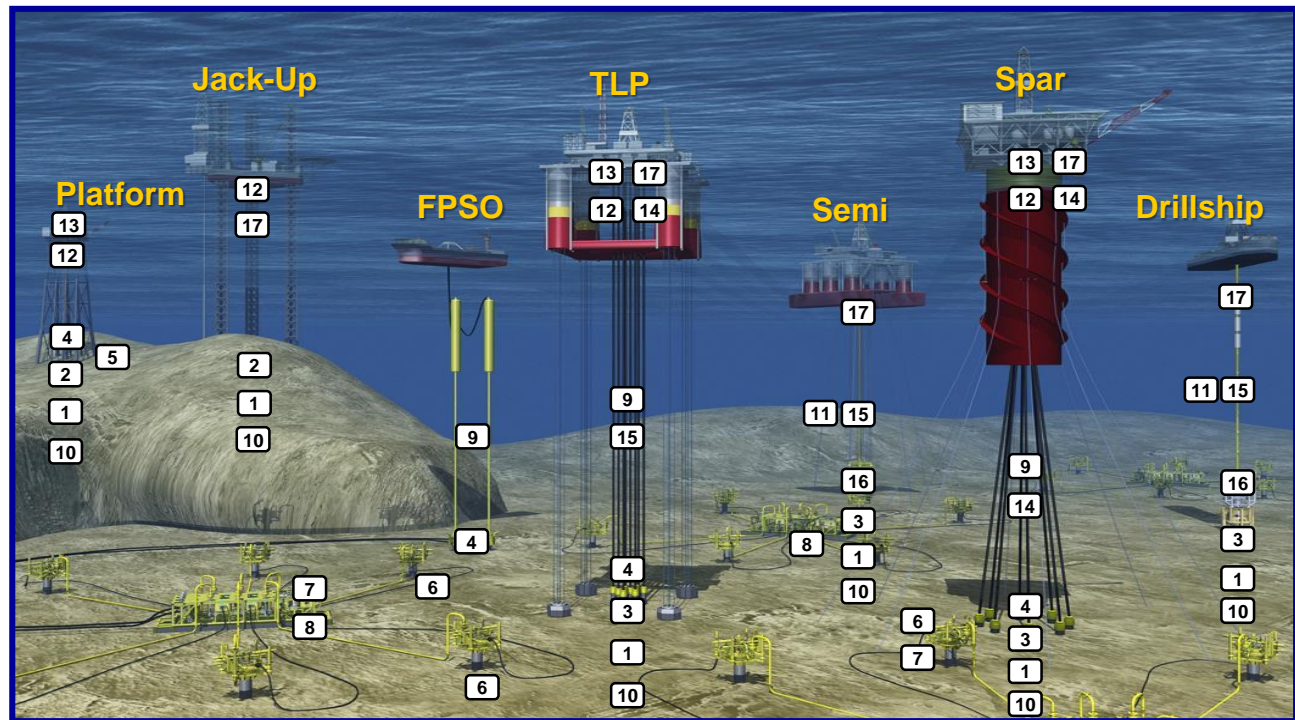
- 1 Specialty Connectors
- 2 Mudline Suspension
- 3 Subsea Wellheads
- 4 Tie-Back Connectors
- 5 Template Systems
- 6 Subsea Trees
- 7 Control Systems
- 8 Subsea Manifolds
- 9 Production Risers
- 10 Liner Hangers
- 11 Completion Risers

## SURFACE EQUIPMENT

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

## OFFSHORE RIG EQUIPMENT

- 15 Drilling Risers
- 16 Wellhead Connectors
- 17 Diversers



SERVICES: Reconditioning - Rental Tools - Field Installation

# Subsea Well Systems



Utilized on all subsea wells drilled with floating rigs

- Subsea Wellheads
- Specialty Connectors
- Liner Hangers





# Dry Tree Completion Systems



## Utilized by SPARs and TLPs

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





# Subsea Completion Systems



**Utilized in subsea field developments**

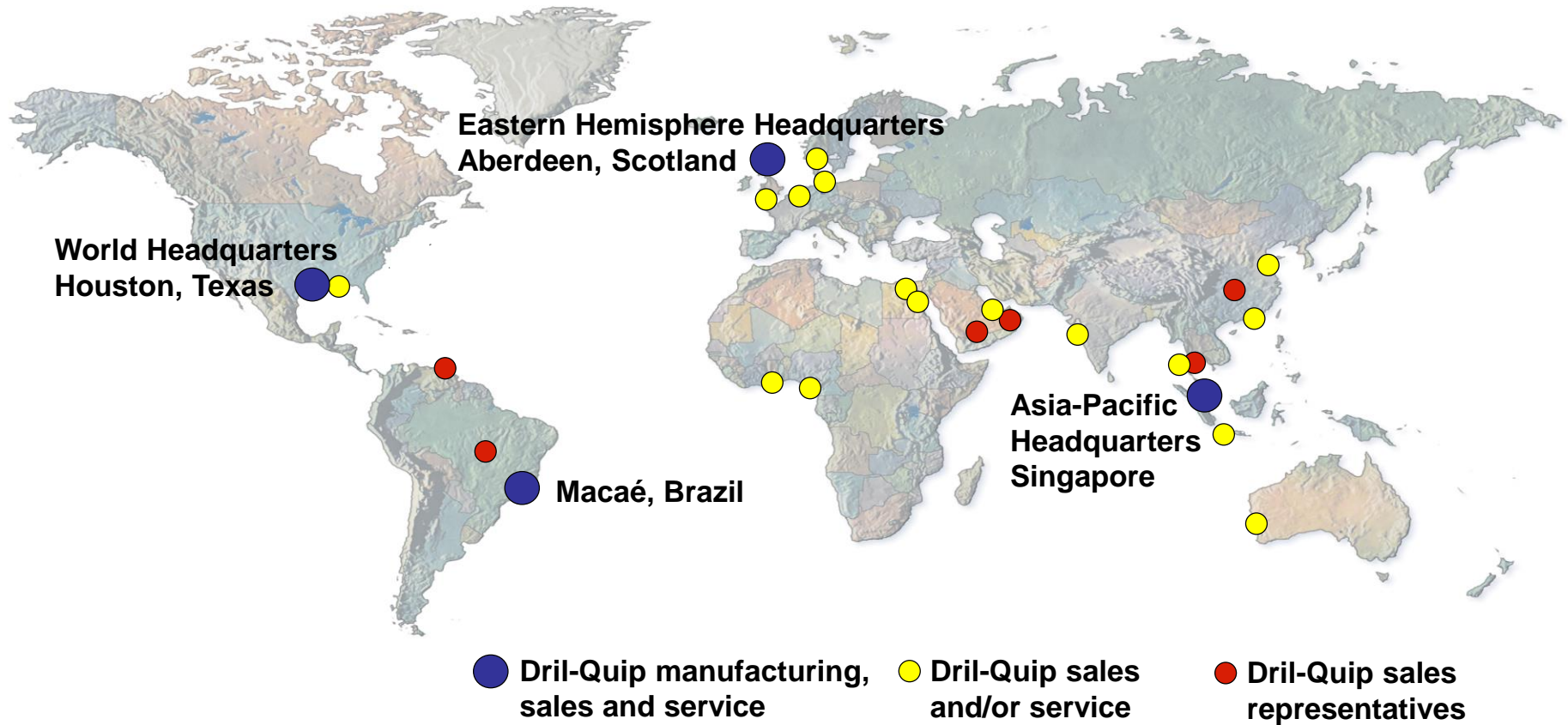
- **Subsea Trees**
- **Control Systems**
- **Subsea Manifolds**
- **Subsea Wellheads**
- **Specialty Connectors**
- **Liner Hangers**



# Strong Global Presence



*Located worldwide to serve key demand centers*



# Suppliers | Offshore Operators

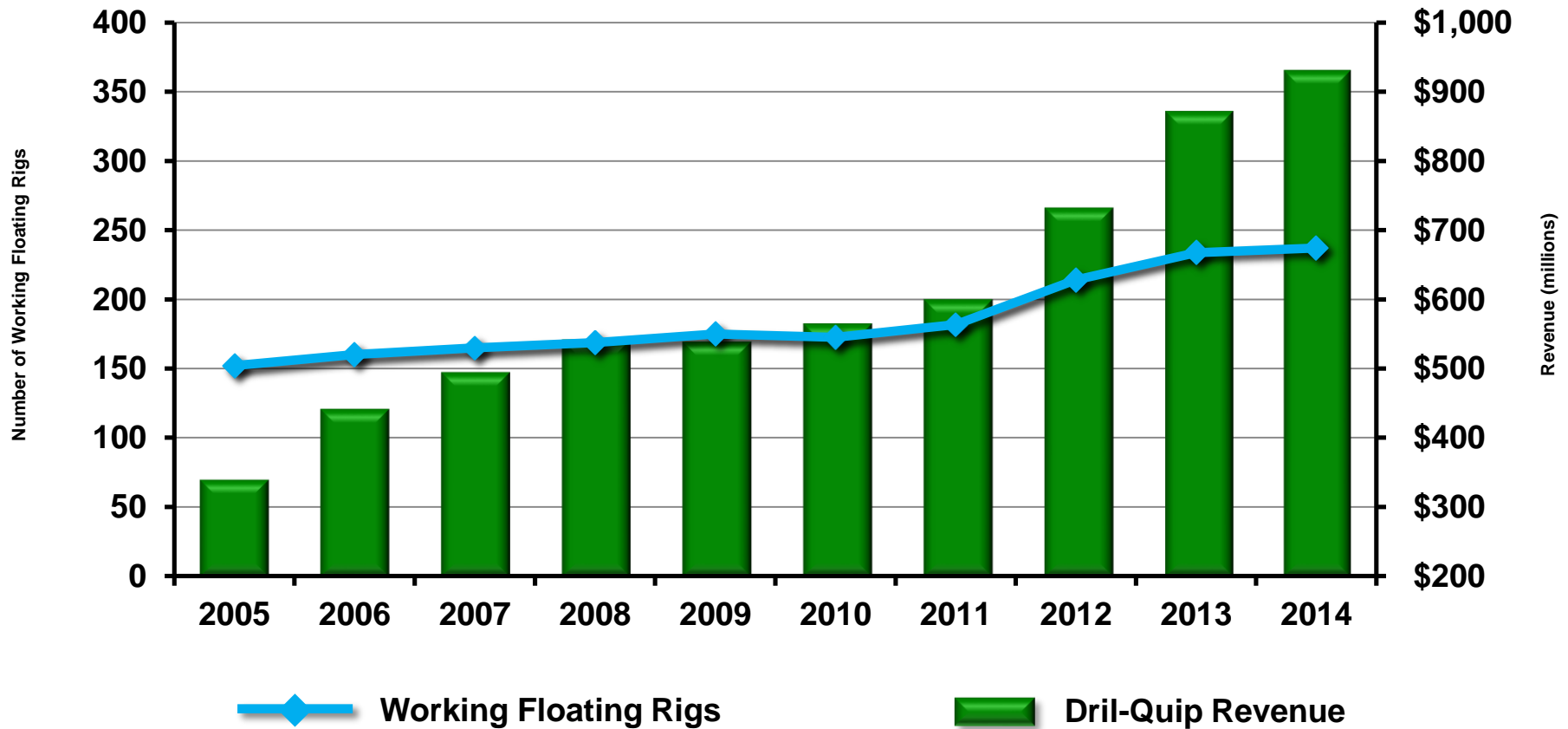


GE Oil & Gas  
Drilling & Production

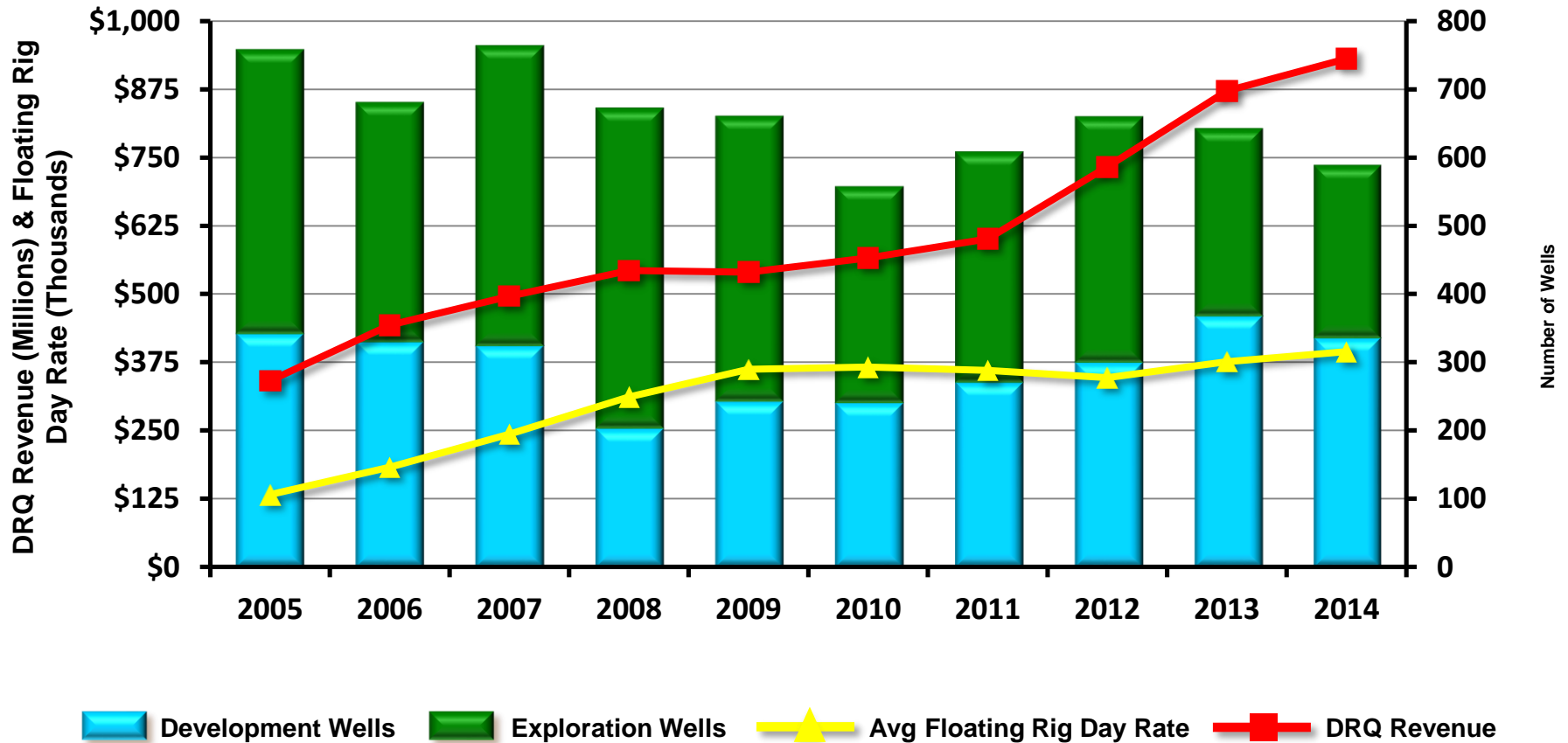




# Consistent Track Record of Growth

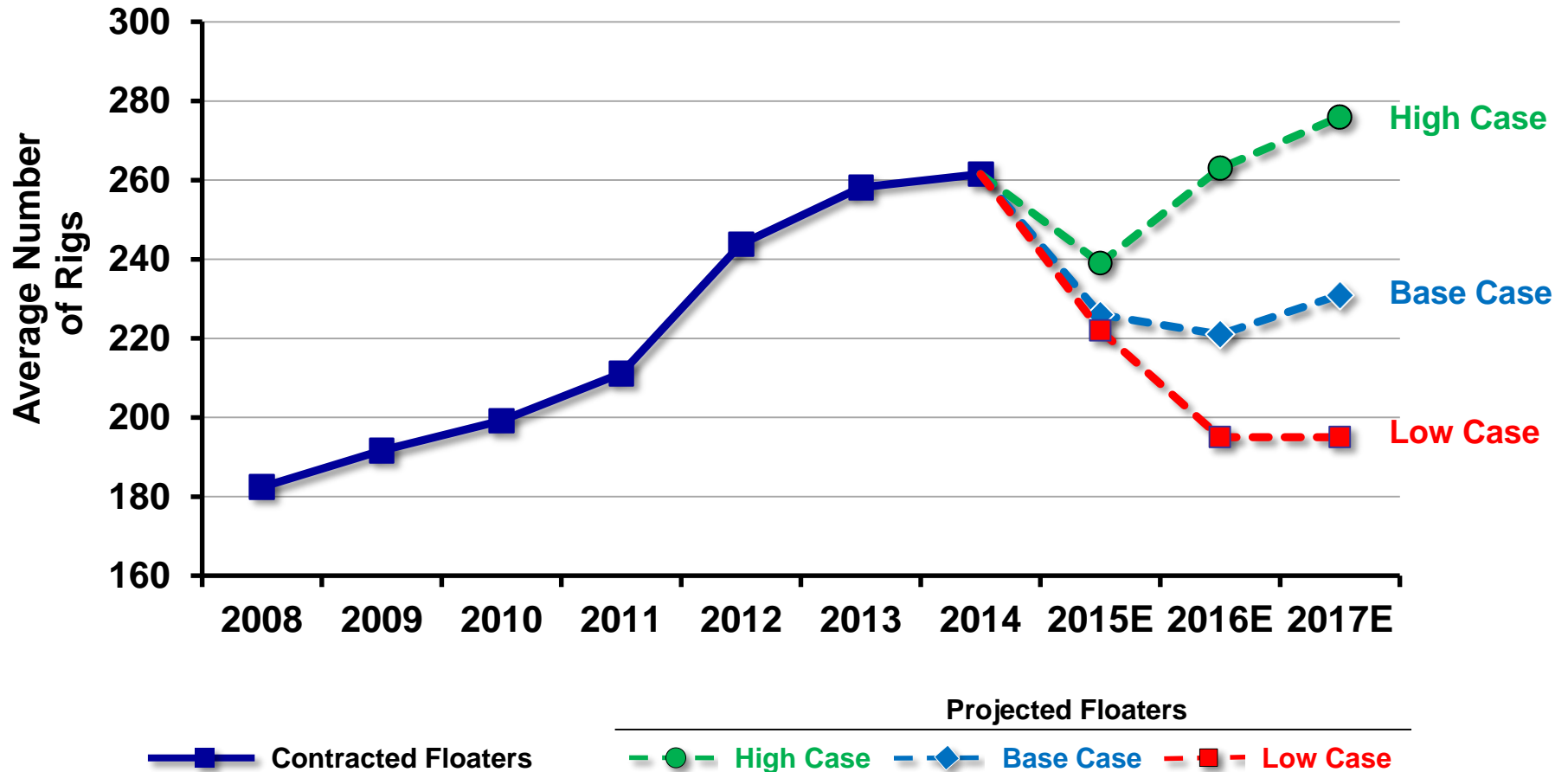


# DRQ Revenues, Wells Drilled and Day Rates



# Contracted Floating Rig Fleet

## 2008 – 2017E



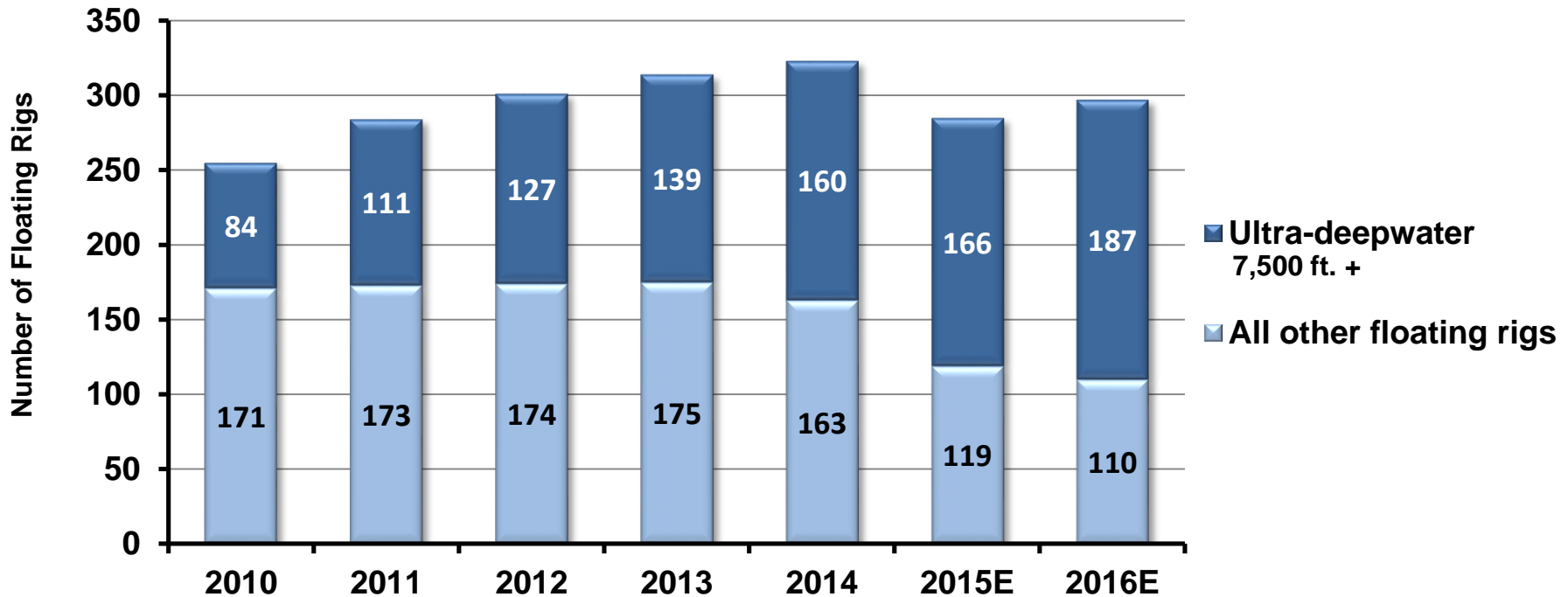


# Floating Rig Fleet by Water Depth

## 2010 – 2016E



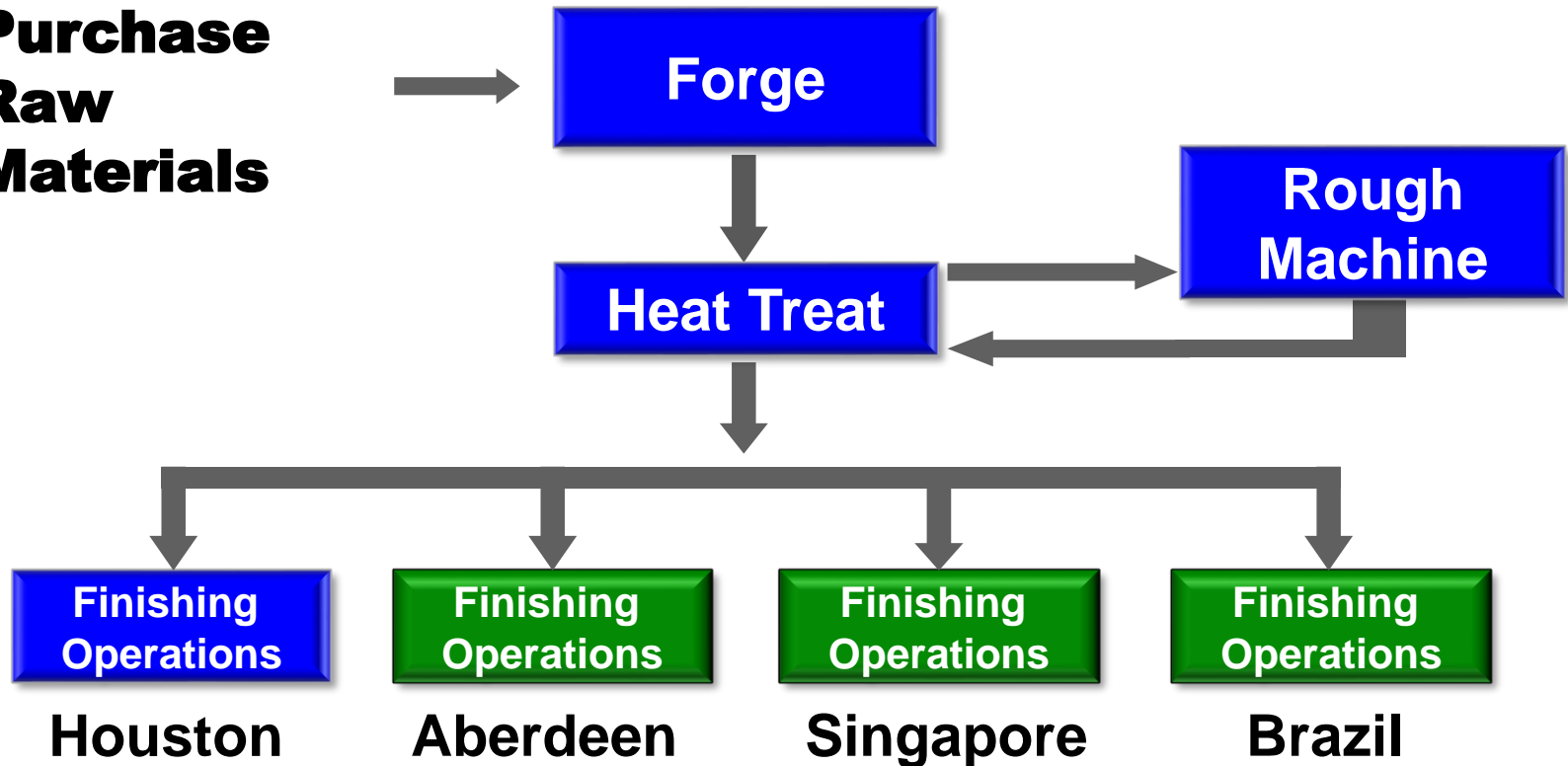
*By year end 2015, there will be more ultra-deepwater rigs than all other floating rigs combined.*



# Vertically Integrated Manufacturing



**Purchase  
Raw  
Materials**



# Manufacturing Locations



**Houston Eldridge (218 acres)**



**Aberdeen, Scotland (24 acres)**



**Singapore (11 acres)**



**Macaé, Brazil (11 acres)**



# Machinery and Equipment Rebuilding



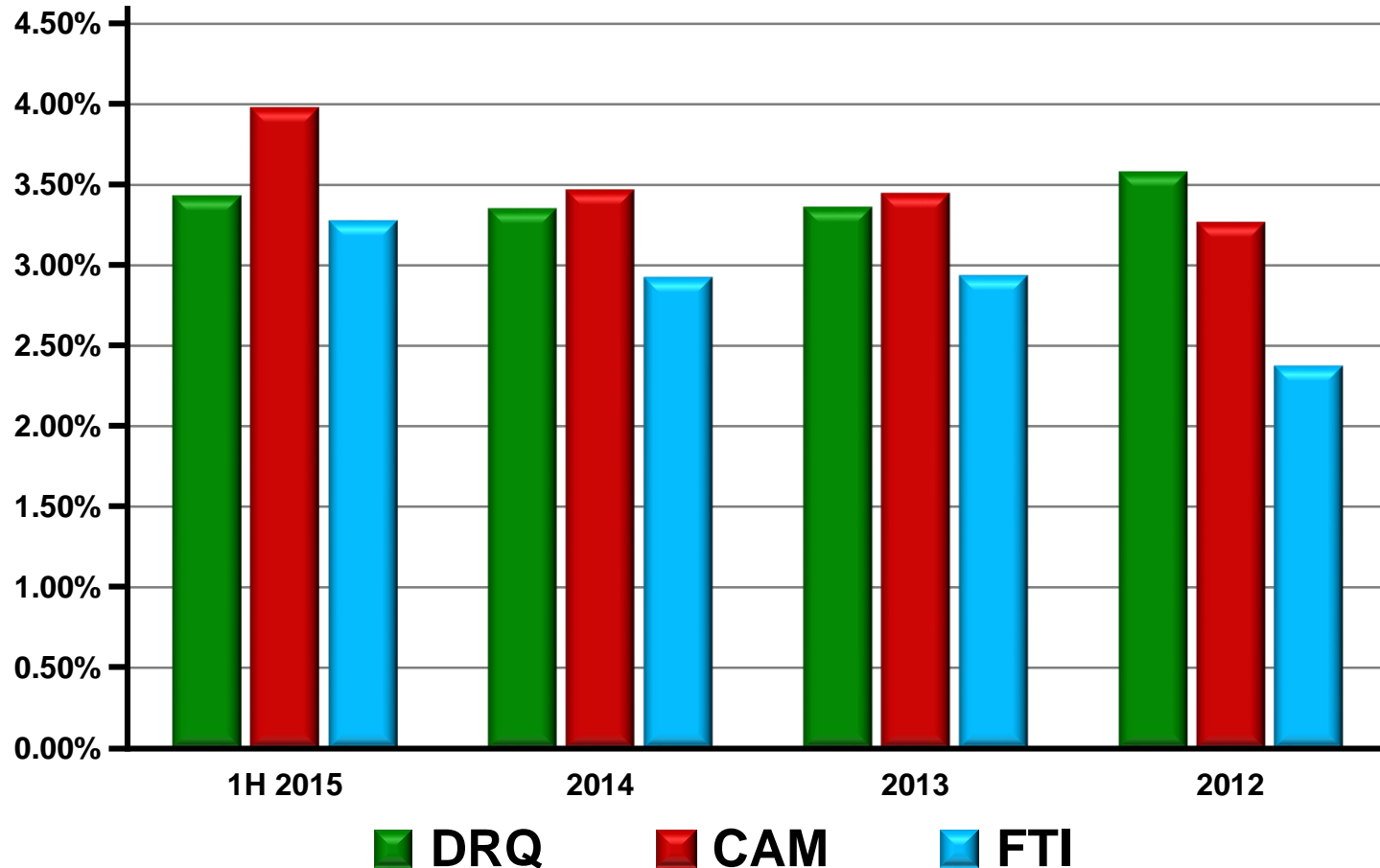
- Purchase used equipment
  - Refurbish in-house with new CNC controls
  - Purpose-built machine tools
- Resulting in reduced capital expenditures



# Depreciation as a % of Revenue



*DRQ depreciation compares favorably with members of Peer Group*



# Strong Balance Sheet Offers Flexibility



(millions of US\$)

## Assets

Cash

Other current assets

Property, plant and equipment, net

Other assets

Total assets

Sept. 30,  
2015

\$ 397

737

292

12

\$ 1,438

Dec. 31,  
2014

\$ 299

828

310

12

\$ 1,449

## Liabilities and Stockholders' Equity

Current liabilities

Long-term debt

Deferred taxes

Total liabilities

Stockholders' equity

\$ 118

-

4

122

1,316

\$ 1,438

\$ 199

-

5

204

1,245

\$ 1,449

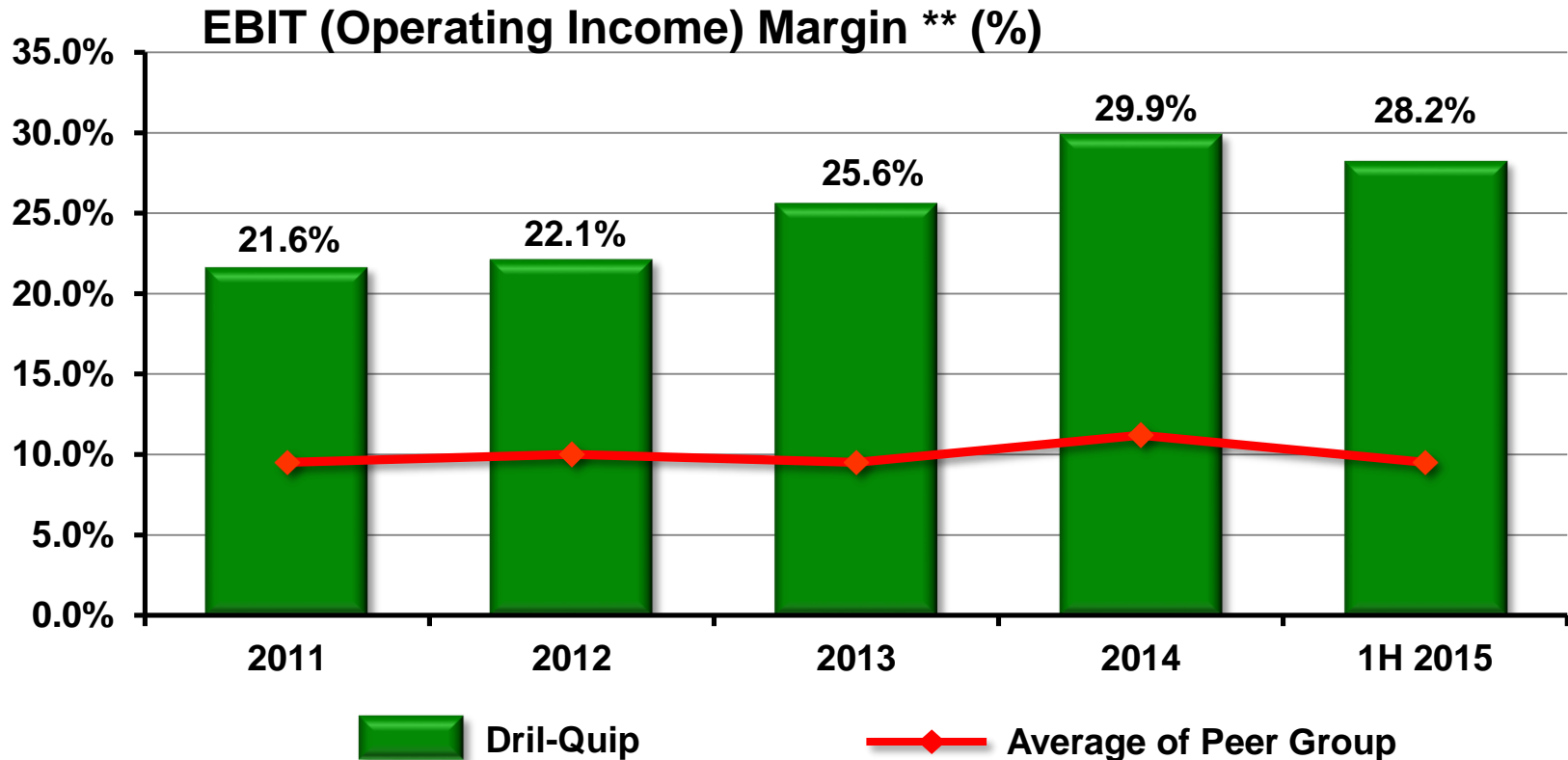


# Condensed Consolidated Statements of Income



	Nine months ended Sept. 30,	
(000s of US\$)	2015	2014
Revenues	\$ 642,680	\$ 676,138
Cost and expenses:		
Cost of sales	54.6% 350,934	54.9% 371,030
S, G & A	67,871	70,300
Engineering	35,348	34,295
	454,153	475,625
Operating income (EBIT)	29.3% \$ 188,527	29.7% \$ 200,513
Earnings per share	\$ 3.70	\$ 3.70

# Superior Margins vs. Peers\*



- Superior margins due to:
  - Vertical integration
  - Machine rebuilding

# Capital Allocation Overview



- **\$397 million cash-on-hand @ 09/30/2015**
- **\$0 (zero) long-term debt @ 09/30/2015**
- **\$241 million in stock buybacks:  
4Q 2013 – 3Q 2015**
- **\$59 million buy-back authorization  
remaining @ 09/30/2015**
- **Significant positive cash flow in 2015**

# Looking Ahead



- Utilize free cash flow and balance sheet to enhance shareholder value through stock repurchase and potential M&As
- Utilize superior margins to maintain / grow market share
- Leverage engineering resources for new product development and existing product enhancement
- Continue our commitment to QHSE (including APQP) to reduce costs and improve product delivery
- Emerge from current cycle positioned to take advantage of the industry turn-around



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