



Second Quarter 2022 Supplemental Earnings Information

the power of 

Forward-Looking Statements

The information furnished in this presentation contains “forward-looking statements” within the meaning of the federal securities laws. Forward-looking statements include, but are not limited to, the effects of the COVID-19 pandemic, and the effects of actions taken by third parties including, but not limited to, governmental authorities, customers, contractors and suppliers, in response to the ongoing COVID-19 pandemic, the impact of actions taken by the Organization of Petroleum Exporting Countries (OPEC) and non-OPEC nations to adjust their production levels, the general volatility of oil and natural gas prices and 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, goals, projections, estimates, expectations, market outlook, forecasts, plans and objectives, including revenue and new product revenue, capital expenditures and other projections, project bookings, bidding and service activity, acquisition opportunities, forecasted supply and demand, forecasted drilling activity and subsea investment, liquidity, cost savings, and share repurchases and are based on assumptions, estimates and risk analysis made by management of Dril-Quip, Inc. (“Dril-Quip”) in light of its experience and perception of historical trends, current conditions, expected future developments and other factors. No assurance can be given that actual future results will not differ materially from those contained in the forward-looking statements in this presentation.

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

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

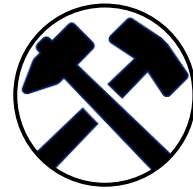
Use of Non-GAAP Financial Measures

Adjusted Net Income, Adjusted Diluted EPS, Adjusted EBITDA and Free Cash Flow are non-GAAP measures. Adjusted Net Income and Adjusted Diluted EPS are defined as net income (loss) and earnings per share, respectively, excluding the impact of foreign currency gains or losses as well as other significant non-cash items and certain charges and credits. Adjusted EBITDA is defined as net income excluding income taxes, interest income and expense, depreciation and amortization expense, stock-based compensation, non-cash gains or losses from foreign currency exchange rate changes as well as other significant non-cash items and items that can be considered non-recurring. Free Cash Flow is defined as cash provided by operating activities less cash used in the purchase of property, plant and equipment. We believe that these non-GAAP measures enable us to evaluate and compare more effectively the results of our operations period over period and identify operating trends by removing the effect of our capital structure from our operating structure and certain other items including those that affect the comparability of operating results. In addition, we believe that these measures are supplemental measurement tools used by analysts and investors to help evaluate overall operating performance, ability to pursue and service possible debt opportunities and make future capital expenditures. These measures do not represent funds available for our discretionary use and are not intended to represent or to be used as a substitute for net income or net cash provided by operating activities, as measured under U.S. generally accepted accounting principles (“GAAP”). Non-GAAP financial information supplements should be read together with, and is not an alternative or substitute for, our financial results reported in accordance with GAAP. Because non-GAAP financial information is not standardized, it may not be possible to compare these financial measures with other companies’ non-GAAP financial measures. Reconciliations of these non-GAAP measures to the most directly comparable GAAP measure can be found in the appendix.

Use of Website

Investors should note that Dril-Quip announces material financial information in SEC filings, press releases and public conference calls. Dril-Quip may use the Investors section of its website (www.dril-quip.com) to communicate with investors. It is possible that the financial and other information posted there could be deemed to be material information. Information on Dril-Quip’s website is not part of this presentation.

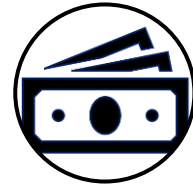
Dril-Quip Investment Highlights



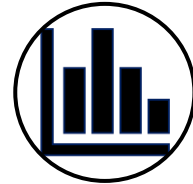
Leading Manufacturer of Highly Engineered Drilling & Production Equipment



Technically Innovative, Environmentally Responsible Products & First-class Service



Strong Financial Position



Historically Superior Margins to Peers



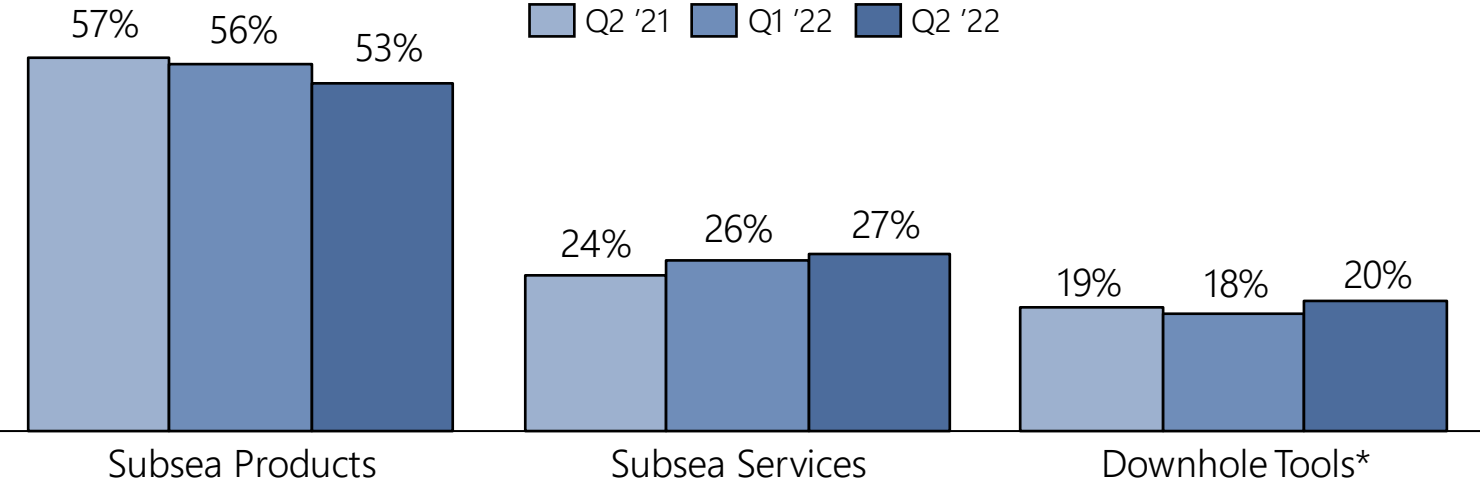
Results Driven Management Team

SUBSEA PRODUCTS

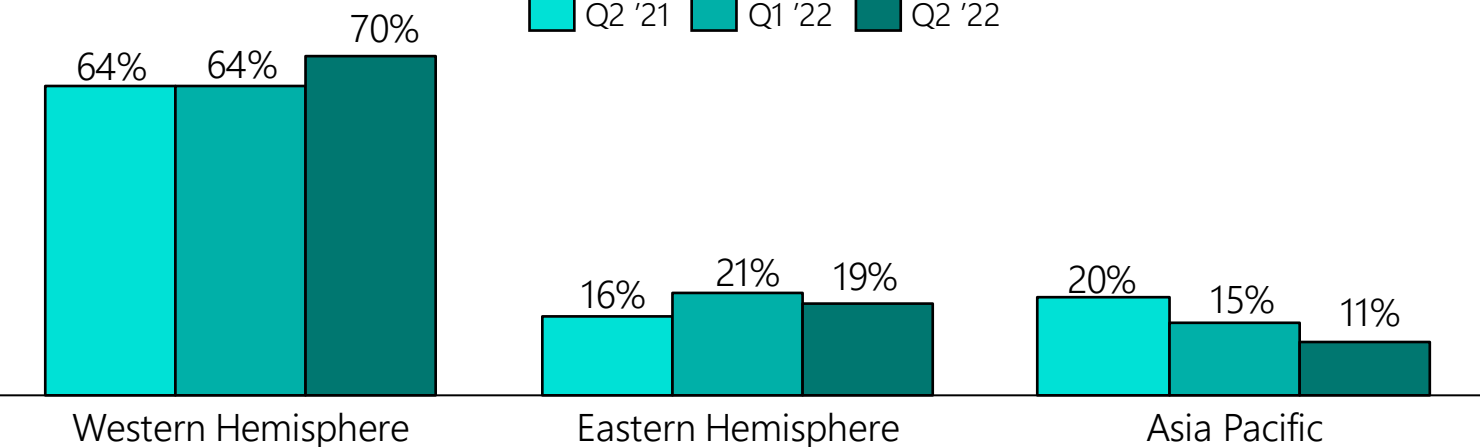
SUBSEA SERVICES

DOWNHOLE TOOLS

Product & Service Revenue Segments



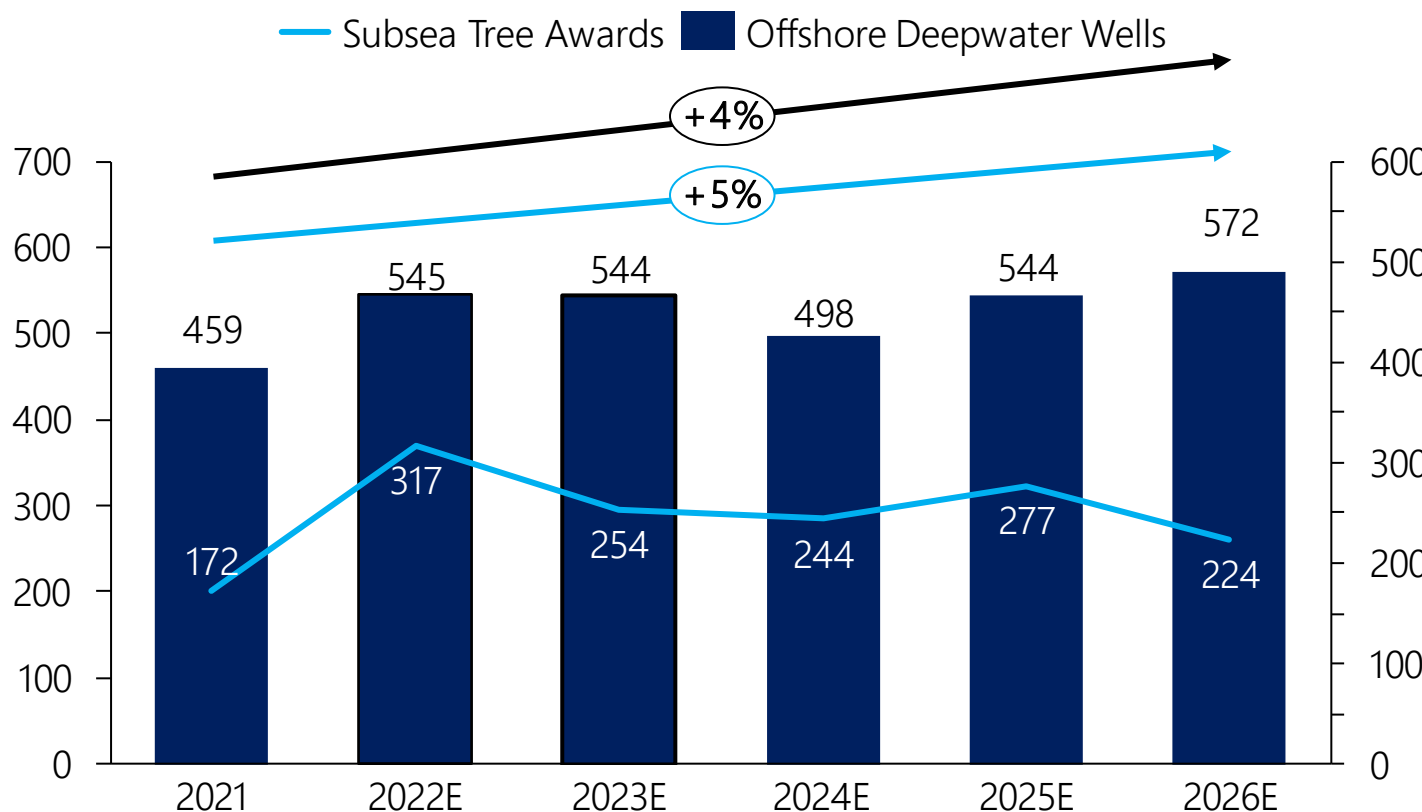
Geographic Revenue Segments



* Includes downhole tools products, leasing and services

- Revenue of \$94.0 million for the second quarter of 2022, an increase of \$10.8 million from the first quarter of 2022 on higher subsea equipment and downhole tools product and services revenue;
- A net loss of \$5.6 million, or a \$0.16 loss per share, an improvement of \$3.4 million, or \$0.10 per share compared to the first quarter of 2022, due to improved gross profit and foreign exchange benefits partially offset by higher restructuring charges;
- Generated adjusted EBITDA of \$9.3 million, or 9.9% of revenue; an increase of \$6.2 million from the first quarter of 2022;
- Second quarter net cash used by operating activities of \$9.3 million and free cash flow of negative \$10.6 million, inclusive of \$1.4 million of capital expenditures;
- Booked \$49.6 million of new orders during the second quarter of 2022, net of \$7.1 million of cancellations and adjustments;
- Repurchased \$3.8 million of shares at an average price of \$24.49 during the second quarter of 2022. Year to date repurchases through the third quarter of 2022 total approx. \$21 million.
- Announced Scope 1 and Scope 2 GHG emission reduction target of 50% by the year 2030.

Estimated Offshore Deepwater Wells and Tree Awards

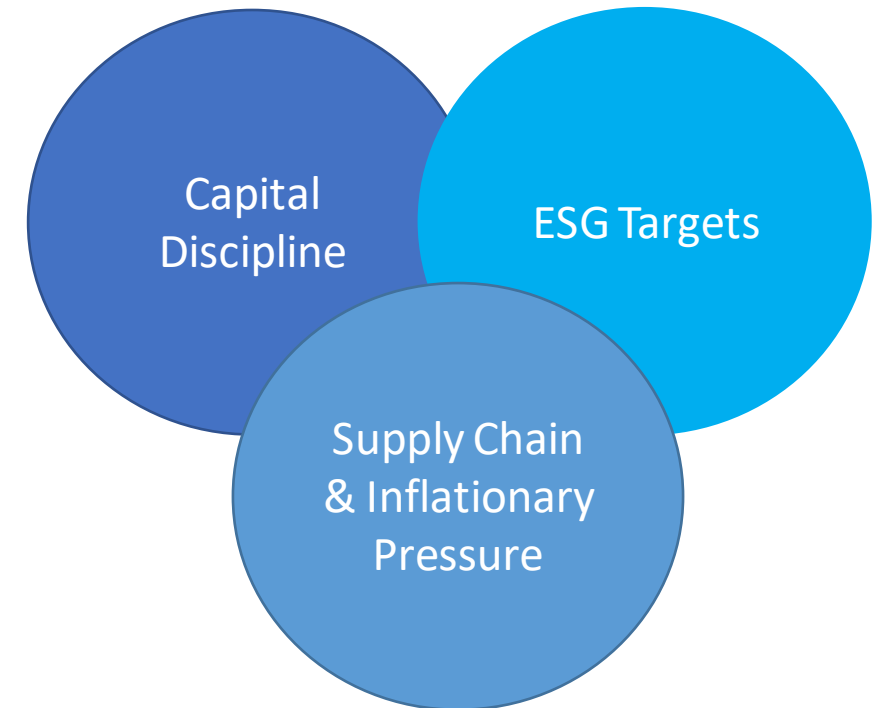
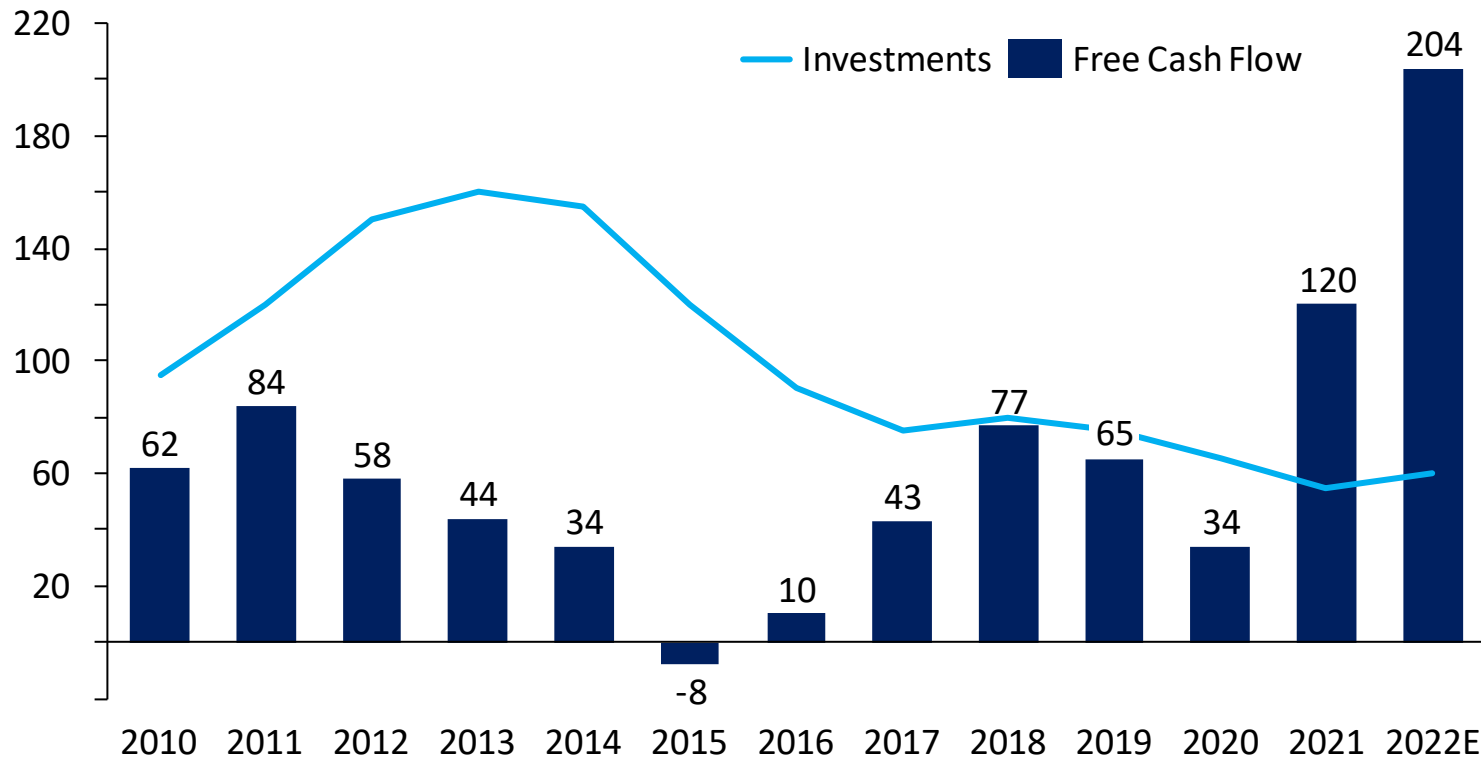


- Offshore deepwater wells drilled forecasted compound annual growth rate (CAGR) of 4% through 2026
- South America and Middle East leading overall offshore well count growth
- Europe and South America (Guyana) expected to lead growth in tree awards and well counts

Collaborations & technology adoption provide tailwinds in improving overall market beginning in 2022

Historical investments and free cash flow from upstream activity for the majors*

Billion USD



Unprecedented confluence of events creating project delay risk despite increasing energy security needs. Redeployment of capital to shareholders and debt reduction were major operator focuses in 2021.

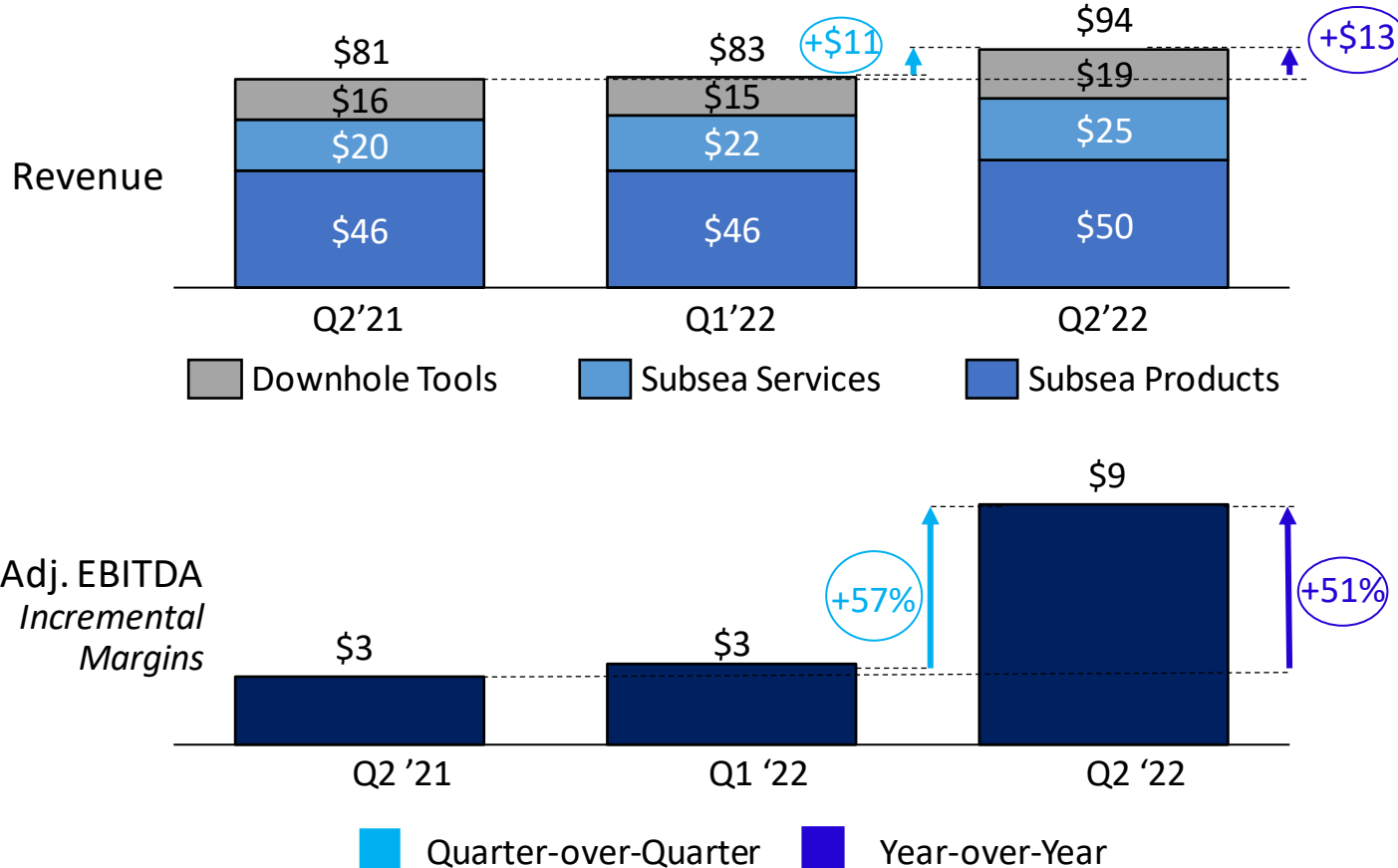
*Includes BP, Chevron, Equinor, ExxonMobil, Shell and TotalEnergies.

Source: Rystad Energy

Q2 2022 | Financial Performance

Quarterly Comparisons

(\$ millions)



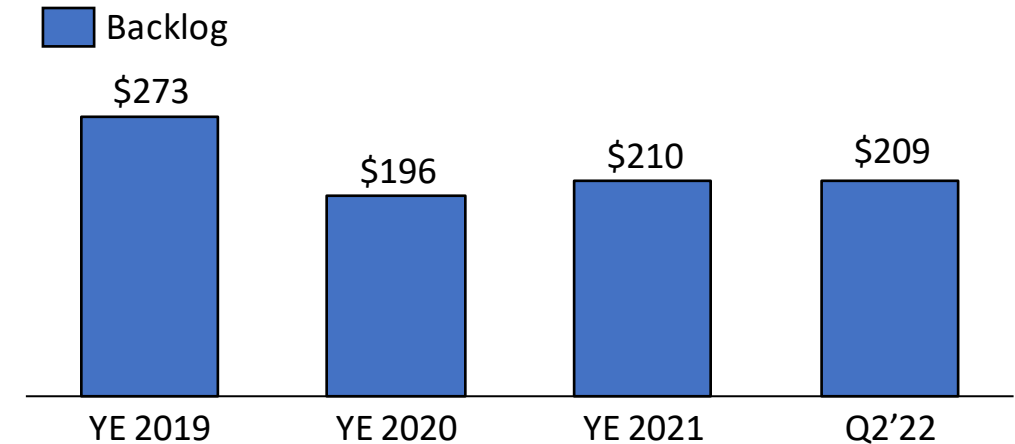
- Revenue up \$10.8 million sequentially due to increased subsea and downhole tool products revenue
- Revenue increased year-over-year due to higher leasing revenue as well as higher subsea wellhead product sales
- Adjusted EBITDA was approximately \$9.3 million, up sequentially due to higher revenues and favorable incremental margins on product and service mix
- Year-over-year increase in adjusted EBITDA driven primarily by increased revenue and the non-recurrence of the forge facility lease cancellation.

Strong incremental margins sequentially and material overhead cost reductions in comparison to prior year.

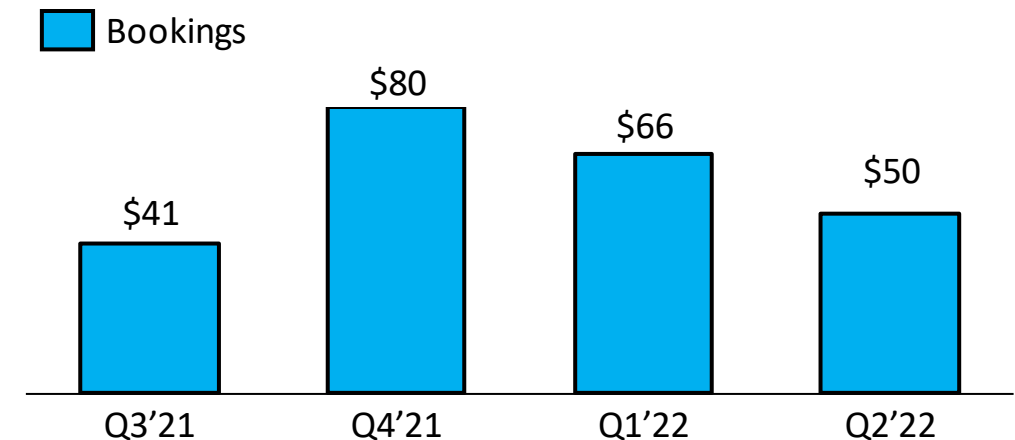
Note: Sum of components may not foot due to rounding. Adjusted EBITDA is a non-GAAP measure. See appendix for reconciliation to GAAP measure.

- Q2 2022 product bookings of ~\$50 million, net of ~\$7 million of cancellations and adjustments as our customers continue to evaluate the economic environment
- Bookings range expectation up 20% for the full year 2022
- Subsea production system orders weighted toward 2H 2022 driving anticipated 30% growth compared to 1H 2022.

Historical Backlog Trends (\$M)

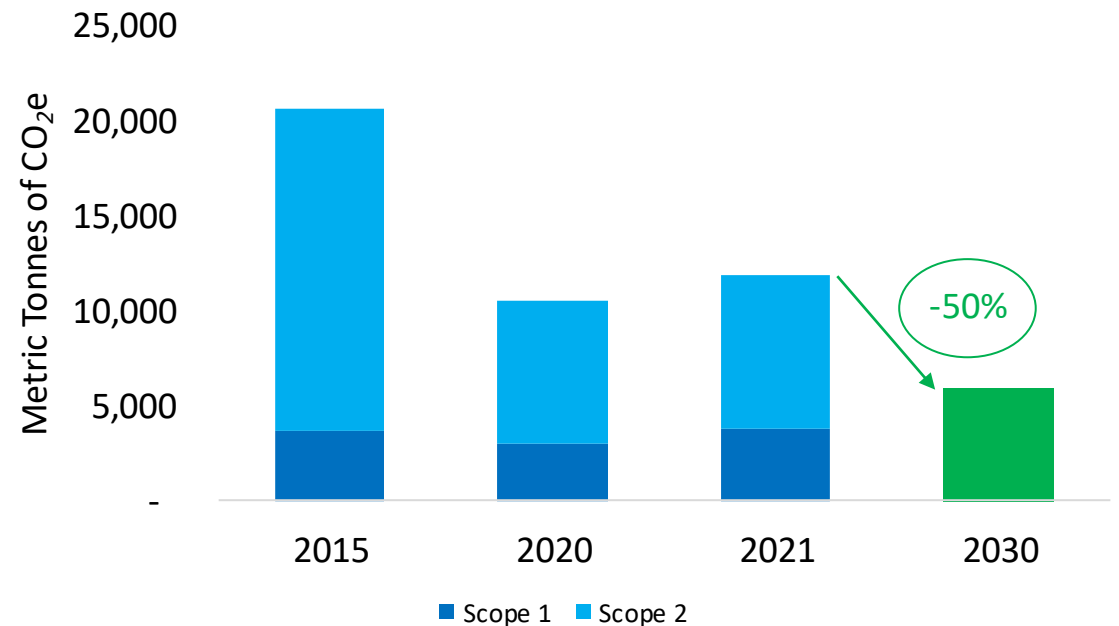


Historical Booking Trends (\$M)



- Alignment with the ambitions of the Paris Accord which seeks to limit global warming
- Decarbonization actions include:
 - Switching to renewable electricity across major manufacturing sites
 - Rightsizing of facilities
 - Investing in infrastructure to reduce fugitive emissions
 - Downscaling and evaluating the electrification of our vehicle fleet
- Partnering with key suppliers and customers to find avenues to decarbonize their operations.

Scopes 1 and 2 GHG Emissions & Target



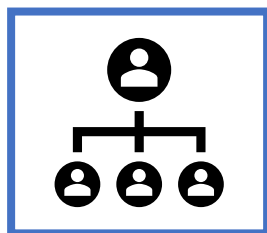
Note: 2015 excludes the now outsourced "Forging Business." Scope 2 emissions reduction between 2015 and 2020/2021 is primarily due to less overall business activity.

The launch of these decarbonization initiatives will enable Dril-Quip to achieve a > 50% reduction in Scope 1 and 2 emissions to align with the 1.5°C scenario by 2030.



Strategic Growth Pillars

- Continue to execute on collaboration agreements, downhole tools growth and e-Series technology expansion



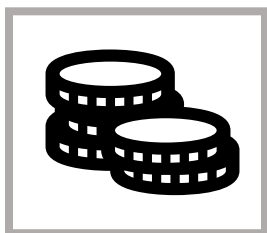
Organizational Alignment

- Streamlined operations and leadership around more focused and integrated product and service lines



Optimized Footprint

- Further transformation of our operational footprint to improve efficiency and reduce excess capacity



Capital Allocation

- Disciplined deployment of capital to generate attractive returns on capital employed

Subsea Products

Wellheads, Connectors & SPS

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

BB11e Wellhead



Downhole Tools

Liner Hangers and Services

- Continue share gains in key markets
- Convert from conventional to expandable liner hangers
- Expand through current and future collaborations
- Increase test & assembly in local markets



XPak De

Subsea Services

Technical Service, Rentals and Rework

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

Energy Transition

Expansion into Decarbonization Opportunities

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

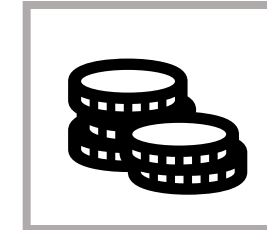


SBTe XT



Footprint Optimization

- ✓ Purchase and sale agreement signed for the Forge facilities at the Houston, TX campus. Anticipated to close in Q3 2022.
- ✓ Terms being negotiated for two additional properties at Houston, TX campus. Targeted closing by year-end.
- ✓ Total proceeds from these sales expected to be in the \$40-\$50 million range, net of expenses



Capital Allocation

- ✓ \$22M of new manufacturing equipment approved for purchase. Anticipate cash outlay to occur over next 18 months.
- ✓ Capex range for the year of \$15 million - \$17 million
- ✓ \$3.8M of stock repurchased in Q2
 - ✓ Year-to-date, inclusive of Q3, \$20.8M of cash returned to shareholders

Capex / Internal

- Fund high return internal investments
- Targeted investments for franchise products
- Manufacturing, IT Systems, etc.

Acquisition Growth

- Selective opportunities (energy and energy adjacent)

Share Repurchase

- Returning excess cash to shareholders

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

2022 Estimated
Product Bookings
Up ~20% from 2021

2022 Estimated
Revenue:
Up ~10% from 2021
levels

2022 Estimated Adj.
EBITDA: 40% to 50%
Incremental margins

2022 Estimated
Capex of
\$15M to \$17M

Targeting
2022 Free Cash Flow*
Margin of ~3 to 5%

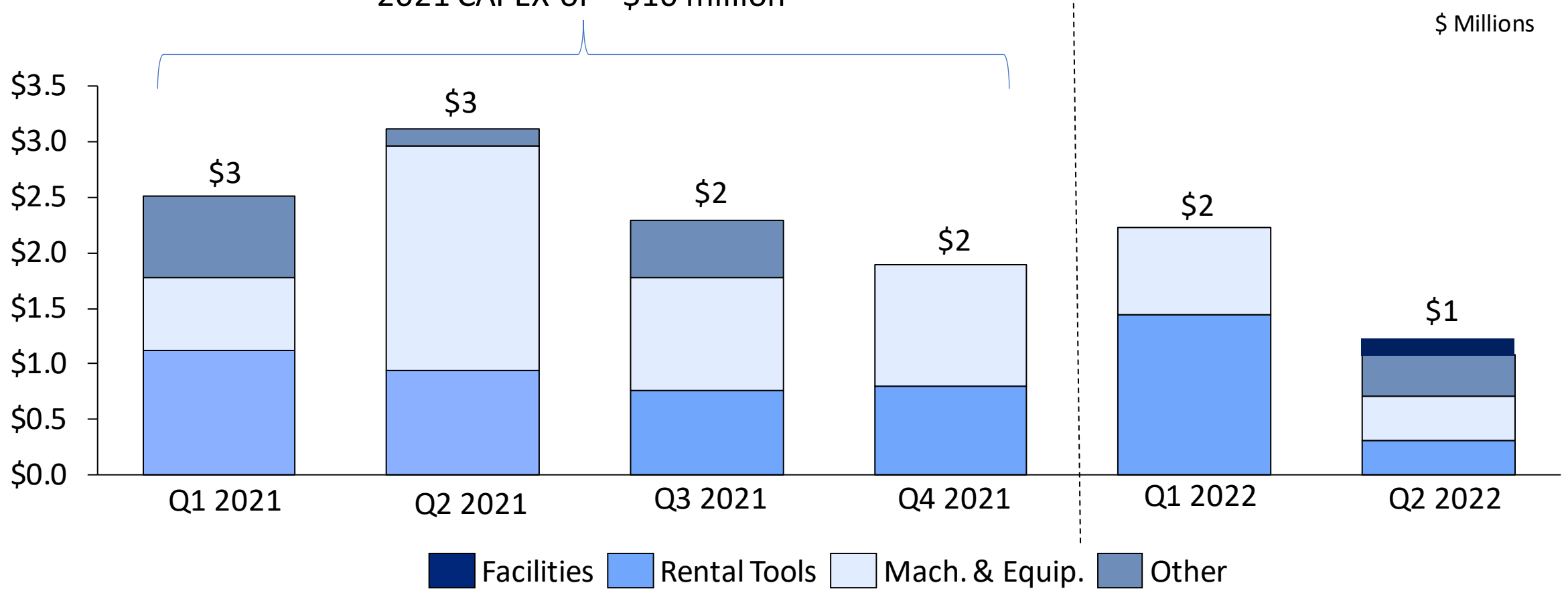
*Free Cash Flow = Operating Cash Flow less Capital Expenditures and does not include potential real estate divestures

Appendix

dril-quip.com | NYSE: DRQ

Q2 2022 | Capital Expenditures

2021 CAPEX of ~\$10 million

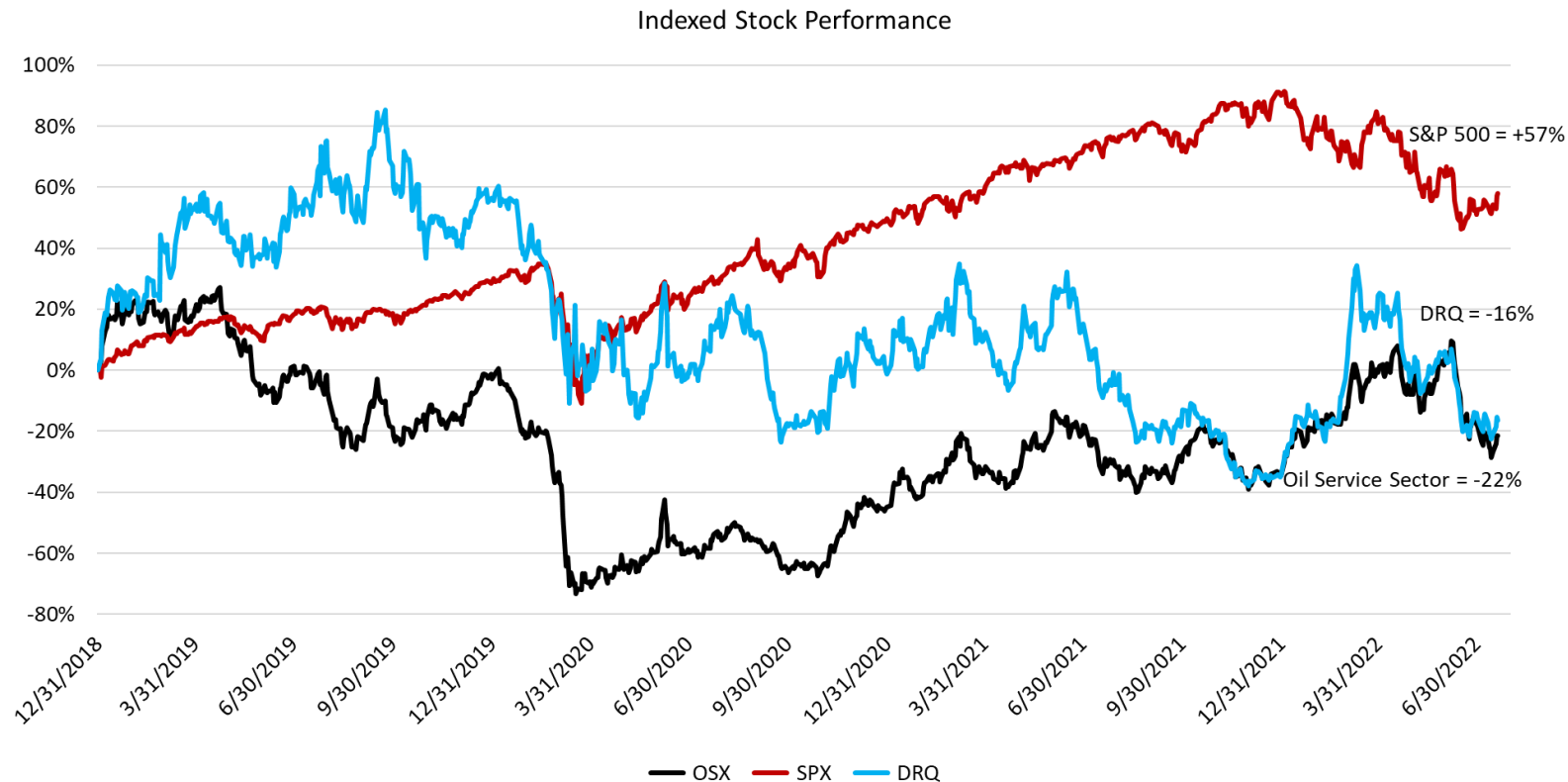


Capital expenditures in 2022 are expected to be \$15 to \$17 million driven by rental tools and information technology upgrade to support growth

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

MARKET INFORMATION

Ticker	NYSE: DRQ		
Share Price (at close: 7/20/22)	\$23.36		
52-Week Range	\$18.17 - \$41.23		
Cash per Share (as of 6/30/2022)	\$ 9.30		
Performance:	DRQ	OSX	SPX
Since Q1 Filing (4/28/22)	-24%	-10%	-8%
Year-to-Date	19%	32%	-17%



Dril-Quip mostly in-line with OSX index following period of outperformance post 2018 transformation

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

	Three months ended		
	June 30, 2022	March 31, 2022	June 30, 2021
(In thousands, except per share data)			
Revenues:			
Products	\$ 61,979	\$ 55,642	\$ 55,860
Services	19,596	17,499	17,536
Leasing	12,403	9,996	7,401
Total revenues	93,978	83,137	80,797
Costs and expenses:			
Cost of sales	69,663	63,995	61,539
Selling, general and administrative	22,498	22,393	29,593
Engineering and product development	2,720	3,676	3,722
Restructuring and other charges	5,765	32	1,000
(Gain) loss on sale of property, plant and equipment	(380)	(114)	82
Foreign currency transaction gains	(2,419)	(1,254)	(475)
Total costs and expenses	97,847	88,728	95,461
Operating loss	(3,869)	(5,591)	(14,664)
Interest income	573	203	63
Interest expense	(99)	(54)	(59)
Income tax provision	2,175	3,496	4,407
Net loss	\$ (5,570)	\$ (8,938)	\$ (19,067)
Loss per share			
Basic	\$ (0.16)	\$ (0.26)	\$ (0.54)
Diluted	\$ (0.16)	\$ (0.26)	\$ (0.54)
Depreciation and amortization	\$ 7,670	\$ 7,559	\$ 7,343
Capital expenditures	\$ 1,363	\$ 2,066	\$ 3,524
Weighted Average Shares Outstanding			
Basic	34,476	34,494	35,387
Diluted	34,476	34,494	35,387

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

	June 30, 2022	December 31, 2021
(In thousands)		
Assets:		
Cash and cash equivalents	\$ 320,784	\$ 355,451
Other current assets	427,079	390,098
PP&E, net	179,938	216,200
Other assets	45,765	48,677
Total assets	\$ 973,566	\$ 1,010,426
Liabilities and Equity:		
Current liabilities	\$ 84,856	\$ 93,663
Deferred Income taxes	4,234	3,925
Other long-term liabilities	15,787	15,730
Total liabilities	104,877	113,318
Total stockholders equity	868,689	897,108
Total liabilities and equity	\$ 973,566	\$ 1,010,426

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

Adjusted Net Income (Loss) and EPS:

	Three months ended					
	June 30, 2022		March 31, 2022		June 30, 2021	
	Effect on net income (loss) (after-tax)	Impact on diluted earnings (loss) per share	Effect on net income (loss) (after-tax)	Impact on diluted earnings (loss) per share	Effect on net income (loss) (after-tax)	Impact on diluted earnings (loss) per share
	(In thousands, except per share amounts)					
Net loss	\$ (5,570)	\$ (0.16)	\$ (8,938)	\$ (0.26)	\$ (19,067)	\$ (0.54)
Adjustments (after tax):						
Reverse the effect of foreign currency transaction gains	(1,911)	(0.06)	(991)	(0.03)	(375)	(0.01)
Restructuring and other costs, including severance	4,554	0.13	25	-	790	0.02
(Gain) loss on sale of property, plant and equipment	(300)	(0.01)	(90)	-	65	-
Adjusted net loss	\$ (3,227)	\$ (0.10)	\$ (9,994)	\$ (0.29)	\$ (18,587)	\$ (0.53)

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

<u>Adjusted EBITDA:</u>	<u>Three months ended</u>		
	<u>June 30, 2022</u>	<u>March 31, 2022</u>	<u>June 30, 2021</u>
	(In thousands)		
Net loss	\$ (5,570)	\$ (8,938)	\$ (19,067)
Add:			
Interest (income) expense, net	(474)	(149)	(4)
Income tax provision	2,175	3,496	4,407
Depreciation and amortization expense	7,670	7,559	7,343
Restructuring and other costs, including severance	5,765	32	7,250
(Gain) loss on sale of property, plant and equipment	(380)	(114)	82
Foreign currency transaction gains	(2,419)	(1,254)	(475)
Stock compensation expense	2,573	2,527	3,079
Adjusted EBITDA	<u>\$ 9,340</u>	<u>\$ 3,159</u>	<u>\$ 2,615</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>June 30, 2022</u>	<u>March 31, 2022</u>	<u>June 30, 2021</u>
	(In thousands)		
Net cash provided (used) by operating activities	\$ (9,281)	\$ (10,928)	\$ 11,343
Less:			
Purchase of property, plant and equipment	(1,363)	(2,066)	(3,112)
Free cash flow	<u>\$ (10,644)</u>	<u>\$ (12,994)</u>	<u>\$ 8,231</u>

Dril-Quip, Inc.
Product and Service Revenue Segments

Three months ended
June 30,

2022

2021

(In millions)

Revenues:			
Products:			
Subsea equipment	\$	49.5	\$ 45.6
Downhole tools		12.5	10.3
Total products		62.0	55.9
Services:			
Subsea equipment		14.8	14.0
Downhole tools		4.8	3.5
Total services		19.6	17.5
Leasing			
Subsea equipment		10.5	5.6
Downhole tools		1.9	1.8
Total leasing		12.4	7.4
Total revenues	\$	94.0	\$ 80.8

- **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 / Total Shares Outstanding
- **Non-cash Working Capital (WC) / Share** = Noncash Working Capital / Total Shares Outstanding
- **Total Debt / Capitalization** = Total Debt (Short-term + Long-term) / (Total Debt + Total Shareholders' Equity)

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