



# DRIL-QUIP, Inc.

**Scotia Howard Weil  
2017 Energy Conference  
The Roosevelt Hotel - New Orleans, LA  
March 27, 2017**

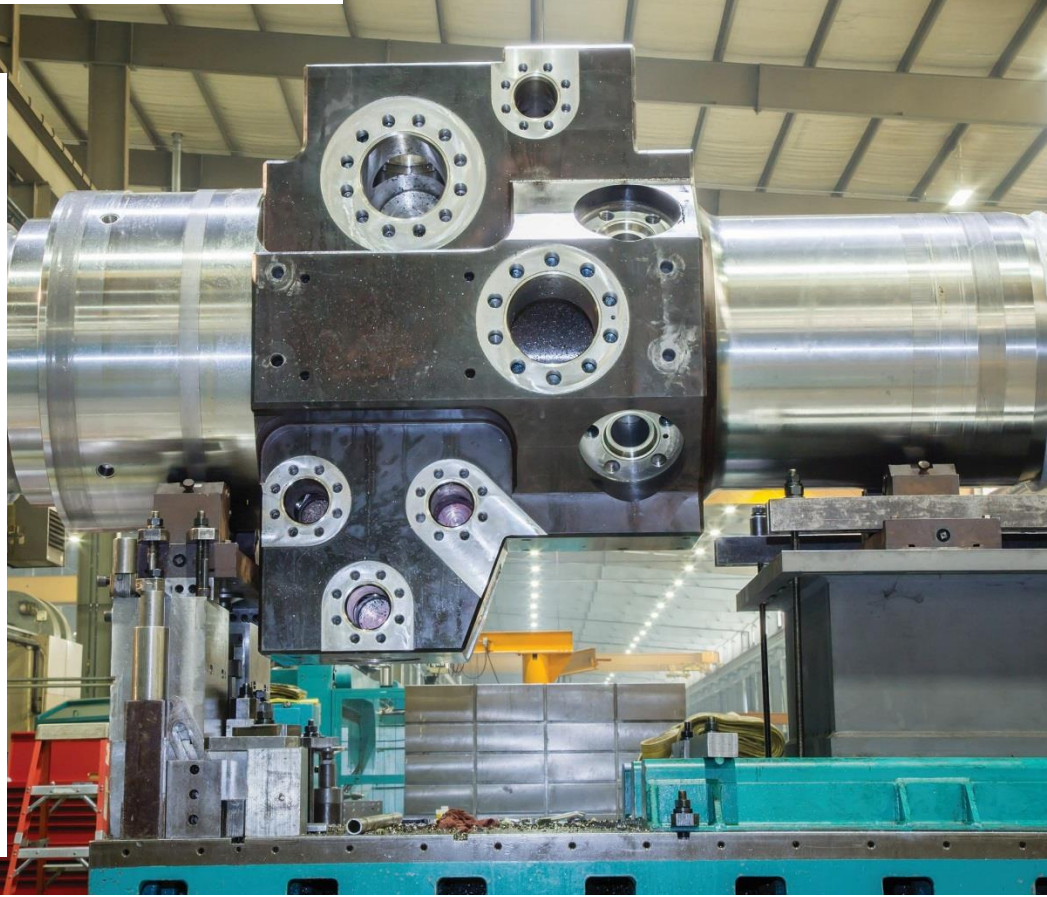
# Forward Looking Statements



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

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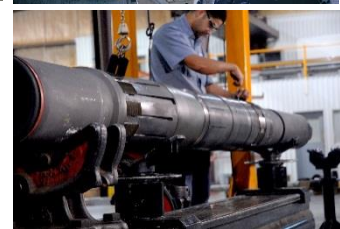
- Leading manufacturer of highly engineered drilling and production equipment
- Technically differentiated products & 1st class service
- Impeccable balance sheet
- Historically superior margins to peer group
- Experienced management team
- Well-positioned to navigate the industry downturn



# Products & Services



- Subsea equipment
- Downhole tools & liner hangers
- Surface equipment
- Rig equipment
- Services – field installation, rental tools and reconditioning

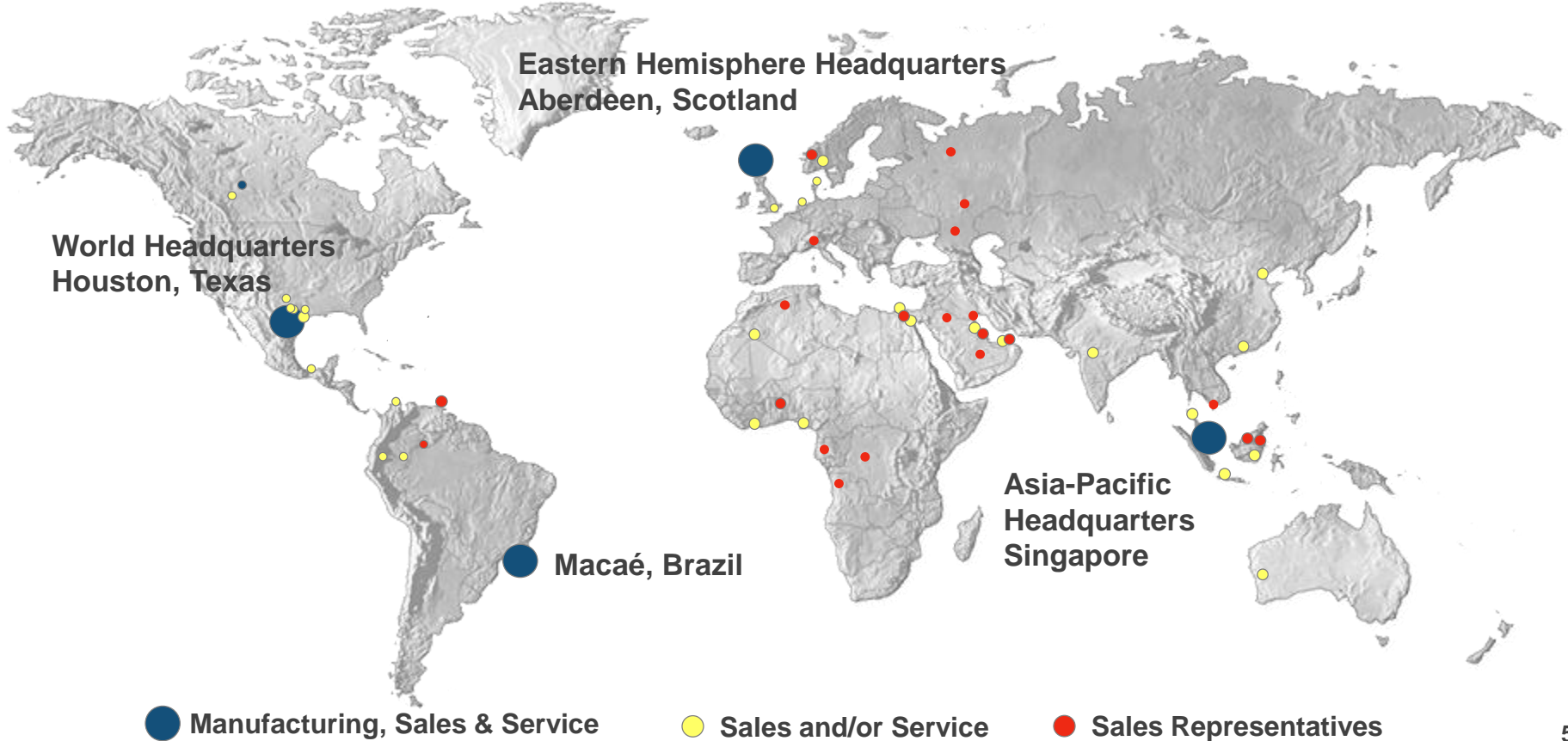


# Supporting Leading Companies



# DRIL-QUIP

# Located to Serve Markets Worldwide



# Consolidated Balance Sheet



(millions of US \$)	Dec. 31, 2016	Dec. 31, 2015
<b>Assets:</b>		
<b>Cash</b>	<b>\$ 423</b>	<b>\$ 381</b>
Other current assets	634	743
Property, plant and equipment, net	323	294
Other assets	81	10
<b>Total assets</b>	<b>\$ 1,461</b>	<b>\$ 1,428</b>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities	\$ 102	\$ 101
<b>Long-term debt</b>	<b>-</b>	<b>-</b>
Deferred taxes	3	3
Total liabilities	105	104
Stockholders' equity	1,356	1,324
<b>Total liabilities and stockholders' equity</b>	<b>\$ 1,461</b>	<b>\$ 1,428</b>

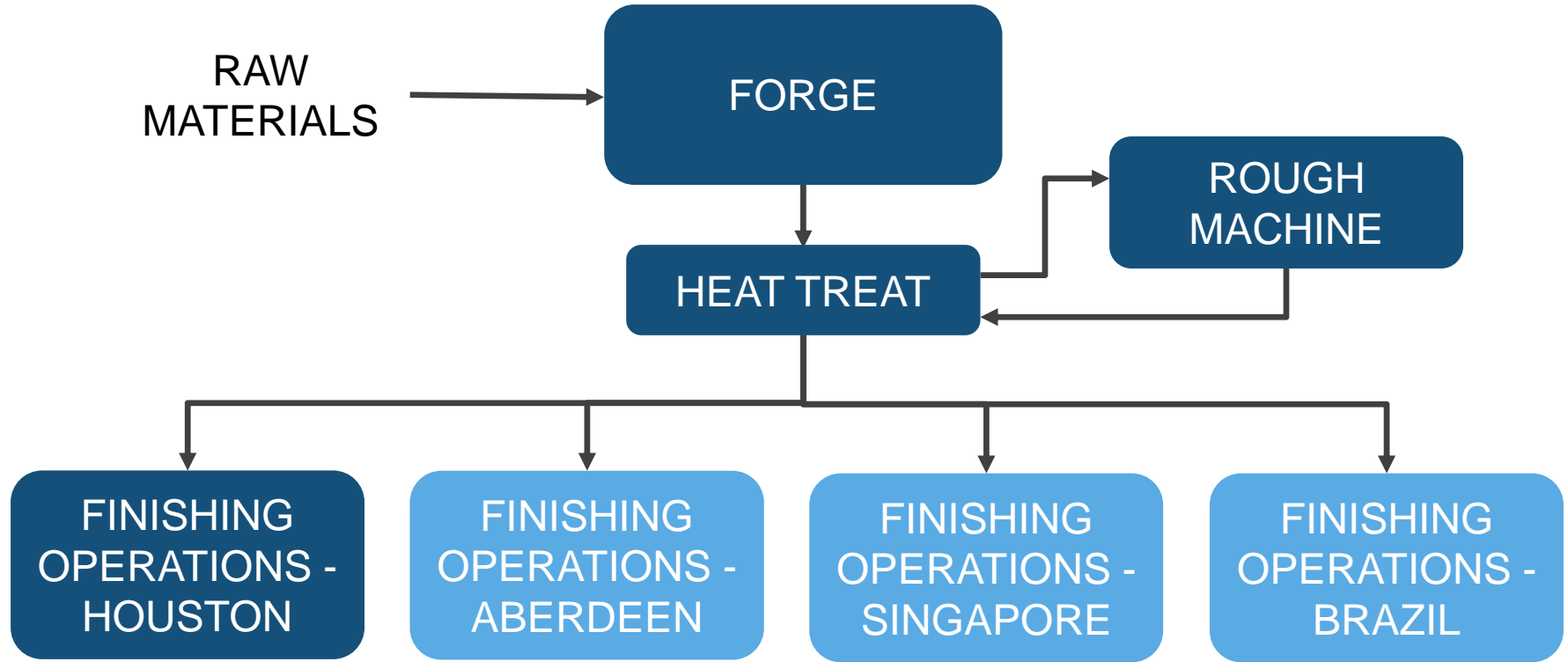
# Condensed Consolidated Statements of Income



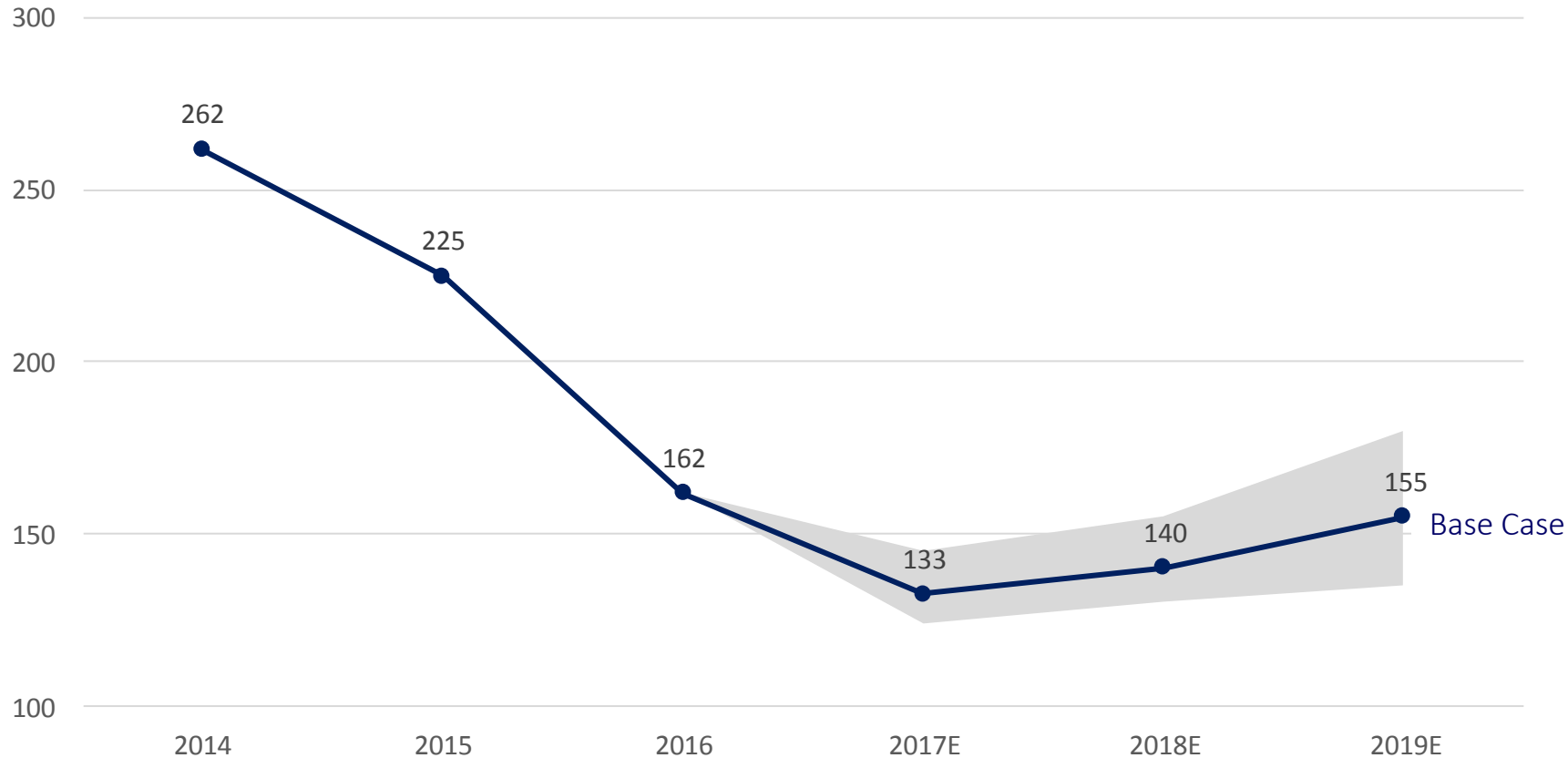
(000s of US \$)	For the year ended Dec. 31,			
	2016		2015	
Revenue		\$ 538,731		\$ 844,310
Costs and expenses:				
Cost of sales	61.0%	328,404	54.4%	459,286
S G & A		53,143		88,044
Engineering		44,325		48,145
Total costs and expenses		425,872		595,475
Operating income (EBIT)	20.9%	\$ 112,859	29.5%	\$ 248,835
Earnings per share (diluted)		\$ 2.47		\$ 4.98



# Vertically Integrated Manufacturing



# Floating Rigs Under Contract (Average)



Source: IHS-Petrodata, DRQ Estimates

# Navigating the Industry Downturn

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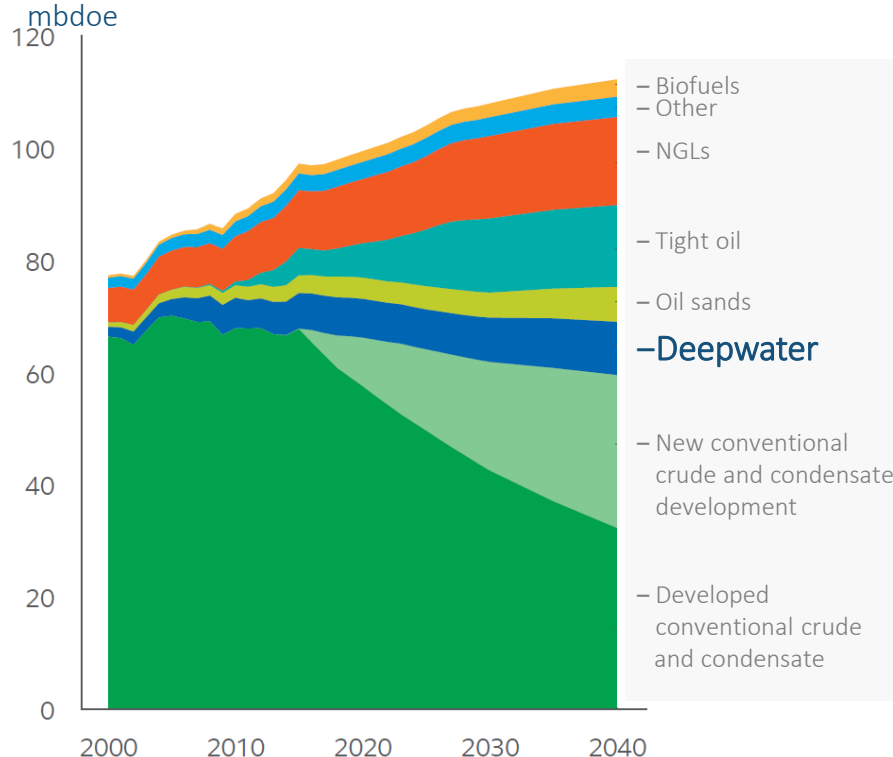


- Depressed offshore market to continue through 2017
- Operators seeking reduction in costs & risks
- Capture higher revenues per well
- M&A and R&D efforts will expand our product and service offerings
- Strong balance sheet & positive free cash flow support these efforts

# Deepwater – Down, but Not Out



## Liquids Supply by Type



Source: 2017 ExxonMobil The Outlook for Energy: A View to 2040

## Value in Deepwater

- Essential to meet growing long-term demand
  - Source of significant production and reserve replacement
- ↓ Improving breakeven levels

## Declining Costs

- Technological innovation
- Improving reliability
- Project efficiencies
- Rig day rate reductions
- Leveraging existing infrastructure

# Forward Focused Strategy





# Forward Focused Strategy – M&A





# Executing Our Strategy – TIW Acquisition



- Closed November 2016; \$143 million cash
- Brand recognition and patented technologies
- Downhole tools & liner hangers for global markets
- Combination provides additional market opportunities
- Strong cultural fit facilitates integration
- 2016 revenues = \$64 million  
2018 revenues (est.) = \$80/\$100 million



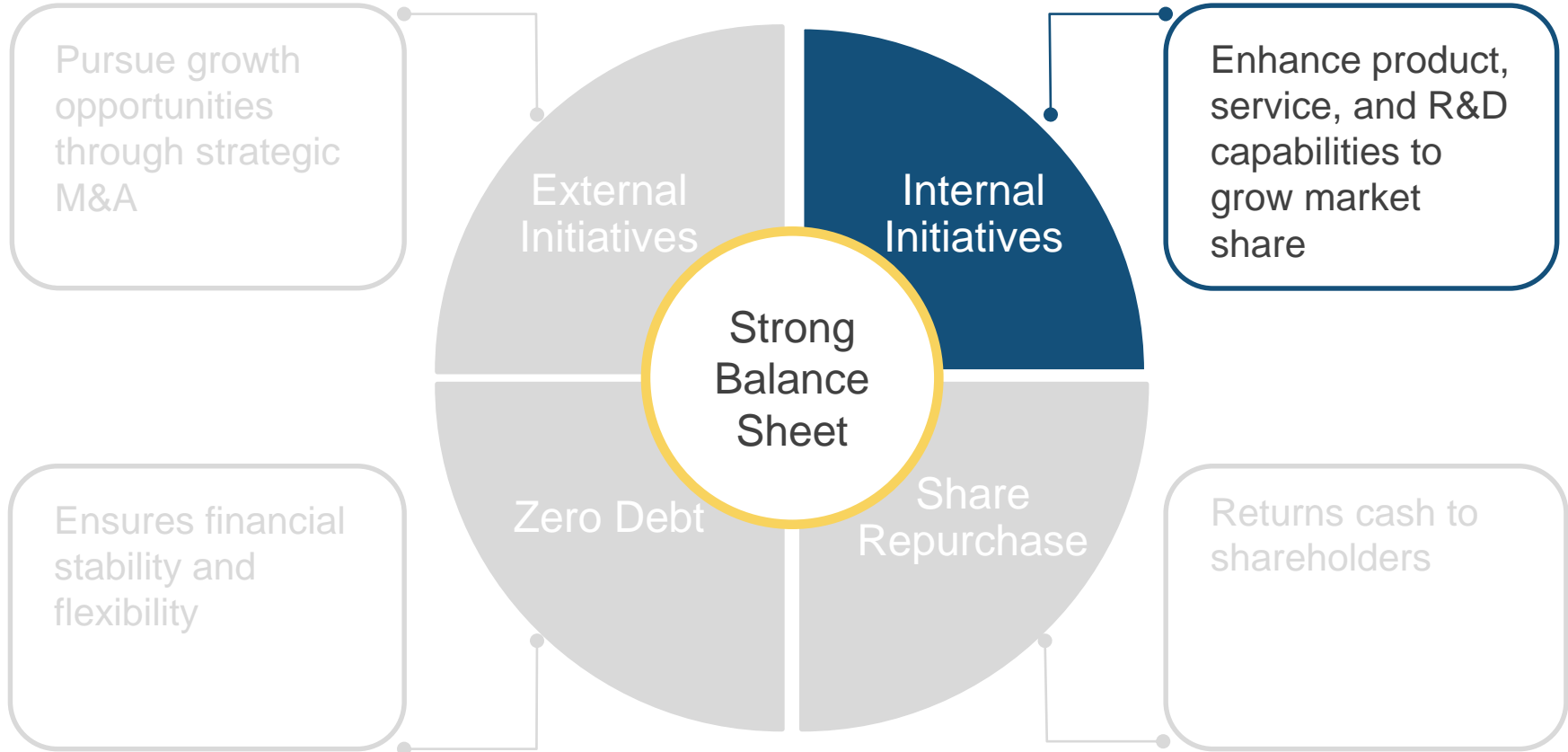
## Executing Our Strategy – OPT Acquisition

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- Closed January 2017; \$20 million cash
- Provider of offshore riser systems and components
- Focus on products for Floating Production Platforms (TLPs & SPARs)
- Products complement existing DRQ products & services

# Forward Focused Strategy – R&D



# Executing Our Strategy - R&D Objectives

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- Enhance ratings and capabilities of existing products
- Develop new and better products that sustainably reduce costs & risks
- Expand service offering generating higher revenues per well
- Drive creation of new industry standards for equipment ratings and performance



# Executing Our Strategy - R&D Results



- Four significant new products to be introduced in 2017
- Establishment of new High Pressure, High Temperature (HPHT) R&D Center in Singapore
- March 2017 – Spotlight on New Technology Awards announced by OTC



# DRQ Wins 2017 OTC Spotlight on New Technology Awards

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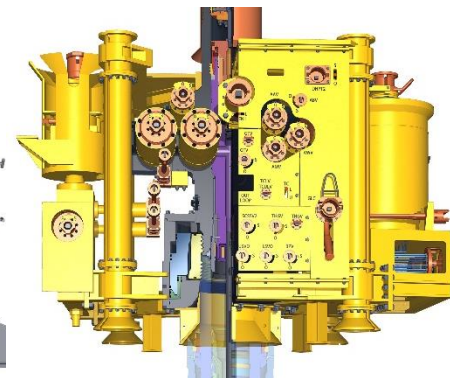
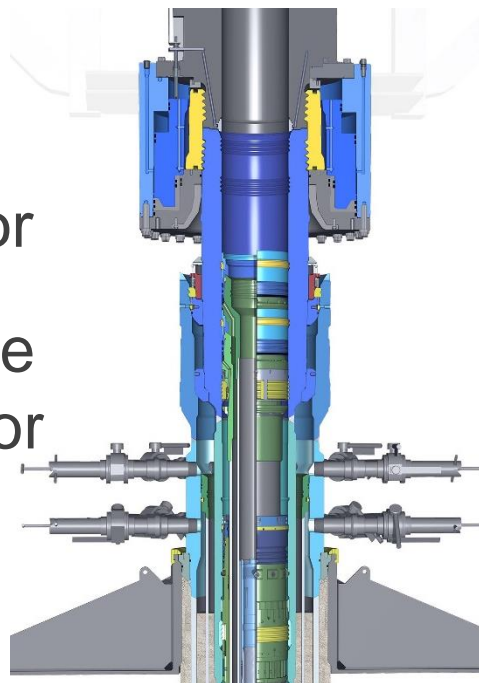
- Winning technologies:
  - “BigBore-IIe” Wellhead System
  - “DXe” Wellhead Connector
- Awards based on the following criteria:
  - ✓ New and innovative, original and groundbreaking
  - ✓ Proven through successful testing
  - ✓ Broad appeal for the industry
  - ✓ Significant impact beyond existing technologies



# R&D Efforts Lead to New Product Introductions in 2017



- “BigBore-IIe” Wellhead System
- “DXe” Wellhead Connector
- “Badger” high performance specialty casing connector
- “HorizontalBore” subsea tree

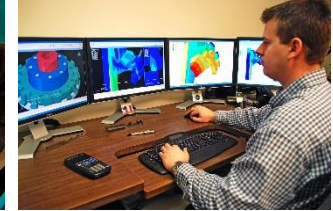


# New R&D Center - Singapore

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- HPHT R&D team established 2016
- New HPHT R&D Center under construction in Singapore scheduled for completion late 2017



# Looking Ahead

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- Adjust expenses to fit current market conditions
- Achieve positive EPS and free cash flow
- Continuation of long-term strategies:
  - R&D activities
  - Pursue potential acquisition candidates
  - Opportunistically buy back shares





DRIL-QUIP®



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