DRIL-QUIP®

4th Quarter 2017
Supplemental Earnings Information

Cautionary Statement

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, market outlook, forecasts, plans and objectives, including revenue and other projections, acquisition opportunities, forecasted backlog, forecasted demand, liquidity, cost savings, and share repurchases 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.

Use of Non-GAAP Financial Measures

We calculate Adjusted net income, Adjusted diluted EPS, and Adjusted EBITDA to evaluate and compare the results of our operations from period to period by removing the effect of our capital structure from our operating structure. We calculate Free Cash Flow as net cash provided by operating activities less net cash used in the purchase of property, plant, and equipment. These measurements are used in concert with net income and cash flows from operations, respectively, which measure actual cash generated in the period. We believe that these non-GAAP 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 metrics 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 cash flows from operations, as measured under U.S. generally accepted accounting principles. The items excluded from Adjusted net income, Adjusted EBITDA and Free Cash Flow, but included in the calculation of reported net income and net cash provided by operating activities, as applicable, are significant components of the consolidated statements of income and must be considered in performing a comprehensive assessment of overall financial performance. Our calculation of Adjusted EBITDA and Free Cash Flow may not be consistent with calculations used by other companies. Reconciliations of these non-GAAP measures to the most directly comparable GAAP measure can be found on slides 21 through 23.

DRQ Overview

- Leading manufacturer of highly engineered drilling and production equipment
  - Onshore and offshore uses
  - Particularly well-suited for use in deepwater and harsh environments
- Strong financial position
  - Balance sheet with no debt as of 12/31/2017
  - $493 million cash on hand as of 12/31/2017
  - New ABL facility enhances liquidity and flexibility
- Historically superior margins to peers
- Technically differentiated products & first-class service
- Experienced management team

Products & Services

- Subsea Equipment
- Downhole Tools
- Surface Equipment
- Rig Equipment
- Services - Technical Advisory, Rental Tools, and Reconditioning










Q4 2017 Highlights and Recent Key Items

- Generated $108.0 million of revenue, a quarter-on-quarter increase of 8% and consistent with general guidance
- Continued strong gross margin performance
- Reported a Net Loss of $71.5 million, or $1.90 loss per diluted share, including charges of $1.91 per diluted share
- Reported Adjusted Diluted EPS, excluding charges, was $0.01 per share
- Generated $33.3 million of Net Cash Provided by Operating Activities
- Grew cash on hand to $493.2 million at December 31, 2017
- Maintained clean balance sheet with no debt at December 31, 2017
- Subsequent to quarter-end, awarded contract for the Ca Rong Do Project in Vietnam
- Revenue expected to be between $90 million and $100 million per quarter in first three quarters of 2018

Executing Our Strategy While Maintaining Pristine Capital Structure

*Please refer to page 21 for a reconciliation of GAAP Net Income to non-GAAP Adjusted net income and page 1 for information on non-GAAP financial measures

Market Outlook

- Early signs of increased activity in some markets; however, oil price and offshore rig environments remain uncertain into 2018
- Offshore spending may remain muted as operators delay FIDs in favor of reduced spending and shorter-cycle investment options
- Operators willing to progress projects may face financing challenges
- Competitive pressure is expected for projects that do move forward

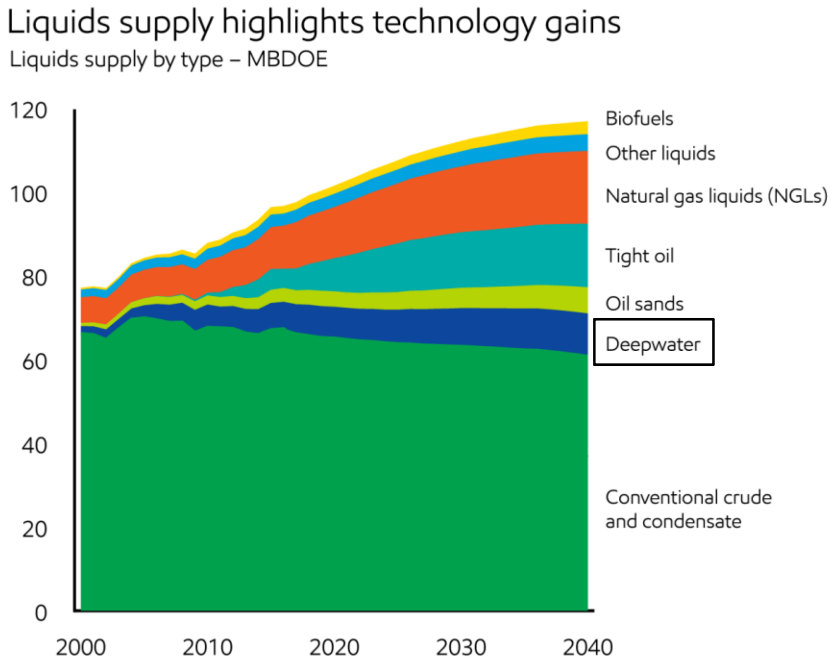
Well-Positioned with Strong Balance Sheet to Endure Current Environment

Operating Plan in Current Environment

- Generate full-year revenue of $380 - $420 million
- Generate positive quarterly Adj. EBITDA in trough
- Focused efforts to build new product backlog
- Streamlining operations to position for the recovery
- Execute forward-focused strategy

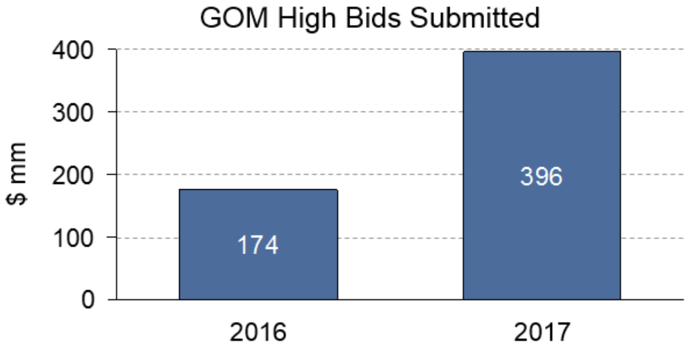
Anticipate Expansion of Backlog Throughout 2018

Deepwater Outlook



Value in Deepwater

- Source of significant production and reserve replacement
- Investment necessary to prevent decline and meet growing long-term demand
- Technological innovations lead to sector growth
- Average lease bid in GOM increasing

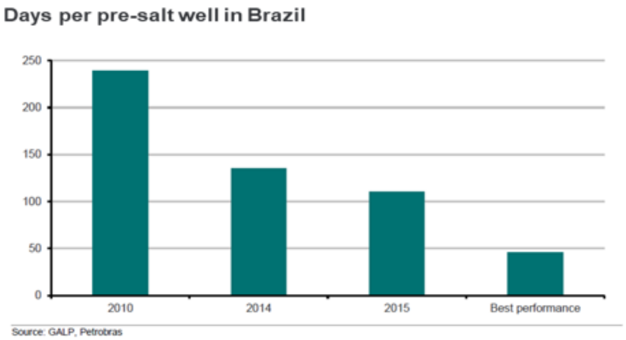


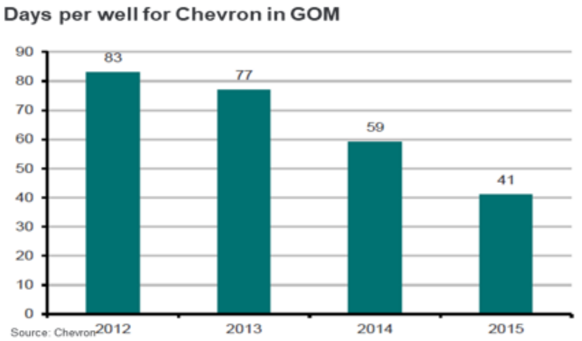
Investment Returning to Deepwater

Source: 2018 ExxonMobil *The Outlook for Energy: A View to 2040* & the Bureau of Ocean Energy Management

Increasing Offshore Efficiencies

- Significant drilling improvements leading to:
  - More wells being drilled per rig per year
  - Fewer rigs needed to drill same inventory
  - Drilling cost reductions improving economics

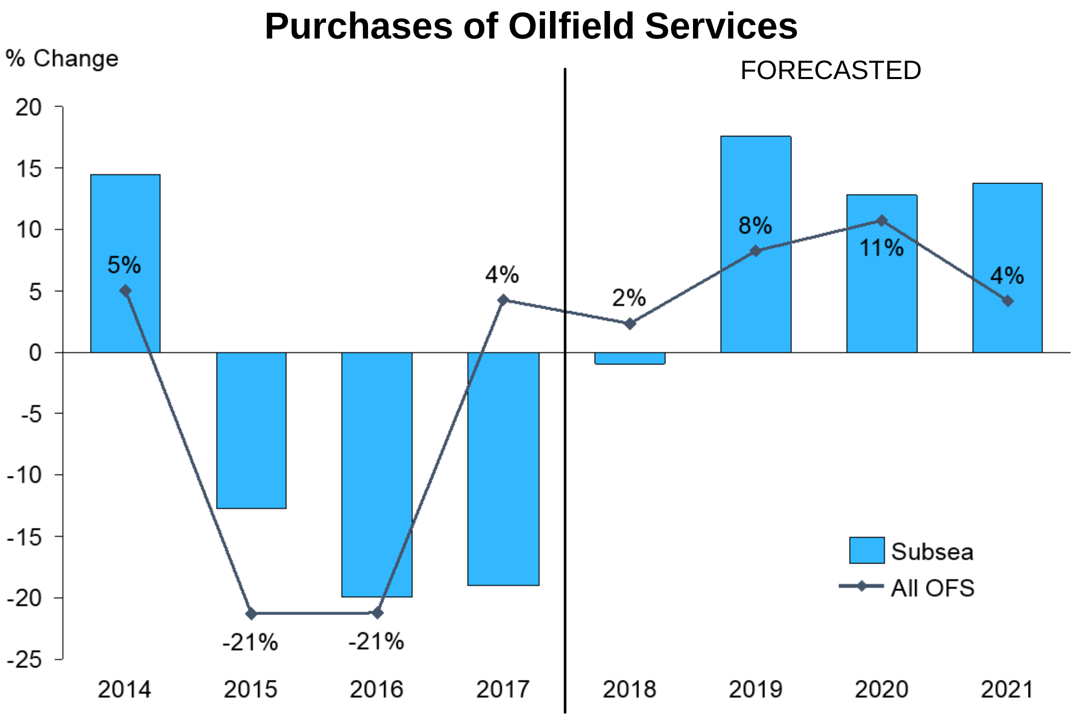




Well Count a Proxy for Dril-Quip Demand

Source: Rystad Energy and Chevron, GALP, Petrobras, DNB

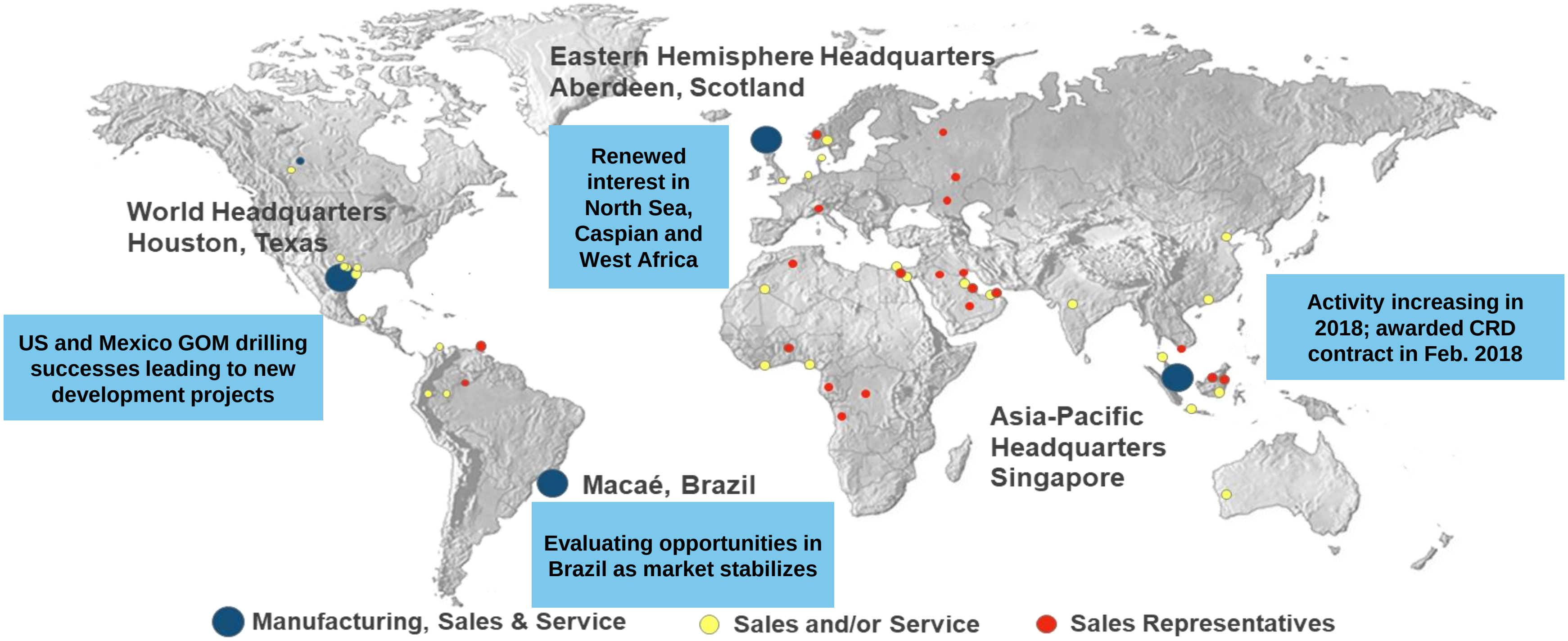
Looking Past the Trough



Outlook for Subsea Improving After Three Years of Decline

Source: Rystad Energy

Preliminary Indications of Interest Provide Encouragement



Leveraging Award-Winning Technology to Grow Market Share Worldwide

Liquidity Allocation Strategy

SOURCES

$ Million	
Internal Cash (approx.)	$500
ABL Credit Facility	$50 - 100
Available Liquidity	**$550 - 600**

- ABL put in place on February 23, 2018
- Shelf registration statement filed on February 27, 2018 for general planning purposes

POTENTIAL USES

- Fund R&D
- Support Upturn
- Pursue Strategic Acquisitions
- Return Cash to Shareholders

Liquidity in Place in Preparation for Upturn

Forward-Focused Strategy

Pursue growth opportunities through strategic M&A

Enhance product, service, and R&D capabilities to grow market share

Ensure financial stability and flexibility through optimal capital structure

Share repurchase

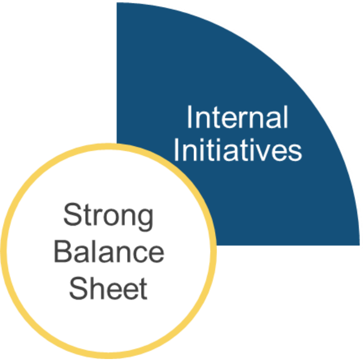
Acquisition Focus

- Closed two acquisitions in last 18 months (TIW & OPT)
  - Brand recognition and patented technologies for global markets
  - Expanded customer offerings and strengthened liner hanger sales
  - Added onshore presence in U.S. and internationally
  - Provider of offshore riser systems and components with focus on products for Floating Production Platforms (TLPs & SPARs)
  - Recently commenced significant footprint rationalization that is expected to save $8-10 million annualized
    - Achieved $5 million annualized savings to date resulting in TIW reaching breakeven in 4th quarter
- Continuing to focus on inorganic expansion
  - Technically differentiated
  - Increasing share of rig “wallet”
  - Leveraging current employees to reduce rig headcount for customers

Targeting $125 Million by 2021 for Recent Acquisitions

Executing Our R&D Strategy

- Structurally reduce customer costs while expanding product and service offerings to generate higher revenue per well
- Developing technologically advanced products to increase market share
- Introduced four significant new products in 2017
  - **BigBore-IIe** Wellhead System (won 2017 OTC Spotlight award)
  - **DXe** Wellhead Connector (won 2017 OTC Spotlight award)
  - **HorizontalBore** subsea tree
  - **Badger** high performance specialty casing connector
- Established new High Pressure, High Temperature (HPHT) R&D center in Singapore



Spotlight on new TECHNOLOGY

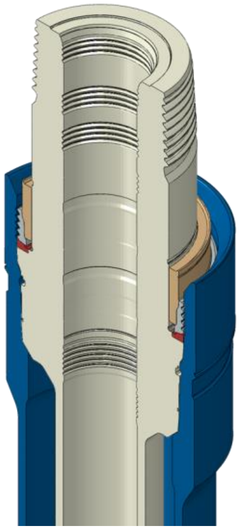
Targeting $100 million in New Product Revenue by 2021

Product Optimization & Integration

BB-IIe Wellhead System

Product Description

- 2.0 MM lockdown per casing string
- Casing weights up to 2.5 MM lbf
- Qualified dynamic metal to metal sealing
- Qualified up to 20 ksi @ 35°-350°
- Qualified to 17D 2nd Edition
- Simpler and easier to install, saves 5 trips in hole



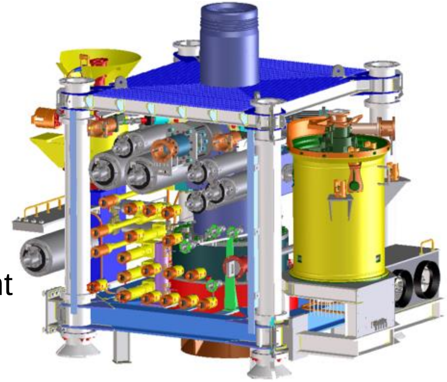
Market Opportunity

- Substantial well cost savings for operator
- Ability to convert existing customer inventory
- Differentiating Technology

HorizontalBore Subsea Tree

Product Description

- 5-1/8” x 2-1/16” 10,000 psi Horizontal Subsea Tree
- Temperature Rating : 0-300°F
- 10,000 ft. Maximum Water Depth
- 11 Downhole Functions (9 hyd. + 2 elec.)
- Size = 5m x 5m, Approx. Weight = 45 Tonnes



Market Opportunity

- Double addressable tree market
- Standardized tooling for all Trees

New Products Designed to Increase Markets and Market Share

Forward-Focused Strategy

Pursue growth opportunities through strategic M&A

Enhance product, service, and R&D capabilities to grow market share

Ensure financial stability and flexibility through optimal capital structure

Share repurchase

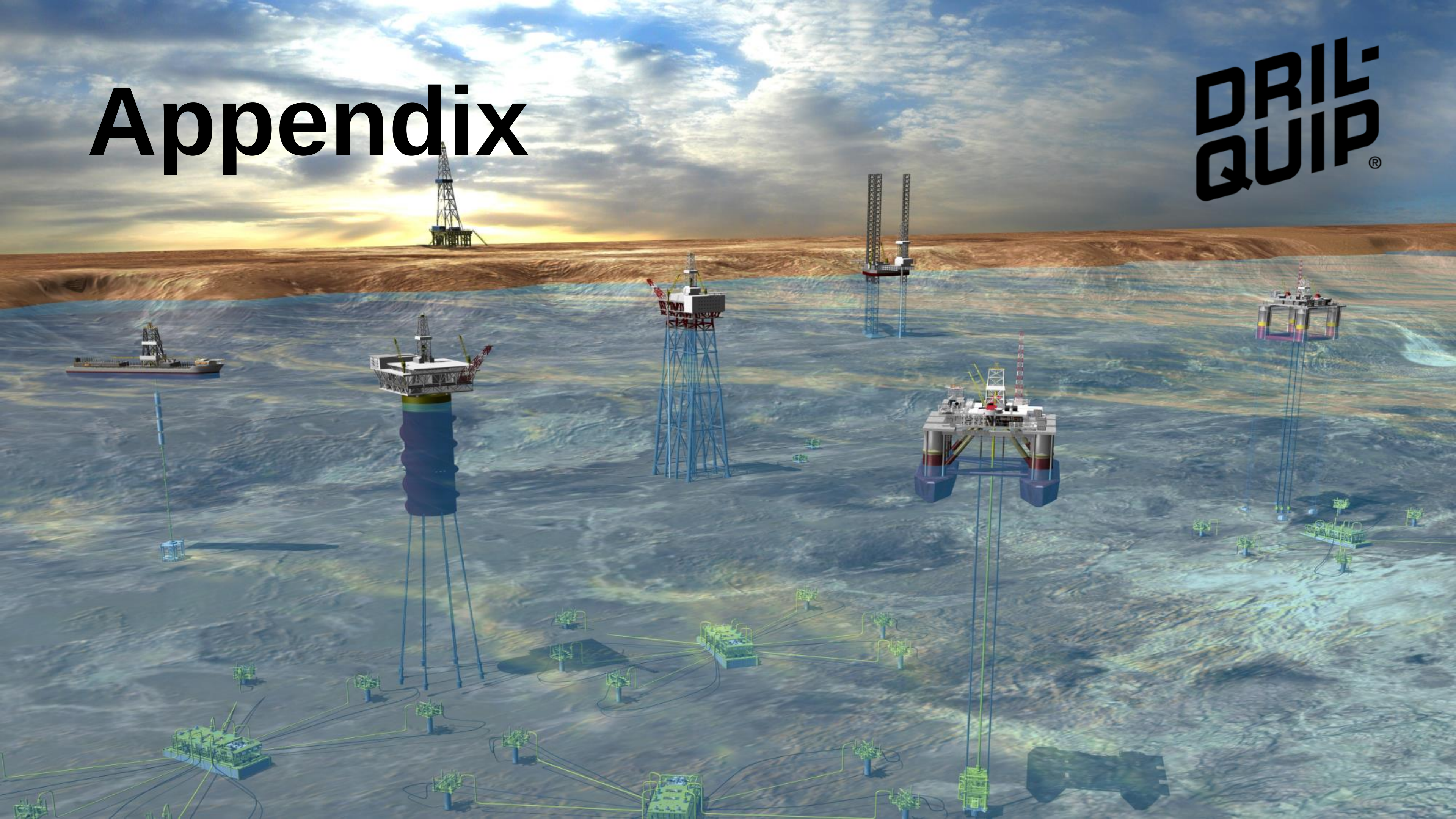
Targeting $225MM Revenue in 2021 From Acquisitions and R&D Supported by Strong Balance Sheet with More Opportunities Expected

DRQ - Investment Highlights

- Leading manufacturer of highly engineered drilling and production equipment
- R&D capabilities provide technically differentiated products
- Strong balance sheet
- Historically superior margins to peer group
- Experienced management team

Well-Positioned to Take Advantage of the Industry Upturn

Appendix



Income Statement

	Three months ended		Twelve months ended	
	December 31, 2017	September 30, 2017	December 31, 2017	December 31, 2016
	(In thousands, except per share data)			
Revenues:				
Products	$ 81,562	$ 75,885	$ 351,132	$ 433,012
Services	26,409	24,461	104,337	105,719
Total revenues	107,971	100,346	455,469	538,731
Costs and expenses:				
Cost of sales	72,356	63,050	305,394	328,404
Selling, general and administrative	31,102	27,994	116,083	53,143
Engineering and product development	9,623	10,379	42,160	44,325
Impairment and other charges	—	60,968	60,968	—
Total costs and expenses	113,081	162,391	524,605	425,872
Operating income (loss)	(5,110)	(62,045)	(69,136)	112,859
Interest income	600	957	3,564	3,037
Interest expense	28	12	72	28
Income tax provision (benefit)	66,955	(31,840)	34,995	22,647
Net income (loss)	$ (71,492)	$ (29,260)	$ (100,639)	$ 93,221
Earnings (loss) per share	$ (1.90)	$ (0.78)	$ (2.69)	$ 2.48
Depreciation and amortization	$ 8,743	$ 9,518	$ 40,974	$ 31,857
Capital expenditures	$ 8,059	$ 6,627	$ 27,622	$ 25,763

Balance Sheet

	As of	
	December 31, 2017	December 31, 2016
	(In thousands)	
Assets:		
Cash and cash equivalents	$ 493,180	$ 423,497
Other current assets	515,369	633,214
PP&E,net	284,247	323,149
Other assets	107,009	81,544
Total assets	$ 1,399,805	$ 1,461,404
Liabilities and Stockholders' Equity:		
Current liabilities	$ 99,911	$ 101,480
Long-term debt	—	—
Deferred taxes	3,432	3,500
Other long-term liabilities	2,001	—
Total liabilities	105,344	104,980
Stockholders' equity	1,294,461	1,356,424
Total liabilities and stockholders' equity	$ 1,399,805	$ 1,461,404

Non-GAAP Financial Measures

Adjusted Net Income and EPS:	**Three months ended**			
	December 31, 2017		**September 30, 2017**	
	Effect on net income (after-tax) (1)	**Impact on diluted earnings per share**	**Effect on net income (after-tax)**	**Impact on diluted earnings per share**
	(In thousands, except per share amounts)			
Net income (loss)	$ (71,492)	$ (1.90)	$ (29,260)	$ (0.78)
Adjustments (after tax)				
Reverse the effect of foreign currency	3,505	0.10	308	0.01
Add back impairment and other charges	—	—	35,876	0.96
Less one-time tax adjustments	66,622	1.77	(6,075)	(0.16)
Restructuring costs	1,598	0.04	—	—
Add back severance payments	—	—	942	0.03
Adjusted net income (loss)	$ 232	$ 0.01	$ 1,791	$ 0.05

(1) Due to lower net income as a result of operations and several one-time tax items, we utilized the statutory rates for each region as it relates to the specific add-backs, excluding one-time tax adjustments, to arrive at the after-tax value for the one-time add-backs noted above.

Non-GAAP Financial Measures

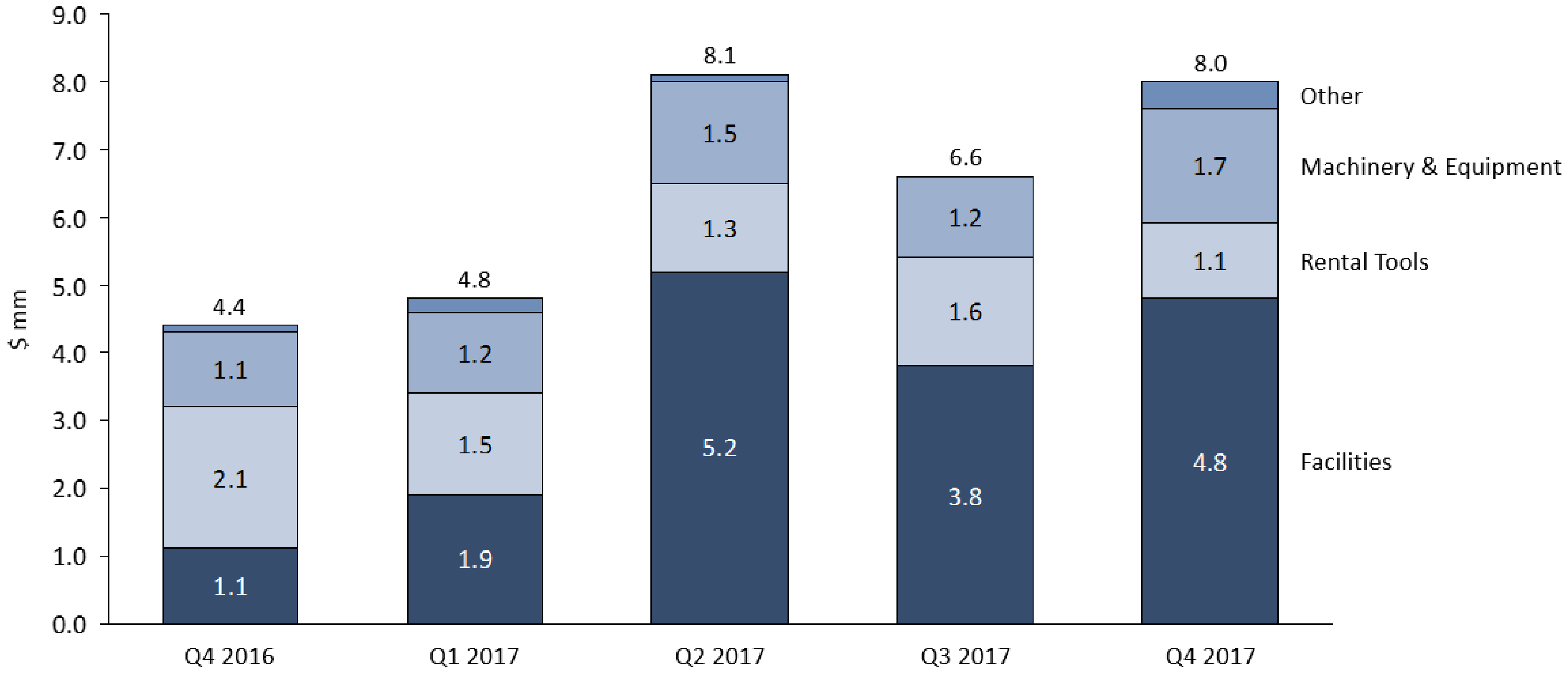
Adjusted EBITDA:	Three months ended		Year ended	
	December 31, 2017	**September 30, 2017**	**December 31, 2017**	**December 31, 2016**
	(In thousands)			
Net Income (Loss)	$ (71,492)	$ (29,260)	$ (100,639)	$ 93,221
Add:				
Interest (income) expense	(572)	(945)	(3,492)	(3,009)
Income tax expense (benefit)	66,955	(31,840)	34,995	22,647
Depreciation and amortization expense	8,743	9,518	40,974	31,857
Impairment and other non-cash	—	60,968	60,968	—
Restructuring costs	2,130	—	2,130	3,485
Foreign currency loss (gain)	4,327	380	8,292	(31,764)
Severance costs	—	1,163	3,040	1,991
Stock compensation expense	3,793	3,694	14,270	12,217
Adjusted EBITDA (1)	$ 13,883	$ 13,678	$ 60,538	$ 130,645

(1) Adjusted EBITDA for the three months ended December 31, 2017 and September 30, 2017 included positive (negative) Adjusted EBITDA of approximately $0.2 million and $(1.0) million related to TIW. The Adjusted EBITDA for the years ended December 31, 2017 and 2016, included negative Adjusted EBITDA of $(2.6) million and $(3.1) million, respectively, related to TIW. As a result of the full consolidation of TIW, moving forward the results of TIW will be included in our Downhole Tools product line.

Non-GAAP Financial Measures

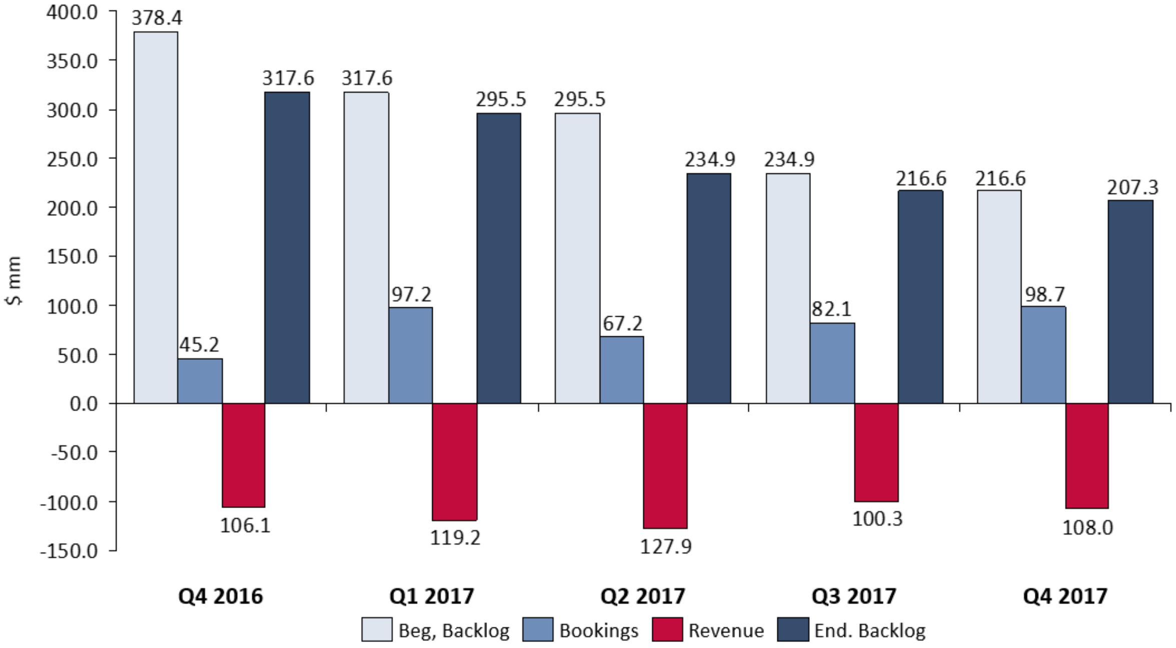
Free Cash Flow:	Three months ended		Year ended	
	December 31, 2017	**September 30, 2017**	**December 31, 2017**	**December 31, 2016**
		(In thousands)		
Net cash provided by operating activities	$ 33,258	$ 36,035	$ 107,993	$ 190,155
Less:				
Purchase of property, plant and equipment	(8,059)	(6,627)	(27,622)	(27,079)
Free Cash Flow	$ 25,199	$ 29,408	$ 80,371	$ 163,076

Capital Expenditures



Annual Maintenance Capex ~$15 - $20 Million

Backlog



- 70-80% of year-end backlog expected to convert to revenue in twelve months or less
- Bookings require shorter lead times due to available capacity and inventory on hand
- Uncertainty of oil prices is placing downward pressure on bookings

Bookings include revisions/(cancellations) of $(36.8) mm for Q4 2016, $(3.5) mm for Q1 2017, $(2.8) mm for Q2 2017, $0.1 million for Q3 2017 and $3.1 mm for Q4 2017.

US Tax Reform Update

- Well-positioned to take advantage of US Tax Reform
  - Interchangeable manufacturing footprint enables optimization of tax structure
  - Ensure work is allocated to take advantage of lower US tax rate especially for exports

Impact of US Tax Reform		$ million
Transition "Toll" Tax	$	15.8
Provisional Reserves		16.8
Re-measurement of Tax Benefits		13.6
Valuation Allowance		20.4
Total	$	66.6

Operational Flexibility Allows us to Take Advantage of US Tax Reform