



2019 J.P. MORGAN ENERGY CONFERENCE
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NEW YORK, NY

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Senior Vice President – Production Operations
& Chief Financial Officer

dril-quip.com | NYSE: DRQ

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 new product revenue and other projections, project bookings, bidding and service activity, acquisition opportunities, forecasted supply and 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.

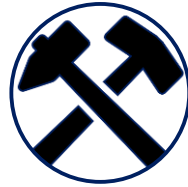
Use of Non-GAAP Financial Measures

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, 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 net cash provided by operating activities less net 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. Non-GAAP financial information supplements should be read together with, and are 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.

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.

DRIL-QUIP INVESTMENT HIGHLIGHTS



Leading Manufacturer of Highly Engineered Drilling & Production Equipment



Technically Innovative Products & First-class Service



Strong Financial Position



Historically Superior Margins to Peers



Experienced Management Team

PRODUCTS & SERVICES

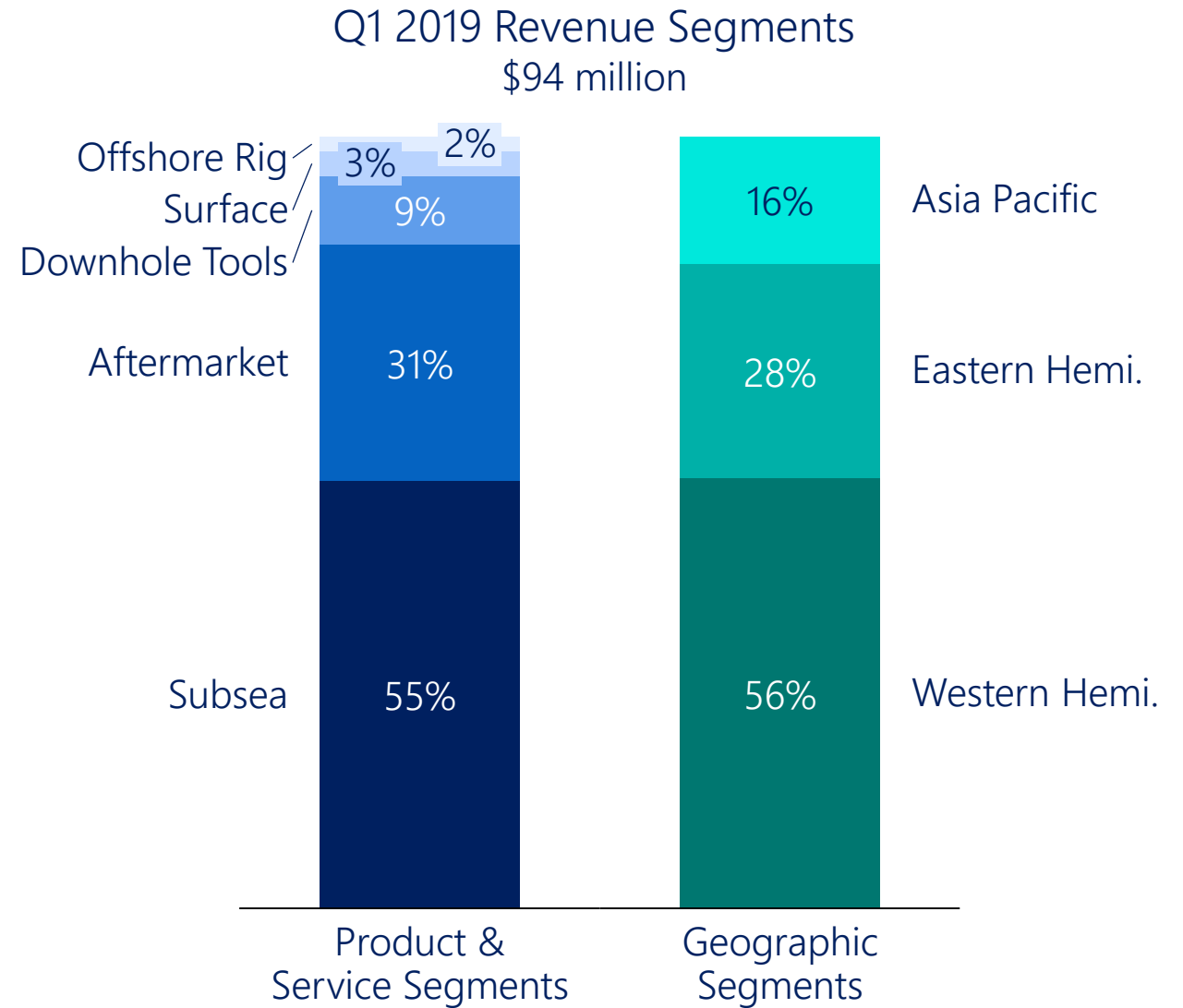
SUBSEA EQUIPMENT

SURFACE EQUIPMENT

DOWNHOLE TOOLS

OFFSHORE RIG EQUIPMENT

AFTERMARKET SERVICES

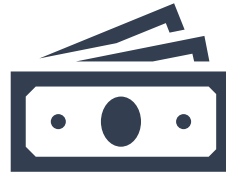


MAINTAINING CAPITAL DISCIPLINE



Capital Expenditures

- 2019E capex of \$15-\$20 million
- Fund key projects & growth opportunities



Share Repurchases

- Repurchased \$100 million in 2018
 - New \$100 million share repurchase plan approved by Board in Q1 2019
- Repurchased \$1.1 million in Q1 '19



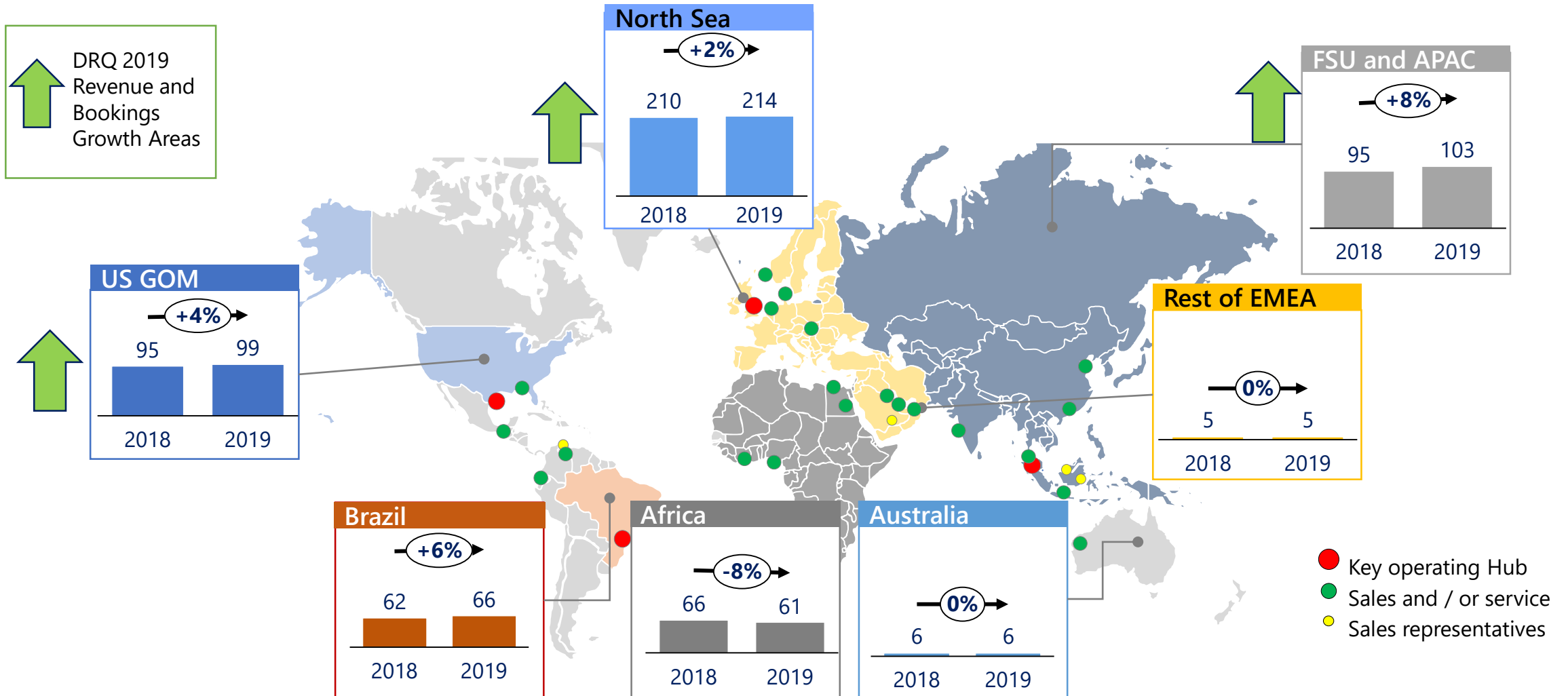
Acquisitions

- Smaller, tuck-in in nature
- Complementary technologies

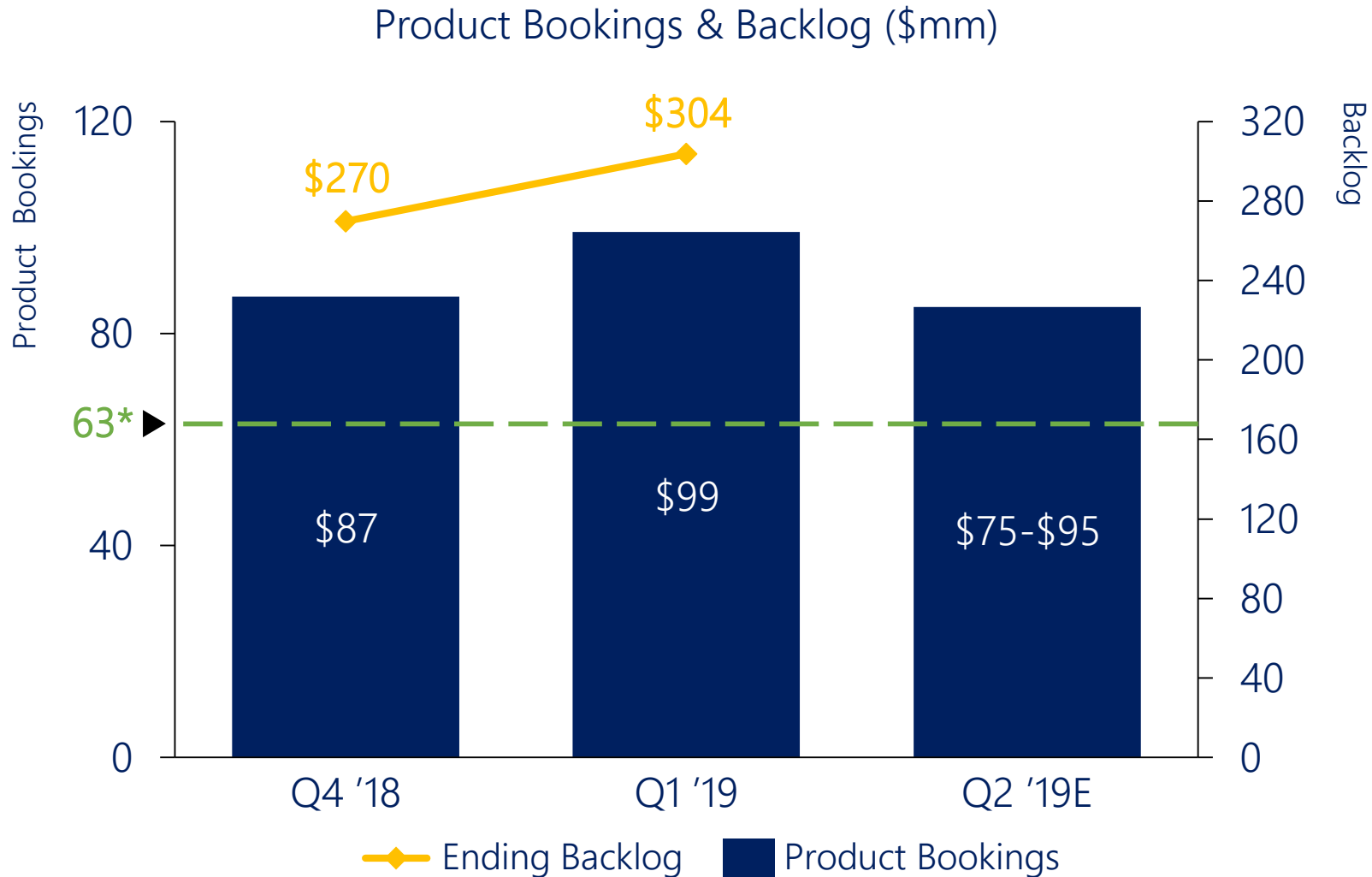
Liquidity in Place to Support Increased Activity

WELL-POSITIONED TO SERVE OFFSHORE MARKETS

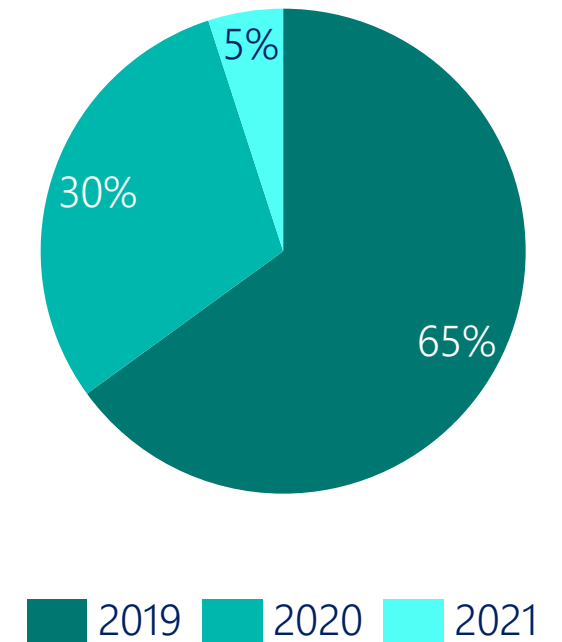
Deepwater wells drilled by region (number of wells)



ENCOURAGING SIGNS OF OFFSHORE ACTIVITY



Estimated Backlog Conversion to Future Revenue



*Represents average product bookings for the prior 12 quarters as of March 31, 2019

EXECUTING OUR STRATEGY

Commercial Excellence

Commercialization of
research & development

Transformation of sales
organization

Transformation & LEAN Implementation

Footprint optimization

Integrated supply chain

LEAN as a way of doing
business

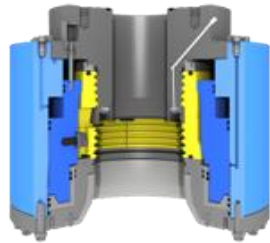
R&D KEY TO COMMERCIAL EXCELLENCE

- Developing innovative products that structurally reduce total cost of ownership
- Expanding product portfolio to increase markets and market share
- Presented with *OTC Spotlight on New Technology* award for new products for past 3 years



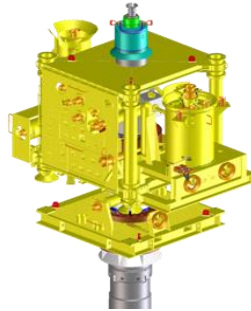
BigBore IIe
Wellhead

Spotlight
on new
TECHNOLOGY
2017

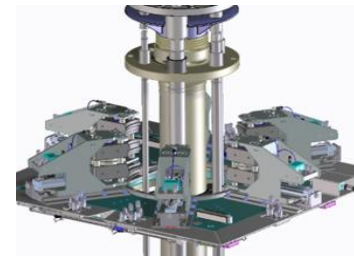


DXe Wellhead
Connector

Spotlight
on new
TECHNOLOGY
2017

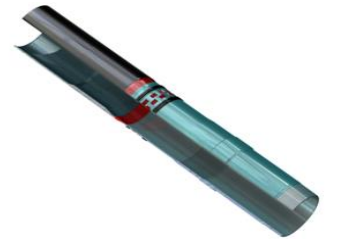


Concentric
Monobore &
HorizontalBore
Trees



HFre Hands-Free
Drilling Riser

Spotlight
on new
TECHNOLOGY
2018



Double Expansion
XPAK Liner Hanger

Spotlight
on new
TECHNOLOGY
2019

EXECUTING ON COMMERCIAL EXCELLENCE

- Transformation of sales organization yielding tangible benefits through new product sales and new customers
- An estimated 10%-15% of Q2 bookings will be related to new products
- Targeting \$100 million in new product revenue by 2021

Subsea Production Systems

- R&D was key for Sea Lion LOI & Frame Agreement
- Rounding out SPS offerings leading to increased quote activity

BigBore Ile Wellhead

- Received 1st customer conversion order to BB Ile profile
- Received order from customer standardizing on BB Ile and DXe profile

DXe Wellhead Connector

- Received 1st order for wellhead system specifying the DXe profile
- Connector profile licensed to three large peers

Badger Casing Connector

- Received 1st order for high strength, high fatigue Badger Connector

BUSINESS TRANSFORMATION OVERVIEW

Broad Workforce Engagement

- Distributed initiative ownership to enable frontline idea generation

Organized Transformation of Infrastructure

- Systematic optimization of all cost elements throughout entire organization

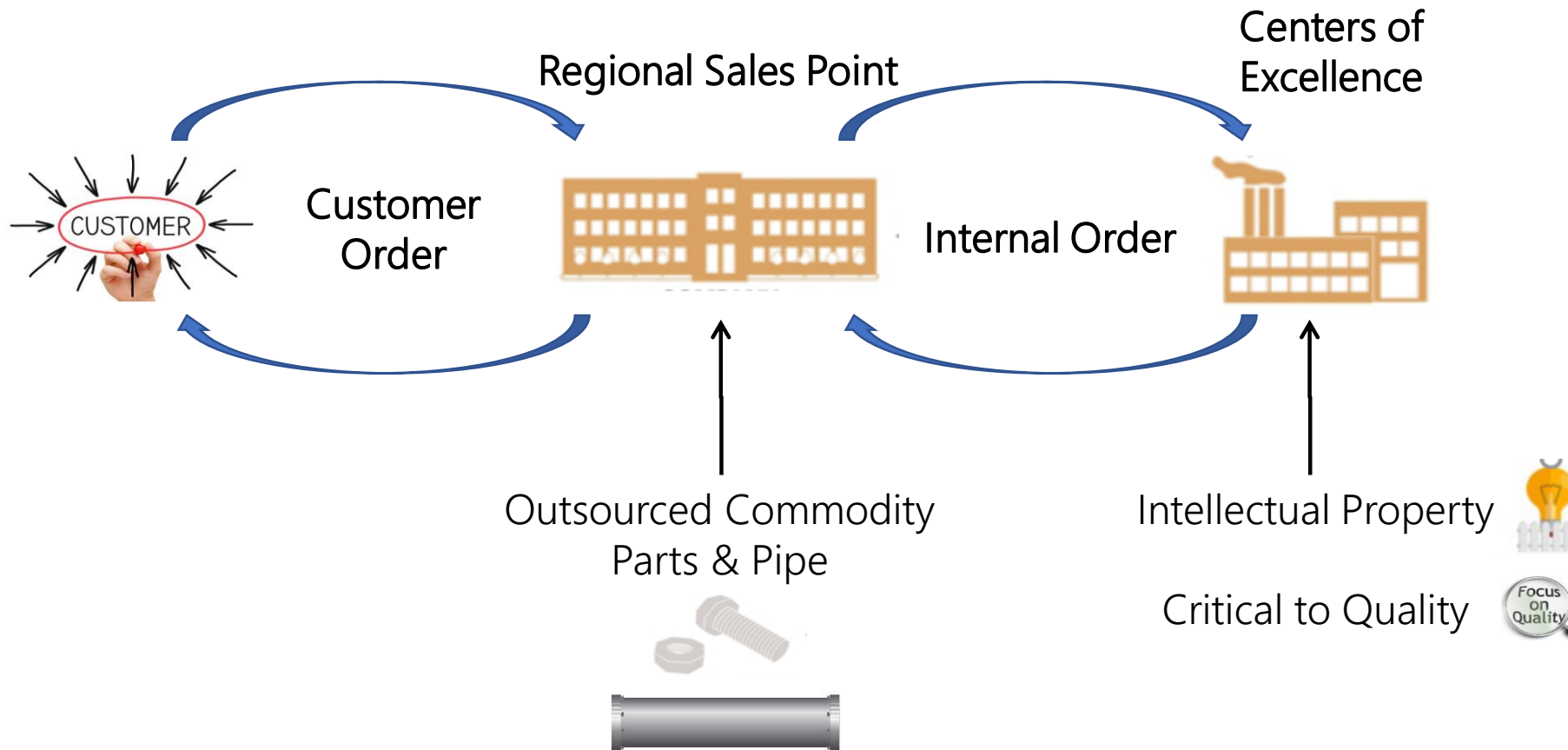
EBITDA Improvement

- \$40-50 million in run rate enhancement across all elements of cost structure by year-end 2019

Structured Approach to Improve Cost Performance Across All Areas

EMPLOYING END-TO-END FULFILMENT MODEL

How it all comes together...

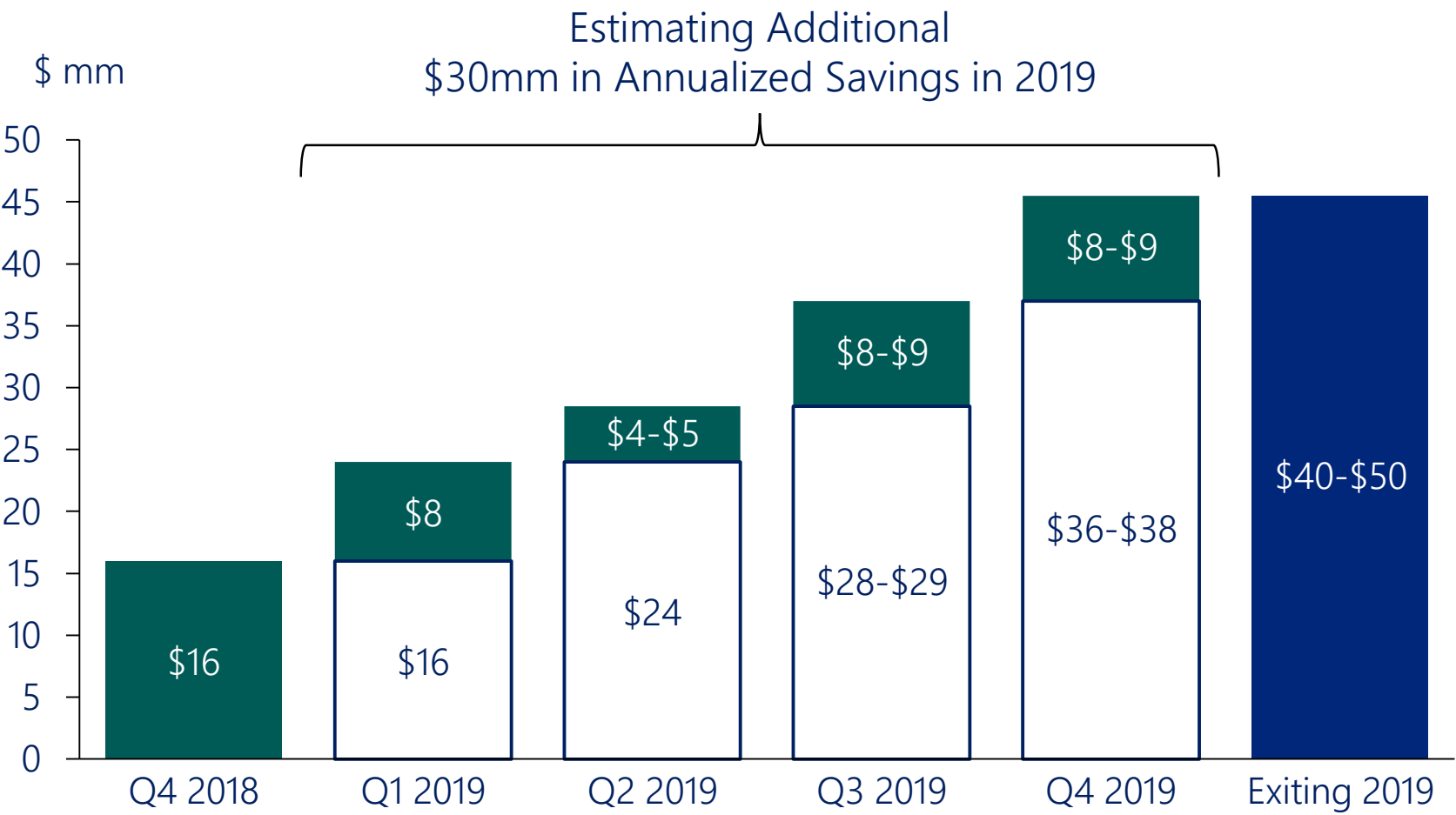


Benefits

- Cost / scalability
- Reduction of working capital
- Lead time improvements

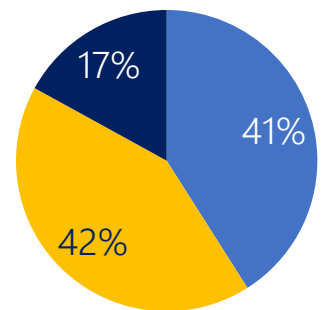
Balancing New Manufacturing Model with Supply Chain

REALIZING SUSTAINABLE COST SAVINGS

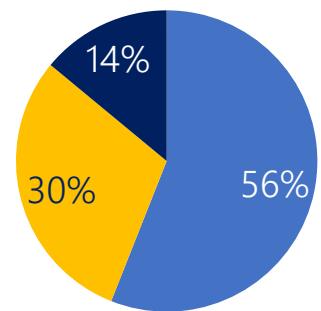


Annualized Savings Mix

Q4 '18 – Q1 '19
\$24 million captured



Beginning 2020
Forecasting \$40-50 million



Mfg SG&A Eng / R&D

On Track to Realize Annualized Savings Target for 2019

Note: The annualized savings mix charts above depict the percentage of stated annualized savings

EVOLVING FORGE STRATEGY

Estimated Cost
Savings to be
\$6 - \$8 million
annually*

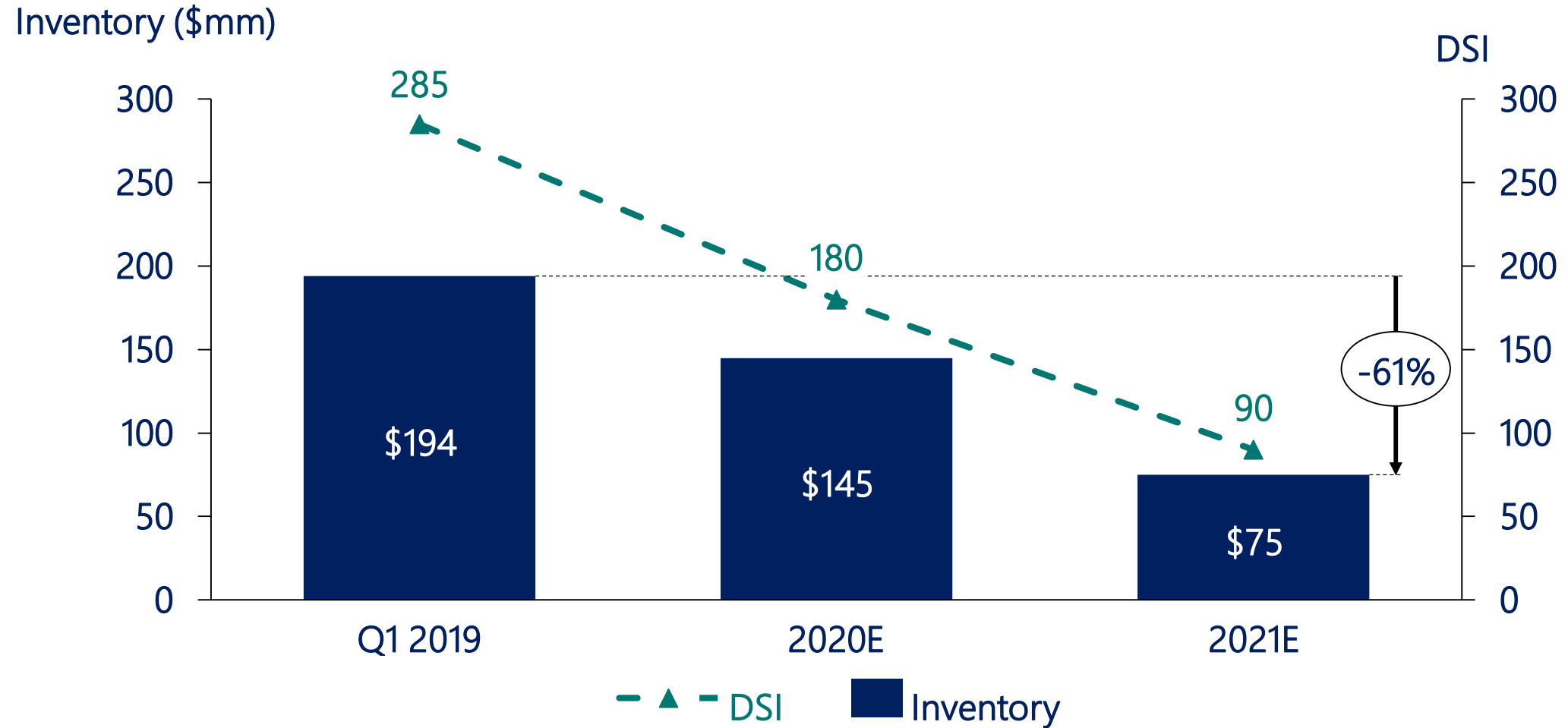
Alternatives:

- ✓ I. Transfer Operation to Dedicated Forge Business
 - Captive supplier for quick turn products
 - Negotiated pricing on forgings
 - Source of rental income
- ✓ II. Outright Sale
 - One-time gain from sale of assets
- III. Mothball

Developing Deeper Relationships with Existing Forge Suppliers

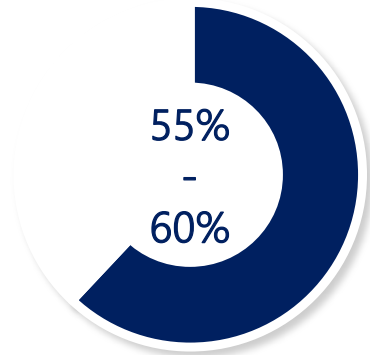
*Included in overall estimate of \$40 - \$50 million in annualized savings

WORKING CAPITAL IMPROVEMENTS

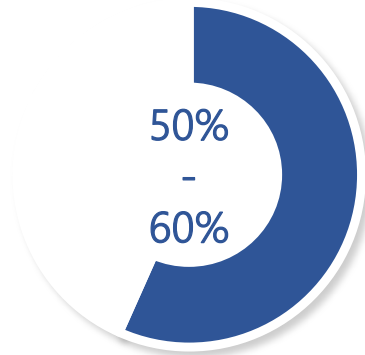


Targeting DSI* of 90 Days to Free Up \$100+ Million in Working Capital

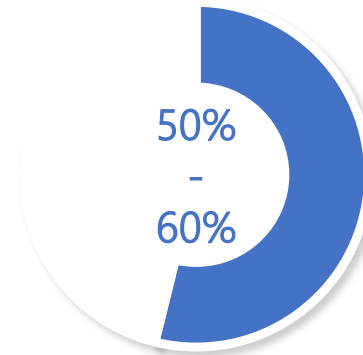
LEAD TIME IMPROVEMENTS



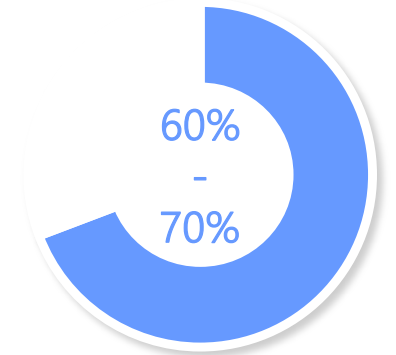
Wellheads



Subsea Trees



Connectors



Downhole Tools

Note: Based on estimated weekly improvement by 2021

- Implement cellular manufacturing through Centers of Excellence
- Reduces cash-to-cash cycle for our customers
- Drives overall DSI improvement
- Optimize inventory levels for quick response

NEW MANUFACTURING MODEL

- I. Improved Margins through smaller more efficient manufacturing model
- II. Lower working capital through more effective use of system wide inventory
- III. Delivering shorter lead times to our customers

LOOKING FORWARD

Bookings



☐ Q2 '19E: \$75 - \$95 million

Revenue



☐ Q2 '19E: \$90 - \$100 million

☐ FY 2019E: \$360 - \$400 million

Free Cash Flow



☐ Targeting Positive Full-Year Free Cash Flow



DRIL QUIP®

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