UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (date of earliest event reported): May 6, 2020

DRIL-QUIP, INC.
(Exact name of registrant as specified in its charter)

Delaware	001-13439	74-2162088
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

6401 N. Eldridge Parkway Houston, Texas	77041
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (713) 939-7711

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, $.01 par value per share	**DRQ**	**New York Stock Exchange**

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02 Results of Operations and Financial Condition.

On May 6, 2020, Dril-Quip, Inc. ("Dril-Quip") reported first quarter 2020 earnings. For additional information regarding Dril-Quip's first quarter 2020 earnings, please refer to Dril-Quip's press release attached to this report as Exhibit 99.1 (the "Press Release"), which Press Release is incorporated by reference herein.

Item 7.01 Regulation FD Disclosure.

On May 6, 2020, Dril-Quip posted the Q1 2020 Supplemental Earnings Information presentation (the "Presentation") to its website at www.dril-quip.com. The Presentation is attached hereto as Exhibit 99.2.

The information in the Press Release and the Presentation is being furnished, not filed, pursuant to Items 2.02 and 7.01. Accordingly, the information in the Press Release and the Presentation will not be incorporated by reference into any registration statement filed by Dril-Quip under the Securities Act of 1933, as amended, unless specifically identified therein as being incorporated therein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

The exhibits listed below are being furnished pursuant to Items 2.02 and 7.01 of this Form 8-K:

Exhibit No.	Description
99.1	Press Release issued May 6, 2020.
99.2	Q1 2020 Supplemental Earnings Information Presentation.
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DRIL-QUIP, INC.

By: /s/ Jeffrey J. Bird

Jeffrey J. Bird
Senior Vice President - Production Operations and Chief Financial Officer

Date: May 6, 2020

DRIL-QUIP, INC. ANNOUNCES FIRST QUARTER 2020 RESULTS

HOUSTON, May 6, 2020 — Dril-Quip, Inc. (NYSE: DRQ), (the “Company” or “Dril-Quip”) today reported operational and financial results for the first quarter of 2020.

Key highlights for the first quarter of 2020 included:

- Delivered $96.0 million of revenue, despite lower product volumes and services primarily from COVID-19 related impacts;
- Reported a net loss of $19.7 million, or a $0.55 loss per share, driven by $40.4 million of impairments, restructuring and other charges, partially offset by a $21.6 million income tax benefit;
- Generated adjusted EBITDA of $6.5 million, or 6.7% of revenue;
- Announced action plan for an additional $20 million in annualized cost savings, of which $10 million is expected to be realized in the second half of 2020;
- Maintained a strong balance sheet with cash on hand of $343.5 million and no debt as of March 31, 2020;
- Reported net cash used by operating activities of $21.2 million and free cash flow of negative $25.4 million, inclusive of $4.2 million of capital expenditures, largely as a result from slower collections late in the quarter;
- Repurchased approximately $25 million or 800,000 of Company shares during the first quarter of 2020;
- Presented with a “Spotlight on New Technology Award” by the 2020 Offshore Technology Conference for the VXTe™ vertical subsea tree system

Blake DeBerry, Dril-Quip’s President and Chief Executive Officer, commented, “I want to thank all Dril-Quip employees for their determination and resilience in responding to the hardships brought about by the COVID-19 pandemic as well as the significant downturn in the energy industry. I appreciate their dedication to perform their jobs safely and uphold our commitment to the customer to deliver first-class products and services that assist them in accomplishing their operational objectives.”

“Our first quarter results reflect the initial impacts of the extraordinary challenges facing our industry today. In response to the sharp decline in oil and gas prices late in the first quarter, we saw operators act swiftly and decisively in making deep cuts to capital spending plans and operating budgets. These actions led to delays in customer decisions to order equipment for scheduled and upcoming projects, resulting in product bookings of $57.9 million. In addition to the shift in customer behavior and capital investment priorities, we experienced disruptions to our manufacturing productivity and global supply chain as a result of the necessary actions taken in response to the COVID-19 pandemic. These actions reduced our manufacturing capacity as we implemented staggered shifts, social distancing, quarantine of service personnel and, where possible, remote work arrangements. The overall effect of this was reduced productivity in the delivery of our products and services. All these factors contributed to our lower than expected revenue, adjusted EBITDA margin and free cash flow for the quarter.”

“While our first quarter results were not what we had anticipated at the outset of 2020, they reflect the reality of the uncertain and volatile environment facing our industry in the coming quarters. The industry is experiencing extreme demand destruction from the global economic shut down due to the COVID-19 pandemic on one side and a supply glut from oil and gas producing nations seeking to solidify share in the global market on the other side. While we have not experienced any significant order cancellations to date, we are seeing customers delay delivery requirements in our existing backlog. We will continue to execute on our backlog, but given the uncertain environment, we remain cautious on providing guidance for the year.”

“Despite these circumstances, we are confident in our plan going forward to preserve the Company’s financial strength without limiting our ability to meet customer expectations during these extraordinary times. In response to these market conditions, we are announcing today our intention to further streamline our business operations. These actions are expected to result in $20 million in cost savings on an annualized basis and include changes to our organizational structure, manufacturing footprint and research and development programs, including a strategic repositioning of certain product lines. These savings will be in addition to the realized savings from our previously implemented 2019 transformation efforts.”

“Even with a less clear outlook for 2020, we expect to generate positive free cash flow from operations and overall cash neutrality for the full year 2020. Preserving our balance sheet strength and the associated financial optionality it brings, position Dril-Quip to successfully navigate this current downturn and emerge from it a leaner, more agile and operationally efficient organization.”

In conjunction with today’s release, the Company posted a new investor presentation entitled “First Quarter 2020 Supplemental Earnings Information” to its website, www.dril-quip.com, on the “Events & Presentations” page under the Investors tab. Investors should note that Dril-Quip announces material financial information in Securities and Exchange Commission (“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 release.

Operational and Financial Results

Revenue, Cost of Sales and Gross Operating Margin

Consolidated revenue for the first quarter of 2020 was $96.0 million, down $12.5 million from the fourth quarter of 2019 and up $1.7 million compared to the first quarter of 2019. The sequential decline was primarily a result of lower product volumes across all regions due to delays and disruptions related to the global COVID-19 pandemic and an abrupt decrease in commodity prices leading to customer deferrals of investment decisions. The increase in revenue year-over-year was driven by higher product volumes, primarily fabricated joints, partially offset by lower leasing revenues.

Cost of sales for the first quarter of 2020 was $71.4 million, a decrease of $4.3 million sequentially and an increase of $2.0 million compared to the prior year. Gross operating margin for the first quarter of 2020 was 25.6%, a decrease from 30.2% in the fourth quarter of 2019 and a decrease of from 26.4% in the first quarter of 2019. The reduction in gross margins compared to both periods was mainly due to COVID-19 impacts from reduced manufacturing productivity from staggered shifts, quarantine of manufacturing and service personnel and temporary plant shutdowns in some countries, increased logistics costs and unfavorable product mix in the U.S. and Europe. Some of these contributing factors to lower gross operating margins are expected to continue in the near term as the Company employs steps to mitigate negative impacts.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses for the first quarter of 2020 were $21.4 million, or flat compared to the fourth quarter of 2019 and $3.1 million lower from the first quarter of 2019. The year-over-year decline in SG&A is primarily attributed to a positive impact of the 2019 transformation efforts and foreign exchange gains. The Company also experienced higher engineering and product development cost sequentially and year-over-year due to timing of incremental investment in the subsea production systems product line.

Net Loss, Adjusted EBITDA and Free Cash Flow

For the first quarter of 2020, the Company reported a net loss of $19.7 million, or a $0.55 loss per share, driven by $32.0 million of non-cash charges primarily related to impairment of goodwill and inventory and long-lived assets write-downs. The Company also incurred approximately $8.4 million in employee termination benefits. These charges were partially offset by a $21.6 million income tax benefit. The total impairment, restructuring and other charges of $40.4 million were related to the Company's plan to reorganize certain facilities and reduce its workforce in response to unfavorable market conditions. Adjusted EBITDA totaled $6.5 million for the first quarter of 2020 compared to $15.8 for the fourth quarter of 2019 and $9.3 million for the first quarter of 2019. The decrease in adjusted EBITDA sequentially and year-over-year can be mostly attributed to a decline in activity and product deliveries due to inefficiencies and scheduling delays associated with the global COVID-19 pandemic, primarily in the Eastern Hemisphere.

Net cash used by operations was $21.2 million and free cash flow was negative approximately $25 million for the first quarter of 2020. This decrease was primarily driven by a slow-down in the collection of receivables as cash preservation became a priority and customer remote work arrangements impacted collections productivity, which accounted for approximately $10 million. Additionally, the Company had seasonal related increases in cash tax payments and payroll related expenses of approximately $10 million in the first quarter of 2020 compared to the fourth quarter of 2019 as well as approximately $4 million in capital expenditures, the majority of which was related to rental tools, machinery and equipment.

Cost Saving Initiatives

At the end of the fourth quarter of 2019, Dril-Quip had completed the initial phase of its cost saving initiatives with $52 million in annualized savings achieved, which exceeded the original goal set in 2018 of $40 to $50 million. Some examples of the progress made over the past 18 months include reducing and rationalizing global footprints, optimizing operational activities, supplier renegotiations and workforce reductions.

Utilizing the skills gained during its recent transformation, the Company intends to execute on approximately $20 million in additional annualized cost savings in response to the deteriorating market conditions in 2020. These actions will span across manufacturing, supply chain, SG&A, engineering and research and development and better align our organization with the anticipated market activity. The Company expects to realize approximately $10 million of these additional cost savings in 2020.

Balance Sheet

Dril-Quip's cash on hand as of March 31, 2020 was $343.5 million, which, together with amounts available under the asset-based lending (ABL) facility, resulted in approximately $388 million of available liquidity. This solid liquidity position, combined with a debt-free balance sheet, provides both financial and operational flexibility. The Company intends to use its financial strength to pursue strategic acquisitions and collaborations that differentiate its products offerings and continue investing in an optimal R&D program. The Company expects to generate free cash flow in 2020 and maintain overall cash neutrality.

Share Repurchases

On February 26, 2019, the Board of Directors authorized a share repurchase plan under which the Company can repurchase up to $100 million of its common stock. The repurchase plan has no set expiration date and any repurchased shares are expected to be cancelled. The manner, timing and amount of any purchase will be determined by management based on an evaluation of market conditions, stock price, liquidity and other factors. The program does not obligate the Company to acquire any particular amount of common stock and may be modified or superseded at any time at the Company's discretion.

For the three-month period ended March 31, 2020, the Company purchased 808,389 shares under the share repurchase plan at an average price of approximately $30.91 per share totaling approximately $25.0 million and retired such shares. Since the inception of the authorized share repurchase program in February 2019, the Company has purchased approximately $51 million of the $100 million authorized. The Company continues to evaluate the amount and timing of its share repurchases and intends for the total amount of shares repurchased in 2020 to not exceed its full year free cash flow generation.

About Dril-Quip

Dril-Quip is a leading manufacturer of highly engineered drilling and production equipment for use onshore and offshore, which is particularly well suited for use in deep-water, harsh environments and severe service applications.

Forward-Looking Statements

Statements contained herein relating to future operations and financial results that are forward-looking statements, including those related to the effects of COVID-19 pandemic, market conditions, anticipated project bookings, expected timing of completing the strategic restructuring, anticipated timing of delivery of new orders, anticipated revenues, costs, cost synergies and savings, possible acquisitions, new product offerings and related revenues, share repurchases and expectations regarding operating results, are based upon certain assumptions and analyses made by the management of the Company in light of its experience and perception of historical trends, current conditions, expected future developments and other factors. These statements are subject to risks beyond the Company's control, including, but not limited to, the impact of the ongoing COVID-19 pandemic, the impact of the recent significant decline in oil and natural gas prices, the volatility of oil and natural gas prices and cyclicality of 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, and other factors detailed in the Company's public filings with the SEC. Investors are cautioned that any such statements are not guarantees of future performance and actual outcomes may vary materially from those indicated.

Non-GAAP Financial Information

Free Cash Flow and Adjusted EBITDA are non-GAAP measures.

Free Cash Flow is defined as net cash provided by operating activities less net cash used in the purchase of property, plant and equipment.

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.

The Company believes that these non-GAAP measures enable it to evaluate and compare more effectively the results of our operations period over period and identify operating trends by removing the effect of its capital structure from its operating structure. In addition, the Company believes 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. Adjusted EBITDA and Free Cash Flow 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").

See "Unaudited Non-GAAP Financial Measures" below for additional information concerning non-GAAP financial information, including a reconciliation of the non-GAAP financial information presented in this press release to the most directly comparable financial information presented in accordance with GAAP. Non-GAAP financial information supplements and should be read together with, and is not an alternative or substitute for, the Company's 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.

Investor Relations Contact

Blake Holcomb, Director of Investor Relations and Corporate Planning
(713) 939-7711
Blake_Holcomb@dril-quip.com

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

	Three months ended		
	March 31, 2020	December 31, 2019	March 31, 2019
	(In thousands, except per share data)		
Revenues:			
Products	$ 67,558	$ 78,762	$ 65,434
Services	18,814	19,082	18,476
Leasing	9,626	10,610	10,407
Total revenues	95,998	108,454	94,317
Costs and expenses:			
Cost of sales	71,414	75,741	69,376
Selling, general and administrative	21,416	21,444	24,544
Engineering and product development	5,525	4,798	3,617
Impairment	7,719	435	—
Restructuring and other charges	32,713	—	2,396
Gain on sale of assets	(467)	(28)	(13)
Total costs and expenses	138,320	102,390	99,920
Operating income (loss)	(42,322)	6,064	(5,603)
Interest income	1,206	1,347	2,006
Interest expense	(191)	(166)	(121)
Income tax provision (benefit)	(21,609)	(155)	2,333
Net income (loss)	$ (19,698)	$ 7,400	$ (6,051)
Earnings (loss) per share			
Basic	$ (0.55)	$ 0.21	$ (0.17)
Diluted	$ (0.55)	$ 0.21	$ (0.17)
Depreciation and amortization	$ 8,873	$ 8,865	$ 8,356
Capital expenditures	$ 4,187	$ 2,881	$ 3,527
Weighted Average Shares Outstanding			
Basic	35,695	35,873	35,559
Diluted	35,695	36,101	35,559

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

	March 31, 2020	December 31, 2019
	(In thousands)	
Assets:		
Cash and cash equivalents	$ 343,472	$ 398,946
Other current assets	482,819	481,543
PP&E, net	244,495	258,497
Other assets	65,324	67,579
Total assets	$ 1,136,110	$ 1,206,565
Liabilities and Equity:		
Current liabilities	$ 93,446	$ 96,940
Deferred Income taxes	3,495	4,150
Other long-term liabilities	14,968	14,774
Total liabilities	111,909	115,864
Total stockholders equity	1,024,201	1,090,701
Total liabilities and equity	$ 1,136,110	$ 1,206,565

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

Adjusted EBITDA:	Three months ended		
	March 31, 2020	**December 31, 2019**	**March 31, 2019**
		(In thousands)	
Net income (loss)	$ (19,698)	$ 7,400	$ (6,051)
Add:			
Interest income, net	(1,015)	(1,181)	(1,885)
Income tax expense (benefit)	(21,609)	(155)	2,333
Depreciation and amortization expense	8,873	8,865	8,356
Impairments	7,719	435	—
Restructuring costs, including severance	32,713	—	2,396
Gain on sale of assets	(467)	(28)	(13)
Foreign currency loss (gain)	(3,242)	449	(704)
Stock compensation expense	3,176	(25)	4,862
Adjusted EBITDA	$ 6,450	$ 15,760	$ 9,294

Dril-Quip, Inc.
Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow

Free Cash Flow:	Three months ended		
	March 31, 2020	**December 31, 2019**	**March 31, 2019**
		(In thousands)	
Net cash provided (used) by operating activities	$ (21,237)	$ 8,054	$ 838
Less:			
Purchase of property, plant and equipment	(4,187)	(2,881)	(3,527)
Free cash flow	$ (25,424)	$ 5,173	$ (2,689)

Exhibit 99.2

DRIL-QUIP

FIRST QUARTER 2020
SUPPLEMENTAL EARNINGS INFORMATION

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 the effects of the COVID-19 pandemic, 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

EBITDA, Adjusted EBITDA and Free Cash Flow are non-GAAP measures. EBITDA is defined as net income excluding income taxes, interest income and expense, depreciation and amortization expense. 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 ("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.

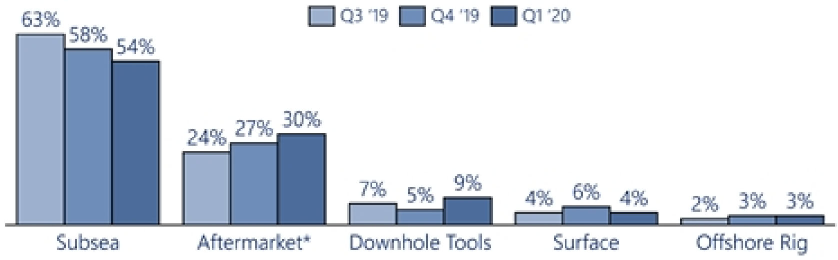
Dril-Quip Investment Highlights

- Leading Manufacturer of Highly Engineered Drilling & Production Equipment
- Technically Innovative Products & First-class Service
- Strong Financial Position
- Historically Superior Margins to Peers
- Results Driven Management Team

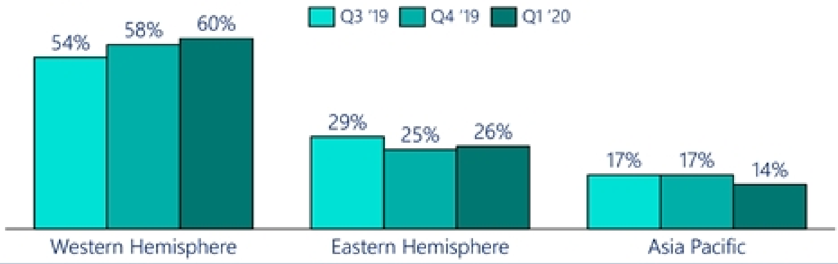
Products & Services

- Subsea Equipment
- Surface Equipment
- Downhole Tools
- Offshore Rig Equipment
- Aftermarket Services

Product & Service Revenue Segments*



Geographic Revenue Segments



*Aftermarket revenue includes both Services and Leasing revenue

Q1 2020 HIGHLIGHTS

- Delivered $96.0 million of revenue, despite lower product volumes and services primarily from COVID-19 related impacts
- Reported net loss of $19.7 million, or $0.55 per share, driven by $40.4 million of impairments, restructuring and other charges, partially offset by a $21.6 million income tax benefit
- Generated adjusted EBITDA of $6.5 million, or 6.7% of revenue
- Announced action plan for an additional $20 million in annualized cost savings, of which $10 million is expected to be realized in the second half of 2020
- Maintained strong balance sheet with cash on hand of $343.5 million and no debt
- Net cash used by operating activities of $21.2 million and Free Cash Flow of negative $25.4 million, inclusive of $4.2 million of capital expenditures, driven primarily by slower collections late in Q1 2020
- Repurchased approximately $25.0 million or 800,000 of Company shares in Q1 2020
- Presented with a "Spotlight on New Technology Award" by the 2020 Offshore Technology Conference for the VXTe™ vertical subsea tree system

COVID-19 AND OPEC+ IMPACTS

- Global economic slowdown combined with oversupply of oil and gas production leading to a projected 30-50% decline in 2020 customer capital spending
- Rapidly changing environment has caused customers to put investment decisions on hold and pushed out delivery of existing projects in backlog
- Social distancing, staggered shifts and quarantine measures are driving lower productivity and resulting in product and service delivery delays
- Supply chain bottlenecks are resulting in slightly higher freight expense, raw material procurement delays
- Slow down in collections of receivables and other day-to-day business interactions due to adjustment to remote working arrangements

*OPEC+ is in reference to member nations of the Organization of Petroleum Exporting Countries and Russia

Rapid Response to COVID-19 and OPEC+

Executed Immediate Cost Containment

Hiring freeze, compensation curtailment, elimination of discretionary spending

Implemented Business Continuity Plan

Staggered manufacturing shifts, self-quarantine of service personnel between jobs, working remotely

Ensuring Customer Orders Are Fulfilled

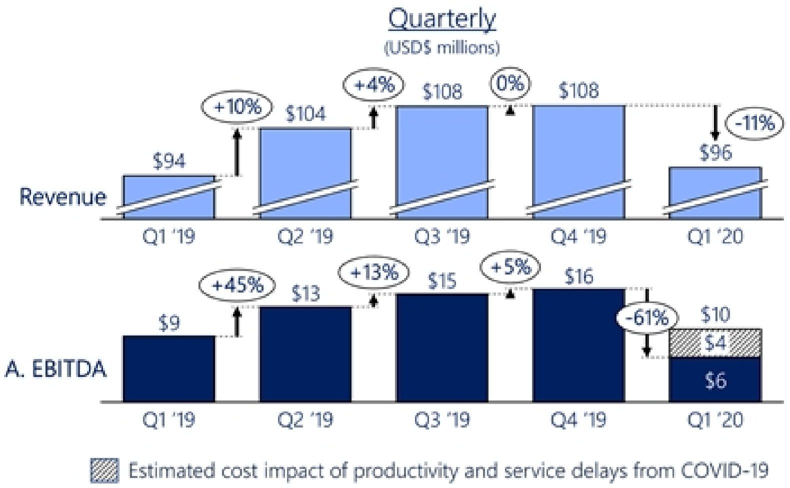
Initiated planning for the potential of longer lead times on materials and third party service; maintaining service technician support

Reduced R&D and Cut Non-essential Capital Expenditures

Eliminated incremental R&D spend, reduced CAPEX to maintenance levels

Focused on employee safety, customer needs and controlling costs

Financial Performance



- Revenue down near Q1 2019 levels primarily from market decline, delays and disruptions from COVID-19
- Higher Adjusted EBITDA decremental margins from COVID-19 related lower productivity and service delays of ~$4 million
- Estimated ~$3 million impact to adjusted EBITDA margin due to product mix

Using Transformation Playbook to Execute 2020 Cost Takeout

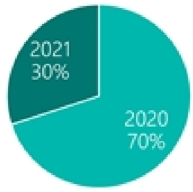
Note: Sum of components may not foot due to rounding.

COMMERCIAL UPDATE

- Backlog of $261 million as of 3/31/2020 after recording $58 million of product bookings in Q1 2020
- Backlog should help mitigate unfavorable market conditions, but likely to decline in an extended downturn
- Delays, deferrals and potentially cancellations could impact timing of conversion and total amount of backlog

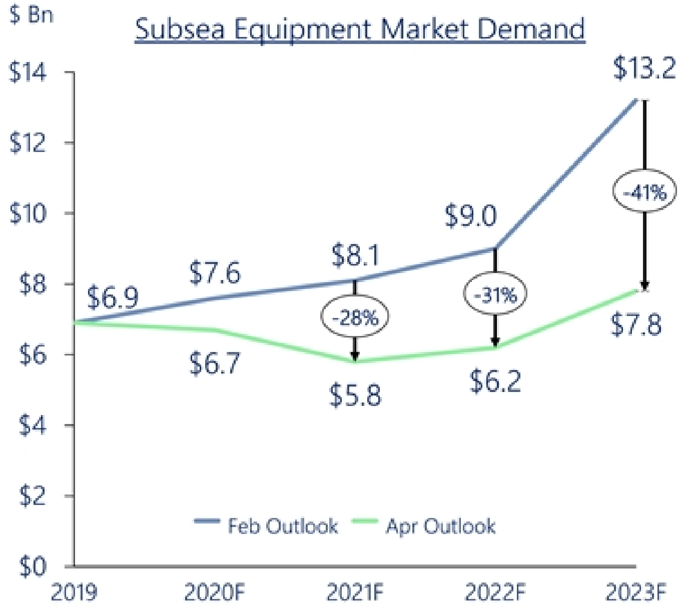
Historical Backlog Trends ($M)

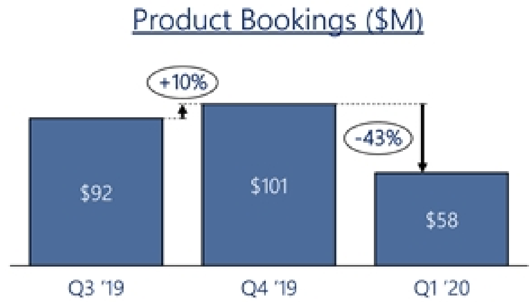
Estimated Backlog Conversion to Revenue as of Q1 '20



DRIL-QUIP

Global Market Environment

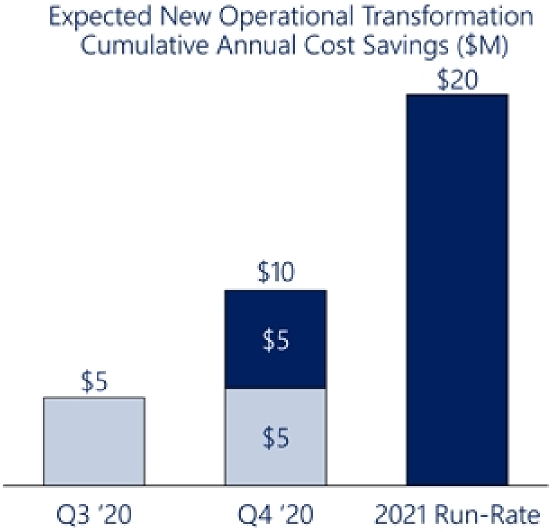




Substantial declines in the expected demand for subsea equipment over the next several years following escalation of COVID-19 and production oversupply impacts

FOLLOW-ON RESPONSE & FURTHER TRANSFORMATION

- Adjust personnel resources to address an extended period of lower offshore market activity
- Realign manufacturing footprint for improved efficiency
- Partner, "Warm Stack" or exit certain product lines still requiring extensive R&D investment



Position Dril-Quip for Annual Free Cash Flow Generation through the Cycle

Capital Allocation Priorities

Daily Operations
- $100M - $150M required to support daily operations with plans to lower range

Capital Expenditures
- 2020 CAPEX to be primarily maintenance capex of $10M - $15M, flat year-over-year

R&D
- Re-prioritizing R&D projects to focus on ready to commercialize "Quick Wins"
- Reduced or deferred $10 million total of R&D spending

Monitor Strategic Acquisitions
- Evaluate targets or partnerships that complement offering with a focus on technology

Share Repurchase
- Approximately $50M remaining under $100M share repurchase plan approved by Board in Q1 2019
- Limit share repurchase amounts to annual free cash flow generation

Strong Balance Sheet with Liquidity to Achieve Strategic Objectives

KEYS TO EXECUTION OF PLAN

Manufacturing Capacity Consolidation

- Reallocate manufacturing equipment and personnel to improve plant utilization
- Lease, mothball or divest excess capacity, as necessary, to align with long-term outlook

Capital Expenditure and Discretionary Spend Discipline

- Eliminated bonus compensation and merit increases for 2020
- Reduce capital purchases to maintenance levels that ensure customer demand is met

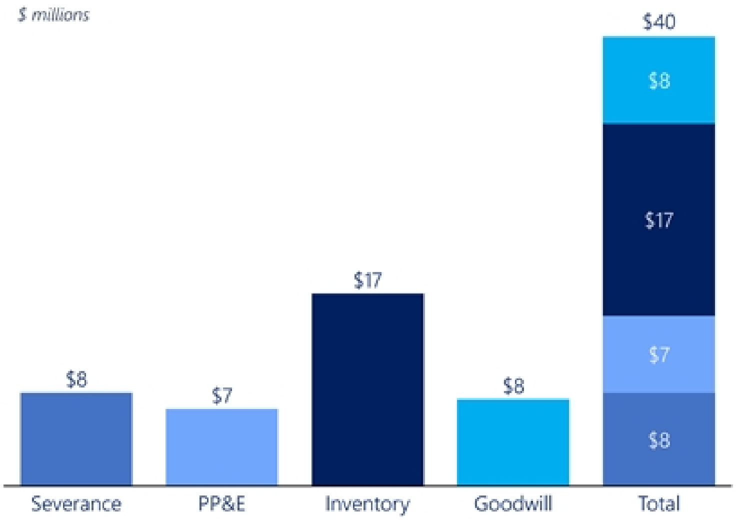
Reprioritize & Right-Size Organization

- Assess alternative methods for monetizing certain differentiated technologies
- Rationalize spending to focus on highest return projects in current environment
- Streamline commercial function for maximum customer engagement

Targeting Positive Free Cash Flow for the Full Year 2020

APPENDIX

SUMMARY OF IMPAIRMENTS, RESTRUCTURING & OTHER CHARGES

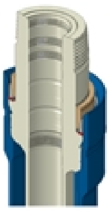


- Severance of ~$8 million related to right-sizing of workforce to market conditions
- PP&E of ~$7 million associated with excess capacity and equipment
- Inventory of ~$17 million in raw materials and finished goods from warm stacking of certain product lines
- Goodwill of ~$8 million reflecting depressed market conditions

Estimated cash impact of charges: ~$8 million

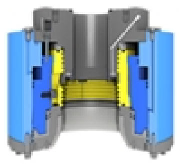
R&D Driving Bookings and New Customers

- 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 four new products the past four years



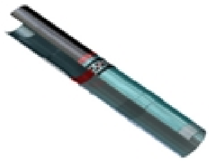
BigBore II*e* Wellhead

Spotlight on new TECHNOLOGY 2017



DX*e* Wellhead Connector

Spotlight on new TECHNOLOGY 2017



Double Expansion XPAK Liner Hanger

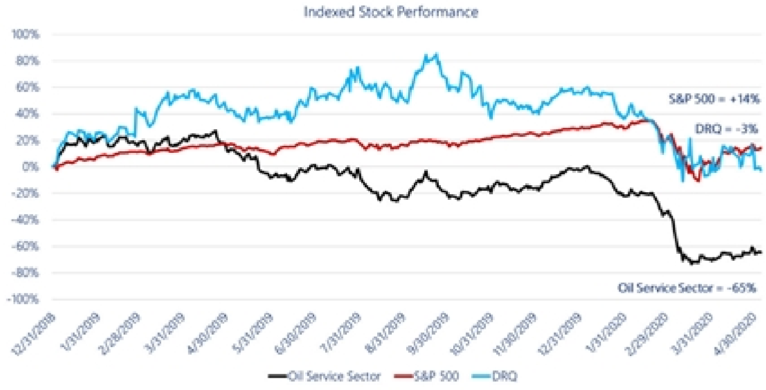
Spotlight on new TECHNOLOGY 2019

VXT*e* Vertical Subsea Tree System

Spotlight on new TECHNOLOGY 2020

MARKET PERFORMANCE

MARKET INFORMATION			
Ticker	NYSE: DRQ		
Share Price (at close: 5/5/20)	$29.18		
52-Week Range	$23.91 - $56.71		
Performance:	DRQ	OSX	SPX
Since Q4 Filing (2/27/20)	-12%	-44%	-4%
Year-to-Date	-38%	-64%	-11%



Balance Sheet Strength and Backlog Supporting Share Price Relative to OSX

INCOME STATEMENT

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

	Three months ended		
	March 31, 2020	December 31, 2019	March 31, 2019
	(In thousands, except per share data)		
Revenues:			
Products	$ 67,558	$ 78,762	$ 65,434
Services	18,814	19,082	18,476
Leasing	9,626	10,610	10,407
Total revenues	95,998	108,454	94,317
Costs and expenses:			
Cost of sales	71,414	75,741	69,376
Selling, general and administrative	21,416	21,444	24,544
Engineering and product development	5,525	4,798	3,617
Impairment	7,719	435	-
Restructuring and other charges	32,713	-	2,396
Gain on sale of assets	(467)	(28)	(13
Total costs and expenses	138,320	102,390	99,920
Operating income (loss)	(42,322)	6,064	(5,603
Interest income	1,206	1,347	2,006
Interest expense	(191)	(166)	(121
Income tax provision (benefit)	(21,609)	(155)	2,333
Net income (loss)	$ (19,698)	$ 7,400	$ (6,051
Earnings (loss) per share			
Basic	$ (0.55)	$ 0.21	$ (0.17
Diluted	$ (0.55)	$ 0.21	$ (0.17
Depreciation and amortization	$ 8,873	$ 8,865	$ 8,356
Capital expenditures	$ 4,187	$ 2,881	$ 3,527
Weighted Average Shares Outstanding			
Basic	35,695	35,873	35,559
Diluted	35,695	36,101	35,559

BALANCE SHEET

Dril-Quip, Inc.

Comparative Condensed Consolidated Balance Sheets

(Unaudited)

	March 31, 2020	December 31, 2019
	(In thousands)	
Assets:		
Cash and cash equivalents	$ 343,472	$ 398,946
Other current assets	482,819	481,543
PP&E, net	244,495	258,497
Other assets	65,324	67,579
Total assets	$ 1,136,110	$ 1,206,565
Liabilities and Equity:		
Current liabilities	$ 93,446	$ 96,940
Deferred Income taxes	3,495	4,150
Other long-term liabilities	14,968	14,774
Total liabilities	111,909	115,864
Total stockholders equity	1,024,201	1,090,701
Total liabilities and equity	$ 1,136,110	$ 1,206,565

NON-GAAP FINANCIAL MEASURES

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

Adjusted EBITDA:	**Three months ended**		
	March 31, 2020	**December 31, 2019**	**March 31, 2019**
		(In thousands)	
Net income (loss)	$ (19,698)	$ 7,400	$ (6,051)
Add:			
Interest income, net	(1,015)	(1,181)	(1,885)
Income tax expense (benefit)	(21,609)	(155)	2,333
Depreciation and amortization expense	8,873	8,865	8,356
Impairments	7,719	435	-
Restructuring costs, including severance	32,713	-	2,396
Gain on sale of assets	(467)	(28)	(13)
Foreign currency loss (gain)	(3,242)	449	(704)
Stock compensation expense	3,176	(25)	4,862
Adjusted EBITDA	$ 6,450	$ 15,760	$ 9,294

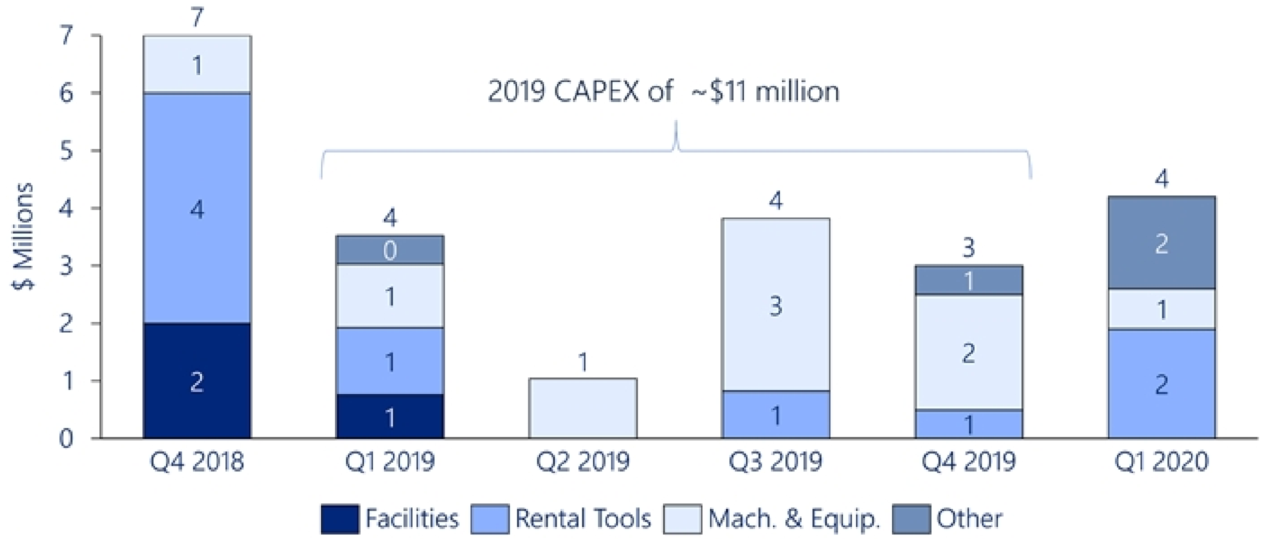
NON-GAAP FINANCIAL MEASURES

Dril-Quip, Inc.

Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow

Free Cash Flow:	**Three months ended**		
	March 31, 2020	**December 31, 2019**	**March 31, 2019**
		(In thousands)	
Net cash provided (used) by operating activities	$ (21,237)	$ 8,054	$ 838
Less:			
Purchase of property, plant and equipment	(4,187)	(2,881)	(3,527)
Free cash flow	$ (25,424)	$ 5,173	$ (2,689)

Quarterly Capital Expenditures



Annual Maintenance Capex ~$10 - $15 million

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

FINANCIAL METRIC DEFINITIONS

- **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)