

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): February 26, 2024

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

Delaware
(State or other jurisdiction
of incorporation)

001-13439
(Commission
File Number)

74-2162088
(I.R.S. Employer
Identification No.)

2050 West Sam Houston Parkway S., Suite 1100
Houston, Texas
(Address of principal executive offices)

77042
(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 February 26, 2024, Dril-Quip, Inc. (“Dril-Quip”) reported fourth quarter 2023 earnings. For additional information regarding Dril-Quip’s fourth quarter 2023 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 February 26, 2024, Dril-Quip posted the fourth quarter 2023 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 February 26, 2024.
99.2	Fourth Quarter 2023 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/ Kyle F. McClure
Kyle F. McClure
Vice President and Chief Financial Officer

Date: February 26, 2024

DRIL-QUIP, INC. ANNOUNCES FOURTH QUARTER AND FULL YEAR 2023 RESULTS

*Annual revenue increases double digits year-over-year
Full year cash provided by operations increases \$44.5 million year-over-year
Company provides fiscal 2024 financial outlook*

HOUSTON, February 26, 2024 — Dril-Quip, Inc. (NYSE: DRQ), (the “Company” or “Dril-Quip”), a developer, manufacturer and provider of highly engineered equipment, service, and innovative technologies for use in the energy industry, today reported operational and financial results for the fourth quarter and full year 2023.

Fourth Quarter Highlights

- Revenue of \$126.3 million increased 8% sequentially and 31% year-over-year
- Net Bookings of \$122.7 million increased \$76.2 million sequentially and \$24.4 million year-over-year
- Net Income of \$1.8 million increased \$8.9 million sequentially and \$2.1 million year-over-year
- Adjusted EBITDA of \$16.5 million increased 34% sequentially and 61% year-over-year
- Gross Margin of 27.4% improved 44 basis points sequentially and decreased 381 basis points year-over-year
- Free cash flow of \$14.5 million decreased \$3.3 million sequentially and increased \$37.3 million year-over-year
- Closed on the sale of a third Houston property generating net proceeds of \$9 million
- Secured major subsea production system in Australia for approximately \$40 million
- Awarded 3-year deepwater subsea wellhead contract by CNOOC
- Won a multi-well, multi-year contract to supply Subsea Wellhead Systems in Mexico
- Awarded Hibernia / Exxon Canada Diverter Systems which provides a special application for pressure balanced drilling
- Deployed equipment for the completion of three Canadian carbon storage appraisal wells

Full Year Highlights

- Revenue of \$424.1 million increased 17% year-over-year
- Net Bookings of \$295.4 million increased 9% year-over-year
- Signed 11 new master service agreements (MSAs) in 2023
- Adjusted EBITDA of \$46.5 million reflecting 27% incremental margins
- Closed on the sale of two Houston properties completing the current footprint optimization initiative, resulting in net proceeds of \$23 million in 2023
- Completed the acquisition of Great North which contributed \$35.2 million to 2023 revenue
- Installed BigBore™ IIE subsea wellhead systems for Petrobras Exploratory project in the Santos Basin
- Successfully installed HorizontalBore™ subsea trees at Woodside Shenzi North

- Awarded tender with Petrobras for 43 subsea wellhead systems supporting their pre-salt well development project
- First delivery of XPak DeTM liner hangers for exploration projects in Africa
- Participation in a geothermal project in New Zealand through our connector product line

“Strong performance in the fourth-quarter was great way to close out 2023 for Dril-Quip with double-digit growth in both annual revenue and adjusted EBITDA, showcasing significant progress toward our longer-term financial, operational, and strategic objectives,” said Jeff Bird, Dril-Quip’s President and Chief Executive Officer. “Bookings in the fourth quarter came in at \$123 million driven by securing a subsea production system tender for approximately \$40 million in Australia. Further, we signed 11 new MSAs this year, setting the stage for continued stable top-line growth.”

“With improved reporting lines, leaner operations, and quicker delivery times for our customers, we are well positioned to capitalize on the ongoing offshore upcycle and drive future margins meaningfully higher. Our strong balance sheet and financial flexibility allow us to continue to evaluate both organic and inorganic growth opportunities to capture incremental market share and ultimately drive sustained, profitable growth for our shareholders.”

2024 Financial Outlook

- Revenue growth of 15%-20%
- Adjusted EBITDA of \$65 million to \$75 million
- Subsea Product Bookings of \$200 million to \$225 million
- Capital Expenditures 3-5% of revenue

In conjunction with today’s release, the Company posted a new investor presentation entitled “2024 Investor Presentation” 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 fourth quarter of 2023 was \$126.3 million, up \$9.1 million from the third quarter of 2023 and up \$29.5 million compared to the fourth quarter of 2022. The increase in revenue was primarily driven by the rebound of Subsea Services activity and the first full quarter of Great North post-acquisition, which contributed \$19.7 million in the quarter.

For the full year 2023, revenue was \$424.1 million, up \$62.1 million from the full year of 2022. Well Construction revenues increased \$51.3 million year-over-year, primarily driven by the acquisition of Great North as well as large-bore liner hanger growth in offshore Brazil, Mexico, and West Africa. Subsea Services segment revenue increased 7% year-over-year to \$101.3 million, and Subsea Products segment revenue increased 2% compared to the prior year to \$198.3 million.

Cost of sales for the fourth quarter of 2023 was \$91.7 million, an increase of \$6.1 million sequentially and \$25.1 million year-over-year. Gross operating margin for the fourth quarter of 2023 was 27.4%, up from 27.0% for the third quarter of 2023 and down from 31.2% year-over-year. Gross margins decreased year-over-year, driven by unfavorable product line mix within Subsea Products and some international start-up costs in our Well Construction segment.

Cost of sales for the full year of 2023 was \$308.5 million, an increase of \$42.6M from the full year 2022. Gross margin for the full year 2023 was 27.3% compared to a gross margin of 26.5% for the full year 2022. The increase in gross margin year-over-year can be attributed to favorable product line mix and the impact of productivity initiatives.

Selling, General, Administrative, and Engineering Expenses

Selling, general and administrative (“SG&A”) expenses for the fourth quarter of 2023 were \$29.8 million, an increase of \$2.8 million compared to the third quarter of 2023 and an increase of \$2.9 million year-over-year. SG&A expenses for the full year 2023 were \$101.5 million, an increase of \$7.3M compared to the full year 2022. SG&A increased sequentially and year-over-year primarily due the addition of Great North expenses and severance.

Engineering and product development expenses were \$3.0 million for the fourth quarter of 2023, a decrease of \$0.1 million from the third quarter of 2023. Engineering and product development expense of \$12.6 million for the full year of 2023 increased \$0.9M compared to the full year 2022. The year-over-year increase is attributed to increased testing and qualifications related to specific international customer requirements.

Net Income, Adjusted EBITDA and Free Cash Flow

For the fourth quarter of 2023, the Company reported net income of \$1.8 million, or \$0.05 per share. This compares to net loss of \$7.0 million, or \$0.21 per share, for the third quarter of 2023 and a net loss of \$0.3 million, or \$0.01 per share, in the prior year period. For the full year of 2023, the Company reported a net income of \$0.6 million, or \$0.02 per share, compared to a net loss of \$1.6 million, or \$0.05 loss per share, for the full year of 2022.

Adjusted EBITDA totaled \$16.5 million for the fourth quarter of 2023, an increase of \$4.2 million sequentially, and \$6.3 million from one year ago. For the full year of 2023, adjusted EBITDA was \$46.5 million, an increase of 56% year-over-year. The increase in adjusted EBITDA year-over-year can be attributed to leverage on incremental revenues and the acquisition of Great North in the third quarter of 2023.

Cash provided by operations was \$26.1 million for the fourth quarter of 2023, an increase of \$2.9 million sequentially and \$43.7 million compared to fourth quarter of 2022. Free cash flow was \$14.5 million for the fourth quarter of 2023, an improvement of \$37.3 million year-over-year, and a decrease of \$3.3 million sequentially.

Cash provided by operations was \$7.7 million, and free cash flow was a negative \$24.9 million for the full year of 2023. The cash provided by operations increased \$44.5 million compared to the full year of 2022. The increase was driven by receipt of U.S. tax refunds and improvements in our cash conversion cycle. Capital expenditures in the fourth quarter of 2023 were \$11.6 million and \$32.6 million for the full year of 2023, the majority of which were related to investments in manufacturing equipment and rental tools bound for work already secured.

Net proceeds from sale of property, plant and equipment was \$23 million in the fiscal year 2023, primarily related to the sale of our aftermarket and administration buildings.

Share Repurchases

During 2023, the Company did not make any share repurchases. The Company has approximately \$103 million remaining of the current authorization by the Board of Directors. The Company continues to evaluate the amount and timing of its share repurchases as part of its overall capital allocation strategy.

Conference Call and Webcast

Management will host a conference call and a webcast to discuss the financial results on February 27, 2024, at 10:00 a.m. Eastern Daylight Time / 9:00 a.m. Central Daylight Time. The presentation is open to all interested parties and may include forward-looking information.

To access the call, please dial in approximately ten minutes before the start of the call.

Conference Call and Webcast Details

Date / Time: Tuesday, February 27, 2024, at 10:00 a.m. EDT / 9:00 a.m. CDT

Webcast: <https://www.webcaster4.com/Webcast/Page/2968/49907>

U.S. Toll-Free Dial-In: 877-545-0523

International Dial-In: 973-528-0016

Conference ID: 699212

For those unable to participate in the live call, an audio replay will be available following the call through midnight Tuesday, March 12, 2024. To access the replay, please call 877-481-4010 or 919-882-2331 (International) and enter replay passcode 49907. A replay of the webcast will also be archived shortly after the call and can be accessed on the Company's website.

About Dril-Quip

Dril-Quip is a developer, manufacturer and provider of highly engineered equipment, service and innovative technologies for use in the energy industry.

Forward-Looking Statements

Statements contained herein relating to future operations and financial results that are forward-looking statements, including those related to market conditions, benefits of the recently completed Acquisition, anticipated project bookings, expected timing of completing 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 actions taken by the Organization of Petroleum Exporting Countries (OPEC) and non-OPEC nations to adjust their production levels, the impact of actions taken by the OPEC and non-OPEC nations to adjust their production levels, risks related to the recently completed acquisition, including the risk that the benefits of the acquisition may not be fully realized or may take longer to realize than expected, that we will fail to successfully integrate the properties and assets into our business and that management attention will be diverted to integration-related issues, the impact of general economic conditions, including inflation, on economic activity and on our operations, 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, 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

Adjusted Net Income (Loss), Adjusted Diluted EPS, Free Cash Flow and Adjusted EBITDA are non-GAAP measures.

Adjusted Net Income (Loss) 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.

Free Cash Flow is defined as net cash provided by operating activities less 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, stock-based compensation, non-cash gains or losses from foreign currency exchange rate changes as well as other significant non-cash items and other adjustments for certain charges and credits.

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 Net Income (Loss), 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

Erin Fazio, Director of Corporate Finance
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Dril-Quip, Inc.
Comparative Condensed Consolidated Income Statement
(Unaudited)

	Three months ended		Twelve months ended	
	December 31, 2023	September 30, 2023	December 31, 2023	December 31, 2022
	(In thousands, except per share data)			
Revenues:				
Products	\$ 78,344	\$ 77,603	\$ 271,021	\$ 240,762
Services	33,452	27,214	105,680	79,129
Leasing	14,548	12,427	47,359	42,033
Total revenues	<u>126,344</u>	<u>117,244</u>	<u>424,060</u>	<u>361,924</u>
Costs and expenses:				
Cost of sales	91,687	85,603	308,503	265,935
Selling, general and administrative	29,825	26,993	101,517	94,206
Engineering and product development	2,987	3,061	12,649	11,740
Restructuring and other charges	(130)	2,267	3,245	13,364
Gain on sale of property, plant and equipment	(342)	(1,027)	(8,754)	(20,019)
Acquisition costs	(41)	5,358	6,451	-
Change in fair value of earn-out liability	(2,282)	-	(2,282)	-
Foreign currency transaction loss (gain)	83	1,060	(2,549)	(3,756)
Total costs and expenses	<u>121,787</u>	<u>123,315</u>	<u>418,780</u>	<u>361,470</u>
Operating income (loss)	4,557	(6,071)	5,280	454
Interest income, net	(1,150)	(2,312)	(8,188)	(4,249)
Income tax provision (benefit)	3,863	3,275	12,864	6,327
Net income (loss)	<u>\$ 1,844</u>	<u>\$ (7,034)</u>	<u>\$ 604</u>	<u>\$ (1,624)</u>
Net income (loss) per share				
Basic	<u>\$ 0.05</u>	<u>\$ (0.21)</u>	<u>\$ 0.02</u>	<u>\$ (0.05)</u>
Diluted	<u>\$ 0.05</u>	<u>\$ (0.21)</u>	<u>\$ 0.02</u>	<u>\$ (0.05)</u>
Depreciation and amortization	<u>\$ 8,487</u>	<u>\$ 7,899</u>	<u>\$ 30,324</u>	<u>\$ 29,421</u>
Capital expenditures	<u>\$ 11,585</u>	<u>\$ 5,430</u>	<u>\$ 32,626</u>	<u>\$ 18,866</u>
Weighted Average Shares Outstanding				
Basic	34,306	34,132	34,174	34,237
Diluted	34,539	34,132	34,473	34,237

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

	<u>December 31, 2023</u>	<u>September 30, 2023</u>	<u>December 31, 2022</u>
	(In thousands)		
Assets:			
Cash, cash equivalents, and restricted cash	\$ 191,400	\$ 181,072	\$ 264,804
Short-term investments	25,908	8,911	32,232
Other current assets	502,409	519,057	452,988
PP&E, net	217,631	211,806	181,270
Other assets	90,833	86,722	38,657
Total assets	\$ 1,028,181	\$ 1,007,568	\$ 969,951
Liabilities and Equity:			
Current liabilities	\$ 117,703	\$ 106,735	\$ 87,555
Deferred income taxes	10,564	12,114	3,756
Other long-term liabilities	18,654	18,257	6,288
Total liabilities	146,921	137,106	97,599
Total stockholders equity	881,260	870,462	872,352
Total liabilities and equity	\$ 1,028,181	\$ 1,007,568	\$ 969,951

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

Free Cash Flow:	<u>Three months ended</u>		
	<u>December 31, 2023</u>	<u>September 30, 2023</u>	<u>December 31, 2022</u>
	(In thousands)		
Net cash provided by (used in) operating activities	\$ 26,131	\$ 23,234	\$ (17,604)
Less:			
Purchase of property, plant and equipment	(11,585)	(5,430)	(5,154)
Free cash flow	\$ 14,546	\$ 17,804	\$ (22,758)
Free Cash Flow:			
	<u>Twelve months ended December 31,</u>		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
	(In thousands)		
Net cash provided by (used in) operating activities	\$ 7,727	\$ (36,771)	\$ 38,428
Less:			
Purchase of property, plant and equipment	(32,626)	(18,866)	(9,990)
Free cash flow	\$ (24,899)	\$ (55,637)	\$ 28,438

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

<u>Adjusted EBITDA:</u>	Three months ended		
	December 31, 2023	September 30, 2023	December 31, 2022
	(In thousands)		
Net income (loss)	\$ 1,844	\$ (7,034)	(405)
Add:			
Interest income, net	(1,150)	(2,312)	(3,378)
Income tax provision (benefit)	3,863	3,275	1,266
Depreciation and amortization expense	8,487	7,899	7,069
Restructuring and other charges	(130)	2,267	3,466
Acquisition costs	(41)	5,358	-
Change in fair value of earn-out liability	(2,282)	-	-
Gain on sale of property, plant and equipment	(342)	(1,027)	(2,249)
Foreign currency transaction loss	83	1,060	1,818
Stock compensation expense	3,173	2,576	2,694
Other	3,041	309	-
Adjusted EBITDA	<u>\$ 16,546</u>	<u>\$ 12,371</u>	<u>\$ 10,281</u>

<u>Adjusted EBITDA:</u>	Year ended		
	December 31, 2023	December 31, 2022	December 31, 2021
	(In thousands)		
Net income (loss)	\$ 604	\$ (1,624)	\$ (128,493)
Add:			
Interest expense (income), net	(8,188)	(4,249)	212
Income tax provision	12,864	6,327	2,946
Depreciation and amortization expense	30,324	29,421	30,381
Restructuring and other charges	3,245	13,364	96,650
Acquisition costs	6,451	-	-
Change in fair value of earn-out liability	(2,282)	-	-
Gain on sale of property, plant and equipment	(8,754)	(20,019)	(4,482)
Foreign currency transaction loss (gain)	(2,549)	(3,756)	836
Stock compensation expense	10,892	10,363	14,895
Other	3,935	-	1,787
Adjusted EBITDA	<u>\$ 46,542</u>	<u>\$ 29,827</u>	<u>\$ 14,732</u>

Dril-Quip, Inc.

**Reconciliation of Net Income (Loss) to Adjusted Net Income (Loss) and Diluted Earnings (Loss) per Share to Adjusted Diluted Earnings (Loss) per Share
(Unaudited)**

Adjusted Net Income (Loss) and Diluted EPS:

	December 31, 2023		Three months ended September 30, 2023		December 31, 2022	
	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 income (loss)	\$ 1,844	\$ 0.05	\$ (7,034)	\$ (0.21)	\$ (405)	\$ (0.01)
Adjustments (after tax):						
Foreign currency transaction loss	66	-	837	0.02	1,436	0.04
Restructuring and other charges	(103)	-	1,791	0.05	2,738	0.08
Gain on sale of property, plant and equipment	(270)	(0.01)	(811)	(0.02)	(1,777)	(0.05)
Adjusted net income (loss)	<u>\$ 1,537</u>	<u>\$ 0.04</u>	<u>\$ (5,217)</u>	<u>\$ (0.16)</u>	<u>\$ 1,993</u>	<u>\$ 0.06</u>

Adjusted Net Income (Loss) and Diluted EPS:

	2023		Twelve months ended December 31, 2022		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 income (loss)	\$ 604	\$ 0.02	\$ (1,624)	\$ (0.05)	\$ (128,493)	\$ (3.63)
Adjustments (after tax):						
Foreign currency transaction loss (gain)	(2,014)	(0.06)	(2,967)	(0.09)	660	0.02
Restructuring and other charges	2,564	0.07	10,558	0.31	76,354	2.16
Gain on sale of property, plant and equipment	(6,916)	(0.20)	(15,815)	(0.46)	(3,541)	(0.10)
Adjusted net loss	<u>\$ (5,762)</u>	<u>\$ (0.17)</u>	<u>\$ (9,849)</u>	<u>\$ (0.29)</u>	<u>\$ (55,020)</u>	<u>\$ (1.55)</u>



Investor Presentation

Fourth Quarter 2023

the power of e™

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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 impact of actions taken by the Organization of Petroleum Exporting Countries (OPEC) and non-OPEC nations to adjust their production levels, the impact of the COVID-19 pandemic and the effects thereof, the general volatility of oil and natural gas prices and cyclicalities 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.



About Us

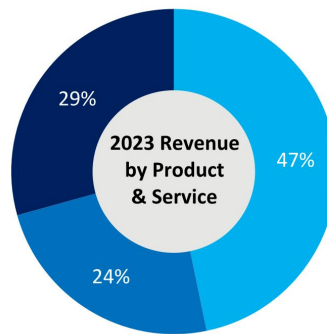


the power of 

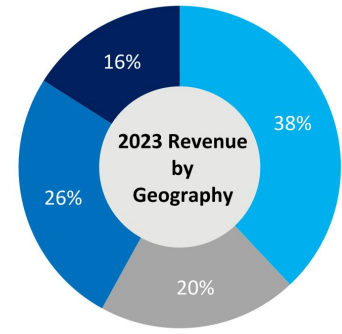
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Dril-Quip, Inc. is a leading developer of innovative technologies for the energy industry, designing and manufacturing best-in-class products for traditional oil and gas, and certain energy transition applications.

\$746 Million	Market Cap ¹
Houston, TX	Headquarters
\$424.1 Million	2023 Revenue
NYSE since 1997	DRQ
Operations	19 Countries
Global Employees	1,731



- Subsea Products
- Subsea Services
- Well Construction

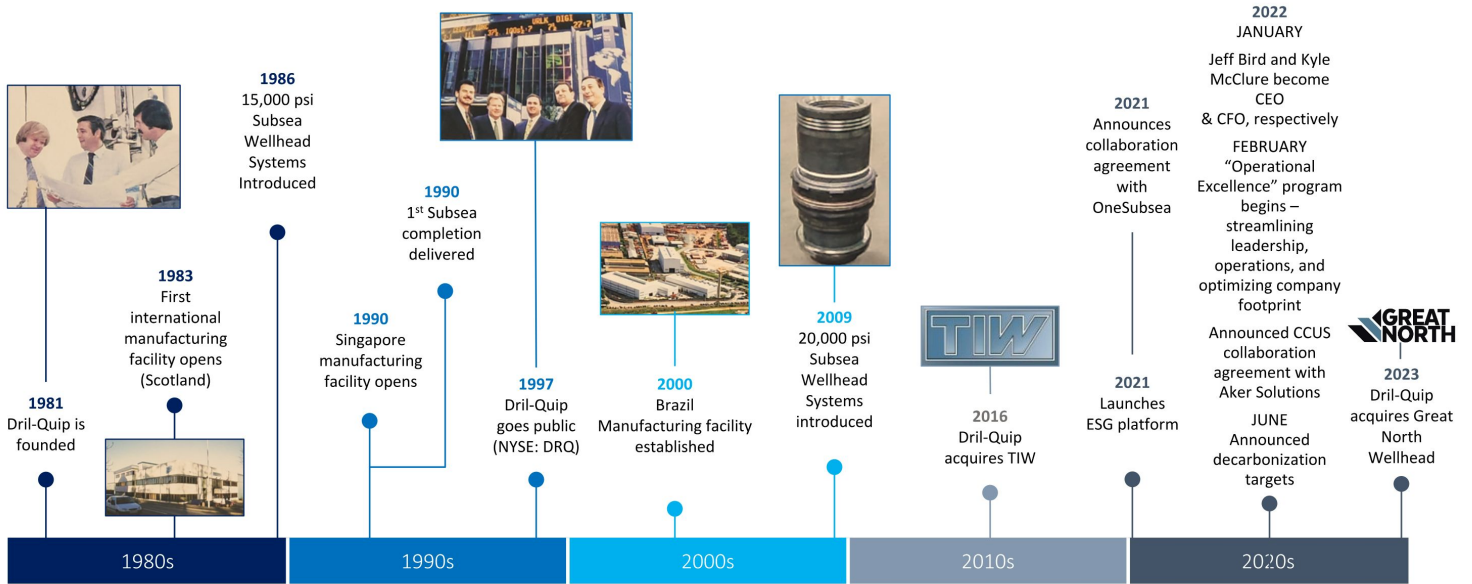


- North America
- Europe/Middle East
- Asia Pacific
- Latin America

Notes:

- ¹As of 02/20/2024
- On July 31st, 2023, Dril-Quip acquired Great North, which contributed \$35 million in North America revenue for the year. Full-year pro forma revenue for 2023 is \$90 million.

Our History | Dril-Quip Over the Years



Dril-Quip provides a balanced investment proposition to growth and value investors, supported by a long history of commanding premium valuation.



Leader in Design & Manufacturing

Manufacturer of highly engineered drilling & production equipment



Footprint in Key Offshore Drilling Markets

Competing in attractive long-term growth markets



Organizational Alignment

Small, self-contained teams that share a common strategy and control of own destiny



Strong Financial Profile

Continued progression on key organic initiatives that will drive profitable growth



Attractive Balance Sheet

One of very few oilfield service companies with balance sheet optionality

Dril-Quip is well positioned to serve the needs of the global energy industry with major manufacturing facilities in the United States (Texas), Canada, Scotland, Brazil and Singapore; and service facilities in Australia, Ecuador, Mexico, Norway, China, Egypt, Saudi Arabia Ghana, and Qatar.



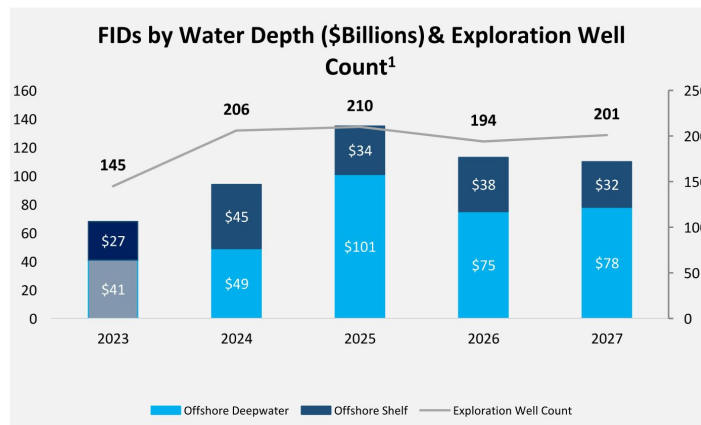
- Engineering, Manufacturing, Sales & Service
- Sales and/or Service
- Sales Representatives

Our products are used by major integrated, independent, and foreign national energy companies throughout the world, and we are known for solving customers' most challenging problems with equipment that performs reliably, safely, and cost-effectively in deepwater, harsh environments, and severe service applications.



Offshore project FIDs are projected to increase substantially from 2023 levels

- Economic breakeven of current projects well below current spot and future prices; small percentage of projects requiring \$60/Bbl pricing or higher
- Trans Mountain expansion will significantly increase Canada’s oil export capacity
- Offshore spending expected to outpace onshore, led by deepwater projects in Brazil and West Africa, as well as shallow water projects in Qatar, Norway and Saudi Arabia
- Energy security spurring investment, projects, partnerships, and increased offshore exploration
- Focus on decarbonization supporting R&D and ongoing investment across the space



Notes: ¹Rystad Energy

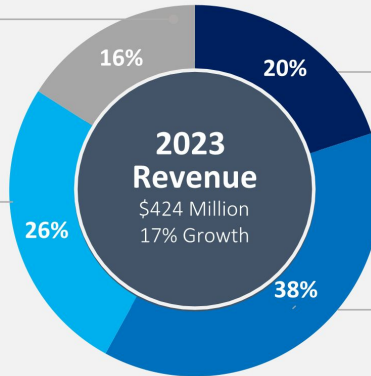
Dril-Quip is well positioned to capitalize on a constructive offshore market with strong growth trends in Brazil, the Middle East, Latin America, and in reemerging markets such as West Africa.

Asia-Pacific

- Represented 16% of total revenue for FY 2023
- Upswing in activity in the regions expected to drive demand for subsea products and well construction

Europe/Middle East

- Represented 26% of total revenue for FY 2023
- Long-term CCUS potential through our partnership with Aker Solutions
- Activity in Norway is seeing an uptick in demand due to energy security concerns

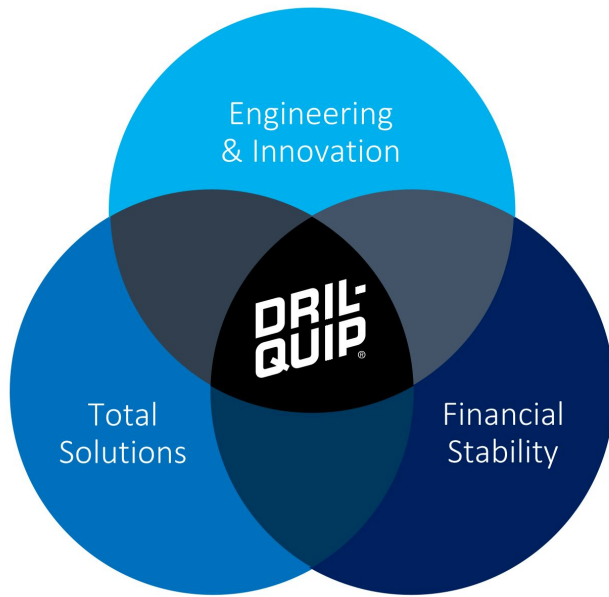


Latin America

- Represented 20% of total revenue for FY 2023
- Strong growth in Brazil from Petrobras, which plans to invest \$78 billion between 2023 – 2027 with plans to drill ~350 wells
- Guyana and Suriname in the early stages of development for DRQ with follow on orders expected in 2024 and beyond

North America

- Represented 38% of total revenue for FY 2023
- Activity in Canada increasing due to Great North acquisition



- **Highly engineered, innovative solutions** designed to withstand the harshest environments, saving customers time and money
- Award-winning drilling and production products and services are utilized to **provide total solutions for field developments**
- Long operating history and a clean balance sheet with zero debt provides **strong financial stability**

Focusing on core growth markets globally.

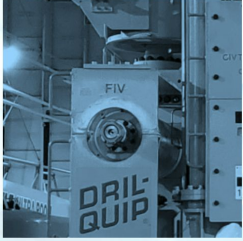
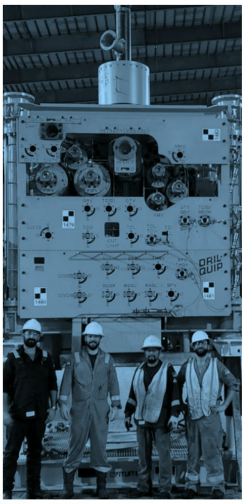


Driving organizational culture of continuous productivity improvement.





Strategic Operating Products & Services



the power of 

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Dril-Quip strategically streamlined operations and leadership, driving towards more focused and integrated product and service lines.



Market leader in subsea wellhead equipment and technology, manufacturing highly engineered, *field-proven products with wide array of deepwater drilling* equipment and technology that meets the requirements for *harsh subsea environments*



Provider of *aftermarket support* and technical services with field technicians that support the *full lifecycle management* of regulatory and industry standards, as well as offering client's *comprehensive product training programs*



Drilling, completions and productions solutions provider for *onshore and offshore* markets, supplying *consumable and rental well construction* products for the global energy market and offering highly experienced personnel with *extensive operational knowledge and engineering expertise*

Business supported by Dril-Quip's expansion into high-growth decarbonization opportunities in our Energy Transition offering longer term.

Wide range of innovative products serving the energy industry, even in the harshest environments.

SUBSEA EQUIPMENT

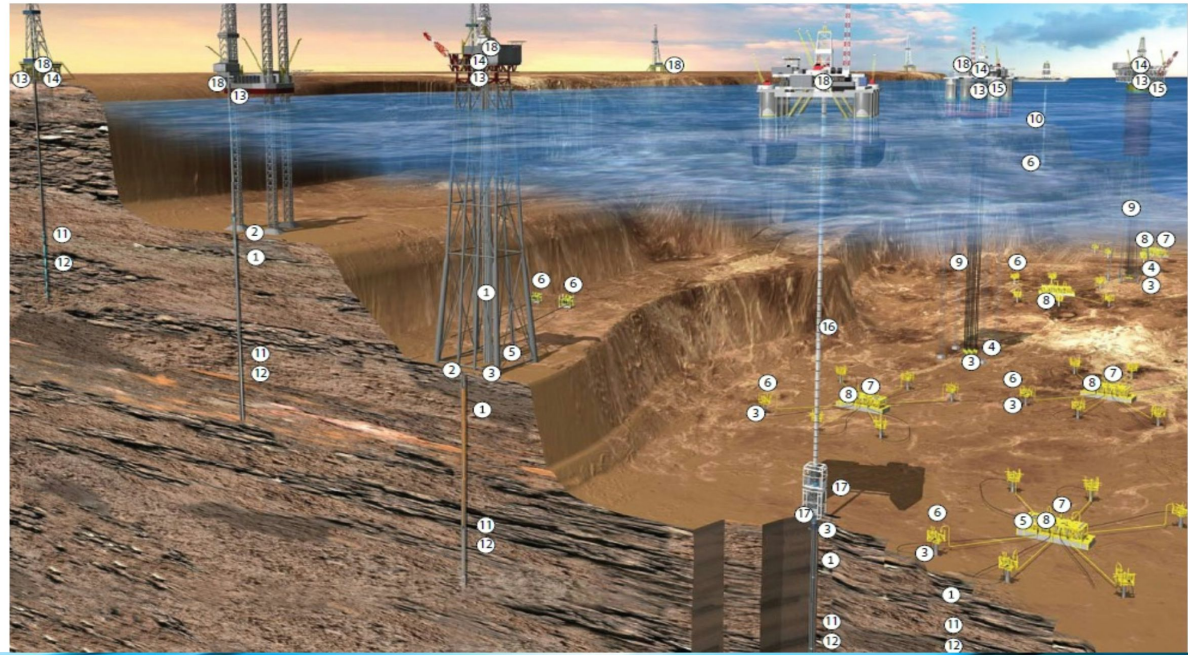
- ① Specialty Connectors
- ② Mudline Suspension
- ③ Subsea Wellheads
- ④ Tie-Back Connectors
- ⑤ Template Systems
- ⑥ Subsea Trees
- ⑦ Control Systems
- ⑧ Subsea Manifolds
- ⑨ Production Risers
- ⑩ Completion Risers
- ⑪ Liner Hangers
- ⑫ Downhole Tools

SURFACE EQUIPMENT

- ⑬ Surface Wellheads
- ⑭ Surface Trees
- ⑮ Riser Tensioners

OFFSHORE RIG EQUIPMENT

- ⑯ Drilling Risers
- ⑰ BOP Stack Connectors
- ⑱ Diversers



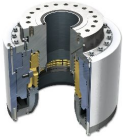
PRODUCTS & SERVICES		EXPOSURE	PRIMARY MARKETS
SUBSEA PRODUCTS	 <ul style="list-style-type: none"> • Subsea Wellheads • Specialty Connectors & Associated Pipes • Subsea Production Systems • Mudline Hanger Systems • Production Riser Systems • Dry Tree Systems • Subsea Manifolds 		<ul style="list-style-type: none"> • U.S. Gulf of Mexico, Mexico, Brazil, Trinidad & Tobago • United Kingdom, Norway • Saudi Arabia, Ghana • China, Indonesia, Australia
WELL CONSTRUCTION	 <ul style="list-style-type: none"> • Liner Hangers & Expandable Liner Systems • Multi-frac Well Connectors • Conventional Wellhead • Thermal Wellhead • Specialty Well Construction • Completion Packers • Safety & Kelly Valves • Rental & Service 		<ul style="list-style-type: none"> • Canada • Deepwater Gulf of Mexico • Latin America <ul style="list-style-type: none"> – Brazil – Ecuador – Mexico • Saudi Arabia • Namibia
SUBSEA SERVICES	 <ul style="list-style-type: none"> • Technical Advisor Assistance • Leasing of Subsea Equipment • Reconditioning • Storage & Maintenance • Rental Tools 		<ul style="list-style-type: none"> • U.S. Gulf of Mexico, Mexico, Brazil, Trinidad & Tobago • United Kingdom, Norway • Saudi Arabia, Ghana • China, Indonesia, Australia

Manufacturer of highly engineered, field-proven products with a wide array of deepwater drilling equipment and technology that meet the requirements for harsh subsea environments.



Wellheads

- Field-proven wellhead system specially designed to meet the many challenges of working in shallow or deep-water environments and shallow or ultra-deep well applications



Connectors & Surface Equipment

- Specialty connector suite of products that meet the varying casing challenges faced across well applications
- Solutions focused surface and capital drilling equipment that offer the appropriate balance of technology and economy



Subsea Production Systems

- Innovative drilling and production products providing comprehensive field development solutions
- Production Trees, Manifolds, Connection & Control Systems, Production PLEM's, PLET's, Flowline Jumpers

Initiatives & Accolades

- 673 patents
- Tier 1 wellhead provider
- Executing collaboration agreements
- Targeting shallow water and CCUS opportunities through SBTe offering

Provider of high-level aftermarket support and technical services with field technicians that support the full installation and lifecycle management of regulatory and industry standards, as well as offer industry training programs.



Aftermarket Capabilities

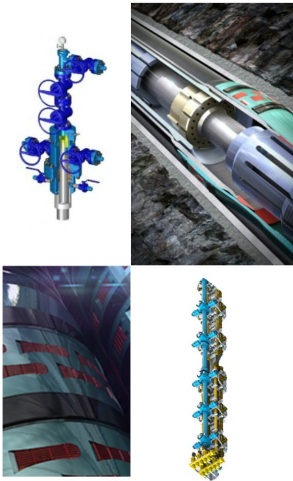
- Partners with customers throughout the lifecycle including full installation, strip-down, inspection, testing, assembly capabilities
- In-house machining capabilities for manufacturing and repairing from the smallest components to full subsea tree blocks
- Comprehensive engineering, project, and back-office support functions for seamless and continuous customer support
- Ability to serve customers and projects in the harshest environments

Initiatives & Accolades

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

Our Business | Well Construction Profile

Well Construction provides solutions for onshore and offshore markets, supplying consumable and rental products for the global energy market and offering highly experienced personnel with extensive expertise.



Expandable Liner Hangers – XPak™ & Big Bore XPak De®

- Features innovative liner top anchor/sealing device, providing unmatched reliability
- Robust system suitable for HTHP and challenging applications
- Established technology with limited competitors

Conventional & Thermal Wellhead Products

- Technical, engineered-to-order wellheads used in heavy oil and thermal production locations

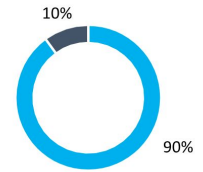
Rental Completion Solutions

- Multi-Well Frac Connector™
- Missile Frac Solution
- Dart & Frac Ball Launchers

Casing Hardware & Well Services

- Providing accessories to liner hanger operations & long-string cementing
- Well intervention and slot recovery
- Tubular Running Services

**Splits inclusive of Great North Wellhead
2023 Proforma Impact*



■ International Onshore* ■ Deepwater

Initiatives & Accolades

- 388 patents
- Gaining share in key markets (Brazil, Canada, Namibia, US, Mexico)
- Converting from conventional to expandable liner hangers
- Focus on expanding presence in Saudi Arabia
- Integrating Great North into portfolio and expanding reach internationally

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Helping our customers adapt and transition to a new energy mix, while positioning DRQ to support these long-term, robust opportunities.

Carbon conscious project execution

- Measurement of carbon footprint reduction per project
- Carbon footprint decision metric incorporated across operations
- Next generation Power of e™ incorporating Green by Design™ innovation philosophy

Solutions for carbon capture and storage projects

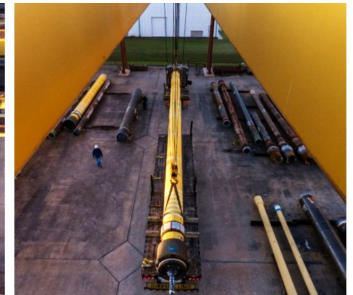
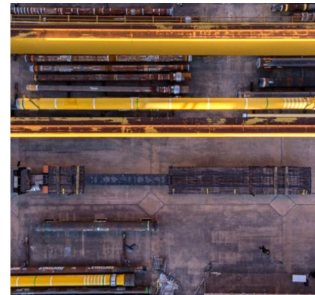
- Existing track record with early mover projects
- Ability to support onshore, offshore and subsea segments
- Evaluating adjacent needs to derive additional value

Geothermal Solutions

- Geothermal sector is set for rapid growth, driven by need for renewable base-load energy sources
- Market share leader in the thermal wellhead market in Canada
- Early project sales from Dril-Quip connector products

eVolving industry

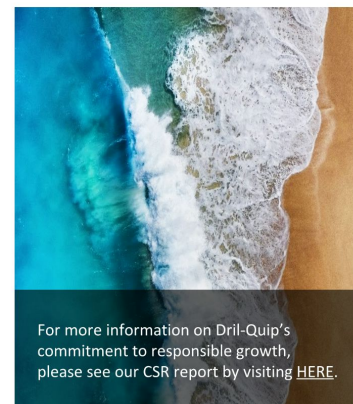
- Less steel/materials
- Less transportation
- Efficient operations
- Effective manufacturing
- Increased competitiveness
- Lower carbon footprint



At Dril-Quip, we believe technological innovation is key to improving energy efficiency and providing people around the world with universal access to reliable, affordable, clean energy. By doing so, we seek to stimulate economic growth and enhance the standard of living for all, improving health and creating employment opportunities globally.

With an “A” rating from MSCI ESG, Dril-Quip’s approach to developing products that align with our commitment to UN Sustainable Development Goals (SDGs) is straightforward:

- We continuously **engage** with customers to understand their strategic priorities around energy efficiency and carbon emission reduction.
- We **invest** heavily in R&D as innovation has been central to technologies we have been bringing to the marketplace since 1981 and incorporate the evaluation of climate change risks and opportunities in our R&D processes.
- We **innovate** based on customer feedback and continuously improve our product portfolio.
- We **empower** customers to minimize health and safety risks while reducing their carbon footprint.
- We **support** our local communities by fostering the availability of clean, affordable energy to all.





Financial Performance

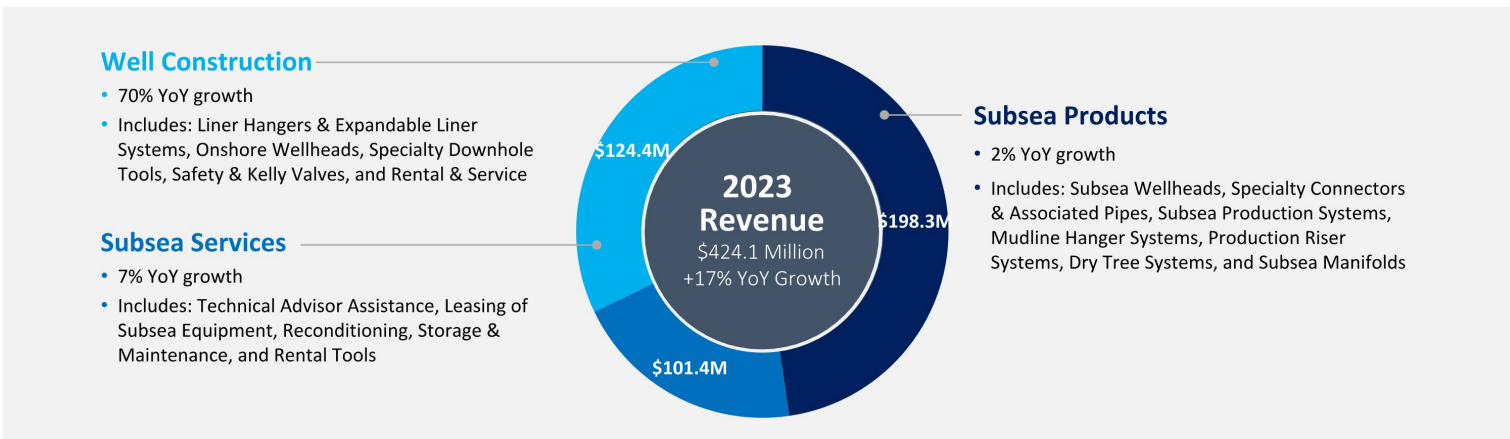
Ongoing upcycle in the offshore market continues to create strong demand.

- Secured major subsea production system in Australia for approximately \$40 million
- Awarded 3-year deepwater subsea wellhead contract by CNOOC
- Awarded Hibernia / Exxon Canada diverter systems which provide an application for pressure balanced drilling
- Completed 3 Canadian CCUS appraisal wells
- Closed on the sale of a third Houston property completing the current footprint optimization initiative
- Early Great North international wins in Morocco
- Won a multi-well, multi-year contract to supply Subsea Wellhead Systems in Mexico

Fourth Quarter	Full Year
Q4 Revenue \$126.3 Million +31% YoY	2023 Revenue \$424.1 Million +17% YoY
Q4 Net Income \$1.8 Million +\$2.1 Million YoY	2023 Net Income \$0.6 Million +\$2.2 Million YoY
Q4 Adjusted EBITDA \$16.5 Million +\$6.3 Million YoY	2023 Adjusted EBITDA \$46.5 Million +\$16.7 Million YoY
Q4 Bookings \$122.7 Million +25% YoY	2023 Bookings \$295.4 Million +9% YoY
Q4 Gross Margin 27.4% -381 BPs YoY	2023 Gross Margin 27.3% +73 BPs YoY

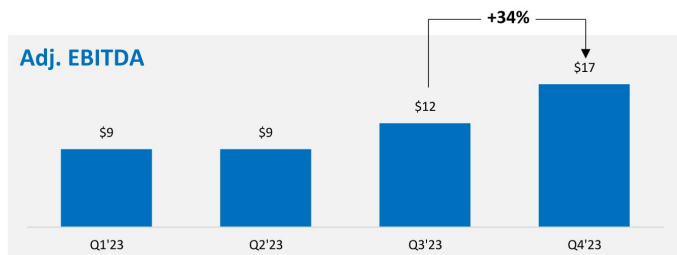
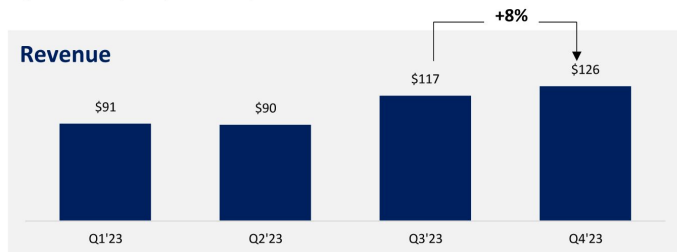
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New operating segments effective in 2023 provide better visibility into Dril-Quip’s business and align financial reporting with the Company’s internal operating structure.

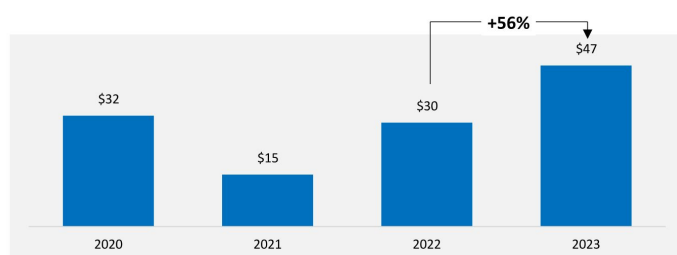
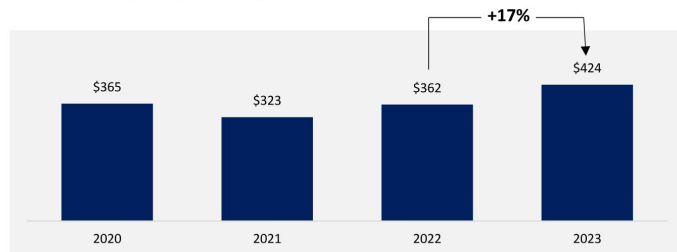


Note: On July 31st, 2023, Dril-Quip acquired Great North, which contributed \$35 million in Well Construction revenue for the year. Full-year pro forma revenue for 2023 is \$90 million.

Quarter (USD\$ millions)



Full Year (USD\$ millions)

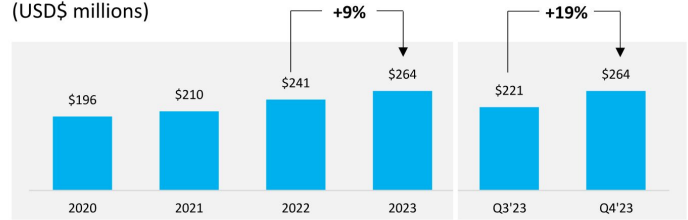


Note: Sum of components may not foot due to rounding. Adjusted EBITDA is a non-GAAP measure. See appendix for reconciliation to GAAP measure.

- Backlog for Q4'23 increased 26% compared to Q3'23 and increased by 15% year-over-year
- Dril-Quip currently has ~70 open MSAs, signing 11 new MSAs within 2023
- Subsea Products book-to-bill ratio of 2.1x for the fourth quarter of 2023
- Beginning Q1 2024, disclosed metrics will change to report Subsea Product bookings only and add regular disclosures regarding master service agreements to reflect the evolving procurement strategies of the energy industry

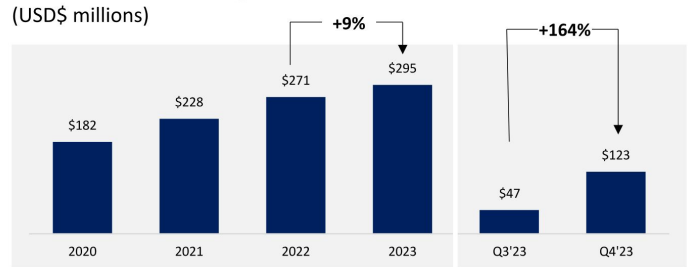
Historical Backlog Trends

(USD\$ millions)



Historical Booking Trends

(USD\$ millions)



Strong balance sheet with ample liquidity and zero debt provides flexibility to support our growth strategy.



¹: As of December 31, 2023

Demonstrating financial discipline in the pursuit of high-return opportunities that support long-term growth, while preserving our balance sheet strength and financial flexibility.

<p>1 High Return Organic Investments</p>	<p>2 Disciplined M&A</p>	<p>3 Preserve Financial Flexibility</p>	<p>4 Shareholder Returns</p>
<ul style="list-style-type: none"> • Prioritize investment into high ROI projects • Support organic growth initiatives • Manufacturing, R&D, etc. 	<ul style="list-style-type: none"> • Technology bolt-ons to enhance existing business • Deals of scale that align with selective M&A criteria • Diversifying end-market exposure with energy adjacent opportunities 	<ul style="list-style-type: none"> • Working capital to support operations growth • Free cash flow generation focused • Continue to maintain strong balance sheet 	<ul style="list-style-type: none"> • Focused on delivering sustainable, long-term growth • Return cash to shareholders as appropriate

Primary considerations for disciplined M&A



**STRATEGIC
CRITERIA**

- Increases scale of operations
- Expanded geographic footprint
- Aligns with DRQ core competencies



**FINANCIAL
CRITERIA**

- Above average long-term growth projections
- Capable of delivering consistently high margins
- High return on capital



**ACQUISITION
TARGETS**

- Technology bolt-ons to enhance existing business
- Deals of scale that align with selective M&A criteria
- Diversifying end-market exposure with energy adjacent opportunities




Q1 expected to see a sequential decline due to seasonality



Appendix

dril-quip.com | NYSE: DRQ

the power of 

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Management | Result Driven Management Team



Jeffrey J. Bird
President and
Chief Executive Officer



Kyle F. McClure
Vice President and
Chief Financial Officer



Stephen J. Chauffe
Vice President —
Well Construction



John Mossop
Vice President —
Technology and
Energy Transition



Mahesh R. Puducheri
Vice President —
Chief Human
Resources Officer



Hal Zimmermann
Vice President —
Business Systems



Don M. Underwood
Vice President —
Subsea Products



James C. Webster
Vice President, General
Counsel and Secretary



Bruce Witwer
Vice President —
Subsea Services

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

	Three months ended		Twelve months ended	
	December 31, 2023	September 30, 2023	December 31, 2023	December 31, 2022
	(In thousands, except per share data)			
Revenues:				
Products	\$ 78,344	\$ 77,603	\$ 271,021	\$ 240,762
Services	33,452	27,214	105,680	79,129
Leasing	14,548	12,427	47,359	42,033
Total revenues	126,344	117,244	424,060	361,924
Costs and expenses:				
Cost of sales	91,687	85,603	308,503	265,935
Selling, general and administrative	29,825	26,993	101,517	94,206
Engineering and product development	2,987	3,061	12,649	11,740
Restructuring and other charges	(130)	2,267	3,245	13,364
Gain on sale of property, plant and equipment	(342)	(1,027)	(8,754)	(20,019)
Acquisition costs	(41)	5,358	6,451	-
Change in fair value of earn-out liability	(2,282)	-	(2,282)	-
Foreign currency transaction loss (gain)	83	1,060	(2,549)	(3,756)
Total costs and expenses	121,787	123,315	418,780	361,470
Operating income (loss)	4,557	(6,071)	5,280	454
Interest income, net	(1,150)	(2,312)	(8,188)	(4,249)
Income tax provision (benefit)	3,863	3,275	12,864	6,327
Net income (loss)	\$ 1,844	\$ (7,034)	\$ 604	\$ (1,624)
Net income (loss) per share				
Basic	\$ 0.05	\$ (0.21)	\$ 0.02	\$ (0.05)
Diluted	\$ 0.05	\$ (0.21)	\$ 0.02	\$ (0.05)
Depreciation and amortization	\$ 8,487	\$ 7,899	\$ 30,324	\$ 29,421
Capital expenditures	\$ 11,585	\$ 5,430	\$ 32,626	\$ 18,866
Weighted Average Shares Outstanding				
Basic	34,306	34,132	34,174	34,237
Diluted	34,539	34,132	34,473	34,237

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

	December 31, 2023	September 30, 2023	December 31, 2022
(In thousands)			
Assets:			
Cash, cash equivalents, and restricted cash	\$ 191,400	\$ 181,072	\$ 264,804
Short-term investments	25,908	8,911	32,232
Other current assets	501,208	519,057	452,988
PP&E, net	217,631	211,806	181,270
Other assets	90,833	86,722	38,657
Total assets	\$ 1,026,980	\$ 1,007,568	\$ 969,951
Liabilities and Equity:			
Current liabilities	\$ 116,502	\$ 106,735	\$ 87,555
Deferred income taxes	10,564	12,114	3,756
Other long-term liabilities	18,654	18,257	6,288
Total liabilities	145,720	137,106	97,599
Total stockholders equity	881,260	870,462	872,352
Total liabilities and equity	\$ 1,026,980	\$ 1,007,568	\$ 969,951

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

Adjusted Net Income (Loss) and Diluted EPS:	Three months ended					
	December 31, 2023		September 30, 2023		December 31, 2022	
	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 income (loss)	\$ 1,844	\$ 0.05	\$ (7,034)	\$ (0.21)	\$ (405)	\$ (0.01)
Adjustments (after tax):						
Foreign currency transaction loss	66	-	837	0.02	1,436	0.04
Restructuring and other charges	(103)	-	1,791	0.05	2,738	0.08
Gain on sale of property, plant and equipment	(270)	(0.01)	(811)	(0.02)	(1,777)	(0.05)
Adjusted net income (loss)	<u>\$ 1,537</u>	<u>\$ 0.04</u>	<u>\$ (5,217)</u>	<u>\$ (0.16)</u>	<u>\$ 1,993</u>	<u>\$ 0.06</u>

Adjusted Net Income (Loss) and Diluted EPS:	Twelve months ended December 31,					
	2023		2022		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 income (loss)	\$ 604	\$ 0.02	\$ (1,624)	\$ (0.05)	\$ (128,493)	\$ (3.64)
Adjustments (after tax):						
Foreign currency transaction loss (gain)	(2,014)	(0.06)	(2,967)	(0.09)	660	0.02
Restructuring and other charges	2,564	0.07	10,558	0.31	76,354	2.16
Gain on sale of property, plant and equipment	(6,916)	(0.20)	(15,815)	(0.46)	(3,541)	(0.10)
Adjusted net loss	<u>\$ (5,762)</u>	<u>\$ (0.17)</u>	<u>\$ (9,849)</u>	<u>\$ (0.29)</u>	<u>\$ (55,020)</u>	<u>\$ (1.56)</u>

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

Adjusted EBITDA:	Three months ended		
	December 31, 2023	September 30, 2023	December 31, 2022
	(In thousands)		
Net income (loss)	\$ 1,844	\$ (7,034)	(405)
Add:			
Interest income, net	(1,150)	(2,312)	(3,378)
Income tax provision (benefit)	3,863	3,275	1,266
Depreciation and amortization expense	8,487	7,899	7,069
Restructuring and other charges	(130)	2,267	3,466
Acquisition costs	(41)	5,358	-
Change in fair value of earn-out liability	(2,282)	-	-
Gain on sale of property, plant and equipment	(342)	(1,027)	(2,249)
Foreign currency transaction loss	83	1,060	1,818
Stock compensation expense	3,173	2,576	2,694
Other	3,041	309	-
Adjusted EBITDA	<u>\$ 16,546</u>	<u>\$ 12,371</u>	<u>\$ 10,281</u>

Adjusted EBITDA:	Year ended		
	December 31, 2023	December 31, 2022	December 31, 2021
	(In thousands)		
Net income (loss)	\$ 604	\$ (1,624)	\$ (128,493)
Add:			
Interest expense (income), net	(8,188)	(4,249)	212
Income tax provision	12,864	6,327	2,946
Depreciation and amortization expense	30,324	29,421	30,381
Restructuring and other charges	3,245	13,364	96,650
Acquisition costs	6,451	-	-
Change in fair value of earn-out liability	(2,282)	-	-
Gain on sale of property, plant and equipment	(8,754)	(20,019)	(4,482)
Foreign currency transaction loss (gain)	(2,549)	(3,756)	836
Stock compensation expense	10,892	10,363	14,895
Other	3,935	-	1,787
Adjusted EBITDA	<u>\$ 46,542</u>	<u>\$ 29,827</u>	<u>\$ 14,732</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>December 31, 2023</u>	<u>September 30, 2023</u>	<u>December 31, 2022</u>
	(In thousands)		
Net cash provided by (used in) operating activities	\$ 26,131	\$ 23,234	\$ (17,604)
Less:			
Purchase of property, plant and equipment	(11,585)	(5,430)	(5,154)
Free cash flow	<u>\$ 14,546</u>	<u>\$ 17,804</u>	<u>\$ (22,758)</u>
<u>Free Cash Flow:</u>	<u>Twelve months ended December 31,</u>		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
	(In thousands)		
Net cash provided by (used in) operating activities	\$ 7,727	\$ (36,771)	\$ 38,428
Less:			
Purchase of property, plant and equipment	(32,626)	(18,866)	(9,990)
Free cash flow	<u>\$ (24,899)</u>	<u>\$ (55,637)</u>	<u>\$ 28,438</u>



the power of 

The text "the power of" is written in a black, italicized, sans-serif font. To its right is a circular logo containing a stylized blue and white 'e' shape.