

DRIL-QUIP

SECOND QUARTER 2021
SUPPLEMENTAL EARNINGS INFORMATION

CAUTIONARY STATEMENT

Forward-Looking Statements

The information furnished in this presentation contains “forward-looking statements” within the meaning of the federal securities laws. Forward-looking statements include, but are not limited to, the effects of the COVID-19 pandemic, and the effects of actions taken by third parties including, but not limited to, governmental authorities, customers, contractors and suppliers, in response to the ongoing COVID-19 pandemic, the impact of actions taken by the Organization of Petroleum Exporting Countries (OPEC) and non-OPEC nations to adjust their production levels, 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, 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, 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, Environmentally Responsible Products & First-class Service



Strong Financial Position



Historically Superior Margins to Peers



Results Driven Management Team

PROGRESS TOWARD UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS



Community involvement and investment in STEM education through ASME INSPIRE STEM Readiness program



23% of recent new hires globally have been women and 16% of our executives and senior management positions are women



Global footprint provides a platform to increase access to affordable, reliable energy & transition to cleaner sources



Helping customers reduce their carbon footprint and minimize environmental impact through investing in technology and R&D

PRODUCTS & SERVICES

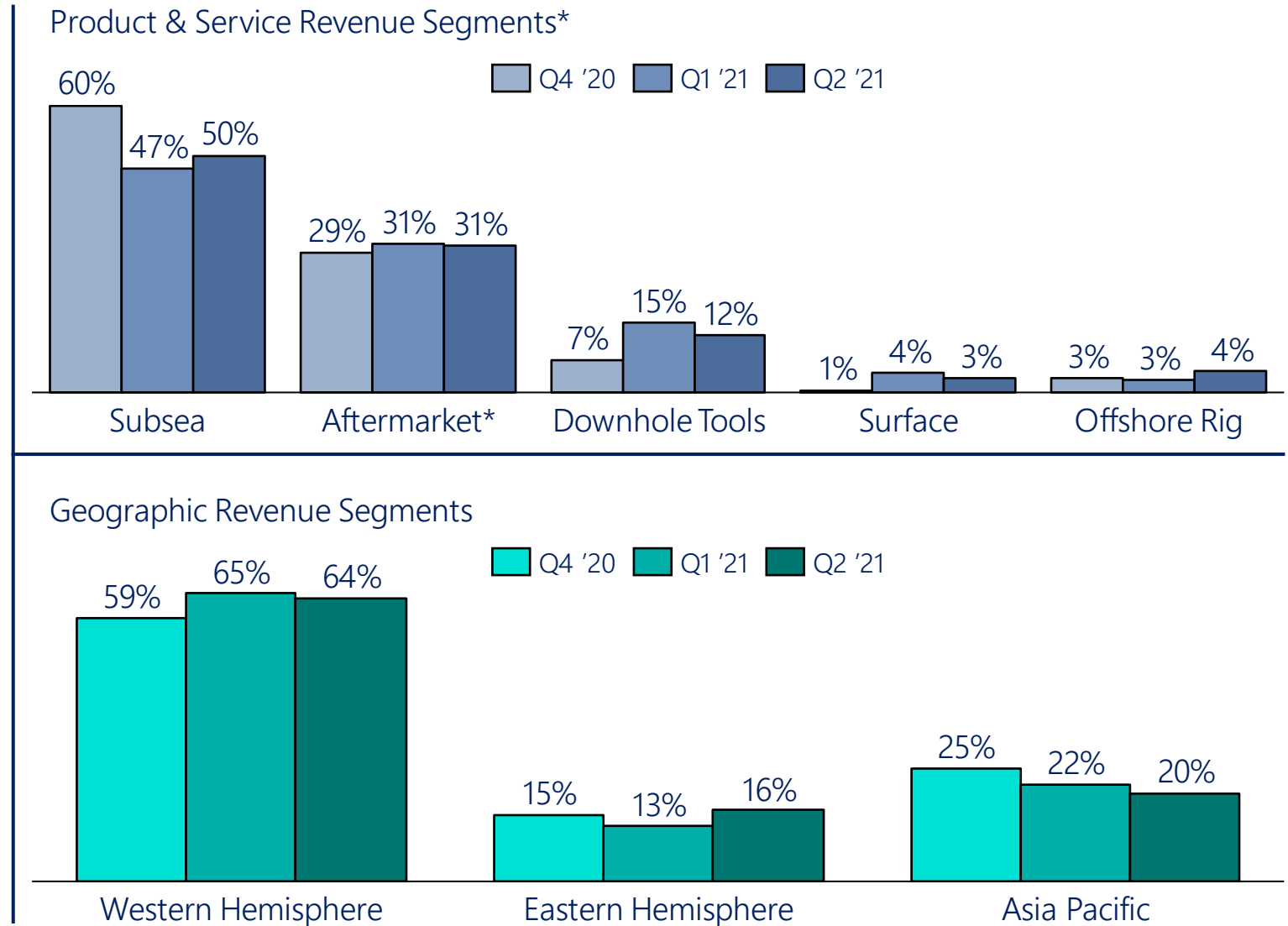
SUBSEA EQUIPMENT

SURFACE EQUIPMENT

DOWNHOLE TOOLS

OFFSHORE RIG EQUIPMENT

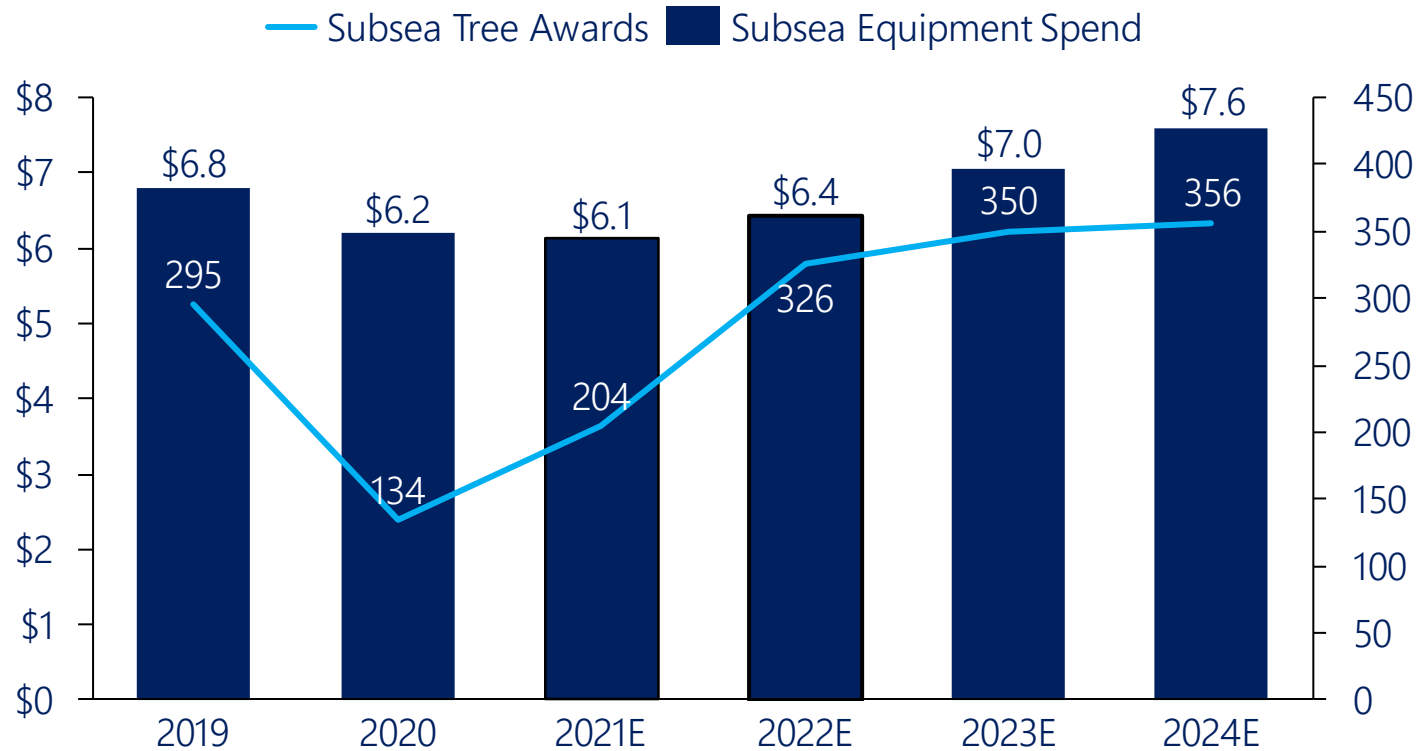
AFTERMARKET SERVICES



*Aftermarket revenue includes Services and Leasing revenue from Subsea and Downhole Tools businesses

GLOBAL MARKET ENVIRONMENT

Estimated Subsea Equipment Spend and Tree Awards



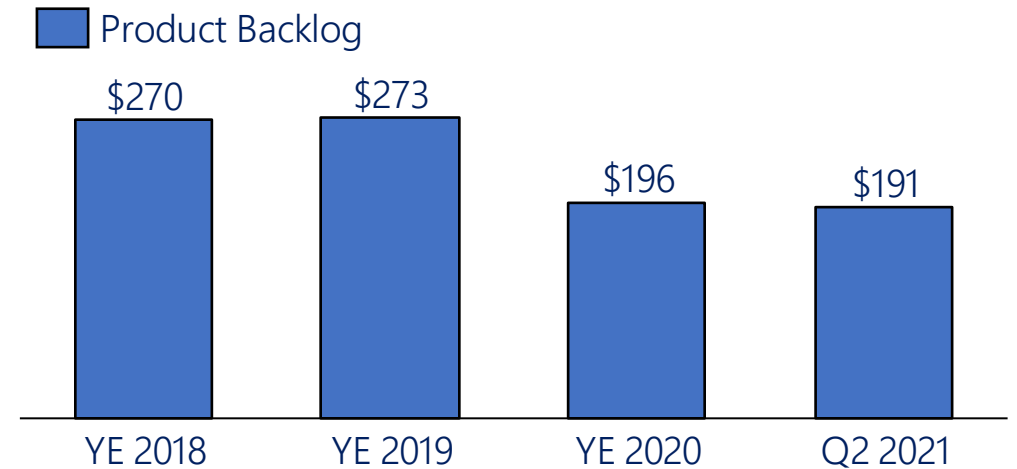
- Subsea equipment spend and tree awards likely bottomed in 2020-21
- Market for subsea tree awards expected to improve through 2022 and normalize
- Europe and South American markets expected to lead subsea equipment spend and tree awards through 2024
- Pace of recovery supports flexible operating model and peer collaboration strategy

Subsea Equipment Spend & Tree Awards Expected to Rise Through 2024

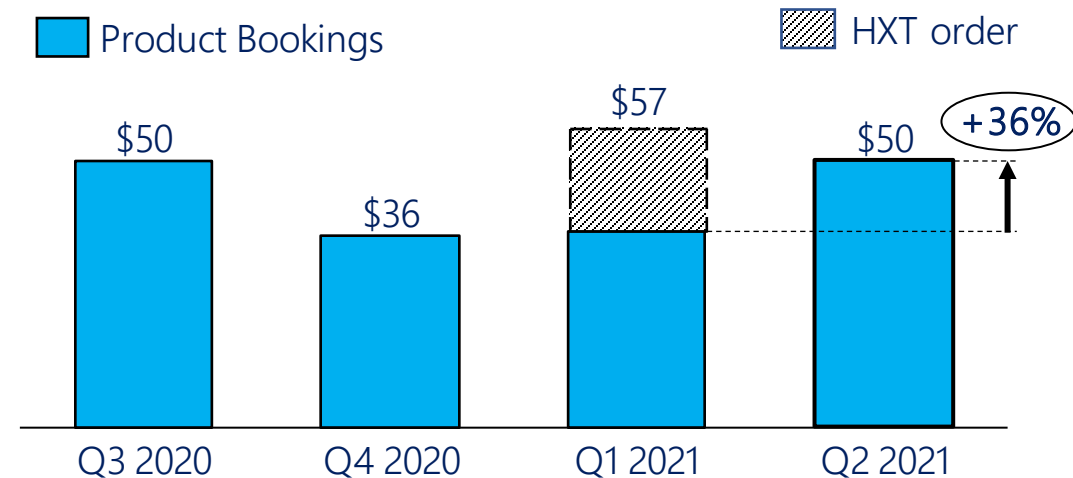
COMMERCIAL UPDATE

- Entered into collaboration and supply agreement with a major industry peer to supply wellheads, tubular goods and liner hangers
- Re-engaged with customers and prospective collaborators on VXTe tree technology following favorable trial outcome
- Backlog of \$191 million as of 6/30/2021 after recording \$50 million of product bookings in Q2 2021
- 2H 2021 bookings expected to outpace 1H 2021 boosted by strong Q4 orders
- Introduced 10% surcharge with customers in response to recent increases in materials and freight prices

Historical Backlog Trends (\$M)



Historical Booking Trends (\$M)



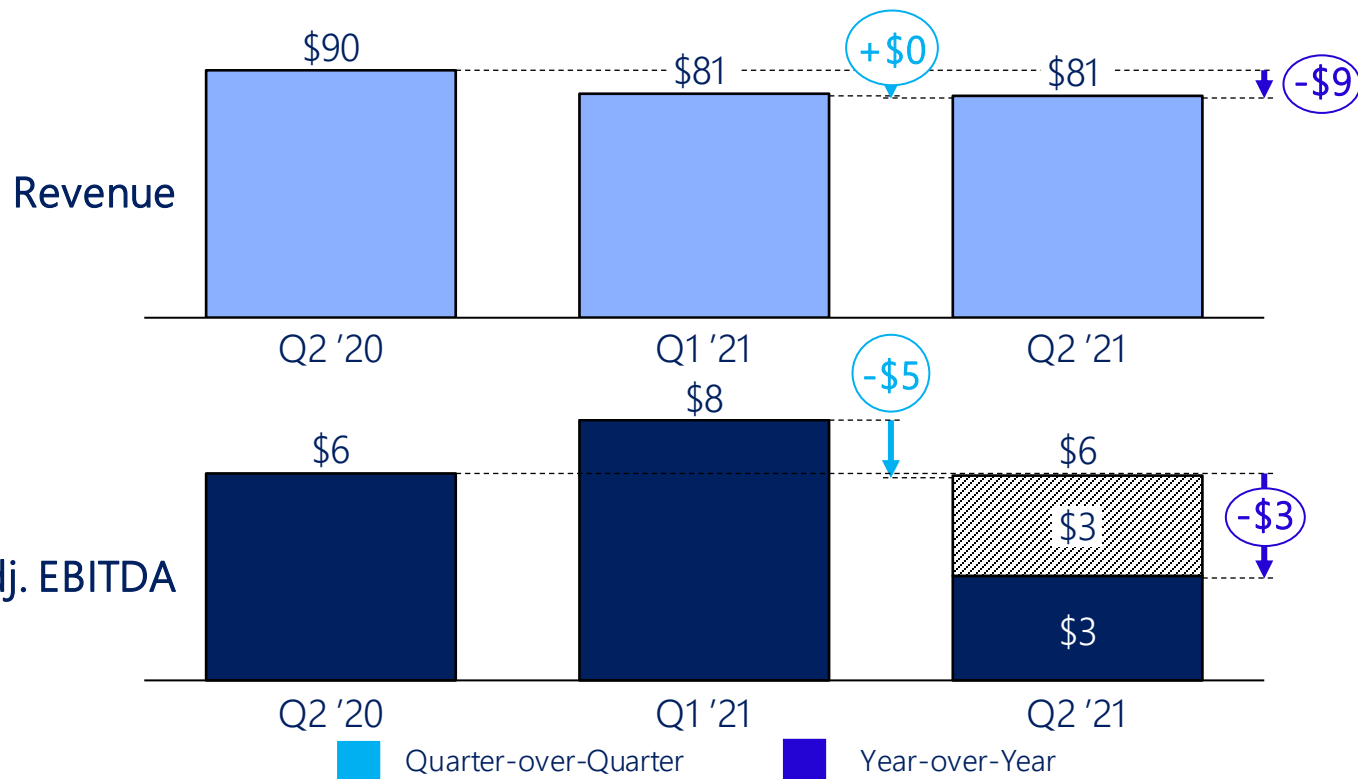
Q2 2021 HIGHLIGHTS

- Generated revenue of \$80.8 million for the second quarter of 2021;
- Reported second quarter net loss of \$19.1 million, or \$0.54 per share, an improvement of \$15.3 million, or \$0.43 per share, from the first quarter of 2021;
- Recorded adjusted EBITDA of \$2.6 million, or 3.2% of revenue, including a one-time \$2.3 million negative impact related to termination of the forge facility lease;
- Second quarter net cash provided by operating activities of \$11.3 million and free cash flow of \$8.2 million, or 10.2% of revenue;
- Booked \$50.4 million of new product orders during the second quarter of 2021; and
- Executed strategic collaboration agreement with a major oilfield service peer for the supply of subsea wellheads, tubular goods, liner hangers and related tools and services.

FINANCIAL PERFORMANCE

Quarterly Comparisons

(USD\$ millions)

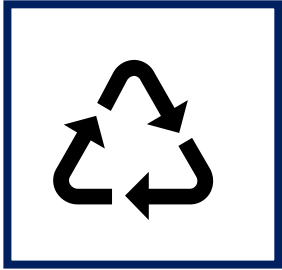


Impact of AFGlobal cancellation

- Revenue mostly flat sequentially driven slightly lower by a decrease in leasing revenue from AFGlobal forge lease cancellation
- Revenue declined year-over-year due to lower 2020 product orders from pandemic driven demand declines, partially offset by downhole tools growth
- Adjusted EBITDA was approximately \$3 million; lower sequentially due to lease termination and unfavorable product revenue mix
- Year-over-year decremental margins of 35%; and 5% excluding AFGlobal lease cancellation revenue and adjusted EBITDA impacts

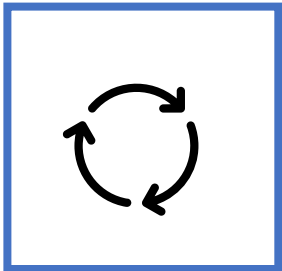
Q2 Negatively Impacted by Forge Lease Termination and Product Mix

IMPROVE FREE CASH FLOW YIELD



Inventory Reduction Plan

- Identified approximately \$3 million in component substitutions instead of new purchases



Order-to-Cash Improvement

- Trade accounts receivable down \$25M in 2021 from improved collections



Drive Productivity Initiatives through LEAN

- Completed outsourcing of downhole tools product line manufacturing

Free Cash Flow of ~\$19 million through Q2 2021

2021 STRATEGIC GROWTH PILLARS



Peer-to-Peer Collaboration

- Entered into collaboration and supply agreement with peer for subsea wellheads, tubular goods and liner hangers



Downhole Tool Market Expansion

- Several new tender submissions for XPak liner hanger in Latin America and other deepwater markets



Expansion of Power of e-Series Technology

- DXe wellhead connector gaining traction in North Sea harsh environment shallow water market

EXECUTING DOWNHOLE TOOL GROWTH STRATEGY

Global Deepwater

- Actively bidding and participating in peer collaboration projects in the Caribbean and Norwegian markets

Latin America

- Signed a contract to deliver 18" x 22" liner hanger systems over the next three years in Brazil

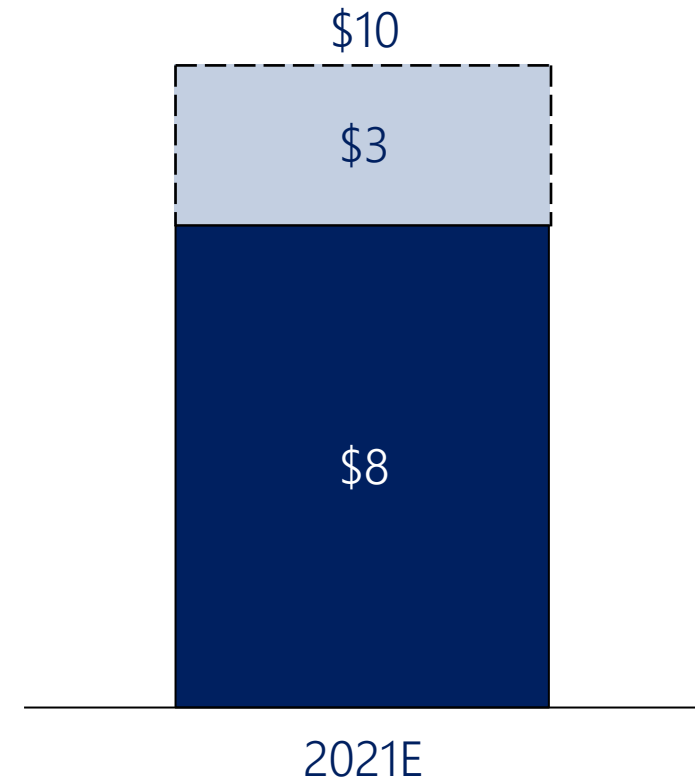
Middle East

- First XPak™ expandable liner hanger run in United Arab Emirates
- Awarded major offshore gas project in Saudi Arabia

2021 PRODUCTIVITY IMPROVEMENT TARGETS

- Productivity initiatives driving approximately \$5 million of realized savings in 2021 and \$10 million annualized
- Completed transition of downhole tools manufacturing outsourcing in early Q3 2021
- Executed approximately \$8 million in annualized savings from productivity gains through the second quarter of 2021

Executed and Targeted
Cumulative Annualized 2021 Productivity Gains (\$M)



Productivity and Efficiency Gains Are Part of Day-to-Day Operating Mentality

ON TRACK TO MEET 2021 TARGETS

2021 Revenue
Slightly Down from
2020

2H 2021 Bookings
Expected to exceed
1H 2021 on strong
Q4

2021 Estimated
Capex
\$12M to \$15M

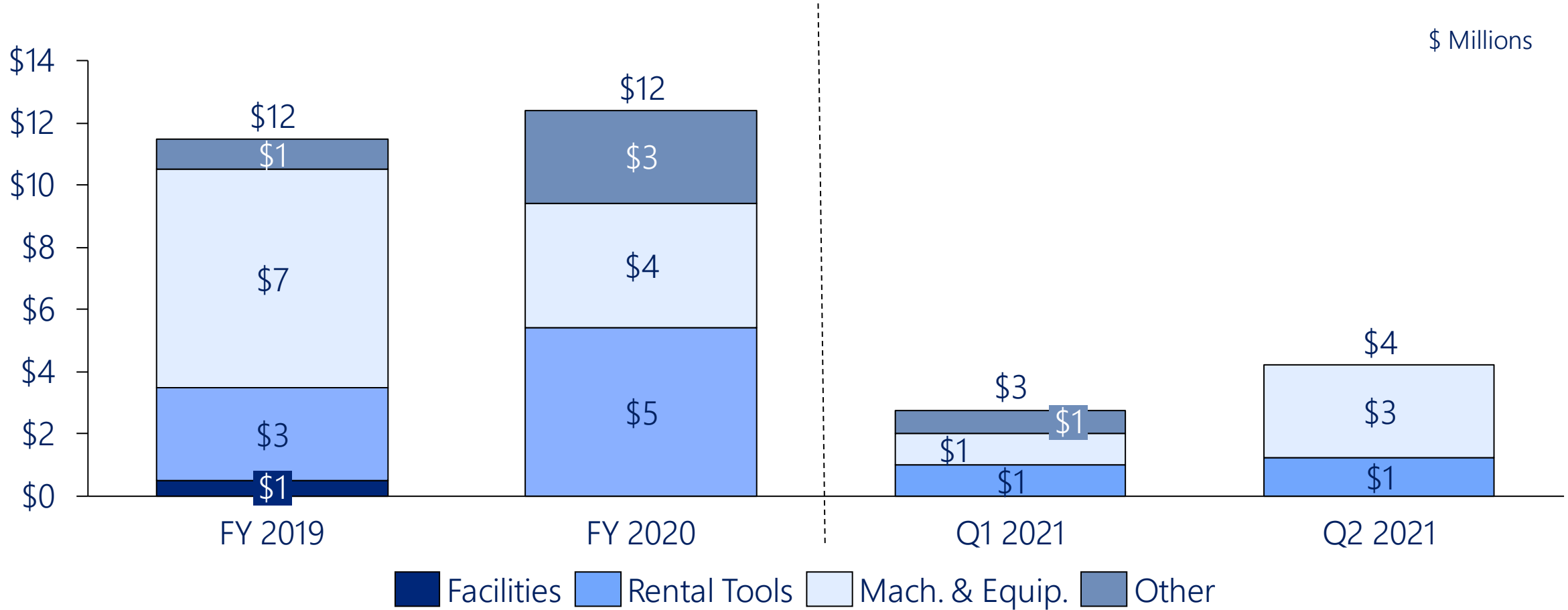
2021 Productivity
Initiatives driving ~\$5
million of savings, \$10
million annualized

Expecting to Exceed
2021 Free Cash Flow
Target Margin of
~5%

Execute on 2021
Strategic Growth
Pillars

APPENDIX

CAPITAL EXPENDITURES



Capital expenditures in 2021 are expected to be \$12 to \$15 million driven by manufacturing equipment upgrades and downhole tools growth

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

MARKET PERFORMANCE

MARKET INFORMATION

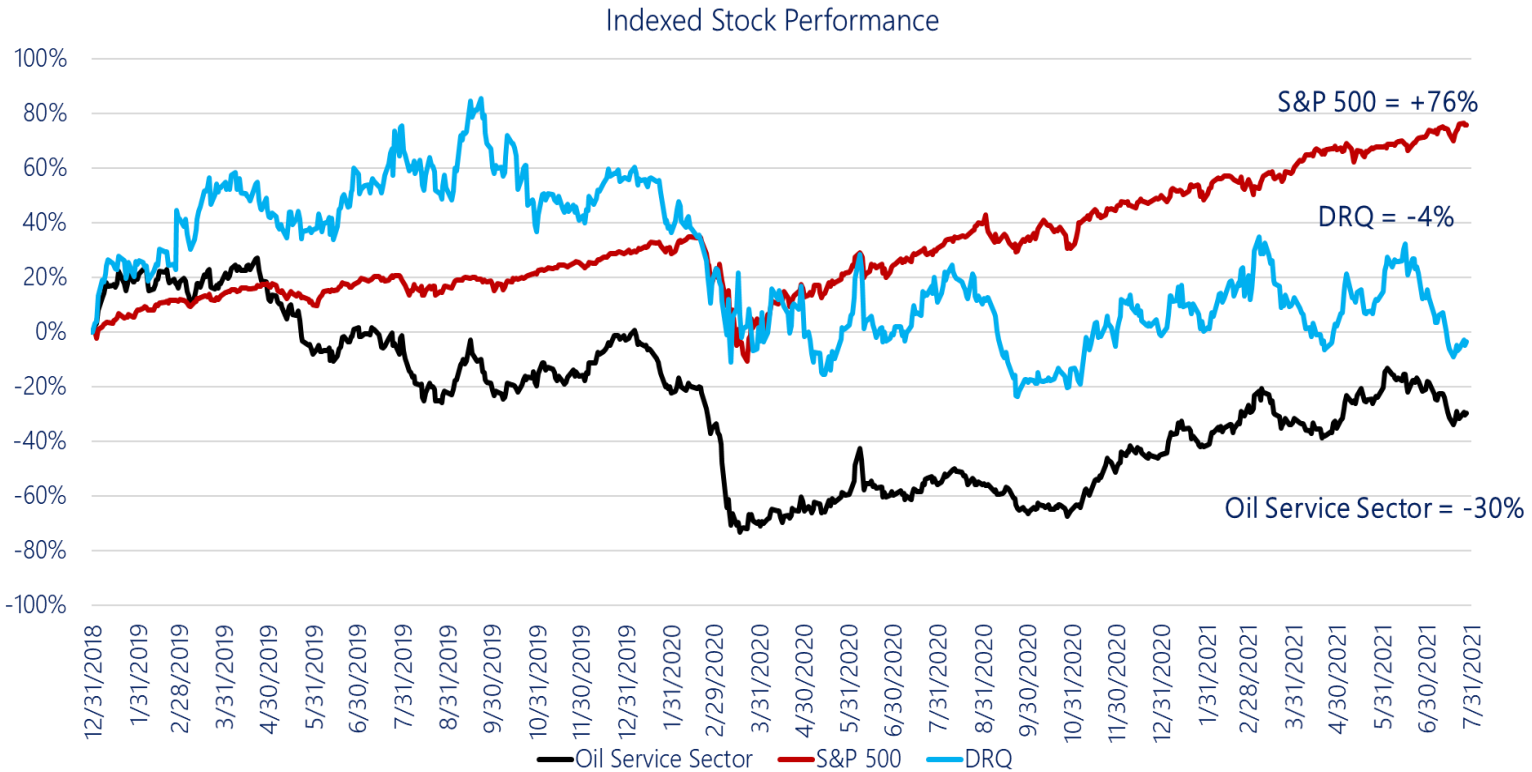
Ticker NYSE: DRQ

Share Price (at close: 7/28/21) \$28.97

52-Week Range \$22.25 - \$40.62

Performance:

	DRQ	OSX	SPX
Since Q1 Filing (4/29/21)	-6%	4%	4%
Year-to-Date	-2%	27%	17%



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		
	June 30, 2021	March 31, 2021	June 30, 2020
(In thousands, except per share data)			
Revenues:			
Products	\$ 55,860	\$ 55,583	\$ 63,133
Services	17,536	17,667	20,750
Leasing	7,401	7,989	6,563
Total revenues	80,797	81,239	90,446
Costs and expenses:			
Cost of sales	61,539	56,787	66,937
Selling, general and administrative	29,593	29,558	23,331
Engineering and product development	3,722	4,037	5,364
Restructuring and other charges	1,000	25,020	1,587
(Gain) loss on sale of assets	82	(3,955)	(85)
Foreign currency transaction (gains) and losses	(475)	1,374	817
Total costs and expenses	95,461	112,821	97,951
Operating loss	(14,664)	(31,582)	(7,505)
Interest income	63	49	653
Interest expense	(59)	(439)	(209)
Income tax provision	4,407	2,386	7,081
Net loss	\$ (19,067)	\$ (34,358)	\$ (14,142)
Loss per share			
Basic	\$ (0.54)	\$ (0.97)	\$ (0.40)
Diluted	\$ (0.54)	\$ (0.97)	\$ (0.40)
Depreciation and amortization	\$ 7,343	\$ 7,416	\$ 7,940
Capital expenditures	\$ 3,524	\$ 2,513	\$ 4,131
Weighted Average Shares Outstanding			
Basic	35,387	35,385	35,023
Diluted	35,387	35,385	35,023

BALANCE SHEET

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

	June 30, 2021	December 31, 2020
	(In thousands)	
Assets:		
Cash and cash equivalents	\$ 370,481	\$ 345,955
Other current assets	478,805	517,238
PP&E, net	229,247	234,823
Other assets	46,176	53,156
Total assets	\$ 1,124,709	\$ 1,151,172
Liabilities and Equity:		
Current liabilities	\$ 106,535	\$ 85,512
Deferred Income taxes	6,694	6,779
Other long-term liabilities	16,156	17,353
Total liabilities	129,385	109,644
Total stockholders equity	995,324	1,041,528
Total liabilities and equity	\$ 1,124,709	\$ 1,151,172

NON-GAAP FINANCIAL MEASURES

Dril-Quip, Inc.

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

Adjusted Net Income (Loss) and EPS:

	Three months ended					
	June 30, 2021		March 31, 2021		June 30, 2020	
	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 loss	\$ (19,067)	\$ (0.54)	\$ (34,358)	\$ (0.97)	\$ (14,142)	\$ (0.40)
Adjustments (after tax):						
Reverse the effect of foreign currency	(375)	(0.01)	1,085	0.03	646	0.02
Restructuring costs, including severance	790	0.02	19,766	0.56	1,254	0.04
(Gain) loss on sale of assets	65	-	(3,124)	(0.09)	(67)	-
Adjusted net loss	<u>\$ (18,587)</u>	<u>\$ (0.53)</u>	<u>\$ (16,631)</u>	<u>\$ (0.47)</u>	<u>\$ (12,309)</u>	<u>\$ (0.34)</u>

NON-GAAP FINANCIAL MEASURES

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

<u>Adjusted EBITDA:</u>	<u>Three months ended</u>		
	<u>June 30, 2021</u>	<u>March 31, 2021</u>	<u>June 30, 2020</u>
	(In thousands)		
Net loss	\$ (19,067)	\$ (34,358)	\$ (14,142)
Add:			
Interest (income) expense, net	(4)	390	(444)
Income tax provision	4,407	2,386	7,081
Depreciation and amortization expense	7,343	7,416	7,940
Restructuring costs, including severance	7,250	29,820	1,587
(Gain) loss on sale of assets	82	(3,955)	(85)
Foreign currency transaction (gains) and losses	(475)	1,374	817
Stock compensation expense	3,079	3,186	3,282
Brazilian amnesty settlement	-	1,787	-
Adjusted EBITDA	<u>\$ 2,615</u>	<u>\$ 8,046</u>	<u>\$ 6,036</u>

NON-GAAP FINANCIAL MEASURES

Dril-Quip, Inc.

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

Free Cash Flow:

	<u>Three months ended</u>		
	<u>June 30, 2021</u>	<u>March 31, 2021</u>	<u>June 30, 2020</u>
	(In thousands)		
Net cash provided by operating activities	\$ 11,343	\$ 13,072	\$ 3,046
Less:			
Purchase of property, plant and equipment	(3,112)	(2,513)	(4,131)
Free cash flow	<u>\$ 8,231</u>	<u>\$ 10,559</u>	<u>\$ (1,085)</u>

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)