



Earnings Conference Call

August 2, 2017

8:00 a.m. CST

1 (800) 446-1671 (North America)

1 (847) 413-3362 (Outside North America)

Webcast: ir.distributionnow.com

NOW Inc. Reports Second Quarter 2017 Results

HOUSTON, TX, August 2, 2017 – NOW Inc. (NYSE: DNOW) announced results for the second quarter ended June 30, 2017.

Second Quarter 2017 Financial Highlights

- Revenue was \$651 million for the second quarter of 2017, up 30 percent year over year.
- Net loss was \$17 million for the second quarter of 2017, versus \$44 million a year ago. Non-GAAP net loss excluding other costs was \$11 million compared to \$44 million in the second quarter of 2016.
- Diluted loss per share was \$0.16 for the second quarter of 2017 compared to \$0.40 a year ago. Non-GAAP diluted loss per share excluding other costs was \$0.10 for the second quarter of 2017 compared to \$0.40 in the second quarter of 2016.
- Non-GAAP EBITDA excluding other costs for the second quarter of 2017 was a loss of \$2 million compared to a loss of \$42 million in the second quarter of 2016.

Refer to Supplemental Information in this release for GAAP to non-GAAP reconciliations.

Robert Workman, President and CEO of NOW Inc., remarked, “Solid gross margin gains and tightly managed expenses produced exceptionally strong incrementals of 35% in the quarter. Our ability to capitalize in a recovering market, with a focus on more lucrative transactions, while right-sizing our business, drove meaningful impacts to profitability. Moreover, even though DUCs continued to climb, as service providers worked to refurbish and staff frac fleets, our upstream operations in the U.S. performed better than expected, as did our Canadian business despite a seasonal pull-back. In the second half of 2017, we expect to reach positive EBITDA, and possibly EPS, excluding other costs, if market conditions and product margins hold.”

Prior to the earnings conference call a presentation titled “NOW Inc., Second Quarter 2017 Review & Key Takeaways” will be available on the Company’s Investor Relations website.

About NOW Inc.

NOW Inc. is one of the largest distributors to energy and industrial markets on a worldwide basis, with a legacy of over 150 years. NOW Inc. operates primarily under the DistributionNOW and Wilson Export brands. Through its network of approximately 300 locations and 4,600 employees worldwide, NOW Inc. offers a comprehensive line of products and solutions for the upstream, midstream and downstream energy and industrial sectors. Our locations provide products and solutions to exploration and production companies, energy transportation companies, refineries, chemical companies, utilities, manufacturers and engineering and construction companies.

Statements made in this press release that are forward-looking in nature are intended to be "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934 and may involve risks and uncertainties. These statements may differ materially from actual future events or results. Readers are referred to documents filed by NOW Inc. with the U.S. Securities and Exchange Commission, which identify significant risk factors which could cause actual results to differ from those contained in the forward-looking statements.

Contact:

Daniel Molinaro

Senior Vice President and Chief Financial Officer

(281) 823-4941

NOW INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except share data)

	<u>June 30,</u> 2017	<u>December 31,</u> 2016
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 97	\$ 106
Receivables, net	418	354
Inventories, net	529	483
Prepaid and other current assets	<u>21</u>	<u>16</u>
Total current assets	1,065	959
Property, plant and equipment, net	130	143
Deferred income taxes	2	1
Goodwill	322	311
Intangibles, net	176	184
Other assets	<u>3</u>	<u>5</u>
Total assets	<u><u>1,698</u></u>	<u><u>1,603</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 285	\$ 246
Accrued liabilities	101	100
Other current liabilities	<u>—</u>	<u>1</u>
Total current liabilities	386	347
Long-term debt	128	65
Deferred income taxes	7	7
Other long-term liabilities	<u>1</u>	<u>1</u>
Total liabilities	522	420
Commitments and contingencies		
Stockholders' equity:		
Preferred stock - par value \$0.01; 20 million shares authorized; no shares issued and outstanding	—	—
Common stock - par value \$0.01; 330 million shares authorized; 107,720,668 and 107,474,904 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively	1	1
Additional paid-in capital	2,013	2,002
Accumulated deficit	(718)	(678)
Accumulated other comprehensive loss	<u>(120)</u>	<u>(142)</u>
Total stockholders' equity	<u>1,176</u>	<u>1,183</u>
Total liabilities and stockholders' equity	<u><u>\$ 1,698</u></u>	<u><u>\$ 1,603</u></u>

NOW INC.
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(In millions, except per share data)

	Three Months Ended			Six Months Ended	
	June 30,		March 31,	June 30,	
	2017	2016	2017	2017	2016
Revenue	\$ 651	\$ 501	\$ 631	\$ 1,282	\$ 1,049
Operating expenses:					
Cost of products	527	418	517	1,044	879
Warehousing, selling and administrative	138	140	135	273	292
Operating loss	(14)	(57)	(21)	(35)	(122)
Other expense	(3)	(2)	(2)	(5)	(4)
Loss before income taxes	(17)	(59)	(23)	(40)	(126)
Income tax provision (benefit)	—	(15)	—	—	(19)
Net loss	<u>\$ (17)</u>	<u>\$ (44)</u>	<u>\$ (23)</u>	<u>\$ (40)</u>	<u>\$ (107)</u>
Loss per share:					
Basic loss per common share	<u>\$ (0.16)</u>	<u>\$ (0.40)</u>	<u>\$ (0.21)</u>	<u>\$ (0.37)</u>	<u>\$ (0.99)</u>
Diluted loss per common share	<u>\$ (0.16)</u>	<u>\$ (0.40)</u>	<u>\$ (0.21)</u>	<u>\$ (0.37)</u>	<u>\$ (0.99)</u>
Weighted-average common shares outstanding, basic	<u>108</u>	<u>107</u>	<u>108</u>	<u>108</u>	<u>107</u>
Weighted-average common shares outstanding, diluted	<u>108</u>	<u>107</u>	<u>108</u>	<u>108</u>	<u>107</u>

NOW INC.
SUPPLEMENTAL INFORMATION
BUSINESS SEGMENTS (UNAUDITED)
(In millions)

	Three Months Ended			Six Months Ended	
	June 30,		March 31,	June 30,	
	2017	2016	2017	2017	2016
Revenue:					
United States	\$ 481	\$ 337	\$ 439	\$ 920	\$ 694
Canada	79	55	96	175	118
International	91	109	96	187	237
Total revenue	<u>\$ 651</u>	<u>\$ 501</u>	<u>\$ 631</u>	<u>\$ 1,282</u>	<u>\$ 1,049</u>

NOW INC.
SUPPLEMENTAL INFORMATION (CONTINUED)

U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) TO NON-GAAP RECONCILIATIONS

NET LOSS TO NON-GAAP EBITDA EXCLUDING OTHER COSTS RECONCILIATION (UNAUDITED)

(In millions)

	Three Months Ended			Six Months Ended	
	June 30,		March 31,	June 30,	
	2017	2016	2017	2017	2016
GAAP net loss ⁽¹⁾	\$ (17)	\$ (44)	\$ (23)	\$ (40)	\$ (107)
Interest, net	1	1	1	2	1
Income tax provision (benefit)	–	(15)	–	–	(19)
Depreciation and amortization	13	13	13	26	25
Other costs ⁽²⁾	1	3	–	1	7
EBITDA excluding other costs	<u>\$ (2)</u>	<u>\$ (42)</u>	<u>\$ (9)</u>	<u>\$ (11)</u>	<u>\$ (93)</u>
EBITDA % excluding other costs ⁽³⁾	(0.3%)	(8.4%)	(1.4%)	(0.9%)	(8.9%)

NET LOSS TO NON-GAAP NET LOSS EXCLUDING OTHER COSTS RECONCILIATION (UNAUDITED)

(In millions)

	Three Months Ended			Six Months Ended	
	June 30,		March 31,	June 30,	
	2017	2016	2017	2017	2016
GAAP net loss ⁽¹⁾	\$ (17)	\$ (44)	\$ (23)	\$ (40)	\$ (107)
Other costs, net of tax ⁽⁴⁾⁽⁵⁾	6	–	7	13	25
Net loss excluding other costs ⁽⁵⁾	<u>\$ (11)</u>	<u>\$ (44)</u>	<u>\$ (16)</u>	<u>\$ (27)</u>	<u>\$ (82)</u>

DILUTED LOSS PER SHARE TO NON-GAAP DILUTED LOSS PER SHARE EXCLUDING OTHER COSTS RECONCILIATION (UNAUDITED)

	Three Months Ended			Six Months Ended	
	June 30,		March 31,	June 30,	
	2017	2016	2017	2017	2016
GAAP diluted loss per share ⁽¹⁾	\$ (0.16)	\$ (0.40)	\$ (0.21)	\$ (0.37)	\$ (0.99)
Other costs, net of tax ⁽⁴⁾	0.06	–	0.06	0.12	0.23
Diluted loss per share excluding other costs ⁽⁵⁾	<u>\$ (0.10)</u>	<u>\$ (0.40)</u>	<u>\$ (0.15)</u>	<u>\$ (0.25)</u>	<u>\$ (0.76)</u>

(1) In an effort to provide investors with additional information regarding our results as determined by GAAP, we disclose various non-GAAP financial measures in our quarterly earnings press releases and other public disclosures. The non-GAAP financial measures include: (i) earnings before interest, taxes, depreciation and amortization (EBITDA) excluding other costs, (ii) net loss excluding other costs and (iii) diluted loss per share excluding other costs. Each of these financial measures excludes the impact of certain other costs and therefore has not been calculated in accordance with GAAP. A reconciliation of each of these non-GAAP financial measures to its most comparable GAAP financial measure is included in the schedules herein.

(2) Other costs primarily includes the transaction costs associated with acquisition activity, including the cost of inventory that was stepped up to fair value during purchase accounting and severance expenses which are included in operating loss.

(3) EBITDA % excluding other costs is defined as EBITDA excluding other costs divided by Revenue.

(4) Other costs, net of tax, for the three and six months ended June 30, 2017 includes an expense of \$6 million and \$13 million, respectively, after tax, for a valuation allowance recorded against the Company's deferred tax assets; as well as, less than \$1 million and less than \$1 million, respectively, after tax, in severance expenses that are included in operating loss.

(5) Totals may not foot due to rounding.