



Investor Presentation

January - 3Q15 Update
NYSE: DNOW



Disclosure Statement

Statements made in the course of this presentation that state the Company's or management's intentions, hopes, beliefs, expectations or predictions of the future are forward-looking statements. It is important to note that the Company's actual results could differ materially from those projected in such forward-looking statements. Additional information concerning factors that could cause actual results to differ materially from those in the forward-looking statements is contained from time-to-time in the Company's filings with the U.S. Securities and Exchange Commission. Any decision regarding the Company or its securities should be made upon careful consideration of not only the information here presented, but also other available information, including the information filed by the Company with the SEC. Copies of these filings may be obtained by contacting the Company or the SEC.

Vision

DistributionNOW will be recognized as the market **Leader in Supply Chain Management** through superior customer service by leveraging the strengths of our employees, processes, suppliers and information.

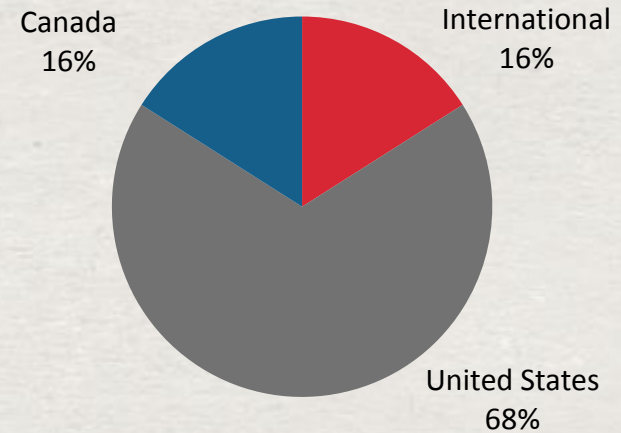
Countries	20+
Locations	>300
Employees	~5,000
ERP System	SAP™



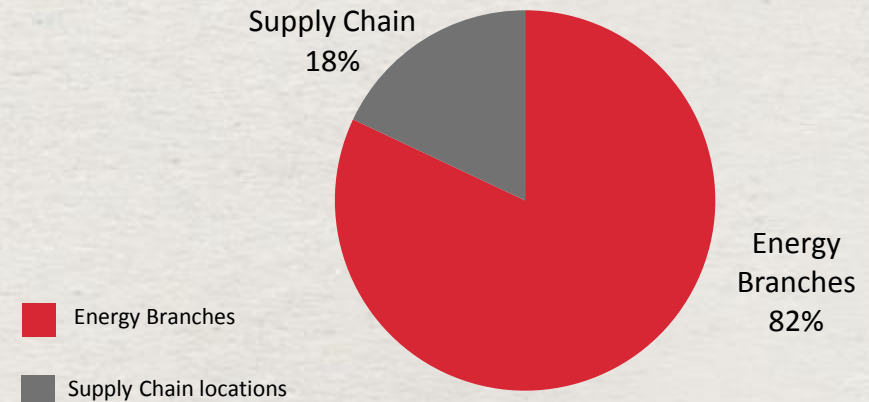
Company Snapshot

- One of the largest distributors to the energy industry
- Legacy of over 150 years operating
- Support major land and offshore operations for all the key energy producing regions around the world
 - Comprehensive network of Energy Branches and Supply Chain locations
- 2014 revenue of \$4.1 billion and EBITDA of \$198 million
- Operates under the DistributionNOW and Wilson Export brands
 - More than 300,000 stock keeping units (SKUs)
 - Thousands of vendors in approximately 40 countries
 - Presence in over 20 countries supporting customer operations in more than 90 countries
- Key markets include North America, Latin America, the North Sea, the Middle East, the Commonwealth of Independent States and Southeast Asia

2014 Revenue by Segment



2014 Revenue by Channel



Global Customer Reach

Company Locations

- Branches
- Sales Offices
- Distribution Centers

Distribution Centers:

United States

Houston, TX
Los Angeles, CA
South Plainfield, NJ

Canada

Edmonton, Alberta
Estevan, Saskatchewan

Europe

Aberdeen, Scotland

MENA

Jebel Ali, U.A.E.

Asia

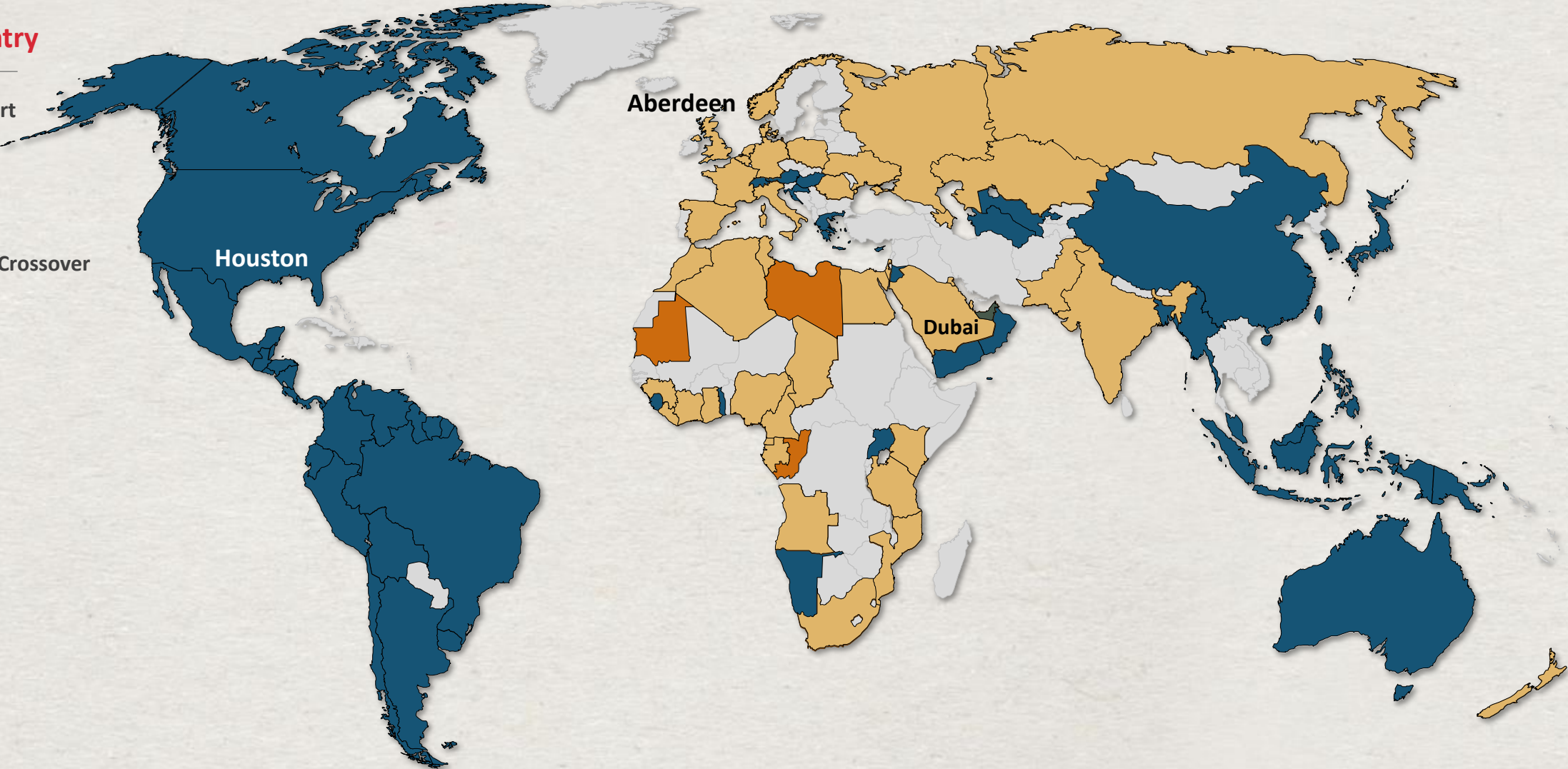
Jurong, Singapore



Global Customer Reach

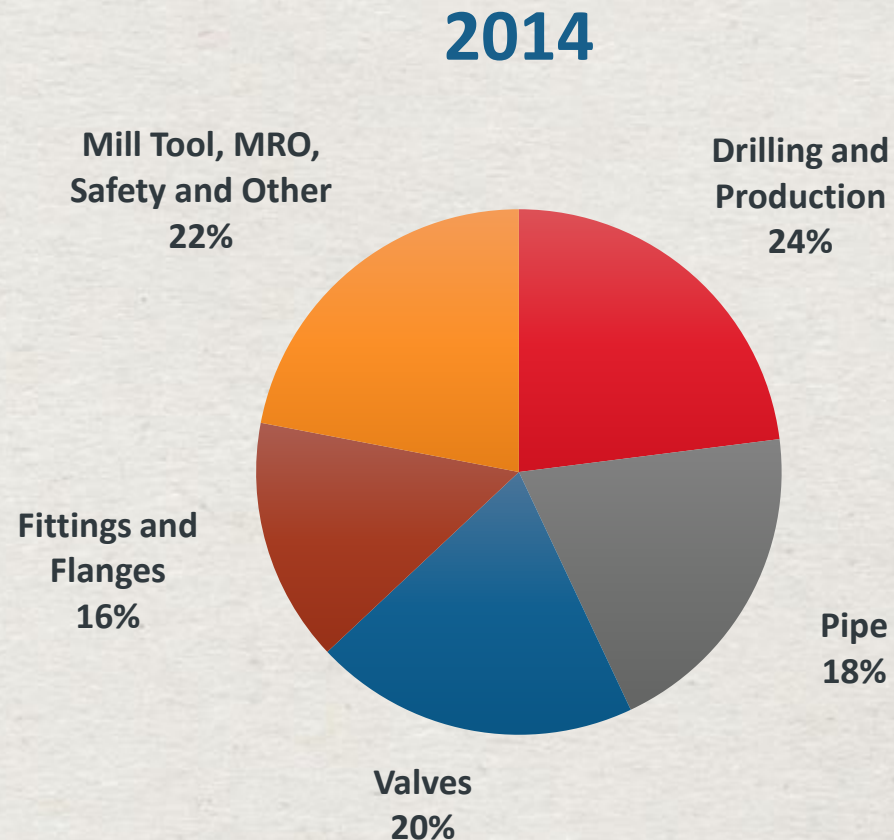
Export by Country

- US Wilson Export
- UK Export
- Dubai Export
- Export Country Crossover



Comprehensive Product Offering and Balanced Revenue Mix

- DNOW carries a broad range of products to meet rapid and critical deliveries to customers in remote areas of service
 - Limited exposure to commodities
 - Oil country tubular goods (OCTG) comprised a small portion of sales and inventory



Value Proposition

Product and Solution Offerings



Valves & Actuation



Electrical Products



Artificial Lift



Pumps



Pipe, Fittings & Flanges



Drilling Products



Mill, Tool and Safety Products



Supply Chain Solutions



Fabrication

A Critical Link Through Leading Supply Chain Technology

- **Knowledgeable people**

- Customer
- Product
- Application
- Materials management

- **Proven processes**

- Quality management
- Supply chain expertise

- **Global Footprint**

- United States
- Canada
- International

- **Leverage Sourcing & Procurement**

- Broad supplier base
- Single source provider
- Global sourcing

Markets

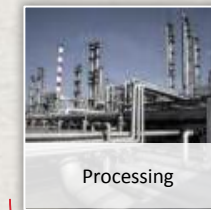


Drilling

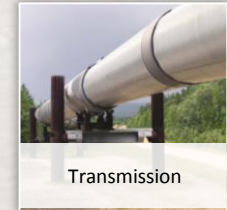


Exploration & Production

UPSTREAM

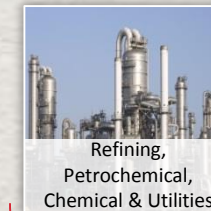


Processing



Transmission

MIDSTREAM



Refining,
Petrochemical,
Chemical & Utilities



Manufacturing and
Machine Tool

DOWNSTREAM / INDUSTRIAL

Blue-Chip Customers and Suppliers

Suppliers



DISTRIBUTION
NOW

Customers

Drilling Contractors



Exploration & Production



Midstream



Downstream & Industrial



DISTRIBUTION
NOW

Flexible Operational Model



BRANCHES

Branch network model supported by Distribution Centers to ensure inventory is maintained locally.

Right inventory in right place at the right time.



REGIONAL DISTRIBUTION CENTER

Distribution centers ensure replenishment of branches and direct shipment to customer facility



EXPORT

Broad sourcing capability to consolidate customer requirements on multiple lower value or non-core items



CAPITAL PROJECTS & VALVE ACTUATION

Global sourcing and expediting capability to ensure correct product is delivered to the job site in accordance with project requirements



SUPPLY CHAIN SOLUTIONS

Vast offering of supply chain services to increase efficiency and lower cost within the supply chain

Quality-Triple Impact Supplier Program

SUPPLIER AUDITS

- Assessment and qualification of new suppliers
- Reassessment of existing suppliers
- Follow up on supplier quality issue
- Rotational on-site physical audits
- Foundry evaluation on key valve manufacturers

SAMPLING STANDARD

- Monitoring and measuring
- Daily audit of incoming products
- QA/QC inspection (MTR review, PMI on SS and alloys, threading, dim. and visual)
- Full traceability (marking check)
- Acceptable Quality Limit (AQL) 1.5



QUALITY CHECKPOINTS

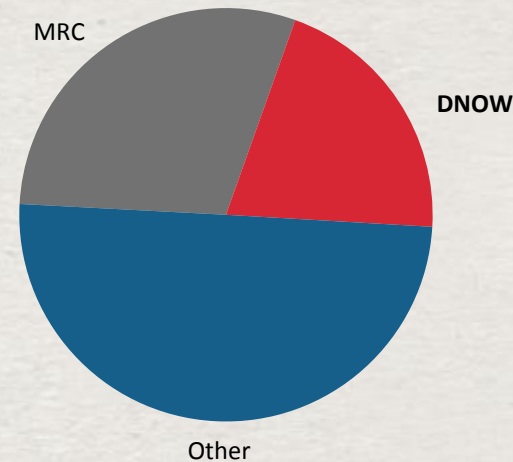
- Supplier performance reporting (KPIs)
- Trial order lab testing
- Quarterly enhanced lab testing
- Manufacturer pre-ship inspection
- Overstock return inspections
- Verification of supplier corrective action

Key Investment Highlights

- 1 Large and highly fragmented market
- 2 Focused growth strategy through capital allocation
- 3 Robust IT capabilities underpin efficient operations and differentiated value proposition
- 4 Operational initiatives and scalability drive efficiencies
- 5 Macro industry trends favor players with extensive scale
- 6 Successful acquisition and integration track record
- 7 Attractive cash generation and returns through the cycles
- 8 Experienced management team

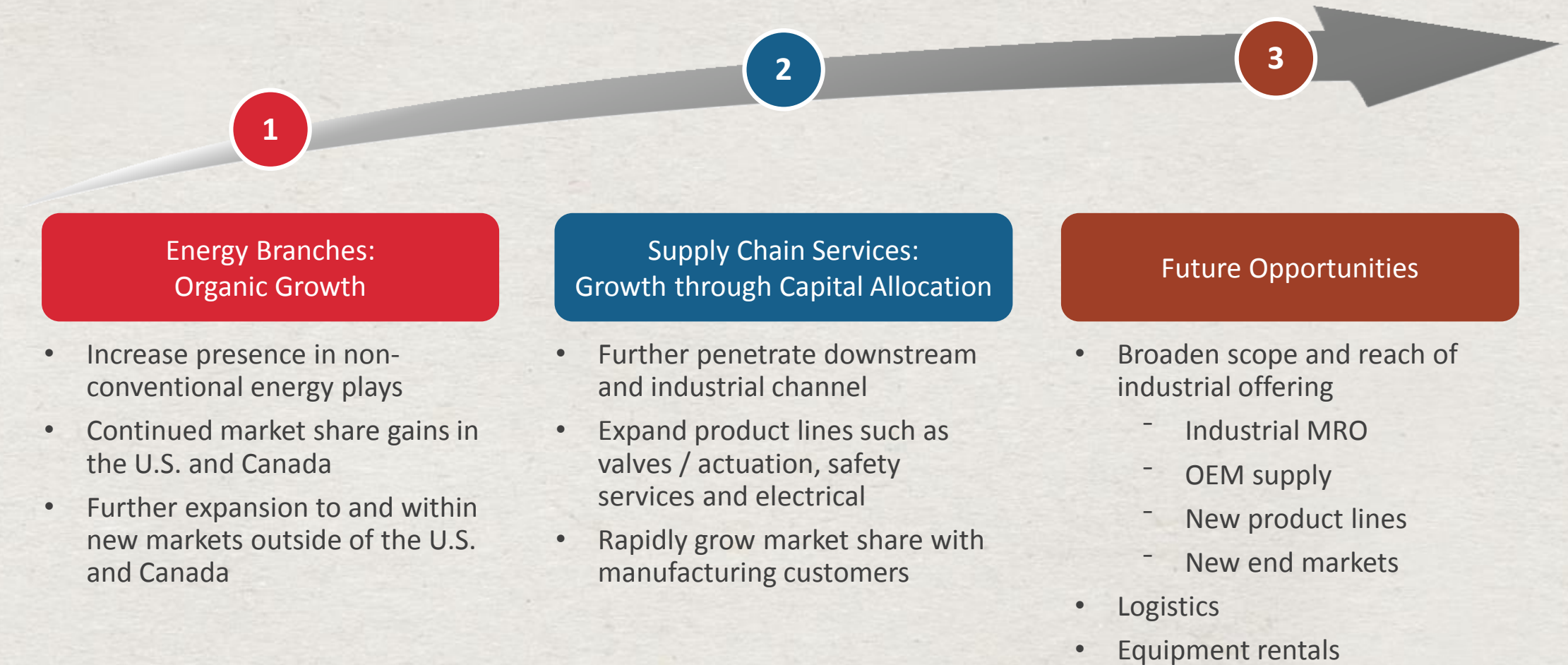
Large and Highly Fragmented Market

- DistributionNOW is one of the largest distributors to the energy industry worldwide
- \$771 million (Sep. 2015) in inventory to support customers
 - More than 300,000 SKUs
 - Thousands of vendors in approximately 40 countries
 - Quality offering ensured through AML
- Network of more than 300 locations worldwide
 - Presence in 20+ countries
 - ~200 locations in the U.S.
 - ~60 locations in Canada
 - ~30 international locations
 - Supported by 8 distribution centers
- \$20bn+ addressable market in North America



- Global market estimated to exceed \$50bn
- Highly fragmented market
 - DistributionNOW differentiated by scale and global reach
 - Majority of competitors are small, local/regional players

Growth Strategy through Capital Allocation



Robust IT Capabilities Underpin Efficient Operations and Differentiated Value Proposition

- DNOW has implemented an integrated ERP system linking global branches, customers and suppliers
 - Greatly enhances operational efficiency
 - Enables immediacy of decision-making
 - Reduces total procurement costs for DNOW and customers
- Supports planning and optimization of supply chain processes

System Highlights

- Integrated with customer ERP
- Approximately 5 million electronic transactions processed in 2014
- In-house support allows DNOW to tailor its system to better meet customers' needs and increase operational efficiency

Sample Applications

- Demand management, statistical forecasting and lifecycle planning expedite decision making and allow flexible assortment planning
- An integrated warehouse management system; voice and wireless bar code scanners increase warehouse efficiencies
- MetalTrace (MT) allows for the storage and retrieval of manufacturer documentation such as Safety Data Sheets (SDS) and Mill Test Reports (MTR's) in a consolidated, indexed environment. MT is integrated with DNOW's ERP system for enhanced traceability of material and faster order processing

Operational Initiatives and Scalability Drive Efficiencies

Operational Excellence

- Highly flexible model
- Global ERP system
- Centralized pricing discipline
- Leveraged international sourcing
- Distribution center supported inventory replenishment

Highly Scalable Business Model

- Low fixed costs
- Incremental margins well in excess of total margins
- Limited capital needs to support expansion
- Integration of acquisitions
- Incentives tied to profitability

Macro Industry Trends Favor Players With Extensive Scale

- DNOW has sophistication, scale and geographic reach to serve an increasingly consolidated and global customer base

Trend

Partnering with supplier to eliminate waste, drive efficiencies and improve productivity through the use of innovative solutions and point of use technology

DNOW Capability

Integrated supply model and comprehensive supply solutions to reduce costs and increase productivity

Trend

Industry consolidation of customer base through acquisitions and international expansion

DNOW Capability

Size and geographic reach to serve global customer need in existing and new geographies

Case Study

Major manufacturer of aerospace components

Improvements to manufacturing supply chain yields major gains

- Tool crib downsized by 60% due to implementation of vending systems
- Reduced inventories by 40% by repackaging in economic use quantities
- Reduce stock outs, 99.98% inventory accuracy and availability

Improvements in manufacturing productivity

- Increased productivity 30% with advanced cutter technology
- Improved tool life 20% by implementing improved cutting fluid
- Increased productivity 25% by reducing part changeover time

Case Study

Large public independent oil and gas company

- DNOW is preferred material management partner within Customer's Regional Distribution Concept (RDC)
- Provide full cycle material management solutions across Customer's assets in U.S. and Canada

Customer recently made acquisition in South Texas (Eagle Ford)

- DNOW implementing of the RDC model at new Eagle Ford assets
 - Displaces current suppliers

Successful Acquisition and Integration Track Record

Selected Acquisitions

Date	Acquisition	Country
December 1998	Dominion Oilfield Supply (DOSCO/TS&M)	Canada
June 1999	Continental Emsco Company (via Wilson)	United States / Canada
July 1999	Dupre Supply	United States
January 2000	Texas Mill Supply (via Wilson)	United States
January 2000	Republic Supply Company	United States
January 2001	Van Leeuwen Pipe & Tube (via Wilson)	United States
March 2001	DEMIJ-Rotterdam	The Netherlands
January 2003	LSI Specialty Electrical Products	United States
August 2003	Neven Handelsonderneming	The Netherlands
October 2004	Roma General Welding Services	Australia
December 2008	Sakhalin Outfitters	Russia
August 2010	Group KZ	Kazakhstan
February 2011	Capital Valves	United Kingdom
May 2012	Wilson Distribution	U.S., Canada, International
June 2012	Engco	Canada
July 2012	CE Franklin	Canada
November 2014	Progressive Supply	United States
January 2015	Machine Tools Supply	United States
February 2015	OAASIS Group	United Kingdom
March 2015	MacLean Electrical	United Kingdom
May 2015	North Sea Cables Norge AS	Norway
July 2015	Odessa Pump & Equipment	United States
November 2015	Challenger	United States

Wilson and CE Franklin Highlights

- Expanded DNOW's end market offering with immediate entry into midstream, downstream and industrial markets
- New customer base provided increased selling opportunity
- Strengthened brand and existing customer relationships
- Expanded DNOW's capabilities in vending and tool crib supply chain solutions

M&A Strategy

- Utilize strong balance sheet to allocate capital towards strengthening market positions
- Enhance product offering and geographic reach in Energy Branches
- Accelerate expansion in downstream & industrial segments
- Expand eCommerce and supply chain solutions technologies

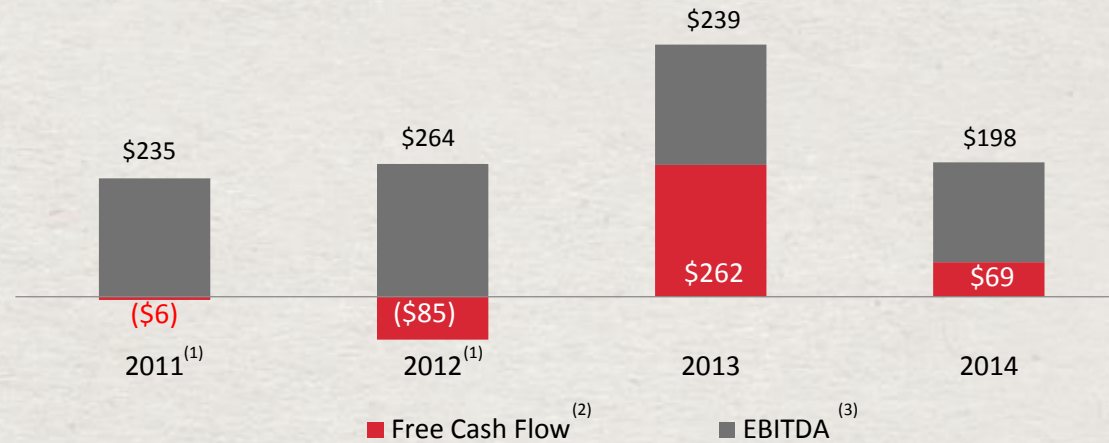
Attractive Cash Generation and Returns Through the Cycle

2014 Financial Snapshot

- Revenue: \$4.1 billion
- Gross margin: ~20%
- EBITDA: \$198 million
 - 4.8% margin
- Free cash flow: \$69 million

Free Cash Flow and EBITDA

(\$ in millions)



- Robust free cash flow despite headwinds in 2014 from a down year in the broader energy sector
 - Continued to reinvest in the business to improve operations and support future growth
- Flexible cost structure and disciplined working capital management underpin cash flow generation through the cycle

(1) Estimated, Pro Forma

(2) Free Cash Flow ("FCF") is defined as Cash Flow from Operations less Capital Expenditures

(3) EBITDA is defined as Earnings before Interest, Taxes, Depreciation and Amortization

Experienced Leadership

- 30 year average tenure of Leadership team
- Extensive industry experience
- Focus on results, process and relationships



Merrill A. "Pete" Miller, Jr.
Executive Chairman
19 years at DNOW / NOV



Craig N. Ballinger
Chief Admin & Information Officer
34 years at DNOW / NOV



Raymond W. Chang
General Counsel
14 years at DNOW / NOV



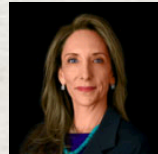
Robert R. Workman
President and Chief Executive Officer
24 years at DNOW / NOV



David A. Cherechinsky
Chief Accounting Officer
26 years at DNOW / NOV



Burk L. Ellison
President, Energy Branches
35 years at DNOW / NOV



Michelle A. Lewis
Chief Strategy Officer
6 years at DNOW / NOV



Daniel L. Molinaro
Chief Financial Officer
47 years at DNOW / NOV



Jim N. Owsley
Vice President, Supply Chain
37 years at DNOW / NOV



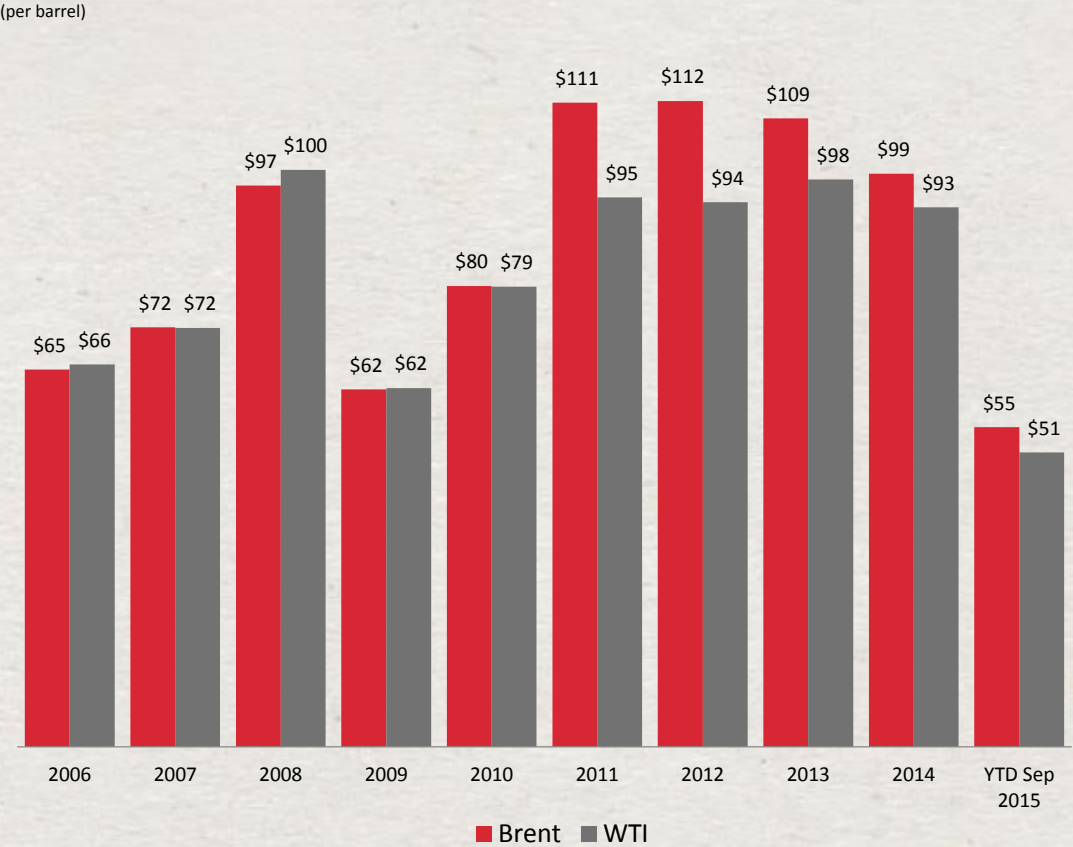
Brad Wise
Vice President, Marketing
6 years at DNOW / NOV

Note: Tenure at DNOW / NOV includes predecessor entities

Industry Indicators and Trends

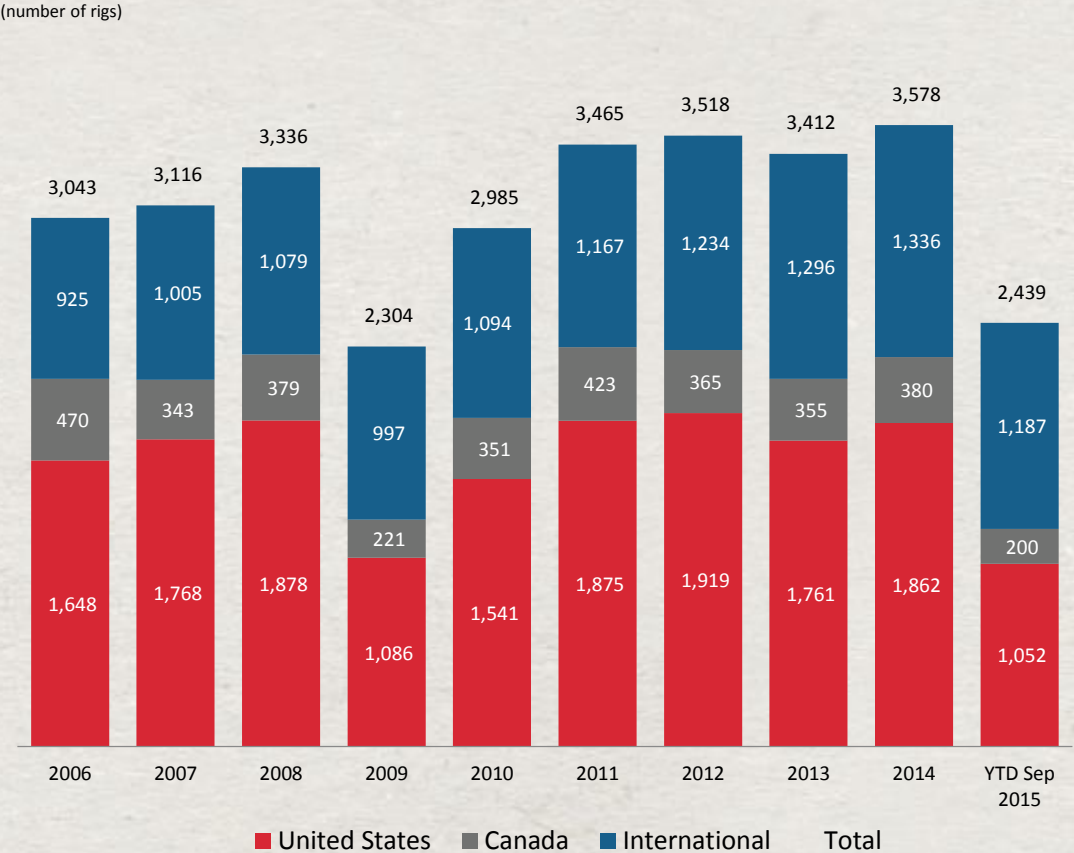
Key Industry Indicators

Average Oil Prices



Source: EIA, Europe Brent and Cushing, OK WTI Spot Price FOB

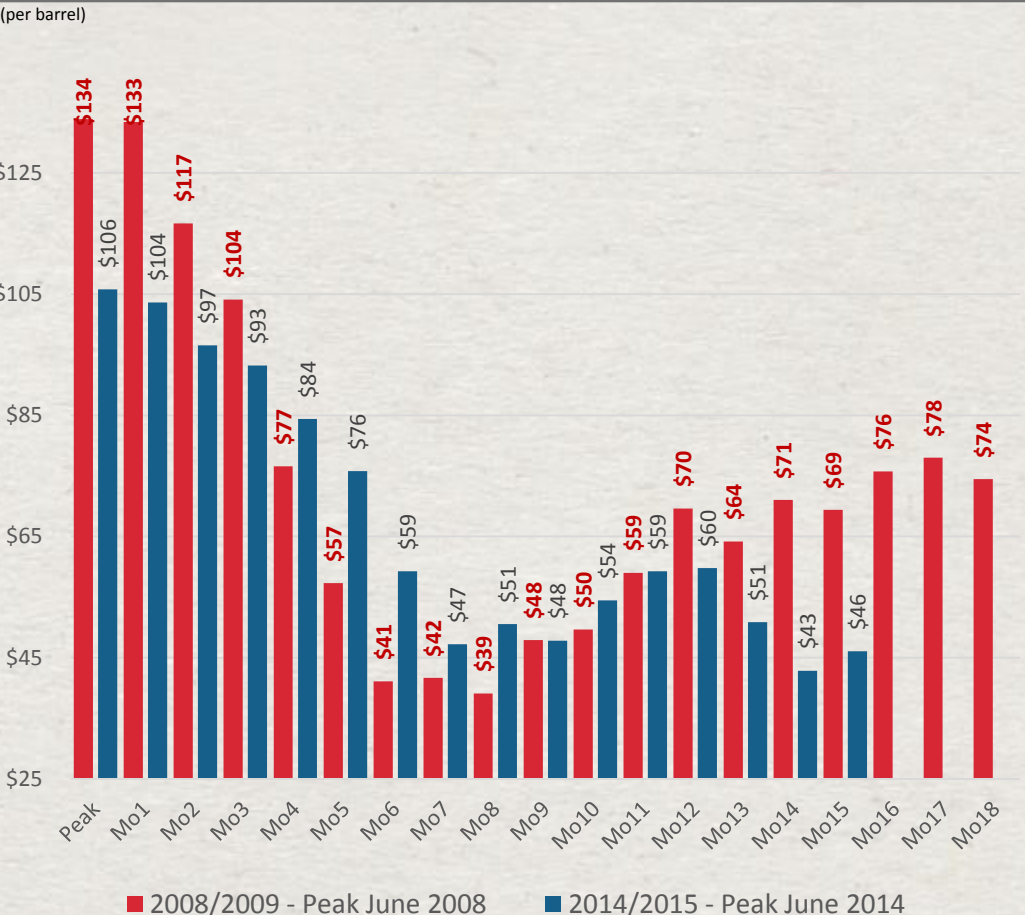
Average Annual Rig Count



Source: Baker Hughes, Inc.

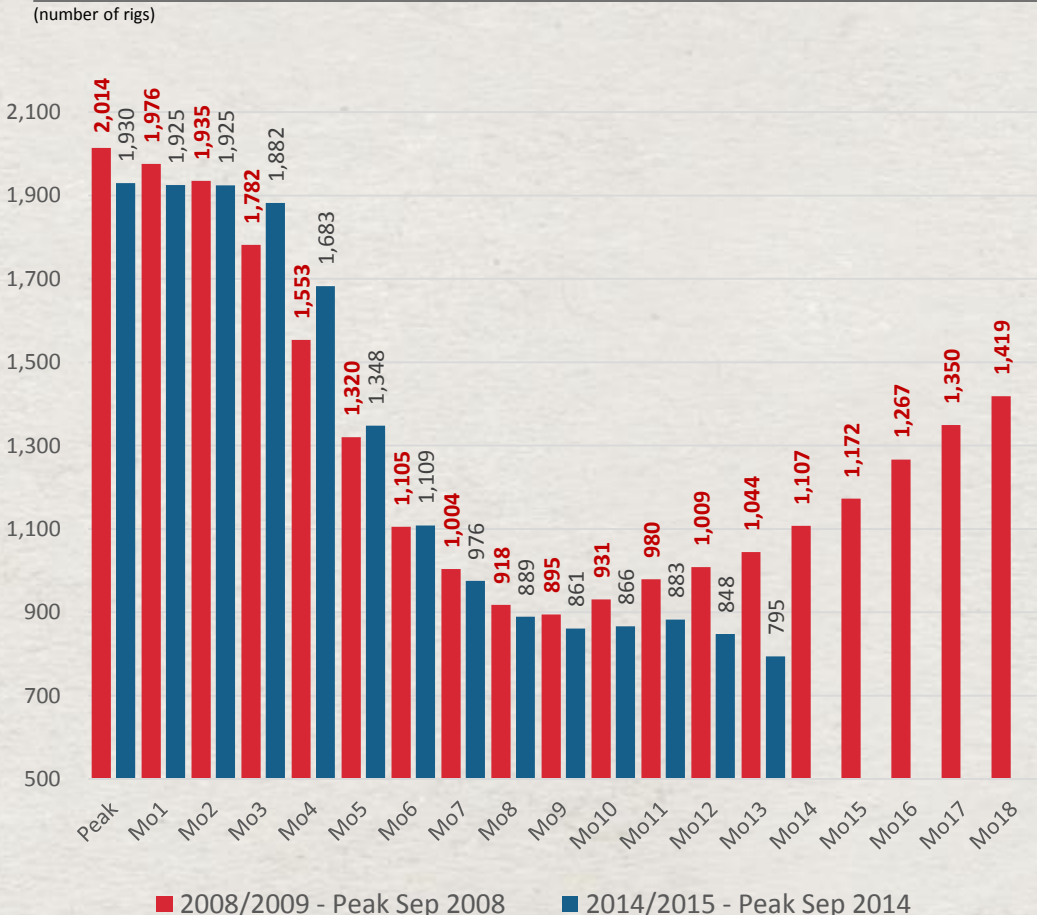
Comparing Downturns - 2015 and 2009

Average Oil Prices - From Peak Month of Last Two Downturns



Source: EIA Cushing, OK WTI Spot Price

US Rig Count Trends – From Peak Month of Last Two Downturns



Source: Baker Hughes, Inc.

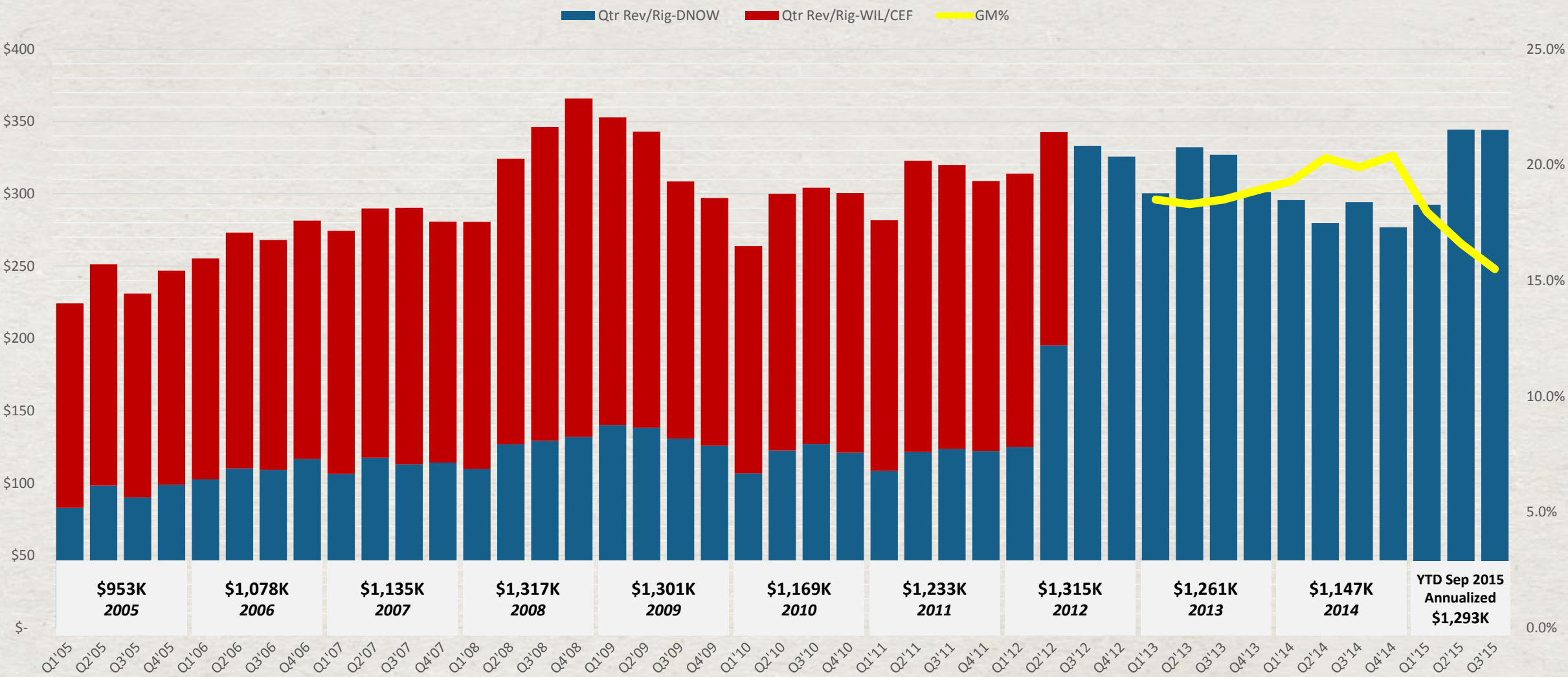
Updated for 2015 through Oct. 23, 2015

Financial Overview

Financial Highlights

- Solid market share growth through the cycles
- Robust cash flow generation
- Substantial operating leverage drives margin improvement
- Low capital intensity business model requires limited investment
- Capital structure provides significant financial flexibility
 - \$750 million revolving credit facility, plus \$250 million accordion provision of our five-year credit facility
 - ~\$100 million of cash on hand
- Conservative financial profile and highly disciplined management team

Quarterly Revenues Per Worldwide Rig Count



REVENUE PER RIG, PER YEAR (ANNUAL AVERAGES)

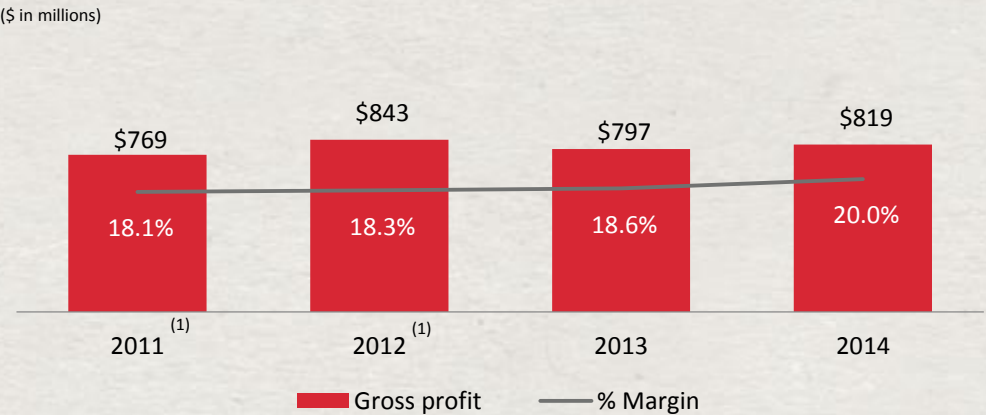
Figures above are unaudited and include pro forma estimates and should be used for information and trend purposes only.

Historical Financial Summary (Pro Forma)

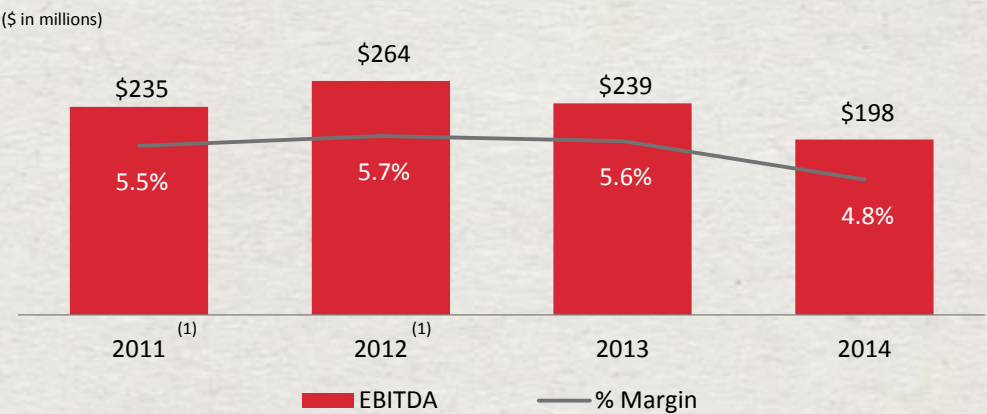
Revenue



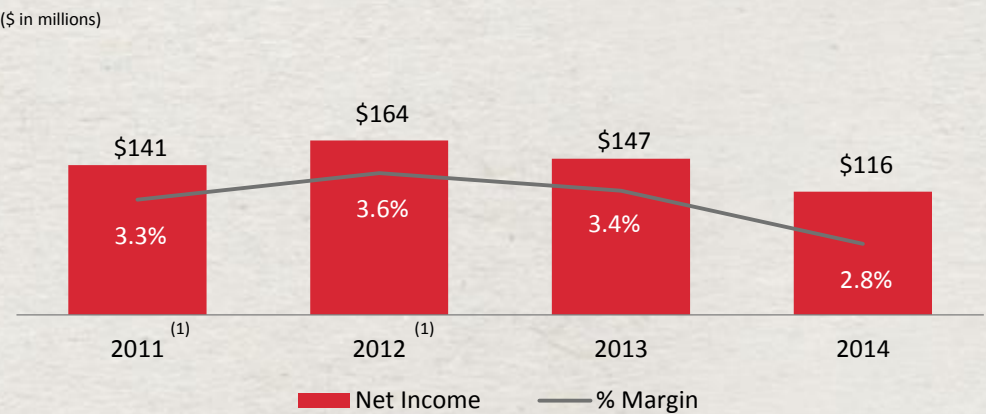
Gross Profit and Margin



EBITDA and Margin



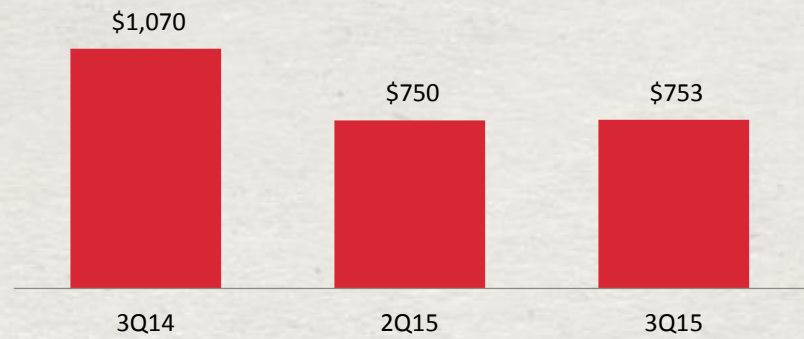
Net Income and Margin



Selected Quarterly Results (Unaudited)

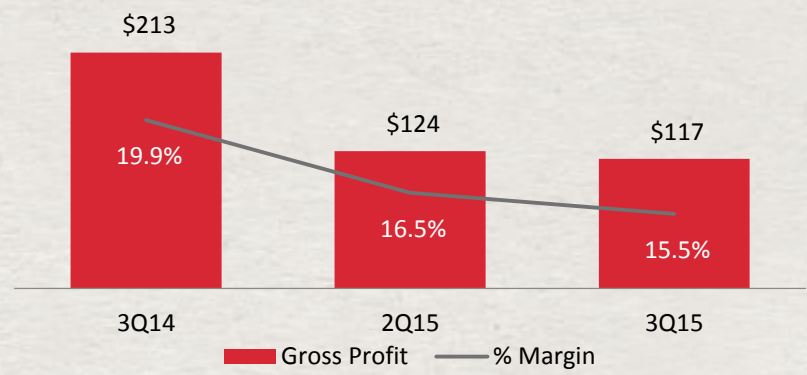
Revenue

(\$ in millions)



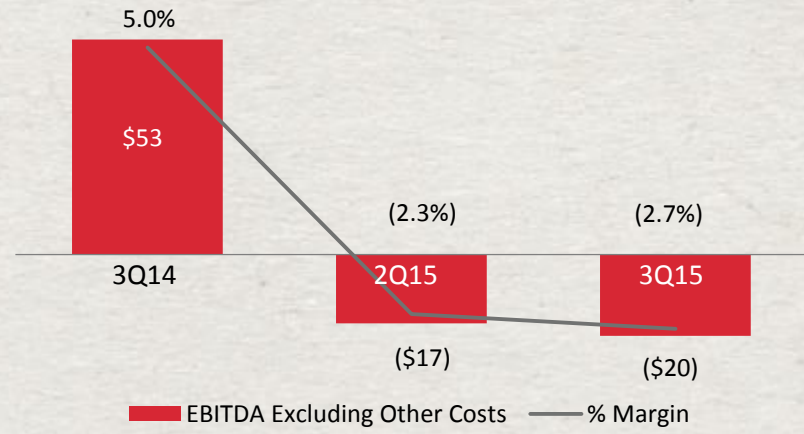
Gross Profit and Margin

(\$ in millions)



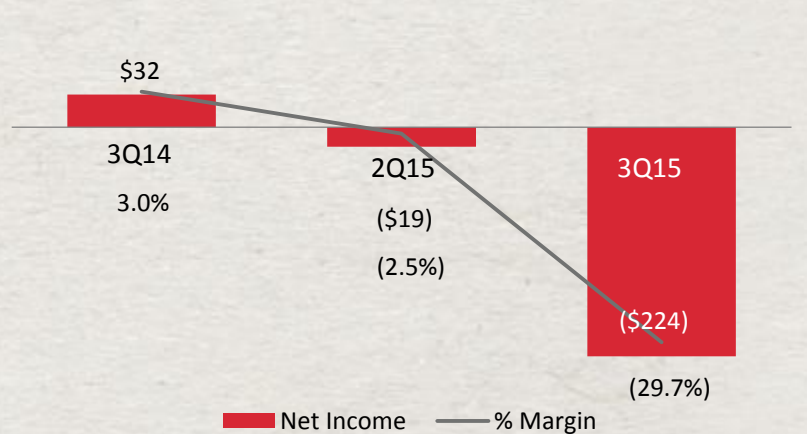
EBITDA Excluding Other Costs⁽¹⁾ and Margin

(\$ in millions)



Net Income

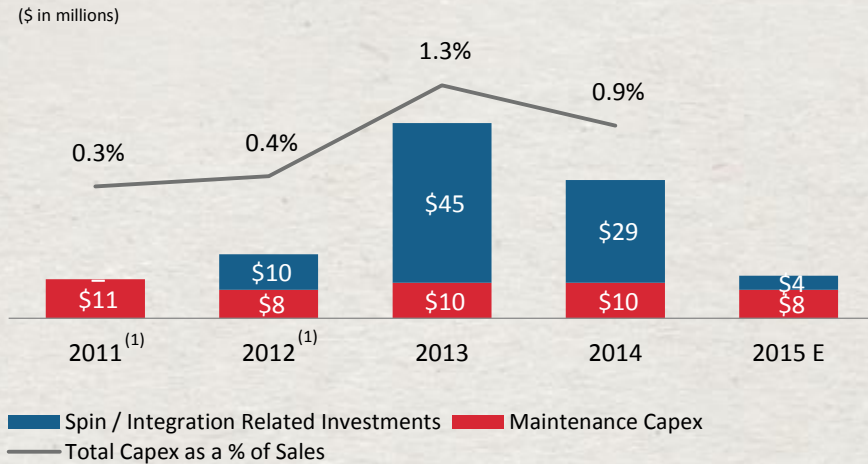
(\$ in millions)



(1) Other Costs primarily includes transaction costs associated with acquisitions including the cost of inventory that was stepped up to fair value during purchase accounting related to acquisitions, severance expenses and for 3Q15, an impairment of \$255 million associated with the fair value of goodwill.

Low Capital Intensity Business Model Requires Limited Investment

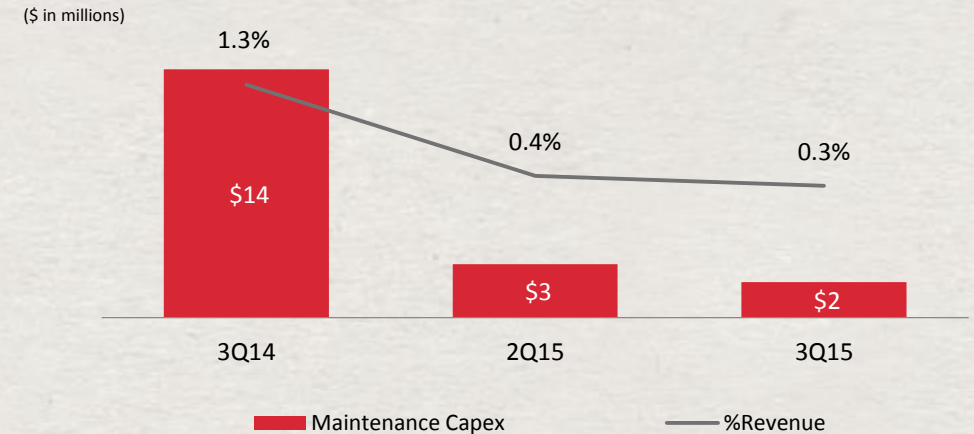
Capital Expenditures



Spin / Integration Related Investments

- Global SAP™ ERP system implementation
- New corporate headquarters and warehouse
- Distribution Centers in Edmonton, Estevan and Dubai
- Expansion of integrated warehouse management system
- Global rebranding to DistributionNOW
- Spin-related systems and software

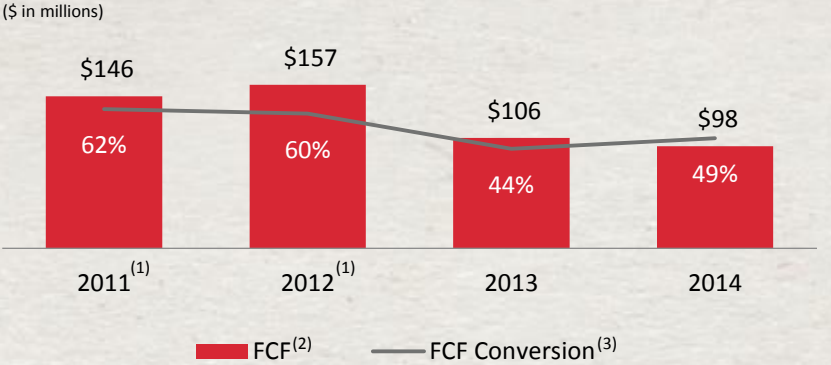
Capital Expenditures – Quarterly Results



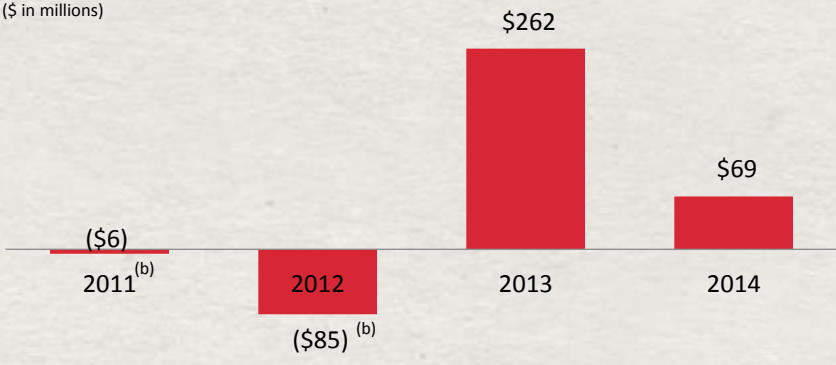
- Low maintenance CapEx as a percent of revenue
- Spin-related CapEx projects drove the higher-than-normal CapEx levels in 3Q14

Free Cash Flow

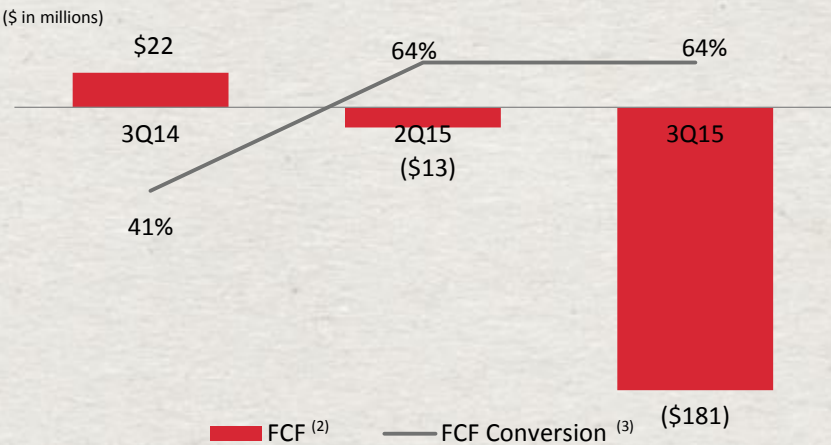
Free Cash Flow and FCF Conversion



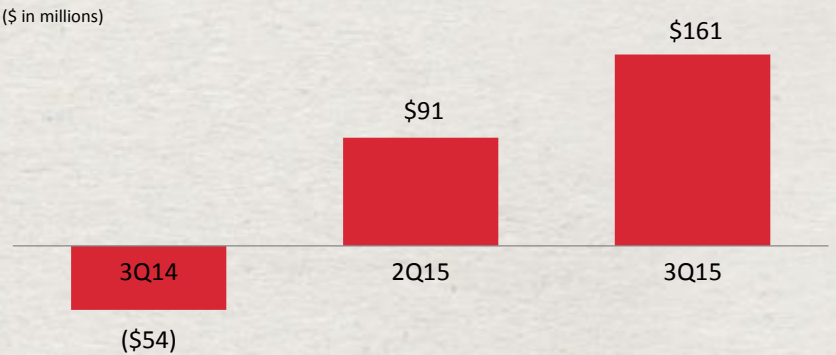
Free Cash Flow^(a)



Free Cash Flow and FCF Conversion – Quarterly Results



Free Cash Flow^(a) – Quarterly Results



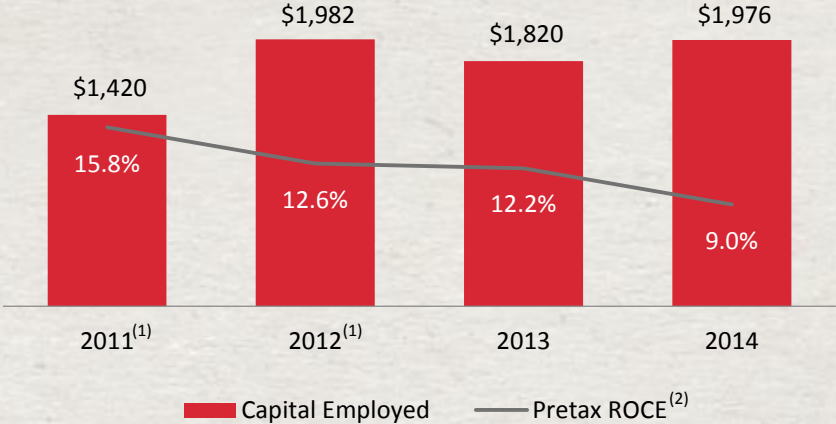
(1) Pro Forma
(2) Free Cash Flow ("FCF") is defined as EBIT * (1 – 35% tax rate) + Depreciation & Amortization less Capital Expenditures
(3) FCF Conversion is defined as FCF as a percentage of EBITDA

(a) Free Cash Flow ("FCF") is defined as Cash Flow from Operations less Capital Expenditures
(b) Pro Forma

Cash Generation

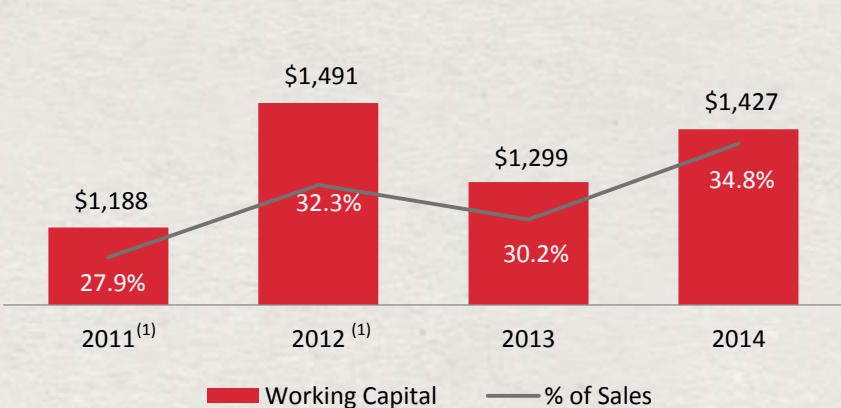
Capital Employed and Pretax ROCE

(\$ in millions)



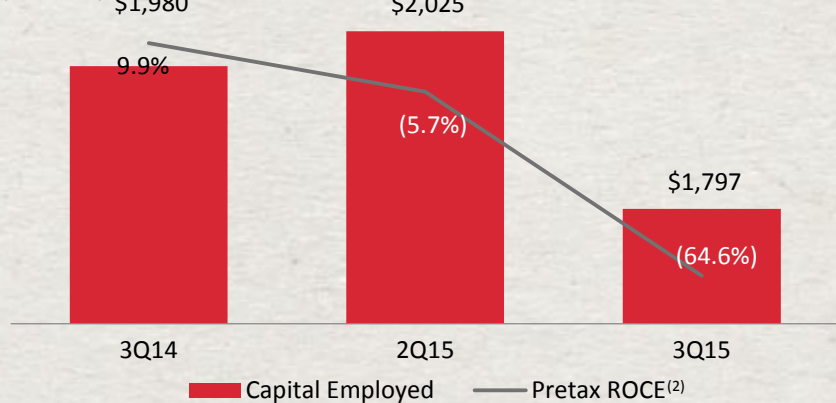
Working Capital Percent of Sales

(\$ in millions)



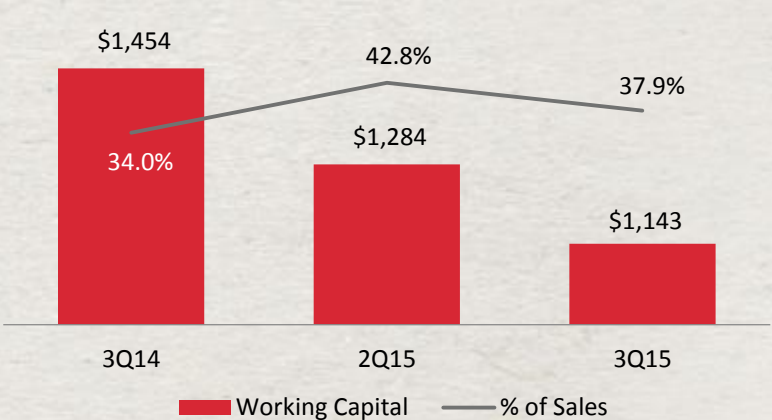
Capital Employed and Pretax ROCE – Quarterly Results

(\$ in millions)



Working Capital Percent of Sales – Quarterly Results

(\$ in millions)



(1) Pro Forma
(2) Pretax ROCE is defined as EBIT as a percentage of Capital Employed

Long Term Outlook

- 2015: Positioning DNOW for long term growth
 - Managing through a challenging market cycle
- Growth target: organic market share gains of low single digits each year
 - Energy Branch segment revenues expected to track well completions and rig count
 - Supply Chain solutions intended to be the largest beneficiary of capital allocations
- Margin target: return to previously achieved 8%+ EBITDA after market recovers
 - Incremental EBITDA margins exceed current profitability
 - Run-rate maintenance CapEx of approximately \$10 – \$20 million annually
 - Generally, capital allocated to M&A will be consistent with cash flow



DISTRIBUTION
NOW®

We Distribute Products that Deliver Energy to the World®

