



## Investor Relations

3Q 2017



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# 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.

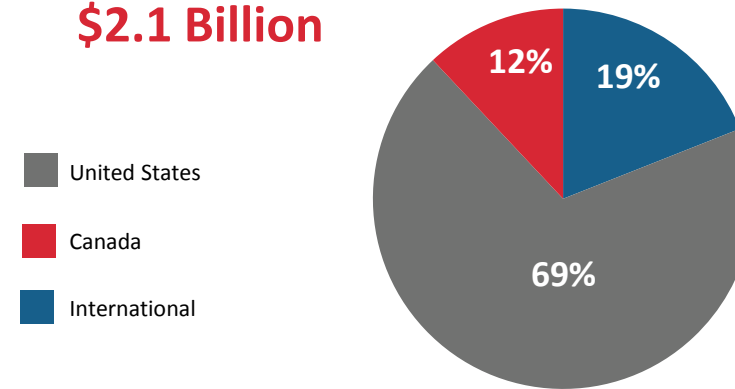
# DNOW: One of the Largest Distributors to the Energy Industry

- 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 centers, supply chain service and process solutions locations
- Key markets include North America, Latin America, Europe, the Middle East, the Former Soviet Union and Southeast Asia

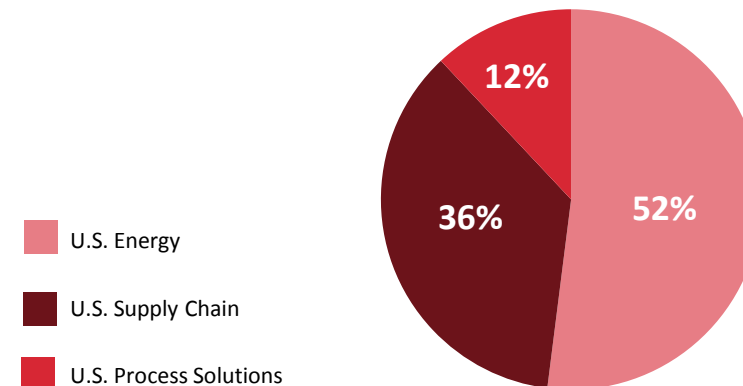
NYSE Ticker	DNOW
Countries	20+
Locations	~300
Employees	~4,600
ERP System	SAP™

## 2016 Revenue by Segment

**\$2.1 Billion**

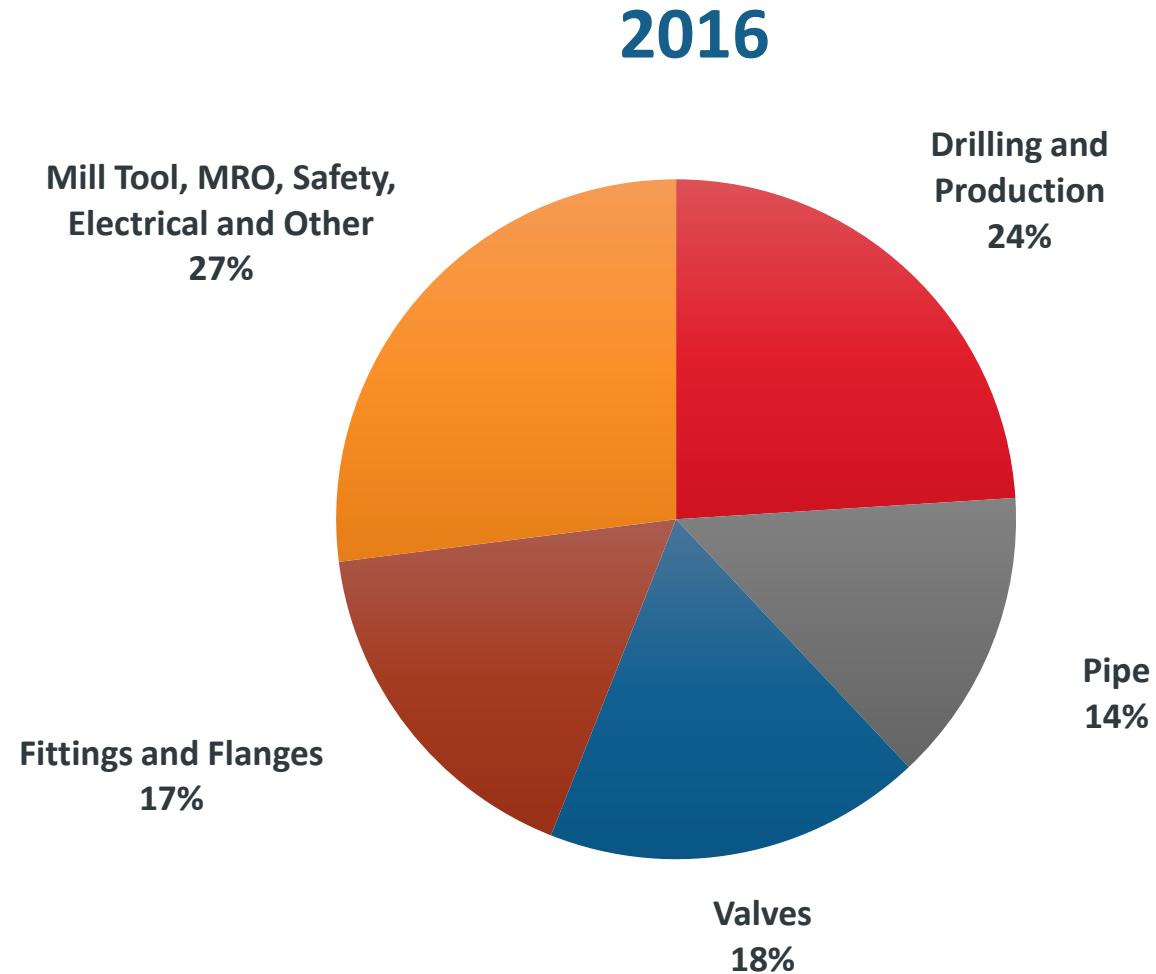


## 2016 United States Revenue by Channel



# 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



# Investment Highlights

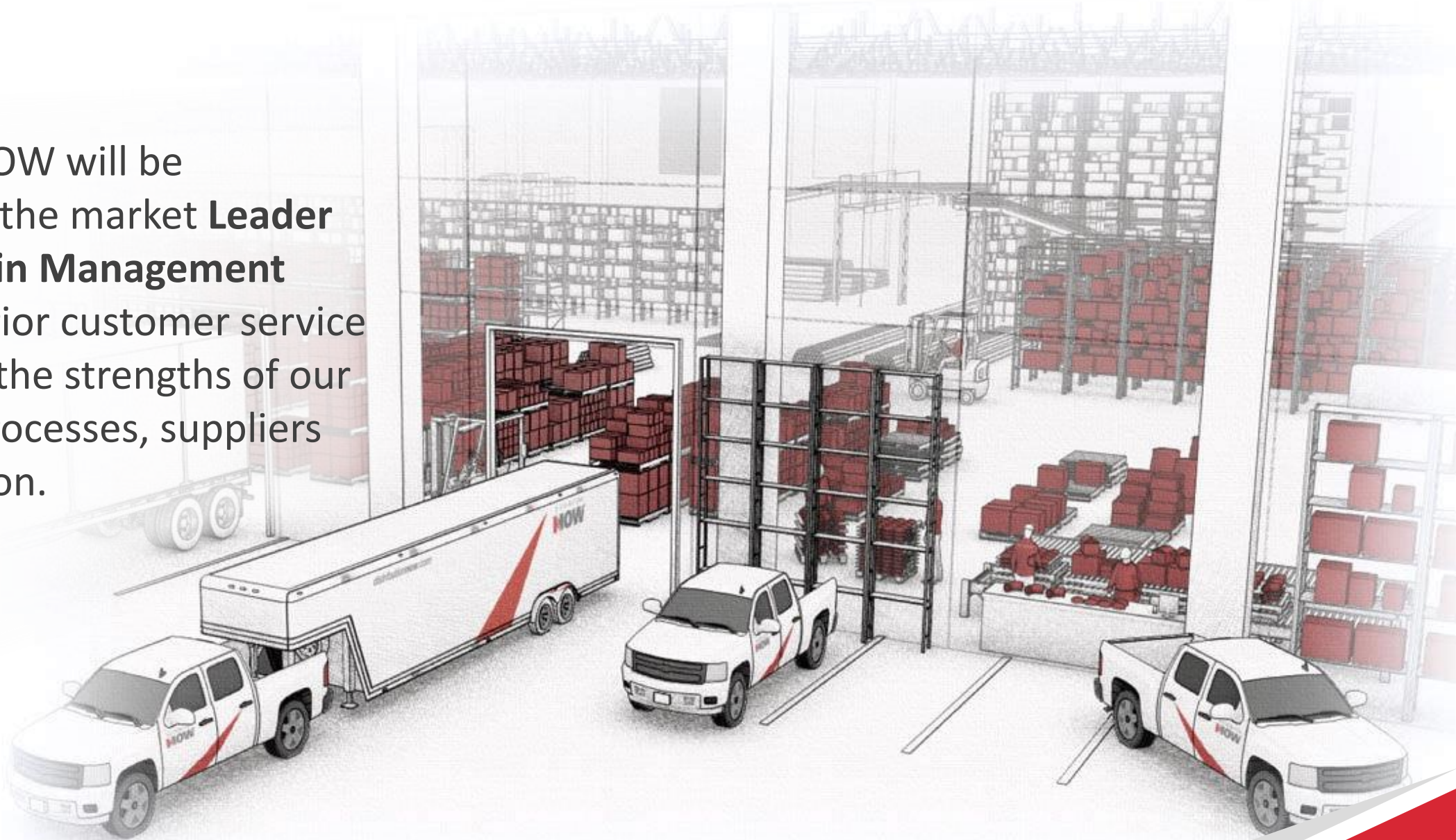
- Increasing revenues in improving market environment
- Strong margin flow-through on revenue improvement
- Strict capital allocation strategy focused on value-add growth opportunities
- Successful M&A track record
- Proven management team with significant industry experience





# 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.



# Executing the DNOW Growth Strategy

- Focus on highest growth markets and customers
- Differentiate through high value-add product lines & solutions
- Invest in organic growth initiatives
- Leverage digital capabilities
- Make accretive acquisitions





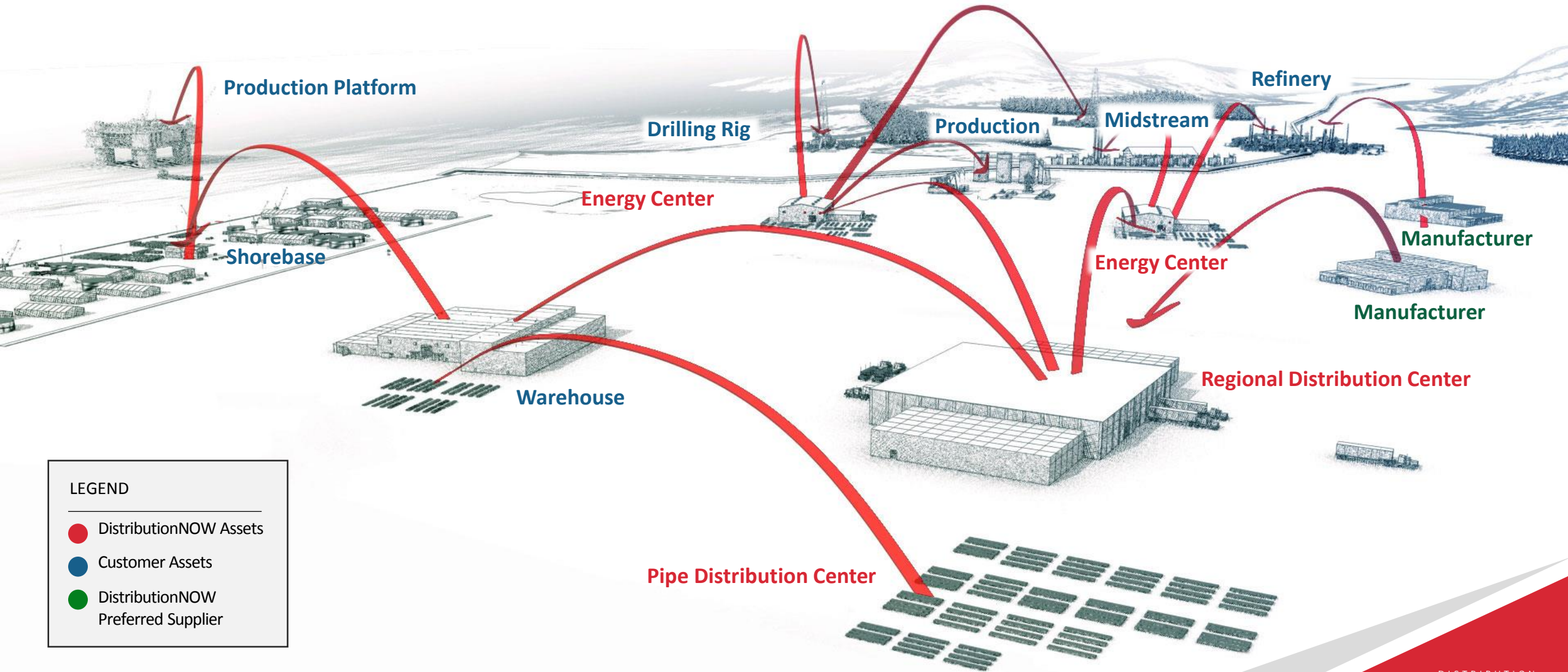
# Driving Margin Expansion

- Using pricing discipline and tools
- Optimizing distribution network
- Growing with strategic suppliers
- Continuing to tightly manage expenses





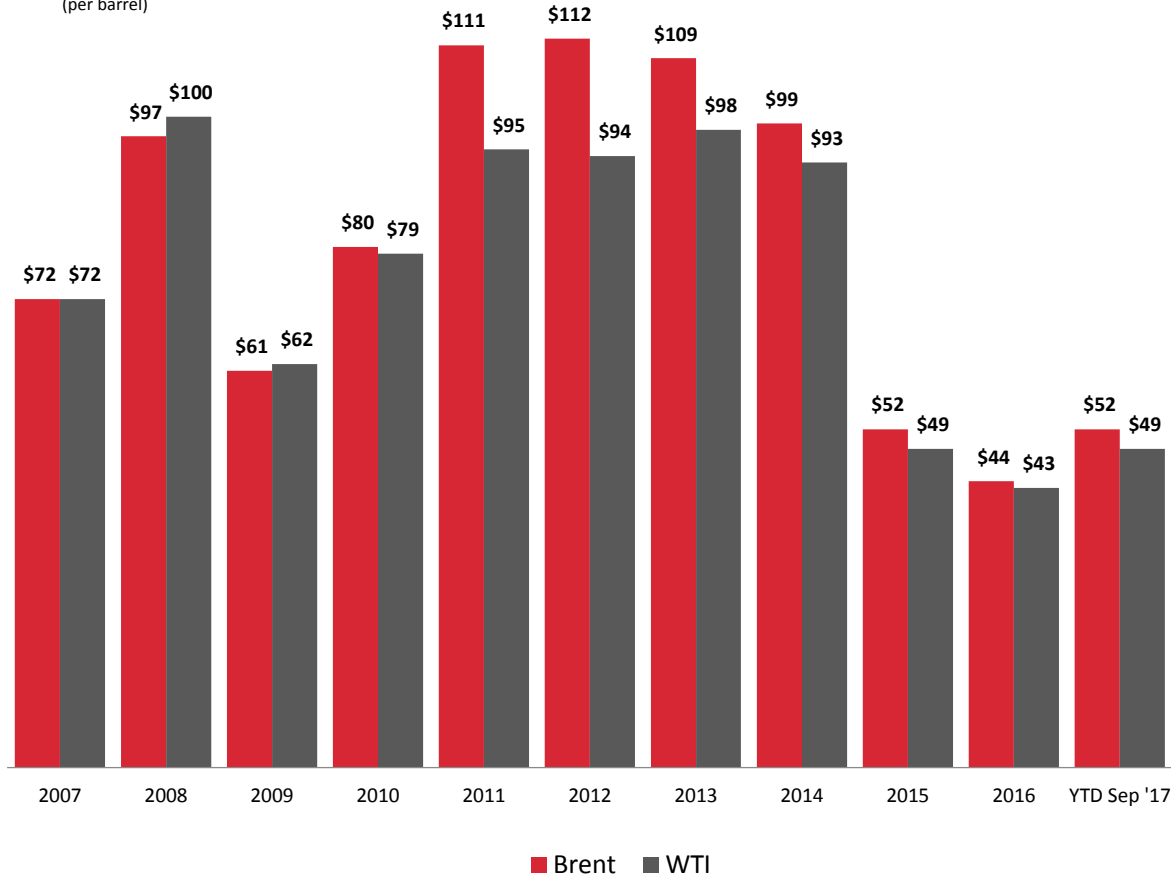
# DNOW's Importance as a Distributor



# Marginal Improvements in Key Industry Metrics

Average Oil Prices

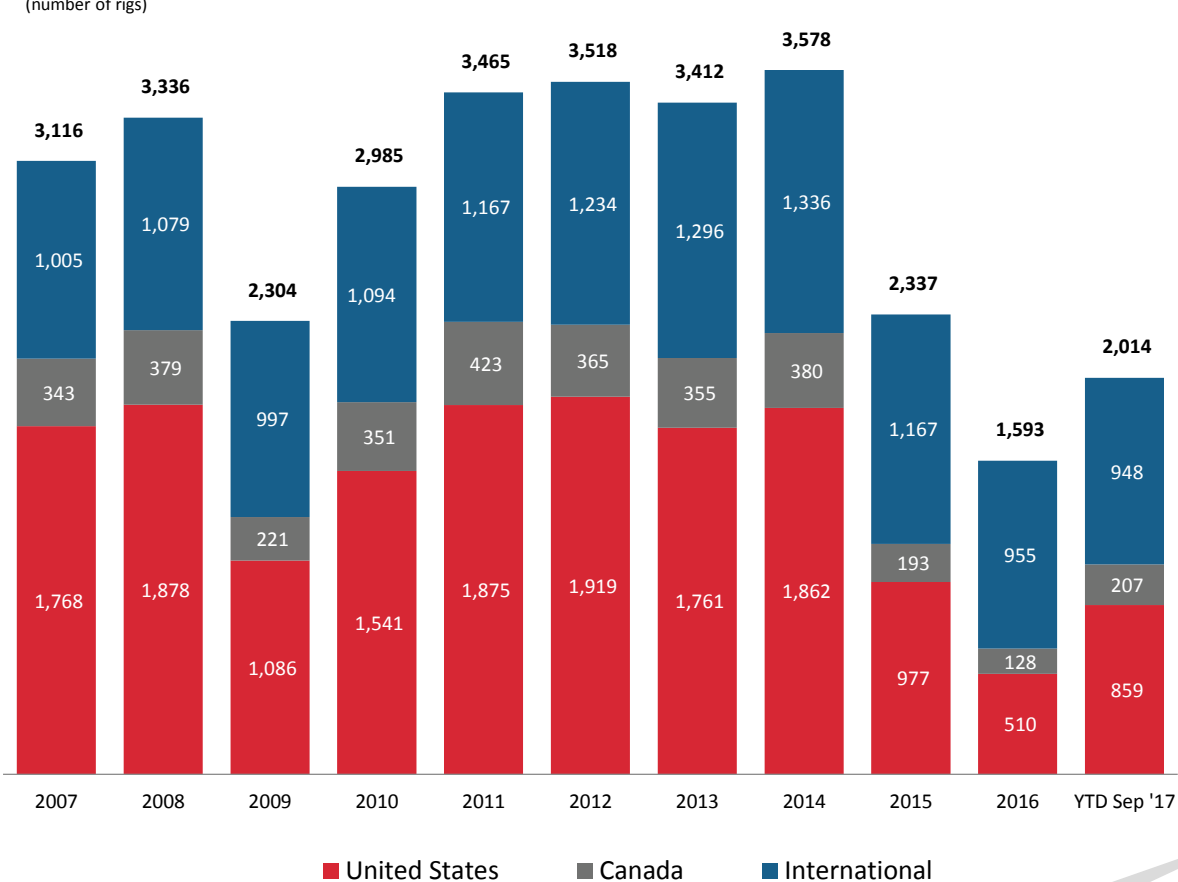
(per barrel)



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

Average Annual Rig Count

(number of rigs)

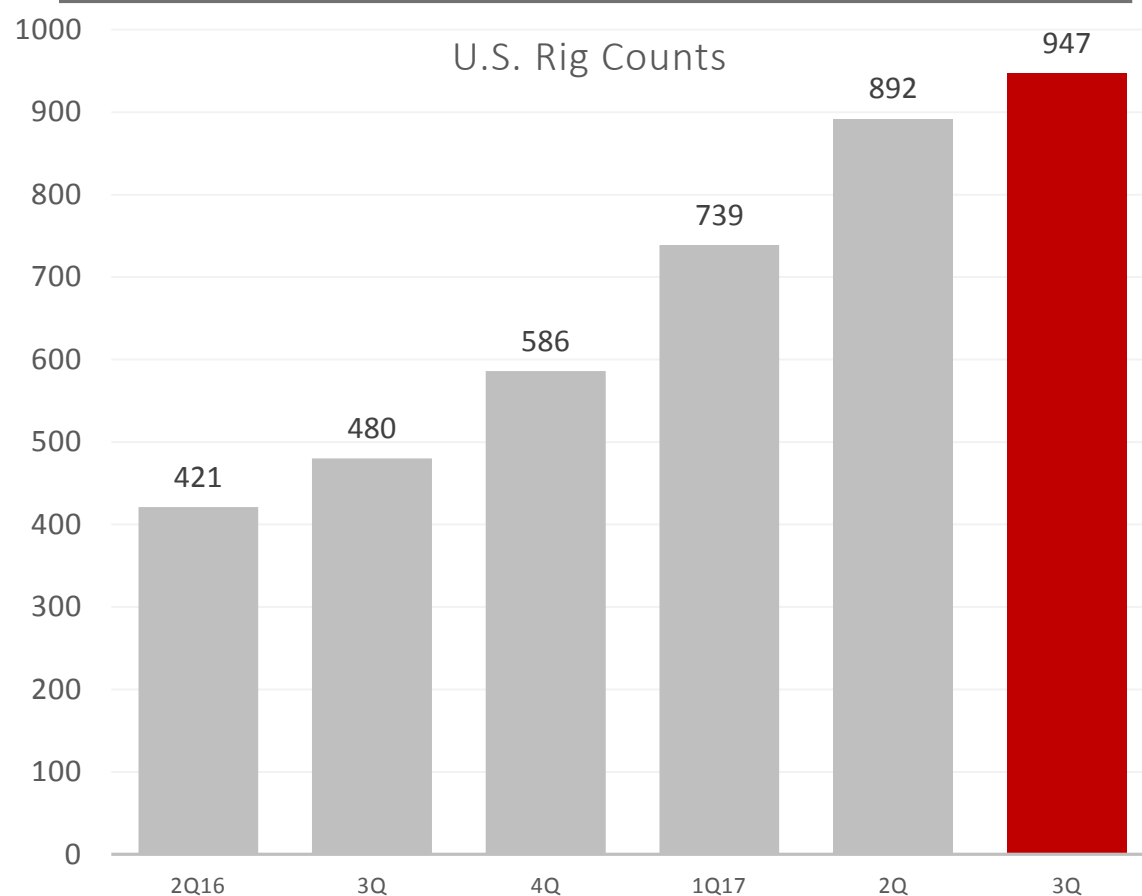


Source: Baker Hughes, Inc.

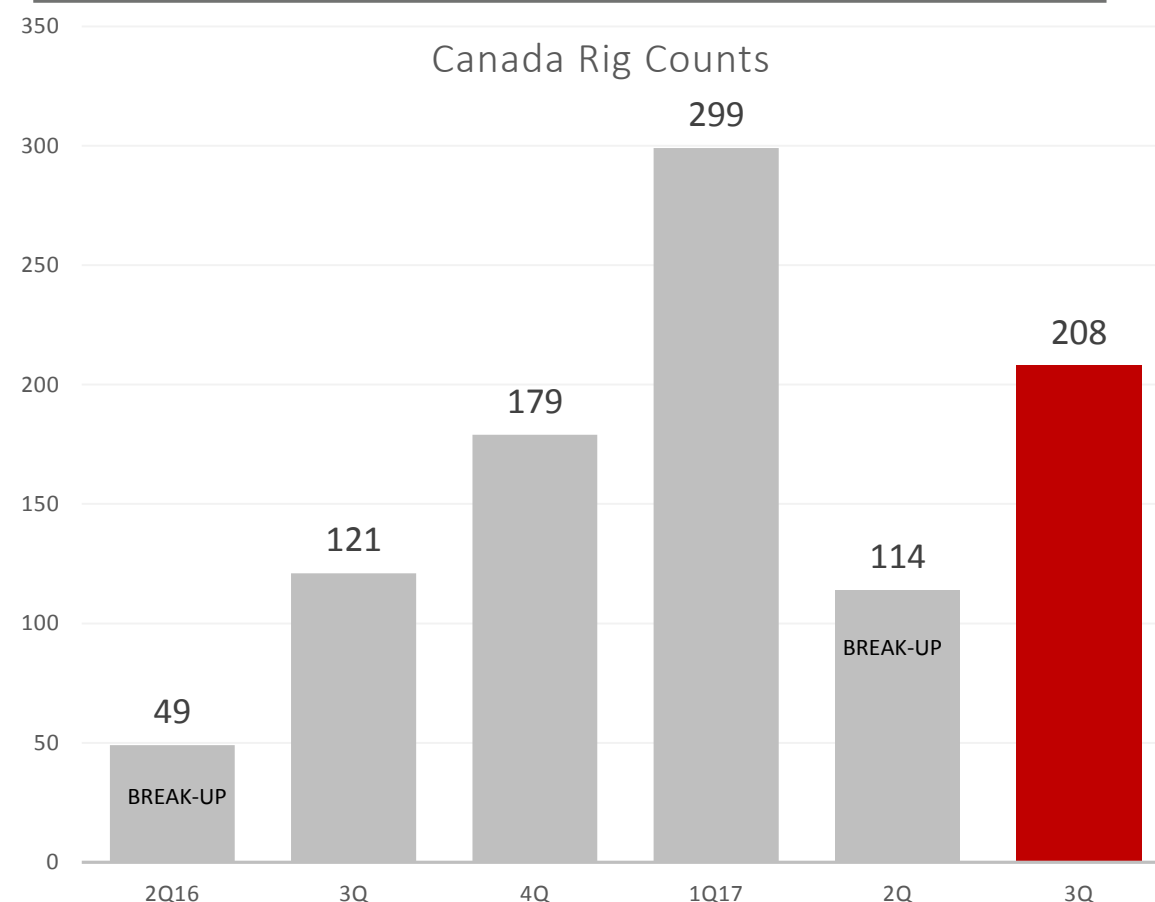
Prices May Be Range Bound, But Trending Upward in 4Q

# U.S. and Canadian Rigs Up Sequentially

U.S. Rig Count Trends



Canada Rig Count Trends



Source: Baker Hughes, Inc.

**DNOW Generated 15% Flow-Through on Increased Rig Count in 3Q**

# Providing Value-Add Solutions



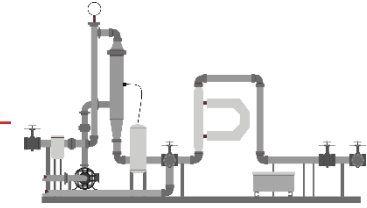
## ENERGY CENTERS

- Branch network model supplying products from local locations to upstream and midstream energy customers
- Provides one-stop shop value proposition in major oil and gas regions



## U.S. SUPPLY CHAIN SERVICES

- On-site model offering customizable products to upstream and downstream energy, industrial and manufacturing markets
- Reduces customer's total costs including operational and invested capital



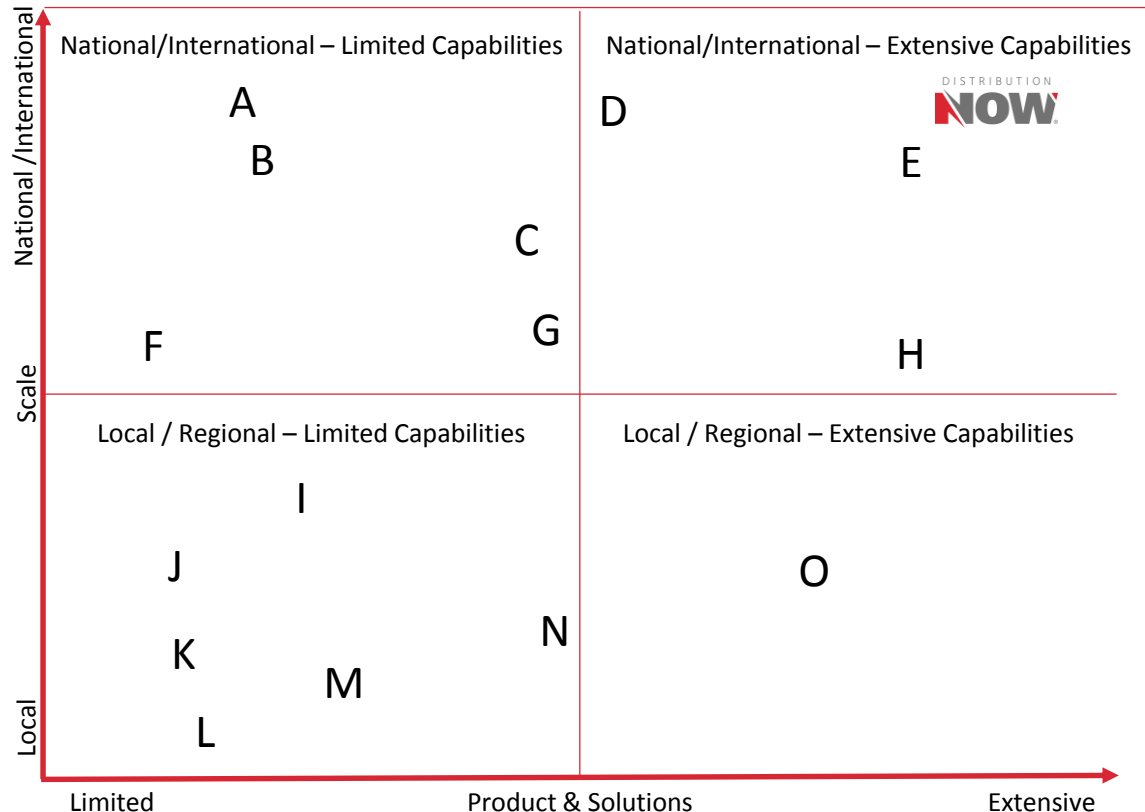
## U.S. PROCESS SOLUTIONS

- Provides rotating and process equipment solutions in the form of engineering, design, installation, fabrication and service
- Meets demand for turnkey tank battery production (facilities) solution



# Why We Win: DNOW's Competitive Differentiators

## DNOW's Competitive Landscape



### Versus Small, Local Distributors

- Well Capitalized
- Cost Savings
- Top Tier Branded Products
- More Product Breadth
- Geographic Diversity
- National/International Accounts Leverage
- Scalable Credit
- Tech Platform
- Quality/Safety
- Publicly Traded

### Versus Large National/International

- Cross Energy Value Chain
- Flexible Operating Models
- More Product & Solution Breadth
- Quality Triple Impact Supplier Program

# Suppliers and Blue-Chip Customers Across the Globe

Thousands of Suppliers in ~40 countries



DISTRIBUTION  
**NOW**

Supporting Customer Operations in More Than 80 countries

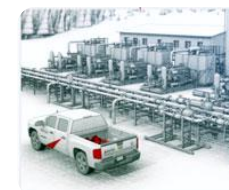
## Drilling Contractors



## Exploration & Production



## Midstream



## Downstream & Industrial



# Global Customer Reach

## Company Locations

- Locations
- Sales Offices
- Distribution Centers

## Distribution Centers:

### United States

Houston, TX  
Los Angeles, CA

### Canada

Edmonton, Alberta  
Estevan, Saskatchewan

### Europe

Aberdeen, Scotland

### MENA

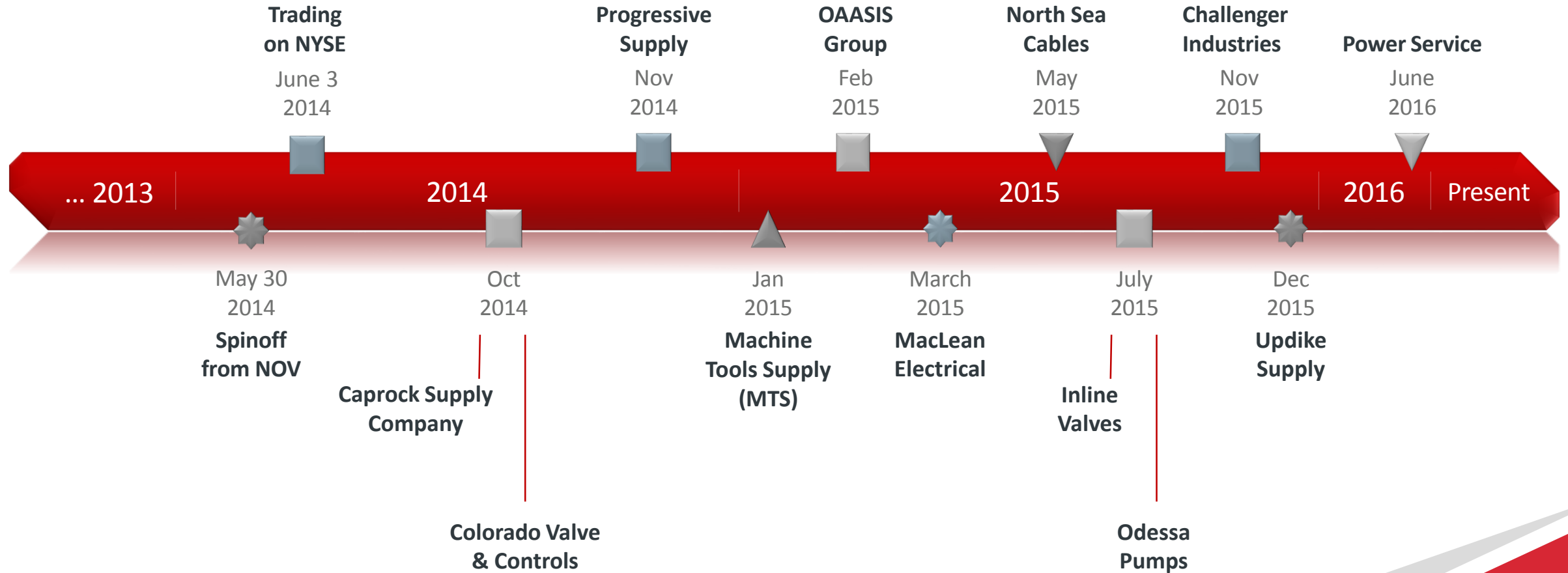
Jebel Ali, U.A.E.

### Asia

Jurong, Singapore



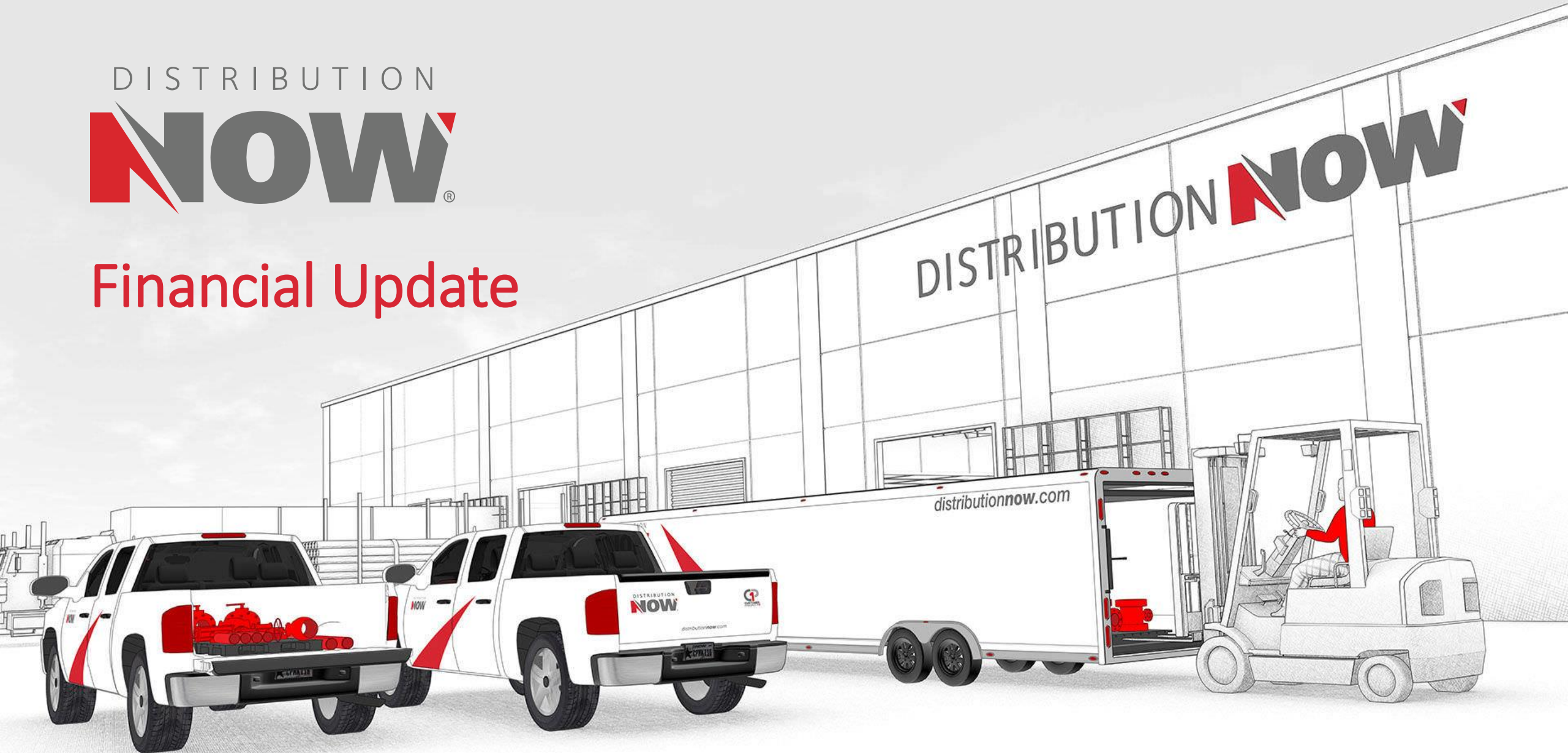
# Successful Track Record of Acquisitions and Transactions





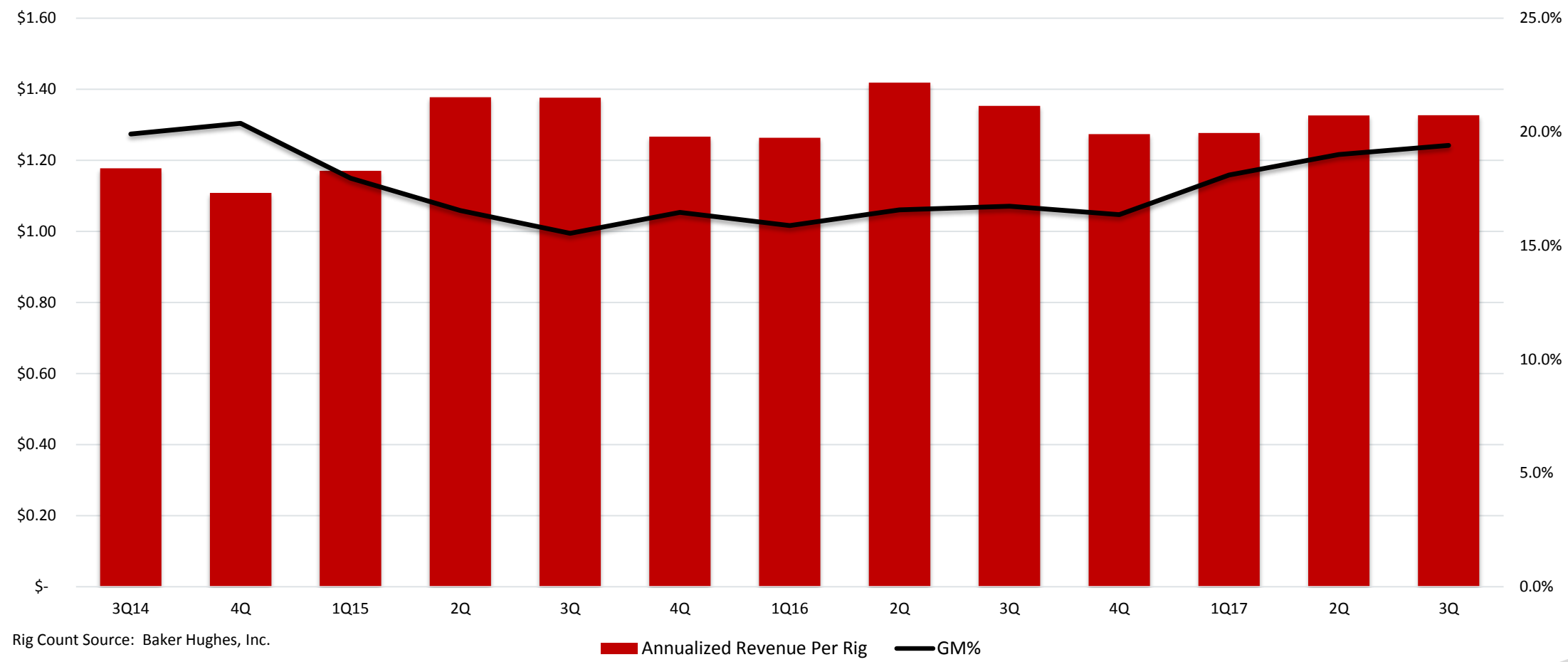


## Financial Update



# Revenue Per Global Operating Rig in Line with Prior Quarters

(\$ Millions - QTR - Annualized)

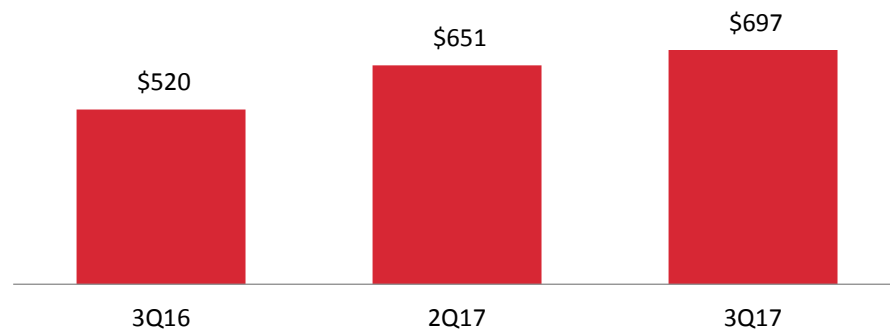


Gross Margin % Continued Upward Climb in 3Q

# Selected Quarterly Results (Unaudited)

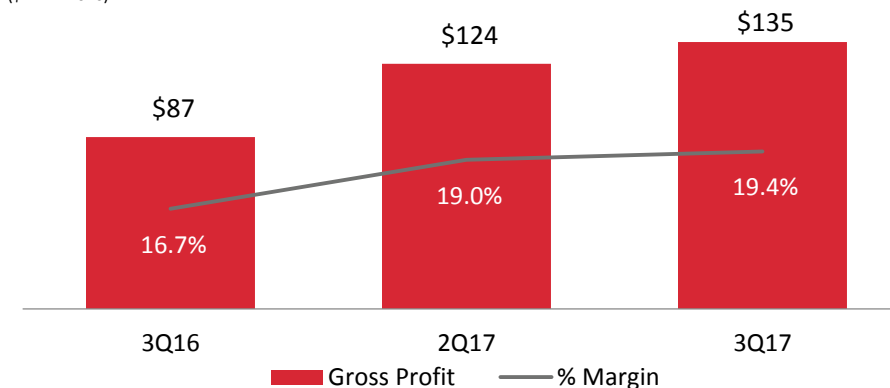
## Revenue

(\$ in millions)



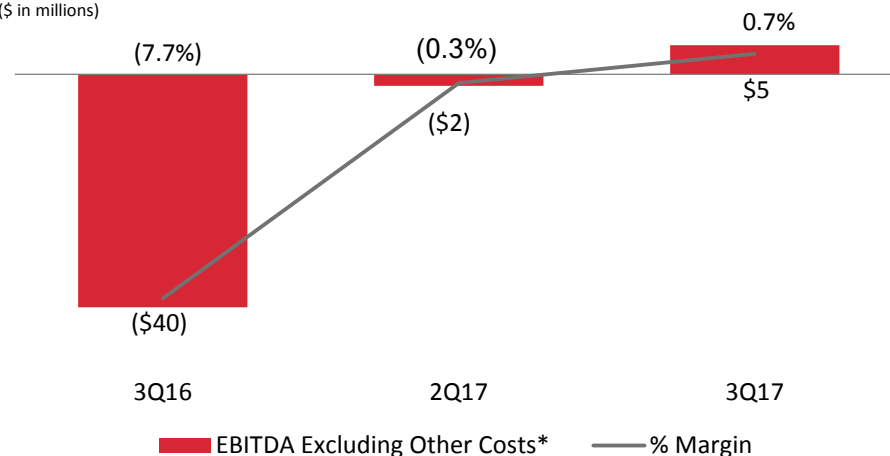
## Gross Profit and Margin

(\$ in millions)



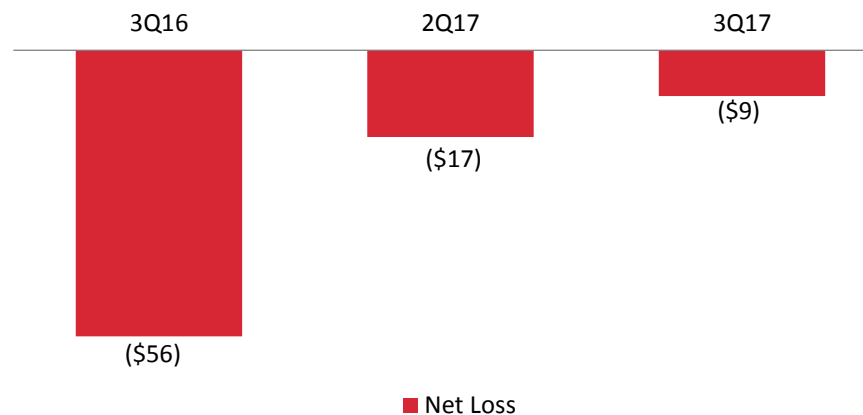
## EBITDA Excl. Other Costs (Non-GAAP\*) and Margin

(\$ in millions)



## Net Loss

(\$ in millions)



**Revenue & EBITDA Excl. Other Costs (Non-GAAP\*) Continue Positive Trajectory**

# Statement of Operations and Non-GAAP Reconciliations

(\$ Millions, Except Per Share Amounts and Percentages)

	Unaudited			Unaudited	
	3Q 2017	2Q 2017		3Q 2017	2Q 2017
Revenue	\$697	\$651	GAAP Net Loss	\$(9)	\$(17)
Operating Expenses			Interest, Net	2	1
Cost of Products	562	527	Income Tax Provision (Benefit)	-	-
WS&A	<u>141</u>	<u>138</u>	Depreciation & Amortization	12	13
Operating Loss	(6)	(14)	Other Costs*	<u>-</u>	<u>1</u>
Other Expense	<u>(3)</u>	<u>(3)</u>	EBITDA Excluding Other Costs (Non-GAAP*)	<u>\$5</u>	<u>\$(2)</u>
Loss Before Income Taxes	(9)	(17)	EBITDA % Excluding Other Costs (Non-GAAP*)	0.7%	(0.3%)
Income Tax Provision (Benefit)	<u>-</u>	<u>-</u>	GAAP Reported Diluted Loss Per Share	\$(0.08)	\$(0.16)
GAAP Net Loss	\$(9)	\$(17)	Other Costs*	<u>0.05</u>	<u>0.06</u>
			Diluted Loss Per Share Excl. Other Costs (Non-GAAP*)	\$(0.03)	\$(0.10)

**Five Sequential Quarters of Revenue Growth**



# Statement of Operations and Non-GAAP Reconciliations

(\$ Millions, Except Per Share Amounts and Percentages)

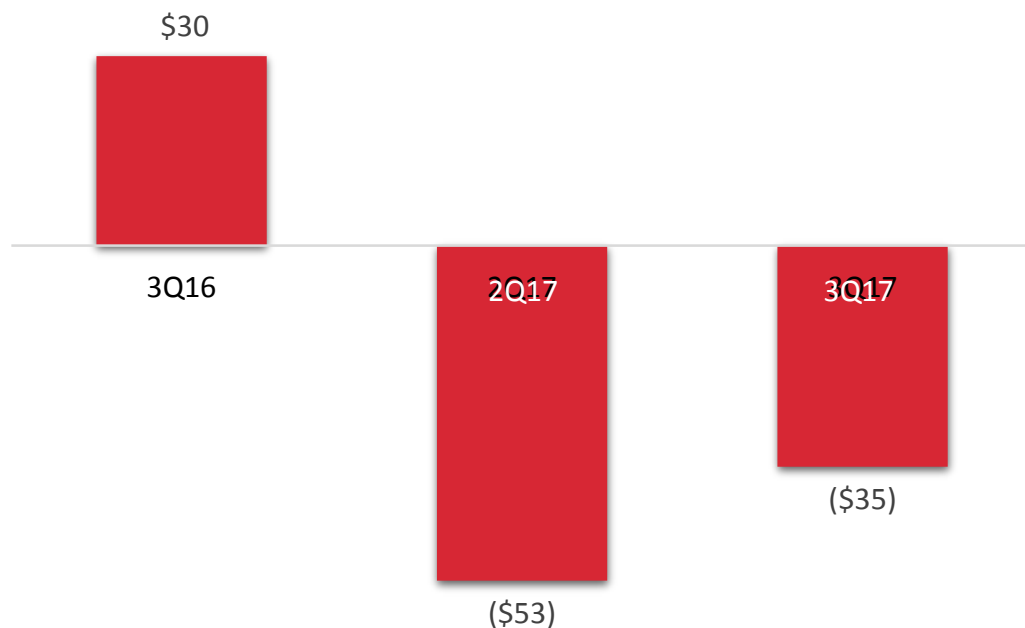
	Unaudited			Unaudited	
	3Q 2017	3Q 2016		3Q 2017	3Q 2016
Revenue	\$697	\$520	GAAP Net Loss	\$(9)	\$(56)
Operating Expenses			Interest, Net	2	1
Cost of Products	562	433	Income Tax Provision (Benefit)	-	-
WS&A	<u>141</u>	<u>140</u>	Depreciation & Amortization	12	14
Operating Loss	(6)	(53)	Other Costs*	<u>-</u>	<u>1</u>
Other Expense	<u>(3)</u>	<u>(3)</u>	EBITDA Excluding Other Costs (Non-GAAP*)	<u>\$5</u>	<u>\$(40)</u>
Loss Before Income Taxes	(9)	(56)	EBITDA % Excluding Other Costs (Non-GAAP*)	0.7%	(7.7%)
Income Tax Provision (Benefit)	<u>-</u>	<u>-</u>	GAAP Reported Diluted Loss Per Share	\$(0.08)	\$(0.53)
GAAP Net Loss	\$(9)	\$(56)	Other Costs*	<u>0.05</u>	<u>0.19</u>
			Diluted Loss Per Share Excl. Other Costs (Non-GAAP*)	\$(0.03)	\$(0.34)

**EBITDA Excluding Other Costs (Non-GAAP measure\*) Improved by \$45M**

# Maintaining Working Capital as a % of Revenue Target

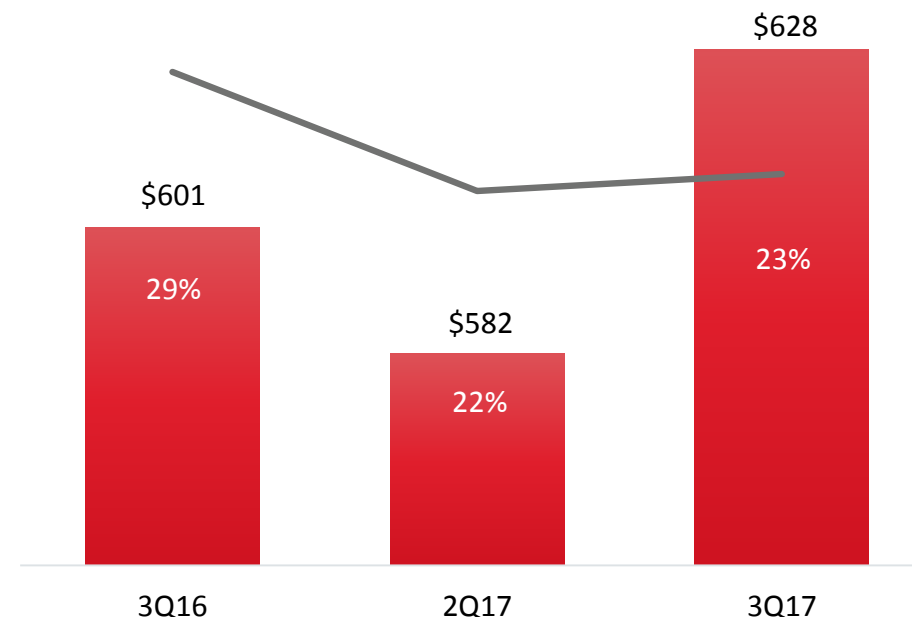
(\$ Millions)

Free Cash Flow - Quarters



Free Cash Flow ("FCF") is defined as Net cash provided by (used in) operating activities, less Purchases of property, plant and equipment

Working Capital Excluding Cash - Quarters



Working Capital Excluding Cash — % of Qtr Annual Revenue

Higher Capital in Anticipation of Future Growth

# Ongoing Focus on Working Capital Reductions

(\$ Millions)

	Unaudited	
	3Q 2017	2Q 2017
<b>Current Assets</b>		
Cash & Cash Equivalents	\$99	\$97
Receivables, Net	466	418
Inventories, Net	562	529
Prepaid & Other Current Assets	<u>22</u>	<u>21</u>
<b>Total Current Assets</b>	1,149	1,065
<b>Current Liabilities</b>		
Accounts Payable	310	285
Accrued and Other Liabilities	<u>112</u>	<u>101</u>
<b>Total Current Liabilities</b>	422	386
<b>Working Capital, Excl. Cash</b>	<b>\$628</b>	<b>\$582</b>
<b>DSO's</b>	61	59
<b>Inv. Turns</b>	4.0x	4.0x

- Working capital (WC) excluding cash, was \$628M at September 30, 2017, or 23% of revenue.
- Sequentially:
  - AR increased by \$48M in the quarter
  - Increased net inventory by \$33M
  - 91 Days of Inventory on Hand
  - Continued inventory replacement orders for long-lead time products like pipe and valves
  - Debt at \$163M, with net debt at \$64M
  - Low CapEx of \$2M during 3Q17, \$3M YTD
  - Flat Inventory Turns for the Quarter

**Inventory Increase in Line with Expansion**

# Strict Capital Allocation Strategy

- Managing free cash flow through the cycles
- Invest in organic growth
- Focus capital on high value-add Supply Chain Services and Process Solutions offerings and allocate capital to high value-add product lines internationally
- Continue to manage debt, not exceeding debt-to-capitalization 40% over a full cycle





# Investment Highlights

- Increasing revenues in improving market environment
- Strong margin flow-through on revenue improvement
- Strict capital allocation strategy focused on value-add growth opportunities
- Successful M&A track record
- Proven management team with significant industry experience



# EBITDA, Net Income and Diluted EPS Excl. Other Costs Footnotes

- 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 nine months ended September 30, 2017 includes an expense of \$5 million and \$18 million, respectively, after tax, for a valuation allowance recorded against the Company's deferred tax assets; as well as, less than \$1 million and \$1 million, respectively, after tax, in severance expenses that are included in operating loss.
- 5) Totals may not foot due to rounding.

**\* See referenced schedules on slides 19, 20, 21**

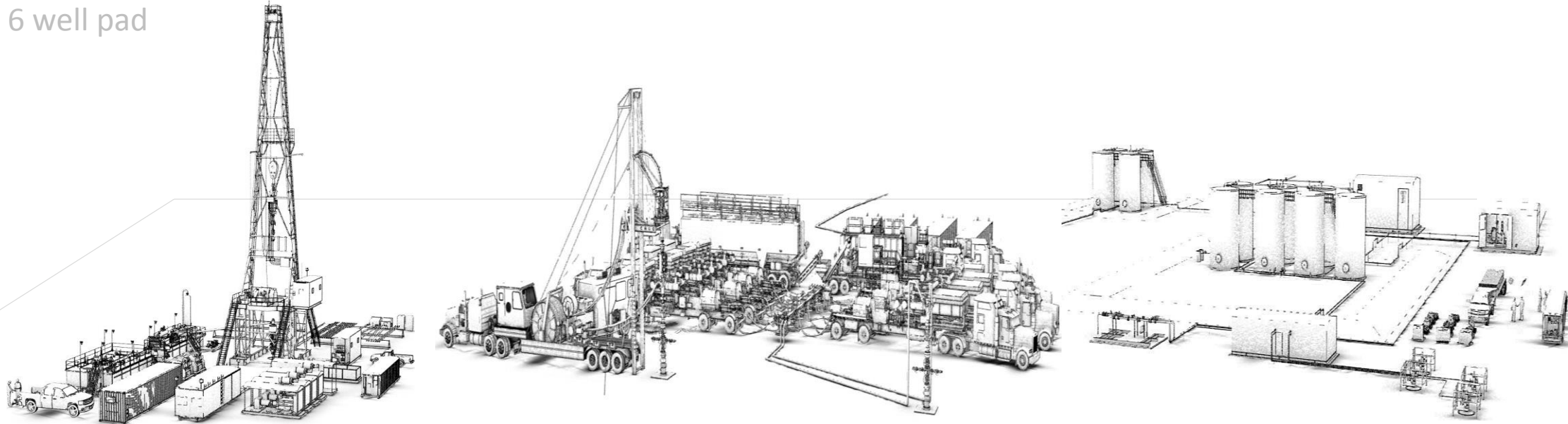


## Appendix



# Timing and Materiality from Drilling to Tank Battery Install

Example of 6 well pad

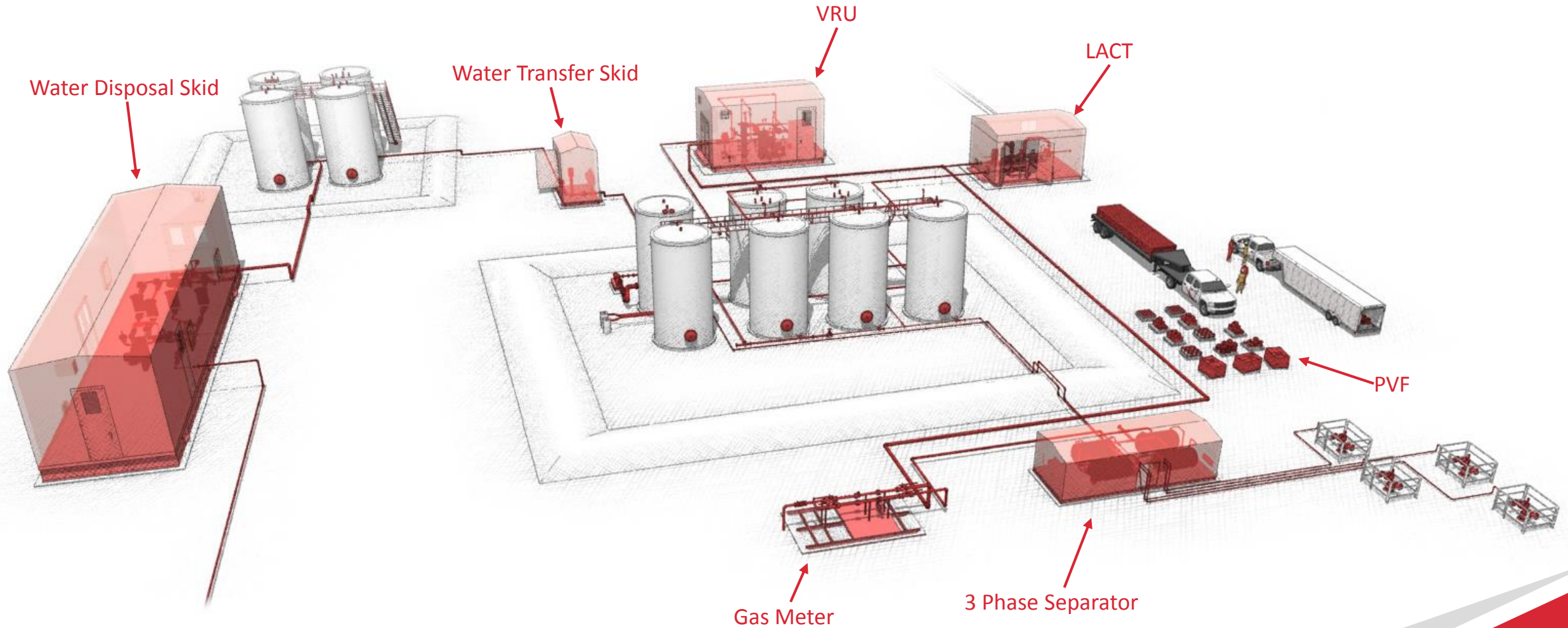


	Drilling	Frac	Tank Battery
Revenue	\$4,000-\$5,000 per week	Minimal	\$250,000-\$1.5 million
Time	60-80 days	45-60 days	45-60 days
Customer	Drilling Contractors	Service Companies	E&P Operators



# Tank Battery Installation

Does not include tanks, utilities or pipeline







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