



## 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.

# Industry Indicators and Trends

# Key Industry Indicators

## Average Oil Prices

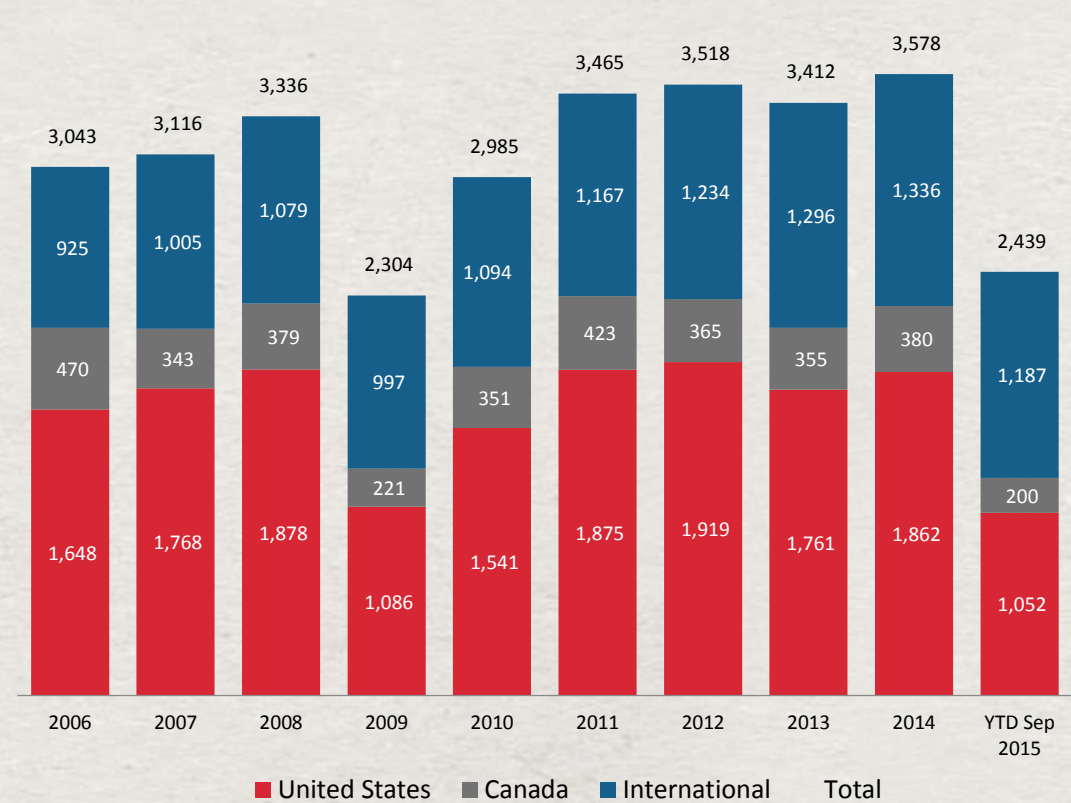
(per barrel)



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

## Average Annual Rig Count

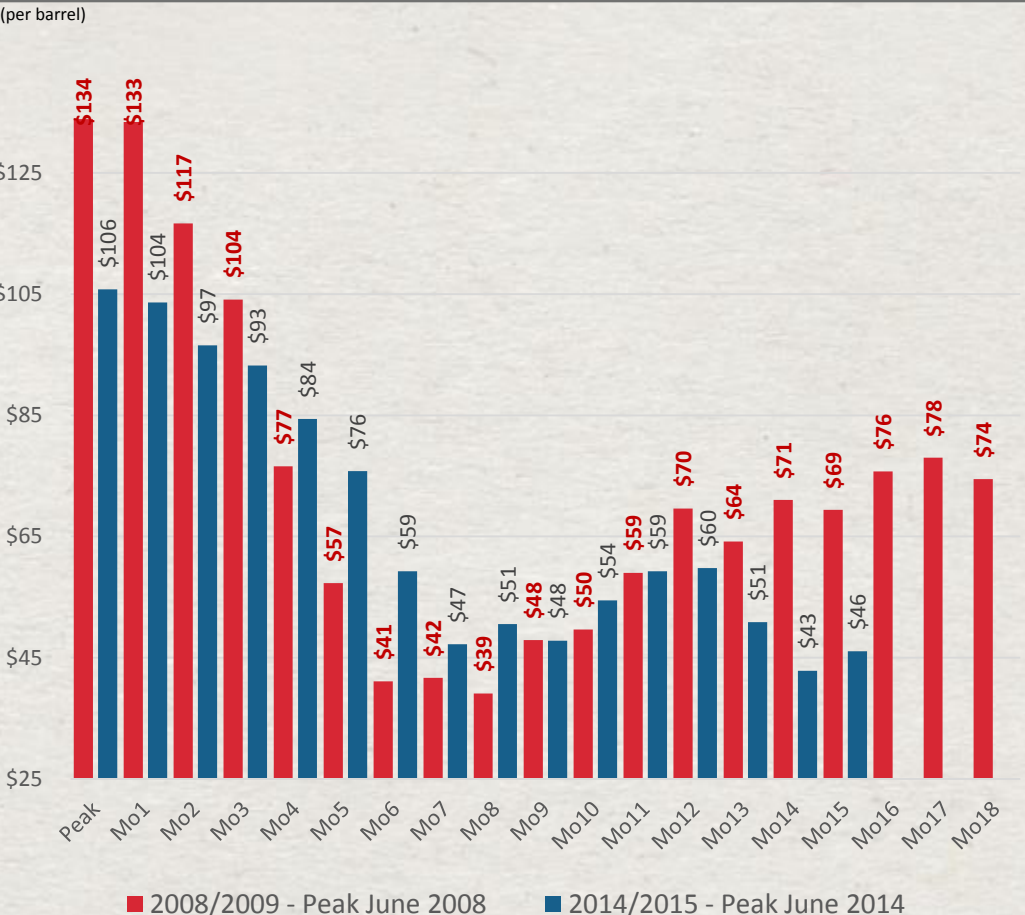
(number of rigs)



Source: Baker Hughes, Inc.

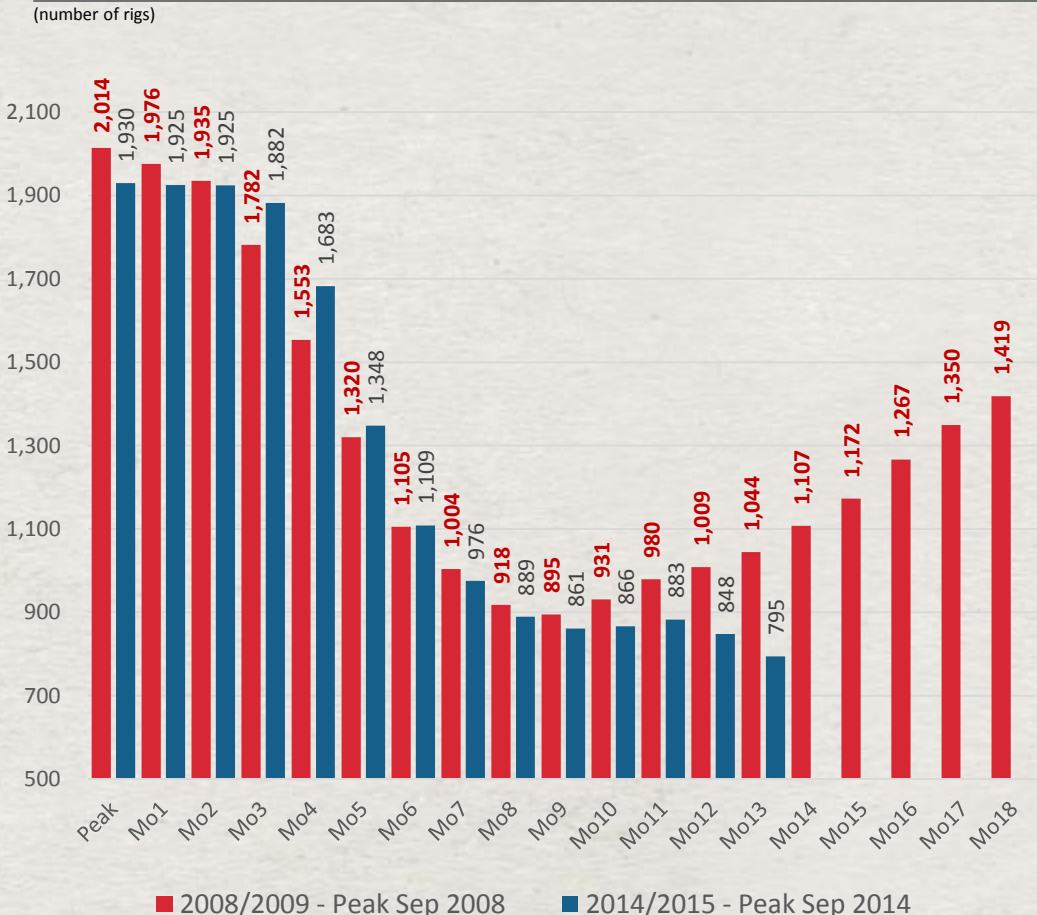
# Comparing Downturns - 2015 and 2009

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.

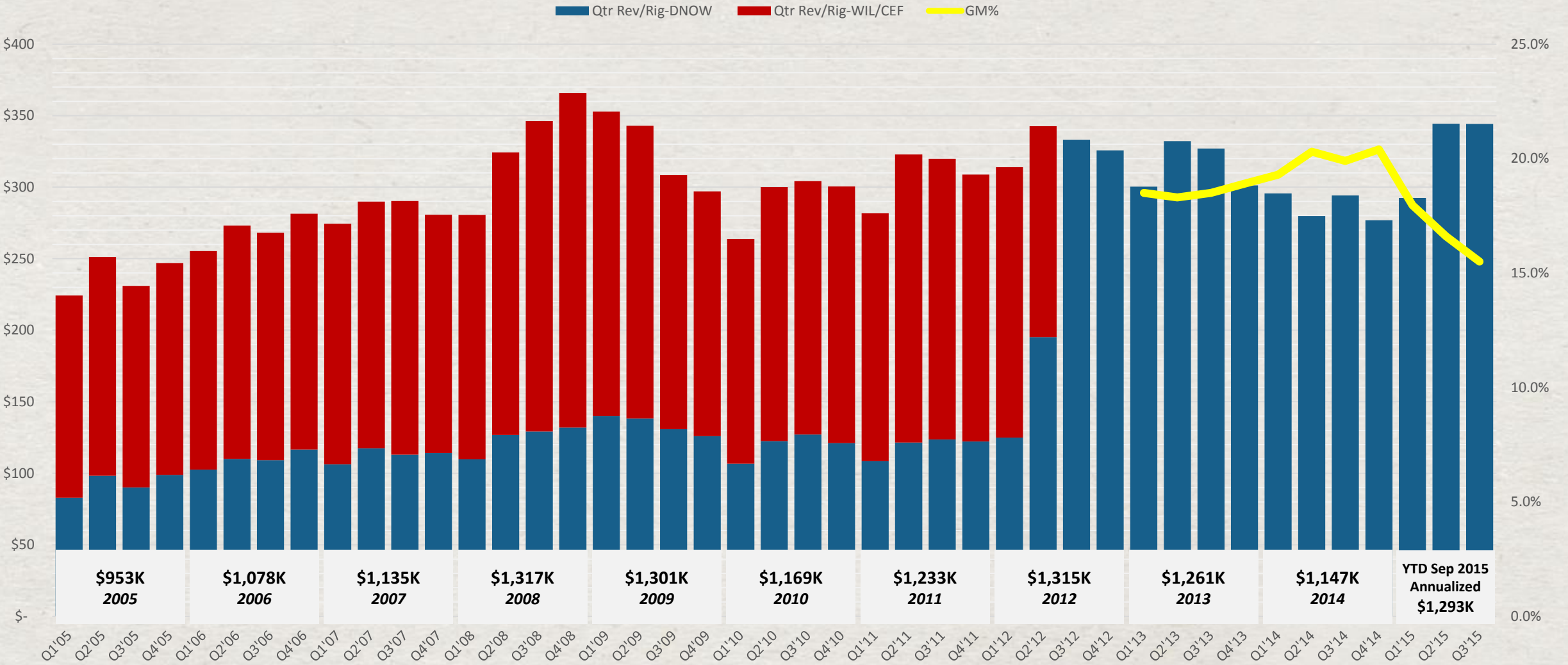
Updated for 2015 through Oct. 23, 2015

# 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)

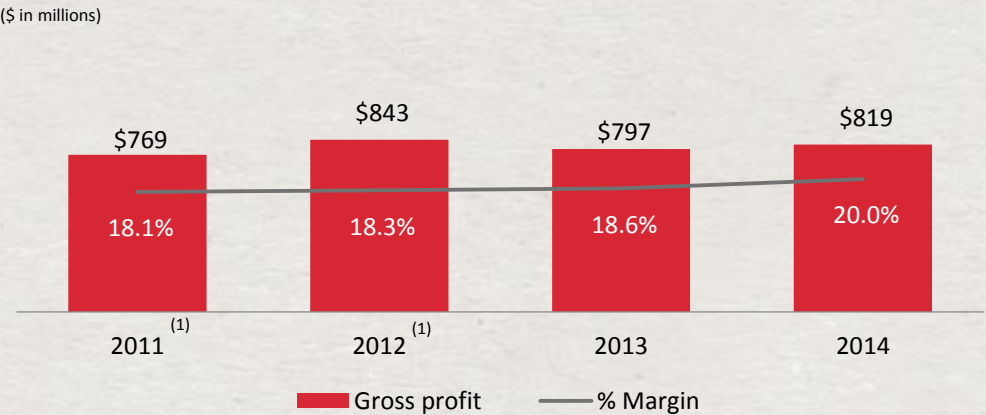
Figures above are unaudited and include pro forma estimates and should be used for information and trend purposes only.

# Historical Financial Summary (Pro Forma)

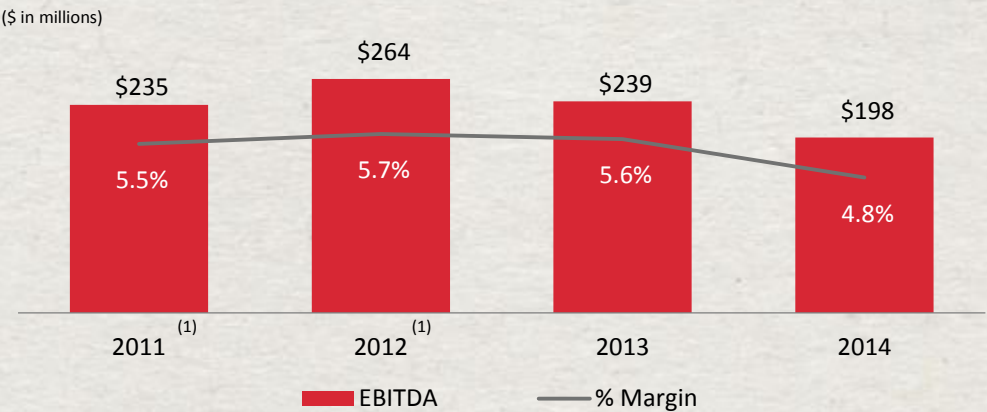
## Revenue



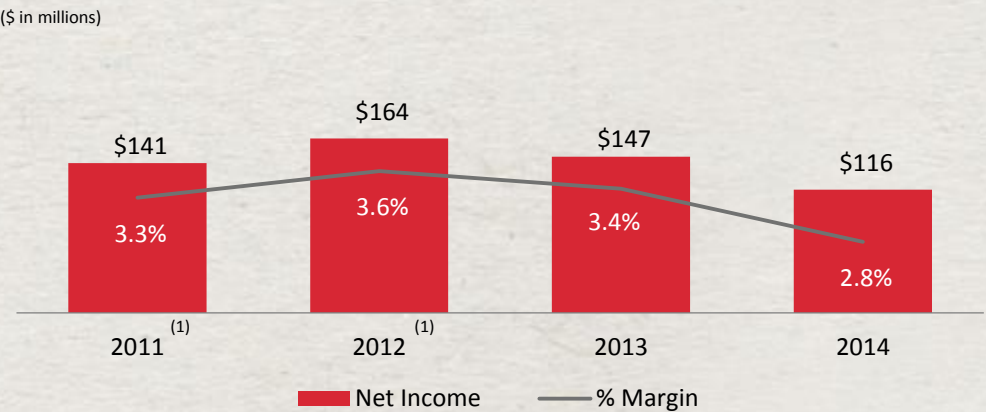
## Gross Profit and Margin



## EBITDA and Margin



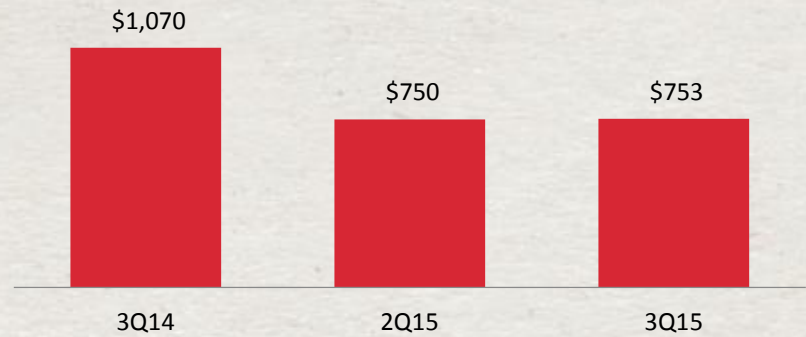
## Net Income and Margin



# Selected Quarterly Results (Unaudited)

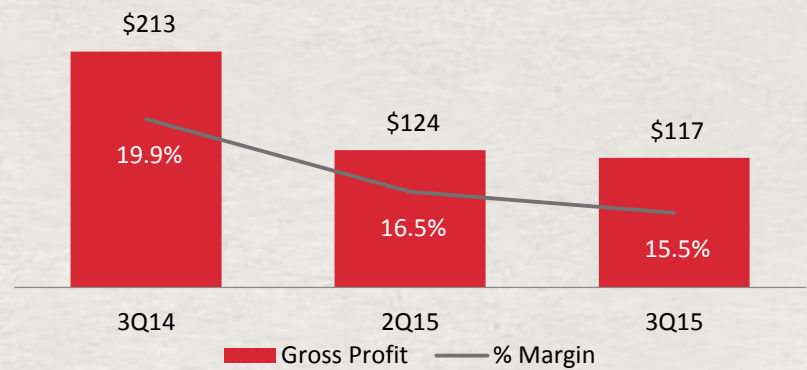
## Revenue

(\$ in millions)



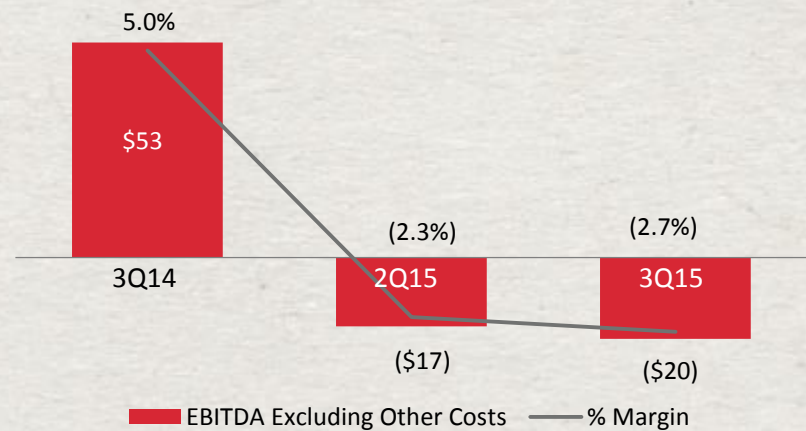
## Gross Profit and Margin

(\$ in millions)



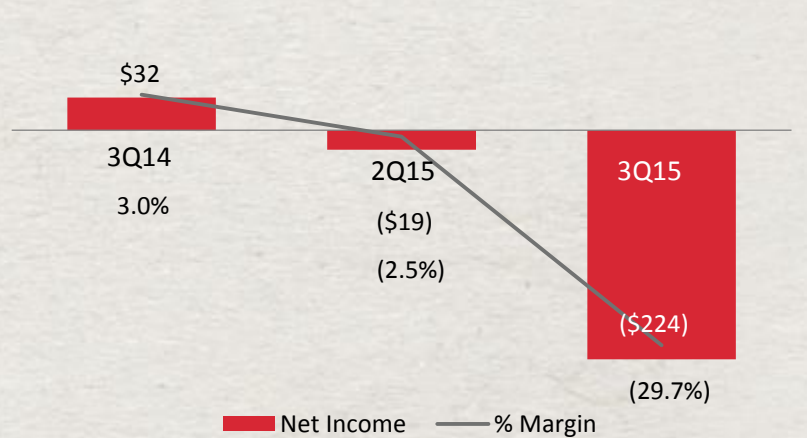
## EBITDA Excluding Other Costs<sup>(1)</sup> and Margin

(\$ in millions)



## Net Income

(\$ in millions)

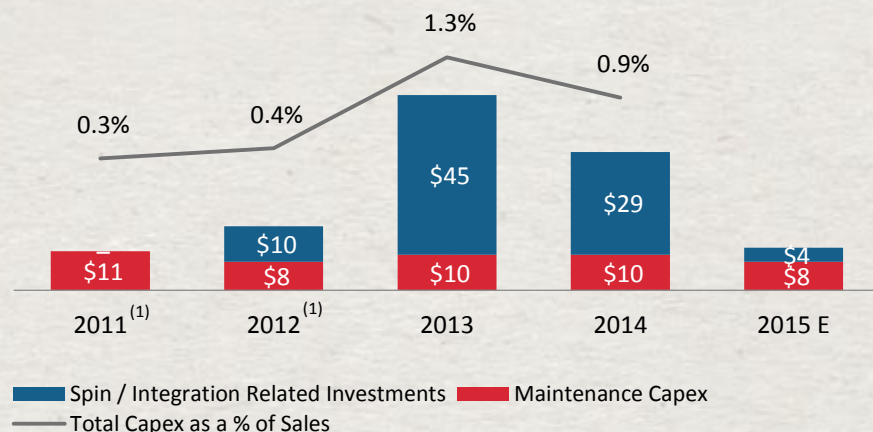


(1) Other Costs primarily includes transaction costs associated with acquisitions including the cost of inventory that was stepped up to fair value during purchase accounting related to acquisitions, severance expenses and for 3Q15, an impairment of \$255 million associated with the fair value of goodwill.

# Low Capital Intensity Business Model Requires Limited Investment

## Capital Expenditures

(\$ in millions)

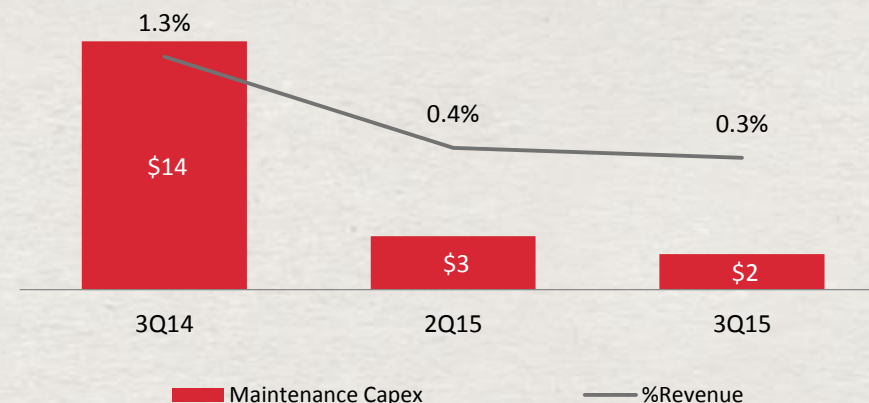


## Spin / Integration Related Investments

- 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

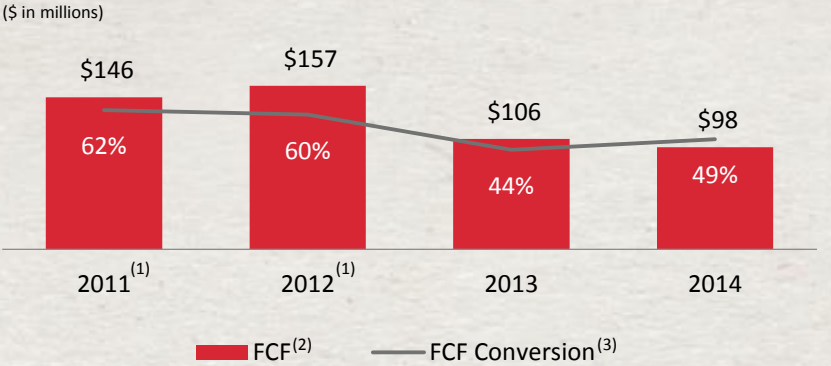
(\$ in millions)



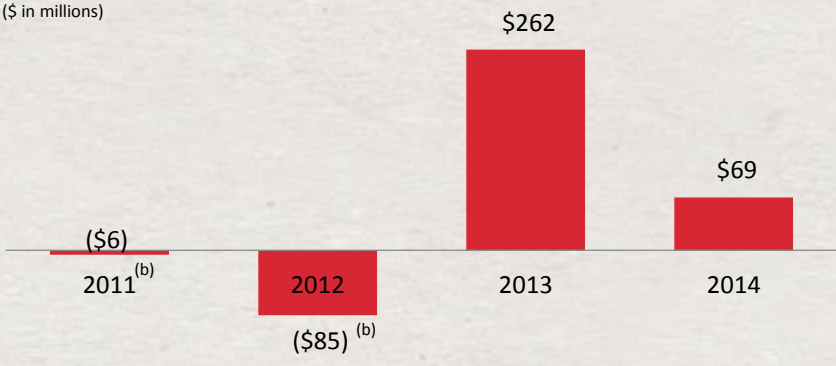
- Low maintenance CapEx as a percent of revenue
- Spin-related CapEx projects drove the higher-than-normal CapEx levels in 3Q14

# Free Cash Flow

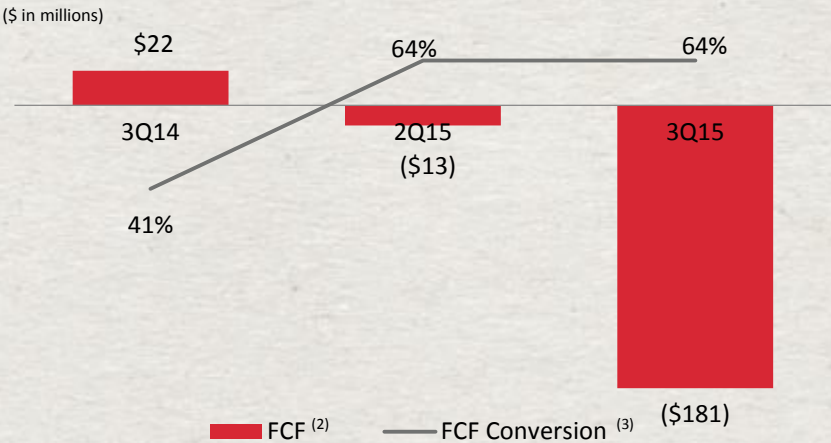
Free Cash Flow and FCF Conversion



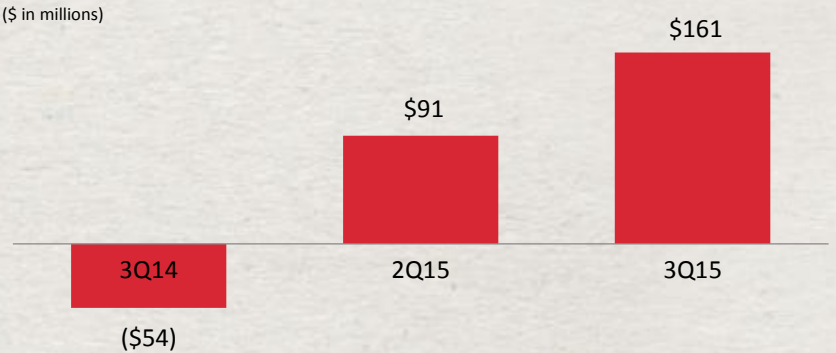
Free Cash Flow<sup>(a)</sup>



Free Cash Flow and FCF Conversion – Quarterly Results



Free Cash Flow<sup>(a)</sup> – Quarterly Results



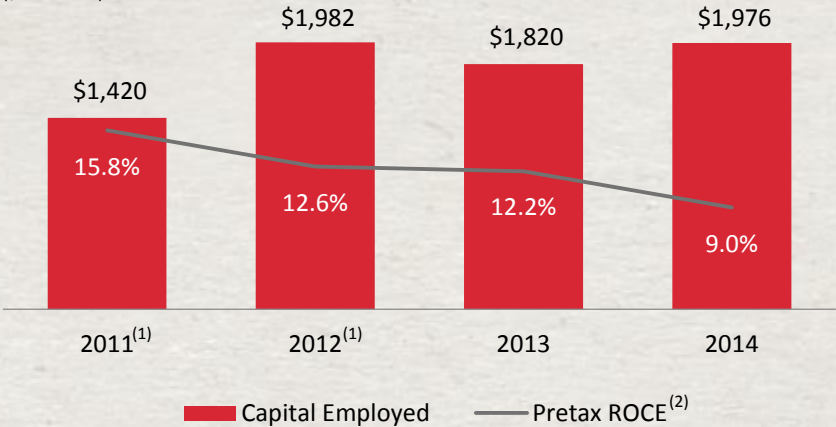
(1) Pro Forma  
(2) Free Cash Flow ("FCF") is defined as EBIT \* (1 – 35% tax rate) + Depreciation & Amortization less Capital Expenditures  
(3) FCF Conversion is defined as FCF as a percentage of EBITDA

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

# Cash Generation

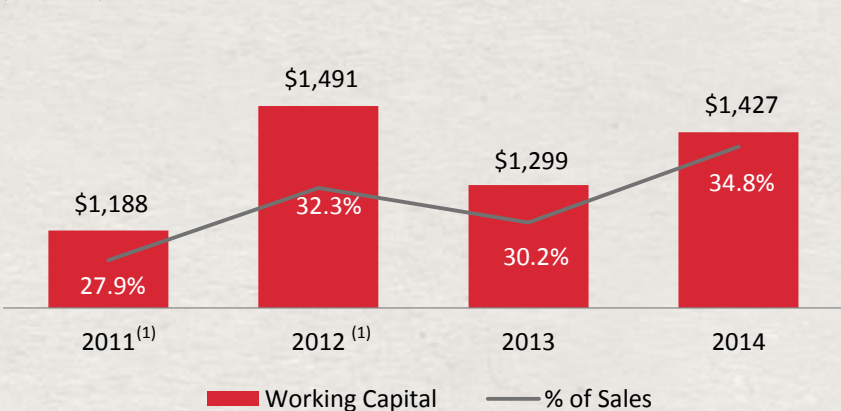
Capital Employed and Pretax ROCE

(\$ in millions)



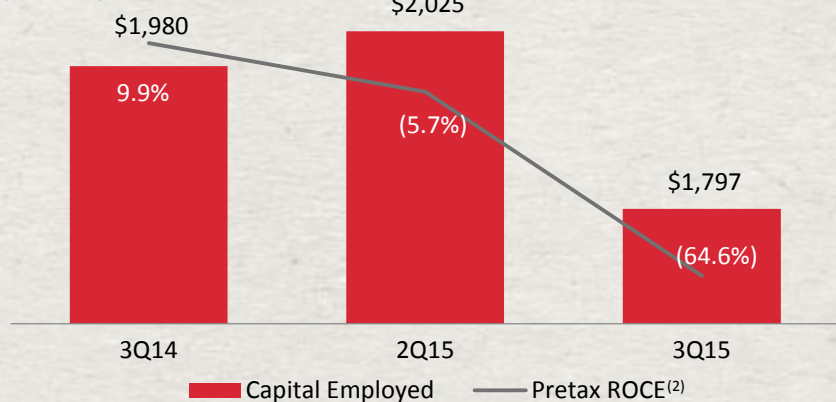
Working Capital Percent of Sales

(\$ in millions)



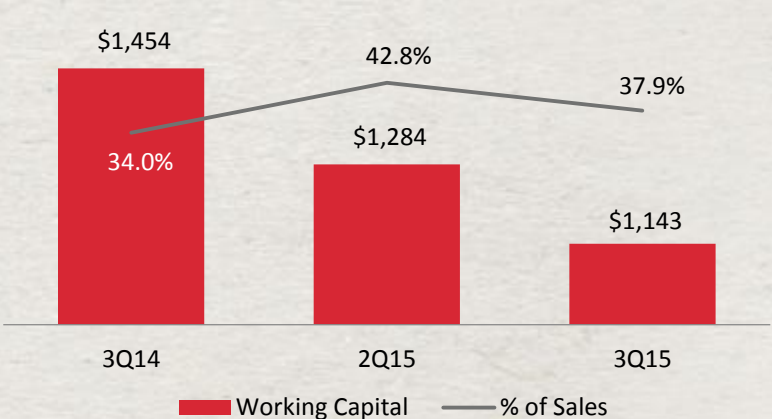
Capital Employed and Pretax ROCE – Quarterly Results

(\$ in millions)



Working Capital Percent of Sales – Quarterly Results

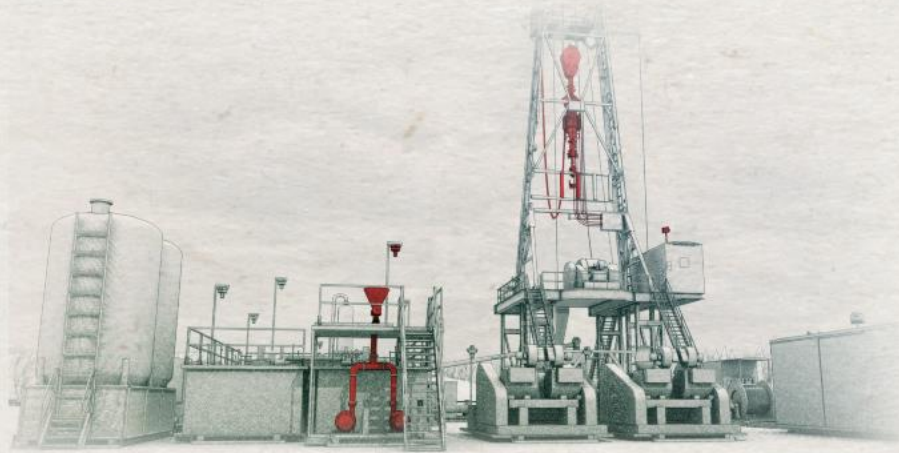
(\$ in millions)



(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



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