



# Investor Relations

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MAY 2019

Energy Delivered.™

# Disclosure Statement

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- 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 (SEC). 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.
- In an effort to provide investors with additional information regarding our results as determined by U.S. Generally Accepted Accounting Principles (GAAP), we disclose various non-GAAP financial measures in our quarterly earnings press releases and other public disclosures. We use these non-GAAP financial measures internally to evaluate and manage the Company's operations because we believe it provides useful supplemental information regarding the Company's ongoing economic performance. The non-GAAP financial measures include: (i) earnings before interest, taxes, depreciation and amortization (EBITDA) excluding other costs, (ii) net income excluding other costs and (iii) diluted earnings 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 non-GAAP financial measure to its most comparable GAAP financial measure can be found in our quarterly earnings press release.

# 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.





# Investment Highlights

- Increased revenue from improved market fundamentals
- Actively leveraging M&A to deliver growth and improved profitability
- Efficient capital allocation strategy focused on leveraging working capital, increasing inventory turns and generating cash
- Strong margin flow-through on revenue improvement
- Proven management team with significant industry experience



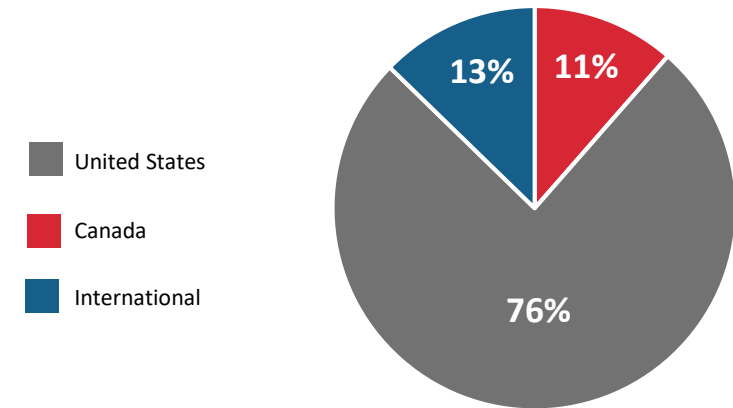


# DNOW: One of the Largest Distributors to the Energy Industry

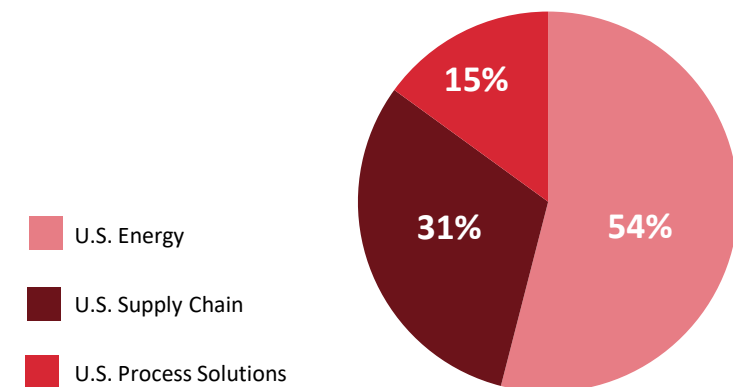
- Legacy 150+ years operating
- Support major land and offshore operations for all the key energy producing regions around the world
- Comprehensive network of energy centers, supply chain services and process solutions locations
- Key markets: Europe, Former Soviet Union, Latin America, Middle East, North America, Southeast Asia

NYSE Ticker	DNOW
Countries	20+
Locations	~260
Employees	~4,500
ERP System	SAP™

## 2018 Revenue by Segment

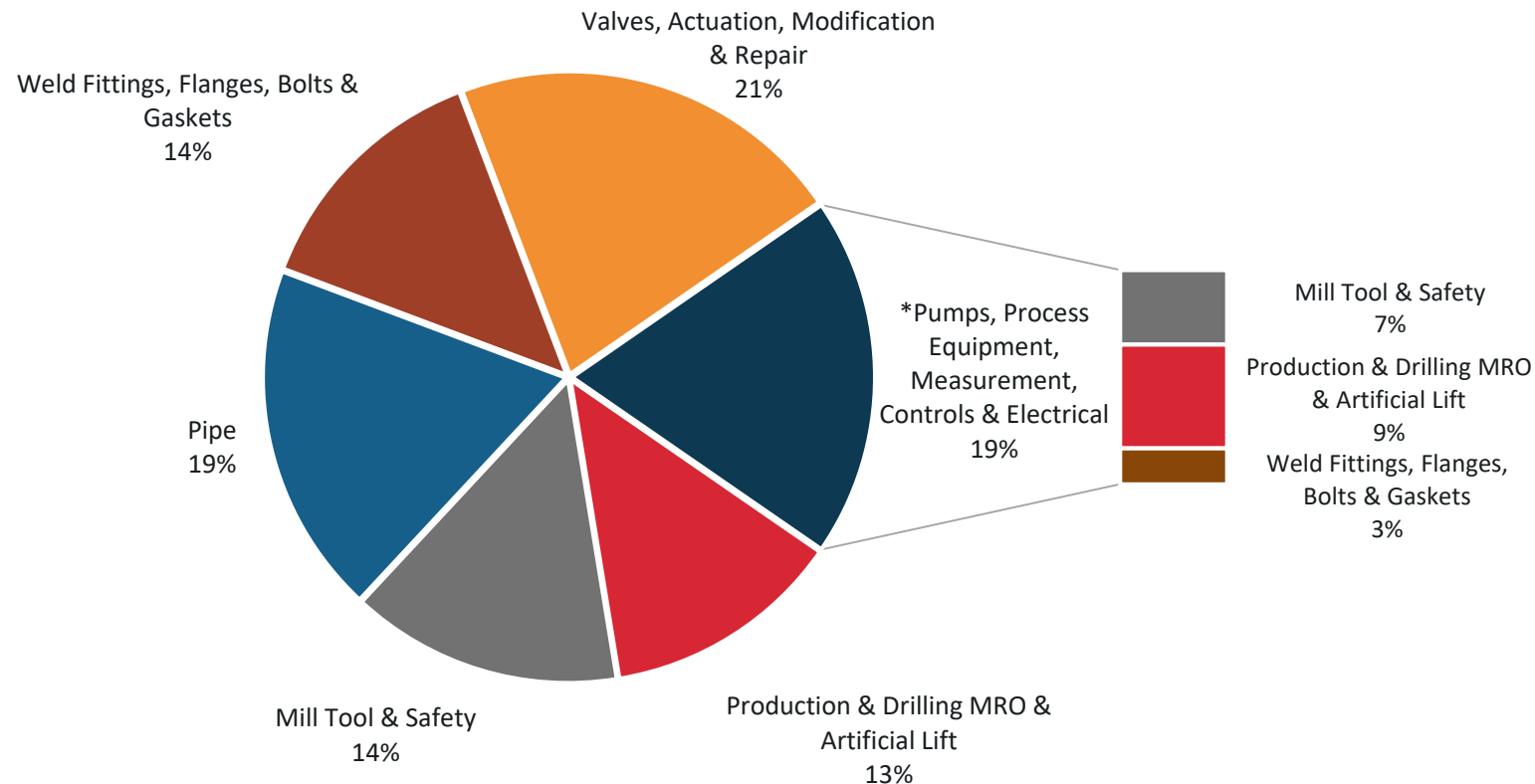


## 2018 United States Revenue by Channel



# Comprehensive Product Offering and Balanced Revenue Mix

## 2018 DNOW Product Categories Revenue



DNOW carries a  
**broad range of  
products and services**  
to meet  
**RAPID and CRITICAL  
deliveries**  
to customers in local and  
remote areas

*\*Category percentage is split out to correlate with historical presentation*



# Global Presence and Reach

## Company Locations

- Locations
- Distribution Centers

## Distribution Centers:

**United States**  
Houston, TX  
Beulah, ND  
Casper, WY  
Big Spring, TX

**Canada**  
Edmonton, Alberta  
Estevan, Saskatchewan

**Europe**  
Aberdeen, Scotland

**MENA**  
Jebel Ali, U.A.E.

**Asia**  
Jurong, Singapore



# Blue-Chip Suppliers and Customers Across the Globe

Thousands of Suppliers in ~40 countries



DISTRIBUTION  
**NOW**

Supporting Customer Operations in ~80 countries

## Drilling Contractors



## Exploration & Production



## Midstream



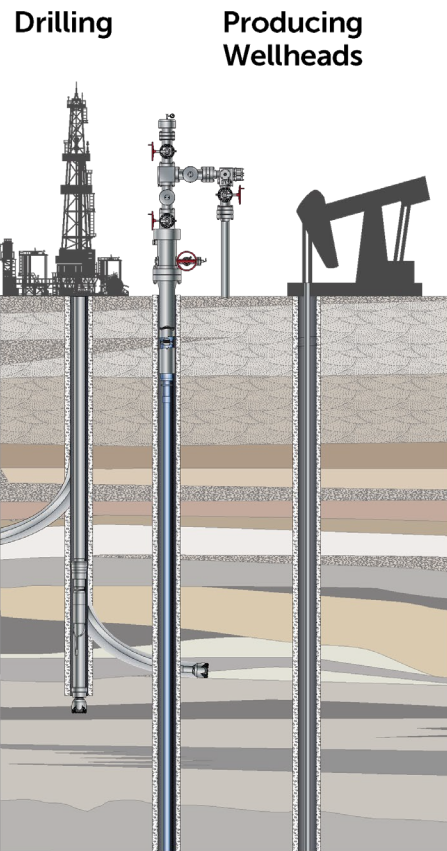
## Downstream & Industrial



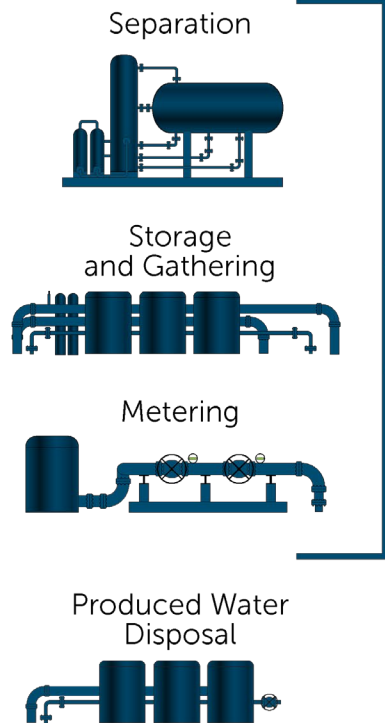


# DNOW is a Critical Link from Drilling to Distribution

## Upstream



## Tank Battery



## Midstream

### Gas Processing Plant

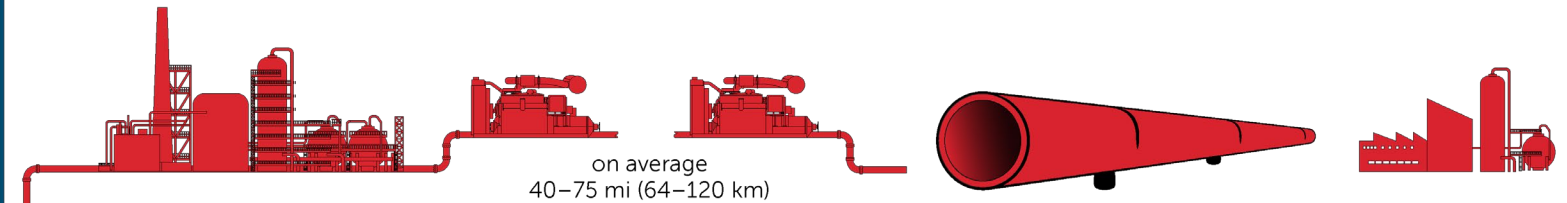
### Gas Compressor Station (x)

### Gas Compressor Station (y)

## Downstream/ Industrial

### Gas Transmission and Transportation

### Gas Distribution



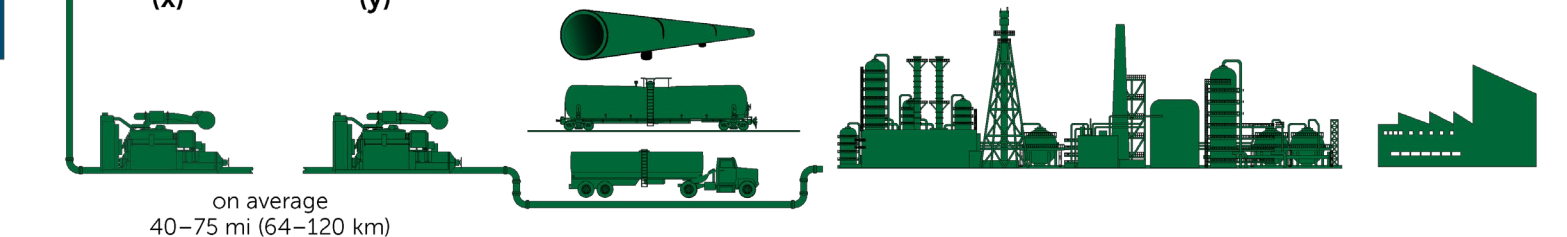
### Oil Pump Station (x)

### Oil Pump Station (y)

### Oil Transmission and Transportation

### Oil Refinery

### Oil Distribution



# Providing Value-Add Solutions Across All Channels



*Global branch network model  
supplying products locally to upstream  
& midstream energy customers*

**Provides one-stop shop value  
proposition in major oil and  
gas regions**



*On-site model offering customizable  
products to upstream and  
downstream energy, industrial and  
manufacturing markets*

**Reduces customers' total costs  
including operational and  
invested capital**



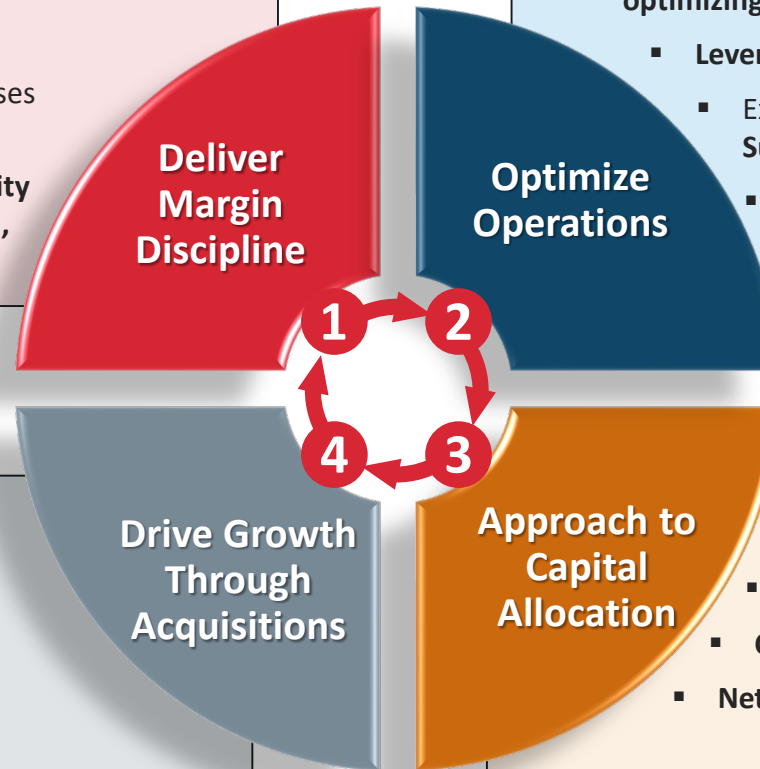
*Rotating and process equipment  
solutions in the form of engineering,  
design, installation, fabrication and  
service*

**Meets demand for turnkey  
tank battery production  
(facilities) solution**



# DNOW Strategy to Unlock Value

- Leveraging **improved quoting process**, increasing efficiency, response time and improving pricing discipline
- **Managing supply chain disruptions and well positioned** from impacts of Section 232, Section 301 and dumping cases on steel products
- **Deploying technology to drive efficiencies and productivity** e.g. e-commerce system evolving, customer order process, expedited order processing



- **Scaling and right-sizing locations** to capitalize on market demand and **optimizing distribution facilities**
  - Leveraging suppliers for market opportunities
  - Expand **value offerings from U.S. Process Solutions and U.S. Supply Chain Services**
  - Human capital and recruiting efforts continue to **strengthen our position in key active areas**

- **Selectively evaluating M&A opportunities**
- Deepening integrations of acquired companies and delivering **revenue synergies through cross-selling with acquired companies**

- **Working capital**, excluding cash, was 22% of revenue in 1Q19
- **Inventory turns** at 4.0x
- **Cash on hand** at March 31, 2019 of \$87M
- **Net debt** at \$37M



# Industry Dynamics

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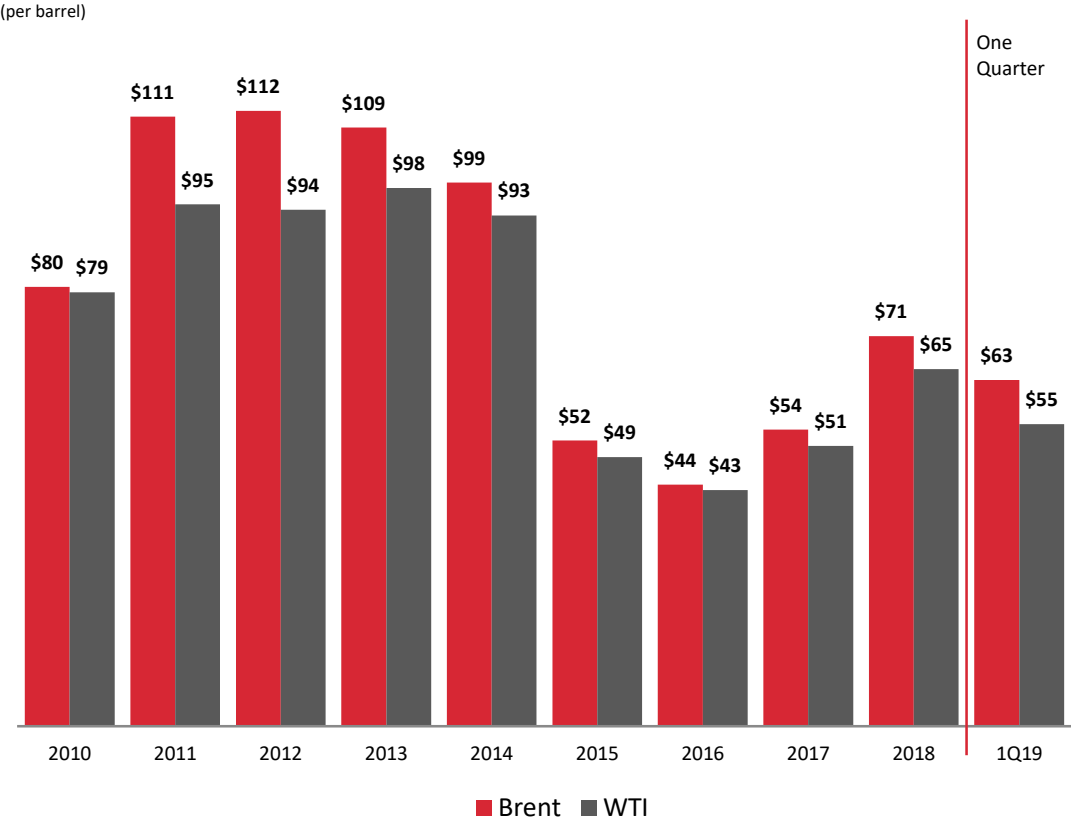
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# Key Industry Metrics

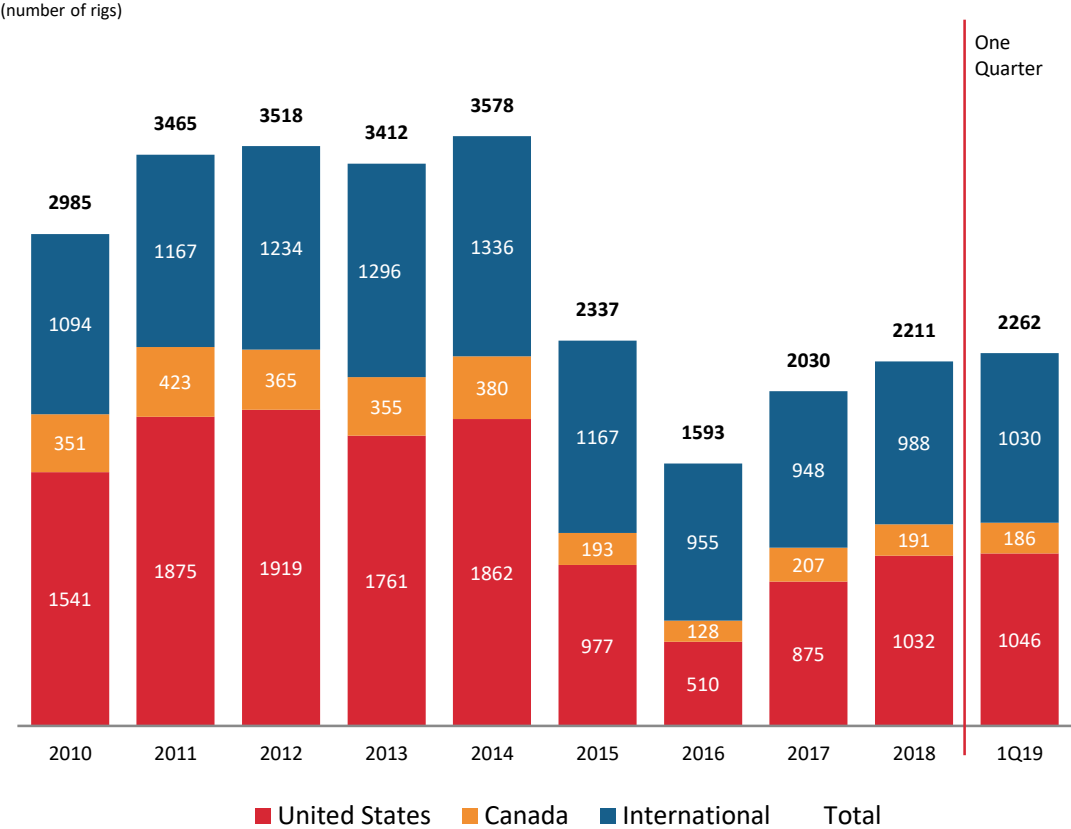
## OIL PRICES & RIGS TRENDING

### Average Oil Prices



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

### Average Annual Rig Count



Source: Baker Hughes, Inc.

DNOW is positioned to benefit from industry growth

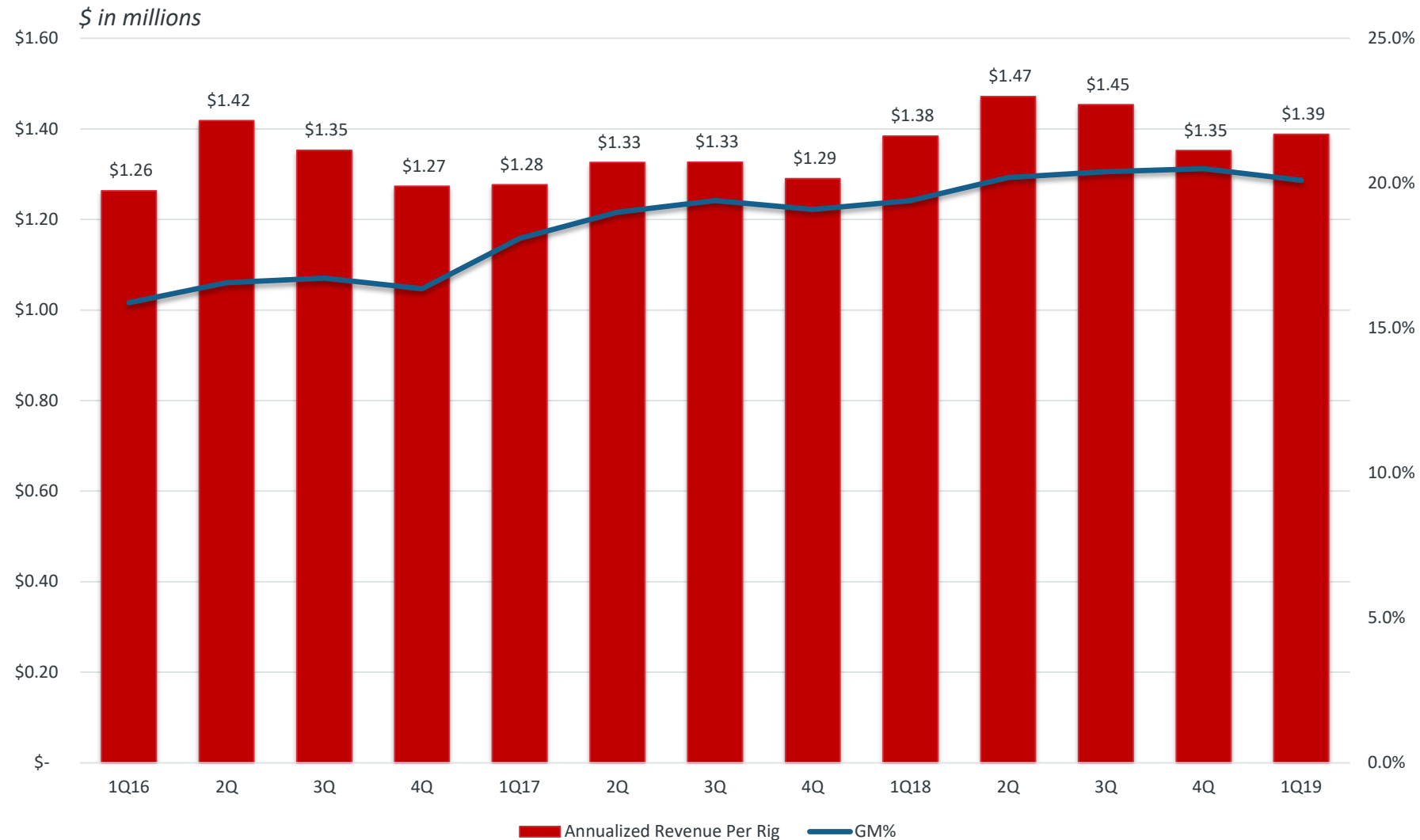


# Financial Update

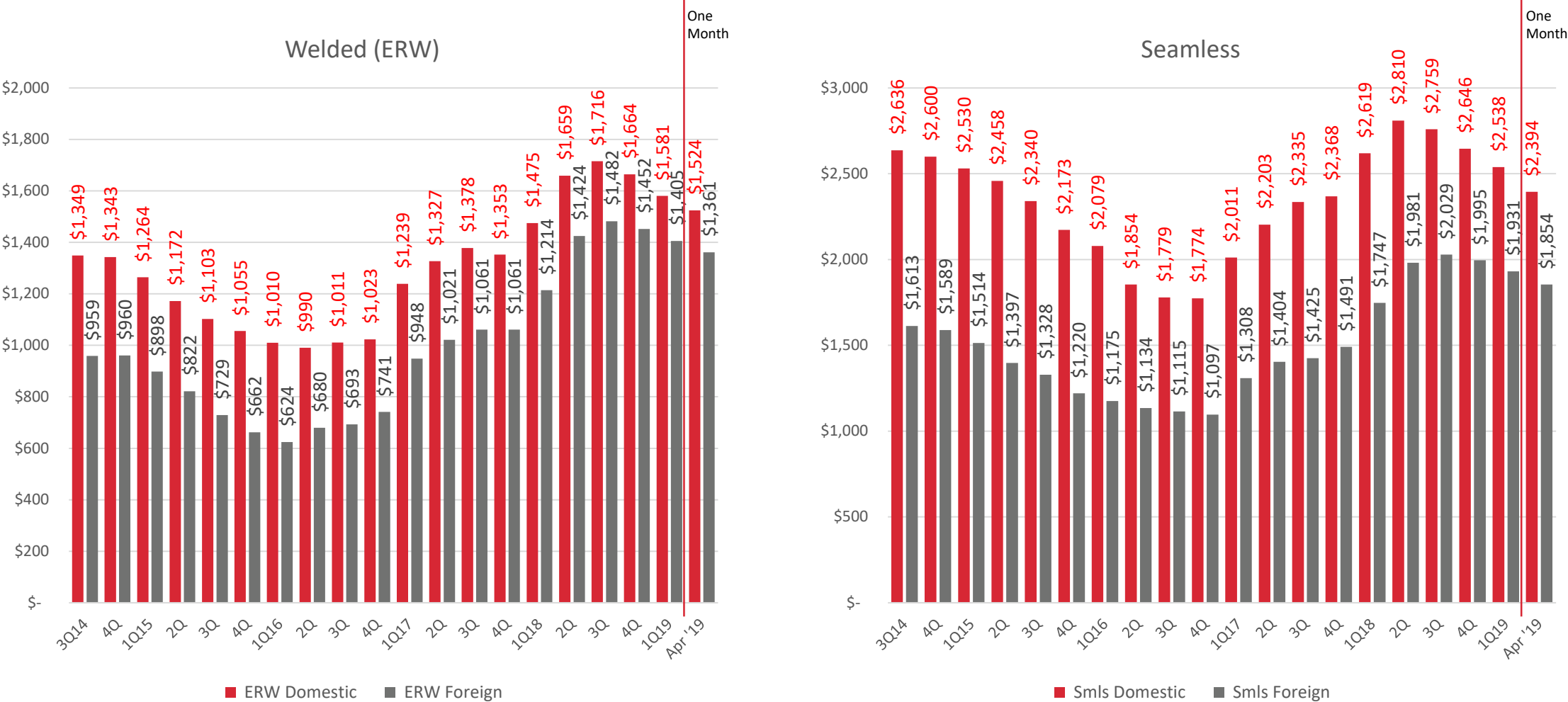
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# Revenue per Global Rigs and Gross Margins, Trended



# Pipe price trends, U.S. dollar per ton



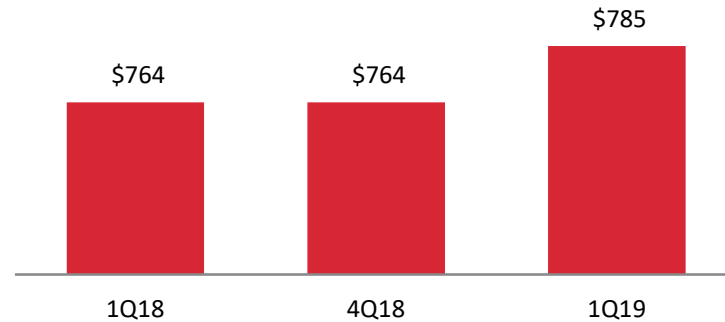
Source: Pipe Logix



# CFO Highlights: Selected Quarterly Results (Unaudited)

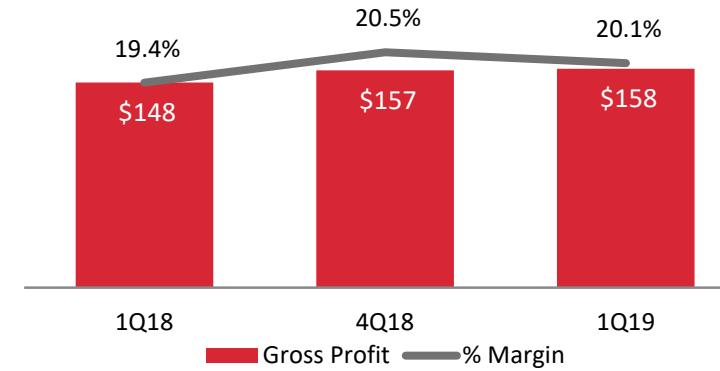
## Revenue

(\$ in millions)



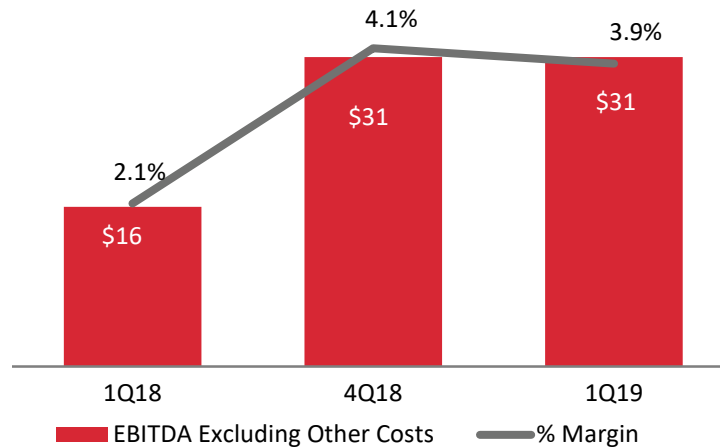
## Gross Profit and Margin

(\$ in millions)



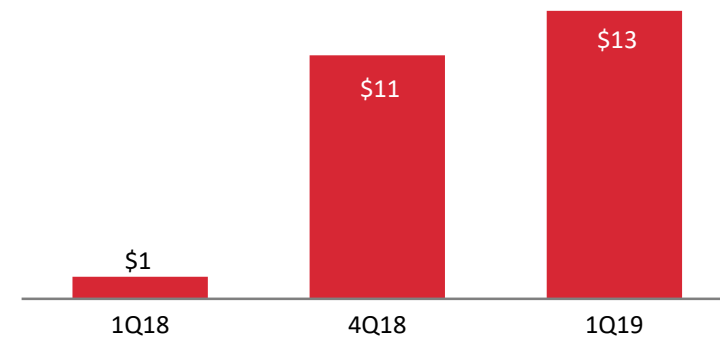
## EBITDA Excl. Other Costs (Non-GAAP) and Margin

(\$ in millions)



## Net Income Excl. Other Costs (Non-GAAP)

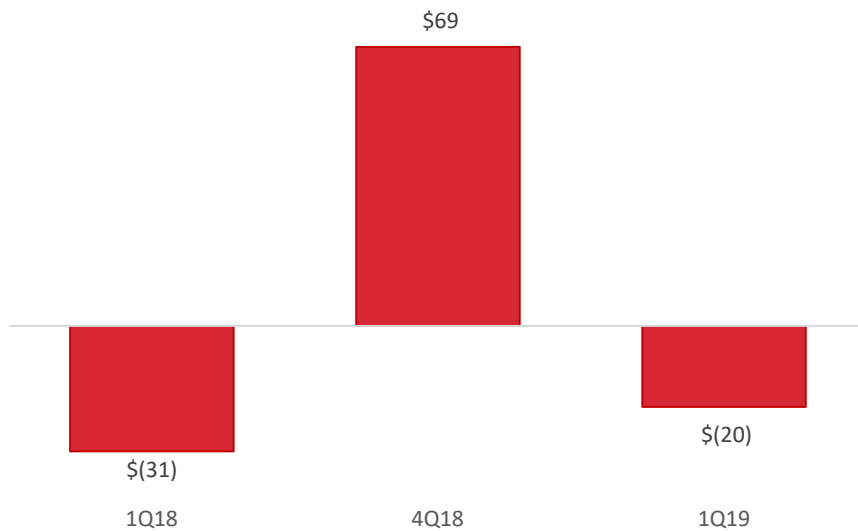
(\$ in millions)



# Cash Generation & Working Capital Management

## Free Cash Flow

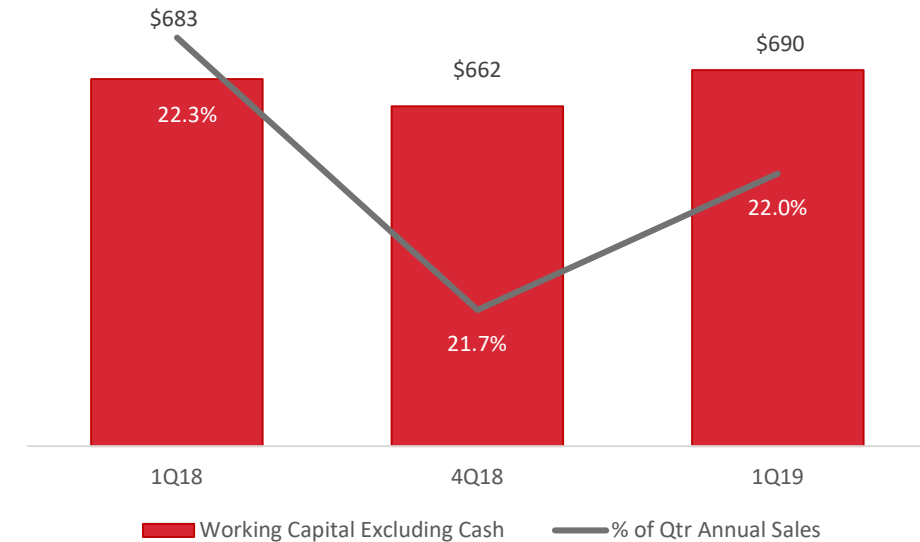
(\$ in millions)



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

(\$ in millions)



# YOY Improvement in Revenue and Operating Profit

(\$ in millions)

## Revenue:

United States

Canada

International

Total revenue

Unaudited	
1Q18	1Q19
\$ 562	\$ 600
102	86
100	99
<u>764</u>	<u>785</u>

## Operating profit:

United States

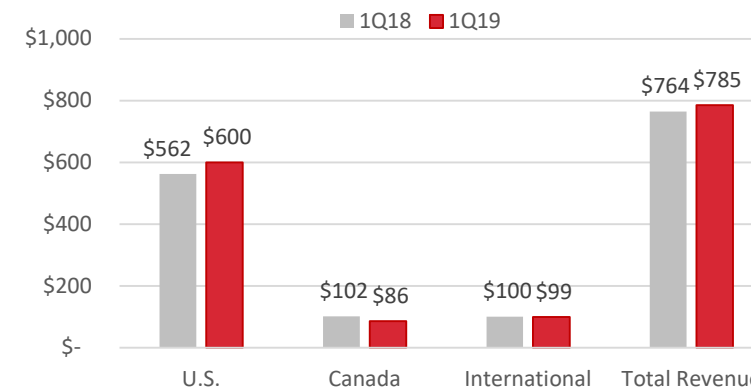
Canada

International

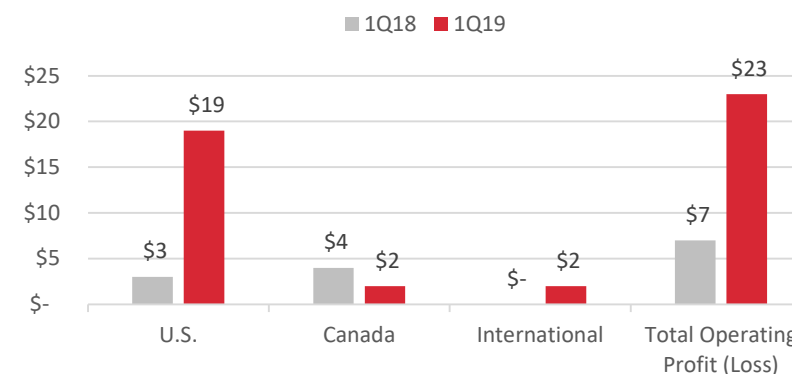
Total operating profit

\$ 3	\$ 19
4	2
-	2
<u>7</u>	<u>23</u>

YOY Revenue By Segment



YOY Operating Profit By Segment



Positive YOY U.S. revenue performance, profit from all three segments



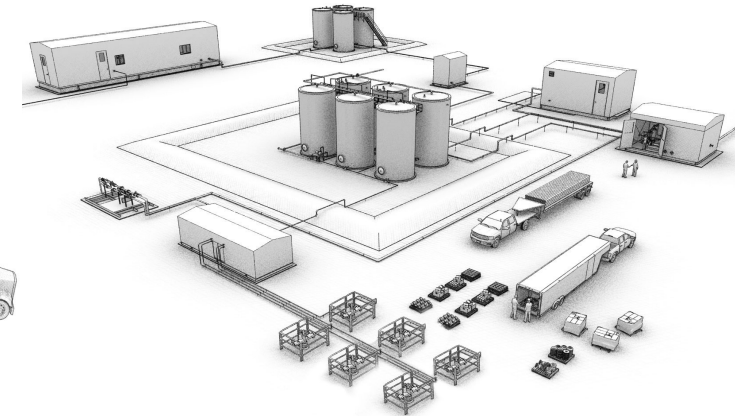
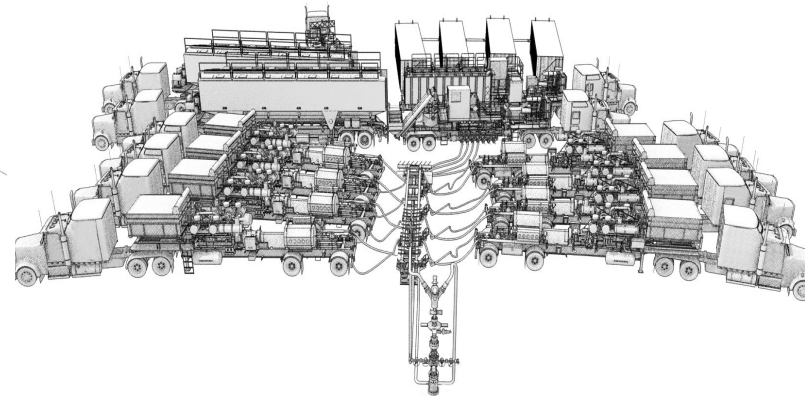
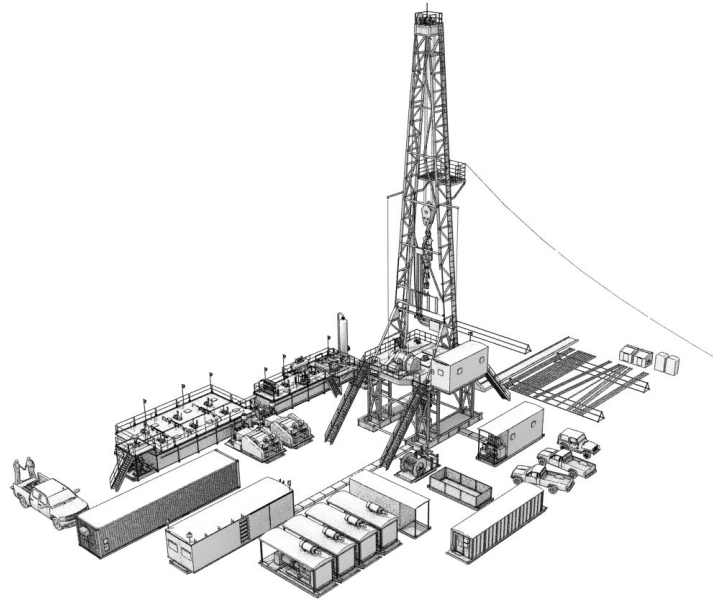
# Appendix

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# Timing and Materiality from Drilling to Tank Battery Install

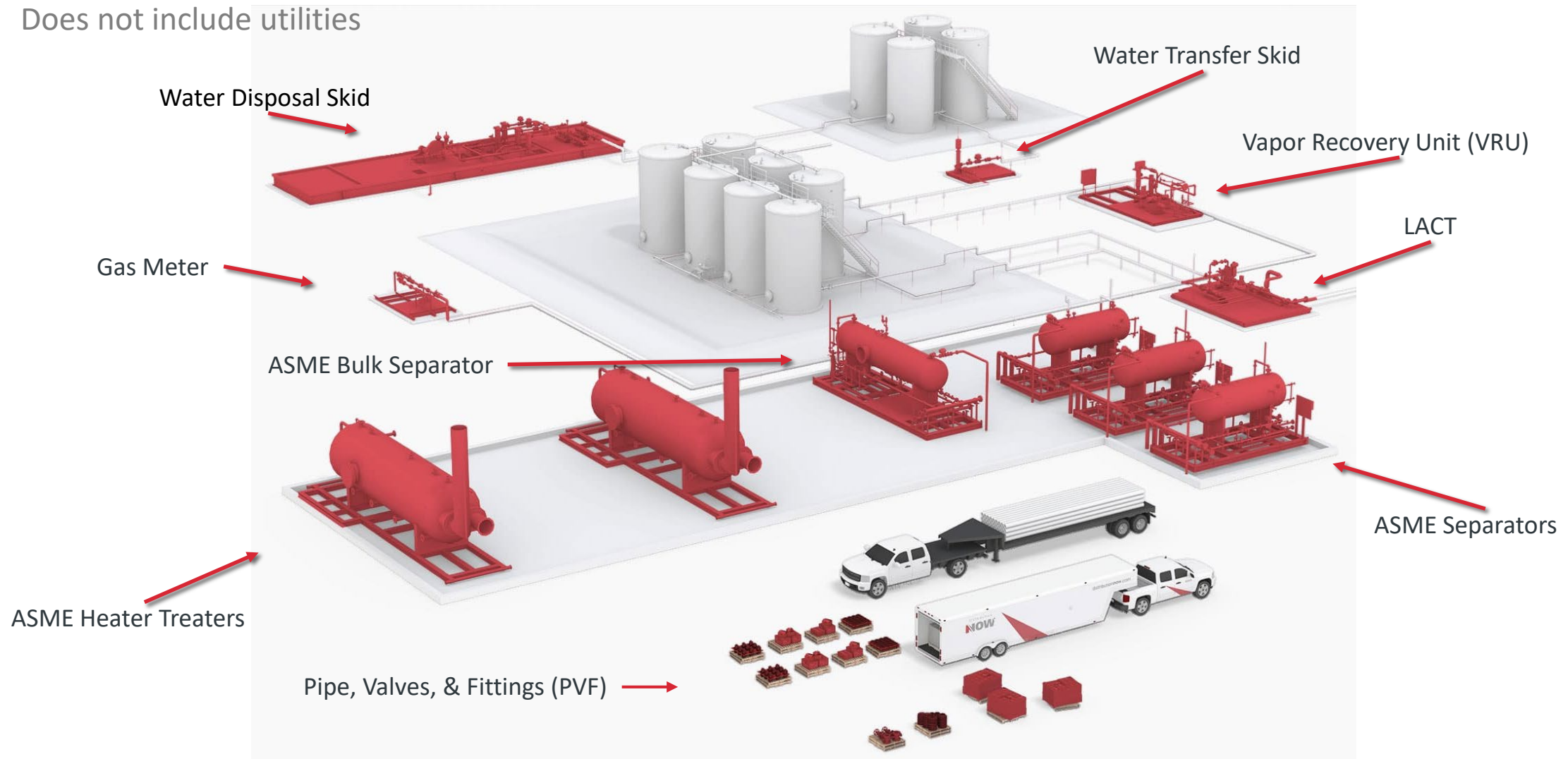


	Drilling	Frac	Tank Battery
Revenue*	\$4,000-\$5,000 per week	Minimal	\$250,000-\$2 million
Time*	60-80 days	45-60 days	45-60 days
Customer	Drilling Contractors	Service Companies	E&P Operators

\*Estimates based on a 6 well pad

# Example Tank Battery Installation

Does not include utilities

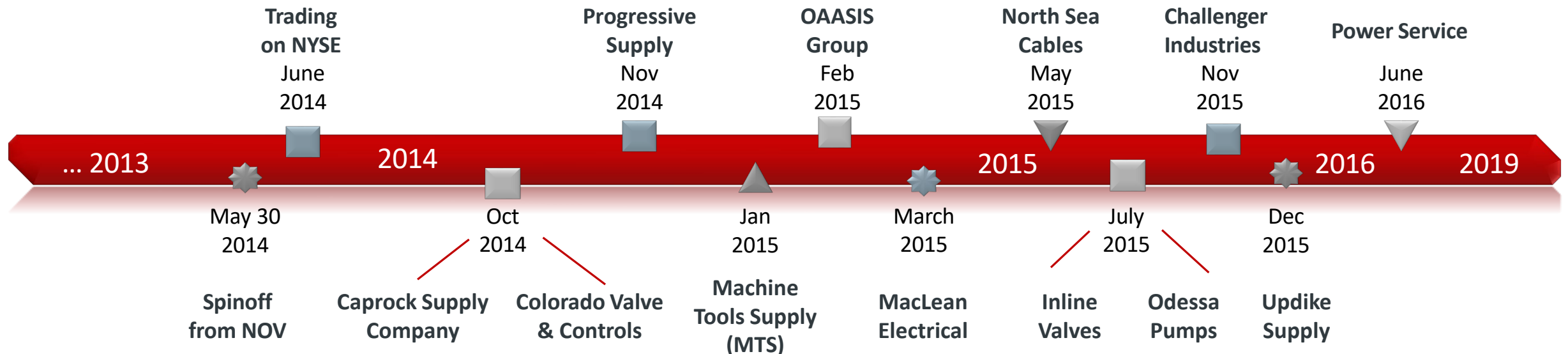


# Driving Growth through Acquisitions

## Clearly Defined Acquisition Strategy

Seek high value-add solutions that bring sustainable competitive advantages  
Leverage product lines acquired through acquisitions to gain organic share  
Utilize strong customer relationships that present new opportunities  
Increase barriers to entry  
Promote cross-selling into Energy operations at higher margins

## Track Record of Success





# Thank You.

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INVESTOR RELATIONS

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