



## Investor Presentation

2016

NYSE: DNOW



# Disclosure Statement

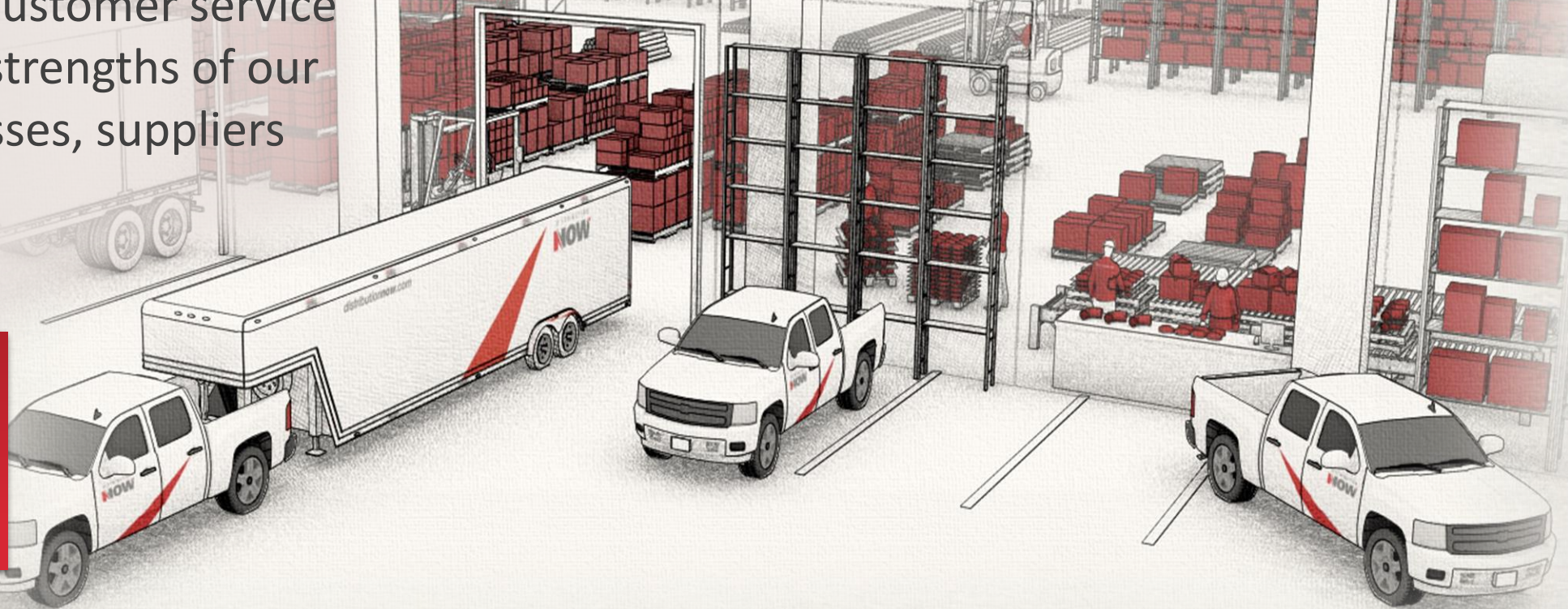
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# Vision

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	~4,600
ERP System	SAP™

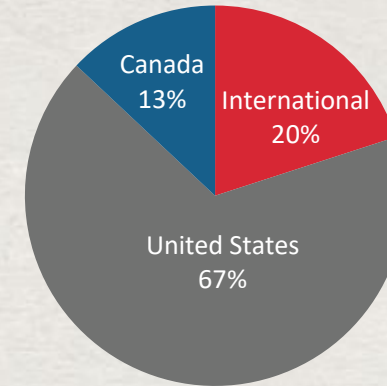




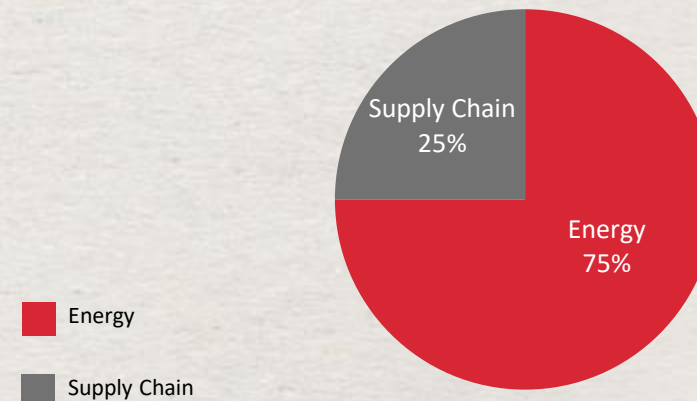
# Company Snapshot

- 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 centers and supply chain locations
- 2015 revenue of \$3.0 billion
- 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, Europe, the Middle East, the Former Soviet Union and Southeast Asia

2015 Revenue by Segment



2015 Revenue by Channel



# Global Customer Reach

## Company Locations

- Locations
- 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

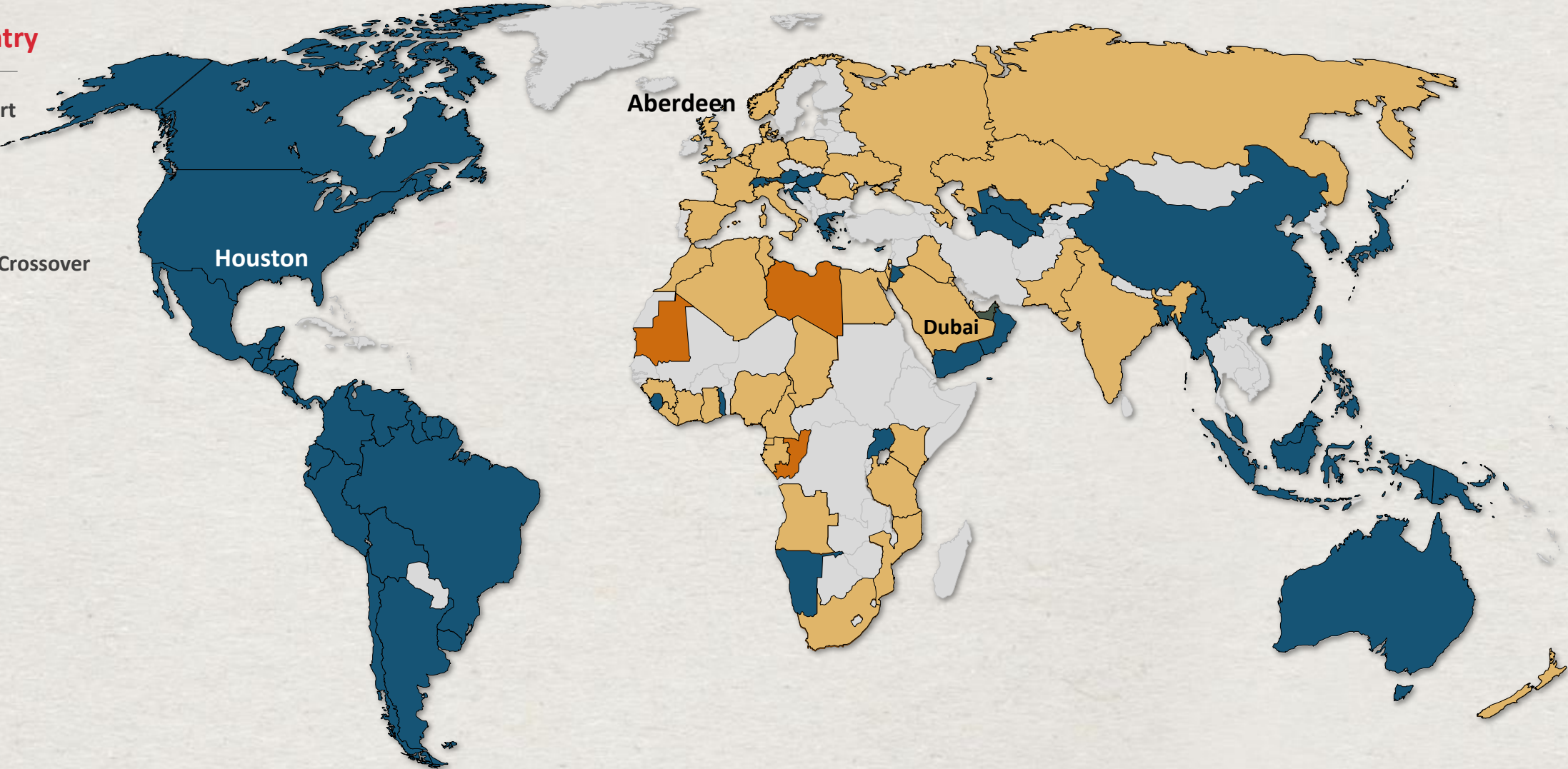




# Global Customer Reach

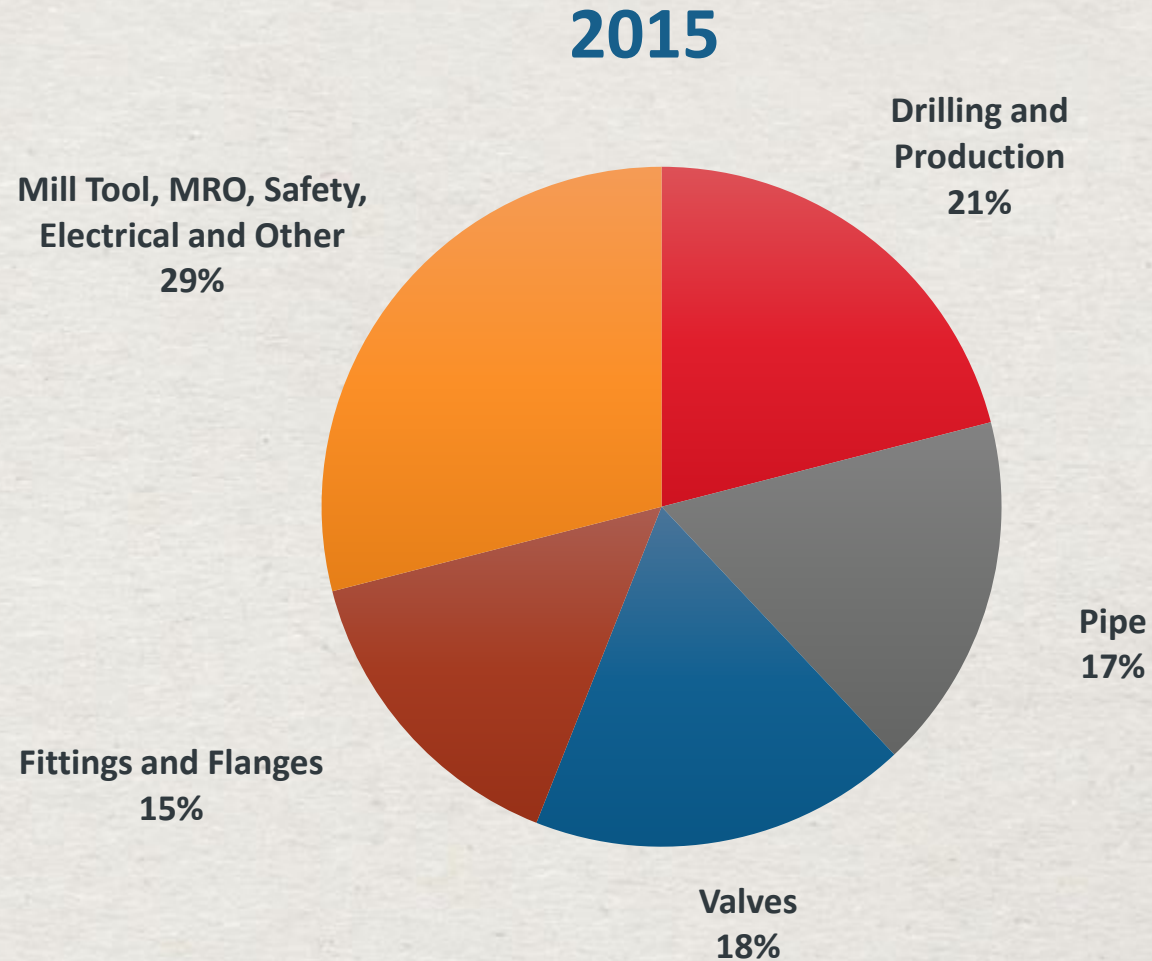
## Export by Country

- 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





# 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

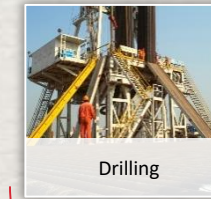


Fabrication

## 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

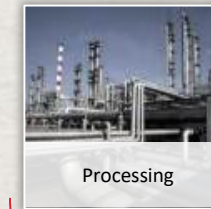


Drilling

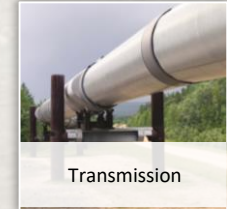


Exploration & Production

### UPSTREAM

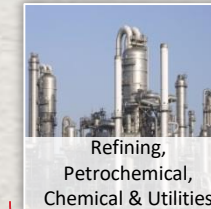


Processing



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



## ENERGY CENTERS

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 SERVICES

Vast offering of supply chain solutions 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 issues
- 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

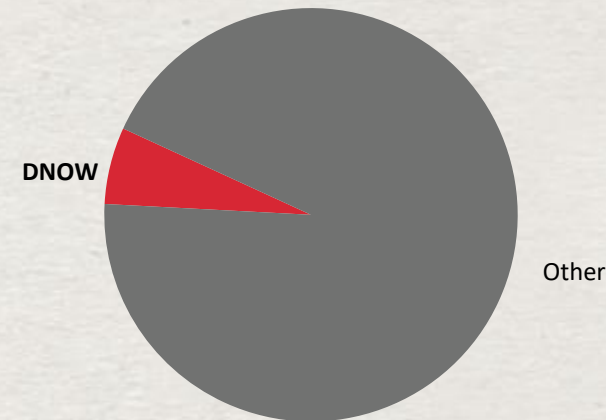
# Key Investment Highlights

- 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

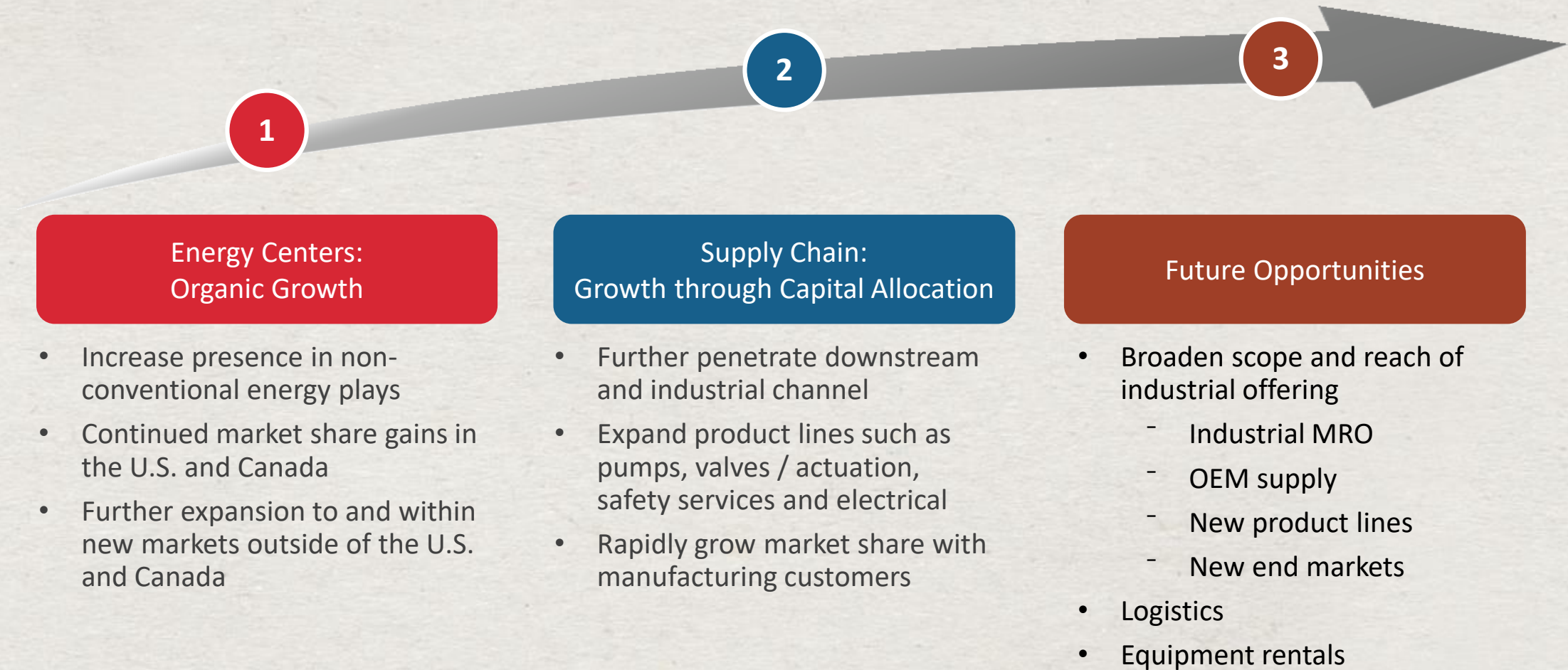


# Large and Highly Fragmented Market

- DistributionNOW is one of the largest distributors to the energy industry worldwide
  - 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, with approximately:
      - ~200 locations in the U.S.
      - ~60 locations in Canada
      - ~40 international locations
    - Supported by 8 distribution centers
- \$50bn+ addressable upstream, midstream, downstream and industrial market in U.S. and Canada<sup>1</sup>



# Growth Strategy through Capital Allocation





# Robust IT Capabilities Underpin Efficient Operations and Differentiated Value Proposition

- DNOW has implemented an integrated ERP system linking global centers, 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

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- Integrated with customer ERP
- Approximately 9 million electronic transactions processed in 2015
- In-house support allows DNOW to tailor its system to better meet customers' needs and increase operational efficiency

## Sample Applications

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- Demand management, statistical forecasting and lifecycle planning expedite decision making and allow flexible assortment planning
- An integrated warehouse management system; voice and wireless barcode 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 and balance sheet efficiencies



# 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 Handelonderneming	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
July 2012	CE Franklin	Canada
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 Industries, Inc.	United States
December 2015	Urdike Supply Company	United States
June 2016	Power Service, Inc.	United States

## M&A Strategy

- Use healthy balance sheet to allocate capital towards strengthening market positions
- Enhance high value add product offering and geographic reach in key global markets
- Accelerate expansion in supply chain services & industrial segments
- Expand eCommerce technologies



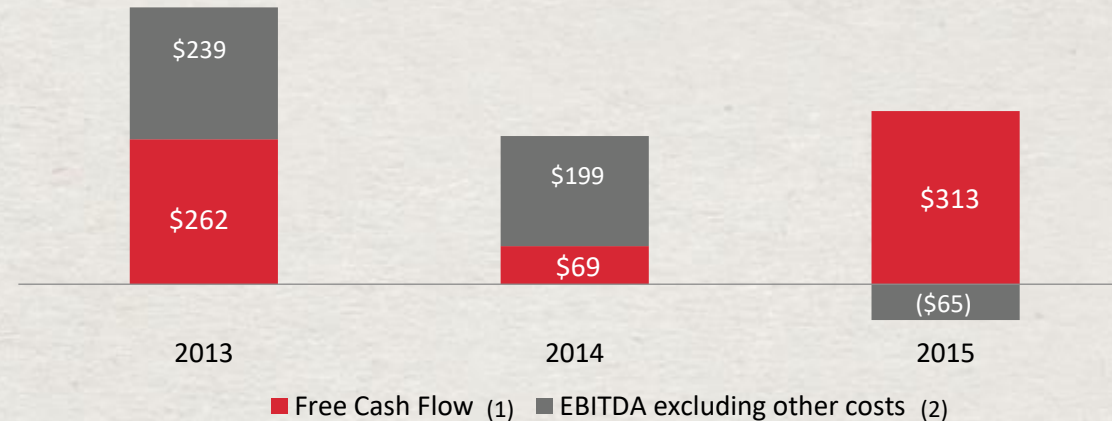
# Attractive Cash Generation and Returns Through the Cycle

## 2015 Financial Snapshot

- Revenue: \$3.0 billion
- Gross margin: 16.7%
- EBITDA excluding other costs: \$(65) million
- Free cash flow: \$313 million

## Free Cash Flow and EBITDA excluding other costs

(\$ in millions)



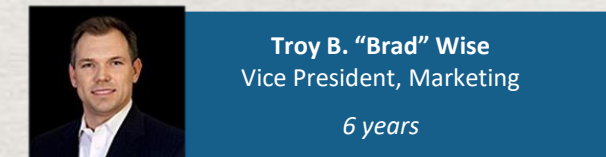
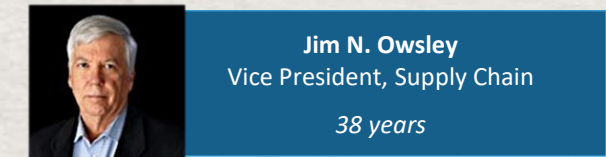
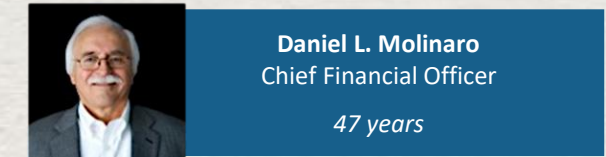
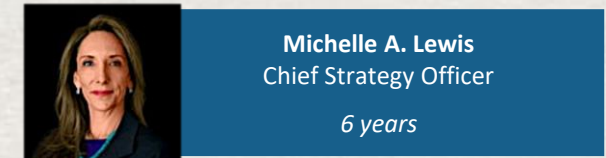
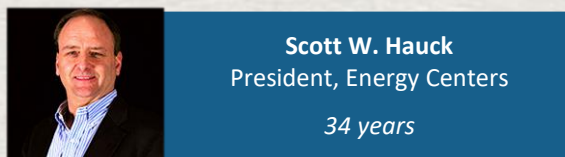
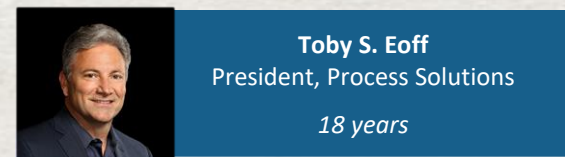
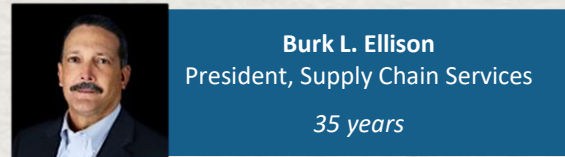
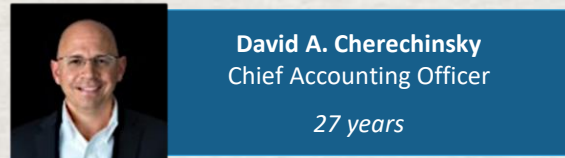
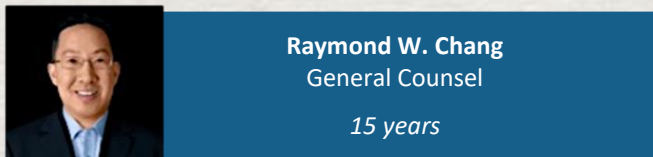
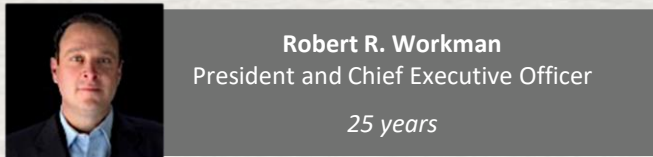
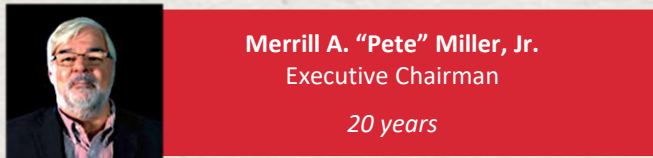
- Robust free cash flow despite headwinds in 2015 from a down year in the broader energy sector
- Continued to reinvest in the business to improve operations and support future growth
- Flexible cost structure and disciplined working capital management underpin cash flow generation through the cycle

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

(2) EBITDA excluding other costs is defined as Earnings before Interest, Taxes, Depreciation and Amortization and other costs of nil, \$1 million, \$413 million for 2013, 2014 and 2015, respectively. Other costs primarily includes goodwill impairment charge of \$393 million in the year ended December 31, 2015, and transaction costs associated with acquisitions including the cost of inventory that was stepped up to fair value during purchase accounting related to acquisitions and severance expenses which are included in operating profit (loss). More information on EBITDA excluding other costs can be found by reading the Company's most recent Annual Report on Form 10-K.

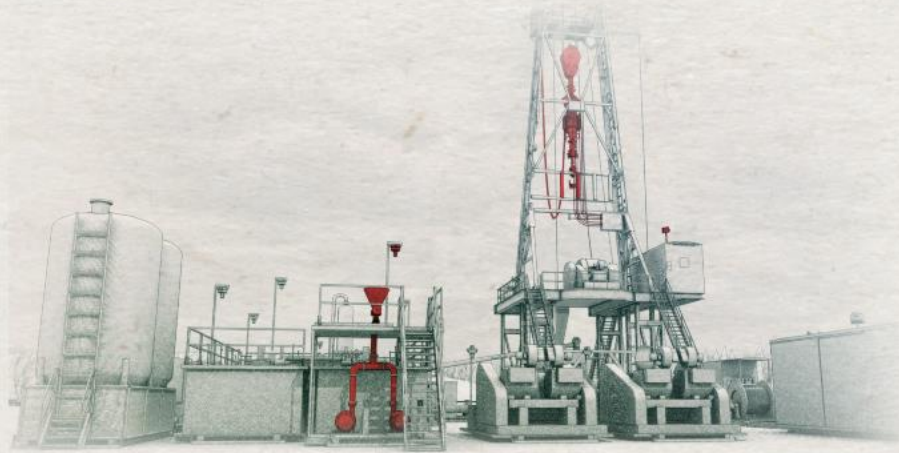
# Experienced Leadership

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



Note: Tenure includes DNOW and predecessor entities





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