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NOW Inc., Third Quarter 2018 Review & Key Takeaways

Forward Looking Statements

- 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 (loss) excluding other costs and (iii) diluted earnings (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 non-GAAP financial measure to its most comparable GAAP financial measure can be found in our quarterly earnings press release.

CEO Perspective: Third Quarter Key Takeaways

- Delivered 18% year-over-year (YOY) revenue growth
- YOY EBITDA excluding other costs incrementals were 22%
- Gross margins improved 100 bps YOY
- Our strategy to leverage U.S. Process Solutions and Supply Chain Services is delivering expanded YOY revenue of 30% or more for each U.S. channel
- Continued focus on supporting growth and operational efficiency initiatives

DNOW is capitalizing on a continued market upcycle

Strong Third Quarter Results

- Quarterly revenue of $822M improved by 18% YOY, outpacing 8% YOY global rig count growth
  - U.S. up 25% YOY, strong growth in U.S. compared to U.S. rig count growth of 11%
  - Canada down 3% YOY due to FX, International up 4% YOY due to increased activity
  - U.S. revenue channels: 53% U.S. Energy Centers, 31% U.S. Supply Chain Services, 16% U.S. Process Solutions
- GAAP net income of $20M; net income excluding other costs (a non-GAAP measure) of $17M, a $20M improvement YOY
- Warehousing, selling and administrative expense of $142M, in the expected range
- Operating profit of $26M, an improvement of $32M YOY
- EBITDA excluding other costs was $33M in 3Q18, a $28M YOY improvement
- GAAP diluted earnings per share improved to $0.18, with non-GAAP diluted earnings per share excluding

Top and bottom line YOY growth while holding expenses within guided range

Executing the DNOW Strategy to Unlock Value

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1 Deliver Margin Expansion

- Leveraging **improved quoting process** increasing efficiency and improving pricing discipline
- **Managing supply chain disruptions** 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

2 Optimize Operations

- Ongoing evaluation and **right-sizing of locations and distribution facilities**
- **Optimize inventory** for market opportunity
- Expand **value offerings from Process Solutions and Supply Chain Services**
- Human capital efforts continue, to **strengthen our position in active areas**

3 Drive Growth Through Acquisitions

- **Selectively evaluating M&A** opportunities
- Delivering **revenue synergies through cross-selling with acquired companies**
- **Expanding** valve and valve actuation shop offerings

4 Approach Capital Allocation with Discipline

- **Working capital**, excluding cash, was 22% of revenue in 3Q18
- **Improved inventory turns** to 4.4x
- **Cash on hand** at September 30, 2018 of $91M

Ongoing execution of strategy positions DNOW to deliver long-term shareholder value

Key Market Indicators

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WTI/Rig Counts

- WTI avg $70 per barrel for 3Q18
- U.S. avg rig count of 1,051, up 11% YOY
- Canada avg rig count 208, up 96% sequentially, 0% YOY
- International avg rig count 1,003, up 4% sequentially, 6% YOY

DNOW revenue per rig was $1.5M for annualized 3Q18

U.S. DUCs

- September ended with a DUC count of 8,389 wells
- 8,186 3Q18 avg, up 9% from 2Q18 avg
- Up 32% YOY avg

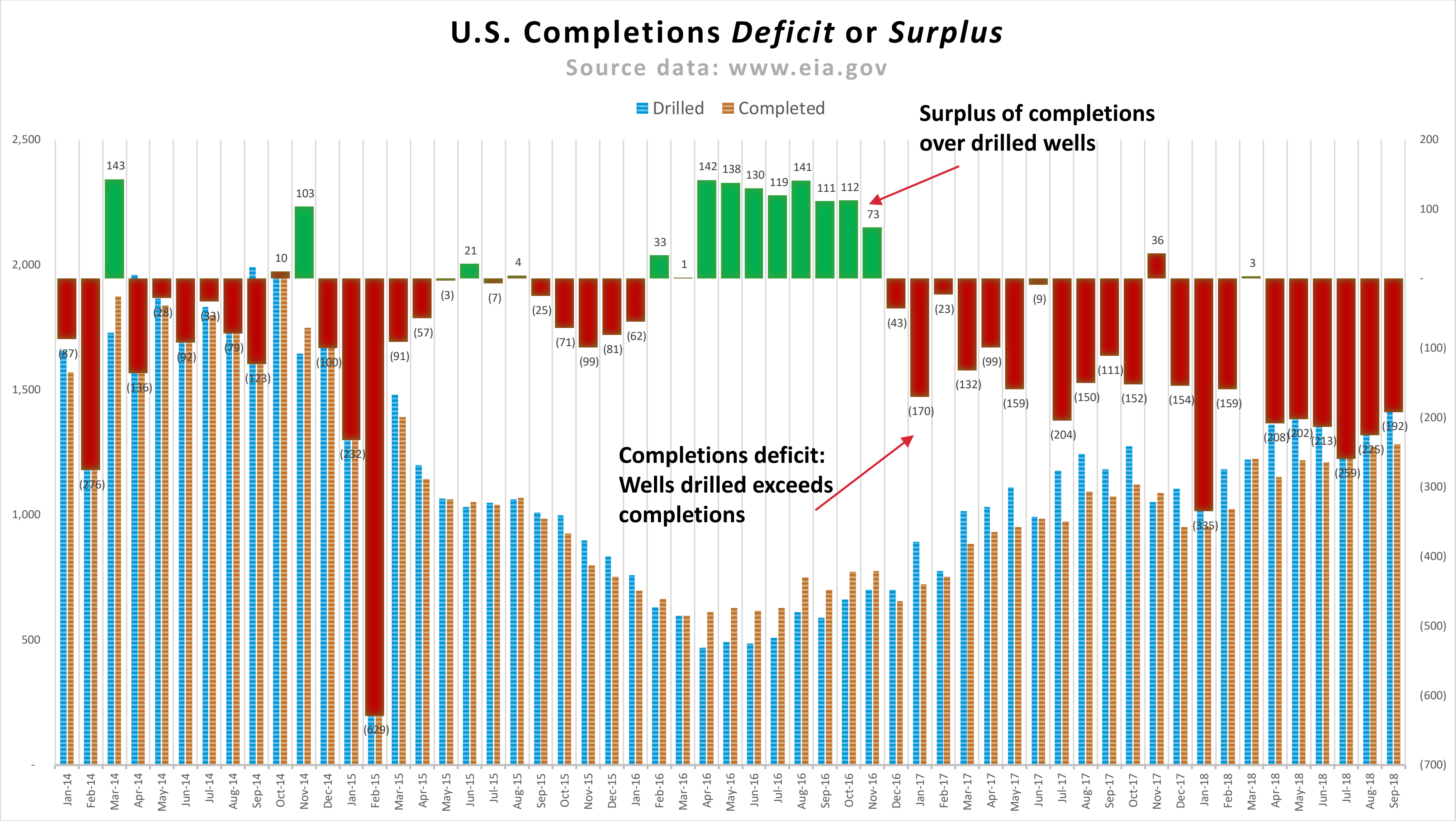
DUCs are future revenue opportunities for DNOW

U.S. Completions

- 1,264 avg for 3Q18
- Up 6% from 2Q18 avg
- Up 20% YOY avg

Presents an immediate opportunity for DNOW U.S. sales as tank batteries are constructed after completions

Drilled and Completed Well Trends



DUCs grow as completions struggle to keep pace with wells drilled

3Q Highlights and Future Dynamics – U.S. Channels

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U.S. Energy Centers

3Q Highlights
- Revenue up 19% YOY
- Growth led by E&P market
- Rockies and Western regions driving growth

Future Drivers
- Short term reduction in completions impact on tank battery sales
- Sourcing strategy managing through section 232, section 301 and tariffs on imports
- Replacement costs on pipe flattens, Hot Roll Coil pricing off June peak

U.S. Supply Chain Services

3Q Highlights
- Revenue up 30% YOY
- Increased activity with major E&P customers continued in Permian, Eagle Ford, Bakken and Mid Continent

Future Drivers
- Fundamentals good for SCS value proposition
- Focused on investing in Permian and New Mexico growth areas
- Continue to expand product portfolio to energy customers for increased value proposition

U.S. Process Solutions

3Q Highlights
- Revenue up 34% YOY
- Continue market share gain in Permian and Rockies for fabricated production equipment
- Continue capturing produced water with SWD pumps and crude gathering opportunities for midstream projects
- Added new major independent customer in the Permian

Future Drivers
- Continue to see sizable RFQs from EPCs and E&P Operators in Permian, Rockies and Bakken

Overall U.S. revenue grew 25% YOY; exceeding 11% U.S. rig count growth

3Q Highlights and Future Drivers – Canada and Int'l

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Canada

3Q Highlights

- Revenue decreased 3% YOY, impacted negatively by foreign exchange, sequential increase 24%
- Cardium and Viking areas showing high activity out of break-up, steady activity in oil sands market
- Market opportunity partially restrained due to pipeline approval constraints

Future Drivers

- Uptick in project bids on existing midstream and SAGD infrastructure
- Uncertainty on pipeline takeaway projects resulting from political and economic challenges
- Significant crude trading discount to WTI impacting new capex investment

International

3Q Highlights

- Revenue up 4% YOY and down 3% sequentially
- Markets strengthening in Iraq, Kazakhstan, and North Sea Market
- Activity picking up in Latin American sector
- Increase in inquiries from Australia

Future Drivers

- Activity picking up in MENA, Latin America and Asia, with steady activity in CIS and Europe
- Tracking rig reactivations globally
- Uptick in rig load-outs in Asia

International outlook turning positive

CFO Highlights: Selected Quarterly Results (Unaudited)

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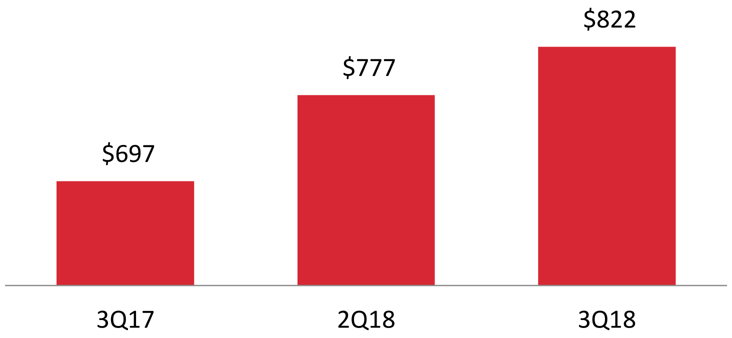
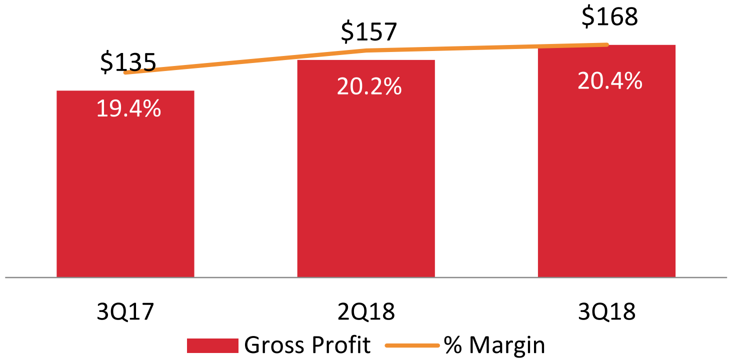
Revenue

($ in millions)



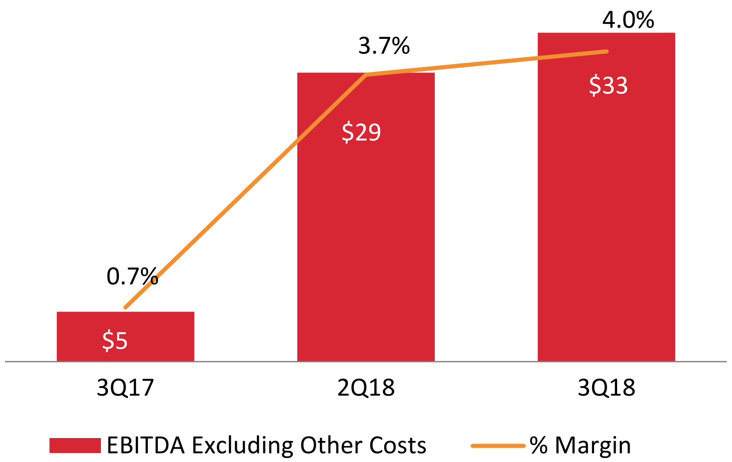
Gross Profit and Margin

($ in millions)



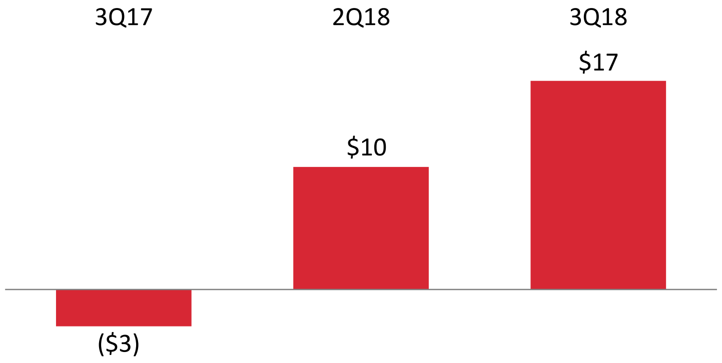
EBITDA Excl. Other Costs (Non-GAAP) and Margin

($ in millions)



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

($ in millions)



Continued positive momentum on key metrics

YOY Improvement in Revenue and Operating Profit

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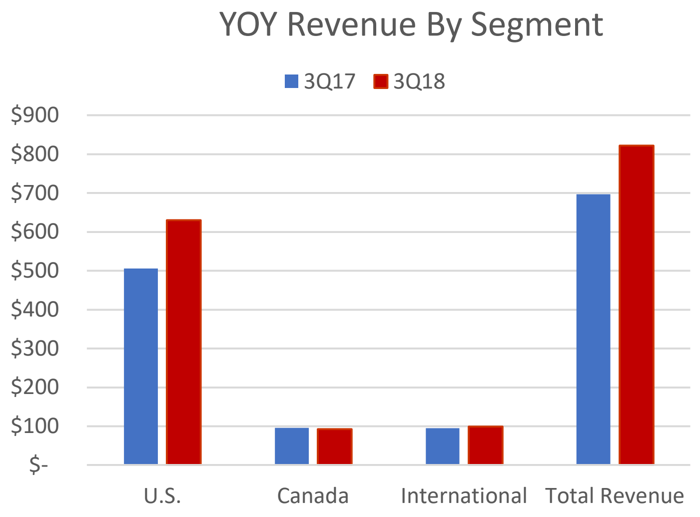
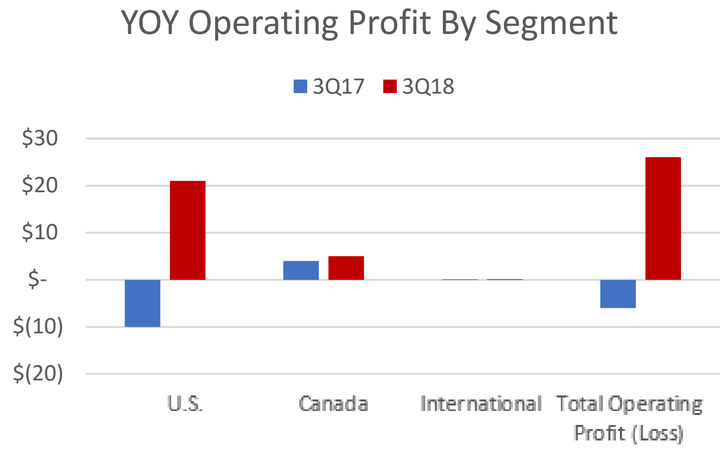
($ in millions)

	Unaudited 3Q17		Unaudited 3Q18	
Revenue:				
United States	$	506	$	630
Canada		96		93
International		95		99
Total revenue		697		822
Operating profit (loss):				
United States	$	(10)	$	21
Canada		4		5
International		-		-
Total operating profit (loss)		(6)		26





Strong YOY U.S. revenue performance, Int'l revenue strengthened

CEO Wrap Up: Key Takeaways

- Short-term fundamentals mixed in the U.S. with seasonal trends, budget exhaustion, temporary slowdown in Permian and Canada related to takeaway constraints
- Long term fundamentals positive with growing inventory of drilled but uncompleted wells (DUCs) and improvement with offshore rig reactivation and load outs
- Full year 2018 revenue growth expectations compared to 2017 remain in the high-teens percentage range
- Full year 2018 EBITDA-to-revenue expected incrementals compared to 2017 remain in the high-teens percentage range
- Looking ahead, well positioned to leverage our value proposition, strategy and assets to capture market opportunity

DNOW's organizational strength and committed employees are critical foundation for success