DISTRIBUTION NOW

Energy Delivered.™

NOW Inc., Fourth Quarter 2018 Review & Key Takeaways

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 (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.

CEO Perspective: Fourth Quarter Key Takeaways

- Delivered 14% year-over-year (YOY) revenue growth
- YOY EBITDA excluding other costs incrementals were 19%
- Gross margins improved 140 bps YOY
- Our strategy to leverage U.S. Process Solutions and U.S. Supply Chain Services is delivering expanded YOY revenue of 14% and 19% for each channel
- Continued focus on supporting growth and operational efficiency initiatives

Fourth Quarter Results

- Quarterly revenue of $764M improved by 14% YOY, outpacing 9% YOY global rig count growth
  - U.S. up 19% YOY, strong growth in U.S. versus U.S. rig count growth of 16%
  - Canada up 4% YOY despite a decline in rig counts, International up 1% YOY due to increased activity
  - U.S. revenue channels: 53% U.S. Energy Centers, 32% U.S. Supply Chain Services, 15% U.S. Process Solutions
- GAAP net income of $16M; net income excluding other costs (a non-GAAP measure) of $11M, a $10M improvement YOY
- Warehousing, selling and administrative expense of $135M, below our expected range
- Operating profit of $22M, an improvement of $22M YOY
- EBITDA excluding other costs was $31M in 4Q18, an $18M YOY improvement
- GAAP diluted earnings per share improved to $0.14, with non-GAAP diluted earnings per share excluding other costs of $0.11 per share

Top and bottom line YOY growth while exhibiting solid expense control

Executing the DNOW Strategy to Unlock Value

DISTRIBUTION NOW

1 Deliver Margin Discipline

- 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

2 Optimize Operations

- **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**

3 Approach to Capital Allocation

- **Working capital**, excluding cash, was 22% of revenue in 4Q18
- **Inventory turns** at 4.0x
- **Cash on hand** at December 31, 2018 of $116M
- **Net debt** reduced to $16M

4 Drive Growth Through Acquisitions

- **Selectively evaluating M&A** opportunities
- Delivering **revenue synergies through cross-selling with acquired companies**

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

4Q18 Key Market Indicators

WTI/Rig Counts

- WTI avg $59 per barrel for 4Q18
- U.S. avg rig count of 1,072, up 2% sequentially, up 16% YOY
- Canada avg rig count 177, down 15% sequentially, down 13% YOY
- International avg rig count 1,011, up 1% sequentially, up 7% YOY

DNOW revenue per rig was $1.4M for annualized 4Q18

U.S. DUCs

- December ended with a DUC count of 8,594 wells
- 8,371 4Q18 avg, up 8% from 3Q18 avg
- Up 29% YOY avg

DUCs are future revenue opportunities for DNOW

U.S. Completions

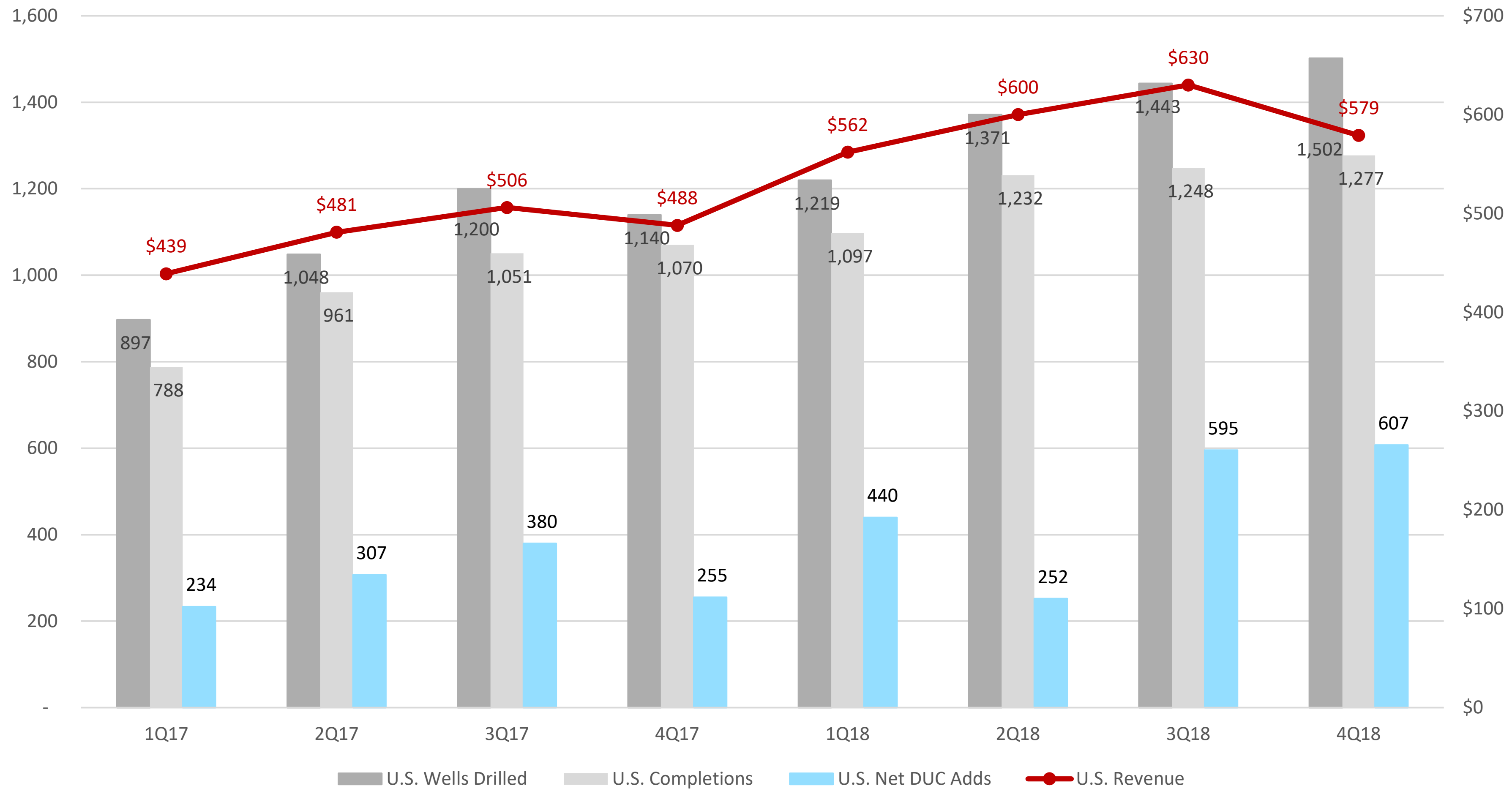
- 1,277 avg for 4Q18
- Up 2% from 3Q18 avg
- Up 19% YOY avg

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

U.S. Revenue, Completions & DUC Trend

DISTRIBUTION NOW

$ in millions



Capturing market opportunity from completions, while DUCs remain future opportunity

4Q18 Highlights and Future Dynamics – U.S. Channels

DISTRIBUTION NOW

U.S. Energy Centers

4Q Highlights
- Revenue up 20% YOY, down 8% sequentially
- Holidays, oil price declines and budget exhaustion led to sequential drop
- E&P activity led by Permian and Mid Continent areas
- Midstream project activity in Permian, Mid Continent and North East

Future Drivers
- Completion contribution from DUC inventory led to tank battery sales
- Hot Roll Coil price reduction driving lower domestic welded pipe pricing
- Sourcing strategy managing through section 232, section 301 and tariffs on imports

U.S. Supply Chain Services

4Q Highlights
- Revenue up 19% YOY, down 7% sequentially
- Fewer billing days, holiday shutdowns and budget exhaustion led to sequential decline
- E&P activity from Delaware Basin, Mid Continent and Bakken
- Project and turnaround activity in downstream

Future Drivers
- Fundamentals good for SCS value proposition
- Expand product portfolio to energy customers for increased value proposition
- Kitted solutions yielding efficiencies and customer savings

U.S. Process Solutions

4Q Highlights
- Revenue up 14% YOY, down 11% sequentially
- Fewer billing day, holidays, customers defer shipments until after holidays
- Full, turnkey tank battery sale in New Mexico
- Continue capturing produced water with salt-water disposal (SWD) pumps and crude gathering opportunities for midstream projects
- Activity led by Permian, Bakken, Rockies, and Mid Continent

Future Drivers
- Strong order levels
- Target SWD and pipeline booster pumps

4Q18 Highlights and Future Drivers – Canada and Int'l

DISTRIBUTION NOW

Canada

4Q Highlights

- Revenue increased 4% YOY, sequential decrease of 5%
- Well spuds decreased 27% sequentially
- Takeaway constraints challenge top line growth

Future Drivers

- Mandatory production cuts by Alberta Government announced on December 2018 to reduce rising levels of crude inventory
- Uncertainty on pipeline takeaway projects resulting from political and economic challenges
- Significant crude trading discount to WTI impacting new capex investment for 2019

International

4Q Highlights

- Revenue up 1% YOY and down 2% sequentially
- Increased offshore activity in Europe, Asia and Latin America
- Heightened level of jack-up rig readiness activity in Asia and Europe
- Middle East land activity remains steady

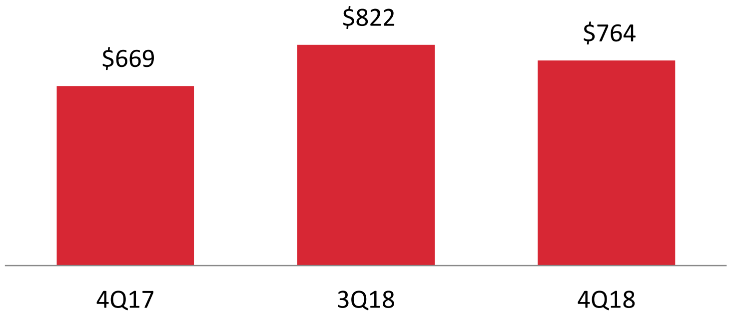
Future Drivers

- Jack-up and floater tender awards
- Increasing offshore activity in Europe, Asia and Latin America, particularly Norway, UK, Mexico, Singapore and Brazil
- Brexit developments

CFO Highlights: Selected Quarterly Results (Unaudited)

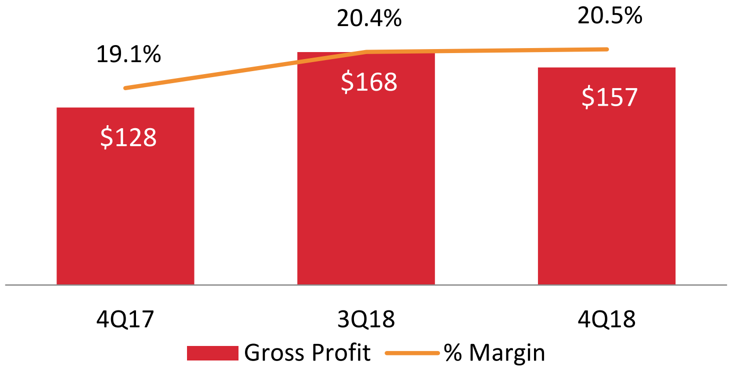
Revenue

($ in millions)



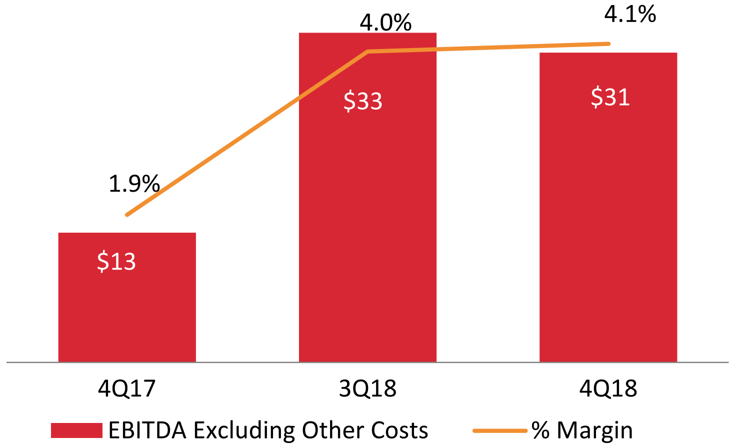
Gross Profit and Margin

($ in millions)



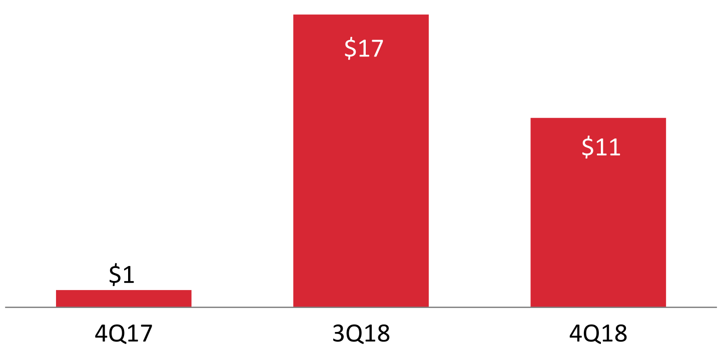
EBITDA Excl. Other Costs (Non-GAAP) and Margin

($ in millions)



Net Income Excl. Other Costs (Non-GAAP)

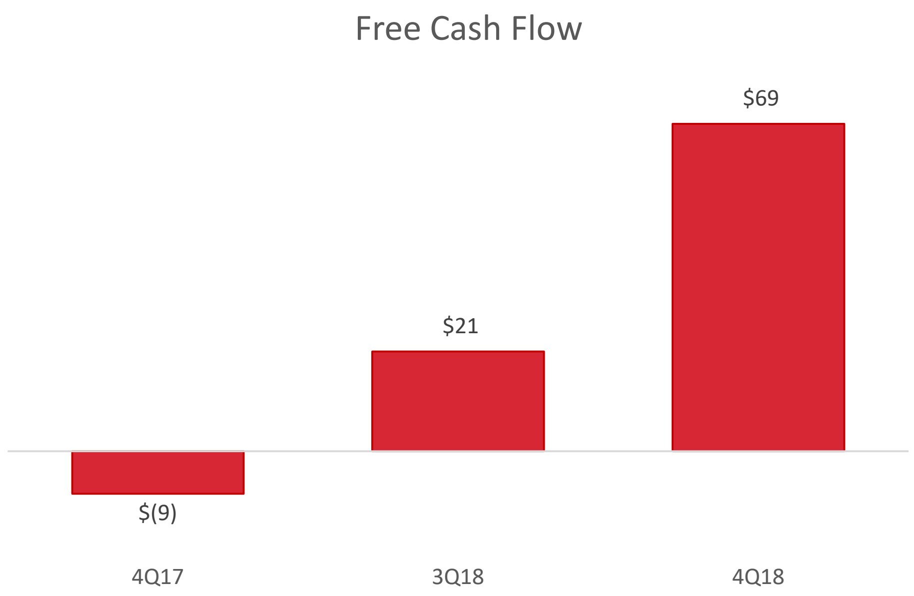
($ in millions)

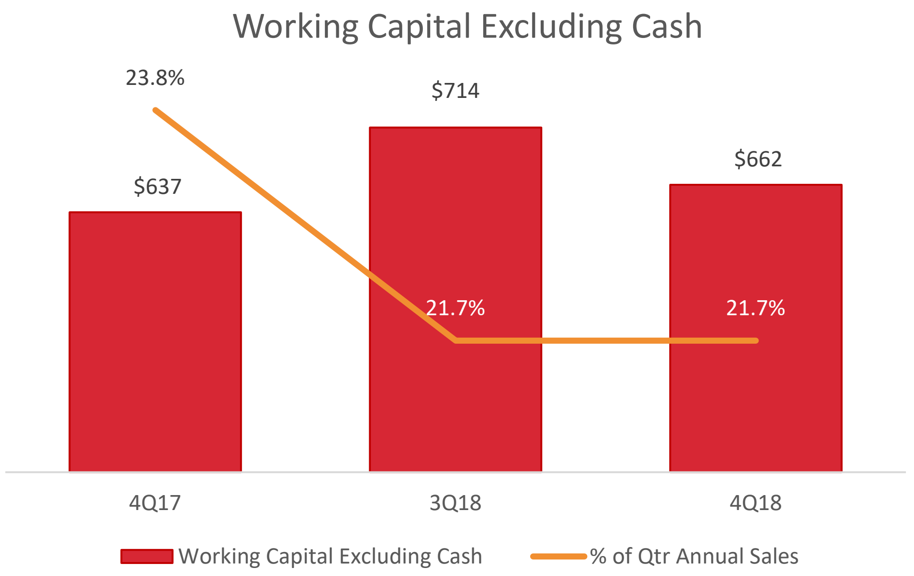


Cash Generation & Working Capital Management

DISTRIBUTION NOW

($ Millions)



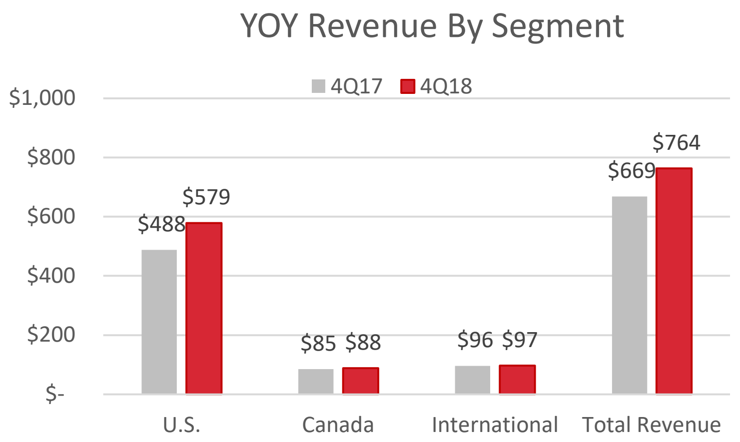


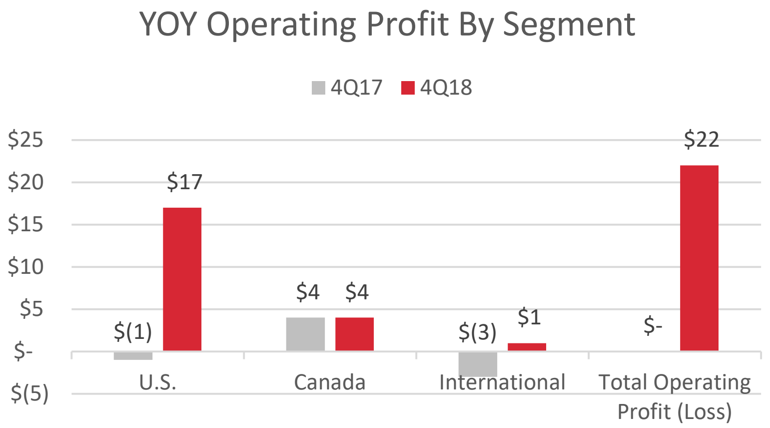
Free Cash Flow (“FCF”) is defined as net cash provided (used in) by operating activities, less purchases of property, plant and equipment

YOY Improvement in Revenue and Operating Profit

($ in millions)

	Unaudited 4Q17		Unaudited 4Q18	
Revenue:				
United States	$	488	$	579
Canada		85		88
International		96		97
Total revenue		669		764
Operating profit (loss):				
United States	$	(1)	$	17
Canada		4		4
International		(3)		1
Total operating profit (loss)		-		22





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

CEO Wrap Up: Key Takeaways

Turnkey tank battery supplied by DNOW

- U.S. seasonal trends, budget exhaustion, temporary slowdown in the Permian and Canada related to takeaway constraints, coupled with depressed oil prices impacted top line fourth quarter
- Strong margin and flow through deliver profitability to all reporting segments
- Free Cash Flow positive last three quarters of 2018
- Guidance for full year 2019 is for revenue to be flat to a low single digit decline from 2018 based on our current outlook and market sentiment
- Looking ahead, well positioned to leverage our value proposition, strategy and assets to capture market opportunity

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