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NOW Inc., Second Quarter 2019

KEY TAKEAWAYS

Energy Delivered.™

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: Second Quarter Key Takeaways

- Generated $66M in quarterly free cash flow
- EBITDA excluding other costs at $27M
- U.S. Process Solutions improved YOY revenue by 36% expanding our customer base servicing upstream and midstream markets
- Closed two small acquisitions, bolstering U.S. Process Solutions
- Continuing cost control and operational efficiencies

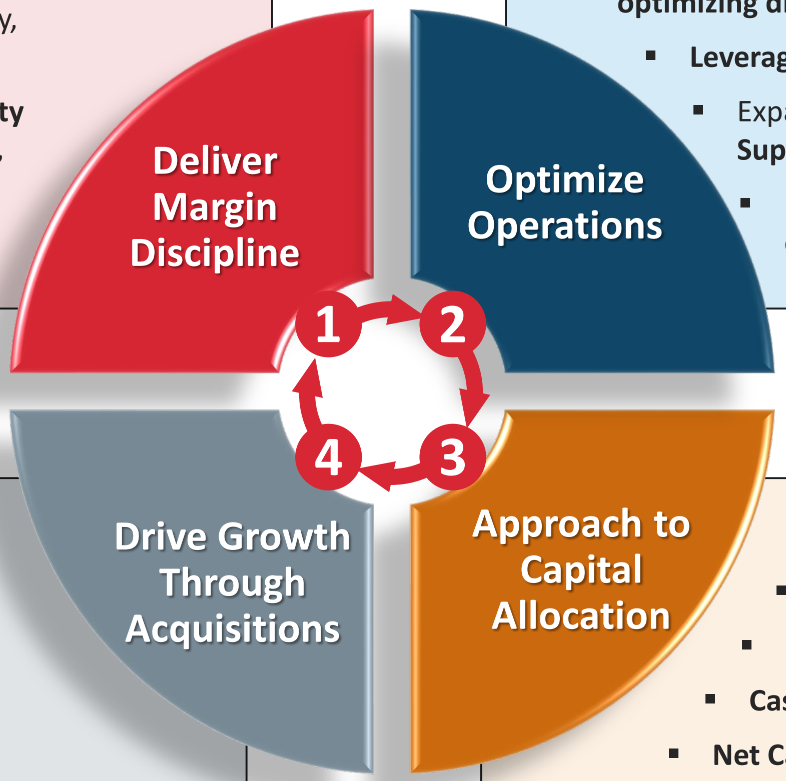
Second Quarter Results

- Quarterly revenue of $776 essentially flat YOY, with global rig count up 3%
  - U.S. up 1% YOY versus rig count decline of 5%
  - Canada down 1% YOY, despite a 22% decline in rig count
  - International down 5% YOY, on 15% rig count growth
  - U.S. revenue channels: 53% U.S. Energy Centers, 28% U.S. Supply Chain Services, 19% U.S. Process Solutions
- GAAP net income of $14M; net income excluding other costs (a non-GAAP measure) of $10M, flat YOY
- Warehousing, selling & administrative expense of $136M, a $3M improvement YOY
- Operating profit of $17M, an decrease of $1M YOY due to a decline in gross margin
- EBITDA excluding other costs was $27M in 2Q19
- GAAP diluted earnings per share of $0.12, with non-GAAP diluted earnings per share excluding other costs at $0.09 per share versus $0.10 in 2Q18

Maintained flat YOY top line with U.S. rig count decline while exhibiting solid expense control

DNOW Strategy to Unlock Value

- Leveraging **improved quoting process**, increasing efficiency, response time and improving pricing discipline
- **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
  - Closed two small acquisitions in 2Q19
  - Residing within U.S. Process Solutions
- Deepening integrations of acquired companies and delivering **revenue synergies through cross-selling with acquired companies**

- **Working capital**, excluding cash, was 21% of revenue in 2Q19
- **Inventory turns** at 4.2x
- **Cash on hand** at June 30, 2019 of $80M
- **Net Cash** at $18M

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

2014

May 30, 2014
Spinoff
from NOV

Trading
on NYSE
June 2014

Oct 2014
- Caprock Supply Company
- Colorado Valve & Controls

Progressive
Supply
Nov 2014

Jan 2015
Machine
Tools Supply

OAASIS
Group
Feb 2015

March 2015
MacLean
Electrical

North Sea
Cables
May 2015

- Inline Valves
- Odessa Pumps

July 2015

Challenger
Industries
Nov 2015

Dec 2015
Updike
Supply

June 2016
Power Service

May 2019
Piping Specialties
Company

Accelerated
Process Systems
June 2019

2019

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2Q19 Key Market Indicators

WTI/Rig Counts

- WTI avg $60 per barrel for 2Q19
- U.S. avg rig count of 989, down 5% sequentially, down 5% YOY
- Canada avg rig count 83, down 55% sequentially, down 22% YOY
- International avg rig count 1,109, up 8% sequentially, up 15% YOY

DNOW annualized revenue per rig was $1.4M for 2Q19

U.S. DUCs

- June ended with a DUC count of 8,248 wells in EIA DPR regions
- 8,277 2Q19 avg, sequentially flat
- Up 21% YOY avg

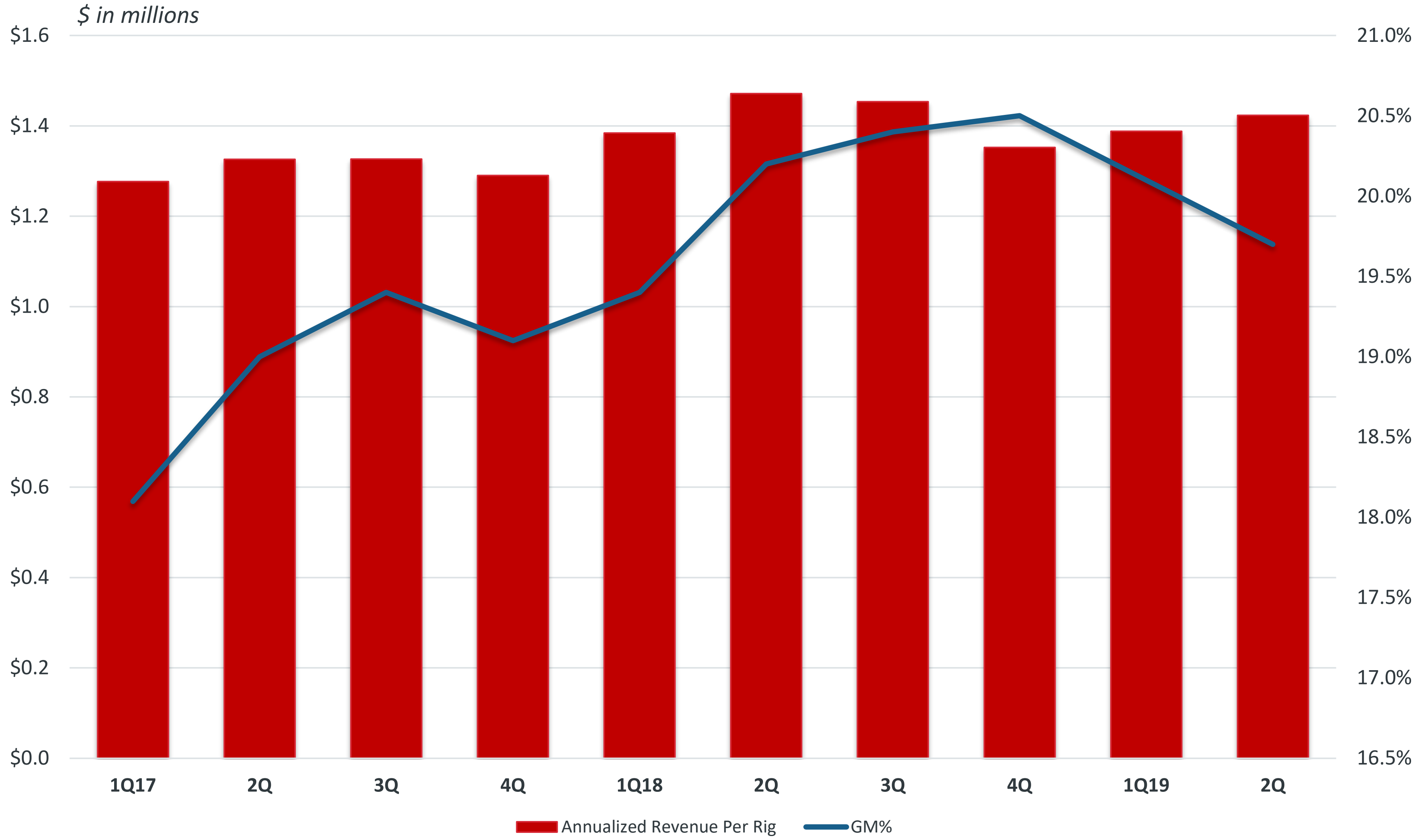
DUCs are future revenue opportunities for DNOW

U.S. Completions

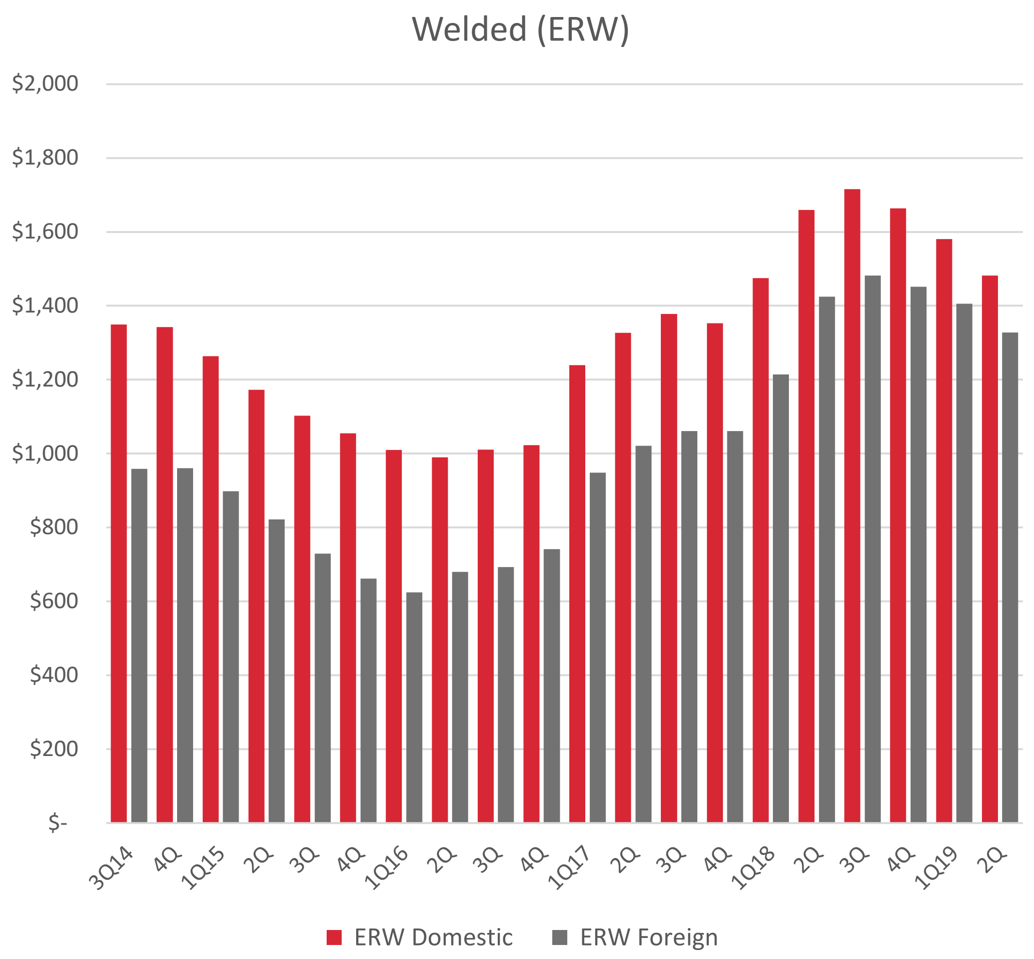
- 1,390 avg for 2Q19
- Up 6% from 1Q19 avg
- Up 9% YOY avg

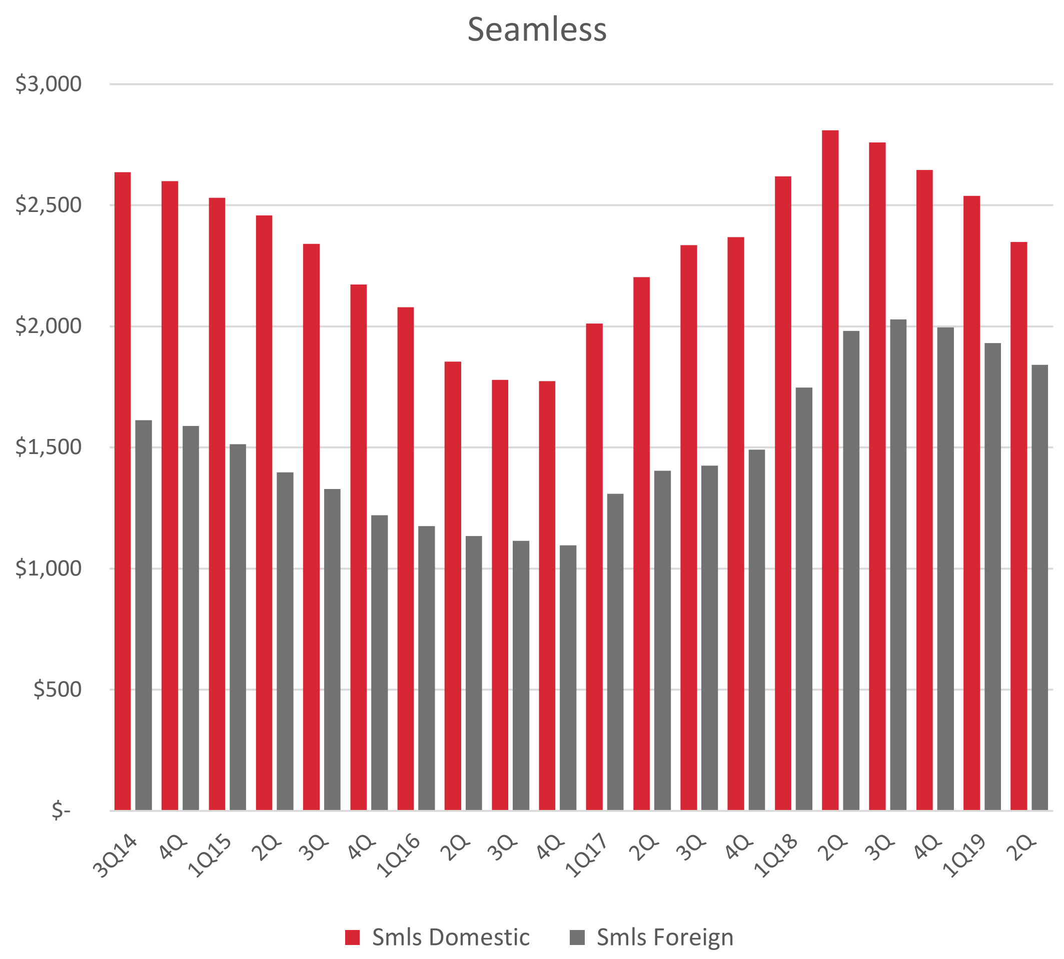
Presents an immediate opportunity for DNOW U.S. sales as tank batteries and gathering systems are constructed after completions

Revenue per Global Rigs and Gross Margins, Trended



Pipe price trends, U.S. dollar per ton





Source: Pipe Logix

2Q19 Highlights and Future Drivers – U.S. Channels

U.S. Energy Centers

2Q Highlights

- Revenue up 1% with rig count down 5% sequentially
- Pipe sales increased sequentially against a falling pipe replacement cost environment
- Increase in Southeast, Northeast and Rockies
- Experienced slowdown in Permian, South Texas, West, and Mid Continent, some project delays in Northeast due to customer permitting
- Declining drilling activity across major plays

Future Drivers

- Softening land rig market
- HRC pricing remains challenging and a weaker market for OCTG leaving more capacity in the market than demand

U.S. Supply Chain Services

2Q Highlights

- Revenue down 9% sequentially
- One of our top customers reduced budget and deferred spending to conserve cash due to making a large acquisition
- E&P activity gains focused on Delaware basin, Powder River and Bakken

Future Drivers

- Continued disruption of one of our top customers focused on closing major acquisition in second half of year.
- Polypipe opportunities with key E&P operator

U.S. Process Solutions

2Q Highlights

- Revenue up 17% sequentially
- Activity led by Permian, Bakken, Rockies, and Eagle Ford for E&P tank battery orders and midstream production and measurement units
- Executed on pump stocking program for midstream customers

Future Drivers

- Develop two acquisitions made in 2Q19
- Continue to leverage U.S. Energy Centers and U.S. Supply Chain Services relationships for geographical growth
- Expand new air compressor supplier agreement for Permian

2Q19 Highlights & Future Drivers – Canada & International

Canada

2Q Highlights

- Revenue decreased 1% YOY, while rigs declined 22%, revenue down 14% sequentially due to spring break-up
- Alberta Government production curtailment continues, but slowing easing, resulting in postponement of several customer CapEx projects
- Customer turnaround activity moved to 2nd half of 2019
- Takeaway constraints, reduced capex and Alberta production curtailment challenge top line growth

Future Drivers

- Improving rig count due to end of spring break-up season
- Uncertainty on pipeline takeaway projects, political and economic challenges
- Bill C-69 passes setting up regulatory step for Impact Assessment on public health, environment and economy for industrial projects, Bill C-48 passes limiting oil tanker traffic in waters from Vancouver Island to Alaskan border

International

2Q Highlights

- Revenue decreased 2% sequentially, and down 5% YOY
- Europe and Latin America increased activity
- Rig activations and load outs in Mexico
- Continued jack-up rig load outs in Asia
- UK electrical MRO up, electrical project activity up to Middle East customers
- Middle East softened due to cyclical projects with some pushed to 3Q
- Asia and Export softness due to customer credit holds

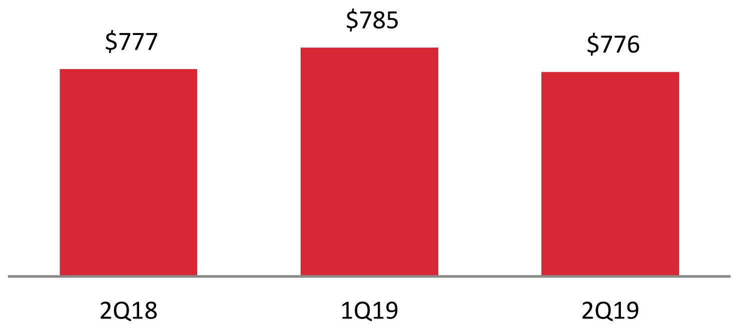
Future Drivers

- Continuing Jack-up rig activations leading to rig load outs for OEM and consumables
- Tendering projects with EPCs
- Gaining traction on Total Valve Solution strategy with customers

CFO Highlights: Selected Quarterly Results (Unaudited)

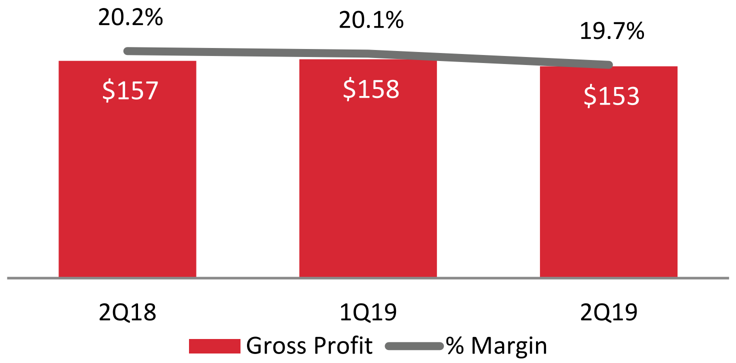
Revenue

($ in millions)



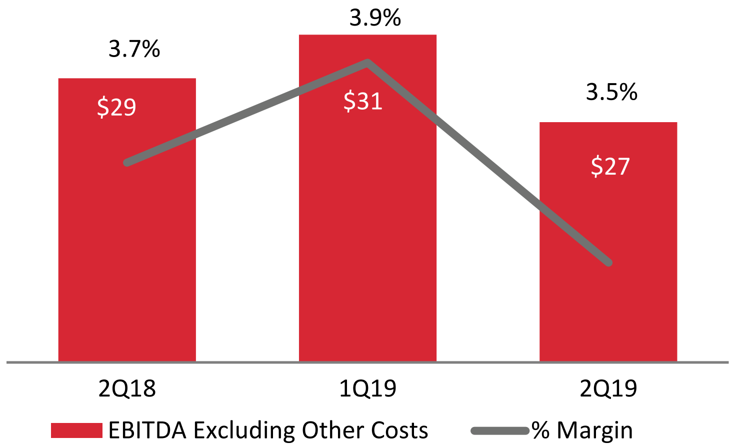
Gross Profit and Margin

($ in millions)



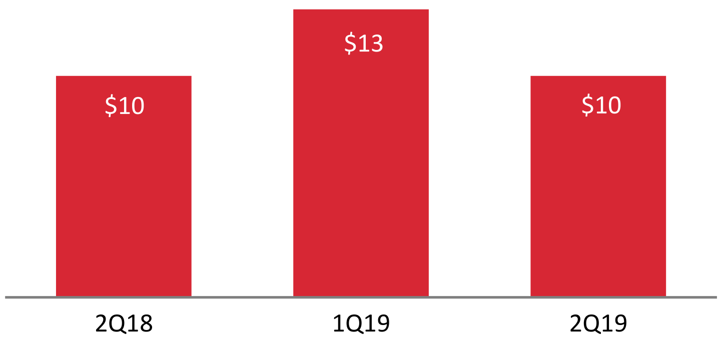
EBITDA Excl. Other Costs (Non-GAAP) and Margin

($ in millions)



Net Income Excl. Other Costs (Non-GAAP)

($ in millions)



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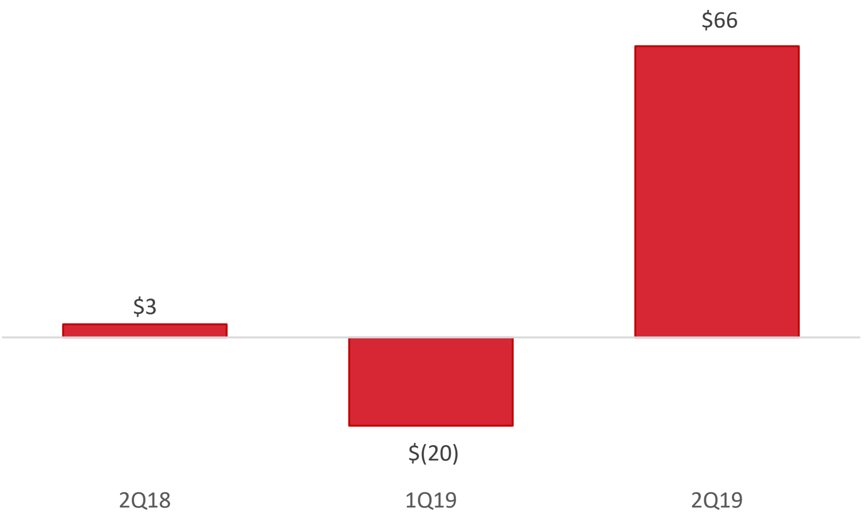
Cash Generation & Working Capital Management

Free Cash Flow

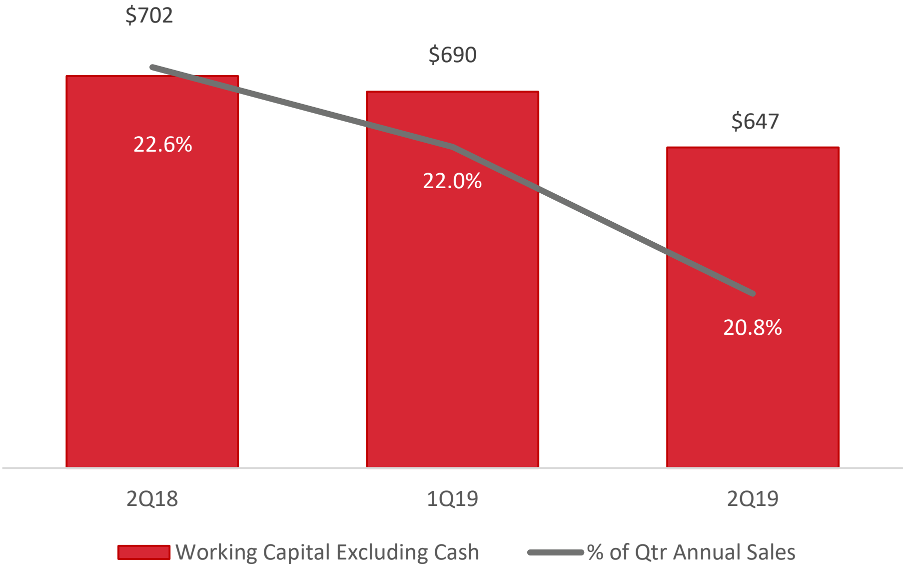
($ in millions)



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

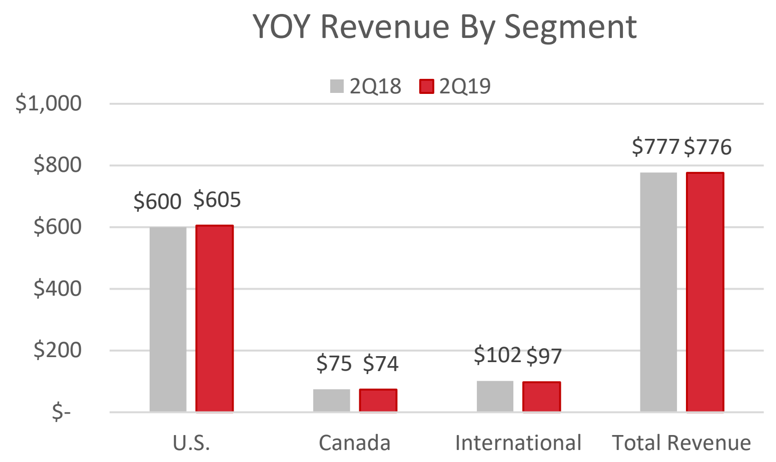
($ in millions)

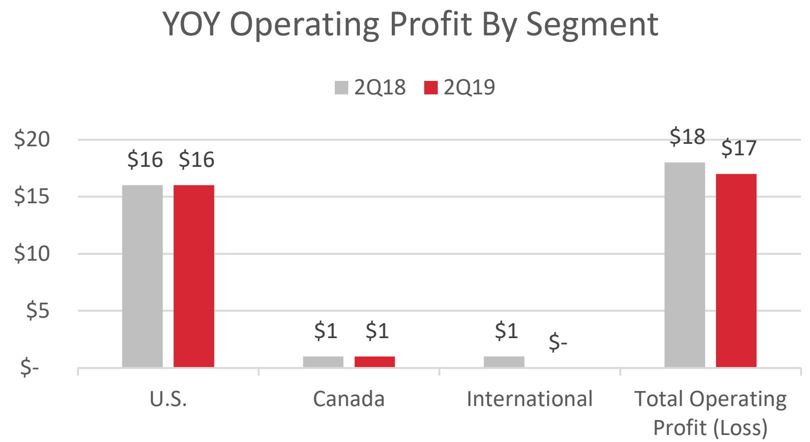


YOY Revenue and Operating Profit

($ in millions)

	Unaudited 2Q18	Unaudited 2Q19
Revenue:		
United States	$ 600	$ 605
Canada	75	74
International	102	97
Total revenue	777	776
Operating profit:		
United States	$ 16	$ 16
Canada	1	1
International	1	-
Total operating profit	18	17





Positive YOY U.S. revenue performance despite declining U.S. rig count

CEO Wrap Up: Key Takeaways

- Solid year over year top line results with U.S and Canadian rig count decline
- U.S. Process Solutions revenue now exceeds peak-market 2014 pre-acquisition levels, on fewer rigs by further penetration and leveraging relationships from U.S. Energy Centers and U.S. Supply Chain
- Completed two small acquisitions in U.S. Process Solutions
- Guidance remains for full year 2019 revenue to be flat to a low single digit decline from 2018 based on our current outlook and sentiment
- Prudent working capital management with working capital (less cash) as a percent of revenue dropped 120 basis points sequentially
- Generated $66M free cash flow and moved to net cash position

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