



# Key Takeaways

FOURTH QUARTER AND FULL-YEAR 2023

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 (sometimes referred to as "EBITDA"), (ii) net income (loss) attributable to DNOW Inc. excluding other costs and (iii) diluted earnings (loss) per share attributable to DNOW Inc. 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 earnings press release.

# Key Takeaways

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- Cash provided by operating activities was \$105 million for the fourth quarter of 2023 and \$188 million for the full-year 2023
- Revenue of \$555M for the fourth quarter, lower 6% sequentially, as expected, due to seasonality and up 1% year-over-year despite a global rig count decline of 5%
- GAAP Net Income attributable to DNOW Inc. of \$147M for the fourth quarter and \$247M for the year; GAAP EPS attributable to DNOW Inc. stockholders of \$1.35 for the fourth quarter, and \$2.24 for the year
- Non-GAAP Net Income\* of \$24M for the fourth quarter, lower \$4M sequentially, and \$107M for the year, flat with last year; Non-GAAP diluted EPS\* of \$0.22, lower \$0.03 sequentially, and \$0.97 for the year, up \$0.02
- EBITDA\* of \$44M or 7.9% of revenue for the fourth quarter, lower \$2M sequentially, and \$184M for the year, a new full-year earnings record as a public company, up \$9M over last year
- 4Q23 gross margins improved 60 bps sequentially to 23.4%, elevating gross margins to 23.1% for the year
- Repurchased \$1M in shares during the fourth quarter; bringing program to date repurchase to \$57M

\* Excluding other costs (non-GAAP)

# Key Market Indicators

## WTI/Rig Counts

- WTI avg of \$78 per barrel for 4Q23, lower 5% sequentially
- U.S. avg rig count of 622, lower 4% sequentially
- Canada avg rig count of 183, lower 3% sequentially
- International avg rig count of 965, up 1% sequentially
- Global avg rig count of 1,770, lower 1% sequentially

DNOW annualized revenue per rig at **\$1.3M** for 4Q23

## U.S. DUCs\*

- December ended with a DUC count of 4,399 wells in EIA regions
- 4Q23 avg of 4,472 wells, lower 7% sequentially

DUCs are future revenue opportunities for DNOW

## U.S. Completions\*

- December ended with a U.S. completions count of 926 wells in EIA regions
- 4Q23 avg of 950 wells, 8% lower sequentially

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

*\*EIA DPR report released 2/12/2024*

# 4Q23 Segment Results (Year-over-Year)

	4Q22	4Q23	Var.	Var. %
United States	414	418	4	1%
Canada	75	65	(10)	-13%
International	58	72	14	24%
<b>Revenue</b>	<b>547</b>	<b>555</b>	<b>8</b>	<b>1%</b>
United States	26	23	(3)	
Canada	7	4	(3)	
International	2	5	3	
<b>Operating Profit</b>	<b>35</b>	<b>32</b>	<b>(3)</b>	
<i>United States</i>	6.3%	5.5%		
<i>Canada</i>	9.3%	6.2%		
<i>International</i>	3.4%	6.9%		
<i>Operating Profit %</i>	6.4%	5.8%		
<i>% of U.S. Revenue</i>				
<i>U.S. Energy</i>	76%	67%		
<i>U.S. Process Solutions</i>	24%	33%		

## ■ United States

- Revenue increase aided by increase in incremental revenue from acquisitions completed in 2022 and 2023; partially offset by the weakening of drilling and completions activity
- Operating profit decreased primarily due to gross margins and an increase in WSA resulting from acquisitions

## ■ Canada

- Revenue lower primarily due to a decrease in project related activity, combined with the decrease in Canadian rig count
- Operating profit decreased due to the decline in revenue

## ■ International

- Revenue growth due to stronger project activity and an increase in international rig count
- Operating profit increased primarily due to an increase in revenue

# Selected Quarterly Results

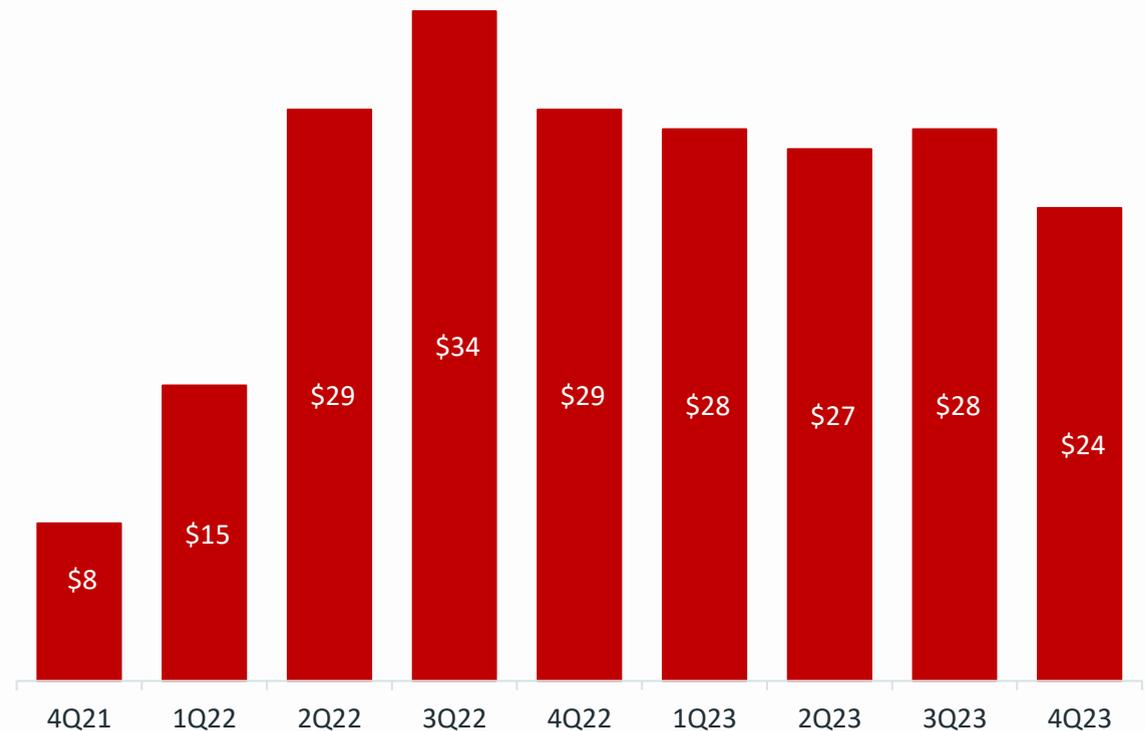
## Revenue & Gross Margin Percent

(\$ in millions)



## Net Income attributable to DNOW Inc. excl. Other Costs (Non-GAAP)

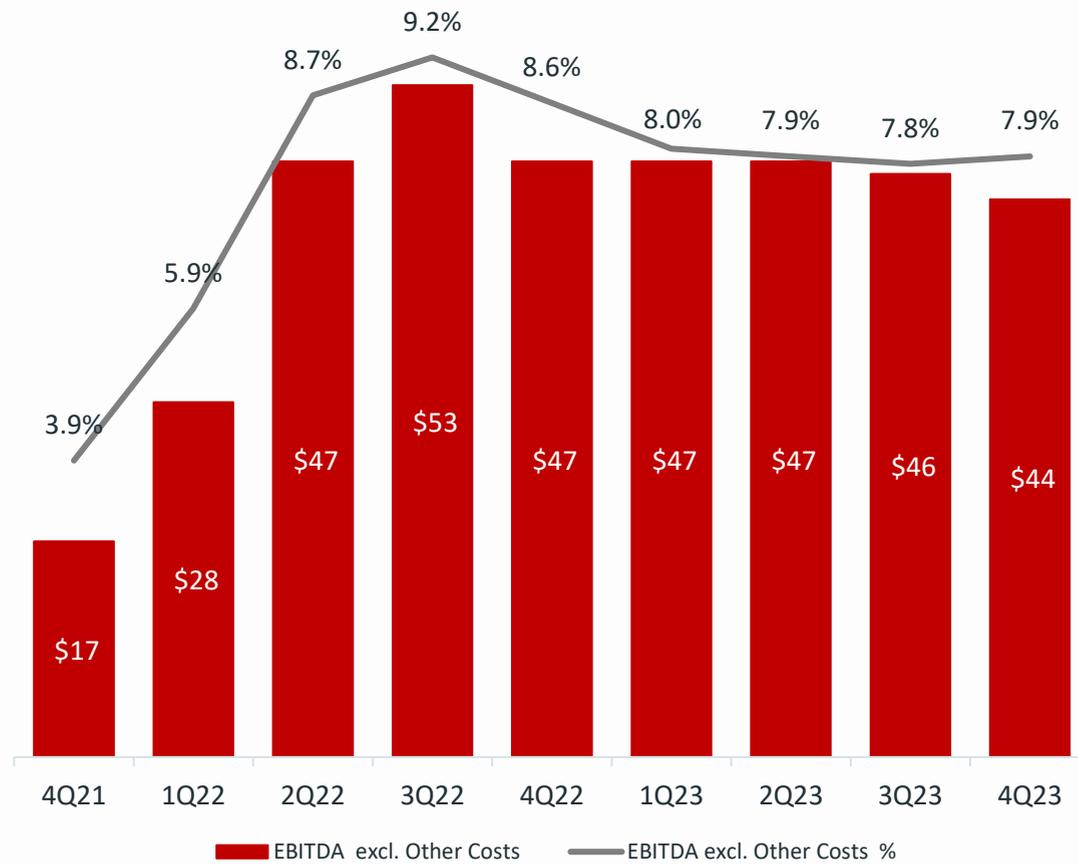
(\$ in millions)



# Selected Quarterly Results

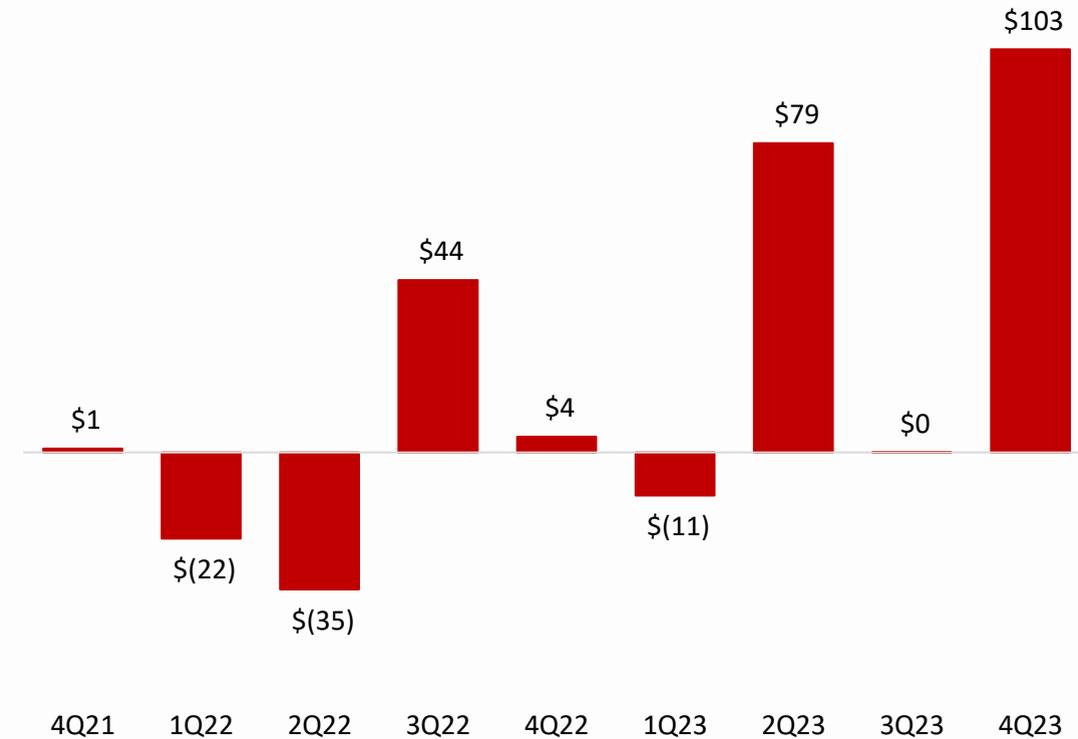
## EBITDA excl. Other Costs (Non-GAAP)

(\$ in millions)



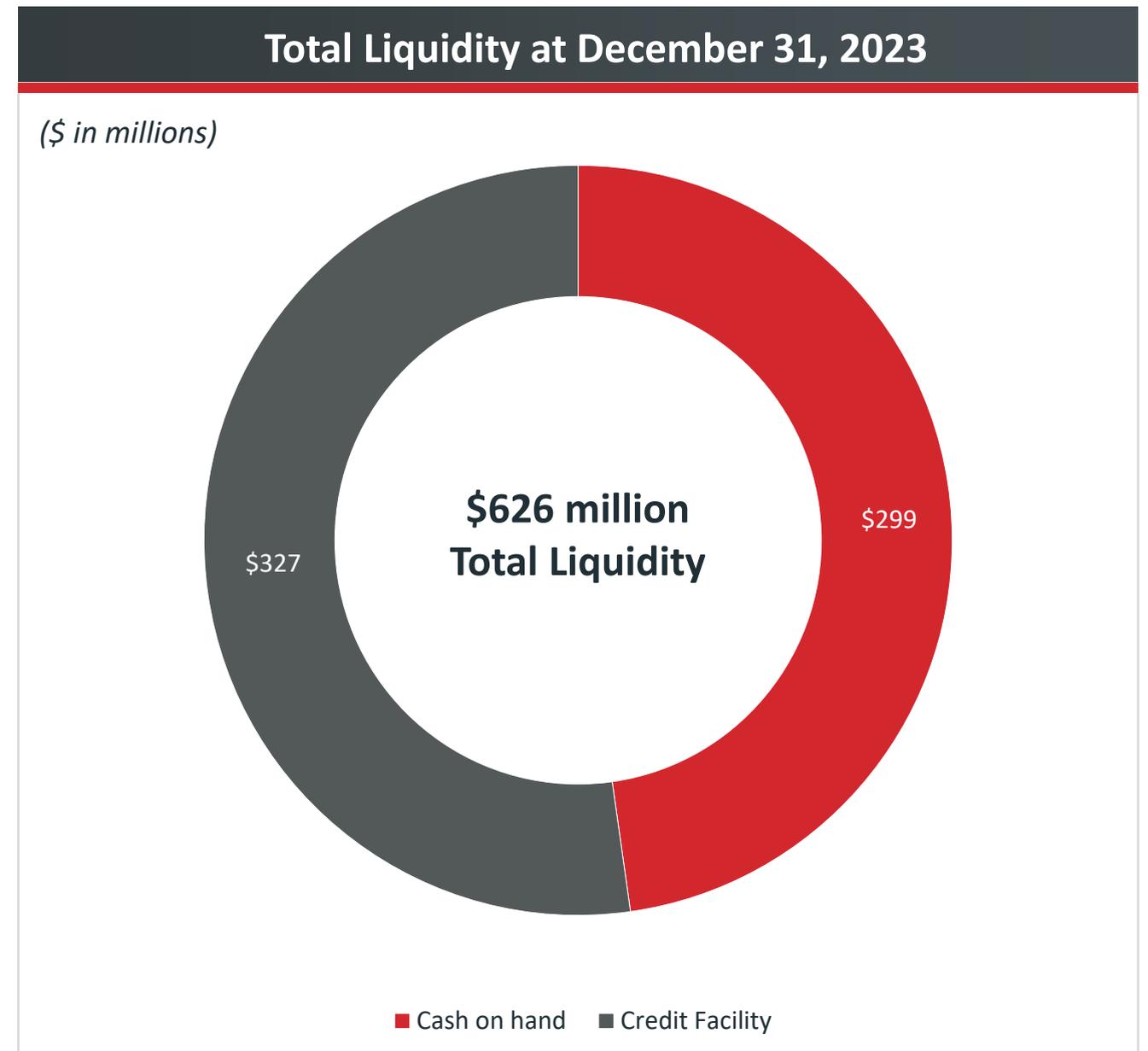
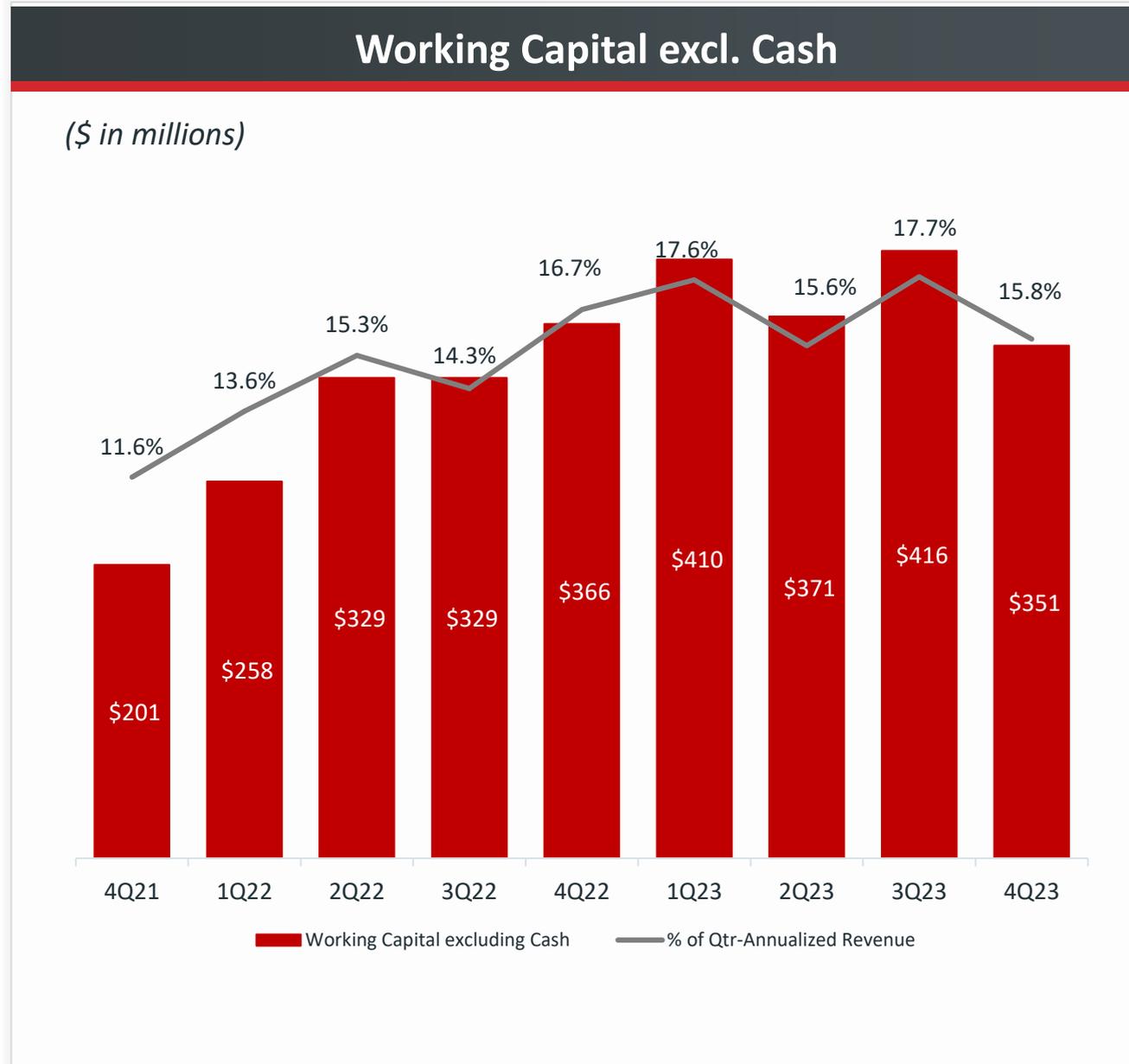
## Free Cash Flow\*

(\$ in millions)



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

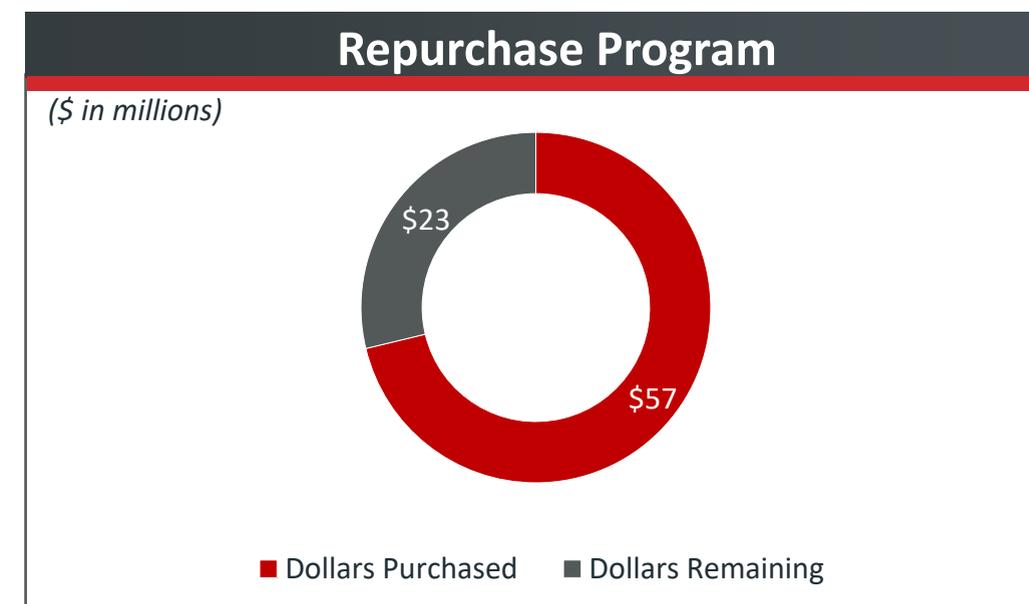
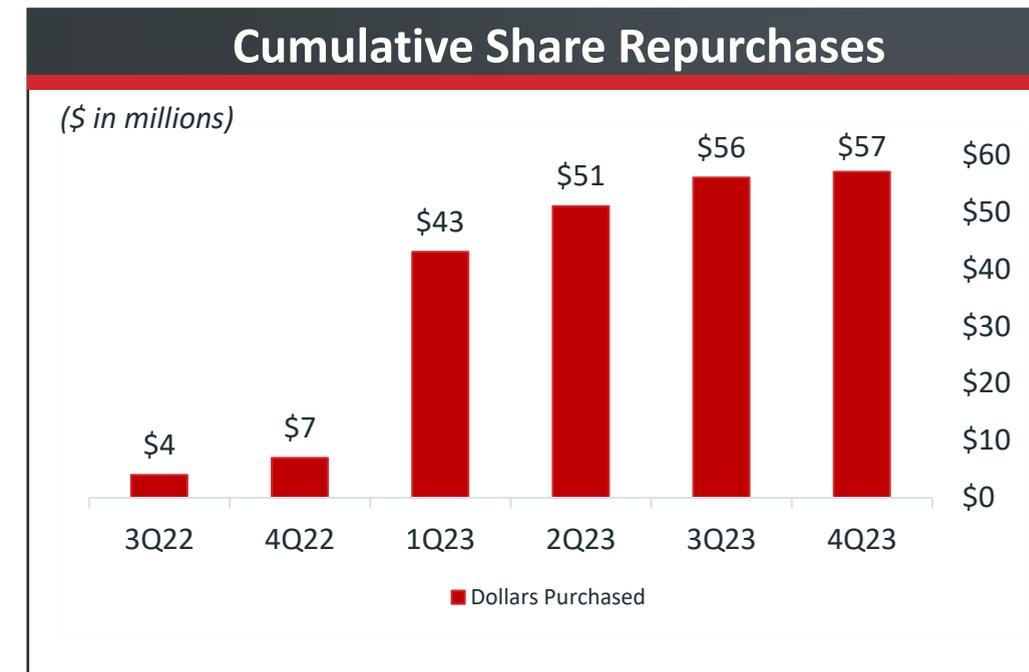
# Selected Quarterly Results



# Share Repurchases

## \$80 million share repurchase program

- Repurchased \$1M of shares during the quarter, with \$57M accumulated through 4Q23
- Shares retired at average price of \$10.40 per share in 4Q23
- Program authorized through December 2024



# CEO Wrap-Up

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- Revenue increased \$185M, or 9%, from 2022
- Produced \$184M in EBITDA for the year, a company best
- Generated \$171M of free cash flow for the year
- Share repurchases accumulating to \$57M of the \$80M authorized
- Debt free, \$299M in cash, and total liquidity \$626M
- Announced the intent to acquire Whitco Supply, expanding our access to the midstream end market

## Outlook

- Full-year 2024 revenue expected to increase 0-5% from 2023; approaching 8% EBITDA for full-year 2024
- 1Q24 revenue expected to increase in 0-5% sequentially; 1Q24 EBITDA dollars unchanged from 4Q23 due to reset of payroll taxes and reduced vendor consideration
- Full-year 2024 free cash flow targeting \$150M

\* Excluding other costs (non-GAAP)