



NOW Inc. Reports Second Quarter 2018 Results

August 2, 2018

HOUSTON--(BUSINESS WIRE)--Aug. 2, 2018--

NOW Inc. (NYSE: DNOW) announced results for the second quarter ended June 30, 2018.

Earnings Conference Call

August 2, 2018

8:00 a.m. CST

1 (800) 446-1671 (North America)

1 (847) 413-3362 (Outside North America)

Webcast: ir.distributionnow.com

Second Quarter 2018 Financial Highlights

- Revenue was \$777 million for the second quarter of 2018, up 19 percent year over year.
- Net income was \$14 million for the second quarter of 2018, versus a net loss of \$17 million a year ago. Non-GAAP net income excluding other costs was \$10 million for the second quarter of 2018 compared to a loss of \$11 million a year ago.
- Diluted earnings per share was \$0.12 for the second quarter of 2018 compared to a loss per share of \$0.16 a year ago. Non-GAAP diluted earnings per share excluding other costs was \$0.10 for the second quarter of 2018 compared to a loss per share of \$0.10 in the second quarter of 2017.
- Non-GAAP EBITDA excluding other costs for the second quarter of 2018 was \$29 million compared to a loss of \$2 million a year ago.

Refer to Supplemental Information in this release for GAAP to non-GAAP reconciliations.

Robert Workman, President and CEO of NOW Inc., added, "I couldn't be more excited about the results our organization produced in the second quarter. Product margin expansion fueled sequential revenue growth, in what is generally a seasonally softer quarter due to Canadian break-up. This, coupled with our continued focus on efficiencies, drove incrementals of 100% sequentially, as EBITDA excluding other costs grew \$13 million, matching revenue growth."

Prior to the earnings conference call a presentation titled "NOW Inc., Second Quarter 2018 Review & Key Takeaways" will be available on the Company's Investor Relations website.

About NOW Inc.

NOW Inc. is one of the largest distributors to energy and industrial markets on a worldwide basis, with a legacy of over 150 years. NOW Inc. operates primarily under the DistributionNOW and Wilson Export brands. Through its network of approximately 270 locations and 4,500 employees worldwide, NOW Inc. offers a comprehensive line of products and solutions for the upstream, midstream and downstream energy and industrial sectors. Our locations provide products and solutions to exploration and production companies, energy transportation companies, refineries, chemical companies, utilities, manufacturers and engineering and construction companies.

Statements made in this press release that are forward-looking in nature are intended to be "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934 and may involve risks and uncertainties. These statements may differ materially from actual future events or results. Readers are referred to documents filed by NOW Inc. with the U.S. Securities and Exchange Commission, which identify significant risk factors which could cause actual results to differ from those contained in the forward-looking statements.

NOW INC. CONSOLIDATED BALANCE SHEETS (In millions, except share data)

	June 30, 2018	December 31, 2017
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 91	\$ 98
Receivables, net	495	423

Inventories, net	604	590
Prepaid and other current assets	23	18
Total current assets	1,213	1,129
Property, plant and equipment, net	109	119
Deferred income taxes	2	2
Goodwill	321	328
Intangibles, net	155	166
Other assets	11	5
Total assets	<u>\$ 1,811</u>	<u>\$ 1,749</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 315	\$ 290
Accrued liabilities	103	103
Other current liabilities	2	1
Total current liabilities	420	394
Long-term debt	195	162
Deferred income taxes	6	7
Other long-term liabilities	1	1
Total liabilities	622	564
Commitments and contingencies		
Stockholders' equity:		
Preferred stock - par value \$0.01; 20 million shares authorized; no shares issued and outstanding	-	-
Common stock - par value \$0.01; 330 million shares authorized; 108,390,737 and 108,030,438 shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively	1	1
Additional paid-in capital	2,026	2,019
Accumulated deficit	(714)	(730)
Accumulated other comprehensive loss	(124)	(105)
Total stockholders' equity	1,189	1,185
Total liabilities and stockholders' equity	<u>\$ 1,811</u>	<u>\$ 1,749</u>

NOW INC.

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(In millions, except per share data)

	Three Months Ended			Six Months Ended	
	June 30, 2018	2017	March 31, 2018	June 30, 2018	2017
Revenue	\$ 777	\$ 651	\$ 764	\$1,541	\$1,282
Operating expenses:					
Cost of products	620	527	616	1,236	1,044
Warehousing, selling and administrative	139	138	141	280	273
Operating profit (loss)	18	(14)	7	25	(35)
Other expense	(3)	(3)	(4)	(7)	(5)
Income (loss) before income taxes	15	(17)	3	18	(40)
Income tax provision (benefit)	1	-	1	2	-
Net income (loss)	<u>\$ 14</u>	<u>\$ (17)</u>	<u>\$ 2</u>	<u>\$ 16</u>	<u>\$ (40)</u>
Earnings (loss) per share:					
Basic earnings (loss) per common share	<u>\$0.12</u>	<u>\$(0.16)</u>	<u>\$ 0.02</u>	<u>\$ 0.15</u>	<u>\$(0.37)</u>
Diluted earnings (loss) per common share	<u>\$0.12</u>	<u>\$(0.16)</u>	<u>\$ 0.02</u>	<u>\$ 0.15</u>	<u>\$(0.37)</u>
Weighted-average common shares outstanding, basic	<u>108</u>	<u>108</u>	<u>108</u>	<u>108</u>	<u>108</u>
Weighted-average common shares outstanding, diluted	<u>108</u>	<u>108</u>	<u>108</u>	<u>108</u>	<u>108</u>

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SUPPLEMENTAL INFORMATION

BUSINESS SEGMENTS (UNAUDITED)

(In millions)

	Three Months Ended			Six Months Ended	
	June 30,		March 31,	June 30,	
	2018	2017	2018	2018	2017
Revenue:					
United States	\$600	\$481	\$ 562	\$ 1,162	\$ 920
Canada	75	79	102	177	175
International	102	91	100	202	187
Total revenue	<u>\$777</u>	<u>\$651</u>	<u>\$ 764</u>	<u>\$ 1,541</u>	<u>\$ 1,282</u>

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SUPPLEMENTAL INFORMATION (CONTINUED)

U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) TO NON-GAAP RECONCILIATIONS

NET INCOME (LOSS) TO NON-GAAP EBITDA EXCLUDING OTHER COSTS RECONCILIATION (UNAUDITED)

(In millions)

	Three Months Ended			Six Months Ended	
	June 30,		March 31,	June 30,	
	2018	2017	2018	2018	2017
GAAP net income (loss) ⁽¹⁾	\$ 14	\$ (17)	\$ 2	\$ 16	\$ (40)
Interest, net	2	1	2	4	2
Income tax provision (benefit)	1	-	1	2	-
Depreciation and amortization	11	13	11	22	26
Other costs ⁽²⁾	1	1	-	1	1
EBITDA excluding other costs	<u>\$ 29</u>	<u>\$ (2)</u>	<u>\$ 16</u>	<u>\$ 45</u>	<u>\$ (11)</u>
EBITDA % excluding other costs ⁽³⁾	3.7%	(0.3%)	2.1%	2.9%	(0.9%)

NET INCOME (LOSS) TO NON-GAAP NET INCOME (LOSS) EXCLUDING OTHER COSTS RECONCILIATION (UNAUDITED)

(In millions)

	Three Months Ended			Six Months Ended	
	June 30,		March 31,	June 30,	
	2018	2017	2018	2018	2017
GAAP net income (loss) ⁽¹⁾	\$ 14	\$ (17)	\$ 2	\$ 16	\$ (40)
Other costs, net of tax ^{(4) (5)}	(4)	6	(1)	(5)	13
Net income (loss) excluding other costs ⁽⁵⁾	<u>\$ 10</u>	<u>\$ (11)</u>	<u>\$ 1</u>	<u>\$ 11</u>	<u>\$ (27)</u>

DILUTED EARNINGS (LOSS) PER SHARE TO NON-GAAP DILUTED EARNINGS (LOSS) PER SHARE EXCLUDING OTHER COSTS RECONCILIATION (UNAUDITED)

	Three Months Ended			Six Months Ended	
	June 30,		March 31,	June 30,	
	2018	2017	2018	2018	2017
GAAP diluted earnings (loss) per share ⁽¹⁾	\$ 0.12	\$ (0.16)	\$ 0.02	\$ 0.15	\$ (0.37)
Other costs, net of tax ⁽⁴⁾	(0.02)	0.06	(0.01)	(0.05)	0.12
Diluted earnings (loss) per share excluding other costs ⁽⁵⁾	<u>\$ 0.10</u>	<u>\$ (0.10)</u>	<u>\$ 0.01</u>	<u>\$ 0.10</u>	<u>\$ (0.25)</u>

(1) In an effort to provide investors with additional information regarding our results as determined by GAAP, we disclose various non-GAAP financial measures in our quarterly earnings press releases and other public disclosures. 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 of these non-GAAP financial measures to its most comparable GAAP financial measure is included in the schedules herein.

(2) Other costs includes severance expenses and accelerated debt issuance costs, which are included in operating profit (loss) and other expense, respectively.

(3) EBITDA % excluding other costs is defined as EBITDA excluding other costs divided by Revenue.

(4) Other costs, net of tax, for the three and six months ended June 30, 2018, included a benefit of \$5 million and \$6 million, after tax, respectively, from changes in the valuation allowance recorded against the Company's deferred tax assets; as well as, \$1 million and \$1 million, respectively, after tax, in severance expenses and accelerated debt issuance costs, which are included in operating profit (loss) and other expense, respectively. The Company has excluded the impact of a \$9 million tax charge related to the Tax Cuts and Jobs Act and a \$4 million tax charge related to the write-off of a previously recognized deferred tax asset on its valuation allowance in computing net income (loss) excluding other costs for the three months ended March 31, 2018 and the six months ended June 30, 2018.

(5) Totals may not foot due to rounding.

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