UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark one)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 001-36325

DNOW INC.
(Exact name of registrant as specified in its charter)

Delaware	**46-4191184**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

7402 North Eldridge Parkway,
Houston, Texas 77041
(Address of principal executive offices)

(281) 823-4700
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01	DNOW	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 1, 2024, the registrant had 105,846,155 shares of common stock (excluding 2,082,994 unvested restricted shares), par value $0.01 per share, outstanding.

DNOW INC.
TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 2024 (Unaudited)	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 261	$ 299
Receivables, net	405	384
Inventories, net	364	366
Prepaid and other current assets	28	19
Total current assets	1,058	1,068
Property, plant and equipment, net	138	131
Deferred income taxes	98	118
Goodwill	192	139
Intangibles, net	55	28
Other assets	46	45
Total assets	$ 1,587	$ 1,529
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 278	$ 288
Accrued liabilities	127	120
Other current liabilities	12	10
Total current liabilities	417	418
Long-term operating lease liabilities	31	30
Other long-term liabilities	21	18
Total liabilities	469	466
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; 106,022,368 and 106,257,565 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively	1	1
Additional paid-in capital	2,024	2,032
Accumulated deficit	(770)	(828)
Accumulated other comprehensive loss	(141)	(145)
DNOW Inc. stockholders' equity	1,114	1,060
Noncontrolling interest	4	3
Total stockholders' equity	1,118	1,063
Total liabilities and stockholders' equity	$ 1,587	$ 1,529

See notes to unaudited consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue	$ 606	$ 588	$ 1,802	$ 1,766
Operating expenses:				
Cost of products	$ 471	454	1,400	1,361
Warehousing, selling and administrative	107	97	313	297
Impairment and other charges	5	—	5	—
Operating profit	23	37	84	108
Other income (expense)	(1)	—	—	(1)
Income before income taxes	22	37	84	107
Income tax provision	9	2	25	6
Net income	13	35	59	101
Net income attributable to noncontrolling interest	—	—	1	1
Net income attributable to DNOW Inc.	$ 13	$ 35	$ 58	$ 100
Earnings per share attributable to DNOW Inc. stockholders:				
Basic	$ 0.12	$ 0.32	$ 0.53	$ 0.91
Diluted	$ 0.12	$ 0.32	$ 0.53	$ 0.90
Weighted-average common shares outstanding, basic	106	107	107	108
Weighted-average common shares outstanding, diluted	107	108	107	109

See notes to unaudited consolidated financial statements.

DNOW INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
(In millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	**2023**	**2024**	**2023**
Net income	$ 13	$ 35	$ 59	$ 101
Other comprehensive income:				
Foreign currency translation adjustments	10	(4)	4	—
Comprehensive income	23	31	63	101
Comprehensive income attributable to noncontrolling interest	—	—	1	1
Comprehensive income attributable to DNOW Inc.	$ 23	$ 31	$ 62	$ 100

See notes to unaudited consolidated financial statements.

DNOW INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In millions)

	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Cash flows from operating activities:		
Net income	$ 59	$ 101
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	24	19
Provision for inventory	5	5
Impairment and other charges	5	—
Stock-based compensation	9	11
Deferred income taxes	20	—
Other, net	12	14
Change in operating assets and liabilities, net of effects of acquisitions:		
Receivables	28	2
Inventories	66	(35)
Prepaid and other current assets	(7)	(1)
Accounts payable, accrued liabilities and other, net	(45)	(33)
Net cash provided by (used in) operating activities	176	83
Cash flows from investing activities:		
Business acquisitions, net of cash acquired	(185)	(33)
Purchases of property, plant and equipment	(6)	(15)
Other, net	1	1
Net cash provided by (used in) investing activities	(190)	(47)
Cash flows from financing activities:		
Repurchases of common stock	(18)	(49)
Other, net	(7)	(5)
Net cash provided by (used in) financing activities	(25)	(54)
Effect of exchange rates on cash and cash equivalents	1	—
Net change in cash and cash equivalents	(38)	(18)
Cash and cash equivalents, beginning of period	299	212
Cash and cash equivalents, end of period	$ 261	$ 194

See notes to unaudited consolidated financial statements.

DNOW INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)
(In millions)

	Attributable to DNOW Inc. Stockholders						
	Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Accum. Other Comprehensive Income (Loss)	Treasury Stock	Noncontrolling Interest	Total Stockholders' Equity
December 31, 2022	$ 1	$ 2,066	$ (1,075)	$ (150)	$ —	$ 2	$ 844
Net income	—	—	31	—	—	1	32
Common stock repurchased	—	—	—	—	(36)	—	(36)
Common stock retired	—	(33)	—	—	33	—	—
Stock-based compensation	—	3	—	—	—	—	3
Exercise of stock options	—	1	—	—	—	—	1
Shares withheld for taxes	—	(1)	—	—	—	—	(1)
Other comprehensive income	—	—	—	1	—	—	1
March 31, 2023	$ 1	$ 2,036	$ (1,044)	$ (149)	$ (3)	$ 3	$ 844
Net income	—	—	34	—	—	—	34
Common stock repurchased	—	—	—	—	(8)	—	(8)
Common stock retired	—	(11)	—	—	11	—	—
Stock-based compensation	—	4	—	—	—	—	4
Other comprehensive income	—	—	—	3	—	—	3
June 30, 2023	$ 1	$ 2,029	$ (1,010)	$ (146)	$ —	$ 3	$ 877
Net income	—	—	35	—	—	—	35
Common stock repurchased	—	—	—	—	(5)	—	(5)
Common stock retired	—	(5)	—	—	5	—	—
Stock-based compensation	—	4	—	—	—	—	4
Other comprehensive loss	—	—	—	(4)	—	—	(4)
September 30, 2023	$ 1	$ 2,028	$ (975)	$ (150)	$ —	$ 3	$ 907
December 31, 2023	$ 1	$ 2,032	$ (828)	$ (145)	$ —	$ 3	$ 1,063
Net income	—	—	21	—	—	—	21
Common stock repurchased	—	—	—	—	(1)	—	(1)
Common stock retired	—	(1)	—	—	1	—	—
Stock-based compensation	—	2	—	—	—	—	2
Exercise of stock options	—	2	—	—	—	—	2
Shares withheld for taxes	—	(4)	—	—	—	—	(4)
Other comprehensive loss	—	—	—	(4)	—	—	(4)
March 31, 2024	$ 1	$ 2,031	$ (807)	$ (149)	$ —	$ 3	$ 1,079
Net income	—	—	24	—	—	1	25
Common stock repurchased	—	—	—	—	(10)	—	(10)
Common stock retired	—	(10)	—	—	10	—	—
Stock-based compensation	—	4	—	—	—	—	4
Exercise of stock options	—	3	—	—	—	—	3
Other comprehensive loss	—	—	—	(2)	—	—	(2)
June 30, 2024	$ 1	$ 2,028	$ (783)	$ (151)	$ —	$ 4	$ 1,099
Net income	—	—	13	—	—	—	13
Common stock repurchased	—	—	—	—	(7)	—	(7)
Common stock retired	—	(7)	—	—	7	—	—
Stock-based compensation	—	3	—	—	—	—	3
Other comprehensive income	—	—	—	10	—	—	10
September 30, 2024	$ 1	$ 2,024	$ (770)	$ (141)	$ —	$ 4	$ 1,118

See notes to unaudited consolidated financial statements.

DNOW INC.
Notes to Unaudited Consolidated Financial Statements

1. Organization and Basis of Presentation

Nature of Operations

DNOW Inc. (“DNOW” or the “Company”) is a holding company headquartered in Houston, Texas that was incorporated in Delaware on November 22, 2013. We operate primarily under the DNOW brand along with several affiliated brands operating in local or regional markets that are tied to prior acquisitions. DNOW is a global distributor of energy products as well as products for industrial applications through its locations in the United States (“U.S.”), Canada and internationally which are geographically positioned to serve the energy and industrial markets in approximately 80 countries. Additionally, through the Company’s growing DigitalNOW® platform, customers can leverage world-class technology across ecommerce, data visualization, data management and supply chain optimization applications to solve a wide array of complex operational and product sourcing challenges to assist in maximizing their return on assets. The Company’s product and service offerings are consumed throughout all sectors of the energy industry – from upstream drilling and completion, exploration and production, midstream transmission, gas and crude oil processing infrastructure development to downstream petroleum refining and petrochemicals – as well as in other industries, such as chemical processing, mining, water/wastewater, food and beverage, gas utilities and the evolution of energy transition markets inclusive of greenhouse gas reduction and emissions capture and storage, renewable fuels such as biofuels and renewable natural gas, wind, solar, production of hydrogen as a fuel to power equipment and select industrial markets. The industrial distribution end markets include engineering and construction firms that perform capital and maintenance projects for their end-user clients. DNOW also provides supply chain and materials management solutions to the same markets where the Company sells products. DNOW’s supplier network consists of thousands of vendors in approximately 40 countries.

Basis of Presentation

The unaudited consolidated financial information included in this report has been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and Article 10 of SEC Regulation S-X. All significant intercompany transactions and accounts have been eliminated. Variable interest entities for which the Company is the primary beneficiary are fully consolidated with the equity held by the outside stockholders and their portion of net income (loss) reflected as noncontrolling interest in the accompanying consolidated financial statements. The principles for interim financial information do not require the inclusion of all the information and footnotes required by GAAP for complete financial statements. Therefore, these financial statements should be read in conjunction with the financial statements included in the Company’s most recent Annual Report on Form 10-K. In the opinion of the Company’s management, the consolidated financial statements include all adjustments, which are of a normal recurring nature unless disclosed otherwise, necessary for a fair presentation of the results for the interim periods. The results of operations for the three and nine months ended September 30, 2024, are not necessarily indicative of the results to be expected for the full year.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported and contingent amounts of assets and liabilities as of the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, receivables and payables approximated fair value because of the relatively short maturity of these instruments. Cash equivalents include only those investments having a maturity date of three months or less at the time of purchase. See Note 14 “Derivative Financial Instruments” for the fair value of derivative financial instruments.

Purchase Price Allocation of Acquisitions

The Company allocates the fair value of the purchase price consideration of an acquired business to its identifiable assets and liabilities based on estimated fair values. The excess of the purchase price over the fair value of the acquired assets and liabilities, if any, is recorded as goodwill. The Company uses all available information to estimate fair values including quoted market prices, the carrying value of acquired assets, and widely accepted valuation techniques such as discounted cash flows. The Company engages third-party valuation advisors to assist in fair value determination of inventories, identifiable intangible assets and any other significant assets or liabilities when appropriate. The judgments made in determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, could materially impact the Company’s results of operations. See Note 15 “Acquisitions” for additional information.

Recently Issued Accounting Standards

In November 2023, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2023-07, Segment Reporting (Topic 280), which requires enhanced segment disclosures primarily focusing on significant segment expense disclosures for both interim and annual periods. ASU 2023-07 is effective for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted and requires modified retrospective transition method. The Company will not early adopt, and is currently assessing the impact of ASU 2023-07 in its consolidated financial statements and its disclosures. The Company does not expect the adoption of this standard to have material impact in its consolidated statements.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740), which requires public companies to expand the income tax disclosures. The ASU requires entities to disclose more detailed information in their effective tax rate reconciliation and their cash taxes paid both in the U.S., state and foreign jurisdictions. ASU 2023-09 is effective for annual periods beginning after December 15, 2024, with early adoption permitted for annual financial statements that have not yet been issued. The Company will not early adopt, and is currently assessing the impact of ASU 2023-09 in its consolidated financial statements and in its disclosures.

2. Revenue

The Company's primary source of revenue is the sale of energy products and an extensive selection of products for industrial applications based upon purchase orders or contracts with customers. Substantially all of the Company's revenue is recognized at a point in time once the Company has determined that the customer has obtained control over the product. Control is typically deemed to have been transferred to the customer when the product is shipped, delivered or picked up by the customer. The Company does not grant extended payment terms. Revenue is recognized net of any taxes collected from customers, which are subsequently remitted to proper government authorities. Shipping and handling costs for product shipments occur prior to the customer obtaining control of the goods and are recorded in cost of products.

The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for products sold. Revenue is recorded at the transaction price net of estimates of variable consideration, which may include product returns, trade discounts and allowances. The Company accrues for variable consideration using the expected value method. Estimates of variable consideration are included in revenue to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

See Note 9 "Business Segments" for disaggregation of revenue by reporting segments. The Company believes this disaggregation best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Remaining Performance Obligations

Remaining performance obligations represent the transaction price of firm orders for which work has not been performed on contracts with an original expected duration of more than one year. The Company's contracts are predominantly short-term in nature with a contract term of one year or less. For those contracts, the Company has utilized the practical expedient in Accounting Standards Codification ("ASC") Topic 606 exempting the Company from disclosure of the transaction price allocated to remaining performance obligations when the performance obligation is part of a contract that has an original expected duration of one year or less.

Allowance for Credit Losses

Allowance for credit losses is estimated based on an evaluation of accounts receivable aging, and the related historical loss experience, as adjusted for current and expected future market conditions that are reasonably available. Judgments in the estimate of allowance for credit losses include global economic and business conditions, oil and gas industry and market conditions, customer's financial conditions and accounts receivable past due. As of September 30, 2024 and December 31, 2023, the allowance for credit losses totaled $24 million and $26 million, respectively.

Contract Assets and Liabilities

Contract assets primarily consist of retainage amounts held as a form of security by customers until the Company satisfies its remaining performance obligations. As of September 30, 2024 and December 31, 2023, contract assets were approximately $1 million and less than $1 million, respectively, and were included in receivables, net in the consolidated balance sheets. The Company generally accounts for the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less; however, these expenses are not material.

Contract liabilities primarily consist of deferred revenues recorded when customer payments are received or due in advance of satisfying performance obligations, including amounts which are refundable, and other accrued customer liabilities. Revenue recognition is deferred to a future period until the Company completes its obligations contractually agreed with customers. As of September 30, 2024 and December 31, 2023, contract liabilities were $36 million and $28 million, respectively, and were included in accrued liabilities in the consolidated balance sheets. For the nine months ended September 30, 2024, the increase in contract liabilities was primarily related to net current year customer deposits of approximately $29 million, partially offset by recognizing revenue of approximately $21 million that was deferred as of December 31, 2023.

3. Inventories, net

Inventories consist primarily of oilfield and industrial finished goods and work in process. Work in process primarily consists of inventory and labor related to customer specific engineered equipment. Finished goods are stated at the lower of cost or net realizable value and using average cost methods. Allowances for excess and obsolete inventories are determined based on the Company's historical usage of inventory on hand as well as its future expectations.

Inventories consist primarily of *(in millions):*

	September 30, 2024	December 31, 2023
Work in process	$ 19	$ 33
Finished goods and other	363	354
Total inventory	382	387
Less: Inventory reserves	(18)	(21)
Inventories, net	$ 364	$ 366

4. Property, Plant and Equipment, net

Property, plant and equipment consist of *(in millions):*

	Estimated Useful Lives	September 30, 2024	December 31, 2023
Information technology assets	1-7 Years	$ 46	$ 46
Operating equipment [1]	2-15 Years	177	164
Buildings and land [2]	5-35 Years	102	97
Construction in progress		3	2
Total property, plant and equipment		328	309
Less: accumulated depreciation		(190)	(178)
Property, plant and equipment, net		$ 138	$ 131

(1) Includes finance lease right-of-use assets.

(2) Land has an indefinite life.

5. Accrued Liabilities

Accrued liabilities consist of (*in millions*):

	September 30, 2024	December 31, 2023
Compensation and other related expenses	$ 31	$ 38
Contract liabilities	36	28
Taxes (non-income)	16	15
Current portion of operating lease liabilities	13	11
Other	31	28
Total	$ 127	$ 120

6. Debt

On December 29, 2022, the Company entered into a second amendment to its existing senior secured revolving credit facility with a syndicate of lenders with Wells Fargo Bank, National Association, serving as the administrative agent (as amended, the "Credit Facility"). The second amendment amends certain terms, provisions and covenants of the Credit Facility, including, among other things: (i) replaces London Interbank Offered Rate ("LIBOR") with Secured Overnight Financing Rate ("SOFR") as the interest rate benchmark with the existing applicable margin plus a credit spread adjustment of 0.10% per annum; (ii) modifies certain reporting obligations with respect to the Company's share repurchase program; and (iii) increases the sublimit for U.S. letters of credit to $20 million.

The Credit Facility provides for a $500 million global revolving credit facility, of which up to $50 million is available for the Company's Canadian subsidiaries. The Company has the right, subject to certain conditions, to increase the aggregate principal amount of commitments under the credit facility by $250 million. The Credit Facility also provides a letter of credit sub-facility of $25 million. The obligations under the Credit Facility are secured by substantially all the assets of the Company and its subsidiaries. The Credit Facility matures on December 14, 2026 and contains customary covenants, representations and warranties and events of default. The Company will be required to maintain a fixed charge coverage ratio (as defined in the Credit Facility) of at least 1.00:1.00 as of the end of each fiscal quarter if excess availability under the Credit Facility falls below the greater of 10% of the borrowing base or $40 million.

Borrowings under the Credit Facility will bear an interest rate at the Company's option, (i) for borrowings denominated in U.S. dollars, at (a) the base rate plus the applicable margin or (b) adjusted term SOFR for the applicable interest period, plus the applicable margin and (ii) for borrowings denominated in Canadian dollars, the Canadian Dollar Offered Rate plus the applicable margin. In each case, with such applicable margin being based on the Company's fixed charge coverage ratio. The Credit Facility includes a commitment fee on the unused portion of commitments that ranges from 25 to 37.5 basis points. Commitment fees incurred during the period were included in other income (expense) in the consolidated statements of operations.

Availability under the Credit Facility is determined by a borrowing base comprised of eligible receivables, eligible inventory and certain cash deposits in the U.S. and Canada. As of September 30, 2024, the Company had no borrowings against the Credit Facility and approximately $493 million in availability (as defined in the Credit Facility) resulting in the excess availability (as defined in the Credit Facility) of 99%, subject to certain limitations. The Company is not obligated to pay back borrowings against the current Credit Facility until the maturity date of the Credit Facility.

The Company issued $5 million in letters of credit under the Credit Facility primarily for casualty insurance expiring in June 2025.

7. Stockholders' Equity

Share Repurchase Program

On August 3, 2022, the Company's Board of Directors approved a share repurchase program, under which the Company is authorized to purchase up to $80 million of its outstanding common stock through December 31, 2024. Under this program, the Company may from time to time repurchase common stock in open market transactions or enter into Rule 10b5-1, under the Securities Exchange Act of 1934, as amended, (the "Exchange Act"), trading plans to facilitate the repurchase of its common stock pursuant to its share repurchase program. The amount and timing of any repurchase will depend on several factors, including share price, general business and market conditions, and alternative capital allocation opportunities. All shares repurchased shall be retired pursuant to the terms of the share repurchase program. Depending on the timing of the retirement and cash settlement of the repurchased shares, the Company could have shares held in treasury stock until settled. Share repurchases made after December 31, 2022, are subject to a 1% excise tax, as enacted under the Inflation Reduction Act of 2022. The impact of this 1% excise tax was less than $1 million during the nine months ended September 30, 2024.

Information regarding the shares repurchased was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Total cost of shares repurchased *(in millions)*	$ 7	$ 5	$ 18	$ 49
Average price per share [(1)]	$ 12.95	$ 10.65	$ 12.92	$ 10.78
Number of shares repurchased	541,502	429,622	1,379,020	4,456,172

(1) Excludes 1% excise tax on share repurchases

Consolidated Variable Interest Entities ("VIE")

The Company holds a 49% interest in one VIE located in the Middle East. The Company is the primary beneficiary and consolidates the VIE as it has the power to direct the activities that most significantly affect the VIE's economic performance and has the obligation to absorb the VIE's losses or the right to receive benefits. For the three and nine months ended September 30, 2024 and 2023, net income attributable to noncontrolling interest was less than $1 million and $1 million in each respective period.

The assets of the VIE can only be used to settle its own obligations and its creditors have no recourse to the Company's assets. As of September 30, 2024 and December 31, 2023, the VIE's assets were primarily current assets of $13 million and $19 million, respectively, and the liabilities were primarily current liabilities of $2 million and $8 million, respectively.

8. Accumulated Other Comprehensive Income (Loss) ("AOCI")

The components of AOCI are as follows *(in millions)*:

	Foreign Currency Translation Adjustments	
	Nine Months Ended September 30,	
	2024	2023
Beginning balance	$ (145)	$ (150)
Other comprehensive income (loss) before reclassifications	(1)	—
Amounts reclassified from accumulated other comprehensive income (loss)	5	—
Net current-period other comprehensive income (loss)	4	—
Ending balance	$ (141)	$ (150)

The Company's reporting currency is the U.S. dollar. A majority of the Company's international entities in which there is a substantial investment have the local currency as their functional currency. As a result, foreign currency translation adjustments resulting from the process of translating the entities' financial statements into the reporting currency are reported in other comprehensive income or loss in accordance with ASC Topic 830, "Foreign Currency Matters."

For the nine months ended September 30, 2024, the Company reclassified approximately $5 million of foreign currency translation losses as a result of substantially completing the liquidation of certain foreign subsidiaries in its International segment. Such foreign currency translation losses were reclassified from the component of AOCI into earnings, reflected in impairment and other charges in the consolidated statement of operations.

9. Business Segments

Operating results by reportable segment are as follows *(in millions)*:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue:				
United States	$ 482	$ 448	$ 1,429	$ 1,331
Canada	65	68	187	217
International	59	72	186	218
Total revenue	$ 606	$ 588	$ 1,802	$ 1,766
Operating profit (loss):				
United States	$ 25	$ 29	$ 76	$ 81
Canada	3	6	8	17
International	(5)	2	—	10
Total operating profit (loss)	$ 23	$ 37	$ 84	$ 108

In the third quarter of 2024, the Company began a plan to restructure operations in the International segment. For the three and nine months ended September 30, 2024, the Company recognized $8 million in charges, including approximately $5 million of foreign currency translation losses, approximately $2 million of inventory write-downs, and $1 million of other exit costs. In the statement of operations, foreign currency translation losses are in impairment and other charges, inventory-related charges are reflected in the cost of products, and all other costs are in warehousing, selling and administrative expenses.

10. Income Taxes

The effective tax rates for the three and nine months ended September 30, 2024, were 40.9% and 29.8%, respectively, compared to 5.4% and 5.6%, respectively, for the corresponding periods of 2023. In general, the Company's effective tax rate differs from the U.S. statutory rate due to recurring items, such as differing tax rates on income earned in foreign jurisdictions, nondeductible expenses, and state income taxes. For the three and nine months ended September 30, 2024, the effective tax rates were also impacted by foreign currency translation losses and other charges incurred as a result of substantially completing the liquidation of certain foreign subsidiaries with no associated tax benefit. The effective tax rates for the three and nine months ended September 30, 2024, were higher than the effective tax rates for the three and nine months ended September 30, 2023, due to the aforementioned foreign currency translation losses and other charges with no associated tax benefit as well as realization of deferred tax assets that had a corresponding release of valuation allowance in the three and nine months ended September 30, 2023, that did not recur in the corresponding periods in 2024. For the three and nine months ended September 30, 2024, the Company has returned to recording income tax expense for interim periods based on the estimated annual effective tax rate method.

The Company is subject to taxation in the U.S., various states, and foreign jurisdictions. The Company has significant operations in the U.S. and Canada and to a lesser extent in various other international jurisdictions. Tax years that remain subject to examination vary by legal entity but are generally open in the U.S. for the tax years ending after 2019 and outside the U.S. for the tax years ending after 2018.

11. Earnings Per Share

For the three and nine months ended September 30, 2024, less than 1 million and approximately 1 million, respectively, of shares were excluded from the computation of diluted earnings per share due to their antidilutive effect, compared to approximately 1 million in both periods for the corresponding periods of 2023.

Basic and diluted earnings per share are as follows *(in millions, except share data)*:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Numerator:				
Net income attributable to DNOW Inc.	$ 13	$ 35	$ 58	$ 100
Less: net income attributable to participating securities	—	(1)	(1)	(2)
Net income attributable to DNOW Inc. stockholders	$ 13	$ 34	$ 57	$ 98
Denominator:				
Weighted average basic common shares outstanding	106,314,446	106,983,920	106,540,763	107,765,405
Effect of dilutive securities	693,608	1,134,399	784,601	1,074,137
Weighted average diluted common shares outstanding	107,008,054	108,118,319	107,325,364	108,839,542
Earnings per share attributable to DNOW Inc. stockholders:				
Basic	$ 0.12	$ 0.32	$ 0.53	$ 0.91
Diluted	$ 0.12	$ 0.32	$ 0.53	$ 0.90

Under ASC Topic 260, "Earnings Per Share", the two-class method requires a portion of net income attributable to DNOW Inc. to be allocated to participating securities, which are unvested awards of share-based payments with non-forfeitable rights to receive dividends or dividend equivalents, if declared. Net income attributable to these participating securities was excluded from net income attributable to DNOW Inc. stockholders in the numerator of the earnings per share computation.

12. Stock-based Compensation and Outstanding Awards

The Company has a stock-based compensation plan known as the DNOW Inc. Long Term Incentive Plan (the "Plan"). The Plan provided for the grant of stock options, restricted stock awards ("RSAs"), restricted stock units and phantom shares ("RSUs"), and performance stock awards ("PSAs"). The Plan had a ten-year term which expired in May 2024. No further awards will be made under the Plan. On May 22, 2024, the Company's shareholders approved the DNOW Inc. 2024 Omnibus Incentive Plan (the "2024 Plan"), which allowed the Company to replace the expiring Plan and roll over the remaining available shares for grant under the Plan into the new 2024 Plan. The 2024 Plan will permit awards to be granted until 2034, for the granting of stock options, RSAs, RSUs, PSAs, and stock appreciation rights.

For the nine months ended September 30, 2024, the Company granted 778,052 shares of RSAs and RSUs with a weighted average fair value of $13.12 per share. In addition, the Company granted PSAs to senior management employees with potential payouts varying from zero to 553,424 shares. The RSAs and RSUs vest on the first and third anniversary of the date of grant. The PSAs can be earned based on performance against established metrics over a three-year performance period.

Stock-based compensation expense for the three and nine months ended September 30, 2024, totaled $3 million and $9 million, respectively, compared to $4 million and $11 million, respectively, for the corresponding periods of 2023.

13. Commitments and Contingencies

The Company is involved in various claims, regulatory agency audits and pending or threatened legal actions involving a variety of matters with entities such as suppliers, customers, parties to acquisitions and divestitures, government authorities and other external parties. The Company regularly reviews and records the estimated probable liability in an amount believed to be sufficient and continues to periodically reexamine the estimates of probable liabilities and any associated expenses to make appropriate adjustments to such estimates as necessary. These estimated liabilities are based on the Company's assessment of the nature of these matters, their progress toward resolution, the advice of legal counsel and outside experts as well as management's intention and past experience regarding the valuation of these claims. The Company has also assessed the potential for additional losses above the amounts accrued as well as potential losses for matters that are not probable but are reasonably possible. The total potential loss on these matters cannot be determined. While the Company has established estimates it believes to be reasonable under the facts known, the outcomes of litigation and similar disputes are often difficult to reliably predict and may result in decisions or settlements that are contrary to, or in excess of, the Company's expectations.

The Company's business is affected both directly and indirectly by governmental laws and regulations relating to the oilfield service industry in general, as well as by environmental and safety regulations that specifically apply to the Company's business. Although the Company has not incurred material costs in connection with its compliance with such laws, there can be no assurance that other developments, such as new environmental laws, regulations and enforcement policies hereunder may not result in additional, presently unquantifiable costs or liabilities to the Company. The Company does not accrue for contingent losses that, in its judgment, are considered to be reasonably possible, but not probable. Estimating reasonably possible losses also requires the analysis of multiple possible outcomes that often depend on judgments about potential actions by third parties.

The Company maintains credit arrangements with several banks providing for standby letters of credit, including bid and performance bonds, and other bonding requirements. As of September 30, 2024, the Company was contingently liable for approximately $11 million of outstanding standby letters of credit and surety bonds. The Company does not believe, based on historical experience and information currently available, that it is probable that any amounts will be required to be paid on those letters of credit and surety bonds.

In connection with an acquisition in 2024, the Company is committed to total future retention payments of up to $13 million payable in 2026 and 2027. Payments are due to various employees if non-financial post combination service conditions are met pursuant to the terms and conditions of the retention agreements.

14. Derivative Financial Instruments

The Company is exposed to certain risks relating to its ongoing business operations. The Company has entered into certain financial derivative instruments to economically hedge the Company's risk from changes in the fair value of non functional currency denominated monetary accounts. The Company's foreign currency forward contracts have terms of less than one year.

The Company records all derivative financial instruments at their fair value in its consolidated balance sheets. None of the derivative financial instruments that the Company holds are designated as either a fair value hedge or cash flow hedge and the gain or loss on the derivative instruments is recorded in earnings. The Company has determined that the fair value of its derivative financial instruments are computed using level 2 inputs (inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability) in the fair value hierarchy as the fair value is based on publicly available foreign exchange rates at each financial reporting date. As of September 30, 2024 and December 31, 2023, the fair value of the Company's foreign currency forward contracts totaled an asset of less than $1 million and a liability of less than $1 million in both periods. The Company's foreign currency forward contract assets were included in prepaid and other current assets in the consolidated balance sheets and the Company's foreign contract liabilities were included in other current liabilities in the consolidated balance sheets.

For the three and nine months ended September 30, 2024, the Company recorded a gain of less than $1 million in both periods related to changes in fair value. For the three and nine months ended September 30, 2023, the Company recorded a loss of less than $1 million in both periods related to changes in fair value. All gains and losses were included in other income (expense) in the consolidated statements of operations. As of September 30, 2024 and December 31, 2023, the notional principal associated with those contracts was approximately $21 million and $15 million, respectively.

As of September 30, 2024, the Company's financial instruments do not contain any credit-risk-related or other contingent features that could cause accelerated payments when the Company's financial instruments are in net liability positions. The Company does not use derivative financial instruments for trading or speculative purposes.

15. Acquisitions

For the nine months ended September 30, 2024, the Company acquired Whitco Supply, LLC for a purchase price consideration of $185 million, net of cash acquired. Whitco Supply, LLC is known as a provider of energy products and solutions in the U.S. The Company has included the financial results of the acquisition in its consolidated financial statements from the date of the acquisition.

The Company completed its preliminary valuations as of the acquisition date of the acquired net assets and recognized goodwill of $53 million and intangible assets of $30 million in the U.S. segment, which are subject to change. If additional information is obtained about these assets and liabilities within the measurement period (not to exceed one year from the date of acquisition), the Company will refine its estimate of fair value to allocate the purchase price more accurately. The Company has not presented supplemental pro forma information because the acquired operations did not materially impact the Company's consolidated operating results.

Following is the purchase price allocation detail (in millions):

		As of September 30, 2024
Net purchase price, net of cash acquired	$	185
Fair value of net assets acquired:		
Current assets other than cash	$	120
Property, plant and equipment		9
Trade names (estimate useful lives of 10 years)		16
Customer relationships (estimate useful lives of 15 years)		14
Current liabilities		(27)
Total fair value of net assets acquired	$	132
Goodwill [1]	$	53

(1) The amount of goodwill represents the excess of its purchase price over the fair value of net assets acquired. Goodwill includes the expected benefit that the Company believes will result from combining its operations with those of the businesses acquired. The amount of goodwill expected to be deductible for income tax purposes is approximately $53 million.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Some of the information in this document contains, or has incorporated by reference, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Forward-looking statements typically are identified by use of terms such as "may," "believe," "anticipate," "expect," "plan," "predict," "estimate," "will be" or other similar words and phrases, although some forward-looking statements are expressed differently. You should be aware that our actual results could differ materially from results anticipated in the forward-looking statements due to a number of factors, including, but not limited to, changes in oil and gas prices, changes in the energy markets, customer demand for our products, significant changes in the size of our customers, difficulties encountered in integrating mergers and acquisitions, general volatility in the capital markets, ability to complete the share repurchase program, changes in applicable government regulations, increased borrowing costs, geopolitical conditions (including the Ukraine and Middle East conflicts and their regional and global impacts) or any litigation arising out of or related thereto, impairments in long-lived assets and worldwide economic activity. You should also consider carefully the statements under "Risk Factors," as disclosed in our Form 10-K, which address additional factors that could cause our actual results to differ from those set forth in the forward-looking statements. Given these uncertainties, current or prospective investors are cautioned not to place undue reliance on any such forward-looking statements. We undertake no obligation to update any such factors or forward-looking statements to reflect future events or developments.

Company Overview

We are a global distributor to the oil and gas and industrial markets with a legacy of over 160 years. We operate primarily under the DNOW brand along with several affiliated brands operating in local or regional markets that are tied to prior acquisitions. Through a network of approximately 165 locations and approximately 2,550 employees worldwide, we offer a complementary suite of digital procurement channels that, in conjunction with our locations, provides products to the energy and industrial markets around the world.

Additionally, through our growing DigitalNOW® platform, customers can leverage world-class technology across ecommerce, data visualization, data management and supply chain optimization applications to solve a wide array of complex operational and product sourcing challenges to assist in maximizing their return on assets.

Our product and service offerings are consumed throughout all sectors of the energy industry – from upstream drilling and completion, exploration and production ("E&P"), midstream transmission, gas and crude oil processing infrastructure development to downstream petroleum refining and petrochemicals – as well as in other industries, such as chemical processing, mining, water/wastewater, food and beverage, gas utilities and the evolution of energy transition markets inclusive of greenhouse gas reduction and emissions capture and storage, renewable fuels such as biofuels and renewable natural gas ("RNG"), wind, solar, production of hydrogen as a fuel to power equipment and select industrial markets. The industrial distribution end markets include engineering and construction firms that perform capital and maintenance projects for their end-user clients. We also provide supply chain and materials management solutions to the same markets where we sell products.

Our global product offering includes consumable maintenance, repair and operating ("MRO") supplies, pipe, manual and automated valves, fittings, flanges, gaskets, fasteners, electrical, instrumentation, artificial lift, pumping solutions and modular process, production, measurement and control equipment. We also offer sourcing, procurement, warehouse and inventory management solutions as part of our supply chain and materials management offering. We have developed expertise in providing application systems, work processes, parts integration, optimization solutions and after-sales support that provide more efficient and productive solutions for our customers.

Our solutions include outsourcing portions or entire functions of our customers' procurement, warehouse and inventory management, logistics, point of issue technology, project management, business process and performance metrics reporting. These solutions allow us to leverage the infrastructure of our SAP™ Enterprise Resource Planning ("ERP") system and other technologies to streamline our customers' purchasing process, from requisition to procurement to payment, by digitally managing workflow, improving approval routing and providing robust reporting functionality.

We support land and offshore operations for the major oil and gas producing regions around the world through our network of locations. Our key markets, beyond North America, include South America, Europe, the Middle East, Asia Pacific, Central Asia and West and North Africa. Products sold through our locations support greenfield expansion upstream capital projects, midstream infrastructure and transmission and MRO consumables used in day-to-day production. We provide downstream energy and industrial products for petroleum refining, chemical processing, liquefied natural gas ("LNG") terminals, power generation utilities and customer on-site locations.

Our supplier network consists of thousands of vendors in approximately 40 countries. From our operations, we sell to customers operating in approximately 80 countries. The supplies and equipment stocked by each of our branches are customized to meet varied and changing local customer demands. The breadth and scale of our offering enhances our value proposition to our customers, suppliers and shareholders.

We employ advanced information technologies, including a common ERP platform across most of our business, to provide complete procurement, warehouse and inventory management and logistics coordination to our customers around the globe. Having a common ERP platform allows immediate visibility into our inventory assets, operations and financials worldwide, enhancing decision making and efficiency.

Demand for our products is driven primarily by the level of oil and gas drilling, completions, servicing, production, transmission, refining and petrochemical activities. It is also influenced by the global supply and demand for energy, the economy in general and geopolitics. Several factors drive spending, such as investment in energy infrastructure, the North American conventional and shale plays, Organization of Petroleum Exporting Countries ("OPEC") and non-OPEC supply and investments, market expectations of future developments in the oil, natural gas, liquids, refined products, petrochemical, plant maintenance and other industrial, manufacturing and energy sectors.

We have expanded, through acquisitions and organic investments, in Australia, Canada, England, Kuwait, Netherlands, Norway, Scotland, Singapore, the United Arab Emirates ("UAE") and the United States ("U.S.").

Summary of Reportable Segments

We operate through three reportable segments: U.S., Canada and International. The segment data included in our Management's Discussion and Analysis are presented on a basis consistent with our internal management reporting. Segment information appearing in Note 9 "Business Segments" of the notes to the unaudited consolidated financial statements (Part I, Item 1 of this Form 10-Q) is also presented on this basis.

United States

We have approximately 110 locations in the U.S., which are geographically positioned to best serve the upstream, midstream, downstream, renewable energy and industrial markets.

We offer higher value solutions in key product lines in the U.S. which broaden and deepen our customer relationships and related product line value. Examples of these include artificial lift, pumps, valves and valve actuation, process and production equipment, fluid transfer products, measurement and controls, spoolable and coated steel pipe and composite pipe, along with many other products required by our customers, which enable them to focus on their core business while we manage varying degrees of their supply chain. We also provide additional value to our customers through the engineering, design, construction, assembly, fabrication and optimization of products and equipment essential to the safe and efficient production, transportation and processing of oil and gas.

Canada

We have a network of approximately 40 locations in the Canadian oilfield, predominantly in the oil rich provinces of Alberta, Saskatchewan, Manitoba and other targeted locations across the country. Our Canada segment primarily serves energy exploration, production, mining and drilling businesses, offering customers many of the same products and value-added solutions that we perform in the U.S. In Canada, we also provide training for, and supervise the installation of, jointed and spoolable composite pipe. This product line is supported by inventory, as well as product and installation expertise to serve our customers.

International

We serve the needs of our international customers from approximately 15 locations outside the U.S. and Canada, which are strategically located in major oil and gas development areas. Our approach in these markets is similar to our approach in North America, as our customers turn to us to provide products and supply chain solutions support closer to their drilling and exploration activities. Our long legacy of operating in many international regions, combined with expansion into several key markets, provides a competitive advantage as few of our competitors have a presence in most of the global energy producing regions.

In the third quarter of 2024, we began a plan to restructure operations in the International segment to optimize locations to improve operating margins. For the three and nine months ended September 30, 2024, the Company recognized $8 million in charges, including approximately $5 million of foreign currency translation losses included in impairment and other charges, approximately $2 million of inventory write-downs included in cost of products and $1 million of other exit costs included in warehousing, selling and administrative. We could incur additional non-cash foreign currency translation losses as we complete the International restructuring; however we do not expect the remaining restructuring related liabilities to be material.

Basis of Presentation

The unaudited consolidated financial information included in this report has been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and Article 10 of SEC Regulation S-X. All significant intercompany transactions and accounts have been eliminated. Variable interest entities for which the Company is the primary beneficiary are fully consolidated with the equity held by the outside stockholders and their portion of net income (loss) reflected as noncontrolling interest in the accompanying consolidated financial statements. The principles for interim financial information do not require the inclusion of all the information and footnotes required by GAAP for complete financial statements. Therefore, these financial statements should be read in conjunction with the financial statements included in the Company’s most recent Annual Report on Form 10-K. In the opinion of the Company's management, the consolidated financial statements include all adjustments, which are of a normal recurring nature unless disclosed otherwise, necessary for a fair presentation of the results for the interim periods. The results of operations for the three and nine months ended September 30, 2024, are not necessarily indicative of the results to be expected for the full year.

Operating Environment Overview

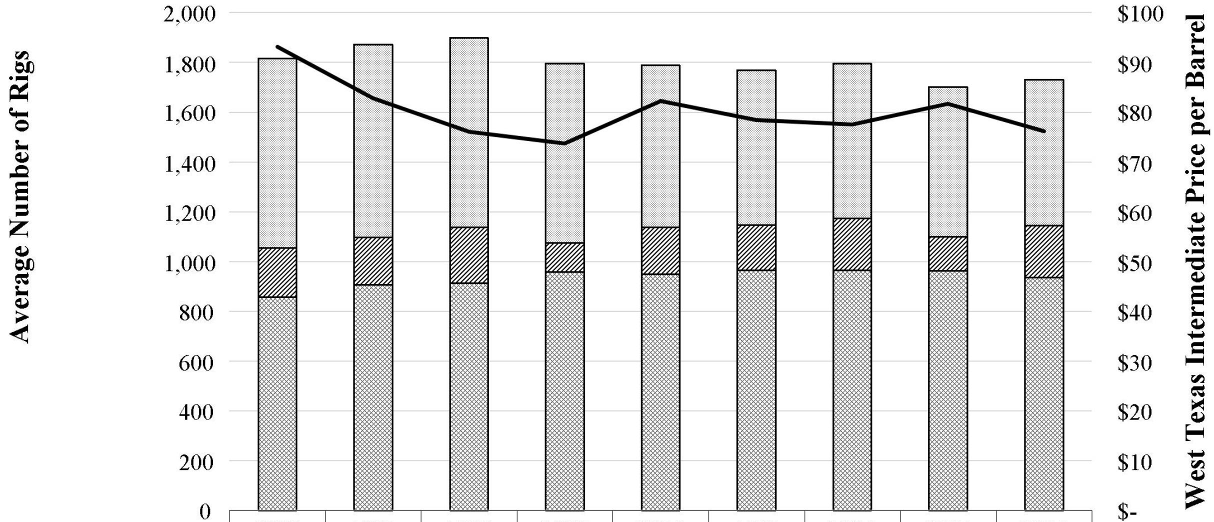
Our results are dependent on, among other factors, the level of worldwide oil and gas drilling and completions, well remediation activity, crude oil and natural gas prices, capital spending by oilfield service companies and drilling contractors, and the worldwide oil and gas inventory levels. Key industry indicators for the third quarter of 2024 and 2023 and the second quarter of 2024 include the following:

	3Q24*	3Q23*	% 3Q24 v 3Q23	2Q24*	% 3Q24 v 2Q24
Active Drilling Rigs:					
U.S.	586	651	(10.0%)	603	(2.8%)
Canada	209	188	11.2%	137	52.6%
International	937	951	(1.5%)	963	(2.7%)
Worldwide	1,732	1,790	(3.2%)	1,703	1.7%
West Texas Intermediate Crude Prices (per barrel)	$ 76.24	$ 82.30	(7.4%)	$ 81.71	(6.7%)
Natural Gas Prices ($/MMBtu)	$ 2.11	$ 2.59	(18.5%)	$ 2.08	1.4%
Hot-Rolled Coil Prices (steel) ($/short ton)	$ 674.99	$ 830.97	(18.8%)	$ 796.03	(15.2%)
U.S. Wells Completed	2,757	3,153	(12.6%)	2,924	(5.7%)

* Averages for the quarters indicated, except for U.S. Wells Completed. See sources on following page.

The following table details the U.S., Canadian and international rig activity and West Texas Intermediate oil prices for the past nine quarters ended September 30, 2024:

Industry Trends
Rig Counts and Oil Prices



	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24
U.S.	761	775	761	722	651	622	623	603	586
Canada	199	190	223	115	188	183	209	137	209
International	857	907	915	960	951	965	965	963	937
Worldwide	1,817	1,872	1,899	1,797	1,790	1,770	1,797	1,703	1,732
WTI	$93.18	$82.79	$76.08	$73.76	$82.30	$78.41	$77.56	$81.71	$76.24

Sources: Rig count: Baker Hughes, Inc. (www.bakerhughes.com); West Texas Intermediate Crude and Natural Gas Prices: Department of Energy, Energy Information Administration (www.eia.gov); Hot-Rolled Coil Prices: SteelBenchmarker™ Hot Roll Coil USA (www.steelbenchmarker.com); U.S. Wells Completed: Department of Energy, Energy Information Administration (www.eia.gov) (As revised).

The worldwide quarterly average rig count increased 1.7% (from 1,703 rigs to 1,732 rigs) and the U.S. declined 2.8% (from 603 rigs to 586 rigs) in the third quarter of 2024 compared to the second quarter of 2024. The average price per barrel of West Texas Intermediate Crude declined 6.7% (from $81.71 per barrel to $76.24 per barrel), and average natural gas prices increased 1.4% (from $2.08 per MMBtu to $2.11 per MMBtu) in the third quarter of 2024 compared to the second quarter of 2024. The average price per short ton of Hot-Rolled Coil declined 15.2% (from $796.03 per short ton to $674.99 per short ton) in the third quarter of 2024 compared to the second quarter of 2024. U.S. Wells Completed declined 5.7% (from 2,924 completion count to 2,757 completion count) in the third quarter of 2024 compared to the second quarter of 2024.

U.S. rig count at October 25, 2024 was 585 rigs, flat from the third quarter 2024 average. The price for West Texas Intermediate Crude was $72.02 per barrel at October 25, 2024, down 5.5% from the third quarter 2024 average. The price for natural gas was $1.93 per MMBtu at October 25, 2024, down 8.5% from the third quarter 2024 average. The price for Hot-Rolled Coil was $697.00 per short ton at October 28, 2024, up 3.3% from the third quarter 2024 average.

Executive Summary

For the three and nine months ended September 30, 2024, the Company generated net income attributable to DNOW Inc. of $13 million and $58 million on $606 million and $1,802 million in revenue, respectively. For the three and nine months ended September 30, 2024, revenue increased $18 million or 3.1% and $36 million or 2.0%, respectively, and net income attributable to DNOW Inc. declined $22 million and $42 million, respectively, when compared to the corresponding periods of 2023.

For the three and nine months ended September 30, 2024, the Company generated an operating profit of $23 million and $84 million, respectively, compared to an operating profit of $37 million and $108 million, respectively, for the corresponding periods of 2023.

Outlook

Our outlook for the Company remains tied to crude oil and natural gas commodity prices, global oil and gas drilling and completions activity, oil and gas spending, and global demand for oil, its refined petroleum products, crude oil, natural gas liquids and natural gas production and decline rates. Crude oil and natural gas prices as well as crude oil and natural gas storage levels are primary catalysts for determining customer activity. In recent years, oil prices have remained volatile and economic uncertainty continues to drive commodity price volatility globally. Despite lower North American rig count resulting from enhancements in technology leading to increased rig efficiencies, we maintain a constructive outlook for our market. Amid these dynamics, we will continue to support our customers, optimize our operations, advance our strategic goals and manage the Company based on market conditions.

We see the evolution in energy transition investments to reduce atmospheric carbon, source carbon capture, storage and new energy streams as an opportunity for DNOW to supply many of the current products and services we provide, as well as an opportunity to partner and source from new suppliers to expand our offering and to meet our customers' needs for their energy evolution investments. A number of our larger customers are leading the investments in energy evolution projects where we expect to continue to support them while expanding our product and solution offerings to meet their changing requirements. We are also targeting new customers that are not traditional oil and gas customers, but are those that will play a part in the future as our customers discover and invest in new sources of energy.

Results of Operations

The results of operations are presented before consideration of the noncontrolling interest. Operating results by reportable segment are as follows (*in millions*):

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Revenue:				
United States	$ 482	$ 448	$ 1,429	$ 1,331
Canada	65	68	187	217
International	59	72	186	218
Total revenue	$ 606	$ 588	$ 1,802	$ 1,766
Operating profit (loss):				
United States	$ 25	$ 29	$ 76	$ 81
Canada	3	6	8	17
International	(5)	2	—	10
Total operating profit (loss)	$ 23	$ 37	$ 84	$ 108

United States

For the three and nine months ended September 30, 2024, revenue was $482 million and $1,429 million, an increase of $34 million or 7.6% and $98 million or 7.4%, respectively, when compared to the corresponding periods of 2023. For the three and nine months ended September 30, 2024, the increases were primarily driven by incremental revenue from an acquisition completed in the first quarter of 2024, partially offset by the weakening in U.S. drilling and completions activity.

For the three and nine months ended September 30, 2024, the U.S. generated an operating profit of $25 million and $76 million, a decline of $4 million and $5 million, respectively, when compared to the corresponding periods of 2023. For the three and nine months ended September 30, 2024, operating profit decreased primarily due to an increase in expenses related to an acquisition completed in the first quarter of 2024, partially offset by the increase in revenue discussed above.

Canada

For the three and nine months ended September 30, 2024, revenue was $65 million and $187 million, a decline of $3 million or 4.4% and $30 million or 13.8%, respectively, when compared to the corresponding periods of 2023. For the three and nine months ended September 30, 2024, the decreases were primarily driven by weaker project activity, coupled with unfavorable foreign exchange rate impacts.

For the three and nine months ended September 30, 2024, Canada generated an operating profit of $3 million and $8 million, a decline of $3 million and $9 million, respectively, when compared to the corresponding periods of 2023. For the three and nine months ended September 30, 2024, operating profit decreased primarily due to the decline in revenue discussed above.

International

For the three and nine months ended September 30, 2024, revenue was $59 million and $186 million, a decrease of $13 million or 18.1% and $32 million or 14.7%, respectively, when compared to the corresponding periods of 2023. For the three and nine months ended September 30, 2024, the decreases were primarily driven by weaker project activity.

For the three and nine months ended September 30, 2024, the International segment generated an operating loss of $5 million and nil, a decline of $7 million and $10 million, respectively, when compared to the corresponding periods of 2023. For the three and nine months ended September 30, 2024, operating profit decreased primarily due to an increase in expense of $8 million related to the restructuring plan in the International segment.

Cost of products

For the three and nine months ended September 30, 2024, cost of products was $471 million and $1,400 million, respectively, compared to $454 million and $1,361 million, respectively, for the corresponding periods of 2023. For the three and nine months ended September 30, 2024, the increases were primarily due to the increase in revenue in the period. Cost of products includes the cost of inventory sold and items, such as vendor consideration, inventory allowances, amortization of intangibles and inbound and outbound freight.

Warehousing, selling and administrative expenses

For the three and nine months ended September 30, 2024, warehousing, selling and administrative expenses were $107 million and $313 million, respectively, compared to $97 million and $297 million, respectively, for the corresponding periods of 2023. For the three and nine months ended September 30, 2024, the increases were primarily driven by an increase in expenses related to an acquisition completed in the first quarter of 2024. Warehousing, selling and administrative expenses include branch location, distribution center and regional expenses (including costs such as compensation, benefits and rent) as well as corporate general selling and administrative expenses.

Impairment and other charges

For the three and nine months ended September 30, 2024, impairment and other charges were $5 million in both periods, compared to nil for the corresponding periods of 2023. For the nine months ended September 30, 2024, the Company recognized approximately $5 million of foreign currency translation losses as a result of substantially completing the liquidation of certain foreign subsidiaries in the International segment.

Other income (expense)

For the three and nine months ended September 30, 2024, the Company recorded expense of $1 million and income of nil, respectively, compared to expense of nil and $1 million, respectively, for the corresponding periods of 2023. For the nine months ended September 30, 2023, the improvements were primarily attributable to an increase in interest income.

Income tax provision

The effective tax rates for the three and nine months ended September 30, 2024, were 40.9% and 29.8%, respectively, compared to 5.4% and 5.6%, respectively, for the corresponding periods of 2023. In general, the Company's effective tax rate differs from the U.S. statutory rate due to recurring items, such as differing tax rates on income earned in foreign jurisdictions, nondeductible expenses and state income taxes. For the three and nine months ended September 30, 2024, the effective tax rates were also impacted by foreign currency translation losses and other charges incurred as a result of substantially completing the liquidation of certain foreign subsidiaries with no associated tax benefit. The effective tax rates for the three and nine months ended September 30, 2024, were higher than the effective tax rates for the three and nine months ended September 30, 2023, due to the aforementioned foreign currency translation losses and other charges with no associated tax benefit as well as realization of deferred tax assets that had a corresponding release of valuation allowance in the three and nine months ended September 30, 2024 that did not recur in the corresponding periods in 2024.

Non-GAAP Financial Measure and Reconciliation

In an effort to provide investors with additional information regarding our results of operations as determined by GAAP, we disclose non-GAAP financial measures. The primary non-GAAP financial measure we disclose is earnings before interest, taxes, depreciation and amortization, excluding other costs ("EBITDA excluding other costs"). This financial measure excludes the impact of certain amounts and is not calculated in accordance with GAAP. A reconciliation of this non-GAAP financial measure, to its most comparable GAAP financial measure, is included below.

We use EBITDA excluding other costs internally to evaluate and manage the Company's operations because we believe it provides useful supplemental information regarding the Company's ongoing operating performance. We have chosen to provide this information to investors to enable them to perform more meaningful comparisons of operating results.

The following table sets forth the reconciliations of EBITDA excluding other costs to the most comparable GAAP financial measures (*in millions*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
GAAP net income attributable to DNOW Inc. [(1)]	$ 13	$ 35	$ 58	$ 100
Net income attributable to noncontrolling interest	—	—	1	1
Interest expense (income), net	(1)	(2)	(4)	(3)
Income tax provision	9	2	25	6
Depreciation and amortization	8	7	24	19
Other costs:				
Stock-based compensation	3	4	9	11
Other [(2)]	10	—	18	6
EBITDA excluding other costs	$ 42	$ 46	$ 131	$ 140
EBITDA % excluding other costs [(3)]	6.9 %	7.8 %	7.3 %	7.9 %

(1) We believe that net income attributable to DNOW Inc. is the financial measure calculated and presented in accordance with GAAP that is most directly comparable to EBITDA excluding other costs. EBITDA excluding other costs measures the Company's operating performance without regard to certain expenses. EBITDA excluding other costs is not a presentation made in accordance with GAAP and the Company's computation of EBITDA excluding other costs may vary from others in the industry. EBITDA excluding other costs has important limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of the Company's results as reported under GAAP.

(2) For the three months ended September 30, 2024, Other was primarily related to the International restructuring charges of $8 million, of which approximately $5 million of foreign currency translation losses included in impairment and other charges, approximately $2 million of inventory write-downs included in cost of products and $1 million of other exit costs included in warehousing, selling and administrative; additionally, Other also included transaction-related charges of approximately $2 million recorded in warehousing, selling and administrative.

For the nine months ended September 30, 2024, Other included the International restructuring charges of $8 million mentioned above as well as transaction-related charges of approximately $10 million, of which $5 million were included in cost of products and approximately $5 million included in warehousing, selling and administrative. Transaction-related charges include transaction costs, inventory fair value step-up, retention bonus accruals and integration expenses associated with acquisitions.

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

Liquidity and Capital Resources

We assess liquidity in terms of our ability to generate cash to fund operating, investing and financing activities. We expect resources to be available to reinvest in existing businesses, strategic acquisitions and capital expenditures to meet short and long-term objectives. We believe that cash on hand, cash generated from expected results of operations and amounts available under our revolving credit facility will be sufficient to fund operations, anticipated working capital needs and other cash requirements, including capital expenditures and our share repurchase program.

As of September 30, 2024 and December 31, 2023, we had cash and cash equivalents of $261 million and $299 million, respectively. As of September 30, 2024, $89 million of our cash and cash equivalents were maintained in the accounts of our various foreign subsidiaries. During the first nine months of 2024, we repatriated $3 million from our foreign subsidiaries. The Company makes a determination each period concerning its intent and ability to indefinitely reinvest the cash held by its foreign subsidiaries. The Company has not recorded deferred income taxes on undistributed foreign earnings that it considers to be indefinitely reinvested. Future changes to our indefinite reinvestment assertion could result in additional taxes (withholding and/or state taxes), offset by any available foreign tax credits.

We maintain a $500 million five-year senior secured revolving credit facility that will mature on December 14, 2026. Availability under the revolving credit facility is determined by a borrowing base comprised of eligible receivables, eligible inventory and certain cash deposits in the U.S. and Canada. As of September 30, 2024, we had no borrowings against our revolving credit facility, and had approximately $493 million in availability (as defined in the Credit Agreement) resulting in the excess availability (as defined in the Credit Agreement) of 99%, subject to certain restrictions. Availability excluding certain cash deposits was approximately $361 million. Borrowings that result in the excess availability dropping below the greater of 10% of the borrowing base or $40 million are conditioned upon compliance with or waiver of a minimum fixed charge ratio (as defined in the Credit Agreement). The credit facility contains usual and customary affirmative and negative covenants for credit facilities of this type including financial covenants. As of September 30, 2024, we were in compliance with all covenants. We continuously monitor compliance with debt covenants. A default, if not waived or amended, would prevent us from taking certain actions, such as incurring additional debt.

We are often party to certain transactions that require off-balance sheet arrangements such as standby letters of credit and performance bonds and guarantees that are not reflected in our consolidated balance sheets. These arrangements are made in our normal course of business and they are not reasonably likely to have a current or future material adverse effect on our financial condition, results of operations, liquidity or cash flows.

The following table summarizes our net cash flows provided by (used in) operating activities, investing activities and financing activities for the periods presented *(in millions):*

	Nine Months Ended September 30,	
	2024	**2023**
Net cash provided by (used in) operating activities	$ 176	$ 83
Net cash provided by (used in) investing activities	$ (190)	$ (47)
Net cash provided by (used in) financing activities	$ (25)	$ (54)

Operating Activities

For the nine months ended September 30, 2024, net cash provided by operating activities was $176 million compared to $83 million provided by operating activities in the corresponding period of 2023. For the nine months ended September 30, 2024, net cash provided by operating activities comprised of $59 million of net income; plus $75 million of reconciling adjustments, primarily depreciation, amortization, and deferred income taxes; and a net decrease of $42 million in working capital. For the nine months ended September 30, 2024, the improvement was primarily driven by improved inventory efficiency and better collections.

Investing Activities

For the nine months ended September 30, 2024, net cash used in investing activities was $190 million compared to $47 million used in investing activities in the corresponding period of 2023. For the nine months ended September 30, 2024, net cash used in investing activities was primarily related to business acquisitions of $185 million, net of cash acquired.

Financing Activities

For the nine months ended September 30, 2024, net cash used in financing activities was $25 million compared to $54 million used in financing activities in the corresponding period of 2023. For the nine months ended September 30, 2024, net cash used in financing activities was primarily attributable to the Company's payment of $18 million for share repurchases compared to $49 million for the corresponding period of 2023.

Other

For the nine months ended September 30, 2024, the effect of the change in exchange rates on cash and cash equivalents was $1 million favorable compared to nil for the corresponding period of 2023.

Capital Spending

We intend to pursue additional acquisition candidates, but the timing, size or success of any acquisition effort and the related potential capital commitments cannot be predicted. We continue to expect to fund future cash acquisitions primarily with cash on hand, cash flow from operations and the usage of the available portion of the revolving credit facility. There can be no assurance that additional financing will be available at terms acceptable to us.

Share Repurchase Program

On August 3, 2022, the Company's Board of Directors approved a share repurchase program, under which the Company is authorized to purchase up to $80 million of its outstanding common stock through December 31, 2024. We expect to fund share repurchases primarily with cash on hand, cash flow from operations and the usage of the available portion of the revolving credit facility. The timing and amount of any repurchases will be made at our discretion, taking into account a number of factors, including market conditions. For the nine months ended September 30, 2024, we repurchased 1,379,020 shares of our common stock for a total of approximately $18 million. As of September 30, 2024, we had approximately $6 million remaining under the program's authorization, excluding 1% excise tax, as enacted under the Inflation Reduction Act of 2022.

Critical Accounting Policies and Estimates

For a discussion of the critical accounting policies and estimates that we use in the preparation of our consolidated financial statements, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K. In preparing the financial statements, the Company makes assumptions, estimates and judgments that affect the amounts reported. The Company periodically evaluates its estimates and judgments that are most critical in nature, which are related to allowance for credit losses, inventory reserves, purchase price allocation of acquisitions and income taxes. Its estimates are based on historical experience and on its future expectations that the Company believes are reasonable. The combination of these factors forms the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results are likely to differ from our current estimates and those differences may be material.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to certain market risks that are inherent in our financial instruments and arise from changes in interest rates and foreign currency exchange rates. We may enter into derivative financial instrument transactions to manage or reduce market risk but do not enter into derivative financial instrument transactions for speculative purposes. We do not currently have any material outstanding derivative instruments. See Note 14 "Derivative Financial Instruments" to the consolidated financial statements for additional information.

A discussion of our primary market risk exposure in financial instruments is presented below.

Foreign Currency Exchange Rate Risk

We have operations in foreign countries and transact business globally in multiple currencies. Our net assets as well as our revenues and costs and expenses denominated in foreign currencies, expose us to the risk of fluctuations in foreign currency exchange rates against the U.S. dollar. Because we operate globally and approximately one-fifth of our net sales for the nine months ended September 30, 2024, were outside the U.S., foreign currency exchange rates can impact our financial position, results of operations and competitive position. We are a net receiver of foreign currencies and, therefore, benefit from a weakening of the U.S. dollar and are adversely affected by a strengthening of the U.S. dollar relative to the foreign currency. As of September 30, 2024, our most significant foreign currency exposure was to the Canadian dollar, followed by the British pound, with less significant foreign currency exposure to the Australian dollar.

The financial statements of foreign subsidiaries are translated into their U.S. dollar equivalents at end-of-period exchange rates for assets and liabilities, while revenue, costs and expenses are translated at average monthly exchange rates. Translation gains and losses are components of other comprehensive income (loss) as reported in the consolidated statements of comprehensive income (loss). Upon complete or substantially complete liquidation of a foreign subsidiary, the accumulated translation gains and losses relating to the foreign subsidiary are reclassified into earnings, reflected in impairment and other charges in the consolidated statements of operations. For the nine months ended September 30, 2024, we reported a net foreign currency translation gain of $4 million, after the reclassification of accumulated foreign currency translation losses of approximately $5 million related to the substantial liquidation of certain foreign subsidiaries in our International segment.

Foreign currency exchange rate fluctuations generally do not materially affect our earnings since the functional currency is typically the local currency; however, our operations also have net assets not denominated in their functional currency, which exposes us to changes in foreign currency exchange rates that impact our net income as foreign currency transaction gains and losses. Foreign currency transaction gains and losses arising from fluctuations in currency exchange rates on transactions denominated in currencies other than the functional currency are recognized in the consolidated statements of operations as a component of other income (expense). For the nine months ended September 30, 2024 and 2023, we reported foreign currency transaction losses of $1 million in both periods. Gains and losses are primarily due to exchange rate fluctuations related to monetary asset balances denominated in currencies other than the functional currency and fair value adjustments to economically hedged positions as a result of changes in foreign currency exchange rates.

Some of the revenues for our foreign operations are denominated in U.S. dollars and, therefore, changes in foreign currency exchange rates impact earnings to the extent that costs associated with those U.S. dollar revenues are denominated in the local currency. Similarly, some of our revenues for our foreign operations are denominated in foreign currencies, but have associated U.S. dollar costs, which also give rise to foreign currency exchange rate exposure. In order to mitigate those risks, we may utilize foreign currency forward contracts to better match the currency of the revenues and the associated costs. Although we may utilize foreign currency forward contracts to economically hedge certain foreign currency denominated balances or transactions, we do not currently hedge the net investments in our foreign operations. The counterparties to our forward contracts are major financial institutions. The credit ratings and concentration of risk of these financial institutions are monitored by us on a continuing basis. In the event that the counterparties fail to meet the terms of a foreign currency contract, our exposure is limited to the foreign currency rate differential.

The average foreign exchange rate for the first nine months of 2024 compared to the average for the corresponding period of 2023 remained flat compared to the U.S. dollar based on the aggregated weighted average revenue of our foreign-currency denominated foreign operations. The Canadian dollar and Australian dollar each decreased in relation to the U.S. dollar by 1%, while the British pound increased in relation to the U.S dollar by approximately 3%.

We utilized a sensitivity analysis to measure the potential impact on earnings based on a hypothetical 10% change in foreign currency rates. A 10% change from the levels experienced during the first nine months of 2024 of the U.S. dollar relative to foreign currencies that affected the Company would have resulted in approximately $1 million change in net income for the same period.

Commodity Steel Pricing

Our business is sensitive to steel prices, which can impact our product pricing, with steel tubular prices generally having the highest degree of sensitivity. While we cannot predict steel prices, we mitigate this risk by managing our inventory levels, including maintaining sufficient quantity on hand to meet demand, while limiting the risk of overstocking.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. The Company's disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by the Company in the reports it files under the Exchange Act is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures and is recorded, processed, summarized and reported within the time period specified in the rules and forms of the Securities and Exchange Commission. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective as of the end of the period covered by this report at a reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table presents a summary of share repurchases made during the three months ended September 30, 2024:

Period	Total number of shares purchased	Average price paid per share [1]	Total number of shares purchased as part of publicly announced program [2]	Approximate dollar value of shares that may yet be purchased under the program [1][2] *(in millions)*
July 1 - 31, 2024	81,207	$ 13.61	81,207	$ 12
August 1 - 31, 2024	283,315	$ 13.02	283,315	$ 8
September 1 - 30, 2024	176,980	$ 12.52	176,980	$ 6
Total	541,502	$ 12.95	541,502	

(1) Excludes 1% excise tax on share repurchases under the publicly announced program.

(2) On August 3, 2022, the Company's Board of Directors approved a share repurchase program, under which the Company is authorized to purchase up to $80 million of its outstanding common stock through December 31, 2024.

Item 5. Other Information

Insider Trading Arrangements and Policies

During the three months ended September 30, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

(a) Exhibits

Exhibit No.	Exhibit Description
3.1	DNOW Inc. Amended and Restated Certificate of Incorporation (6)
3.2	DNOW Inc. Amended and Restated Bylaws (6)
10.1	Form of Employment Agreement for Executive Officers (1)
10.2	NOW Inc. 2014 Incentive Compensation Plan (2)
10.3	Form of Nonqualified Stock Option Agreement (3)
10.4	Form of Restricted Stock Award Agreement (3 year cliff vest) (3)
10.5	Form of Performance Award Agreement (3)
10.6	Form of Amendment to Employment Agreement for Executive Officers (4)
10.7	Credit Agreement dated as of April 30, 2018, among the Borrowers, the lenders party thereto and Wells Fargo Bank, National Association as administrative agent, an issuing lender and swing lender (5)
10.8	Employment Agreement between NOW Inc. and Chief Executive Officer David Cherechinsky (7)
10.9	Employment Agreement between NOW Inc. and Chief Financial Officer Mark Johnson (7)
10.10	First Amendment to Credit Agreement, and First Amendment to US Guaranty and Security Agreement, dated as of December 14, 2021, among the Borrowers, the lenders party thereto and Wells Fargo Bank, National Association, as administrative agent, an issuing lender and swing lender.(8)
10.11	Second Amendment to Credit Agreement, among the Borrowers, the lenders party thereto and Wells Fargo Bank, National Association, as administrative agent, an issuing lender and swing lender (9)
10.12	DNOW Inc. 2024 Omnibus Incentive Plan (10)
31.1	Certification pursuant to Rule 13a-14a and Rule 15d-14(a) of the Securities and Exchange Act, as amended
31.2	Certification pursuant to Rule 13a-14a and Rule 15d-14(a) of the Securities and Exchange Act, as amended
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document – The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

(1) Filed as an Exhibit to our Current Report on Form 8-K filed on May 30, 2014
(2) Filed as an Exhibit to our Amendment No.1 to Form 10, as amended, Registration Statement filed on April 8, 2014
(3) Filed as an Exhibit to our Quarterly Report on Form 10-Q filed on May 7, 2015
(4) Filed as an Exhibit to our Quarterly Report on Form 10-Q filed on November 2, 2016
(5) Filed as an Exhibit to our Current Report on Form 8-K filed on May 1, 2018
(6) Filed as an Exhibit to our Current Report on Form 8-K filed on January 9, 2024
(7) Filed as an Exhibit to our Current Report on Form 8-K filed on June 2, 2020
(8) Filed as an Exhibit to our Current Report on Form 8-K/A filed on February 4, 2022
(9) Filed as an Exhibit to our Current Report on Form 8-K filed on January 3, 2023
(10) Filed as an Exhibit to our Form S-8 Registration Statement filed on May 24, 2024

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 7, 2024

By: */s/ Mark B. Johnson*

Mark B. Johnson

Senior Vice President and Chief Financial Officer

Exhibit 31.1

CERTIFICATION

I, David A. Cherechinsky, certify that:

1. I have reviewed this quarterly report on Form 10-Q of DNOW Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its combined subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2024

By: */s/ David A. Cherechinsky*
David A. Cherechinsky
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Mark B. Johnson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of DNOW Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its combined subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2024

By: */s/ Mark B. Johnson*
Mark B. Johnson
Senior Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of DNOW Inc. (the “Company”) on Form 10-Q for the period ending September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, David A. Cherechinsky, President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(i) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

The certification is given to the knowledge of the undersigned.

Date: November 7, 2024

By: */s/ David A. Cherechinsky*
David A. Cherechinsky
President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of DNOW Inc. (the “Company”) on Form 10-Q for the period ending September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, Mark B. Johnson, Senior Vice President and Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(i) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

The certification is given to the knowledge of the undersigned.

Date: November 7, 2024

By: */s/ Mark B. Johnson*
Mark. B. Johnson
Senior Vice President and Chief Financial Officer