

Energy Delivered.™

Oilfield Equipment  
View Products >

Electrical  
View Products >

Pumps  
View Products >

# Investor Relations

Second Quarter 2020

DISTRIBUTION **NOW**

# Disclosure Statement

---

- Statements made in the course of this presentation that state the Company's or management's intentions, hopes, beliefs, expectations or predictions of the future are forward-looking statements. It is important to note that the Company's actual results could differ materially from those projected in such forward-looking statements. Additional information concerning factors that could cause actual results to differ materially from those in the forward-looking statements is contained from time-to-time in the Company's filings with the U.S. Securities and Exchange Commission (SEC). Any decision regarding the Company or its securities should be made upon careful consideration of not only the information here presented, but also other available information, including the information filed by the Company with the SEC. Copies of these filings may be obtained by contacting the Company or the SEC.
- In an effort to provide investors with additional information regarding our results as determined by U.S. Generally Accepted Accounting Principles (GAAP), we disclose various non-GAAP financial measures in our quarterly earnings press releases and other public disclosures. We use these non-GAAP financial measures internally to evaluate and manage the Company's operations because we believe it provides useful supplemental information regarding the Company's ongoing economic performance. The non-GAAP financial measures include: (i) earnings before interest, taxes, depreciation and amortization (EBITDA) excluding other costs (sometimes referred to as "EBITDA"), (ii) net income (loss) excluding other costs and (iii) diluted earnings (loss) per share excluding other costs. Each of these financial measures excludes the impact of certain other costs and therefore has not been calculated in accordance with GAAP. A reconciliation of each non-GAAP financial measure to its most comparable GAAP financial measure can be found in our quarterly earnings press release.



# Vision

DistributionNOW will be recognized as the market **Leader in Supply Chain Management** through superior customer service by leveraging the strengths of our employees, processes, suppliers, technology and information.





# Second Quarter Investment Highlights

- Management focused on preserving cash position and enviable balance sheet with aggressive structural transformation
- Focused on profitable market share gains and end markets that align with our strategy
- Investing in DigitalNOW® initiative to position DNOW as a leading digital solution provider for operators and service companies
- Zero debt, \$269 million in cash, total liquidity approximating \$525 million, active M&A pipeline in a period where we expect opportunities to increase
- Proven management team with significant industry experience



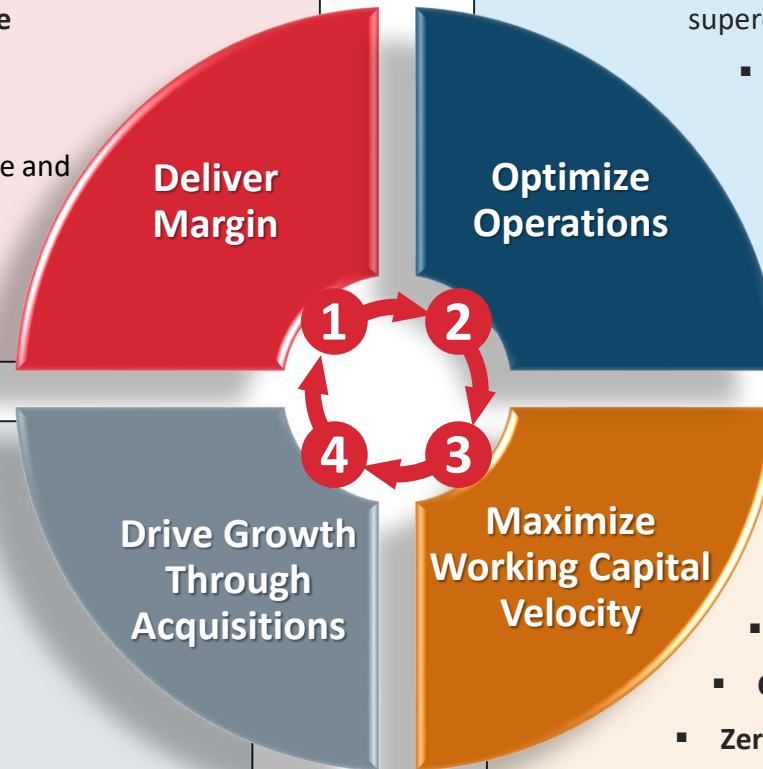
# DNOW Strategy to Unlock Value

- Product margins holding firm, gross margins impacted unfavorably by inventory write downs
- Rolling out new order management system to enable more efficient quote-to-order process **yielding higher employee productivity**
- **Renewed numerous customer contract agreements**
- **Ecommerce implementation growth** seeds future revenue and margin gains
- Focused on **midstream and downstream expansion**

- **Structural change** towards a more centralized fulfillment model with smaller branches and reduced personnel and vehicles, square footage and inventory
  - In process of **relocating our La Porte, TX DC** to existing Houston supercenter
    - **Reduced** discretionary and infrastructure **costs** and headcount from 4,400 to 2,650 since the beginning of the year
      - Focused on **cost transformation** to align to market demand and preserve balance sheet
      - **Leveraging technology** to enhance employee productivity and increase operational efficiencies

- **Proactively evaluating M&A opportunities**
  - Continue to evaluate M&A pipeline for growth
  - Highly selective in this environment
  - Approximately \$525 million in total liquidity

- **Working capital**, excluding cash, was 24% of revenue in 2Q20
- **Inventory turns** at 3.3x
- **Cash on hand** at June 30, 2020 of \$269 million
- **Zero debt**



# 2Q20 Key Market Indicators

## WTI/Rig Counts

- WTI avg \$28 per barrel for 2Q20
- U.S. avg rig count of 396, down 50% sequentially, down 60% YOY
- Canada avg rig count 25, down 87% sequentially, down 70% YOY
- International avg rig count 834, down 22% sequentially, down 25% YOY

**DNOW annualized revenue per rig at \$1.2 million for 2Q20**

## U.S. DUCs

- June ended with a DUC count of 7,659 wells in EIA DPR regions
- 7,650 2Q20 avg
- Flat sequentially, down 10% on avg YOY

**DUCs are future revenue opportunities for DNOW**

## U.S. Completions

- June ended with 291
- 492 avg for 2Q20
- Down 55% sequentially on avg
- Down 62% YOY on avg

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

# 2Q20 Highlights – U.S. Channels

## U.S. Energy Centers

### 2Q Highlights

- Revenue down 40% sequentially, with avg rig count down 50% and avg completions down 55% sequentially
- Declines across all oil and gas areas as customers cut production and spending due to rapid deterioration of market conditions
- Renewed drilling contractor and E&P contracts, expanded several customer contracts in midstream market

## U.S. Supply Chain Services

### 2Q Highlights

- Revenue down 52% sequentially, with avg rig count down 50% and avg completions down 55% sequentially
- Declines across all oil and gas areas as customers cut production and spending due to rapid deterioration of market conditions
- Downstream and industrial segment was impacted to a lesser degree, partially due to some larger orders for COVID-19 supplies

## U.S. Process Solutions

### 2Q Highlights

- Revenue down 30% as avg completions down 55% sequentially
- Activity led by Permian, Bakken, Rockies, and Eagle Ford, declines led by Scoop / Stack
- Increase in pump orders for municipal water sector
- Consolidated three Odessa, TX locations into new facility in June

# 2Q20 Highlights – Canada & International

## Canada

### 2Q Highlights

- Revenue of \$41M, sequential decrease of \$37M or 47%
- Customer spending and activity lower with reduced sales in PVF and MRO, partially offset by increased sales of PPE and COVID-19 related products
- Renewed several PVF contracts leading to future revenue potential
- Refined branch footprint to scale to market by leveraging centralized project execution model and ecommerce channel

## International

### 2Q Highlights

- Revenue \$69M, down 19% sequentially, due to impacts of COVID-19 resulting in lower economic activity and lower offshore activity
- Revenue up slightly in Asia, but lower in Middle East, UK, Latin America and export
- Awarded Total Valve Solution contract in Egypt's downstream market and Brazilian offshore market
- Access to customers was restricted in many countries due to COVID-19



# Technology Investments for Reduced IT Service Costs and to Boost Productivity

**Order Management System (OMS) user interface enhancement to our current ERP. Project completed and begun phased roll out. Benefits include:**

- Increased response time to customer inquiries
- Faster order to cash processing
- Improved customer service
- Lower transactional error rates
- Result in increased productivity per employee

## **SAP Suite on Hana and Google Cloud**

- Migrated to SAP Suite on Hana and Google Cloud
- Increase ERP platform performance leading to overall increase in system capability and reduced IT service costs

## Targeted Improvements



4x+

Performance increase



\$\$\$

Cost Savings



ERPs, App, Infra

Cloud Migration



24x7x365

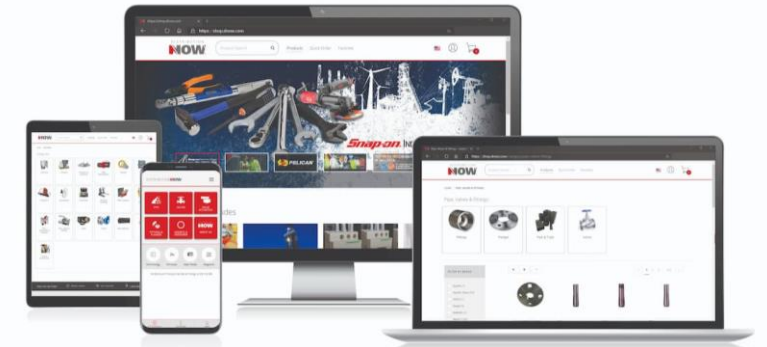
Peace of Mind Support

# Ecommerce Channel Continues to Expand

## Ecommerce platform continues to grow

- Customer implementations year to date (July) have surpassed the total number of implementations performed in 2019
- Almost half of the implementations this year have been in the midstream space
- Currently working through backlog of customer implementations
- User registrations up 33% over this period last year

powered by  
**DigitalNOW®**



## Ecommerce features at a glance

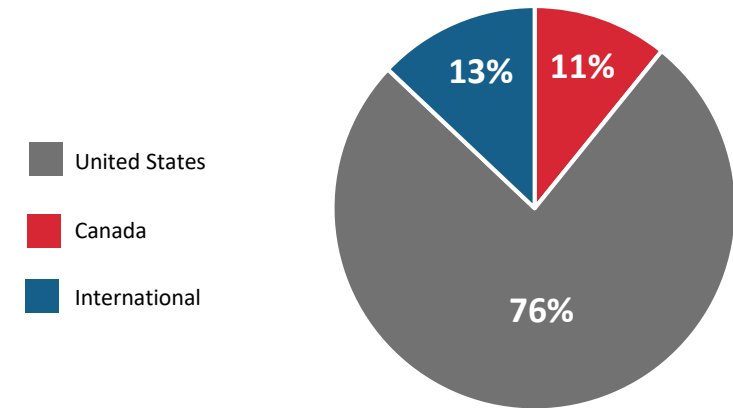
Your Business	Shop or Browse	Purchase
Spend reporting	160,000+ products	Order on account terms
Order history and tracking	Catalog search	Punchout via ERP integration
Approval workflow	View inventory and lead-times	Electronic purchasing (EDI/XML)
Personalized catalog	Personalized saved carts & favorites	Customized checkout processes
Account pricing	Shop by equipment compatibility	Request a quote
Configurable delivery & pickup options	Shop by your part numbers	Non catalog buy outs
Summary billing	Product details and specifications	Visa / Mastercard

# Driving Supply Chain Innovation through Speed, Efficiency and Technology

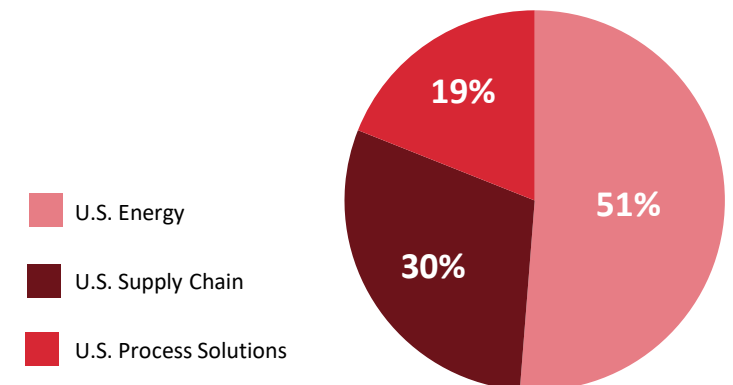
- Legacy 150+ years operating
- Support major land and offshore operations for all the key energy producing regions around the world
- Comprehensive network of energy centers, supply chain services and process solutions locations complemented with an online commerce channel
- Key markets: Europe, Former Soviet Union, Latin America, Middle East, North America, Southeast Asia

<b>NYSE Ticker</b>	<b>DNOW</b>
<b>Countries</b>	<b>20+</b>
<b>Locations</b>	<b>~205</b>
<b>Employees</b>	<b>~2,650</b>
<b>ERP System</b>	<b>SAP™</b>

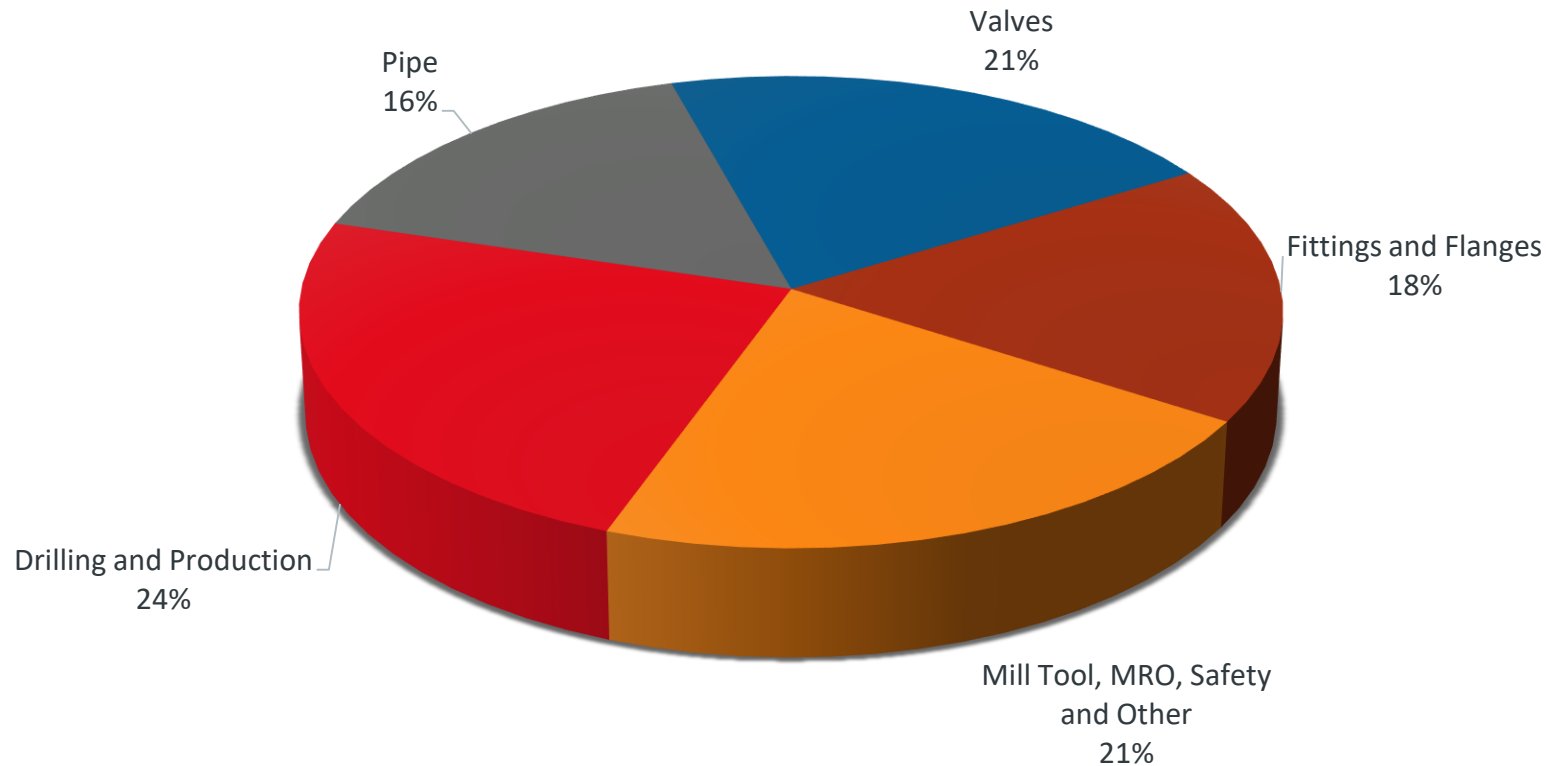
## 2019 Revenue by Segment



## 2019 United States Revenue by Channel



# Comprehensive Product Offering and Balanced Revenue Mix



DNOW carries a **broad range of products and services** to meet **RAPID and CRITICAL deliveries** to customers in local and remote areas

- Honing our last-mile focus
- Retaining proximity to customers
- Using technology and centralized distribution to drive productivity



# Global Presence and Reach (blue)

## Company Locations

- Locations and Reach
- Distribution Centers

## Distribution Centers:

**United States**  
Houston, TX  
Beulah, ND  
Casper, WY

**Canada**  
Edmonton, Alberta  
Estevan, Saskatchewan

**Europe**  
Aberdeen, Scotland

**MENA**  
Jebel Ali, U.A.E.

**Asia**  
Jurong, Singapore



# Blue-Chip Suppliers and Customers Across the Globe

Thousands of Suppliers in ~40 countries



Supporting Customer Operations in ~80 countries

## Drilling Contractors



## Exploration & Production



## Midstream



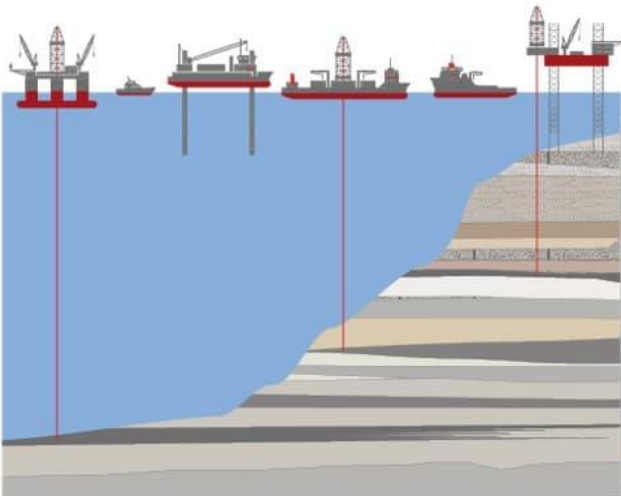
## Downstream & Industrial



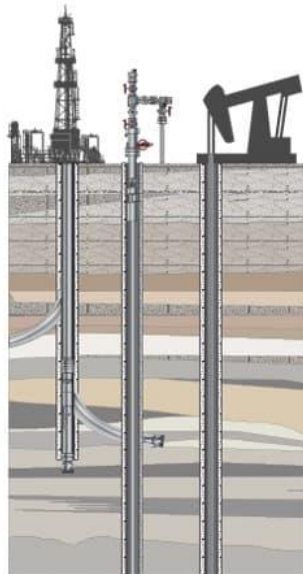
# DNOW is a Critical Link from Drilling to Distribution

## Upstream

Offshore Drilling & Producing Field Layouts



Drilling Producing Wellheads



## Midstream

Tank Battery & Separation Gathering & Metering

Separation



Storage and Gathering



Metering



Produced Water Disposal



Gas Compressor Stations



Oil Pump



Gas Compressor Stations

(a) (b)  
on average  
40-75 mi (64-120 km)

Gas Processing Plant



Oil Pumping Stations

(a) (b)  
on average  
40-75 mi (64-120 km)

Oil Transmission and Transportation



## Downstream/ Industrial

Gas Compressor Stations

(x) (y)  
on average  
40-75 mi (64-120 km)

Gas Transmission and Transportation



Gas Distribution



Oil Refinery and/or Petrochemical Plant



Refined Petroleum Products Distribution



# Providing Value-Add Solutions Across All Channels



*Global branch network model supplying products locally to upstream & midstream energy customers*

**Provides wide array of products & value locally in major oil and gas regions**



*On-site model offering customizable products to upstream and downstream energy, industrial and manufacturing markets*

**Reduces customers' total costs including operational and invested capital**



*Rotating and process equipment solutions in the form of engineering, design, installation, fabrication and service*

**Meets demand for turnkey tank battery production (facilities) solution**

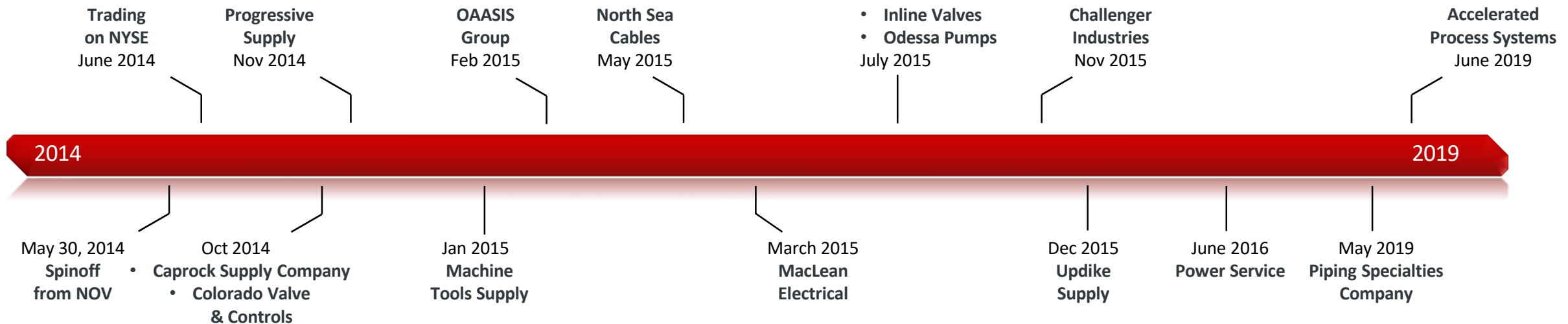


# Driving Growth through Acquisitions

## Clearly Defined Acquisition Strategy

- Seek high value-add solutions that bring sustainable competitive advantages
- Leverage product lines acquired through acquisitions to gain organic share
- Utilize strong customer relationships that present new opportunities
- Increase barriers to entry
- Promote cross-selling into Energy Centers and Supply Chain Services

## Track Record of Success



Energy Delivered.™



# Industry Dynamics

DISTRIBUTION **NOW.**

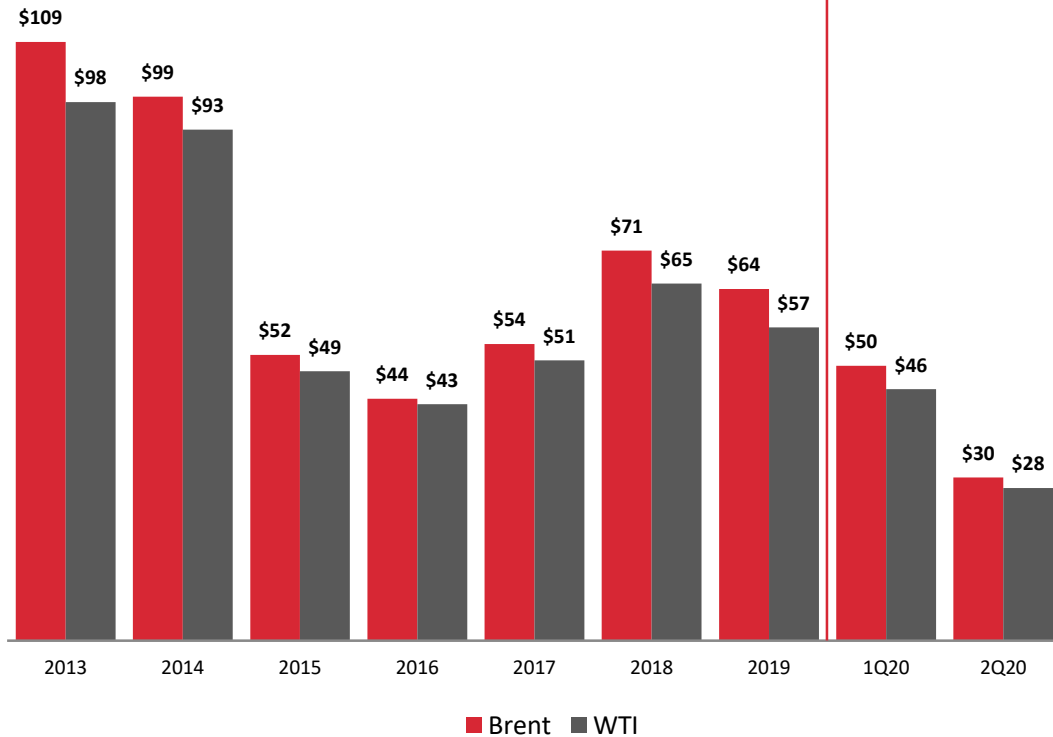
# Key Market Indicators

## OIL PRICES & RIGS TRENDING

### Average Oil Prices

(per barrel)

Quarterly

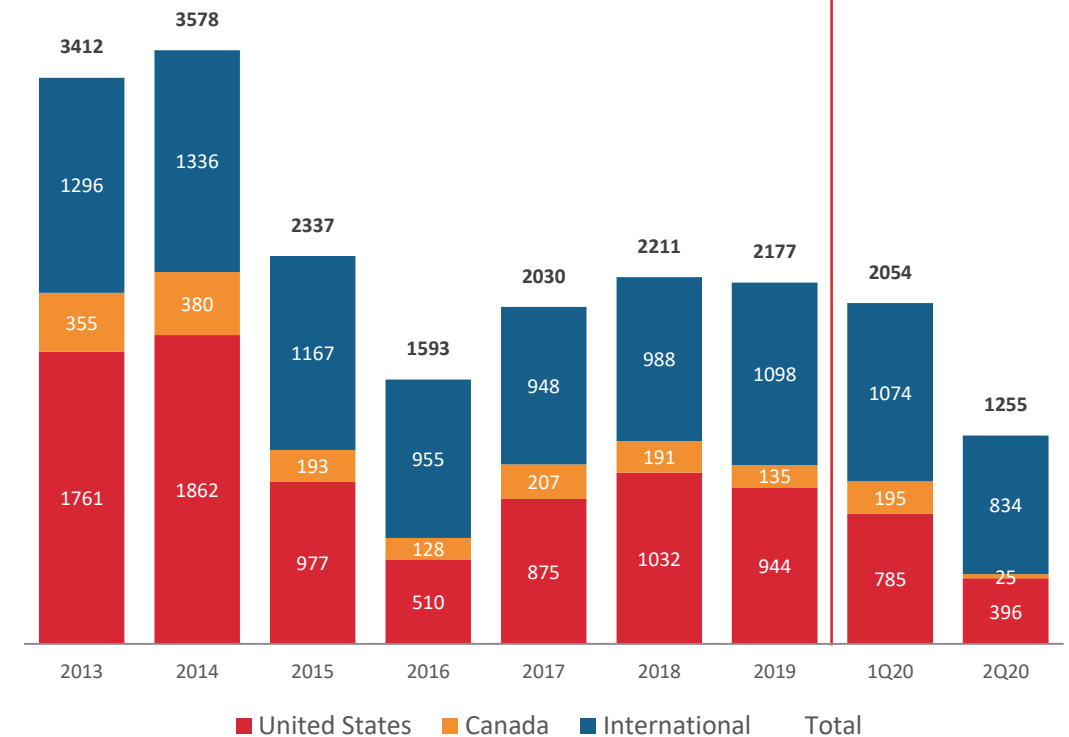


Source: EIA, Europe Brent and Cushing, OK WTI Spot Price FOB

### Average Rig Count

(number of rigs)

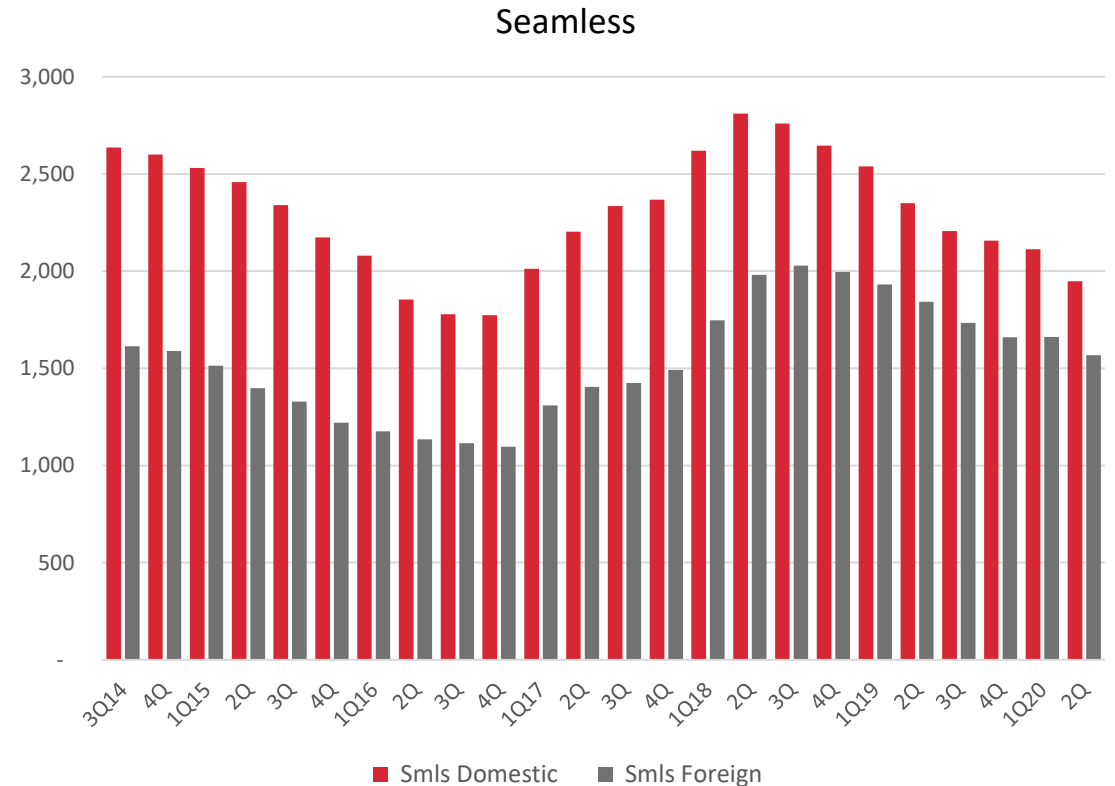
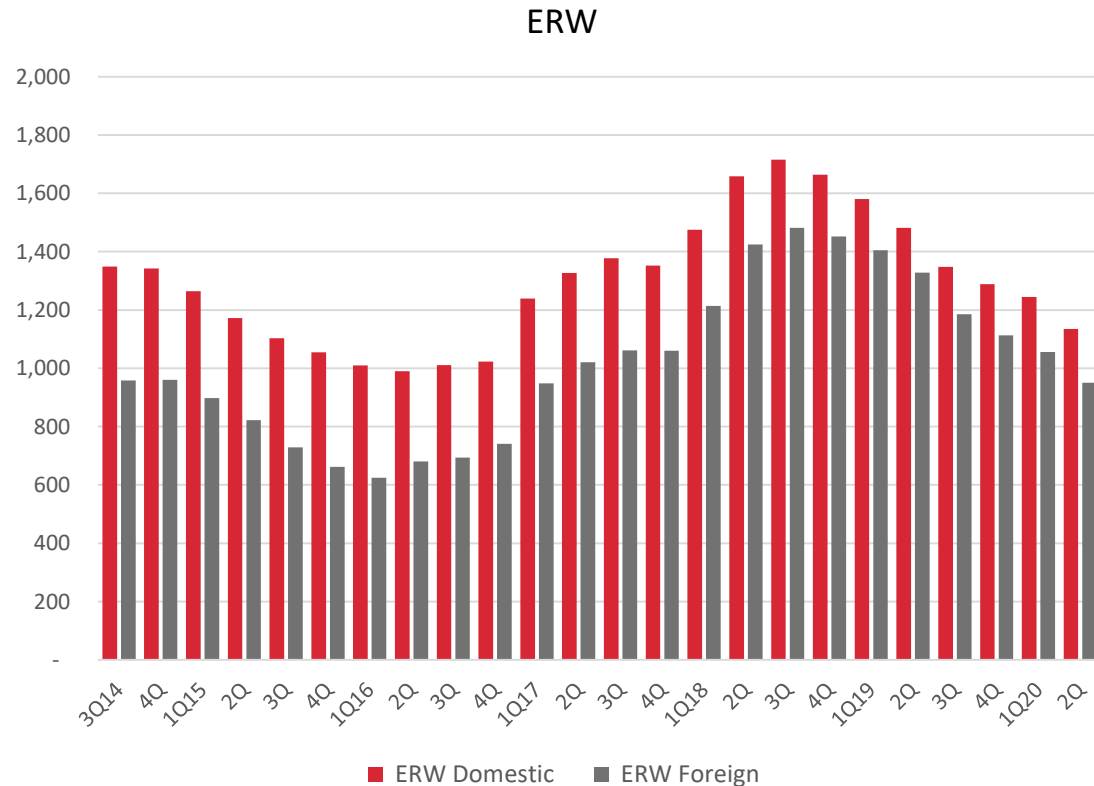
Quarterly



Source: Baker Hughes, Inc.

DNOW is positioned to benefit from industry growth

# Pipe Price Trends, U.S. dollar per ton



Source: Pipe Logix



Energy Delivered.™



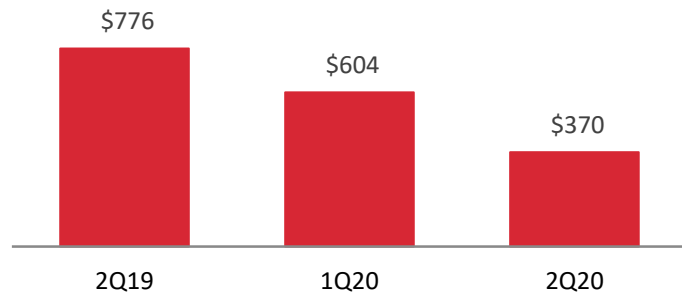
# Financial Update

DISTRIBUTION **NOW**

# CFO Highlights: Selected Quarterly Results (Unaudited)

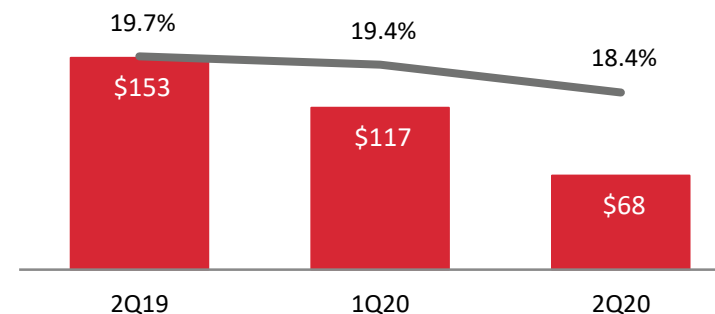
## Revenue

(\$ in millions)



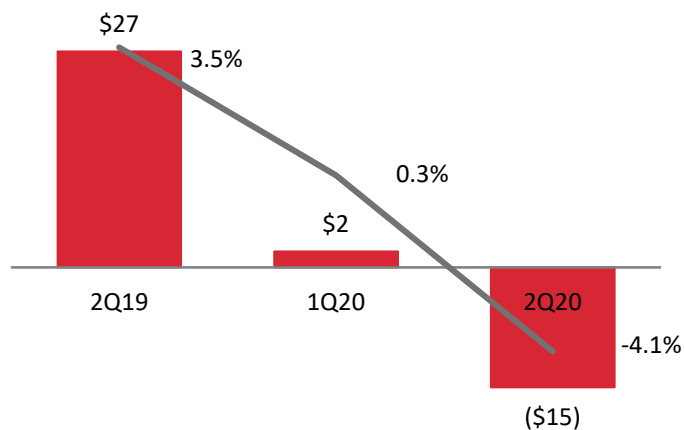
## Gross Profit and Margin %

(\$ in millions)



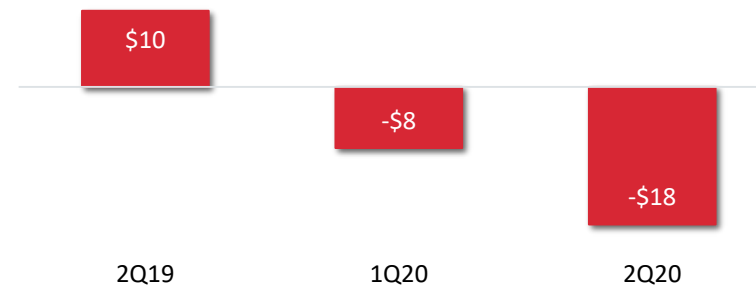
## EBITDA Excl. Other Costs (Non-GAAP) and Margin %

(\$ in millions)



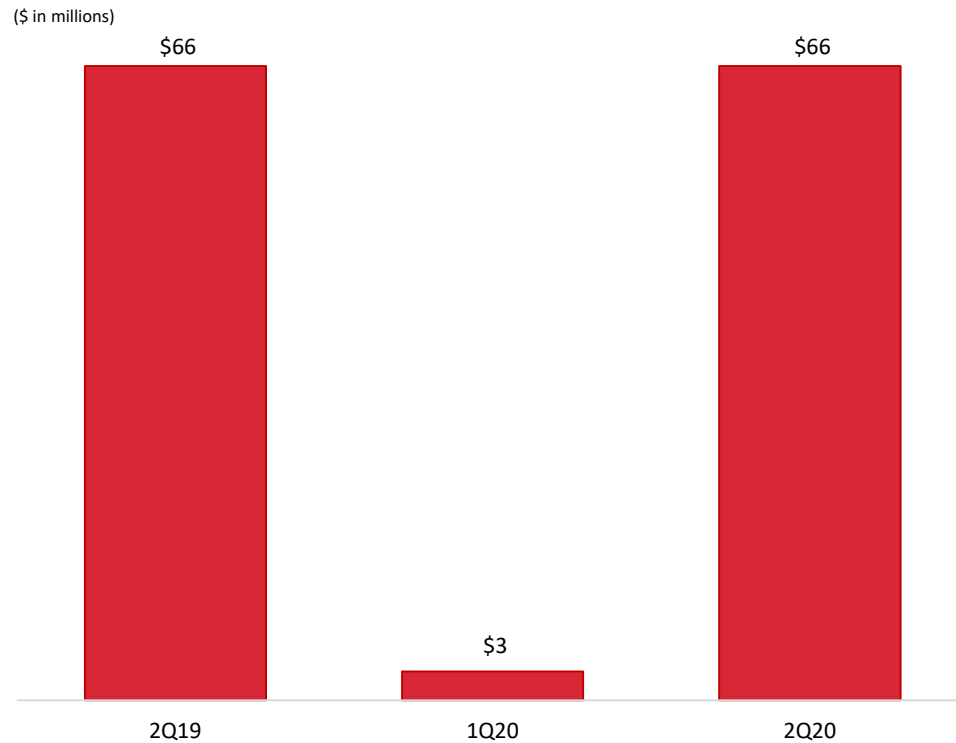
## Net Income (Loss) Excl. Other Costs (Non-GAAP)

(\$ in millions)



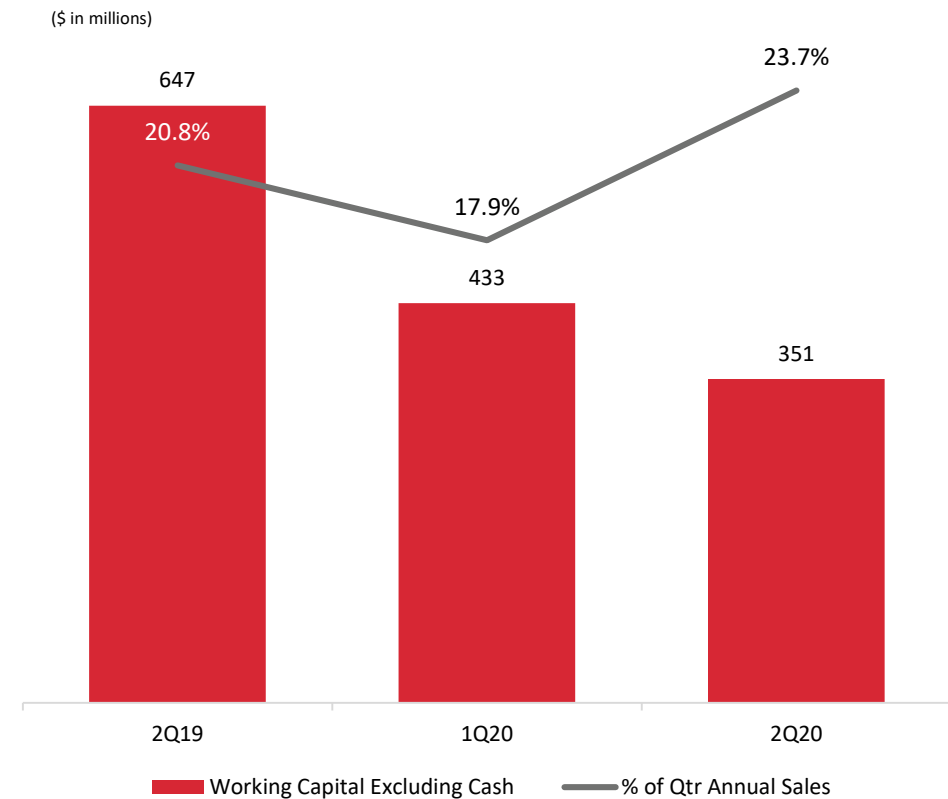
# Cash Generation & Working Capital Management

## Free Cash Flow



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

## Working Capital Excluding Cash



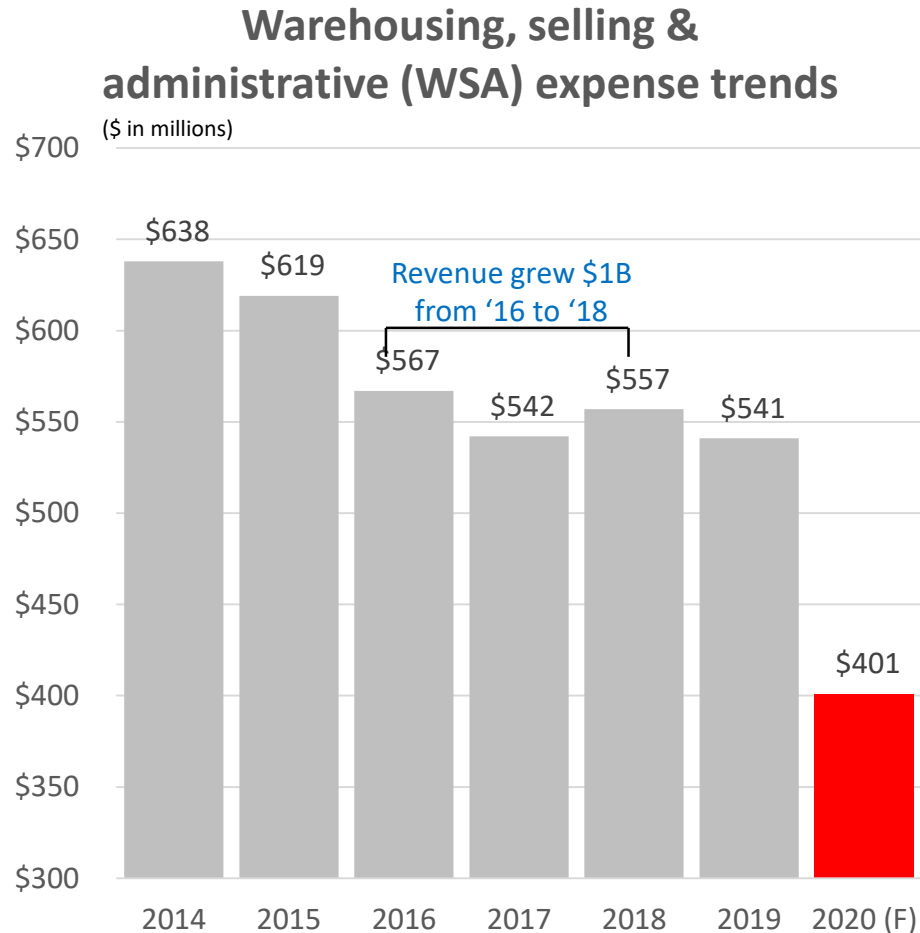
# YOY Revenue and Operating Profit (Loss)

(\$ in millions)

	Unaudited	
	2Q19	2Q20
<b>Revenue:</b>		
<b>United States</b>	\$ 605	\$ 260
<b>Canada</b>	74	41
<b>International</b>	97	69
<b>Total revenue</b>	<u>776</u>	<u>370</u>
<b>Operating profit (loss):</b>		
<b>United States</b>	\$ 16	\$ (24)
<b>Canada</b>	1	(5)
<b>International</b>	-	-
<b>Total operating profit (loss)</b>	<u>17</u>	<u>(29)</u>



# Structural Transformation



The 2020 (F) is a *targeted* WSA value for FY 2020. Other items, including bad debt, severance and acquisition expenses, as well as WSA for potential acquisitions will influence actual results, with more of the expense savings being realized in the second half of 2020.

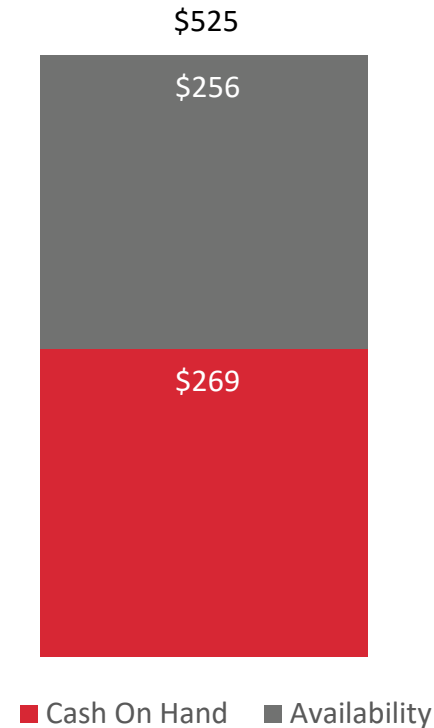
- Headcount reductions approximate 1,750 to date since year end
- Implementing consolidation measures
- Internal benchmarking: compare under-performing locations with top performers, and correct structure/delivery model to drive productivity
- External benchmarking: compare to peer top-quartile performance, including delayering, structural changes
- Efficiency and productivity
  - Deploy technology to augment labor content
  - Find the right hub and spoke balance, with a bias towards centralized structure
  - Eliminate waste and least valuable activity
  - Offshore lower-level back office labor

# Liquidity and Capital Resources

- Entered into a five-year \$750 million secured asset based lending facility (ABL) in April 2018.
- No financial maintenance covenants
- Fixed Charge covenant triggers when availability falls below the greater of 12.5% of the borrowing base or \$60 million
- No outstanding borrowings and no draws on the credit facility during the quarter
- Total liquidity was \$525 million, which includes \$256 million in availability under the ABL and \$269 million in cash

## Total Liquidity at June 30, 2020

(\$ in millions)



# Select Balance Sheet Metrics

---

	<b>2Q20</b>	<b>Comments</b>	
	(\$ in millions)		
<b>Cash and cash equivalents</b>	\$ 269		
<b>Receivables, net</b>	242	60	DSOs
<b>Inventories, net</b>	370	3.3	Turn rates
<b>Accounts payable</b>	166	50	DPOs
<b>Long-term debt</b>	–	<b>No outstanding debt</b>	

Energy Delivered.™

# Environmental, Social & Governance

DISTRIBUTION **NOW**



# ESG Response to COVID-19

- Remained connected to our customers communicating impacts on product availability and accessibility, as DNOW designated as an “essential” business
- Corporate COVID-19 response team coordinating policies and guidelines
- Continuous communication through our HSE onsite champions on COVID updates and CDC / WHO information
- Provided masks, signage and disinfecting cleaners at locations
- Employees working remotely are able to leverage technology to connect with co-workers, customers and vendors
- Decreased third party access to business locations and increased reliance on video and teleconferencing



# Environmental

We are committed to working to minimize our impact on the environment through energy management conservation initiatives, air quality improvements, responsible water conservation and recycling where applicable

## Energy Management



- Utilizing energy-efficient lighting with motion detection to reduce power consumption
- Using digital tools (Skype, Microsoft Team, etc.) for business and video conferencing to reduce road and air travel

## Air Quality



- Facilities with large unpaved driving areas have implemented environmentally-friendly dust control methods to reduce particulate matter (PM) emissions
- Tracking greenhouse gas (GHG) emissions for fleet, modernizing fleet of vehicles for improved fuel efficiency, evaluating new technologies to minimize fleet emissions

## Waste Management



- Recycling programs implemented in locations where local waste management providers offer feasible recycling options; includes paper, plastic, cardboard, metal, and wood
- Evaluating implementation of water filling stations to eliminate plastic water bottle waste
- Actively minimizing packaging waste

## Water / Wastewater



- DNOW is not a major consumer of water or generator of industrial wastewater
- Many pump repair facilities have implemented water recycling systems to reduce water consumption

# Social - Employee and Industry Engagement

## Employee Development

- Talent Management
- College Rotational Program (SCMDP)
- HIPO programs
- Leadership Development
- Retain, Attract, Develop (RAD)
- Women's Affinity Group



## Employee Engagement

- Employee surveys
- Executive leadership video series and podcasts
- Milestones service awards
- Family appreciation events
- CP1 recognition



## Industry Engagement

- Support and funding of industry related associations and scholarships



- PESA Diversity and Inclusion Champions
- Active committee participation with industry trade associations

HIPO: High Potential Employee Development Program, SCMDP: Supply Chain Management Development Program, CP1: Customer Priority One

# Social – Social Responsibility

## Community Engagement

We engage and support many organizations and groups in the communities where we operate globally.

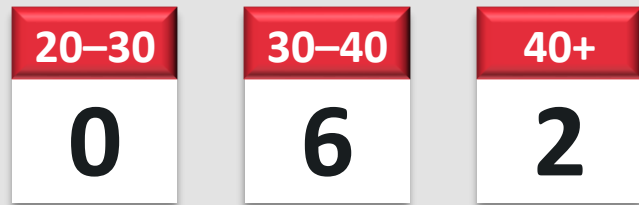




# Governance

We are committed to and recognize the importance of good corporate governance and high ethical standards. DistributionNOW's Code of Business Conduct and Ethical Standards enhances our relationships with key stakeholders, including our people, customers, suppliers, other business partners, shareholders, and local communities around the world.

## Core Industry Experience (in years)



## Director Tenure (in years)\*



Average Tenure: 5 years | \* As of June 2020

## Age\*



Average Age: 63 years | \* As of June 2020

## Director Independence



## Director Diversity



## Other Corporate Governance Highlights:

1. 6 out of 8 independent directors
2. Majority voting to elect board members
3. Annual say on pay voting
4. Independent Chair of the Board
5. Independent committee chairs
6. Clawback policy to recover executive compensation



Energy Delivered.™

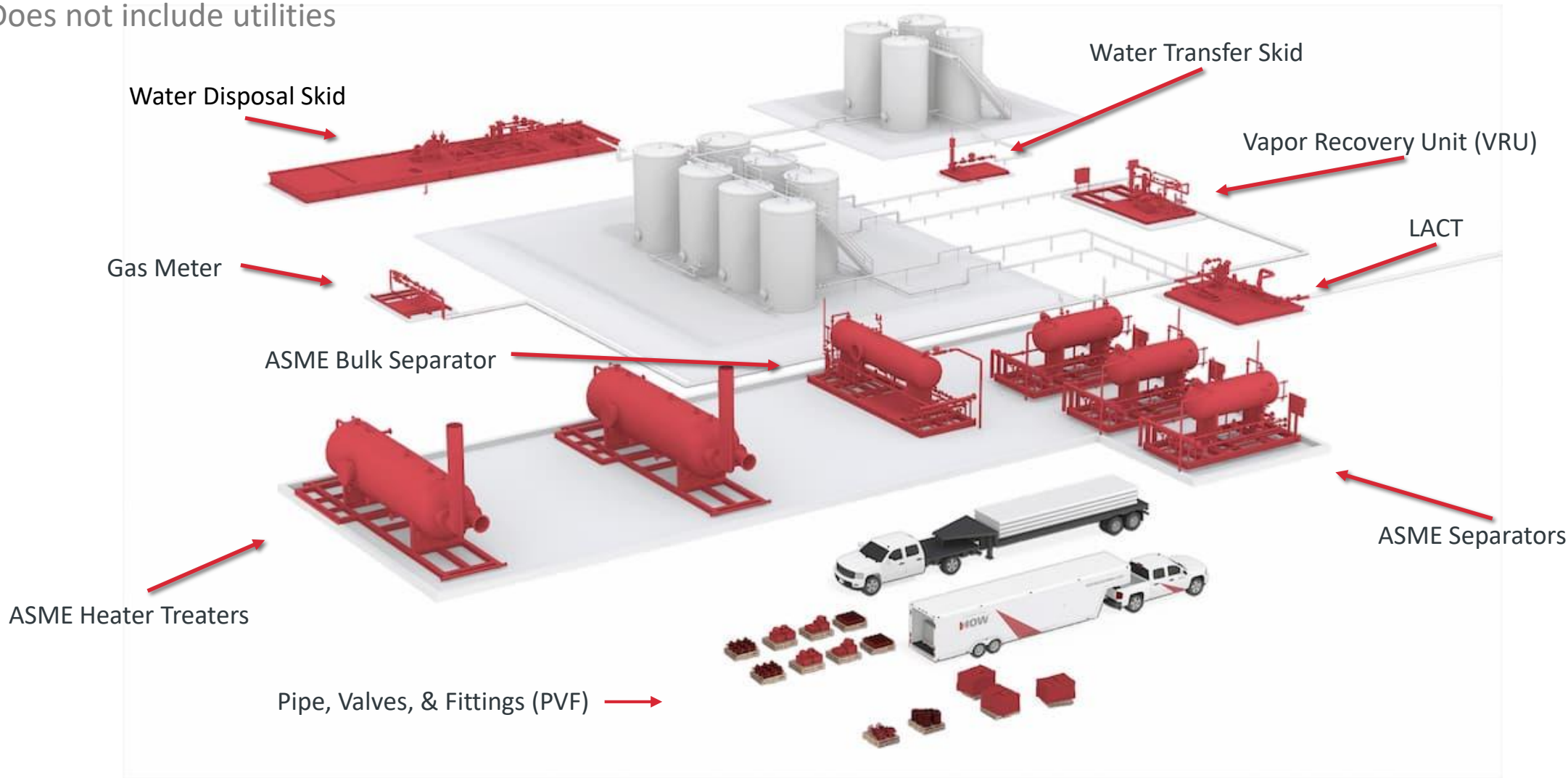
# Appendix

DISTRIBUTION **NOW**

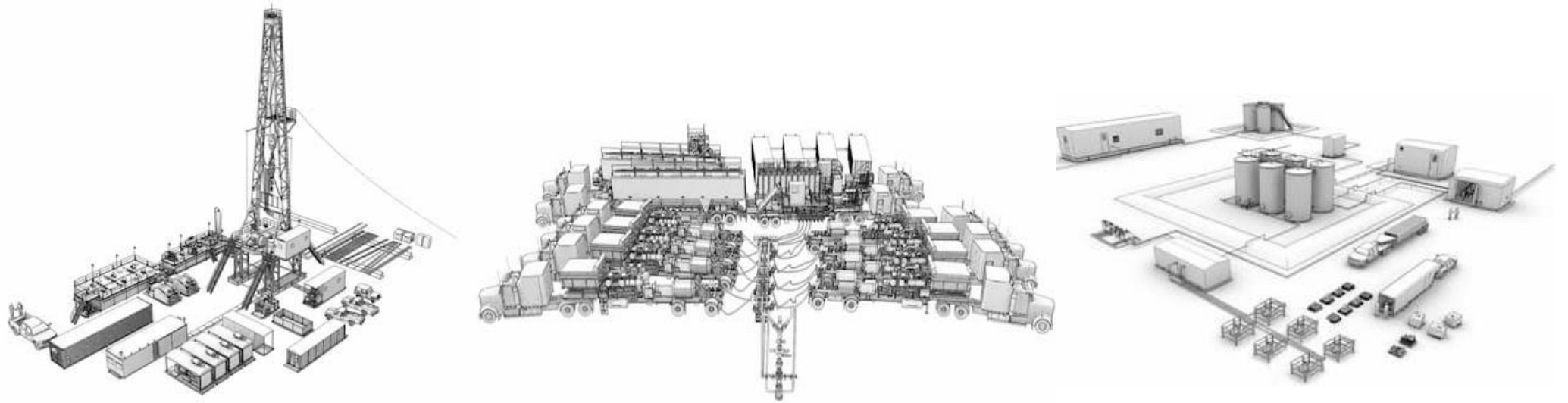


# Example Tank Battery Installation

Does not include utilities



# Timing and Materiality from Drilling to Tank Battery Install



	<b>Drilling</b>	<b>Frac</b>	<b>Tank Battery</b>
Revenue*	\$4,000-\$5,000 per week	Minimal	\$250,000-\$2 million
Time*	60-90 days	45-60 days	45-60 days
Customer	Drilling Contractors	Service Companies	E&P Operators

\*Estimates based on a 6 well pad





# Investor Relations

Brad Wise, Vice President, Marketing & Investor Relations

[ir.distributionnow.com](http://ir.distributionnow.com), contact us at: [ir@dnow.com](mailto:ir@dnow.com)

Energy Delivered.™

DISTRIBUTION **NOW**