

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

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 OR 15(d)
of The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported) November 4, 2020

NOW INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-36325
(Commission
File Number)

46-4191184
(IRS Employer
Identification No.)

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

77041
(Zip Code)

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

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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 is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Item 2.02 Results of Operations and Financial Condition

On November 4, 2020, NOW Inc. issued a press release announcing earnings for the quarter ended September 30, 2020 and conference call in connection therewith. A copy of the release is furnished herewith as Exhibit 99.1 and incorporated herein by reference.

The information contained in this Current Report shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”) or otherwise subject to the liabilities of that section, nor shall it be incorporated by reference into a filing under the Securities Act of 1933, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits*(d) Exhibits*

The following exhibit is provided as part of the information furnished under Item 2.02 of this Current Report on Form 8-K:

- 99.1 [NOW Inc. press release dated November 4, 2020 announcing the earnings results for the third quarter ended September 30, 2020.](#)
- 104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

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 hereunto duly authorized.

Date: November 4, 2020

NOW INC.

/s/ Raymond W. Chang

Raymond W. Chang

Vice President & General Counsel

**Earnings Conference Call**

November 4, 2020

8:00 AM CT

1 (800) 446-1671 (North America)

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

Webcast: ir.distributionnow.com**NOW Inc. Reports Third Quarter 2020 Results**

HOUSTON, TX, November 4, 2020 – NOW Inc. (NYSE: DNOW) announced results for the third quarter ended September 30, 2020.

Financial Highlights

- Revenue was \$326 million for the third quarter of 2020
- Net loss was \$22 million and non-GAAP net loss excluding other costs was \$17 million for the third quarter of 2020
- Diluted loss per share was \$0.20 and non-GAAP diluted loss per share excluding other costs was \$0.16 for the third quarter of 2020
- Non-GAAP EBITDA excluding other costs for the third quarter of 2020 was a loss of \$15 million, which includes the unfavorable impact of \$9 million in inventory charges
- Cash and cash equivalents was \$325 million and long-term debt was zero at September 30, 2020
- Free cash flow for the third quarter of 2020 was \$57 million

David Cherechinsky, President and CEO of NOW Inc., added, “I am excited about the momentum building in the execution of our strategy. DNOW’s performance reflects our employees’ steadfast dedication to provide superior service and value to our customers. We have produced strong gross margins despite the deflationary pull by the market and have extracted historic levels of cost from the business with plans for further cost transformation. Our working capital discipline has resulted in a record cash balance and we are deploying disruptive technologies to simplify the customer experience, develop new revenue channels and drive efficiencies. We remain debt free with more than a half a billion dollars in total liquidity to continue our investment in technology initiatives, while judiciously pursuing inorganic opportunities that provide the optimal strategic fit.”

About NOW Inc.

DistributionNOW is a worldwide supplier of energy and industrial products and engineered equipment solutions. With approximately 2,550 employees and a network of approximately 200 locations worldwide, we offer a suite of digital solutions branded as DigitalNOW® that provide customers world-class technology for digital commerce and data and information management. Our locations provide products and solutions to exploration and production companies, energy transmission and storage companies, refineries, chemical companies, utilities, mining, municipal water, manufacturers and engineering and construction companies. DistributionNOW has a legacy of over 150 years and is headquartered in Houston, Texas.

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

Contact:

Mark Johnson

Senior Vice President and Chief Financial Officer

(281) 823-4754

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

	September 30, 2020 (Unaudited)	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 325	\$ 183
Receivables, net	213	370
Inventories, net	318	465
Assets held-for-sale	6	34
Prepaid and other current assets	16	15
Total current assets	878	1,067
Property, plant and equipment, net	101	120
Deferred income taxes	2	2
Goodwill	—	245
Intangibles, net	—	90
Other assets	58	67
Total assets	<u>\$ 1,039</u>	<u>\$ 1,591</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 163	\$ 255
Accrued liabilities	94	127
Liabilities held-for-sale	1	6
Other current liabilities	6	8
Total current liabilities	264	396
Long-term operating lease liabilities	29	34
Deferred income taxes	—	4
Other long-term liabilities	15	13
Total liabilities	308	447
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; 109,379,627 and 109,207,678 shares issued and outstanding at September 30, 2020 and December 31, 2019, respectively	1	1
Additional paid-in capital	2,050	2,046
Accumulated deficit	(1,164)	(775)
Accumulated other comprehensive loss	(156)	(128)
Total stockholders' equity	731	1,144
Total liabilities and stockholders' equity	<u>\$ 1,039</u>	<u>\$ 1,591</u>

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

	Three Months Ended			Nine Months Ended	
	September 30, 2020	2019	June 30, 2020	September 30, 2020	2019
Revenue	\$ 326	\$ 751	\$ 370	\$1,300	\$2,312
Operating expenses:					
Cost of products	264	601	302	1,053	1,851
Warehousing, selling and administrative	83	136	97	310	407
Impairment charges	—	—	—	320	—
Operating profit (loss)	(21)	14	(29)	(383)	54
Other expense	—	(2)	(2)	(2)	(8)
Income (loss) before income taxes	(21)	12	(31)	(385)	46
Income tax provision (benefit)	1	2	(1)	(2)	4
Net income (loss)	<u>\$ (22)</u>	<u>\$ 10</u>	<u>\$ (30)</u>	<u>\$ (383)</u>	<u>\$ 42</u>
Earnings (loss) per share:					
Basic earnings (loss) per common share	<u>\$(0.20)</u>	<u>\$0.09</u>	<u>\$(0.27)</u>	<u>\$(3.50)</u>	<u>\$ 0.38</u>
Diluted earnings (loss) per common share	<u>\$(0.20)</u>	<u>\$0.09</u>	<u>\$(0.27)</u>	<u>\$(3.50)</u>	<u>\$ 0.38</u>
Weighted-average common shares outstanding, basic	<u>109</u>	<u>109</u>	<u>109</u>	<u>109</u>	<u>109</u>
Weighted-average common shares outstanding, diluted	<u>109</u>	<u>109</u>	<u>109</u>	<u>109</u>	<u>109</u>

NOW INC.
SUPPLEMENTAL INFORMATION
BUSINESS SEGMENTS (UNAUDITED)
(In millions)

	Three Months Ended			Nine Months Ended	
	September 30, 2020	2019	June 30, 2020	September 30, 2020	2019
Revenue:					
United States	\$228	\$567	\$ 260	\$ 929	\$1,772
Canada	42	83	41	161	243
International	56	101	69	210	297
Total revenue	<u>\$326</u>	<u>\$751</u>	<u>\$ 370</u>	<u>\$1,300</u>	<u>\$2,312</u>

NOW INC.
SUPPLEMENTAL INFORMATION (CONTINUED)
U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) TO NON-GAAP RECONCILIATIONS
NET INCOME (LOSS) TO NON-GAAP EBITDA EXCLUDING OTHER COSTS RECONCILIATION (UNAUDITED)
(In millions)

	Three Months Ended			Nine Months Ended	
	September 30,		June 30,	September 30,	
	2020	2019	2020	2020	2019
GAAP net income (loss) (1)	\$ (22)	\$ 10	\$ (30)	\$ (383)	\$ 42
Interest, net	—	1	—	—	4
Income tax provision (benefit)	1	2	(1)	(2)	4
Depreciation and amortization	6	10	7	23	30
Other costs (2)	—	1	9	334	2
EBITDA excluding other costs	<u>\$ (15)</u>	<u>\$ 24</u>	<u>\$ (15)</u>	<u>\$ (28)</u>	<u>\$ 82</u>
EBITDA % excluding other costs (3)	(4.6%)	3.2%	(4.1%)	(2.2%)	3.5%

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

	Three Months Ended			Nine Months Ended	
	September 30,		June 30,	September 30,	
	2020	2019	2020	2020	2019
GAAP net income (loss) (1)	\$ (22)	\$ 10	\$ (30)	\$ (383)	\$ 42
Other costs, net of tax (4) (5)	5	(1)	12	340	(10)
Net income (loss) excluding other costs (5)	<u>\$ (17)</u>	<u>\$ 9</u>	<u>\$ (18)</u>	<u>\$ (43)</u>	<u>\$ 32</u>

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

	Three Months Ended			Nine Months Ended	
	September 30,		June 30,	September 30,	
	2020	2019	2020	2020	2019
GAAP diluted earnings (loss) per share (1)	\$(0.20)	\$ 0.09	\$(0.27)	\$(3.50)	\$ 0.38
Other costs, net of tax (4)	0.04	(0.01)	0.11	3.10	(0.09)
Diluted earnings (loss) per share excluding other costs (5)	<u>\$(0.16)</u>	<u>\$ 0.08</u>	<u>\$(0.16)</u>	<u>\$(0.40)</u>	<u>\$ 0.29</u>

- (1) In an effort to provide investors with additional information regarding our results as determined by GAAP, we disclose various non-GAAP financial measures in our quarterly earnings press releases and other public disclosures. The non-GAAP financial measures include: (i) earnings before interest, taxes, depreciation and amortization (EBITDA) excluding other costs, (ii) net income (loss) excluding other costs and (iii) diluted earnings (loss) per share excluding other costs. Each of these financial measures excludes the impact of certain other costs and therefore has not been calculated in accordance with GAAP. A reconciliation of each of these non-GAAP financial measures to its most comparable GAAP financial measure is included in the schedules herein.
- (2) Other costs for the nine months ended September 30, 2020 included impairment charges, as well as, net separation and transaction-related expenses, which are included in operating loss.
- (3) EBITDA % excluding other costs is defined as EBITDA excluding other costs divided by Revenue.
- (4) Other costs, net of tax, for the three and nine months ended September 30, 2020, included an expense of \$5 million and \$10 million, respectively, from changes in the valuation allowance recorded against the Company's deferred tax assets; as well as, nil and \$316 million, respectively, related to the impairment charges of goodwill, intangibles and other assets and nil and \$14 million, respectively, in net separation and transaction-related expenses. The Company has excluded the impact of these items on its valuation allowance in computing net income (loss) excluding other costs.
- (5) Totals may not foot due to rounding.