

Energy Delivered.™



NOW Inc. - Third Quarter 2020

Key Takeaways

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.

CEO Perspective: Third Quarter Key Takeaways

- 3Q20 revenue of \$326M, down 12% sequentially from reduced activity due to impacts of COVID-19 and oil demand shock
- Gross margins of 19.0% increased 60 basis points sequentially, primarily due to improved product margins and lower inventory charges
- \$325M cash on hand at September 30, 2020
- Zero debt - credit facility expires in April 2023
- 3Q20 free cash flow was \$57M
- Structural transformation and technology investments drive historic lows in warehousing, selling and administrative expenses

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
- Implemented monthly survey to ensure employees have access to necessary PPE and cleaning supplies
- 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

WHEN AND HOW TO WASH YOUR HANDS

Handwashing is one of the best ways to protect yourself and your family from getting sick. Learn when and how you should wash your hands to stay healthy.

HAND WASHING

HOW GERMS SPREAD

- Touch your eyes, nose, and mouth with unwashed hands
- Prepare or eat food and drinks with unwashed hands
- Touch a contaminated surface or object
- Blow your nose, cough, or sneeze into hands and then touch hands or common objects

KEY TIMES TO WASH YOUR HANDS

BEFORE:

- Before, during, and after preparing food
- Before eating food
- Before and after caring for someone at home who is sick with diarrhea
- Before and after treating a cut or wound

AFTER:

- After using the toilet
- After changing diapers or cleaning up a child who has used the toilet
- After blowing your nose, coughing, or sneezing
- After touching an animal, animal feed, or animal waste
- After handling pet food or pet treats
- After touching garbage

THE RIGHT WAY TO WASH

- Wet your hands with clean, running water (warm or cold), turn on the faucet and apply soap
- Lather your hands by rubbing them together with the soap in all the spaces between your fingers, and under your nails
- Scrub your hands for at least 20 seconds
- Rinse your hands well under clean, running water
- Dry your hands using a clean towel or air dry them

SANITIZER

NO SOAP? USE HAND SANITIZER

- Sanitizers do not get rid of all types of germs
- Hand sanitizers may not be as effective when hands are very dirty
- Hand sanitizers might not remove harmful chemicals from your hands

HOW TO USE HAND SANITIZER

- Apply the gel product to the palm of one hand (read the label to learn the correct amount)
- Rub your hands together
- Rub the gel over all the surfaces of your hands and fingers until your hands are dry for around 20 seconds

WHY IT'S IMPORTANT TO WEAR A MASK

PREVENTION

Masks help prevent people who have COVID-19 from spreading the virus to others.

NO SYMPTOMS

COVID-19 can be spread by people who do not have symptoms and do not know that they are infected.

CONTAINMENT

It helps keep respiratory droplets contained and from reaching other people.

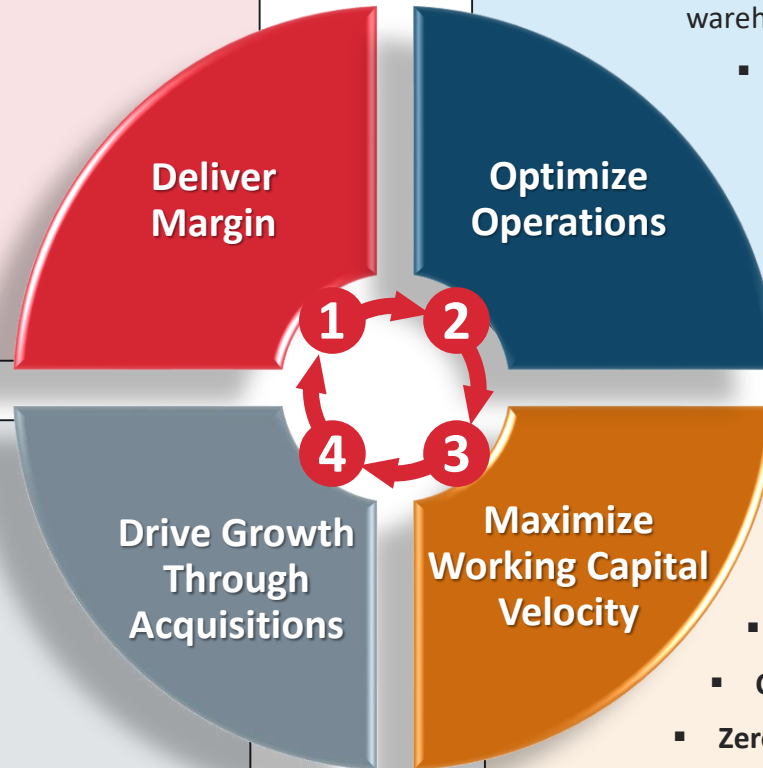
CLICK HERE TO TAKE YOUR SURVEY

You will receive this survey every month in addition to the HSE reminders.

DISTRIBUTION **NOW** CDC

DNOW Strategy to Unlock Value

- **Gross margins** improved sequentially due to increased pricing and product mix with favorable impact from lower, but elevated, inventory write downs
- Completed rollout of order management system in U.S. and Canada. Yielding more efficient quote-to-order process **resulting in higher employee productivity**
- Executed **MRO agreements for several offshore and onshore drilling contractors** and a **water infrastructure management operator**
- **Ecommerce customer implementation growth and users** continue adding to digital commerce channel



- **Structural change** towards a more centralized fulfillment model with smaller branches and reduced personnel and vehicles, square footage and inventory
 - **Completed move of La Porte distribution center** to existing warehouse, contributing to cost reduction
 - **Reduced** discretionary and infrastructure **costs** and headcount from 4,400 to 2,550 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 \$534 million in total liquidity
 - Divested of non-core, regional lighting business in the UK

- **Working capital**, excluding cash, was 22% of revenue in 3Q20
- **Inventory turns** at 3.3x
- **Cash on hand** at September 30, 2020 of \$325M
- **Zero debt**

3Q20 Key Market Indicators

WTI/Rig Counts

- WTI avg \$41 per barrel for 3Q20
- U.S. avg rig count of 254, down 36% sequentially, down 72% YOY
- Canada avg rig count 48, up 92% sequentially, down 64% YOY
- International avg rig count 731, down 12% sequentially, down 36% YOY

DNOW annualized revenue per rig at \$1.3M for 3Q20

U.S. DUCs

- September ended with a DUC count of 7,592 wells in EIA DPR regions
- 7,670 3Q20 avg
- Down 1% sequentially and down 8% YOY on avg

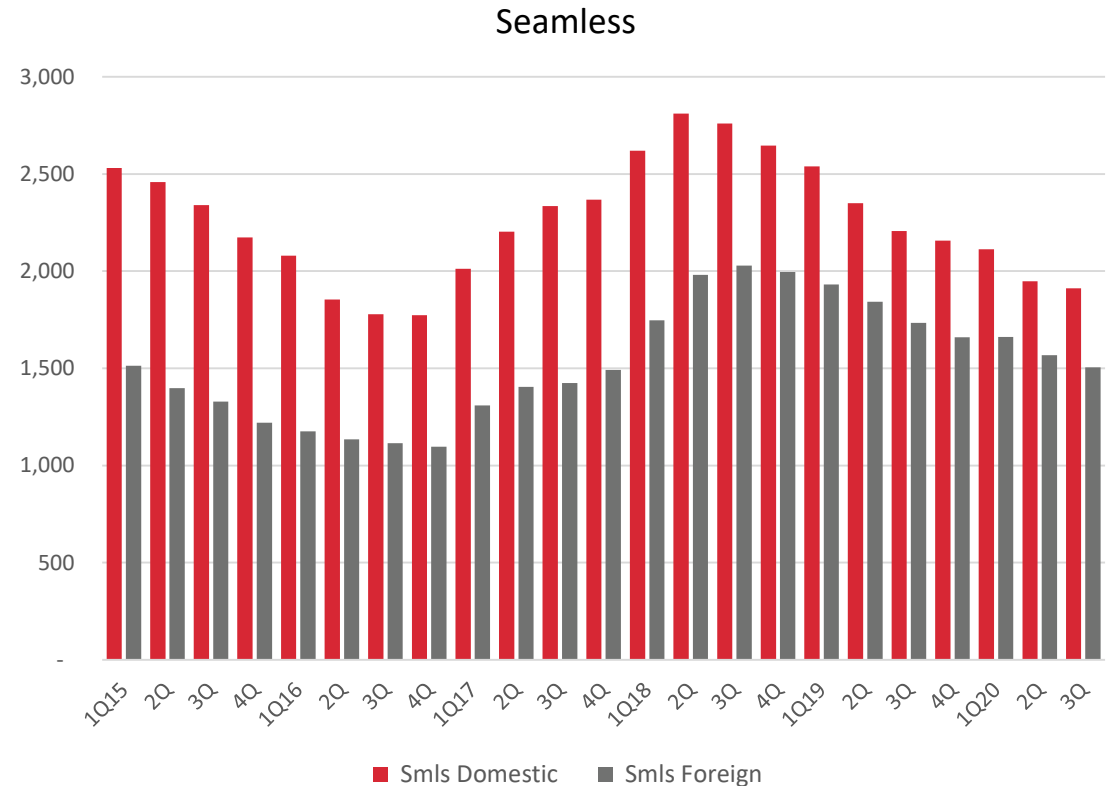
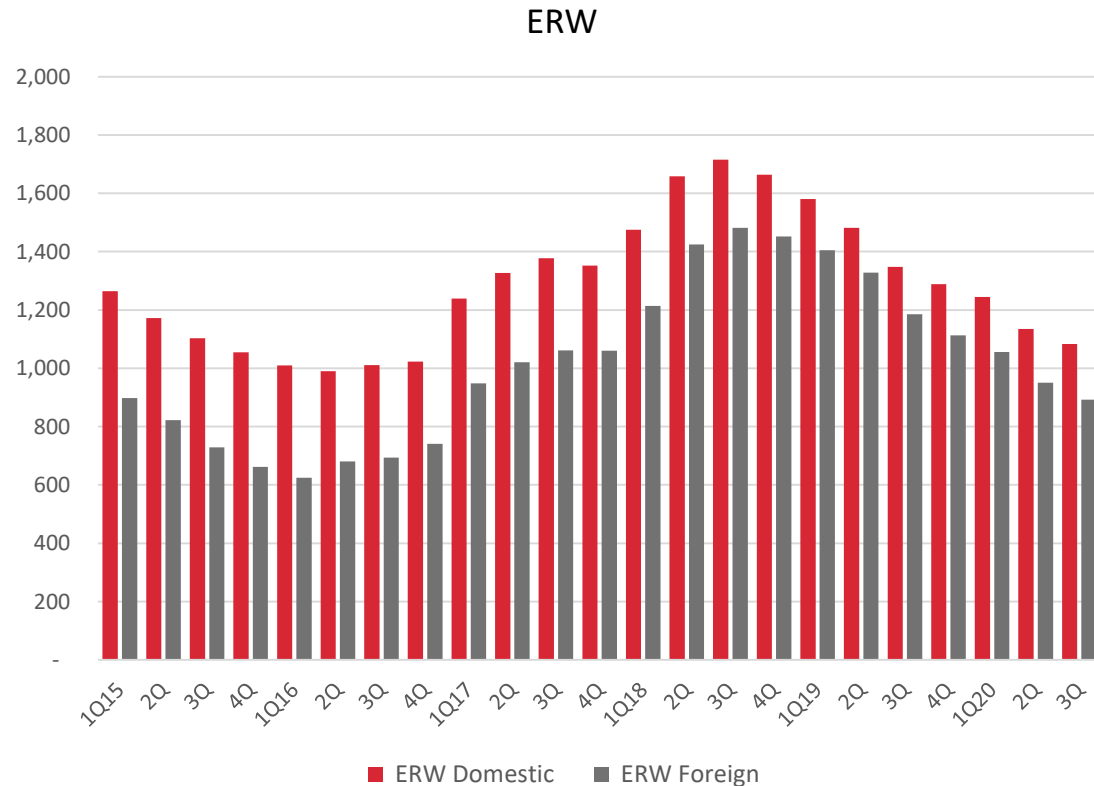
DUCs are future revenue opportunities for DNOW

U.S. Completions

- September ended with 372
- 342 avg for 3Q20
- Down 29% sequentially on avg
- Down 74% YOY on avg

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

Pipe Price Trends, U.S. dollar per ton



Source: Pipe Logix

3Q20 Highlights – U.S. Channels

Energy

3Q Highlights

- Revenue of \$180M, sequential decrease of \$13M or 7%
- Combined operational and management structure of legacy U.S. Energy and U.S. Supply Chain Services units
- Several well head hook ups and tank batteries orders tied to DUC completions
- Executed MSAs for regional E&Ps, midstream and water management companies
- Capturing midstream revenue through MRO spend from projects and eCommerce channel
- Expanding electrical products to some of our MRO contract customers

Process Solutions

3Q Highlights

- Revenue \$48M, sequential decrease of \$19M or 28% providing LACTs, SWDs and production equipment to upstream and midstream customers
- Provided crude pumps, meter skids, mixers and rental pumps for large midstream project
- Growth in municipal water market for Odessa Pumps
- Growing aftermarket preventative maintenance program on installed pumps
- Diversified sales into mining industry with mechanical seals, pumps, slurry pumps, underflow mines and soda ash

3Q20 Highlights – Canada & International

Canada

3Q Highlights

- Revenue of \$42M, up sequentially by \$1M or 2%
- Rightsizing of operations and supply chain across the business to match market and cost transformation goals
- Renewed sizable PVF contract and expanded Fiberglass pipe solutions extending our product market opportunities
- Slight uptick in market activity
- Completed several turnarounds and compressor station upgrades in midstream
- Secured several valve and actuation projects for midstream and oil sands sector

International

3Q Highlights

- Revenue \$56M, down 19% sequentially, due to impacts of COVID-19 resulting in lower economic activity and lower offshore activity
- Secured MRO contract with several offshore drillers as well as land drilling contracts in Middle East
- Renewed IOC MRO contract for West Africa
- Secured valve orders for FPSOs in Brazil
- Secured Total Valve Solutions MRO contract for IOC in Egypt
- eCommerce implementations underway for new and renewal MRO agreements
- Rightsizing of operations and supply chain across the business

Technology Investments for Reduced IT Service Costs and to Boost Productivity

Order Management System (OMS) user interface enhancement to our current ERP. Project completed in U.S. and Canada. International complete by end of fourth quarter.

Delivering order management and process efficiencies with new interface

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

Targeted Improvements



4x+

Performance increase



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Cost Savings



ERPs, App, Infra

Cloud Migration



24x7x365

Peace of Mind Support

Ecommerce channel continues to expand

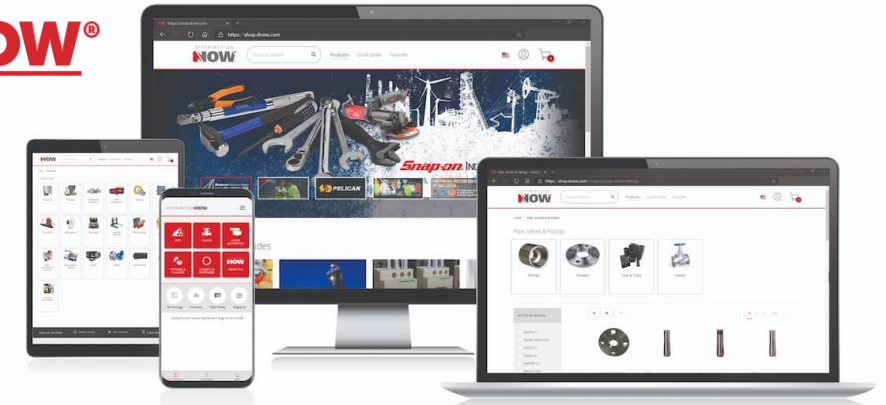
Ecommerce platform continues to grow

- Customer implementations completed during the quarter
- Majority of new implementations in the midstream space
- Currently working through backlog of customer implementations
- User registrations continue to increase
- Focus on customer training and adoption

System Enhancements

- Improved viewing, added recommendations and complementary products
- Added third party drop ship partner

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

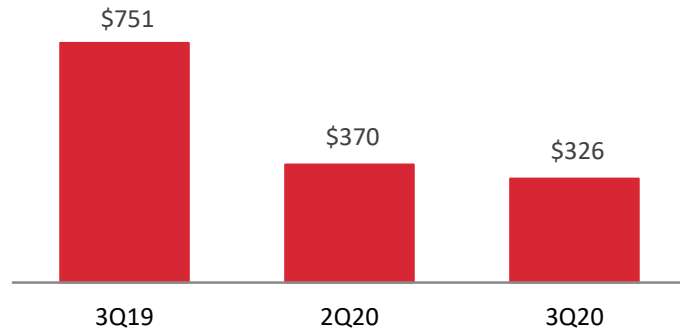
CFO Highlights: Third Quarter Results

- GAAP net loss of \$22M; net loss excluding other costs (a non-GAAP measure) of \$17M
- Warehousing, selling & administrative expense lowered to \$83M, down \$14M sequentially
- EBITDA excluding other costs was a loss of \$15M, which includes unfavorable impacts of \$9M in inventory charges
- GAAP diluted loss per share of \$0.20, with non-GAAP diluted loss per share excluding other costs of \$0.16 per share

CFO Highlights: Selected Quarterly Results (Unaudited)

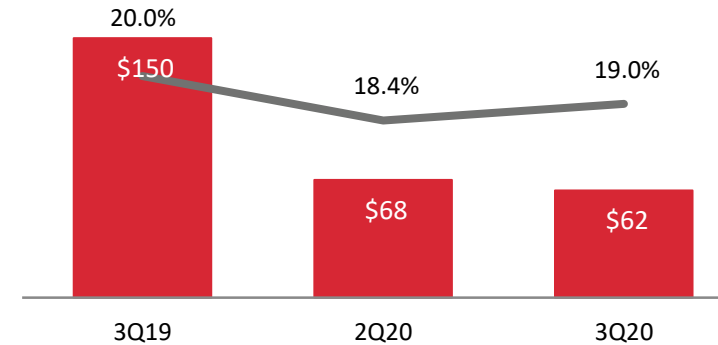
Revenue

(\$ in millions)



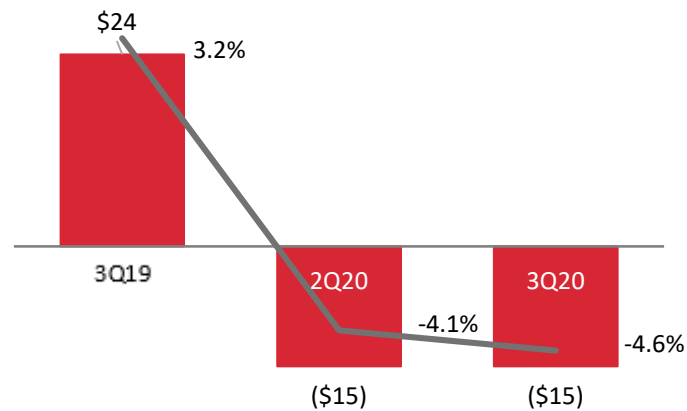
Gross Profit and Margin %

(\$ in millions)



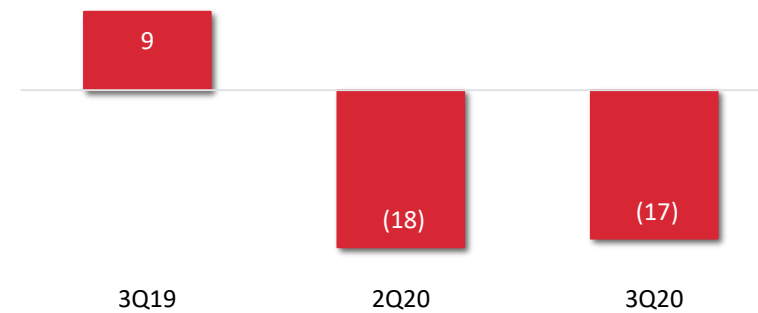
EBITDA Excl. Other Costs (Non-GAAP) and Margin %

(\$ in millions)



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

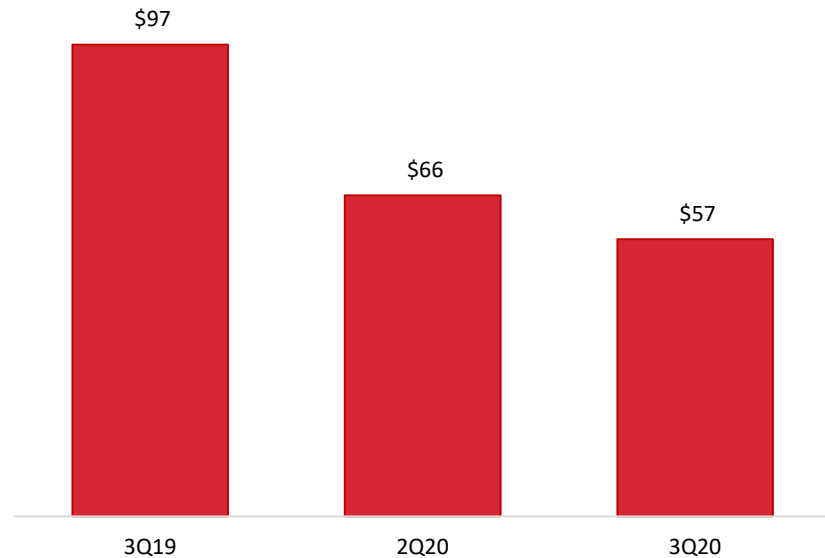
(\$ in millions)



Cash Generation & Working Capital Management

Free Cash Flow

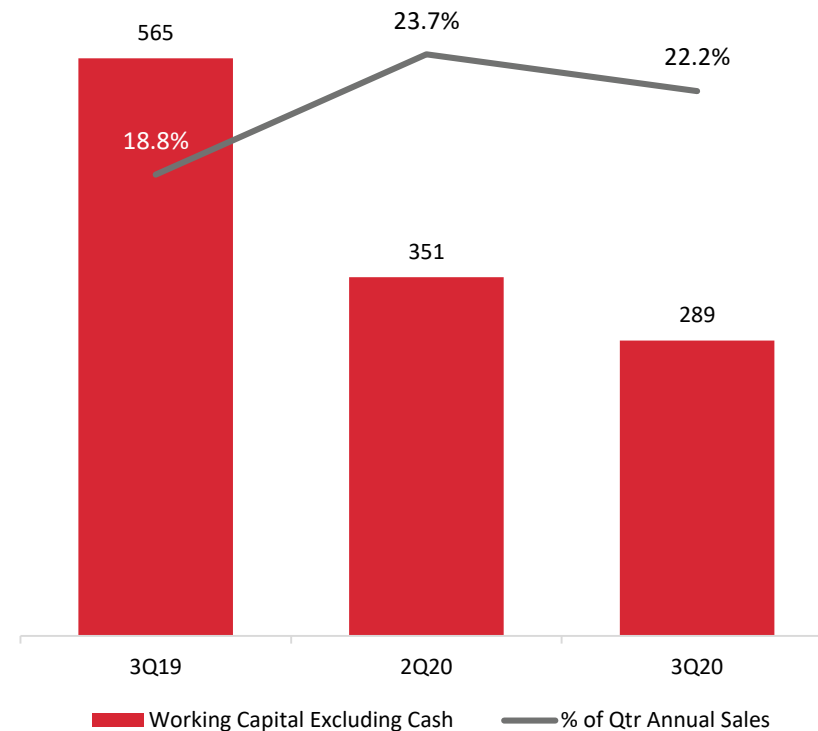
(\$ in millions)



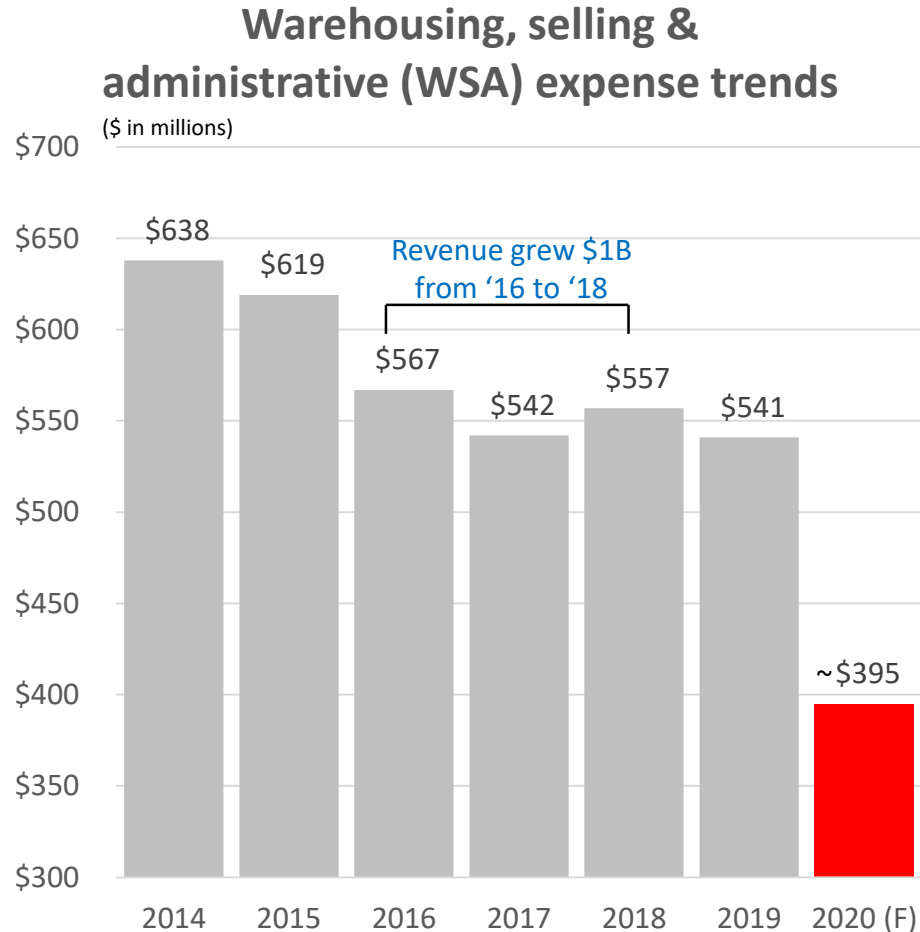
Free Cash Flow ("FCF") is defined as net cash provided by (used in) operating activities, less purchases of property, plant and equipment

Working Capital Excluding Cash

(\$ in millions)



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.

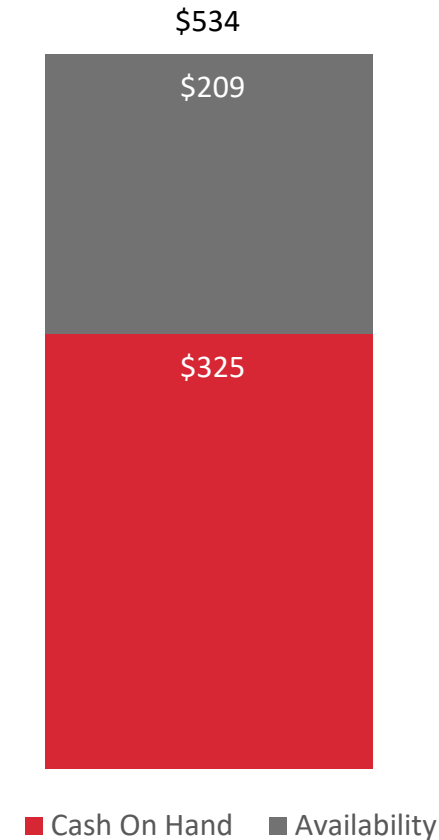
- Headcount reductions approximately 1,850, or 42%, to date since year end
- Implementing consolidation measures combined with facility closures
- Internal benchmarking: compare under-performing locations with top performers, and correct structure/delivery model to drive productivity
- External benchmarking: 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 \$534 million, which includes \$209 million in availability under the ABL and \$325 million in cash

Total Liquidity at September 30, 2020

(\$ in millions)



CEO Wrap Up

- Management focused on preserving cash position and enviable balance sheet with aggressive structural transformation
- Focused on profitable market share gains that align with our strategy to better position DNOW in the market
- Ecommerce customer implementations growing, investing in our DigitalNOW® initiative to position DNOW as the total digital solution provider for operators and service companies
- Cost transformation led to significant reduction in WSA
- Ended the quarter with \$325M in cash, zero debt and total liquidity \$534M
- Active M&A pipeline in a period where we expect opportunities to increase

