2023 Notice of Annual Meeting & Proxy Statement

May 24, 2023 | Houston, TX

April 6, 2023

Dear Stockholder:

You are cordially invited to attend the 2023 Annual Meeting of Stockholders of NOW Inc., which will be held on Wednesday, May 24, 2023 at 10:00 a.m., local time, at the Company's corporate headquarters located at 7402 N. Eldridge Parkway, Houston, Texas 77041.

The accompanying notice of meeting and proxy statement contain information regarding the matters to be voted on at the meeting in the formal Notice of Meeting and Proxy Statement, which are included on the following pages of this booklet.

YOUR VOTE IS IMPORTANT. Whether or not you plan to attend the Annual Meeting, it is important that your shares be represented and voted at the meeting, so please submit your proxy as soon as possible. You may vote by mailing a completed proxy card, by telephone, or over the Internet. If you so desire, you may withdraw your proxy and vote in person at the meeting.

Also included in this booklet as Appendix A is NOW Inc.'s 2022 Annual Report on Form 10K, which we are distributing to the Company's stockholders in lieu of a separate annual report.

Thank you for your continued support of and interest in NOW Inc.

Sincerely,

David Cherechinsky
President and Chief Executive Officer

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NOTICE OF ANNUAL MEETING
OF STOCKHOLDERS

Wednesday, May 24, 2023
10:00 a.m. (Central Standard Time)

NOW INC.
7402 N. Eldridge Parkway
Houston, Texas 77041

The 2023 annual meeting of stockholders of NOW Inc. will be held at the Company's corporate headquarters located at 7402 N. Eldridge Parkway, Houston, Texas 77041 on Wednesday, May 24, 2023, at 10:00 a.m. local time, for the following purposes:

- To elect eight directors to hold office for one-year terms **(Proposal 1)**;
- To consider and act upon a proposal to ratify the appointment of Ernst & Young LLP as independent auditors of the Company for 2023 **(Proposal 2)**;
- To consider and act upon an advisory proposal to approve the compensation of our named executive officers **(Proposal 3)**; and
- To consider and act upon any other matters that may properly come before the annual meeting or any postponement or adjournment thereof.

The Board of Directors recommends that you vote "FOR" these three proposals.

The Board of Directors has set March 27, 2023 as the record date for the annual meeting of the stockholders ("Annual Meeting"). If you were a stockholder of record at the close of business on March 27, 2023, you are entitled to vote at the Annual Meeting. A complete list of these stockholders will be available for examination during ordinary business hours at our corporate headquarters for a period of ten days prior to the Annual Meeting.

On or about April 6, 2023, a Notice of Internet Availability of Proxy Materials containing instructions on how to access our 2023 proxy statement and 2023 Annual Report on Form 10-K and how to vote online will be made available. The notice also provides instruction on how you can request a paper copy of these documents if you desire. If you received your 2023 annual meeting materials via e-mail, the e-mail contains voting instructions and links to the proxy statement and Form 10-K online.

You are cordially invited to join us at the Annual Meeting. However, to ensure your representation, we request that you return your signed proxy card at your earliest convenience, regardless of whether or not you plan to attend the Annual Meeting. You may revoke your proxy at any time if you wish to attend and vote in person.

By Order of the Board of Directors,

Raymond Chang
Vice President, General Counsel and Secretary

Houston, Texas
April 6, 2023

Proxy Summary

This summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all information you should consider. Please read this entire Proxy Statement carefully before voting.

Annual Shareholders Meeting

Date: May 24, 2023

Time: 10:00 a.m. Central Time

Place: NOW Inc.
7402 N. Eldridge Parkway
Houston, TX 77041

Meeting Agenda:
The meeting will cover the proposals listed under Voting Matters and Vote Recommendations below, and any other business that may properly come before the meeting.

Record Date: March 27, 2023

Mailing Date:
This Proxy Statement was first mailed to shareholders on or about April 6, 2022.

Voting:
Shareholders as of the record date are entitled to vote. Each share of common stock of NOW Inc. ("Company") is entitled to one vote for each director nominee and one vote for each proposal.

Our Business Performance

A strong focus on market discipline enabled our business to grow steadily in 2022, a growth which was accelerated by the three years of planning and preparation, patience and performance by the employees of the Company who saw their work culminate in a great year with many achievements. The Company saw strong performance across several key metrics, including gross margins, cash flow generation, revenue growth, EBITDA margin expansion and capital return to shareholders. The Company's focus is about finding where the solutions and the strengths we cultivate intersect with where our customers find value.

Fiscal Year 2022 Business Performance

Increases/decreases are year-over-year

Revenue (↑ from $1.632 billion)	EBITDA (↑ from $45 million)	Operating Profit (↑ from $9 million)	Diluted Earnings per Share (↑ from $0.05)
$2.136 billion	**$175 million**	**$131 million**	**$1.13**

Other highlights from fiscal year 2022 included:

- Total liquidity at the end of the year equaled $564M, including $212M in cash and zero debt,
- Net working capital of 14.96% at the end of 2022,
- Stock price of $12.70 to close 2022, a 67% increase year-over-year over the closing stock price of the last day of trading in 2021,
- Announced an $80 million board approved stock buyback program, and
- Three strategic acquisitions closed to deliver complimentary growth to our existing businesses and emphasize our focus of ESG objectives both to our customers and the communities we serve

Key performance metrics are defined in our Form 10-K for the fiscal year ended February 16, 2023.

Voting Matters and Vote Recommendations

Management Proposals	Board Recommends
Election of 8 Directors	**FOR**
Ratification of the Selection of Ernst & Young LLP as our Independent Auditor for Fiscal Year 2023	**FOR**
Advisory Vote to Approve Named Executive Officer Compensation (“say-on-pay vote”)	**FOR**

Our Director Nominees

Name Occupation	Age	Director Since	Independent	Other Public Boards	AC	CC	ESGN
Richard Alario *Former CEO, Key Energy Services, Inc.*	68	2014	Yes	1		**C**	**M**
Terry Bonno *Former Senior Vice President of Industry and Community Relations, Transocean Ltd.*	65	2014	Yes	1	**M**		**M**
David Cherechinsky *CEO, NOW Inc.*	59	2020	No	0			
Galen Cobb *Former Vice President Industry Relations, Halliburton*	69	2014	Yes	0	**M**		
Paul Coppinger *Former President of SPM Oil & Gas, a Caterpillar Company*	62	2017	Yes	0		**M**	**C**
Karen David-Green *Chief Communications, Stakeholder, and Sustainability Officer, Expro Group*	54	2023	Yes	1			
Rodney Eads *Former Chief Operating Officer and Executive Vice President, Pride International Inc.*	72	2014	Yes	0	**C**		
Sonya Reed *Senior Vice President and Chief Human Resources Officer, Phillips 66*	49	2021	Yes	0		**M**	

AC: Audit Committee
CC: Compensation Committee
ESGN: Environmental, Social, Governance and Nominating Committee (formerly the Nominating/Corporate Governance Committee)

C: Chair
M: Member

Governance and Board Best Practices

NOW's Board of Directors is committed to promoting transparency in reporting information about the Company, complying with the spirit as well as the literal requirements of applicable laws, rules and regulations, and corporate behavior that conforms to corporate governance standards that substantially exceed the consensus view of minimum acceptable corporate governance standards. The Board of Directors adopted Corporate Governance Guidelines which established provisions for the Board's composition and function, Board committees and committee membership, evaluation of director independence, the roles of the independent Chairman of the Board and the Chief Executive Officer, the evaluation of the Chief Executive Officer, regular meetings of non-employee directors, board conduct and review, selection and orientation of directors, director compensation, access to management and independent advisors, and annual review of the Corporate Governance Guidelines.

- Active Board and committees of the Board providing oversight of areas of risk to the Company
- Independent Chairman of the Board serving as the lead director
- 7 of 8 director nominees are independent
- Independent committee chairs and members
- Stock Ownership Guidelines for Executive Officers and Directors
- Clawback policy to recover executive compensation
- Annual Board and committee self-evaluations and assessments using a third-party facilitator to conduct the evaluations
- Fully Declassified Board beginning in 2023 where directors stand for annual election
- Directors meet in executive sessions without management present
- All current Audit Committee members meet the NYSE standard of having accounting or related financial management expertise and each meet the SEC's criteria of an Audit Committee Financial Expert
- Directors are elected by majority vote in uncontested elections
- Board engagement with Chief Executive Officer over Management Succession Planning

NOW INC.
7402 N. Eldridge Parkway
Houston, Texas 77041

PROXY STATEMENT

Except as otherwise specifically noted in this Proxy Statement, “NOW”, “DNOW”, the “Company,” “we,” “our,” “us,” and similar words in this Proxy Statement refer to NOW Inc.

ANNUAL MEETING:	Date:	Wednesday, May 24, 2023
	Time:	10:00 a.m. (Central Standard Time)
	Place:	DistributionNOW 7402 N. Eldridge Parkway Houston, Texas 77041

AGENDA:

Proposal 1: To elect eight nominees as directors of the Company for one-year terms.

Proposal 2: To ratify the appointment of Ernst & Young LLP as independent auditors of the Company for 2023.

Proposal 3: To approve, on an advisory basis, the compensation of our named executive officers.

The Board of Directors recommends that you vote “FOR” the election of the eight nominees for director (Proposal 1), “FOR” the proposal to ratify the appointment of Ernst & Young LLP as independent auditors of the Company for 2023 (Proposal 2), and “FOR” the approval of the compensation of our named executive officers (Proposal 3).

RECORD DATE/ WHO CAN VOTE:

All stockholders of record at the close of business on March 27, 2023 are entitled to vote. The only class of securities entitled to vote at the Annual Meeting is NOW common stock. Holders of NOW common stock are entitled to one vote per share at the Annual Meeting.

PROXY NOTICE:

The Notice of Internet Availability of Proxy Materials will be available to stockholders on or about April 6, 2023. Our Annual Report on Form 10-K, including financial statements, for the fiscal year ended December 31, 2022, accompanies this proxy statement. The Annual Report on Form 10-K shall not be considered as a part of the proxy solicitation materials or as having been incorporated by reference.

PROXIES SOLICITED:

Your vote and proxy is being solicited by the Board of Directors for use at the Annual Meeting. This Proxy Statement and enclosed proxy card is being sent on behalf of the Board of Directors to all stockholders beginning on or about April 6, 2023. By completing, signing and returning your proxy card, you will authorize the persons named on the proxy card to vote your shares according to your instructions.

PROXIES:	If your proxy does not indicate how you wish to vote your common stock, the persons named on the proxy card will vote **FOR** election of the eight nominees for director (**Proposal 1**), **FOR** the ratification of the appointment of Ernst & Young LLP as independent auditors (**Proposal 2**), and **FOR** the approval of the compensation of our named executive officers (**Proposal 3**).
REVOKING YOUR PROXY:	You can revoke your proxy at any time prior to when the vote is taken at the meeting by: (i) filing a written notice revoking your proxy; (ii) filing another proxy bearing a later date; or (iii) casting your vote in person at the Annual Meeting. Your last vote will be the vote that is counted.
QUORUM:	As of March 27, 2023, there were 110,229,882 shares of NOW common stock issued and outstanding. The holders of these shares have the right to cast one vote for each share held by them. Shareholders, in person or by proxy, casting at least 55,114,941 votes constitutes a quorum for adopting the proposals at the Annual Meeting. Abstentions will be included in determining the number of shares present at the meeting for the purpose of determining a quorum, as will broker non-votes. A broker non-vote occurs when a broker is not permitted to vote on a matter without instructions from the beneficial owner of the shares and no instruction is given. If you have properly signed and returned your proxy card by mail, you will be considered part of the quorum, and the persons named on the proxy card will vote your shares as instructed.
VOTE REQUIRED FOR APPROVAL:	For the proposal to elect the eight director nominees (**Proposal 1**), our bylaws require that each director nominee be elected by the majority of votes cast with respect to such nominee (i.e., the number of shares voted "for" a director nominee must exceed the number of shares voted "against" that nominee). For additional information regarding our majority voting policy, see page 10 of the proxy statement. You cannot abstain in the election of directors and broker non-votes are not counted. **Brokers are not permitted to vote your shares on the election of directors in the absence of your specific instructions as to how to vote. Please provide your broker with voting instructions so that your vote can be counted.** Approval of the proposal to ratify the appointment of Ernst & Young LLP as independent auditors (**Proposal 2**) and the proposal to approve the compensation of our named executive officers (**Proposal 3**) will require the affirmative vote of a majority of the shares of our common stock entitled to vote in person or by proxy. An abstention will have the same effect as a vote "against" such proposal. **With respect to Proposal 3, brokers are not permitted to vote your shares in the absence of your specific instructions as to how to vote. Please provide your broker with voting instructions so that your vote can be counted.**
HOUSEHOLDING:	The U.S. Securities and Exchange Commission, or SEC, has adopted rules that permit companies and intermediaries, such as brokers, to satisfy the delivery requirements for proxy statements with respect to two or more stockholders sharing the same address by delivering a copy

of these materials, other than the Proxy Card, to those stockholders. This process, which is commonly referred to as “householding,” can mean extra convenience for stockholders and cost savings for the Company. Beneficial stockholders can request information about householding from their banks, brokers, or other holders of record. Through householding, stockholders of record who have the same address and last name will receive only one copy of our Proxy Statement and Annual Report, unless one or more of these stockholders notifies us that they wish to continue receiving individual copies. This procedure reduces printing costs and postage fees. If an individual receives multiple proxy cards, this indicates that your shares are held in more than one account, such as two brokerage accounts, and are registered in different names. You should vote each of the proxy cards to ensure that all of your shares are voted.

Stockholders who participate in householding will continue to receive separate Proxy Cards. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate Proxy Statement and Annual Report, please notify your broker if you are a beneficial stockholder. If you are eligible for householding, but you and other stockholders of record with whom you share an address currently receive multiple copies of Proxy Statements and Annual Reports, or if you hold stock in more than one account and wish to receive only a single copy of the Proxy Statement or Annual Report for your household, please contact Broadridge Householding Department, in writing, at 51 Mercedes Way, Edgewood, New York 11717, or by phone at (800) 542-1061.

COST OF PROXY SOLICITATION:

We have retained Okapi Partners LLC to solicit proxies from our stockholders at an estimated fee of $12,500, plus expenses. This fee does not include the costs of preparing, printing, assembling, delivering, and mailing the Proxy Statement. The Company will pay for the cost of soliciting proxies. Some of our directors, officers, and employees may also solicit proxies personally, without any additional compensation, by telephone or mail. Proxy materials also will be furnished without cost to brokers and other nominees to forward to the beneficial owners of shares held in their names.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on Wednesday, May 24, 2023. The Company’s 2023 Proxy Statement and the Annual Report to Stockholders for the year ended 2022 are also available at:

http://www.proxyvote.com

For directions to the Annual Meeting, please contact Investor Relations at 281-823-4700.

PLEASE VOTE – YOUR VOTE IS IMPORTANT

ELECTION OF DIRECTORS
PROPOSAL NO. 1 ON THE PROXY CARD

At the Company's inception in 2014, the Board of Directors of NOW Inc. (the "Board") was divided into three classes with each class serving a term of three years. In 2020, stockholders approved the declassification of the Board over a three-year period which culminates in 2023. As of this year, all directors will have expiring terms in 2023 and stand for election moving forward for one-year terms if elected at the upcoming annual meeting of stockholders.

Richard Alario, Terry Bonno, David Cherechinsky, Galen Cobb, Paul Coppinger, Karen David-Green, Rodney Eads, and Sonya Reed are nominees for directors, each for a one-year term expiring at the Annual Meeting in 2024, or when their successors are elected and qualified. We believe each of the nominees will be able to serve if elected. However, if any nominee is unable to serve, the remaining members of the Board have authority to nominate another person, elect a substitute, or reduce the size of the Board. Proxies cannot be voted for a greater number of persons than the number of nominees named.

Vote Required for Approval

NOW’s Bylaws require that each director be elected by the majority of votes cast with respect to such director in uncontested elections (the number of shares voted “for” a director nominee must exceed the number of votes cast “against” that nominee). In a contested election (a situation in which the number of nominees exceeds the number of directors to be elected), the standard for election of directors would be a plurality of the shares represented in person or by proxy at any such meeting and entitled to vote on the election of directors. Whether an election is contested or not contested is determined 14 days in advance of when we file our definitive proxy statement with the SEC. This year’s election was determined to be an uncontested election and the majority vote standard will apply. If a nominee who is serving as a director is not elected at the annual meeting, Delaware law provides that the director would continue to serve on the Board as a “holdover director.” However, under our Bylaws and Corporate Governance Guidelines, each director must submit an advance, contingent, irrevocable resignation that the Board may accept if the director fails to be elected through a majority vote. In that situation, our Environmental, Social, Governance, and Nominating Committee would make a recommendation to the Board about whether to accept or reject the resignation or whether to take other action. The Board will act on the Environmental, Social, Governance, and Nominating Committee’s recommendation and publicly disclose its decision and the rationale behind it within 90 days from the date the election results are certified. If a nominee who was not already serving as a director fails to receive a majority of votes cast at the annual meeting, Delaware law provides that the nominee does not serve on the Board as a “holdover director.” In 2023, all director nominees are currently serving on the Board.

Brokers are not permitted to vote your shares on the election of directors in the absence of your specific instructions as to how to vote. Please provide your broker with voting instructions so that your vote can be counted.

Information Regarding Nominees for Director for Terms Expiring in 2023:

Name	Age	Expiration Date of Current Term	Biography	Year First Became Director
Richard Alario	68	2023	Mr. Alario has been a director of the Company since May 2014 and has served as the Company's Chairman of the Board since April 2021. Mr. Alario served as Interim Chief Executive Officer of the Company from November 2019 until June 2020, and as Executive Vice Chairman on an interim, short-term basis from June 2020 until October 2020. Mr. Alario served as Chief Executive Officer and director of Key Energy Services, Inc., a provider of oilfield services, from 2004 until his retirement in March 2016. Prior to joining Key Energy Services, Mr. Alario was employed by BJ Services Company, an oilfield services company, where he served as Vice President from 2002 after OSCA, Inc. was acquired by BJ Services. Prior to joining BJ Services, Mr. Alario had over 21 years of service in various capacities with OSCA, an oilfield services company, most recently having served as its Executive Vice President. He is also a director of Kirby Corporation, serving as its lead director and chairman of its Environmental, Social, Governance and Nominating Committee. He formerly served as Chairman of the National Ocean Industries Association.	2014
Terry Bonno	65	2023	Ms. Bonno has been a director of the Company since May 2014. Ms. Bonno provides advisory and consulting services to numerous private companies utilizing her professional expertise in Global business development, commercial and contractual due diligence, Sustainability and Enterprise Risk Management. She has served as a Director of Kodiak Gas Services, a privately held company that is the third largest contract gas compression company in the US, since 2019. From 2017 to the successful divestiture to 3i in 2019, Ms. Bonno served as a Director of Tampnet, the largest offshore high-capacity communication network in the world. She also served as a director on energy industry and charity boards. In 2017, she was accepted as an industry expert to serve in an advisory capacity on the National Offshore Safety and Advisory Committee (NOSAC) for a three-year term ending 2020. Ms. Bonno served as Senior Vice President of Industry and Community Relations for Transocean Ltd. from 2017 until her retirement in September 2018. Her responsibilities included leadership in industry forums, community affairs and driving sustainability in the organization. Ms. Bonno previously served as Senior Vice President of Marketing for Transocean Ltd. from 2011 and Vice President Marketing from 2008 with oversight of Transocean's marketing in 14 countries. Prior to this role, she served in various director and management roles at Transocean Ltd. leading the marketing and contracts efforts for West Africa and the Americas from 2001 until	2014

			2008. She served in a Director Marketing and Contracts role for Turnkey Drilling with RBFalcon and Global Marine (a wholly owned subsidiary of Applied Drilling Technology Inc. (ADTI)) from 1993 until 2001, who later became acquired by Transocean Ltd. During her time with Global Marine from 1982 to 1999, she served in various Accounting Management roles. She is also a Certified Public Accountant.	
David Cherechinsky	59	2023	Mr. Cherechinsky has served as President and Chief Executive Officer and been a director of the Company since June 2020. Prior to serving as President and Chief Executive Officer, Mr. Cherechinsky served as the Company's Senior Vice President and Chief Financial Officer from February 2018 until June 2020. Mr. Cherechinsky previously served as Vice President, Corporate Controller and Chief Accounting Officer from February 2014 until February 2018. Mr. Cherechinsky served as Vice President—Finance for NOV's distribution business group from 2003, and as Vice President—Finance for NOV's Distribution & Transmission business segment from 2011, until the Company's spin-off in May 2014. He previously served NOV starting in 1989 in various corporate roles, including internal auditor, credit management and business analyst, and is a CPA.	2020
Galen Cobb	69	2023	Mr. Cobb has been a director of the Company since May 2014. Mr. Cobb recently served as Vice President Industry Relations for Halliburton since 2002 until his retirement in 2022 where he was responsible for Halliburton's industry relations global activities, energy trade policy issues, executive client relations, and trade organization oversight. He worked for Halliburton for over forty years serving in various executive management positions in operations, marketing, sales and business development. From 1991 to 1994, he was Director CIS and China with oversight in establishing Halliburton's presence and operations in these emerging markets. Later, he was named Director Executive Sales and Business Development with expanded responsibilities for the worldwide development and promotion of Halliburton's services and products.	2014
Paul Coppinger	62	2023	Mr. Coppinger has been a director of the Company since December 2017. Mr. Coppinger was the President of SPM Oil & Gas, a Caterpillar Company (formerly the Oil & Gas Division of the Weir Group PLC which was acquired by Caterpillar in February 2021) from 2014 until his retirement in 2022. From 2012 to 2014, Mr. Coppinger served as President, Pressure Pumping, for the Weir Group, and from 2011 to 2012 as President of Weir SPM. Prior to that, Mr. Coppinger was Group President of the Energy Segment of CIRCOR International, Inc. from 2001 to 2011. Mr. Coppinger is Chairman Emeritus of the Energy Workforce & Technology Council (formerly the	2017

			Petroleum Equipment & Services Association) and served on its Board of Directors from 2007 to 2019.	
Karen David-Green	54	2023	Ms. David-Green has been a director of the company since March 17, 2023. Ms. David-Green has served in senior leadership positions on Wall Street for 15 years and in the corporate sphere for 10 years. She is currently the Chief Communications, Stakeholder and Sustainability Officer at Expro Group. Prior to her current role, she served as Sr. Vice President of Stakeholder Engagement and Chief Marketing Officer from 2018-2020 at Weatherford International plc, and as the Vice President, Investor Relations, Corporate Marketing & Communications from 2015-2018. During her tenure at Weatherford, she served as President of the Weatherford Foundation, Inc., Chairwoman of the Sustainability Leadership Council, Executive Member of the Disclosure Committee, as well as co-founder of the Diversity Equity & Inclusion Network. Currently, she serves on the Boards of Paragon Integrated Services Group, a private oil and gas service company based in Houston, Texas, and Phoenix Technology Services, one of the largest horizontal and directional drilling service providers in the industry, as well as several non-profit organizations. Ms. David-Green holds a Directorship Certification from the National Association of Corporate Directors.	2023
Rodney Eads	72	2023	Mr. Eads has been a director and Chair of the Audit Committee of the Company (commencing this position May 2014). Mr. Eads has served as President of Eads Holdings, LLC, a wholly owned private investment firm (commencing 2009) and is an active investor in early-stage companies. Mr. Eads has provided advisory and due diligence services for numerous private equity entities, with deep expertise in Enterprise Risk Management and Crisis Management. He has provided Expert Witness services for several international arbitration cases in the \$150M-\$250M claim range. He is a NACD Certified Director, and since 2019 has served on the NACD TriCities Board (Houston, Austin, San Antonio). During the last 5 years he has been an active participant in the Southwest Audit Committee Network. Mr. Eads served as a director from 2010 to 2015 for private equity owned Nautronix UK Limited. Mr. Eads previously served as Chief Operating Officer and Executive Vice President of Pride International Inc. (NYSE) from 2006 until 2009, where he was responsible for safety, environmental, and regulatory compliance for offshore operations and South American and eastern hemisphere land assets operating in 15 countries. He also managed a public company spin-off in 2009 of Seahawk Drilling Company. He served as Senior Vice President of Worldwide Operations for Diamond Offshore Drilling Inc. (NYSE) from 1997 until 2006, with responsibility for safety, environmental, and regulatory compliance in 12 countries. From 1977 to 1997, he served in several executive and operations management positions with Exxon Corporation, primarily in international assignments spanning 11 countries, providing engineering, business planning and project analysis, and	2014

			compliance for safety, environmental, and regulatory requirements. Mr. Eads has managed global workforces as large as 14,000 employees, managed operating budgets of $1B per year, and capital projects exceeding $3B.	
Sonya Reed	49	2023	Ms. Reed has been a director of the Company since August 2021. Ms. Reed has served as the Senior Vice President and Chief Human Resources Officer of Phillips 66, a publicly traded company listed on the New York Stock Exchange, since 2015. From 2011 to 2015, Ms. Reed was with General Cable, where she last served as Executive Vice President, Chief Human Resources Officer. Ms. Reed began her career at Zurich Financial Services, where she held several positions of increasing responsibility, the last of which was Vice President of Human Resources of their Latin American business.	2021

YOUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE IN FAVOR OF THE ELECTION OF THE EIGHT NOMINEES FOR DIRECTOR.

COMMITTEES AND MEETINGS OF THE BOARD

Committees

The Board of Directors appoints committees to help carry out its duties with the following current standing committees: Audit, Compensation, and Environmental, Social, Governance, and Nominating (formerly known as Nominating/Corporate Governance). Last year, the Board of Directors met six times and the committees met a total of 13 times. The following table sets forth the committees of the Board of Directors and their members as of the date of this proxy statement, as well as the number of meetings each committee held during 2022:

Director	Audit Committee	Compensation Committee	Environmental, Social, Governance, and Nominating Committee
David Cherechinsky (1)			
Richard Alario		+	•
Terry Bonno	•		•
Galen Cobb	•		
Paul Coppinger		•	+
James Crandell (2)			
Karen David-Green (3)			
Rodney Eads	+		
Sonya Reed		•	
Number of Meetings Held in 2022	8	2	3

(+) Denotes Chair
(1) As Mr. Cherechinsky is an employee of the Company serving as President and Chief Executive Officer, he does not serve as a member of any board committees.
(2) Mr. Crandell is not standing for reelection in 2023 due to his upcoming retirement from the Board.
(3) On March 17, 2023, Karen David-Green was appointed as an independent member of the Board.

Attendance at Meetings

Each incumbent director attended at least 75% of the meetings of the Board and committees of which that director was a member in 2022.

Audit Committee

Messrs. Eads (Chairman), Cobb, and Ms. Bonno are the current members of the Audit Committee. All members of this committee are "independent" within the meaning of the rules governing audit committees by the New York Stock Exchange, or NYSE.

The Audit Committee is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities. The Committee's primary duties and responsibilities are to:

- monitor the integrity of the Company's financial statements, financial reporting processes, systems of internal controls regarding finance, and disclosure controls and procedures;
- select and appoint the Company's independent auditors, pre-approve all audit and non-audit services to be provided, consistent with requirements of the SEC and PCAOB regarding auditor independence, to the Company by the Company's independent auditors, and establish the fees and other compensation to be paid to the independent auditors;

- monitor the independence and performance of the Company's independent auditors and internal audit function;
- establish procedures for the receipt, retention, response to and treatment of complaints, including confidential, anonymous submissions by the Company's employees, regarding accounting, internal controls, disclosure or auditing matters, and provide an avenue of communication among the independent auditors, management, the internal audit function and the Board of Directors;
- prepare an audit committee report as required by the SEC to be included in the Company's annual proxy statement;
- reviews, on a quarterly basis, reports from the Company's enterprise risk management system, cybersecurity monitoring system, and ESG monitoring system, and reports to the full Board on these matters; and
- monitor the Company's compliance with legal and regulatory requirements.

A copy of the Audit Committee Charter is available on the Company's website, www.distributionnow.com, under the Investor Relations/Corporate Governance section.

Audit Committee Financial Expert

The Board of Directors has determined that all members of the Audit Committee meet the NYSE standard of having accounting or related financial management expertise and each meet the SEC's criteria of an Audit Committee Financial Expert.

Compensation Committee

Messrs. Alario (Chairman), Coppinger, and Ms. Reed are the current members of the Compensation Committee. All members of the Compensation Committee are independent as defined by the applicable NYSE listing standards.

The Compensation Committee is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities. The Committee's primary duties and responsibilities are to:

- discharge the Board's responsibilities relating to compensation of the Company's directors and executive officers;
- approve and evaluate all compensation of directors and executive officers, including salaries, bonuses, and compensation plans, policies, and programs of the Company; and
- administer all plans of the Company under which shares of common stock may be acquired by directors or executive officers of the Company.

A copy of the Compensation Committee Charter is available on the Company's website, www.distributionnow.com, under the Investor Relations/Corporate Governance section.

Compensation Committee Interlocks and Insider Participation

Messrs. Alario (Chairman), Coppinger, and Ms. Reed are the current members of the Compensation Committee. Mr. Alario, who had previously served as Chair of the Compensation Committee prior to his appointment as interim Chief Executive Officer and as Executive Vice Chairman on an interim, short-term basis from November 2019 until October 2020, reassumed his role as Chair of the Compensation Committee in February 2021. Except as disclosed herein, none of these members is a former or current officer or employee of the Company or any of its subsidiaries, is involved in a relationship requiring disclosure as an interlocking executive officer/director, or had any relationship requiring disclosure under Item 404 of Regulation S-K.

Environmental, Social, Governance, and Nominating Committee

Messrs. Coppinger (Chairman), Alario, and Ms. Bonno are the current members of the Environmental, Social, Governance, and Nominating Committee. All members of the Environmental, Social, Governance, and Nominating Committee are independent as defined by the applicable NYSE listing standards.

Formerly known as the Nominating/Corporate Governance Committee, the Environmental, Social, Governance, and Nominating Committee was restructured in 2021 to give more oversight at the board level to the Company's ESG initiatives including (1) providing assistance and oversight on future sustainability reports; (2) overseeing and working with management on ESG risk assessment and managing and mitigating these risks, including risks related to climate change and other ESG related matters; and (3) overseeing and working with management to determine areas of opportunities, goal setting, and expansion in its ESG initiatives. In 2022, the Environmental, Social, Governance, and Nominating Committee moved to meet more regularly instead of biannually to emphasize the importance and focus of ESG objectives at the Company.

The Environmental, Social, Governance, and Nominating Committee is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities. The Committee's primary duties and responsibilities are to:

- ensure that the Board and its committees are appropriately constituted so that the Board and directors may effectively meet their fiduciary obligations to stockholders and the Company;
- identify individuals qualified to become Board members and recommend to the Board director nominees for each annual meeting of stockholders and candidates to fill vacancies in the Board;
- recommend to the Board annually the directors to be appointed to Board committees;
- monitor, review, and recommend, when necessary, any changes to the Corporate Governance Guidelines;
- monitor and evaluate annually the effectiveness of the Board and management of the Company, including their effectiveness in implementing the policies and principles of the Corporate Governance Guidelines;
- oversee the Company's efforts on environmental, social, and governance (ESG) matters including the publication of the Company's annual sustainability report; and
- oversee the Company's efforts on Diversity, Equity and Inclusion (DEI) and CEO and management succession planning.

A copy of the Environmental, Social, Governance, and Nominating Committee Charter is available on the Company's website, www.distributionnow.com, under the Investor Relations/Corporate Governance section.

BOARD OF DIRECTORS

Director Nomination Process and Diversity Considerations

The Environmental, Social, Governance, and Nominating Committee has the responsibility of identifying candidates for election as directors, reviewing background information relating to candidates for director, and recommending to the Board of Directors nominees for directors to be submitted to stockholders for election. It is the policy of the Committee to consider director candidates recommended by stockholders. Nominees to be evaluated by the Environmental, Social, Governance, and Nominating Committee are selected by the Committee from candidates recommended by multiple sources, including other directors, management, stockholders, and candidates identified by independent search firms (which firms may be paid by the Company for their services), all of whom will be evaluated based on the same criteria. As of March 27, 2023, we had not received any formal recommendations from stockholders for potential director candidates that were approved as a nominee for director by the Company's Environmental, Social, Governance, and Nominating Committee for submission to stockholders for election. All of the current nominees for director are standing members of the Board that are proposed by the entire Board for re-election. Written suggestions for nominees should be sent to the Secretary of the Company at the address listed herein.

The Board of Directors believes that nominees should reflect the following characteristics:

- have a reputation for integrity, honesty, candor, fairness, and discretion;
- be knowledgeable, or willing to become so quickly, in the critical aspects of the Company's businesses and operations; and
- have a range of talent, skill, and expertise sufficient to provide sound and prudent guidance with respect to the full scope of the Company's operations and interests.

The Environmental, Social, Governance, and Nominating Committee reviews Board composition annually to ensure that the Board reflects the knowledge, experience, skills, expertise, and diversity required for the Board to fulfill its duties. There are currently no directorship vacancies to be filled on the Board.

Board Diversity

The Board considers diversity in identifying nominees for director. The Board seeks to achieve a mix of directors that represent a diversity of background and experience, including with respect to gender and race. The Board considers diversity in a variety of different ways and in a fairly expansive manner. The Board not only considers diversity concepts such as race and gender, but also diversity in the sense of differences in viewpoint, professional experience, education, skill, and other qualities and attributes that contribute to board heterogeneity. Also considered as part of the diversity analysis is whether the individual has work experience in the Company's industry or in the broader energy or industrial markets. The Company believes the Board can benefit from different viewpoints and experiences by having a mix of members of the Board who have experience in its industry and those who may not have such experience.

Although we do not have a formal diversity policy in place for the director nomination process, the Board recognizes that diverse candidates with appropriate and relevant skills and experience contribute to the depth and diversity of perspective in the boardroom. An important factor in our Environmental, Social, Governance, and Nominating Committee's consideration and assessment of a director candidate is the diversity of background, viewpoints, professional experience, education, gender, age, and culture – including nationality, race or ethnic background.

Further to these goals and efforts by the Board, over the last two years, the Board has added two new directors, Ms. Karen David-Green and Ms. Sonya Reed, which provide additional diversity both in gender, race, ethnicity and experience to the Board.

If and when the need arises for the Company to add an additional new director to the Board, the Environmental, Social, Governance, and Nominating Committee will ensure that diverse candidates (including, without limitation, women and minority candidates) are in the pool from which nominees are chosen and strive to obtain diverse candidates by searching in traditional corporate environments, as well as government, academia, and non-profit organizations. Accordingly, the Environmental, Social, Governance, and Nominating Committee will include candidates reflecting ethnic and gender diversity as part of the candidate search criteria.

Furthermore, the Company acknowledges that the current policies of several of its key stakeholders require a minimum number of female board members on a board. The Company will take such policies into strong consideration when considering any additional director appointments. To the extent SEC regulations come out in the future with minimum diversity requirements, the Company will comply with these requirements to the extent applicable.

Director Qualifications

The Company believes that each member of its Board of Directors possess the basic attributes of being a director of the Company, namely having a reputation for integrity, honesty, candor, fairness, and discretion. Each director has also become knowledgeable in major aspects of the Company's business and operations, which has allowed the Board to provide better oversight functions to the Company. In addition to the experience, qualifications, and skills of each director set forth in their biographies, the Company also considered the following factors in determining that the board member should serve on the Board:

Mr. Alario served as the interim Chief Executive Officer of the Company from November 2019 until June 2020, as Executive Vice Chairman on an interim, short-term basis from June 2020 until October 2020, and previously served as the chief executive officer and as the chairman of another publicly traded company for 12 years. Mr. Alario has extensive experience in the oil service business, having worked in that industry for over 30 years. Mr. Alario has gained valuable board experience from his tenure as a director of Kirby

Corporation, including from his service as its lead director and chairman of its Environmental, Social, Governance, and Nominating Committee as well as on its audit committee. Through service in these roles, Mr. Alario has gained extensive experience in assessing the risks associated with various energy industry cycles.

Ms. Bonno provides valuable service and experience to the Audit Committee, due to her current role on the Audit Committee of Kodiak Gas Services and past experience serving on the financial committee, enterprise risk management committee, and disclosure committee at Transocean Ltd. Ms. Bonno has extensive experience in the oil service industry of 36 years and a background in accounting with approximately 33 years of being a certified public accountant and experience overseeing the Sox Compliance of the Global Marketing function. Ms. Bonno's extensive professional experience in international business development, commercial and contractual acumen, Sustainability and Enterprise Risk Management has provided her the knowledge to deal with all facets of potential risk areas and opportunities for a global energy company, and she brings that experience and perspective to the Board.

Mr. Cherechinsky has been an officer of a publicly traded company since 2014. Mr. Cherechinsky's 33-year career with the Company includes positions of increasing importance, from business analyst, to Vice President—Corporate Controller, to Chief Financial Officer, to Chief Executive Officer. Mr. Cherechinsky has extensive experience with the Company and the oil service industry. Mr. Cherechinsky's experience in the Company's business and the industry, his extensive financial background, and his unparalleled knowledge of the Company make him uniquely and well qualified to serve as a director of the Company.

Mr. Cobb provides valuable service and experience to the Audit Committee, due to his over 40 years of serving in various management positions for Halliburton. Mr. Cobb has developed experience and expertise in warehouse management and distribution, international operations, especially in emerging markets, as well as marketing and business development in a large corporate environment. As a result of this extensive experience, Mr. Cobb is very familiar with the strategic and project planning processes that impact the Company's business and continued development for growth.

Mr. Coppinger has over 35 years of experience in the petroleum equipment and service, process equipment and flow control businesses, as well as experience in the industrial markets and manufacturing, and has held various positions of increasing responsibility, including managing domestic and international operations. Mr. Coppinger has extensive operational and strategic planning experience from his long career in manufacturing and distribution. Mr. Coppinger also has extensive mergers and acquisitions experience of over 20 years on a global basis. Mr. Coppinger has dealt with all facets of potential risk areas for a global energy service company and brings that experience to the Company.

Ms. David-Green has served in senior leadership positions on Wall Street for 15 years and in the corporate sphere for 10 years. Her experience in finance, corporate communications, sustainability efforts, and marketing for a publicly traded company provide the Company valuable knowledge at a board level. Further, her work on other company boards and external councils and networks give the Company insight into how peers see current market conditions and strategies which the Company can use to their future benefit. Ms. David-Green's extensive financial background, prior board experience, and background on sustainability and shareholder engagement efforts make her highly qualified to be a board member.

Mr. Eads provides valuable service and experience to the Audit Committee, due to his MBA degree and 40 years of experience in the energy industry and in his previous roles in senior executive management where he worked to identify and mitigate risk. Mr. Eads has also been an active member of the National Association of Corporate Directors (NACD) since 2010, achieving the NACD's Governance Fellow recognition, the highest standard of credentialing for directors and governance professionals, and recently achieved the NACD Directorship Certification. He currently serves on the Board for the Tri-Cities Chapter NACD. Mr. Eads established the board cybersecurity reporting system for the Company, which includes quarterly cybersecurity metrics reported to the Audit Committee. He has been involved in two early-stage cybersecurity companies, one as a lead investor. He has completed the AICPA Cybersecurity Certificate Program. Mr. Eads' significant international experience and deep expertise in health and safety/environmental/regulatory compliance; risk assessment; supply chain management; and large construction projects, together with his 12 years of experience as an executive officer of two public companies, which included SEC reporting, mergers and acquisitions evaluations and integration, pay/performance programs, and asset rationalization efforts including a public company spin-off, and private equity sales, makes him well qualified to serve as a director of the Company.

Ms. Reed has served as a chief human resources officer of two public companies since 2013. Her expertise in executive compensation, succession planning and talent management, and diversity, equity, and inclusion provide the board with significant insight on these key risk areas. Ms. Reed has developed experience and expertise in corporate communications including internal and external messaging, brand and reputation management, as well as media relations in a large corporate environment. As a result of this experience, Ms. Reed has had extensive board exposure and uses that background and knowledge to help provide a perspective on these evolving risk areas.

The following are some of the key qualifications and skills of our Board.

	Alario	Bonno	Cherechinsky	Cobb	Coppinger	David-Green	Eads	Reed
CEO/Former CEO	•		•					
Financial Acumen/Expert	•	•	•	•	•	•	•	
Operations Leadership	•		•	•	•		•	
ESG Experience	•	•	•	•	•	•	•	•
International Exposure/Experience	•	•	•	•	•	•	•	•
Oil & Gas Industry	•	•	•	•	•	•	•	•
Technology Systems		•	•				•	•
Diversity		•				•		•
Strategic Planning	•	•	•	•	•	•	•	•
Background								
Age	68	65	59	69	62	54	72	49
Gender	Male	Female	Male	Male	Male	Female	Male	Female
Ethnicity	White	White	White	White	White	White	White	Hispanic
Year Joined Board	2014	2014	2020	2014	2017	2023	2014	2021
Other Boards	1	1	0	0	0	1	0	0
Independent	•	•		•	•	•	•	•

AUDIT COMMITTEE REPORT

Composition

The Audit Committee is currently comprised of three members: Rodney Eads, Committee Chairman, Terry Bonno, and Galen Cobb. The Board of Directors has determined that all of the members of the Audit Committee are independent based on the guidelines set forth by the NYSE and SEC rules for the independence of Audit Committee members. The Board of Directors has also determined that all members of the Audit Committee meet the NYSE standard of having accounting or related financial management expertise and each member meets the SEC's criteria of an Audit Committee Financial Expert.

Oversight Responsibilities

Under the Audit Committee Charter, which is available for review on the Company's website at www.distributionnow.com, under the Investor Relations/Corporate Governance section, the Audit Committee's primary objective is to assist the Board of Directors in fulfilling its oversight responsibilities. The Audit Committee's primary purposes and functions are:

(1) monitoring the integrity of the Company's financial statements, financial reporting processes, systems of internal controls regarding finance, and disclosure controls and procedures;

(2) selecting and appointing the Company's independent auditors, pre-approving all audit and non-audit services to be provided, consistent with all applicable laws and regulations, to the Company by the Company's independent auditors, and establishing the fees and other compensation to be paid to the independent auditors;

(3) monitoring the independence and performance of the Company's independent auditors and internal audit function;

(4) establishing procedures for the receipt, retention, response to and treatment of complaints, including confidential and/or anonymous submissions by the Company's employees, regarding accounting, internal controls, disclosure or auditing matters, and providing an avenue of communication among the independent auditors, management, the internal audit function, and the Board; and

(5) monitoring the Company's compliance with legal and regulatory requirements.

With respect to the oversight of accounting, internal controls and disclosure matters, as well as the Company's compliance with various legal and regulatory requirements, the Audit Committee, as appropriate, but at least on a quarterly basis, reviews all reports generated by the Company's independently administered employee hotline and other corporate governance hotline systems. The Audit Committee also reviews, on a quarterly basis, reports from the Company's enterprise risk management system, cybersecurity monitoring system, and ESG monitoring system, and reports to the full Board on these matters.

Notwithstanding the foregoing, it is not the Audit Committee's duty to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles ("GAAP") or to conduct audits. In carrying out its duties, the Audit Committee relies on the Company's senior management, specifically senior financial management. Company management is responsible for establishing a system of internal controls, assessing such controls and for preparing our consolidated financial statements in accordance with GAAP. Management is also responsible for assuring compliance with laws and regulations and the Company's corporate policies. Our independent registered public accountants are responsible for auditing our consolidated financial statements and the effectiveness of our internal control over financial reporting in accordance with standards of the Public Company Accounting Oversight Board (the "PCAOB") and issuing their reports based on those audits. During each regularly scheduled quarterly meeting in 2022, the Audit Committee met separately in executive session with both the internal audit director and the independent audit partner, without Company's senior management being present.

Oversight of Independent Auditor

The Audit Committee reviews in advance and pre-approves audit and non-audit services provided to the Company by the independent auditors. The Audit Committee is also directly responsible for reviewing with the independent registered public accountants the plans and scope of the audit engagement and providing an open venue of communication between management, the internal audit function, the independent registered public accountants, and the Board.

In connection with the selection and appointment of the independent auditors each year, the Audit Committee reviews and evaluates the qualifications, performance and independence of the independent auditors and lead partner, including taking into account the opinions of management and the Company's internal auditor. In doing so, the Audit Committee considers a number of factors including, but not limited to: quality of services provided; technical expertise and knowledge of the industry; effective communication; objectivity; independence; costs of services considering scope of services as compared to independent auditor costs of similar size public companies in same industry sector; and the potential impact of changing independent auditors. Based on this evaluation, the Audit Committee has retained Ernst & Young LLP ("EY") as the Company's independent auditors for 2023. EY has been the Company's independent auditors since 2013, and the Company's current lead partner has been engaged since 2019.

The Audit Committee and Board of Directors believe that it is in the best interests of the Company and its stockholders to continue retention of EY to serve as our independent auditors. Although the Audit Committee has the sole authority to appoint the independent auditors, the Audit Committee will continue to recommend that the Board of Directors request the stockholders at the Annual Meeting to ratify the appointment of the independent auditors.

2022 Audited Financial Statements

The Audit Committee reviewed and discussed with senior management the audited financial statements included in the Company's Annual Report on Form 10-K. Management has confirmed to the Audit Committee that such financial statements have been prepared with integrity and objectivity and in conformity with GAAP. Non-GAAP measures reported by management are reviewed by the Audit Committee to ensure transparency and consistency.

The Audit Committee discussed with EY, the Company's independent auditors, the matters required to be discussed by the applicable requirements of the PCAOB, which included the identification of Critical Audit Matters.

The Audit Committee has received the written disclosures and the letter from EY required by applicable requirements of the PCAOB regarding EY's communication with the Audit Committee concerning independence and has discussed with the independent auditors any relationships that may impact their objectivity and independence.

Based on the foregoing, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's 2022 Annual Report on Form 10-K.

Members of the Audit Committee

Rodney Eads, Committee Chairman
Terry Bonno
Galen Cobb

RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS
PROPOSAL NO. 2 ON THE PROXY CARD

Information Regarding our Independent Auditors

The Audit Committee of the Board of Directors has reappointed Ernst & Young LLP as independent auditors for 2023. Stockholders are being asked to vote upon the ratification of the appointment. Representatives of Ernst & Young LLP will attend the Annual Meeting, where they will be available to respond to appropriate questions and have the opportunity to make a statement if they desire.

Vote Required for Approval

The proposal to ratify the appointment of Ernst & Young LLP as independent auditors will require approval of a majority of the shares of our common stock entitled to vote and present in person or by proxy. In accordance with NYSE rules, a proposal to ratify independent auditors is considered to be a "discretionary" item. This means that brokerage firms may vote in their discretion on this matter on behalf of beneficial owners who have not furnished voting instructions within the time period specified in the voting instructions submitted by such brokerage firms. Abstentions, which will be counted as votes present for the purpose of determining a quorum, will have the effect of a vote against the proposal. Your shares will be voted as you specify on your proxy. If your proxy does not specify how you want your shares voted, we will vote them for the ratification of the appointment of Ernst & Young LLP as independent auditors.

Audit Fees

The Audit Committee pre-approves services provided by the Company's independent auditors to the Company and its subsidiaries. Consideration and approval of such services generally occurs in the regularly scheduled quarterly meetings of the Audit Committee. The Audit Committee has delegated the Chairman of the Audit Committee to pre-approve allowed non-audit services, subject to review by the full committee at the next regularly scheduled meeting. The Audit Committee has considered whether the provision of all services other than those rendered for the audit of the Company's financial statements is compatible with maintaining Ernst & Young LLP's independence and has concluded that their independence is not compromised.

The following table sets forth Ernst & Young LLP's fees for services rendered during 2021 and 2022. All services provided by Ernst & Young LLP were pre-approved by the Audit Committee.

	2022	**2021**
Audit Fees	$1,661,486	$1,516,798
Audit Related Fees (1)	$120,506	$232,500
Tax Fees	-	$10,691
All Other Fees	-	-
Total	$1,781,992	$1,759,989

(1) Consists of fees for audits of employee benefit plans and due diligence services on potential acquisitions.

Your Board of Directors recommends that you vote "FOR" the proposal to ratify the appointment of Ernst & Young LLP.

APPROVAL OF COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS
PROPOSAL NO. 3 ON THE PROXY CARD

A proposal will be presented at the meeting asking stockholders to approve on an advisory basis the compensation of the Company's named executive officers as described in this proxy statement.

Why You Should Approve our Executive Compensation Program

The Company's compensation philosophy is designed to attract and retain executive talent and emphasize pay for performance, including the creation of stockholder value. The Company encourages its stockholders to read the Executive Compensation section of this proxy statement, including the compensation tables, as well as the Compensation Discussion and Analysis (CD&A) section of this proxy statement, for a more detailed discussion of our compensation programs and policies. The Company believes its compensation programs and policies are appropriate and effective in implementing its compensation philosophy, in achieving its goals, and that they are aligned with stockholder interests and worthy of stockholder support.

We believe that stockholders should consider the following in determining whether to approve this proposal:

Compensation Program is Closely Linked to Stockholder Value

An important and significant portion of each executive's compensation at the Company is in the form of long-term incentive awards, which are directly linked to the Company's performance and the creation of stockholder value. The Company's long-term incentive awards consist of time-based restricted stock and performance-based share awards. Performance-based share awards comprise 50% of each executive's current long-term incentive awards. We believe this mix appropriately motivates long-term performance and rewards executives for absolute gains in share price, performance against designated metrics, and relative financial performance against a designated peer group.

Strong Pay-for-Performance Orientation

The Company's annual and long-term incentive programs pay its named executive officers only if certain performance metrics (absolute and/or relative) are achieved. Thus, two of the three components of an executive's pay at the Company are based on performance.

Compensation Program Has Appropriate Long-term Orientation

Minimum three-year vesting for equity awards: The Company encourages a long-term orientation by its executives through the use of three-year vesting requirements for annual grants of restricted stock and performance-based awards.

Summary of Good Governance and Risk Mitigating Factors

- *Limited Bonus payouts:* Bonus awards cannot exceed 200% of target, limiting excessive awards for short-term performance.

- *Balanced pay mix:* The mix of pay is balanced between annual and long-term compensation.

- *Multiple year vesting of long-term incentives:* Long-term incentive awards do not fully vest until a minimum of three years after the grant.

- *CEO Pay:* CEO base salary level during 2022 was below the competitive peer median (below the market 50th percentile) and actual total direct compensation was also below the competitive peer median.

- *Adoption of Executive and Board Stock Ownership Guidelines:* Stock ownership guidelines for its executive officers and directors to better align the interests of the Company's executive officers and directors and the Company's stockholders by requiring executives and directors to accumulate and retain a meaningful level of the Company's stock.

- *Clawback Policy:* Awards of long-term equity compensation and compensation under the Company's annual cash incentive plan can be terminated by the Compensation Committee if it determines that the recipient of such award has engaged in material misconduct.

- *COVID-19*: The Company did not make any adjustments to the compensation for its named executive officers, including no adjustments to the performance metrics or targets in its compensation programs that its named executive officers participate in, as a result of the COVID-19 pandemic.

Shareholder Outreach - Say on Pay Feedback

The Company's 2022 Say on Pay vote at the May 2022 annual meeting received approximately 91% support from our shareholders. The Compensation Committee continued to make enhancements to its compensation plan in 2022 as follows:

> (1) increased the EBITDA metric in both the annual incentive awards and performance share awards to make achievement more challenging;
> (2) decreased the working capital metric (i.e. lower working capital percentages indicate higher achievement by the Company) in the annual incentive awards to make achievement more challenging;
> (3) refreshed the Company's peer group by adding a new member and eliminating a former peer to ensure that the designated peer group continued to be within reasonable size parameters (generally 0.5 times to 2-3 times the Company's revenues, assets, EBITDA and/or market capitalization) and were generally similar to the Company in terms of industry and/or operations;
> (4) eliminated annual stock option grants from the annual compensation plan resulting in a split of 50% restricted stock and 50% performance share awards; and
> (5) continued to not make any retroactive adjustments to the compensation for its named executive officers, including no adjustments to the performance metrics or targets in its compensation programs that its named executive officers participate in, as a result of the COVID-19 pandemic.

The Compensation Committee continues its efforts to ensure that the executive compensation program is optimally designed to reflect shareholder values, enhances the link between executive pay and company performance, responds to changing market practices and retains effective leaders who have a significant understanding of our business, particularly during a cyclical economic environment.

Shareholder Resolution

The Company's compensation program for its named executive officers has been thoughtfully designed to support the Company's long-term business strategies and drive creation of stockholder value. The program does not encourage excessive risk-taking by management. It is aligned with the competitive market for talent and is highly sensitive to Company performance. The Company believes its program will deliver reasonable pay that is strongly linked to Company performance over time.

The following resolution will be submitted for a stockholder vote at the 2023 annual meeting:

"RESOLVED, that the stockholders of the Company approve, on an advisory basis, the compensation of the Company's named executive officers listed in the 2022 Summary Compensation Table included in the proxy statement for this meeting, as such compensation is disclosed pursuant to Item 402 of Regulation S-K in this proxy statement under the section entitled "Executive Compensation", including the compensation tables and other narrative executive compensation disclosures set forth under that section, as well as the section in the proxy statement entitled "Compensation Discussion and Analysis."

This advisory vote on the compensation of the Company's named executive officers gives stockholders another mechanism to convey their views about the Company's compensation programs and policies. Although your vote on executive compensation is not binding on the Company, the Board values the views of stockholders. The Board and Compensation Committee will review the results of the vote and take them into consideration in addressing future compensation policies and decisions.

Your Board of Directors recommends that you vote "FOR" the proposal to approve the compensation of our named executive officers.

CORPORATE GOVERNANCE

NOW's Board of Directors is committed to promoting transparency in reporting information about the Company, complying with the spirit as well as the literal requirements of applicable laws, rules and regulations, and corporate behavior that conforms to corporate governance standards that substantially exceed the consensus view of minimum acceptable corporate governance standards. The Board of Directors adopted Corporate Governance Guidelines which established provisions for the Board's composition and function, Board committees and committee membership, evaluation of director independence, the roles of the independent Chairman of the Board and the Chief Executive Officer, the evaluation of the Chief Executive Officer, regular meetings of non-employee directors, board conduct and review, selection and orientation of directors, director compensation, access to management and independent advisors, and annual review of the Corporate Governance Guidelines. A copy of the Corporate Governance Guidelines is available on the Company's website, www.distributionnow.com, under the Investor Relations/Corporate Governance section. The Company will furnish print copies of the Corporate Governance Guidelines, as well as its Committee charters, to interested stockholders without charge, upon request. Written requests for such copies should be addressed to the Secretary of the Company at the address listed herein.

Highlights

We maintain a strong and proactive approach to corporate governance, as follows:

- Active Board and committees of the Board providing oversight of areas of risk to the Company
- Independent Chairman of the Board serving as the lead director
- 7 of 8 director nominees are independent
- Independent committee chairs and members
- Stock Ownership Guidelines for Executive Officers and Directors
- Clawback policy to recover executive compensation
- Annual Board and committee self-evaluations and assessments using a third-party facilitator to conduct the evaluations
- Fully Declassified Board beginning in 2023 where directors stand for annual election
- Directors meet in executive sessions without management present
- All current Audit Committee members meet the NYSE standard of having accounting or related financial management expertise and each meet the SEC's criteria of an Audit Committee Financial Expert
- Directors are elected by majority vote in uncontested elections
- Board engagement with Chief Executive Officer over Management Succession Planning

Director Independence

The Corporate Governance Guidelines address, among other things, standards for evaluating the independence of the Company's directors. The Board undertakes an annual review of director independence and considers transactions and relationships during the prior year between each director or any member of his or her immediate family and the Company and its affiliates, including those reported under "Certain Relationships and Related Transactions" in this Proxy Statement. In February 2023, as a result of this annual review, the Board affirmatively determined that a majority of the members of the Board of Directors are independent of the Company and its management under the standards set forth in the Corporate Governance Guidelines. The following directors were affirmed as independent: Richard Alario, Terry Bonno, Galen Cobb, Paul Coppinger, Karen David-Green, Rodney Eads, and Sonya Reed. In making these independence determinations, our Board of Directors considered the current and prior relationships that each non-employee director has with our Company and all other facts and circumstances our Board of Directors deemed relevant.

Board Leadership – Independent Chairman of the Board

Currently, the roles of Chairman of the Board and Chief Executive Officer are not combined at the Company. The Company believes the current leadership structure delineates the separate roles of managers and directors. Our Chief Executive Officer sets the strategic direction for the Company, working with the Board, and providing day-to-day leadership. Our independent Chairman of the Board leads the Board in the performance of its duties and serves as the principal liaison between the independent directors and the Chief Executive Officer.

To assist with providing independent oversight of management and the Company's strategy, the non-employee members of the Board of Directors have appointed Richard Alario as the independent Chairman of the Board (the "Independent Chair"). The Independent Chair is responsible for: (1) chairing all meetings of the Board at which the Chair is present, (2) working with the Chief Executive Officer on the scheduling of Board meetings and the preparation of agendas and materials for Board meetings, (3) defining the quality, quantity and timeliness of the flow of information between senior management and the Board, (4) approving, in consultation with the other directors, the retention of consultants who report directly to the Board, (5) developing the agenda for and presiding over the executive sessions of the Board's non-management directors, (6) facilitating communications amongst the Chairman of the Board, the Chief Executive Officer and other members of the Board, (7) coordinating, with the Chief Executive Officer, the assessment of the committee structure, organization, and charters, and evaluating the need for any changes, (8) acting as principal liaison between the non-management directors and the Chief Executive Officer on matters dealt with in executive session, and (9) assuming such further tasks as the independent directors may determine.

The Board holds executive sessions on a quarterly basis at which only non-employee directors are present. In addition, the committees of the Board provide independent oversight of management. Each of the committees of the Board is composed entirely of independent directors.

The Board has concluded that this structure is in the best interest of stockholders because it provides an appropriate balance between our independent Chairman's ability to lead the Board and to provide independent objective oversight of our management, and the Chief Executive Officer's ability to provide strategic direction for the Company and lead the Company on a day-to-day basis.

Board Role in Risk Oversight

The Board of Directors and its committees help conduct certain risk oversight functions for the Company. The Board is periodically advised on the status of various factors that could impact the business and operating results of the Company, including oil and gas prices and other economic conditions. The full Board is also responsible for reviewing the Company's strategy, business plan, and capital expenditure budget at least annually. Through these various functions, the Board is able to monitor these risks and assist the Company in determining whether certain mitigating actions, if any, need to be taken.

The Audit Committee serves an important role in providing risk oversight, as further detailed in its charter. One of the Audit Committee's primary duties and responsibilities is to monitor the integrity of the Company's financial statements, financial reporting processes, systems of internal controls regarding finance, and disclosure controls and procedures. The Audit Committee is also responsible for establishing procedures for the receipt, retention, response to and treatment of complaints, including confidential and/or anonymous submissions by the Company's employees, regarding accounting, internal controls, disclosure or auditing matters, and providing an avenue of communication among the independent auditors, management, and the internal audit function and the Board. In addition, the Audit Committee monitors the Company's compliance with legal and regulatory requirements, as well as the Company's cybersecurity risks (which the Audit Committee considers at each quarterly meeting and at other times on an as needed basis). The Company considers the Audit Committee an important part of the risk management process and senior management works closely with the Audit Committee on these matters in managing material risks to the Company.

The other committees of the Board also assist in the risk oversight function. The Environmental, Social, Governance and Nominating Committee is responsible for ensuring that the Board and its committees are appropriately constituted so that the Board and its directors may effectively meet their fiduciary obligations to stockholders and the Company. The Environmental, Social, Governance and Nominating Committee is also responsible for monitoring and evaluating on an annual basis the effectiveness of the Board and management of the Company, including their effectiveness in implementing the policies and principles of the Corporate Governance Guidelines and overseeing the Company's ESG efforts. The Compensation Committee is responsible for compensation of the Company's directors and executive officers. The various responsibilities of these committees allow them to work with the Company to make sure these areas do not pose undue risks to the Company.

Risk Assessment in Compensation Programs

Consistent with SEC disclosure requirements, the Company, its Compensation Committee, and the Compensation Committee's independent compensation consultant assess the Company's compensation programs on an annual basis and have determined that the Company's compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on the Company. On an annual basis, Company management, the Compensation Committee and the Compensation Committee's compensation consultant will assess the Company's executive compensation programs to determine if the programs' provisions and operations create undesired or unintentional risks of a material nature.

The Company's variable forms of compensation, namely the annual cash incentive bonus program and long-term equity incentives, have structural limitations and other mitigating controls which are designed to prevent the Company from being exposed to unexpected or unbudgeted materially adverse events. For example, bonus payments to an executive under the annual cash incentive bonus program are capped at a certain percentage of the executive's base salary while restricted stock and stock options granted under the Company's long-term equity incentive plan are fixed values resulting in a fixed number of shares (i.e., targeted award value to determine number of shares).

The Company, the Compensation Committee, and the Compensation Committee's consultant believe that the Company's compensation policies and practices do not create inappropriate or unintended significant risks to the Company as a whole. The Company and the Compensation Committee also believe that the Company's incentive compensation arrangements provide incentives that do not encourage risk-taking beyond the organization's ability to effectively identify and manage significant risks and are supported by the oversight and administration of the Compensation Committee with regard to executive compensation programs.

Policies on Business Ethics and Conduct

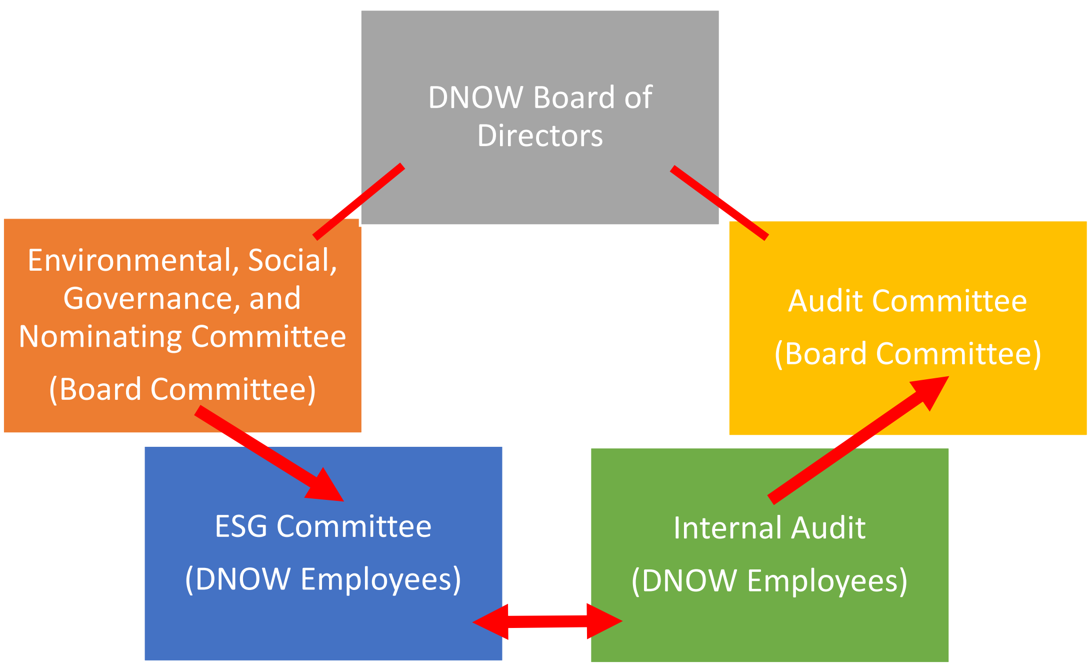
The Company has a long-standing Business Ethics Policy. The Board adopted the Code of Business Conduct and Ethics For Members of the Board of Directors and Executive Officers and the Code of Ethics for Senior Financial Officers. These codes are designed to focus the Board and management on areas of ethical risk, provide guidance to personnel to help them recognize and deal with ethical issues, provide mechanisms to report unethical conduct and help to foster a culture of honesty and accountability. As set forth in the Corporate Governance Guidelines, the Board may not waive the application of the Company's policies on business ethics and conduct for any Director or Executive Officer. Copies of the Code of Business Conduct and Ethics For Members of the Board of Directors and Executive Officers and the Code of Ethics for Senior Financial Officers, as well as the code of ethics applicable to employees of the Company, are available on the Company's website, www.distributionnow.com, under the Investor

Relations/Corporate Governance section. The Company will furnish print copies of these Codes to interested stockholders without charge, upon request. Written requests for such copies should be addressed to the Secretary of the Company at the address listed herein.

Environmental, Social and Governance Oversight and Highlights

Company management formed an Environmental, Social, and Governance ("ESG") Committee in 2019 to oversee the creation, identification, measurement, and disclosure of sustainability performance data most relevant to the Company's operations. This committee is comprised of representatives from various departments across the Company including members of the executive management team. The Company published its 2021 Sustainability Report in September 2022 which is available on the Company's website at: https://www.dnow.com/company/corporate-citizenship/corporate-sustainability#aboutReport. This report is not part of or incorporated by reference into this Proxy Statement or with our other filings with the SEC. Our 2021 report builds upon our commitment toward increased transparency and a wider focus on sustainability to create a positive impact and reaffirm our focus on sustainable growth.

With the oversight of the Environmental, Social, Governance, and Nominating Committee of the Board of Directors, the ESG Committee ensures that the relevant sustainability metrics and disclosures align with the Company's strategic plan and that the results are communicated to stakeholders. Intertwined with our strategy are our sustainability objectives for the Company, as we make progress in our data collection methodologies and expand disclosures to further support our evolving ESG initiatives that align with the Sustainability Accounting Standards Board ("SASB") reporting standards, Task Force on Climate-Related Financial Disclosures ("TCFD") framework, and United Nations Sustainable Development Goals ("UN SDGs"). The ESG Committee coordinates with Internal Audit through the Audit Committee of the Board of Directors to ensure that the disclosure of matters in financial statements and reports related to ESG are truthful and accurate.



* The diagram above represents the working relationship between the various committees and departments playing a role in corporate governance oversight at the Company.

The Company recognizes that ESG objectives have a significant impact to its core business strategy and drive for innovative ways for the Company to increase engagement while contributing to the environmental and safety objectives of our customers. Further, the Company is focused on proactively exploring alternative and renewable markets in the event that the United States or the other countries where the Company operates impose climate change regulations on the oil and natural gas industry.

One of our Board's primary responsibilities is overseeing and working with management on risk assessment and managing and mitigating these risks, including risks related to climate change and other ESG related matters. The Board of Directors meets with Company management at regular Board meetings and, as needed, at other times to discuss the strategy in addressing these key risks along with any other risks we may face. On at least a quarterly basis, the Board of Directors also receives specific environmental data as well as specific human management resources data for review, analysis, and discussion with the Company. The Board of Directors not only provides oversight in these areas, but also provides input to the Company and assists with business strategies to improve the Company's operations taking into consideration this data as well as factoring in other risk areas.

ESG Focus Areas Advance the Achievement of Our Business Strategy

Environmental	Social	Governance
Emissions Reduction Services & Fuels Management	Workforce Diversity & Inclusion	Business Ethics & Payments Transparency
Energy Management in Retail & Distribution	Workforce Health & Safety	Supply Chain Stewardship
Opportunities for Enabling Customer Sustainability		
Delivering Value That Advances Sustainable Growth for Our Customers	Data Security	Management of the Legal & Regulatory Environment

Sustainability

We can assist in reducing emissions of greenhouse gases in our operations by creating a more efficient supply chain. An efficient supply chain can help reduce the carbon footprint of deliveries to our distribution centers and branches and ultimately to our customers. Use of our large-centralized supercenters and regional distribution centers allow us to aggregate product across multiple suppliers and customers, which, in turn, prevents each customer from separately creating duplicative supply chains that require fuel for deliveries and resources to manage.

As a distributor, we perform minimal manufacturing operations. We do not utilize large amounts of water. Our energy inputs are primarily electricity for lighting, heating and office and warehouse equipment, natural gas for heating and gasoline for company sales and delivery vehicles. We strive to make our operations more efficient, and in turn try to work to reduce use of these resources and resulting emissions. We have recycling programs to try and reduce waste from used cardboard, office paper and other recyclables. However, recycling programs are sometimes limited by the unavailability of users, haulers or purchasers for recyclable materials at reasonable costs.

We continue to make additional progress in providing a wide array of products that enable our customers to lower their environmental impact, specifically lowering their scope 1 greenhouse gas (“GHG”) emissions as well as sourcing products manufactured by low emission manufacturing technology. To help support the energy transition movement, we are supplying products for a number of biofuels projects as our customers move their refining and petroleum distribution businesses forward in meeting the new renewable fuels standards. We are also working with customers to offer products and solutions to support and enable their decarbonization journeys with the development of multiple Carbon Capture, Utilization and Storage (“CCUS”) projects in various points within the front-end engineering and design stages. DNOW is committed to supporting efforts to minimize environmental impact and control the emission of methane and CO_2 GHGs in our operations. We utilize our catalog of low-emissions products and custom production equipment packages to help our customers monitor and reduce their carbon footprint and meet their scope 1 GHG emissions targets.

Lastly, in 2022, Company acquired EcoVapor Recovery Systems (“EcoVapor”) allowing the Company the ability to offer its customers an expanding suite of emissions management and renewable energy solutions targeting the oil and gas and the growing renewable natural gas (RNG) markets. EcoVapor’s solutions provide emission reduction solutions for the life of an oil and gas well, eliminating venting and flaring of natural gas and methane, a greenhouse gas contributor. EcoVapor’s products, when combined with DNOW’s evolving list of emissions reduction and CCUS applied products and solutions, helps further differentiate and propel DNOW in the energy evolution by helping our customers make progress in the reduction of their Scope 1 emissions, which aids them in attaining their stated emission reduction targets.

Social

We are committed to advancing an inclusive environment where diversity is appreciated and encouraged, and all employees have a sense of belonging throughout our organization. We recognize the opportunity to drive diversity in our workforce through talent acquisition and retention because we know that one of our greatest strengths is the diverse and different perspectives of our team members. We recognize that having a team with a broad range of experience, cultural characteristics, and varying perspectives fortifies our brand.

In addition, by directly engaging people in the communities we serve, we create a transparent dialogue to try to listen and learn from alternative views in how we conduct our business. We have also implemented our DNOW Lights program to service the communities we serve through volunteering and fundraising efforts for various charities.

Shareholder Engagement

Following our 2022 annual meeting, we reached out to our top institutional investors representing over 60% of total ownership of the Company to discuss our updates on Board composition and ESG related matters and to receive any feedback on those items as well as executive compensation, amongst other topics. As a result of this outreach, we had direct discussions with two of our top shareholders representing approximately 18% of our stock ownership and gained positive feedback from those conversations. We also discussed how Board diversity and ESG oversight from the Board would continue to be a focus for our Company moving forward.

Communications with Directors

The Board has provided a process for interested parties to communicate with our non-employee directors. Parties wishing to communicate confidentially with our non-employee directors may do so by calling 1-866-880-2773. This procedure is described on the Company's website, www.distributionnow.com, in the Investor Relations/Corporate Governance section. Calls to this number will be answered by an independent, automated system at any time and a transcript of the call will then be delivered to a member of the Audit Committee. Parties wishing to send written communications to the Board, other than sales-related communications, should send a letter addressed to the member or members of the Board to whom the communication is directed care of the Secretary of the Company at the address listed herein. All such communications will be forwarded to the Board member or members specified.

Director Attendance at Annual Meetings

The Company does not have a formal policy with respect to director attendance at annual stockholder meetings. In 2022, all members of the Board were in attendance at the annual meeting.

NYSE Corporate Governance Matters

As a listed company with the NYSE, our Chief Executive Officer, as required under Section 303A.12(a) of the NYSE Listed Company Manual, must certify to the NYSE each year whether or not he is aware of any violation by the Company of NYSE Corporate Governance listing standards as of the date of the certification. On June 13, 2022, the Company's Chief Executive Officer submitted such a certification to the NYSE which stated that he was not aware of any violation by the Company of the NYSE Corporate Governance listing standards.

On February 16, 2023, the Company filed its 2022 Annual Report on Form 10-K with the SEC, which included as Exhibits 31.1 and 31.2 the Chief Executive Officer and Chief Financial Officer certifications required under Section 302 of the Sarbanes-Oxley Act of 2002.

EXECUTIVE OFFICERS

The following persons are our current executive officers. The executive officers of the Company serve at the pleasure of the Board of Directors and are subject to annual appointment by the Board of Directors. None of the executive officers, directors, or nominees for director has any family relationships with each other.

Name	**Age**	**Position**	**Biography**
David Cherechinsky	59	President and Chief Executive Officer	Mr. Cherechinsky has served as President and Chief Executive Officer and been a director of the Company since June 2020. Prior to serving as President and Chief Executive Officer, Mr. Cherechinsky served as the Company's Senior Vice President and Chief Financial Officer from February 2018 until June 2020. Mr. Cherechinsky previously served as Vice President, Corporate Controller and Chief Accounting Officer from February 2014 until February 2018. Mr. Cherechinsky served as Vice President—Finance for NOV's distribution business group from 2003, and as Vice President—Finance for NOV's Distribution & Transmission business segment from 2011, until the Company's spin-off in May 2014. He previously served NOV starting in 1989 in various corporate roles, including internal auditor, credit management and business analyst, and is a CPA.
Mark Johnson	41	Senior Vice President and Chief Financial Officer	Mr. Johnson has served as the Company's Senior Vice President and Chief Financial Officer since June 2020. Mr. Johnson previously served as the Company's Vice President, Corporate Controller and Chief Accounting Officer from February 2018 until June 2020. Mr. Johnson also served as the Company's Vice President – Finance and Assistant Corporate Controller from May 2014 until February 2018. Mr. Johnson served as Vice President – Finance for the NOV Distribution business group from 2012 until the Company's spin-off in May 2014. Before joining NOV in 2008, he worked in public accounting and is a CPA.
Raymond Chang	52	Vice President, General Counsel and Secretary	Mr. Chang has served as the Company's Vice President and General Counsel since February 2014. Mr. Chang served as NOV's Vice President, Assistant General Counsel and Assistant Secretary from 2009 until the Company's spin-off in May 2014. He previously served NOV starting in 2001 in various positions within its legal department. Prior to joining NOV, he was an associate at the law firm of Baker & McKenzie from 1997 until 2001.

Name	Age	Position	Biography
Kelly Munson	38	Chief Administrative and Information Officer	Ms. Munson has served as the Company's Chief Administrative and Information Officer since March 2020. Prior to this role, she served as the Company's Director of Organizational Development and Human Resources responsible for global HR and Organization Development, Human Resource Information Systems and Recruiting. Ms. Munson has been with the Company and its predecessor since 2009 and has held progressively increasing roles in employee training and development, organization development, talent management and leadership development. Ms. Munson is a member of the Energy Workforce & Technology Council (formerly the Petroleum Equipment and Services Association) Advisory Board and HR committee and was a past member of its Emerging Leaders and committees.
Rocio Surratt	47	Vice President – Finance and Corporate Controller	Ms. Surratt has served as the Company's Vice President Finance and Corporate Controller since July 2020. Ms. Surratt also served as the Company's Vice President of Finance from May 2014 until September 2018. Ms. Surratt served as Director – Finance for the NOV Distribution business group from 2012 until the Company's spin-off in May 2014, and as International Controller from 2007 to 2012. Before joining NOV in 2007, she worked in public accounting.

STOCK OWNERSHIP

Security Ownership of Certain Beneficial Owners

Based on information filed with the SEC as of the most recent practicable date, this table shows the number and percentage of shares beneficially owned by owners of more than five percent of the outstanding shares of the common stock of the Company at December 31, 2022. The number and percentage of shares of common stock beneficially owned is based on 113,242,953 shares outstanding as of December 31, 2022.

5% Owners	**No. of Shares**	**Percent of Class**
BlackRock, Inc. (1) 55 East 52nd Street New York, NY 10055	18,172,373	16.05%
The Vanguard Group (2) 100 Vanguard Blvd. Malvem, PA 19355	13,206,837	11.66%
Dimensional Fund Advisors LP (3) 6300 Bee Cave Road, Building One Austin, TX 78746	5,576,912	4.92%

(1) Shares owned at December 31, 2022, as reflected in Amendment No. 3 to Schedule 13G filed with the SEC on January 23, 2023, by BlackRock, Inc. ("BlackRock"). Within the BlackRock group are the following subsidiaries: BlackRock Advisors, LLC, Aperio Group, LLC, BlackRock Investment Management (UK) Limited, BlackRock Asset Management Canada Limited, BlackRock Investment Management (Australia) Limited, BlackRock Fund Advisors, BlackRock Asset Management Ireland Limited, BlackRock Institutional Trust Company, National Association, BlackRock Financial Management, Inc., BlackRock Fund Managers Ltd, BlackRock Asset Management Schweiz AG, and BlackRock Investment Management, LLC.

(2) Shares owned at December 31, 2022, as reflected in Amendment No. 9 to Schedule 13G filed with the SEC on February 9, 2023, by The Vanguard Group.

(3) Shares owned at December 31, 2022 as reflected in Schedule 13G filed with the SEC on February 10, 2023 by Dimensional Fund Advisors LP.

Security Ownership of Management

This table shows the number and percentage of shares of the Company's common stock beneficially owned as of March 27, 2023 by each of our current directors and executive officers and by all current directors and executive officers as a group. The number and percentage of shares of common stock beneficially owned is based on 110,229,882 shares outstanding as of March 27, 2023. Beneficial ownership includes any shares as to which the director or executive officer has the right to acquire within 60 days of March 27, 2023 through the exercise of any stock option, warrant or other right. Each stockholder has sole voting and investment power, or shares these powers with his/her spouse, with respect to the shares beneficially owned.

	Shares Beneficially Owned		
Name of Individual	**Number of Common Shares[(1)]**	**Outstanding Options Exercisable Within 60 Days**	**Percent of Class***
Richard Alario…..……………………………………………..	229,297	0	*
Terry Bonno………...………………………………………….	81,038	0	*
Raymond Chang…...…………………………………………..	234,520	246,092	*
David Cherechinsky…......……………………………………..	541,441	381,580	*
Galen Cobb……..……………………………………………...	78,638	0	*
Paul Coppinger....……………………………………………...	61,076	0	*
James Crandell[(2)] …………………………………………...	83,638	0	*
Karen David-Green…………………………………………….	0	0	*
Rodney Eads…………………………………………………...	83,902	0	*
Mark Johnson…………………………………………………..	118,398	128,944	*
Kelly Munson..………………………………………………	78,921	61,617	*
Sonya Reed..……………………………………………	26,404	0	*
Rocio Surratt..…………………………………………	28,701	8,363	*
All current directors and executive officers as a group (13 persons)…………………………………………………	1,645,974	826,596	2.2%

*Less than 1 percent

[(1)]Includes shares deemed held by executive officers and directors in the Company's 401(k) plans and deferred compensation plans.

[(2)]Mr. Crandell is not standing for reelection in 2023 due to his upcoming retirement from the Board.

COMPENSATION DISCUSSION AND ANALYSIS

General Overview

NOW Inc.’s executive compensation program is administered by the Compensation Committee of the Board of Directors. The Compensation Committee establishes specific compensation levels for the Company’s executive officers and administers the Company’s long-term incentive award plans. The Compensation Committee’s primary objective regarding executive compensation is to design and implement a compensation program that will attract and retain the best available individuals to serve on the Company’s executive team and properly incentivize those executives to achieve both the Company’s short-term and long-term financial and operational goals. To this end, the Compensation Committee strives to provide compensation packages for key executives that generally offer compensation opportunities in the median range of the companies in its designated peer group as described below. Data sources reviewed by the Compensation Committee and its independent compensation consultants include industry survey groups, national survey databases, proxy disclosures and general trend data, which are updated annually. The Compensation Committee reviews all elements of executive compensation both separately and in the aggregate.

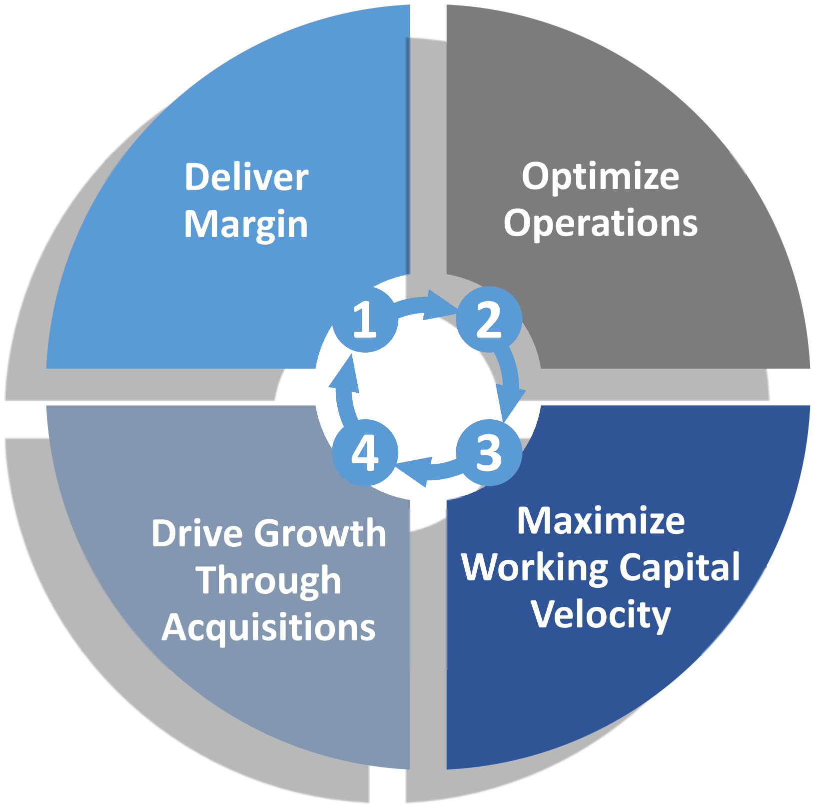
Major components of the executive compensation program for 2022 were base salary, participation in the Company's annual cash incentive (bonus) plan and the grant of restricted stock, and performance-based restricted stock awards (long-term incentives).

Participants

The following is a list of our named executive officers by name and position, as of December 31, 2022:

Name	Position
David Cherechinsky	President and Chief Executive Officer
Mark Johnson	Senior Vice President and Chief Financial Officer
Raymond Chang	Vice President, General Counsel and Secretary
Kelly Munson	Chief Administrative and Information Officer
Rocio Surratt	Vice President – Finance and Corporate Controller

DNOW Strategy to Unlock Value



1) Deliver Margin Discipline	• Using pricing discipline and leveraging technology in e-commerce efforts • Optimizing distribution network and product mix • Growing with strategic suppliers by signing MRO agreements • Continuing to tightly manage expenses
2) Optimize Operations	• Scale size and number of locations to match market opportunity • Maximize regional stock fulfillment strategy • Invest in, train, and develop our human capital • Cost transformation to align to market demand and preserve our balance sheet
3) Maximize Working Capital Velocity	• Invest in organic and inorganic growth • Focus capital on high value-add solutions • Leverage inventory investment by optimizing DOI • Allocate capital to high value-add product lines • Continue to conservatively manage debt and increase cash position
4) Drive Growth Through Acquisitions	• Highly selective in evaluating targets in the current environment • Leverage acquired product lines to gain organic share • Promote cross-selling into Energy operations at higher margins • Seek high value-add products and solutions • Increase barriers to entry • Divestment of non-core and unprofitable businesses

DNOW Business Strategy
Distribute products to both the full energy value chain and industrial sectors
Become a preferred supplier to customers through increased efficiency of supply chain and materials management solutions
Diversify customer base through more balanced energy end-markets, including renewable energy, carbon management and decarbonization
Expand DigitalNOW® digitalization initiatives, yielding increased productivity and providing effective customer solutions
Increase efficiency and productivity through structural transformation
Continue to drive growth through acquisitions

2022 Performance Overview

In 2022, the Company had the following highlights:

- Revenue in 2022 of $2.136 billion, an increase from 2021 revenue of $1.632 billion;

- EBITDA of $175 million in 2022, an increase of $130 million year over year;
    - Record setting EBITDA margins were 9.2% of revenue for the third quarter

- Cash position of $212 million, zero debt, and an untouched $500 million global revolving credit facility;
    - With the potential to increase the credit facility to $750 million if needed

- Net working capital of 14.96% at the end of 2022;

- Closed three strategic acquisitions to deliver complimentary growth to our existing businesses and emphasize our focus of ESG objectives both to our customers and the communities we serve;

- Stock price of $12.70 to close 2022, a 67% increase year over year over the closing stock price on the last day of trading in 2021;

- Announced an $80 million board approved stock buyback program; and

- Expanded our DNOW Lights program by contributing to multiple volunteer and fundraising causes for various charities and increased our Diversity, Equity, and Inclusion department with regular celebration events and required employee focused training

The Company saw strong performance across several key metrics, including gross margins, cash flow generation, revenue growth, EBITDA margin expansion and capital return to shareholders. Our operational performance has been solid this year enabling us to fuel growth, streamline our operations and make better use of technology to process customer orders, resulting in improved service levels to our customers all of which can be attributed to the ethos of DNOW, an inspired organization that is dedicated to delighting the customer and winning the market. We pride ourselves on being the critical connector for our customers, delivering essential products, innovation and differentiated solutions, a culture where employees not only show up for our customers each and every day, but for each other and our communities. The Company's focus is about finding where the solutions and the strengths we cultivate intersect with where our customers find value.

Share Repurchase Initiative

On August 3, 2022, the Board of Directors of the Company authorized and approved a share repurchase program for up to $80 million of the currently outstanding shares of the Company's common stock over a period expiring on December 31, 2024. Under the stock repurchase program, the Company can repurchase shares through open market purchases, privately-negotiated transactions, block purchases or otherwise in accordance with applicable federal securities laws, including Rule 10b-18 of the Securities Exchange Act of 1934. The authorization of a share repurchase program complements the Company's acquisition strategy and illustrates an expanded commitment to generating attractive full-cycle shareholder returns without deviating from a disciplined approach to balance sheet management. The Company's substantial liquidity position and newly transformed earnings profile positioned the Company to establish its inaugural share repurchase program and expands its options for capital deployment, without impacting its continued priority for acquisitions and organic growth opportunities.

All shares repurchased shall be retired pursuant to the terms of the share repurchase program. The Company cannot predict when or if it will repurchase any shares of common stock as such stock repurchase program will depend on several factors, including share price, general business and market conditions, and alternative investment opportunities.

Compensation Program Features

Our compensation program and policies include key features that are designed to align the interests of our executives and stockholders and to mitigate compensation-related risks. The table below highlights our practices:

WHAT DNOW DOES	WHAT DNOW DOES NOT DO
✓ Pay for Performance	✗ No gross-up payments to cover excise taxes or perquisites
✓ Long-term incentives linked to stock price appreciation and company financial performance	✗ No Guaranteed Annual or Multi-Year Bonuses
✓ Annual Cash Incentive and Long-Term Incentives are subject to the Company's clawback policy	✗ No Repricing of Underwater Stock Options
✓ Bonus payments to executives under the annual cash incentive program are capped at a certain percentage of the executive's base salary	✗ No significant compensation in the form of perquisites for executives
✓ Long-term incentive awards do not fully vest until a minimum of three years after the grant	✗ No pledging of our shares by executive officers or directors
✓ Varied performance metrics under short-term and long-term incentive plans	
✓ Double Trigger Provisions for Change in Control	
✓ Independent Compensation Consultant Reports Directly to the Compensation Committee	
✓ Fully independent Compensation Committee	
✓ Benchmark pay relative to the market and review the designated peer group used for market benchmarking on an annual basis	
✓ Robust Stock Ownership Guidelines for Executives and Directors including minimum holding requirements for board members and executive officers	
✓ Mitigate Undue Risk in Compensation Programs	

Shareholder Outreach - Say on Pay Feedback

The Company's 2022 Say on Pay vote at the May 2022 annual meeting received approximately 91% support from our shareholders.

The Compensation Committee believes that it has built a compensation program that will attract and retain the best available individuals to serve on the Company's executive team and properly incentivize those executives to achieve the Company's short-term and long-term financial and operational goals. The Compensation Committee continues its efforts to annually get shareholder feedback to ensure that the executive compensation program is optimally designed to reflect shareholder values, enhances the link between executive pay and company performance, responds to changing market practices and retains effective leaders who have a significant understanding of our business, particularly during a cyclical economic environment.

Following our 2021 annual meeting, we reached out to our top institutional investors representing over 60% of total ownership of the Company to receive any feedback they may have on any topics, including executive compensation. As a result of this outreach, we had direct discussions with two of our top shareholders representing approximately 18% of our stock ownership and gained positive feedback from those conversations. These shareholders did not convey any issues or concerns over the Company's executive compensation program.

Key Compensation Actions and Decisions

The key features of our long-term incentive compensation program for 2022 awards and continued enhanced disclosure of our short-term incentive compensation program are set forth below and are described in further detail in the Components of Compensation sections and Recent Developments below.

What We Have Heard From Investors	**Changes We Have Made**
Disclose performance metric targets for the annual short-term incentive plan	We have provided the specific performance metric targets for our annual short-term incentive plan, along with detail as to how these metrics were determined and set, thereby enhancing our disclosure on our annual short-term incentive plan. For more information, see our discussion under "*Components of Compensation—Annual Incentive Award*".
Long-term incentive award program needs to have more weighting on performance-based vehicles and metrics	The performance-based share awards comprise 50% of the long-term incentive award program for the Company's executives. For more information, see our discussion under "*Components of Compensation—Long-Term Incentive Compensation*".
Greater reliance on performance-based measures relative to a peer group, such as total shareholder return	In the performance-based share awards, total shareholder return relative to the peer group is 50% of the performance-based share awards. For more information, see our discussion under "*Components of Compensation—Long-Term Incentive Compensation*".
Avoid duplication between metrics used for the short-term incentive program and the long-term incentive program	EBITDA (1) and working capital were previously the two measures used in both the short-term incentive program and the long-term incentive program. Beginning in 2019, in the long-term incentive program, we have removed working capital as a measure and replaced it with return on capital employed (ROCE). The EBITDA metric is generally considered by our shareholders to be the most important financial metric for the Company's performance to be measured by, which is why it remained as a performance measure in both the short-term incentive program and the long-term incentive program (though the weighting of the EBITDA metric was reduced in the long-term incentive program). For more information, see our discussion under "*Components of Compensation—Long-Term Incentive Compensation*".
Review the compensation peer group to confirm operational alignment and appropriate size	Annual evaluation which this year led to the addition of four companies to our peer group and elimination of four companies based on qualitative and quantitative similarity. The TSR peer group was modified in the same manner as well. For more information, see our discussion under "*Competitive Positioning*".

(1) EBITDA excluding other costs (referred to as "EBITDA" within this document) is reconciled in our 2022 10-K to the most comparable GAAP financial measure.

In addition to engaging with our shareholders, we also continually engage with members from ISS and Glass Lewis to gain clarity on matters they highlighted in their reports to investors. During these engagements, which we began in 2018, we continually receive clarification on how they have evaluated our past proxy disclosures and how they intend to evaluate our future proxy disclosures.

We believe that our continued outreach with shareholders and annual review on market standards show compensation practices which are appropriate and in line for a company of our size and stage of growth. We intend to continue engaging with our shareholders and reviewing our compensation and governance practices in the future.

Compensation Philosophy

The Company believes that compensation should be directly linked to performance and the creation of long-term value for our stockholders. The Company achieves this by providing a mix of base salary with short-term and long-term incentives ensuring that compensation opportunities are measured by a variety of time-based targets to balance both our near-term and long-term strategic goals.

The Company's compensation program places a strong emphasis on performance driven annual and long-term incentives to align the executive's interests with stockholder value. The annual and long-term incentives are calculated and paid based primarily on financial measures of profitability and stockholder value creation. Executives of the Company are incentivized to increase the Company's profitability and stockholder return and to optimize the Company's financial performance in order to earn a major portion of their compensation package.

The Company seeks to structure a balance between achieving strong short-term annual results and ensuring the Company's long-term success and viability. The Company wants each of its executives to balance their focus between the Company's day-to-day operational performance and the Company's long-term goals and strategies. To reinforce the importance of balancing these perspectives, the Company's executives are provided both short and long-term incentives.

Components of NOW's Compensation Program

<table>
<tr><th colspan="3">Total Compensation</th></tr>
<tr><th colspan="2">Components of Compensation</th><th>Purpose</th></tr>
<tr><td>Fixed Pay</td><td>Base Salary</td><td>o Fixed level of compensation to attract and retain executive talent
o Salary level based on tenure, expertise, scope of responsibility and individual performance</td></tr>
<tr><td>Performance Pay</td><td>Annual Incentives (Cash)</td><td>o Incentivize and reward executives for achieving the Company's profitability goals
o Encourage prudent deployment of capital
o Attract, motivate, and retain high quality management talent</td></tr>
</table>

Performance Pay	Performance Shares	o Recognizes the Company's total shareholder performance relative to industry peers o Encourage positive financial results on the income statement and balance sheet o Links the Company's performance to long-term stockholder value creation o Provides a long-term incentive vehicle tied to a three-year performance goal
"At Risk" Pay	Restricted Stock	o Aligns interests of executives with shareholders by providing long-term stock ownership o Requires three-year cliff vesting, thus serves as a retention tool

Other than the exclusion of stock option awards which was previously disclosed, there were no compensation policy differences among the individual executives in 2022, except that the more senior officers, such as the Chief Executive Officer, received higher compensation consistent with their increased responsibilities. These differences are reviewed and considered annually by the Compensation Committee in connection with the compensation analysis performed by its independent consultant.

Compensation of the Chief Executive Officer

The Compensation Committee determines the compensation of the Chief Executive Officer based on competitive peer group data, leadership, meeting operational goals, executing the Company's business plan, tenure and years of experience, and achieving certain financial results. Components of the Chief Executive Officer's compensation for 2022 are consistent with those for executive officers as described above and included base salary, participation in the annual incentive plan, as well as the grant of restricted stock and performance share awards.

Through its annual evaluation of the Chief Executive Officer's base salary level, the Compensation Committee reviews the compensation level of Chief Executive Officers of each of the companies in the designated peer group and considers the Chief Executive Officer's individual performance and success in achieving the Company's strategic objectives.

The Compensation Committee establishes goals and objectives for the Chief Executive Officer for each fiscal year. For 2023, Mr. Cherechinsky's performance as Chief Executive Officer will be measured in three key areas of the Company that align with DNOW's strategic goals: (1) Fueling the Future by winning the market and pursuing sustainable growth, (2) Delighting the Customer by being our customers' most trusted partner, and (3) Inspiring One Another by fostering an inclusive, people-first culture.

The specific goals within these three areas were set based on a determination of prioritizing the Chief Executive Officer's efforts on those specific areas and responsibilities that would have the greatest impact on the Company, and included the following:

- grow market share, achieve relevant annual milestones, expand end-market diversification, rationalize expenses and maintain sufficient liquidity to support growth;
- manage the M&A process to yield acquisitions that add materially to the return profile;
- execute on current share repurchase program;

- invest in digital transformation, redefine sales strategy to adapt to today's market and forecasted customer needs, including their focus on clean energy, and accelerate progress towards a successful DNOW Energy Transition including expanding internal sustainability projects to reduce the impact on the environment;
- emphasize focus on employee engagement and development efforts; and
- enrich diversity, equity, and inclusion, integral to the culture of the Company and embed in its recruiting, talent development, and succession planning processes.

Competitive Positioning

Because of the goals and objectives for executive compensation, the Company believes each element of compensation should be properly designed, as well as competitive with the marketplace, to incentivize its executives in the manner stated above. The Company believes it is also important that executive compensation be properly designed to attract and retain talented executives.

As part of its process to establish compensation levels for the Company's named executive officers, the Compensation Committee compares each of the major elements of compensation (base salary, annual bonus, and long-term incentives) for each of its named executive officers against the median compensation provided to comparable executive officers at companies in a designated peer group. When analyzing peer group data, the Compensation Committee does not establish a specific numeric range around the median data points, which it considers reasonable or acceptable. Rather, in setting compensation for any particular named executive officer, the Compensation Committee considers any variance from the median, taking into account other factors as discussed below, and determines whether such variance is appropriate. If the Compensation Committee determines that any variance is unwarranted, the Compensation Committee will make appropriate adjustments to the compensation levels.

In September 2022, the Compensation Committee requested that its independent compensation consultant NFP Compensation Consulting ("NFPCC"), formerly known as Longnecker & Associates, review its designated peer group against which the Company's named executive officers' compensation is compared and provide recommendations on the ongoing peer group framework. The designated peer group is comprised of companies of similar size, companies in the equipment and services industry with an emphasis on serving the energy industry, and companies in the peer group of its closest competitors, as well as companies for which the Company competes for management talent.

After reviewing the peer group and NFPCC's analysis and recommendations, the Compensation Committee approved the following peer group of 16 companies to form the Company's current designated peer group:

Applied Industrial Technologies, Inc.	Kaman Corp.	NexTier Oilfield Solutions
DXP Enterprises, Inc.	Kennametal, Inc.	Oceaneering International, Inc.
Flowserve Corp.	Kirby Corporation	RPC, Inc.
Global Industrial Company	Liberty Oilfield Services	Select Energy Services, Inc.
GMS Inc.	MRC Global Inc.	
H&E Equipment Services	MSC Industrial Direct Co. Inc.	

The Compensation Committee recognized that the designated peer group was within reasonable size parameters (generally 0.5 times to 3 times the Company's revenues, assets, EBITDA and/or market capitalization) and were generally similar to the Company in terms of industry and/or operations.

In 2022, one previous peer company (Exterran Corporation) was removed due to that peer company being involved in an anticipated merger, while one new peer company (Select Energy Services, Inc.) was added to the peer group (that met the reasonable size parameters as discussed above and had some general similarity in business industry and/or operations to the Company).

Separately, the Compensation Committee engaged NFPCC in September 2022 to conduct its annual competitive review of executive compensation for the Company's named executive officers relative to its peer companies, as well as to analyze internal pay equity based on the peer group approved by the Compensation Committee. NFPCC analyzed and compared each position's responsibilities and job title to develop competitive market data. Its executive compensation review covered the following elements of compensation: base salaries, annual bonuses (realizable), and equity compensation (realizable). NFPCC generated data on the components of the Company's compensation program compared to the market 25th percentile, market 50th percentile, and market 75th percentile of the designated peer group.

Based on the compiled data and the comparisons prepared by NFPCC, the Compensation Committee, in consultation with the Company and NFPCC, determined that the total direct compensation for the Company's named executive officers relative to the designated peer group was generally positioned between the 25th percentile and 50th percentile range of the peer group.

Components of Compensation

The following describes the elements of the Company's compensation program for the Company's named executive officers for 2022, why they were selected, and how the amounts of each element were determined.

Base Salary

Base salaries provide executives with a fixed level of monthly cash income. While the Compensation Committee is aware of competitive levels, actual salary levels are based on factors including tenure, individual performance, level and scope of responsibility. The Company does not give specific weights to these factors. The Compensation Committee determines median base salary levels by having NFPCC conduct a comprehensive review of information provided in proxy statements filed by the Company's peer companies. Each executive is reviewed by the Compensation Committee individually on an annual basis. Salary adjustments are based on the individual's experience and background, the individual's performance during the prior year, the general movement of salaries in the marketplace, the Company's financial position and the recommendations of our Chief Executive Officer (other than for himself). The Compensation Committee only establishes specific individual goals for the Company's Chief Executive Officer (see "Compensation of the Chief Executive Officer" above for a discussion of the Chief Executive Officer's goals for 2023). The Compensation Committee's analysis of the individual performance of any particular named executive officer is subjective in nature and takes into account the recommendations of the Chief Executive Officer (other than with respect to his own salary). As a result of these factors, an executive's base salary may be above or below the targeted median at any point in time.

Median Base Salary Target

After NFPCC conducted its annual review and analysis of executive compensation in November 2017, the Compensation Committee agreed starting in 2018 to staged increases in base salary pay over a three-year period for its then named executive officers to align with market median levels ("Three Year Base Pay Plan"). These base salary adjustments were the result of the Compensation Committee approving the Three Year Base Pay Plan, as a result of their following findings:

(1) the Company's executives were generally aligned between the market 25th percentile and the market 50th percentile,
(2) market conditions had improved and the Company's performance had improved as well, and
(3) the Company's executive officers had not had any base salary adjustments for three years.

The Three Year Base Pay Plan was designed to address the above concerns, taking into further consideration that the executives' base salary levels had remained below median levels since the Company was spun-off in 2014, and the implementation of this new plan was designed to bring executive compensation closer to the market 50th percentile over a three year period.

In November 2019, NFPCC reviewed executive base salaries with the Compensation Committee relative to the peer group and determined that the Three Year Base Pay Plan was still supported by market data. However, given that market conditions stabilized in 2019 and projections for market conditions in 2020 appeared to be challenging, Company management requested that the Compensation Committee suspend the previously approved Three Year Base Pay Plan and maintain each executive's base salary at current levels despite the Three Year Base Pay Plan being fully supported by market data.

On June 1, 2020, in connection with his promotion and appointment as President and Chief Executive Officer, the Compensation Committee, following consultation with NFPCC, increased David Cherechinsky's annual base salary from $425,000 to $650,000. The Compensation Committee also increased Mark Johnson's base salary from $243,000 to $385,000 with his promotion to Senior Vice President and Chief Financial Officer. These changes in base salary were approved as a result of such executive's new positions at the Company and their new responsibilities. While each of these new base salaries was near or below the 25th percentile of comparable salaries offered by the Company's industry peers, the Compensation Committee found that alignment near or below the 25th percentile was reasonable since Mr. Cherechinsky and Mr. Johnson were in the first year of their positions. The Compensation Committee agreed to evaluate their performance in these new roles, and as Mr. Cherechinsky and Mr. Johnson successfully grew into their new roles, their base salary compensation could be adjusted over the next few years towards the market 50th percentile.

In November 2020, the Compensation Committee conducted its annual review with NFPCC of the base salaries of the named executive officers and determined that the Three Year Base Pay Plan was still supported by market data. However, given that market conditions had deteriorated in 2020 due to industry decline which was exacerbated by COVID-19, the Company and the Compensation Committee agreed to keep base salaries for the named executive officers unchanged.

In November 2021, the Compensation Committee conducted its annual review with NFPCC who noted that base salary pay was below the market 25th percentile range for all of the Company's named executive officers (including the Chief Executive Officer and Chief Financial Officer positions), except for one executive officer position. NFPCC discussed its recommendation to align base salary pay for the Company executives to the market 50th percentile range over a three-year period as the Company had done in the past. However, there was concern of extending continued below market base salary pay for its executive officers over such an extended period. As a result of the Company having suspended base salary alignment efforts previously, as well as the low level of base salary pay relative to their peers (below the market 25th percentile), the Compensation Committee decided to take a more proactive approach to align base salary levels to the market 50th percentile range over a two-year period and instituted increases for the named executive officers.

The Compensation Committee's annual review of the compensation with NFPCC for the named executive officers took place in November 2022. Given the prior year's focus of being more proactive to align base salaries to the market 50th percentile range coupled with the Company's strong positive financial performance in 2022, the Compensation Committee was supportive of increased salary adjustments effective January 1, 2023 which brought the Company's named executive officers' in line with the market 50th percentile range.

Accordingly, the Company’s named executive officers had the following base salaries at the end of 2022 with the following base salary adjustments beginning in January 1, 2023:

Name	2022 Base Salary	2023 Base Salary
David Cherechinsky	$800,000	$950,000
Mark Johnson	$450,000	$500,000
Raymond Chang	$440,000	$457,600
Kelly Munson	$315,000	$380,000
Rocio Surratt	$225,000	$275,000

The Compensation Committee’s adjustments not only helped align base salary pay for its executive officers to the market 50th percentile range, but were further supported, despite varying conditions in the marketplace and supply chain, by the Company’s positive financial performance in 2022 and outlook heading into 2023.

Annual Incentive Award

The objectives of the Company’s annual cash incentive plan are to incentivize performance to achieve the Company’s corporate growth and profitability goals, encourage smart investments and prudent employment of capital, encourage efficient and optimal cash flow management, and provide competitive compensation packages to attract and retain management talent.

The Company’s annual incentive plan is designed to reward its employees in line with the financial achievements of the Company on an annual basis. Most corporate exempt employees of the Company, including executive officers, were eligible to participate in the Company’s annual incentive plan in 2022, aligning a portion of each employee’s cash compensation with the Company’s performance. When the Company is achieving strong financial results, its executives will be rewarded well through its annual incentive plan. The Company believes this structure helps keep the executives properly motivated to continue helping the Company achieve strong results.

The Company’s annual incentive plan has two independent, pre-determined metrics to measure the Company’s success and payouts under such plan: (1) working capital as a percentage of revenue (“Working Capital”) and (2) EBITDA excluding other costs percentage (“EBITDA”). These metrics were chosen to align management’s incentives with DNOW’s strategic goals, which have been extensively communicated to DNOW’s shareholders. Working capital is defined as current assets (excluding cash) less current liabilities (excluding short-term borrowings). EBITDA means earnings before interest, taxes, depreciation, and amortization. EBITDA excluding other costs (referred to as “EBITDA” within this document) is reconciled in the Company’s 2022 Form 10-K to the most comparable GAAP financial measure. This financial measure excludes the impact of certain other amounts and is not calculated in accordance with GAAP. Our shareholders consider both of these metrics to be very important to them in judging the Company’s overall performance.

Metric	Alignment with strategy
Working capital	Working capital is directly aligned with DNOW’s strategic approach to capital allocation. This metric incentivizes executive officers to focus on DNOW’s liquidity, operational efficiency and short-term financial health.
EBITDA	EBITDA is directly aligned with DNOW’s strategic goal to optimize operations. This metric incentivizes executive officers to focus on DNOW’s core operations and overall health of our business.

Each participant is assigned a target level percentage bonus (target incentive opportunity) which ranges from 5% to 100% of salary, depending on the level of the participant. There are three performance result levels of the percentage bonuses set under the incentive plan for each of the two performance level metrics – entry (50%), target (100%), and maximum (200%) (the "performance metric result"). Entry level is the "minimum" level of EBITDA and Working Capital for which the Company provides an annual incentive payout.

The table below sets forth the different payout levels for the entry/threshold level, target level, and maximum level achievements for the EBITDA and Working Capital metrics:

Performance Levels for EBITDA and Working Capital	**Payout Level**
Below Entry	No Payout
Entry	50% of Target Payout
Target	100% of Target Payout
Maximum	200% of Target Payout

If the Company's EBITDA is less than the entry level threshold, then there is no payout in that fiscal year for the EBITDA portion of the annual incentive. If the Company's Working Capital is less than the entry level threshold, then there is no payout in that fiscal year for the Working Capital portion of the annual incentive. Results falling between the stated thresholds of entry, target, and maximum will result in an interpolated, or sliding scale payout. Effective February 2020, the Company added a threshold condition that would have to be achieved before **any** bonus payout would be payable under either performance metric, specifically that the Company needed to achieve at least the Company's entry level EBITDA.

For 2022, the chief executive officer's participation level was 100% and the other executive officers' participation levels were between 65-80%. These participation level percentages are based on each executive's level of responsibility for the Company's financial performance.

A summary of the executive officer's participation level is below:

Name	**Participation Level (% of Base Salary)**	**Entry**	**Target**	**Maximum**
David Cherechinsky	100%	50%	100%	200%
Mark Johnson	80%	50%	100%	200%
Raymond Chang	80%	50%	100%	200%
Kelly Munson	80%	50%	100%	200%
Rocio Surratt	65%	50%	100%	200%

The Compensation Committee believes the use of two separate metrics, EBITDA and Working Capital, as the designated performance objectives under the annual incentive plan best align the interests of the Company's stockholders and the Company's executive officers. The "target" objective is set based on the Company's operating and financial plan for that given year, which is thoroughly prepared and reviewed by the Company each year based on projected industry market conditions for that year and the operating budgets announced by companies in the industry. This plan and the "target" objective are fully reviewed and vetted by the Compensation Committee as well as the Company's full Board of Directors. The "target" objective is thus set at a level that the Company believes is challenging to meet but achievable if the Company properly and efficiently executes its operational plan and market conditions are positive and favorable during the year.

The "minimum" and "maximum" level of EBITDA and Working Capital under the incentive plan are set based off of the "target" objective. The Compensation Committee believes this objective, formulaic measure allows the "minimum" objective to be set at a level that the Company can achieve even if market conditions are not as favorable. The "minimum" objective serves to motivate the Company's executives to continue to work towards executing the Company's operational plan if market conditions, which are generally outside the control of the Company, are not as favorable as projected. The Compensation Committee believes this objective, formulaic measure allows the "maximum" objective to be set at a level that would be extremely challenging for the Company to achieve. The Compensation Committee believes that, for the "maximum" objective to be achieved, a combination of market conditions being much more favorable than initially forecasted and the Company executing its operational plan in a highly efficient manner would need to occur.

Depending on prevailing and forecasted market conditions from year to year, the EBITDA and Working Capital metric levels (entry, target, and maximum) may be reduced or increased from one year to the next. Any such reduction in metric levels from year to year does not mean the rigor of the annual cash incentive program has been reduced or lessened. Given that market conditions may be projected to be stronger in certain years (and performance is greater in those years) and weaker in other years (and performance is less in those years), as supported by the cyclical nature of certain of the industries the Company serves, the Compensation Committee and the Company take those factors into consideration when setting these metric levels on an annual basis to ensure, irrespective of the actual metric levels for a given year, that the Company's annual cash incentive program maintains the same level of rigor each year in order to achieve an incentive payout.

As a result of our shareholders conveying to the Company the importance of the EBITDA metric as the most important key metric in which they measure the Company's financial performance, it is also used as a portion of the Company's performance-based share awards (it comprises 25% of such performance-based share awards, where such awards comprise 50% of the overall equity value provided to executives). The EBITDA metric in the annual incentive plan is measured over a one-year performance period, while the EBITDA metric in the long-term incentive plan is measured over a three-year performance period, providing some differentiation between the usage of such metric across both plans as market conditions, competition, and other factors may substantially vary over time.

In February 2022, the Compensation Committee approved the structure of the 2022 NOW Inc. Annual Incentive Plan, with a 70% weighting to the EBITDA metric and the remaining 30% weighting to the Working Capital metric. The Compensation Committee approved the greater weighting to the EBITDA metric relative to the Working Capital metric because the EBITDA metric is generally considered by our shareholders to be the most important financial metric for which the Company is measured.

Also, as the Company has historically achieved greater success with the Working Capital metric relative to the EBITDA metric, the Compensation Committee chose to incentivize better Company performance on the EBITDA metric by having an increased weighting to the EBITDA metric. With respect to the EBITDA performance metric, the Compensation Committee approved the EBITDA performance metrics at 2.75%, 4.75% and 6.75% for the entry, target and maximum levels, respectively. The Compensation Committee believed that these EBIDTA metrics were consistent with prevailing market conditions and reasonable projections for 2022 as the Target EBITDA level would require the Company to double EBITDA year over year. The Compensation Committee also kept the threshold condition that the Entry EBITDA level be achieved by the Company in 2022 before any bonus payout would be payable under either performance metric. With respect to the working capital metric, the Compensation Committee approved making the working capital metrics more difficult by adjusting them to 20%, 16% and 12% for the entry, target and maximum levels, respectively. The Target WC/R was set at a challenging level that the Company had only beat once in its history with the Maximum WC/R set at a level which the Company has never achieved. The Company believed that these metrics were reasonable given the ongoing uncertainty of the prolonged effects and duration of the COVID-19 pandemic and its impact on the economy and global oil and gas demands.

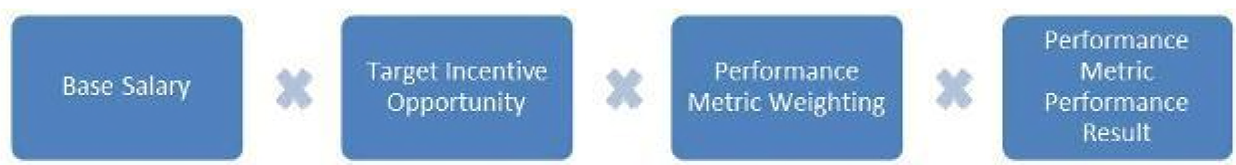
The metrics for EBITDA and Working Capital were set as follows by the Compensation Committee:

EBITDA Metric (70%)	2021 Metric	2022 Metric	**WC/R Metric** (30%)	2021 Metric	2022 Metric
Entry	0.0%	2.75%	Entry	21.5%	20%
Target	**0.7%**	**4.75%**	**Target**	**20%**	**16%**
Maximum	4.5%	6.75%	Maximum	18.5%	12%

	Metric	Weighting	Entry	Target	Maximum	Actual Achievement
2021	EBITDA	70%	0.0%	0.7%	4.5%	2.267%
	WC/R	30%	21.5%	20.0%	18.5%	12.28%
2022	EBITDA	70%	2.75%	4.75%	6.75%	8.193%
	WC/R	30%	20%	16%	12%	14.969%

NOTE: To increase the difficulty level of achieving the working capital metric, percentages are reduced (i.e., lower working capital percentages indicate higher achievement by the Company).

Payouts are determined by metric under the Company’s annual incentive plan using the following formula:



The following examples calculate an annual incentive award payment for Mr. Cherechinsky assuming (1) the Company’s 2022 EBITDA and Working Capital were each equal to the entry level set under the incentive plan, (2) the Company’s 2022 EBITDA and Working Capital were each equal to the target set under the incentive plan, and (3) the Company’s 2022 EBITDA and Working Capital each exceeded the maximum set under the incentive plan. For the 2022 annual incentive awards, the Company added a threshold condition that the EBITDA Entry Metric must be achieved before any bonus payout would be payable under either performance metric, which is assumed for purposes of the example below.

EBITDA Metric	Base Salary	Target Incentive Opportunity	Performance Metric Weight	Performance Metric Result	Award Amount
Entry	$800,000	100%	70%	50%	$280,000
Target	**$800,000**	**100%**	**70%**	**100%**	**$560,000**
Maximum	$800,000	100%	70%	200%	$1,120,000

WC/R Metric	Base Salary	Target Incentive Opportunity	Performance Metric Weight	Performance Metric Result	Award Amount
Entry	$800,000	100%	30%	50%	$120,000
Target	**$800,000**	**100%**	**30%**	**100%**	**$240,000**
Maximum	$800,000	100%	30%	200%	$480,000

2022 Financial Results

A strong focus on market discipline and by holding each other accountable to produce results enabled our business to grow steadily in 2022. Despite some supply chain constraints, market conditions improved in part due to geopolitical tensions but primarily driven by the global decrease in concerns caused by the COVID-19 pandemic, where consumers resumed commutes, travel, and pre-pandemic activities and the Company's products became instrumental in helping citizens and communities resume normal activities. The Company saw strong performance across several key metrics, including record setting gross margins, free cash flow generation, revenue growth, EBITDA margin expansion and capital return to shareholders. These successes were achieved by having lower inventory charges, healthy project product margins, aided by inflationary tailwinds, coupled with the Company's high-grading strategy that focuses on applying our resources where the customers see value.

The Company was able to achieve a maximum earnout of the EBITDA metric and an above target earnout on the Working Capital metric for 2022 resulting in a total of 177.727% of target for the annual incentive award payment.

Metric	**Achievement**	**Achievement as a % of Target**	**Weighted Payout (%)**
EBITDA (70%)	8.193%	200%	140%
Working Capital (30%)	14.969%	125.759%	37.727%

Thus, based on the Company's financial results in 2022, bonus payments were made to the Company's named executive officers, as follows: David Cherechinsky - $1,421,822, Mark Johnson - $639,820, Raymond Chang - $625,602, Kelly Munson - $447,874, and Rocio Surratt - $259,927.

Name	**Base Salary**	**Target Incentive Opportunity**	**Performance Metric Weight**	**Performance Metric Result**	**Award Amount**	**Total Award Amount**
David Cherechinsky	$800,000	100%	70.00%	200%	$1,120,000	**$1,421,822**
			30.00%	125.759%	$301,822	
Mark Johnson	$450,000	80%	70.00%	200%	$504,000	**$639,820**
			30.00%	125.759%	$135,820	
Raymond Chang	$440,000	80%	70.00%	200%	$492,800	**$625,602**
			30.00%	125.759%	$132,802	
Kelly Munson	$315,000	80%	70.00%	200%	$352,800	**$447,874**
			30.00%	125.759%	$95,074	
Rocio Surratt	$225,000	65%	70.00%	200%	$204,750	**$259,927**
			30.00%	125.759%	$55,177	

Long-Term Incentive Compensation

The primary purpose of the Company's long-term incentive compensation is to focus its executive officers on a longer-term perspective on the Company's financial successes and their contributions in their managerial responsibilities. This component of an executive officer's compensation directly links the officers' interests with those of the Company's stockholders. In addition, long-term incentives encourage management to focus on the Company's long-term development and prosperity in addition to profitability and optimal cash flow. This program helps balance long-term versus short-term business objectives, reinforcing that one should not be achieved at the expense of the other. The Company's long-term incentive compensation program also serves to help the Company attract and retain management talent.

The Company grants time-based restricted stock and performance-based share awards to the Company's key executives based on competitive grants within the industry and based on the level of long-term incentives appropriate for the competitive long-term compensation component of total compensation. Such executives are eligible to receive restricted stock and performance share awards annually with other key employees of the management team who were eligible to receive equity grants on a discretionary basis. Eligibility for an award does not ensure receipt of an award.

Starting with the 2022 long-term equity incentive grants to its executives, the long-term equity incentive program has been comprised of the following:

- 50% time-based restricted stock
- 50% performance-based share awards

This change was to ensure that 50% of the Company's long-term incentive awards to its executives were purely performance based from the previous allocation which was equal in stock options, time-based restricted stock, and performance-based share awards. As explained in more detail below, the Company decided to eliminate stock option grants from its 2022 long-term incentive compensation.

Elimination of Stock Options From 2022 Long-Term Incentive Program

Since the Company's inception in 2014, the Company has granted stock options to its key employees, including executives, in the first quarter of the year. The Compensation Committee bore the responsibility of approving any Company stock option grants with the exercise price for the option grant being based on the Company's closing stock price on the date of grant.

The goal of the stock option component was to provide a compensation program that was competitive within the industry while directly linking a significant portion of the executive's compensation to the enhancement of stockholder value. The ultimate value of any stock option was based solely on the increase in value of the shares of the Company's common stock over the grant price. Accordingly, stock options would have value only if the Company's stock price appreciates from the date of grant. Additionally, the option holder must remain employed during the period required for the option to "vest", thus providing an incentive for an option holder to remain employed by the Company.

However, in many cases, stock options can be seen as an inefficient means of attracting, retaining, and motivating a company's executives and employees based on the variations and instability of a Company's stock price due to reasons outside of a Company's control and which are not indicative of a Company's financial stability and performance. Stock options also have been discontinued by a number of the Company's peer group members. As a result, the Compensation Committee, based on a recommendation from NFPCC, decided to eliminate stock option grants from the 2022 NOW Inc. Long-Term Incentive Plan, resulting in a split of 50% restricted stock and 50% performance share awards. The elimination of stock options does not decrease the projected compensation of the executives of the Company, but only modifies the components of the long-term equity incentive program to more directly link to the financial performance of the Company even if the Company's stock price falls below the price on the date of grant.

Performance-Based Share Awards vs. Time Based Restricted Stock

The goal of the performance-based share award program is to provide a compensation program that is also competitive within the industry while directly linking a significant portion of the executive's compensation to the financial performance of the Company. The performance-based share awards received by the executives have value only if the Company's designated financial performance objectives are met and exceeded. Additionally, the holder must also remain employed during the three-year period required for the award to "vest", thus providing an additional incentive for the executive to remain employed by the Company. This at-risk component of compensation focuses executives on achieving strong financial performance for the Company over the long-term.

The goal of time-based restricted stock award grants is to serve as a key retention tool for the Company to retain its executives and key employees. The restricted stock awards will have value to the executive even if the Company's stock price falls below the price on the date of grant, provided that the executive remains employed during the full three-year period required for the award to "vest".

The Company believes that its equity incentive grants must be sufficient in size and duration to provide a long-term performance and retention incentive for executives and to increase their interest in the appreciation of the Company's stock and achievement of positive financial results, both in absolute terms and relative to its peers. The Company believes that restricted stock and performance award grants at a competitive level, with certain vesting requirements, are an effective way of promoting the long-term nature of its business while also being used as a retention tool for its executives.

The Company's long-term incentive compensation program is focused on employees who will have a greater impact on the direction and long-term results of the Company by virtue of their roles and responsibilities. Restricted stock award grants and performance award grants must be reviewed and approved by the Compensation Committee.

The Compensation Committee, Company management, and NFPCC each believe it is important that a portion of the equity grants include a grant based on the satisfaction of specified performance conditions to determine vesting of that particular grant. After consultation with Company management and NFPCC, the Compensation Committee established three separate performance metrics to be used for vesting of the performance share awards for executives. The Compensation Committee believed that the performance measures they established would serve to motivate the Company's executives to deliver results aligned with the interests of Company stockholders. The performance share awards can be earned by the executives only by performance against established goals and vest three years from the grant date.

Starting with the 2019 long-term equity incentive grants to its executives, the performance share awards have been divided into three separate performance metrics:

- 50% with a total shareholder return goal ("TSR"),
- 25% with an EBITDA goal, and
- 25% with a return on capital employed goal, using EBITDA (excluding other costs) as the numerator ("ROCE").

As our shareholders view the EBITDA metric as a key metric to measure the Company's financial performance, it is also used as a performance metric in the Company's annual incentive plan. The EBITDA metric in the annual incentive plan is measured over a one-year performance period, while the EBITDA metric in the long-term incentive plan is measured over a three-year performance period, providing some differentiation between the usage of such metric across both plans. EBITDA excluding other costs (referred to as "EBITDA" within this document) is reconciled in the Company's 2022 Form 10-K to the most comparable GAAP financial measure. This financial measure excludes the impact of certain other amounts and is not calculated in accordance with GAAP.

Depending on prevailing and forecasted market conditions from year to year, the EBITDA and ROCE metric levels (entry, target and maximum) may be increased or reduced from one year to the next. Any such reduction in metric levels from year to year does not mean the rigor of these performance measures in the performance-based share awards has been reduced or lessened. Given that market conditions may be projected to be stronger in certain years (and performance is greater in those years) and weaker in other years (and performance is less in those years), as supported by the cyclical nature of certain of the industries the Company serves, the Compensation Committee and the Company take those factors into consideration when setting these metric levels on an annual basis to ensure, irrespective of the actual metric levels for a given year, that the Company's performance-based share award metrics maintain the same level of rigor each year in order to achieve an incentive payout.

For the 2022 performance shares awards, with respect to the EBITDA performance metric, the Compensation Committee approved the EBITDA performance metrics at 2.75%, 4.75% and 6.75% for the entry, target and maximum levels, respectively. With respect to the return on capital employed metric, the Compensation Committee approved the metrics of 4%, 5% and 6% for the entry, target, and maximum levels, respectively. These metric targets were updated to better reflect prevailing and future expected market and business conditions during the performance period, as well as factoring in past Company results and future budgeted Company results. The setting of the "minimum (entry)", "target" and "maximum" levels follow the same philosophy the Company uses in setting these levels under its annual cash incentive plan. For more information, see *"Components of Compensation – Annual Incentive Award"*.

Level	**Payout %**	**Percentile Rank vs. Designated Peer Group (TSR)**	**Actual EBITDA Performance**	**Actual Return on Capital Employed (ROCE) Performance**
Maximum	200%	75th percentile or greater	6.75% or higher	6% or higher
Target	100%	50th percentile	4.75%	5%
Entry	50%	25th percentile	2.75%	4%
No Payout	0%	Less than 25th percentile	Less than 2.75%	Less than 4%

Performance against the TSR goal is determined by comparing the Company's TSR with the TSR of members of the Company's designated peer group for the three-year performance period. The Compensation Committee believes that the members of the Company's designated peer group are an appropriate benchmark against which to compare the Company's TSR performance. The above table summarizes the relationship between the Company's TSR performance when compared with the TSR performance of the members of its designated peer group and the associated payout levels for the performance achieved for the TSR portion of the award.

Performance against the EBITDA percentage goal is determined by comparing the performance of the Company's actual EBITDA percentage performance average for each of the three years of the performance period against the EBITDA goal set by the Compensation Committee. EBITDA excluding other costs (referred to as "EBITDA" within this document) excludes the impact of certain other amounts and is not calculated in accordance with GAAP. The above table summarizes the payout levels on the EBITDA portion of the award based on the Company's EBITDA performance against the EBITDA goal.

Performance against the return on capital employed goal is determined by comparing the performance of the Company's actual return on capital employed as a percent of return of capital employed average for each of the three years of the performance period against the return on capital employed goal set by the Compensation Committee where the ROCE numerator is EBITDA excluding other costs. The above table summarizes the payout levels on the return on capital employed portion of the award based on the Company's return on capital employed against the return on capital employed goal (ROCE).

Results falling between the stated thresholds of entry, target, and maximum will result in an interpolated, or sliding scale payout.

The Compensation Committee implemented this performance award structure to provide for long-term incentives comparable to those awards used by the Company's peers, such as:

- Making award payouts based on multiple measures/metrics;
- Encouraging long-term oversight of growth and goal accomplishments; and
- Providing an earn-out structure with a threshold and maximum payout with varying levels of performance to incentivize performance

2020-2022 Performance Period

The performance share awards granted in 2020, vesting in 2023, were eligible to be earned based on the Company's performance against the three separate performance metrics with 50% based off of a TSR goal, 25% off of an EBITDA goal, and 25% off of a return on capital employed goal (ROCE) goal during the three-year period from January 1, 2020 to December 31, 2022. The performance metrics set at the time of grant in 2020 and the results for each metric and the payout levels for these performance share awards, which were certified by the Compensation Committee in February 2023, are as follows:

Level	Payout %	Percentile Rank vs. Designated Peer Group (TSR) (50%)	Actual EBITDA Performance (25%)	Actual Return on Capital Employed (ROCE) Performance (25%)
Maximum	200%	75th percentile or greater	5% or higher	6% or higher
Target	100%	50th percentile	4%	5%
Entry	50%	25th percentile	3%	4%
No Payout	0%	Less than 25th percentile	Less than 3%	Less than 4%

Metric	Performance Result 2020-2022	Payout %
TSR	50.0 percentile	100%
EBITDA	2.14%	0%
ROCE	5.48%	148%

Among the three independent metrics for the performance awards, the TSR metric achieved target, resulting in a 100% payout and the ROCE metric achieved above target resulting in a 148% payout. The third metric, EBITDA, did not result in any award given that DNOW fell below the entry threshold point. As a note, these performance share awards were granted and based off of metrics set prior to the COVID-19 pandemic, which were not adjusted subsequently.

Name	Performance Awards Granted in 2020 (Target # of Shares)	Performance Awards Paid Out in 2023 (# of Shares) (1)
David Cherechinsky	43,547	37,860
Mark Johnson	16,527	14,368
Raymond Chang	32,791	28,508
Kelly Munson	15,520	13,493
Rocio Surratt (2)	-	-

(1) Represents the gross number of shares that were paid out, before deduction of shares to cover tax withholding obligations.
(2) Ms. Surratt was not an executive at the time of the 2020 grants and were thus not granted performance awards in 2020.

2022-2024 Performance Period

On February 22, 2022, the Compensation Committee approved the grant of restricted stock awards, and performance share awards to its executive officers pursuant to the NOW Inc. Long-Term Incentive Plan for the 2022-2024 performance period, as follows:

Name	Shares of Restricted Stock (3 Years) (#)	Performance Awards (Target # of Shares)
David Cherechinsky	155,925	155,925
Mark Johnson	36,383	36,383
Raymond Chang	36,383	36,383
Kelly Munson	25,988	25,988
Rocio Surratt	12,994	12,994

The value of such awards made to the Company's executive officers above were at or near the 50^{th} percentile median levels relative to their peers in the designated Company peer group.

The restricted stock awards granted by the Company to its executive officers vest 100% on the third anniversary of the date of grant. The performance share awards can be earned by the executives only by performance against established goals set forth above and vest three years from the grant date.

2023 Annual and Long-Term Incentive Programs

On February 20, 2023, the Compensation Committee approved the terms and structure of the 2023 NOW Inc. Annual Incentive Plan, based on two component metrics consistent with the weighting of the 2022 annual incentive plan with the EBITDA metric at 70% with the remaining 30% weighting to the Working Capital metric.

With respect to the EBITDA performance metric, the Compensation Committee approved the EBITDA performance metrics at 4.75%, 7% and 9% for the entry, target and maximum levels, respectively. The Compensation Committee believes that these EBIDTA metrics are consistent with prevailing market conditions and reasonable projections for 2023 as the Target EBITDA level would require the Company to achieve an EBITDA level only reached once. The Compensation Committee also kept the threshold condition that the Entry EBITDA level be achieved by the Company in 2023 before any bonus payout would be payable under either performance metric. With respect to the working capital metric, the Compensation Committee approved making the working capital metrics more difficult by adjusting them to 20%, 17% and 14% for the entry, target and maximum levels, respectively. The Target WC/R has been set at a challenging level and will be made more challenging to achieve in a growing market with the Maximum WC/R set at a level which the Company has only achieved once before.

EBITDA Metric (70%)	2023 Metric	2022 Metric	**WC/R Metric** (30%)	2023 Metric	2022 Metric
Entry	4.75%	2.75%	Entry	20%	20%
Target	**7%**	**4.75%**	**Target**	**17%**	**16%**
Maximum	9%	6.75%	Maximum	14%	12%

2023 Long-Term Incentive Grants

On February 20, 2023, the Compensation Committee approved the terms and structure of the 2023 Long-Term Incentive grants to the Company's executives. The terms of such grants are consistent with those described under "Long-Term Incentive Compensation" above, except as otherwise set forth below. Equity grants to the executives were deemed to be in the 50th percentile range of their peers.

The Compensation Committee approved the grant of time-based restricted stock to its executive officers pursuant to the NOW Inc. Long-Term Incentive Plan, as follows:

Name	**Shares of Restricted Stock (3 Years) (#)**
David Cherechinsky	115,385
Mark Johnson	26,923
Raymond Chang	26,923
Kelly Munson	19,231
Rocio Surratt	9,615

The restricted stock awards granted by the Company to its executive officers vest 100% on the third anniversary of the date of grant.

The Compensation Committee approved the grant of performance share awards to its executive officers pursuant to the NOW Inc. Long-Term Incentive Plan, as follows:

Name	**Performance Awards (Target # of Shares)**
David Cherechinsky	115,385
Mark Johnson	26,923
Raymond Chang	26,923
Kelly Munson	19,231
Rocio Surratt	9,615

The performance share awards can be earned by the executives only by performance against established goals and vest three years from the grant date. The performance share awards are divided into three separate performance metrics: 50% with a TSR goal, 25% with an EBITDA goal, and 25% with a return on capital employed goal (ROCE). With respect to the EBITDA performance metric, the Compensation Committee approved the EBITDA performance metrics of 4.75%, 7% and 9% for the entry, target and maximum levels, respectively. With respect to the return on capital employed metric, the Compensation Committee approved the metrics of 6%, 10% and 20% for the entry, target and maximum levels, respectively.

Retirement, Health and Welfare Benefits

The Company offers retirement, health, and welfare programs to all eligible employees. The Company's executive officers generally are eligible for the same benefit programs on the same basis as the rest of the Company's employees. The health and welfare programs cover medical, pharmacy, dental, vision, HSA and FSA, life, accident, accidental death and dismemberment and disability insurance.

The Company offers retirement programs that are intended to supplement the employee's personal savings. The programs include the NOW Inc. 401(k) and Retirement Savings Plan ("401k Plan") and NOW Inc. Supplemental Savings Plan ("Supplemental Plan"). The Company's U.S. employees, including its executives, are generally eligible to participate in the 401k Plan. Employees of the Company who are eligible based on guidelines established by the Company's benefits plan administrative committee may participate in the Supplemental Plan. Participation in the 401k Plan and Supplemental Plan are voluntary.

The Company established the 401k Plan to allow employees to save for retirement through a tax-advantaged combination of employee and Company contributions and to provide employees the opportunity to directly manage their retirement plan assets through a variety of investment options. The 401k Plan allows eligible employees to elect to contribute a portion of their eligible compensation into the 401k Plan. Wages and salaries from the Company are generally considered eligible compensation. After one year of service, employee contributions are matched in cash by the Company at the rate of $1.00 per $1.00 employee contribution for the first 4% of the employee's salary. Such contributions vest immediately. The 401k Plan offers 28 different investment options, for which the participant has sole discretion in determining how both the employer and employee contributions are invested. The 401k Plan provides the Company's employees the option to invest directly in the Company's stock. The 401k Plan offers in-service withdrawals, loans, and hardship distributions.

The Company established the Supplemental Plan, a non-qualified plan, to:

- allow Supplemental Plan participants to continue saving towards retirement when employees, due to compensation and contribution ceilings established under the Internal Revenue Code, they can no longer contribute to the 401k Plan; and

- provide Company contributions that cannot be contributed to the 401k Plan due to compensation and contribution ceilings established under the Internal Revenue Code.

Compensation which may be deferred into the Supplemental Plan includes wages and salaries from the Company and bonus payments made under a Company incentive plan. Supplemental Plan participants may elect to defer a percentage of their base pay and bonus payments received under a Company incentive plan into the Supplemental Plan. Contributions in the Supplemental Plan vest immediately. The investment options offered in the Supplemental Plan are similar to the investment options offered in the 401k Plan.

On April 1, 2020, the Company announced that it would suspend all Company contributions to the 401k and Supplemental Plans effective May 1, 2020. The Company reinstated company contributions at the rate of $1.00 per $1.00 employee contribution for the first 4% of the employee's salary effective for the first full pay period of 2022.

U.S. Income Tax Limits on Deductibility

Section 162(m) of the Internal Revenue Code imposes a $1 million limitation on the deductibility of certain compensation paid to our Chief Executive Officer and the next three highest paid executives excluding the chief financial officer ("covered employees"). Pursuant to the 2017 Tax Cuts and Jobs Act, signed into law on December 22, 2017 (the "Tax Act"), for fiscal years beginning after December 31, 2017, the compensation of the chief financial officer is also subject to the deduction limitation. For fiscal years beginning on or before December 31, 2017, Section 162(m) excluded compensation from this limitation that qualified as "performance based." For compensation to be performance based, it must meet certain criteria, including being based on predetermined objective standards approved by stockholders. Our stock option and performance-based share award grants have been designed to be "performance based compensation" and, for periods prior to January 1, 2018, bonus payments to our executives under the Company's Annual Incentive Plan should also qualify as performance based and therefore be excluded from this limitation. Pursuant to the Tax Act, subject to certain transition rules, for fiscal years beginning after December 31, 2017, the performance-based compensation exception to the deduction limitations under Section 162(m) will no longer be available. As a result, for fiscal years beginning after December 31, 2017, any compensation in excess of $1,000,000 million paid to our executive officers may not be deductible. Although the Compensation Committee takes the requirements of Section 162(m) into account in designing executive compensation, the Compensation Committee believes that the potential deductibility of the compensation payable under our executive compensation plans and arrangements should be only one of a number of relevant factors taken into consideration in establishing those compensation plans and arrangements for our executive officers and not the sole governing factor. For that reason, the Compensation Committee intends to structure our compensation plans and arrangements in a manner similar to the plans and arrangements in prior fiscal years, acknowledging that a portion of those compensation payments may not be deductible under Section 162(m), in order to assure appropriate levels of total compensation for our executive officers based on the Company's performance.

Recoupment Policy and Other Considerations

"Clawback" Policy Regarding the Adjustment or Recovery of Compensation

The Company's Long-Term Incentive Plan allows the Compensation Committee, at its sole discretion, to terminate any award if it determines that the recipient of such award has engaged in material misconduct. For purposes of this provision, material misconduct includes conduct adversely affecting the Company's financial condition or results of operations, or conduct which constitutes fraud or theft of Company assets, any of which require the Company to make a restatement of its reported financial statements. If any material misconduct results in any error in financial information used in the determination of compensation paid to the recipient of any award and the effect of such error is to increase the payment amount pursuant to such award, the Compensation Committee may also require the recipient to reimburse the Company for all or a portion of such increase in compensation provided in connection with any such award. In addition, if there is a material restatement of the Company's financial statements that affects the financial information used to determine the compensation paid to the recipient of an award, then the Compensation Committee may take whatever action it deems appropriate to adjust such compensation.

Prohibition on Hedging and Pledging and Blackout Periods

The Company has a policy in place prohibiting the Company's employees (including its executives) and directors from engaging in hedging and pledging activities with respect to the Company's shares. The Company prohibits its employees from making any short sales of any of the Company's shares. The Company also restricts its employees from engaging in any transactions that hedge or offset, or are designed to hedge or offset, any decrease in the Company's stock value. The policy also has prohibitions against the Company's employees buying or selling puts, calls or options in respect of the Company's shares. The Company also restricts employees from holding any shares of the Company in a margin account or pledging any Company stock as collateral.

Finally, the Company also restricts certain key employees from making any transactions during quarterly blackout periods. These periods begin the day after a fiscal quarter ends until one full day after the

Company’s earnings are released or occur when an employee has material or proprietary information which could affect the Company’s stock price which has not been publicly released.

Stock Ownership Guidelines for Executives

The Company adopted stock ownership guidelines for its executive officers and directors in February 2020. The Company’s stock ownership guidelines for its executive officers and directors are intended to align the interests of the Company’s executive officers and directors and the Company’s stockholders by requiring executives to accumulate and retain a meaningful level of the Company’s stock.

Under the Company’s guidelines, the executive officers must comply with the following ownership requirements:

Title	Multiple of Base Salary
CEO	6X
Other executive officers	3X

The Company’s executive officers must attain the applicable stock ownership level within five years of first becoming subject to the guidelines. The following shares of Company stock count towards compliance with the guidelines: shares owned directly or indirectly by the executive; shares equal to the in-the-money portion of any vested, unexercised options; unvested shares of time-based restricted stock or restricted stock units; and shares credited to the executive’s 401(k) plan account. Unvested and unearned performance shares or units and unvested stock options do not count towards compliance guidelines.

Compensation Consultant Independence

In connection with its engagement of NFPCC, the Compensation Committee considered various factors bearing upon NFPCC’s independence including, but not limited to, the amount of fees received by NFPCC from the Company as a percentage of NFPCC’s total revenue, NFPCC’s policies and procedures designed to prevent conflicts of interest, and the existence of any business or personal relationship that could impact NFPCC’s independence. After reviewing these and other factors, the Compensation Committee determined that NFPCC was independent and that its engagement did not present any conflicts of interest. NFPCC also determined that it was independent from management and confirmed this to the Compensation Committee.

In furtherance of maintaining the independence of the Compensation Committee’s compensation consultant, the Compensation Committee has the sole authority to retain or terminate NFPCC.

Compensation Committee Report

The responsibilities of the Compensation Committee, which are set forth in the Compensation Committee Charter adopted by the Board of Directors, include approving and evaluating all compensation of directors and executive officers, including salaries, bonuses, and compensation plans, policies, and programs of the Company. A copy of the Compensation Committee Charter is available on the Company’s website, www.distributionnow.com, under the Investor Relations/Corporate Governance section.

We, as the Members of the Compensation Committee, have reviewed and discussed with senior management the Compensation Discussion and Analysis section included in this proxy statement. Based on this review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's 2023 Proxy Statement.

Members of the Compensation Committee
Richard Alario, Committee Chairman
Paul Coppinger
Sonya Reed

Employment Contracts and Termination of Employment and Change-in-Control Arrangements

Cherechinsky, Johnson, Chang, Munson, and Surratt

The Company entered into employment agreements on May 30, 2014 with Messrs. Cherechinsky and Chang, on February 16, 2018 with Mr. Johnson, on March 6, 2020 with Ms. Munson, and on November 12, 2021 with Ms. Surratt. The Company entered into new employment agreements on June 1, 2020 with Messrs. Cherechinsky and Johnson as a result of their new positions as President and Chief Executive Officer and Senior Vice President and Chief Financial Officer, respectively. Under the employment agreements, Messrs. Cherechinsky, Johnson, and Chang, and Ms. Munson and Surratt are provided a base salary. The agreements have a one-year term and are automatically extended on an annual basis. The agreements also provide for participation in employee incentive plans and employee benefits as generally provided to all employees. If the employment relationship is terminated by the Company for any reason other than

- voluntary termination;
- termination for cause (as defined in the agreements);
- death; or
- long-term disability;

or if the employment relationship is terminated by the employee for Good Reason, the employee is entitled to receive a multiplier of their then current base salary: for Mr. Cherechinsky 3 times his current base salary, for Messrs. Johnson and Chang 2.5 times their current base salaries, and for Ms. Munson and Ms. Surratt 1.5 times their current base salary. The executives are also entitled to an amount equal to the total of the employer matching contributions under the Company's 401k Plan and Supplemental Plan as well as continued participation in the Company's welfare and medical benefit plans. Further, any restricted stock held by the executive, not already vested, will be 100% vested.

Under the agreements, termination by Messrs. Cherechinsky, Johnson, and Chang and Ms. Munson and Ms. Surratt for "Good Reason" means:

- a material diminution of any duties inconsistent with their current position or any action by the Company that results in a diminution in his position, authority, duties or responsibilities; or
- a failure by the Company to comply with the terms of the agreement.

The agreements also contain restrictions on competitive activities and solicitation of our employees for two years for Mr. Cherechinsky and one year for Messrs. Johnson and Chang and Ms. Munson and Ms. Surratt following the date of termination. After any such termination of employment, the executive will also have the option to participate in the Company's welfare and medical benefit plans at employee rates for a period of time and will be entitled to receive outplacement services valued at not more than 15% of the executive's base salary.

Additionally, the Company's stock option agreements, restricted stock agreements, and performance award agreements provide for full vesting of unvested outstanding options, restricted stock, and performance awards, respectively, in the event of a change of control of the Company and a change in the holder's responsibilities following a change in control of the Company (a "double trigger").

The Company's employment agreements with its executives do not contain any "gross up" provisions for excise tax that could be imposed under Section 4999 of the Internal Revenue Code as a result of any payment or benefits provided to an executive under their employment agreement.

Potential Payments Upon Termination or Change in Control

The Company has entered into certain agreements and maintains certain plans that will require the Company to provide compensation to the named executive officers in the event of a termination of employment or change in control of the Company.

The Company's Compensation Committee believes the payment and benefit levels provided to its named executive officers under their employment agreements and/or change of control plans upon termination or change of control should correspond to the level of responsibility and risk assumed by the named executive officer. Thus, the payment and benefit levels for Mr. Cherechinsky, Mr. Johnson, Mr. Chang, Ms. Munson, and Ms. Surratt are based on their levels of responsibility and market considerations at the time the Company entered into the relevant agreements. The Compensation Committee recognizes that it is not likely that the Company's named executive officers would be retained by an acquirer in the event of a change of control. As a result, the Compensation Committee believes that a certain amount of cash compensation, along with immediate vesting of all unvested equity compensation, is an appropriate and sufficient incentive for the named executive officers to remain employed with the Company, even if a change of control were imminent. It is believed that these benefit levels should provide the Company's named executive officers with reasonable financial security so that they could continue to make strategic decisions that benefit the future of the Company.

The amount of compensation payable to each named executive officer as of December 31, 2022 in each situation is listed in the tables below.

The following table describes the potential payments upon termination or change in control of the Company as of December 31, 2022 for David Cherechinsky, the Company's President and Chief Executive Officer.

Executive Benefits and Payments Upon Termination (1)	**Involuntary Not for Cause Termination (2)**
Base Salary (3 times)	$2,400,000
Continuing medical benefits	$40,370
Retirement Contribution and Matching	$112,843
Value of Unvested Stock Options	$667,275
Value of Unvested Restricted Stock	$3,479,114
Value of Unvested Performance Awards (3)	$4,977,981
Outplacement Services (4)	$120,000
Total:	$11,797,583

(1) For purposes of this analysis, we assumed the Executive's compensation is as follows: base salary as of December 31, 2022 of $800,000. Unvested stock options include 57,929 from 2020 grant at $9.53/share and 198,213 from 2021 grant at $10.26/share. Unvested restricted stock includes 21,773 shares from 2020 grant, 96,248 shares from 2021 grant, and 155,925 shares from 2022 grant. Unvested performance share awards includes 43,547 shares from 2020 grant, 192,495 shares from 2021 grant, and 155,925 shares from 2022 grant. The value of unvested stock options, restricted stock, and performance share awards is based on the share price of $12.70, the Company's closing stock price on December 31, 2022.

(2) Assumes the employment relationship is terminated by the Company for any reason other than voluntary termination, termination for cause, death, or disability, or if the employment relationship is terminated by the executive for "Good Reason", as of December 31, 2022. Termination by the executive for "Good Reason" means the a material diminution of any duties inconsistent with his current position or any action by the Company that results in a diminution in the executive's position, authority, duties or responsibilities; a failure by the Company to comply with the terms of the executive's employment agreement; or the requirement of the executive to relocate from where he was employed as of the date of the employment agreement.

(3) For purposes of this analysis, we have assumed that the performance share awards vest at target (100%).

(4) Executive also entitled to outplacement services valued at not more than 15% of base salary. For purposes of this analysis, we valued the outplacement services at 15% of base salary.

In the event of:

- a Company termination of Mr. Cherechinsky's employment for cause;
- Mr. Cherechinsky's voluntary termination of his employment with the Company (not for "Good Reason"); or
- Mr. Cherechinsky's employment with the Company is terminated due to his death or disability,

no extra benefits are payable by the Company to Mr. Cherechinsky as a result of any such events, other than accrued obligations and benefits owed by the Company to Mr. Cherechinsky (such as base salary through the date of termination and his outstanding balance in the Company's 401k Plan and Supplemental Plan). In the event termination is not for cause, Mr. Cherechinsky would also be entitled to receive an amount equal to 50% of his base salary.

The following table describes the potential payments upon termination or change in control of the Company as of December 31, 2022 for Mark Johnson, the Company's Senior Vice President and Chief Financial Officer.

Executive Benefits and Payments Upon Termination (1)	**Involuntary Not for Cause Termination (2)**
Base Salary (2.5 times)	$1,125,000
Continuing medical benefits	$0
Retirement Contribution and Matching	$50,111
Value of Unvested Stock Options	$192,134
Value of Unvested Restricted Stock	$876,452
Value of Unvested Performance Awards (3)	$1,290,866
Outplacement Services (4)	$67,500
Total:	$3,602,063

(1) For purposes of this analysis, we assumed the Executive's compensation is as follows: base salary as of December 31, 2022, of $450,000. Unvested stock options include 21,985 options from 2020 grant at $9.53/share and 50,181 options from 2021 grant at $10.26/share. Unvested restricted stock includes 8,263 shares from 2020 grant, 24,366 shares from 2021 grant, and 36,383 shares from 2022 grant. Unvested performance share awards includes 16,527 shares from 2020 grant, 48,733 shares from 2021 grant, and 36,383 shares from 2022 grant. The value of unvested stock options, restricted stock, and performance share awards is based on the share price of $12.70, the Company's closing stock price on December 31, 2022.
(2) Assumes the employment relationship is terminated by the Company for any reason other than voluntary termination, termination for cause, death, or disability, or if the employment relationship is terminated by the executive for "Good Reason", as of December 31, 2022. Termination by the executive for "Good Reason" means a material diminution of any duties inconsistent with his current position or any action by the Company that results in a diminution in the executive's position, authority, duties or responsibilities; a failure by the Company to comply with the terms of the executive's employment agreement; or the requirement of the executive to relocate from where he was employed as of the date of the employment agreement.
(3) For purposes of this analysis, we have assumed that the performance share awards vest at target (100%).
(4) Executive also entitled to outplacement services valued at not more than 15% of base salary. For purposes of this analysis, we valued the outplacement services at 15% of base salary.

In the event of:

- a Company termination of Mr. Johnson's employment for cause;
- Mr. Johnson's voluntary termination of his employment with the Company (not for "Good Reason"); or
- Mr. Johnson's employment with the Company is terminated due to his death or disability,

no extra benefits are payable by the Company to Mr. Johnson as a result of any such events, other than accrued obligations and benefits owed by the Company to Mr. Johnson (such as base salary through the date of termination and his outstanding balance in the Company's 401k Plan and Supplemental Plan). In the event termination is not for cause, Mr. Johnson would also be entitled to receive an amount equal to 50% of his base salary.

The following table describes the potential payments upon termination or change in control of the Company as of December 31, 2022 for Raymond Chang, the Company's Vice President and General Counsel.

Executive Benefits and Payments Upon Termination (1)	**Involuntary Not for Cause Termination (2)**
Base Salary (2.5 times)	$1,100,000
Continuing medical benefits	$277,822
Retirement Contribution and Matching	$55,531
Value of Unvested Stock Options	$217,864
Value of Unvested Restricted Stock	$871,449
Value of Unvested Performance Awards (3)	$1,280,795
Outplacement Services (4)	$66,000
Total:	$3,869,461

(1) For purposes of this analysis, we assumed the Executive's compensation is as follows: base salary as of December 31, 2022 of $440,000. Unvested stock options include 43,621 options from 2020 grant at $9.53/share and 32,617 options from 2021 grant at $10.26/share. Unvested restricted stock includes 16,396 shares from 2020 grant, 15,839 shares from 2021 grant, and 36,383 shares from 2022 grant. Unvested performance share awards includes 32,791 shares from 2020 grant, 31,676 shares from 2021 grant, and 36,383 shares from 2022 grant. The value of unvested stock options, restricted stock, and performance share awards is based on the share price of $12.70, the Company's closing stock price on December 31, 2022.

(2) Assumes the employment relationship is terminated by the Company for any reason other than voluntary termination, termination for cause, death, or disability, or if the employment relationship is terminated by the executive for "Good Reason", as of December 31, 2022. Termination by the executive for "Good Reason" means a material diminution of any duties inconsistent with his current position or any action by the Company that results in a diminution in the executive's position, authority, duties or responsibilities; a failure by the Company to comply with the terms of the executive's employment agreement; or the requirement of the executive to relocate or to travel to a substantially greater extent than required at the date of the employment agreement.

(3) For purposes of this analysis, we have assumed that the performance share awards vest at target (100%).

(4) Executive also entitled to outplacement services valued at not more than 15% of base salary. For purposes of this analysis, we valued the outplacement services at 15% of base salary.

In the event of:

- a Company termination of Mr. Chang's employment for cause;
- Mr. Chang's voluntary termination of his employment with the Company (not for "Good Reason"); or
- Mr. Chang's employment with the Company is terminated due to his death or disability,

no extra benefits are payable by the Company to Mr. Chang as a result of any such events, other than accrued obligations and benefits owed by the Company to Mr. Chang (such as base salary through the date of termination and his outstanding balance in the Company's 401k Plan and Supplemental Plan). In the event termination is not for cause, Mr. Chang would also be entitled to receive an amount equal to 50% of his base salary.

The following table describes the potential payments upon termination or change in control of the Company as of December 31, 2022 for Kelly Munson, the Company's Chief Administrative and Information Officer.

Executive Benefits and Payments Upon Termination (1)	**Involuntary Not for Cause Termination (2)**
Base Salary (1.5 times)	$472,500
Continuing medical benefits	$40,370
Retirement Contribution and Matching	$35,078
Value of Unvested Stock Options	$133,864
Value of Unvested Restricted Stock	$598,805
Value of Unvested Performance Awards (3)	$867,550
Outplacement Services (4)	$47,250
Total:	$2,195,417

(1) For purposes of this analysis, we assumed the Executive's compensation is as follows: base salary as of December 31, 2022 of $315,000. Unvested stock options include 20,985 options from 2020 grant at $9.53/share and 27,599 options from 2021 grant at $10.26/share. Unvested restricted stock includes 7,760 shares from 2020 grant, 13,402 shares from 2021 grant, and 25,988 shares from 2022 grant. Unvested performance share awards are 15,520 shares from 2020 grant, 26,803 shares from 2021 grant, and 25,988 shares from 2022 grant. The value of unvested stock options, restricted stock, and performance share awards is based on the share price of $12.70, the Company's closing stock price on December 31, 2022.

(2) Assumes the employment relationship is terminated by the Company for any reason other than voluntary termination, termination for cause, death, or disability, or if the employment relationship is terminated by the executive for "Good Reason", as of December 31, 2022. Termination by the executive for "Good Reason" means a material diminution of any duties inconsistent with her current position or any action by the Company that results in a diminution in the executive's position, authority, duties or responsibilities; a failure by the Company to comply with the terms of the executive's employment agreement; or the requirement of the executive to relocate from where she was employed as of the date of the employment agreement.

(3) For purposes of this analysis, we have assumed that the performance share awards vest at target (100%).

(4) Executive also entitled to outplacement services valued at not more than 15% of base salary. For purposes of this analysis, we valued the outplacement services at 15% of base salary.

In the event of:

- a Company termination of Ms. Munson's employment for cause;
- Ms. Munson's voluntary termination of her employment with the Company (not for "Good Reason"); or
- Ms. Munson's employment with the Company is terminated due to her death or disability,

no extra benefits are payable by the Company to Ms. Munson as a result of any such events, other than accrued obligations and benefits owed by the Company to Ms. Munson (such as base salary through the date of termination and her outstanding balance in the Company's 401k Plan and Supplemental Plan). In the event termination is not for cause, Ms. Munson would also be entitled to receive an amount equal to 50% of her base salary.

The following table describes the potential payments upon termination or change in control of the Company as of December 31, 2022 for Rocio Surratt, the Company's Vice President – Finance and Corporate Controller.

Executive Benefits and Payments Upon Termination (1)	**Involuntary Not for Cause Termination (2)**
Base Salary (1.5 times)	$337,500
Continuing medical benefits	$0
Retirement Contribution and Matching	$21,715
Value of Unvested Stock Options	$30,610
Value of Unvested Restricted Stock	$242,392
Value of Unvested Performance Awards	$319,748
Outplacement Services	$33,750
Total:	$985,715

(1) For purposes of this analysis, we assumed the Executive's compensation is as follows: base salary as of December 31, 2022 of $225,000. Unvested stock options include 12,545 options from 2021 grant at $10.26/share. Unvested restricted stock includes 6,092 shares from 2021 grant and 12,994 shares from 2022 grant. Unvested performance share awards are 12,183 shares from 2021 grant and 12,994 shares from 2022 grant. The value of unvested stock options, restricted stock, and performance share awards is based on the share price of $12.70, the Company's closing stock price on December 31, 2022.

(2) Assumes the employment relationship is terminated by the Company for any reason other than voluntary termination, termination for cause, death, or disability, or if the employment relationship is terminated by the executive for "Good Reason", as of December 31, 2022. Termination by the executive for "Good Reason" means a material diminution of any duties inconsistent with her current position or any action by the Company that results in a diminution in the executive's position, authority, duties or responsibilities; a failure by the Company to comply with the terms of the executive's employment agreement; or the requirement of the executive to relocate from where she was employed as of the date of the employment agreement.

(3) For purposes of this analysis, we have assumed that the performance share awards vest at target (100%).

(4) Executive also entitled to outplacement services valued at not more than 15% of base salary. For purposes of this analysis, we valued the outplacement services at 15% of base salary.

In the event of:

- a Company termination of Ms. Surratt's employment for cause;
- Ms. Surratt's voluntary termination of her employment with the Company (not for "Good Reason"); or
- Ms. Surratt's employment with the Company is terminated due to her death or disability,

no extra benefits are payable by the Company to Ms. Surratt as a result of any such events, other than accrued obligations and benefits owed by the Company to Ms. Surratt (such as base salary through the date of termination and her outstanding balance in the Company's 401k Plan and Supplemental Plan). In the event termination is not for cause, Ms. Surratt would also be entitled to receive an amount equal to 50% of her base salary.

EXECUTIVE COMPENSATION

The following table sets forth for the year ended December 31, 2022 the compensation paid by the Company to its named executive officers (the "Named Executive Officers") serving in such capacity at December 31, 2022.

Summary Compensation Table

Name and Principal Position (a)	Year (b)	Salary ($) (c)	Bonus ($) (d)	Stock Awards ($)(1) (e)	Option Awards ($)(2) (f)	Non-Equity Incentive Plan Compensation ($)(3) (g)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (h)	All Other Compensation ($)(4) (i)	Total ($) (j)
David Cherechinsky *President & Chief Executive Officer*	2022 2021 2020	$797,116 $650,000 $554,808	- - -	$3,232,886 $3,309,101 $498,233	- $996,734 $207,971	$1,421,822 $1,032,646 -	- - -	$11,077 - $13,976	$5,462,901 $5,988,481 $1,274,988
Mark Johnson *Senior Vice President & Chief Financial Officer*	2022 2021 2020	$448,750 $385,000 $324,923	- - -	$754,352 $837,732 $189,083	- $252,340 $78,928	$639,820 $489,316 -	- - -	$12,200 - $6,309	$1,855,122 $1,964,388 $599,243
Raymond Chang *VP, General Counsel, & Secretary*	2022 2021 2020	$439,462 $412,000 $412,000	- - -	$754,352 $544,539 $375,177	- $164,018 $156,604	$625,602 $523,631 -	- - -	$12,200 - $11,410	$1,831,616 $1,644,188 $955,191
Kelly Munson *Chief Administrative and Information Officer*	2022 2021 2020	$313,269 $225,000 $188,077	- - -	$538,827 $460,760 $177,572	- $138,784 $75,358	$447,874 $285,964 -	- - -	$10,904 - $3,692	$1,310,874 $1,110,508 $444,699

Rocio Surratt *VP – Finance and Corporate Controller*	2022 2021 2020	$223,750 $160,000 $76,923	- - -	$269,423 $209,434 -	- $63,084 -	$259,927 $165,223 -	- - -	$8,654 - -	$761,754 $597,741 $76,923

(1) The amounts reported in this column represent the aggregate grant date fair value of stock awards granted in the relevant year compiled in accordance with FASB Topic 718, excluding forfeiture estimates. Refer to the Company's 2022 Annual Report on Form 10-K, for all relevant valuation assumptions used to determine the grant date fair value of the stock awards included in this column. On February 22, 2022, the Named Executive Officers were granted shares of performance-based share awards, which are included in this column in the table above. The grants vest on the third anniversary of the date of grant, contingent on performance against three separate, independently established goals. For a more detailed discussion, see the section titled "Long-Term Incentive Compensation". For the performance-based share awards, the value as of the grant date under FASB ASC Topic 718, excluding the effect of estimated forfeitures, based upon the probable outcome of such conditions were as follows: Mr. Cherechinsky - $1,732,888; Mr. Chang - $404,347; Mr. Johnson - $404,347; Ms. Munson - $288,822; and Ms. Surratt - $144,421. For the performance-based share awards, the value as of the grant date under FASB ASC Topic 718, excluding the effect of estimated forfeitures, assuming that the highest level of performance conditions will be achieved were as follows: Mr. Cherechinsky - $2,999,997; Mr. Chang - $700,009; Mr. Johnson - $700,009; Ms. Munson - $500,009; and Ms. Surratt - $250,005. The amounts reported in this column represent the aggregate grant date fair value of option awards granted in the relevant year compiled in accordance with FASB ASC Topic 718, excluding forfeiture estimates. Refer to the Company's 2022 Annual Report on Form 10-K, for all relevant valuation assumptions used to determine the grant date fair value of option awards included in this column. The Company decided to eliminate stock option grants from its 2022 long-term incentive compensation.

(2) Starting in 2015, the Named Executive Officers have participated in the NOW Inc. Annual Incentive Plan. For further information, see the section titled "Annual Incentive Award".

(3) The amounts include cash contributions under the Company's 401k Plan and under the Supplemental Plan, both defined contribution plans. On April 1, 2020, the Company announced that it would suspend all Company contributions to the 401k and Supplemental Plans effective May 1, 2020. The Company reinstated company contributions at the rate of $1.00 per $1.00 employee contribution for the first 4% of the employee's salary effective the first pay cycle of 2022.

(4) The amounts include cash contributions under the Company's 401k Plan and under the Supplemental Plan, both defined contribution plans. On April 1, 2020, the Company announced that it would suspend all Company contributions to the 401k and Supplemental Plans effective May 1, 2020. The Company reinstated company contributions at the rate of $1.00 per $1.00 employee contribution for the first 4% of the employee's salary effective January 2022.

Grants of Plan Based Awards

The following table provides information concerning stock options, restricted stock, and performance share awards granted to Named Executive Officers during the fiscal year ended December 31, 2022. The Company has granted no stock appreciation rights.

Grants of Plan-Based Awards

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)(3)	Exercise or Base Price of Option Awards ($/Sh)(3)	Grant Date Fair Value of Stock and Option Awards (4)
		Threshold ($)(1)	Target ($)(1)	Maximum ($)(1)	Threshold (#)(2)	Target (#)(2)	Maximum (#)(2)				
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
David Cherechinsky	2022	$400,000	$800,000	$1,600,000	77,963	155,925	311,850	155,925	-	-	$3,232,886
Mark Johnson	2022	$180,000	$360,000	$720,000	18,192	36,383	72,766	36,383	-	-	$754,352
Raymond Chang	2022	$176,000	$352,000	$704,000	18,192	36,383	72,766	36,383	-	-	$754,352
Kelly Munson	2022	$126,000	$252,000	$504,000	12,994	25,988	51,976	25,988	-	-	$538,827
Rocio Surratt	2022	$67,500	$135,000	$270,000	6,497	12,994	25,988	12,994	-	-	$269,423

(1) Represents the range of possible payouts under our 2022 annual incentive compensation plan.

(2) On February 22, 2022, each of the Named Executive Officers was granted performance-based share awards, which are reflected in the "Estimated Future Payouts Under Equity Incentive Plan Awards" column in the table above. The performance share awards can be earned by the executives only by performance against established goals and vest three years from the grant date. The performance share awards are divided into three independent parts that are subject to these three separate performance metrics: 50% with a TSR goal, 25% with an EBITDA goal and 25% with a return on capital employed goal (ROCE). For a more detailed discussion, see the section titled "Long Term Incentive Compensation".

(3) The Company decided to eliminate stock option grants from its 2022 long-term incentive compensation.

(4) Assumptions made in calculating the value of option and restricted stock awards are further discussed in Item 15. Exhibits and Financial Statement Schedules – Notes to Consolidated Financial Statements, Note 17, of the Company's Form 10-K for the fiscal year ended December 31, 2022.

Exercises and Holdings of Previously-Awarded Equity Disclosure

The following table provides information regarding outstanding awards that have been granted to Named Executive Officers where the ultimate outcomes of such awards have not been realized, as of December 31, 2022. The table includes awards received by the Named Executive Officers while employed under NOV (NOV awards granted prior to the spin-off) which were converted into Company awards as a result of the spin-off from NOV.

Outstanding Equity Awards at Fiscal Year-End

Option Awards						Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($) (1)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) (1)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
David Cherechinsky	10,565			$29.123	2/16/23				
	10,565			$31.433	2/26/24				
	25,121			$13.71	2/19/23				
	29,470			$20.64	2/21/24				
	123,881			$9.90	2/20/25				
	27,593			$15.30	2/19/26				
	38,619	19,310 (2)		$9.53	2/21/27				
	66,071	132,142 (3)		$10.26	2/23/28				
								21,773 (4)	$276,517
								43,547 (5)	$553,047
								96,248 (6)	$1,222,350
								192,495 (7)	$2,444,687
								155,925 (8)	$1,980,248
								155,925 (9)	$1,980,248

Option Awards						Stock Awards			
Name (a)	Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) (d)	Option Exercise Price ($) (e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (#) (g)	Market Value of Shares or Units of Stock That Have Not Vested ($) (1) (h)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) (i)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) (1) (j)
Raymond Chang	10,565			$29.123	2/16/23				
	15,093			$31.433	2/26/24				
	41,580			$13.71	2/19/23				
	51,572			$20.64	2/21/24				
	93,284			$9.90	2/20/25				
	20,778			$15.30	2/19/26				
	29,080	14,541 (2)		$9.53	2/21/27				
	10,872	21,745 (3)		$10.26	2/23/28				
								16,396 (4)	$208,229
								32,791 (5)	$416,446
								15,839 (6)	$201,155
								31,676 (7)	$402,285
								36,383 (8)	$462,064
							10	36,383 (9)	$462,064
Mark Johnson	2,413			$29,123	2/16/23				
	3,018			$31.433	2/26/24				
	16,500			$13.71	2/19/23				
	13,000			$20.64	2/21/24				
	47,015			$9.90	2/20/25				
	10,472			$15.30	2/19/26				
	14,656	7,329 (2)		$9.53	2/21/27				
	16,727	33,454 (3)		$10.26	2/23/28				
								8,263 (4)	$104,940
								16,527 (5)	$209,893
								24,366 (6)	$309,448
								48,733 (7)	$618,909
								36,383 (8)	$462,064
								36,383 (9)	$462,064

Option Awards						Stock Awards			
Name (a)	Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) (d)	Option Exercise Price ($) (e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (#) (g)	Market Value of Shares or Units of Stock That Have Not Vested ($) (1) (h)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) (i)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) (1) (j)
Kelly Munson	3,018			$31.433	2/26/24				
	7,500			$13.71	2/19/23				
	5,250			$20.64	2/21/24				
	6,666			$9.90	2/20/25				
	3,965			$15.30	2/19/26				
	13,990	6,995 (2)		$9.53	2/21/27				
	9,199	18,400 (3)		$10.26	2/23/28				
								7,760 (4)	$98,552
								15,520 (5)	$197,104
								13,402 (6)	$170,205
								26,803 (7)	$340,398
								25,988 (8)	$330,048
								25,988 (9)	$330,048
Rocio Surratt	4,181	8,364 (3)		$10.26	2/23/28				
								6,092 (6)	$77,368
								12,183 (7)	$154,724
								12,994 (8)	$165,024
								12,994 (9)	$165,024

(1) Calculations based upon the closing price ($12.70) of the Company's common stock on December 31, 2022.
(2) 2020 Stock Option Grant – Stock options vest at the rate of 33 1/3%/year, with vesting dates of 2/21/2021, 2/21/2022, 2/21/2023.
(3) 2021 Stock Option Grant – Stock options vest at the rate of 33 1/3%/year, with vesting dates of 2/23/2022, 2/23/2023, 2/23/2024.
(4) 2020 Restricted Stock Award – The Grant vests 100% on the third anniversary of the date of grant.
(5) 2020 Performance Share Award Grant – The performance shares awards can be earned by the executives only by performance against established goals and vest three years from the grant date. The performance share awards are divided into three independent parts that are subject to these three separate performance metrics: 50% with a TSR goal, 25% with an EBITDA goal and 25% with a ROCE (return on capital employed) goal.
(6) 2021 Restricted Stock Award – The Grant vests 100% on the third anniversary of the date of grant.
(7) 2021 Performance Share Award Grant – The performance shares awards can be earned by the executives only by performance against established goals and vest three years from the grant date. The performance share awards are divided into three, independent parts that are subject to these three separate performance metrics: 50% with a TSR goal, 25% with an EBITDA goal and 25% with a ROCE (return on capital employed) goal.
(8) 2022 Restricted Stock Award – The Grant vests 100% on the third anniversary of the date of grant.
(9) 2022 Performance Share Award Grant – The performance share awards can be earned by the executives only by performance against established goals and vest three years from the grant date. The performance share awards are divided into three independent parts that are subject to these three separate performance metrics: 50% with a TSR goal, 25% with an EBITDA goal and 25% with a ROCE (return on capital employed) goal.

The following table provides information on the amounts received by the Named Executive Officers during 2022 upon exercise of stock options or vesting of stock awards.

Option Exercises and Stock Vested

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
(a)	(b)	(c)	(d)	(e)
David Cherechinsky	0	$0	22,025	$213,422
Raymond Chang	0	$0	16,585	$160,709
Mark Johnson	0	$0	8,359	$80,999
Kelly Munson	0	$0	1,567	$15,184
Rocio Surratt	0	$0	0	$0

Post-Employment Compensation

The following table provides information on nonqualified deferred compensation provided under the Supplemental Plan to the Named Executive Officers during the fiscal year ended December 31, 2022. For a more detailed discussion, see the section titled "Compensation Discussion and Analysis – Retirement, Health and Welfare Benefits".

Nonqualified Deferred Compensation

Name (a)	Executive Contributions in Last FY ($)(1) (b)	Registrant Contributions in Last FY ($)(2) (c)	Aggregate Earnings in Last FY ($)(3) (d)	Aggregate Withdrawals/ Distributions ($) (e)	Aggregate Balance at Last FYE ($) (f)
David Cherechinsky	$0	$0	$221	-	$16,220
Raymond Chang	$0	$0	($7,689)	-	$30,800
Mark Johnson	$17,950	$5,108	($9,855)	-	$51,649
Kelly Munson	$0	$0	$0	-	$0
Rocio Surratt	$0	$0	$0	-	$0

(1) Executive contributions were from the executive's salary and are included in the Summary Compensation Table under the "Salary" column.
(2) Registrant contributions are included in the Summary Compensation Table under the "All Other Compensation" column.
(3) Aggregate earnings reflect the returns of the investment funds selected by the executives and are not included in the Summary Compensation Table.

Certain Relationships and Related Transactions

We transact business with companies with which certain of our Directors are affiliated. All transactions with these companies are on terms competitive with other third-party vendors, and none of these is material either to us or any of these companies.

A "conflict of interest" occurs when a director or executive officer's private interest interferes in any way, or appears to interfere, with the interests of the Company. Conflicts of interest can arise when a director or executive officer, or a member of his or her immediate family, have a direct or indirect material interest in a transaction with us. Conflicts of interest also arise when a director or executive officer, or a member of his or her immediate family, receives improper personal benefits as a result of his or her position as a director or executive officer of the Company. The Company's Code of Business Conduct and Ethics for Members of the Board of Directors and Executive Officers provides that directors and executive officers must avoid conflicts of interests with the Company. Any situation that involves, or may reasonably be expected to involve, a conflict of interest with the Company must be disclosed immediately to the Chair of the Company's Audit Committee for their review and approval or ratification. This Code also provides that the Company shall not make any personal loans or extensions of credit to nor become contingently liable for any indebtedness of directors or executive officers or a member of his or her family.

One of our directors, Sonya Reed, is the Senior Vice President of Human Resources and Corporate Communication at Phillips 66, which is an existing Company customer. During 2022, the Company recorded revenue from Phillips 66 and its subsidiaries in the amount of approximately $15 million. In the Company's opinion, the terms of such payments were substantially equivalent to those which would have been obtained from unaffiliated third parties. Such amounts are not material to either the Company or Phillips 66.

Pay Ratio

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(u) of Regulation S-K, we are providing the following information about the relationship of the median annual total compensation of our worldwide employee population and the annual total compensation of Mr. Cherechinsky, our President and Chief Executive Officer (our " CEO").

For 2022, our last completed fiscal year:

- the median of the estimated annual total compensation of all employees of our company (other than our CEO), was $63,785; and

- the annual total compensation of our CEO was $5,462,901.

Based on this information, for 2022, our Chief Executive Officer's annualized total compensation was approximately 85.6 times that of the median of the annual total compensation of all employees.

To identify the median of the estimated annual total compensation of all our employees, as well as to determine the annual total compensation of the "median employee," the methodology and the material assumptions, adjustments, and estimates that we used were as follows:

1. As permitted under the SEC rules, in order to identify our median employee, we used a consistently applied compensation measure of estimated 'total cash compensation' earned from January 1, 2022 to December 31, 2022. We used December 31, 2022 for our employee listing and annualized total cash compensation for those permanent employees who commenced work during 2022. We did not adjust the size of our employee population or make any cost-of-living adjustments when identifying our median employee.

2. In calculating the estimated annual total compensation of the median employee and CEO, we identified and included the elements of such compensation in accordance with the requirement of Item 402(c)(2)(x) of Regulation S-K.

3. We believe the pay ratio disclosed above is a reasonable estimate calculated in accordance with SEC rules, based on our records and the methodology described above. The SEC rules for identifying the median employee and calculating the pay ratio allow companies to use a variety of methodologies and apply various assumptions. The application of various methodologies may result in significant differences in the results reported by SEC reporting companies. As a result, the pay ratio reported by other companies may not be comparable to the pay ratio we report above.

2022 Pay vs Performance Disclosure

Tabular Pay vs. Performance Disclosures [1]							Value of Fixed $100 Investment Based On:			
Year	Summary Compensation Table Total for PEO 1	Compensation Actually Paid to PEO 1 [2]	Summary Compensation Table Total for PEO 2	Compensation Actually Paid to PEO 2 [2]	Average Summary Compensation Table Total for Non-PEO NEOs	Average Compensation Actually Paid for Non-PEO NEOs [2]	DNOW Total Shareholder Return [3]	PHLX Oil Service Sector Index Total Shareholder Return [3]	Net Income (Loss)	EBITDA Excluding Other Costs [4]
2022	$5,462,901	$10,768,763	--	--	$1,439,842	$2,398,329	$113	$113	$128,000,000	$175,000,000
2021	$5,988,481	$5,291,709	--	--	$1,329,206	$1,239,451	$76	$70	$5,000,000	$45,000,000
2020	$1,274,988	$90,220	$675,231	($537,929)	$519,014	$133,931	$64	$58	($427,000,000)	($47,000,000)

(1) Mr. Cherechinsky served as our principal executive officer for the full year for each of 2022 and 2021 and for a portion of 2020 ("PEO 1"). Mr. Alario served as our principal executive officer for a portion of 2020 ("PEO 2"). For each of 2022, 2021, and 2020, our non-PEO named executive officers included Mr. Johnson, Mr. Chang, Ms. Munson, and Ms. Surratt.

PEOs Compensation Actually Paid Calculation Detail	Year			
Compensation Element	2020 (PEO 1)	2021 (PEO 1)	2022 (PEO 1)	2020 (PEO 2)
SCT Reported Total Compensation	***$1,274,988***	***$5,988,481***	***$5,462,901***	***$675,231***
Aggregate SCT Reported Equity Compensation (-)	$706,204	$4,305,835	$3,232,886	$0
Year-End Fair Value of Awards Granted During the FY & Outstanding (+)	$509,175	$3,548,758	$5,111,796	$0
Year-Over-Year Change in Fair Value of Awards Granted During Prior FY & Outstanding (+)	($647,694)	$53,500	$3,436,810	$0
Vesting Date Fair Value of Awards Granted & Vested During the Covered FY (+)	$0	$0	$0	$0
Year-Over-Year Change in Fair Value of Awards Granted During Prior FY & Vesting During Covered FY (+)	($340,044)	$146,501	$62,412	($1,213,160)
Prior FYE Value of Awards Determined to Fail to Meet Vesting Conditions During Covered FY (-)	$0	$139,696	$72,271	$0
Compensation Actually Paid Determination	***$90,220***	***$5,291,709***	***$10,768,763***	***($537,929)***

Non-PEO NEOs Average Compensation Actually Paid Calculation Detail	Year		
Compensation Element	2020	2021	2022
SCT Reported Total Compensation	***$519,014***	***$1,329,206***	***$1,439,842***
Aggregate SCT Reported Equity Compensation (-)	$263,181	$667,673	$579,239
Year-End Fair Value of Awards Granted During the FY & Outstanding (+)	$189,733	$550,281	$915,878
Year-Over-Year Change in Fair Value of Awards Granted During Prior FY & Outstanding (+)	($189,765)	$20,191	$626,032
Vesting Date Fair Value of Awards Granted & Vested During the Covered FY (+)	$0	$0	$0
Year-Over-Year Change in Fair Value of Awards Granted During Prior FY & Vesting During Covered FY (+)	($121,870)	$46,999	$16,281
Prior FYE Value of Awards Determined to Fail to Meet Vesting Conditions During Covered FY (-)	$0	$39,553	$20,465
Compensation Actually Paid Determination	***$133,931***	***$1,239,451***	***$2,398,329***

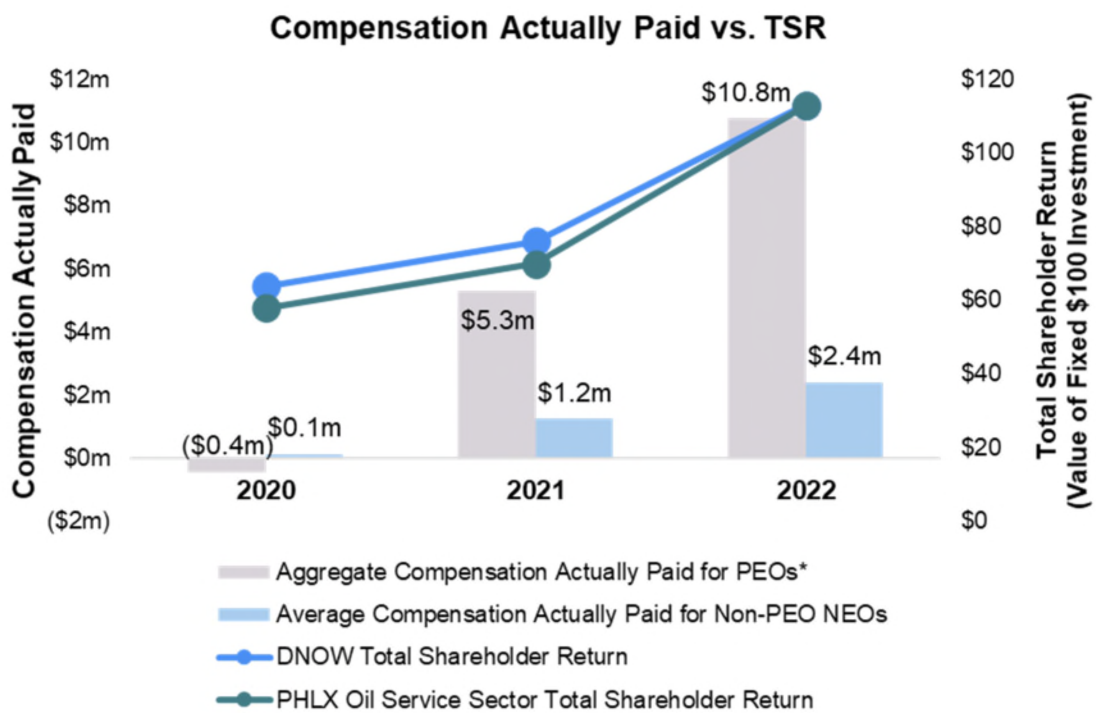
(2) Equity compensation fair value calculated based on assumptions determined in accordance with FASB ASC Topic 718.

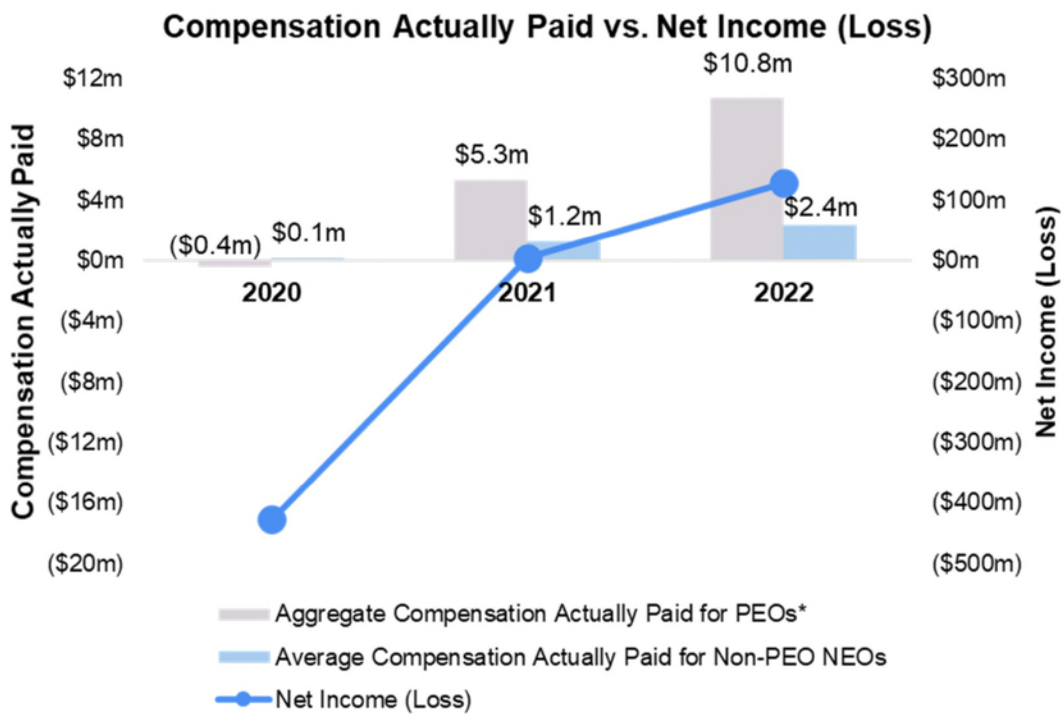
(3) For each of 2022, 2021 and 2020, total shareholder return for the Company and the peer group was calculated as the yearly percentage change in cumulative total shareholder return based on a deemed fixed investment of $100 at market close on December 31, 2019. The yearly percentage change in cumulative total shareholder return was measured as the quotient of (a) the sum of (i) the cumulative amount of dividends for the period from December 31, 2019 through and including the last day of the covered fiscal year (the "Measurement Period"), assuming dividend reinvestment, plus (ii) the difference between stock price per share at the end and the beginning of the Measurement Period, divided by (b) stock price per share at the beginning of the Measurement Period. For purposes of this pay versus performance disclosure, our peer group consists of the

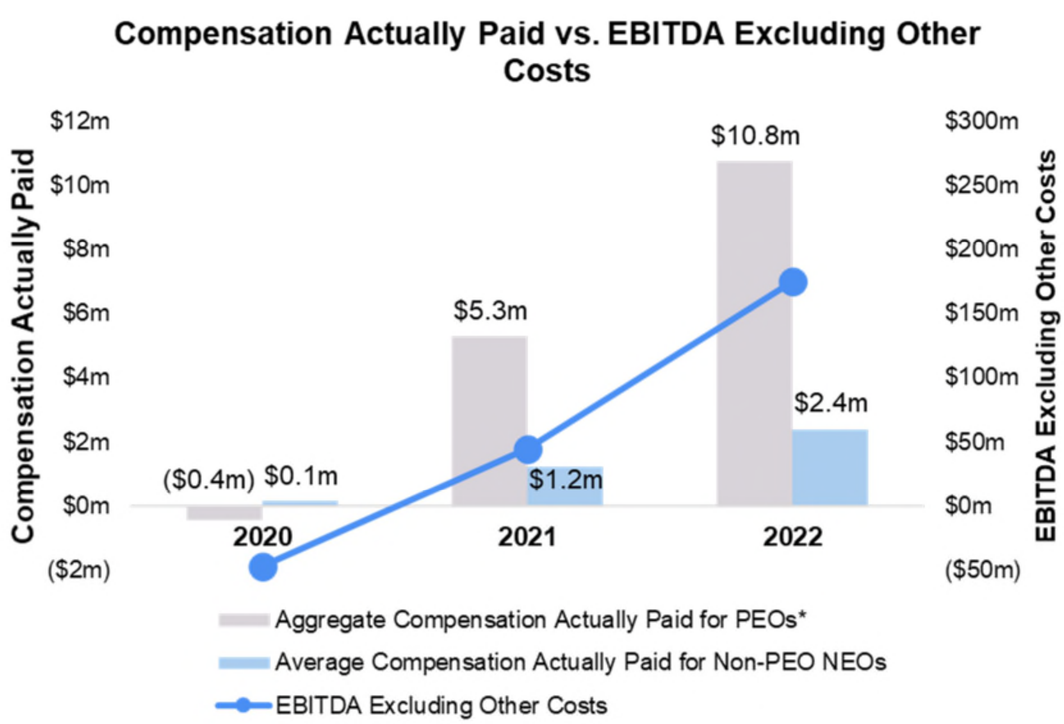
PHLX Oil Service Sector Index. For purposes of calculating the Peer Group total shareholder return, the returns of each component issuer of the group were weighted according to the respective issuers' stock market capitalization at the beginning of the Measurement Period. Because fiscal years are presented in the table in reverse chronical order (from top to bottom), the table should be read from bottom to top for purposes of understanding cumulative returns over time.

(4) EBITDA excluding other costs (referred to as "EBITDA" within this document) is reconciled in the Company's 2022 Form 10-K to the most comparable GAAP financial measure. This financial measure excludes the impact of certain other amounts and is not calculated in accordance with GAAP.

The following graphical comparisons provide descriptions of the relationships between certain figures included in the Pay Versus Performance table for each of 2022, 2021, and 2020, including: comparisons between (i) the compensation actually paid to the PEOs and the average compensation actually paid to our non-PEO NEOs,(ii) each of Total Shareholder Return, Net Income and EBITDA Excluding Other Costs; and (iii) a comparison between our cumulative total shareholder return and the total shareholder return of the PHLX Oil Service Sector Index.







* In all three charts above, 2020 includes the aggregate compensation actually paid for Mr. Cherechinsky (PEO 1) and Mr. Alario (PEO 2). Since Mr. Cherechinsky was the only PEO in Fiscal Years 2021 and 2022, those years reflect only his compensation actually paid.

The following table lists the most important performance measures that we believe represent the most important performance measures used to link compensation actually paid to our PEO and non-PEO NEOs for 2022 to our performance:

EBITDA Excluding Other Costs
Net Working Capital (NWC)
Return on Capital Employed (ROCE)
Relative TSR (rTSR)

See the "Compensation Discussion & Analysis" above and published in our prior proxy statements for additional detail on executive compensation actions.

DIRECTOR COMPENSATION

Directors who are employees of the Company do not receive compensation for serving on the Board of Directors. The following table sets forth the compensation paid by the Company to its non-employee members of the Board of Directors for the year ended December 31, 2022.

Director Compensation

Name (a)	Fees Earned or Paid in Cash ($) (b)	Stock Awards ($) (c)(1)	Option Awards ($) (d)	Non-Equity Incentive Plan Compensation ($) (e)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (f)	All Other Compensation ($) (g)	Total ($) (h)
Richard Alario	$156,000	$186,004	-	-	-	-	$342,004
Terry Bonno	$111,000	$119,999	-	-	-	-	$230,999
Galen Cobb	$105,500	$119,999	-	-	-	-	$225,499
Paul Coppinger	$114,000	$119,999	-	-	-	-	$233,999
James Crandell	$102,000	$119,999	-	-	-	-	$221,999
Rodney Eads	$118,000	$119,999	-	-	-	-	$237,999
Sonya Reed	$85,000	$119,999					$204,999

(1) The aggregate number of outstanding shares of restricted stock as of December 31, 2022 for each director are as follows: Mr. Alario – 17,531; Ms. Bonno – 11,310; Mr. Cobb – 11,310; Mr. Coppinger – 11,310; Mr. Crandell – 11,310; Mr. Eads – 11,310; and Ms. Reed – 11,310. Award price is based on the value of the shares on the date of grant and is subject to fluctuation based on share price variance.

Board Compensation

In 2022, members of the Company's Board of Directors who are not full-time employees of the Company receive the following cash compensation:

- For service on the Board of Directors – an annual retainer of $70,000, paid quarterly;
- For service as chairperson of the audit committee of the Board of Directors – an annual retainer of $20,000, paid quarterly;
- For service as chairperson of the compensation committee of the Board of Directors – an annual retainer of $15,000, paid quarterly;
- For service as chairperson of the environmental, social, governance, and nominating committee of the Board of Directors – an annual retainer of $15,000, paid quarterly;

- For service as a member of the audit committee of the Board of Directors – an annual retainer of $7,500, paid quarterly;

- For service as a member of the compensation committee of the Board of Directors – an annual retainer of $5,000, paid quarterly;

- For service as a member of the environmental, social, governance, and nominating committee of the Board of Directors – an annual retainer of $5,000, paid quarterly; and

- $2,000 for each Board meeting and each committee meeting attended.

The independent Chairman of the Board receives an annual cash retainer of $44,000, paid quarterly. The independent Chairman of the Board also receives an annual restricted stock grant valued at approximately $66,000, in addition to the annual restricted stock grant value received by all non-employee directors of the Company.

Directors of the Board who are also employees of the Company (like Mr. Cherechinsky) do not receive any compensation for their service as directors.

Members of the Board are also eligible to receive stock options and awards, including restricted stock, performance awards, phantom shares, stock payments, or SARs under the NOW Inc. Long-Term Incentive Plan. The Board approved the grant of 11,310 shares of restricted stock awards on May 25, 2022 to each non-employee director under the NOW Inc. Long-Term Incentive Plan with the exception of Mr. Alario who was awarded 17,531 shares of restricted stock awards. The restricted stock award shares vest in full on the first anniversary of the date of the grant.

2022 Fees Assessment

In November 2022, the Compensation Committee conducted its annual review with NFPCC who noted that the current annual compensation program for the non-employee directors was between the market 25th and 50th percentile. NFPCC provided several recommendations to adjust the compensation to align with the market median. After review, the Compensation Committee decided to institute the following changes for 2023:

1. Remove individual Board and committee meeting fees which were previously set at $2,000 per meeting.*

2. Increase quarterly fees as follows:

    a. For service on the Board of Directors – an annual retainer of $90,000 (up from $70,000), paid quarterly;

    b. For service as chairperson of the audit committee of the Board of Directors – an annual retainer of $30,000 (up from $20,000), paid quarterly;

    c. For service as chairperson of the compensation committee of the Board of Directors – an annual retainer of $20,000 (up from $15,000), paid quarterly;

    d. For service as chairperson of the environmental, social, governance, and nominating committee of the Board of Directors – an annual retainer of $20,000 (up from $15,000), paid quarterly;

e. For service as a member of the audit committee of the Board of Directors – an annual retainer of $17,500 (up from $7,500), paid quarterly;

f. For service as a member of the compensation committee of the Board of Directors – an annual retainer of $7,500 (up from $5,000), paid quarterly; and

g. For service as a member of the environmental, social, governance, and nominating committee of the Board of Directors – an annual retainer of $7,500 (up from 5,000), paid quarterly.

Compensation	2022	2023 Adjustment
Meeting Fees	$2,000 per meeting	$0*
Board Retainer	$17,500 quarterly	$22,500 quarterly
Audit Chair Retainer	$5,000 quarterly	$7,500 quarterly
Audit Member Retainer	$1,875 quarterly	$4,375 quarterly
Comp & ESGN Chair Retainer	$3,750 quarterly	$5,000 quarterly
Comp & NCG Member	$1,250 quarterly	$1,875 quarterly

* If the number of annual board meetings (not including committee meetings) exceeds more than eight (8) total, a meeting fee of $2,000 per meeting (for each non-employee director) will take effect. For reference, there were six (6) total board meetings in both 2022 and 2021, respectively.

Stock Ownership Guidelines

Under the Company’s stock ownership guidelines implemented in February 2020, each non-employee director must own Company stock equal to five times the directors’ annual cash retainer. The Company’s non-employee directors must attain the applicable stock ownership level within five years after first becoming subject to the guidelines. For a discussion of the types of shares that count towards the ownership guidelines, please read “Compensation Discussion and Analysis - Stock Ownership Guidelines for Executives.”

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

The rules of the SEC require that the Company disclose late filings of reports of stock ownership (and changes in stock ownership) by its directors, executive officers, and beneficial owners of more than ten percent of the Company's stock. The Company has undertaken responsibility for preparing and filing the stock ownership forms required under Section 16(a) of the Securities and Exchange Act of 1934, as amended, on behalf of its officers and directors. Based upon a review of forms filed and information provided by the Company's officers and directors, we believe that all Section 16(a) reporting requirements were met during 2022.

STOCKHOLDER PROPOSALS FOR THE 2024 ANNUAL MEETING

If you wish to submit a proposal to be included in our 2024 Proxy Statement, we must receive it on or before December 8, 2023. In order for stockholders to give timely notice of nominations for directors for inclusion on a universal proxy card in connection with the 2024 Annual Meeting, notice must be submitted by the same deadline as disclosed above under the advance notice provisions of our Bylaws and must include the information in the notice required by our Bylaws and by Rule 14a-19(b)(2) and Rule 14a-19(b)(3) under the Exchange Act. Please address your proposal to: **Raymond Chang, Vice President, General Counsel and Secretary, NOW Inc., 7402 N. Eldridge Parkway, Houston, TX 77041**.

If you wish to otherwise introduce any item of business for consideration at our 2024 annual meeting, you must comply with the procedures specified in our bylaws and the rules of the SEC, including giving written notice of such item of business no later than January 7, 2024 nor earlier than December 8, 2023 to: **Raymond Chang, Vice President, General Counsel and Secretary, NOW Inc., 7402 N. Eldridge Parkway, Houston, TX 77041**.

ANNUAL REPORT AND OTHER MATTERS

At the date this Proxy Statement went to press, we did not know of any other matters to be acted upon at the meeting other than the election of directors, ratification of the appointment of independent auditors, and approval on an advisory basis of the compensation of our named executive officers, as discussed in this Proxy Statement. If any other matter is presented, proxy holders will vote on the matter in accordance with their best judgment.

NOW Inc.'s 2022 Annual Report on Form 10-K filed on February 16, 2023 is included in this mailing, but is not considered part of the proxy solicitation materials.

By order of the Board of Directors,

Raymond Chang
Vice President, General Counsel and Secretary

Houston, Texas
April 6, 2023

Appendix A

Annual Report to Stockholders

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

FORM 10-K

(Mark one)

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

FOR THE YEAR ENDED DECEMBER 31, 2022
OR

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

Commission file number 001-36325

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

Delaware	**46-4191184**
(State of Incorporation)	**(IRS 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

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15 (d) of the Act. Yes ☐ No ☒

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 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, a 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of common stock held by non-affiliates of the registrant as of June 30, 2022 was $1.0 billion. As of February 9, 2023, there were 110,326,665 shares of the Company's common stock (excluding 1,426,028 unvested restricted shares) outstanding.

Documents Incorporated by Reference

Portions of the Proxy Statement in connection with the 2023 Annual Meeting of Stockholders are incorporated in Part III of this report.

FORM 10-K

Note About Forward-Looking Statements

This report includes estimates, projections, statements relating to our business plans, objectives and expected operating results that are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may appear throughout this report, including the following sections: "Business," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." These forward-looking statements generally are identified by the words "may," "believe," "anticipate," "expect," "plan," "predict," "estimate," "will be" or other similar words and phrases. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties that may cause actual results to differ materially. We describe risks and uncertainties that could cause actual results and events to differ materially in "Risk Factors" (Part I, Item 1A of this Form 10-K), "Management's Discussion and Analysis of Financial Condition and Results of Operations" (Part II, Item 7) and "Quantitative and Qualitative Disclosures about Market Risk" (Part II, Item 7A). We undertake no obligation to update or revise publicly any forward-looking statements, whether because of new information, future events or otherwise, except to the extent required by applicable law.

PART I

ITEM 1. BUSINESS

Overview

NOW Inc. ("NOW" or the "Company"), headquartered in Houston, Texas, was incorporated in Delaware on November 22, 2013. On June 2, 2014, NOW stock began regular trading on the New York Stock Exchange under the ticker symbol "DNOW". 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 DistributionNOW and DNOW brands. Through a network of approximately 170 locations and approximately 2,425 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 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 energy product offering is consumed throughout all sectors of the energy industry – from upstream drilling and completion, exploration and production ("E&P"), midstream infrastructure development to downstream petroleum refining and petrochemicals – as well as in other industries, such as chemical processing, mining, utilities and the evolving energy transition markets inclusive of greenhouse gas emissions capture, reduction and storage, renewable natural gas ("RNG"), wind, solar, and production of hydrogen as a fuel to power equipment. 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 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.

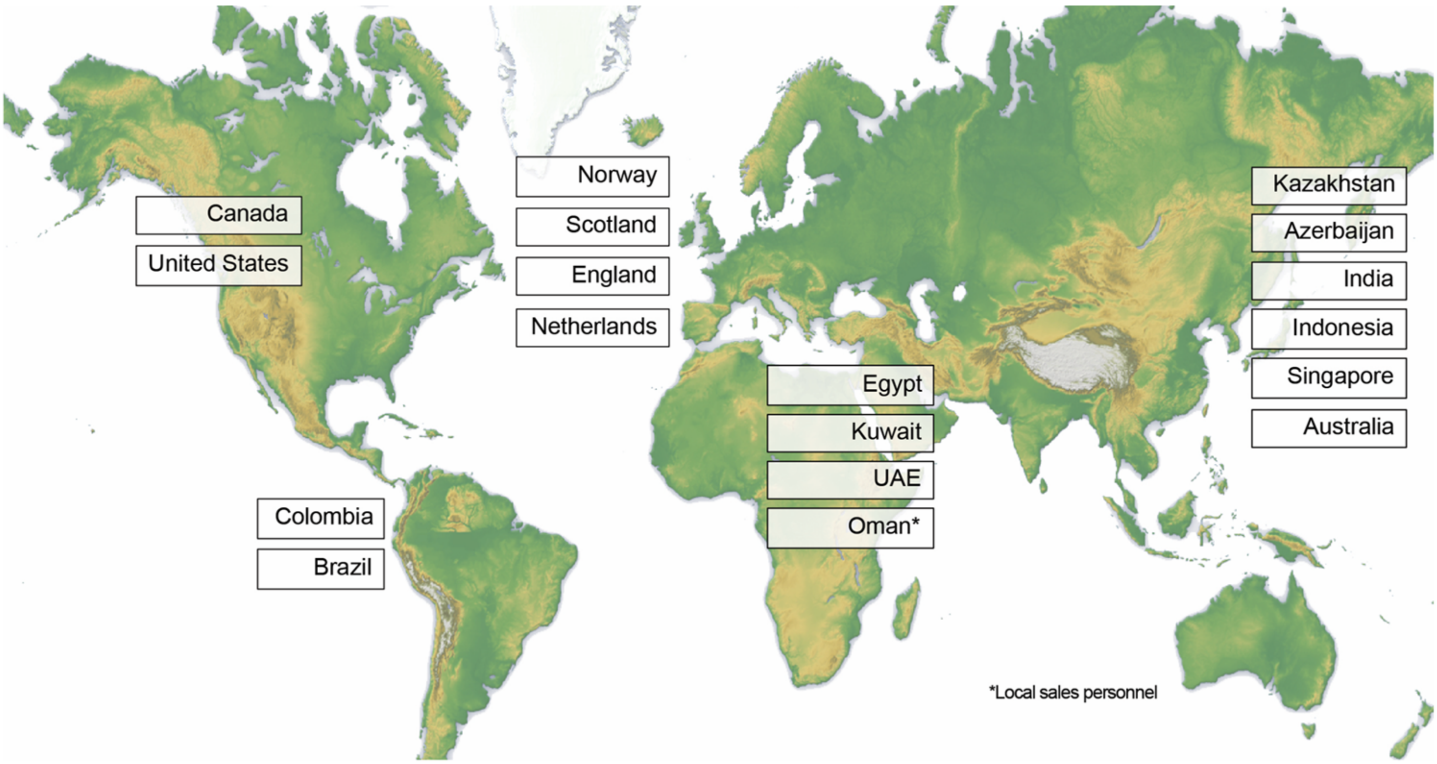
Our solutions include outsourcing portions or entire functions of our customers' procurement, warehouse and inventory management, logistics, point of issue technology, project management, business process and performance metrics reporting. These solutions allow us to leverage the infrastructure of our 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 in approximately 20 countries, 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.

Global Operations



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 globally, through acquisitions and organic investments, in Australia, Azerbaijan, Brazil, Canada, Colombia, Egypt, England, India, Indonesia, Kazakhstan, Kuwait, Netherlands, Norway, Oman, Scotland, Singapore, the United Arab Emirates ("UAE") and the United States.

Summary of Reportable Segments

We operate through three reportable segments: United States ("U.S."), Canada and International. The segment data included in our Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") are presented on a basis consistent with our internal management reporting. Segment information appearing in Note 16 "Business Segments" of the Notes to Consolidated Financial Statements (Part IV, Item 15 of this Form 10-K) 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 and downstream 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, predominately 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 operate in approximately 15 countries and serve the needs of our international customers from approximately 20 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 significant 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.

Distribution Industry Overview

The distribution industry is highly fragmented, comprised of large companies with global reach and numerous small, local and regional competitors. Distribution companies act both as supply stores and supply chain management providers for their customers. Distributors deliver value to their customers by serving as a supply chain partner by managing vendor networks and aggregating, carrying and distributing a wide range of product inventory from numerous vendors in locations close to the end user. As a distributor of energy and industrial markets, we offer a wide array of products and supply chain services.

We offer our products, services and supply chain solutions across the entire energy value chain, from onshore and offshore drilling of oil and gas, to the exploration and production of oil and gas, the separation, transfer, and disposal of produced water, to the midstream gathering, processing and transmission of oil, gas, water, natural gas liquids ("NGLs"), LNG, and refined petroleum products, to the downstream refining of oil, and the manufacturing of petrochemicals and specialty chemicals. In addition, we provide our products, services and supply chain solutions to other end markets including mining and minerals, municipal water and wastewater and industrial manufacturing.

We provide drilling products, MRO consumables, safety and original equipment manufacturer ("OEM") equipment for land drilling rigs, workover rigs and initial offshore drilling rig load outs. Once rigs are contracted, commissioned and deployed, we seek to replace material and inventory consumed during drilling operations. We couple the sale of products with supply chain services in the form of inventory planning, inventory management and warehouse management. We provide a full suite of process and production equipment, pumps and compressor packages, artificial lift, steel, fiberglass and composite pipe, valves and fittings ("PVF"), instrumentation and measurement, and safety and personal protective equipment ("PPE") in the exploration, production, separation, storage and gathering of oil and gas, as well as the separation, removal, storage and transfer of produced water.

To minimize air emissions, we provide vapor recovery systems to capture and transfer gas and volatile organic compounds during the separation and storage of oil, gas and water from operating reservoirs. For produced water, we provide fluid movement products that help our customers environmentally dispose of water. For oil streams, we provide products that measure the quality and quantity of oil and gas through the separation process and prior to distribution to the midstream sector. We offer a variety of fluid movement solutions ranging from standard to engineered pump packages and a wide variety of American Society of Mechanical Engineers (“ASME”) fabricated process and production equipment to remove water and contaminants prior to the midstream transfer of oil, NGLs and other refined products within the midstream sector. For gas processing and gas conditioning, we offer a full suite of PVF and ASME coded fabricated process equipment to efficiently and economically process and condition gas for transfer to end markets. Many of the terminals and tank farms used in the midstream space to facilitate the storage and distribution of oil, gas, NGLs, LNG, and other hydrocarbon-based fluids utilize our products. Across many of the process industries where we provide valves, we offer low emission stem packing options to help reduce emissions. We provide PVF, pumps, safety, PPE, supply chain and safety services to the refining, petrochemical, chemical and industrial industries. Our products are consumed from industrial customer’s daily MRO expenditures, customer capital projects in the form of existing plant expansions, new plant facilities, as well as planned and unplanned maintenance of processing units.

Our Distribution Channels

We offer a diverse range of products across the energy and industrial markets in the U.S., Canada and internationally. There are thousands of manufacturers of the products used in the markets in which we operate and customers demand a high level of service, responsiveness and availability across a broad set of products and vendors. These market dynamics make the distributor an essential element in the value chain for our customers. Our product offering is aligned to meet the needs of our customer base.

Energy

Energy branches are brick and mortar supply store operations that provide products to multiple upstream, midstream and downstream customers from a single location. These branches serve repeat account and walk-in retail customers. Products are inventoried in branch warehouses based on local market needs and are delivered or available for pick-up as needed. These branches serve a geographical radius and provide delivery of products and solutions. A number of locations that service these same customers provide a complementary and expanded set of supply chain services in conjunction with the sale of products.

The distribution channel includes sales and operations professionals trained in the products, applications and customer service required to support customers as they drill, explore, produce, transport and refine oil and gas and other products. The primary product offering includes line pipe, valves, fabrication, valve actuation, fittings and flanges, pumps, OEM equipment, electrical products, mill supplies, tools, safety supplies, PPE, applied products and applications, such as artificial lift systems, coatings and miscellaneous expendable items. We couple the sale of products with supply chain services in the form of inventory planning, inventory management and warehouse management. Supply chain services can be customized to a customer’s requirements and guided by a strategic framework to reduce direct material expenditures and supply chain costs, improve maintenance productivity, reduce inventory-related working capital, streamline time to revenue and manage the risk of material availability affecting business continuity.

Process Solutions

Process Solutions has a team of distribution experts, technical professionals and licensed engineers who provide expertise related to pumps, compressors and fluid movement packages, fabricated liquid and gas measurement systems and process and production equipment. Process Solutions distributes OEM equipment including pumps, generator sets, air and gas compressors, dryers, blowers, mixers and valves. Within our process and production equipment category, we produce customer lease automatic custody transfer (“LACT”) units, vapor recovery units to reduce emissions and routine flaring from storage tanks and renewable natural gas ("RNG") facilities, gas meter runs, ASME code vessels in the form of separators, heater treaters, gas conditioning systems, towers, reactors, condensate stabilizers, slug catchers and pressurized bullet tanks, pig launchers and receivers and water transfer and disposal units. After-market services include rental, machining and repair service from a team of field mechanics located throughout the central U.S.

Process Solutions serves the upstream, midstream and downstream oil and gas markets as well as the municipal industrial, mining, power generation and general industries. Process Solutions also provides modular oil and gas tank battery solutions that positively impact our operator customers by enabling them to design a modular tank battery that enables flexibility and scalability for current and future production, while expediting revenue generation by reducing the time to complete a tank battery and getting oil and gas into the pipeline earlier. This solution saves our customers time and expense related to well hookup and tank battery commissioning and reduces field incident exposures due to a reduced labor requirement for battery construction. Our vapor recovery systems provide an environmental, social, and governance ("ESG") benefit by enabling customers to retain and sell residual flash gas commonly found in storage tanks resulting in a decrease in greenhouse gas emissions.

Customers

Our primary customers are companies active in the upstream, midstream and downstream sectors of the energy industry, including drilling contractors, well servicing companies, independent and national oil and gas companies, midstream operators, refineries, petrochemical, chemical, utilities, RNG facilities and other downstream energy processors. We also serve a diverse range of industrial and manufacturing companies across a broad spectrum of industries and end markets. We partner with our customers to continually meet or exceed their expectations and add value as a supply chain partner in the locations where they operate. Our products are typically critical to our customers' operations, yet represent only a small fraction of their total project or facility cost. As a result, our customers seek suppliers with established qualifications and an operational history to deliver high quality and reliable products that meet their requirements in a timely manner.

As customers increasingly aggregate purchases to improve efficiency and reduce costs, they partner with large distributors who can meet their needs for products in multiple locations around the world. Customers can procure products through our direct branch model or through our ecommerce site, *https://shop.dnow.com*. We believe we could benefit from consolidation among our customers, as the resulting companies seek global distributors as their source for products and related solutions.

No single customer represents more than 10% of our revenue.

Competition

The distribution companies serving the energy and industrial end markets are both numerous and competitive. This industry is highly fragmented, comprised of large distributors, each with many locations and with online ecommerce sites, who aggregate and distribute several product lines, and includes numerous smaller regional and local companies, many of which operate from a single location and either aggregate and distribute several product lines or focus on a single product line. While some large distributors compete in both markets, most companies focus on either the energy or industrial end market. In the energy market, some of the larger companies against whom we compete include Ferguson Enterprises, Inc., MRC Global, Inc., Russel Metals, Inc., DXP Enterprises, Inc. and FloWorks International LLC. In the industrial market, some of the larger companies against whom we compete include Ferguson Enterprises, Inc., W.W. Grainger Inc., HD Supply, Inc., Wesco International Inc., MSC Industrial Direct Co., Inc., Applied Industrial Technologies, Inc., DXP Enterprises, Inc. and Fastenal Company.

Seasonal Nature of the Company's Business

A portion of our business has experienced seasonal trends, to some degree, which have varied by geographic region. In the U.S., activity has historically been higher during the summer and fall months. In Canada, certain E&P activities have declined in the spring due to seasonal thaws and regulatory restrictions limiting the ability of drilling rigs and transportation to operate effectively and safely during these periods.

Human Capital Resources

At December 31, 2022, we had approximately 2,425 employees, of which approximately 100 were temporary employees. We offer market-competitive benefits for employees and opportunities for growth and advancement. We place a strong emphasis on employee growth and development and provide opportunities for valued contribution and innovation. Our ethos determines how we act and interact, what we value, what we tolerate, how we treat one another, our customers and communities and the drive to continue to surpass expectations.

Training and Development Programs

The acquired skills, knowledge and capabilities of our people are central to our success. To maintain and acquire talented employees in the marketplace, we invest in employee development programs that incorporate training courses and programs, including a growing online learning platform, which provides our employees an opportunity for professional development.

We recognize that the advancement and empowerment of our workforce drives a better quality of work and life for our employees, ultimately resulting in the delivery of exceptional service to our customers. As such, we have designed a wide range of professional and leadership development programs focused on helping our employees reach their career goals.

Recognizing Employees

Recognition of individual achievements and contributions is an important part of our culture. Our Customer Priority One program encourages customers, peers and leaders to recognize our employees, customers or vendors who exemplify the Company's commitment to customer service to cultivate a culture of inspiring one another to be their best. We also award Milestone Service Awards to employees for their years of service and dedication of time to our Company, which recognize employees at each five-year service anniversary.

Workforce Diversity and Inclusion

We are committed to advancing an inclusive environment where diversity is appreciated and encouraged, and all employees have a sense of belonging throughout our organization. We recognize the opportunity to drive diversity in our workforce through talent acquisition and retention because we know that one of our greatest strengths is the diverse and different perspectives of our team members. We recognize that having a team with a broad range of experience, cultural characteristics and varying perspectives fortifies our brand. We believe in advocating for diversity within our workforce by employing women and men of varying cultures, nationalities and backgrounds to work together to achieve a common goal.

To find the best employees, we must have a diverse pipeline of talent. We have expanded recruiting efforts with diverse organizations so we can reach a broader pool of candidates. We create a culture where all employees can strive to be their best, to achieve company goals and to deliver superior service to our customers. As of December 31, 2022, our U.S. workforce was comprised of approximately 27% female and 31% racial minorities.

We recognize that we are an integral part of the communities in which we operate. By directly engaging people in the communities we serve, we create a transparent dialogue to try to listen and learn from alternative views in how we conduct our business. The strengthening of minority- and women-owned businesses contributes to the overall economic growth and the expansion of our markets.

Workforce Health and Safety

Safety is at the center of our actions. Simply put, we act with high priority on health and safety in our workplace and in the communities where we operate. Our safety culture is driven by our recently expanded health, safety and environment (“HSE”) training catalog and through our HSE management system beginning with our HSE Policy Statement, which sets the tone for our company’s commitment to safety. A one-page, top-level document, expressly approved by our senior management team, the HSE Policy Statement outlines our expectations for all employees, vendors, customers, contractors, subcontractors and third parties. This HSE Policy Statement, combined with our HSE guiding principles, corporate policies and procedures and our business level HSE policies and procedures, makes up our management system, which is overseen both with corporate supervision and field level management to ensure emphasis is consistent on proper and safe behaviors.

Sustainability

We can assist in reducing emissions of greenhouse gases in our operations by creating a more efficient supply chain. An efficient supply chain can help reduce the carbon footprint of deliveries to our distribution centers and branches and, ultimately to our customers. Use of our large centralized and regional distribution centers allow us to aggregate product across multiple suppliers and customers, which, in turn, prevents each customer from separately creating duplicative supply chains that require fuel for deliveries and resources to manage. Many of the products we distribute are used by our customers to aid their efforts to reduce their greenhouse gas emissions. We continually seek opportunities to expand our portfolio of products we offer to customers to aid in reducing their scope 1 emissions. With one of our acquisitions in December 2022, we can offer our customers an expanding suite of emissions reduction technology that reduces the venting and flaring of greenhouse gas, targeting the oil and gas and the growing RNG markets.

As a distributor, we perform minimal manufacturing operations. We do not utilize large amounts of water. Our energy inputs are primarily electricity for lighting, heating and office and warehouse equipment, natural gas for heating and gasoline for company sales and delivery vehicles. We strive to make our operations more efficient, and in turn try to work to reduce use of these resources and resulting emissions. We have recycling programs to try and reduce waste from used cardboard, office paper and other recyclables. However, recycling programs are sometimes limited by the unavailability of users, haulers or purchasers for recyclable materials at reasonable costs.

We are a distributor of products that contain and control the movement of gases and fluids in an efficient and sustainable manner. The products we sell are designed by the manufacturers of those products to prevent and minimize accidental leaks of hydrocarbons. Additionally, we offer product lines that further aid in the mitigation of environmental impact. Examples of such products include: domestically produced goods; low emission rated valves; steel piping products produced from recycled scrap; glass reinforced epoxy piping systems; vapor recovery units that capture volatile organic compounds in an effort to limit and reduce emissions to the atmosphere; produced water transfer and water injection packages that dispose of produced water in an environmentally safe manner; and pipe produced using wind power, recycled water, and wood pellet inputs.

Environmental Matters

We are subject to a variety of federal, state, local, foreign and provincial environmental, health and safety laws, regulations and permitting requirements, including those governing the discharge of pollutants or hazardous substances into the air, soil or water, the generation, handling, use, management, storage and disposal of, or exposure to, hazardous substances and wastes, the responsibility to investigate, remediate, monitor and clean up contamination and occupational health and safety. Fines and penalties may be imposed for non-compliance with applicable environmental, health and safety requirements and the failure to have or to comply with the terms and conditions of required permits. Historically, the costs to comply with environmental and health and safety requirements have not been material to our financial position, results of operations or cash flows. We are not aware of any pending environmental compliance or remediation matters that, in the opinion of management, are reasonably likely to have a material effect on our business, financial position or results of operations or cash flows.

Available Information

Our website address is _www.dnow.com_. The information found on our website is not part of this or any other report we file with, or furnish to, the SEC and is expressly not incorporated by reference into this document. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements and any amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available on our website, free of charge, as soon as reasonably practicable after such reports are filed with, or furnished to, the SEC. Alternatively, you may access these reports at the SEC's website at _www.sec.gov_.

ITEM 1A. RISK FACTORS

You should carefully consider each of the following risks in addition to all other information contained or incorporated herein. These risks relate principally to our business and the industry in which we operate or to the securities markets generally and ownership of our common stock. Our business, prospects, financial condition, results of operations or cash flows could be materially and adversely affected by any of these risks, and, as a result, the trading price of our common stock could decline. This information should be read in conjunction with Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, Item 7A, Quantitative and Qualitative Disclosures about Market Risk and the consolidated financial statements and related notes included in this Form 10-K.

Risks Relating to Our Business

Decreased capital and other expenditures in the energy industry, which can result from decreased oil and natural gas prices, among other things, can adversely impact our customers' demand for our products and our revenue.

A large portion of our revenue depends upon the level of capital and operating expenditures in the oil and natural gas industry, including capital and other expenditures in connection with exploration, drilling, production, gathering, transportation, refining and processing operations. Demand for the products we distribute is particularly sensitive to the level of exploration, development and production activity of, and the corresponding capital and other expenditures by, oil and natural gas companies. In addition, after a well is drilled, there can be a lag between when the well is drilled and when it is completed, which causes a delay in the demand for some of our products. Oil and natural gas prices have been extremely volatile since 2014. Continued volatility and weakness in oil or natural gas prices could depress levels of exploration, development and production activity and, therefore, could lead to a decrease in our customers' capital and other expenditures.

The willingness of oil and gas operators to make capital and operating expenditures to explore for and produce oil and natural gas and the willingness of oilfield service companies to invest in capital and operating equipment will continue to be influenced by numerous factors over which we have no control, including:

- the ability of the members of the Organization of Petroleum Exporting Countries ("OPEC") and certain non-OPEC countries, to maintain price stability through voluntary production limits, the level of production by other non-OPEC countries, such as the United States, and worldwide demand for oil and gas;
- the level of production from known reserves;
- the cost of exploring for and producing oil and gas;
- limits on access to capital and investor demands for capital discipline;
- the level of drilling activity and drilling rig day rates;
- worldwide economic activity;
- national government political requirements;
- changes in governmental regulations;
- the impact of public health crises, such as the COVID-19 pandemic including any new virus strains that result in the return of lockdowns or other government restrictions, on worldwide demand for oil and gas;
- the development of alternate energy sources; and
- environmental regulations.

If there is a significant reduction in demand for drilling services, in cash flows of drilling contractors, well servicing companies or production companies, or in drilling or well servicing rig utilization rates, then demand for our products will decline.

Volatile oil and gas prices affect demand for our products.

Demand for our products is largely determined by current and anticipated oil and natural gas prices, and the related spending and level of activity by our customers, including spending on production and the level of drilling activities. Volatility or weakness in oil or natural gas prices (or the perception that oil or natural gas prices will decrease) affects the spending pattern of our customers, and may result in the drilling of fewer new wells or lower production spending on existing wells. This, in turn, could result in lower demand for our products. Any sustained decrease in capital expenditures in the oil and natural gas industry could have a material adverse effect on us.

Prices for oil and natural gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty and a variety of other factors that are beyond our control. Any such reduction in operating budgets, reduction in activity and/or pricing pressures, would adversely affect our revenue and operating performance.

Many factors affect the supply of and demand for energy and, therefore, influence oil and natural gas prices, including:

- the level of domestic and worldwide oil and natural gas production and inventories;
- the level of drilling activity and the availability of attractive oil and natural gas field prospects, which governmental actions may affect, such as regulatory actions or legislation, or other restrictions on drilling, including those related to environmental concerns (e.g., a temporary moratorium on deepwater drilling in the Gulf of Mexico following a rig accident or oil spill);
- the discovery rate of new oil and natural gas reserves and the expected cost of developing new reserves;
- the actual cost of finding and producing oil and natural gas;
- depletion rates;
- domestic and worldwide refinery over capacity or under capacity and utilization rates;
- the availability of transportation infrastructure and refining capacity;
- increases in the cost of products that the oil and gas industry uses, such as those that we provide, which may result from increases in the cost of raw materials such as steel;
- shifts in end-customer preferences toward fuel efficiency and the use of natural gas;
- the economic or political attractiveness of alternative fuels, such as coal, hydrocarbon, battery power, wind, solar energy and biomass-based fuels;
- increases in oil and natural gas prices or historically high oil and natural gas prices, which could lower demand for oil and natural gas products;
- worldwide economic activity including growth in non-Organization for Economic Co-operation and Development countries, including China and India;
- increased interest rates and the cost of capital;
- national government policies, including government policies that could nationalize or expropriate oil and natural gas, E&P, refining or transportation assets;
- the ability of OPEC and non-OPEC countries to set and maintain production levels and prices for oil;
- the level of production by non-OPEC countries;
- the impact of armed hostilities, or the threat or perception of armed hostilities, including the conflict in Ukraine;
- public health crises, such as the COVID-19 pandemic that began in 2020 and emergence of any new virus strains that result in the return of lockdowns or other government restrictions;
- environmental regulation;
- import duties and tariffs;
- technological advances;
- global weather conditions and natural disasters;
- currency fluctuations; and
- tax policies.

Oil and natural gas prices have been and are expected to remain volatile. U.S. rig count increased from 588 rigs on January 7, 2022 to 779 rigs on December 30, 2022. U.S. rig count averaged 721 rigs in 2022. U.S. rig count at January 20, 2023 was 771 rigs. The price for West Texas Intermediate crude was $76.87 per barrel at January 3, 2023, $75.99 per barrel on January 3, 2022 and $47.47 per barrel on January 4, 2021. This type of volatility has historically caused oil and natural gas companies to change their strategies and expenditure levels from year to year. We have experienced in the past, and we will likely experience in the future, significant fluctuations in operating results based on these changes.

General economic and geopolitical conditions may adversely affect our business.

U.S. and global general economic conditions affect many aspects of our business, including demand for the products we distribute and the pricing and availability of supplies. General economic conditions and predictions regarding future economic conditions also affect our forecasts. A decrease in demand for the products we distribute or other adverse effects resulting from an economic downturn may cause us to fail to achieve our anticipated financial results. General economic factors beyond our control that affect our business and customers include public health crises, interest rates, recession, inflation, deflation, customer credit availability, consumer credit availability, consumer debt levels, performance of housing markets, energy costs, tariffs, tax rates and policy, unemployment rates, commencement or escalation of war or hostilities, the threat or possibility of war, terrorism or other global or national unrest, political or financial instability, and other matters that influence our customers' spending. Increasing volatility in financial markets may cause these factors to change with a greater degree of frequency or increase in magnitude. In addition, worldwide economic conditions could have an adverse effect on our business, prospects, operating results, financial condition and cash flows.

We are currently operating in a period of economic uncertainty and capital markets disruption, which has been significantly impacted by geopolitical instability due to the ongoing military conflict between Russia and Ukraine. Our business may be materially adversely affected by any negative impact on the global economy and capital markets resulting from the conflict in Ukraine or any other geopolitical tensions. The extent and duration of the military action, sanctions, trade controls and resulting market disruptions are impossible to predict, but could be substantial.

We may be unable to compete successfully with other companies in our industry.

We sell products in very competitive markets. In some cases, we compete with large companies with substantial resources. In other cases, we compete with smaller regional companies that may increasingly be willing to provide similar products at lower prices. Certain of these competitors may have greater financial, technical and marketing resources than us, and may be in a better competitive position. The following competitive actions can each adversely affect our revenues and earnings:

- price changes;
- vendors with better terms;
- consolidation in the industry;
- investments in technology and fulfillment; and
- improvements in availability and delivery.

We could experience a material adverse effect to the extent that our competitors are successful in reducing our customers' purchases of products from us. Competition could also cause us to lower our prices, which could reduce our margins and profitability. Furthermore, consolidation in our industry could heighten the impacts of the competition on our business and results of operations discussed above, particularly if consolidation results in competitors with stronger financial and strategic resources, and could also result in increases to the prices we are required to pay for acquisitions we may make in the future. In addition, certain foreign jurisdictions and government-owned petroleum companies located in some of the countries in which we operate have adopted policies or regulations which may give local nationals in these countries competitive advantages. Competition in our industry could lead to lower revenues and earnings.

Demand for the products we distribute could decrease if the manufacturers of those products were to sell a substantial amount of goods directly to end users in the sectors we serve.

Historically, users of pipes, valves and fittings and related products have purchased certain amounts of these products through distributors and not directly from manufacturers. If customers were to purchase the products that we sell directly from manufacturers, or if manufacturers sought to increase their efforts to sell directly to end users, we could experience a significant decrease in profitability. These or other developments that remove us from, or limit our role in, the distribution chain, may harm our competitive position in the marketplace and reduce our sales and earnings and adversely affect our business.

We may need additional capital in the future, and it may not be available on acceptable terms, or at all.

We may require more capital in the future to:

- fund our operations (including, but not limited to, working capital requirements such as inventory);
- finance investments in equipment and infrastructure needed to maintain and expand our distribution capabilities;

- enhance and expand the range of products we offer; and
- respond to potential strategic opportunities, such as investments, acquisitions and international expansion.

We can give no assurance that additional financing will be available on terms favorable to us, or at all. The terms of available financing may place limits on our financial and operating flexibility. If adequate funds are not available on acceptable terms, we may be forced to reduce our operations or delay, limit or abandon expansion opportunities. Moreover, even if we are able to continue our operations, the failure to obtain additional financing could reduce our competitiveness.

We do not have long-term contracts or agreements with many of our customers. The contracts and agreements that we do have generally do not commit our customers to any minimum purchase volume. The loss of a significant customer may have a material adverse effect on us.

Given the nature of our business, and consistent with industry practice, we do not have long-term contracts with many of our customers. In addition, our contracts generally do not commit our customers to any minimum purchase volume. Therefore, a significant number of our customers may terminate their relationships with us or reduce their purchasing volume at any time. Furthermore, the long-term customer contracts that we do have are generally terminable without cause on short notice. The products that we may sell to any particular customer depend in large part on the size of that customer's capital expenditure budget in a particular year and on the results of competitive bids for major projects. Consequently, a customer that accounts for a significant portion of our sales in one fiscal year may represent an immaterial portion of our sales in subsequent fiscal years. The loss of a significant customer, or a substantial decrease in a significant customer's orders, may have an adverse effect on our sales and revenue.

In addition, we are subject to customer audit clauses in many of our multi-year contracts. If we are not able to provide the proper documentation or support for invoices per the contract terms, we may be subject to negotiated settlements with our major customers.

Changes in our customer and product mix could cause our product margin to fluctuate.

From time to time, we may experience changes in our customer mix or in our product mix. Changes in our customer mix may result from geographic expansion, daily selling activities within current geographic markets and targeted selling activities to new customer segments. Changes in our product mix may result from marketing activities to existing customers and needs communicated to us from existing and prospective customers. If customers begin to require more lower-margin products from us, our business, results of operations and financial condition may suffer.

Customer credit risks could result in losses.

The concentration of our customers in the energy industry may impact our overall exposure to credit risk as customers may be similarly affected by prolonged changes in economic and industry conditions. Further, laws in some jurisdictions in which we operate could make collection difficult or time consuming. We perform ongoing credit evaluations of our customers and do not generally require collateral in support of our trade receivables. While we maintain reserves for expected credit losses, we cannot assure these reserves will be sufficient to meet write-offs of uncollectible receivables or that our losses from such receivables will be consistent with our expectations.

We may be unable to successfully execute or effectively integrate acquisitions.

One of our key operating strategies is to selectively pursue acquisitions, including large scale acquisitions, to continue to grow and increase profitability. However, acquisitions, particularly of a significant scale, involve numerous risks and uncertainties, including intense competition for suitable acquisition targets, the potential unavailability of financial resources necessary to consummate acquisitions in the future, increased leverage due to additional debt financing that may be required to complete an acquisition, dilution of our stockholders' net current book value per share if we issue additional equity securities to finance an acquisition, difficulties in identifying suitable acquisition targets or in completing any transactions identified on sufficiently favorable terms, assumption of undisclosed or unknown liabilities and the need to obtain regulatory or other governmental approvals that may be necessary to complete acquisitions. In addition, any future acquisitions may entail significant transaction costs and risks associated with entry into new markets.

Even when acquisitions are completed, integration of acquired entities can involve significant difficulties, such as:

- failure to achieve cost savings or other financial or operating objectives with respect to an acquisition;
- complications and issues resulting from the integration/conversion of ERP systems;
- strain on the operational and managerial controls and procedures of our business, and the need to modify systems or to add management resources;

- difficulties in the integration and retention of customers or personnel and the integration and effective deployment of operations or technologies;
- amortization of acquired assets, which would reduce future reported earnings;
- possible adverse short-term effects on our cash flows or operating results;
- diversion of management's attention from the ongoing operations of our business;
- integrating personnel with different organizational cultures;
- coordinating sales and marketing functions;
- failure to obtain and retain key personnel of an acquired business; and
- assumption of known or unknown material liabilities or regulatory non-compliance issues.

Failure to manage these acquisition risks could have an adverse effect on us.

We are a holding company and depend upon our subsidiaries for our cash flow.

We are a holding company. Our subsidiaries conduct all of our operations and own substantially all of our assets. Consequently, our cash flow and our ability to meet our obligations or to make other distributions in the future will depend upon the cash flow of our subsidiaries and our subsidiaries' payment of funds to us in the form of dividends, tax sharing payments or otherwise.

The ability of our subsidiaries to make any payments to us will depend on their earnings, the terms of their current and future indebtedness, tax considerations and legal and contractual restrictions on the ability to make distributions.

Our subsidiaries are separate and distinct legal entities. Any right that we have to receive any assets of or distributions from any of our subsidiaries upon the bankruptcy, dissolution, liquidation or reorganization, or to realize proceeds from the sale of their assets, will be junior to the claims of that subsidiary's creditors, including trade creditors and holders of debt that the subsidiary issued.

If we lose any of our key personnel, we may be unable to effectively manage our business or continue our growth.

Our future performance depends to a significant degree upon the continued contributions of our management team and our ability to attract, hire, train and retain qualified managerial, sales and marketing personnel. In particular, we rely on our sales and marketing teams to create innovative ways to generate demand for the products we distribute. The loss or unavailability to us of any member of our management team or a key sales or marketing employee could have a material adverse effect on us to the extent we are unable to timely find adequate replacements. We face competition for these professionals from our competitors, our customers and other companies operating in our industry. We may be unsuccessful in attracting, hiring, training and retaining qualified personnel.

Interruptions in the proper functioning of our information systems could disrupt operations and cause increases in costs or decreases in revenues.

The proper functioning of our information systems is critical to the successful operation of our business. We depend on our information management systems to process orders, track credit risk, manage inventory and monitor accounts receivable collections. Our information systems also allow us to efficiently purchase products from our vendors and ship products to our customers on a timely basis, maintain cost-effective operations and provide superior service to our customers. However, our information systems could be vulnerable to natural disasters, power losses, telecommunication failures, security breaches and other problems. If critical information systems fail or are otherwise unavailable, our ability to procure products to sell, process and ship customer orders, identify business opportunities, maintain proper levels of inventories, collect accounts receivable and pay accounts payable and expenses could be adversely affected. Our ability to integrate our systems with our customers' systems would also be significantly affected. If our information systems are damaged or fail to function properly, we may incur substantial costs to repair or replace them, and may experience loss of critical data and interruptions or delays in our ability to manage inventories or process transactions, which could result in lost sales, inability to process purchase orders and/or a potential loss of customer loyalty, which could adversely affect our results of operations. We maintain information systems controls designed to protect against, among other things, unauthorized program changes and unauthorized access to data on our information systems. If our information systems controls do not function properly, we face increased risks of unexpected errors and unreliable financial data or theft of proprietary Company information.

The loss of third-party transportation providers upon whom we depend, or conditions negatively affecting the transportation industry, could increase our costs or cause a disruption in our operations.

We depend upon third-party transportation providers for delivery of products to our customers. Strikes, slowdowns, transportation disruptions or other conditions in the transportation industry, including, but not limited to, shortages of truck drivers, disruptions in rail service, increases in fuel prices and adverse weather conditions, could increase our costs and disrupt our operations and our ability to service our customers on a timely basis. We cannot predict to what extent increases or anticipated increases in fuel prices may impact our costs or cause a disruption in our operations going forward.

Adverse weather events or natural disasters could negatively affect local economies and disrupt operations.

Certain areas in which we operate are susceptible to adverse weather conditions or natural disasters, such as hurricanes, tornadoes, floods and earthquakes. These events can disrupt our operations, result in damage to our properties and negatively affect the local economies in which we operate. Additionally, we may experience communication disruptions with our customers, vendors and employees. These events can cause physical damage to our locations and require us to close locations. Additionally, our sales orders and shipments can experience a temporary decline immediately following these events.

We cannot predict whether or to what extent damage caused by these events will affect our operations or the economies in regions where we operate. These adverse events could result in disruption of our purchasing or distribution capabilities, interruption of our business that exceeds our insurance coverage, our inability to collect from customers and increased operating costs. Our business or results of operations may be adversely affected by these and other negative effects of these events.

The occurrence of cyber incidents, or a deficiency in our cybersecurity, could negatively impact our business by causing a disruption to our operations, a compromise or corruption of our confidential information or damage to our Company's image, all of which could negatively impact our financial results.

A cyber incident is any adverse event that threatens the confidentiality, integrity, or availability of our information resources. More specifically, a cyber incident is an intentional attack or an unintentional event that can include gaining unauthorized access to systems to disrupt operations, corrupt data or steal confidential information. As our reliance on technology has increased, so have the risks posed to our systems, both internal and those we have outsourced. Our four primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to our Company's image, financial loss and private data exposure.

We have implemented solutions, processes, and procedures to help mitigate this risk, but these measures, as well as our organization's increased awareness of our risk of a cyber incident, do not guarantee that our financial results will not be negatively impacted by such an incident. Our security measures may be undermined due to the actions of outside parties, employee error, internal or external malfeasance, or otherwise, and, as a result, an unauthorized party may obtain access to our data systems and misappropriate business and personal information. Our systems are subject to repeated attempts by third parties to access information or to disrupt our systems. Such disruptions or misappropriations and the resulting repercussions, including reputational damage and legal claims or proceedings, may adversely affect our results of operations, cash flows and financial condition, and the trading price of our common stock.

Privacy concerns relating to our personal and business information being potentially breached could damage our reputation and deter current and potential users or customers from using our products and services.

We have security measures and controls to protect personal and business information and continue to make investments to secure access to our information technology network. These measures may be undermined, however, due to the actions of outside parties, employee error, internal or external malfeasance, or otherwise, and, as a result an unauthorized party may obtain access to our data systems and misappropriate business and personal information. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may not immediately produce signs of intrusion, we may be unable to anticipate these techniques, timely discover or counter them, or implement adequate preventative measures. Any such breach or unauthorized access could result in significant legal and financial exposure, damage to our reputation, and potentially have an adverse effect on our business and results of operations.

We have goodwill recorded on our balance sheet. If our goodwill becomes impaired, we may be required to recognize charges that would reduce our income.

As of December 31, 2022, we had $116 million of goodwill recorded on our balance sheet. Under generally accepted accounting principles in the U.S., goodwill is not amortized, but must be reviewed for possible impairment annually, or more often in certain circumstances where events indicate that the asset values are not recoverable. These reviews could result in an earnings charge for impairment, which would reduce our net income even though there would be no impact on our underlying cash flow.

Over the last three years, the COVID-19 pandemic has adversely affected our business, and the emergence of any new virus strains that result in the return of broad-based lockdowns, vaccine mandates or other government interventions, could further adversely affect our operations and financial condition.

Over the last three years, the COVID-19 pandemic has adversely affected the global economy, disrupted global supply chains and created significant volatility in the financial markets. The emergence of any new virus strains that result in the return of broad-based lockdowns, vaccine mandates or other government interventions or restrictions, could further adversely affect the global economy, global supply chains, financial markets and our business. The extent to which the COVID-19 pandemic adversely affects our business, results of operations, and financial condition will depend on future developments, which are highly uncertain and cannot be predicted.

Risks Relating to Our Supply Chain and International Trade Policies

We may experience unexpected supply shortages.

We distribute products from a wide variety of manufacturers and suppliers. Nevertheless, in the future we may have difficulty obtaining the products we need from suppliers and manufacturers as a result of unexpected demand or production difficulties that might extend lead times. Also, products may not be available to us in quantities sufficient to meet our customer demand. Our inability to obtain products from suppliers and manufacturers in sufficient quantities, or at all, could adversely affect our product offerings and our business.

We may experience cost increases from suppliers, which we may be unable to pass on to our customers.

In the future, we may face supply cost increases due to, among other things, unexpected increases in demand for supplies, decreases in production of supplies or increases in the cost of raw materials or transportation, or trade wars. Any inability to pass supply price increases on to our customers could have a material adverse effect on us. In addition, if supply costs increase, our customers may elect to purchase smaller amounts of products or may purchase products from other distributors. While we may be able to work with our customers to reduce the effects of unforeseen price increases because of our relationships with them, we may not be able to reduce the effects of the cost increases. In addition, to the extent that competition leads to reduced purchases of products from us or a reduction of our prices, and these reductions occur concurrently with increases in the prices for selected commodities which we use in our operations, the adverse effects described above would likely be exacerbated and could result in a prolonged downturn in profitability.

We do not have contracts with most of our suppliers. The loss of a significant supplier would require us to rely more heavily on our other existing suppliers or to develop relationships with new suppliers. Such a loss may have an adverse effect on our product offerings and our business.

Given the nature of our business, and consistent with industry practice, we do not have contracts with most of our suppliers. We generally make our purchases through purchase orders. Therefore, most of our suppliers have the ability to terminate their relationships with us at any time. Although we believe there are numerous manufacturers with the capacity to supply the products we distribute, the loss of one or more of our major suppliers could have an adverse effect on our product offerings and our business. Such a loss would require us to rely more heavily on our other existing suppliers or develop relationships with new suppliers, which may cause us to pay higher prices for products due to, among other things, a loss of volume discount benefits currently obtained from our major suppliers.

Changes in our credit profile may affect our relationship with our suppliers, which could have a material adverse effect on our liquidity.

Changes in our credit profile may affect the way our suppliers view our ability to make payments and may induce them to shorten the payment terms of their invoices. Given the large dollar amounts and volume of our purchases from suppliers, a change in payment terms may have a material adverse effect on our liquidity and our ability to make payments to our suppliers and, consequently, may have a material adverse effect on us.

Price reductions by suppliers of products that we sell could cause the value of our inventory to decline. Also, these price reductions could cause our customers to demand lower sales prices for these products, possibly decreasing our margins and profitability on sales to the extent that we purchased our inventory of these products at the higher prices prior to supplier price reductions.

The value of our inventory could decline as a result of manufacturer price reductions with respect to products that we sell. There is no assurance that a substantial decline in product prices would not result in a write-down of our inventory value. Such a write-down could have an adverse effect on our financial condition. Also, decreases in the market prices of products that we sell could cause customers to demand lower sales prices from us. These price reductions could reduce our margins and profitability on sales with respect to the lower-priced products. Reductions in our margins and profitability on sales could have a material adverse effect on us.

A substantial decrease in the price of steel could significantly lower our product margin or cash flow.

We distribute many products manufactured from steel. As a result, the price and supply of steel can affect our business and, in particular, our pipe product category. When steel prices are lower, the prices that we charge customers for products may decline, which affects our product margin and cash flow. At times pricing and availability of steel can be volatile due to numerous factors beyond our control, including general domestic and international economic conditions, labor costs, sales levels, competition, consolidation of steel producers, fluctuations in and the costs of raw materials necessary to produce steel, steel manufacturers' plant utilization levels and capacities, import duties and tariffs and currency exchange rates. Increases in manufacturing capacity for steel-related products could put pressure on the prices we receive for such products. When steel prices decline, customer demands for lower prices and our competitors' responses to those demands could result in lower sales prices and, consequently, lower product margin and cash flow.

If steel prices rise, we may be unable to pass along the cost increases to our customers.

We maintain inventories of steel products to accommodate the lead time requirements of our customers. Accordingly, we purchase steel products in an effort to maintain our inventory at levels that we believe to be appropriate to satisfy the anticipated needs of our customers based upon historic buying practices, contracts with customers and market conditions. Our commitments to purchase steel products are generally at prevailing market prices in effect at the time we place our orders. If steel prices increase between the time we order steel products and the time of delivery of the products to us, our suppliers may impose surcharges that require us to pay for increases in steel prices during the period. Demand for the products we distribute, the actions of our competitors and other factors will influence whether we will be able to pass on steel cost increases and surcharges to our customers, and we may be unsuccessful in doing so.

If existing tariffs and duties on imports of line pipe or certain of the other products that we sell are lifted, the U.S. market could see an increased supply of less expensive products, which could adversely affect our business and results of operations.

U.S. law currently imposes tariffs and duties on imports of certain pipe and steel products that we sell. If these tariffs and duties are lifted or reduced, our U.S. customers may decide to purchase these less expensive imported products rather than the higher-cost products in our existing inventory, which could materially and adversely affect our business and results of operations. The increased supply of these less expensive imported products could also drive down prices on our domestic or other alternate products that compete with the imported products, which could adversely affect our margins, decrease the value of our inventory and result in a longer holding period for some of our inventory.

Changes in trade policies, including the imposition or elimination of additional tariffs and duties, could negatively impact our business, financial condition and results of operations.

The U.S. government has continued to impose Section 232 tariffs, Section 301 tariffs and various dumping duties on steel and aluminum and a broad range of other products imported into the U.S. Changes in tariffs and duties affect our material input costs. These tariffs and duties are subject to change. If these tariffs or duties were removed or adjusted down, it could drive down the costs of certain products and affect our inventory value which could affect our margin negatively. In addition, there could be additional trade actions or rate increases imposed by the U.S. and these could also result in additional retaliatory actions by the U.S.' trade partners. Given that we procure significant materials that we resell directly or indirectly from outside of the U.S., potential changes in U.S. trade policy could increase the cost or limit the availability of such raw materials, which could hurt our competitive position and adversely impact our business, financial condition and results of operations. In addition, we sell a significant proportion of our products to customers outside of the U.S. Retaliatory actions by other countries could result in increases in the price of our products, which could limit demand for such products, hurt our global competitive position and have a material adverse effect on our business, financial condition and results of operations. While tariffs and other retaliatory trade measures imposed by other countries on U.S. goods have not yet had a significant impact on our business or results of operations, we cannot predict further developments, and such existing or future tariffs could have a material adverse effect on our results of operations, financial position and cash flows.

Risks Relating to Legal and Regulatory Matters

We are subject to strict environmental, health and safety laws and regulations that may lead to significant liabilities and have a material adverse effect on our business, financial condition and results of operations.

We are subject to a variety of federal, state, local, foreign and provincial environmental, health and safety laws, regulations and permitting requirements, including those governing the discharge of pollutants or hazardous substances into the air, soil or water, the generation, handling, use, management, storage and disposal of, or exposure to, hazardous substances and wastes (including greenhouse gas ("GHG") emissions), the responsibility to investigate and clean up contamination and occupational health and safety. Regulations and courts may impose fines and penalties for non-compliance with applicable environmental, health and safety requirements and the failure to have or to comply with the terms and conditions of required permits. Our failure to comply with applicable environmental, health and safety requirements could result in fines, penalties, enforcement actions, third-party claims for property damage and personal injury, requirements to clean up property or to pay for the costs of cleanup or regulatory or judicial orders requiring corrective measures, including the installation of pollution control equipment or remedial actions. Certain laws and regulations, such as the Comprehensive Environmental Response, Compensation, and Liability Act (also known as "CERCLA" or the "U.S. federal Superfund law") or its state and foreign equivalents, may impose the obligation to investigate and remediate contamination at a facility on current and former owners or operators or on persons who may have sent waste to that facility for disposal. These laws and regulations may impose liability without regard to fault or to the legality of the activities giving rise to the contamination.

Moreover, we may incur liabilities in connection with environmental conditions currently unknown to us relating to our existing, prior or future owned or leased sites or operations or those of predecessor companies whose liabilities we may have assumed or acquired. We believe that indemnities contained in certain of our acquisition agreements may cover certain environmental conditions existing at the time of the acquisition, subject to certain terms, limitations and conditions. However, if these indemnification provisions terminate or if the indemnifying parties do not fulfill their indemnification obligations, we may be subject to liability with respect to the environmental matters that those indemnification provisions address. In addition, environmental, health and safety laws and regulations applicable to our business and the business of our customers, including laws regulating the energy industry, and the interpretation or enforcement of these laws and regulations, are constantly evolving. It is impossible to predict accurately the effect that changes in these laws and regulations, or their interpretation or enforcement, may have on us.

Existing or future laws, regulations, court orders or other public- or private-sector initiatives to limit greenhouse gas emissions or relating to climate change may reduce demand for our products and services.

Continuing political and social attention to the issue of climate change has resulted in both existing and proposed international agreements and national, regional, and local legislation and regulatory measures to limit GHG emissions. The implementation of these agreements, including the Paris Agreement, the Europe Climate Law, and other existing or future regulatory mandates, may adversely affect the demand for our products and services, impose taxes on us or our customers, require us or our customers to reduce GHG emissions from our technologies or operations, or accelerate the obsolescence of our products or services.

There is also increased focus by our customers, investors and other stakeholders on climate change, sustainability, and energy transition matters. Actions to address these concerns or negative perceptions of our industry or fossil fuel products and their relationship to the environment have led to initiatives to conserve energy and promote the use of alternative energy sources, which may reduce the demand for and production of oil and gas in areas of the world where our customers operate, and thus reduce future demand for our products and services.

We may not have adequate insurance for potential liabilities, including liabilities arising from litigation.

In the ordinary course of business, we have, and in the future may, become the subject of various claims, lawsuits and administrative proceedings seeking damages or other remedies concerning our commercial operations, the products we distribute, employees and other matters, including potential claims by individuals alleging exposure to hazardous materials as a result of the products we distribute or our operations. Some of these claims may relate to the activities of businesses that we have acquired, even though these activities may have occurred prior to our acquisition of the businesses. The products we distribute are sold primarily for use in the energy industry, which is subject to inherent risks that could result in death, personal injury, property damage, pollution, release of hazardous substances or loss of production. In addition, defects in the products we distribute could result in death, personal injury, property damage, pollution, release of hazardous substances or damage to equipment and facilities. Actual or claimed defects in the products we distribute may give rise to claims against us for losses and expose us to claims for damages.

We maintain insurance to cover certain of our potential losses, and we are subject to various self-retentions, deductibles and caps under our insurance. We face the following risks with respect to our insurance coverage:

- we may not be able to continue to obtain insurance on commercially reasonable terms;
- we may incur losses from interruption of our business that exceed our insurance coverage;

- we may be faced with types of liabilities that will not be covered by our insurance;
- our insurance carriers may not be able to meet their obligations under the policies; or
- the dollar amount of any liabilities may exceed our policy limits.

Even a partially uninsured claim, if successful and of significant size, could have a material adverse effect on us. Finally, even in cases where we maintain insurance coverage, our insurers may raise various objections and exceptions to coverage that could make uncertain the timing and amount of any possible insurance recovery.

Due to our position as a distributor, we are subject to personal injury, product liability and environmental claims involving allegedly defective products.

Our customers use certain products we distribute in potentially hazardous applications that can result in personal injury, product liability and environmental claims. A catastrophic occurrence at a location where end users use the products we distribute may result in us being named as a defendant in lawsuits asserting potentially large claims, even though we did not manufacture the products. Applicable law may render us liable for damages without regard to negligence or fault. In particular, certain environmental laws provide for joint and several and strict liability for remediation of spills and releases of hazardous substances. Certain of these risks are reduced by the fact that we are a distributor of products that third-party manufacturers produce, and, thus, in certain circumstances, we may have third-party warranty or other claims against the manufacturer of products alleged to have been defective. However, there is no assurance that these claims could fully protect us or that the manufacturer would be able financially to provide protection. There is no assurance that our insurance coverage will be adequate to cover the underlying claims. Our insurance does not provide coverage for all liabilities (including liability for certain events involving pollution or other environmental claims).

We face risks associated with conducting business in markets outside of the U.S. and Canada.

We currently conduct business in countries outside of the U.S. and Canada. We could be materially and adversely affected by economic, legal, political and regulatory developments in the countries in which we do business in the future or in which we expand our business, particularly those countries which have historically experienced a high degree of political or economic instability. Examples of risks inherent in conducting business in markets outside of the U.S. and Canada include:

- changes in the political and economic conditions in the countries in which we operate, including civil uprisings and terrorist acts;
- unexpected changes in regulatory requirements;
- changes in tariffs;
- the adoption of foreign or domestic laws limiting exports to or imports from certain foreign countries;
- fluctuations in currency exchange rates and the value of the U.S. dollar;
- restrictions on repatriation of earnings;
- expropriation of property without fair compensation;
- governmental actions that result in the deprivation of contract or proprietary rights; and
- the acceptance of business practices which are not consistent with or are antithetical to prevailing business practices we are accustomed to in North America including export compliance and anti-bribery practices and governmental sanctions.

If we begin doing business in a foreign country in which we do not presently operate, we may also face difficulties in operations and diversion of management time in connection with establishing our business there.

We are subject to U.S. and other anti-corruption laws, trade controls, economic sanctions, and similar laws and regulations, including those in the jurisdictions where we operate. Our failure to comply with these laws and regulations could subject us to civil, criminal and administrative penalties and harm our reputation.

Doing business on a worldwide basis requires us to comply with the laws and regulations of the U.S. government and various foreign jurisdictions. These laws and regulations place restrictions on our operations, trade practices, partners and investment decisions. In particular, our operations are subject to U.S. and foreign anti-corruption and trade control laws and regulations, such as the Foreign Corrupt Practices Act (“FCPA”), export controls and economic sanctions programs, including those administered by the U.S. Treasury Department’s Office of Foreign Assets Control (“OFAC”). As a result of doing business in foreign countries and with foreign partners, we are exposed to a heightened risk of violating anti-corruption and trade control laws and sanctions regulations.

The FCPA prohibits us from providing anything of value to foreign officials for the purposes of obtaining or retaining business or securing any improper business advantage. It also requires us to keep books and records that accurately and fairly reflect the Company's transactions. As part of our business, we may deal with state-owned business enterprises, the employees of which are considered foreign officials for purposes of the FCPA. In addition, the United Kingdom Bribery Act (the "Bribery Act") extends beyond bribery of foreign public officials and also apply to transactions with individuals that a government does not employ. The provisions of the Bribery Act are also more onerous than the FCPA in a number of other respects, including jurisdiction, non-exemption of facilitation payments and penalties. Some of the international locations in which we operate lack a developed legal system and have higher than normal levels of corruption. Our continued expansion outside the U.S., including in developing countries, and our development of new partnerships and joint venture relationships worldwide, could increase the risk of FCPA, OFAC or Bribery Act violations in the future.

Economic sanctions programs restrict our business dealings with certain sanctioned countries, persons and entities. In addition, because we act as a distributor, we face the risk that our customers might further distribute our products to a sanctioned person or entity, or an ultimate end-user in a sanctioned country, which might subject us to an investigation concerning compliance with the OFAC or other sanctions regulations.

Violations of anti-corruption and trade control laws and sanctions regulations are punishable by civil penalties, including fines, denial of export privileges, injunctions, asset seizures, debarment from government contracts and revocations or restrictions of licenses, as well as criminal fines and imprisonment. We have established policies and procedures designed to assist our compliance with applicable U.S. and international anti-corruption and trade control laws and regulations, including the FCPA, the Bribery Act and trade controls and sanctions programs administered by the OFAC, and have trained our employees to comply with these laws and regulations. However, there can be no assurance that all of our employees, consultants, agents or other associated persons will not take actions in violation of our policies and these laws and regulations, and that our policies and procedures will effectively prevent us from violating these regulations in every transaction in which we may engage or provide a defense to any alleged violation. In particular, we may be held liable for the actions that our local, strategic or joint venture partners take inside or outside of the United States, even though our partners may not be subject to these laws. Such a violation, even if our policies prohibit it, could have a material adverse effect on our reputation, business, financial condition and results of operations. In addition, various state and municipal governments, universities and other investors maintain prohibitions or restrictions on investments in companies that do business with sanctioned countries, persons and entities, which could adversely affect the market for our common stock and other securities.

Compliance with and changes in laws and regulations in the countries in which we operate could have a significant financial impact and effect how and where we conduct our operations.

We have operations in the U.S. and in other countries that can be impacted by expected and unexpected changes in the business and legal environments in the countries in which we operate. Compliance with and changes in laws, regulations, and other legal and business issues could impact our ability to manage our costs and to meet our earnings goals. Compliance related matters could also limit our ability to do business in certain countries. Changes that could have a significant cost to us include new legislation, new regulations, or a differing interpretation of existing laws and regulations, changes in tax law or tax rates, the unfavorable resolution of tax assessments or audits by various taxing authorities, the expansion of currency exchange controls, export controls or additional restrictions on doing business in countries subject to sanctions in which we operate or intend to operate.

Risks Relating to Our Common Stock

The market price of our shares may fluctuate widely.

The market price of our common stock may fluctuate widely, depending upon many factors, some of which may be beyond our control, including:

- our competitors' significant acquisitions or dispositions;
- the failure of our operating results to meet the estimates of securities analysts or the expectations of our stockholders;
- changes in earnings estimates by securities analysts or our ability to meet our earnings guidance;
- the operating and stock price performance of other comparable companies;
- overall market fluctuations and general economic conditions; and
- the other factors described in these "Risk Factors" and elsewhere in this Form 10-K.

Stock markets in general have also experienced volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations could negatively affect the trading price of our common stock.

Your percentage ownership in us may be diluted in the future.

As with any publicly traded company, your percentage ownership in us may be diluted in the future because of equity issuances for acquisitions, capital market transactions or otherwise, including, without limitation, equity awards that we expect will be granted to our directors, officers and employees.

We cannot assure you that we will pay dividends on our common stock.

We do not currently pay dividends on our common stock. We currently intend to retain our future earnings to support the growth and development of our business. The payment of future cash dividends, if any, will be at the discretion of our Board of Directors and will depend upon, among other things, our financial condition, results of operations, capital requirements and development expenditures, future business prospects and any restrictions imposed by future debt instruments.

Certain provisions in our corporate documents and Delaware law may prevent or delay an acquisition of our company, even if that change may be considered beneficial by some of our stockholders.

The existence of some provisions of our certificate of incorporation and bylaws and Delaware law could discourage, delay or prevent a change in control of us that a stockholder may consider favorable. These include provisions:

- providing our Board of Directors with the right to issue preferred stock without stockholder approval;
- prohibiting stockholders from taking action by written consent;
- restricting the ability of our stockholders to call a special meeting;
- providing that the number of directors will be filled by the Board of Directors and vacancies on the Board of Directors, including those resulting from an enlargement of the Board of Directors, will be filled by the Board of Directors;
- requiring cause and an affirmative vote of at least 80 percent of the voting power of the then-outstanding voting stock to remove directors;
- requiring the affirmative vote of at least 80 percent of the voting power of the then-outstanding voting stock to amend certain provisions of our certificate of incorporation and bylaws; and
- establishing advance notice requirements for nominations of candidates for election to our Board of Directors or for stockholder proposals.

In addition, we are subject to Section 203 of the Delaware General Corporation Law (the “DGCL”) which may have an anti-takeover effect with respect to transactions not approved in advance by our Board of Directors, including discouraging takeover attempts that could have resulted in a premium over the market price for shares of our common stock.

We believe these provisions protect our stockholders from coercive or otherwise unfair takeover tactics by requiring potential acquirers to negotiate with our Board of Directors and by providing our Board of Directors with more time to assess any acquisition proposal. These provisions are not intended to make our company immune from takeovers. However, these provisions apply even if the offer may be considered beneficial by some stockholders and could delay or prevent an acquisition that our Board of Directors determines is not in the best interests of our company and our stockholders.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of December 31, 2022, our three reporting segments, the United States, Canada and International, had approximately 110 locations, 40 locations and 20 locations, respectively. International countries include: Australia, Azerbaijan, Brazil, Colombia, Egypt, England, India, Indonesia, Kazakhstan, Kuwait, Netherlands, Norway, Oman, Scotland, Singapore and UAE. Our properties are comprised of offices, distribution centers and branches, approximately 85% of which are leased. One owned facility is pledged as collateral under our senior secured revolving credit facility discussed in Note 10 “Debt” of the Notes to Consolidated Financial Statements (Part IV, Item 15 of this Form 10-K); all other owned facilities are not subject to any mortgages.

ITEM 3. LEGAL PROCEEDINGS

We have various claims, lawsuits and administrative proceedings that are pending or threatened, all arising in the ordinary course of business, with respect to commercial, product liability and employee matters. Although no assurance can be given with respect to the outcome of these or any other pending legal and administrative proceedings and the effect such outcomes may have, we believe any ultimate liability resulting from the outcome of such claims, lawsuits or administrative proceedings will not have a material adverse effect on our consolidated financial position, results of operations or cash flows. See Note 13 “Commitments and Contingencies” of the Notes to Consolidated Financial Statements (Part IV, Item 15 of this Form 10-K) for additional information.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Quarterly Common Stock Prices and Cash Dividends Per Share

NOW Inc. common stock is traded on the New York Stock Exchange ("NYSE") under the ticker symbol "DNOW".

Our board of directors has not declared any dividends during 2020, 2021 or 2022 and currently has no intention to declare dividends.

As of January 31, 2023, there were 1,775 holders of record of our common stock. Many stockholders choose to own shares through brokerage accounts and other intermediaries rather than as holders of record (excluding individual participants in securities positions listing) so the actual number of stockholders is unknown but likely significantly higher.

The information relating to our equity compensation plans required by Item 5. "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities" is incorporated by reference to such information as set forth in Item 12. "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" contained herein.

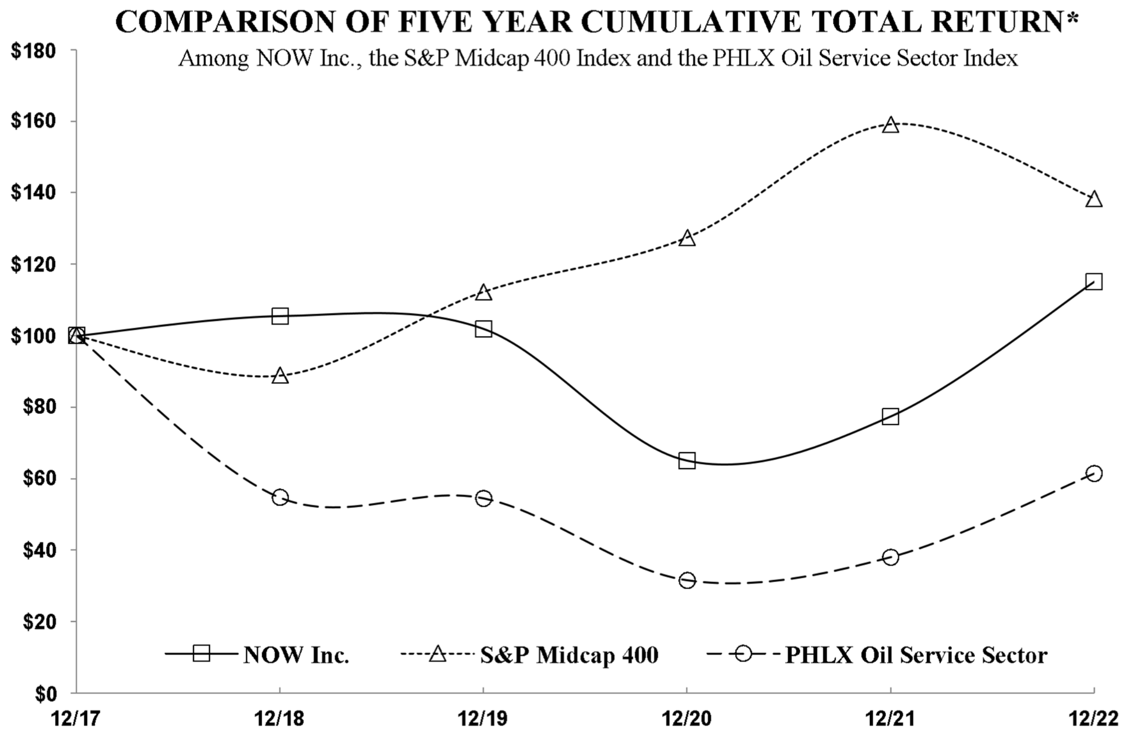
The following table presents a summary of share repurchases made during the three months ended December 31, 2022:

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced program (1)	Approximate dollar value of shares that may yet be purchased under the program (1) *(in millions)*
October 1 - 31, 2022	153,710	$ 10.84	153,710	$ 74
November 1 - 30, 2022	—	$ —	—	$ 74
December 1 - 31, 2022	123,271	$ 12.32	123,271	$ 73
Total	**276,981**	**$ 11.50**	**276,981**	

(1) 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.

Performance Graph

The graph below compares the cumulative five year total return provided shareholders on NOW Inc.'s common stock relative to the cumulative total returns of the S&P Midcap 400 index and the PHLX Oil Service Sector index. An investment of $100 (with reinvestment of all dividends) is assumed to have been made in our common stock and in each index on December 31, 2017 and its relative performance is tracked through December 31, 2022.



*$100 invested on 12/31/17 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

	12/17	12/18	12/19	12/20	12/21	12/22
NOW Inc.	$ 100	$ 106	$ 102	$ 65	$ 77	$ 115
S&P Midcap 400	$ 100	$ 89	$ 112	$ 128	$ 159	$ 138
PHLX Oil Service Sector	$ 100	$ 55	$ 54	$ 32	$ 38	$ 62

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

This information shall not be deemed to be ‘‘soliciting material’’ or to be ‘‘filed’’ with the Commission or subject to Regulation 14A (17 CFR 240.14a-1-240.14a-104), other than as provided in Item 201(e) of Regulation S-K, or to the liabilities of section 18 of the Exchange Act (15 U.S.C. 78r).

ITEM 6. RESERVED

Not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Basis of Presentation

The accompanying consolidated financial information include the accounts of the Company and its consolidated subsidiaries. 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.

General 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 DistributionNOW and DNOW brands. Through our network of approximately 170 locations and approximately 2,425 employees worldwide, we stock and sell a comprehensive offering of energy products as well as a selection of products for industrial applications. Our energy product offering is consumed throughout all sectors of the oil and gas industry – from upstream drilling and completion, E&P, midstream infrastructure development to downstream petrochemical and petroleum refining – as well as in other industries, such as chemical processing, mining, utilities and renewables. The industrial distribution end markets include refineries and engineering and construction firms. We also provide supply chain and materials management solutions to the same markets where we sell products.

Our global product offering includes consumable 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 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.

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™ 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, LNG, power generation utilities and customer on-site locations.

Our supplier network consists of thousands of vendors in approximately 40 countries. From our operations in approximately 20 countries, 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.

Our revenue and operating results are related to the level of worldwide oil and gas drilling and production activities and the profitability and cash flow of oil and gas companies and drilling contractors, which in turn are affected by current and anticipated prices of oil and gas. Oil and gas prices have been and are likely to continue to be volatile. See Item 1A. "Risk Factors." We conduct our operations through three business segments: U.S., Canada and International. See Item 1. "Business—Summary of Reportable Segments" for a discussion of each of these business segments.

Unless indicated otherwise, results of operations data are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). In an effort to provide investors with additional information regarding our results as determined by GAAP, we may disclose non-GAAP financial measures. The primary non-GAAP financial measure we focus on 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. See "Non-GAAP Financial Measures and Reconciliations" in Results of Operations for an explanation of our use of non-GAAP financial measures and reconciliations to the corresponding measures calculated in accordance with GAAP.

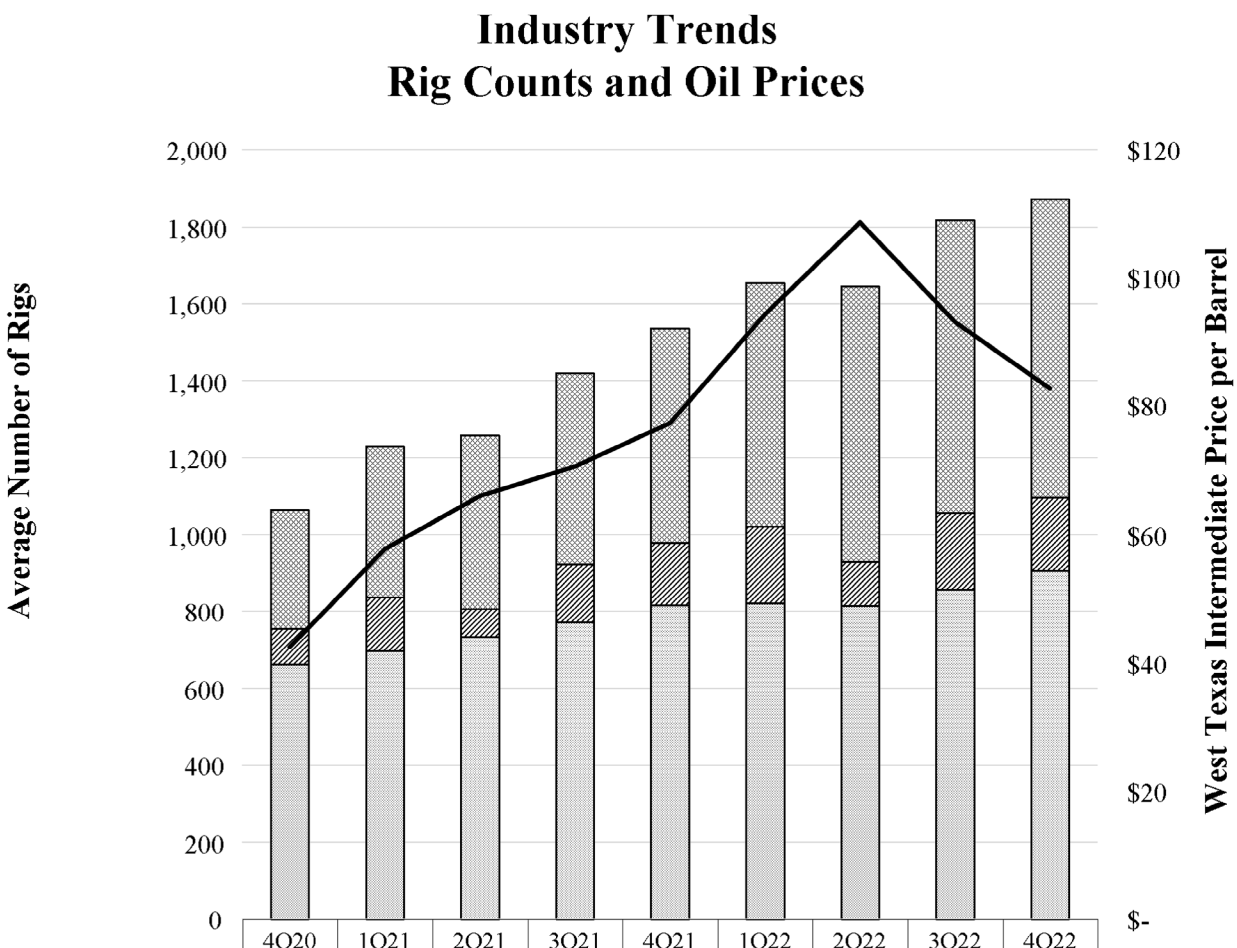
Operating Environment Overview

Our results are dependent on, among other things, the level of worldwide oil and gas drilling and completions, well remediation activity, crude 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 past three years include the following:

	2022*	2021*	% 2022 v 2021	2020*	% 2022 v 2020
Active Drilling Rigs:					
U.S.	721	475	51.8%	436	65.4%
Canada	176	131	34.4%	90	95.6%
International	851	755	12.7%	825	3.2%
Worldwide	1,748	1,361	28.4%	1,351	29.4%
West Texas Intermediate Crude Prices (per barrel)	$ 94.79	$ 67.99	39.4%	$ 39.23	141.6%
Natural Gas Prices ($/MMBtu)	$ 6.42	$ 3.91	64.2%	$ 2.04	214.7%
Hot-Rolled Coil Prices (steel) ($/short ton)	$ 1,097.24	$ 1,561.23	(29.7%)	$ 574.67	90.9%

* Averages for the years indicated. See sources on following page.

The following table details the U.S., Canadian, and international rig activity and West Texas Intermediate ("WTI") oil prices for the past nine quarters ended December 31, 2022:



	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22
U.S.	310	392	451	498	559	633	716	761	775
Canada	92	139	73	151	161	198	114	199	190
International	663	698	734	772	817	823	816	857	907
Worldwide	1,065	1,229	1,258	1,421	1,537	1,654	1,646	1,817	1,872
WTI	$42.45	$57.79	$66.09	$70.62	$77.45	$94.45	$108.72	$93.18	$82.79

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.doe.gov); Hot-Rolled Coil Prices: SteelBenchmarker™ Hot Roll Coil USA (www.steelbenchmarker.com).

The worldwide average rig count increased 28.4% (from 1,361 rigs to 1,748 rigs) and the U.S. increased 51.8% (from 475 rigs to 721 rigs) in 2022 compared to 2021. The average price of WTI crude increased 39.4% (from $67.99 per barrel to $94.79 per barrel), and natural gas prices increased 64.2% (from $3.91 per MMBtu to $6.42 per MMBtu) in 2022 compared to 2021. The average price of Hot-Rolled Coil declined 29.7% (from $1,561.23 per short ton to $1,097.24 per short ton) in 2022 compared to 2021.

U.S. rig count at January 20, 2023 was 771 rigs, up 50 rigs from the 2022 average. The price for WTI crude was $81.27 per barrel at January 20, 2023, down 14.3% from the 2022 average. The price for natural gas was $3.15 per MMBtu at January 20, 2023, down 50.9% from the 2022 average. The price for Hot-Rolled Coil was $737.00 per short ton at January 23, 2023, down 32.8% from the 2022 average.

Executive Summary

For the year ended December 31, 2022, the Company generated net income of $128 million, or $1.13 per fully diluted share on $2,136 million in revenue. Net income increased for the year ended December 31, 2022, by $123 million when compared to the corresponding period of 2021. Revenue increased for the year ended December 31, 2022, by $504 million, or 30.9%, when compared to the corresponding period of 2021. For the year ended December 31, 2022, operating profit was $131 million compared to operating profit of $9 million for the corresponding period of 2021.

For the fourth quarter ended December 31, 2022, the Company generated net income of $32 million, or $0.28 per fully diluted share on $547 million in revenue. Net income increased for the fourth quarter ended December 31, 2022, by $20 million when compared to the corresponding period of 2021. Revenue increased for the fourth quarter ended December 31, 2022, by $115 million, or 26.6%, when compared to the corresponding period of 2021. For the fourth quarter ended December 31, 2022, operating profit was $35 million, compared to operating profit of $7 million for the corresponding period of 2021.

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 and we expect oil and gas demand to grow over the next several years.

The impact on our business from the COVID-19 pandemic and changing macroeconomic factors continue to unfold. In addition, inflationary pressures and efforts to combat it, threats of recession, changes to production limits, supply chain shortages and geopolitical conflicts, including the invasion of Ukraine by Russia and the sanctions imposed in response to this conflict, have increased the level of market volatility. 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 rise in energy evolution investments as an opportunity for us 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, 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

Consolidated Results

Years Ended December 31, 2022 and December 31, 2021

The results of operations are presented before consideration of the noncontrolling interest. A summary of the Company's revenue and operating profit (loss) by segment in 2022 and 2021 follows (*in millions*):

	Year Ended December 31,		Variance
	2022	2021	$
Revenue:			
United States	$ 1,591	$ 1,163	$ 428
Canada	315	249	66
International	230	220	10
Total revenue	$ 2,136	$ 1,632	$ 504
Operating profit (loss):			
United States	$ 103	$ (8)	$ 111
Canada	30	17	13
International	(2)	—	(2)
Total operating profit (loss)	$ 131	$ 9	$ 122

United States

Revenue was $1,591 million for the year ended December 31, 2022, an increase of $428 million or 36.8% compared to the year ended December 31, 2021. The increase in the period was primarily driven by the strengthening in U.S. drilling and completions activity.

Operating profit was $103 million for the year ended December 31, 2022, an improvement of $111 million compared to operating loss of $8 million for the year ended December 31, 2021. Operating profit improved in 2022 primarily due to the increase in revenue discussed above, coupled with improved product margins, partially offset by increases in employee related expenses and legal fees for litigation matters that were not ordinary or routine to the operations of the business where the Company is seeking damages.

Canada

Revenue was $315 million for the year ended December 31, 2022, an increase of $66 million or 26.5% compared to the year ended December 31, 2021. The increase was primarily driven by the increase in Canadian rig count, partially offset by unfavorable foreign exchange rate impacts.

Our Canadian revenue was approximately 15% of total revenue in 2022, similar to 2021. We are subject to fluctuations in foreign currency exchange rates relative to the U.S. dollar. Our Canadian revenue is favorably impacted as the U.S. dollar weakens relative to the Canadian dollar, and unfavorably impacted as the U.S. dollar strengthens relative to the Canadian dollar. Our Canadian segment revenue was unfavorably impacted by approximately $12 million due to changes in foreign currency exchange rates over the prior year.

Operating profit was $30 million for the year ended December 31, 2022, an increase of $13 million compared to operating profit of $17 million for the year ended December 31, 2021. Operating profit increased primarily due to the increase in revenue discussed above, partially offset by higher employee related expenses and no benefit from the Canada Emergency Wage Subsidy in 2022.

International

Revenue was $230 million for the year ended December 31, 2022, an increase of $10 million or 4.5% compared to the year ended December 31, 2021. The increase was driven by the increase in international rig count and stronger project activity, partially offset by unfavorable foreign exchange rate impacts.

Our international revenue was approximately 11% of total revenue in 2022, compared to 14% to 2021. We are subject to fluctuations in foreign currency exchange rates relative to the U.S. dollar. Our international revenue is favorably impacted as the U.S. dollar weakens relative to other foreign currencies, and unfavorably impacted as the U.S dollar strengthens relative to other foreign currencies. Our international segment revenue was unfavorably impacted by approximately $16 million due to changes in foreign currency exchange rates over the prior year.

Operating loss was $2 million for the year ended December 31, 2022, a decline of $2 million compared to operating profit of nil for the year ended December 31, 2021. For the year ended December 31, 2022, we recognized approximately $10 million of foreign currency translation losses as a result of substantially completing the liquidation of certain foreign subsidiaries reflected in impairment and other charges in the consolidated statements of operations, which was partially offset by a reduction in employee related expenses and increased revenue discussed above.

Cost of products

Cost of products was $1,630 million for the year ended December 31, 2022 compared to $1,275 million for the year ended December 31, 2021, an increase of $355 million. The increase was primarily due to the increase in revenue in the period. Cost of products includes the cost of inventory sold and related items, such as vendor consideration, inventory allowances, amortization of intangibles and inbound and outbound freight.

Warehousing, selling and administrative expenses

Warehousing, selling and administrative expenses were $365 million for the year ended December 31, 2022 compared to $341 million for the year ended December 31, 2021, an increase of $24 million. The increase was primarily driven by employee related expenses and legal fees for litigation matters that were not ordinary or routine to the operations of the business where the Company is seeking damages and reductions in government wage subsidies realized in the corresponding period of 2021. 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

Impairment and other charges were $10 million for the year ended December 31, 2022 compared to $7 million for the year ended December 31, 2021. For the year ended December 31, 2022, the Company recognized approximately $10 million of foreign currency translation losses as a result of substantially completing the liquidation of certain foreign subsidiaries in the International segment. For the year ended December 31, 2021, the Company recognized approximately $2 million of impairment related to intangible assets and $8 million of impairment related primarily to operating right-of-use assets. These charges were partially offset by a net gain of $3 million related to the sales of held-for-sale facilities.

Other income (expense)

Other income was $8 million for the year ended December 31, 2022, compared to other income of $3 million for the year ended December 31, 2021. For the year ended December 31, 2022, other income was primarily attributable to a benefit of approximately $13 million related to the decrease of contingent consideration liability associated with a prior year acquisition, partially offset by unfavorable foreign exchange rate impacts.

Provision for income taxes

The effective tax rate for the years ended December 31, 2022, and December 31, 2021 was 7.2% and 54.8%, respectively. In general, the 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, state income taxes and the change in valuation allowance recorded against deferred tax assets. For the year ended December 31, 2022, the effective tax rate was primarily driven by the recognition of tax expense from earnings in Canada offset by current year realization of deferred tax assets and corresponding release of valuation allowance in the U.S., as well as impairment charges incurred as a result of substantially completing the liquidation of certain foreign subsidiaries with no associated tax benefit. For the year ended December 31, 2021, the effective tax rate was primarily driven by the low level of consolidated pre-tax income and the recognition of tax expense from earnings in Canada, which was not able to be offset by benefits recognized on losses in other jurisdictions.

Consolidated Results

Years Ended December 31, 2021 and December 31, 2020

For discussion related to the results of operations and changes in financial condition for the year ended December 31, 2021 compared to the year ended December 31, 2020 refer to Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2021 Form 10-K, which was filed with the United States Securities and Exchange Commission on February 17, 2022.

Non-GAAP Financial Measures and Reconciliations

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 economic performance. We have chosen to provide this information to investors to enable them to perform more meaningful comparisons of operating results. In an effort to better align with management's evaluation of the Company's performance and to facilitate comparison of our results to those of peer companies, beginning for the year ended December 31, 2021, EBITDA excluding other costs excludes non-cash stock-based compensation expense. Prior periods presented have been adjusted to conform with the current period presentation.

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

	Year Ended December 31,		
	2022	2021	2020
GAAP net income (loss) attributable to NOW Inc. [(1)]	$ 128	$ 5	$ (427)
Net income attributable to noncontrolling interest	1	—	—
Interest expense (income), net	(1)	—	—
Income tax provision (benefit)	10	7	(3)
Depreciation and amortization	19	23	28
Other costs:			
Stock-based compensation [(2)]	11	8	10
Other [(3)]	7	2	345
EBITDA excluding other costs	$ 175	$ 45	$ (47)
EBITDA % excluding other costs [(4)]	8.2%	2.8%	(2.9%)

(1) We believe that net income (loss) attributable to NOW 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) Stock-based compensation excludes net credits of $4 million for 2020 as such separation amounts were reported in Other.

(3) Other includes certain income and expenses not included in stock-based compensation.

For the year ended December 31, 2022, Other included approximately $10 million (included in impairment and other charges) related to the reclassification of accumulated foreign currency translation losses due to the substantial liquidation of certain foreign subsidiaries; as well as, approximately $10 million (included in warehousing, selling and administrative), of which approximately $5 million related to legal fees for litigation matters that were not ordinary or routine to the operations of the business where the Company is seeking damages and approximately $5 million related to separation and transaction-related charges; partially offset by a benefit of approximately $13 million (included in other income) related to the decrease of contingent consideration liability.

For the year ended December 31, 2021, Other primarily included $7 million of impairment and other charges and $5 million in separation and transaction-related expenses (included in operating profit), partially offset by a benefit of $10 million (included in other income) related to the decrease in the fair value of contingent consideration liabilities.

For the year ended December 31, 2020, Other included $321 million of impairment and other charges as well as $18 million in separation and transaction-related expenses (included in operating loss), and $6 million in pension expense (included in other expense) related to the de-risking of our defined benefit plans

(4) 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.

At December 31, 2022 and 2021, we had cash and cash equivalents of $212 million and $313 million, respectively. As of December 31, 2022, $86 million of our cash and cash equivalents was maintained in our various foreign subsidiaries. For the year ended December 31, 2022, we repatriated $14 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. The Company makes a determination each period whether to indefinitely reinvest these earnings. If, as a result of these reassessments, the Company distributes these earnings in the future, additional tax liabilities offset by any available foreign tax credits may result.

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 pledged deposits in the U.S. and Canada. As of December 31, 2022, we had no borrowings against our revolving credit facility and had approximately $482 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 $352 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 December 31, 2022, we were in compliance with all covenants. We continuously monitor compliance with debt covenants. A default, if not waived or amended, may prevent us from taking certain actions, such as incurring additional debt.

See Note 12 “Leases” of the Notes to Consolidated Financial Statements (Part IV, Item 15 of this Form 10-K) for additional information on our obligations and timing of expected future lease payments.

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 provided by (used in) operating activities, net cash provided by (used in) investing activities and net cash provided by (used in) financing activities for the periods presented (*in millions*):

	Year Ended December 31,		
	2022	**2021**	**2020**
Net cash provided by (used in) operating activities	$ —	$ 30	$ 189
Net cash provided by (used in) investing activities	(87)	(96)	22
Net cash provided by (used in) financing activities	(10)	(6)	(8)

Fiscal Year 2022 Compared to Fiscal Year 2021

Net cash provided by operating activities was nil in 2022 compared to $30 million in 2021. The decrease in cash provided by operating activities is primarily due to a net increase in working capital as a result of growing market activities, partially offset by improved operating results.

Net cash used in investing activities was $87 million in 2022 compared to $96 million in 2021. Cash used primarily related to business acquisitions of $80 million in 2022 compared to $96 million in 2021. Additionally, the Company used $9 million to purchase property, plant and equipment in 2022 compared to $5 million in 2021.

Net cash used in financing activities was $10 million in 2022 compared to $6 million in 2021. In 2022, the Company purchased $7 million in shares under the share repurchase program and used $5 million for payments related to finance leases, partially offset by receipts of $2 million from the exercise of stock options. In 2021, the Company used $6 million in payments for finance leases.

Effect of the Change in Exchange Rates

The effect of the change in exchange rates on cash flows was a decrease of $4 million and a decrease of $2 million for the years ended December 31, 2022 and 2021, respectively.

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 flow from operations and the usage of the available portion of the revolving credit facility. We expect capital expenditures for fiscal year 2023 to be approximately $15 million, primarily related to purchases of property, plant and equipment. We will continue to maintain capital discipline and monitor market dynamics, and we may adjust our capital expenditures accordingly.

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 year ended December 31, 2022, we have repurchased 653,819 shares of our common stock for a total of $7 million. All shares repurchased shall be retired pursuant to the terms of the share repurchase program.

Critical Accounting Policies and Estimates

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 doubtful accounts, inventory reserves, purchase price allocation of acquisitions, vendor consideration 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.

Allowance for Doubtful Accounts

The Company grants credit to its customers, which operate primarily in the energy, industrial and manufacturing markets. Concentrations of credit risk are limited because the Company has a large number of geographically diverse customers, thus spreading trade credit risk. The Company controls credit risk through credit evaluations, credit limits and monitoring procedures. The Company performs periodic credit evaluations of its customers’ financial condition and, generally, does not require collateral but may require letters of credit or prepayments for certain sales. Allowances for doubtful accounts ("AFDA") are established based on an evaluation of accounts receivable aging, and where applicable, specific reserves on an individual customer basis. The estimated AFDA reflects the Company’s immediate recognition of current expected credit losses by incorporating the historical loss experience, as well as current and future market conditions that are reasonably available. Judgments in the estimate of AFDA include global economic and business conditions, oil and gas industry and market conditions, customers’ financial conditions and account receivables past due. At December 31, 2022 and 2021, allowance for doubtful accounts totaled $25 million in both periods, or 5.9% and 7.6% of gross accounts receivable, respectively.

Inventory Reserves

Inventories consist primarily of oilfield and industrial finished goods. Inventories 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. The Company’s estimated carrying value of inventory therefore depends upon demand driven by oil and gas spending activity, which depends in turn upon oil, gas and steel prices, the general outlook for economic growth worldwide, available financing for the Company’s customers, political stability in major oil and gas producing areas and the potential obsolescence of various inventory items the Company stocks, among other factors. At December 31, 2022 and 2021, inventory reserves totaled $20 million and $32 million, or 5.0% and 11.3% of gross inventory, respectively. Changes in our estimates can be material under different market conditions.

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.

Vendor Consideration

The Company receives funds from vendors in the normal course of business, principally as a result of purchase volumes. Generally, these vendor funds do not represent the reimbursement of specific, incremental and identifiable costs incurred by the Company to sell the vendor's product. Therefore, the Company treats these funds as a reduction of inventory when purchased and once these goods are sold to third parties the associated amount is credited to cost of sales. The Company develops accrual rates for vendor consideration based on the provisions of the arrangements in place, historical trends, purchases and future expectations. Due to the complexity and diversity of the individual vendor agreements, the Company performs analyses and reviews historical trends throughout the year and confirms actual amounts with select vendors to ensure the amounts earned are appropriately recorded. Amounts accrued throughout the year could be impacted if actual purchase volumes differ from projected annual purchase volumes, especially in the case of programs that provide for increased funding when graduated purchase volumes are met.

Income Taxes

The Company is a U.S. registered company and is subject to income taxes in the U.S. The Company operates through various subsidiaries in a number of countries throughout the world. Income taxes are based upon the tax laws and rates of the countries in which the Company operates and earns income.

The Company's annual tax provision is based on taxable income, statutory rates, and the interpretation of the tax laws in the various jurisdictions in which the Company operates. It requires significant judgment and the use of estimates and assumptions regarding significant future events such as the amount, timing and character of income, deductions and tax credits. Changes in tax laws, regulations and treaties, foreign currency exchange restrictions or the Company's level of operations or profitability in each jurisdiction could impact the tax liability in any given year. The Company also operates in many jurisdictions where the tax laws relating to the pricing of transactions between related parties are open to interpretation, which could potentially result in aggressive tax authorities asserting additional tax liabilities with no offsetting tax recovery in other countries.

The Company determined the provision for income taxes under the asset and liability approach, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

Deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, which will result in taxable or deductible amounts in the future. The Company recognizes deferred tax assets to the extent that the Company believes these assets are more-likely-than-not to be realized. If the Company determines that it would be able to realize its deferred tax assets in the future in excess of their net recorded amount, the Company would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes. In evaluating the Company's ability to recover deferred tax assets within the jurisdiction from which they arise, the Company considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies and results of operations. In projecting future taxable income, the Company begins with historical results adjusted for the results of discontinued operations and incorporates assumptions about the amount of future state, federal and foreign pretax operating income adjusted for items that do not have tax consequences. The assumptions about future taxable income require significant judgment and are consistent with the plans and estimates the Company is using to manage the underlying businesses.

The Company remains in a three-year cumulative loss position at the end of 2022. As a result, management believes that it is not more-likely-than-not that the Company would be able to realize the benefits of its deferred tax assets in the U.S., Canada and other foreign jurisdictions and accordingly recognized a valuation allowance for the year ended December 31, 2022. The change during the year in the valuation allowance was a reduction of $27 million in the U.S. and $1 million in other foreign jurisdictions resulting from a corresponding reduction in deferred tax assets. The Company intends to continue to recognize a valuation allowance on these deferred tax assets until there is sufficient evidence to support the reversal of all or some portion of the allowance. However, if current commodity prices are sustained and absent any additional objective negative evidence, it is reasonably possible that sufficient positive evidence will exist in the next 12 months to adjust our valuation allowance position. Exact timing and amount of the adjustment to the valuation allowance is not certain at this time.

The Company records unrecognized tax benefits as liabilities in accordance with ASC 740 and adjusts these liabilities when judgment changes as a result of the evaluation of new information not previously available in jurisdictions of operation. The Company records uncertain tax positions in accordance with ASC 740 on the basis of a two-step process whereby (1) the Company determines whether it is more-likely-than-not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the Company recognizes the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. The annual tax provision includes the impact of income tax provisions and benefits for changes to liabilities that the Company considers appropriate, as well as related interest.

The Company is subject to audits by federal, state and foreign jurisdictions which may result in proposed assessments. Because of the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the current estimate of the unrecognized tax benefit liabilities. The Company reviews these liabilities quarterly and to the extent audits or other events result in an adjustment to the liability accrued for a prior year, the effect will be recognized in the period of the event.

As of December 31, 2022, the Company has an immaterial amount of undistributed foreign earnings that may be subject to taxation upon a future distribution. The Company has not recorded deferred income taxes on undistributed foreign earnings that it considers to be indefinitely reinvested. The Company makes a determination each period whether to indefinitely reinvest these earnings. If, as a result of these reassessments, the Company distributes these earnings in the future, additional tax liabilities may result, offset by any available foreign tax credits.

Recently Adopted Accounting Standards

In March 2020, the Financial Accounting Standards Board issued Accounting Standards Update 2020-04, Reference Rate Reform (Topic 848), which provides optional expedients and exceptions to contracts, hedging relationships, and other transactions that reference London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform. The guidance is effective upon issuance and the expedients and exceptions may be applied prospectively through December 31, 2022. The Company has completed its evaluation of significant contracts. The Company adopted Topic 848 during the fourth quarter of 2022 with no material impact in its consolidated financial statements. On December 29, 2022, the Company entered into a second amendment to its existing senior secured revolving credit facility which, among other things, replaced LIBOR with the Secured Overnight Financing Rate ("SOFR") as the interest rate benchmark. See Note 10 “Debt” of the Notes to Consolidated Financial Statements (Part IV, Item 15 of this Form 10-K) for additional information.

ITEM 7A. 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” of the Notes to Consolidated Financial Statements (Part IV, Item 15 of this Form 10-K) 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-fourth of our 2022 net sales 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 December 31, 2022, 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 closure of a foreign subsidiary, the accumulated foreign currency 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. During 2022, we reported a net foreign currency translation loss of $3 million, after the reclassification of accumulated foreign currency translation losses of approximately $10 million related to the substantial liquidation of certain foreign subsidiaries.

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 years ended December 31, 2022, 2021 and 2020, we reported a net foreign currency transaction loss of $2 million, loss of $1 million and gain of $2 million, respectively. 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 our 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 2022 compared to the average for 2021 decreased by approximately 5% compared to the U.S. dollar based on the aggregated weighted average revenue of our foreign currency denominated foreign operations. The Canadian dollar, British pound and Australian dollar decreased in relation to the U.S. dollar by approximately 4%, 10% and 8%, respectively.

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 2022 of the U.S. dollar relative to foreign currencies that affected the Company would have resulted in $3 million change in net income for 2022.

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 manage this risk by managing our inventory levels, including maintaining sufficient quantity on hand to meet demand, while reducing the risk of overstocking.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Attached hereto and a part of this report are financial statements and supplementary data listed in Item 15. “Exhibits, Financial Statement Schedules.”

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports we file or submit under the Securities Exchange Act of 1934, as amended (the Exchange Act of 1934), is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to management, including our principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure. As of December 31, 2022, with the participation of management, our President and Chief Executive Officer and our Senior Vice President and Chief Financial Officer carried out an evaluation, pursuant to Rule 13a-15(b) of the Exchange Act of 1934, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act of 1934). Based upon that evaluation, our President and Chief Executive Officer and our Senior Vice President and Chief Financial Officer concluded that our disclosure controls and procedures were operating effectively as of December 31, 2022.

Management’s Annual Report on Internal Control Over Financial Reporting

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 and as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, management is required to provide the following report on our internal control over financial reporting:

- Management is responsible for establishing and maintaining adequate internal control over financial reporting.
- Management has evaluated the system of internal control using the Committee of Sponsoring Organizations of the Treadway Commission 2013 framework (“COSO 2013 framework”). Management has selected the COSO 2013 framework for its evaluation as it is a control framework recognized by the SEC and the Public Company Accounting Oversight Board that is free from bias, permits reasonably consistent qualitative and quantitative measurement of our internal controls, is sufficiently complete so that relevant controls are not omitted and is relevant to an evaluation of internal controls over financial reporting.
- Based on management’s evaluation under this framework, management has concluded that our internal controls over financial reporting were effective as of December 31, 2022. There are no material weaknesses in our internal control over financial reporting that have been identified by management.

There have been no changes in our internal control over financial reporting, as defined in Rule 13a-15(f) of the Act, in the quarterly period ended December 31, 2022, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Pursuant to section 302 of the Sarbanes-Oxley Act of 2002, our Chief Executive Officer and Chief Financial Officer have provided certain certifications to the Securities and Exchange Commission. These certifications are included herein as Exhibits 31.1 and 31.2.

The report from Ernst & Young LLP on its audit of the effectiveness of the Company's internal control over financial reporting as of December 31, 2022 is included in this annual report and is incorporated herein by reference.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Incorporated by reference to the definitive Proxy Statement for the 2023 Annual Meeting of Stockholders.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference to the definitive Proxy Statement for the 2023 Annual Meeting of Stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Incorporated by reference to the definitive Proxy Statement for the 2023 Annual Meeting of Stockholders.

Securities Authorized for Issuance Under Equity Compensation Plans.

The following table sets forth information as of our fiscal year ended December 31, 2022, with respect to compensation plans under which our common stock may be issued:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (1)	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (2)
Equity compensation plans approved by security holders	3,535,718	$ 14.17	5,838,243
Equity compensation plans not approved by security holders	—	$ —	—
Total	3,535,718	$ 14.17	5,838,243

(1) Includes 888,129 shares of issuable performance-based awards if specific targets are met, and 85,361 shares of Restricted Stock Units and Phantom Shares (collectively, "RSUs") which have no exercise price. Therefore, these shares are excluded for purposes of determining the weighted-average exercise prices of outstanding options, warrants and rights.

(2) Includes 5,838,243 shares issuable pursuant to the 2014 Plan in the form of stock options, restricted awards, RSUs, performance stock awards, or any combination of the foregoing.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Incorporated by reference to the definitive Proxy Statement for the 2023 Annual Meeting of Stockholders.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Incorporated by reference to the definitive Proxy Statement for the 2023 Annual Meeting of Stockholders.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(1) Financial Statements and Exhibits

The following financial statements are presented in response to Part II, Item 8:

(2) Financial Statement Schedule

All schedules are omitted because they are not applicable, not required or the information is included in the financial statements or notes thereto.

(3) Exhibits

3.1	NOW Inc. Amended and Restated Certificate of Incorporation [6]
3.2	NOW Inc. Amended and Restated Bylaws [8]
4.1	Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities and Exchange Act of 1934
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 [4]
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 that are parties 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 [9]
10.11	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 [10]
10.12	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 [11]
21.1	Subsidiaries of the Registrant
23.1	Consent of Independent Registered Public Accounting Firm
24.1	Power of Attorney (included on signature page hereto)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14a and Rule 15d-14(a) of the Securities and Exchange Act, as amended
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14a and Rule 15d-14(a) of the Securities and Exchange Act, as amended
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer 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 May 21, 2020
(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 filed on November 17, 2021
(9) Filed as an Exhibit to our Current Report on Form 8-K filed on December 17, 2021
(10) Filed as an Exhibit to our Current Report on Form 8-K/A filed on February 4, 2022
(11) Filed as an Exhibit to our Current Report on Form 8-K filed on January 3, 2023

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

NOW Inc.

Date: February 16, 2023

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Each person whose signature appears below in so signing, constitutes and appoints David A. Cherechinsky and Mark B. Johnson, and each of them acting alone, his or her true and lawful attorney-in-fact and agent, with full power of substitution, for him or her and in his or her name, place and stead, in any and all capacities, to execute and cause to be filed with the Securities and Exchange Commission any and all amendments to this report, and in each case to file the same, with all exhibits thereto and other documents in connection therewith, and hereby ratifies and confirms all that said attorney-in-fact or his substitute or substitutes may do or cause to be done by virtue hereof.

Signature	Title	Date
/s/ David A. Cherechinsky David A. Cherechinsky	President, Chief Executive Officer and Director	February 16, 2023
/s/ Mark B. Johnson Mark B. Johnson	Senior Vice President and Chief Financial Officer	February 16, 2023
/s/ Richard J. Alario Richard J. Alario	Chairman of the Board	February 16, 2023
/s/ Terry Bonno Terry Bonno	Director	February 16, 2023
/s/ Galen Cobb Galen Cobb	Director	February 16, 2023
/s/ Paul Coppinger Paul Coppinger	Director	February 16, 2023
/s/ James Crandell James Crandell	Director	February 16, 2023
/s/ Rodney Eads Rodney Eads	Director	February 16, 2023
/s/ Sonya Reed Sonya Reed	Director	February 16, 2023

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of NOW Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of NOW Inc. (the Company) as of December 31, 2022 and 2021, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 16, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Accounting for inventory reserves

Description of the Matter

As described in Note 2 to the consolidated financial statements, the Company had inventory of $381 million as of December 31, 2022, net of inventory reserves of $20 million. 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 in order to properly state inventory at the lower of cost or net realizable value.

Auditing management's estimates for excess and obsolete inventory involved subjective auditor judgment because the estimates rely on a number of factors that are affected by market and economic conditions outside the Company's control. The Company estimated carrying value of inventory depends upon demand driven by oil and gas spending activity, which depends in turn upon oil, gas and steel prices, the general outlook for economic growth worldwide, available financing for the Company's customers, political stability in major oil and gas productions areas, and the potential obsolescence of various inventory items the Company stocks, among other factors. Management utilizes historical inventory movement data and aging analysis to estimate any reserves needed for excess or obsolete inventory. Judgment is required in determining the estimate utilizing the aforementioned data while taking into account current industry conditions and lookback analysis for historical trends. Additionally, management performs an analysis of current period movements to ensure previously recorded reserves on items remaining in inventory are not improperly removed (holdback adjustments), creating a higher level of complexity.

How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the Company's process to determine its allowance for excess and obsolete inventories. This included controls over the completeness and accuracy of the data used in the calculation, and the Company's review of significant assumptions and any adjustments needed for holdback adjustments. To test the adequacy of the Company's allowance for excess and obsolete inventories, we performed substantive audit procedures that included, among others, testing the completeness and accuracy of the underlying data used in the estimation calculations, specifically those related to inventory movements and aging. We evaluated the reasonableness of significant assumptions including the estimated reserve percentage and other significant assumptions including holdback adjustments.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2013.

Houston, Texas

February 16, 2023

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of NOW Inc.

Opinion on Internal Control Over Financial Reporting

We have audited NOW Inc.'s internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, NOW Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2022 consolidated financial statements of the Company and our report dated February 16, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Houston, Texas

February 16, 2023

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

	December 31, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 212	$ 313
Receivables, net	398	304
Inventories, net	381	250
Prepaid and other current assets	26	16
Total current assets	1,017	883
Property, plant and equipment, net	119	111
Goodwill	116	67
Intangibles, net	25	9
Other assets	43	34
Total assets	$ 1,320	$ 1,104
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 304	$ 235
Accrued liabilities	126	112
Other current liabilities	9	22
Total current liabilities	439	369
Long-term operating lease liabilities	25	17
Deferred income taxes	1	—
Other long-term liabilities	11	6
Total liabilities	476	392
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; 110,369,266 and 110,558,831 shares issued and outstanding at December 31, 2022 and 2021, respectively	1	1
Additional paid-in capital	2,066	2,060
Accumulated deficit	(1,075)	(1,203)
Accumulated other comprehensive loss	(150)	(147)
NOW Inc. stockholders' equity	842	711
Noncontrolling interest	2	1
Total stockholders' equity	844	712
Total liabilities and stockholders' equity	$ 1,320	$ 1,104

See notes to consolidated financial statements.

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

	Year Ended December 31,		
	2022	2021	2020
Revenue	$ 2,136	$ 1,632	$ 1,619
Operating expenses:			
Cost of products	1,630	1,275	1,327
Warehousing, selling and administrative	365	341	391
Impairment and other charges	10	7	321
Operating profit (loss)	131	9	(420)
Other income (expense)	8	3	(10)
Income (loss) before income taxes	139	12	(430)
Income tax provision (benefit)	10	7	(3)
Net income (loss)	129	5	(427)
Net income attributable to noncontrolling interest	1	—	—
Net income (loss) attributable to NOW Inc.	$ 128	$ 5	$ (427)
Earnings (loss) per share attributable to NOW Inc. stockholders:			
Basic	$ 1.14	$ 0.05	$ (3.91)
Diluted	$ 1.13	$ 0.05	$ (3.91)
Weighted-average common shares outstanding, basic	111	110	109
Weighted-average common shares outstanding, diluted	111	110	109

See notes to consolidated financial statements.

NOW INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In millions)

	Year Ended December 31,		
	2022	2021	2020
Net income (loss)	$ 129	$ 5	$ (427)
Other comprehensive income (loss):			
Foreign currency translation adjustments	(3)	(2)	(17)
Comprehensive income (loss)	126	3	(444)
Comprehensive income attributable to noncontrolling interest	1	—	—
Comprehensive income (loss) attributable to NOW Inc.	$ 127	$ 3	$ (444)

See notes to consolidated financial statements.

NOW INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Year Ended December 31,		
	2022	2021	2020
Cash flows from operating activities:			
Net income (loss)	$ 129	$ 5	$ (427)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	19	23	28
Provision for doubtful accounts	2	(2)	9
Provision for inventory	6	9	54
Impairment and other charges	10	7	321
Other, net	14	21	34
Change in operating assets and liabilities, net of effects of acquisitions and divestitures:			
Receivables	(95)	(97)	157
Inventories	(138)	3	148
Prepaid and other current assets	(10)	(3)	1
Accounts payable, accrued liabilities and other, net	63	64	(136)
Net cash provided by (used in) operating activities	—	30	189
Cash flows from investing activities:			
Business acquisitions, net of cash acquired	(80)	(96)	—
Net proceeds from sale of business	—	—	26
Purchases of property, plant and equipment	(9)	(5)	(8)
Other, net	2	5	4
Net cash provided by (used in) investing activities	(87)	(96)	22
Cash flows from financing activities:			
Repurchases of common stock	(7)	—	—
Payments relating to finance leases and other, net	(3)	(6)	(8)
Net cash provided by (used in) financing activities	(10)	(6)	(8)
Effect of exchange rates on cash and cash equivalents	(4)	(2)	1
Net change in cash and cash equivalents	(101)	(74)	204
Cash and cash equivalents, beginning of period	313	387	183
Cash and cash equivalents, end of period	$ 212	$ 313	$ 387
Supplemental disclosures of cash flow information:			
Income taxes paid, net	$ 11	$ —	$ 2
Non-cash investing and financing activities:			
Accrued purchases of property, plant and equipment	$ 1	$ —	$ —

See notes to consolidated financial statements.

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

	Attributable to NOW Inc. Stockholders							
	Common Stock		Additional	Retained	Accum. Other			Total
	Shares Outstanding	Common Stock	Paid-In Capital	Earnings (Deficit)	Comprehensive Income (Loss)	Treasury Stock	Noncontrolling Interest	Stockholders' Equity
December 31, 2019	109	$ 1	$ 2,045	$ (775)	$ (128)	$ —	$ 1	$ 1,144
Cumulative effect of accounting change	—	—	—	(6)	—	—	—	(6)
Net loss	—	—	—	(427)	—	—	—	(427)
Stock-based compensation	—	—	6	—	—	—	—	6
Vesting of restricted stock	1	—	—	—	—	—	—	—
Shares withheld for taxes	—	—	(1)	—	—	—	—	(1)
Other comprehensive loss	—	—	—	—	(17)	—	—	(17)
December 31, 2020	110	$ 1	$ 2,050	$ (1,208)	$ (145)	$ —	$ 1	$ 699
Net income	—	—	—	5	—	—	—	5
Stock-based compensation	—	—	8	—	—	—	—	8
Exercise of stock options	—	—	3	—	—	—	—	3
Vesting of restricted stock	1	—	—	—	—	—	—	—
Shares withheld for taxes	—	—	(1)	—	—	—	—	(1)
Other comprehensive loss	—	—	—	—	(2)	—	—	(2)
December 31, 2021	111	$ 1	$ 2,060	$ (1,203)	$ (147)	$ —	$ 1	$ 712
Net income	—	—	—	128	—	—	1	129
Common stock repurchased	—	—	—	—	—	(7)	—	(7)
Common stock retired	(1)	—	(7)	—	—	7	—	—
Stock-based compensation	—	—	11	—	—	—	—	11
Exercise of stock options	—	—	2	—	—	—		2
Other comprehensive loss	—	—	—	—	(3)	—	—	(3)
December 31, 2022	110	$ 1	$ 2,066	$ (1,075)	$ (150)	$ —	$ 2	$ 844

See notes to consolidated financial statements.

NOW INC.
Notes to Consolidated Financial Statements

1. Organization and Basis of Presentation

Nature of Operations

NOW Inc. ("NOW" or the "Company") is a holding company headquartered in Houston, Texas that was incorporated in Delaware on November 22, 2013. NOW operates primarily under the DistributionNOW and DNOW brands. NOW 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 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 energy product offering is consumed throughout all sectors of the energy industry – from upstream drilling and completion, exploration and production, midstream infrastructure development to downstream petroleum refining and petrochemicals – as well as in other industries, such as chemical processing, mining, utilities and renewables. The industrial distribution end markets include engineering and construction firms that perform capital and maintenance projects for their end user clients. NOW also provides supply chain and materials management solutions to the same markets where the Company sells products. NOW's supplier network consists of thousands of vendors in approximately 40 countries.

Basis of Presentation

The accompanying consolidated financial information include the accounts of the Company and its consolidated subsidiaries. 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.

Reclassification

Certain amounts in the prior periods presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported results of operations. See Note 11 "Stockholders' Equity" for additional information.

Recently Adopted Accounting Standards

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-04, Reference Rate Reform (Topic 848), which provides optional expedients and exceptions to contracts, hedging relationships, and other transactions that reference London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform. The guidance is effective upon issuance and the expedients and exceptions may be applied prospectively through December 31, 2022. The Company has completed its evaluation of significant contracts. The Company adopted Topic 848 during the fourth quarter of 2022 with no material impact in its consolidated financial statements. On December 29, 2022, the Company entered into a second amendment to its existing senior secured revolving credit facility which, among other things, replaced LIBOR with the Secured Overnight Financing Rate ("SOFR") as the interest rate benchmark. See Note 10 "Debt" for additional information.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents consist of all highly liquid investments with maturities of three months or less at the date of purchase.

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. See Note 14 "Derivative Financial Instruments" for the fair value of derivative financial instruments.

Inventories

Inventories consist primarily of oilfield and industrial finished goods. Inventories 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. As of December 31, 2022 and 2021, the Company reported inventory of $381 million and $250 million, respectively (net of inventory reserves of $20 million and $32 million, respectively).

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Expenditures for major improvements that extend the lives of property, plant and equipment are capitalized while minor replacements, maintenance and repairs are charged to expense as incurred. Disposals are removed at cost less accumulated depreciation with any resulting gain or loss reflected in the results of operations for the respective period. Depreciation is provided using the straight-line method over the estimated useful lives of individual items.

Long-Lived Assets, Including Goodwill and Other Acquired Intangible Assets

Long-lived assets other than goodwill include property, plant and equipment, operating right-of-use ("ROU") assets and intangible assets. The Company evaluates the recoverability of long-lived assets other than goodwill for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is measured by a comparison of the carrying amounts to the future undiscounted cash flows the assets are expected to generate. If such review indicates that the carrying amount of long-lived assets other than goodwill is not recoverable, the carrying amount of such assets is reduced to fair value.

In addition to the recoverability assessment, the Company routinely reviews the remaining estimated useful lives of long-lived assets other than goodwill. If the Company changes the estimated useful life assumption for any asset, the remaining unamortized balance is amortized or depreciated over the revised estimated useful life.

The Company performs goodwill impairment testing annually in the fourth quarter of each fiscal year and more frequently on an interim basis when events or circumstances indicate that an impairment may exist. The company uses either a qualitative assessment or a quantitative assessment. If the qualitative assessment indicates it is more likely than not that the fair value of a reporting unit is less than its carrying value, a quantitative assessment is performed. Events or circumstances which could indicate a potential impairment include, but are not limited to, a significant reduction in worldwide oil and gas prices or drilling; a significant reduction in profitability or cash flow of oil and gas companies or drilling contractors; a significant reduction in worldwide well completion and remediation activity; a significant reduction in capital investment by other oilfield service companies; or a significant increase in worldwide inventories of oil or gas.

The Company evaluates goodwill for impairment at the reporting unit level, which is defined as an operating segment or one level below that constitutes a business for which financial information is available and is regularly reviewed by management. The Company currently has four reporting units for this purpose – U.S. Energy, U.S. Process Solutions, Canada and International. The Company tests goodwill for impairment by comparing the fair value of a reporting unit to its carrying value. If the carrying amount exceeds the fair value of a reporting unit, an impairment loss is recognized in an amount equal to that excess, but not to exceed the total amount of goodwill allocated to that reporting unit.

The Company determines the fair value of both goodwill and other long-lived assets primarily using the discounted cash flow method and in the case of goodwill, a multiples-based market approach for comparable companies when applicable. The starting point for each reporting unit's projected cash flow from operations is the detailed annual plan or updated forecast. The detailed planning and forecasting process takes into consideration a multitude of factors including worldwide rig activity, inflationary forces, pricing strategies, customer analysis, operational issues, competitor analysis, capital spending requirements, working capital requirements and customer needs among other items which impact the individual reporting unit projections. Cash flows beyond the specific operating plans were estimated using a terminal value calculation, which incorporated historical and forecasted financial cyclical trends for each reporting unit and also considered long-term earnings growth rates. The financial and credit market volatility impacts the fair value measurement by adjusting the discount rate. The Company utilizes third-party valuation advisors to assist with these valuations. These analyses include significant judgments as mentioned above, including management's short-term and long-term forecast of operating performance, discount rates based on the weighted average cost of capital, revenue growth rates, profitability margins, the timing of future cash flows, and in the case of long-lived assets, the remaining useful life and service potential of the asset, all of which were classified as level 3 inputs under the fair value hierarchy.

Foreign Currency

The functional currency for most of the Company's foreign operations is the local currency. Certain foreign operations use the U.S. dollar as the functional currency. For those that have local currency as functional the cumulative effects of translating the balance sheet accounts from the functional currency into the U.S. dollar at current exchange rates are included in accumulated other comprehensive income (loss). Revenues and expenses are translated at average exchange rates in effect during the period. Upon closure of a foreign subsidiary, the accumulated foreign currency translation gains and losses relating to the foreign subsidiary are reclassified into earnings, and reflected in impairment and other charges in the consolidated statements of operations.

Accordingly, financial statements of these foreign subsidiaries are remeasured to U.S. dollars for consolidation purposes using current rates of exchange for monetary assets and liabilities and historical rates of exchange for nonmonetary assets and related elements of expense. Revenue and expense elements are remeasured at rates that approximate the rates in effect on the transaction dates. For all operations, gains or losses from remeasuring foreign currency transactions into the reporting currency are included in other income (expense). Net foreign currency transactions were a loss of $2 million, a loss of $1 million and a gain of $2 million for the years ended December 31, 2022, 2021 and 2020, respectively, and were included in other income (expense) in the accompanying consolidated statements of operations.

Revenue Recognition

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. The majority of 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.

Cost of Products

Cost of products includes the cost of inventory sold and related items, such as vendor consideration, inventory allowances, amortization of intangibles and inbound and outbound freight.

Warehousing, Selling and Administrative Expenses

Warehousing, selling and administrative expenses include branch, distribution center and regional expenses (including costs such as compensation, benefits and rent), depreciation and corporate general expenses.

Vendor Consideration

The Company receives funds from vendors in the normal course of business, principally as a result of purchase volumes. Generally, these vendor funds do not represent the reimbursement of specific, incremental and identifiable costs incurred by the Company to sell the vendor's product. Therefore, the Company treats these funds as a reduction of inventory when purchased and once these goods are sold to third parties the associated amount is credited to cost of products. The Company develops accrual rates for vendor consideration based on the provisions of the arrangements in place, historical trends, purchases and future expectations. Due to the complexity and diversity of the individual vendor agreements, the Company performs analyses and reviews historical trends throughout the year and confirms actual amounts with select vendors to ensure the amounts earned are appropriately recorded. Amounts accrued throughout the year could be impacted if actual purchase volumes differ from projected annual purchase volumes, especially in the case of programs that provide for increased funding when graduated purchase volumes are met.

Income Taxes

The liability method is used to account for income taxes. Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates that will be in effect when the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to amounts which are more-likely-than-not to be realized.

Concentration of Credit Risk

The Company grants credit to its customers, which operate primarily in the energy, industrial and manufacturing markets. Concentrations of credit risk are limited because the Company has a large number of geographically diverse customers, thus spreading trade credit risk. The Company controls credit risk through credit evaluations, credit limits and monitoring procedures. The Company performs periodic credit evaluations of its customers' financial condition and, generally, does not require collateral but may require letters of credit or prepayments for certain sales. Allowances for doubtful accounts ("AFDA") are established based on an evaluation of accounts receivable aging, and where applicable, specific reserves on an individual customer basis. The estimated AFDA reflects the Company's immediate recognition of current expected credit losses by incorporating the historical loss experience, as well as current and future market conditions that are reasonably available. Judgments in the estimate of AFDA include global economic and business conditions, oil and gas industry and market conditions, customers' financial conditions and account receivables past due. Balances that remain outstanding after the Company has used reasonable collection efforts are written off. No single customer represents more than 10% of the Company's revenue.

Stock-Based Compensation

Compensation expense for the Company’s stock-based compensation plans is measured using the fair value method required by Accounting Standards Codification ("ASC") Topic 718 “Compensation—Stock Compensation”. Under this guidance the fair value of the award is measured on the grant date and amortized to expense using the straight-line method over the shorter of the vesting period or the remaining requisite service period. Forfeitures are recognized as they occur.

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. The Company periodically evaluates its estimates and judgments that are most critical in nature, which are related to allowance for doubtful accounts, inventory reserves, impairment of goodwill and other long-lived assets, purchase price allocation of acquisitions, contingent consideration, vendor consideration, stock-based compensation, pension plan obligations and income taxes. On an ongoing basis, the Company evaluates such estimates by comparing to historical experience and trends, which form the basis for making judgments about the carrying value of assets and liabilities.

Contingencies

The Company accrues for costs relating to litigation claims and other contingent matters, when such liabilities become probable and reasonably estimable. Such estimates may be based on advice from third parties or on management’s judgment, as appropriate. Revisions to contingent liabilities are reflected in income in the period in which different facts or information become known or circumstances change that affect the Company’s previous judgments with respect to the likelihood or amount of loss. Amounts paid upon the ultimate resolution of contingent liabilities may be materially different from previous estimates and could require adjustments to the estimated reserves to be recognized in the period such new information becomes known.

In circumstances where the most likely outcome of a contingency can be reasonably estimated, the Company accrues a liability for that amount. Where the most likely outcome cannot be estimated, a range of potential losses is established, and, if no one amount in that range is more likely than others, the low end of the range is accrued.

3. Revenue

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 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.

Receivables

Receivables are recorded when the Company has an unconditional right to consideration.

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 December 31, 2022 and 2021, contracts assets were less than $1 million and $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 been 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 December 31, 2022 and 2021, contract liabilities were $33 million and $27 million, respectively, and were included in accrued liabilities in the consolidated balance sheets. The increase in contract liabilities for the year ended December 31, 2022, was primarily related to net current year customer deposits of approximately $22 million, partially offset by recognizing revenue of approximately $16 million, that was deferred as of December 31, 2021.

See Note 16 “Business Segments” for the 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.

4. Receivables, net

Receivables are recorded and carried at the original invoiced amount less an allowance for doubtful accounts.

Activity in the allowance for doubtful accounts was as follows (*in millions*):

	December 31, 2022	December 31, 2021	December 31, 2020
Allowance for doubtful accounts			
Beginning balance	$ 25	$ 28	$ 16
Cumulative effect of accounting change	—	—	6
Additions (deductions) charged to expenses	2	(2)	9
Charge-offs and other	(2)	(1)	(3)
Ending balance	$ 25	$ 25	$ 28

5. Property, Plant and Equipment, net

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

	Estimated Useful Lives	December 31, 2022	December 31, 2021
Information technology assets	1-7 Years	$ 47	$ 48
Operating equipment [(1)]	2-15 Years	141	129
Buildings and land [(2)]	5-35 Years	94	91
Construction in progress		4	3
Total property, plant and equipment		286	271
Less: accumulated depreciation		(167)	(160)
Property, plant and equipment, net		$ 119	$ 111

(1) Includes finance ROU assets.
(2) Land has an indefinite life

Depreciation expense was $17 million, $21 million and $24 million for the years ended December 31, 2022, 2021 and 2020, respectively.

For the year ended December 31, 2021, the Company sold certain facilities resulting in a net gain of approximately $3 million offset by an impairment of approximately $2 million related to the held-for-sale facilities in the U.S. reporting segment. These amounts were included in impairment and other charges in the consolidated statements of operations.

For the year ended December 31, 2020, as the result of the recoverability testing of its long-lived assets, the Company recognized $4 million of impairment relating to property, plant and equipment, net in the International reporting segment. These charges were included in impairment and other charges in the consolidated statements of operations.

6. Accrued Liabilities

Accrued liabilities consist of (*in millions*):

	December 31, 2022	December 31, 2021
Compensation and other related expenses	$ 36	$ 35
Contract liabilities	33	27
Taxes (non-income)	13	12
Current portion of operating lease liabilities	13	15
Other	31	23
Total	$ 126	$ 112

7. Goodwill

Goodwill is identified by segment as follows (*in millions*):

	United States	Canada	International	Total
Balance at December 31, 2020 [1]	$ —	$ —	$ —	$ —
Additions	67	—	—	67
Balance at December 31, 2021	$ 67	$ —	$ —	$ 67
Additions	49	—	—	49
Balance at December 31, 2022	$ 116	$ —	$ —	$ 116

(1) Net of prior years accumulated impairment of $518 million, $87 million and $99 million in the U.S., Canada and International segments, respectively.

As of December 31, 2022, the Company had $116 million goodwill in its U.S. Process Solutions reporting unit and no goodwill in other reporting units. As part of the annual goodwill impairment assessment, the Company performed a qualitative assessment that did not indicate a more detailed quantitative analysis was necessary. Therefore, no goodwill impairment was recognized. This assessment evaluated changes in macroeconomic conditions, overall industry and market considerations and company-specific business metrics, performance and events. The acquisition date fair value of goodwill related to acquisition completed in December 2022 was preliminary. See Note 20 “Transactions” for additional information.

As of December 31, 2021, the Company had $67 million goodwill in its U.S. Process Solutions reporting unit and performed its annual goodwill impairment test using a quantitative assessment resulting in no impairment. The calculated fair value of the U.S. Process Solutions reporting unit significantly exceeded its carrying value, using the discount rates of 13.0%.

As of December 31, 2020, the Company had no goodwill. During the first quarter of 2020, the Company’s market capitalization declined significantly driven by macroeconomic and geopolitical conditions including the collapse of oil prices caused by both surplus production and supply as well as the decrease in demand caused by the COVID-19 pandemic. Therefore, the Company performed an interim goodwill impairment test. As a result, for the quarter ended March 31, 2020 and the year ended December 31, 2020, the Company recognized $230 million goodwill impairment for both periods which was included in impairment and other charges in the consolidated statements of operations. The discount rates utilized to value the reporting units were in the range of 11.5% to 12.8%. No tax benefit was reported on the Company’s goodwill impairment for the year ended December 31, 2020.

8. Intangibles, net

Identified intangible assets with determinable lives consist primarily of customer relationships, trade names, trademarks and patents, and non-compete agreements acquired in acquisitions, and are being amortized on a straight-line basis over the estimated useful lives. Intangible assets that are fully amortized are removed from the disclosures. The acquisition date fair value of intangible assets relating to the acquisitions completed in December 2022 were preliminary. See Note 20 “Transactions” for additional information.

For the year ended December 31, 2021, the Company recognized $2 million of impairment in the U.S. reporting segment for certain customer relationship intangible assets due to decline in customer activities. During the first quarter of 2020, the results of the Company's test for impairment of goodwill and the other negative market indicators described in Note 7 “Goodwill” were a triggering event that indicated that its long-lived assets, including property, plant and equipment, operating ROU assets and intangible assets, were possibly impaired. As a result, for the quarter ended March 31, 2020 and the year ended December 31, 2020, the Company recognized $62 million and $22 million of impairment for intangible assets in the U.S. and International reporting segments, respectively. Such impairment was included in impairment and other charges in the consolidated statements of operations.

Identified intangible assets by major classification consist of the following (*in millions*):

	Gross	Accumulated Amortization	Net Book Value
December 31, 2022:			
Trade names and patents	$ 4	$ —	$ 4
Customer relationships	19	(2)	17
Other	4	—	4
Total identified intangibles	$ 27	$ (2)	$ 25
December 31, 2021:			
Customer relationships	$ 9	$ (1)	$ 8
Other	1	—	1
Total identified intangibles	$ 10	$ (1)	$ 9

Amortization expense was $2 million, $2 million and $4 million for the years ended December 31, 2022, 2021, and 2020, respectively. The following table represents the total estimated amortization of intangible assets for the five succeeding years (*in millions*):

For the Year Ending December 31,	Estimated Amortization Expense
2023	$ 4
2024	4
2025	3
2026	3
2027	3

9. Income Taxes

The domestic and foreign components of income (loss) before income taxes were as follows (*in millions*):

	Year Ended December 31,		
	2022	2021	2020
United States	$ 108	$ (9)	$ (289)
Foreign	31	21	(141)
Income (loss) before income taxes	$ 139	$ 12	$ (430)

The provision (benefit) for income taxes for 2022, 2021 and 2020 consisted of the following (*in millions*):

	Year Ended December 31,		
	2022	2021	2020
U.S. Federal:			
Current	$ —	$ —	$ —
Deferred	—	(1)	—
	—	(1)	—
U.S. State:			
Current	—	—	—
Deferred	—	—	—
	—	—	—
Foreign:			
Current	9	7	1
Deferred	1	1	(4)
	10	8	(3)
Income tax provision (benefit)	$ 10	$ 7	$ (3)

The reconciliation between the Company's effective tax rate on income (loss) from continuing operations and the statutory tax rate is as follows (*in millions*):

	Year Ended December 31,		
	2022	2021	2020
Income tax provision (benefit) at federal statutory rate	$ 29	$ 3	$ (90)
Foreign tax rate differential	1	2	1
State income tax provision (benefit), net of federal benefit	4	(1)	(4)
Nondeductible expenses	2	—	2
Nondeductible goodwill impairment	—	—	25
Currency translation losses	2	—	—
Capital loss carryforward	(2)	—	—
Change in valuation allowance	(28)	2	61
Other	2	1	2
Income tax provision (benefit)	$ 10	$ 7	$ (3)
Effective tax rate	7.2%	54.8%	0.6%

In general, the 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, state income taxes and the change in valuation allowance recorded against deferred tax assets. For the year ended December 31, 2022, the effective tax rate was primarily driven by the recognition of tax expense from earnings in Canada offset by current year realization of deferred tax assets and corresponding release of valuation allowance in the U.S., as well as impairment charges incurred as a result of substantially completing the liquidation of certain foreign subsidiaries with no associated tax benefit. For the year ended December 31, 2021, the effective tax rate was primarily driven by the low level of consolidated pre-tax income and the recognition of tax expense from earnings in Canada, which was not able to be offset by benefits recognized on losses in other jurisdictions.

Significant components of the Company's deferred tax assets and liabilities were as follows (*in millions*):

	December 31,		
	2022	**2021**	**2020**
Deferred tax assets:			
Allowances and operating liabilities	$ 6	$ 6	$ 3
Net operating loss carryforwards	76	92	79
Foreign tax credit carryforwards	7	7	7
Allowance for doubtful accounts	5	4	5
Inventory reserve	9	10	13
Stock-based compensation	5	5	6
Intangible assets	45	57	66
Capital loss carryforward	12	10	11
Tax over book basis in depreciable assets	4	5	5
Lease liabilities	11	9	12
Other	3	3	4
Total deferred tax assets	$ 183	$ 208	$ 211
Deferred tax liabilities:			
ROU assets	(10)	(7)	(11)
Other	(1)	—	—
Total deferred tax liabilities	$ (11)	$ (7)	$ (11)
Net deferred tax assets before valuation allowance	172	201	200
Valuation allowance	(173)	(201)	(199)
Net deferred tax assets (liabilities)	$ (1)	$ —	$ 1

The Company records a valuation allowance when it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of the deferred tax assets depends on the ability to generate sufficient taxable income of the appropriate character in the future and in the appropriate taxing jurisdictions. If the Company was to determine that it would be able to realize the deferred tax assets in the future in excess of their net recorded amount, the Company would make an adjustment to the valuation allowance, which would reduce the provision for income taxes.

The Company remains in a three-year cumulative loss position at the end of 2022. As a result, management believes that it is not more-likely-than-not that the Company would be able to realize the benefits of its deferred tax assets in the U.S., Canada and other foreign jurisdictions and accordingly recognized a valuation allowance for the year ended December 31, 2022. The change during the year in the valuation allowance was a reduction of $27 million in the U.S. and $1 million in other foreign jurisdictions resulting from a corresponding reduction in deferred tax assets.

There are no uncertain tax positions as of any of the periods presented. To the extent penalties and interest would be assessed on any underpayment of income tax, such accrued amounts are classified as a component of income tax provision (benefit) in the financial statements consistent with the Company's policy. For the year ended December 31, 2022, the Company did not record any income tax expense for interest and penalties related to uncertain tax positions.

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 2018 and outside the U.S. for the tax years ending after 2016.

In the U.S., the Company has $304 million of federal net operating loss carryforwards as of December 31, 2022, of which $158 million will expire between 2036 through 2037 and $146 million have no expiration. The potential associated tax benefit of $64 million has been reduced by a $64 million valuation allowance. The Company has $171 million of state net operating loss carryforwards as of December 31, 2022, with the majority expiring after 2034. The potential tax benefit of $9 million has been reduced by a $9 million valuation allowance. Outside the U.S., the Company has $17 million of net operating loss carryforwards as of December 31, 2022, of which $13 million have no expiration and $4 million will expire between 2024 and 2032. The potential tax benefit of $3 million has been reduced by a $3 million valuation allowance. As of December 31, 2022, the Company has $7 million of excess foreign tax credits in the U.S. The foreign tax credits will expire between 2024 and 2027. The potential tax benefit of $7 million has been reduced by a $7 million valuation allowance. In addition to a reduction in future income tax expense, future income tax payments will also be reduced in the event the Company ultimately realizes the benefit of these net operating loss carryforwards and foreign tax credits.

As of December 31, 2022, the Company has an immaterial amount of undistributed foreign earnings that may be subject to taxation upon a future distribution. The Company has not recorded deferred income taxes on undistributed foreign earnings that it considers to be indefinitely reinvested. The Company makes a determination each period whether to indefinitely reinvest these earnings. If, as a result of these reassessments, the Company distributes these earnings in the future, additional tax liabilities may result, offset by any available foreign tax credits. The Company has not recorded deferred income taxes on other outside basis differences inherent in the Company's foreign subsidiaries that it considers to be indefinitely reinvested, as such determination is not practicable.

Because of the number of tax jurisdictions in which the Company operates, its effective tax rate can fluctuate as operations and the local country tax rates fluctuate. The Company is also subject to audits by federal, state and foreign jurisdictions which may result in proposed assessments. The Company's future tax provision will reflect any favorable or unfavorable adjustments to its estimated tax liabilities when resolved. The Company is unable to predict the outcome of these matters. However, the Company believes that none of these matters will have a material adverse effect on the results of operations or financial position of the Company.

10. 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 LIBOR with 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 pledged deposits in the U.S and Canada. As of December 31, 2022, the Company had no borrowings against the Credit Facility and had approximately $482 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 $4 million in letters of credit under the Credit Facility primarily for casualty insurance expiring in June 2023.

11. 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 trading plans to facilitate the repurchase of its common stock pursuant to its share repurchase program. The amount and timing of any repurchases will depend on several factors, including share price, general business and market conditions, and alternative capital allocation opportunities. For the year ended December 31, 2022, the Company repurchased 653,819 shares of its common stock on the open market at an average price of $10.82 per common share for a total of $7 million under this program. All shares repurchased shall be retired pursuant to the terms of the share repurchase program.

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. The initial investment was completed in 2017 with the noncontrolling interest ("NCI") of approximately $1 million which was previously included in additional paid-in capital in the consolidated balance sheets as it was not material, and has been reclassified to NCI to conform to the current period financial statement presentation. For the year ended December 31, 2022, net income attributable to NCI was approximately $1 million. For all prior periods, net income (loss) attributable to NCI was less than $1 million.

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 December 31, 2022 and December 31, 2021, the VIE's assets were primarily current assets of $11 million and $4 million, respectively, and the liabilities were primarily current liabilities of $3 million and $1 million, respectively.

12. Leases

The Company leases certain facilities, vehicles and equipment. The Company determines if an arrangement contains a lease at contract inception and recognizes ROU assets and lease liabilities for leases with terms greater than twelve months. Leases with an initial term of twelve months or less are accounted for as short-term leases and are not recognized in the balance sheet. Operating fixed lease expenses and finance lease depreciation expense are recognized on a straight-line basis over the lease term. Variable lease payments which cannot be determined at the lease commencement date, such as reimbursement of lessor expenses, were not included in the ROU assets or lease liabilities.

Many leases include both lease and non-lease components which are primarily related to management services provided by lessors for the underlying assets. The Company elected the practical expedient to account for lease and non-lease components as a single lease component for all leases as well as the practical expedient that allows the Company to carry forward the historical lease classifications. For all new and modified leases entered into after the adoption of ASC 842, the Company reassesses the lease classification and lease term on the effective date of modification. Lease term includes renewal periods if the Company is reasonably certain to exercise any renewal options per the lease contract. The Company's leases do not contain any material residual value guarantees or restrictive covenants. The Company subleases certain real estate to third parties.

As most leases do not have readily determinable implicit rates, the Company estimates the incremental borrowing rates based on prevailing financial market conditions, comparable companies and credit analysis and management judgments to determine the present values of its lease payments. The Company also applies the portfolio approach to account for leases with similar terms. As of December 31, 2022, the weighted-average remaining lease terms were approximately 5 years for operating leases and 6 years for finance leases, and the weighted-average discount rates were 6.2% for operating leases and 5.3% for finance leases.

For the year ended December 31, 2021, the Company recognized approximately $6 million of impairment for ROU assets in the U.S. and Canada reporting segments primarily relating to exits of certain leased facilities. For the year ended December 31, 2020, as the result of the recoverability testing of its long-lived assets, the Company recognized $2 million impairment for operating ROU assets in the U.S. and International reporting segments which was included in impairment and other charges in the consolidated statements of operations.

Supplemental balance sheet information is as follows (*in millions*):

	Classification	December 31, 2022		December 31, 2021	
Assets					
Operating	Other assets	$	36	$	27
Finance	Property, plant and equipment, net		10		5
Total ROU assets		$	46	$	32
Liabilities					
Current					
Operating	Accrued liabilities	$	13	$	15
Finance	Other current liabilities		4		4
Long-term					
Operating	Long-term operating lease liabilities		25		17
Finance	Other long-term liabilities		7		3
Total lease liabilities		$	49	$	39

Components of lease expense is as follows (*in millions*):

	Classification	Year Ended December 31, 2022		2021		2020	
Operating lease cost [1]	Warehousing, selling and administrative	$	16	$	22	$	26
Finance lease ROU asset depreciation [2]	Warehousing, selling and administrative		4		5		7
Short-term lease cost	Warehousing, selling and administrative		5		5		6
Variable lease cost	Warehousing, selling and administrative		3		2		2
Sublease income	Warehousing, selling and administrative		(2)		(2)		—

(1) Included in other, net adjustment to reconcile net income to net cash provided by (used in) operating activities in the consolidated statement of cash flows.

(2) Included in depreciation and amortization in the consolidated statement of cash flows. Interest on finance lease liabilities is less than $1 million.

Supplemental disclosure of cash flow information is as follows (*in millions*):

	Year Ended December 31, 2022		2021		2020	
Cash paid for amounts included in the measurement of lease liabilities						
Operating cash flows from operating leases	$	21	$	23	$	27
Financing cash flows from finance leases [1]		5		6		7
ROU assets obtained in exchange for new lease liabilities						
Operating	$	25	$	12	$	10
Finance		9		—		2

(1) Interest payments from finance lease liabilities is less than $1 million.

Maturity of lease liabilities as of December 31, 2022 were as follows (*in millions*):

	Operating Lease		Finance Lease	
2023	$	17	$	4
2024		9		3
2025		5		3
2026		4		1
2027		4		—
Thereafter		9		2
Total future lease payments		48		13
Less: interest		(10)		(2)
Present value of lease liabilities	$	38	$	11

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 December 31, 2022, the Company was contingently liable for approximately $13 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 2021, the Company is currently in disagreement with the sellers on certain aspects of the agreement. The Company does not believe at this time that resolution of the matter will have a material impact on its consolidated financial statements, but the final outcome has not been determined.

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 manage the foreign currency exchange rate risk.

The derivative financial instruments the Company has entered into are forward exchange contracts which have terms of less than one year to economically hedge foreign currency exchange rate risk on recognized nonfunctional currency monetary accounts. The purpose of the Company's foreign currency hedging activities is to economically hedge the Company's risk from changes in the fair value of nonfunctional currency denominated monetary accounts.

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 instrument 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 December 31, 2022 and 2021, 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 currency forward contract liabilities were included in other current liabilities in the consolidated balance sheets.

For the years ended December 31, 2022, 2021 and 2020, the Company recorded a loss of $1 million, loss of $1 million and gain of $1 million, respectively, related to changes in fair value. All gains and losses were included in other income (expense) in the consolidated statements of operations. The notional principal associated with those contracts was $7 million, $9 million and $8 million as of December 31, 2022, 2021 and 2020, respectively.

As of December 31, 2022, 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. Accumulated Other Comprehensive Income (Loss) ("AOCI")

The components of accumulated other comprehensive income (loss) are as follows (*in millions*):

	Foreign Currency Translation Adjustments	
	Year Ended December 31,	
	2022	2021
Beginning balance	$ (147)	$ (145)
Other comprehensive income (loss) before reclassifications	(13)	(2)
Amounts reclassified from accumulated other comprehensive income (loss)	10	—
Net current-period other comprehensive income (loss)	(3)	(2)
Ending balance	$ (150)	$ (147)

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 (loss) in accordance with ASC Topic 830 "Foreign Currency Matters".

For the year ended December 31, 2022, the Company reclassified $10 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.

16. Business Segments

The Company has four operating segments – U.S. Energy, U.S. Process Solutions, Canada and International. These operating segments were determined based primarily on the geographical markets and secondarily on the distribution channel of the products and services offered. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company's Chief Executive Officer has been identified as the chief operating decision maker. The Company's chief operating decision maker directs the allocation of resources to operating segments based on various metrics of each respective operating segment. The allocation of resources across the operating segments is dependent upon, among other factors, the operating segment's historical or future expected operating margins; the operating segment's historical or future expected return on capital; outlook within a specific market; opportunities to grow profitability; new products or new customer accounts; confidence in management; and competitive landscape and intensity.

The Company has determined that there are three reportable segments: (1) United States, (2) Canada and (3) International. The U.S. Energy and U.S. Process Solutions operating segments were not separately reported as they exhibit similar long term economic characteristics, the nature of the products offered are similar, purchase many identical products from outside vendors, have similar customers, sell products directly to end-users and operate in similar regulatory environments. They have been aggregated into the United States reportable segment.

United States

The Company has approximately 110 locations in the U.S., which are geographically positioned to serve the upstream, midstream and downstream energy and industrial markets.

Canada

The Company has 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. The Company's Canadian segment primarily serves the energy exploration, production, drilling and midstream business.

International

The Company operates in approximately 15 countries and serves the needs of its international customers from approximately 20 locations outside of the U.S. and Canada, all of which are strategically located in major oil and gas development areas. The Company's International segment primarily serves the energy exploration, production and drilling business.

The following table presents financial information for each of the Company's reportable segments as of and for the year ended December 31 (*in millions*):

	United States	Canada	International	Total
2022				
Revenue	$ 1,591	$ 315	$ 230	$ 2,136
Operating profit (loss)	103	30	(2)	131
Impairment and other charges	—	—	10	10
Depreciation and amortization	16	2	1	19
Property, plant and equipment, net	95	11	13	119
Total assets	991	179	150	1,320
2021				
Revenue	$ 1,163	$ 249	$ 220	$ 1,632
Operating profit (loss)	(8)	17	—	9
Impairment and other charges	6	1	—	7
Depreciation and amortization	20	2	1	23
Property, plant and equipment, net	86	11	14	111
Total assets	787	168	149	1,104
2020				
Revenue	$ 1,153	$ 209	$ 257	$ 1,619
Operating loss	(281)	(60)	(79)	(420)
Impairment and other charges	189	60	72	321
Depreciation and amortization	23	2	3	28
Property, plant and equipment, net	70	12	16	98
Total assets	714	141	153	1,008

The following table presents a comparison of the approximate sales mix in the principal product categories (*in millions*):

	Year Ended December 31,		
	2022	2021	2020
Product Category			
Pumps, production and drilling	$ 531	$ 423	$ 428
Pipe	432	277	228
Valves	409	317	326
Fittings and flanges	389	285	287
Mill tool, MRO, safety and other	375	330	350
Total	$ 2,136	$ 1,632	$ 1,619

17. Earnings (Loss) Per Share ("EPS")

Basic EPS is based on net income (loss) attributable to the Company's earnings and is calculated based upon the daily weighted-average number of common shares outstanding during the periods presented. Also, this calculation includes fully vested stock and unit awards that have not yet been issued as common stock. Diluted EPS includes the above, plus unvested stock, unit or option awards granted and vested unexercised stock options, but only to the extent these instruments dilute earnings (loss) per share.

For the years ended December 31, 2022, 2021 and 2020, a total of approximately 2 million, 4 million and 6 million, respectively, of potentially dilutive shares were excluded from the computation of diluted earnings per share due to their antidilutive effect or due to the Company recognizing a net loss for the period.

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

	Year Ended December 31,		
	2022	2021	2020
Numerator:			
Net income (loss) attributable to NOW Inc.	$ 128	$ 5	$ (427)
Less: net income attributable to participating securities	(2)	—	—
Net income (loss) attributable to NOW Inc. stockholders	$ 126	$ 5	$ (427)
Denominator:			
Weighted average basic common shares outstanding	110,676,078	110,403,853	109,406,079
Effect of dilutive securities	548,311	91,088	—
Weighted average diluted common shares outstanding	111,224,389	110,494,941	109,406,079
Earnings (loss) per share attributable to NOW Inc. stockholders:			
Basic	$ 1.14	$ 0.05	$ (3.91)
Diluted	$ 1.13	$ 0.05	$ (3.91)

Under ASC Topic 260, "Earnings Per Share," the two-class method requires a portion of net income attributable to NOW 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 loss is not allocated to nonvested awards in periods the Company determines that those shares are not obligated to participate in losses. For the periods that the Company recognized net income, net income allocated to these participating securities was excluded from net income attributable to NOW Inc. stockholders in the numerator of the earnings per share computation.

18. Stock-based Compensation and Outstanding Awards

Under the terms of the NOW Inc. Long Term Incentive Plan (the "Plan"), 16 million shares of the Company's common stock were authorized for grant to employees, non-employee directors and other persons. The Plan provides for the grant of stock options, restricted stock awards, restricted stock units, phantom shares and performance stock awards.

Stock-based compensation expense recognized for the years ended December 31, 2022, 2021 and 2020 totaled $11 million, $8 million and $6 million, respectively. The tax effected benefit for share-based compensation arrangements was $2 million, $2 million, and $1 million for the years ended December 31, 2022, 2021 and 2020, respectively. Unvested stocks and awards associated with certain management employees who retired in 2020 were allowed to continue to vest after retirement for a period less than one year during the term in which such employees served as consultants to the Company. The Company accounted for this change as a Type III modification under ASC Topic 718 since the expectation of the award vesting changed from improbable to probable, resulting in a reduction of stock-based compensation expense based on the modification-date fair value for the year ended December 31, 2020.

Each of the stock-based compensation arrangements are discussed below.

Stock Options

Stock option awards are generally granted with an exercise price equal to the market price of the Company's stock at the date of grant. Stock option awards generally have either a 7-year or a 10-year contractual term and vest over a 3-year period from the grant date on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in-substance, multiple awards. Additionally, the Company's stock options provide for full vesting of unvested outstanding options, in the event of a change of control of the Company and a change in the holder's responsibilities following a change in control of the Company. The Company did not grant stock option awards in 2022.

The fair value of each option award was estimated on the date of grant using the Black-Scholes framework. The expected volatility was based on the implied volatility on the Company's stock, historical volatility of the Company's stock and the historical volatility of other, similar companies. The risk-free rate was based on the U.S. Treasury yield curve in effect at the time of grant for the period consistent with the expected term. The expected dividends were based on the Company's history and expectation of dividend payouts. The expected term was based on the average of the vesting period and contractual term. The Black-Scholes framework uses the assumptions noted in the table below:

	December 31,	
	2021	2020
Valuation Assumptions:		
Expected volatility	61.3%	43.7%
Risk-free interest rate	0.5%	1.4%
Expected dividends (per share)	$ —	$ —
Expected term (in years)	4.5	4.5

The following table summarizes award activity for stock options:

Stock Options	**Shares** *(in thousands)*	**Weighted-Average Exercise Price**	**Weighted-Average Remaining Contractual Term** *(in years)*	**Aggregate Intrinsic Value** *(in millions)*
Outstanding as of December 31, 2021	3,596	$ 15.02		
Forfeited and expired	(740)	20.02		
Exercised	(294)	9.83		
Outstanding as of December 31, 2022	2,562	$ 14.17	2.8	$ 4
Exercisable at December 31, 2022	1,965	$ 15.43	2.2	$ 3

The weighted average grant-date fair value of options granted for the years ended December 31, 2021 and 2020 was $5.03 and $3.59, respectively. The total intrinsic value of options exercised for the years ended December 31, 2022, 2021 and 2020 was $1 million, less than $1 million, and less than $1 million, respectively. As of December 31, 2022, unrecognized compensation cost related to stock option awards was approximately $1 million, which is expected to be recognized over a weighted average period of 0.9 year. Cash received from exercises of stock options was $2 million for the year ended December 31, 2022.

Restricted Stock Awards, Restricted Stock Units and Phantom Shares ("RSAs and RSUs")

Restricted stock generally cliff vests after 1 or 3 years. The grant-date fair value of RSA and RSU grants is determined using the closing quoted market price on the grant date. Additionally, the Company's RSA and RSU agreements provide for full vesting of RSAs and RSUs in the event of a change of control of the Company and a change in the holder's responsibilities following a change in control of the Company.

The following table summarizes award activity for RSAs and RSUs:

RSAs / RSUs	**Shares** *(in thousands)*	**Weighted-Average Grant-Date Fair Value**
Nonvested as of December 31, 2021	741	$ 10.79
Granted	1,152	9.89
Vested [(1)]	(188)	13.05
Forfeited	(191)	10.08
Nonvested as of December 31, 2022	1,514	$ 9.91

(1) 32 thousand shares were withheld and retired from the vesting of shares to employees to satisfy minimum tax withholding.

The weighted average grant-date fair value was $9.89, $10.31 and $8.78 for RSAs and RSUs granted for the years ended December 31, 2022, 2021 and 2020, respectively. As of December 31, 2022, unrecognized compensation cost related to RSAs and RSUs was $9 million, which is expected to be recognized over a weighted average period of 1.7 year. The total vest-date fair value of shares vested for the years ended December 31, 2022, 2021 and 2020 was $2 million, $3 million, and $4 million, respectively.

Performance Stock Awards ("PSAs")

PSAs generally have a 3-year vesting period from the grant date and vest at the end of the vesting period with potential payouts varying from zero for performance below the threshold performance metric to 200% of the target award PSAs for performance above the maximum performance metric. The grant-date fair value of market-condition PSA grants is determined using a Monte Carlo simulation probabilistic model. The grant-date fair value of performance-condition PSA grants is determined using the closing quoted market price on the grant date. Additionally, the Company's performance award agreements provide for full vesting of PSAs at the target level in the event of a change of control of the Company and a change in the holder's responsibilities following a change in control of the Company.

The Company granted PSAs to senior management employees whereby the PSAs can be earned based on performance against established metrics over a three-year performance period. The PSAs are divided into three independent parts that are subject to separate performance metrics: (i) one-half of the PSAs have a Total Shareholder Return ("TSR") metric, (ii) one-quarter of the PSAs have an EBITDA metric, and (iii) one-quarter of the PSAs have a Return on Capital Employed ("ROCE") metric.

Performance against the TSR metric is determined by comparing the performance of the Company's TSR with the TSR performance of designated peer companies for the three-year performance period. Performance against the EBITDA metric is determined by comparing the performance of the Company's actual EBITDA average for each of the three-years of the performance period against the EBITDA metrics set by the Company's Compensation Committee of the Board of Directors. Performance against the ROCE metric is determined by comparing the performance of the Company's actual ROCE average for each of the three-years of the performance period against the ROCE metrics set by the Company's Compensation Committee of the Board of Directors.

The following table summarizes award activity for performance stock awards:

PSAs	**Shares** *(in thousands)*	**Weighted-Average Grant-Date Fair Value**
Nonvested as of December 31, 2021	669	$ 13.35
Granted	351	11.08
Vested [(1)]	(21)	22.13
Forfeited	(111)	14.61
Nonvested as of December 31, 2022	888	$ 12.09

(1) 8 thousand shares were withheld and retired from the vesting of shares to employees to satisfy minimum tax withholding.

The weighted average grant-date fair value of PSAs granted for the years ended December 31, 2022, 2021 and 2020 was $11.08, $13.08 and $12.12, respectively. As of December 31, 2022, unrecognized compensation cost related to PSAs was $5 million, which is expected to be recognized over a weighted average period of 1.4 year. The total vest-date fair value of PSAs vested for the year ended December 31, 2022, 2021 and 2020 was less than $1 million, $1 million and less than $1 million, respectively.

19. Employee Benefit Plans

At December 31, 2022, the Company had approximately 2,425 employees, of which approximately 100 were temporary employees.

Benefit plans

The Company has benefit plans covering substantially all of its employees. Defined contribution benefit plans cover most of the U.S. and Canadian employees, and benefits are based on years of service and a percentage of current earnings. For the years ended December 31, 2022, 2021 and 2020, employer contributions for defined contribution plans were $5 million, $1 million and $5 million, respectively, and all funding is current.

The Company has a non-qualified deferred compensation plan (the "NQDC Plan") for certain members of senior management. NQDC Plan assets are invested in mutual funds held in a "rabbi trust," which is restricted for payment to participants of the NQDC Plan. Such equity securities held in a rabbi trust are measured using quoted market prices at the reporting date (Level 1 within the fair value hierarchy) and were included in other assets, with the corresponding liability included in other long-term liabilities in the consolidated balance sheets.

Defined Benefit Pension Plans

As of December 31, 2022, the Company sponsors two defined benefit plans in the United Kingdom under which accrual of pension benefits have ceased. Plan member benefits that have previously been accrued are indexed in line with inflation during the period up to retirement in order to protect their purchasing power. During 2020, the Company made lump-sum payments and entered into a buy-in annuity contract in connection with the de-risking of one of the defined benefit plans, which is expected to transfer the remaining liability to the insurance provider when the remaining buy-out contract provisions are completed.

Net periodic benefit cost (income) for the Company's defined benefit plans was income of less than $1 million, cost of less than $1 million and cost of $6 million for the years ended December 31, 2022, 2021 and 2020, respectively, and were included in other income (expense) in the consolidated statement of operations. The Company immediately recognizes actuarial gains and losses in other income (expense), which are generally measured annually and recorded in the fourth quarter, unless an earlier remeasurement is required.

The change in benefit obligation, plan assets and the funded status of the defined benefit pension plans in the United Kingdom using a measurement date of December 31, 2022 and 2021, are as follows (*in millions*):

	Pension Benefits	
At year end	**2022**	**2021**
Benefit obligation at beginning of year	$ 8	$ 9
Actuarial loss (gain)	(3)	1
Plan settlements	—	(2)
Foreign currency exchange rate changes	(1)	—
Benefit obligation at end of year	$ 4	$ 8
Fair value of plan assets at beginning of year	$ 9	$ 11
Actual return	(2)	—
Plan settlements	—	(2)
Foreign currency exchange rate changes	(1)	—
Fair value of plan assets at end of year	$ 6	$ 9
Funded status	2	1
Accumulated benefit obligation at end of year	$ 4	$ 8

The net asset is presented within other assets in the consolidated balance sheets.

The Company estimates income or expense related to its pension and postretirement plans based on actuarial assumptions, including assumptions regarding discount rates and expected returns on plan assets, adjusted for current period actuarial gains and losses. Assumed long-term rates of return on plan assets and discount rates vary for the different plans according to the local economic conditions.

The assumption rates used for benefit obligations are as follows:

	December 31,	
	2022	**2021**
Discount rate:	4.1% - 5.10%	1.20% - 1.80%

The assumption rates used for net periodic benefit costs are as follows:

	December 31,		
	2022	**2021**	**2020**
Discount rate:	1.20% - 1.80%	0.70% - 1.20%	2.00% - 2.10%
Expected return on assets:	1.10% - 2.22%	0.70% - 1.78%	2.54% - 3.03%

In determining the overall expected long-term rate of return for plan assets, the Company takes into consideration the historical experience as well as future expectations of the asset mix involved. As different investments yield different returns, each asset category is reviewed individually and then weighted for significance in relation to the total portfolio. In the plan that purchased the annuity contract, the long-term rate of return is equal to the discount rate used to value the obligation.

Both plans have plan assets in excess of projected benefit obligations. The Company expects to pay future benefit amounts on its defined benefit plans of less than $1 million for each of the next five years and in the aggregate $1 million for the five years thereafter. The Company does not expect to contribute to its defined benefit pension plans in 2023.

The Company and its investment advisers collaboratively reviewed market opportunities using historic and statistical data, as well as the actuarial valuation reports for the plans, to ensure that the levels of acceptable return and risk are well-defined and monitored. Currently, the Company's management believes that there are no significant concentrations of risk associated with plan assets.

The following table sets forth by level, within the fair value hierarchy, the plan's assets carried at fair value (*in millions*):

	Fair Value Measurements			
	Total	**Level 1**	**Level 2**	**Level 3 (1)**
December 31, 2022:				
Annuity contract	$ 3	$ —	$ —	$ 3
Other	3	—	3	—
Total fair value measurements	$ 6	$ —	$ 3	$ 3
December 31, 2021:				
Annuity contract	$ 5	$ —	$ —	$ 5
Other	4	1	3	—
Total fair value measurements	$ 9	$ 1	$ 3	$ 5

20. Transactions

Acquisitions

For the year ended December 31, 2022, the Company completed three acquisitions for an aggregate purchase price consideration of approximately $80 million cash. The acquisitions further expand and fortify the Company's solutions offerings in new and existing end markets in the U.S. Process Solutions reporting unit. During the second quarter of 2022, the Company completed one acquisition and finalized the valuation of its assets acquired and liabilities assumed at acquisition date fair values. In December 2022, two acquisitions were completed and the aggregate purchase price consideration was allocated to the assets acquired and liabilities assumed based on a preliminary estimate of their acquisition date fair values. Due to the level of effort required to develop fair value measurements, the valuation information necessary to determine the fair values of properties, plant and equipment, inventory and identifiable intangible assets, including the underlying cash flows is preliminary. The Company will complete its acquisition date fair values of assets acquired and liabilities assumed within the one-year measurement period; any adjustments to the preliminary values made in the measurement period could be material. The Company also identified non-compete agreements as separate transactions and recognized non-compete intangible assets of approximately $3 million with a weighted-average life of 3 years.

For the year ended December 31, 2021, the Company completed two acquisitions for an aggregate purchase price consideration of approximately $119 million. The aggregate purchase price was comprised of $96 million of cash, and an estimated $23 million of contingent consideration if certain financial and profitability thresholds were achieved following the closing of the transactions. These acquisitions primarily expanded the Company's offering in the U.S. to provide the rental, sale and service of surface-mounted horizontal pumping systems and horizontal jet pumping systems, as well as, to provide engineering and construction services. The Company completed its valuations as of the applicable acquisition dates of the acquired net assets and recognized goodwill of $67 million and intangible assets of $11 million in the U.S. segment.

The following table summarizes the purchase price allocation detail as of the acquisition dates for acquisitions closed during fiscal years 2022 and 2021 (*in millions*):

	2022 Acquisitions		2021 Acquisitions	
Consideration transferred:				
Cash	$	80	$	96
Estimated fair value of contingent consideration		—		23
Net purchase price	$	80	$	119
Fair value of net assets acquired:				
Current assets other than cash	$	11	$	7
Property, plant and equipment		10		36
Customer relationships and other intangibles (1)		15		11
Current liabilities		(5)		(2)
Total fair value of net assets acquired	$	31	$	52
Goodwill (2)	$	49	$	67

(1) Intangible assets acquired in 2022 and 2021 are amortized over a 8-year and 9-year weighted average period, respectively.

(2) 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 $49 million and $41 million in connection with the acquisitions in 2022 and 2021, respectively.

The Company has included the financial results of the acquisitions in its consolidated financial statements from the date of each acquisition. The Company has not presented supplemental pro forma information because the acquired operations did not materially impact the Company’s consolidated operating results.

Contingent consideration

The fair value of acquisition-related contingent consideration liabilities was determined using the Monte Carlo simulation based on the Company's estimated future cash flow projections, the probability of achievement and the estimated discount rates, all of which were classified as level 3 inputs under the fair value hierarchy.

The following table presents a reconciliation of the beginning and ending amounts of the fair value of the acquisition-related contingent consideration liabilities (*in millions*):

	Acquisition-related contingent consideration liabilities	
Balance at January 1, 2021	$	—
Acquisition-date fair value		23
Change in fair value		(10)
Balance at December 31, 2021 (1)	$	13
Change in fair value		(13)
Balance at December 31, 2022	$	—

(1) The fair value used a discount rate of 14% and was included in other current liabilities in the consolidated balance sheets.

Changes in the fair value of the contingent consideration liabilities are recognized in other income (expense) in the consolidated statements of operations. For the year ended December 31, 2021, the change in the fair value of contingent consideration liabilities was primarily related to the timing of the earn-out periods, results to date and the remaining forecasts for the periods. For the year ended December 31, 2022, the change in the fair value of contingent consideration liabilities resulted from not achieving any earn-out thresholds prior to the expiration of the earn-out period.

Divestitures

In 2020, the company completed the sale of a business primarily in the United States segment selling cutting tools to the aerospace and automotive markets, as well as, the sale of a business in the International segment selling lighting solutions locally in the United Kingdom. Neither divestiture of business qualified to be a discontinued operation as it did not represent a strategic shift that would have a major effect on the Company’s operations and financial results. In aggregate, the Company recorded net proceeds of $26 million cash and recognized a loss of $1 million for the year ended December 31, 2020, which was included in impairment and other charges in the consolidated statements of operations.

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