

Energy Delivered.™

Oilfield Equipment
View Products >

Electrical
View Products >

Pumps
View Products >

Investor Relations

Fourth Quarter and Full-Year 2020

DISTRIBUTION **NOW**

Disclosure Statement

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

Vision

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



Fourth Quarter and Full-Year Investment Highlights

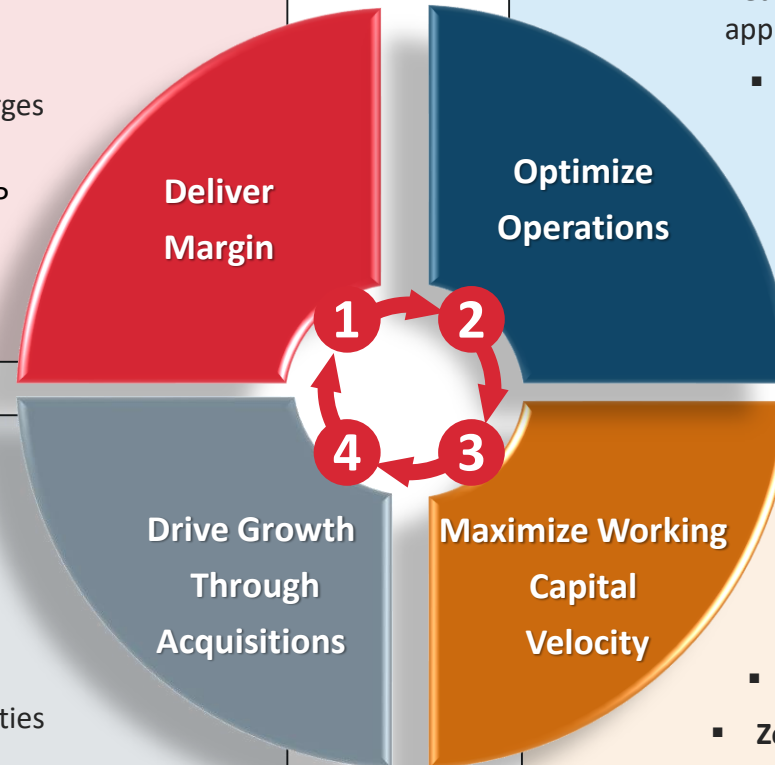
- Management focused on top line growth by flexing new strategy from a structurally transformed and lower WSA baseline, with more adjustments as needed
- Continue to pursue end market diversification, centralized fulfillment and digitization to better position DNOW to capture market share and improve incremental margins
- Evolving DigitalNOW® customer ecosystem gaining traction with additional eCommerce customer implementations and registered users for our eSpec product configurator
- FCF for full year \$181M, ending the quarter with \$387M in cash, zero debt and total liquidity of \$584M
- Completed a small acquisition to expand U.S. Process Solutions engineering, design and construction capabilities targeted for midstream growth



DNOW Strategy to Unlock Value

- Activity increase in North America, resulting from revenue **growth in Canada**, with the U.S. being relatively flat as order pipeline improved offset by seasonality and declines Internationally
- **Gross margins down** sequentially due to elevated inventory charges attributed to structural and customer preference changes resulting in non-cash inventory charges of \$24M during the quarter
- **Expanding maintenance capex revenue** from select E&P customers with few to no drilling rigs
- Retain market share on several **contract renewals** and expand with a **notable midstream contract win**

- Completed small **acquisition** in February 2021
 - Expands DNOW's engineering, design and construction services capability based in West Texas with midstream customers
 - Reporting under U.S. Process Solutions
- **M&A pipeline active**, proactively evaluating opportunities
- Approximately **\$584 million in total liquidity**



- **Structural change** towards a more centralized fulfillment model with smaller branches and reduced personnel and vehicles, square footage and inventory
 - **Reduced** discretionary and infrastructure **costs** and headcount from approximately 4,400 to 2,500 during the year
 - Kitting and shipments of large project orders from Houston based super center
 - Focused on **cost transformation** to better adapt to market demand and preserve balance sheet
 - **Leveraging technology** to enhance employee productivity and increase operational efficiencies

- **Working capital**, excluding cash, was 16% of fourth quarter 2020 annualized revenue
- **Inventory turns** at 4.2x
- **Cash balance** at December 31, 2020 of \$387M
- **Zero debt**

4Q20 Key Market Indicators

WTI/Rig Counts

- WTI avg \$43 per barrel for 4Q20
- U.S. avg rig count of 310, up 22% sequentially, down 62% YOY
- Canada avg rig count 92, up 92% sequentially, down 34% YOY
- International avg rig count 663, down 9% sequentially, and 40% YOY

DNOW annualized revenue per rig at \$1.2M for 4Q20

U.S. DUCs

- December ended with a DUC count of 7,298 wells in EIA DPR regions
- 7,449 4Q20 avg
- Down 6% sequentially and down 8% YOY

DUCs are future revenue opportunities for DNOW

U.S. Completions

- December ended with 518
- 502 avg for 4Q20
- Up 31% sequentially
- Down 58% YOY

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

4Q20 Highlights – United States

U.S. Energy

4Q Highlights

- Revenue represents 81% of U.S. revenue
- Activity increased with increase in rig count, completions and orders from natural gas operators
- Expanded revenue from operators and workover rigs providing MRO product and services
- Expanded midstream market with a three year well connect program in the Rockies for a large midstream NGL and gas company including eCommerce implementation of an eCatalog
- Expanding end markets with PVF orders for water management and gas utility customers
- Renewed MRO and safety services contract for major refinery

U.S. Process Solutions

4Q Highlights

- Revenue represents 19% of U.S. revenue
- Experienced an uptick in quoting activity and influx of order pipeline from a 3Q bottom
- Expanded midstream terminal solutions with pump rental fleet, tank mixers and horizontal multi-stage pumps
- Expanded aftermarket pump maintenance program with large E&P in the Permian
- Vessels shipped to Powder River Basin, Bakken, Permian and Eagle Ford for E&P and Midstream customers
- Launched eSpec™ digital product configurator for customers to configure and obtain quotes on process and production equipment

4Q20 Highlights – Canada & International

Canada

4Q Highlights

- Revenue of \$48M, up \$6M or 14% sequentially on improved rig count and completions activity
- Expanded valve and actuation sales to EPCs, IOC and midstream pipeline customers
- Expanded PVF market share with new natural gas E&P customer
- Expanded composite piping system product line share in Manitoba region with contract award
- Opened new location in northern Alberta to capture market share

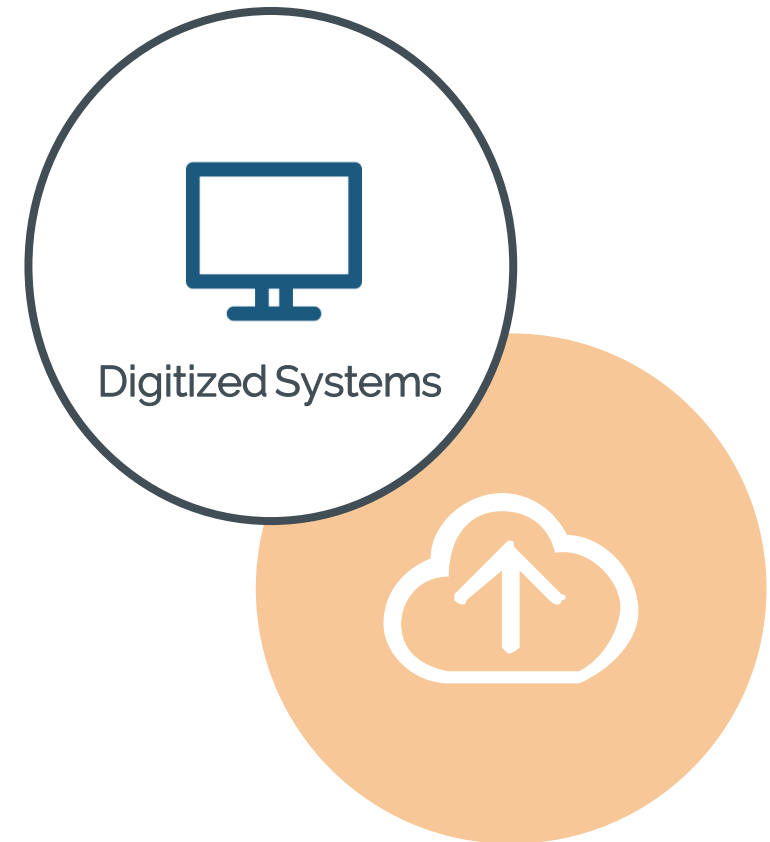
International

4Q Highlights

- Revenue \$47M, down \$9M or 16% sequentially on lower rig count ending the period at a yearly low
- Experience lower activity, project holds and increased lockdowns in oil production areas
- Implemented our valve asset management solution and DigitalNOW eCatalog for major IOC in Egypt
- In Latin America, awarded orders from offshore rigs from a contract won in 3Q20
- In UK, won multi-year contracts with IOC operators for electrical products and consumables
- In Australia, secured long term MRO and electrical contract for major LNG operator and MRO agreement from IOC natural gas producer

Technology Investments for Reduced IT Service Costs and to Boost Productivity

- Boost Productivity:
 - Order Management System (OMS+) grows with higher adoption globally delivering higher efficiency
 - Advanced Quoting Systems (AQ) to provide seamless experience to faster responding quotes (Q1/Q2)
 - Process Analytics allows new automation opportunities and disciplines to streamline operations further
- IT reduced cost, productivity boost, and digital foundation:
 - Upgrading Enterprise Warehouse Management system to standardize Distribution Center and Branches operations
 - Migrating multiple data centers to cloud for application modernization and cost saving
 - Upgrading Process Solutions ERPs to cloud-based solution to enhance manufacturing functionality across business units



Ecommerce channel continues to expand

Ecommerce platform continues to grow

- Customer implementations completed during the quarter accompany previous contract wins
- Majority of new implementations in the midstream space targeting revenue accretive MRO day-to-day spend
- User registrations continue to increase
- Focus on customer training and adoption

System Enhancements

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

powered by
DigitalNOW®



Ecommerce features at a glance

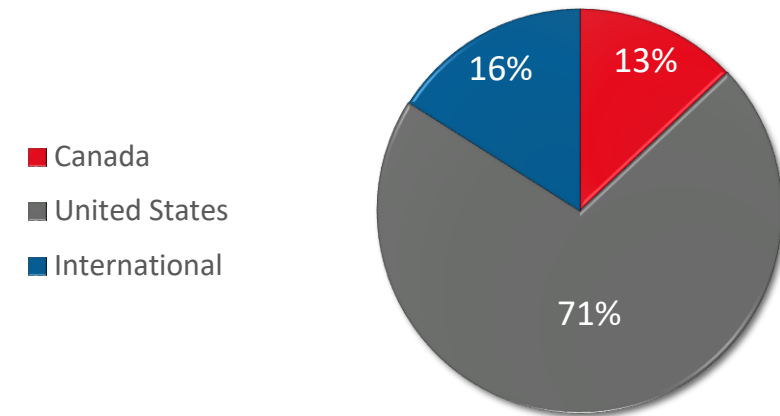
Your Business	Shop or Browse	Purchase
Spend reporting	160,000+ products	Order on account terms
Order history and tracking	Catalog search	Punchout via ERP integration
Approval workflow	View inventory availability and lead-times to fulfill	Electronic purchasing (EDI/XML)
Personalized catalog	Personalized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

Driving Supply Chain Innovation through Speed, Efficiency and Technology

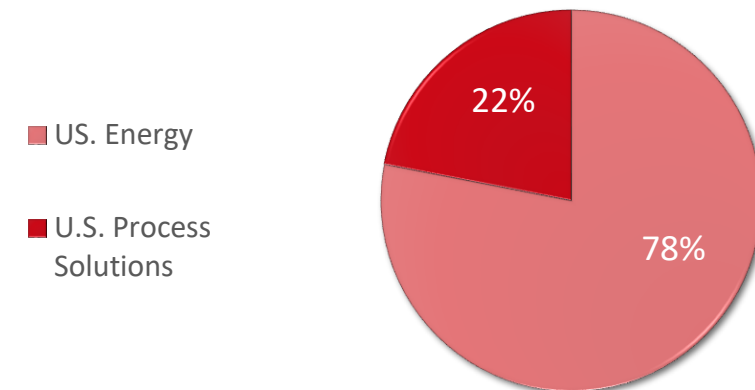
- Legacy 150+ years operating
- Support major land and offshore operations for all the key energy producing regions around the world
- Comprehensive network of energy centers, supply chain services and process solutions locations complemented with an online commerce channel
- Key markets: Europe, Former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

NYSE Ticker	DNOW
Countries	20+
Locations	~195
Employees	~2,450
ERP System	SAP™

2020 Revenue by Segment

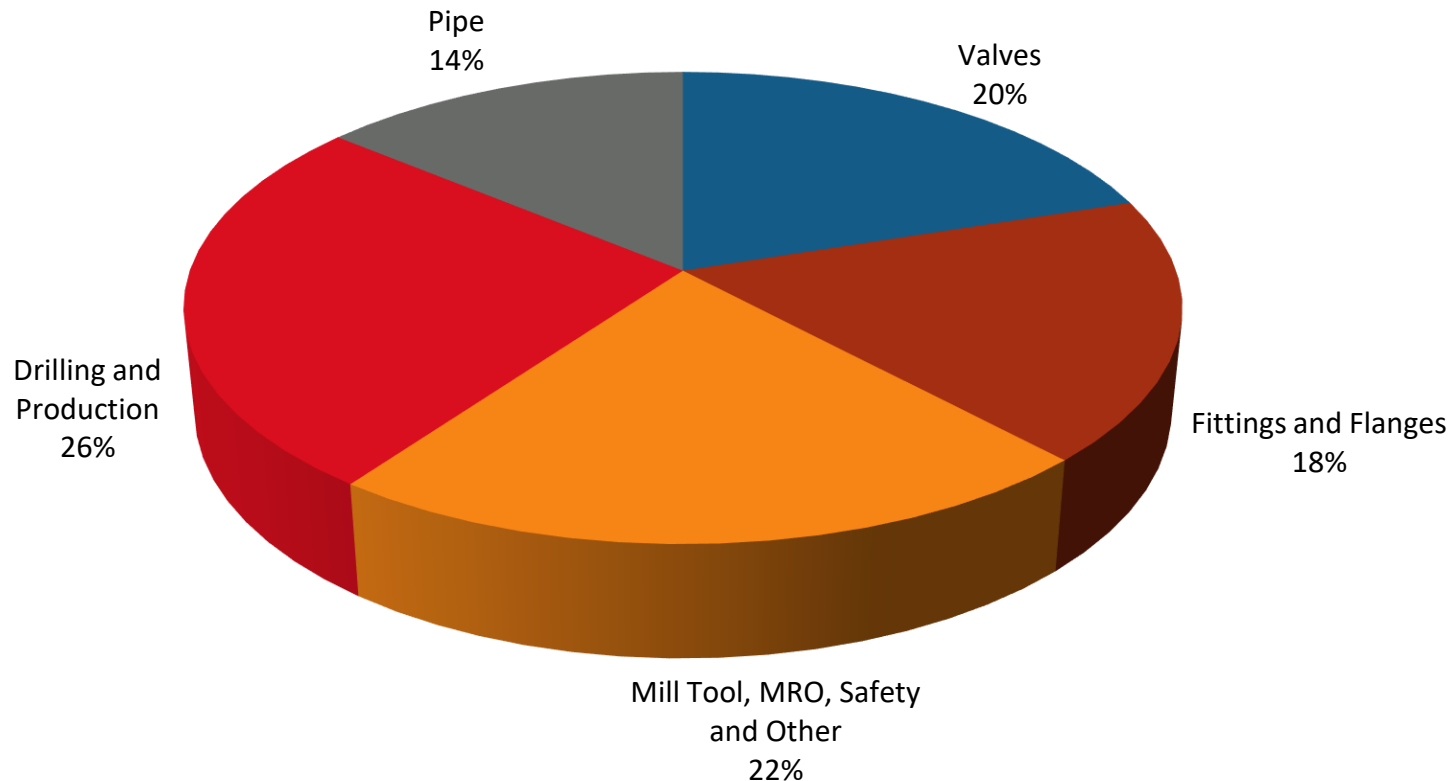


2020 United States Revenue by Channel



Comprehensive Product Offering and Balanced Revenue Mix

2020 Product Mix

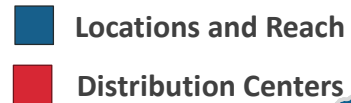


DNOW carries a
**broad range of
products and services**
to meet
**RAPID and CRITICAL
deliveries**
to customers in local and
remote areas

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

Global Presence and Reach (blue)

Company Locations



Distribution Centers:

United States

Houston, TX
Beulah, ND
Casper, WY

Canada

Edmonton, Alberta
Estevan, Saskatchewan

Europe

Aberdeen, Scotland

MENA

Jebel Ali, U.A.E.

Asia

Jurong, Singapore



Blue-Chip Suppliers and Customers Across the Globe

Thousands of Suppliers in ~40 countries



DISTRIBUTION
NOW

Supporting Customer Operations in ~80 countries

Drilling Contractors



Exploration & Production



Midstream

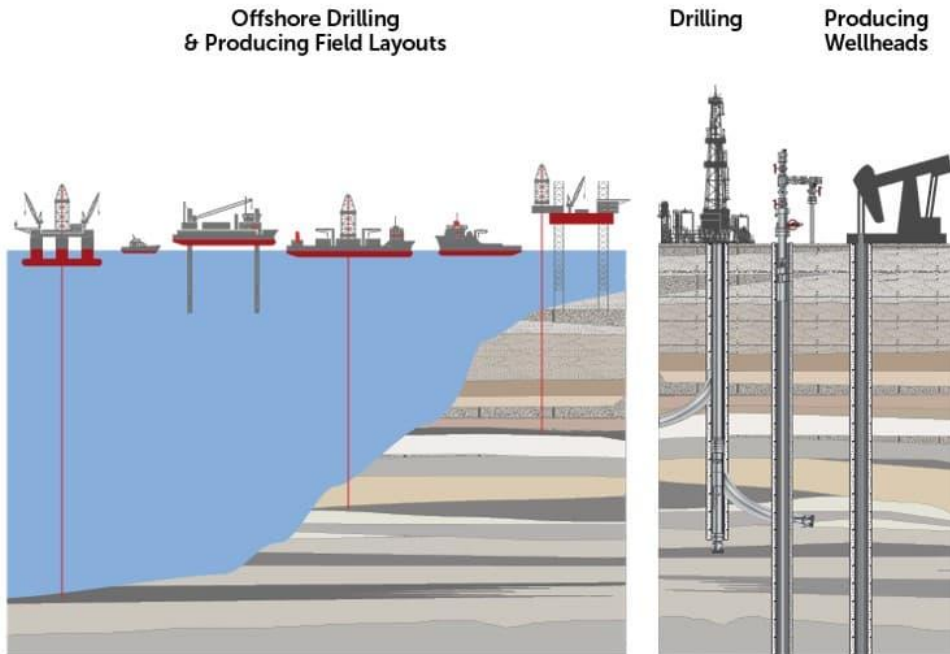


Downstream & Industrial

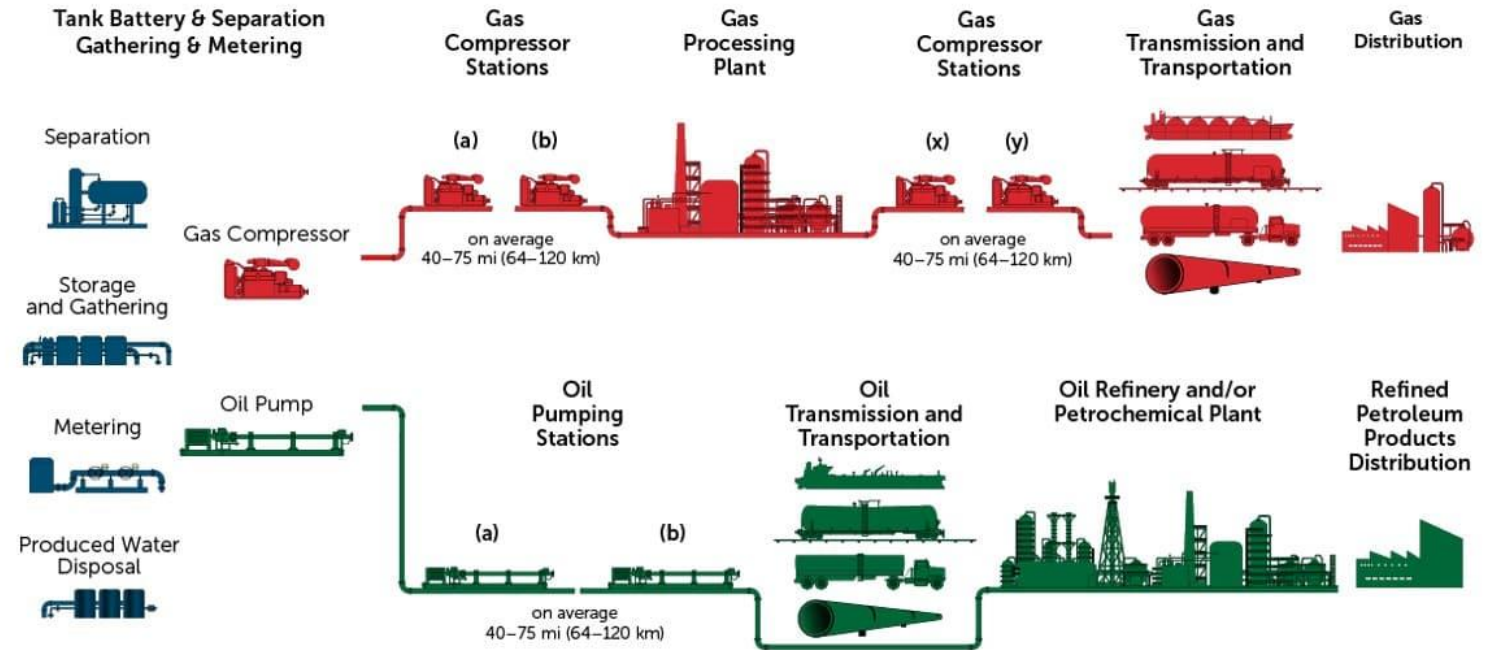


DNOW is a Critical Link from Drilling to Distribution

Upstream



Midstream



Providing Value-Add Solutions Across All Channels



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

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



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

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



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

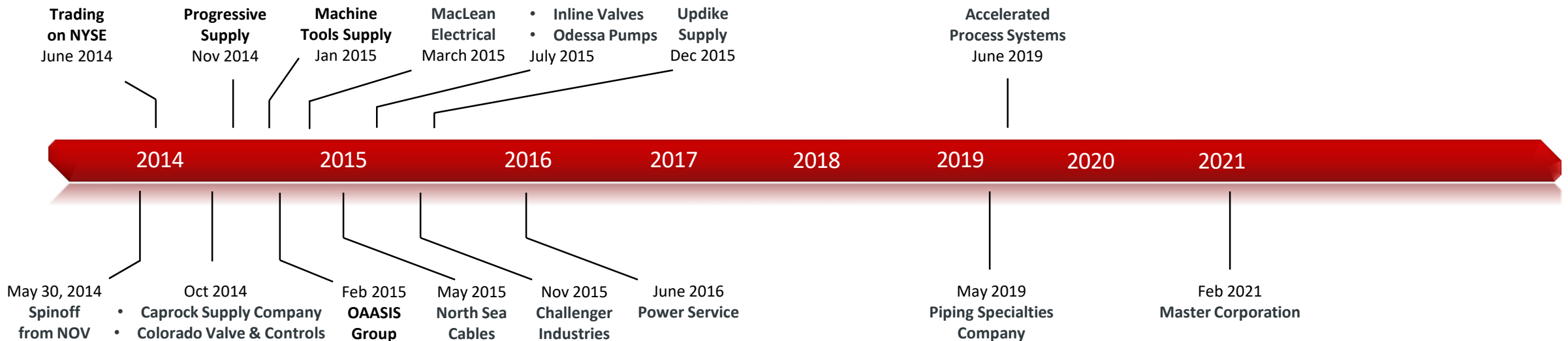
**Meets demand for turnkey
tank battery production
(facilities) solution**

Driving Growth through Acquisitions

Clearly Defined Acquisition Strategy

- Seek high value-add solutions that bring sustainable competitive advantages
- Leverage product lines acquired through acquisitions to gain organic share
- Utilize strong customer relationships that present new opportunities
- Increase barriers to entry
- Promote cross-selling from U.S. Energy to U.S. Process Solutions

Track Record of Success



Energy Delivered.™



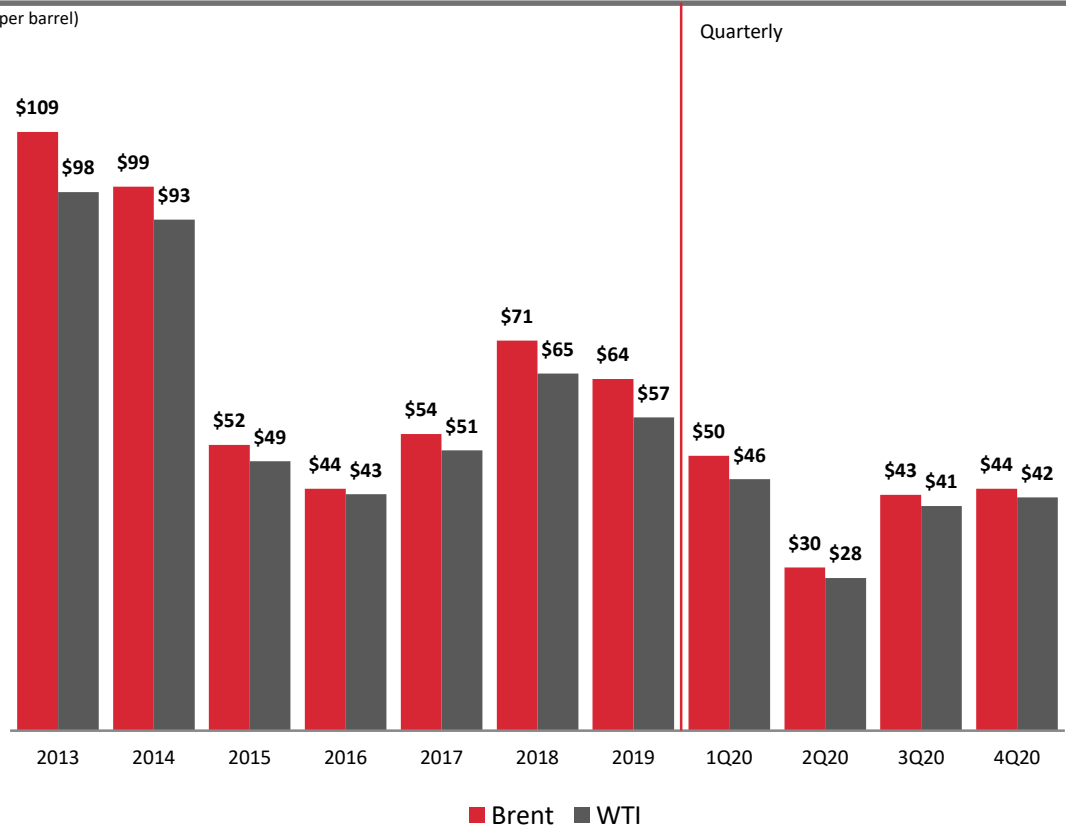
Industry Dynamics

DISTRIBUTION **NOW.**

Key Market Indicators

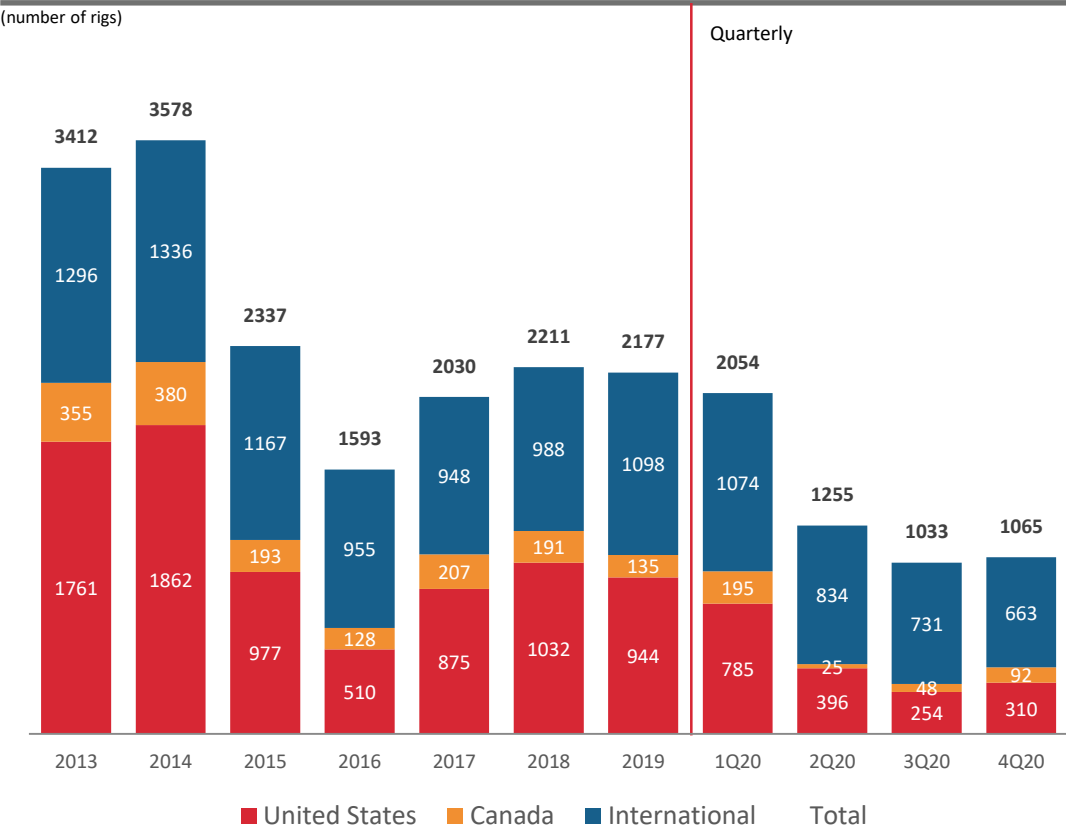
OIL PRICES & RIGS TRENDING

Average Oil Prices



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

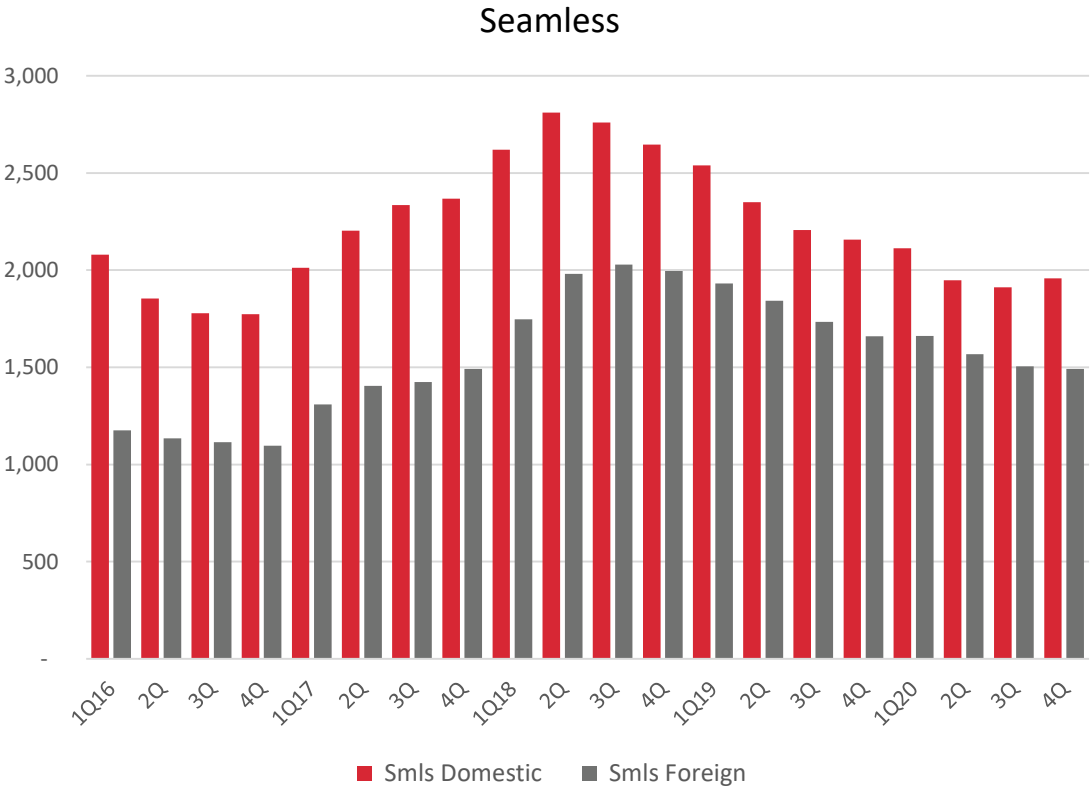
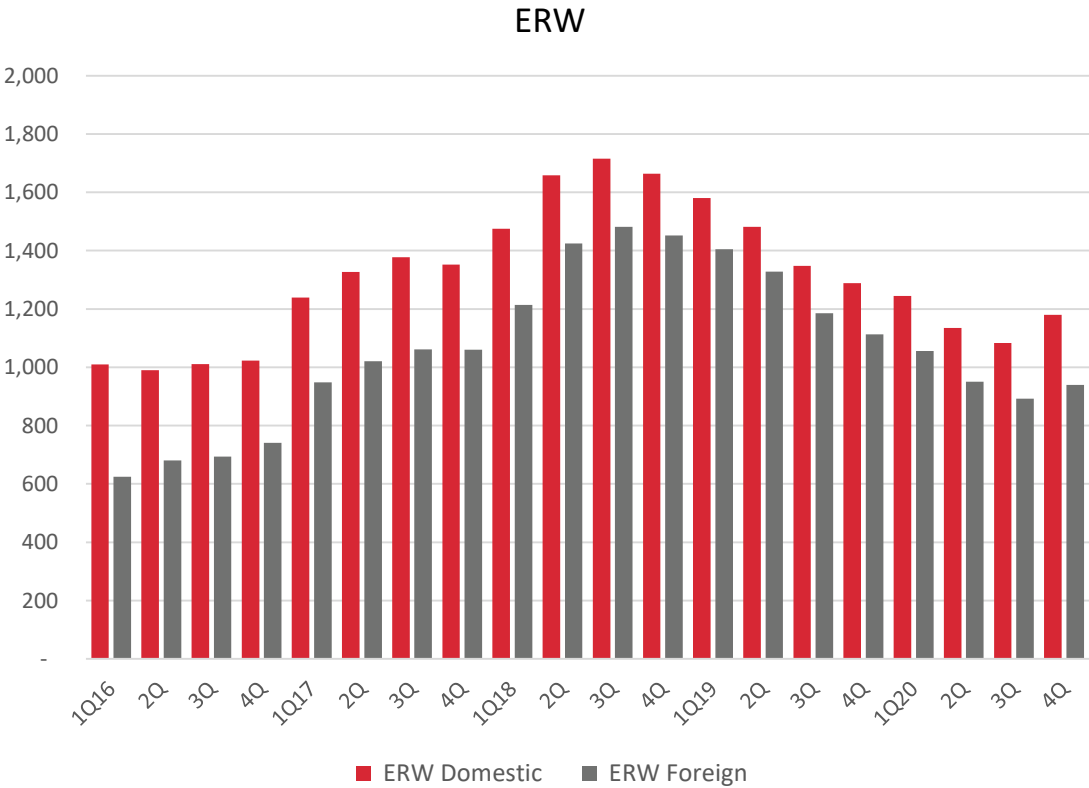
Average Rig Count



Source: Baker Hughes, Inc.

DNOW is positioned to benefit from industry recovery

Pipe Price Trends, U.S. dollar per ton



Source: Pipe Logix

Energy Delivered.™



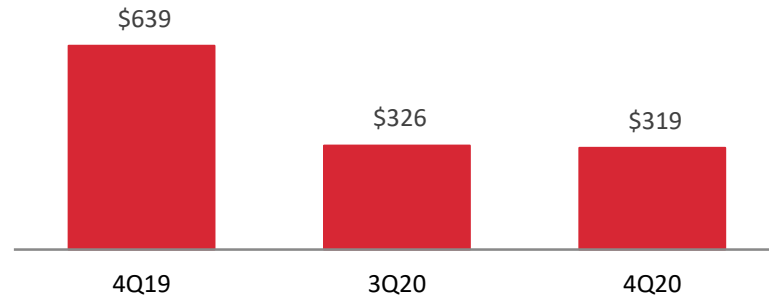
Financial Update

DISTRIBUTION **NOW**

CFO Highlights: Selected Quarterly Results (Unaudited)

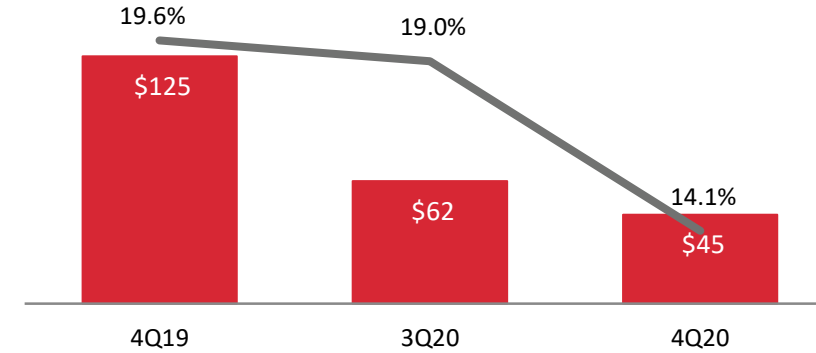
Revenue

(\$ in millions)



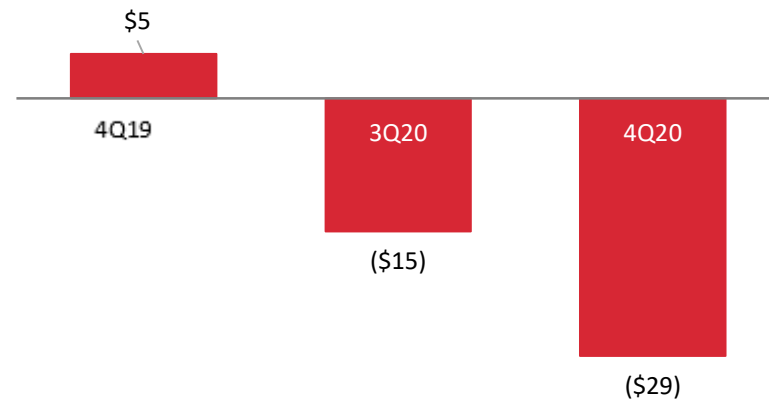
Gross Profit and Margin %

(\$ in millions)



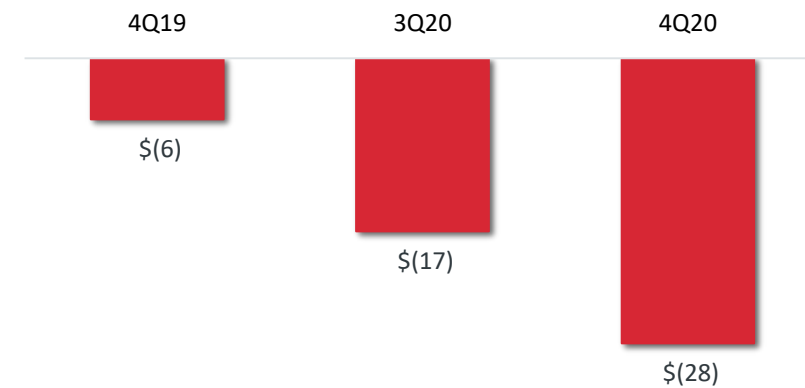
EBITDA Excl. Other Costs (Non-GAAP)

(\$ in millions)



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

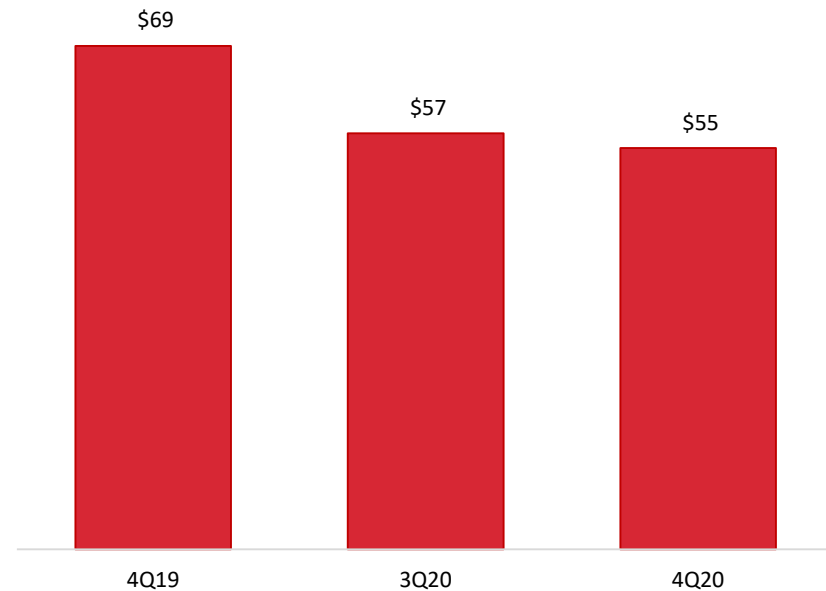
(\$ in millions)



Cash Generation & Working Capital Management

Free Cash Flow

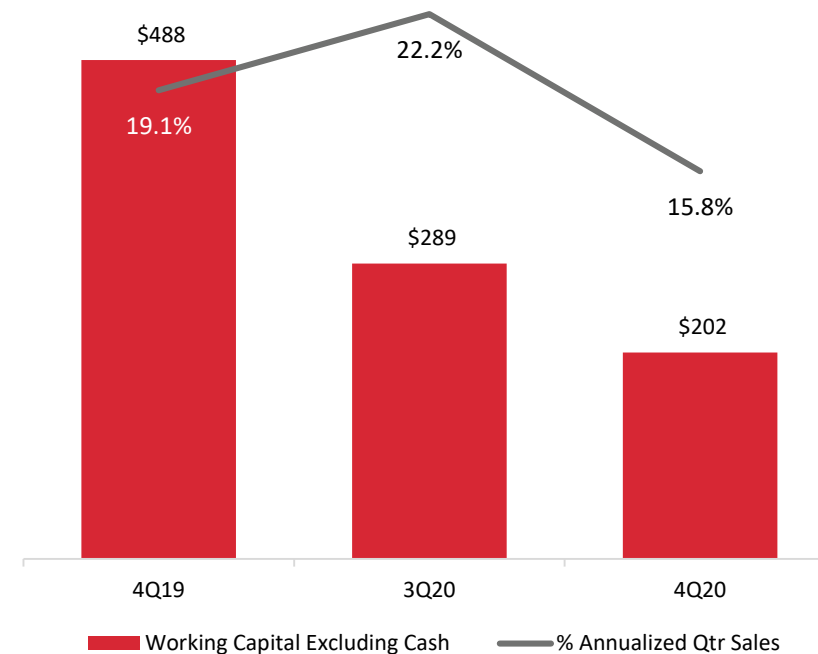
(\$ in millions)



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

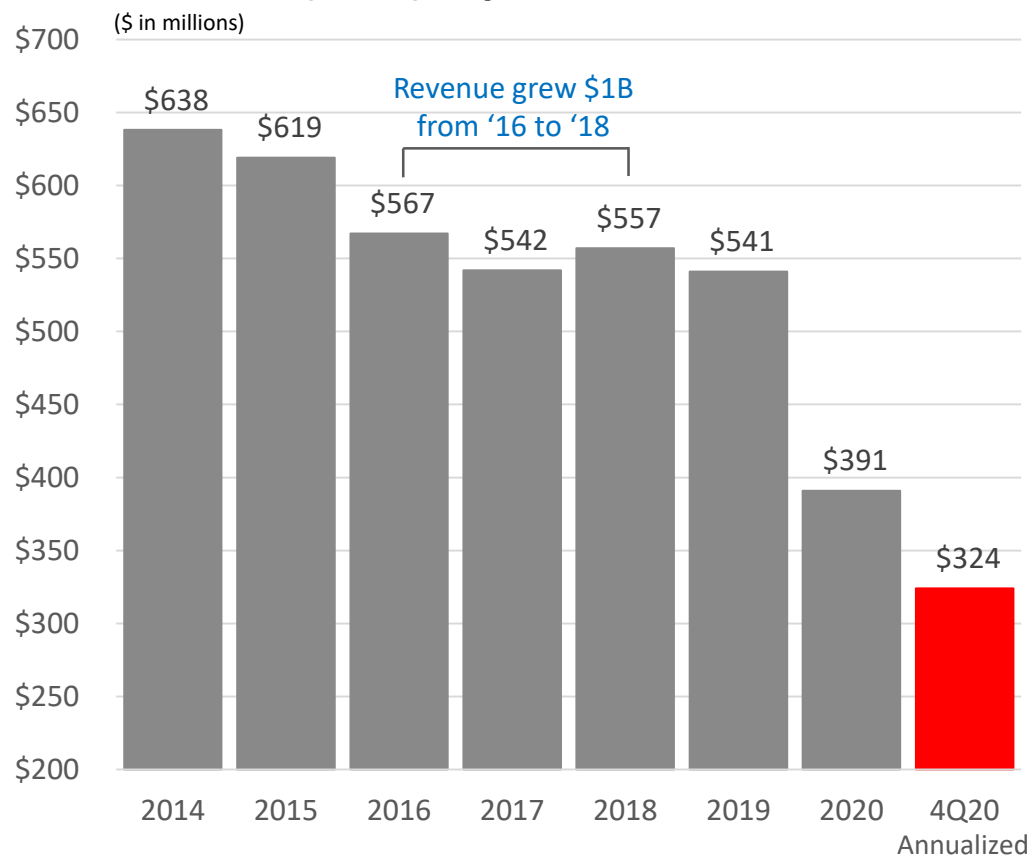
Working Capital Excluding Cash

(\$ in millions)



Structural Transformation

Warehousing, selling & administrative (WSA) expense trends



4Q20 annualized: Other items, including bad debt, severance and acquisition expenses, as well as WSA for potential acquisitions will influence actual results.

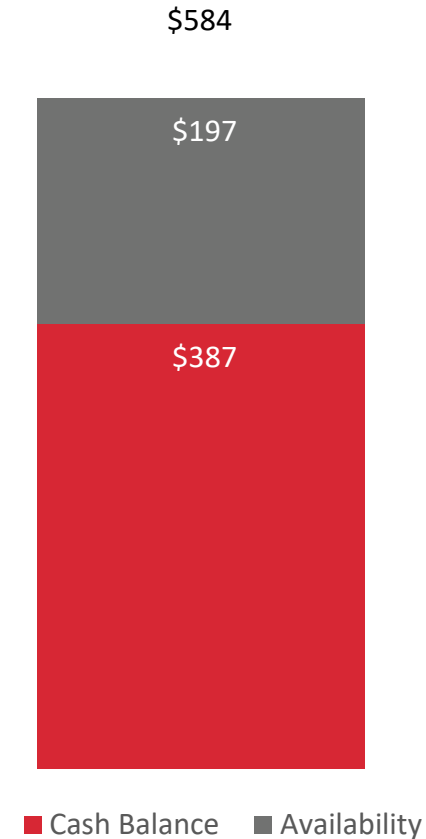
- Headcount reductions approximate 1,900, down 43% during the year
- Implementing consolidation measures combined with redesigning network of facilities to maximize coverage while leveraging the benefits of centralized fulfillment
- Efficiency and productivity
 - Deploy technology to augment labor content
 - Designing express centers, supercenters and regional fulfillment network, with a bias towards centralized structure
 - Eliminate waste and least valuable activity
 - Offshore lower-level back office labor

Liquidity and Capital Resources

- Entered into a five-year \$750 million secured asset based lending facility (ABL) in April 2018, expires in April 2023
- No financial maintenance covenants
- Fixed Charge covenant triggers when availability falls below the greater of 12.5% of the borrowing base or \$60 million
- No outstanding borrowings and no draws on the credit facility during the quarter
- Total liquidity was \$584 million, which includes \$197 million in availability under the ABL and \$387 million in cash

Total Liquidity at December 31, 2020

(\$ in millions)



Select Balance Sheet Metrics

	4Q20	Comments	
	(\$ in millions)		
Cash and cash equivalents	\$ 387		
Receivables, net	198	57	DSOs
Inventories, net	262	4.2	Turn rates
Accounts payable	172	57	DPOs
Long-term debt	–	No outstanding debt	

Energy Delivered.™



Environmental, Social & Governance

DISTRIBUTION **NOW.**

Response to COVID-19

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



Released Inaugural Sustainability Report

- Increase ESG reporting transparency to shareholders
- Followed SASB (Sustainability Accounting Standards Board) and TCFD (Task Force on Climate Related Financial Disclosures) standards and guidance
- Aligned with business strategy
- Established ESG management committee
- 2020 sustainability report release targeted for mid-year 2021





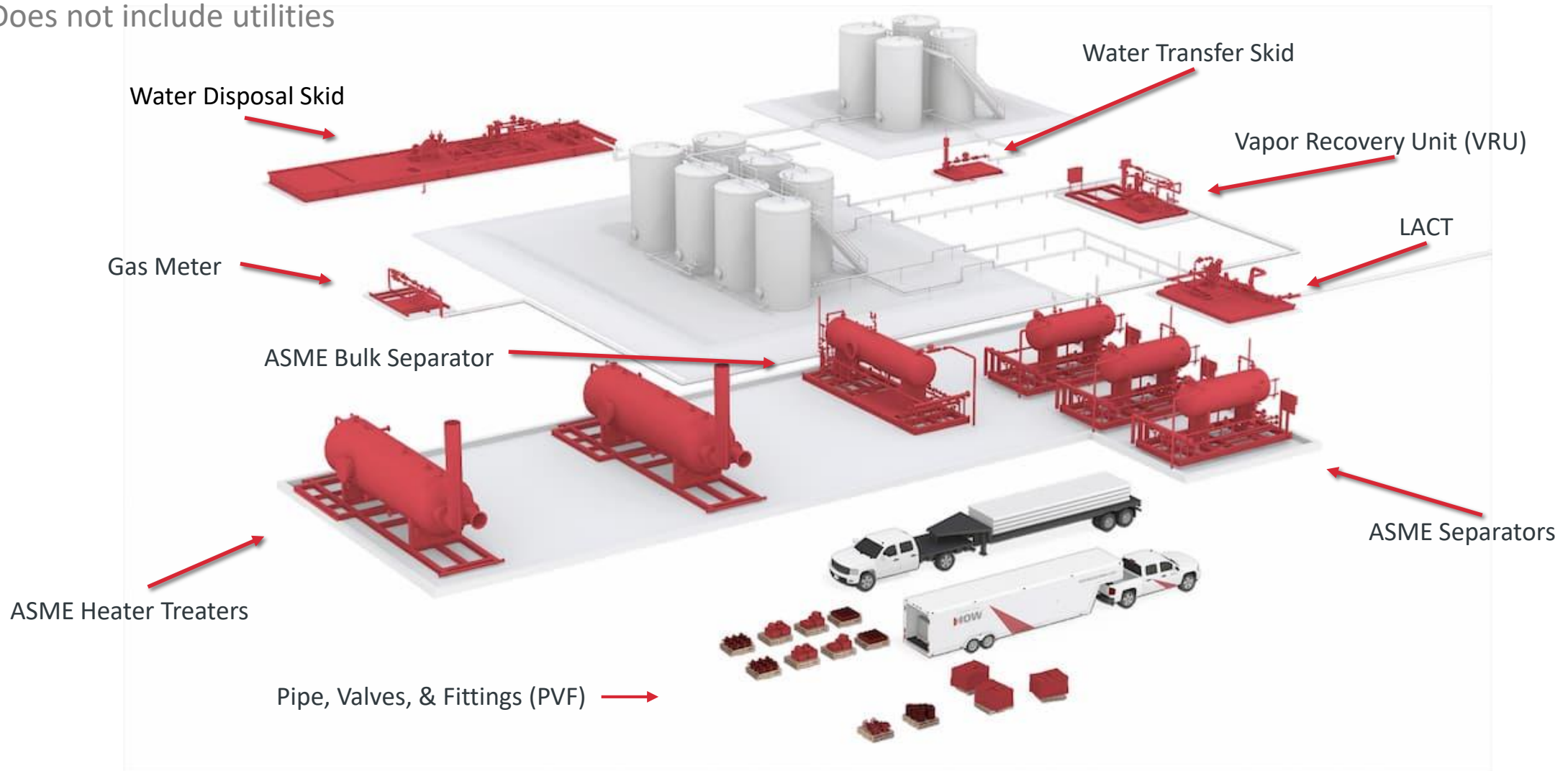
Energy Delivered.™

Appendix

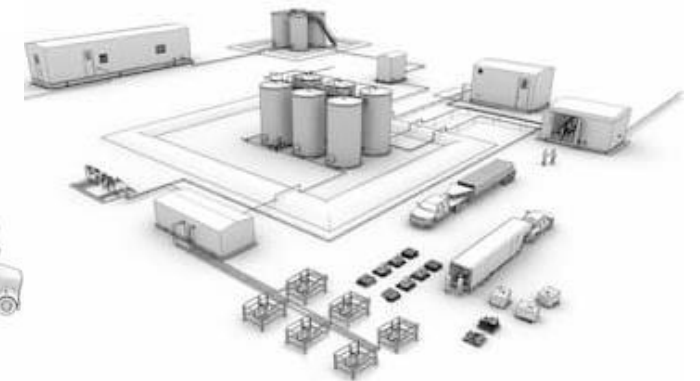
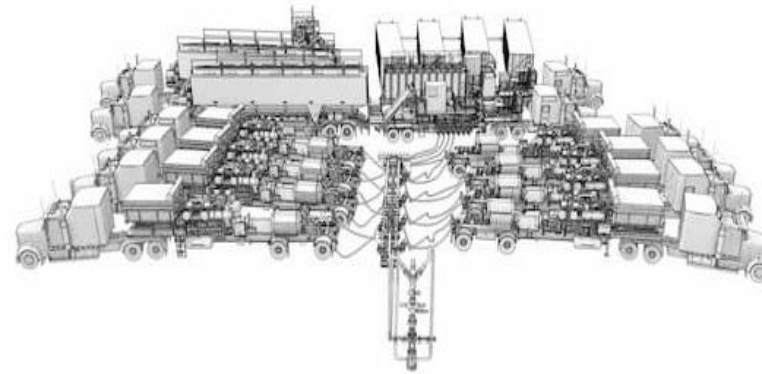
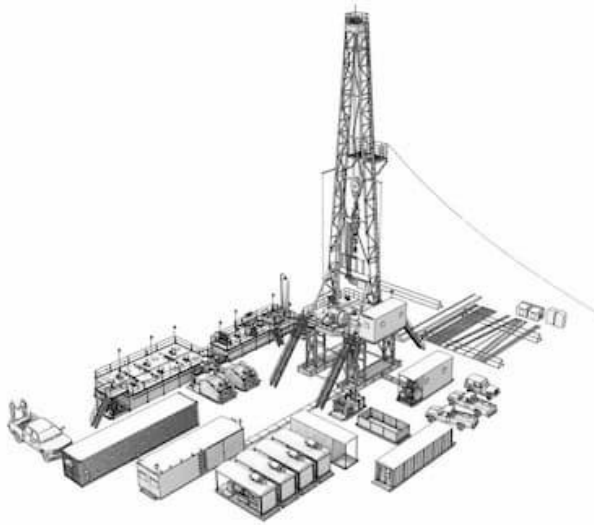
DISTRIBUTION **NOW**

Example Tank Battery Installation

Does not include utilities



Timing and Materiality from Drilling to Tank Battery Install



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

*Estimates based on a 6 well pad



Investor Relations

Brad Wise, Vice President, Marketing & Investor Relations

ir.distributionnow.com, contact us at: ir@dnow.com

Energy Delivered.™

DISTRIBUTION **NOW**