
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported) November 3, 2021

NOW INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-36325
(Commission
File Number)

46-4191184
(IRS Employer
Identification No.)

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

77041
(Zip Code)

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

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

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

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

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|--------------------------------|----------------------|--|
| Common Stock, par value \$0.01 | DNOW | New York Stock Exchange |

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

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition

On November 3, 2021, NOW Inc. issued a press release announcing earnings for the quarter ended September 30, 2021 and conference call in connection therewith. A copy of the release is furnished herewith as Exhibit 99.1 and incorporated herein by reference.

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

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

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

- 99.1 [NOW Inc. press release dated November 3, 2021 announcing the earnings results for the third quarter ended September 30, 2021.](#)
- 104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: November 3, 2021

NOW INC.

/s/ Raymond W. Chang

Raymond W. Chang

Vice President & General Counsel



NOW Inc. Reports Third Quarter 2021 Results

HOUSTON, TX, November 3, 2021 - NOW Inc. (NYSE: DNOW) announced results for the third quarter ended September 30, 2021.

Third Quarter 2021 Financial Highlights

- Revenue was \$439 million for the third quarter of 2021
- Net income was \$5 million and non-GAAP net income excluding other costs was \$6 million for the third quarter of 2021
- Diluted earnings per share was \$0.05 and non-GAAP diluted earnings per share excluding other costs was \$0.05 for the third quarter of 2021
- Non-GAAP EBITDA excluding other costs for the third quarter of 2021 was \$15 million
- Cash and cash equivalents was \$312 million and long-term debt was zero at September 30, 2021
- Free cash flow for the third quarter of 2021 was \$22 million

David Cherechinsky, President and CEO of NOW Inc., added, "I am delighted to report this quarter that the Company once again achieved solid results with better-than-expected sequential revenue growth of 10 percent, a third consecutive quarter of record-breaking gross margins and EBITDA excluding other costs of \$15 million, well above expectations. Our strategic execution accelerated these results and generated \$22 million in free cash flow in a period where we would have historically consumed cash.

Despite facing the pervasive effects of the continued worldwide pandemic, particularly global supply chain disruptions, product scarcity, industry labor shortages and elevated transportation costs, our global DNOW team delivered as a reliable source of critical products and services for our customers amid growing demand.

Looking ahead to full-year 2021 results, we expect revenue to be largely unchanged from full-year 2020. However, with stronger gross margins and a now much leaner cost structure, we anticipate full-year 2021 EBITDA improvement over full-year 2020 to be near \$90 million, representing a fundamental shift in the capabilities of the Company and its earnings potential, laying the groundwork for a strong 2022."

Prior to the earnings conference call a presentation titled "NOW Inc. Third Quarter 2021 Key Takeaways" will be available on the Company's Investor Relations website.

About NOW Inc.

NOW Inc. is one of the largest distributors to energy and industrial markets on a worldwide basis, with a legacy of over 150 years. NOW Inc. operates primarily under the DistributionNOW and DNOW brands. Through its network of approximately 195 locations and 2,400 employees worldwide, NOW Inc. offers a comprehensive line of products and solutions for the upstream, midstream and downstream energy and industrial sectors. Our locations provide products and solutions to exploration and production companies, energy transportation companies, refineries, chemical companies, utilities, manufacturers and engineering and construction companies.

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

Contact:

Mark Johnson

Senior Vice President and Chief Financial Officer

(281) 823-4754

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

| | September 30, 2021 (Unaudited) | December 31, 2020 |
|---|--------------------------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 312 | \$ 387 |
| Receivables, net | 299 | 198 |
| Inventories, net | 244 | 262 |
| Prepaid and other current assets | 19 | 14 |
| Total current assets | 874 | 861 |
| Property, plant and equipment, net | 115 | 98 |
| Deferred income taxes | 1 | 1 |
| Goodwill | 66 | — |
| Intangibles, net | 11 | — |
| Other assets | 37 | 48 |
| Total assets | <u>\$ 1,104</u> | <u>\$ 1,008</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 243 | \$ 172 |
| Accrued liabilities | 105 | 95 |
| Other current liabilities | 27 | 5 |
| Total current liabilities | 375 | 272 |
| Long-term operating lease liabilities | 17 | 25 |
| Other long-term liabilities | 13 | 12 |
| Total liabilities | 405 | 309 |
| 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; 110,558,831 and 109,951,610 shares issued and outstanding at September 30, 2021 and December 31, 2020, respectively | 1 | 1 |
| Additional paid-in capital | 2,059 | 2,051 |
| Accumulated deficit | (1,215) | (1,208) |
| Accumulated other comprehensive loss | (146) | (145) |
| Total stockholders' equity | 699 | 699 |
| Total liabilities and stockholders' equity | <u>\$ 1,104</u> | <u>\$ 1,008</u> |

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

| | Three Months Ended | | | Nine Months Ended | |
|---|-----------------------|-----------------|------------------|-----------------------|-----------------|
| | September 30, 2021 | 2020 | June 30, 2021 | September 30, 2021 | 2020 |
| Revenue | \$ 439 | \$ 326 | \$ 400 | \$1,200 | \$1,300 |
| Operating expenses: | | | | | |
| Cost of products | 343 | 264 | 315 | 944 | 1,053 |
| Warehousing, selling and administrative | 86 | 83 | 85 | 250 | 310 |
| Impairment charges | — | — | — | 4 | 320 |
| Operating profit (loss) | 10 | (21) | — | 2 | (383) |
| Other expense | (3) | — | (1) | (5) | (2) |
| Income (loss) before income taxes | 7 | (21) | (1) | (3) | (385) |
| Income tax provision (benefit) | 2 | 1 | 1 | 4 | (2) |
| Net income (loss) | <u>\$ 5</u> | <u>\$ (22)</u> | <u>\$ (2)</u> | <u>\$ (7)</u> | <u>\$ (383)</u> |
| Earnings (loss) per share: | | | | | |
| Basic earnings (loss) per common share | <u>\$0.05</u> | <u>\$(0.20)</u> | <u>\$(0.02)</u> | <u>\$(0.06)</u> | <u>\$(3.50)</u> |
| Diluted earnings (loss) per common share | <u>\$0.05</u> | <u>\$(0.20)</u> | <u>\$(0.02)</u> | <u>\$(0.06)</u> | <u>\$(3.50)</u> |
| Weighted-average common shares outstanding, basic | <u>111</u> | <u>109</u> | <u>110</u> | <u>110</u> | <u>109</u> |
| Weighted-average common shares outstanding, diluted | <u>111</u> | <u>109</u> | <u>110</u> | <u>110</u> | <u>109</u> |

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

| | Three Months Ended | | | Nine Months Ended | |
|---------------|-----------------------|--------------|------------------|-----------------------|----------------|
| | September 30, 2021 | 2020 | June 30, 2021 | September 30, 2021 | 2020 |
| Revenue: | | | | | |
| United States | \$312 | \$228 | \$ 296 | \$ 860 | \$ 929 |
| Canada | 68 | 42 | 51 | 177 | 161 |
| International | 59 | 56 | 53 | 163 | 210 |
| Total revenue | <u>\$439</u> | <u>\$326</u> | <u>\$ 400</u> | <u>\$1,200</u> | <u>\$1,300</u> |

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

| | Three Months Ended | | | Nine Months Ended | |
|------------------------------------|--------------------|----------------|-------------|-------------------|----------------|
| | September 30, | | June 30, | September 30, | |
| | 2021 | 2020 | 2021 | 2021 | 2020 |
| GAAP net income (loss) (1) | \$ 5 | \$ (22) | \$ (2) | \$ (7) | \$ (383) |
| Interest, net | — | — | — | — | — |
| Income tax provision (benefit) | 2 | 1 | 1 | 4 | (2) |
| Depreciation and amortization | 6 | 6 | 6 | 18 | 23 |
| Other costs (2) | 2 | — | 1 | 7 | 334 |
| EBITDA excluding other costs | <u>\$ 15</u> | <u>\$ (15)</u> | <u>\$ 6</u> | <u>\$ 22</u> | <u>\$ (28)</u> |
| EBITDA % excluding other costs (3) | 3.4% | (4.6%) | 1.5% | 1.8% | (2.2%) |

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

| | Three Months Ended | | | Nine Months Ended | |
|---|--------------------|----------------|-------------|-------------------|----------------|
| | September 30, | | June 30, | September 30, | |
| | 2021 | 2020 | 2021 | 2021 | 2020 |
| GAAP net income (loss) (1) | \$ 5 | \$ (22) | \$ (2) | \$ (7) | \$ (383) |
| Other costs, net of tax (4) (5) | 1 | 5 | 2 | 8 | 340 |
| Net income (loss) excluding other costs (5) | <u>\$ 6</u> | <u>\$ (17)</u> | <u>\$ —</u> | <u>\$ 1</u> | <u>\$ (43)</u> |

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

| | Three Months Ended | | | Nine Months Ended | |
|---|--------------------|-----------------|-------------|-------------------|-----------------|
| | September 30, | | June 30, | September 30, | |
| | 2021 | 2020 | 2021 | 2021 | 2020 |
| GAAP diluted earnings (loss) per share (1) | \$0.05 | \$(0.20) | \$(0.02) | \$(0.06) | \$(3.50) |
| Other costs, net of tax (4) | — | 0.04 | 0.02 | 0.07 | 3.10 |
| Diluted earnings (loss) per share excluding other costs (5) | <u>\$0.05</u> | <u>\$(0.16)</u> | <u>\$ —</u> | <u>\$ 0.01</u> | <u>\$(0.40)</u> |

- (1) In an effort to provide investors with additional information regarding our results as determined by GAAP, we disclose various non-GAAP financial measures in our quarterly earnings press releases and other public disclosures. The non-GAAP financial measures include: (i) earnings before interest, taxes, depreciation and amortization (EBITDA) excluding other costs, (ii) net income (loss) excluding other costs and (iii) diluted earnings (loss) per share excluding other costs. Each of these financial measures excludes the impact of certain other costs and therefore has not been calculated in accordance with GAAP. A reconciliation of each of these non-GAAP financial measures to its most comparable GAAP financial measure is included in the schedules herein.
- (2) For the nine months ended September 30, 2021, other costs primarily included impairment charges and transaction-related expenses, which were included in operating profit, and the increase in the fair value of contingent consideration liabilities, which was included in other expense.
- (3) EBITDA % excluding other costs is defined as EBITDA excluding other costs divided by Revenue.
- (4) For the nine months ended September 30, 2021, other costs, net of tax, primarily included expenses of \$1 million from changes in the valuation allowance recorded against the Company's deferred tax assets and \$7 million related to impairment charges and transaction-related expenses. The Company has excluded the impact of these items on its valuation allowance in computing net income (loss) excluding other costs.
- (5) Totals may not foot due to rounding.