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# Investor Relations

Second Quarter 2021

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# Disclosure Statement

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- 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.

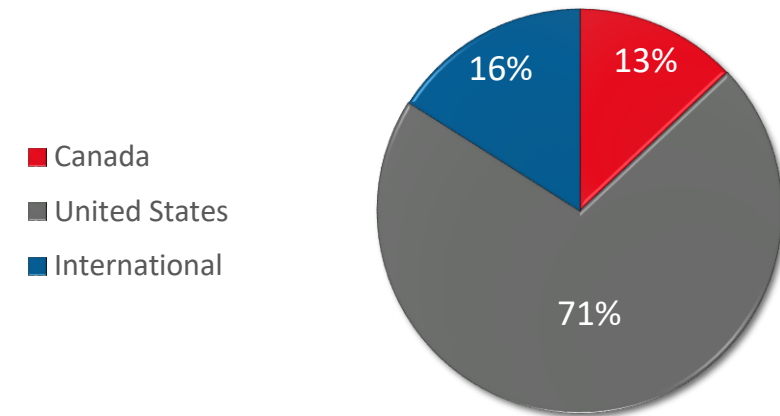


# Driving Supply Chain Innovation through Speed, Efficiency and Technology

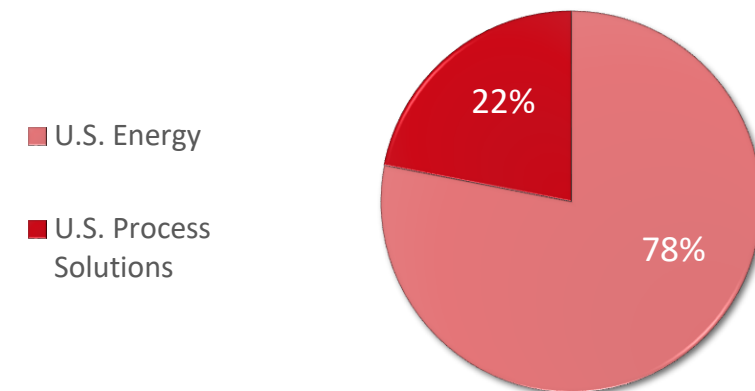
- Legacy 150+ years operating
- Support major land and offshore operations for all the key energy producing regions around the world
- Comprehensive network of energy center, customer onsite and process solutions locations complemented with an online commerce channel
- Key markets: Europe, Former Soviet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

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

## 2020 Revenue by Reporting Segment

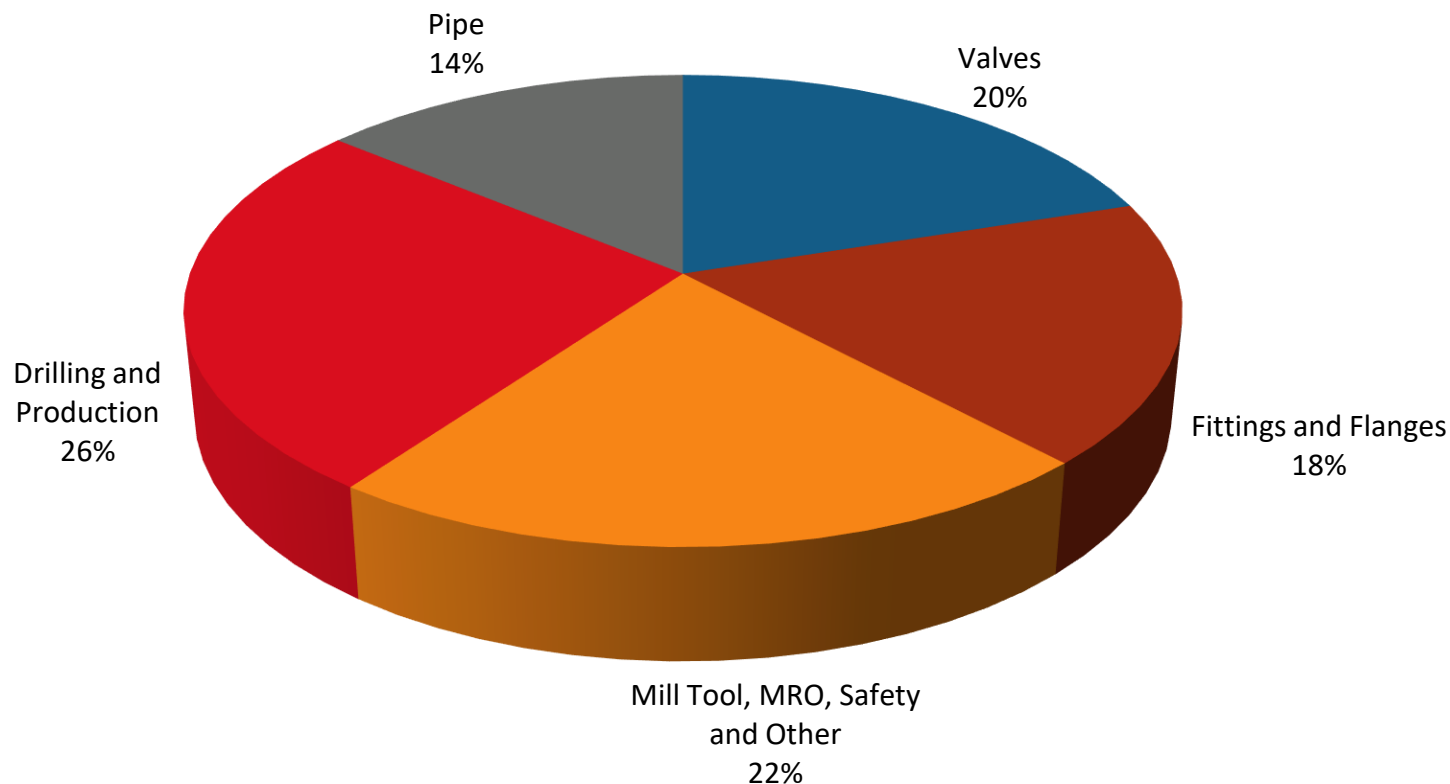


## 2020 United States Revenue by Channel



# Comprehensive Product Offering and Balanced Revenue Mix

2020 Product Mix

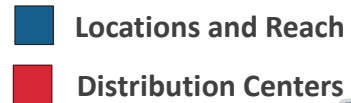


DNOW carries a  
**broad range of  
products and services**  
to meet  
**RAPID and CRITICAL  
deliveries**  
to customers in local and  
remote areas

- 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



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Supporting Customer Operations in ~80 countries

## Drilling Contractors



## Exploration & Production



## Midstream

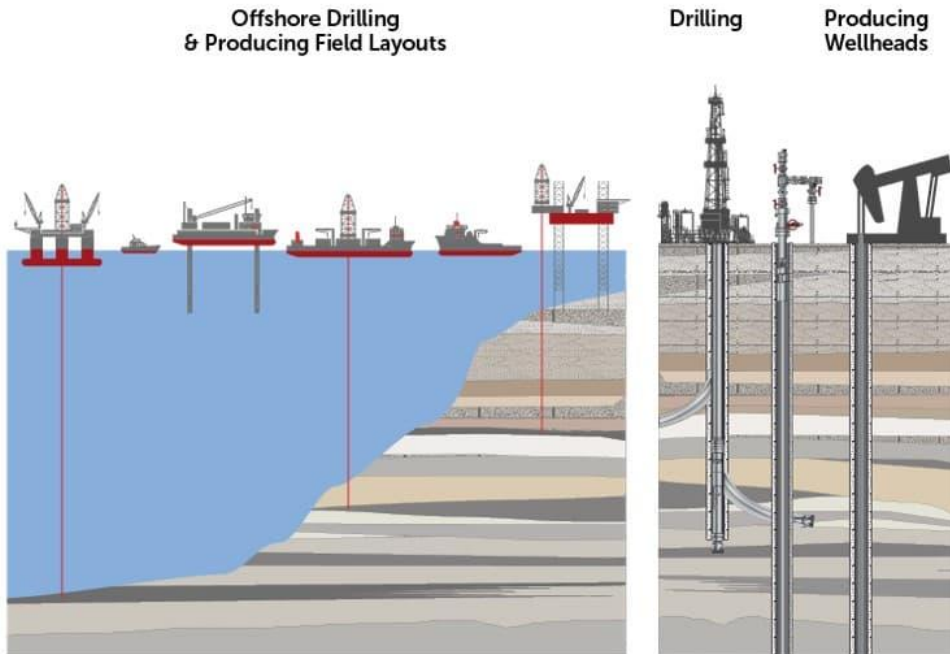


## Downstream & Industrial

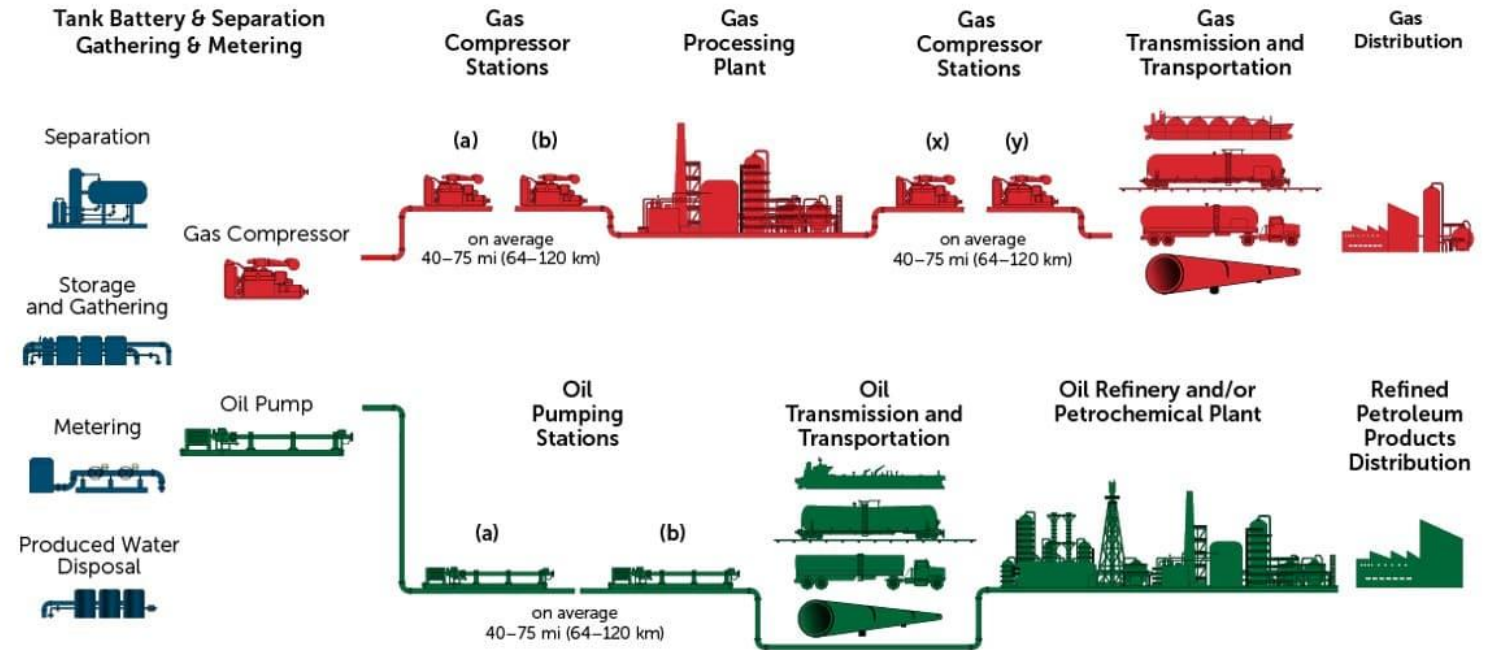


# DNOW is a Critical Link from Drilling to Distribution

## Upstream



## Midstream





# Providing Value-Add Solutions Across All Channels



*Global branch network model  
supplying products locally to  
upstream, midstream and  
downstream energy customers*

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



*On-site model offering customizable  
products, service and solutions to the  
energy and industrial markets*

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



*Process, production and fluid handling  
equipment in the form of engineering,  
design, installation, fabrication, rental  
and aftermarket service*

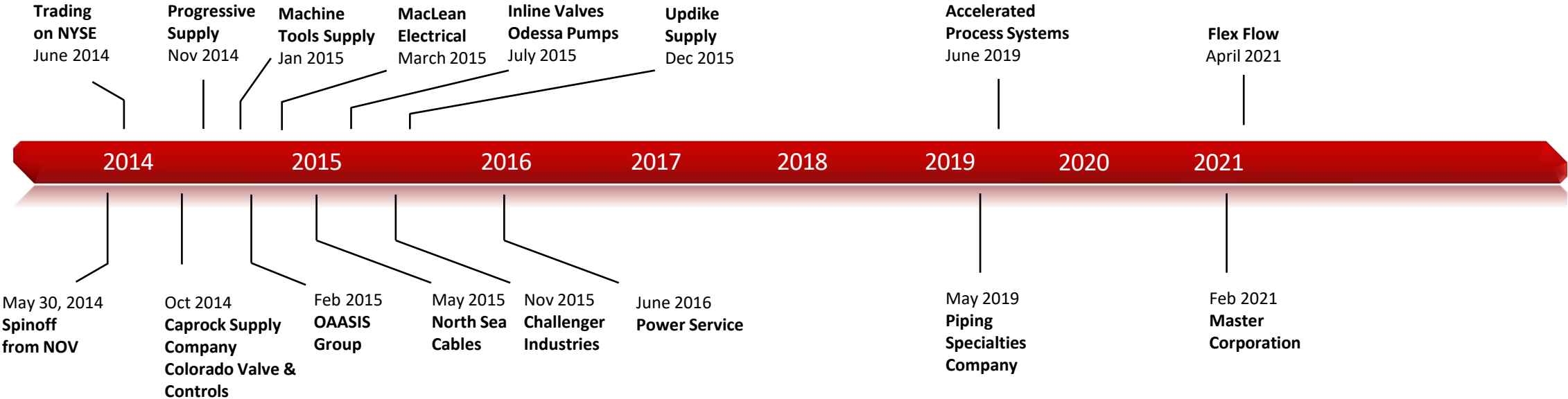
**Meets demand for turnkey tank  
battery production (facilities)  
solution, midstream gathering  
and transmission**

# 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
- Expand Process Solutions value proposition to customers

## Track Record of Success



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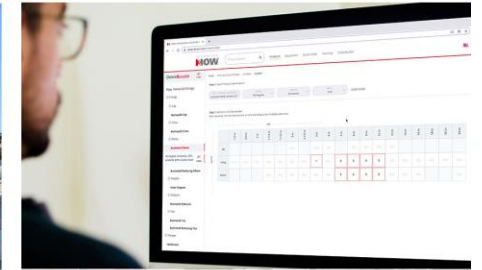
# Second Quarter At A Glance

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# Second Quarter Investment Highlights

- Management focused on top line growth as upstream recovery progresses 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
- Improving project positioning through earlier project phase engagement leveraging U.S. Process Solutions using a unified solutions-based offering and expanded offering
- Evolving DigitalNOW® customer ecosystem inclusive of expanding eCommerce platform and growing list of digital tools like eSpec™ and eTrack™
- \$293M in cash, zero debt and total liquidity of \$528M





# 2Q21 Key Market Indicators

## WTI/Rig Counts

- WTI avg \$66 per barrel for 2Q21
- U.S. avg rig count of 451, up 15% sequentially, up 14% YOY
- Canada avg rig count 73, lower 47% sequentially, up 192% YOY
- International avg rig count 734, up 5% sequentially, and down 12% YOY

**DNOW annualized revenue per rig at \$1.3M for 2Q21**

## U.S. DUCs

- June ended with a DUC count of 6,252 wells in EIA DPR regions
- 6,520 2Q21 avg
- Lower 11% sequentially
- Lower 26% YOY

**DUCs are future revenue opportunities for DNOW**

## U.S. Completions

- June ended with 818 in EIA DRP regions
- 798 avg for 2Q21
- Increased 19% sequentially
- Increased 121% YOY

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

# 2Q21 Highlights From Reporting Segments

## United States

- Revenue improved sequentially 17%; 80% Energy, 20% Process Solutions
- Growth in drilling and completions activity led to increased activity in Haynesville, Midcon, Bakken, Rockies, Permian and Eagle Ford plays
- Expanded sales with public and private upstream operators in PVF product lines from well tie-ins and gathering lines
- Awarded valve program from E&P operator and PPE for drilling contractor
- D&C driving tank battery facility construction led to improved activity for fabricated engineered packages
- Midstream and downstream activity relatively flat sequentially
- Continue right-sizing operational footprint to the market, while adding sales personnel to targeted end markets

## Canada

- Revenue lower sequentially 12% due to seasonal breakup
- Expanded supplier relationships in PVF product lines to strengthen value to customer resulting in project wins
- Project wins leveraging EPC relationships for a top customer
- Awarded artificial lift contract from Top 10 customer
- Extended a key fiberglass contract
- Customer consolidation in drilling market seen as positive towards opportunity to grow share

## International

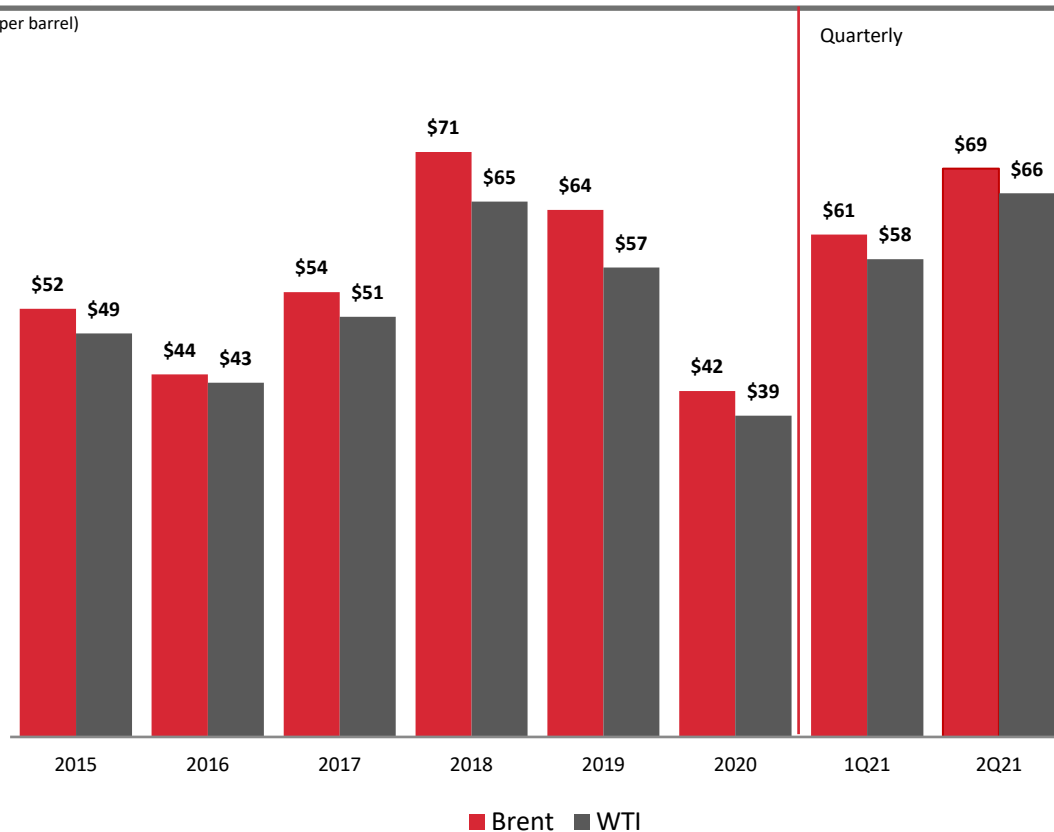
- Revenue improved 4% sequentially
- Activity in Australia from offshore drilling contractor and domestic gas producer
- Increased valve market share with refinery turnaround in Asia
- Expanded electrical cable product line and revenue in Asia with industrial fabricator for vehicle assemblies
- Grew revenue from drilling equipment and consumables sales in the Middle East
- Extended three year electrical MRO agreement with large independent E&P
- Secured three year contract for MRO material for gas producer in North Sea
- Bolstered valve business with offshore Brazilian oil and gas operator

# Key Market Indicators

## OIL PRICES & RIGS TRENDING

### Average Oil Prices

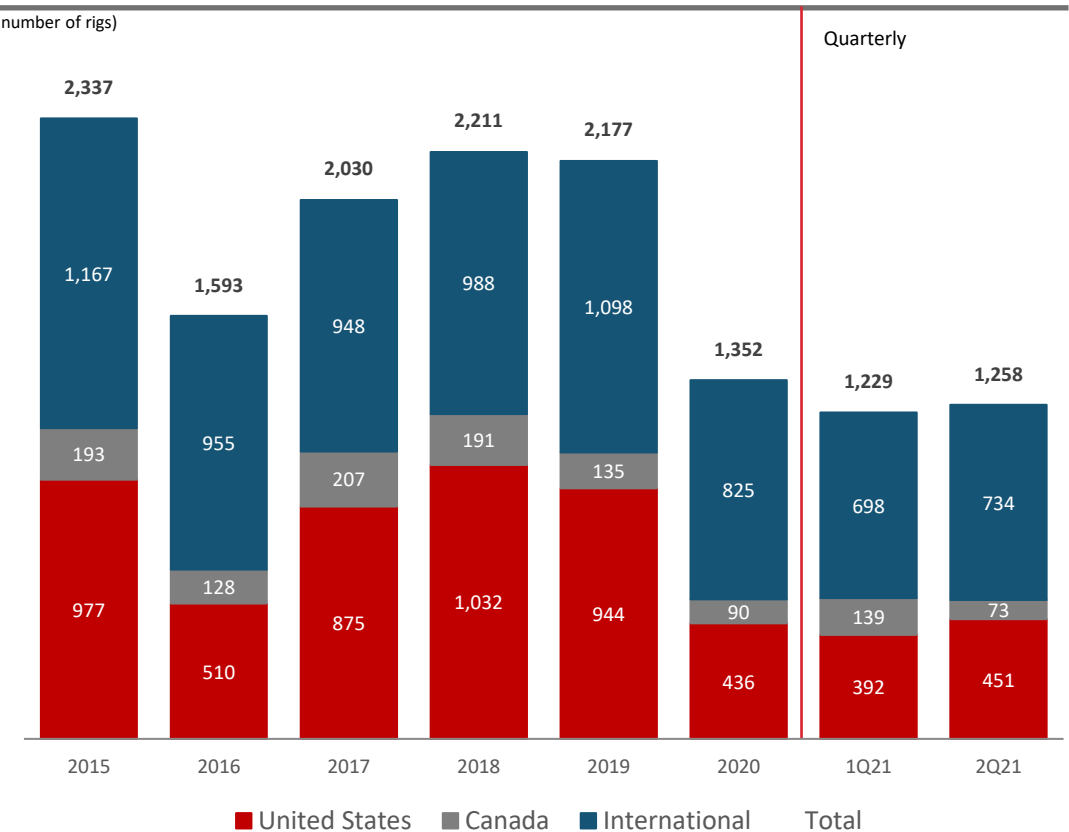
(per barrel)



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

### Average Rig Count

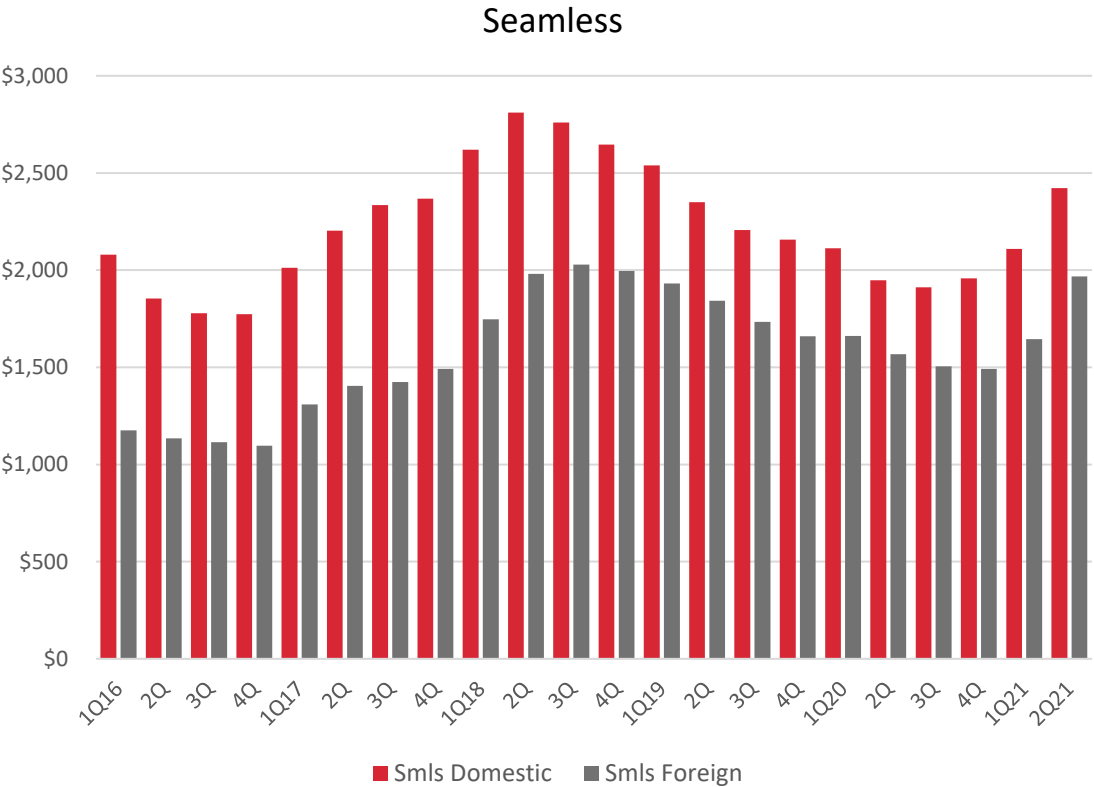
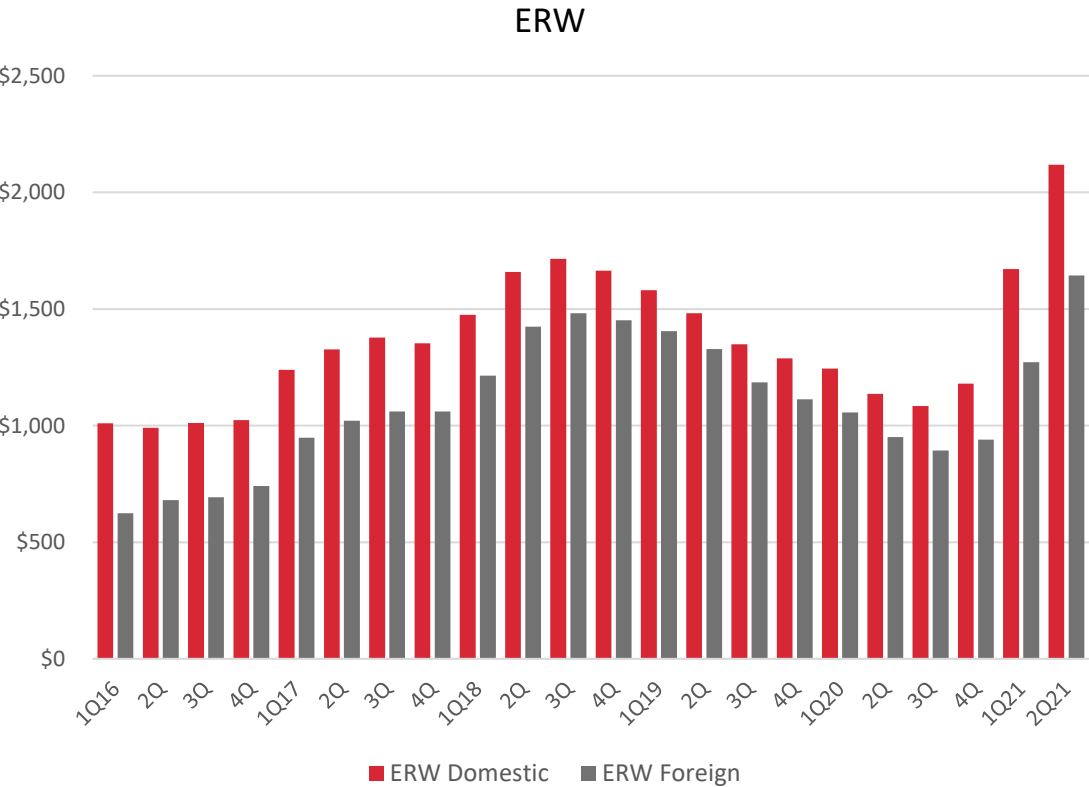
(number of rigs)



Source: Baker Hughes, Inc.

**DNOW is positioned to benefit from industry recovery**

# Pipe Price Trends, U.S. dollar per ton



Source: Pipe Logix



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Technology and DigitalNOW™

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# IT and Systems Technology Investments

## Boost Productivity:

- Order Management System (OMS+) grows with higher adoption globally delivering higher internal efficiency
- Advanced Quoting Systems (AQ) to provide improved experience and response rate to customer RFQs
- Process Analytics allows new automation opportunities to streamline operations further

## Reduced IT service costs and bolster digital foundation:

- Upgraded Enterprise Warehouse Management system to standardize Distribution Center and branch operations
- Migrating multiple data centers to cloud for application modernization and cost savings
- Upgrading Process Solutions ERPs to a cloud-based solution enhancing work flow functionality while bringing more efficiency, target go live is 4Q21



User Adoption on Technology increases to bring more efficiency



Optimize run cost and maximize scalability thru cloud platforms



Enterprise WMS increases fulfillment capabilities and efficiencies

# DigitalNOW® Customer Ecosystem Expanding

powered by  
**DigitalNOW®**

## Digital suite of products expanding to add customer value



### Digital commerce platform, *shop.dnow.com*, continues to grow

- Digital revenue increase to 43% of SAP revenue
- Growing customer implementations and integrations with customer ERP systems
- Growing B2B and B2C users
- Central commerce solution to DigitalNOW® customer ecosystem
- Completed platform enhancements



**eSPEC™**  
powered by DigitalNOW®

### eSpec™, powered by DigitalNOW®

- Engineered equipment package product budgeting and configuration tool encompassing 10 product lines
- Enables enhanced customer conversations earlier in the project cycle
- Resulted in several engineered equipment package wins during 2Q21



### eTrack™, powered by DigitalNOW®

- Asset, data and material management lifecycle solution
- Empowers customers to
  - Manage their assets using location finder
  - Retrieve documentation and drawings
  - Schedule field service
- Implementing with several customers capturing hundreds of assets and growing



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# Financial Update

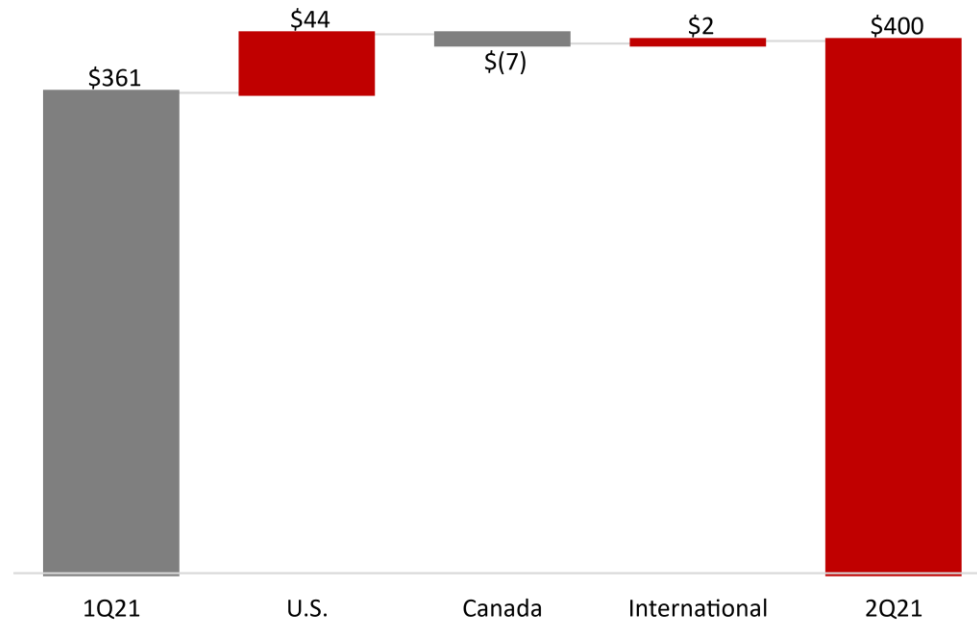
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# 2Q21 Revenue up 11% sequentially and 8% YOY

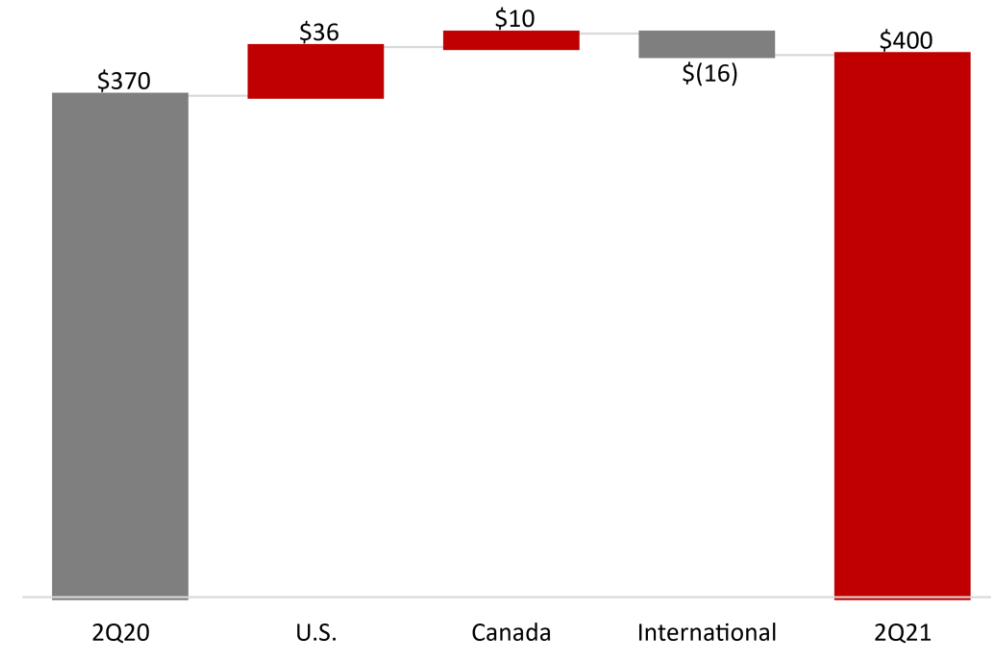
## Sequential Revenue

(\$ in millions)



## Year Over Year Revenue

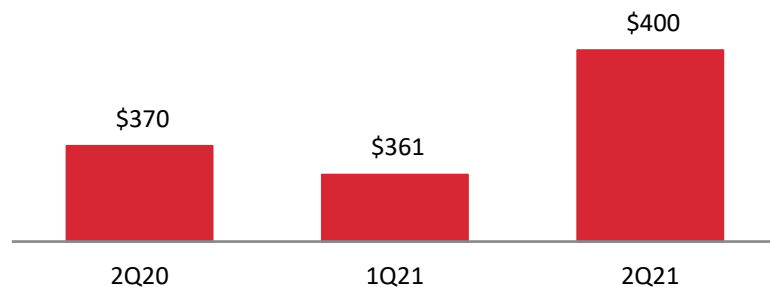
(\$ in millions)



# CFO Highlights: Selected Quarterly Results (Unaudited)

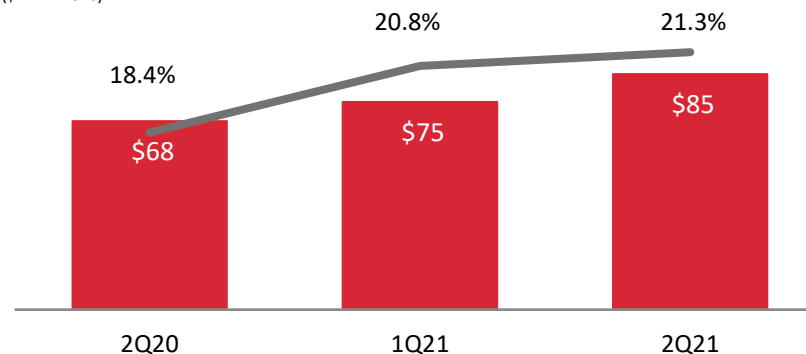
## Revenue

(\$ in millions)



## Gross Profit and Margin

(\$ in millions)



## EBITDA Excl. Other Costs (Non-GAAP)

(\$ in millions)



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

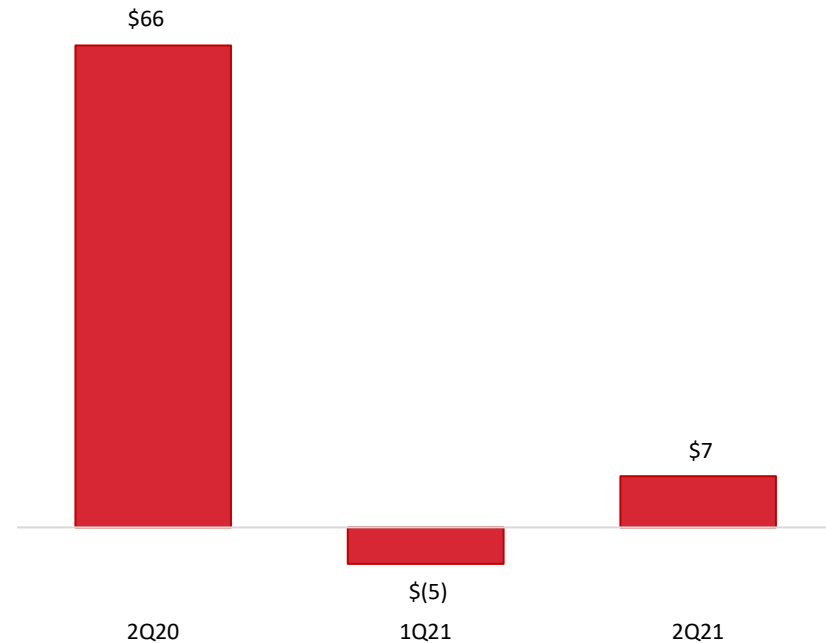
(\$ in millions)



# Cash Generation & Working Capital Management

## Free Cash Flow

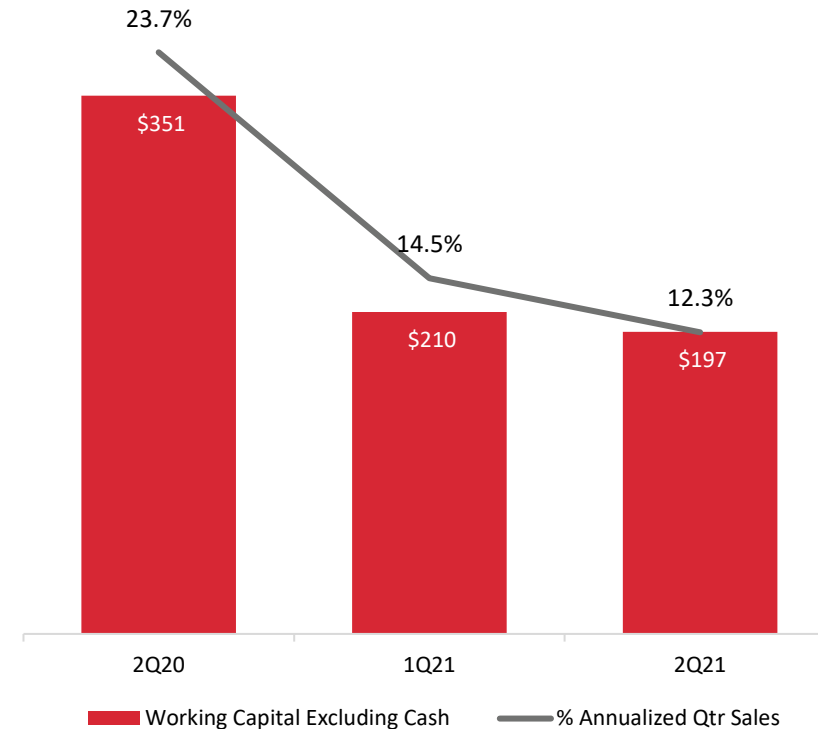
(\$ in millions)



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

## Working Capital Excluding Cash

(\$ in millions)

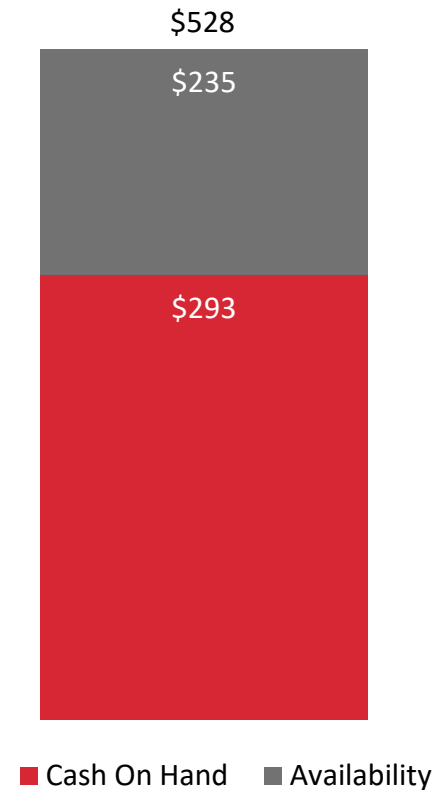


# Liquidity and Capital Resources

- Entered into a five-year \$750M secured asset based lending facility (ABL) in April 2018.
- No financial maintenance covenants
- Fixed Charge covenant triggers when availability falls below the greater of 12.5% of the borrowing base or \$60M
- No outstanding borrowings and no draws on the credit facility during the quarter
- Total liquidity was \$528M, which includes \$235M in availability under the ABL and \$293M cash on hand

## Total Liquidity at June 30, 2021

(\$ in millions)





# Select Balance Sheet Metrics

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	<b>2Q21</b>	<b>Comments</b>	
	(\$ in millions)		
<b>Cash and cash equivalents</b>	\$ 293		
<b>Receivables, net</b>	271	62	DSOs
<b>Inventories, net</b>	250	5.0	Turn rates
<b>Accounts payable</b>	217	63	DPOs
<b>Long-term debt</b>	–	<b>No outstanding debt</b>	

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# Environmental, Social & Governance

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# 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



# 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 third quarter 2021







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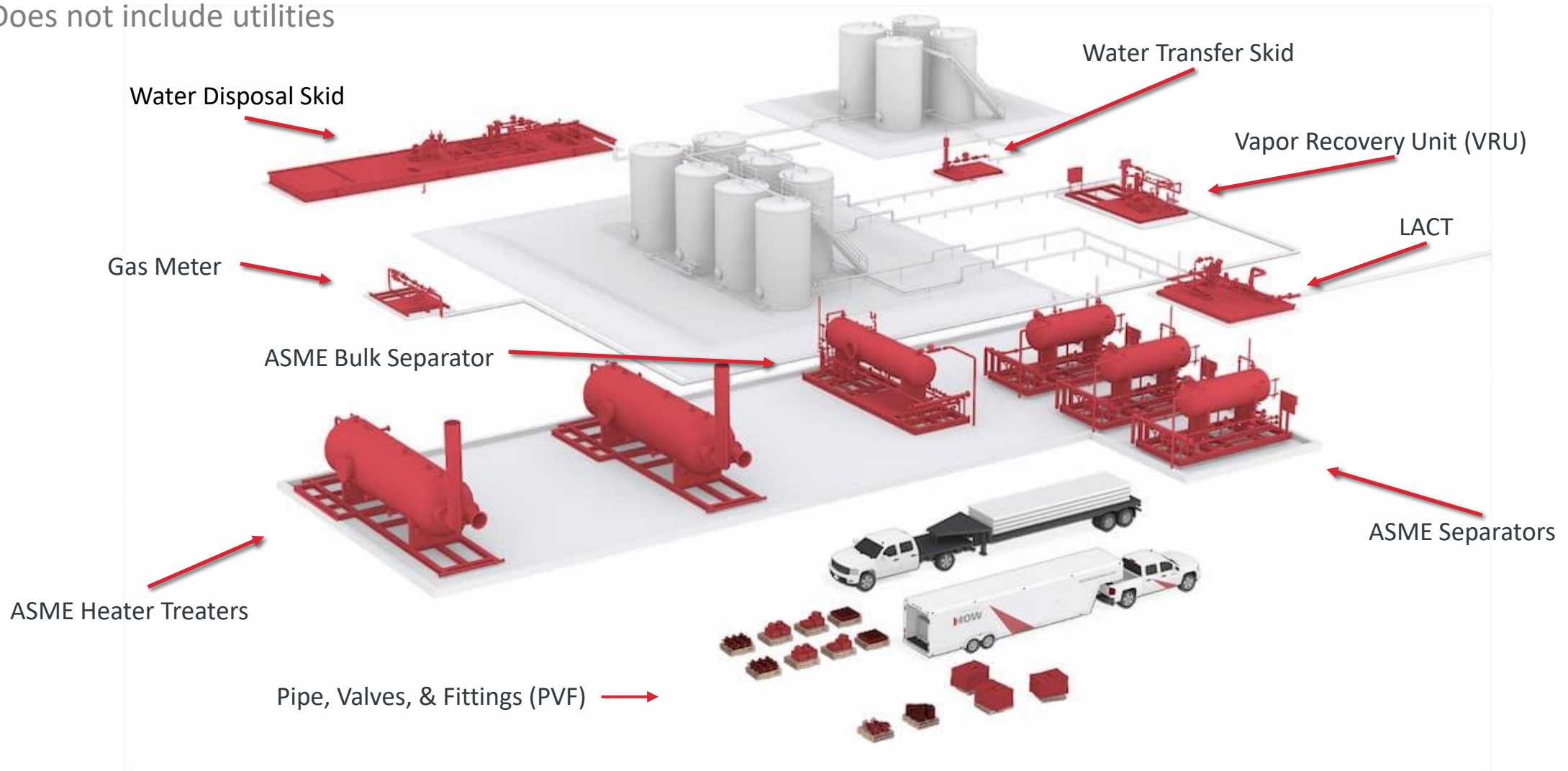
# Appendix

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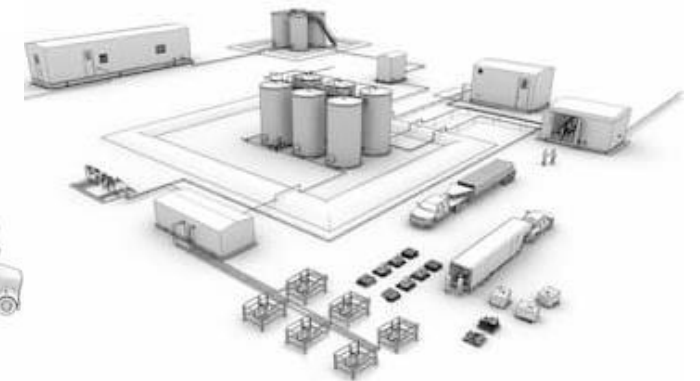
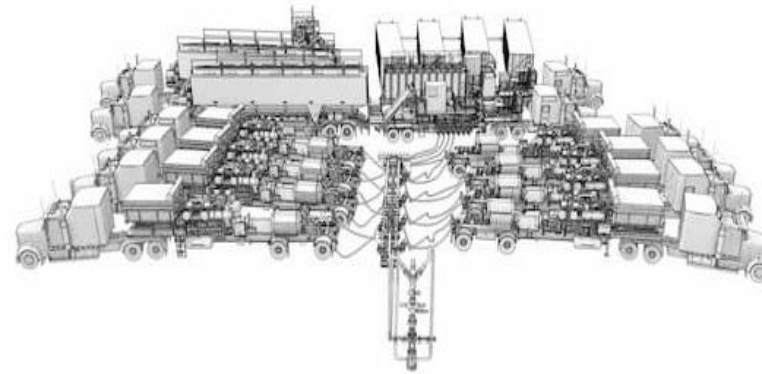
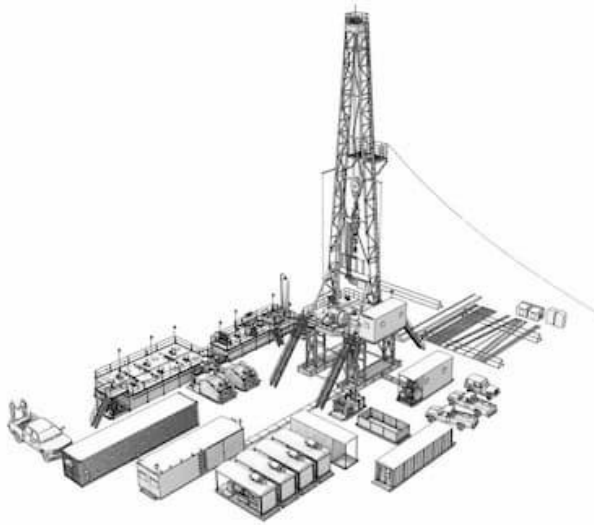


# Example Tank Battery Installation

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*	30-60 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

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