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

FORM 10-Q

(Mark one)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2020

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 or other jurisdiction of incorporation or organization)	**(I.R.S. Employer 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

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 (§232.405 of this chapter) 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, 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of October 28, 2020 the registrant had 109,379,627 shares of common stock (excluding 1,052,923 unvested restricted shares), par value $0.01 per share, outstanding.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 2020 (Unaudited)	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 325	$ 183
Receivables, net	213	370
Inventories, net	318	465
Assets held-for-sale	6	34
Prepaid and other current assets	16	15
Total current assets	878	1,067
Property, plant and equipment, net	101	120
Deferred income taxes	2	2
Goodwill	—	245
Intangibles, net	—	90
Other assets	58	67
Total assets	$ 1,039	$ 1,591
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 163	$ 255
Accrued liabilities	94	127
Liabilities held-for-sale	1	6
Other current liabilities	6	8
Total current liabilities	264	396
Long-term operating lease liabilities	29	34
Deferred income taxes	—	4
Other long-term liabilities	15	13
Total liabilities	308	447
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; 109,379,627 and 109,207,678 shares issued and outstanding at September 30, 2020 and December 31, 2019, respectively	1	1
Additional paid-in capital	2,050	2,046
Accumulated deficit	(1,164)	(775)
Accumulated other comprehensive loss	(156)	(128)
Total stockholders' equity	731	1,144
Total liabilities and stockholders' equity	$ 1,039	$ 1,591

See notes to unaudited consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenue	$ 326	$ 751	$ 1,300	$ 2,312
Operating expenses:				
Cost of products	264	601	1,053	1,851
Warehousing, selling and administrative	83	136	310	407
Impairment charges	—	—	320	—
Operating profit (loss)	(21)	14	(383)	54
Other expense	—	(2)	(2)	(8)
Income (loss) before income taxes	(21)	12	(385)	46
Income tax provision (benefit)	1	2	(2)	4
Net income (loss)	$ (22)	$ 10	$ (383)	$ 42
Earnings (loss) per share:				
Basic earnings (loss) per common share	$ (0.20)	$ 0.09	$ (3.50)	$ 0.38
Diluted earnings (loss) per common share	$ (0.20)	$ 0.09	$ (3.50)	$ 0.38
Weighted-average common shares outstanding, basic	109	109	109	109
Weighted-average common shares outstanding, diluted	109	109	109	109

See notes to unaudited consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	**2019**	**2020**	**2019**
Net income (loss)	$ (22)	$ 10	$ (383)	$ 42
Other comprehensive income (loss):				
Foreign currency translation adjustments	3	(11)	(28)	—
Comprehensive income (loss)	$ (19)	$ (1)	$ (411)	$ 42

See notes to unaudited consolidated financial statements.

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

	Nine Months Ended September 30,	
	2020	**2019**
Cash flows from operating activities:		
Net income (loss)	$ (383)	$ 42
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	23	30
Provision for doubtful accounts	8	(2)
Provision for inventory	30	12
Impairment charges	320	—
Other, net	19	35
Change in operating assets and liabilities, net of effects of acquisitions and divestitures:		
Receivables	140	18
Inventories	112	45
Prepaid and other current assets	(2)	(4)
Accounts payable, accrued liabilities and other, net	(134)	(26)
Net cash provided by (used in) operating activities	133	150
Cash flows from investing activities:		
Purchases of property, plant and equipment	(7)	(7)
Business acquisitions, net of cash acquired	—	(8)
Net proceeds from sale of business	25	—
Other, net	1	(2)
Net cash provided by (used in) investing activities	19	(17)
Cash flows from financing activities:		
Borrowings under the revolving credit facility	—	218
Repayments under the revolving credit facility	—	(350)
Other, net	(6)	(4)
Net cash provided by (used in) financing activities	(6)	(136)
Effect of exchange rates on cash and cash equivalents	(4)	—
Net change in cash and cash equivalents	142	(3)
Cash and cash equivalents, beginning of period	183	116
Cash and cash equivalents, end of period	$ 325	$ 113
Supplemental disclosures of cash flow information:		
Accrued purchases of property, plant and equipment	—	3

See notes to unaudited consolidated financial statements.

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

	Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Accum. Other Comprehensive Income (Loss)	Total Stockholders' Equity
December 31, 2018	$ 1	$ 2,034	$ (678)	$ (143)	$ 1,214
Net income	—	—	18	—	18
Stock-based compensation	—	4	—	—	4
Exercise of stock options	—	1	—	—	1
Shares withheld for taxes	—	(2)	—	—	(2)
Other comprehensive income	—	—	—	10	10
March 31, 2019	$ 1	$ 2,037	$ (660)	$ (133)	$ 1,245
Net income	—	—	14	—	14
Stock-based compensation	—	4	—	—	4
Other comprehensive income	—	—	—	1	1
June 30, 2019	$ 1	$ 2,041	$ (646)	$ (132)	$ 1,264
Net income	—	—	10	—	10
Stock-based compensation	—	4	—	—	4
Other comprehensive loss	—	—	—	(11)	(11)
September 30, 2019	$ 1	$ 2,045	$ (636)	$ (143)	$ 1,267
December 31, 2019	$ 1	$ 2,046	$ (775)	$ (128)	$ 1,144
Cumulative effect of accounting change	—	—	(6)	—	(6)
Net loss	—	—	(331)	—	(331)
Other comprehensive loss	—	—	—	(39)	(39)
March 31, 2020	$ 1	$ 2,046	$ (1,112)	$ (167)	$ 768
Net loss	—	—	(30)	—	(30)
Stock-based compensation	—	1	—	—	1
Other comprehensive income	—	—	—	8	8
June 30, 2020	$ 1	$ 2,047	$ (1,142)	$ (159)	$ 747
Net loss	—	—	(22)	—	(22)
Stock-based compensation	—	3	—	—	3
Other comprehensive income	—	—	—	3	3
September 30, 2020	$ 1	$ 2,050	$ (1,164)	$ (156)	$ 731

See notes to unaudited 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 U.S., Canada and internationally which are geographically positioned to serve the energy and industrial markets in approximately 80 countries. NOW's energy product offerings are used in the oil and gas industry including upstream drilling and completion, exploration and production, midstream infrastructure development and downstream petroleum refining – as well as in other industries, such as chemical processing and power generation. The industrial distribution portion of NOW's business targets a diverse range of facilities across numerous industries and end markets. NOW also provides supply chain management to drilling contractors, E&P operators, midstream operators and downstream energy companies. NOW's supplier network consists of thousands of vendors in approximately 40 countries.

Basis of Presentation

All significant intercompany transactions and accounts have been eliminated. The unaudited consolidated financial information included in this report has been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and Article 10 of SEC Regulation S-X. The principles for interim financial information do not require the inclusion of all the information and footnotes required by generally accepted accounting principles for complete financial statements. Therefore, these financial statements should be read in conjunction with the financial statements included in the Company's most recent Annual Report on Form 10-K. In the opinion of the Company's management, the consolidated financial statements include all adjustments, all of which are of a normal recurring nature, necessary for a fair presentation of the results for the interim periods. The results of operations for the three and nine months ended September 30, 2020 are not necessarily indicative of the results to be expected for the full year.

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.

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.

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. Cash equivalents include only those investments having a maturity date of three months or less at the time of purchase. See Note 14 "Derivative Financial Instruments" for the fair value of derivative financial instruments.

Recently Issued 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 LIBOR or another reference rate expected to be discontinued because of reference rate reform. Entities that elect the relief are required to disclose the nature of the optional expedients and exceptions that are adopted and the reasons for the adoptions. The guidance is effective upon issuance and the expedients and exceptions may be applied prospectively through December 31, 2022. The Company is currently assessing the impact of ASU 2020-04 on its consolidated financial statements.

Recently Adopted Accounting Standards

In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments (Topic 326), which replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to determine credit loss estimates. On January 1, 2020, the Company adopted ASC Topic 326 using the modified retrospective basis and began to recognize allowance for doubtful accounts ("AFDA") based on the estimated lifetime expected credit loss related to trade receivables. The adoption of ASC Topic 326 resulted in a cumulative-effect adjustment of $6 million (net of income taxes) to its opening accumulated deficit and AFDA in the consolidated balance sheets. See Note 3 "Receivables, net" for additional information.

In August 2018, the FASB issued ASU 2018-13, Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820), which modified the disclosure requirements on fair value measurements. On January 1, 2020, the Company adopted this standard and expanded its fair value disclosures to address the quantitative and qualitative requirements of this standard. See Note 4 "Asset Impairment" for fair value disclosures relating to the impairment of goodwill and other long-lived assets.

In August 2018, the FASB issued ASU 2018-15, Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (Topic 350-40), which aligns the requirements for capitalizing implementation costs incurred in a cloud computing arrangement service contract with the capitalization requirements of costs to develop or obtain internal-use software licenses. On January 1, 2020, the Company adopted this standard using the prospective transition approach, with no material impact in its consolidated financial statements.

2. Revenue

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 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 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.

See Note 9 "Business Segments" for 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.

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 September 30, 2020 and December 31, 2019, contract assets were $2 million and $3 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. These expenses were not material for the three and nine months ended September 30, 2020 and 2019.

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 September 30, 2020 and December 31, 2019, contract liabilities were $21 million and $34 million, respectively, and were included in accrued liabilities in the consolidated balance sheets. For the nine months ended September 30, 2020, the decrease in contract liabilities was primarily related to recognizing revenue of approximately $18 million that was deferred as of December 31, 2019, partially offset by net current year customer deposits and credits of approximately $5 million.

3. Receivables, net

The Company is exposed to credit losses relating to sales to its customers. Receivables are recorded and carried at the original invoiced amount less the allowance for doubtful accounts. With the adoption of ASU 2016-13 on January 1, 2020, 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. Judgements in the estimate of AFDA include global economic and business conditions, oil and gas industry and market conditions, customer’s financial conditions and account receivables past due.

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

	Allowance for Doubtful Accounts
Balance at December 31, 2019	$ 16
Cumulative effect of accounting change	6
Additions charged to expenses	8
Charge-offs and other	(1)
Balance at September 30, 2020	$ 29

4. Asset Impairment

The Company tests goodwill for impairment at least annually or more frequently whenever events or circumstances occur indicating that it might be impaired. During the first quarter of 2020, the Company’s market capitalization declined significantly driven by current 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. In addition, the uncertainty related to oil demand continues to have a significant impact on the investment and operating plans of our primary customers. Based on these events, the Company concluded that it was more likely than not that the fair values of certain of its reporting units were less than their carrying values. Therefore, the Company performed an interim goodwill impairment test.

Goodwill is evaluated for impairment at the reporting unit level. During the first quarter of 2020, the Company had five reporting units: U.S. Energy, U.S. Supply Chain, U.S. Process Solutions, Canada and International. The Company determined the fair values of three reporting units with goodwill were below their carrying values, resulting in a $230 million goodwill impairment which was included in impairment charges in the consolidated statements of operations. No tax benefit was reported as the goodwill impairment was either nondeductible for tax purposes or was subject to a valuation allowance.

During the third quarter of 2020, to align with the updates to the operational and management structure, the Company combined two reporting units within the U.S. segment, U.S. Energy and U.S. Supply Chain, each with goodwill of zero prior to and after the combination.

Goodwill by reportable segment is shown as follows *(in millions)*:

	United States		Canada		International		Total	
Balance at December 31, 2019 (1)	$	125	$	67	$	53	$	245
Impairment		(125)		(60)		(45)		(230)
Foreign currency translation adjustments		—		(7)		(8)		(15)
Balance at September 30, 2020	$	—	$	—	$	—	$	—

(1) The United States, Canada and International segments are net of prior years accumulated impairment of $393 million, $27 million and $54 million, respectively.

The Company evaluates the recoverability of long-lived assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. During the first quarter of 2020, the results of the Company's test for impairment of goodwill and the other negative market indicators described above were a triggering event that indicated that its long-lived assets were possibly impaired.

The Company identified its reporting units as individual asset groups and measured long-lived assets recoverability by a comparison of the carrying amount and the undiscounted cash flows of the reporting unit. The results indicated that long-lived assets associated with three reporting units were not recoverable. Further, the estimated fair value of these assets was determined to be below their carrying value. As a result, for the three months ended March 31, 2020, the Company recognized $90 million of impairments of long-lived assets which were included in impairment charges in the consolidated statements of operations. A tax benefit of $4 million was also recognized related to the long-lived asset impairments. No triggering events were identified subsequent to the first quarter of 2020 to indicate that the remaining carrying value of long-lived assets were not recoverable. As of September 30, 2020, the long-lived assets consisted primarily of $101 million in property, plant and equipment, net and $45 million in operating right-of-use assets.

The impairment of long-lived assets recognized in the first quarter is shown as follows *(in millions)*:

	United States		International		Total	
Intangibles, net	$	(62)	$	(22)	$	(84)
Property, plant and equipment, net		—		(4)		(4)
Operating right-of-use assets		(1)		(1)		(2)
Total impairment	$	(63)	$	(27)	$	(90)

The Company determined the fair value of both long-lived assets and goodwill primarily using the discounted cash flow method and in the case of goodwill, a multiples-based market approach for comparable companies when applicable. Given the current volatile market environment, the Company utilized third-party valuation advisors to assist us with these valuations. These analyses included significant judgment, 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, capital expenditures, the timing of future cash flows based on an eventual recovery of the oil and gas industry, 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. These impairment assessments incorporate inherent uncertainties, including projected commodity pricing, supply and demand for the Company's products and future market conditions, which are difficult to predict in volatile economic environments. Discount rates utilized to value the reporting units were in a range from 11.5% to 12.8%.

5. Property, Plant and Equipment, net

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

	Estimated Useful Lives	September 30, 2020		December 31, 2019	
Information technology assets	1-7 Years	$	48	$	46
Operating equipment (1)	2-15 Years		102		109
Buildings and land (2)	5-35 Years		101		100
Construction in progress			—		10
Total property, plant and equipment			251		265
Less: accumulated depreciation			(150)		(145)
Property, plant and equipment, net		$	101	$	120

(1) Includes finance lease right-of-use assets.
(2) Land has an indefinite life.

As of September 30, 2020, the Company classified a facility as held-for-sale in the International segment, with the net carrying value of approximately $2 million.

6. Accrued Liabilities

Accrued liabilities consist of (*in millions*):

	September 30, 2020	December 31, 2019
Compensation and other related expenses	$ 25	$ 31
Contract liabilities	21	34
Taxes (non-income)	9	12
Current portion of operating lease liabilities	17	21
Other	22	29
Total	$ 94	$ 127

7. Debt

On April 30, 2018, the Company replaced its existing senior secured revolving credit facility and entered into a senior secured revolving credit facility (the "Credit Facility") with a syndicate of lenders with Wells Fargo Bank, National Association serving as the administrative agent. The five-year Credit Facility provides for a $750 million global revolving credit facility (with a letter of credit sub-facility of $60 million and a swing line sub-facility of 10% of the facility amount), of which up to $100 million is available for the Company's Canadian subsidiaries and $40 million for the Company's UK 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 obligations under the Credit Facility are secured by substantially all the assets of the Company and its subsidiaries. The Credit Facility contains customary covenants, representations and warranties and events of default. The Company will be required to maintain a fixed charge coverage ratio 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 12.5% of the borrowing base or $60 million.

Borrowings under the Credit Facility will bear an interest rate at the Company's option, at (i) the base rate plus an applicable margin based on the Company's fixed charge coverage ratio (and if applicable, the Company's leverage ratio); or (ii) the greater of LIBOR for the applicable interest period and zero, plus an applicable margin based on the Company's fixed charge coverage ratio (and if applicable, the Company's leverage 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 expense in the consolidated statements of operations.

Availability under the Credit Facility is determined by a borrowing base comprised of eligible receivables and eligible inventory in the U.S and Canada. As of September 30, 2020, the Company had no borrowings against the Credit Facility and approximately $209 million in availability (as defined in the Credit Facility) resulting in the excess availability (as defined in the Credit Facility) of 97%, subject to certain limitations. The Company is not obligated to pay back borrowings against the Credit Facility until the expiration date and as such, any outstanding borrowing is classified as long-term debt in the consolidated balance sheets.

The Company issued $7 million in letters of credit under the Credit Facility primarily for casualty insurance expiring in July 2021.

8. Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss) are as follows *(in millions)*:

	Foreign Currency Translation Adjustments
Balance at December 31, 2019	$ (128)
Other comprehensive income (loss)	(28)
Balance at September 30, 2020	$ (156)

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 or loss in accordance with ASC Topic 830, "Foreign Currency Matters." For the nine months ended September 30, 2020, several local currencies weakened against the U.S. dollar, contributing to the other comprehensive loss.

9. Business Segments

Operating results by reportable segment are as follows *(in millions)*:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenue:				
United States	$ 228	$ 567	$ 929	$ 1,772
Canada	42	83	161	243
International	56	101	210	297
Total revenue	$ 326	$ 751	$ 1,300	$ 2,312
Operating profit (loss):				
United States	$ (22)	$ 9	$ (250)	$ 44
Canada	3	4	(60)	7
International	(2)	1	(73)	3
Total operating profit (loss)	$ (21)	$ 14	$ (383)	$ 54

10. Income Taxes

The effective tax rates for the three and nine months ended September 30, 2020, were (4.1%) and 0.6%, respectively, compared to 15.2% and 8.3%, respectively, for the same periods in 2019. Compared to the U.S. statutory rate, the effective tax rate was impacted by recurring items, such as differing tax rates on income earned in certain foreign jurisdictions, nondeductible expenses, state income taxes and the change in valuation allowance recorded against deferred tax assets. Due to the continuing uncertainty in the Company's industry, the Company continues to utilize the method of recording income taxes on a year-to-date effective tax rate for the three and nine months ended September 30, 2020. The Company will evaluate its use of this method each quarter until such time as a return to the annualized estimated effective tax rate method is deemed appropriate.

The Coronavirus Aid, Relief and Economic Security Act ("CARES Act") was signed into law on March 27, 2020. The CARES Act contained several tax law changes for corporations, including modifications for net operating loss carrybacks, the refundability of prior-year minimum tax liability, limitations on business interest and limitations on charitable contribution deductions. These benefits did not impact the Company's tax provision for the three and nine months ended September 30, 2020.

The Company is subject to taxation in the United States, various states and foreign jurisdictions. The Company has significant operations in the United States and Canada and to a lesser extent in various other international jurisdictions. Tax years that remain subject to examination by major tax jurisdictions vary by legal entity but are generally open in the U.S. for the tax years ending after 2015 and outside the U.S. for the tax years ending after 2013.

11. Earnings (Loss) Per Share

For the three and nine months ended September 30, 2020, the computation of diluted earnings per share excluded potentially dilutive shares of approximately 6 million in both periods due to the Company recognizing a net loss, compared to 5 million and 4 million, respectively, for the corresponding periods of 2019 due to their antidilutive effect.

Basic and diluted earnings (loss) per share are as follows *(in millions, except share data)*:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Numerator:				
Net income (loss) attributable to the Company	$ (22)	$ 10	$ (383)	$ 42
Less: net income attributable to participating securities	—	—	—	—
Net income (loss) attributable to the Company's stockholders	$ (22)	$ 10	$ (383)	$ 42
Denominator:				
Weighted average basic common shares outstanding	109,379,627	108,796,947	109,323,228	108,702,139
Effect of dilutive securities	—	337,384	—	467,610
Weighted average diluted common shares outstanding	109,379,627	109,134,331	109,323,228	109,169,749
Earnings (loss) per share attributable to the Company's stockholders:				
Basic	$ (0.20)	$ 0.09	$ (3.50)	$ 0.38
Diluted	$ (0.20)	$ 0.09	$ (3.50)	$ 0.38

Under ASC Topic 260, "Earnings Per Share", the two-class method requires a portion of net income attributable to the Company 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 unvested 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 attributable to the Company allocated to these participating securities was excluded from net income attributable to the Company's stockholders in the numerator of the earnings per share computation. Net income attributable to the Company allocated to these participating securities was less than $1 million for the three and nine months ended September 30, 2019.

12. Stock-based Compensation and Outstanding Awards

The Company has a stock-based compensation plan known as the NOW Inc. Long-Term Incentive Plan (the "Plan"). Under the Plan, the Company's employees are eligible to be granted stock options, restricted stock awards ("RSAs"), restricted stock units and phantom shares ("RSUs"), and performance stock awards ("PSAs").

For the nine months ended September 30, 2020, the Company granted 697,317 stock options with a weighted average fair value of $3.59 per share and 374,254 shares of RSAs and RSUs with a weighted average fair value of $8.78 per share. In addition, the Company granted PSAs to senior management employees with potential payouts varying from zero to 343,302 shares. These options vest over a three-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. The RSAs and RSUs vest on the first and third anniversary of the date of grant. 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.

Stock-based compensation expense recognized for the three and nine months ended September 30, 2020 totaled $3 million and $4 million, respectively, compared to $4 million and $12 million, respectively, for the same periods in 2019. Unvested stocks and awards associated with certain executives retiring were allowed to continue to vest after retirement, for which the Company accounted as a Type III modification under ASC Topic 718 since the expectation of the award vesting changed from improbable to probable. Therefore, the stock-based compensation expense recognized was based on the modification-date fair value resulting in a reduction of stock-based compensation expense for the nine months ended September 30, 2020.

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. 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; however, in the Company's opinion, any ultimate liability, to the extent not otherwise recorded or accrued for, will not materially affect the Company's financial position, cash flow or results of operations. 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 experience.

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 short-term borrowing capacity, overdraft protection and other bonding requirements. As of September 30, 2020, the Company was contingently liable for approximately $10 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.

14. Derivative Financial Instruments

The Company is exposed to certain risks relating to its ongoing business operations. The primary risk managed by using derivative instruments is foreign currency exchange rate risk. The Company has entered into certain financial derivative instruments to manage this 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 non-functional currency monetary accounts. The purpose of the Company's foreign currency economic hedging activities is to economically hedge the Company's risk from changes in the fair value of non-functional 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 September 30, 2020 and December 31, 2019, the fair value of the Company's foreign currency forward contracts totaled an asset of less than $1 million in both periods, which was included in prepaid and other current assets in the consolidated balance sheets; and totaled a liability of less than $1 million in both periods, which was included in other current liabilities in the consolidated balance sheets.

For the three and nine months ended September 30, 2020, the Company recorded a gain of less than $1 million and a loss of less than $1 million, respectively, related to changes in fair value. For the three and nine months ended September 30, 2019, the Company recorded a loss of less than $1 million in both periods related to changes in fair value. All gains and losses were included in other expense in the consolidated statements of operations. The notional principal associated with those contracts was $11 million and $15 million as of September 30, 2020 and December 31, 2019, respectively.

As of September 30, 2020, 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. Transactions

On January 31, 2020, the Company completed the sale of its held-for-sale business at year-end 2019 which was primarily in the United States segment selling cutting tools to the aerospace and automotive markets. Subject to customary purchase price adjustments as defined in the transaction agreement, the sale resulted in a loss of less than $1 million for the nine months ended on September 30, 2020 and was included in impairment charges in the consolidated statements of operations.

During the three months ended September 30, 2020, as a result of strategic review of its assets, the Company decided to commit to a plan to divest a business that sells lighting solutions locally in the United Kingdom. The business did not qualify 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. As of September 30, 2020, the Company classified the business's assets and liabilities as held-for-sale. The carrying value of the net assets held-for-sale was compared to the estimated fair value resulting in an impairment of less than $1 million which was included in impairment charges in the consolidated statements of operations and the remaining $4 million of assets and $1 million of liabilities were classified as held-for-sale in the consolidated balance sheets. Subsequent to quarter end, in October 2020, the Company entered into a definitive agreement and sold the business, subject to customary post-closing working capital and other transaction price adjustments as defined in the transaction agreement.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Some of the information in this document contains, or has incorporated by reference, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Forward-looking statements typically are identified by use of terms such as "may," "believe," "anticipate," "expect," "plan," "predict," "estimate," "will be" or other similar words and phrases, although some forward-looking statements are expressed differently. You should be aware that our actual results could differ materially from results anticipated in the forward-looking statements due to a number of factors, including, but not limited to, changes in oil and gas prices, changes in the energy markets, customer demand for our products, significant changes in the size of our customers, difficulties encountered in integrating mergers and acquisitions, general volatility in the capital markets, disruptions caused by COVID-19, changes in applicable government regulations, increased borrowing costs, competition between us and our former parent company, NOV, the triggering of rights and obligations in connection with our spin-off and separation from NOV or any litigation arising out of or related thereto, impairments in long-lived assets and worldwide economic activity. You should also consider carefully the statements under "Risk Factors," as disclosed in our Form 10-K, which address additional factors that could cause our actual results to differ from those set forth in the forward-looking statements. Given these uncertainties, current or prospective investors are cautioned not to place undue reliance on any such forward-looking statements. We undertake no obligation to update any such factors or forward-looking statements to reflect future events or developments.

Company Overview

We are a global distributor to the oil and gas and industrial markets with a legacy of over 150 years. We operate primarily under the DistributionNOW and DNOW brands. Through our network of approximately 200 locations and approximately 2,600 employees worldwide, we stock and sell a comprehensive offering of energy products as well as an extensive 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, exploration and production, midstream infrastructure development to downstream petrochemical and petroleum refining – as well as in other industries, such as chemical processing, mining, and utilities. 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 maintenance, repair and operating ("MRO") supplies, pipe, valves, fittings, flanges, gaskets, fasteners, electrical, instrumentation, artificial lift, pumping solutions, valve actuation and modular process, 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, inventory and warehouse 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 Latin America, the North Sea, the Middle East, Asia Pacific and the former Soviet Union. 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 terminals, power generation utilities and customer on-site locations.

We stock or sell more than 300,000 stock keeping units through our branch network. Our supplier network consists of thousands of vendors in approximately 40 countries. From our operations in over 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, materials 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.

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, market expectations of future developments in the oil, natural gas, liquids, refined products, petrochemical, plant maintenance and other industrial and energy sectors.

We have expanded globally, through acquisitions and organic investments, into Australia, Azerbaijan, Brazil, Canada, China, Colombia, Egypt, England, India, Indonesia, Kazakhstan, Kuwait, Mexico, Netherlands, Norway, Oman, Russia, Saudi Arabia, Scotland, Singapore, the United Arab Emirates 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 ("MD&A") are presented on a basis consistent with our internal management reporting. Segment information appearing in Note 9 "Business Segments" of the notes to the unaudited consolidated financial statements (Part I, Item 1 of this Form 10-Q) is also presented on this basis.

United States

We have approximately 135 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 equipment, fluid transfer products, measurement and controls, spoolable pipe, along with many other products required by our customers, which enable them to focus on their core business while we manage their supply chain. We also provide additional value to our customers through the design, assembly, fabrication and optimization of products and equipment essential to the safe and efficient production, transportation and processing of oil and gas.

In order to align with the updates to the operational and management structure, we combined the U.S. Supply Chain and U.S. Energy reporting units within the U.S. segment, during the third quarter of 2020.

Canada

We have a network of approximately 40 locations in the Canadian oilfield, predominantly in the oil rich provinces of Alberta and Saskatchewan in Western Canada. Our Canada segment primarily serves the energy exploration, production, mining and drilling business, 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 and product and installation expertise to serve our customers.

International

We operate in approximately 20 countries and serve the needs of our international customers from approximately 25 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 inventory and 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.

Basis of Presentation

All significant intercompany transactions and accounts have been eliminated. The unaudited consolidated financial information included in this report has been prepared in accordance with GAAP for interim financial information and Article 10 of SEC Regulation S-X. The principles for interim financial information do not require the inclusion of all the information and footnotes required by generally accepted accounting principles for complete financial statements. Therefore, these financial statements should be read in conjunction with the financial statements included in the Company's most recent Annual Report on Form 10-K. In the opinion of our management, the consolidated financial statements include all adjustments, all of which are of a normal recurring nature, necessary for a fair presentation of the results for the interim periods. The results of operations for the three and nine months ended September 30, 2020 are not necessarily indicative of the results to be expected for the full year.

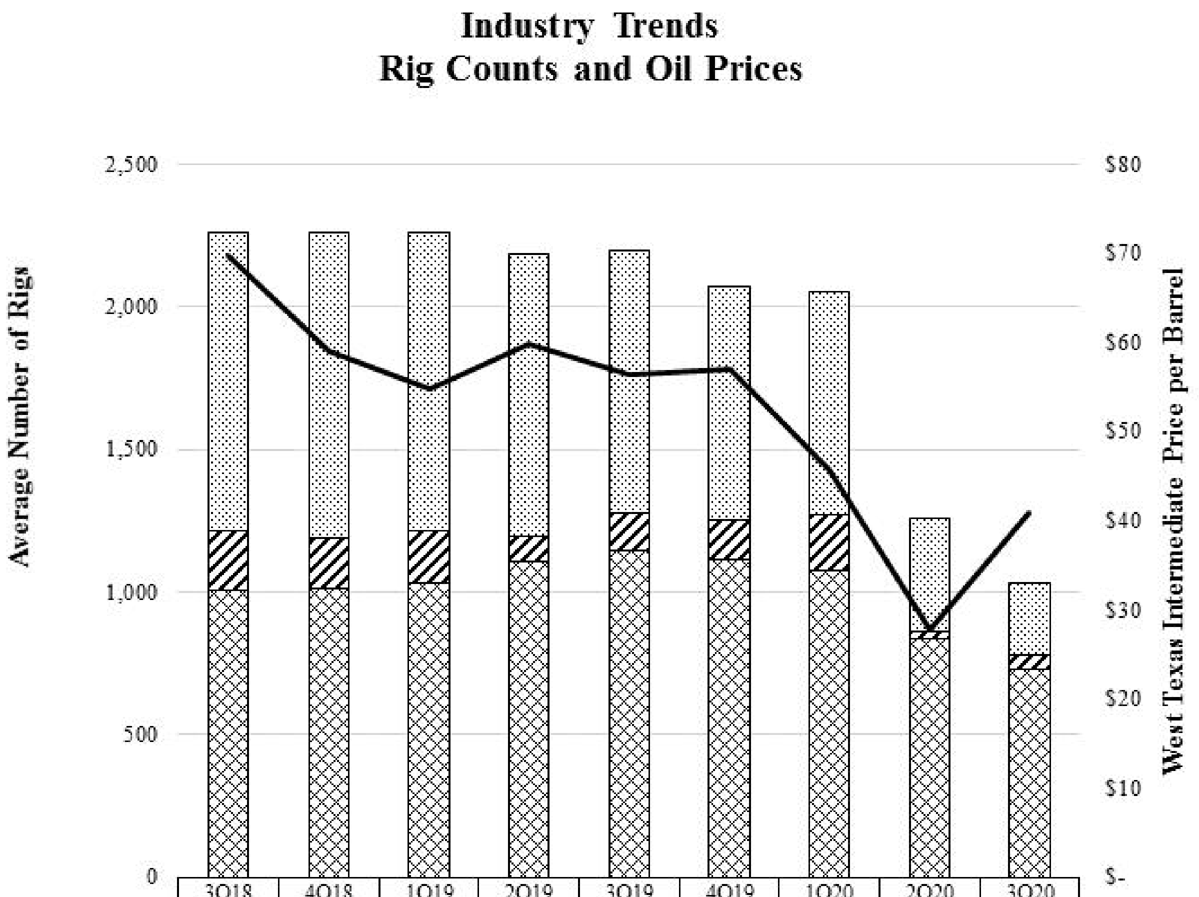
Operating Environment Overview

Our results are dependent on, among other factors, the level of worldwide oil and gas drilling and completions, well remediation activity, crude oil and natural gas prices, capital spending by operators, oilfield service companies and contractors and worldwide oil and gas inventory levels. Key industry indicators for the third quarter of 2020 and 2019 and the second quarter of 2020 include the following:

	3Q20*	3Q19*	% 3Q20 v 3Q19	2Q20*	% 3Q20 v 2Q20
Active Drilling Rigs:					
U.S.	254	920	(72.4%)	396	(35.9%)
Canada	48	132	(63.6%)	25	92.0%
International	731	1,144	(36.1%)	834	(12.4%)
Worldwide	1,033	2,196	(53.0%)	1,255	(17.7%)
West Texas Intermediate Crude Prices (per barrel)	$ 40.89	$ 56.37	(27.5%)	$ 27.79	47.1%
Natural Gas Prices ($/MMBtu)	$ 2.00	$ 2.38	(16.0%)	$ 1.71	17.0%
Hot-Rolled Coil Prices (steel) ($/short ton)	$ 516.89	$ 577.09	(10.4%)	$ 514.83	0.4%

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

The following table details the U.S., Canadian and international rig activity and West Texas Intermediate oil prices for the past nine quarters ended September 30, 2020:



	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20
U.S.	1,051	1,072	1,046	989	920	821	785	396	254
Canada	208	177	186	83	132	139	195	25	48
International	1,003	1,011	1,030	1,109	1,144	1,110	1,074	834	731
Worldwide	2,262	2,260	2,262	2,181	2,196	2,070	2,054	1,255	1,033
WTI	$69.76	$59.08	$54.83	$59.78	$56.37	$56.96	$45.76	$27.79	$40.89

Sources: Rig count: Baker Hughes, Inc. (www.bakerhughes.com); Effective June 2019, the Baker Hughes International Rig Count now includes the number of active drilling rigs in the country of Ukraine and the historical periods will not be updated; 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 quarterly average rig count declined 17.7% (from 1,255 rigs to 1,033 rigs) and the U.S. declined 35.9% (from 396 rigs to 254 rigs) in the third quarter of 2020 compared to the second quarter of 2020. The average price per barrel of West Texas Intermediate Crude increased 47.1% (from $27.79 per barrel to $40.89 per barrel), and natural gas prices increased 17.0% (from $1.71 per MMBtu to $2.00 per MMBtu) in the third quarter of 2020 compared to the second quarter of 2020. The average price per short ton of Hot-Rolled Coil increased 0.4% (from $514.83 per short ton to $516.89 per short ton) in the third quarter of 2020 compared to the second quarter of 2020.

U.S. rig count at October 16, 2020 was 282 rigs, up 28 rigs from the third quarter 2020 average. The price for West Texas Intermediate Crude was $40.70 per barrel at October 16, 2020, down 0.5% from the third quarter 2020 average. The price for natural gas was $2.16 per MMBtu at October 16, 2020, up 8.0% from the third quarter 2020 average. The price for Hot-Rolled Coil was $616.00 per short ton at October 12, 2020, up 19.2% from the third quarter 2020 average.

Executive Summary

For the three and nine months ended September 30, 2020, the Company generated a net loss of $22 million and $383 million on $326 million and $1,300 million in revenue, respectively. For the three and nine months ended September 30, 2020, revenue decreased $425 million or 56.6% and $1,012 million or 43.8%, respectively, when compared to the corresponding periods of 2019. For the three and nine months ended September 30, 2020, net income declined $32 million and $425 million, respectively, when compared to the corresponding periods of 2019.

For the three and nine months ended September 30, 2020, the Company generated an operating loss of $21 million and $383 million, respectively, compared to operating profit of $14 million and $54 million, respectively, for the corresponding periods of 2019.

Outlook

Our outlook for the Company remains tied to oil and gas commodity prices, global oil and gas drilling and completions activity, oil and gas spending, and global demand for oil, its refined petroleum products, and gas. Oil prices and oil storage levels are primary catalysts determining customer activity.

During the first nine months of the year, the macro environment changed rapidly and dramatically. The rising global oil supply and sudden demand shock from COVID-19 drove significant declines in oil prices and significant builds of oil inventory. Continuing to the date of this filing, significant uncertainty still exists concerning the magnitude of the impact and duration of the COVID-19 pandemic and its impact on the economy and global oil and gas demand. The future outlook for oil and gas demand and supply appears equally uncertain and is expected to largely be driven by the pace of economic recovery from the COVID-19 pandemic and supply response that materializes.

Amid these dynamics, we will continue to optimize our operations, advance our strategic goals and manage the Company based on market conditions. To navigate this challenging environment, we have taken decisive actions to cut costs, accelerate structural changes and deploy various technologies to optimize processes and increase productivity. We have prioritized cost transformation and warehousing, selling and administrative expense reductions as a key response to declining activity. We will continue to optimize our operations and adapt to market activity as appropriate to position DNOW for the challenges ahead. As market conditions evolve, our response may result in various charges in future periods.

Results of Operations

Operating results by reportable segment are as follows (*in millions*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenue:				
United States	$ 228	$ 567	$ 929	$ 1,772
Canada	42	83	161	243
International	56	101	210	297
Total revenue	$ 326	$ 751	$ 1,300	$ 2,312
Operating profit (loss):				
United States	$ (22)	$ 9	$ (250)	$ 44
Canada	3	4	(60)	7
International	(2)	1	(73)	3
Total operating profit (loss)	$ (21)	$ 14	$ (383)	$ 54

United States

For the three and nine months ended September 30, 2020, revenue was $228 million and $929 million, a decline of $339 million or 59.8% and $843 million or 47.6%, respectively, when compared to the corresponding periods of 2019. The decreases in the periods were primarily driven by the decline in U.S. drilling and completions activity.

For the three and nine months ended September 30, 2020, the U.S. generated an operating loss of $22 million and $250 million, a decline of $31 million and $294 million, respectively, when compared to the corresponding periods of 2019. For the three and nine months ended September 30, 2020, operating profit declined due to a decrease in revenue discussed above coupled with an increase in inventory charges, partially offset by reduced operating expenses. Additionally, for the nine months ended September 30, 2020, operating profit was negatively impacted by $188 million of impairment charges.

Canada

For the three and nine months ended September 30, 2020, revenue was $42 million and $161 million, a decline of $41 million or 49.4% and $82 million or 33.7%, respectively, when compared to the corresponding periods of 2019. The decreases in the periods were primarily driven by the declines in rig count and project activity.

For the three and nine months ended September 30, 2020, Canada generated an operating profit of $3 million and loss of $60 million, a decline of $1 million and $67 million, respectively, when compared to the corresponding periods of 2019. For the three and nine months ended September 30, 2020, operating profit declined due to the reductions in revenue discussed above, partially offset by a decline in operating expenses which included the impact from Canada Emergency Wage Subsidy. Additionally, for the nine months ended September 30, 2020, operating profit was negatively impacted by $60 million of impairment charges.

International

For the three and nine months ended September 30, 2020, revenue was $56 million and $210 million, a decline of $45 million or 44.6% and $87 million or 29.3%, respectively, when compared to the corresponding periods of 2019. For the three and nine months ended September 30, 2020, the decreases in revenue were driven by softer project activity.

For the three and nine months ended September 30, 2020, the International segment generated an operating loss of $2 million and $73 million, a decline of $3 million and $76 million, respectively, when compared to the corresponding periods of 2019. For the three months ended September 30, 2020, operating profit declined due to a reduction in revenue discussed above, partially offset by a reduction in operating expenses. For the nine months ended September 30, 2020, operating profit declined due to the reduction in revenue discussed above coupled with approximately $72 million of impairment charges and increased bad debt charges.

Cost of products

For the three and nine months ended September 30, 2020, cost of products was $264 million and $1,053 million, respectively, compared to $601 million and $1,851 million, respectively, for the corresponding periods in 2019. For the three and nine months ended September 30, 2020, the decreases were primarily due to lower revenue in the periods. 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

For the three and nine months ended September 30, 2020, warehousing, selling and administrative expenses were $83 million and $310 million, respectively, compared to $136 million and $407 million, respectively, for the corresponding periods of 2019. For the three and nine months ended September 30, 2020, operating expenses declined due to improved operating efficiencies. Additionally, for the nine months ended September 30, 2020, the decline in operating expenses was partially offset by an increase in separation charges. Warehousing, selling and administrative expenses include general corporate expenses, depreciation and branch, distribution center and regional expenses (including costs such as compensation, benefits and rent).

Impairment charges

For the three and nine months ended September 30, 2020, impairment charges were nil and $320 million, respectively, compared to nil in both periods for the corresponding periods of 2019. The Company recognized $230 million of goodwill impairment, $84 million of intangible asset impairment and $6 million of impairment for other long-lived assets for the nine months ended September 30, 2020.

Other expense

For the three and nine months ended September 30, 2020, other expense was nil and $2 million, respectively, compared to $2 million and $8 million, respectively, for the corresponding periods of 2019. For the three and nine months ended September 30, 2020, other expense declined primarily due to reductions in interest related charges.

Provision for income taxes

The effective tax rates for the three and nine months ended September 30, 2020, were (4.1%) and 0.6%, respectively, compared to 15.2% and 8.3%, respectively, for the same periods in 2019. Compared to the U.S. statutory rate, the effective tax rate was impacted by recurring items, such as differing tax rates on income earned in certain foreign jurisdictions, nondeductible expenses, state income taxes and the change in valuation allowance recorded against deferred tax assets.

Non-GAAP Financial Measure and Reconciliation

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.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
GAAP net income (loss) (1)	$ (22)	$ 10	$ (383)	$ 42
Interest, net	—	1	—	4
Income tax provision (benefit)	1	2	(2)	4
Depreciation and amortization	6	10	23	30
Other costs (2)	—	1	334	2
EBITDA excluding other costs	$ (15)	$ 24	$ (28)	$ 82
EBITDA % excluding other costs (3)	(4.6%)	3.2%	(2.2%)	3.5%

(1) We believe that net income (loss) 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) Other costs included $320 million of impairment charges and $14 million in net separation and transaction-related expenses which were included in operating loss for the nine months ended September 30, 2020.

(3) 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.

As of September 30, 2020 and December 31, 2019, we had cash and cash equivalents of $325 million and $183 million, respectively. As of September 30, 2020, approximately $70 million of our cash and cash equivalents were maintained in the accounts of our various foreign subsidiaries. With the exception of the Company's pre-2018 earnings in Canada and the United Kingdom, the Company's foreign earnings continue to be indefinitely reinvested. The Company makes a determination each period concerning its intent and ability to indefinitely reinvest the cash held by its foreign subsidiaries. For the nine months ended September 30, 2020, we repatriated $19 million from our Canadian operations. No additional income taxes have been provided for other foreign earnings as these amounts continue to be indefinitely reinvested. Future changes to our indefinite reinvestment assertion could result in additional U.S. federal and state taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable in various foreign jurisdictions, where applicable.

As of September 30, 2020, we had no borrowings against our revolving credit facility, and had $209 million in availability (as defined in the Credit Agreement) resulting in the excess availability (as defined in the Credit Agreement) of 97%, subject to certain restrictions. Borrowings that result in the excess availability dropping below the greater of 12.5% of the borrowing base or $60 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 September 30, 2020, we were in compliance with all covenants. We continuously monitor compliance with debt covenants. A default, if not waived or amended, would prevent us from taking certain actions, such as incurring additional debt.

The following table summarizes our net cash flows provided by or used in operating activities, investing activities and financing activities for the periods presented *(in millions):*

	Nine Months Ended September 30,	
	2020	**2019**
Net cash provided by (used in) operating activities	$ 133	$ 150
Net cash provided by (used in) investing activities	19	(17)
Net cash provided by (used in) financing activities	(6)	(136)

Operating Activities

For the nine months ended September 30, 2020, net cash provided by operating activities was $133 million compared to $150 million provided in the corresponding period of 2019. For the nine months ended September 30, 2020, net cash provided by operating activities was driven by $383 million of net loss primarily offset by $320 million of impairment charges and a net increase of $116 million from changes in working capital.

Investing Activities

For the nine months ended September 30, 2020, net cash provided by investing activities was $19 million compared to $17 million used in the corresponding period of 2019. For the nine months ended September 30, 2020, the Company received $25 million in cash upon the closing of a business disposition, partially offset by $7 million cash used in purchases of property, plant and equipment.

Financing Activities

For the nine months ended September 30, 2020, net cash used in financing activities was $6 million compared to $136 million used in the corresponding period of 2019. The activity in the period was attributed to the Company making payments relating to its finance lease arrangements.

Other

For the nine months ended September 30, 2020, the effect of the change in exchange rates on cash and cash equivalents was a decrease of $4 million compared to nil for the corresponding period of 2019.

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. There can be no assurance that additional financing will be available at terms acceptable to us.

Off-Balance Sheet Arrangements

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.

Critical Accounting Policies and Estimates

For a discussion of the critical accounting policies and estimates that we use in the preparation of our consolidated financial statements, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K. 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, goodwill, purchase price allocation of acquisitions, vendor consideration, stock-based compensation 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.

Item 3. 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" to the consolidated financial statements.

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 net sales for the nine months ended September 30, 2020 was outside the United States, 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 September 30, 2020, our most significant foreign currency exposure was to the Canadian dollar, followed by the British pound, with less significant foreign currency exposures to the Australian dollar, Kuwaiti dinar, Mexican peso and Norwegian kroner.

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). For nine months ended September 30, 2020, the Company realized a net foreign currency translation loss totaling $28 million, which was included in other comprehensive income (loss).

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 expense. For the nine months ended September 30, 2020 and 2019, the Company reported foreign currency transaction gains of $2 million and losses of $1 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 the revenue 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 revenue 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 the nine months ended September 30, 2020 compared to the average for the same period of 2019 decreased by approximately 2% 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, Australian dollar, Kuwaiti dinar, Mexican peso and Norwegian kroner decreased in relation to the U.S. dollar by approximately 2%, 0%, 3%, 1%, 11% and 9%, 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 the first nine months of 2020 of the U.S. dollar relative to foreign currencies that affected the Company would have resulted in an approximately $1 million change in net loss for the same period.

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. The Company's disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by the Company in the reports it files under the Exchange Act is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures and is recorded, processed, summarized and reported within the time period specified in the rules and forms of the Securities and Exchange Commission. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective as of the end of the period covered by this report at a reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1A. Risk Factors

As of the date of this filing, the Company and its operations continue to be subject to the risk factors previously disclosed in Part 1, Item 1A "Risk Factors" in our 2019 Annual Report on Form 10-K and the following additional risk factors.

The COVID-19 pandemic has adversely affected our business, and the ultimate effect on our operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted.

The COVID-19 pandemic has adversely affected the global economy, disrupted global supply chains and created significant volatility in the financial markets. In addition, the pandemic has resulted in travel restrictions, business closures and the institution of quarantining and other restrictions on movement in many communities. As a result, there has been a significant reduction in demand for and prices of crude oil, natural gas and natural gas liquids (NGL). If the reduced demand for and prices of crude oil, natural gas and NGL continue for a prolonged period, our operations, financial condition and cash flows may be materially and adversely affected. Our operations also may be adversely affected if significant portions of our workforce are unable to work effectively, including because of illness, quarantines, government actions, or other restrictions in connection with the pandemic. We have already implemented workplace restrictions, including guidance for our employees to work remotely if able, in our offices and work sites for health and safety reasons and are continuing to monitor national, state and local government directives where we have operations and/or offices. 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, including the scope and duration of the pandemic and actions taken by governmental authorities and other third parties in response to the pandemic, including recent actions in many states to lift quarantines, stay-at-home orders and other similar restrictions.

Crude oil prices have declined significantly in 2020 and, if oil prices continue to decline or remain at current levels for a prolonged period, our operations and financial condition may be materially and adversely affected.

In 2020, crude oil prices have fallen sharply and dramatically, due in part to significantly decreased demand as a result of the COVID-19 pandemic and the subsequent mitigation efforts, and disagreements between the Organization of Petroleum Exporting and other oil production nations (OPEC +) in February 2020 regarding limits on the production of oil. On April 12, 2020, members of OPEC+ agreed to certain production cuts; however, these cuts are not expected to be enough to offset near-term demand loss attributable to the COVID-19 pandemic. If crude oil prices continue to decline or remain at current levels for a prolonged period, our operations, financial condition and cash flows may be materially and adversely affected.

Item 6. Exhibits

(a) Exhibits

Exhibit No.	Exhibit Description
2.1	Separation and Distribution Agreement between National Oilwell Varco, Inc. and NOW Inc. dated May 29, 2014 (1)
3.1	NOW Inc. Amended and Restated Certificate of Incorporation (8)
3.2	NOW Inc. Amended and Restated Bylaws (8)
10.1	Tax Matters Agreement between National Oilwell Varco, Inc. and NOW Inc. dated May 29, 2014 (1)
10.2	Employee Matters Agreement between National Oilwell Varco, Inc. and NOW Inc. dated May 29, 2014 (1)
10.3	Master Distributor Agreement between National Oilwell Varco, L.P. and DNOW L.P. dated May 29, 2014 (1)
10.4	Master Service Agreement between National Oilwell Varco, L.P. and DNOW L.P. dated May 29, 2014 (1)
10.5	Form of Employment Agreement for Executive Officers (1)
10.6	NOW Inc. 2014 Incentive Compensation Plan (2)
10.7	Form of Restricted Stock Award Agreement (6 year cliff vest) (3)
10.8	Form of Nonqualified Stock Option Agreement (4)
10.9	Form of Restricted Stock Award Agreement (3 year cliff vest) (4)
10.10	Form of Performance Award Agreement (4)
10.11	Form of Amendment to Employment Agreement for Executive Officers (5)
10.12	Credit Agreement dated as of April 30, 2018, among the Borrowers, the lenders party thereto and Wells Fargo Bank, National Association as administrative agent, an issuing lender and swing lender (6)
10.13	Employment Agreement between NOW Inc. and Richard Alario (7)
10.14	Phantom Share Agreement between NOW Inc. and Richard Alario (7)
10.15	Employment Agreement between NOW Inc. and Chief Executive Officer David Cherechinsky (9)
10.16	Employment Agreement between NOW Inc. and Chief Financial Officer Mark Johnson (9)
10.17	Amendment to Employment Agreement between NOW Inc. and Richard Alario (9)
31.1	Certification pursuant to Rule 13a-14a and Rule 15d-14(a) of the Securities and Exchange Act, as amended
31.2	Certification pursuant to Rule 13a-14a and Rule 15d-14(a) of the Securities and Exchange Act, as amended
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification 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 Current Report on Form 8-K filed on November 19, 2014
(4) Filed as an Exhibit to our Quarterly Report on Form 10-Q filed on May 7, 2015
(5) Filed as an Exhibit to our Quarterly Report on Form 10-Q filed on November 2, 2016
(6) Filed as an Exhibit to our Current Report on Form 8-K filed on May 1, 2018
(7) Filed as an Exhibit to our Current Report on Form 8-K filed on November 21, 2019
(8) Filed as an Exhibit to our Current Report on Form 8-K filed on May 21, 2020
(9) Filed as an Exhibit to our Current Report on Form 8-K filed on June 2, 2020

We hereby undertake, pursuant to Regulation S-K, Item 601(b), paragraph (4) (iii), to furnish to the U.S. Securities and Exchange Commission, upon request, all constituent instruments defining the rights of holders of our long-term debt not filed herewith.

SIGNATURE

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 thereunto duly authorized.

Date: November 4, 2020

By: *____________________ /s/ Mark B. Johnson*

Mark B. Johnson

Senior Vice President and Chief Financial Officer

Exhibit 31.1

CERTIFICATION

I, David A. Cherechinsky, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NOW Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its combined subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2020

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

Exhibit 31.2

CERTIFICATION

I, Mark B. Johnson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NOW Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its combined subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2020

By: /s/ Mark B. Johnson
Mark B. Johnson
Senior Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of NOW Inc. (the “Company”) on Form 10-Q for the period ending September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, David A. Cherechinsky, President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(i) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

The certification is given to the knowledge of the undersigned.

Date: November 4, 2020

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

Exhibit 32.2

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of NOW Inc. (the “Company”) on Form 10-Q for the period ending September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, Mark B. Johnson, Senior Vice President and Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(i) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

The certification is given to the knowledge of the undersigned.

Date: November 4, 2020

By: /s/ Mark B. Johnson
Mark. B. Johnson
Senior Vice President and Chief Financial Officer