

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported) February 15, 2024

DNOW INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-36325
(Commission
File Number)

46-4191184
(IRS Employer
Identification No.)

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

77041
(Zip Code)

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

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

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

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

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

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

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

Emerging growth company

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

Item 2.02 Results of Operations and Financial Condition

On February 15, 2024, DNOW Inc. issued a press release announcing earnings for the quarter and full year ended December 31, 2023 and conference call in connection therewith. A copy of the release is furnished herewith as Exhibit 99.1 and incorporated herein by reference.

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

Item 9.01 Financial Statements and Exhibits*(d) Exhibits*

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

- 99.1 [DNOW Inc. press release dated February 15, 2024 announcing the earnings results for the fourth quarter and full year ended December 31, 2023.](#)
- 104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

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

Date: February 15, 2024

DNOW INC.

/s/ Raymond W. Chang

Raymond W. Chang

Vice President & General Counsel


Earnings Conference Call

February 15, 2024

8:00 a.m. CT

1 (888) 660-6431 (within North America)

1 (929) 203-2118 (outside of North America)

Access Code: 7372055

Webcast: ir.dnow.com
DNOW Inc. Reports Fourth Quarter and Full-Year 2023 Results

HOUSTON, TX, February 15, 2024 – DNOW Inc. (NYSE: DNOW) announced results for the fourth quarter and full-year ended December 31, 2023.

Financial Highlights

- Cash provided by operating activities was \$105 million for the fourth quarter of 2023 and \$188 million for the full-year 2023
- Revenue was \$555 million for the fourth quarter of 2023
- Net income attributable to DNOW Inc. was \$147 million, or \$1.35 per diluted share, for the fourth quarter of 2023, which included a non-cash deferred tax benefit of \$126 million from the release of valuation allowances on deferred tax assets
- Non-GAAP net income attributable to DNOW Inc. excluding other costs was \$24 million, or \$0.22 per diluted share, for the fourth quarter of 2023
- EBITDA excluding other costs was \$44 million or 7.9% of revenue for the fourth quarter of 2023
- Cash and cash equivalents was \$299 million and long-term debt was zero at December 31, 2023 with total liquidity of approximately \$626 million

David Cherechinsky, President and CEO of DNOW, added, “I am excited by our strong fourth quarter finish, capping off another stellar year. In 2023, revenues grew \$185 million, or 9%, while generating \$184 million in EBITDA excluding other costs, a record performance since becoming a public company, or 7.9% of revenue. U.S. Process Solutions delivered significant full-year double-digit revenue growth in each of our Power Service, Odessa Pumps, Flex Flow and EcoVapor businesses. Adding to our impressive top-line increase, we produced \$171 million in free cash flow, more than twice our original guidance provided last February, and we are targeting to generate \$150 million in 2024.

I am thrilled about the agreement we reached to acquire Whitco Supply and believe this partnership will delight our customers, enhance earnings, free cash flow and shareholder value.

I want to thank the highly talented women and men of DNOW who have delivered these results and positioned our company to be the critical link in supplying the world’s evolving energy needs.”

Prior to the earnings conference call a presentation titled “DNOW Fourth Quarter and Full-Year 2023 Key Takeaways” will be available on the Company’s Investor Relations website.

About DNOW

DNOW is a worldwide supplier of energy and industrial products and packaged, engineered process and production equipment with a legacy of 160 years. Headquartered in Houston, Texas, with approximately 2,475 employees and a network of locations worldwide, we offer a broad set of supply chain solutions combined with a suite of digital solutions branded as DigitalNOW® that provide customers world-class technology for digital commerce, data and information management. Our locations provide products and solutions to exploration and production companies, midstream transmission and storage companies, refineries, chemical companies, utilities, mining, municipal water, manufacturers, engineering and construction companies as well as companies operating in the decarbonization, energy transition and renewables end markets.

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

Contact:

Mark Johnson

Senior Vice President and Chief Financial Officer

(281) 823-4754

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

| | December 31, 2023 | December 31, 2022 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 299 | \$ 212 |
| Receivables, net | 384 | 398 |
| Inventories, net | 366 | 381 |
| Prepaid and other current assets | 19 | 26 |
| Total current assets | <u>1,068</u> | <u>1,017</u> |
| Property, plant and equipment, net | 131 | 119 |
| Deferred income taxes | 118 | — |
| Goodwill | 139 | 116 |
| Intangibles, net | 28 | 25 |
| Other assets | 45 | 43 |
| Total assets | <u>\$ 1,529</u> | <u>\$ 1,320</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 288 | \$ 304 |
| Accrued liabilities | 120 | 126 |
| Other current liabilities | 10 | 9 |
| Total current liabilities | <u>418</u> | <u>439</u> |
| Long-term operating lease liabilities | 30 | 25 |
| Deferred income taxes | — | 1 |
| Other long-term liabilities | 18 | 11 |
| Total liabilities | <u>466</u> | <u>476</u> |
| 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; 106,257,565 and 110,369,266 shares issued and outstanding at December 31, 2023 and 2022, respectively | 1 | 1 |
| Additional paid-in capital | 2,032 | 2,066 |
| Accumulated deficit | (828) | (1,075) |
| Accumulated other comprehensive loss | (145) | (150) |
| DNOW Inc. stockholders' equity | <u>1,060</u> | <u>842</u> |
| Noncontrolling interest | 3 | 2 |
| Total stockholders' equity | <u>1,063</u> | <u>844</u> |
| Total liabilities and stockholders' equity | <u>\$ 1,529</u> | <u>\$ 1,320</u> |

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

| | Three Months Ended | | | Year Ended | |
|------------------------------------------------------------|--------------------|--------|---------------|--------------|---------|
| | December 31, | | September 30, | December 31, | |
| | 2023 | 2022 | 2023 | 2023 | 2022 |
| Revenue | \$ 555 | \$ 547 | \$ 588 | \$2,321 | \$2,136 |
| Operating expenses: | | | | | |
| Cost of products | 425 | 415 | 454 | 1,786 | 1,630 |
| Warehousing, selling and administrative | 98 | 97 | 97 | 395 | 365 |
| Impairment and other charges | — | — | — | — | 10 |
| Operating profit | 32 | 35 | 37 | 140 | 131 |
| Other income (expense) | (1) | (1) | — | (2) | 8 |
| Income before income taxes | 31 | 34 | 37 | 138 | 139 |
| Income tax provision (benefit) | (116) | 2 | 2 | (110) | 10 |
| Net income | 147 | 32 | 35 | 248 | 129 |
| Net income attributable to noncontrolling interest | — | — | — | 1 | 1 |
| Net income attributable to DNOW Inc. | \$ 147 | \$ 32 | \$ 35 | \$ 247 | \$ 128 |
| Earnings per share attributable to DNOW Inc. stockholders: | | | | | |
| Basic | \$1.36 | \$0.28 | \$ 0.32 | \$ 2.26 | \$ 1.14 |
| Diluted | \$1.35 | \$0.28 | \$ 0.32 | \$ 2.24 | \$ 1.13 |
| Weighted-average common shares outstanding, basic | 106 | 110 | 107 | 107 | 111 |
| Weighted-average common shares outstanding, diluted | 107 | 111 | 108 | 108 | 111 |

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

| | Three Months Ended | | | Year Ended | |
|---------------|--------------------|-------|---------------|--------------|---------|
| | December 31, | | September 30, | December 31, | |
| | 2023 | 2022 | 2023 | 2023 | 2022 |
| Revenue: | | | | | |
| United States | \$418 | \$414 | \$ 448 | \$1,749 | \$1,591 |
| Canada | 65 | 75 | 68 | 282 | 315 |
| International | 72 | 58 | 72 | 290 | 230 |
| Total revenue | \$555 | \$547 | \$ 588 | \$2,321 | \$2,136 |

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

| | Three Months Ended | | | Year Ended | |
|-------------------------------------------------------------------|--------------------|--------------|---------------|---------------|--------------|
| | December 31, | | September 30, | December 31, | |
| | 2023 | 2022 | 2023 | 2023 | 2022 |
| GAAP net income attributable to DNOW Inc. ⁽¹⁾ | \$ 147 | \$ 32 | \$ 35 | \$ 247 | \$128 |
| Net income attributable to noncontrolling interest ⁽²⁾ | — | — | — | 1 | 1 |
| Interest expense (income), net | (1) | — | (2) | (4) | (1) |
| Income tax provision (benefit) | (116) | 2 | 2 | (110) | 10 |
| Depreciation and amortization | 7 | 5 | 7 | 26 | 19 |
| Other costs: | | | | | |
| Stock-based compensation | 4 | 4 | 4 | 15 | 11 |
| Other ⁽³⁾ | 3 | 4 | — | 9 | 7 |
| EBITDA excluding other costs | <u>\$ 44</u> | <u>\$ 47</u> | <u>\$ 46</u> | <u>\$ 184</u> | <u>\$175</u> |
| EBITDA % excluding other costs ⁽⁴⁾ | 7.9% | 8.6% | 7.8% | 7.9% | 8.2% |

NET INCOME ATTRIBUTABLE TO DNOW INC. TO NON-GAAP NET INCOME ATTRIBUTABLE TO DNOW INC. EXCLUDING OTHER COSTS RECONCILIATION (UNAUDITED)
(In millions)

| | Three Months Ended | | | Year Ended | |
|---------------------------------------------------------------------------|--------------------|--------------|---------------|---------------|--------------|
| | December 31, | | September 30, | December 31, | |
| | 2023 | 2022 | 2023 | 2023 | 2022 |
| GAAP net income attributable to DNOW Inc. ⁽¹⁾ | \$ 147 | \$ 32 | \$ 35 | \$ 247 | \$128 |
| Other, net of tax ^{(5) (6)} | (123) | (3) | (7) | (140) | (21) |
| Net income attributable to DNOW Inc. excluding other costs ⁽⁶⁾ | <u>\$ 24</u> | <u>\$ 29</u> | <u>\$ 28</u> | <u>\$ 107</u> | <u>\$107</u> |

DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO DNOW INC. STOCKHOLDERS TO NON-GAAP DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO DNOW INC. STOCKHOLDERS EXCLUDING OTHER COSTS RECONCILIATION (UNAUDITED)

| | Three Months Ended | | | Year Ended | |
|--------------------------------------------------------------------------------------------------------|--------------------|----------------|----------------|----------------|----------------|
| | December 31, | | September 30, | December 31, | |
| | 2023 | 2022 | 2023 | 2023 | 2022 |
| GAAP diluted earnings per share attributable to DNOW Inc. stockholders ⁽¹⁾ | \$ 1.35 | \$ 0.28 | \$ 0.32 | \$ 2.24 | \$ 1.13 |
| Other, net of tax ^{(5) (6)} | (1.13) | (0.03) | (0.07) | (1.27) | (0.18) |
| Diluted earnings per share attributable to DNOW Inc. stockholders excluding other costs ⁽⁶⁾ | <u>\$ 0.22</u> | <u>\$ 0.25</u> | <u>\$ 0.25</u> | <u>\$ 0.97</u> | <u>\$ 0.95</u> |

- (1) In an effort to provide investors with additional information regarding our results as determined by GAAP, we disclose various non-GAAP financial measures in our quarterly earnings press releases and other public disclosures. The non-GAAP financial measures include: (i) earnings before interest, taxes, depreciation and amortization (EBITDA) excluding other costs, (ii) net income attributable to DNOW Inc. excluding other costs and (iii) diluted earnings per share attributable to DNOW Inc. stockholders excluding other costs. Each of these financial measures excludes the impact of certain other costs and therefore has not been calculated in accordance with GAAP. A reconciliation of each of these non-GAAP financial measures to its most comparable GAAP financial measure is included in the schedules herein.
- (2) Net income attributable to noncontrolling interest represents the income retained by the noncontrolling party of a joint venture in our international segment which we consolidate into our financials as we are the primary beneficiary and controlling member.

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

For the three months ended December 31, 2023, Other of \$3 million included approximately \$2 million (included in warehousing, selling and administrative) related to legal fees for litigation matters that were not ordinary or routine to the operations of the business where the Company is seeking damages and transaction-related charges, as well as approximately \$1 million (included in other income (expense)) related to settlements of the plan assets and benefit obligations of the Company's defined benefit pension plans.

For the year ended December 31, 2023, Other of \$9 million included approximately \$8 million (included in warehousing, selling and administrative) related to legal fees for litigation matters that were not ordinary or routine to the operations of the business where the Company is seeking damages, and separation and transaction-related charges, as well as approximately \$1 million (included in other income (expense)) related to settlements of the plan assets and benefit obligations of the Company's defined benefit pension plans.

- (4) EBITDA % excluding other costs is defined as EBITDA excluding other costs divided by Revenue.

Other, net of tax includes certain income and expenses and does not include stock-based compensation expense.

For the three months ended December 31, 2023, Other, net of tax included a benefit of approximately \$126 million from the release of valuation allowances recorded against the Company's deferred tax assets, partially offset by approximately \$2 million (included in warehousing, selling and administrative) related to legal fees for litigation matters that were not ordinary or routine to the operations of the business where the Company is seeking damages and transaction-related charges, as well as approximately \$1 million (included in other income (expense)) related to settlements of the plan assets and benefit obligations of the Company's defined benefit pension plans.

For the year ended December 31, 2023, Other, net of tax included a benefit of approximately \$149 million from the release of valuation allowances recorded against the Company's deferred tax assets, partially offset by approximately \$8 million (included in warehousing, selling and administrative) related to legal fees for litigation matters that were not ordinary or routine to the operations of the business where the Company is seeking damages and separation and transaction-related charges, as well as approximately \$1 million (included in other income (expense)) related to settlements of the plan assets and benefit obligations of the Company's defined benefit pension plans.

The Company has excluded the impact of these items on its valuation allowance in computing net income excluding other costs.

- (5) Totals may not foot due to rounding.