
**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 JUNE 30, 2023
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
(State or other jurisdiction of
incorporation or organization)

46-4191184
(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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 July 26, 2023, the registrant had 106,719,002 shares of common stock (excluding 1,845,940 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)

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
	<u>(Unaudited)</u>	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 203	\$ 212
Receivables, net	417	398
Inventories, net	424	381
Prepaid and other current assets	31	26
Total current assets	<u>1,075</u>	<u>1,017</u>
Property, plant and equipment, net	130	119
Goodwill	141	116
Intangibles, net	31	25
Other assets	43	43
Total assets	<u>\$ 1,420</u>	<u>\$ 1,320</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 364	\$ 304
Accrued liabilities	129	126
Other current liabilities	8	9
Total current liabilities	<u>501</u>	<u>439</u>
Long-term operating lease liabilities	26	25
Deferred income taxes	1	1
Other long-term liabilities	15	11
Total liabilities	<u>543</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; 106,716,052 and 110,369,266 shares issued and outstanding at June 30, 2023 and December 31, 2022, respectively	1	1
Additional paid-in capital	2,029	2,066
Accumulated deficit	(1,010)	(1,075)
Accumulated other comprehensive loss	(146)	(150)
NOW Inc. stockholders' equity	<u>874</u>	<u>842</u>
Noncontrolling interest	3	2
Total stockholders' equity	<u>877</u>	<u>844</u>
Total liabilities and stockholders' equity	<u>\$ 1,420</u>	<u>\$ 1,320</u>

See notes to unaudited consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue	\$ 594	\$ 539	\$ 1,178	\$ 1,012
Operating expenses:				
Cost of products	460	411	907	777
Warehousing, selling and administrative	98	89	200	173
Impairment and other charges	—	10	—	10
Operating profit	36	29	71	52
Other income (expense)	(1)	(1)	(1)	9
Income before income taxes	35	28	70	61
Income tax provision	1	2	4	5
Net income	34	26	66	56
Net income attributable to noncontrolling interest	—	—	1	—
Net income attributable to NOW Inc.	\$ 34	\$ 26	\$ 65	\$ 56
Earnings per share attributable to NOW Inc. stockholders:				
Basic	\$ 0.31	\$ 0.23	\$ 0.59	\$ 0.50
Diluted	\$ 0.31	\$ 0.23	\$ 0.59	\$ 0.50
Weighted-average common shares outstanding, basic	107	111	108	111
Weighted-average common shares outstanding, diluted	108	111	109	111

See notes to unaudited consolidated financial statements.

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

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Net income	\$ 34	\$ 26	\$ 66	\$ 56
Other comprehensive income:				
Foreign currency translation adjustments	3	1	4	3
Comprehensive income	37	27	70	59
Comprehensive income attributable to noncontrolling interest	—	—	1	—
Comprehensive income attributable to NOW Inc.	<u>\$ 37</u>	<u>\$ 27</u>	<u>\$ 69</u>	<u>\$ 59</u>

See notes to unaudited consolidated financial statements.

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

	Six Months Ended June 30,	
	2023	2022
Cash flows from operating activities:		
Net income	\$ 66	\$ 56
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	12	9
Provision for inventory	3	4
Impairment and other charges	—	10
Stock-based compensation	7	4
Other, net	10	(5)
Change in operating assets and liabilities, net of effects of acquisitions:		
Receivables	(17)	(88)
Inventories	(43)	(87)
Prepaid and other current assets	(3)	—
Accounts payable, accrued liabilities and other, net	44	46
Net cash provided by (used in) operating activities	79	(51)
Cash flows from investing activities:		
Business acquisitions, net of cash acquired	(33)	(21)
Purchases of property, plant and equipment	(11)	(6)
Other, net	1	2
Net cash provided by (used in) investing activities	(43)	(25)
Cash flows from financing activities:		
Repurchases of common stock	(44)	—
Payments relating to finance leases and other, net	(3)	—
Net cash provided by (used in) financing activities	(47)	—
Effect of exchange rates on cash and cash equivalents	2	(5)
Net change in cash and cash equivalents	(9)	(81)
Cash and cash equivalents, beginning of period	212	313
Cash and cash equivalents, end of period	\$ 203	\$ 232

See notes to unaudited consolidated financial statements.

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

	Attributable to NOW Inc. Stockholders						Noncontrolling Interest	Total Stockholders' Equity
	Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Accum. Other Comprehensive Income (Loss)	Treasury Stock			
December 31, 2021	\$ 1	\$ 2,060	\$ (1,203)	\$ (147)	\$ —	\$ 1	\$ 712	
Net income	—	—	30	—	—	—	30	
Stock-based compensation	—	2	—	—	—	—	2	
Other comprehensive income	—	—	—	2	—	—	2	
March 31, 2022	\$ 1	\$ 2,062	\$ (1,173)	\$ (145)	\$ —	\$ 1	\$ 746	
Net income	—	—	26	—	—	—	26	
Stock-based compensation	—	2	—	—	—	—	2	
Exercise of stock options	—	2	—	—	—	—	2	
Other comprehensive income	—	—	—	1	—	—	1	
June 30, 2022	\$ 1	\$ 2,066	\$ (1,147)	\$ (144)	\$ —	\$ 1	\$ 777	
December 31, 2022	\$ 1	\$ 2,066	\$ (1,075)	\$ (150)	\$ —	\$ 2	\$ 844	
Net income	—	—	31	—	—	1	32	
Common stock repurchased	—	—	—	—	(36)	—	(36)	
Common stock retired	—	(33)	—	—	33	—	—	
Stock-based compensation	—	3	—	—	—	—	3	
Exercise of stock options	—	1	—	—	—	—	1	
Shares withheld for taxes	—	(1)	—	—	—	—	(1)	
Other comprehensive income	—	—	—	1	—	—	1	
March 31, 2023	\$ 1	\$ 2,036	\$ (1,044)	\$ (149)	\$ (3)	\$ 3	\$ 844	
Net income	—	—	34	—	—	—	34	
Common stock repurchased	—	—	—	—	(8)	—	(8)	
Common stock retired	—	(11)	—	—	11	—	—	
Stock-based compensation	—	4	—	—	—	—	4	
Other comprehensive income	—	—	—	3	—	—	3	
June 30, 2023	<u>\$ 1</u>	<u>\$ 2,029</u>	<u>\$ (1,010)</u>	<u>\$ (146)</u>	<u>\$ —</u>	<u>\$ 3</u>	<u>\$ 877</u>	

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 United States (“U.S.”), Canada and internationally which are geographically positioned to serve the energy and industrial markets in approximately 80 countries. Additionally, through the Company’s growing DigitalNOW[®] platform, customers can leverage world-class technology across ecommerce, data management and supply chain optimization applications to solve a wide array of complex operational and product sourcing challenges to assist in maximizing their return on assets. The Company’s energy product offering is consumed throughout all sectors of the energy industry – from upstream drilling and completion, exploration and production, midstream infrastructure development to downstream petroleum refining and petrochemicals – as well as in other industries, such as chemical processing, mining, utilities and renewables. The industrial distribution end markets include engineering and construction firms that perform capital and maintenance projects for their end user clients. NOW also provides supply chain and materials management solutions to the same markets where the Company sells products. NOW’s supplier network consists of thousands of vendors in approximately 40 countries.

Basis of Presentation

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. All significant intercompany transactions and accounts have been eliminated. Variable interest entities for which the Company is the primary beneficiary are fully consolidated with the equity held by the outside stockholders and their portion of net income (loss) reflected as noncontrolling interest in the accompanying consolidated financial statements. The principles for interim financial information do not require the inclusion of all the information and footnotes required by GAAP 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, which are of a normal recurring nature unless disclosed otherwise, necessary for a fair presentation of the results for the interim periods. The results of operations for the three and six months ended June 30, 2023, are not necessarily indicative of the results to be expected for the full year.

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. See Note 7 “Stockholders' Equity” for additional information.

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.

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.

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 proper 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 be entitled 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 Accounting Standards Codification (“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. Receivables are recorded and carried at the original invoiced amount less the allowance for doubtful accounts (“AFDA”). 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. Judgments in the estimate of AFDA include global economic and business conditions, oil and gas industry and market conditions, customer’s financial conditions and accounts receivable past due. As of June 30, 2023 and December 31, 2022, AFDA totaled \$27 million and \$25 million, respectively.

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 June 30, 2023 and December 31, 2022, contract assets were less than \$1 million for both periods 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 recognized is one year or less; however, these expenses are not material.

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 June 30, 2023 and December 31, 2022, contract liabilities were \$40 million and \$33 million, respectively, and were included in accrued liabilities in the consolidated balance sheets. For the six months ended June 30, 2023, the increase in contract liabilities was primarily related to net customer deposits of approximately \$28 million, partially offset by recognizing revenue of approximately \$21 million that was deferred as of December 31, 2022.

3. Inventory, net

Inventories consist primarily of oilfield and industrial finished goods and work in process. Work in process primarily consists of inventory and labor related to customer specific engineered equipment. Finished goods are stated at the lower of cost or net realizable value and using average cost methods. Allowances for excess and obsolete inventories are determined based on the Company’s historical usage of inventory on hand as well as its future expectations.

Inventories consist primarily of (*in millions*):

	June 30, 2023	December 31, 2022
Work in process	\$ 40	\$ 29
Finished goods and other	403	372
Total inventory	443	401
Less: Inventory reserves	(19)	(20)
Inventories, net	\$ 424	\$ 381

4. Property, Plant and Equipment, net

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

	Estimated Useful Lives	June 30, 2023	December 31, 2022
Information technology assets	1-7 Years	\$ 46	\$ 47
Operating equipment ⁽¹⁾	2-15 Years	153	141
Buildings and land ⁽²⁾	5-35 Years	97	94
Construction in progress		5	4
Total property, plant and equipment		301	286
Less: accumulated depreciation		(171)	(167)
Property, plant and equipment, net		\$ 130	\$ 119

(1) Includes finance lease right-of-use assets.

(2) Land has an indefinite life.

5. Accrued Liabilities

Accrued liabilities consist of (in millions):

	June 30, 2023	December 31, 2022
Compensation and other related expenses	\$ 34	\$ 36
Contract liabilities	40	33
Taxes (non-income)	12	13
Current portion of operating lease liabilities	12	13
Other	31	31
Total	\$ 129	\$ 126

6. Debt

On December 29, 2022, the Company entered into a second amendment to its existing senior secured revolving credit facility with a syndicate of lenders with Wells Fargo Bank, National Association, serving as the administrative agent (as amended, the "Credit Facility"). The second amendment amends certain terms, provisions and covenants of the Credit Facility, including, among other things: (i) replaces London Interbank Offered Rate ("LIBOR") with Secured Overnight Financing Rate ("SOFR") as the interest rate benchmark with the existing applicable margin plus a credit spread adjustment of 0.10% per annum; (ii) modifies certain reporting obligations with respect to the Company's share repurchase program; and (iii) increases the sublimit for U.S. letters of credit to \$20 million.

The Credit Facility provides for a \$500 million global revolving credit facility, of which up to \$50 million is available for the Company's Canadian 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 Credit Facility also provides a letter of credit sub-facility of \$25 million. The obligations under the Credit Facility are secured by substantially all the assets of the Company and its subsidiaries. The Credit Facility matures on December 14, 2026 and contains customary covenants, representations and warranties and events of default. The Company will be required to maintain a fixed charge coverage ratio (as defined in the Credit Facility) 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 10% of the borrowing base or \$40 million.

Borrowings under the Credit Facility will bear an interest rate at the Company's option, (i) for borrowings denominated in U.S. dollars, at (a) the base rate plus the applicable margin or (b) adjusted term SOFR for the applicable interest period, plus the applicable margin and (ii) for borrowings denominated in Canadian dollars, the Canadian Dollar Offered Rate plus the applicable margin. In each case, with such applicable margin being based on the Company's fixed charge coverage 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 income (expense) in the consolidated statements of operations.

Availability under the Credit Facility is determined by a borrowing base comprised of eligible receivables, eligible inventory and certain cash deposits in the U.S. and Canada. As of June 30, 2023, the Company had no borrowings against the Credit Facility and approximately \$491 million in availability (as defined in the Credit Facility) resulting in the excess availability (as defined in the Credit Facility) of 99%, subject to certain limitations. The Company is not obligated to pay back borrowings against the current Credit Facility until the maturity date of the Credit Facility.

The Company issued \$6 million in letters of credit under the Credit Facility primarily for casualty insurance expiring in June 2024.

7. Stockholders' Equity

Share Repurchase Program

On August 3, 2022, the Company's Board of Directors approved a share repurchase program, under which the Company is authorized to purchase up to \$80 million of its outstanding common stock through December 31, 2024. Under this program, the Company may from time to time repurchase common stock in open market transactions or enter into Rule 10b5-1 trading plans to facilitate the repurchase of its common stock pursuant to its share repurchase program. The amount and timing of any repurchases will depend on several factors, including share price, general business and market conditions, and alternative capital allocation opportunities. All shares repurchased shall be retired pursuant to the terms of the share repurchase program. Depending on the timing of the retirement and cash settlement of the repurchased shares, the Company could have shares held in treasury stock until settled. Share repurchases made after December 31, 2022, are subject to a 1% excise tax, as enacted under the Inflation Reduction Act of 2022. The impact of this 1% excise tax was less than \$1 million during the six months ended June 30, 2023.

Information regarding the shares repurchased was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Total cost of shares repurchased (<i>in millions</i>)	\$ 8	\$ —	\$ 44	\$ —
Average price per share ⁽¹⁾	\$ 10.31	\$ —	\$ 10.80	\$ —
Number of shares repurchased	764,859	—	4,026,550	—

⁽¹⁾ Excludes 1% excise tax on share repurchases

Consolidated Variable Interest Entities ("VIE")

The Company holds a 49% interest in one VIE located in the Middle East. The Company is the primary beneficiary and consolidates the VIE as it has the power to direct the activities that most significantly affect the VIE's economic performance and has the obligation to absorb the VIE's losses or the right to receive benefits. The initial investment was completed in 2017 with the noncontrolling interest ("NCI") of approximately \$1 million which was previously included in additional paid-in capital in the consolidated balance sheets as it was not material, and has been reclassified to NCI to conform to the current period financial statement presentation. For the three and six months ended June 30, 2023, net income attributable to NCI was less than \$1 million and \$1 million, respectively, compared to less than \$1 million in both periods for the corresponding periods of 2022.

The assets of the VIE can only be used to settle its own obligations and its creditors have no recourse to the Company's assets. As of June 30, 2023 and December 31, 2022, the VIE's assets were primarily current assets of \$27 million and \$11 million, respectively, and the liabilities were primarily current liabilities of \$11 million and \$3 million, respectively.

8. Accumulated Other Comprehensive Income (Loss) ("AOCI")

The components of AOCI are as follows (*in millions*):

	Foreign Currency Translation Adjustments	
	Six Months Ended June 30,	
	2023	2022
Beginning balance	\$ (150)	\$ (147)
Other comprehensive income (loss) before reclassifications	4	(7)
Amounts reclassified from accumulated other comprehensive income (loss)	—	10
Net current-period other comprehensive income	4	3
Ending balance	\$ (146)	\$ (144)

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 six months ended June 30, 2022, the Company reclassified \$10 million of foreign currency translation losses as a result of substantially completing the liquidation of certain foreign subsidiaries in its International segment. Such foreign currency translation losses were reclassified from the component of AOCI into earnings, reflected in impairment and other charges in the consolidated statement of operations.

9. Business Segments

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue:				
United States	\$ 456	\$ 408	\$ 883	\$ 742
Canada	66	72	149	154
International	72	59	146	116
Total revenue	\$ 594	\$ 539	\$ 1,178	\$ 1,012
Operating profit (loss):				
United States	\$ 29	\$ 32	\$ 52	\$ 46
Canada	3	6	11	13
International	4	(9)	8	(7)
Total operating profit (loss)	\$ 36	\$ 29	\$ 71	\$ 52

10. Income Taxes

The effective tax rates for the three and six months ended June 30, 2023, were 2.9% and 5.7%, respectively, compared to 7.1% and 8.2%, respectively, for the corresponding periods of 2022. In general, the effective tax rate differs from the U.S. statutory rate due to recurring items, such as differing tax rates on income earned in foreign jurisdictions, nondeductible expenses, state income taxes and the change in valuation allowance recorded against deferred tax assets. For the three and six months ended June 30, 2023, the effective tax rate was primarily driven by the recognition of tax expense from earnings in Canada and the United Kingdom offset by current year realization of deferred tax assets and corresponding release of valuation allowance in the U.S. The Company believes that the continued volatility of commodity prices as well as recent macroeconomic developments are likely to cause variations in its estimated ordinary income for the remainder of 2023. These deviations may result in significant increases or decreases in the Company's forecasted annual effective tax rate. Consequently, the Company is continuing to rely on the discrete-period method for calculating its interim period tax provision for the three and six months ended June 30, 2023. 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 Company is subject to taxation in the U.S., various states, and foreign jurisdictions. The Company has significant operations in the U.S. and Canada and to a lesser extent in various other international jurisdictions. Tax years that remain subject to examination vary by legal entity but are generally open in the U.S. for the tax years ending after 2018 and outside the U.S. for the tax years ending after 2016.

11. Earnings Per Share

For the three and six months ended June 30, 2023, approximately 2 million in both periods, of potentially dilutive shares were excluded from the computation of diluted earnings per share due to their antidilutive effect, compared to approximately 2 million and 3 million, respectively, for the corresponding periods of 2022.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Numerator:				
Net income attributable to NOW Inc.	\$ 34	\$ 26	\$ 65	\$ 56
Less: net income attributable to participating securities	(1)	(1)	(1)	(1)
Net income attributable to NOW Inc. stockholders	\$ 33	\$ 25	\$ 64	\$ 55
Denominator:				
Weighted average basic common shares outstanding	107,249,498	110,772,042	108,428,199	110,687,985
Effect of dilutive securities	878,013	302,291	1,044,006	260,932
Weighted average diluted common shares outstanding	108,127,511	111,074,333	109,472,205	110,948,917
Earnings per share attributable to NOW Inc. stockholders:				
Basic	\$ 0.31	\$ 0.23	\$ 0.59	\$ 0.50
Diluted	\$ 0.31	\$ 0.23	\$ 0.59	\$ 0.50

Under ASC Topic 260, "Earnings Per Share", the two-class method requires a portion of net income attributable to NOW Inc. 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 income attributable to these participating securities was excluded from net income attributable to NOW Inc. stockholders in the numerator of the earnings per share computation.

12. Stock-based Compensation and Outstanding Awards

For the six months ended June 30, 2023, the Company granted 739,885 shares of restricted stock awards ("RSAs") and restricted stock units and phantom shares ("RSUs") with a weighted average fair value of \$12.56 per share. In addition, the Company granted performance stock awards ("PSAs") to senior management employees with potential payouts varying from zero to 534,618 shares. 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.

Stock-based compensation expense for the three and six months ended June 30, 2023, totaled \$4 million and \$7 million, respectively, compared to \$2 million and \$4 million, respectively, for the corresponding periods of 2022.

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 with entities such as suppliers, customers, parties to acquisitions and divestitures, government authorities and other external parties. The Company regularly reviews and records the estimated probable liability in an amount believed to be sufficient and continues to periodically reexamine the estimates of probable liabilities and any associated expenses to make appropriate adjustments to such estimates as necessary. 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 past experience regarding the valuation of these claims. 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. While the Company has established estimates it believes to be reasonable under the facts known, the outcomes of litigation and similar disputes are often difficult to reliably predict and may result in decisions or settlements that are contrary to, or in excess of, the Company's expectations.

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 standby letters of credit, including bid and performance bonds, and other bonding requirements. As of June 30, 2023, the Company was contingently liable for approximately \$15 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 on those letters of credit and surety bonds.

In connection with an acquisition in 2021, the Company is currently in disagreement with the sellers on certain aspects of the agreement. The Company does not believe at this time that resolution of the matter will have a material impact on its consolidated financial statements, but the final outcome has not been determined.

14. Derivative Financial Instruments

The Company is exposed to certain risks relating to its ongoing business operations. The Company has entered into certain financial derivative instruments to economically hedge the Company's risk from changes in the fair value of non functional currency denominated monetary accounts. The Company's foreign currency forward contracts have term of less than one year.

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 June 30, 2023 and December 31, 2022, the fair value of the Company's foreign currency forward contracts totaled an asset of less than \$1 million and a liability of less than \$1 million in both periods. The Company's foreign currency forward contract assets were included in prepaid and other current assets in the consolidated balance sheets and the Company's foreign contract liabilities were included in other current liabilities in the consolidated balance sheets.

For the three and six months ended June 30, 2023, and 2022, the Company recorded a loss of less than \$1 million in each respective period related to changes in fair value. All gains and losses were included in other income (expense) in the consolidated statements of

operations. As of June 30, 2023 and December 31, 2022, the notional principal associated with those contracts was \$16 million and \$7 million, respectively. As of June 30, 2023, 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. Acquisitions

During the three months ended June 30, 2023, the Company completed two acquisitions for a net purchase price consideration of approximately \$33 million cash. These acquisitions expand product line offerings and services to the Company's U.S. Process Solutions business. The Company completed its preliminary valuations as of the acquisition date of the acquired net assets and recognized goodwill of \$23 million and intangible assets of \$9 million in the United States segment, which are subject to change. If additional information is obtained about these assets and liabilities within the measurement period (not to exceed one year from the date of acquisition), the Company will refine its estimate of fair value to allocate the purchase price more accurately; any such revisions are not expected to be significant. The full amount of goodwill recognized is expected to be deductible for income tax purposes. The Company has not presented supplemental pro forma information because the acquired operations did not materially impact the Company's consolidated operating results.

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, ability to complete the share repurchase program, changes in applicable government regulations, increased borrowing costs, geopolitical conditions (including the Ukraine conflict and its regional and global impact) 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 160 years. We operate primarily under the DistributionNOW and DNOW brands. Through a network of approximately 170 locations and approximately 2,475 employees worldwide, we offer a complementary suite of digital procurement channels that, in conjunction with our locations, provides products to the energy and industrial markets around the world.

Additionally, through our growing DigitalNOW[®] platform, customers can leverage world-class technology across ecommerce, data management and supply chain optimization applications to solve a wide array of complex operational and product sourcing challenges to assist in maximizing their return on assets.

Our energy product offering is consumed throughout all sectors of the energy industry – from upstream drilling and completion, exploration and production (“E&P”), midstream infrastructure development to downstream petroleum refining and petrochemicals – as well as in other industries, such as chemical processing, mining, utilities and the evolving energy transition markets inclusive of greenhouse gas emissions capture, reduction and storage, renewable natural gas (“RNG”), wind, solar, and production of hydrogen as a fuel to power equipment. The industrial distribution end markets include engineering and construction firms that perform capital and maintenance projects for their end user clients. 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, manual and automated valves, fittings, flanges, gaskets, fasteners, electrical, instrumentation, artificial lift, pumping solutions, and modular process, production, 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, warehouse and inventory 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 South America, Europe, the Middle East, Asia Pacific, Central Asia and West and North Africa. 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, liquefied natural gas (“LNG”) terminals, power generation utilities and customer on-site locations.

Our supplier network consists of thousands of vendors in approximately 40 countries. From our operations in approximately 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, warehouse and inventory 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, Organization of Petroleum Exporting Countries (“OPEC”) and non-OPEC supply and investments, market expectations of future developments in the oil, natural gas, liquids, refined products, petrochemical, plant maintenance and other industrial, manufacturing and energy sectors.

We have expanded globally, through acquisitions and organic investments, in Australia, Azerbaijan, Brazil, Canada, Colombia, Egypt, England, India, Indonesia, Kazakhstan, Kuwait, Netherlands, Norway, Oman, Scotland, Singapore, the United Arab Emirates (“UAE”) and the United States (“U.S.”).

Summary of Reportable Segments

We operate through three reportable segments: U.S., Canada and International. The segment data included in our Management’s Discussion and Analysis 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 110 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 and production equipment, fluid transfer products, measurement and controls, spoolable and coated steel-pipe and composite pipe, along with many other products required by our customers, which enable them to focus on their core business while we manage varying degrees of their supply chain. We also provide additional value to our customers through the engineering, design, construction, assembly, fabrication and optimization of products and equipment essential to the safe and efficient production, transportation and processing of oil and gas.

Canada

We have a network of approximately 40 locations in the Canadian oilfield, predominantly in the oil rich provinces of Alberta, Saskatchewan, Manitoba and other targeted locations across the country. Our Canada segment primarily serves 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, as well as product and installation expertise to serve our customers.

International

We operate in approximately 15 countries and serve the needs of our international customers from approximately 20 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 products and supply chain solutions 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

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. All significant intercompany transactions and accounts have been eliminated. Variable interest entities for which the Company is the primary beneficiary are fully consolidated with the equity held by the outside stockholders and their portion of net income (loss) reflected as noncontrolling interest in the accompanying consolidated financial statements. The principles for interim financial information do not require the inclusion of all the information and footnotes required by GAAP 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, which are of a normal recurring nature unless disclosed otherwise, necessary for a fair presentation of the results for the interim periods. The results of operations for the three and six months ended June 30, 2023, are not necessarily indicative of the results to be expected for the full year.

Operating Environment Overview

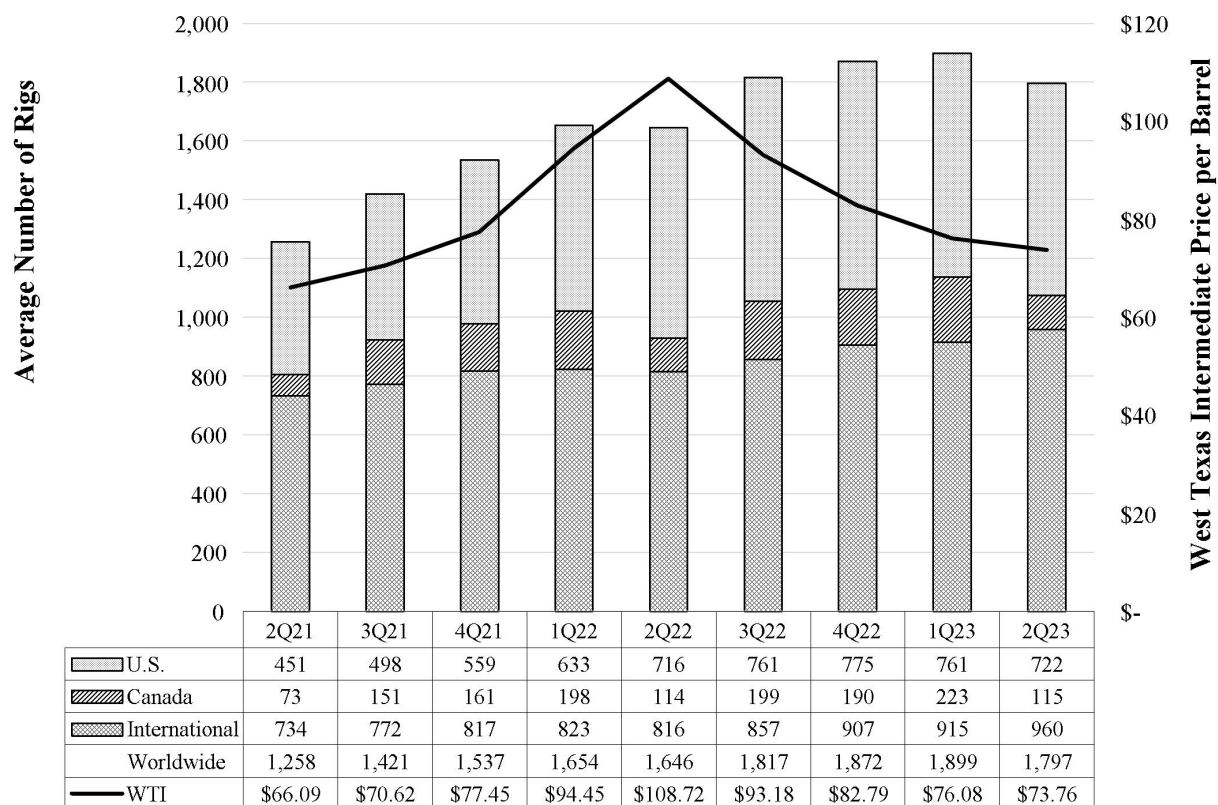
Our results are dependent on, among other factors, the level of worldwide oil and gas drilling and completions, well remediation activity, crude oil and natural gas prices, capital spending by oilfield service companies and drilling contractors, and the worldwide oil and gas inventory levels. Key industry indicators for the second quarter of 2023 and 2022 and the first quarter of 2023 include the following:

	2Q23*	2Q22*	% 2Q23 v 2Q22	1Q23*	% 2Q23 v 1Q23
Active Drilling Rigs:					
U.S.	722	716	0.8%	761	(5.1%)
Canada	115	114	0.9%	223	(48.4%)
International	960	816	17.6%	915	4.9%
Worldwide	<u>1,797</u>	<u>1,646</u>	<u>9.2%</u>	<u>1,899</u>	<u>(5.4%)</u>
West Texas Intermediate Crude Prices (per barrel)	\$ 73.76	\$ 108.72	(32.2%)	\$ 76.08	(3.0%)
Natural Gas Prices (\$/MMBtu)	\$ 2.16	\$ 7.48	(71.1%)	\$ 2.65	(18.5%)
Hot-Rolled Coil Prices (steel) (\$/short ton)	\$ 1,065.28	\$ 1,372.67	(22.4%)	\$ 828.17	28.6%

* 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 June 30, 2023:

Industry Trends Rig Counts and Oil Prices



Sources: Rig count: Baker Hughes, Inc. (www.bakerhughes.com); 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 5.4% (from 1,899 rigs to 1,797 rigs) and the U.S. declined 5.1% (from 761 rigs to 722 rigs) in the second quarter of 2023 compared to the first quarter of 2023. The average price per barrel of West Texas Intermediate Crude declined 3.0% (from \$76.08 per barrel to \$73.76 per barrel), and natural gas prices declined 18.5% (from \$2.65 per MMBtu to \$2.16 per MMBtu) in the second quarter of 2023 compared to the first quarter of 2023. The average price per short ton of Hot-Rolled Coil increased 28.6% (from \$828.17 per short ton to \$1,065.28 per short ton) in the second quarter of 2023 compared to the first quarter of 2023.

U.S. rig count at July 14, 2023 was 675 rigs, down 47 rigs from the second quarter 2023 average. The price for West Texas Intermediate Crude was \$75.44 per barrel at July 14, 2023, up 2.3% from the second quarter 2023 average. The price for natural gas was \$2.50 per MMBtu at July 14, 2023, up 15.7% from the second quarter 2023 average. The price for Hot-Rolled Coil was \$914.00 per short ton at July 10, 2023, down 14.2% from the second quarter 2023 average.

Executive Summary

For the three and six months ended June 30, 2023, the Company generated net income attributable to NOW Inc. of \$34 million and \$65 million on \$594 million and \$1,178 million in revenue, respectively. For the three and six months ended June 30, 2023, revenue increased \$55 million or 10.2% and increased \$166 million or 16.4%, respectively, and net income increased \$8 million and \$9 million, respectively, when compared to the corresponding periods of 2022.

For the three and six months ended June 30, 2023, the Company generated an operating profit of \$36 million and \$71 million, respectively, compared to an operating profit of \$29 million and \$52 million, respectively, for the corresponding periods of 2022.

Outlook

Our outlook for the Company remains tied to crude oil and natural gas commodity prices, global oil and gas drilling and completions activity, oil and gas spending, and global demand for oil, its refined petroleum products, crude oil, natural gas liquids and natural gas production and decline rates. Crude oil and natural gas prices as well as crude oil and natural gas storage levels are primary catalysts for determining customer activity and we expect oil and gas demand to grow over the next several years. In recent years, oil prices have remained volatile due to various factors such as the impact of the COVID-19 pandemic, oil supply constraints, geopolitical instability, U.S. regional bank instability and concerns of a global recession. As we look at the second half of 2023, economic uncertainty continues to drive commodity price volatility globally. Despite lower oil prices and North American rig count over the first half of the year, we maintain a constructive outlook for our market. Amid these dynamics, we will continue to support our customers, optimize our operations, advance our strategic goals and manage the Company based on market conditions.

We see the rise in energy evolution investments as an opportunity for us to supply many of the current products and services we provide, as well as an opportunity to partner and source from new suppliers to expand our offering, to meet our customers' needs for their energy evolution investments. A number of our larger customers are leading the investments in energy evolution projects where we expect to continue to support them while expanding our product and solution offerings to meet their changing requirements. We are also targeting new customers that are not traditional oil and gas customers, but are those that will play a part in the future as our customers discover and invest in new sources of energy.

Results of Operations

The results of operations are presented before consideration of the noncontrolling interest. Operating results by reportable segment are as follows (*in millions*):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue:				
United States	\$ 456	\$ 408	\$ 883	\$ 742
Canada	66	72	149	154
International	72	59	146	116
Total revenue	<u>\$ 594</u>	<u>\$ 539</u>	<u>\$ 1,178</u>	<u>\$ 1,012</u>
Operating profit (loss):				
United States	\$ 29	\$ 32	\$ 52	\$ 46
Canada	3	6	11	13
International	4	(9)	8	(7)
Total operating profit (loss)	<u>\$ 36</u>	<u>\$ 29</u>	<u>\$ 71</u>	<u>\$ 52</u>

United States

For the three and six months ended June 30, 2023, revenue was \$456 million and \$883 million, an increase of \$48 million or 11.8% and \$141 million or 19.0%, respectively, when compared to the corresponding periods of 2022. For the three and six months ended June 30, 2023, the increases were primarily driven by the strengthening in U.S. drilling and completions activity.

For the three and six months ended June 30, 2023, the U.S. generated an operating profit of \$29 million and \$52 million, a decline of \$3 million and an increase of \$6 million, respectively, when compared to the corresponding periods of 2022. For the three months ended June 30, 2023, operating profit decreased primarily due to higher employee-related expenses supporting the revenue growth, partially offset by an increase in gross profit on higher revenues. For the six months ended June 30, 2023, operating profit increased primarily due to the increase in revenue discussed above, partially offset by higher employee-related expenses supporting the revenue growth.

Canada

For the three and six months ended June 30, 2023, revenue was \$66 million and \$149 million, a decline of \$6 million or 8.3% and \$5 million or 3.2%, respectively, when compared to the corresponding periods of 2022. For the three and six months ended June 30, 2023, the decreases were primarily driven by unfavorable foreign exchange rate impacts.

For the three and six months ended June 30, 2023, Canada generated an operating profit of \$3 million and \$11 million, a decline of \$3 million and \$2 million, respectively, when compared to the corresponding periods of 2022. For the three and six months ended June 30, 2023, operating profit decreased primarily due to the decline in revenue discussed above.

International

For the three and six months ended June 30, 2023, revenue was \$72 million and \$146 million, an increase of \$13 million or 22.0% and \$30 million or 25.9%, respectively, when compared to the corresponding periods of 2022. For the three and six months ended June 30, 2023, the increases were primarily driven by stronger project activity and the increase in international rig count, partially offset by unfavorable foreign exchange rate impacts.

For the three and six months ended June 30, 2023, the International segment generated an operating profit of \$4 million and \$8 million, an improvement of \$13 million and \$15 million, respectively, when compared to the corresponding periods of 2022. For the three and six months ended June 30, 2023, operating profit increased primarily due to the increase in revenue discussed above and as a result of \$10 million of impairment and other charges recognized in the second quarter of 2022 that did not repeat.

Cost of products

For the three and six months ended June 30, 2023, cost of products was \$460 million and \$907 million, respectively, compared to \$411 million and \$777 million, respectively, for the corresponding periods of 2022. For the three and six months ended June 30, 2023, the increases were primarily due to the increases in revenue in the periods. Cost of products includes the cost of inventory sold and items, such as vendor consideration, inventory allowances, amortization of intangibles and inbound and outbound freight.

Warehousing, selling and administrative expenses

For the three and six months ended June 30, 2023, warehousing, selling and administrative expenses were \$98 million and \$200 million, respectively, compared to \$89 million and \$173 million, respectively, for the corresponding periods of 2022. For the three and six months ended June 30, 2023, the increase was primarily driven by an increase in employee-related expenses supporting the revenue growth. Warehousing, selling and administrative expenses include branch location, distribution center and regional expenses (including costs such as compensation, benefits and rent) as well as corporate general selling and administrative expenses.

Impairment and other charges

For the three and six months ended June 30, 2023, impairment and other charges were nil in both periods, compared to \$10 million in both periods for the corresponding periods of 2022. For the six months ended June 30, 2022, the Company recognized approximately \$10 million of foreign currency translation losses as a result of substantially completing the liquidation of certain foreign subsidiaries in the International segment.

Other income (expense)

For the three and six months ended June 30, 2023, the Company recorded expense of \$1 million in both periods, respectively, compared to expense of \$1 million and income of \$9 million, respectively, for the corresponding periods of 2022. For the six months ended June 30, 2022, other income was primarily attributable to a benefit related to the decrease of contingent consideration liability associated with a prior acquisition.

Income tax provision

The effective tax rates for the three and six months ended June 30, 2023, were 2.9% and 5.7%, respectively, compared to 7.1% and 8.2%, respectively, for the corresponding periods of 2022. In general, the effective tax rate differs from the U.S. statutory rate due to recurring items, such as differing tax rates on income earned in foreign jurisdictions, nondeductible expenses, state income taxes and the change in valuation allowance recorded against deferred tax assets. For the three and six months ended June 30, 2023, the effective tax rate was primarily driven by the recognition of tax expense from earnings in Canada and the United Kingdom offset by current year realization of deferred tax assets and corresponding release of valuation allowance in the U.S.

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 June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
GAAP net income attributable to NOW Inc. ⁽¹⁾	\$ 34	\$ 26	\$ 65	\$ 56
Net income attributable to noncontrolling interest	—	—	1	—
Interest expense (income), net	—	—	(1)	—
Income tax provision	1	2	4	5
Depreciation and amortization	6	5	12	9
Other costs:				
Stock-based compensation	4	2	7	4
Other ⁽²⁾	2	12	6	1
EBITDA excluding other costs	\$ 47	\$ 47	\$ 94	\$ 75
EBITDA % excluding other costs ⁽³⁾	7.9%	8.7%	8.0%	7.4%

⁽¹⁾ We believe that net income (loss) attributable to NOW Inc. 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⁾ For the three months ended June 30, 2023, Other of approximately \$2 million, included in warehousing, selling and administrative, was related to separation and transaction-related charges. For the six months ended June 30, 2023, Other of approximately \$6 million, included in warehousing, selling and administrative, was 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.

For the three months ended June 30, 2022, Other primarily included approximately \$10 million of impairment and other charges related to the reclassification of accumulated foreign currency translation losses due to the substantial liquidation of certain foreign subsidiaries, as well as, approximately \$2 million in separation and transaction-related charges, which were included in operating profit. For the six months ended June 30, 2022, Other primarily included approximately \$10 million of impairment and other charges discussed above, as well as, approximately \$4 million in separation and transaction-related charges, partially offset by a benefit of approximately \$13 million related to the decrease of contingent consideration liability, which was included in other income.

⁽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 and our share repurchase program.

As of June 30, 2023 and December 31, 2022, we had cash and cash equivalents of \$203 million and \$212 million, respectively. As of June 30, 2023, \$69 million of our cash and cash equivalents were maintained in the accounts of our various foreign subsidiaries. During the first six months of 2023, we repatriated \$18 million from our foreign subsidiaries. The Company makes a determination each period concerning its intent and ability to indefinitely reinvest the cash held by its foreign subsidiaries. The Company has not recorded deferred income taxes on undistributed foreign earnings that it considers to be indefinitely reinvested. Future changes to our indefinite reinvestment assertion could result in additional taxes (withholding and/or state taxes), offset by any available foreign tax credits.

We maintain a \$500 million five-year senior secured revolving credit facility that will mature on December 14, 2026. Availability under the revolving credit facility is determined by a borrowing base comprised of eligible receivables, eligible inventory and certain cash deposits in the U.S. and Canada. As of June 30, 2023, we had no borrowings against our revolving credit facility, and had approximately \$491 million in availability (as defined in the Credit Agreement) resulting in the excess availability (as defined in the Credit Agreement) of 99%, subject to certain restrictions. Availability excluding certain cash deposits was approximately \$381 million. Borrowings that result in the excess availability dropping below the greater of 10% of the borrowing base or \$40 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 June 30, 2023, 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.

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.

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

	Six Months Ended June 30,	
	2023	2022
Net cash provided by (used in) operating activities	\$ 79	\$ (51)
Net cash provided by (used in) investing activities	\$ (43)	\$ (25)
Net cash provided by (used in) financing activities	\$ (47)	\$ —

Operating Activities

For the six months ended June 30, 2023, net cash provided by operating activities was \$79 million compared to \$51 million used in operating activities in the corresponding period of 2022. For the six months ended June 30, 2023, net cash provided by operating activities was primarily driven by \$66 million of net income, plus \$32 million of reconciling adjustments, primarily depreciation and amortization, partially offset by a net increase of \$19 million in working capital. For the six months ended June 30, 2023, the improvement in operating cash flow activities was primarily driven by \$110 million lower cash consumption for net working capital compared to the corresponding period of 2022.

Investing Activities

For the six months ended June 30, 2023, net cash used in investing activities was \$43 million compared to \$25 million used in investing activities in the corresponding period of 2022. For the six months ended June 30, 2023, net cash used in investing activities was primarily related to business acquisitions of approximately \$33 million and capital expenditures of \$11 million. For the six months ended June 30, 2022, net cash used in investing activities was primarily due to a business acquisition of \$21 million and capital expenditures of \$6 million.

Financing Activities

For the six months ended June 30, 2023, net cash used in financing activities was \$47 million compared to nil used in financing activities in the corresponding period of 2022. For the six months ended June 30, 2023, net cash used in financing activities was primarily attributable to the Company's payment of \$44 million for share repurchases.

Other

For the six months ended June 30, 2023, the effect of the change in exchange rates on cash and cash equivalents was an increase of \$2 million compared to a decrease of \$5 million for the corresponding period of 2022.

Capital Spending

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 on hand, 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.

Share Repurchase Program

On August 3, 2022, the Company's Board of Directors approved a share repurchase program, under which the Company is authorized to purchase up to \$80 million of its outstanding common stock through December 31, 2024. We expect to fund share repurchases primarily with cash on hand, cash flow from operations and the usage of the available portion of the revolving credit facility. The timing and amount of any repurchases will be made at our discretion, taking into account a number of factors, including market conditions. For the six months ended June 30, 2023, we repurchased 4,026,550 shares of our common stock for a total of \$44 million. As of June 30, 2023, we had approximately \$29 million remaining under the program's authorization.

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, purchase price allocation of acquisitions, vendor consideration 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 six months ended June 30, 2023, were outside the U.S., 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 June 30, 2023, our most significant foreign currency exposure was to the Canadian dollar, followed by the British pound, with less significant foreign currency exposure to the Australian dollar.

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). Upon closure of a foreign subsidiary, the accumulated translation gains and losses relating to the foreign subsidiary are reclassified into earnings, reflected in impairment and other charges in the consolidated statements of operations. For the six months ended June 30, 2023, we reported a net foreign currency translation gain of \$4 million.

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 income (expense). For the six months ended June 30, 2023 and 2022, we reported foreign currency transaction losses of \$1 million in both periods. 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 revenues 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 revenues 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 first six months of 2023 compared to the average for the corresponding period of 2022 decreased by approximately 5% 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, and Australian dollar decreased in relation to the U.S. dollar by approximately 6%, approximately 5%, and approximately 6%, 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 six months of 2023 of the U.S. dollar relative to foreign currencies that affected the Company would have resulted in \$1 million change in net income 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 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table presents a summary of share repurchases made during the three months ended June 30, 2023:

Period	Total number of shares purchased	Average price paid per share ⁽¹⁾	Total number of shares purchased as part of publicly announced program ⁽²⁾	Approximate dollar value of shares that may yet be purchased under the program ⁽²⁾ (in millions)
April 1 - 30, 2023	505,000	\$ 10.68	505,000	\$ 32
May 1 - 31, 2023	259,859	\$ 9.57	259,859	\$ 29
June 1 - 30, 2023	—	\$ —	—	\$ 29
Total	<u>764,859</u>	<u>\$ 10.31</u>	<u>764,859</u>	

(1) Excludes 1% excise tax on share repurchases.

(2) On August 3, 2022, the Company's Board of Directors approved a share repurchase program, under which the Company is authorized to purchase up to \$80 million of its outstanding common stock through December 31, 2024.

Item 5. Other Information

Insider Trading Arrangements and Policies

During the three months ended June 30, 2023, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

(a) Exhibits

<u>Exhibit No.</u>	<u>Exhibit Description</u>
3.1	<u>NOW Inc. Amended and Restated Certificate of Incorporation ⁽⁶⁾</u>
3.2	<u>NOW Inc. Amended and Restated Bylaws ⁽⁶⁾</u>
10.1	<u>Form of Employment Agreement for Executive Officers ⁽¹⁾</u>
10.2	<u>NOW Inc. 2014 Incentive Compensation Plan ⁽²⁾</u>
10.3	<u>Form of Nonqualified Stock Option Agreement ⁽³⁾</u>
10.4	<u>Form of Restricted Stock Award Agreement (3 year cliff vest) ⁽³⁾</u>
10.5	<u>Form of Performance Award Agreement ⁽³⁾</u>
10.6	<u>Form of Amendment to Employment Agreement for Executive Officers ⁽⁴⁾</u>
10.7	<u>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 ⁽⁵⁾</u>
10.8	<u>Employment Agreement between NOW Inc. and Chief Executive Officer David Cherechinsky ⁽²⁾</u>
10.9	<u>Employment Agreement between NOW Inc. and Chief Financial Officer Mark Johnson ⁽²⁾</u>
10.10	<u>First Amendment to Credit Agreement, and First Amendment to US Guaranty and Security Agreement, dated as of December 14, 2021, among the Borrowers, the lenders party thereto and Wells Fargo Bank, National Association, as administrative agent, an issuing lender and swing lender. ⁽⁸⁾</u>
10.11	<u>Second Amendment to Credit Agreement, among the Borrowers, the lenders party thereto and Wells Fargo Bank, National Association, as administrative agent, an issuing lender and swing lender ⁽⁹⁾</u>
31.1	<u>Certification pursuant to Rule 13a-14a and Rule 15d-14(a) of the Securities and Exchange Act, as amended</u>
31.2	<u>Certification pursuant to Rule 13a-14a and Rule 15d-14(a) of the Securities and Exchange Act, as amended</u>
32.1	<u>Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
32.2	<u>Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
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 Quarterly Report on Form 10-Q filed on May 7, 2015

⁽⁴⁾ Filed as an Exhibit to our Quarterly Report on Form 10-Q filed on November 2, 2016

⁽⁵⁾ Filed as an Exhibit to our Current Report on Form 8-K filed on May 1, 2018

⁽⁶⁾ Filed as an Exhibit to our Current Report on Form 8-K filed on May 21, 2020

⁽⁷⁾ Filed as an Exhibit to our Current Report on Form 8-K filed on June 2, 2020

⁽⁸⁾ Filed as an Exhibit to our Current Report on Form 8-K/A filed on February 4, 2022

⁽⁹⁾ Filed as an Exhibit to our Current Report on Form 8-K filed on January 3, 2023

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: August 2, 2023

By: /s/ David A. Cherechinsky

David A. Cherechinsky

President and Chief Executive Officer

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: August 2, 2023

By: /s/ Mark B. Johnson

Mark B. Johnson

Senior Vice President and Chief Financial Officer

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 June 30, 2023 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: August 2, 2023

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

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 June 30, 2023 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: August 2, 2023

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