

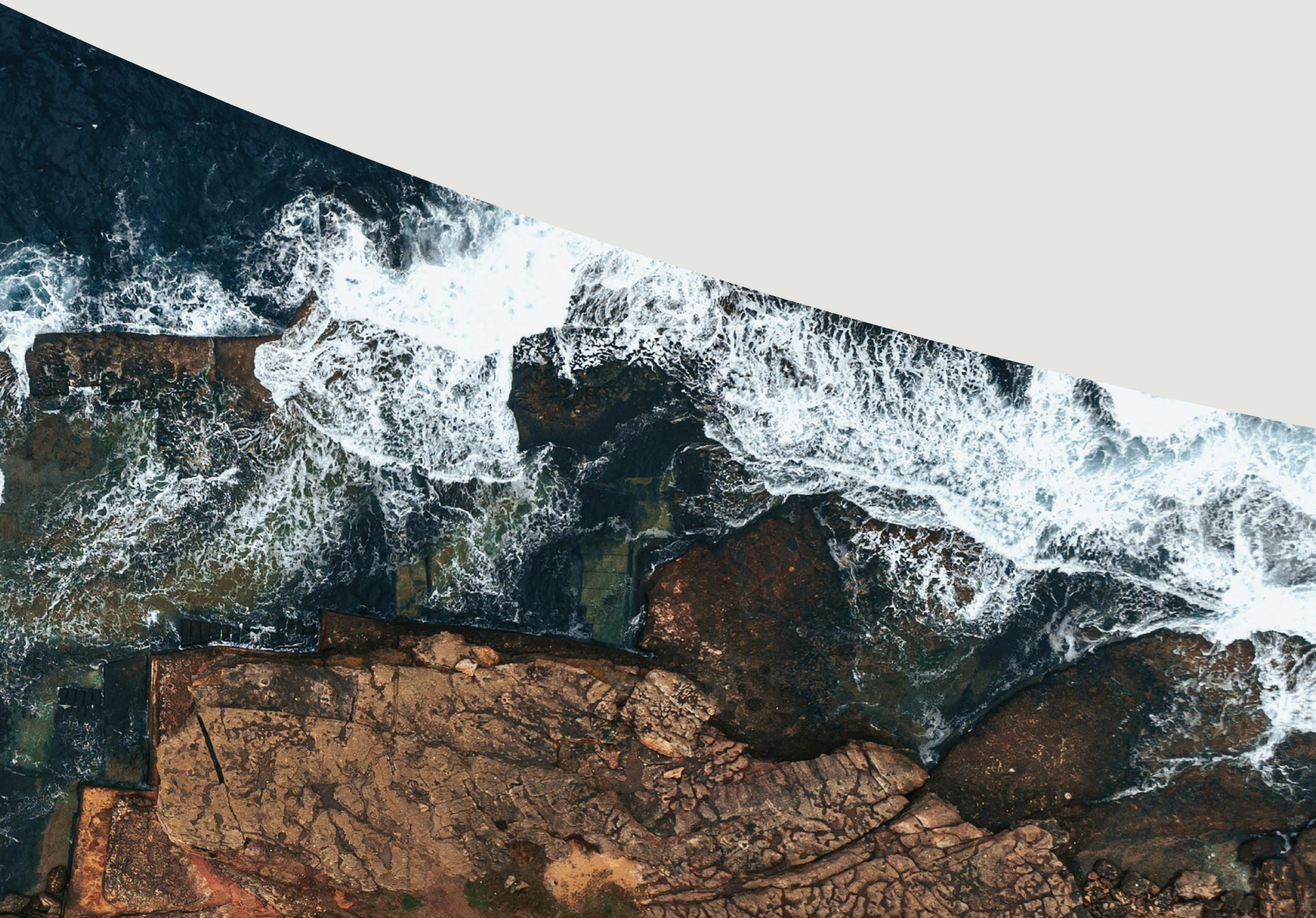


Annual report

Driving Innovation.
Delivering Excellence.

Advancing the
Energy Landscape

2025



DTI ANNUAL UPDATE

Drilling Tools International Corp. (Nasdaq: DTI) remained focused on prudent capital allocation, shareholder value creation and steady growth despite a declining global rig count environment throughout 2025 and into early 2026. The company continues to expand its global footprint and enhance its technological capabilities within the oilfield services sector.

- **Net Debt Reduction:** Net Debt Reduction of \$5.5 million throughout the year, bringing net leverage to 1.1x.
- **Share Repurchases:** \$1.3 million in buybacks completed, totaling approximately 505,000 shares repurchased at an average price of \$2.50 per share.
- **Growth Capital Investments:** investments in high-margin product lines, including the ClearPath® stabilization technologies and premium threaded connections.
- **Strategic M&A Integration:** New acquisitions moderated in 2025 as DTI focused on integration and growth across its four prior transactions.

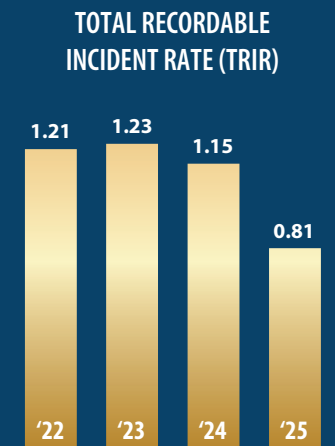
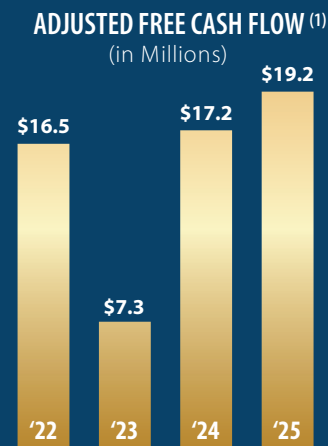
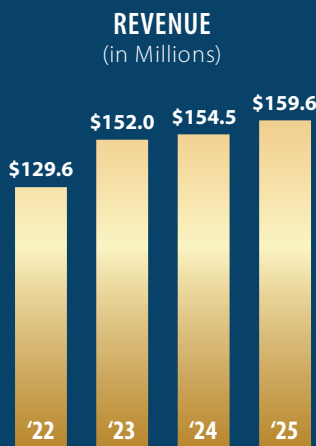
This thoughtful approach to capital allocation underscores DTI's ability to deploy capital effectively, onboard accretive acquisitions, generate attractive returns for shareholders, and strengthen its balance sheet while maintaining a leading-edge portfolio of rental assets and consumable items.

357% Revenue grew by 357% from \$35 million in 2012 to \$160 million in 2025

78% YOY growth of EH revenue contribution, totaling 14% of total

63K+ Over 63,000 rental tools and drilling equipment in our fleet

26 DTI operates from 15 locations in North America and maintains 11 international service and support centers in Europe, Middle East, and Asia-Pacific



(1) Adjusted Free Cash Flow is a non-GAAP financial measure that represents net income (loss) adjusted for income tax expense/(benefit), depreciation and amortization, interest expense, net, stock option expense, management fees, gain on sale of property, loss on asset disposal, loss (gain) on remeasurement of previously held equity interest, transaction expense, other expense, net, and gross capital expenditures. Management believes this non-GAAP measure provides useful information for evaluating the Company's cash generation capabilities.

DEAR FELLOW STOCKHOLDERS

2025 was a year of resilience and disciplined execution for Drilling Tools International (DTI), demonstrating our ability to generate significant free cash flow and deliver consistent returns even amid challenging market conditions. Despite a 7% decline in global rig count year over year, our strategic focus on operational excellence, geographic diversification, and capital discipline enabled us to achieve results at or above the high end of our guidance ranges while strengthening our financial position.

Financial Performance and Free Cash Flow Generation

- Consolidated revenue was \$159.6 million, consisting of tool rental revenues of \$129.6 million and product sales of \$30.1 million.
- Adjusted EBITDA for 2025 reached \$39.3 million.
- Adjusted Net Income was \$3.4 million, or 10 cents per adjusted diluted earnings per share.
- Adjusted Free Cash Flow was \$19.2 million, marking the second consecutive year of annual free cash flow growth since going public in 2023(1).

These results underscore DTI's proven ability to operate efficiently, harvest cash in challenging market environments, and navigate the evolving energy landscape with consistent financial discipline.

Our capital allocation strategy in 2025 reflected our commitment to strengthening the balance sheet and returning value to stockholders. DTI also deployed approximately \$1,300,000 through its share buyback program during the year, demonstrating our commitment to enhancing stockholder value through multiple capital allocation levers.

Strategic Expansion and Geographic Diversification

Our Eastern Hemisphere expansion continued to deliver exceptional results and proved instrumental in offsetting North American market softness. Year-over-year, Eastern Hemisphere revenue grew by an impressive 78%, contributing approximately 14% of our total 2025 revenue compared to just 8% in 2024 and less than 1% in 2023. This geographic diversification has fundamentally transformed our business profile and provides meaningful insulation from regional market volatility.

The January 2025 acquisition of Titan Tools Services, our fourth acquisition since going public, further strengthens our distribution and rental footprint in the Eastern Hemisphere. Combined with our previous acquisitions of Deep Casing Tools, Superior Drilling Products, and European Drilling Projects, DTI has successfully built a global platform capable of delivering our differentiated technologies to customers worldwide. Our Wellbore Optimization product line continues to gain significant traction in the region, with increasing utilization of Drill-N-Ream tools and recently Rebranded ClearPath Stabilization Technology (formerly known as "Fixed Blade Stabilizers").

While Western Hemisphere operations faced headwinds from softer North American drilling and completions activity, the segment demonstrated resilience with only a low-single-digit revenue decline compared to 2024. This performance reflects the strength of our customer relationships, operational excellence, and DTI's position as a market leader providing downhole tool rentals for both North American land and Gulf of America deepwater drilling operations.

Integration Excellence and "One DTI"

We have made substantial progress on our "One DTI" synergy program, successfully aligning our operating divisions into integrated systems and processes. A major milestone was the onboarding of new business units into our Compass platform, which manages assets and transactions for our customers. This integration streamlines workflows, enhances accountability, and materially shortens the timeline for incorporating future acquisitions into the DTI platform.

The integration of Superior Drilling Products continues to deliver the vertical and horizontal synergies we anticipated, including cost savings and margin improvements. We remain on track to achieve our previously announced synergy targets and have identified additional opportunities beyond our initial projections. These operational improvements strengthen our foundation and position DTI for meaningful financial improvement as activity levels rebound.

Technology and Innovation Leadership

Our technology portfolio continues to differentiate DTI in the marketplace. The Deep Casing group has successfully deployed innovative tools like the MechLok Swivel and Rubblizer, which are gaining global traction. In addition, our TurboCaser and Turbo Runner technologies are contributing to our global footprint as a standard product for complex completion challenges. As previously mentioned, our Wellbore Optimization product line, including our Drill-N-Ream tools and ClearPath Stabilization tools continues to gain traction across the Western and Eastern Hemisphere as customers adopt these solutions to improve wellbore quality and reduce drilling time.

This diverse technology portfolio exemplifies DTI's commitment to commercializing innovative solutions and leveraging its platform to bring valuable technologies to market efficiently.

"DTI's strengthened balance sheet, expanded global platform, and differentiated technology portfolio create a compelling foundation for the next phase of growth."

Capital Discipline and Operational Flexibility

Our flexible capital expenditure model proved invaluable in 2025 as market conditions softened. We pivoted strategically to harvest cash, with maintenance capital expenditures funded primarily by Tool Recovery revenue, which allows us to reinvest in and refresh our rental fleet without materially increasing gross capital outlays and to redeploy excess cash toward debt reduction and opportunistic share repurchases. This disciplined approach enabled us to generate record free cash flow while maintaining a relevant and sustainable fleet.

DTI takes a thoughtful approach to all capital deployment decisions, prioritizing opportunities that align with our capital allocation framework and support long-term value creation for stockholders. Our ability to adjust capital spending, manage costs, and maintain operational efficiency across the business demonstrates the operating leverage built into the DTI platform.

Looking to the Future

As we enter 2026, we are optimistic about the momentum building across our organization and the attractive opportunities we see on the horizon. Our 2026 outlook projects consolidated revenue of \$155 million to \$170 million and Adjusted EBITDA of \$35 million to \$45 million, with anticipated Adjusted Free Cash Flow of \$17 million to \$22 million. These guidance ranges reflect year-over-year growth at the midpoint and are constructed assuming relatively flat activity in the first half of 2026 with modest improvement in the second half.

We see several potential catalysts that offer upside opportunities, including rig reactivations in the Middle East, and increased project activity in select international markets where we have recently expanded our presence. Our strong alignment with local operators, combined with our established geographic footprint, positions us well for continued expansion as market momentum returns.

We remain active in evaluating additional M&A opportunities that align with our strategic and financial objectives. Our disciplined M&A framework and robust opportunity pipeline position us to consolidate select oilfield service, product, and rental tool businesses where we see clear strategic fit and attractive returns. The investments and integrations we have completed to date have strengthened our platform and integration muscle, positioning us to drive meaningful results and capture incremental market share as the next growth cycle emerges.

We believe DTI is a preferred provider for downhole tool rentals supporting wellbore construction and casing installation, particularly in our core markets. Our operational expertise, technologically advanced asset base, and extensive geographic reach make us the product and solutions partner of choice for E&P operators and service companies worldwide. Elevated demand for complex wellbore solutions should further reinforce the need for our differentiated technology and value-added solutions.

A Note on the Middle East

I want to acknowledge the evolving war in the Middle East and its potential impact on our operations. As of this writing, operations continue with minimal disruption, and substantially all rigs in the region remain active. We have activated our Crisis Response Plan to

support our personnel in the region, and I am grateful for their dedication and continued commitment to safely supporting our customers.

We are conducting frequent operational updates and maintaining consistent communication with our teams on the ground. While we monitor the situation closely, assuming there are no major rig activity or infrastructure disruptions, we anticipate a positive baseline of activity with upside driven by oil capacity expansion and strategic gas development.

Closing Thoughts

In closing, I want to express my sincere gratitude to our exceptional team of DTI employees for their unwavering commitment to working in a safe, inspired and productive manner throughout a challenging year. Your dedication has been essential in navigating a constantly evolving environment and is central to the success and future growth we are building together.

I also want to thank our stockholders for their continued support, patience, and confidence in DTI's long term strategy. DTI remains firmly focused on delivering attractive risk adjusted returns through disciplined execution and thoughtful capital allocation.

We have demonstrated our ability to execute our strategic plan, deliver improved results, and generate significant free cash flow throughout the cycle. DTI's strengthened balance sheet, expanded global platform, and differentiated technology portfolio create a compelling foundation for the next phase of growth. We remain committed to creating long term value for our stockholders as we capitalize on the opportunities ahead.

Thank you for your continued partnership in this journey.



R. Wayne Prejean

Interim Chairman of the Board, President
and Chief Executive Officer, March 13, 2026



(1) Adjusted EBITDA, adjusted EBITDA margin, and adjusted free cash flow are non-GAAP financial measures. See "Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations – Non-GAAP Measures" in our Annual Report on Form 10-K included in this annual report to stockholders for a reconciliation of these non-GAAP measures to the most directly comparable financial measures calculated and presented in accordance with U.S. generally accepted accounting principles ("GAAP").

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2025

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE
TRANSITION PERIOD FROM TO

Commission File Number 001-41103

DRILLING TOOLS INTERNATIONAL CORPORATION

(Exact name of Registrant as specified in its Charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

10370 Richmond Ave.

#1000

Houston, Texas

(Address of principal executive offices)

87-2488708

(I.R.S. Employer
Identification No.)

77042

(Zip Code)



Registrant's telephone number, including area code: (832) 742-8500

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 \$0.0001 per share	DTI	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☐ NO ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. YES ☐ NO ☒

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). YES ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
Emerging growth company	☒		

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

Indicate by check mark whether the Registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based on the closing price of the shares of common stock on June 30, 2025, was \$49.8 million.

The number of shares of Registrant's Common Stock outstanding as of March 3, 2026 was 35,185,760.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement in connection with the 2026 Annual Meeting of Stockholders are incorporated in Part III of this annual report on Form 10-K.

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PART I

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains and incorporates by reference estimates, projections, statements relating to our business plans, objectives, and expected operating results that are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may appear throughout this report, including the following sections: “Business,” “Risk Factors,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” These forward-looking statements generally are identified by the words “may,” “believe,” “anticipate,” “expect,” “plan,” “predict,” “estimate,” “will be,” or other similar words and phrases. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties that may cause actual results to differ materially. We describe risks and uncertainties that could cause actual results and events to differ materially in “Risk Factors” (Part I, Item 1A of this Form 10-K), “Management’s Discussion and Analysis of Financial Condition and Results of Operation” (Part II, Item 7), and “Quantitative and Qualitative Disclosures about Market Risk” (Part II, Item 7A). We undertake no obligation to update or publicly revise any forward-looking statements, whether because of new information, future events, or otherwise, except to the extent required by applicable law.

Important factors that could cause actual results to differ materially from those contained in the forward-looking statements include, but are not limited to:

- the demand for our products and services, which is influenced by the general level activity in the oil and gas industry;
- our ability to retain our customers, particularly those that contribute to a large portion of our revenue;
- our ability to employ and retain a sufficient number of skilled and qualified workers, including our key personnel;
- the impact of our status as an emerging growth company and smaller reporting company;
- our ability to source tools at reasonable cost;
- our customers’ ability to obtain required permits or authorizations from applicable governmental agencies and other third parties;
- our ability to market our services in a competitive industry;
- our ability to execute, integrate and realize the benefits of acquisitions, and manage the resulting growth of our business;
- our ability to obtain new technology that may become prevalent in the oilfield services (“OFS”) industry;
- potential liability for claims arising from damage or harm caused by the operation of our tools, or otherwise arising from the dangerous activities that are inherent in the oil and gas industry;
- the impact of a global pandemic;
- the impact of the ongoing Russia-Ukraine and Israel-Hamas conflicts on the global economy;
- application of oilfield anti-indemnity limitations enacted by certain states;
- our ability to obtain additional capital;
- the impact of restrictive covenants in the Amended and Restated Revolving Credit, Security and Guaranty Agreement among Drilling Tools International, Inc., certain of its subsidiaries, Drilling Tools International Corporation and PNC Bank, National Association, dated as of March 15, 2024 (the “Credit Facility Agreement”);
- the impact of indebtedness incurred to execute our long-term growth strategy;
- potential political, regulatory, economic and social disruptions in the countries in which we conduct business, including changes in tax laws or tax rates;
- our dependence on our IT systems, in particular customer order management portal and support system (“COMPASS”), for the efficient operation of our business;

- the impact of a change in relevant accounting principles, enforcement of existing or new regulations, and changes in policies, rules, regulations, and interpretations of accounting and financial reporting requirements;
- the impact of adverse and unusual weather conditions on our operations;
- our ability to comply with applicable laws, regulations and rules, including those related to the environment, greenhouse gases and climate change;
- our ability to protect our intellectual property rights or trade secrets;
- our ability to maintain an effective system of disclosure controls and internal control over financial reporting;
- the potential for volatility in the market price of the Common Stock;
- the fact that the price per share of Common Stock paid by certain Selling Stockholders is less than the price of such shares as of the date of this Annual Report;
- the impact of increased legal, accounting, administrative and other costs incurred as a public company, including the impact of possible shareholder litigation;
- the potential for issuance of additional shares of DTIC Common Stock or other equity securities;
- our ability to maintain the listing of the Common Stock on Nasdaq;
- the impact of industry or securities analysts changing their recommendation, or failing to cover, the Common Stock; and
- other risks and uncertainties described in this prospectus, including those under the section entitled “Risk Factors.”

Item 1. Business.

Unless the context otherwise requires, all references in this section to the “Company,” “DTIC,” “we,” “us,” or “our” refer to the business of Drilling Tools International Corporation and its consolidated subsidiaries following the consummation of the Merger (defined below), and to Drilling Tools International Holdings, Inc. and its consolidated subsidiaries prior to the consummation of the Merger.

Our Company

On June 20, 2023, a merger transaction between Drilling Tools International Holdings, Inc. (“DTIH”), ROC Energy Acquisition Corp (“ROC”), and ROC Merger Sub, Inc., a directly, wholly owned subsidiary of ROC, was completed (the “Merger”). In connection with the closing of the Merger, ROC changed its name to Drilling Tools International Corporation (“DTIC”). The common stock of DTIC (“Common Stock” or the “DTIC Common Stock”) commenced trading on the Nasdaq Stock Market LLC (“Nasdaq”) under the symbol “DTI” on June 21, 2023.

Drilling Tools International Corporation is a global oilfield services company that designs, engineers, manufactures and provides a differentiated, rental-focused offering of tools for use in onshore and offshore horizontal and directional drilling operations, as well as other cutting-edge solutions across the well life cycle.

Drilling and producing oil and gas is a complex endeavor that requires tools of various shapes and sizes. Many of our customers rent these tools, as opposed to owning them, because of the many factors that affect which tools are needed for a specific task. Such factors include different formations, drilling methodologies, drilling engineer preferences, drilling depth and hole size. We believe that we are successful because we meet our customers’ wide demands by operating from multiple locations with over 65,000 tools in our fleet.

We are led by an accomplished management team that has significant experience in the oil and gas industry and has worked together for much of the last decade. Since 2012, we have grown the business and strengthened our standing in the industry. Specifically, we have:

- Grown our revenue by 357%, from \$35 million in 2012 to \$160 million in 2025;
- Substantially increased our market share within North American land drilling, in which we are the market leader, based on the percentage of active projects to which we supply tools, and regularly have active tool rentals on more than 50% of working locations;
- Expanded our footprint from 3 to 15 service and support centers in North America, allowing us to serve all major oil and gas producing basins in North America land and offshore;
- Established 11 additional International service and support centers across Europe, Middle East, and Asia-Pacific;
- Acquired multiple international businesses, further expanding our presence in the Eastern Hemisphere;
- Become the market leader in Gulf of Mexico (“GOM”) deepwater drilling operation tool rentals, based on the percentage of active projects to which we supply tools, growing from serving only a single GOM project in 2012;
- Upgraded our customer base from one comprised primarily of independent directional service providers to one comprised of major diversified oilfield service companies (“OSCs”) and global exploration and production (“E&P”) operators;
- Built a large sales and marketing organization focused on team selling; and
- Secured distribution rights for emerging technologies that fulfill the growing demand for longer horizontal drilling.

Operating Activities

Our operating activities are divided into two geographic segments:

- Western Hemisphere — our Western Hemisphere segment focuses on providing a comprehensive range of downhole drilling tools and services primarily for onshore and offshore operations across North America and Latin America. This segment offers a rental-focused portfolio that includes directional drilling tools, stabilizers, drill collars (steel and non-magnetic), hole openers, roller reamers, and sub-assemblies, all designed to optimize wellbore performance and enhance drilling efficiency. These tools are engineered to meet API specifications and are backed by robust QA/QC processes, ensuring durability and reliability in challenging drilling environments. Strategically located service centers across the U.S. and Canada enable rapid deployment and maintenance, while engineering support and inspection services further strengthen operational performance.

Overall, our Western Hemisphere segment plays a critical role in our business by combining innovative technology with responsive customer service to meet the evolving demands of the oil and gas industry.

- Eastern Hemisphere — our Eastern Hemisphere segment represents the company's strategic expansion into Europe, the Middle East, and Asia-Pacific, focusing on delivering advanced drilling solutions for both land and offshore markets. This segment offers a broad portfolio of downhole tools and services across the well life cycle, including directional drilling tools, stabilizers, drill collars (steel and non-magnetic), hole openers, roller reamers, and wellbore optimization technologies. Following a series of acquisitions in 2024 and into 2025—including Deep Casing Tools, European Drilling Projects, and Titan Tools—we strengthened our capabilities in plug and abandonment, slot recovery, and completion enhancement technologies, positioning ourselves as a leader in innovation and reliability. Operations are supported by 11 international service centers strategically located across the EMEA and APAC regions, ensuring rapid deployment and localized customer support. The segment emphasizes engineering excellence, product development, and IP-driven innovation, enabling operators to meet complex drilling challenges.

Our Industry

The Role of Rental Tool Companies in the Production of Oil and Gas

Wellbore construction is a critical stage in the production of oil and gas. Wellbore construction is comprised of drilling the wellbore, logging the target producing formation to determine if commercial amounts of hydrocarbons exist, installing casing, cementing casing and performing completion procedures to prepare the well for production. Even after wellbore construction is complete, production products and services are needed over the well's full life cycle.

Oil and gas companies typically hire a drilling contractor with an appropriate drilling rig to begin wellbore construction. However, drilling contractors generally do not have all the necessary tools to complete the project, and instead focus their business on the rig and its main components and rarely rent tools on behalf of oil and gas operators. Instead, oil and gas companies prefer to procure the products and services involved in drilling and subsequent procedures on a temporary basis from entities operating in the oil field services ("OFS") industry. This enables them to obtain the best quality, service, and pricing value directly from the service and equipment suppliers. As a result, upon completion of the well, the oil and gas operator does not hold assets that it no longer needs.

The tools provided by rental tool companies vary from select bottom hole assembly components, drill string tools, pressure control devices and a wide variety of specialty items. Rental tool companies purchase assets and rent them to their oil and gas operator customers, who in turn use these tools to complete their respective projects. Rental tool companies typically charge daily rental fees, but fees also can be structured as hourly, footage, weekly, or monthly charges. Rental tool companies also bill customers for repair charges if tools are damaged beyond normal wear and tear. In addition, if the tools are lost in the well, or damaged beyond repair, the customer is charged a replacement fee. Rental tool companies' ability to charge such fees are particularly important in light of the acceleration of drilling rates, as such acceleration continues the trend of customers consistently damaging tools (although recovery events have decreased year over year). We believe that this commercial arrangement has been standard practice in the industry for over 70 years. Given the cyclical nature of the oil and gas industry, commercial terms will be more favorable to rental tool companies when oil and gas industry activity is higher.

Oil and Gas Drilling Activity

Rental tool companies' financial and operating results are tied to the level of oil and gas drilling activity in their respective regions of operation, which, in our case, spans across both the Eastern and Western Hemispheres. Historically, the level of activity was measured by the number of active drilling rigs. For the years ended December 31, 2025 and 2024, the monthly average Western Hemisphere rig count was 867 and 940 rigs, respectively, or a decrease of 8%. Additionally, for the years ended December 31, 2025 and 2024, the monthly average Eastern Hemisphere rig count was 896 and 961 rigs, respectively, or a decrease of 7%.

Drilling rigs now operate faster and drill longer laterals, resulting in more efficient production than ever before. Accordingly, we believe that well count and feet drilled are additional indicators of the level of oil and gas drilling activity.

Our Strategy

We intend to (i) maximize the profitability of our core rental tool business, (ii) commercialize new high-value rental tools that make the drilling process more efficient (iii) extend our reach into other segments of a well's lifecycle, such as completion and production and (iv) expand geographically.

To achieve this, we have implemented a multi-pronged growth strategy focused on increasing sales to E&P operators, maximizing rental tool fleet uptime, and expanding our international footprint. E&P operators now account for over 45% of our revenue, up from less than 10% in 2014, and we aim to grow this further through persistent selling, superior customer service, and differentiated tools. Our COMPASS system optimizes inventory and tool transfers to ensure high utilization, while in-house machining and robotics minimize downtime. At the same time, we continue to professionalize our operations with auditable processes, safety compliance, and quality standards that set us apart from competitors.

To strengthen our market position, we are pursuing accretive acquisitions in the downhole rental tool sector, leveraging our industry relationships and reputation to secure attractive deals. We also differentiate through partnerships with leading tool producers, such as our exclusive agreement for the RotoSteer system, which has shown strong adoption since its 2023 launch. Looking ahead, we plan to expand internationally while maintaining North American leadership. These initiatives position us to deliver sustainable growth and deepen customer relationships across the global oilfield services market.

Our Competitive Strengths

Our company's competitive strengths stem from an experienced management team, a large and diverse rental tool fleet, and strong customer relationships. Led by Chief Executive Officer ("CEO"), Wayne Prejean, who brings decades of oil and gas expertise, our leadership team has transformed the business from a small entrepreneurial operation into a professional organization serving major OSCs and E&P operators across 15 North American locations and 11 international service and support centers. We maintain over 340 Master Service Agreements with leading customers, supported by rigorous safety and quality standards, industry certifications, and a robust quality assurance program—requirements that many smaller competitors cannot meet.

We differentiate ourselves through scale, technology, and customer service. Our extensive rental tool fleet, concentrated in key regions like the Permian Basin, meets the diverse needs of customers across multiple geographies, creating high barriers to entry for new competitors. Our proprietary COMPASS system streamlines ordering, provides transparency, and optimizes fleet utilization, while our wide distribution network and 24/7 facilities ensure rapid turnaround and minimal downtime. Combined with a specialized salesforce that builds deep relationships at both corporate and field levels, these capabilities position us as a trusted partner and a leading provider in the downhole rental tool industry.

Customers

Our customer base is comprised of: (i) diversified OSCs, which account for approximately 48% of 2025 revenue, including but not limited to Baker Hughes Company, Halliburton Company, Phoenix Energy, and SLB (formerly Schlumberger); (ii) E&P operators, which account for approximately 48% of 2025 revenue, included but not limited to Chevron, BPX Energy, EOG Resources Inc., Occidental Petroleum Corporation, Pioneer Energy Services Corp.; and (iii) oil and gas equipment manufacturers, which account for approximately 4% of 2025 revenue, including but not limited to Liberty Lift Solutions and National Oilwell Varco.

Conducting business with top tier customers requires world-class service quality, safety and auditable work processes. These operating requirements are contained in MSAs with our clients. Obtaining MSAs can be difficult and time-consuming. We believe this creates a barrier to entry for smaller, less competent providers and provides us an industry advantage.

Employees and Employee Safety

We have 432 employees and contractors, all of whom were full-time. Our workforce includes 40 sales professionals who are divided between city-sales and field-sales teams. Keeping our workforce safe and healthy is a key priority, and management is committed to ensuring our employees return home safely after each shift. In 2018, we implemented "Safety Now," a rigorous safety program that is part of DTI's Safe, Inspired, Productive incentive program ("SIP"). SIP has helped reduce our total recordable incident rate from 2.3

in 2018 to 0.81 in 2025, which is lower than the industry average. The success of SIP is necessary for us to do business with many of our customers, including Baker Hughes Company, EOG Resources Inc., Occidental Petroleum Corporation and SLB.

Properties

We operate from 15 locations in North America and maintain 11 international service and support centers in Europe, Middle East, and Asia-Pacific as shown below:



Government Regulation and Environmental, Health and Safety Measures

Our business is significantly affected by federal, state and local laws and other regulations. These regulations primarily impact the operation of our facilities. The laws and regulations relate to worker safety standards, the protection of the environment, and waste management, with respect to both fluids and solids.

Our internal environmental group monitors our compliance with applicable laws and regulations. We also engage third parties to review our compliance with such.

We cannot predict the level of enforcement of existing laws and regulations or how such laws and regulations may be interpreted by enforcement agencies or court rulings in the future. We also cannot predict whether additional laws and regulations will be adopted, including changes in regulatory oversight, increase of federal, state or local taxes, increase of inspection costs, or the effect such changes may have on us, our business or our financial condition.

Competition

We believe that there are a limited number of competitors in the oil and gas drilling rental tools industry. It is our view that we enjoy a competitive advantage with respect to these competitors due to our large relevant tool inventory, strong management team and significant scale.

Corporate Information

Our operations date to the founding of Directional Rentals, Inc. in 1984. Its name was changed to “Drilling Tools International, Inc.” in 2014, and it is a wholly owned subsidiary of DTIH. As a result of the Merger, DTIH became a wholly owned subsidiary of ROC who then changed its name to “Drilling Tools International Corporation”. Our website address is www.drillingtools.com. The information found on our website is not part of this or any other report we file with, or furnish to, the SEC and is expressly not incorporated by reference into this document. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements, and any amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available on our website, free of charge, as soon as reasonably practicable after such reports are filed with, or furnished to, the Securities and Exchange Commission (“SEC”). Alternatively, you may access these reports at the SEC’s website at www.sec.gov.

Item 1A. Risk Factors.

Summary of Risk Factors

The following is a summary of the risk factors our business faces. The list below is not exhaustive, and investors should read this “Risk Factors” section in full.

Summary of Risk Factors Related to our Business

- Demand for our products and services depends on oil and gas industry activity and customer expenditure levels, which are directly affected by trends in the demand for, and price of, crude oil and natural gas as well as the availability of capital.
- Growth in U.S. drilling activity, and our ability to benefit from such growth, could be adversely affected by any significant constraints in equipment, labor or takeaway capacity in the regions in which we operate.
- We depend on a relatively small number of customers in a single industry. The loss of an important customer could adversely affect our business, results of operations and financial condition.
- We may be unable to employ a sufficient number of skilled and qualified workers to sustain or expand our current operations.
- Our business depends on the continuing services of certain of our key managers and employees.
- We are an emerging growth company and smaller reporting company and as such are subject to various risks unique only to emerging growth companies and smaller reporting companies, including but not limited to, no requirement to provide an assessment of the effectiveness of internal controls over financial reporting.
- The lack of availability of the tools we purchase to rent to our customers and inflation may increase our cost of operations beyond what we can recover through price increases.
- Delays in obtaining, or inability to obtain or renew, permits or authorizations by our customers for their operations could impair our business.
- Competition within the oil and gas drilling tool rental industry may adversely affect our ability to market our services.
- We may fail to fully execute, integrate, or realize the benefits expected from acquisitions, which may require significant management attention, disrupt our business and adversely affect our results of operations.
- New technology may cause us to become less competitive.
- We rent tools used in the drilling of oil and gas wells. This equipment may subject us to liability, including claims for personal injury, property damage and environmental contamination, or reputational harm if it fails to perform to specifications.

- Our operations, and those of our customers, are subject to hazards inherent in the oil and gas industry, which could expose us, and our customers, to substantial liability and cause us to lose substantial revenue.
- Oilfield anti-indemnity provisions enacted by many states may restrict or prohibit a party's indemnification of us.
- Political, regulatory, economic and social disruptions in the countries in which we conduct business could adversely affect our business or results of operations.
- A failure of our information technology infrastructure and cyberattack could adversely impact us.
- Our results of operations and financial condition could be negatively impacted by changes in accounting principles.
- Adverse and unusual weather conditions may affect our operations.

Summary of Risk Factors Related to Legal and Regulatory Matters

- Our operations require us to comply with various domestic and international regulations, violations of which could have a material adverse effect on our business, results of operations, financial condition and cash flows.
- We are exposed to political, economic and other risks that arise from operating a multinational business.
- The imposition of new or increased international tariffs may have a material adverse effect on our business, financial condition and results of operations.
- Compliance with environmental laws and regulations may adversely affect our business and results of operations.
- Existing or future laws and regulations related to greenhouse gases and climate change and related public and governmental initiatives and additional compliance obligations could have a material adverse effect on our business, results of operations, prospects, and financial condition.
- If we are unable to fully protect our intellectual property rights or trade secrets, we may suffer a loss in revenue or any competitive advantage or market share we hold, or we may incur costs in litigation defending intellectual property rights.
- As a result of plans to expand our business operations, including to jurisdictions in which tax laws may not be favorable, our obligations may change or fluctuate, become significantly more complex or become subject to greater risk of examination by taxing authorities, any of which could adversely affect our after-tax profitability and financial results.

Summary of Risk Factors Related to Ownership of the Common Stock

- If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired, which may adversely affect investor confidence in us and, as a result, the market price of the Common Stock.
- The market price of the Common Stock may be volatile, which could cause the value of your investment to decline.
- We may require additional capital to support our operations or the growth of our business, and we cannot be certain that this capital will be available on reasonable terms when required, or at all.
- As a public company, we will incur significant increased expenses and administrative burdens which could have an adverse effect on our business, financial condition and operating results.
- Our Second Amended and Restated Certificate of Incorporation of DTIC ("Certificate of Incorporation") designates specific courts as the exclusive forum for substantially all stockholder litigation matters, which could limit the ability of our Stockholders to obtain a favorable forum for disputes with us or our directors, officers or employees.
- Shareholder litigation and regulatory inquiries and investigations are expensive and could harm our business, financial condition and operating results and could divert management attention.
- Past performance by our management team may not be indicative of future performance of an investment in us.
- Sales of substantial amounts of Common Stock in the public markets, or the perception that such sales could occur, could reduce the price that the Common Stock might otherwise attain.

- We may issue additional shares of Common Stock or other equity securities without your approval, which would dilute your ownership interests and may depress the market price of your shares.
- We have access to a significant amount of cash and our management has broad discretion over the use of that cash. Our management may use the cash in ways that our Stockholders may not approve.
- Because there are no current plans to pay cash dividends on the Common Stock for the foreseeable future, you may not receive any return on investment unless you sell the Common Stock at a price greater than what you paid for it.
- Nasdaq Capital Market ("Nasdaq") may delist the Common Stock from trading, which could limit investors' ability to execute transactions in the Common Stock and subject us to additional trading restrictions.
- If securities or industry analysts do not publish or cease publishing research or reports about us, our business or our market, or if they change their recommendations regarding the Common Stock adversely, the price and trading volume of the Common Stock could decline.

Risks Related to Our Business

Demand for our products and services depends on oil and gas industry activity and customer expenditure levels, which are directly affected by trends in the demand for, and price of, crude oil and natural gas as well as the availability of capital.

Demand for our products and services depends primarily upon the general level of activity in the oil and gas industry, including the number of drilling rigs in operation, the number of oil and gas wells being drilled, the depth and drilling conditions of these wells, the volume of production, the number of well completions and the cumulative feet drilled, the level of well remediation activity, and the corresponding capital spending by oil and gas companies. Oil and gas activity is in turn heavily influenced by, among other factors, current and anticipated oil and natural gas prices locally and worldwide. Historically, such prices have been volatile, and declines, whether actual or anticipated, thereof could negatively affect the level of oil and gas activity and related capital spending. Decreases in oil and gas activity and related capital spending could, in turn, adversely affect demand for our products and services and, in certain instances, result in the cancellation, modification or curtailing of demand for our services and the ability of our customers to pay us for our products and services. These factors could have an adverse effect on our business, results of operations, financial condition and cash flows.

The oil and gas industry is cyclical and has historically experienced periodic downturns. These downturns have been characterized by diminished demand for our products and services and downward pressure on the prices we charge. These downturns generally cause many E&P companies to reduce their capital budgets and drilling activity. Any future downturn or expected downturn could result in a significant decline in demand for OGS and adversely affect our business, results of operations and cash flows.

Customer expenditure levels could also drop if our customers face difficulty in accessing capital. If commodity prices drop, our customers may face liquidity constraints and the deterioration of their respective credit worthiness. Moreover, our customers may have limited viable financing alternatives in light of unfavorable lending and investment policies held by financial institutions associated with concerns about environmental impacts of the oil and gas industry or its products. Similarly, certain institutional investors have divested themselves of investments in this industry. If any of our customers experience any of these challenges, they may reduce spending, which could adversely affect our business, results of operations and cash flows.

Growth in U.S. drilling activity, and our ability to benefit from such growth, could be adversely affected by any significant constraints in equipment, labor or takeaway capacity in the regions in which we operate.

Growth in U.S. drilling activity may be impacted by, among other things, the availability and cost of drilling equipment, pipeline capacity, and material and labor shortages. Significant growth in drilling activity could strain availability of the equipment, materials and labor required to drill and complete a well, together with the ability to move the produced oil and natural gas to market. Should significant constraints develop that materially impact the efficiency and economics of oil and gas producers, growth in U.S. drilling activity could be adversely affected. This would have an adverse impact on the demand for the products we sell and rent, which could have a material adverse effect on our business, results of operations and cash flows.

We depend on a relatively small number of customers in a single industry. The loss of an important customer could adversely affect our business, results of operations and financial condition.

Our customers are primarily diversified OFS companies and E&P operators. Historically, we have been dependent on a relatively small number of customers for our revenues. Our business, results of operations and financial condition could be materially adversely affected if an important customer ceases to engage us for our services on favorable terms, or at all, or fails to pay or delays paying us significant amounts of our outstanding receivables.

We have operated under a first call supply agreement with one of our largest customer since 2013. We and this customer have agreed to multiple extensions of this agreement, the most recent of which extends the agreement through 2026. However, if we are unable to successfully negotiate extensions in the future, then our ability to do business with this customer may be greatly reduced. Moreover, the supply agreements that we have entered into with our other customers are also of limited duration and require periodic extensions. Similarly, a failure to agree to such extensions may hinder our ability to do business with these customers.

Additionally, the E&P industry is characterized by frequent consolidation activity. Changes in ownership of our customers may result in the loss of, or reduction in, business from those customers. Moreover, customers may use their size and purchasing power to seek economies of scale and pricing concessions. Consolidation may also result in reduced capital spending by some of our customers, which may lead to a decreased demand for our services and equipment. We cannot assure you that we will be able to maintain our level of sales to a customer that has consolidated or replace that revenue with increased business activity with other customers. As a result, the acquisition of one or more of our primary customers may have a significant negative impact on our business, results of operations, financial condition or cash flows. We are unable to predict what effect consolidations in the industry may have on price, capital spending by our customers, our market share and selling strategies, our competitive position, our ability to retain customers or our ability to negotiate favorable agreements with our customers.

We may be unable to employ a sufficient number of skilled and qualified workers to sustain or expand our current operations.

The delivery of our products and services requires personnel with specialized skills and experience. Our ability to be productive and profitable will depend upon our ability to attract and retain skilled workers. In addition, our ability to expand our operations depends in part on our ability to increase the size of our skilled labor force. The demand for skilled workers is high, and the cost to attract and retain qualified personnel has increased. During industry downturns, skilled workers may leave the industry, reducing the availability of qualified workers when conditions improve. In addition, a significant increase in the wages paid by competing employers both within and outside of our industry could result in increases in the wage rates that we must pay. Our expenses related to salary and wages continue to increase year over year, especially those expenses related to certain key oil and gas producing regions, as we sought to meet increasing customer demand. During the year ended December 31, 2025, we experienced similar increases. If we are not able to employ and retain skilled workers, our ability to respond quickly to customer demands or strong market conditions may inhibit our growth, which could have a material adverse effect on our business, results of operations and cash flows.

Our business depends on the continuing services of certain of our key managers and employees.

We depend on key personnel. The loss of key personnel could adversely impact our business if we are unable to implement our strategy and successfully manage our business in their absence. The loss of qualified employees or an inability to retain and motivate additional highly-skilled employees required for the operation and expansion of our business could hinder our ability to successfully maintain and expand our market share.

Equity interests in us are a substantial portion of the net worth of our executive officers and several of our other senior managers. As a result, those executive officers and senior managers may have less incentive to remain employed by us if they were to sell their equity interests. After terminating their employment with us, some of them may become employed by our competitors.

We are an emerging growth company and smaller reporting company and as such are subject to various risks unique only to emerging growth companies and smaller reporting companies.

We are an “emerging growth company” as defined in the Jumpstart Out Business Startups Act of 2012 (“JOBS Act”). We will remain an emerging growth company until the earlier of (i) December 31, 2026, the last day of the fiscal year following the fifth anniversary of the date of the ROC initial public offering; (ii) the last day of the fiscal year in which we have total annual gross revenues of \$1.235 billion or more; (iii) the date on which we have issued more than \$1.0 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under applicable Securities and Exchange Commission (“SEC”) rules.

We expect that we will remain an emerging growth company for the foreseeable future but cannot retain our emerging growth company status indefinitely and will no longer qualify as an emerging growth company on or before December 31, 2026. References herein to “emerging growth company” have the meaning associated with it in the JOBS Act.

For so long as we remain an emerging growth company, we are permitted and intend to rely on exemptions from specified disclosure requirements that are applicable to other public companies that are not emerging growth companies. These exemptions include:

- being permitted to provide only two years of audited financial statements, in addition to any required unaudited interim financial statements, with correspondingly reduced “Management’s Discussion and Analysis of Financial Condition and Results of Operations” disclosure;
- not being required to comply with the requirement of auditor attestation of our internal controls over financial reporting;
- not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board (“PCAOB”) regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements;
- reduced disclosure obligations regarding executive compensation; and
- not being required to hold a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

Additionally, as an emerging growth company and smaller reporting company our status as such carries various unique risks such as the risk that our financial statements may not be comparable to those of other public companies.

An emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. This allows an emerging growth company to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to avail ourselves of this extended transition period and, as a result, we will not be required to adopt new or revised accounting standards on the dates on which adoption of such standards is required for other public reporting companies.

We are also a “smaller reporting company” as defined in Rule 12b-2 of the Exchange Act, and have elected to take advantage of certain of the scaled disclosure available for smaller reporting companies.

The lack of availability of the tools we purchase to rent to our customers and inflation may increase our cost of operations beyond what we can recover through price increases.

Our ability to source tools, such as drill collars, stabilizers, crossover subs, wellbore conditioning tools, drill pipe, hevi-wave drill pipe and tubing, at reasonable cost is critical to our ability to successfully compete. Among other things, international conflicts have caused steel and assembled components to increase in price. Our business and results of operations may be adversely affected by our inability to manage rising costs and the availability of the tools that we rent to our customers. Additionally, freight costs, specifically ocean freight costs, have risen significantly due to a number of factors including, but not limited to, a scarcity of shipping containers, congested seaports, a shortage of commercial drivers, capacity constraints on vessels or lockdowns in certain markets. We cannot assure you that we will be able to continue to purchase and move these tools on a timely basis or at commercially viable prices, nor can we be certain of the impact of changes to tariffs and future legislation that may impact trade with China or other countries. Should our current suppliers be unable to provide the necessary tools or otherwise fail to deliver such tools timely and in the quantities required, resulting delays in the provision of rentals to our customers could have a material adverse effect on our business, results of operations and cash flows.

The United States has recently experienced the highest inflation in decades primarily due to supply-chain issues, a shortage of labor and a build-up of demand for goods and services. The most noticeable adverse impact to our business has been increased freight, materials and vehicle-related costs as well as higher salaries and wages. To date, we do not believe that inflation has had a material impact on our financial condition or results of operations because we have been able to increase the prices we receive from our customers. We cannot be sure how long elevated inflation rates will continue. We cannot be confident that all costs will return to the lower levels experienced in prior years even as the rate of inflation abates. Our business and results of operations may be adversely affected by these rising costs to the extent we are unable to recoup them from our customers.

Delays in obtaining, or inability to obtain or renew, permits or authorizations by our customers for their operations could impair our business.

Our customers are required to obtain permits or authorizations from one or more governmental agencies or other third parties to perform drilling and completion activities, including hydraulic fracturing. Such permits or approvals are typically required by state agencies but can also be required by federal and local governmental agencies or other third parties. The requirements for such permits or authorizations vary depending on the location where such drilling and completion activities will be conducted. As with most permitting and authorization processes, there is a degree of uncertainty as to whether a permit will be granted, the time it will take for a permit or approval to be issued and the conditions which may be imposed in connection with the granting of the permit. In some jurisdictions, certain regulatory authorities have delayed or suspended the issuance of permits or authorizations while the potential environmental impacts associated with issuing such permits can be studied and appropriate mitigation measures evaluated.

In Texas, many rural water districts impose restrictions on water use and may require permits for water used in drilling and completion activities. In addition, in early January 2025, President Biden issued executive actions indefinitely banning new offshore oil and gas drilling across more than 625 million acres of federal waters, including the entire Atlantic and Pacific coastlines, the eastern Gulf of Mexico, and parts of Alaska's Northern Bering Sea. Upon taking office later in January 2025, President Trump signed executive orders reversing these bans. In February 2025, environmental groups filed lawsuits aiming to reinstate Biden's bans on new offshore oil and gas drilling. Currently, the Trump administration's reversal of the offshore drilling ban is in effect, but the outcome of the pending legal challenges could impact future policy and enforcement.

In January 2025, President Trump issued several executive orders with a stated aim toward increasing oil and gas development within the United States, with anticipated future regulatory activity including opening federal lands to oil and gas leasing (with particular focus on resources in Alaska) and expediting permitting for oil and gas projects in the United States. While certain of the Trump administration's actions in early 2025 indicate a clear regulatory shift in favor of oil and gas production in the United States, significant additional regulatory action is required to enact these changes. Additionally, such regulatory actions may be challenged, which could result in implementation delays or a need to take further regulatory action. Additionally, even if these regulatory actions are successful, individual permitting and leasing actions may be challenged, creating additional uncertainty.

Competition within the oil and gas drilling tool rental industry may adversely affect our ability to market our services.

The oil and gas drilling tool rental industry is highly competitive and fragmented. The number of rental tool companies active in a given market may exceed the corresponding demand therefor, which could result in active price competition. Some oil and gas drilling companies prioritize rental prices when choosing to contract with a rental tool company, which may further increase competition based primarily on price. In addition, adverse market conditions lower demand for drilling equipment, which results in excess equipment and lower utilization rates. If market conditions in our operating areas deteriorate from current levels or if adverse market conditions persist, the prices we are able to charge and utilization rates may decline. Moreover, our customers may choose to purchase some or all of the tools that they typically rent from us, thereby reducing the volume of business that we conduct with such customers. Any significant future increase in overall market capacity for the rental equipment or services that we offer could adversely affect our business, results of operations and cash flows.

We may fail to fully execute, integrate, or realize the benefits expected from acquisitions, which may require significant management attention, disrupt our business and adversely affect our results of operations.

As part of our business strategy and to remain competitive, we continually evaluate acquiring or making investments in complementary companies, products or technologies. We may not be able to find suitable acquisition candidates or complete such acquisitions on favorable terms. We may incur significant expenses, divert employee and management time and attention from other business-related tasks and our organic strategy and incur other unanticipated complications while engaging with potential target companies where no transaction is eventually completed.

If we do complete acquisitions, we may not ultimately strengthen our competitive position or achieve our goals or expected growth, and any acquisitions we complete could be viewed negatively by our customers, or we could experience unexpected competition from market participants. Any integration process may require significant time and resources. We may not be able to manage the process successfully and may experience a decline in our profitability as we incur expenses prior to fully realizing the benefits of the acquisition. We could also expend significant cash and incur acquisition related costs and other unanticipated liabilities associated with the acquisition, the product or the technology, such as contractual obligations, potential security vulnerabilities of the acquired company and its products and services and potential intellectual property infringement. In addition, any acquired technology or

product may not comply with legal or regulatory requirements and may expose us to regulatory risk and require us to make additional investments to make them compliant.

We may not successfully evaluate or utilize the acquired technology or personnel or accurately forecast the financial impact of an acquisition transaction, including accounting charges and tax liabilities. We could become subject to legal claims following an acquisition or fail to accurately forecast the potential impact of any claims. Any of these issues could have a material adverse impact on our business and results of operations.

New technology may cause us to become less competitive.

New technology that enhances the functionality, performance reliability and design of downhole drilling tools currently on the market may become prevalent in the OGS industry. We may face difficulty obtaining these new tools for the purpose of renting them to our customers. Although we believe our fleet of rental equipment currently gives us a competitive advantage, if competitors develop fleets that are more technically advanced than ours, we may lose market share or be placed at a competitive disadvantage. Further, we may face competitive pressure to acquire certain new tools at a substantial cost. Some of our competitors have greater financial, technical and personnel resources that may allow them to enjoy various competitive advantages in the acquisition of new tools. We cannot be certain that we will be able to continue to acquire new tools or convert our existing tools to meet new performance requirements. Such an inability may have a material adverse effect on our business, results of operations and cash flows, including a reduction in the value of assets, and the rates that may be charged for their rental.

We rent tools used in the drilling of oil and gas wells. This equipment may subject us to liability, including claims for personal injury, property damage and environmental contamination, or reputational harm if it fails to perform to specifications.

We rent tools used in oil and gas exploration, development and production. Some of these tools are designed to operate in high-temperature and/or high-pressure environments, and some tools are designed for use in hydraulic fracturing operations. Because of applications to which our tools are exposed, particularly those involving high pressure environments, a failure of such tools, or a failure of our customers to maintain or operate the tools properly, could cause damage to the tools, damage to the property of customers and others, personal injury and environmental contamination and could lead to a variety of claims against us or reputational harm that could have an adverse effect on our business, results of operations and cash flows.

We indemnify our customers against certain claims and liabilities resulting or arising from our provision of goods or services to them. In addition, we rely on customer indemnifications, generally, and third-party insurance as part of our risk mitigation strategy. However, our insurance may not be adequate to cover our liabilities. In addition, our customers may be unable to satisfy indemnification claims against them. Further, insurance companies may refuse to honor their policies, or insurance may not generally be available in the future, or if available, premiums may not be commercially justifiable. We could incur substantial liabilities and damages that are either not covered by insurance or that are in excess of policy limits, or incur liability at a time when we are not able to obtain liability insurance. Such potential liabilities could have a material adverse effect on our business, results of operations and cash flows.

Our operations, and those of our customers, are subject to hazards inherent in the oil and gas industry, which could expose us, and our customers, to substantial liability and cause us to lose substantial revenue.

Risks inherent in our industry include the risks of equipment defects, installation errors, the presence of multiple contractors at the wellsite over which we have no control, vehicle accidents, fires, explosions, blowouts, surface cratering, uncontrollable flows of gas or well fluids, pipe or pipeline failures, abnormally pressured formations and various environmental hazards such as oil spills and releases of, and exposure to, hazardous substances. For example, our operations are subject to risks associated with hydraulic fracturing, including any mishandling, surface spillage or potential underground migration of fracturing fluids, including chemical additives. Both we and our customers are subject to these risks.

The occurrence of these events could result in substantial losses to us or to our customers due to injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigations and penalties, suspension of operations and repairs required to resume operations. The cost of managing such risks may be significant. The frequency and severity of such incidents will affect operating costs, insurability and relationships with customers, employees and regulators.

Should these risks materialize for us, our customers may elect not to rent our tools or utilize our services if they view our environmental or safety record as unacceptable, which could cause us to lose customers and substantial revenues. Should these risks materialize for our customers, they may also suffer similar negative consequences with respect to their own customers and clients. If this were to happen, our customers may no longer be in a position to do business with us, thereby adversely affecting our business, results of operations and cash flows.

Our insurance may not be adequate to cover all losses or liabilities we may suffer. Also, insurance may no longer be available to us, or its availability may be at premium levels that do not justify its purchase. The occurrence of a significant uninsured claim, a claim in excess of the insurance coverage limits maintained by us or a claim at a time when we are not able to obtain liability insurance could have a material adverse effect on our ability to conduct normal business operations and on our business, results of operations, financial condition and cash flows. In addition, we may not be able to secure additional insurance or bonding that might be required by new governmental regulations. This may cause us to restrict our operations, which might severely impact our business, results of operations and cash flows.

Oilfield anti-indemnity provisions enacted by many states may restrict or prohibit a party's indemnification of us.

We typically enter into agreements with our customers governing the provision of our services, which usually include certain indemnification provisions for losses resulting from operations. Such agreements may require each party to indemnify the other against certain claims regardless of the negligence or other fault of the indemnified party. However, many states place limitations on contractual indemnity agreements, particularly agreements that indemnify a party against the consequences of its own negligence. Furthermore, certain states, including Louisiana, New Mexico, Texas and Wyoming, have enacted statutes generally referred to as "oilfield anti-indemnity acts" expressly prohibiting certain indemnity agreements contained in or related to OFS agreements. Such oilfield anti-indemnity acts may restrict or void a party's indemnification of us, which could have a material adverse effect on our business, results of operations and cash flows.

Political, regulatory, economic and social disruptions in the countries in which we conduct business could adversely affect our business or results of operations.

In addition to our facilities in the United States, we operate stocking points in Scotland and Germany and facilities in Canada and the United Arab Emirates. Instability and unforeseen changes in any of the markets in which we conduct business could have an adverse effect on the demand for, or supply of, the products that we rent and the services that we provide, which in turn could have an adverse effect on our business, results of operations and cash flows.

Additionally, operating internationally exposes us to a wide range of risks, including political and economic instability, regulatory changes, and market volatility. These risks encompass nationalization or expropriation of assets, restrictive taxation, inflationary pressures, civil unrest, labor disputes, natural disasters, terrorism, cyber threats, and military conflicts. We also face risks related to repatriation of income, shortages of qualified personnel, technological changes, currency fluctuations, and interest rate volatility. Each of these factors could adversely impact our ability to operate efficiently and profitably in certain regions.

A failure of our information technology infrastructure and cyberattacks could adversely impact us.

We depend on our IT systems, in particular COMPASS, for the efficient operation of our business. Accordingly, we rely upon the capacity, reliability and security of our IT hardware and software infrastructure and our ability to expand and update this infrastructure in response to our changing needs. Despite our implementation of security measures, our systems are vulnerable to damage from computer viruses, natural disasters, incursions by intruders or hackers, failures in hardware or software, power fluctuations, cyber terrorists and other similar disruptions. Moreover, we cannot guarantee that COMPASS, or features thereof, are not the protected intellectual property of third parties. If this is the case, these third parties may seek to protect their respective intellectual property rights, thereby hindering, or completely eliminating, our ability to use COMPASS and leverage its benefits.

Additionally, we rely on third parties to support the operation of our IT hardware and software infrastructure, and in certain instances, utilize web-based applications. We also provide proprietary and client data to certain third parties, and such third parties may be the subject of IT failures or cyberattacks. The failure of our IT systems or those of our vendors or third parties to whom we disclose certain information to perform as anticipated for any reason or any significant breach of security could disrupt our business and result in numerous adverse consequences, including reduced effectiveness and efficiency of operations, inappropriate disclosure of confidential and proprietary information, reputational harm, increased overhead costs and loss of important information, which could

have a material adverse effect on our business and results of operations. In addition, we may be required to incur significant costs to protect against damage caused by these disruptions or security breaches in the future.

Our results of operations and financial condition could be negatively impacted by changes in accounting principles.

The accounting for our business is subject to change based on the evolution of our business model, interpretations of relevant accounting principles, enforcement of existing or new regulations, and changes in policies, rules, regulations, and interpretations of accounting and financial reporting requirements of the SEC or other regulatory agencies. Adoption of a change in accounting principles or interpretations could have a significant effect on our reported results of operations and could affect the reporting of transactions completed before the adoption of such change. It is difficult to predict the impact of future changes to accounting principles and accounting policies over financial reporting, any of which could adversely affect our results of operations and financial condition and could require significant investment in systems and personnel.

Adverse and unusual weather conditions may affect our operations.

Our operations may be materially affected by severe weather conditions in areas where we operate. Severe weather, such as hurricanes, high winds and seas, blizzards and extreme temperatures may cause evacuation of personnel, curtailment of services and suspension of operations, inability to deliver tools to customers in accordance with contract schedules and loss of or damage to our tools and facilities. In addition, variations from normal weather patterns can have a significant impact on demand for oil and natural gas, thereby reducing demand for our tools and services.

Risks Related to Legal and Regulatory Matters

We are exposed to political, regulatory, economic, and other risks that arise from operating a multinational business, and our operations require us to comply with various domestic and international regulations, violations of which could have a material adverse effect on our business, results of operations, and financial condition.

As a global business, our operations are subject to a variety of potential risks. Such risks principally include:

- Uncertainties and instability in global and regional economic and political conditions, including: market disruptions caused by inflation, economic recessions, or significant interest rate fluctuations; political instability, such as the conflicts in Ukraine and the Middle East, and geopolitical tensions, including those involving China and the U.S.; and terrorist activities and the international response thereto.
- A complex and evolving legal and regulatory landscape, including: compliance with numerous and often conflicting domestic and international laws and regulations relating to anti-corruption (such as the U.S. Foreign Corrupt Practices Act), trade sanctions, import/export controls, customs, and tariffs; changes in tax laws, rates, or interpretations; environmental, workplace, health and safety, and labor and employment laws and regulations; intellectual property laws and protecting our intellectual property; and fluctuations in foreign currency exchange rates and currency exchange controls.
- Operational challenges in our international business, such as: difficulties in staffing and managing international operations, including hiring and retaining qualified personnel in countries where language, cultural, or regulatory barriers may exist; labor-related issues, including wage inflation, labor shortages, and labor unrest; the need to modify products to meet local requirements and preferences, which may be more costly or time-consuming than anticipated; and supply chain disruptions, including transportation delays and interruptions.

These laws and regulations are complex, frequently change, and have tended to become more stringent over time. Our failure to comply could have a material adverse effect on our business, results of operations, and financial condition. For more information on risks related to international tariffs, see the Risk Factor entitled “The imposition of new or increased international tariffs may have a material adverse effect on our business, financial condition and results of operations” for additional detail.

The imposition of new or increased international tariffs may have a material adverse effect on our business, financial condition and results of operations.

Rising international tariffs, including any tariffs applied to goods traded between the U.S. and China, the U.S. and Mexico and the U.S. and Canada, could materially and adversely affect our business and results of operations. The U.S. government has previously and now again recently imposed tariffs on certain foreign goods from a variety of countries and regions that it perceives as engaging in

unfair trade practices. Foreign governments have imposed, and may impose in the future, retaliatory tariffs on goods that their countries import from the U.S. Such changes can make it difficult or costly for us to do business in, or import our products from, those countries.

With certain tariff exclusions ending and with any new tariffs, it could further negatively impact global trade and economic conditions in many of the regions where we do business. It may also adversely impact demand for our products in certain locations. It may be time-consuming and costly for us to modify our business operations to adapt to or comply with such tariffs. If we become unable to recover a substantial portion of any increased tariff related costs, the recent or increased international tariffs could materially and adversely affect our business, financial condition and results of operations.

Compliance with environmental laws and regulations may adversely affect our business and results of operations.

Environmental laws and regulations in the United States and foreign countries affect the services we provide and the equipment we rent and service, as well as the facilities we operate. Such laws and regulations also impact the oil and gas industry more broadly, thereby impacting demand for our products and equipment. For example, we may be affected by such laws as the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation, and Liability Act, the Clean Water Act, the Clean Air Act and the Occupational Safety and Health Act of 1970. Further, our customers may be subject to a range of laws and regulations governing hydraulic fracturing, drilling and greenhouse gas emissions.

We are required to invest financial and managerial resources to comply with environmental laws and regulations and believe that we will continue to be required to do so in the future. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, the imposition of remedial and mitigation obligations, and the issuance of orders enjoining operations. These laws and regulations, as well as the finalizing of other new laws and regulations affecting our operations or the exploration and production and transportation of crude oil and natural gas by our customers, could adversely affect our business and operating results by increasing our costs of compliance, increasing the costs of compliance and costs of doing business for our customers, limiting the demand for our products and services, or restricting our operations. Increased regulation or a move away from the use of fossil fuels caused by additional regulation could also reduce demand for our products and services.

Existing or future laws and regulations related to greenhouse gases and climate change and related public and governmental initiatives and additional compliance obligations could have a material adverse effect on our business, results of operations, prospects, and financial condition.

Changes in environmental requirements related to greenhouse gas emissions, climate change, or alternative energy sources may negatively impact demand for our products and services. For example, oil and natural gas E&P may decline as a result of environmental requirements or laws, regulations and policies promoting the use of alternative forms of energy, including land use policies and other actions to restrict oil and gas leasing and permitting in response to environmental and climate change concerns. In recent years, federal policies governing oil and gas leasing and permitting have experienced substantial shifts and have been the subject of ongoing legal challenges, resulting in a heightened degree of regulatory uncertainty for industry participants.

Federal, state and local agencies continue to evaluate climate-related legislation and other regulatory initiatives that would restrict emissions of greenhouse gases in areas in which we conduct business. For example, in 2024 the United States Environmental Protection Agency issued a new rule on methane emissions for certain oil and gas facilities, while the Inflation Reduction Act of 2022 established a charge on methane emissions above certain limits from such facilities. The Trump administration has since delayed or challenged the implementation of such rules and regulations covering methane emissions. We further note that some states may increase their regulation of oil and gas activities, greenhouse gases, and/or climate change in response to the federal government's actions. Because our business depends on the level of activity in the oil and gas industry, existing or future laws and regulations related to greenhouse gases could have a negative impact on our business if such laws or regulations reduce demand for oil and natural gas. Likewise, such laws or regulations may result in additional compliance obligations with respect to the release, capture, sequestration and use of greenhouse gases. These additional obligations could increase our costs and have a material adverse effect on our business, results of operations, prospects and financial condition.

Many of our customers utilize hydraulic fracturing in their operations. Environmental concerns have been raised regarding the potential impact of hydraulic fracturing on underground water supplies and seismic activity. These concerns have led to several regulatory and governmental initiatives in the United States to restrict the hydraulic fracturing process, which could have an adverse impact on our customers' production activities. Although we do not conduct hydraulic fracturing, increased regulation and attention given to the hydraulic fracturing process could lead to greater opposition to oil and gas production activities using hydraulic fracturing

techniques. The finalization of new laws or regulations at the federal, state, local or foreign level imposing reporting obligations on, or otherwise limiting, delaying or banning, the hydraulic fracturing process or other processes on which hydraulic fracturing and subsequent hydrocarbon production relies, such as water disposal, could make it more difficult to complete oil and natural gas wells. Further, it could increase our customers' costs of compliance and doing business, and otherwise adversely affect the hydraulic fracturing services they perform, which could negatively impact demand for our products.

Increasing attention by the public and government agencies to climate change and Environmental, Social and Governance ("ESG") matters could also negatively impact demand for our products and services and the products of our oil and gas producing customers. In recent years, increasing attention has been given to corporate activities related to ESG in public discourse and the investment community. A number of advocacy groups, both domestically and internationally, have campaigned for governmental and private action to promote change at public companies related to ESG matters, including through the investment and voting practices of investment advisers, public pension funds, universities and other members of the investing community. These activities include increasing attention and demands for action related to climate change and energy rebalancing matters, such as promoting the use of substitutes to fossil fuel products and encouraging the divestment of fossil fuel equities, as well as pressuring lenders and other financial services companies to limit or curtail activities with fossil fuel companies. If this were to continue, it could have a material adverse effect on the valuation of the Common Stock and our ability to access equity capital markets.

If we are unable to fully protect our intellectual property rights or trade secrets, we may suffer a loss in revenue or any competitive advantage or market share we hold, or we may incur costs in litigation defending intellectual property rights.

While we have some patents and others pending, we do not have patents relating to many of our key processes and technology. If we are not able to maintain the confidentiality of our trade secrets, or if our competitors are able to replicate our technology or services, our competitive advantage would be diminished. We also cannot provide any assurance that any patents we may obtain in the future would provide us with any significant commercial benefit or would allow us to prevent our competitors from employing comparable technologies or processes. We may initiate litigation from time to time to protect and enforce our intellectual property rights. In any such litigation, a defendant may assert that our intellectual property rights are invalid or unenforceable. Third parties from time to time may also initiate litigation against us by asserting that our businesses infringe, impair, misappropriate, dilute or otherwise violate another party's intellectual property rights. We may not prevail in any such litigation, and our intellectual property rights may be found invalid or unenforceable or our products and services may be found to infringe, impair, misappropriate, dilute or otherwise violate the intellectual property rights of others. The results or costs of any such litigation may have an adverse effect on our business, results of operations and financial condition. Any litigation concerning intellectual property could be protracted and costly, is inherently unpredictable and could have an adverse effect on our business, regardless of its outcome. Moreover, third parties on whom we rely for certain tools may be subject to litigation to defend their intellectual property rights. If such litigation ends adversely for the third party with whom we deal, our ability to obtain such tools could be significantly limited or restricted. This could have a material adverse effect on our business.

A certain subsidiary, Extreme Technologies, LLC ("Extreme"), we acquired in the SDPI acquisition is the plaintiff in a claim brought against Stabil Drill Specialties, LLC ("Stabil Drill") in 2019 for allegedly infringing three patents that cover the design of a reaming tool used in oil and gas operations. On Sept. 23, 2024, the U.S. District Court for the Southern District of Texas granted Stabil Drill's motion for summary judgment of non-infringement. On October 22, 2024, Extreme appealed the ruling to the Federal Circuit. The results or costs of further litigation on appeal, if granted, may have an adverse effect on our business.

As a result of plans to expand our business operations, including to jurisdictions in which tax laws may not be favorable, our obligations may change or fluctuate, become significantly more complex or become subject to greater risk of examination by taxing authorities, any of which could adversely affect our after-tax profitability and financial results.

Our effective tax rates may fluctuate widely in the future, particularly if our business expands domestically or internationally. Future effective tax rates could be affected by operating losses in jurisdictions where no tax benefit can be recorded under U.S. generally accepted accounting principles ("GAAP"), changes in deferred tax assets and liabilities, or changes in tax laws. Factors that could materially affect our future effective tax rates include, but are not limited to: (a) changes in tax laws or the regulatory environment, (b) changes in accounting and tax standards or practices, (c) changes in the composition of operating income by tax jurisdiction and (d) pre-tax operating results of our business.

Additionally, we are subject to significant income, withholding, and other tax obligations in the United States and may become subject to taxation in numerous additional U.S. state and local and non-U.S. jurisdictions with respect to income, operations and subsidiaries related to those jurisdictions. Our after-tax profitability, financial results, and effective tax rates could be subject to volatility or be

affected by numerous factors, including: (a) changes in relevant tax laws, rates, treaties, regulations, accounting and tax standards, or judicial interpretations, possibly with retroactive effect; (b) changes in the composition of operating income by tax jurisdiction; (c) operating losses in jurisdictions where no tax benefit can be recorded; (d) the availability of tax deductions, credits, and other benefits to reduce tax liabilities; (e) changes in the valuation of our deferred tax assets and liabilities, if any; (f) the tax treatment of stock-based compensation; and (g) changes to our intercompany structure and business operations.

Furthermore, we are subject to audits and examinations by taxing authorities who may disagree with our tax positions, including intercompany charges and transfer pricing. The final determination of our tax liabilities involves significant estimates and interpretation of local tax laws, and the resolution of any tax disputes is uncertain. An adverse outcome from an audit, examination, or dispute could result in the assessment of additional taxes and negatively impact our after-tax profitability, financial condition, and operating results.

Risks Related to Ownership of the Common Stock

If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired, which may adversely affect investor confidence in us and, as a result, the market price of the Common Stock.

As a public company, we are required to comply with the Sarbanes-Oxley Act, which requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We continue to refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in filings with the SEC is recorded, processed, summarized and reported within the time periods specified in SEC rules, and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our management, including our principal executive and financial officers.

We will continue to refine our internal control over financial reporting. We will be required to make a formal assessment of the effectiveness of our internal control over financial reporting and once we cease to be an emerging growth company, we will be required to include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. To achieve compliance with these requirements within the prescribed time period, we have been engaging, and will continue to engage, in a process to document and evaluate our internal control over financial reporting. This process is both costly and challenging, and requires us to dedicate significant internal resources. We may also engage outside consultants and hire new employees with the requisite skillset and experience. We have developed a plan to assess and document the adequacy of our internal control over financial reporting, validated through testing that controls are functioning as documented. There is a risk that we will not be able to conclude, within the prescribed time period or at all, that our internal control over financial reporting is effective as required by Section 404 of the Sarbanes-Oxley Act. Moreover, our testing, or the subsequent testing by our independent registered public accounting firm, may reveal additional deficiencies in our internal control over financial reporting that are deemed to be material weaknesses.

Any failure to implement and maintain effective disclosure controls and procedures and internal control over financial reporting, including the identification of one or more material weaknesses, could cause investors to lose confidence in the accuracy and completeness of our financial statements and reports, which would likely adversely affect the market price of the Common Stock. In addition, we could be subject to sanctions or investigations by Nasdaq, the SEC and other regulatory authorities.

The market price of the Common Stock may be volatile, which could cause the value of your investment to decline.

The market price of the Common Stock has been and may continue to be volatile and subject to wide fluctuations depending on a number of factors, including those described in this “Risk Factors” section, many of which are beyond our control and may not be related to our operating performance. These fluctuations could cause you to lose all or part of your investment in the Common Stock. Factors affecting the trading price of the Common Stock may include:

- market conditions in our industry or the broader stock market;
- actual or anticipated fluctuations in our financial and operating results;
- actual or anticipated developments in our business or our competitors’ businesses or the competitive landscape generally;

- the financial projections we may provide to the public, any changes in those projections, or our failure to meet those projections;
- changes in financial estimates prepared by and recommendations provided by securities analysts concerning us or the market in general;
- the perceived success of the acquisitions;
- the public's reaction to our press releases, our other public announcements and our filings with the SEC;
- announced or completed acquisitions of businesses, commercial relationships, products, services or technologies by us or our competitors;
- changes in laws and regulations affecting our business;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- commencement of, or involvement in, litigation involving us;
- changes in our capital structure, such as future issuances of securities or the incurrence of additional debt;
- sales, or anticipated sales, of large blocks of the Common Stock;
- any major change in the composition of the board of directors of DTIC ("the Board") or our management;
- general economic and political conditions such as recessions, interest rates, fuel prices, trade wars, pandemics, currency fluctuations and acts of war or terrorism; and
- other risk factors listed under this "Risk Factors" section.

Broad market and industry factors may materially harm the market price of the Common Stock, regardless of our actual operating performance. The stock markets have, from time to time, experienced significant price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. Stock prices of many companies have fluctuated in a manner often unrelated to the operating performance of those companies. Shareholder activism, which could take many forms or arise in a variety of situations, has been increasing recently. Volatility in the market price of the Common Stock or other reasons may in the future cause us to become the target of securities litigation or shareholder activism. Shareholder activism or securities litigation could give rise to perceived uncertainties regarding the future of our business and it could subject us to substantial costs, divert resources and the attention of management from our business and adversely affect relationships with suppliers and other parties.

Further, although the Common Stock is currently listed on Nasdaq, an active trading market for the Common Stock may not be sustained. Accordingly, if an active trading market for these securities is not maintained, the liquidity of the Common Stock, your ability to sell your shares of the Common Stock when desired and the prices that you may obtain for your shares will be adversely affected.

We may require additional capital to support our operations or the growth of our business, and we cannot be certain that this capital will be available on reasonable terms when required, or at all.

We expect our expenditures to continue to be significant in the foreseeable future as we expand our business, and that our level of expenditures will be significantly affected by the performance of the oil and gas industry. Our future capital requirements may be uncertain and actual capital requirements may be different from those currently anticipated, as we look to expand the size of our business, both in terms of fleet size and geographic scope. We may need to seek equity or debt financing to finance a portion of our capital expenditures. Such financing might not be available to us in a timely manner or on terms that are acceptable, or at all. Our ability to obtain the necessary financing to carry out our business plan is subject to a number of factors, including general market conditions and investor acceptance of our business model. These factors may make the timing, amount, terms and conditions of such financing unattractive or unavailable to us. If we are unable to raise sufficient funds, we may have to significantly reduce our spending, delay or cancel our planned activities or substantially change our corporate structure. We might not be able to obtain any funding, and we might not have sufficient resources to conduct our business as planned, both of which could mean that we would be forced to curtail or discontinue our operations.

As a public company, we will incur significant increased expenses and administrative burdens which could have an adverse effect on our business, financial condition and operating results.

As a publicly-traded company, we will continue to incur significant legal, accounting and other expenses. In addition, new and changing laws, regulations and standards relating to corporate governance and public disclosure for public companies, including the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”), regulations related thereto and the rules and regulations of the United States Securities and Exchange Commission (“SEC”) and the Nasdaq Stock Market, have increased the costs and the time that must be devoted to compliance matters. We expect these rules and regulations will continue to increase our legal and financial costs and lead to a diversion of management time and attention from revenue-generating activities.

We are subject to reporting and other obligations under applicable securities laws, SEC rules and the rules of the Nasdaq Stock Market. These reporting and other obligations place significant demands on our management, administrative, operational and accounting resources. Moreover, any failure to maintain effective internal controls could cause us to fail to meet our reporting obligations or result in material misstatements in our consolidated financial statements. If we cannot provide reliable financial reports or prevent fraud, our reputation and operating results could be materially harmed, which could also cause investors to lose confidence in our reported financial information, which could result in a lower trading price of our common shares.

Our Second Amended and Restated Certificate of Incorporation of DTIC ("Certificate of Incorporation") designates specific courts as the exclusive forum for substantially all stockholder litigation matters, which could limit the ability of our Stockholders to obtain a favorable forum for disputes with us or our directors, officers or employees.

Our Certificate of Incorporation requires, to the fullest extent permitted by law, that derivative actions brought in our name, actions against current or former directors, officers or other employees for breach of fiduciary duty, any action asserting a claim arising pursuant to any provision of the General Corporation Law of the State of Delaware ("DGCL"), our Certificate of Incorporation or Bylaws, any action asserting a claim governed by the internal affairs doctrine of the State of Delaware or any other action asserting an “internal corporate claim” (as defined in Section 115 of the DGCL), confer jurisdiction to the Court of Chancery of the State of Delaware (or, if the Court of Chancery of the State of Delaware does not have jurisdiction, the federal district court for the District of Delaware or other state courts of the State of Delaware), unless we consent in writing to the selection of an alternative forum. This provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. Our Certificate of Incorporation also provides that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. This provision may limit a Stockholder’s ability to bring a claim in a judicial forum that it finds favorable for disputes with us and our directors, officers or other employees and may have the effect of discouraging lawsuits against our directors, officers and other employees. Furthermore, Stockholders may be subject to increased costs to bring these claims, and the exclusive forum provision could have the effect of discouraging claims or limiting investors’ ability to bring claims in a judicial forum that they find favorable.

In addition, the enforceability of similar exclusive forum provisions in other companies’ certificates of incorporation has been challenged in legal proceedings, and it is possible that, in connection with one or more actions or proceedings described above, a court could rule that this provision in our Certificate of Incorporation is inapplicable or unenforceable. In March 2020, the Delaware Supreme Court issued a decision in *Salzberg, et al. v. Sciabacucchi* which found that an exclusive forum provision providing for claims under the Securities Act to be brought in federal court is facially valid under Delaware law. We intend to enforce this provision, but we do not know whether courts in other jurisdictions will agree with this decision or enforce it. If a court were to find the exclusive forum provision contained in our Certificate of Incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, prospects, financial condition and operating results.

Shareholder litigation and regulatory inquiries and investigations are expensive and could harm our business, financial condition and operating results and could divert management attention.

In the past, securities class action litigation and/or shareholder derivative litigation and inquiries or investigations by regulatory authorities have often followed certain significant business transactions, such as the sale of a company or announcement of any other strategic transaction, such as the Merger. Any shareholder litigation and/or regulatory investigations against us, whether or not resolved in our favor, could result in substantial costs and divert our management’s attention from other business concerns, which could adversely affect our business and cash resources and the ultimate value of our securities.

While we have not received demand letters, we may in the future receive demand letters or complaints, from purported holders of the Common Stock regarding certain actions taken in connection with the Merger, the adequacy of the registration statement filed therewith or this Annual Report on Form 10-K. These demand letters or complaints may lead to litigation against our directors and officers in connection with the Merger. Defending against any lawsuits could require us to incur significant costs and draw the attention of our management away from the day-to-day operations of our business.

Past performance by our management team may not be indicative of future performance of an investment in us.

Information regarding performance by, or businesses associated with, our management team, directors, advisors and their respective affiliates is presented for informational purposes only. Past performance by our management team, directors, advisors and such affiliates is not a guarantee of the future success of our business and operations. You should not rely on the historical performance of our management team, directors and advisors or that of their respective affiliates as indicative of our future performance, of an investment in us, or the returns the Common Stock will, or is likely to, generate going forward.

Sales of substantial amounts of Common Stock in the public markets, or the perception that such sales could occur, could reduce the price that the Common Stock might otherwise attain.

Sales of a substantial number of shares of the Common Stock in the public market, or the perception that such sales could occur, could adversely affect the market price of the Common Stock and may make it more difficult for investors to sell their shares of the Common Stock at a time and price that investors deem appropriate.

We may issue additional shares of Common Stock or other equity securities without your approval, which would dilute your ownership interests and may depress the market price of your shares.

We may issue additional shares of Common Stock or other equity securities of equal or senior rank in the future in connection with, among other things, future acquisitions or repayment of outstanding indebtedness, without Stockholder approval, in a number of circumstances. The issuance of additional shares or other equity securities of equal or senior rank could have the following effects:

- existing Stockholders' proportionate ownership interest will decrease;
- the amount of cash available per share, including for payment of dividends in the future, may decrease;
- the relative voting strength of each previously outstanding share of Common Stock may be diminished; and
- the market price of the Common Stock may decline.

We have access to a significant amount of cash and our management has broad discretion over the use of that cash. Our management may use the cash in ways that our Stockholders may not approve.

We have broad discretion over the use of our cash and cash equivalents. You may not agree with our use of such cash and cash equivalents. Our failure to apply these resources effectively could compromise our ability to pursue our growth strategy and we might not be able to yield a significant return, if any, on our investment of these assets. You will not have the opportunity to influence directly our decisions on how to use our cash resources.

Because there are no current plans to pay cash dividends on the Common Stock for the foreseeable future, you may not receive any return on investment unless you sell the Common Stock at a price greater than what you paid for it.

We may retain future earnings, if any, for future operations, expansion, and debt repayment and there are no current plans to pay any cash dividends for the foreseeable future. Any decision to declare and pay dividends in the future will be made by the Board and will depend on, among other things, our results of operations, financial condition, cash requirements, contractual restrictions and other factors that the Board may deem relevant. In addition, our ability to pay dividends may be limited by covenants of any existing and future outstanding indebtedness DTIC or its subsidiaries incur. As a result, you may not receive any return on an investment in Common Stock unless you sell your shares of Common Stock for a price greater than that which you paid for it.

Nasdaq Capital Market ("Nasdaq") may delist the Common Stock from trading, which could limit investors' ability to execute transactions in the Common Stock and subject us to additional trading restrictions.

We cannot assure you that the Common Stock will continue to be listed on Nasdaq. If Nasdaq delists the Common Stock from trading and we are unable to list the Common Stock on another national securities exchange, we expect the Common Stock could be quoted on an over-the-counter market. If this were to occur, we could face significant material adverse consequences, including:

- a limited availability of market quotations for the Common Stock;
- reduced liquidity for the Common Stock;
- a determination that the Common Stock is a “penny stock” which will require brokers trading in the Common Stock to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for the Common Stock;
- a limited amount of news and analyst coverage; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

The National Securities Markets Improvement Act of 1996, which is a federal statute, prevents or preempts the states from regulating the sale of certain securities, which are referred to as “covered securities.” Because the Common Stock is listed on Nasdaq, the Common Stock qualifies as a covered security. Although the states are preempted from regulating the sale of the Common Stock, the federal statute does allow the states to investigate companies if there is a suspicion of fraud, and, if there is a finding of fraudulent activity, then the states can regulate or bar the sale of covered securities in a particular case. Further, if we were no longer listed on Nasdaq, shares of Common Stock would not be covered securities and we would be subject to regulation in each state in which we offer the Common Stock.

If securities or industry analysts do not publish or cease publishing research or reports about us, our business or our market, or if they change their recommendations regarding the Common Stock adversely, the price and trading volume of the Common Stock could decline.

The trading market for the Common Stock will be influenced by the research and reports that industry or securities analysts may publish about us, our business, our market or our competitors. If any of the analysts who cover us change their recommendation regarding our stock adversely, or provide more favorable relative recommendations about our competitors, the price of the Common Stock would likely decline. If an analyst that covers us ceases its coverage or fails to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our stock price or trading volume to decline.

Item 1B. Unresolved Staff Comments.

None.

Item 1C. Cybersecurity

Risk Identification and Management

The Company has a cybersecurity Risk Management Policy in place that governs the life cycle in which cybersecurity risks, including:

- Risk Identification: through various initiatives performed, including, annual assessments, penetration tests, Incident Response tabletop exercises, vulnerability scans, system monitoring activities, and cybersecurity reviews of critical third-party vendor engagements, etc.
- Risk Evaluation & Treatment: Identified issues, vulnerabilities, and exposures are captured within the Company’s Risk Register, which is updated periodically to reflect the most up to date treatment option selected by the Risk Owners.
- Risk Reporting and Ongoing Management: Potentially material risks are shared as part of a monthly Cybersecurity Governance Forum, that’s attended by leadership. Risk Mitigations are tracked to completion through various project updates.

The foundation of the Company's cybersecurity framework is based on written policies that govern different process areas. Risks are identified through various processes that employees perform through their daily operations and are mitigated, managed and/or governed through these established processes.

The Company is not aware of any cybersecurity risks that have materially affected or are reasonably likely to materially affect the Company's business strategy, results of operations or financial condition. However, the Company cannot provide assurance that the Company will not be materially affected in the future by such risks or any future material incidents.

Leveraging the Company's Cybersecurity Risk Management & Governance process, it has identified cybersecurity risk factors that are inherent to the Company's business and industry. The risk factors discussed in this section should be considered together with information included elsewhere in this Annual Report on Form 10-K and should not be considered the only risks to which the Company is exposed. Additionally, mitigation of these risk factors is tracked by management as part of the Cybersecurity Maturity Roadmap.

- Disruptions in the Company's supply chain could result in an adverse impact on results of operations.
- Network compromise or equipment sabotage could impact the operations of the manufacturing or distribution sites which could impact the revenue.
- Cybersecurity incidents, including breaches of confidential information, sensitive data, personal information, or intellectual property could damage the Company's reputation, disrupt operations, increase costs, and impact revenues.
- Nation state attacks due to current geopolitical and economic climate could impact oil and gas industry.

Engagement of Third Parties

The Company uses an IT Managed Service Provider in conjunction with a Cybersecurity Advisory firm to perform various functions, guiding the Company's cybersecurity posture, and providing ongoing support to the Company's cybersecurity program.

The Company has Incident Response retainer services that can be leveraged, when needed.

The Company uses a cybersecurity advisory firm to conduct annual risk assessments and penetration tests.

Use Of Service Providers

As part of its cybersecurity risk-management program, the Company has processes designed to identify and oversee cybersecurity risks related to third-party service providers, including risk-based diligence prior to engagement, the use of contractual information-security protections where appropriate, and ongoing monitoring of material vendor relationships.

Board Oversight of Cybersecurity Matters

The cybersecurity dashboard with roadmap progress is shared with the board of directors regularly, which includes actions completed and any topics that need board awareness / sponsorship such as approval of budgets which include cyber security project initiatives.

An in-depth update regarding cyber security is discussed during quarterly meetings with the Audit Committee. The Audit Committee is ultimately responsible for overseeing management's execution of the Company's cybersecurity risk management program.

The Chief Financial Officer (CFO) and designees are responsible for reviewing and approving the Cybersecurity Risk Management processes, or exceptions to such processes.

External Counsel is consulted on legal matters related to Cybersecurity Risk or Incident Management as deemed necessary by leadership.

Additionally, the Cybersecurity Risk Committee holds periodic Cybersecurity Governance Forums, in which detailed cybersecurity program updates and metrics are reported.

The Company's Chief Financial Officer and VP of Finance are responsible for the oversight and communication of cybersecurity threats and risks to the Company's Board of Directors. They meet regularly with the Board of Directors where a Cybersecurity roadmap progress is shared with the board. The management team members responsible for overseeing cybersecurity risk have relevant experience in information technology, data security, and enterprise risk management gained through their professional roles, including overseeing third-party service providers and implementing policies and controls designed to manage technology-related risks.

Item 2. Properties.

As of December 31, 2025, our two reporting segments operated out of 15 facilities in 13 locations, 12 of which are located in the United States and one of which is located in Canada. Internationally, we operated out of 5 facilities in 4 locations. Our properties are comprised of service centers and manufacturing facilities, 100% of which are leased. Please see the table below for additional information on our properties:

Location	Type	Own/Lease
<i>United States:</i>		
Broussard, LA	Service Center, Manufacturing Facility	Lease
New Iberia, LA	Service Center	Lease
Shreveport, LA	Service Center	Lease
Williston, ND	Service Center	Lease
Oklahoma City, OK	Service Center	Lease
Charleroi, PA	Service Center	Lease
Houston, TX	Service Center, Manufacturing Facility	Lease
Midland, TX ⁽¹⁾	Service Center	Lease
Odessa, TX ⁽¹⁾	Service Center, Manufacturing Facility	Lease
Carlsbad, NM	Service Center	Lease
Casper, WY	Service Center	Lease
Vernal, UT	Service Center	Lease
<i>Canada:</i>		
Nisku, Canada	Service Center	Lease
<i>Middle East:</i>		
Dubai, UAE	Service Center	Lease
<i>United Kingdom:</i>		
Aberdeen, Scotland ⁽¹⁾	Service Center	Lease
<i>Europe:</i>		
Amsterdam, The Netherlands	Support Center	Lease
Wietendorf, Germany	Service Center	Lease
⁽¹⁾ Consists of two facilities		

Item 3. Legal Proceedings.

Due to the nature of our business, we are, from time to time, involved in routine litigation or subject to disputes or claims related to our business activities, including workers' compensation claims and employment related disputes. Although no assurance can be given with respect to the outcome of these or any other pending legal and administrative proceedings and the effect such outcomes may have, in the opinion of our management, there is no pending litigation, dispute or claim against us that, if decided adversely, will have a material adverse effect on our results of operations, financial condition or cash flows. See Note 14, *Commitments and Contingencies*.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

The Common Stock is listed on Nasdaq under the symbol “DTI”. On December 31, 2025, the closing price of the Common Stock was \$2.45 per share. As of December 31, 2025, there were approximately 49 holders of record of Common Stock. Such number does not include beneficial owners holding shares of the Common Stock through nominees or shares held in brokerage accounts.

Dividend Policy

We have not paid any cash dividends on the Common Stock. We currently intend to retain any future earnings and do not expect to pay any dividends in the foreseeable future. Our ability to pay dividends on the Common Stock could be restricted by the terms of the Credit Facility Agreement or the terms of any agreement governing other indebtedness we may incur. Any future determination to declare cash dividends will be made at the discretion of the Board, subject to applicable laws, and will depend on a number of factors, including our financial condition, results of operations, capital requirements, contractual restrictions, general business conditions and other factors that the Board may deem relevant.

Share Repurchase Program

On May 13, 2025, the Company announced a share repurchase program allowing the Company to purchase common stock held by non-affiliates, not to exceed \$10.0 million in aggregate value. Under our repurchase program, shares may be repurchased from time to time in open market transactions or block trades, in privately negotiated transactions or any other method permitted under U.S. securities laws, rules and regulations. The repurchase program does not oblige the Company to purchase any particular amount of shares, and the repurchase program may be suspended or discontinued at any time at the Company's discretion.

The Inflation Reduction Act of 2022 provides for, among other things, the imposition of a 1% U.S. Federal excise tax on certain repurchases of stock by publicly traded U.S. corporations after December 31, 2022. Accordingly, this new excise tax applies to our share repurchase program. For the years ended December 31, 2025, issuances of shares exceeded share repurchases and, as such, there was no excise tax. In future years, the Company could be subject to the excise tax depending on the total shares repurchased in comparison to shares issued.

Issuer Purchases of Equity Securities

The following sets forth information with respect to our repurchase of common stock during the three months ended December 31, 2025:

Period	Total number of shares of Common Stock Purchases	Average price paid per share of Common Stock	Aggregate purchase price of Common Stock repurchases	Remaining aggregate value authorized for repurchase
October 1, 2025 - October 31, 2025	—	—	—	8,847,872
November 1, 2025 - November 30, 2025	—	—	—	8,847,872
December 1, 2025 - December 31, 2025	42,650	2.65	112,900	8,734,971
Total	42,650	\$ 2.65	\$ 112,900	\$ 8,734,971

On May 13, 2025, our board of directors authorized the repurchase of up to \$10.0 million of our common stock. In connection with this authorization, we have entered into a Rule 10b5-1 plan, which, as of December 31, 2025, has resulted in the repurchase of 42,650 shares of our common stock.

During the year ended December 31, 2025, Michael Domino, President, Directional Tool Rentals Division adopted a pre-arranged stock trading plan in accordance with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. The trading plan is intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) and allow for the sale of a specified number of shares of the Company’s common stock over a designated period of time, subject to certain price, timing, and volume conditions.

The plan was adopted during an open trading window in accordance with the Company’s insider trading policy and are further described below:

Name/Title	Date	Type of Arrangement	Nature of Arrangement	Duration	Aggregate number of shares
Michael Domino, President - Directional Tool Rentals Division	5/16/2025	Rule 10b5-1 Trading Plan	Sale of Common Stock	15 months	125,000

During the year ended December 31, 2025, Michael Domino, President - Directional Tool Rentals Division, sold 10,415 shares of common stock pursuant to a pre-arranged trading plan adopted under Rule 10b5-1.

The information relating to our equity compensation plans required by Item 5. “Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities” is incorporated by reference to such information as set forth in Item 12. “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters” contained herein.

Item 6. [Reserved]

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the accompanying consolidated financial statements and related notes. The following discussion contains “forward-looking statements” that reflect our plans, estimates, beliefs and expected performance. Our actual results may differ materially from those anticipated as discussed in these forward-looking statements as a result of a variety of risks and uncertainties, including those described in “Cautionary Statement Regarding Forward-Looking Statements” and “Item 1A. Risk Factors” included elsewhere in this Annual Report, all of which are difficult to predict. In light of these risks, uncertainties and assumptions, the forward-looking events discussed may not occur. We assume no obligation to update any of these forward-looking statements except as otherwise required by law.

Overview

We are a global oilfield services company that designs, engineers, manufactures and provides a differentiated, rental-focused offering of tools for use in onshore and offshore horizontal and directional drilling operations, as well as other cutting-edge solutions across the well life cycle. We operate from 15 locations in North America and 11 international service and support centers in Europe, the Middle East, and Asia-Pacific.

Our revenues are derived from two sources: tool rental and product sales. Tool rental revenues are derived from the rental of tools used in bottom hole assemblies (“BHA”), various wellbore optimization tools, and tubular goods for drilling, workover, and completion operations. Additionally, tool rental revenue consists of the repair and inspection of such tools. Product sale revenues are derived from the sale of target depth technologies, the manufacturing and repair of tools for external customers, and tool recovery revenue. During the years ended December 31, 2025 and 2024, we derived 81% and 76% of total revenues from tool rentals and 19% and 24% from product sales, respectively.

We operate out of 2 reporting segments, split by geography, consisting of the Western Hemisphere operations and the Eastern Hemisphere operations.

Market Factors

See "Item 1. Business" for information on our products and business. Demand for our services and products depends primarily upon the general level of activity in the oil and gas industry, including the number of active drilling rigs, the number of wells drilled, the depth and working pressure of these wells, the number of well completions, the level of well remediation activity, the volume of production and the corresponding capital spending by oil and natural gas companies. Oil and gas activity is in turn heavily influenced by, among other factors, investor sentiment, availability of capital and oil and gas prices locally and worldwide, which have historically been volatile.

Our tool rental revenues are primarily dependent on drilling activity and our ability to gain or maintain market share with a sustainable pricing model.

Our product sales revenues are primarily dependent on oil and gas companies paying for tools that are lost or damaged in their drilling programs as well as the customers need to replace aging or consumable products and our ability to provide competitive pricing.

All of these factors may be influenced by the oil and gas region in which our customers are operating. While these factors may lead to differing revenues, we have generally been able to forecast our product needs and anticipated revenue levels based on historic trends in a given region and with a specific customer.

Recent Developments and Trends

Oil and Natural Gas Prices

The following table summarized average oil and natural gas prices in North America over the indicated periods as well as International and Domestic industry activity levels as reflected by the average number of active onshore drilling rigs during the same periods.

	Year Ended December 31,		Change
	2025	2024	
WTI Oil Price (\$/bbl.) ⁽¹⁾	\$ 65.46	\$ 76.55	-14%
Natural Gas Price (\$/MMBtu) ⁽²⁾	\$ 3.53	\$ 2.19	61%
Western Hemisphere Drilling Rigs ⁽³⁾	867	940	-8%
Eastern Hemisphere Drilling Rigs ⁽³⁾	896	961	-7%

(1) U.S. Energy Information Administration ("EIA") Cushing, OK WTI ("West Texas Intermediate") monthly average spot price per barrel of crude oil.

(2) EIA Henry Hub Natural Gas monthly average spot price per million British Thermal Unit ("MMBtu").

(3) Baker Hughes, includes land and offshore activity and does not include miscellaneous rigs

In the year ended December 31, 2025, the oil and gas market witnessed a dynamic interplay of geopolitical tensions, shifting demand dynamics, and evolving economic factors. U.S. oil production reached record highs, averaging 13.5 million barrels per day, driven by the Permian Basin and offshore developments. However, this surge in supply coincided with an increasing surplus in global oil supply over demand, leading to downward pressure on prices. Crude oil prices experienced declines, specifically WTI, whose monthly average decreased by 14% in 2025 compared to 2024. Despite the high volatility in spot oil prices described above, our customers tend to be more focused on medium-term and long term commodity prices when making investment decisions due to the longer lead times for offshore projects.

In the year ended December 31, 2025, U.S. natural gas prices experienced a notable rebound following the record lows of 2024. The monthly average Henry Hub spot price increased by 61% in 2025 compared to 2024. An increase in demand is expected to outpace any expected growth in U.S. production, leading to a tightening of inventories and supporting higher prices throughout 2025.

Notwithstanding the significant commodity price volatility over the past several years, we have seen decreases in both the Western and Eastern Hemisphere. During the year ended December 31, 2025, the weekly average Western Hemisphere rig count, as reported by Baker Hughes decreased by 8% as compared to the weekly average during the year ended December 31, 2024. Additionally, during the year ended December 31, 2025, the weekly average Eastern Hemisphere rig count, as reported by Baker Hughes decreased by 7% as compared to the weekly average during the year ended December 31, 2024. However, notwithstanding the impact of longer laterals, improved rig efficiencies have partially offset the impact of this reduction.

Inflation and Increased Costs

We are experiencing the impacts of global inflation, both in increased personnel costs and the prices of goods and services required to operate rigs and execute capital projects. While we are currently unable to estimate the ultimate impact of rising prices, we do expect that our costs will continue to rise in the near term and will impact our profitability.

Consolidated Results of Operations

The following discussions relating to significant line items from our consolidated statements of comprehensive income (loss) are based on available information and represent our analysis of significant changes or events that impact the comparability of reported amounts.

We have two operating segments consisting of the Western Hemisphere segment and the Eastern Hemisphere segment. Our results of operations are evaluated by the Chief Executive Officer on a consolidated basis as well as at the segment level. The performance of our operating segments is primarily evaluated based on segment EBITDA (in addition to other measures), which is defined as income before taxes and before interest income (expense), net, other income (expense), net and corporate and other expenses not allocated to the operating segments.

Year Ended December 31, 2025 compared to Year Ended December 31, 2024

	Year Ended December 31,			
	2025	2024	\$ Change	% Change
Revenue, net:				
Western Hemisphere	\$ 148,569	\$ 152,409	\$ (3,840)	-3%
Eastern Hemisphere	23,476	13,206	10,270	78%
Intersegment Revenue	(12,420)	(11,169)	(1,251)	nm
Total revenue, net	159,626	154,446	5,180	3%
Segment EBITDA				
Western Hemisphere	49,494	51,458	(1,964)	-4%
Eastern Hemisphere	533	1,306	(773)	-59%
Total segment EBITDA	50,027	52,764	(2,737)	-5%
Costs and other deductions:				
Corporate and other expenses ¹	13,920	15,504	(1,584)	-10%
Depreciation and amortization expense	27,290	23,832	3,458	15%
Interest expense, net	5,053	3,369	1,684	50%
Gain (loss) on asset disposal	65	(60)	125	nm
Unrealized gain (loss) on equity securities	—	(368)	368	nm
Goodwill impairment	1,901	—	1,901	nm
Other operating and non-operating costs, net	4,654	7,503	(2,849)	-38%
Total costs and other deductions	52,883	49,780	3,103	6%
Income before income taxes	(2,856)	2,984	(5,840)	-196%
Income tax benefit (expense)	(905)	30	(935)	-3117%
Net income (loss)	\$ (3,761)	\$ 3,014	\$ (6,775)	-225%

(1) Corporate and other includes stock compensation expense, monitoring expenses, and unallocated corporate expenses

(2) nm = not meaningful

Western Hemisphere

Western Hemisphere revenue was \$148.6 million for the year ended December 31, 2025, a decrease of \$3.8 million, or 3%, compared to the year ended December 31, 2024. The decrease in revenues was driven by a decrease in tool rental revenue as a result of lower customer activity levels during 2025. Western Hemisphere segment income was \$49.5 million for the year ended December 31, 2025, a decrease of \$2.0 million, or 4%, compared to the year ended December 31, 2024. The decrease was in line with the decrease in revenue and driven by lower customer activity levels in 2025.

Eastern Hemisphere

Eastern Hemisphere revenue was \$23.5 million for the year ended December 31, 2025, an increase of \$10.3 million, or 78% compared to the year ended December 31, 2024. The increase in revenues was driven by the recent acquisitions of tool rental businesses located within the Eastern Hemisphere. Eastern Hemisphere segment income was \$0.5 million for the year ended December 31, 2025, a decrease of \$0.8 million, or 59%, compared to the year ended December 31, 2024. The decrease was driven by increased headcount as a result of the acquisitions and an activity decline seen in the Middle Eastern market.

Corporate and other expenses

Corporate and other expenses was \$13.9 million for the year ended December 31, 2025, a decrease of \$1.5 million, or 15%, compared to the year ended December 31, 2024. The decrease was primarily driven by the reallocation of certain corporate expenses as a result of the recent segment reorganization in January of 2025.

Depreciation and amortization

Depreciation and amortization was \$27.3 million for the year ended December 31, 2025, an increase of \$3.5 million, or 10%, compared to the year ended December 31, 2024. The increase was primarily driven by the addition of Titan Tools property, plant and equipment and intangible assets following the close of the acquisition in January 2025.

Interest expense, net

Interest expense, net was \$5.1 million for the year ended December 31, 2025, an increase of \$1.6 million, or 50%, compared to the year ended December 31, 2024. The increase was primarily driven by a full year of interest on the credit facility compared to a partial year in 2024.

Other operating and non-operating costs, net

Other operating and non-operating costs, net was \$4.7 million for the year ended December 31, 2025, a decrease of \$2.9 million, or 38%, compared to the year ended December 31, 2024. The decrease was driven by a reduction in transaction costs related to the acquisitions occurring in 2024. This decrease was offset by restructuring costs related to the segment reorganization as well as software implementation fees.

Non-GAAP Financial Measures

To supplement our consolidated financial statements, which are prepared and presented in accordance with GAAP, we use certain non-GAAP financial measures, as described below, to understand and evaluate our core operating performance. These non-GAAP financial measures, which may be different than similarly titled measures used by other companies, are presented to enhance investors' overall understanding of our financial performance and should not be considered a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

We use the non-GAAP financial measure Adjusted EBITDA, which is defined as net income (loss); excluding interest income; interest expense; other operating and non-operating expense, net, net; income tax benefit (expense); depreciation and amortization; and certain other non-cash or non-recurring items impacting net income (loss) from time to time. We believe that Adjusted EBITDA helps identify underlying trends in our business that could otherwise be masked by the effect of the expenses that we exclude in Adjusted EBITDA.

These non-GAAP financial measures should not be considered in isolation from, or as substitutes for, financial information prepared in accordance with GAAP. There are a number of limitations related to the use of these non-GAAP financial measures compared to the closest comparable GAAP measure. Some of these limitations are that:

- Adjusted EBITDA excludes certain recurring, non-cash charges such as depreciation of fixed assets and amortization of acquired intangible assets and, although these are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future;
- Adjusted EBITDA excludes income tax benefit (expense).

The following tables present a reconciliation of Adjusted EBITDA to net income for the years ended December 31, 2025 and 2024 (non-recurring transaction expenses recorded to other (income) expense are presented separately within Adjusted EBITDA):

<i>(In thousands)</i>	Year Ended December 31,	
	2025	2024
Net income (loss)	\$ (3,761)	\$ 3,014
Add (deduct):		
Income tax expense	905	(30)
Depreciation and amortization	27,290	23,832
Interest expense, net	5,053	3,369
Stock based compensation	2,464	2,092
Management fees	750	750
Loss (gain) on sale of property	65	(60)
Loss (gain) on remeasurement of previously held equity interest	—	(368)
Goodwill impairment	1,901	—
Transaction expense	1,155	7,036
Other expense, net	3,499	467
Adjusted EBITDA	\$ 39,321	\$ 40,102

Liquidity and Capital Resources

On December 31, 2025 and 2024, we had \$3.6 million and \$6.2 million of cash and cash equivalents, respectively. Our primary sources of liquidity and capital resources are cash on hand, cash flows generated by operating activities and, if necessary, borrowings under the Credit Facility Agreement. We may use additional cash generated to execute strategic acquisitions or for general corporate purposes. We believe that our existing cash on hand, cash generated from operations and available borrowings under the Credit Facility Agreement will be sufficient for at least the next twelve months to meet working capital requirements and anticipated capital expenditures.

Credit Facility Agreement

Reference is made to the disclosure set forth under the heading “Revolving Credit Facility” in Note 19, *Long-Term Debt*, of the notes to the consolidated financial statements included elsewhere in this Report.

Capital Expenditures

Our capital expenditures relate to capital additions or improvements that add to our rental or repair capacity or extend the useful life of our drilling tools and related infrastructure. Also, our capital expenditures relate to the replacement of tools that are lost or damaged by a customer, and such expenditures are funded by a rental tool recovery sale amount paid by the customer. We regularly incur capital expenditures on an on-going basis to (i) increase the size of or maintain our rental tool fleet and equipment, (ii) extend the useful life of our rental tools and equipment and (iii) acquire or upgrade computer hardware and software. The amount of our capital expenditures is influenced by, among other things, demand for our services, recovery of lost or damaged tools, schedules for refurbishing our various rental tools and equipment, cash flow generated by our operations, expected rates of return and cash required for other purposes.

Contractual Obligations and Commitments

Our material contractual obligations arise from leases of facilities and vehicles under non-cancellable operating leases agreements. See Note 14, *Commitments and contingencies*, of the notes to the consolidated financial statements included elsewhere in this Report.

Tax Obligations

We currently have available federal net operating loss carryforwards to offset our federal taxable income, and we expect that these carryforwards will substantially reduce our cash tax payments over the next several years. If we forfeit these carryforwards for any reason or deplete them faster than anticipated, our cash tax obligations could increase substantially. For additional information, see Note 10, *Income Taxes*, of the notes to the consolidated financial statements included elsewhere in this Report.

Cash Flows

The following table sets forth our cash flows for the period indicated:

<i>(In thousands)</i>	Year Ended December 31,	
	2025	2024
Net cash flows from:		
Operating activities	\$ 19,923	\$ 6,058
Investing activities	(13,270)	(53,586)
Financing activities	(9,298)	47,885
Effect of changes in foreign exchange rate	108	(175)
Net increase (decrease) in cash and cash equivalents	<u>\$ (2,537)</u>	<u>\$ 182</u>

Cash Flows (Used In) Provided by Operating Activities

Net cash provided by operating activities for the year ended December 31, 2025 was \$19.9 million, the drivers being a net loss of \$3.7 million, including a decrease in net working capital of \$3.9 million, offset by non-cash add backs of \$27.5 million. We will continue to evaluate our capital requirements for both short-term and long-term liquidity needs, which could be affected by various risks and uncertainties, including, but not limited to, the effects of the current inflationary environment, rising interest rates, and other risks detailed in the section of this Report entitled “Risk Factors.”

Net cash provided by operating activities for the year ended December 31, 2024 was \$6.1 million, the drivers being net income of \$3.0 million, including add backs of non-cash charges totaling \$20.6 million, offset by a decrease in net working capital of \$17.6 million.

Cash Flows (Used In) Provided by Investing Activities

Net cash used in investing activities for the year ended December 31, 2025 was \$13.3 million, resulting from purchases of property, plant, and equipment of \$20.1 million, purchases of intangible assets of \$1.7 million, and the acquisition of Titan for \$5.6 million, partially offset by proceeds from rental tool recovery sales of \$14.2 million.

Net cash used in investing activities for the year ended December 31, 2024 was \$53.6 million, resulting from purchases of property, plant, and equipment of \$22.9 million and multiple business acquisitions totaling \$47.3 million. These outflows were partially offset by proceeds from rental tool recovery sales of \$15.3 million and proceeds from the sale of equity securities of \$1.2 million.

Cash Flows (Used In) Provided by Financing Activities

Net cash used in financing activities for the year ended December 31, 2025 was \$9.3 million, resulting from net debt repayments of \$8.0 million and purchases of treasury stock of \$1.3 million.

Net cash provided by financing activities for the year ended December 31, 2024 was \$47.9 million, resulting from net debt borrowings of \$48.6 million offset by the payment of debt issuance costs of \$0.7 million.

Critical Accounting Estimates and Assumptions

We believe that of our significant accounting policies, which are described in Note 1, *Summary of significant accounting policies*, of our consolidated financial statements included in Item 8 of this Annual Report on Form 10-K, the following accounting policies involve a greater degree of judgment and complexity. Accordingly, we believe these are the most critical to fully understand and evaluate our financial condition and results of operations

Long-Lived Asset Impairment

We evaluate the recoverability of identifiable intangible assets whenever events or changes in circumstances indicate that an intangible asset's carrying amount may not be recoverable. Such circumstances could include, but are not limited to, (1) a significant decrease in the market value of an asset, (2) a significant adverse change in the extent to or manner in which an asset is used, or (3) an accumulation of costs significantly in excess of the amount originally expected for the acquisition of an asset. We measure the carrying amount of the asset against the estimated undiscounted future cash flows associated with it. Should the sum of the expected future net cash flows be less than the carrying value of the asset being evaluated, an impairment loss would be recognized. The impairment loss would be calculated as the amount by which the carrying value of the asset exceeds its fair value. The fair value is measured based on quoted market prices, if available. If quoted market prices are not available, the estimate of fair value is based on various valuation techniques, including the discounted value of estimated future cash flows. The evaluation of asset impairment requires us to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts. See Note 7, *Goodwill* for discussion around the Company's resegmentation and resulting goodwill impairment that occurred during the year ended December 31, 2025.

For property, plant and equipment, events or circumstances indicating possible impairment may include a significant decrease in market value or a significant change in the business climate. An impairment loss is recognized when the carrying amount of an asset exceeds the estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition. The amount of the impairment loss is the excess of the asset's carrying amount over its fair value. For the year ended December 31, 2025 and 2024, management determined that there was no impairment with regard to our property, plant, and equipment.

Goodwill

We use the acquisition method to account for business combinations and, to the extent that the purchase price exceeds the fair value of the net assets acquired, we record goodwill. In accordance with U.S. GAAP, we are required to evaluate our goodwill at least annually. We perform our annual goodwill assessment as of October 31, or more frequently if indicators of impairment exist. Qualitative factors that indicate impairment could include, but are not limited to, (i) macroeconomic conditions, (ii) industry and market considerations, (iii) cost factors, (iv) overall financial performance of the reporting unit, and (v) other relevant entity-specific events. The first step in our annual goodwill assessment is to perform the optional qualitative assessment allowed by *ASC Topic 350 "Intangibles - Goodwill and Other"* (ASC 350). In our qualitative assessment, we evaluate relevant events or circumstances to determine whether it is more likely than not (i.e., greater than 50%) that the fair value of a reporting unit is less than its carrying amount. If we determine that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, ASC 350 requires us to compare the fair value of such reporting unit to its carrying value including goodwill. To determine the fair value of our reporting units, we use multiple valuation techniques including a discounted cash flow analysis, using the applicable weighted average cost of capital, in combination with a market approach that uses market multiples and a selection of guideline public companies. This test requires us to make assumptions about the future growth of our business and the market in general, as well as other variables such as the level of investment in capital expenditure, growth in working capital requirements and the terminal or residual value of our reporting units beyond the periods of estimated annual cash flows. We may use a third-party valuation firm to assist us with this analysis. If the fair value of each reporting unit exceeds its carrying value, no action is required. Otherwise, an impairment loss is recorded to the extent that the carrying amount of the reporting unit including goodwill exceeds the fair value of that reporting unit. We believe the estimates and assumptions used in our impairment assessment are reasonable based on available market information, but variations in any of the assumptions could result in materially different calculations of fair value and determinations of whether or not an impairment is indicated during current or future periods.

Business Combinations

We account for business combinations using the acquisition method of accounting in accordance with ASC 805, Business Combinations. On the acquisition date for a business combination, we allocate the total purchase consideration for the acquisition to the assets acquired and liabilities assumed based on their respective estimated fair values on the acquisition date. Additionally, we identify and attribute fair values and estimated lives to acquired intangible assets. We identify an acquired intangible asset apart from goodwill whenever the intangible asset arises from contractual or other legal rights, or when it can be separately sold, transferred, licensed, rented, or exchanged. We recognize goodwill, if any, in the amount by which the aggregate fair value of the total purchase consideration exceeds the aggregate fair value of the net assets (including intangible assets) acquired.

In determining the fair values of assets acquired (including intangible assets) and liabilities assumed, we utilize a variety of methods. Each asset acquired and liability assumed is measured at fair value from the perspective of a market participant. The methods used to estimate the fair values of intangible assets incorporate significant estimates and assumptions regarding the estimates a market participant would make in order to evaluate an asset, including, but not limited to, a market participant's use of the asset as well as forecasts for cash flows, revenue growth, asset lives, customer attrition rates, royalty rates, income tax rates, and discount rates.

We believe that the estimated fair values assigned to the assets acquired and liabilities assumed are based on reasonable assumptions that a market participant would use. While we use our best estimates and assumptions to value assets acquired and liabilities assumed at the acquisition date, our estimates are inherently uncertain and subject to refinement. The use of different assumptions related to these uncertain factors at acquisition could result in material changes to the amounts initially recorded at acquisition, which could have a material impact on our consolidated financial statements. When appropriate, we engage third-party valuation specialists to assist in determining the fair values of assets acquired and liabilities assumed.

If the initial accounting for a business combination has not been completed by the end of the reporting period in which the business combination occurs, provisional amounts are reported to present information about facts and circumstances that existed as of the acquisition date. We must complete the accounting for each business combination during its measurement period, which cannot exceed one year from the acquisition date. Adjustments made during the measurement period could have a material impact on our consolidated financial statements.

Costs that are directly attributable to business combinations are expensed as incurred within other expenses, net, on the consolidated statements of comprehensive income (loss). The results of operations of acquisitions are included in the consolidated financial statements from the date of acquisition.

Recently Issued and Adopted Accounting Standards

A discussion of recent accounting pronouncements is included in Note 1, *Summary of significant accounting policies*, to the consolidated financial statements included elsewhere in this Report.

JOBS Act Accounting Election

In April 2012, the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), was enacted. Section 107 of the JOBS Act provides that an "emerging growth company" may take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. Therefore, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected to avail ourselves of this extended transition period and, as a result, we will not adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies. In addition, as an emerging growth company, we may take advantage of certain reduced disclosure and other requirements that are otherwise applicable generally to public companies. DTI will take advantage of these exemptions until such earlier time that it is no longer an emerging growth company. DTI would cease to be an emerging growth company on the date that is the earliest of (i) the last day of the fiscal year following the fifth anniversary of the date of the completion of the offering on December 6, 2021; (ii) the last day of the fiscal year in which its total annual gross revenue is equal to or more than \$1.235 billion (iii) the date on which it has issued more than \$1.0 billion in nonconvertible debt during the previous three years or (iv) the date on which it is deemed to be a large accelerated filer under the rules of the Securities and Exchange Commission.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Quantitative and Qualitative Disclosures about Market Risk

Credit risk

Financial instruments which potentially subject us to concentrations of credit risk consist principally of cash and accounts receivable. We maintain cash and cash equivalents with major and reputable financial institutions. Deposits held with these financial institutions may exceed the amount of insurance provided by the Federal Deposit Insurance Corporation and Canadian Deposit Insurance Corporation on such deposits but may be redeemed upon demand. We perform periodic evaluations of the relative credit standing of these financial institutions. With respect to accounts receivable, we monitor the credit quality of our customers as well as maintain an allowance for credit losses for estimated losses resulting from the inability of customers to make required payments.

Concentration risk

During the years ended December 31, 2025 and December 31, 2024, 27% and 28%, respectively, of our total revenue was earned from 2 of our customers. Amounts due from these customers included in accounts receivable at December 31, 2025 and December 31, 2024 were approximately \$6.4 million and \$6.3 million, respectively.

Foreign currency risk

Our customers are primarily located in the United States and Canada, but through the recent acquisitions, this has expanded to include customers located in countries all across the globe. Therefore, foreign exchange risk exposures arise from transactions denominated in currencies other than the U.S. dollar, which is our functional and reporting currency. To date, a majority of our sales have been denominated in United States and Canadian dollars but we expect more sales to be denominated in other foreign currencies as we continue to expand globally. As we expand our presence in international markets, our results of operations and cash flows may increasingly be subject to fluctuations due to changes in foreign currency exchange rates and may be adversely affected in the future due to changes in foreign exchange rates. To date, we have not entered into any hedging arrangements to minimize the impact of these fluctuations in the exchange rates. We will periodically reassess our approach to manage our risk relating to fluctuations in currency rates.

We do not believe that foreign currency risk had a material effect on our business, financial condition, or results of operations during the periods presented.

Inflation Risk

We expect we will continue to experience inflationary pressures on our cost structure for the foreseeable future. However, tightness in overseas freight and transit times from have eased. Nonetheless, we cannot be confident that transit times or input prices will return to the lower levels experienced in prior years. Continued inflation and looming concerns regarding a possible recession weigh on the outlook for oil demand which could in turn negatively impact demand for our goods and services.

Item 8. Financial Statements and Supplementary Data.

**DRILLING TOOLS INTERNATIONAL CORPORATION
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

Report of Independent Registered Public Accounting Firm (PCAOB ID Number 248)

Report of Independent Registered Public Accounting Firm (Predecessor) (PCAOB ID Number 410)

Consolidated Balance Sheets as of December 31, 2025 and 2024

Consolidated Statement of Comprehensive Income (Loss) for the Years Ended December 31, 2025 and 2024

Consolidated Statements of Changes in Shareholders' Equity for the Years Ended December 31, 2025 and 2024

Consolidated Statement of Cash Flows for the Years Ended December 31, 2025 and 2024

Notes to the Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders

Drilling Tools International Corporation

Opinion on the financial statements

We have audited the accompanying consolidated balance sheet of Drilling Tools International Corporation (a Delaware corporation) and subsidiaries (the “Company”) as of December 31, 2025, the related consolidated statements of comprehensive income (loss), changes in shareholders’ equity, and cash flows for the year ended December 31, 2025, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025, and the results of its operations and its cash flows for the year ended December 31, 2025, in conformity with accounting principles generally accepted in the United States of America.

Basis for opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ GRANT THORNTON LLP

We have served as the Company’s auditor since 2025.

Houston, Texas
March 6, 2026

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
Drilling Tools International Corporation

Opinion on the Consolidated Financial Statements

We have audited the consolidated balance sheets of Drilling Tools International Corporation (the “Company”) as of December 31, 2024 and 2023, and the related consolidated statements of income and comprehensive income, changes in redeemable convertible preferred stock and shareholders’ equity and cash flows for each of the two years in the period ended December 31, 2024, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024, and 2023, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

Change in Segments

As discussed in Note 17 to the consolidated financial statements, subsequent to December 31, 2024 the Company determined that it is comprised of two reportable segments. Accordingly, the Company has retrospectively revised its segment disclosures for all periods presented.

Basis for Opinion

These consolidated financial statements are the responsibility of the entity’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ WEAVER AND TIDWELL, L.L.P.

Austin, Texas
March 14, 2025, except for Note 17, as to which the date is March 6, 2026.

We served as the Company's auditor between 2022 and 2025.

CONSOLIDATED BALANCE SHEETS

<i>(In thousands, except share data)</i>	December 31, 2025	December 31, 2024
ASSETS		
Current assets		
Cash	\$ 3,648	\$ 6,185
Accounts receivable, net	37,683	39,606
Related party note receivable, current	1,541	909
Inventories	18,149	17,502
Prepaid expenses and other current assets	3,866	3,874
Total current assets	64,887	68,076
Property, plant and equipment, net	72,602	75,571
Operating lease right-of-use asset	25,181	22,718
Intangible assets, net	39,674	37,232
Goodwill	14,616	12,147
Deferred financing costs, net	468	817
Related party note receivable, less current portion	3,836	4,262
Deposits and other long-term assets	917	1,608
Total assets	<u>\$ 222,181</u>	<u>\$ 222,431</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 9,785	\$ 11,983
Accrued expenses and other current liabilities	10,711	7,864
Current portion of operating lease liabilities	4,335	4,121
Current maturities of long-term debt	5,989	6,995
Total current liabilities	30,820	30,963
Operating lease liabilities, less current portion	21,494	18,765
Revolving line of credit	25,000	27,142
Long-term debt, less current portion	14,827	19,676
Deferred tax liabilities, net	7,167	5,926
Total liabilities	99,308	102,472
Commitments and contingencies (See Note 14)		
Shareholders' equity		
Common stock, \$0.0001 par value, shares authorized 500,000,000 as of December 31, 2025 and December 31, 2024, 35,661,297 issued and outstanding as of December 31, 2025 and 34,704,696 shares issued and outstanding as of December 31, 2024	4	3
Less: Treasury stock at cost, 505,169 and 0 shares as of December 31, 2025 and December 31, 2024, respectively	(1,265)	—
Additional paid-in-capital	130,801	125,415
Accumulated deficit	(7,343)	(3,582)
Accumulated other comprehensive income (loss)	664	(1,877)
Total Drilling Tools International stockholder's equity	122,861	119,959
Non-controlling interest	12	—
Total equity	122,873	119,959
Total liabilities and shareholders' equity	<u>\$ 222,181</u>	<u>\$ 222,431</u>

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

<i>(In thousands, except share and per share data)</i>	Year Ended December 31,	
	2025	2024
Revenue, net:		
Tool rental	\$ 129,562	\$ 117,926
Product sale	30,064	36,520
Total revenue, net	159,626	154,446
Costs and other deductions:		
Cost of tool rental revenue, exclusive of depreciation and amortization	28,911	24,110
Cost of product sale revenue, exclusive of depreciation and amortization	12,369	14,381
Selling, general, and administrative expense	82,239	78,695
Depreciation and amortization expense	27,290	23,832
Interest expense, net	5,053	3,369
Loss (gain) on asset disposal	65	(60)
Loss (gain) on remeasurement of previously held equity interest	—	(368)
Goodwill impairment	1,901	—
Other operating and non-operating expense, net	4,654	7,503
Total costs and other deductions	162,482	151,462
Income (loss) before income tax expense	(2,856)	2,984
Income tax benefit (expense)	(905)	30
Net income (loss)	\$ (3,761)	\$ 3,014
Less: Net income (loss) attributable to non-controlling interest	—	—
Net income (loss) attributable to Drilling Tools International stockholders	\$ (3,761)	\$ 3,014
Basic earnings (loss) per share	<u>\$ (0.11)</u>	<u>\$ 0.09</u>
Diluted earnings (loss) per share	<u>\$ (0.11)</u>	<u>\$ 0.09</u>
Basic weighted-average common shares outstanding	35,533,268	31,938,847
Diluted weighted-average common shares outstanding	35,533,268	32,308,179
Comprehensive income (loss):		
Net income (loss)	\$ (3,761)	\$ 3,014
Foreign currency translation adjustment, net of tax	\$ 2,541	(1,652)
Net income (loss) attributable to non-controlling interest	—	—
Net comprehensive income (loss)	<u><u>\$ (1,220)</u></u>	<u><u>\$ 1,362</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

Common Stock **Treasury Stock**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Year Ended December 31,	
	2025	2024
Cash flows from operating activities:		
Net income (loss)	\$ (3,761)	\$ 3,014
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Depreciation and amortization	27,290	23,832
Amortization of deferred financing costs	349	313
Non-cash lease expense	5,519	5,121
Unrealized loss on currency remeasurement	194	225
Write off of excess and obsolete inventory	797	—
Write off of property and equipment	720	—
Provision (recovery) for credit losses	584	424
Deferred tax expense/(benefit)	(539)	(778)
Loss (gain) on sale of property	59	(60)
Realized loss on equity securities	—	12
Unrealized (gain) loss on equity securities	—	(368)
Gain on sale of lost-in-hole equipment	(11,591)	(10,027)
Stock-based compensation expense	2,464	2,092
Interest income on related party note receivable	(207)	(151)
Goodwill impairment	1,901	—
Changes in operating assets and liabilities:		
Accounts receivable, net	4,026	(4,015)
Prepaid expenses and other current assets	1,993	874
Inventories	953	(4,320)
Operating lease liabilities	(4,871)	(4,832)
Accounts payable	(4,755)	(78)
Accrued expenses and other current liabilities	(1,202)	(5,220)
Net cash flows from operating activities	19,923	6,058
Cash flows from investing activities:		
Acquisition of a business, net of cash acquired	(5,622)	(47,258)
Proceeds from sale of property and equipment	38	79
Purchase of property, plant and equipment	(20,147)	(22,892)
Proceeds from sale of lost-in-hole equipment	14,154	15,253
Proceeds from sale of equity securities	—	1,244
Purchases of intangible assets	(1,693)	(12)
Net cash flows from investing activities	(13,270)	(53,586)
Cash flows from financing activities:		
Investment from non-controlling interest into VIE	12	—
Purchase of treasury stock	(1,265)	—
Payment of deferred financing costs	—	(722)
Proceeds from revolving line of credit	53,341	38,618
Payments on revolving line of credit	(55,483)	(11,476)
Repayment of promissory note	(903)	—
Proceeds from term loan	—	25,000
Payments on term loan	(5,000)	(3,535)
Net cash flows from financing activities	(9,298)	47,885
Effect of Changes in Foreign Exchange Rate	108	(175)
Net Change in Cash	(2,537)	182
Cash at Beginning of Period	6,185	6,003
Cash at End of Period	\$ 3,648	\$ 6,185

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Structure

Drilling Tools International Corporation, a Delaware corporation ("DTIC" or the "Company"), manufactures, rents, inspects, and refurbishes downhole drilling tools primarily to companies in the oil and natural gas industry for bottom hole assemblies used in onshore and offshore horizontal and directional drilling.

On June 20, 2023, a merger transaction between Drilling Tools International Holdings, Inc. ("DTIH"), ROC Energy Acquisition Corp ("ROC"), and ROC Merger Sub, Inc., a directly, wholly owned subsidiary of ROC, was completed (the "Merger"). In connection with the closing of the Merger, ROC changed its name to Drilling Tools International Corporation. The common stock of DTIC ("Common Stock" or the "DTIC Common Stock") commenced trading on the Nasdaq Stock Market LLC ("Nasdaq") under the symbol "DTI" on June 21, 2023.

On March 15, 2024 (the "CTG Acquisition Date"), we entered into a Share Purchase Agreement (the "CTG Share Purchase Agreement") with Casing Technologies Group Limited ("CTG"), certain shareholders of CTG, and a representative of CTG. Pursuant to the terms of the CTG Share Purchase Agreement, the Company acquired one hundred percent (100%) of the shares of CTG (the "CTG Acquisition"), which wholly owns Deep Casing Tools Limited ("Deep Casing"), an energy technology development company, for approximately \$20.9 million. For further details regarding the acquisition, refer to *Note 3 – Business Combinations*.

On March 6, 2024, the Company entered into an agreement and plan of merger (the "Merger Agreement") by and among the Company, Superior Drilling Products, Inc., a Utah corporation ("SDPI"), DTI Merger Sub I, Inc., a Delaware corporation and directly wholly owned subsidiary of the Company ("Merger Sub I"), and Merger DTI Merger Sub II, LLC, a Delaware limited liability company and wholly owned subsidiary of the Company ("Merger Sub II"). In accordance with the terms of the Merger Agreement, the closing of the merger occurred on July 31, 2024 (the "SDPI Closing Date") for total consideration of \$47.9 million. For further details regarding the acquisition, refer to *Note 3 – Business Combinations*.

On October 3, 2024, the Company's wholly owned subsidiary, Drilling Tools International, Inc., entered a Share Purchase Agreement (the "EDP Share Purchase Agreement") with European Drilling Projects B.V. ("EDP"), and the sole shareholder of EDP, to acquire 100% of the shares of EDP. The total purchase price of the acquisition was \$13.9 million. For further details regarding the acquisition, refer to *Note 3 – Business Combinations*.

On January 2, 2025, the Company's wholly owned subsidiary, Drilling Tools International, Inc., completed the acquisition of 100% of the shares of Titan Tools Group Limited ("Titan") for a total consideration of \$10.8 million. For further details regarding the acquisition, refer to *Note 3 – Business Combinations*.

Basis of Presentation

The accompanying consolidated financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") as set forth by the Financial Accounting Standards Board ("FASB") and pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC"). References to US GAAP issued by the FASB in these notes to the accompanying consolidated financial statements are to the FASB Accounting Standards Codification ("ASC") and Accounting Standards Update ("ASU").

During the year ended December 31, 2025, the Company changed the presentation of its consolidated statements of comprehensive income (loss) from a two-step format to a one-step format. Under the previous two-step format, operating income was presented as a subtotal. Under the new one-step format, all revenues are presented, followed by all expenses and losses, including income taxes, without the presentation of intermediate subtotals such as operating income. This change was made to simplify the presentation and enhance comparability with peer companies that use a similar format. The prior period's income statement has been revised to conform to the current year's presentation. This change in format does not affect the recognition, measurement, or classification of individual line items and has no impact on net income or other key financial metrics.

Emerging Growth Company

Section 102(b)(1) of the Jumpstart Our Business Startups Act ("JOBS Act") exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Securities Exchange Act of 1934, as amended) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can

elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The Company has elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard, until such time the Company is no longer considered to be an emerging growth company. At times, the Company may elect to early adopt a new or revised standard. As such, the Company's financial statements may not be comparable to companies that comply with public company effective dates.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses and the disclosure of contingent assets and liabilities in the Company's consolidated financial statements and accompanying notes as of the date of the consolidated financial statements. These estimates and assumptions are based on current facts, historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of expenses that are not readily apparent from other sources. Actual results may differ materially and adversely from these estimates. In the current macroeconomic and business environment affected by the Russia-Ukraine and Israel-Hamas conflicts and inflationary pressures, these estimates require increased judgment and carry a higher degree of variability and volatility. As events continue to evolve and additional information becomes available, these estimates may change materially in future periods.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated on consolidation. Further, the basis of consolidation incorporates the financial statements of our foreign entity, Casing Technologies Group Limited, which operates under UK Generally Accepted Accounting Principles ("UK GAAP"). Those financial statements are translated into U.S. GAAP for consolidation purposes. The translation process adheres to established accounting standards and guidelines to ensure consistency and comparability across our consolidated financial statements. This approach enables us to accurately reflect the financial position, results of operations, and cash flows of our consolidated operations.

Foreign Currency Translations and Transactions

The Company has determined that the functional and reporting currency for its operations across the globe is the functional currency of the Company's international subsidiaries. Accordingly, all foreign balance sheet accounts have been translated into U.S. dollars using the rate of exchange at the respective balance sheet date. Components of the consolidated statements of comprehensive income (loss) have been translated at the average rates during the reporting period. Translation gains and losses are recorded in accumulated other comprehensive income (loss) as a component of stockholders' equity. Gains or losses arising from currency exchange rate fluctuations on transactions denominated in a currency other than the local functional currency are included in other operating and non-operating expenses, net in the accompanying consolidated statements of comprehensive income (loss).

Concentration of Credit Risk

The Company's customer concentration may impact its overall credit risk, either positively or negatively, in that these entities may be similarly affected by changes in economic or other conditions affecting the oil and gas industry.

During the years ended December 31, 2025 and December 31, 2024, 27% and 28%, respectively, of our total revenue was earned from two of our customers. Amounts due from these customers included in accounts receivable at December 31, 2025 and December 31, 2024 were approximately \$6.4 million and \$6.3 million, respectively.

For the years ended December 31, 2025 and December 31, 2024, none of our vendors accounted for more than 10% of total purchases.

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash. The Company maintains accounts in federally insured financial institutions in excess of federally insured limits. Management believes the Company is not exposed to significant credit risk due to the financial position of the depository institutions in which these deposits are held and of the money market funds in which these investments are made.

Business Combinations

The Company applies the acquisition method of accounting for business combinations, which requires us to make use of estimates and judgments to allocate the purchase price paid for acquisitions to the fair value of the assets acquired and liabilities assumed. We account for contingent assets and liabilities at fair value on the acquisition date, and record changes to fair value associated with these assets and liabilities as a period cost as incurred. We use established valuation techniques and engage reputable valuation specialists to assist us with these valuations. We use a reasonable measurement period to record any adjustment related to the opening balance sheet (generally, less than one year). These fair value measurements are considered level 3 fair value measurements. After the measurement period, changes to the opening balance sheet can result in the recognition of income or expense as period costs. To the extent these items stem from contingencies that existed at the balance sheet date, but are contingent upon the realization of future events, the cost is charged to expense at the time the future event becomes known.

Revenue Recognition

The Company recognizes revenue in accordance with Topic 842 (which addresses lease accounting) and Topic 606 (which addresses revenue from contracts with customers). The Company derives its revenue from two revenue types, tool rental services and product sales.

Tool Rental Services

Tool rental services consist of rental services, inspection services, and repair services. Tool rental services are accounted for under Topic 842.

Owned tool rentals represent the most significant revenue type and are governed by the Company's standard rental contract. The Company accounts for such rentals as operating leases. The lease terms are included in the contracts, and the determination of whether the Company's contracts contain leases generally does not require significant assumptions or judgments. Owned tool rentals represent revenue from renting tools that the Company owns. The Company does not generally provide an option for the lessee to purchase the rented equipment at the end of the lease.

The Company recognizes revenues from renting tools on a straight-line basis. The Company's rental contract periods are daily, monthly, or per well. Additionally, the Company has rental contracts that are based on usage, either on a per footage or per well basis. As these types of rental contracts primarily consist of variable lease payments, which are unknown at commencement, revenue is recognized when the changes in the factor on which the contingent lease payments are based occur. When the customer returns the rental equipment and the footage or usage becomes known, the Company recognizes revenue. The Company accrues all known fixed lease payments for rental contracts that also include variable payments, such as those based on usage or per well, when such variable amounts are not reasonably determinable at period end.

As noted above, the Company is unsure of when the customer will return rented drilling tools. As such, the Company cannot provide a maturity analysis of future lease payments as it is unknown when the tool will be returned and what the customer will owe upon return of the tool. The Company's drilling tools are generally rented for short periods of time (significantly less than a year). Lessees do not provide residual value guarantees on rented equipment.

The Company expects to derive significant future benefits from its drilling tools following the end of the rental term. The Company's rentals are generally short-term in nature, and its tools are typically rented for the majority of the time that the Company owns them.

Product Sales

Product sales consist of charges for rented tools that are damaged beyond repair, charges for lost-in-hole, and charges for lost-in-transit while in the care, custody or control of the Company's customers, drill bit manufacturing and refurbishment, and other charges for made to order product sales as well. Product sales are accounted for under Topic 606.

Revenue is recognized when control of promised goods or services is transferred to a customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To determine revenue recognition for its arrangements with customers, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Company accounts for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance, and collectability of consideration is probable. A performance

obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in the revenue standard. The transaction price is measured as consideration specified in a contract with a customer and excludes any sales incentives and taxes or other amounts collected on behalf of third parties. As each of the Company's contracts with customers contain a single performance obligation to provide a product sale, the Company does not have any performance obligations requiring allocation of transaction prices.

The performance obligation for made to order product sales is satisfied and revenue is recognized at a point in time when control of the asset transfers to the customer, which typically occurs upon delivery of the product or when the product is made available to the customer for pickup at the Company's shipping dock. Additionally, pursuant to the contractual terms with the Company's customers, the customer must notify the Company of, and purchase from the Company, any rented tools that are damaged beyond repair, lost-in-hole, or lost-in-transit while in the care, custody or control of the Company's customers. Revenue is recognized for these products at a point in time upon the customer's notification to the Company of the occurrence of one of these noted events.

The Company does not have any revenue expected to be recognized in the future related to remaining performance obligations or contracts with variable consideration related to undelivered performance obligations. There was no revenue recognized in the current period from performance obligations satisfied in previous periods.

Contract Assets and Liabilities

Contract assets represent the Company's rights to consideration for work completed but not billed. As of December 31, 2025 and 2024, the Company had contract assets of \$7.2 million and \$5.4 million, respectively. Contract assets were recorded in accounts receivable, net in the accompanying consolidated balance sheets. The changes in contract assets for the year ended December 31, 2025 and 2024 were as follows (in thousands):

Balance at December 31, 2023	\$	4,157
Revenue recognized from contract assets		55,814
Conversion of contract assets into accounts receivable		(54,522)
Balance at December 31, 2024	\$	5,449
Revenue recognized from contract assets		42,598
Conversion of contract assets into accounts receivable		(40,851)
Balance at December 31, 2025		7,196

Contract liabilities consist of fees invoiced or paid by the Company's customers for which the associated services have not been performed and revenue has not been recognized based on the Company's revenue recognition criteria described above. As of December 31, 2025 and 2024, the Company did not have any contract liabilities.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company did not have any cash equivalents as of December 31, 2025 and 2024.

Accounts Receivable and Allowance for Credit Losses

The Company's accounts receivable consists principally of uncollateralized amounts billed to customers. These receivables are generally due within 30 to 60 days of the period in which the corresponding sales or rentals occur and do not bear interest. They are recorded at net realizable value less an allowance for credit losses and are classified as account receivable, net on the consolidated balance sheets.

The Company considers both current conditions and reasonable and supportable forecasts of future conditions when evaluating expected credit losses for uncollectible receivable balances. In our determination of the allowance for credit losses, we pool receivables by days outstanding and apply an expected credit loss percentage to each pool. The expected credit loss percentage is determined using historical loss data adjusted for current conditions and forecasts of future economic conditions. Current conditions considered include predefined aging criteria, as well as specified events that indicate the balance due is not collectible. Reasonable and supportable forecasts used in determining the probability of future collection consider publicly available macroeconomic data and whether future credit losses are expected to differ from historical losses.

The changes in the allowance for credit losses for the year ended December 31, 2025 and 2024 were as follows (in thousands):

Balance at December 31, 2023	\$	(1,458)
Provisions for expected credit losses		(439)
Utilization of allowance for credit losses		207
Balance at December 31, 2024	\$	(1,690)
Provisions for expected credit losses		(595)
Foreign currency adjustments		(130)
Utilization of allowances for credit losses		213
Balance at December 31, 2025	\$	(2,202)

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by using the specific identification method or the first-in-first-out ("FIFO") method, depending on the type of inventory. Inventory that is obsolete or in excess of forecasted usage is written down to its net realizable value based on assumptions regarding future demand and market conditions. Inventory write-downs are charged to cost of rental revenue and cost of product sale revenue within the operating costs section of the consolidated statements of comprehensive income (loss) and establish a new cost basis for the inventory. Inventory includes raw material, work-in-progress, and finished goods.

Property, Plant and Equipment

Property, plant and equipment purchased by the Company are recorded at cost less accumulated depreciation. Depreciation is recorded using the straight-line method based on the estimated useful lives of the depreciable property or, for leasehold improvements, the remaining term of the lease, whichever is shorter. Assets not yet placed in use are not depreciated.

Property, plant and equipment acquired as part of a business acquisition is recorded at acquisition date fair value.

The cost of refurbishments and renewals are capitalized when the value of the property, plant or equipment is enhanced for an extended period. Expenditures to maintain and repair property, plant and equipment, which do not improve or extend the life of the related assets, are charged to operations when incurred. When property, plant and equipment is retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in operations.

Impairment of Long-Lived Assets

Long-lived assets with finite lives include property, plant and equipment, operating lease right of use assets, and acquired intangible assets. The Company evaluates long-lived assets, including acquired intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverability of assets held and used is measured by comparison of the carrying amount of an asset or an asset group to estimated undiscounted future net cash flows expected to be generated by the asset or asset group. If the carrying amount of an asset exceeds these estimated future cash flows, an impairment charge is recognized by the amount for which the carrying amount of the assets exceeds the fair value of the asset or asset group.

For the year ended December 31, 2025, management determined that there were no triggering events necessitating impairment testing of long-lived assets.

Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets and current operating lease liabilities and operating lease liabilities, net of current portion on the consolidated balance sheets. The Company recognizes lease expense for its operating leases on a straight-line basis over the term of the lease.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from a lease. ROU assets and operating lease liabilities are recognized at the commencement date based on the present value of the future minimum lease payments over the lease term. Operating lease ROU assets also include the impact of any lease incentives. An amendment to a lease is assessed to determine if it represents a lease modification or a separate contract. Lease modifications are reassessed as of the effective date of the modification using an incremental borrowing rate based on the information available at the commencement date. For modified leases the Company also reassesses the lease classification as of the effective date of the modification.

The interest rate used to determine the present value of the future lease payments is the Company's incremental borrowing rate because the interest rate implicit in the Company's leases is not readily determinable. The incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in economic environments where the leased asset is located.

The Company's lease terms include periods under options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option in the measurement of its ROU assets and liabilities. The Company considers contractual-based factors such as the nature and terms of the renewal or termination, asset-based factors such as physical location of the asset and entity-based factors such as the importance of the leased asset to the Company's operations to determine the lease term. The Company generally uses the base, noncancelable, lease term when determining the ROU assets and lease liabilities. The right-of-use asset is tested for impairment in accordance with ASC Topic 360, *Property, Plant, and Equipment*.

Lessor Accounting

Our leased equipment primarily consists of rental tools and equipment. Our agreements with our customers for rental equipment contain an operating lease component under ASC 842 because (i) there are identified assets, (ii) the customer has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use and (iii) the customer directs the use of the identified assets throughout the period of use.

Our lease contract periods are daily, monthly, per well or based on footage. Lease revenue is recognized on a straight-line basis based on these rates. We do not provide an option for the lessee to purchase the rented tools at the end of the lease and the lessees do not provide residual value guarantees on the rented assets.

We recognized operating lease revenue within "Tool rental" on the consolidated statements of comprehensive income (loss).

Intangibles

Intangible assets with finite useful lives include customer relationships, trade name, patents, non-compete agreements and a supply agreement. These intangible assets are amortized either on a straight-line basis over the asset's estimated useful life or on a basis that reflects the pattern in which the economic benefits of the intangible are realized.

Goodwill

Goodwill represents the excess of purchase price paid over the fair value of the net assets of acquired businesses. We evaluate Goodwill at least annually for impairment. Goodwill is considered impaired if the carrying amount of the reporting unit exceeds its estimated fair value. To align with our change in reporting segments and reporting units referenced in *Note 7 – Goodwill*, the Company has changed its annual goodwill impairment assessment date from December 31 to October 31 starting in 2025. This change will not have a material impact on the annual assessment. We first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the goodwill impairment test. If the qualitative assessment indicates that it is more likely than not that the fair value of the reporting unit is less than its carrying amount or we elect not to perform a qualitative assessment, the quantitative assessment of goodwill test is performed. The goodwill impairment test is also performed whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If it is necessary to perform the quantitative assessment to determine if our goodwill is impaired, we will utilize a discounted cash flow analysis using management's projections that are subject to various risks and uncertainties of revenues, expenses and cash flows as well as assumptions regarding discount rates, terminal value and control premiums. Estimates of future cash flows and fair value are highly subjective and inherently imprecise. These estimates can change materially from period to period based on many factors. Accordingly, if conditions change in the future, we may record impairment losses, which could be material to any particular reporting period. Refer to *Note 7, Goodwill* for discussion around segment realignment and the Company's impairment analysis during the year ended December 31, 2025. Management concluded that there was no additional impairment of goodwill in the annual testing performed as of October 31, 2025.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There is a hierarchy based upon the transparency of inputs used in the valuation of an asset or liability. Classification within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The valuation hierarchy contains three levels:

Level 1 – Valuation inputs are unadjusted quoted market prices for identical assets or liabilities in active markets.

Level 2 – Valuation inputs are quoted prices for identical assets or liabilities in markets that are not active, quoted market prices for similar assets and liabilities in active markets and other observable inputs directly or indirectly related to the assets or liabilities being measured.

Level 3 – Valuation inputs are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

In determining the appropriate levels, the Company performs a detailed analysis of the assets and liabilities that are measured and reported on a fair value basis. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. The valuation of assets and liabilities recognized in business combinations are considered level 3 fair value measurements on the closing date of the acquisition. These assets and liabilities are not remeasured at each reporting period.

As of December 31, 2025 and 2024, the Company did not have any Level 1, 2 or Level 3 assets or liabilities.

Fair Value of Financial Instruments

The Company's financial instruments consist primarily of cash, accounts receivable, and accounts payable. The carrying amount of such instruments approximates fair value due to their short-term nature. Additionally, the Company carries long-term debt at its amortized cost, which approximates fair value.

Cost of Revenue

The Company recorded all operating costs associated with its product sales and tool rental revenue streams in cost of product sale revenue and cost of tool rental revenue, respectively, in the consolidated statements of comprehensive income (loss). All indirect operating costs, including labor, freight, contract labor and others, are included in selling, general, and administrative expense in the consolidated statements of comprehensive income (loss).

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with ASC 718, Compensation—Stock Compensation ("ASC 718"). ASC 718 requires that the cost of awards of equity instruments offered in exchange for employee services, including employee stock options and restricted stock awards, be measured based on the grant-date fair value of the award. The Company determines the fair value of stock options granted using the Black-Scholes- Merton option-pricing model ("Black-Scholes model") and recognizes the cost over the period during which an employee is required to provide service in exchange for the award, generally the vesting period, with forfeitures accounted for as they occur.

For restricted stock units, the grant date fair value is determined based on quoted market price for the Company's common stock as of the grant date and the grant date fair value of the awards are recognized as compensation cost as awards vest over the requisite service period.

Treasury Stock

The Company uses the cost method to record treasury stock purchases whereby the entire cost of the acquired shares of our common stock is recorded as treasury stock (at cost). When we subsequently reissue these shares, proceeds in excess of cost upon the issuance of treasury shares are credited to additional paid-in-capital, while any deficiency is charged to retained earnings.

Non-controlling Interest

When the Company holds an equity method investment in a Variable Interest Entity ("VIE") and is determined to be the primary beneficiary, the VIE is consolidated in accordance with ASC 810, Consolidation. Upon consolidation, any equity interests in the VIE not held by the Company are presented as non-controlling interests in the consolidated financial statements. The non-controlling interest represents the portion of the VIE's net assets and net income attributable to other equity holders. The Company reassesses its status as the primary beneficiary of the VIE on an ongoing basis and adjusts the non-controlling interest accordingly. Changes in ownership interests that do not result in a loss of control are accounted for as equity transactions.

Earnings Per Share

Basic earnings per share is computed by dividing the net income (loss) by the weighted-average number of common shares outstanding for the period. Diluted earnings is computed by adjusting net income (loss) to reallocate undistributed earnings based on the potential impact of dilutive securities. Diluted earnings per share is computed by dividing the diluted net income (loss) by the weighted-average number of common shares outstanding for the period, including potential dilutive common stock. For the purposes of this calculation, outstanding stock options and restricted stock units are considered potential dilutive common stock and are excluded from the computation of net loss per share if their effect is anti-dilutive.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the consolidated financial statements and consist of taxes currently due plus deferred taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income tax expense represents the change during the period in the deferred tax assets and liabilities.

The Company is subject to state income taxes in various jurisdictions.

The Company follows guidance issued by the FASB in accounting for uncertainty in income taxes. This guidance clarifies the accounting for income taxes by prescribing the minimum recognition threshold an income tax position is required to meet before being recognized in the consolidated financial statements and applies to all income tax positions. Each income tax position is assessed using a two-step process. A determination is first made as to whether it is more likely than not that the income tax position will be sustained, based upon technical merits and upon examination by the taxing authorities. If the income tax position is expected to meet the more likely than not criteria, the benefit recorded in the consolidated financial statements equals the largest amount that is greater than 50% likely to be realized upon its ultimate settlement. The Company has no uncertain tax positions at December 31, 2025 and 2024. The Company believes there are no tax positions taken or expected to be taken that would significantly increase or decrease unrecognized tax benefits within twelve months of the reporting date.

The Company records income tax related interest and penalties, if applicable, as a component of the provision for income tax expense. However, there were no amounts recognized relating to interest and penalties in the consolidated statements of comprehensive income (loss) for the year ended December 31, 2025 and 2024.

Reportable Segments

Reportable segments are identified as components of an enterprise about which discrete financial information is available for evaluation by the chief operating decision-maker ("CODM") in deciding resource allocation and assessing performance. The Company's Chief Executive Officer is the CODM. The Company's CODM reviews financial information presented for each reportable segment for the purposes of making operations decisions, allocating resources and evaluating financial performance.

Restructuring

The Company recognizes restructuring charges in accordance with ASC 420, Exit or Disposal Cost Obligations. Restructuring costs primarily include severance and other employee-related termination benefits, as well as reorganization costs associated with strategic

initiatives to streamline operations or reduce overhead. These costs are recognized when a formal plan has been approved, communicated to affected employees, and the obligation is probable and reasonably estimable.

Recent Accounting Pronouncements

In December 2023, FASB issued Accounting Standard Update (“ASU”) 2023-09, Income Taxes (Topic 740) – Improvements to Income Tax Disclosures, which requires enhanced income tax disclosures that reflect how operations and related tax risks, as well as how tax planning and operational opportunities, affect the tax rate and prospects for future cash flows. This standard is effective for the Company beginning January 1, 2025, with early adoption permitted. The Company adopted this standard prospectively. Refer to *Note 10 - Income Taxes* for the required income tax disclosures.

In November 2024, FASB issued ASU 2024-03, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40), which requires disclosure of specific information about costs and expenses within relevant expense captions on the face of the income statement, qualitative descriptions for expense captions not specifically disaggregated quantitatively, and the total amount and definition of selling expenses for interim and annual reporting periods. This standard is effective for the Company’s annual reporting period beginning January 1, 2027, and interim reporting periods beginning January 1, 2028. Early adoption is permitted. The Company is currently evaluating the effects of adopting this new accounting guidance.

NOTE 2 - VARIABLE INTEREST ENTITY AND JOINT VENTURE ARRANGEMENT

On May 22, 2025, the Company, through its wholly owned subsidiary DTI Canada 1, LLC, entered into a Joint Venture and Shareholders’ Agreement with Upstream Energy SDN. BHD. (“Upstream Energy”), a Malaysian entity, to form Drilling Tools International SDN. BHD. (“DTI Malaysia”), a Malaysian corporation. The purpose of DTI Malaysia is to expand the Company’s geographic footprint to serve a broader customer base in the Asia-Pacific market.

Under the terms of the agreement, the Company contributed \$11.6 thousand and Upstream Energy contributed \$12.1 thousand to the initial share capital of \$23.7 thousand, resulting in ownership interests of 49% and 51%, respectively. Despite holding a minority equity interest, the Company was appointed as the sole manager of DTI Malaysia under a separate Management Agreement, granting it full operational and financial control over the entity.

DTI Malaysia is considered a variable interest entity (“VIE”) under ASC 810 due to the disproportionality between DTI’s voting interest and its control and economic exposure. DTI has the power to direct the activities that most significantly impact the economic performance of DTI Malaysia and is entitled to receive substantially all the economic returns from its operations. As such, DTI is the primary beneficiary of DTI Malaysia and consolidates its financial results.

DTI consolidates 100% of DTI Malaysia’s assets, liabilities, revenues, and expenses. The portion of net assets and net income attributable to Upstream Energy is presented as a noncontrolling interest in the Company’s consolidated financial statements. There are no assets of DTI Malaysia that can be used only to settle its obligations nor are there liabilities for which creditors do not have recourse to the general credit of DTI.

NOTE 3 - BUSINESS COMBINATIONS

Acquisition of CTG

On March 15, 2024, the Company’s wholly owned subsidiary, Drilling Tools International, Inc., entered into and consummated the Share Purchase Agreement with CTG, the shareholders of CTG, and a representative of CTG, to acquire 100% of the shares of CTG for a gross cash purchase consideration of \$20.9 million. CTG is incorporated in the United Kingdom and is the holding company of its wholly owned subsidiary, Deep Casing. Deep Casing specializes in the design, engineering, and manufacturing of a range of patented and innovative products for well construction, well completion, and casing installation processes for the global oil and gas sector. The CTG Acquisition allows the Company to further expand its geographical presence globally, especially in the Middle East,

provides accretive earnings to consolidated results of operations, and expands the Company's portfolio of intellectual property rights, through the acquisition of over 60 patents.

The acquisition of CTG has been accounted for as a business combination in accordance with ASC 805, *Business Combinations*. The Company has been treated as the accounting acquirer. Accordingly, CTG's tangible and identifiable intangible assets acquired and its liabilities assumed were recorded at their estimated fair values on the closing date.

The allocation of the purchase is as follows:

Assets	Preliminary March 15, 2024	Measurement Period Adjustments	As adjusted March 15, 2024
Cash	\$ 2,674	\$ —	\$ 2,674
Accounts receivable, net	3,781	—	3,781
Inventories	4,282	—	4,282
Prepaid expenses and other current assets	189	—	189
Property, plant and equipment, net	1,647	—	1,647
Operating lease right-of-use asset	315	—	315
Intangible assets, net	8,065	—	8,065
Goodwill	2,618	526	3,144
Total assets acquired	\$ 23,571	\$ 526	\$ 24,097
Liabilities			
Accounts payable	2,656	—	2,656
Accrued expenses and other current liabilities	(295)	526	231
Current portion of operating lease liabilities	95	—	95
Operating lease liabilities, less current portion	180	—	180
Total liabilities assumed	\$ 2,636	\$ 526	\$ 3,162
Total consideration transferred	\$ 20,935	\$ —	\$ 20,935

The excess of the purchase price over the fair values of the net identifiable tangible and intangible assets acquired has been assigned to goodwill. Goodwill represents the future benefits as a result of the acquisition that will enhance the services available to both new and existing customers and increase the Company's competitive position. Goodwill will be evaluated for impairment at least annually. Goodwill attributable to the CTG Acquisition is not deductible for tax purposes. As of March 15, 2025, the Company is complete with the process of allocating the purchase price and valuing the acquired assets and liabilities assumed.

The Company incurred acquisition-related costs of \$1.6 million during the year ended December 31, 2024, which are included in other operating and non-operating expenses in the consolidated statement of comprehensive income (loss).

Acquisition of Superior Drilling Products, Inc.

On March 6, 2024, the Company entered into the Merger Agreement by and among the Company, SDPI, Merger Sub, Merger Sub II, pursuant to the First Merger, with SDPI surviving as a wholly owned subsidiary of DTI and upon the effective time of the First Merger, SDPI, as the surviving corporation of the First Merger, merged with and into Merger Sub II, with Merger Sub II surviving as a wholly owned subsidiary of the Company. In accordance with the terms of the Merger Agreement, the closing of the merger occurred on July 31, 2024.

SDPI is an innovative drilling and completion tool technology company providing cost saving solutions that drive production efficiencies for the oil and natural gas drilling industry. In addition, SDPI is a manufacturer and refurbisher of polycrystalline diamond compact drill bits for leading oil field services companies. The acquisition furthers the Company's growth strategy as a premier provider of technologically differentiated solutions and services for the global oil & gas drilling industry. The SDPI acquisition allows the company to vertically integrate around our proven and successful Drill-N-Ream® tool, gain global rights to run this tool, continue the Vernal, Utah bit repair business supporting major OEMs of PDC drill bits, and leverage their high-spec machine shop. In addition, we acquired over 30 patents and patents pending, the majority of which have been granted.

The acquisition of SDPI has been accounted for as a business combination in accordance with ASC 805, *Business Combinations*. The Company has been treated as the accounting acquirer. Accordingly, SDPI's tangible and identifiable intangible assets acquired and its liabilities assumed were recorded at their estimated fair values on the closing date.

The allocation of the purchase is as follows (in thousands):

Assets acquired:	
Cash	\$ 1,726
Accounts receivable, net	1,239
Related party note receivable, current	1,231
Inventories	2,800
Prepaid expenses and other current assets	573
Property, plant and equipment, net	10,213
Related party note receivable, noncurrent	4,193
Operating lease right-of-use asset	2,662
Intangible assets, net	22,850
Deposits and other long-term assets	200
Total assets acquired	47,687
Liabilities assumed:	
Accounts payable	370
Current portion of operating lease liabilities	147
Accrued expenses and other current liabilities	1,804
Deferred tax liabilities, net	881
Deferred income	675
Operating lease liabilities, less current portion	2,368
Total liabilities assumed	6,245
Total identifiable net assets	41,442
Goodwill	7,718
Total net assets acquired and goodwill	\$ 49,160

The excess of the fair value of the consideration transferred and the fair value of DTI's previously held investment in SDPI over the fair values of the net identifiable tangible and intangible assets acquired has been assigned to goodwill. Goodwill represents the future benefits as a result of the acquisition that will enhance the services available to both new and existing customers and increase the Company's competitive position. Goodwill will be evaluated for impairment at least annually. Goodwill attributable to the acquisition of SDPI is not deductible for tax purposes. As of July 31, 2025, the Company is complete with the process of allocating the purchase price and valuing the acquired assets and liabilities assumed.

The Company incurred acquisition-related costs of \$3.4 million during the year ended December 31, 2024, which are included in other operating and non-operating expense, net in the consolidated statements of comprehensive income (loss).

Acquisition of European Drilling Projects B.V.

On September 30, 2024, the Company's wholly owned subsidiary, Drilling Tools International, Inc., entered the Share Purchase Agreement with European Drilling Projects B.V. ("EDP"), and the sole shareholder of EDP, to acquire 100% of the shares of EDP. European Drilling Products is a global provider of next-generation stabilizers, specialty reamers, and wellbore optimization technology for the drilling industry. EDP designs and manufactures bespoke drilling equipment tailored to address specific industry challenges. The integration of EDP's expertise aligns seamlessly with DTI's international growth strategy and commitment to technological differentiation.

In accordance with the terms of the Merger Agreement, the closing of the acquisition occurred on October 3, 2024 (the "EDP Closing Date" or "EDP Closing") for total consideration of \$13.9 million, including a Promissory Note payable to parent company of EDP for \$5.2 million. On April 22, 2025, the First Amendment to the Promissory Note was entered into, reducing the balance owed on the Promissory Note by \$0.3 million. As the amendment was signed within a year of the acquisition date of September 30, 2024 and related to additional information about matters which existed as of the acquisition date, the Company accounted for the amendment as a measurement period adjustment. Please refer to the table below for the impact of the reduction. Refer to *Note 9 - Long-Term Debt* for further information regarding the Promissory Note.

The acquisition of EDP has been accounted for as a business combination in accordance with ASC 805, *Business Combinations*. The Company has been treated as the accounting acquirer. Accordingly, EDP's tangible and identifiable intangible assets acquired and its liabilities assumed were recorded at their estimated fair values on the closing date.

The allocation of the purchase is as follows (in thousands):

	September 30, 2024	Measurement Period Adjustments	As adjusted September 30, 2024
Assets acquired:			
Cash	\$ 79	—	\$ 79
Accounts receivable	1,451	—	1,451
Prepays and other current assets	42	—	42
Property, plant and equipment	3,176	—	3,176
Operating lease right-of-use asset	325	—	325
Deferred tax assets	883	(28)	855
Intangible assets	8,197	—	8,197
Total assets acquired	14,153	(28)	14,125
Liabilities assumed:			
Accounts payable	428	—	428
Accrued expenses and other current liabilities	1,014	—	876
Operating lease liabilities, less current portion	325	—	325
Deferred tax liabilities, net	2	1,908	1,910
Total liabilities assumed	1,769	1,908	3,539
Total identifiable net assets	12,384	(1,936)	10,586
Goodwill	1,516	1,670	3,186
Total net assets acquired and goodwill	\$ 13,900	\$ (266)	\$ 13,634

The excess of the fair value of the consideration transferred over the fair values of the net identifiable tangible and intangible assets acquired has been assigned to goodwill. Goodwill represents the future benefits of acquiring EDP as the acquisition not only enhances DTI's competitive edge, but also reinforces its position as a leader in providing innovative drilling solutions to the global oil and gas industry. Goodwill will be evaluated for impairment at least annually. Goodwill attributable to the acquisition of EDP is not deductible for tax purposes. As of September 30, 2025, the Company is complete with the process of allocating the purchase price and valuing the acquired assets and liabilities assumed.

The Company incurred acquisition-related costs of \$1.0 million during year ended December 31, 2024, which is included in other expense, net in the consolidated statements of comprehensive income (loss).

Titan Tools Group Limited

On January 2, 2025, the Company's wholly owned subsidiary, Drilling Tools International, Inc., completed the acquisition of 100% of the shares of Titan Tools Group Limited ("Titan"). Titan is a full-service, down-hole tool rental company for land and offshore operations focused on wellbore construction rental items for both traditional hydrocarbon extraction and geothermal industries. Titan's primary operations are located in the United Kingdom, Europe, and Africa.

In accordance with the terms of the acquisition, the closing of the acquisition occurred on January 2, 2025 (the "Titan Closing Date" or "Titan Closing") for total consideration of \$10.8 million. The consideration for the acquisition of \$10.8 million is comprised of the following items (in thousands):

Cash paid to Titan shareholders	\$ 6,002
Titan transaction costs to be paid by DTI	175
Closing date equity consideration ⁽¹⁾	2,922
Effective settlement of preexisting relationship between DTI and Titan ⁽²⁾	1,675
Fair value of consideration transferred	\$ 10,774

(1) Represents the value, as of the Titan Closing Date, of the DTI common stock transferred as purchase consideration.

(2) Represents the effective settlement of DTI's accounts receivable from Titan and DTI's accounts payable to Titan as Titan and DTI were customers of each other prior to the Titan Closing.

The acquisition of Titan has been accounted for as a business combination in accordance with ASC 805, Business Combinations (“ASC 805”). Drilling Tools International, Inc. has been treated as the accounting acquirer. Accordingly, Titan’s tangible and identifiable intangible assets acquired, and its liabilities assumed were recorded at their estimated fair values on the closing date. The purchase price allocation for the acquisition is considered final as of December 31, 2025.

The allocation of the purchase price is as follows (in thousands):

Assets acquired:

Cash	\$	559
Accounts receivable, net		3,670
Inventories		658
Prepaid expenses and other current assets		93
Property, plant and equipment, net		3,927
Operating lease right-of-use asset		919
Intangible assets, net		2,657
Total assets acquired		12,484

Liabilities assumed:

Accounts payable		1,090
Operating lease liabilities, current		226
Accrued expenses and other current liabilities		1,965
Operating lease liabilities, less current portion		694
Deferred tax liabilities, net		71
Total liabilities assumed		4,045
Total identifiable net assets		8,439
Goodwill		2,335
Total net assets acquired and goodwill	\$	10,774

The excess of the fair value of the consideration transferred over the fair values of the net identifiable tangible and intangible assets acquired has been assigned to goodwill. Goodwill represents the future benefits of acquiring Titan as the acquisition not only enhances DTI’s competitive edge, but also reinforces its position as a leader in providing innovative drilling solutions to the global oil and gas industry. Goodwill attributable to the acquisition of Titan is not deductible for tax purposes.

The following table sets forth the amounts allocated to the identified intangible assets, the estimated useful lives of those intangible assets as of the Titan Closing Date, and the methodologies used to determine the fair values of those intangible assets (in thousands):

	Fair value	Useful life (in years)	Fair value methodology
Customer relationship	\$ 2,671	25	Multi-period Excess Earnings Method
Total intangible assets	<u>\$ 2,671</u>		

The intangible assets acquired are expected to be amortized over their useful lives on a straight-line basis.

The Company incurred acquisition-related costs of \$0.6 million and \$0.6 million, respectively, during the years ended December 31, 2025 and 2024, which is included in other operating and non-operating expenses, net in the consolidated statements of comprehensive income (loss).

NOTE 4 – BALANCE SHEET DETAILS - CURRENT ASSETS AND CURRENT LIABILITIES

Inventories

The following table shows the components of inventory (in thousands):

	December 31, 2025	December 31, 2024
Raw materials	\$ 14,281	\$ 12,777
Work in progress	672	1,828
Finished goods	3,196	2,897
Inventories	18,149	17,502

Prepaid expenses and other current assets

The following table shows the components of prepaid expenses and other current assets (in thousands):

	December 31, 2025	December 31, 2024
Prepaid expenses:		
Deposits on inventory	\$ 1,020	\$ 551
Prepaid income tax	—	1,293
Prepaid insurance	891	958
Prepaid rent	445	449
Prepaid equipment	—	263
Prepaid other	334	361
Other current assets:		
Income tax receivable	1,176	—
Total	\$ 3,866	\$ 3,874

Accrued expenses and other current liabilities

The following table shows the components of accrued expenses and other current liabilities (in thousands):

	December 31, 2025	December 31, 2024
Accrued expenses:		
Accrued compensation and related benefits	\$ 5,662	\$ 4,497
Accrued insurance	616	645
Accrued professional services	210	253
Accrued inventory and property, plant, and equipment purchases	1,014	—
Accrued interest	493	416
Accrued property taxes	86	44
Accrued monitoring fee	504	373
Other	991	264
Other current liabilities:		
Income tax payable	—	459
Sales tax payable	276	229
Unbilled lost-in-hole revenue	137	9
Deferred income	722	675
Total accrued expenses and other current liabilities	\$ 10,711	\$ 7,864

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT, NET

The following table shows the component of property, plant and equipment, net (in thousands):

	Estimated Useful Lives (in Years)	December 31, 2025	December 31, 2024
Rental tools and equipment	5-10	\$ 215,596	\$ 205,939
Buildings and improvements	5-40	7,876	7,074
Office furniture, fixtures and equipment	3-5	3,153	2,507
Transportation and equipment	3-5	691	715
Total property, plant and equipment		227,317	216,234
Less: accumulated depreciation		(156,382)	(142,203)
Property, plant and equipment, net (excluding construction in progress)		70,935	74,031
Construction in progress		1,667	1,540
Property, plant and equipment, net		\$ 72,602	\$ 75,571

Total depreciation expense for the year ended December 31, 2025 and December 31, 2024 was approximately \$24.6 million and \$21.5 million, respectively. The Company has not acquired any property, plant and equipment under capital leases.

NOTE 6 - INTANGIBLE ASSETS, NET

The following table shows the components of intangible assets, net (in thousands):

	Weighted-average remaining amortization period (in years)	December 31 , 2025	December 31 , 2024
Trade name	14.0	\$ 2,050	\$ 3,184
Developed technology	14.3	18,609	15,438
Customer relationships	19.4	24,180	21,081
Patents	11.8	12	11
Total intangible assets		44,850	39,714
Less: accumulated amortization		(5,176)	(2,482)
Intangible assets, net		\$ 39,674	\$ 37,232

Total amortization expense for the year ended December 31, 2025 and December 31, 2024 was approximately \$2.7 million and \$1.2 million, respectively.

NOTE 7 - GOODWILL

The change in carrying amount of goodwill for the years ended December 31, 2024 was as follows (in thousands):

	Total
Net balance as of December 31, 2023	\$ —
Additions due to business combinations	12,378
Impairments	—
Foreign currency translation	(231)
Net balance as of December 31, 2024	\$ 12,147
Additions due to business combinations	2,335
Measurement period adjustments	1,670
Impairments	(1,901)
Foreign currency translation	365
Net balance as of December 31, 2025	\$ 14,616

Change in Reporting Units and Goodwill Impairment

On January 1, 2025, the Company realigned its reportable segments to correspond with changes to its operating model, management structure, and organizational responsibilities. We bifurcated results into two segments: Eastern Hemisphere and Western Hemisphere. As a result, we split into four reporting units and reallocated goodwill among our affected reporting units on a relative fair value basis. We performed a goodwill impairment assessment immediately before and after our business reorganization. We concluded based on our pre-reorganization impairment test that goodwill was not impaired. As a result of the post-reorganization impairment test, we recognized a non-cash goodwill impairment loss of \$1.9 million during the year ended December 31, 2025, related to our Diamond Products and Deep Casing reporting units as the estimated fair values of the new reporting units was lower than the related carrying value.

NOTE 8 – LEASES

The Company leases various facilities and vehicles under noncancelable operating lease agreements. The remaining lease terms for our leases range from 1 month to 14 years. These leases often include options to extend the term of the lease, which may be for periods of up to 5 years. When it is reasonably certain that the option will be exercised, the impact of the renewal term is included in the lease term for purposes of determining total future lease payments and measuring the ROU asset and lease liability. We apply the short-term lease policy election, which allows us to exclude from recognition leases with an original term of 12 months or less. We have not entered into any finance leases as of December 31, 2025.

For the year ended December 31, 2025 and December 31, 2024, the components of the Company's lease expense were as follows (in thousands):

	Year Ended December 31, 2025	Year Ended December 31, 2024
Operating Lease Cost	\$ 6,995	\$ 6,494
Short-term Lease Cost	126	136
Variable Lease Cost	440	382
Total Lease Cost	\$ 7,561	\$ 7,012

Supplemental balance sheet information related to leases was as follows (in thousands):

	Year Ended December 31, 2025	Year Ended December 31, 2024
Weighted-average remaining lease term (in years)	7.85	7.11
Weighted average discount rate	8.20%	7.57%

Future undiscounted cash flows for each of the next five years and thereafter and reconciliation to the lease liabilities recognized on the consolidated balance sheet as of December 31, 2025 were as follows (in thousands):

2026	\$ 6,150
2027	5,036
2028	4,431
2029	3,655
2030	3,514
Thereafter	12,762
Total lease payments	\$ 35,548
Less: imputed interest	(9,719)
Present value of lease liabilities	\$ 25,829

NOTE 9 – DEBT

Credit Facility

In December 2015, the Company entered into a revolving credit facility with PNC Bank, National Association (the "Existing Credit Facility"). The facility provided for a revolving line of credit with a maximum borrowing amount totaling \$60.0 million.

On March 15, 2024, the Company refinanced its revolving credit facility (the “Refinancing”) by entering into a Second Amended and Restated Revolving Credit, Term Loan and Security and Guaranty Agreement (the “Credit Facility”) with certain of the Company’s subsidiaries and PNC Bank, National Association as lender and as agent. Pursuant to the terms of the Credit Facility, the Company will be provided a revolving line of credit (the "Revolving Line of Credit") in a principal amount up to \$80.0 million and a single draw term loan (the "Term Loan") in a principal amount of \$25.0 million. The Revolving Line of Credit and the Term Loan mature in March 2029. The Credit Facility amends and restates the Company’s Existing Credit Facility under that certain Amended and Restated Revolving Credit, Term Loan, and Security Agreement, dated as of June 20, 2023, by and among the Company, certain of its subsidiaries, and PNC Bank National Association. Additionally, the Company is required to make an annual payment of up to \$5.0 million, to be determined based on the excess cash flows generated each fiscal year commencing with the year ended December 31, 2024, as defined in the Credit Facility.

For the year ended December 31, 2025, the interest on the amount drawn on the Revolving Line of Credit and the Term Loan were based on the Secured Overnight Financing Rate ("SOFR") or the bank’s base lending rate plus applicable margin (approximately 6.46% and 8.28%, respectively, at December 31, 2025). The Credit Facility is collateralized by substantially all the assets of the Company.

As of December 31, 2025 , the Company has drawn \$25.0 million against the line of credit. As of December 31, 2025, the term loan has a balance of \$16.7 million.

Promissory Note

In connection with acquisition of EDP, the Company issued an unsecured Promissory Note to the former parent company of EDP, totaling \$5.2 million. On April 22, 2025, the First Amendment to the note was signed, reducing the balance by \$0.3 million. The note bears an interest rate of 8% per annum. The note matures in December 2029 and payments are made quarterly. The note is a foreign currency denominated monetary liability (issuance and payments are denominated in Euro), and as such, is measured at the end of each reporting period based on the exchange rate at that date. The remaining balance on the Promissory Note was \$4.1 million as of December 31, 2025. For the years ended December 31, 2025 and December 31, 2024, the Company recognized a loss of \$0.3 million and \$0.0 million, respectively, on the consolidated statements of comprehensive income (loss).

As of December 31, 2025, the future maturities of long-term debt consisted of the following (in thousands):

2026	\$	5,989
2027		6,071
2028		6,159
2029		27,597
Thereafter		—
Total long term debt	\$	45,816

Contingent Interest Embedded Derivative Liability

Under the Credit Facility Agreement, the interest rate will reset (the 'Default Rate') upon the event of a default and an additional 2% will be added to the base rate. The Company analyzed the Default Rate feature of the Credit Facility for derivative accounting consideration under ASC 815, *Derivatives and Hedging*, and determined the Default Rate met the definition of a derivative as it is a contingent interest feature. The Company also noted that the Default Rate feature (the 'Default Rate Derivative') required bifurcation from the host contract and was to be accounted for at fair value. In accordance with ASC 815-15, the Company bifurcated the Default Rate feature of the note and determined the derivative is liability classified.

The Default Rate Derivative is treated as a liability, initially measured at fair value with subsequent changes in fair value recorded in earnings. Management has assessed the probability of occurrence for a non-credit default event and determined the likelihood of a referenced event to be remote. Therefore, the estimated fair value of the Default Rate Derivative was negligible as of December 31, 2025 and 2024 and, therefore, no amounts were recorded

NOTE 10 – INCOME TAXES

For the years ended December 31, 2025 and 2024, income from continuing operations before taxes consisted of amounts related to U.S. operations and income associated with the Company’s foreign operations. The geographical breakdown of the Company’s income (loss) from continuing operations before income tax expense (benefit) was as follows (in thousands):

	Year Ended December 31,	
	2025	2024
Domestic	\$ 988	\$ 1,274
International	(3,844)	1,710
Income (loss) before income tax expense	\$ (2,856)	\$ 2,984

Income tax expense (benefit) consists of (in thousands):

	Year Ended December 31,	
	2025	2024
Current tax expense:		
Federal	\$ (268)	\$ 1,271
Foreign	282	(1,107)
State	366	584
Total current	380	748
Deferred tax expense (benefit):		
Federal	(617)	(1,078)
Foreign	1,101	480
State	41	(180)
Total deferred tax expense:	525	(778)
Total income tax expense (benefit)	\$ 905	\$ (30)

Tax rate reconciliation

The following table presents a reconciliation of the federal statutory rate to the Company's effective tax rate:

	Year Ended December 31, 2025	
	Amount	%
US Federal Statutory Income Tax Rate	\$ (600)	21.0%
State income taxes, net of federal effect⁽¹⁾	334	-11.7%
Tax credits		
Research credits	(784)	27.5%
Nontaxable and nondeductible Items, net		
Meals & Entertainment	133	-4.7%
Transaction Costs	210	-7.4%
Foreign Taxes	(78)	2.7%
Capital Gain	876	-30.7%
Stock Comp (Windfall)	41	-1.4%
367a Gain	63	-2.2%
Goodwill Impairment	191	-6.7%
Other Nontaxable and non-deductible items	10	-0.4%
Return to provision and other true ups	(1,674)	58.6%
Other	(2)	0.1%
Foreign tax effects		
Canada		
Rate differential	32	-1.1%
Payable true up	362	-12.7%
Other	2	-0.1%
Withholding	914	-32.0%
Future withholding	(183)	6.4%
Germany		
Rate differential	(10)	0.4%
Trade tax	81	-2.8%
Netherlands		
Rate differential	(27)	0.9%
Other	(81)	2.8%
United Kingdom		
Rate differential	(196)	6.9%
Nontaxable and nondeductible Items, net		
Patent Box Deduction	(78)	2.7%
Other	7	-0.2%
Research credits	(16)	0.6%
Change in valuation allowance	1,299	-45.5%
Other	15	-0.5%
Kuwait		
Branch income tax	64	-2.2%
Effective tax rate	\$ 905	-31.7%

(1) State taxes in Texas represented the majority (greater than 50 percent) of the tax effect in this category.

The following table presents a reconciliation of the federal statutory rate to the Company's effective tax rate in accordance with the guidance prior to the adoption of ASU 2023-09, Improvements to Income Tax Disclosure:

	December 31, 2024
U.S. federal tax benefit at statutory rate	21.0%
State taxes, net of federal benefit	12.7%
Permanent differences	22.7%
Permanent differences related to foreign items	-5.8%
Transfer pricing	1.2%
Foreign rate differential	1.4%
Foreign taxes	-10.4%
Valuation allowance	-0.3%
Credits	-12.1%
Income taxes deferred adjustment	27.0%
Income taxes payable adjustment	-58.8%
Other	0.4%
Effective tax rate	-1.0%

Income taxes paid (net of refunds)

The following table presents income taxes paid for the years ended December 31, 2025 and 2024 (in thousands):

	Year Ended December 31,	
	2025	2024
Income taxes paid (net of refunds):		
Federal	\$ —	\$ 2,663
State:		
New Mexico	—	175
Texas	495	435
Louisiana	70	22
Other	62	90
Total State	627	722
Foreign		
Canada	797	—
Total cash paid for income tax	\$ 1,424	\$ 3,385

Significant components of deferred taxes

The tax effects of temporary differences and carryforwards that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31, 2025 and 2024 are presented below (in thousands):

	Year Ended December 31,	
	2025	2024
Deferred tax assets		
Net operating loss carryforward	\$ 8,213	\$ 3,488
Allowance for credit losses	296	321
Share-based compensation	2,262	1,800
Bonus accrual	151	70
Inventory	200	220
Intangible assets	—	1,815
Federal credits	784	3,252
Other	6,073	2,681
Gross deferred tax assets	17,979	13,647
Valuation allowance	(4,228)	(3,019)
Net deferred tax assets	13,751	10,628
Deferred tax liabilities		
Depreciation on property, plant, and equipment	(10,750)	(10,902)
Withholding tax on unremitted earnings	(247)	(431)
Intangible assets	(4,277)	—
Other	(5,643)	(5,221)
Deferred tax liabilities	(20,917)	(16,554)
Net deferred liabilities	\$ (7,167)	\$ (5,926)

At December 31, 2025 and 2024, the Company had federal net operating loss carryforwards of approximately \$2.8 million and nil, respectively, which may be carried forward indefinitely and state and local net operating loss carryforwards of approximately \$0.6 million and \$7.0 million, respectively, which expire at various dates.

The utilization of the Company's net operating losses may be subject to a limitation due to the "change in ownership provisions" under Section 382 of the Internal Revenue Code and similar state and foreign provisions. Such limitations may result in the expiration of the net operating loss carryforwards before their utilization.

The Company is subject to income taxes in the U.S. federal jurisdiction, various state jurisdictions as well as Canada. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. The Company's tax years remain open for examination by all tax authorities since inception and carryover attributes remain open to adjustment by the U.S. and state authorities.

On July 4th, 2025, the One Big Beautiful Bill Act ("OBBBA") was enacted in the U.S. The OBBBA includes significant provisions, such as the permanent extension of certain expiring provisions of the Tax Cuts and Jobs Act, modifications to the international tax framework and restoration of favorable tax treatment for certain business provisions. The legislation has multiple effective dates, with certain provisions effective in 2025 and others implemented through 2027. The Company incorporated these provisions effective during the quarter, and they had no material impact on our consolidated financial statements for the year ended December 31, 2025.

NOTE 11 – STOCK-BASED COMPENSATION

On June 20, 2023, the Company adopted the Drilling Tools International Corporation 2023 Omnibus Incentive Plan (the "2023 Plan"). The 2023 Plan became effective on the closing of the Merger. The 2023 Plan provides for the issuance of shares of Common Stock up to ten percent (10%) of the shares of outstanding Common Stock as of the closing of the Merger and automatically increases on the first trading day of each calendar year by the number of shares of Common Stock equal to three percent (3%) of the total number of outstanding Common Stock on the last day of the prior calendar year. The 2023 Plan allows for awards to be issued to employees, non-employee directors, and consultants in the form of options, stock appreciation rights, restricted shares, restricted stock units, performance based awards, other share-based awards, other cash-based awards, or a combination of the foregoing. As of December 31, 2025, there were 1,580,395 shares of Common Stock available for issuance under the 2023 Plan.

Stock Options

The stock options issued are service based with a vest term ranging from one to three years. The awards have contractual terms of ten years. The fair value of each stock option award is estimated on the date of grant using a Black-Scholes model. Expected volatilities are based on comparable public company data. The Company uses future estimated employee termination and forfeiture rates of the options within the valuation model. The expected term of options granted is derived using the “plain vanilla” method due to the lack of history and volume of option activity at the Company. The risk-free rate is based on the approximate U.S. Treasury yield rate in effect at the time of grant. The Company will use the quoted market price as of the grant date as an input into the Black-Scholes model.

The following table summarizes options outstanding, as well as activity for the year ended December 31, 2025 and December 31, 2024:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
OUTSTANDING, December 31, 2023	2,361,722	4.02	3.37	—
Granted	2,670,374	3.04	—	—
Exercised	(68,470)	3.72	—	—
OUTSTANDING, December 31, 2024	4,963,626	3.50	3.12	—
Forfeited	(30,000)	3.02	—	—
OUTSTANDING, December 31, 2025	4,933,626	3.50	4.97	—
UNVESTED, December 31, 2025	1,656,666	3.02	8.13	—
EXERCISABLE, December 31, 2025	3,276,960	3.75	3.37	—

During the years ended December 31, 2025 and 2024, the Company recognized \$1.5 million and \$1.4 million, respectively, of stock-based compensation expense related to stock options within selling, general, and administrative expenses on the consolidated statements of comprehensive income (loss). As of December 31, 2025, total unrecognized compensation expense related to the stock options totaled \$1.6 million.

Restricted Stock Units

Restricted stock units ("RSUs") are granted employees as well as members of the Board of Directors. RSUs vest over a one to four year period with service and continued employment as the only vesting criteria. The recipient of the restricted stock award is entitled to all of the rights of a shareholder, except that the award is nontransferable during the vesting period. The fair value of the restricted stock award is established on the grant date and then expensed over the vesting period resulting in an increase in additional paid-in-capital.

The following table summarizes RSUs outstanding, as well as activity for the year ended December 31, 2025:

	Shares	Weighted Average Exercise Price
UNVESTED, December 31, 2024	68,560	3.23
Granted	1,052,451	3.16
Vested	(68,560)	5.32
Forfeited	(30,000)	3.23
UNVESTED, December 31, 2025	1,022,451	3.16

During the years ended December 31, 2025 and 2024, the Company recognized \$1.0 million and \$0.7 million, respectively, of stock based compensation related to RSUs within selling, general, and administrative expenses on the consolidated statements of comprehensive income (loss). As of December 31, 2025, unrecognized compensation expense related to the RSUs totaled \$2.4 million.

NOTE 12 – OTHER OPERATING AND NON-OPERATING EXPENSES, NET

The following table shows the components of other operating and non-operating expenses, net for the years ended December 31, 2025 and 2024 (in thousands):

	Year Ended December 31, 2025	Year Ended December 31, 2024
Transaction fees	\$ 1,155	\$ 7,036
Unrealized loss on foreign currency	541	—
Restructuring charges	1,814	—
Interest income	(398)	(197)
Software implementation	568	—
Other, net	974	664
Other operating and non-operating expenses, net	\$ 4,654	\$ 7,503

NOTE 13 – RELATED PARTY TRANSACTIONS

Management fees

For the years ended December 31, 2025 and 2024, management fees paid to Hicks Holdings Operating LLC, a shareholder of the Company, were approximately \$0.8 million and \$0.8 million, respectively. Management fees paid to the shareholder are included in selling, general and administrative expense in the accompanying consolidated statements of comprehensive income (loss).

Director fees

For the years ended December 31, 2025 and 2024, director fees paid to our Board of Directors were approximately \$0.5 million and \$0.6 million, respectively. Director fees are included in selling, general and administrative expense in the accompanying consolidated statements of comprehensive income (loss).

Related Party Note Receivable

On July 31, 2024 ("Closing Date"), the Company entered into the Sixth Amendment and Restated Promissory Note with Tronco Energy Corporation ("Tronco"), an entity owned by employees of the Company. The face value of the note is \$6.5 million. Pursuant to the Sixth Amendment and Restated Promissory Note, Tronco will make payments to the Company annually, commencing on the first anniversary of the Closing Date through the fifth anniversary of the Closing Date. Per the agreement, if the 20-day volume-weighted average price of DTI falls below \$3.20 per share, the principal that otherwise would have been due shall be deferred and apportioned over the remaining payment dates under specified in the agreement. The first payment due on July 31, 2025 was deferred as the 20-day volume-weighted average price of DTI was below \$3.20 per share. Payment deferrals can continue for any period in which the 20-day-volume-weighted average price leading up to the anniversary date falls below \$3.20 per share, up to the fifth anniversary. If at the 5th anniversary the 20-day-volume-weighted average price is below \$3.20, the entire principal balance would be due upon the 6th anniversary. Any payments due and not received by the Company before the fifth date following the anniversary date will bear interest from the date of nonpayment until paid equal to 3%. In accordance with ASC 805, the receivable's fair value was measured at the present value of future cash flows upon the Closing Date. Based on the present value calculation, the note was discounted by \$1 million. For the year ended December 31, 2025 and 2024, interest income recognized on the discounted note totaled \$0.2 million and \$0.2 million, respectively. The carrying value of the note as of December 31, 2025 and 2024 was \$5.4 million and \$5.2 million, respectively.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

The Company maintains operating leases for various facilities and vehicles. See Note 8, *Leases*, for further information.

Litigation

From time to time, the Company may become involved in various legal proceedings in the ordinary course of its business and may be subject to third-party infringement claims.

In the normal course of business, the Company may agree to indemnify third parties with whom it enters into contractual relationships, including customers, lessors, and parties to other transactions with the Company, with respect to certain matters. The Company has agreed, under certain conditions, to hold these third parties harmless against specified losses, such as those arising from a breach of representations or covenants, other third-party claims that the Company's products when used for their intended purposes infringe the intellectual property rights of such other third parties, or other claims made against certain parties. It is not possible to determine the maximum potential amount of liability under these indemnification obligations due to the Company's limited history of prior indemnification claims and the unique facts and circumstances that are likely to be involved in each particular claim.

Management Fee

The Company is required to pay a monthly management fee to a shareholder. The fee is based upon a percentage of the Company's trailing twelve months, earnings before interest, taxes and accumulated depreciation amount, as defined in the management agreement (refer to Note 13, *Related Parties Transactions*).

NOTE 15 – EMPLOYEE BENEFIT PLANS

The Company sponsors various defined contribution savings plan, primarily in the U.S., that allow employees to contribute a portion of their pre-tax and/or after-tax income in accordance with specified guidelines. Under specified conditions, the Company will make contributions to the plans and/or match a percentage of the employee contributions up to certain limits. The total expense for the years ended December 31, 2025 and 2024 was approximately \$0.8 million and \$0.7 million, respectively.

NOTE 16 – EARNINGS PER SHARE

Basic earnings per share is computed using the weighted-average number of common shares outstanding for the period. Diluted earnings per share is computed using the weighted-average number of common shares outstanding for the period plus dilutive potential common shares, including performance share awards, using the treasury stock method. Performance share awards are included based on the number of shares that would be issued as if the end of the reporting period was the end of the performance period and the result was dilutive.

The following table sets forth the computation of the Company's basic and diluted net earnings per share for the years ended December 31, 2025 and 2024 (in thousands, except share and per share data):

	Year Ended December 31,	
	2025	2024
Numerator:		
Net income (loss) attributable to Drilling Tools International stockholders	\$ (3,761)	\$ 3,014
Denominator		
Weighted-average common shares used in computing earnings per share — basic	35,533,268	31,938,847
Weighted-average effect of potentially dilutive securities:		
Effect of potentially dilutive stock options	—	311,277
Effect of potentially dilutive performance-based stock options	—	41,033
Effect of potentially dilutive restricted stock units	—	17,022
Weighted-average common shares outstanding — diluted	35,533,268	32,308,179
Earnings per share — basic	\$ (0.11)	\$ 0.09
Earnings per share — diluted	\$ (0.11)	\$ 0.09

As of December 31, 2025 and 2024, the Company's potentially dilutive securities consisted of options to purchase common stock as well as restricted stock units. The Company excluded the following potential common shares, presented based on amounts outstanding at each period end, from the computation of diluted net income per share for the periods presented because including them would have had an anti-dilutive effect:

	Year Ended December 31,	
	2025	2024
Performance-based options outstanding	534,063	—
Stock options outstanding	4,429,563	140,135
Restricted stock units outstanding	1,022,451	—
Total	5,986,077	140,135

NOTE 17 – SEGMENT INFORMATION

Prior to the acquisition of Titan, we operated as a single operating segment which reflected how our business was managed. Upon completion of the acquisition, the Company split into two operating segments based on geography, Western Hemisphere and Eastern Hemisphere. Operating segments are identified as components of an enterprise about which discrete financial information is available for evaluation by the CODM in deciding resource allocation and assessing performance. The Company's Chief Executive Officer serves as the CODM. The Company's CODM reviews financial information disaggregated by hemisphere for the purposes of making operational decisions, allocating resources, and evaluating financial performance.

The Company's two operating segments derives revenues from customers by providing oilfield equipment and services to operators in wellbore construction and casing installation. The CODM assesses performance for each segment individually and decides how to allocate resources by using Segment EBITDA, which is defined as net income (loss) excluding interest income, interest expense, other operating and non-operating expense, net, income tax benefit (expense), depreciation and amortization, and unallocated corporate general and administrative expenses, including stock-based compensation and monitoring fees. Additionally, the Company's CODM total segment assets and capital expenditures by segment regularly in making operational decisions. The CODM uses these metrics in the annual budget and forecasting process. The CODM considers budget-to-actual variances on a quarterly basis to forecast future performance, adjust the budget, and make decisions about the allocation of operating and capital resources to the segment.

Financial information by segment for the years ended December 31, 2025 and 2024 is summarized below:

	For the Year Ended December 31, 2025		
	Western Hemisphere	Eastern Hemisphere	Total
Tool Rental	117,670	20,525	138,194
Product Sales	30,899	2,952	33,851
Total Revenue	148,569	23,476	172,045
Reconciliation of revenue			
<i>Elimination of intersegment revenue</i>			(12,420)
Total consolidated revenue			159,626
Less: ⁽¹⁾			
Cost of Tool Rental	28,971	8,573	37,544
Cost of Product Sales	13,723	2,432	16,156
Total Cost of Sales	42,694	11,005	53,700
<i>Reconciliation of cost of revenue</i>			
Elimination of intersegment cost of revenue			(12,420)
Total consolidated cost of revenue			41,280
Selling, general, administrative expenses	56,380	11,938	68,319
Segment EBITDA	49,494	533	50,027
<i>Reconciliation of segment profit</i>			
Corporate expenses ⁽²⁾			10,706
Depreciation and amortization			27,290
Stock-based compensation			2,464
Monitoring fees			750
Transaction expenses			1,155
Goodwill impairment			1,901
Other expenses			8,616
Consolidated loss before taxes			(2,856)

	For the Year Ended December 31, 2024		
	Western Hemisphere	Eastern Hemisphere	Total
Tool Rental	125,291	3,537	128,828
Product Sales	27,118	9,669	36,787
Total Revenue	152,409	13,206	165,615
Reconciliation of revenue			
<i>Elimination of intersegment revenue</i>			(11,169)
Total consolidated revenue			154,446
Less: ⁽¹⁾			
Cost of Tool Rental	34,132	1,113	35,245
Cost of Product Sales	9,710	4,705	14,415
Total Cost of Sales	43,842	5,818	49,660
<i>Reconciliation of cost of revenue</i>			
Elimination of intersegment cost of revenue			(11,169)
Total consolidated cost of revenue			38,491
Selling, general, administrative expenses	57,109	6,082	63,191
Segment EBITDA	51,458	1,306	52,764
<i>Reconciliation of segment profit</i>			
Corporate expenses ⁽²⁾			12,662
Depreciation and amortization			23,832
Stock-based compensation			2,092
Monitoring fees			750
Transaction expenses			7,036
Goodwill impairment			—
Other expenses			3,407
Consolidated loss before taxes			2,984

- (1) The significant expense categories and amounts align with the segment-level information that is regularly provided to the chief operating decision maker
(2) Comprised primarily of expenses not allocated to our geographical segments.

Additional financial information by operating segment as of December 31, 2025 and 2024 is summarized below:

	December 31,	
	2025	2024
Capital Expenditures		
Western Hemisphere	\$ 14,921	\$ 21,945
Eastern Hemisphere	5,225	947
Total capital expenditures	20,147	22,892
Segment Assets⁽¹⁾:		
Western Hemisphere	\$ 154,932	\$ 171,857
Eastern Hemisphere	57,756	40,761
Total segment assets	212,687	212,618
Corporate and other ⁽²⁾	9,494	9,813
Total assets	\$ 222,181	\$ 222,431

(1) The goodwill allocated to the four reporting units is included within their respective segment asset totals. The goodwill amount included in segment assets is net of impairment losses of \$0.9 million and \$1.0 million at the Western Hemisphere and Eastern Hemisphere segments, respectively. Refer to *Note 7 - Goodwill* for further details.

(2) Corporate assets consists of cash, related party notes receivables, and deferred financing costs.

NOTE 18 – SUPPLEMENTAL CASH FLOWS

Cash flows related to income taxes, interest, leases, inventory purchases and capital expenditures included in accounts payable, assumed liabilities acquired in a business combination and other non-cash investing and financing activities were as follows:

	Year Ended December 31,	
	2025	2024
Supplemental cash flow information:		
Cash paid for interest	\$ 4,249	\$ 2,673
Operating cash flows from operating leases	6,635	6,228
Non-cash investing and financing activities:		
Measurement period adjustment related to EDP Acquisition	1,671	—
ROU assets obtained in exchange for lease liabilities	6,806	5,737
Fair value of CTG liabilities assumed in CTG Acquisition	—	3,162
Fair value of SDPI liabilities assumed in SDPI Acquisition	—	6,246
Fair value of EDP liabilities assumed in EDP Acquisition	—	1,769
Fair value of Titan liabilities assumed in Titan Acquisition	4,045	—
Non-cash consideration in SDPI Acquisition	—	27,024
Non-cash consideration in Titan Acquisition	4,597	—
Purchases of inventory included in accounts payable and accrued expenses and other current liabilities	1,051	1,176
Purchases of property and equipment included in accounts payable and accrued expenses and other current liabilities	554	126
Non-cash recovery of note receivable	—	453
Net exercise of stock options	—	254
Shares withheld from exercise of stock options for payment of taxes	—	36

NOTE 19 – SHARE REPURCHASES

On May 13, 2025, the Company announced a share repurchase program allowing the Company to purchase common stock held by non-affiliates, not to exceed \$10.0 million in aggregate value. Share repurchases may take place in any transaction form as allowable by the SEC. The Board of Directors of the Company approved the plan to remain active until December 31, 2025.

Share repurchases by quarter for the year ended December 31, 2025 is summarized below:

Period	Total number of shares of Common Stock Purchases	Average price paid per share of Common Stock	Aggregate purchase price of Common Stock repurchases	Remaining aggregate value authorized for repurchase
First quarter 2025	—	—	—	10,000,000
Second quarter 2025	202,611	3.00	607,661	9,392,339
Third quarter 2025	259,908	2.09	544,467	8,847,872
Fourth quarter 2025	42,650	2.65	112,900	8,734,971
Total	505,169	\$ 2.50	\$ 1,265,029	\$ 8,734,971

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, and with the involvement of management, of the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in Exchange Act Rule 13a-15(e). Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report. These controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Remediation of Material Weakness in Internal Control over Financial Reporting

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement in the Company's financial statements will not be prevented or detected on a timely basis. A material weakness was previously identified related to ineffective monitoring activities to assess the operation of internal control over financial reporting.

As of December 31, 2025, management has evaluated the material weakness described above and believes that its design and implementation of internal control over financial reporting to remediate the material weakness and enhance the Company's internal control environment has been achieved. To enhance the monitoring of the design and operating effectiveness of internal control over financial reporting and achieve remediation, the Company performed the following actions: (1) provided specific training to control owners aimed at enhancing their understanding of the control environment and responsibilities, including information produced by the entity; (2) provided greater precision of evidence as it related to the performance of both business processes and information technology ("IT") controls; (3) continued implementation, refinement, and assessment over control gaps identified from previous periods; and (4) monitored the execution of business process and IT controls throughout the year.

Based on the remediation activities described above and the results of management's testing of controls, management concluded that the previously identified material weakness has been fully remediated as of December 31, 2025.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). The Company's internal control over financial reporting is designed 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.

An effective system of internal control, no matter how well designed, has inherent limitations, including the possibility of human error and the circumvention or overriding of controls, and therefore can provide only reasonable assurance with respect to the reliability of financial reporting. Because of these inherent limitations, internal control over financial reporting may not prevent or detect all misstatements, including those resulting from human error, fraud, or the circumvention or overriding of controls. Accordingly, even effective internal control over financial reporting can provide only reasonable assurance regarding the preparation and fair presentation of financial statements.

Under the supervision and with the participation of management, the Company conducted an evaluation of the effectiveness of its internal control over financial reporting as of December 31, 2025, based on the framework established in the Committee of Sponsoring Organizations of the Treadway Commission's Internal Control—Integrated Framework (COSO). Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2025.

Item 9B. Other Information.

Not applicable.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this item (and only such information) is incorporated by reference to our Proxy Statement.

Item 11. Executive Compensation.

The information required by this item (and only such information) is incorporated by reference to our Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this item (and only such information) is incorporated by reference to our Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this item (and only such information) is incorporated by reference to our Proxy Statement.

Item 14. Principal Accounting Fees and Services.

The information required by this item (and only such information) is incorporated by reference to our Proxy Statement.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(1) Financial Statement

The consolidated financial statements of Drilling Tools International Corporation and the Report of Independent Registered Public Accounting Firm are included in Part II, Item 8. Of this Annual Report. Reference is made to the accompanying Index to Consolidated Financial Statements.

(2) Financial Statement Schedules

All financial statement schedules have been omitted because they are not applicable or the required information presented in the financial statements or the notes thereto.

(3) Index to Exhibits

The exhibits required to be filed or furnished pursuant to Item 601 of Regulation S-K are set forth below.

Exhibit Index

Exhibit Number	Description
3.1	Second Amended and Restated Certificate of Incorporation of Drilling Tools International Corporation (incorporated by reference to Exhibit 3.1 to Drilling Tools International Corporation's Current Report on Form 8-K (File No. 001-41103), filed with the Securities and Exchange Commission on June 27, 2023).
3.2	Amended and Restated Bylaws of Drilling Tools International Corporation (incorporated by reference to Exhibit 3.2 to Drilling Tools International Corporation's Current Report on Form 8-K (File No. 001-41103), filed with the Securities and Exchange Commission on June 27, 2023).
4.1	Form of Specimen Common Stock Certificate of Drilling Tools International Corporation (incorporated by reference to Exhibit 4.1 to Drilling Tools International Corporation's Current Report on Form 8-K (File No. 001-41103), filed with the Securities and Exchange Commission on June 27, 2023).
4.2*	Description of the Registrant's Securities (incorporated by reference to Exhibit 4.2 to Drilling Tools International Corporation's Annual Report on Form 10-K (File No. 001-41103), filed with the Securities and Exchange Commission on March 14, 2025).
10.6	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.7 to Drilling Tools International Corporation's Current Report on Form 8-K (File No. 001-41103), filed with the Securities and Exchange Commission on June 27, 2023).
10.8#	Form of 2023 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to ROC Energy Acquisition Corp.'s Registration Statement on Form S-4 (File No. 333-269763), filed with the Securities and Exchange Commission on February 14, 2023).
10.10	Second Amended and Restated Revolving Credit, Term Loan and Security Agreement, dated as of March 15, 2024, by and among Drilling Tools International, Inc., certain of its subsidiaries and PNC Bank, National Association (incorporated by reference to Exhibit 10.1 to Drilling Tools International Corporation's Current Report on Form 8-K (File No. 001-41103), filed with the Securities and Exchange Commission on March 15, 2024).
19.1*	Drilling Tools International Corporation Insider Trading Policy (incorporated by reference to Exhibit 19.1 to Drilling Tools International Corporation's Annual Report on Form 10-K (File No. 001-41103), filed with the Securities and Exchange Commission on March 14, 2025).
21.1	Subsidiaries of the Registrant (incorporated by reference to Exhibit 21.1 to Drilling Tools International Corporation's Current Report on Form 8-K (File No. 001-41103), filed with the Securities and Exchange Commission on June 27, 2023).
23.1*	Consent of Grant Thornton LLP.
23.2*	Consent of Weaver and Tidwell, LLP
24.1	Power of Attorney (included on signature page hereto).
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14a and Rule 15d-14(a) of the Securities and Exchange Act, as amended.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14a and Rule 15d-14(a) of the Securities and Exchange Act, as amended.
32.1*	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer pursuant to Schedule 906 of the Sarbanes-Oxley Act of 2002.
97.1*	Clawback Policy (incorporated by reference to Exhibit 97.1 to Drilling Tools International Corporation's Annual Report on Form 10-K (File No. 001-41103), filed with the Securities and Exchange Commission on March 14, 2025).
101.INS*	Inline XBRL Instance Document-the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents
104*	Cover page formatted as Inline XBRL and contained in Exhibit 101

* Filed herewith.

† Certain exhibits and schedules to this exhibit have been omitted in accordance with Regulation S-K Item 601(b)(2). We agree to furnish supplementally a copy of all omitted exhibits and schedules to the SEC upon its request.

Indicates management contract or compensatory plan or arrangement.

Item 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Company Name

Date: March 6, 2026

By: /s/ R. Wayne Prejean
R. Wayne Prejean
Interim Chairman, President, Chief Executive Officer and Director

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints, jointly and severally, R. Wayne Prejean, as his attorney-in-fact, with full power of substitution and resubstitution, for him and in his name, place, and stead, in any and all capacities, to sign any and all amendments to this report, and in each case to file the same, with all exhibits thereto and other documents in connection therewith, and hereby ratifies and confirms that said attorney-in-fact or his substitute or substitutes may do or cause to be done by virtue hereof.

Name	Title	Date
<u>/s/ R. Wayne Prejean</u> R. Wayne Prejean	Interim Chairman, President, Chief Executive Officer and Director (Principal Executive Officer)	March 6, 2026
<u>/s/ David R. Johnson</u> David R. Johnson	Chief Financial Officer (Principal Financial and Accounting Officer)	March 6, 2026
<u>/s/ Ira H. Green</u> Ira H. Green	Director	March 6, 2026
<u>/s/ Eric C. Neuman</u> Eric C. Neuman	Director	March 6, 2026
<u>/s/ John D. Furst</u> John D. Furst	Director	March 6, 2026
<u>/s/ C. Richard Vermillion</u> C. Richard Vermillion	Director	March 6, 2026
<u>/s/ Curtis L. Crofford</u> Curtis L. Crofford	Director	March 6, 2026
<u>/s/ Thomas M. Patterson</u> Thomas M. Patterson	Director	March 6, 2026

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Curtis L. Crofford
Independent Director

John D. "Jack" Furst
Independent Director

Eric C. Neuman
Lead Independent Director

Thomas M. "Roe" Patterson
Independent Director

R. Wayne Prejean
Interim Chairman of the Board,
President and Chief Executive Officer

C. Richard Vermillion
Independent Director

Ira Green
Independent Director

EXECUTIVE MANAGEMENT

R. Wayne Prejean
Director, President & Chief Executive Officer

David R. Johnson
Chief Financial Officer

Michael W. Domino, Jr.
President, Directional Tool Rentals

Trent Pope
Vice President, Wellbore Optimization

Aldo Rodriguez
Vice President, Sales

Troy Meier
President, Diamond Products

Ashley Lane
Vice President, International Business Development

Veda Ragsdill
Vice President, Human Resources

Christian Middleton
Vice President, Finance

Jameson Parker
Vice President, Corporate Development

CORPORATE HEADQUARTERS

Drilling Tools International Corporation
10370 Richmond Avenue, Suite 1000
Houston, Texas 77042
832-742-8500

INVESTOR RELATIONS

Dennard Lascar Investor Relations
InvestorRelations@drillingtools.com
832-742-8520

COMMON STOCK

Class A common stock of Drilling Tools International Corporation is traded on the Nasdaq Capital Market under the symbol DTI.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Grant Thornton, L.L.P.

TRANSFER AGENT

Continental Stock Transfer & Trust Company
cstmail@continentalstock.com
www.continentalstock.com
212-509-4000



STRENGTH. INNOVATION. PERFORMANCE.



Drilling Tools International Corporation

Corporate Headquarters

10370 Richmond Avenue, Suite 1000

Houston, TX USA 77042

832-742-8500