

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

**FORM 8-K**

**CURRENT REPORT  
PURSUANT TO SECTION 13 or 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

**Date of report (Date of earliest event reported): November 13, 2023**

**DRILLING TOOLS INTERNATIONAL CORPORATION**  
(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction  
of Incorporation)

**001-41103**  
(Commission  
file number)

**87-2488708**  
(I.R.S. Employer  
Identification No.)

**3701 Briarpark Drive  
Suite 150  
Houston, Texas 77042**  
(Address of principal executive offices, zip code)

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

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

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.0001 per share	DTI	The Nasdaq Stock Market LLC

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

Emerging growth company

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

**Item 2.02. Results of Operations and Financial Condition.**

On November 13, 2023, Drilling Tools International Corporation (the “Company”) issued a press release announcing the Company’s financial and operating results for the quarter ended September 30, 2023. A copy of the press release is furnished as Exhibit 99.1 hereto and incorporated herein by reference. Additional information regarding the Company’s results of operations and financial conditions for the quarter is furnished as Exhibit 99.2 hereto and incorporated herein by reference.

The information in this report and the exhibits attached hereto shall not be deemed to be “filed” for purposes of the Securities Exchange Act of 1934 (the “Exchange Act”) or otherwise subject to the liabilities of that section, not shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any general incorporation language in such filing.

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits:

<u>Exhibit No.</u>	<u>Description</u>
99.1	<a href="#">Press release issued by Drilling Tools International Corporation on November 13, 2023</a>
99.2	<a href="#">Slide Presentation of Drilling Tools International Corporation dated November 13, 2023</a>
104	Cover Page Interactive Data File (formatted as Inline XBRL).

**SIGNATURES**

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

**DRILLING TOOLS INTERNATIONAL CORPORATION**

By: /s/ R. Wayne Prejean  
R. Wayne Prejean  
Chief Executive Officer

Date: November 13, 2023



### Drilling Tools International Reports Third Quarter 2023 Financial Results

**HOUSTON, TEXAS (November 13, 2023)** — Drilling Tools International Corp., (“DTI” or the “Company”) (Nasdaq: DTI), a leading oilfield services company that manufactures and provides a differentiated, rental-focused offering of tools for use in horizontal and directional drilling, operating from 22 locations across North America, Europe and the Middle East, today reported its financial and operational results for the third quarter ended September 30, 2023.

#### Third Quarter Financial Highlights

- Net Revenue of \$38.1 million increased 4.4% from \$36.5 million in Q3 2022
- Operating expenses of \$(31.0) million were higher compared to \$(28.5) million in Q3 2022
- Net Income was \$4.3 million, compared to \$6.7 million in Q3 2022
- Diluted Earnings Per Share were \$0.21, compared to \$0.36 in Q3 2022
- Adjusted EBITDA was \$12.7 million, compared to \$13.0 million in Q2 2022

“While US rig activity has declined approximately 20% since the beginning of the year, DTI continues to execute on plan, with a decrease of only 5% in monthly revenue from December 2022 to September 2023, outperforming the market,” said Wayne Prejean, CEO of DTI. “We remain focused on cost control, operational efficiencies and maintaining a strong financial position, in order to increase shareholder value and position the Company to thoughtfully execute on accretive growth opportunities going forward.”

#### Third Quarter 2023 Financial and Operating Results

In the third quarter the Company generated Net Tool Rental Revenue of \$29.4 million, which was an increase of 9.4% compared to the third quarter of 2022. This increase was primarily driven by increased market activity and customer pricing across all divisions, led by the Directional Tool Rentals (“DTR”) division.

Product Sales Net Revenue in the third quarter totaled \$8.8 million, a decrease of 9.6% compared to the third quarter of 2022. The decrease was primarily driven by lower than average rental tool recovery rate in the quarter.

Third quarter 2023 Operating Expenses were \$(31.0) million, compared to \$(28.5) million in the third quarter of 2022. The increase was primarily driven by higher personnel expenses, depreciation from an increased property, plant and equipment balance, and an increase in insurance expenses.

Third quarter 2023 Net Income was \$4.3 million, or \$0.21 per diluted share, compared to Net Income of \$6.7 million, or \$0.36 per diluted share, in the prior year quarter. The primary factors contributing to the decline included higher taxes and a lower than average Rental Tool recovery revenue, as well as higher personnel, depreciation and insurance expenses. These negative impacts were partially offset by increased market activity and customer pricing across the Tool Rental segment.

Third quarter 2023 Adjusted EBITDA was \$12.7 million, compared to Adjusted EBITDA of \$13.0 million in the prior year quarter. The decrease was primarily driven by higher personnel expenses and other public company costs in the third quarter of 2023, and higher than average Tool Recovery revenue in the third quarter of 2022.

At September 30, 2023 the Company had \$4.0 million of cash and cash equivalents. DTI retains strong financial flexibility with access to an undrawn \$60 million revolving line of credit.

#### Outlook

US onshore rig activity has declined by approximately 20% on a monthly basis compared with the start of 2023. Despite the challenging environment, DTI continues to execute well, with a revenue decreased of only 5% from December 2022 to September 2023. Management anticipates the rig count will remain relatively flat in 4Q and is maintaining its previous projections for the full year 2023:

#### Full Year 2023

- Revenue: \$150 – 158 million
- Adjusted EBITDA: \$50 – 54 million
- Gross Capital Expenditures: \$44 – 46 million
- Net Income: \$12 – 19 million
- Adjusted Free Cash Flow<sup>(1)</sup>: \$6 – 8 million

(1) Adjusted Free Cash Flow defined as Adjusted EBITDA less Gross Capital Expenditures



## Webcast Information

The DTI management team will host a conference call to discuss its third quarter 2023 financial results today, Monday, November 13, 2023, at 12:00 pm Eastern Time. Interested investors and other parties may access the live webcast via the following link: [Drilling Tools International 3Q Earnings Call](#), or through the webcast link located on the News & Events page, within the Investor Relations section of DTI's website at <https://investors.drillingtools.com/news-events/events>.

Please log in to the webcast at least 10 minutes prior to the start of the event. An archive of the webcast will be available for a period of time shortly after the call on the News and Events page on the Investor Relations section of DTI's website, along with the earnings press release.

## About DTI

DTI, with roots dating back to 1984, is a Houston, Texas based leading oilfield services company that manufactures and rents downhole drilling tools used in horizontal and directional drilling of oil and natural gas wells. DTI operates from 20 locations across North America, Europe and the Middle East. To learn more about DTI visit: [www.drillingtools.com](http://www.drillingtools.com).

## Forward-Looking Statements

This press release may include, and oral statements made from time to time by representatives of the Company may include, "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Statements regarding the business combination and the financing thereof, and related matters, as well as all other statements other than statements of historical fact included in this press release are forward-looking statements. The words "anticipate," "believe," "continue," "could," "estimate," "expect," "intends," "may," "might," "plan," "possible," "potential," "predict," "project," "should," "will," "would" and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward looking. These forward-looking statements include, but are not limited to, statements regarding DTI and its management team's expectations, hopes, beliefs, intentions or strategies regarding the future. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. Forward looking statements in this press release may include, for example, statements about: (1) the demand for DTI's products and services, which is influenced by the general level activity in the oil and gas industry; (2) DTI's ability to retain its customers, particularly those that contribute to a large portion of its revenue; (3) DTI's ability to remain the sole North American distributor of the Drill-N-Ream; (4) DTI's ability to employ and retain a sufficient number of skilled and qualified workers, including its key personnel; (5) DTI's ability to market its services in a competitive industry; (9) DTI's ability to execute, integrate and realize the benefits of acquisitions, and manage the resulting growth of its business; (6) potential liability for claims arising from damage or harm caused by the operation of DTI's tools, or otherwise arising from the dangerous activities that are inherent in the oil and gas industry; (7) DTI's ability to obtain additional capital; (8) potential political, regulatory, economic and social disruptions in the countries in which DTI conducts business, including changes in tax laws or tax rates; (9) DTI's dependence on its information technology systems, in particular Customer Order Management Portal and Support System, for the efficient operation of DTI's business; (10) DTI's ability to comply with applicable laws, regulations and rules, including those related to the environment, greenhouse gases and climate change; (11) DTI's ability to maintain an effective system of disclosure controls and internal control over financial reporting; (12) the potential for volatility in the market price of DTI's common stock; (13) the impact of increased legal, accounting, administrative and other costs incurred as a public company, including the impact of possible shareholder litigation; (14) the potential for issuance of additional shares of DTI's common stock or other equity securities; (15) DTI's ability to maintain the listing of its common stock on Nasdaq; and (16) other risks and uncertainties separately provided to you and indicated from time to time described in filings and potential filings by DTI with the Securities and Exchange Commission (the "SEC"). You should carefully consider the risks and uncertainties described in the definitive proxy statement/prospectus/consent solicitation statement with the SEC by the Company on May 12, 2023 (the "Proxy Statement"), and the information presented in DTI's current report on Form 8-K filed June 27, 2023 (the "8-K") and the quarterly report on Form 10-Q filed August 14, 2023 (the "10-Q"). Such forward-looking statements are based on the beliefs of management of DTI, as well as assumptions made by, and information currently available to DTI's management. Actual results could differ materially from those contemplated by the forward-looking statements as a result of certain factors detailed in the Proxy Statement, the 8-K or the 10-Q. All subsequent written or oral forward-looking statements attributable to the Company or persons acting on its behalf are qualified in their entirety by this paragraph. Forward-looking statements are subject to numerous conditions, many of which are beyond the control of each of DTI, including those set forth in the Risk Factors section of the Proxy Statement, and described in the 8-K and the 10-Q. The Company undertakes no obligation to update these statements for revisions or changes after the date of this release, except as required by law.

## Investor Relations

Sioban Hickie

[InvestorRelations@drillingtools.com](mailto:InvestorRelations@drillingtools.com)

**Drilling Tools International Corporation**  
**Unaudited Condensed Consolidated Balance Sheets**  
(in thousands, except share data)

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
<b>Assets</b>		
Current Assets		
Cash	\$ 3,989	\$ 2,352
Accounts Receivable, Net	29,073	28,998
Inventories, Net	6,586	3,281
Prepaid Expenses and Other Current Assets	4,976	4,381
Investments - Equity Securities, at Fair Value	995	1,143
<b>Total Current Assets</b>	<b>45,619</b>	<b>40,155</b>
Property & Equipment, Net	64,569	44,154
Operating Lease Right-of-Use Asset	19,621	20,037
Intangible Assets, Net	228	263
Deferred Financing Costs, Net	460	226
Deposits and Other Long-Term Assets	939	383
<b>Total Assets</b>	<b>\$ 131,436</b>	<b>\$ 105,218</b>
<b>Liabilities, Redeemable Convertible Preferred Stock &amp; Shareholders' Equity</b>		
Current Liabilities		
Accounts Payable	\$ 8,089	\$ 7,281
Accrued Expenses and Other Current Liabilities	11,864	7,299
Current Portion of Operating Lease Liabilities	3,940	3,311
Revolving Line of Credit	—	18,349
<b>Total Current Liabilities</b>	<b>23,893</b>	<b>36,240</b>
Operating Lease Liabilities, Less Current Portion	15,753	16,691
Deferred Tax Liabilities, Net	6,926	3,185
<b>Total Liabilities</b>	<b>46,572</b>	<b>56,116</b>
<b>Commitments and Contingencies (See Note 14)</b>		
<b>Redeemable Convertible Preferred Stock</b>		
Series A redeemable convertible preferred stock*, par value \$0.01; nil shares and 30,000,000 shares authorized at September 30, 2023 and December 31, 2022, respectively; nil shares and 6,719,641 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	—	17,878
<b>Shareholder's Equity</b>		
Common stock*, par value \$0.0001; 500,000,000 and 65,000,000 shares authorized at September 30, 2023 and December 31, 2022, respectively; 29,768,535 shares and 11,951,137 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	3	1
Preferred stock, par value \$0.0001; 10,000,000 shares and nil shares authorized at September 30, 2023 and December 31, 2022, respectively; nil shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	—	—
Additional paid-in-capital	95,218	52,388
Accumulated deficit	(10,129)	(21,054)
Less treasury stock, at cost; nil shares at September 30, 2023 and December 31, 2022	—	—
Accumulated other comprehensive loss	(228)	(111)
<b>Total Shareholder's Equity</b>	<b>84,864</b>	<b>31,224</b>
<b>Total Liabilities, Redeemable Convertible Preferred Stock &amp; Shareholders' Equity</b>	<b>\$ 131,436</b>	<b>\$ 105,218</b>

\* Shares of legacy redeemable convertible preferred stock and legacy common stock have been retroactively restated to give effect to the Merger

**Drilling Tools International Corporation**  
**Unaudited Condensed Consolidated Statement of Operations and Comprehensive Income**  
(in thousands, except share data)

	<u>Three Months Ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
<b>Revenue, Net</b>		
Tool Rental	\$ 29,361	\$ 26,837
Product Sale	8,777	9,710
<b>Total Revenue, Net</b>	<u>38,138</u>	<u>36,547</u>
<b>Operating Costs and Expenses</b>		
Costs of Tool Rental Revenue	7,956	7,586
Costs of Product Sale Revenue	1,195	1,372
Selling, General and Administrative Expense	16,552	14,692
Depreciation and Amortization Expense	5,303	4,820
<b>Total Operating Costs and Expenses</b>	<u>31,006</u>	<u>28,470</u>
<b>Income from Operations</b>	7,132	8,077
<b>Other (Expense) Income</b>		
Interest Expense, Net	(73)	(45)
Gain on Sale of Property	—	102
Unrealized Loss on Equity Securities	(535)	(398)
Other Expense, Net	(135)	(114)
<b>Total Other Expense, Net</b>	<u>(743)</u>	<u>(455)</u>
<b>Income Before Income Tax Expense</b>	6,389	7,622
Income Tax Expense	(2,102)	(626)
Net Income	\$ 4,287	\$ 6,996
Accumulated Dividends on Redeemable Convertible Preferred Stock	—	294
<b>Net Income Available to Common Shareholders</b>	<u>\$ 4,287</u>	<u>\$ 6,702</u>
Basic earnings per share	<u>\$ 0.14</u>	<u>\$ 0.56</u>
Diluted earnings per share	<u>\$ 0.14</u>	<u>\$ 0.36</u>
Basic weighted-average common shares outstanding	29,768,568	11,951,137
Diluted weighted-average common shares outstanding	30,043,546	19,677,507
<b>Comprehensive income</b>		
Net Income	\$ 4,287	\$ 6,996
Foreign Currency Translation Adjustment, Net of Tax	90	(24)
<b>Net Comprehensive Income</b>	<u>\$ 4,377</u>	<u>\$ 6,972</u>

**Drilling Tools International Corporation**  
**Unaudited Condensed Consolidated Statement of Operations and Comprehensive Income**  
(in thousands, except share data)

	<u>Nine Months Ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
<b>Revenue, Net</b>		
Tool Rental	\$ 90,639	\$ 70,277
Product Sale	26,206	22,619
<b>Total Revenue, Net</b>	<u>116,845</u>	<u>92,896</u>
<b>Operating Costs and Expenses</b>		
Costs of Tool Rental Revenue	23,785	20,578
Costs of Product Sale Revenue	3,655	3,785
Selling, General and Administrative Expense	50,999	36,424
Depreciation and Amortization Expense	15,035	14,782
<b>Total Operating Costs and Expenses</b>	<u>93,474</u>	<u>75,569</u>
<b>Income from Operations</b>	<u>23,371</u>	<u>17,327</u>
<b>Other (Expense) Income</b>		
Interest Expense, Net	(995)	(41)
Gain on Sale of Property	68	107
Unrealized Loss on Equity Securities	(148)	(75)
Other Expense, Net	(6,170)	(209)
<b>Total Other Expense, Net</b>	<u>(7,245)</u>	<u>(218)</u>
<b>Income Before Income Tax Expense</b>	<u>16,126</u>	<u>17,109</u>
Income Tax Expense	(5,201)	(2,846)
Net Income	\$ 10,925	\$ 14,263
Accumulated Dividends on Redeemable Convertible Preferred Stock	314	883
<b>Net Income Available to Common Shareholders</b>	<u>\$ 10,611</u>	<u>\$ 13,380</u>
Basic earnings per share	<u>\$ 0.57</u>	<u>\$ 1.12</u>
Diluted earnings per share	<u>\$ 0.46</u>	<u>\$ 0.72</u>
Basic weighted-average common shares outstanding	18,608,708	11,951,137
Diluted weighted-average common shares outstanding	23,554,593	19,677,507
<b>Comprehensive income</b>		
Net Income	\$ 10,925	\$ 14,263
Foreign Currency Translation Adjustment, Net of Tax	(117)	(86)
<b>Net Comprehensive Income</b>	<u>\$ 10,808</u>	<u>\$ 14,177</u>

**Drilling Tools International Corporation**  
**Unaudited Condensed Consolidated Statement of Cash Flows**  
(In thousands)

	<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash Flows from Operating Activities</b>		
Net Income	\$ 10,925	\$ 14,263
Adjustments to Reconcile Net Income to Net Cash from Operating Activities:		
Depreciation and Amortization	15,035	14,782
Amortization of Deferred Financing Costs	88	74
Amortization of Debt Discount	—	52
Non-Cash Lease Expense	3,418	3,087
Provision for Excess and Obsolete Inventory	22	29
Provision for Excess and Obsolete Property and Equipment	381	400
Bad Debt Expense	502	223
Deferred Tax Expense	3,741	697
Gain on Property Sale	(68)	(107)
Unrealized Loss on Equity Securities	148	75
Unrealized Gain on Interest Rate Swap	—	(1,373)
Realized Loss on Interest Rate Swap	4	—
Gross Profit from Sale of Lost-in-Hole Equipment	(13,968)	(12,595)
Stock-Based Compensation Expense	3,986	—
Changes in Assets and Liabilities		
Accounts Receivable, Net	(577)	(8,531)
Prepaid Expenses and Other Current Assets	(92)	(5,456)
Inventories, Net	(2,876)	(261)
Operating Lease Liabilities	(3,311)	(3,100)
Accounts Payable	(888)	(2,046)
Accrued Expenses and Other Currently Liabilities	1,014	5,428
<b>Net Cash Flows from Operating Activities</b>	<b>17,484</b>	<b>5,641</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds From Sale of Property and Equipment	126	1,021
Purchase of Property, Plant & Equipment	(36,776)	(16,235)
Proceeds from Sale of Lost-in-Hole Equipment	16,623	16,287
<b>Net Cash Flows From Investing Activities</b>	<b>(20,027)</b>	<b>1,073</b>
<b>Cash Flows From Financing Activities</b>		
Proceeds from Merger and PIPE Financing, Net of Transaction Costs	23,162	—
Payment of Deferred Financing Costs	(322)	(149)
Proceeds from Revolving Line of Credit	71,646	76,471
Payments on Revolving Line of Credit	(89,995)	(82,239)
Payments on Finance Leases	—	(10)
Payments to holders of DTIH redeemable convertible preferred stock in connection with retiring their DTIH stock upon the Merger	(194)	—
<b>Net Cash Flows From Financing Activities</b>	<b>4,297</b>	<b>(5,927)</b>
<b>Effect of Changes in Foreign Exchange Rates</b>	<b>(117)</b>	<b>(86)</b>
Net Change in Cash	1,637	701
<b>Cash at Beginning of Period</b>	<b>2,352</b>	<b>52</b>
<b>Cash at End of Period</b>	<b>\$ 3,989</b>	<b>\$ 753</b>

**Drilling Tools International Corporation**  
**Unaudited Condensed Consolidated Statement of Cash Flows**  
(In thousands)

	<u>Nine Months Ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
<b>Supplemental cash flow information:</b>		
Cash paid for interest	\$ 901	\$ 884
Cash paid for income taxes	\$ 2,546	\$ 1,925
<b>Non-cash investing and financing activities:</b>		
ROU assets obtained in exchange for lease liabilities	\$ 3,002	\$ 5,246
Purchases of inventory included in accounts payable and accrued expenses and other current liabilities	\$ 451	\$ 1,776
Purchases of property and equipment included in accounts payable and accrued expenses and other current liabilities	\$ 1,733	\$ 1,459
Non-cash Directors and Officers insurance	\$ 1,063	\$ —
Non-cash Merger financing	\$ 2,000	\$ —
Exchange of DTIH redeemable convertible preferred stock for DTIC common stock in connection with Merger	\$ 7,193	\$ —
Issuance of DTIC common stock to former holders of DTIH redeemable convertible preferred stock in connection with Exchange Agreements	\$ 10,805	\$ —
Deferred financing fees included in accounts payable	\$ —	\$ 69
Accretion of redeemable convertible preferred stock to redemption value	\$ 314	\$ 883

**Use of Non-GAAP Financial Measures**

To supplement its unaudited interim consolidated financial statements, which are prepared and presented in accordance with GAAP, the Company uses certain non-GAAP financial measures to understand and evaluate its 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 the Company's financial performance and should not be considered a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

The Company uses the non-GAAP financial measure Adjusted EBITDA, which is defined as net income (loss), excluding interest income; interest expense; other income (expense), 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. The Company believes that Adjusted EBITDA helps identify underlying trends in its business that could otherwise be masked by the effect of the expenses that the Company excludes in Adjusted EBITDA.

The Company uses the non-GAAP financial measure Adjusted Free Cash Flow, which is defined as Adjusted EBITDA, reduced by gross capital expenditures. The Company believes Adjusted Free Cash Flow is an important liquidity measure of the cash that is available, after capital expenditures, for operational expenses and investment in its business and is a key financial indicator used by management. Adjusted Free Cash Flow is useful to investors as a liquidity measure because it measures the Company's ability to generate or use cash. Once the Company's business needs and obligations are met, cash can be used to maintain a strong balance sheet and invest in future growth.

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); and

Adjusted Free Cash Flow does not reflect the Company's future contractual commitments.

## Reconciliations of Non-GAAP Financial Measures

The following tables present a reconciliation of Net Income (Loss) to Adjusted EBITDA for the three and nine months ended September 30, 2023 and 2022 (non-recurring transaction expenses recorded to other (income) expense are presented separately within Adjusted EBITDA):

### Drilling Tools International Corporation Reconciliation of GAAP to Non-GAAP Measures (Unaudited) (In thousands)

	Three Months Ended September 30,	
	2023	2022
Net Income	\$ 4,287	\$ 6,996
Add (deduct)		
Income tax expense	2,102	626
Depreciation and Amortization	5,303	4,820
Interest expense, net	73	45
Stock option expense	—	—
Monitoring fees	295	123
Gain on sale of property	—	(102)
Unrealized (gain) loss on equity securities	535	398
Transaction expense	124	—
ERC credit received	—	—
Other expense, net	10	114
Adjusted EBITDA	\$ 12,729	\$ 13,020

### Drilling Tools International Corporation Reconciliation of GAAP to Non-GAAP Measures (Unaudited) (In thousands)

	Nine Months Ended September 30,	
	2023	2022
Net Income	\$ 10,925	\$ 14,263
Add (deduct)		
Income tax expense	5,201	2,846
Depreciation and Amortization	15,035	14,782
Interest expense, net	995	41
Stock option expense	1,661	—
Monitoring fees	773	294
Gain on sale of property	(68)	(107)
Unrealized (gain) loss on equity securities	148	75
Transaction expense	5,963	—
ERC credit received	—	(4,272)
Other expense, net	207	209
Adjusted EBITDA	\$ 40,840	\$ 28,131

The following table presents a reconciliation of full year 2023 Estimated Net Income (Loss) to Estimated Adjusted EBITDA:

**Drilling Tools International Corporation**  
Reconciliation of GAAP to Non-GAAP Measures (Unaudited)  
(In thousands)

	<u>2023E</u>
Net Income	\$ 11,576 - 18,976
Add (deduct)	
Interest expense, net	500 - 1,300
Income tax expense	6,500 - 7,000
Depreciation and amortization	19,900 - 21,000
Monitoring fees	500 - 1,000
Other expense	0 - 500
Stock option expense	1,661
Transaction expense	5,963
Adjusted EBITDA	<u>\$ 50,000 - 54,000</u>

The following table presents a reconciliation of full year 2023 Estimated Net Income (Loss) to Estimated Adjusted Free Cash Flow:

**Drilling Tools International Corporation**  
Reconciliation of GAAP to Non-GAAP Measures (Unaudited)  
(In thousands)

	<u>2023E</u>
Net Income	\$ 11,576 - 18,976
Add (deduct)	
Interest expense, net	500 - 1,300
Income tax expense	6,500 - 7,000
Depreciation and amortization	19,900 - 21,000
Monitoring fees	500 - 1,000
Other expense	0 - 500
Stock option expense	1,661
Transaction expense	5,963
Gross capital expenditures	(44,000) - (46,000)
Adjusted Free Cash Flow	<u>\$ 6,000 - 8,000</u>

Source: Drilling Tools International Corp.



# DRILLING TOOLS<sup>®</sup>

INTERNATIONAL



## Investor Presentation

November 2023



# Disclaimers

**General:** Drilling Tools International Corporation ("DTI") is making this presentation available in connection with the release of its financial results for the three and nine months ended September 30, 2023. The information contained in this presentation does not purport to be all-inclusive or to contain all information that prospective investors may require. Prospective investors are encouraged to conduct their own analysis and review of information contained in this presentation as well as important additional information through the Securities and Exchange Commission's ("SEC") EDGAR system at [www.sec.gov](http://www.sec.gov) and on our website at [www.drillingtools.com](http://www.drillingtools.com).

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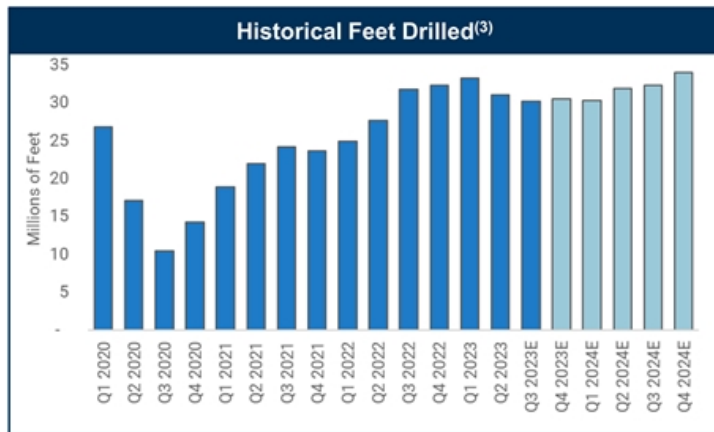
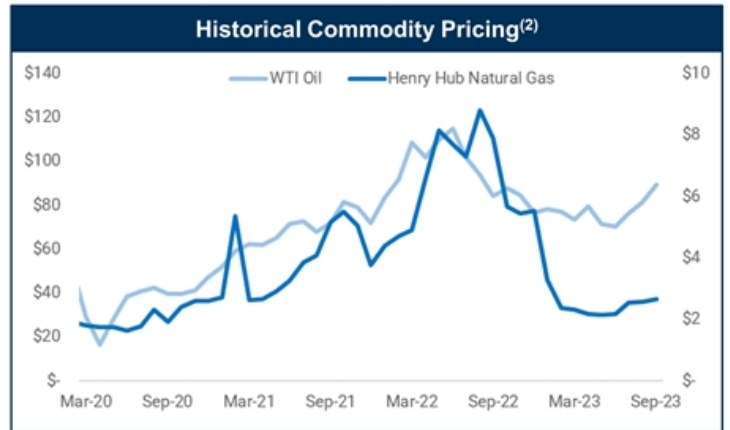
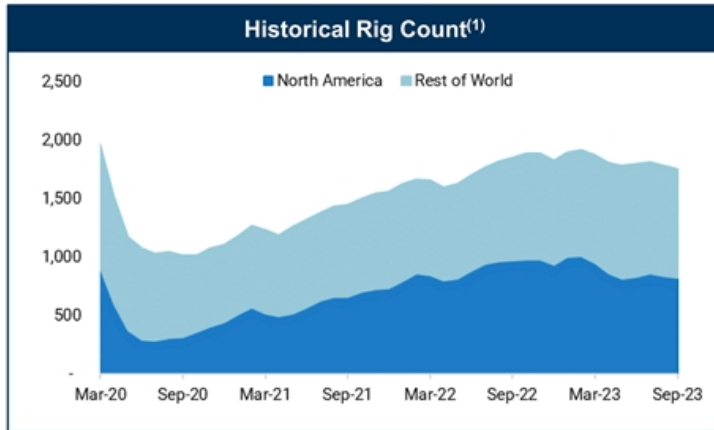
**DRILLING TOOLS**<sup>®</sup>  
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**Business & Market  
Overview**



# Significant Industry Tailwinds & Supportive Macro Backdrop

A combination of elevated commodity prices, increased rig count and capital spending creates a highly constructive market backdrop



# DTI is a Leading Rental Provider of Mission Critical Drilling Tools

A platform developed and designed to keep up with the ever-changing requirement of our customers

## 65,000+

DTI manages & maintains a fleet of over 65,000 rental tools and drilling equipment

## Global

DTI has a global footprint, with a presence and service capabilities in all major U.S. basins

## ~40 years

DTI's history began in 1984 with the founding of Directional Rentals, an equipment provider to offshore drillers

## 4 segments

DTI operates across diverse segments including Directional Tool Rentals, Wellbore Optimization Tools, Premium Tools and Other

## 20<sup>(1)</sup>

DTI operates from 20 service centers, shops, distribution and repair centers

## Permian

DTI has an extensive footprint across the prolific Permian Basin including Midland & Delaware

## 35,840 SF

DTI operates a 35,840 square foot manufacturing & repair facility located in Louisiana

## ~\$130 Million

2022 revenue, reflecting the Company's established scale



# The Rental Tool Business & DTI's Value Proposition

Why do E&P operators and some service providers prefer to rent rather than buy?

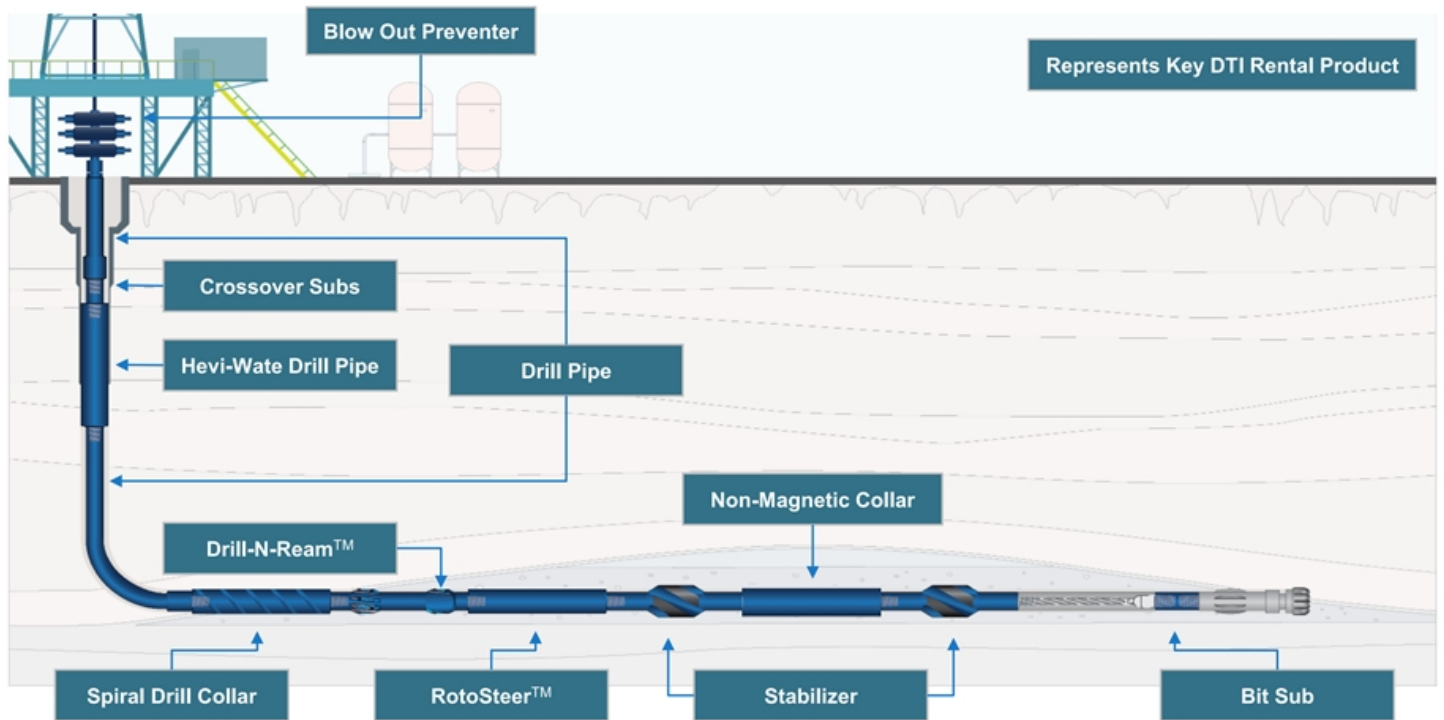
Given the complexity of modern drilling, completions and workover programs, most drillers and service providers prefer to focus on core competencies and rely on third-parties for the rental, repair, inspection and inventory management of downhole drilling tools

Topic	Customer Challenges	DTI's Value-Additive Solutions
<b>Outsources Logistics, Inspection, Storage and Maintenance</b>	Customers lack the willingness, resources and/or experience to track, transport, store, maintain and inspect tubing, drill pipe and other equipment	DTI has the resources to make renting downhole tools a reliable and economical choice for customers including a large physical infrastructure, proprietary inventory management system, as well as needed inspection, repair, and hardfacing to support the fleet of rental equipment
<b>Eliminates Equipment Redeployment Risk</b>	Inefficient to own comprehensive fleet of expensive equipment specifically designed for formations / regions	By serving a broad customer base, DTI can efficiently deploy specialized equipment across major U.S. oil & gas regions
<b>Immediate Equipment Availability</b>	Modern well designs require highly specialized equipment that is not typically carried on drilling or workover rigs	DTI owns a wide variety of equipment available for use 24/7, along with extensive machining capabilities to rapidly meet customer needs
<b>Fill Equipment Supply Gaps</b>	Many drillers and well service providers maintain only a small core set of tubing and drill pipe	DTI's inventory includes equipment required for extended reach laterals as well as a range of specialty or premium products that are needed to withstand the rigors of deep unconventional wells
<b>Focus Capex On Core Operations</b>	Industry shift towards lean capital programs	DTI's rental equipment allows operators to focus capex investment on core businesses
<b>Simplifies Working Interest Partner Expense Allocation</b>	The perception of excessive charges can lead to disputes among working interest partners	DTI as a service provider eliminates the need for an E&P operator to charge working interest partners a substantial fee for the purchase of equipment



# Expansive Offering to Supply Drilling Tools Required in a Typical Job



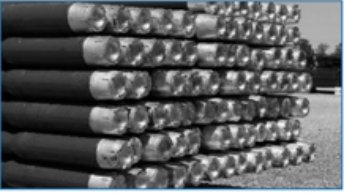

Diverse and extensive inventory of tools to address the wide-ranging needs of oil & gas customers across all regions



# A Market Leader in Downhole Tools for the Oil & Gas Industry

Leading provider of downhole drilling equipment rentals to North American onshore and offshore markets, as well as select international locations, with a highly competitive suite of differentiated products serving blue-chip E&P operators and large oilfield service companies

## Core Product and Service Offering

Directional Tool Rentals ("DTR")	Wellbore Optimization Tools	Premium Tools ("Premium")	Other Products & Services
			
<p><b>60% of 2022 Revenue</b></p>	<p><b>20% of 2022 Revenue</b></p>	<p><b>18% of 2022 Revenue</b></p>	<p><b>2% of 2022 Revenue<sup>(1)</sup></b></p>
<ul style="list-style-type: none"> <li>• Rental tools used in bottom hole assemblies ("BHA") adjacent to the drill bit</li> <li>• More than 30 categories of tools, including:             <ul style="list-style-type: none"> <li>— Stabilizers</li> <li>— Drill Collars</li> <li>— Roller Reamers</li> <li>— Hole Openers</li> <li>— Downhole Filters</li> <li>— Sub Assemblies</li> <li>— Drilling Accessories</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Sole North American distributor of the patented Drill-N-Ream™, a proprietary and patented wellbore conditioning tool</li> <li>• Distributor of specialty roller reamers</li> <li>• Emerging products include RotoSteer™ and SafeFloat™ Float Valve for Managed Pressure Drilling</li> </ul>	<ul style="list-style-type: none"> <li>• Complete inventory of necessary handling tools for running workstrings</li> <li>• Offers tubulars for drilling, workover and completion operations including:             <ul style="list-style-type: none"> <li>— Drill Pipe</li> <li>— Drill Collars</li> <li>— Kellys</li> <li>— Pup Joints</li> <li>— Tubing</li> </ul> </li> <li>• American Petroleum Institute ("API") blowout preventers ("BOPs") and related pressure control accessories</li> </ul>	<ul style="list-style-type: none"> <li>• <u>Downhole Inspection Solutions</u> offers inspection services and provides technical support for tool life analysis and BHA component development</li> <li>• <u>Technical Services Group</u> provides engineering, research and product development</li> <li>• <u>Product Sales</u> <ul style="list-style-type: none"> <li>— Downhole Tools</li> <li>— Completion and Production Tools</li> </ul> </li> <li>• <u>Emerging Product Launch Team</u> incubates new tools and businesses before they reach critical scale</li> </ul>

# How Did We Get There? DTI Has a Long History of Success

DTI's history began in 1984 when it was founded as Directional Rentals to provide equipment to offshore drillers

- In 2012, Hicks Energy Partners acquired a majority interest in Directional Rentals before merging with Allegiant Tool & Machine to become DTI
- Since then, DTI has focused on strategically acquiring inventory and business units to become a leader in drilling tool rentals in North America

1984	2009	2013	2016	2018	2022
<ul style="list-style-type: none"> <li>• Founded as Directional Rentals</li> <li>• Primarily rented stabilizers and sub-assemblies to offshore directional drillers in the Gulf of Mexico ("GoM")</li> </ul>	<ul style="list-style-type: none"> <li>• Opened Houston, TX and Casper, WY offices</li> <li>• Mike Domino joined the management team</li> </ul>	<ul style="list-style-type: none"> <li>• Acquired Schlumberger's downhole tools inventory</li> <li>• Wayne Prejean and David Johnson joined management team as CEO and CFO, respectively</li> </ul>	<ul style="list-style-type: none"> <li>• Substantially increased market share in North America</li> <li>• Established partnership with manufacturer of patented Drill-N-Ream™ tool</li> </ul>	<ul style="list-style-type: none"> <li>• Acquired:                             <ul style="list-style-type: none"> <li>– Premium Tools</li> <li>– RIK, Incorporated</li> <li>– Stinger Production Valve</li> <li>– Friction Reduction Tools</li> <li>– Cajun Plugs, a dissolvable frac plug</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Established exclusive partnership for RotoSteer™</li> <li>• ~65,000 tools</li> <li>• Sustains market leading position</li> <li>• Domestic locations: 18 (including headquarters)</li> </ul>





1984

Today

1991	2012	2014	2017	2019	2023
<ul style="list-style-type: none"> <li>• Expanded offering to include non-magnetic drill collars and sub-assemblies</li> </ul>	<ul style="list-style-type: none"> <li>• Hicks acquired majority interest in DTI                             <ul style="list-style-type: none"> <li>– ~5,000 tools</li> <li>– Locations: 4</li> </ul> </li> <li>• Purchased NOV tools, significantly increasing scale and capabilities</li> </ul>	<ul style="list-style-type: none"> <li>• Acquired Reamco, adding offshore tools and tool repair capabilities</li> <li>• Rebranded as Drilling Tools International, Inc.</li> <li>• Established Quality Assurance team and began API certification process</li> </ul>	<ul style="list-style-type: none"> <li>• Drill-N-Ream™ average monthly revenues exceed \$1 million</li> <li>• Launched Downhole Inspection Solutions</li> <li>• Achieved leading market share in offshore GoM, growing from 1 rig in 2013 to 12 rigs in 2017</li> </ul>	<ul style="list-style-type: none"> <li>• Achieved over 50% market share in North America in DTR segment</li> <li>• Developed Customer Order Management Portal and Support System ("COMPASS") for customized rental tool management</li> </ul>	<ul style="list-style-type: none"> <li>• After a successful transaction with ROC Energy Acquisition Corp., DTI became a publicly traded company on June 21<sup>st</sup> 2023 under the ticker NASDAQ: DTI</li> </ul>

# Our Proven Track-Record in Executing & Integrating M&A

Management boasts a proven track record in strategic acquisitions highlighted by the integration of 4 businesses since 2012

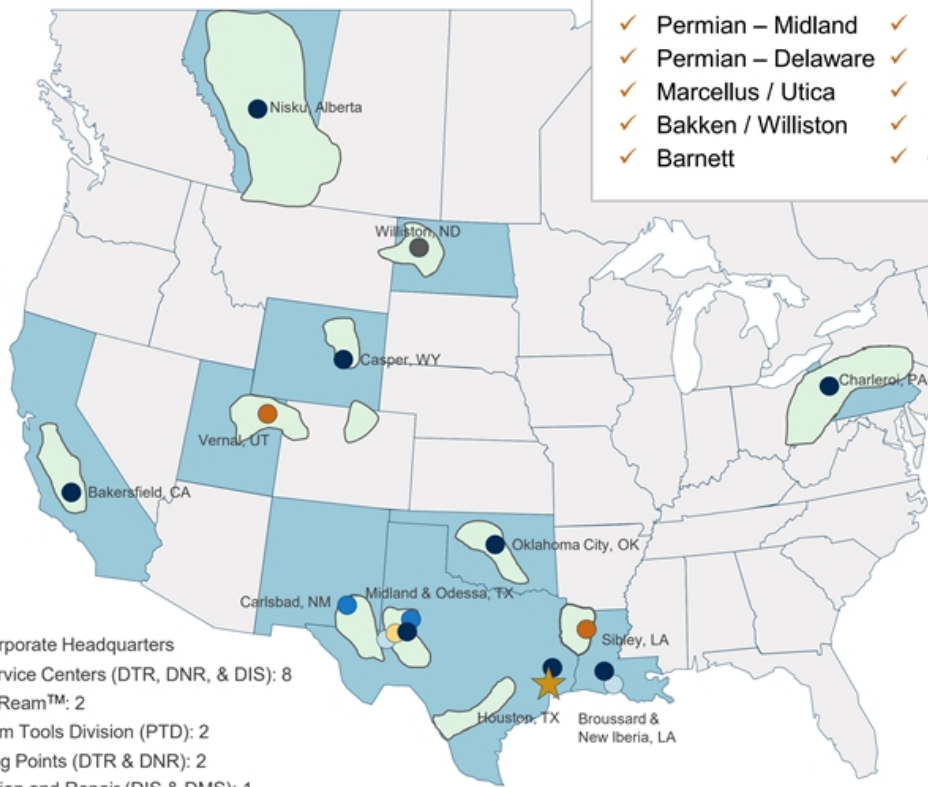
Select Acquisitions				
Target				
Year Acquired	2013	2014	2018	2018
Description	<ul style="list-style-type: none"> <li>• Purchased their entire North American fleet of Bottom Hole Assembly Components in exchange for a 4-year supply agreement</li> <li>• Original agreement extended and is still in effect through 2024</li> </ul>	<ul style="list-style-type: none"> <li>• Manufactures, rents and refurbishes downhole drilling tools and related products</li> <li>• Enabled DTI to enter the offshore market by using the Reamco facility and API license to accelerate path to quickly capture leading market share</li> </ul>	<ul style="list-style-type: none"> <li>• Full-service drill pipe rental tool division specializing in equipment for drilling, workover, completions and well intervention</li> </ul>	<ul style="list-style-type: none"> <li>• Provides downhole drilling tools to directional drilling companies, serving customers in several key basins including the Permian, Rocky Mountains, and Williston</li> </ul>

# Scale Matters: Operations Across All Major Operating Basins in North America

16 service centers, shops, distribution and repair centers located strategically across North America to service all major oil & gas basins, providing solutions with minimal logistics required

## Major US Basins Serviced by DTI

- ✓ Permian – Midland
- ✓ Permian – Delaware
- ✓ Marcellus / Utica
- ✓ Bakken / Williston
- ✓ Barnett
- ✓ Eagle Ford
- ✓ Powder River
- ✓ DJ Basin
- ✓ Haynesville
- ✓ Gulf of Mexico
- ✓ Anadarko / Woodford
- ✓ Granite Wash
- ✓ Tuscaloosa Trend



- ★ DTI Corporate Headquarters
- DTI Service Centers (DTR, DNR, & DIS): 8
- Drill-N-Ream™: 2
- Premium Tools Division (PTD): 2
- Stocking Points (DTR & DNR): 2
- Inspection and Repair (DIS & DMS): 1
- Emerging Products: 1

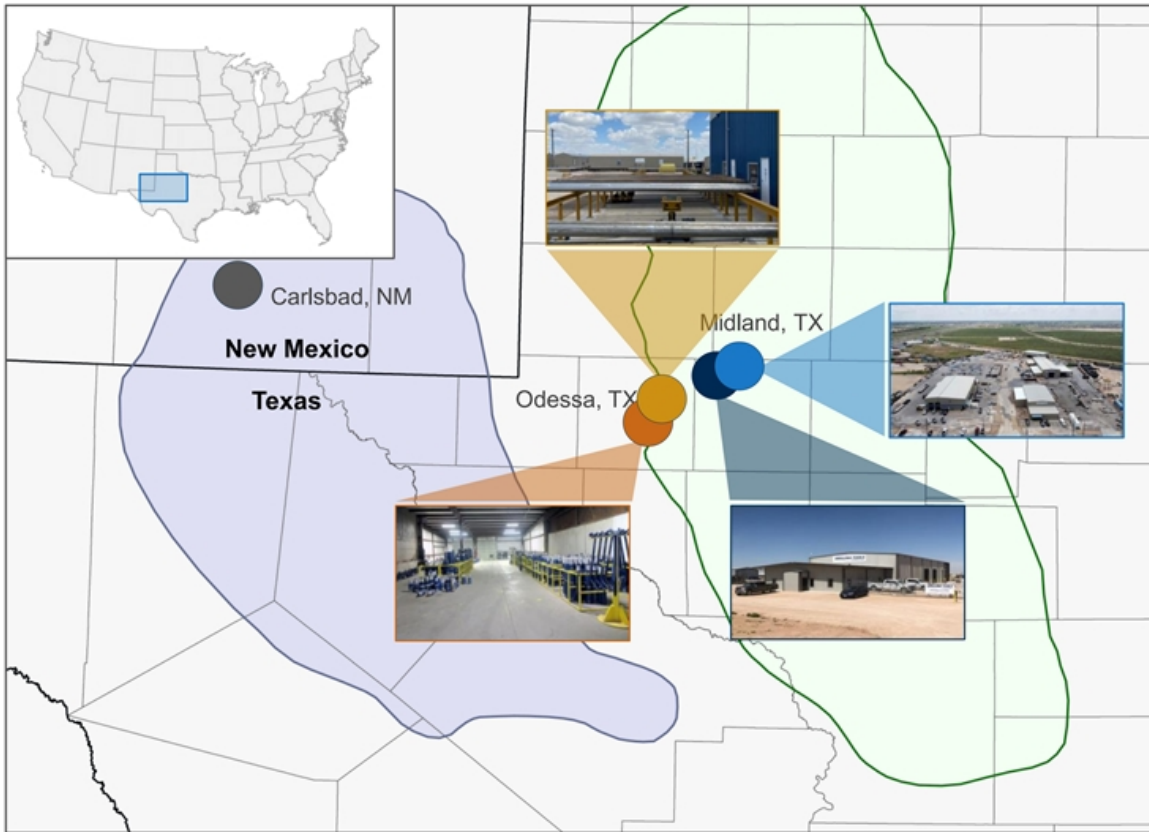
## Additional Rental Support Centers





# Strong Permian Presence in both Midland and Delaware Basins

DTI has an extensive footprint within the Permian Basin, providing numerous services to clients operating in one of the most prolific oil and gas basin



Midland DTR Campus <sup>(1)</sup>	
Space (sq. ft.)	57,246
Acres	14
Segments Served	DTR
Midland DNR Facility	
Space (sq. ft.)	12,000
Acres	3.5
Segments Served	Multiple
Odessa DMS <sup>(2)</sup> Facility	
Space (sq. ft.)	9,000
Acres	5
Segments Served	Multiple
Odessa Premium Tools Facility	
Space (sq. ft.)	17,417
Acres	11
Segments Served	Premium
Carlsbad Facility	
Space (sq. ft.)	4,000
Acres	2.5
Segments Served	DNR

# Modernized Manufacturing and Repair Facility

35,840 square foot facility located on a ten-acre campus in Broussard, Louisiana

- Machine and repair equipment ensures product quality, increases product life and improves fleet utilization
- Facility equipment includes hollow spindle lathes, CNC mills, racking systems, manual lathes and in-house drill collar spiraling equipment
- Machine shop reworks drill collars and hevi-wate drill pipe, spiraling of drill collars and anti-galling zinc phosphate applications of threading connections
- A full-service welding and hard facing operation to support manufactured tools and enhance rental tool life
- Ability to manufacture most of our rental tools enables cost reduction and control of supply chain for rental needs



Raw Materials From Mill

DTI Manufacturing Facility

Tools Added to Fleet

Damaged Tools

# DTI's COMPASS Order Management System = Key Differentiator

DTI's proprietary customer order management system provides valuable information to the company for use in making data-based capital allocation and pricing decisions

The screenshot displays the COMPASS web application interface. The top navigation bar includes 'NEW RENTAL ORDERS', 'MY ORDERS', 'FAVORITES', 'DIS ORDERS', and 'DNR ORDERS'. A search bar is located at the top left. The main content area is divided into a grid of product categories: COLLARS, SUBS, STABILIZERS, MISC, BEAMERS, SHOCK SUBS, CENTRALIZERS, and DRILL-N-REAM. A right-hand sidebar shows a list of products with their specifications and prices. Below the main interface, a detailed view of a 'NON-MAG DRILL COLLAR NMDC 3-1/2" X 2"' is shown, including its part number (10000), quantity (1), and an 'Add to Order' button. The bottom navigation bar includes 'CATALOG', 'BILLING', 'ORDERS', 'FAVORITES', and 'INSPECTION REPORTS'.

Unique, Proprietary Software and Support System

Customized, Automated and Accurate Reporting

Full Catalog of Tools and Equipment

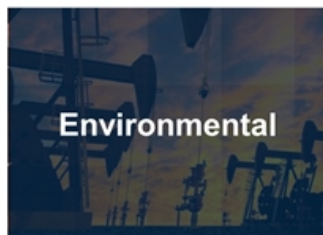
Provides Customers with Centralized Order Management System

Expedites Order Process

Transaction Data Can be Analyzed for Capital Expenditure & Pricing Decision Making



# ESG + Safety Are Integral to Our Success



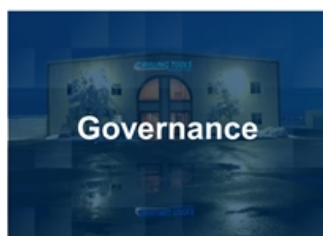
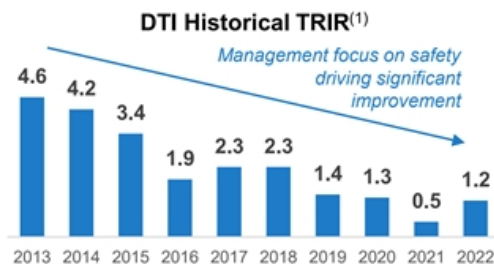
## DTI is committed to environmental stewardship by:

- ✓ Performing continuous evaluations and implementing control measures to ensure minimization of waste
- ✓ Striving for the highest levels of operational proficiency to reduce rework, use of chemicals and waste
- ✓ Actively promoting recycling including extensive rental tool recycling and refurbishment programs
- ✓ Pursuing opportunities to redeploy equipment in support of energy transition markets such as geothermal, carbon capture and storage, as well as other renewable projects



## The wellbeing of employees, customers, and suppliers is rooted in DTI's operations:

- ✓ Identify and control exposures that can injure people, interrupt production, or damage property, equipment and material
- ✓ Contributes to the welfare of employees and local communities through active participation in numerous outings and charity events





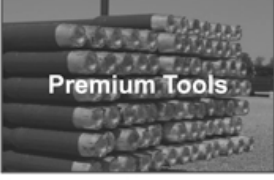





## DTI's leadership is focused on deriving long-term value for all stakeholders by:

- ✓ Executive accountability through the election of an independent board<sup>(2)</sup>
- ✓ Strong internal controls
- ✓ Complying with federal, state, and local regulations

# Overview of DTI's Core Product and Service Offering

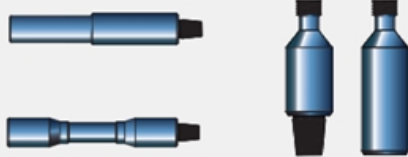
(\$Millions)

Product / Service Offering	2020A – 2023E Revenue Profile	Key Products / Features										
 <p><b>Directional Tools Rental</b></p>	 <table border="1"> <tr> <th>Year</th> <th>Revenue (\$Millions)</th> </tr> <tr> <td>2020A</td> <td>\$41.2</td> </tr> <tr> <td>2021A</td> <td>\$47.6</td> </tr> <tr> <td>2022A</td> <td>\$78.0</td> </tr> <tr> <td>2023E</td> <td>\$93 - \$95</td> </tr> </table>	Year	Revenue (\$Millions)	2020A	\$41.2	2021A	\$47.6	2022A	\$78.0	2023E	\$93 - \$95	<ul style="list-style-type: none"> <li>Stabilizers (standard, directional, integral blade, sleeve type, motor / MWD and RSS sleeve)</li> <li>Subs (rotary, side entry, reduced section, crossover, top drive saver)</li> <li>Steel drill collars</li> <li>Roller reamers</li> <li>Hole openers</li> <li>Pup joints</li> <li>Hardfacing</li> <li>Non magnetic drill collars</li> </ul>
Year	Revenue (\$Millions)											
2020A	\$41.2											
2021A	\$47.6											
2022A	\$78.0											
2023E	\$93 - \$95											
 <p><b>Wellbore Optimization Tools</b></p>	 <table border="1"> <tr> <th>Year</th> <th>Revenue (\$Millions)</th> </tr> <tr> <td>2020A</td> <td>\$15.8</td> </tr> <tr> <td>2021A</td> <td>\$17.8</td> </tr> <tr> <td>2022A</td> <td>\$25.3</td> </tr> <tr> <td>2023E</td> <td>\$26 - \$28</td> </tr> </table>	Year	Revenue (\$Millions)	2020A	\$15.8	2021A	\$17.8	2022A	\$25.3	2023E	\$26 - \$28	<ul style="list-style-type: none"> <li>Unique and value add products deployed by a focused group of field sales and service professionals</li> <li>Patented Drill-N-Ream™ Wellbore Conditioning tool</li> <li>Specialty roller reamers</li> <li>SafeFloat™ float valve rentals for managed pressure drilling</li> <li>Emerging RotoSteer™ Technology</li> </ul>
Year	Revenue (\$Millions)											
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 <p><b>Premium Tools</b></p>	 <table border="1"> <tr> <th>Year</th> <th>Revenue (\$Millions)</th> </tr> <tr> <td>2020A</td> <td>\$8.9</td> </tr> <tr> <td>2021A</td> <td>\$6.3</td> </tr> <tr> <td>2022A</td> <td>\$22.7</td> </tr> <tr> <td>2023E</td> <td>\$27 - \$29</td> </tr> </table>	Year	Revenue (\$Millions)	2020A	\$8.9	2021A	\$6.3	2022A	\$22.7	2023E	\$27 - \$29	<ul style="list-style-type: none"> <li>Drill pipe and Hevi-Wate drill pipe</li> <li>Drill collars</li> <li>Kellys</li> <li>Pup joints</li> <li>Tubing</li> <li>BOPs</li> <li>Accumulators</li> <li>Hoses</li> <li>Flanges</li> <li>Range of handling tools</li> </ul>
Year	Revenue (\$Millions)											
2020A	\$8.9											
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 <p><b>Other Products and Services<sup>(1)</sup></b></p>	 <table border="1"> <tr> <th>Year</th> <th>Revenue (\$Millions)</th> </tr> <tr> <td>2020A</td> <td>\$1.8</td> </tr> <tr> <td>2021A</td> <td>\$5.6</td> </tr> <tr> <td>2022A</td> <td>\$3.5</td> </tr> <tr> <td>2023E</td> <td>\$4 - \$6</td> </tr> </table>	Year	Revenue (\$Millions)	2020A	\$1.8	2021A	\$5.6	2022A	\$3.5	2023E	\$4 - \$6	<ul style="list-style-type: none"> <li>Technical services group                             <ul style="list-style-type: none"> <li>Sustaining engineering – research and product development</li> </ul> </li> <li>Product sales (downhole tool and completion and production tools)</li> <li>Emerging product launch team</li> <li>Downhole inspection solutions – non-destructive testing services                             <ul style="list-style-type: none"> <li>Magnetic particle inspection liquid penetrant inspection</li> <li>Ultrasonic testing</li> <li>Electro magnetic testing</li> </ul> </li> </ul>
Year	Revenue (\$Millions)											
2020A	\$1.8											
2021A	\$5.6											
2022A	\$3.5											
2023E	\$4 - \$6											

# Overview of Directional Tool Rentals Key Equipment



## Subs and Other Equipment



Variety of subs, crossovers and handling tools used in the drill string

## Stabilizers



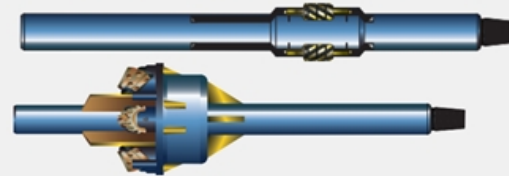
Reduces drill string vibration and torque...

## Drill Collars



Adds weight to the BHA to increase rate of penetration ("ROP") and reduce vibration...

## Roller Reamers / Hole Openers



Enlarges and conditions wellbore...

# Overview of Wellbore Optimization Tools

Specialty tools division with a focused group of field sales and service professionals providing rig site visits and customer service, enabling consistent product performance and customer satisfaction

## Products Offered

### Drill-N-Ream™ ("DNR") WellBore Conditioning Tool<sup>(1)</sup>

- Patented technology allows the tool to maintain a market leading position
- Numerous benefits to the customer
- Allows operators to extend length of wellbore at a lower cost

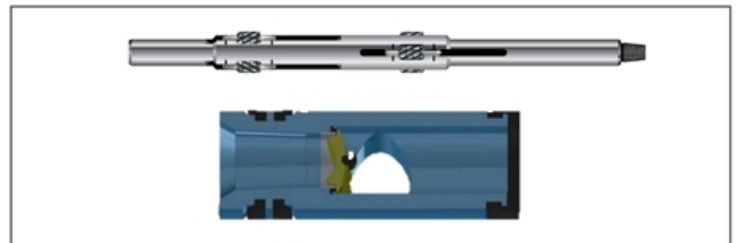
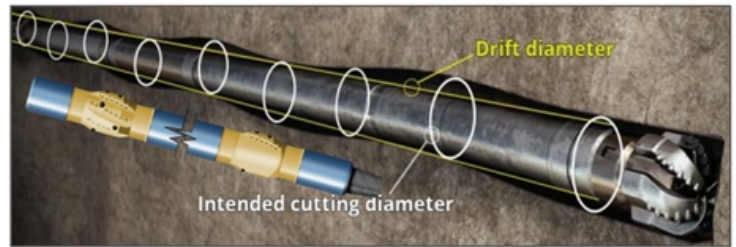
### Specialty Reamers, SafeFloat™ Float Valves

- Sealed bearing roller reamers
- Specialty pressure control drill stem valve for managed pressure drilling

### Emerging Technology "RotoSteer™"

- 2022: finalized development
- 2023: Commercially launched Jan 2023
- Improves ROP, reduces torque and drag and eliminates slides
- Applicable to hundreds of locations

## Substantial Improvements in Wellbore Quality



## ROTOSTEER™





# Overview of Premium Tools Key Equipment

DTI offers a wide array of premium tubulars for drilling, workover and completion operations, API blowout preventers and pressure control accessories as well as a comprehensive suite of related handling tools

## Tubulars



- **Drill Pipe** – 2 7/8 to 5 1/2 inch API bottleneck, slim-hole, API, proprietary double shoulder-high torque connections
- **Hevi-Wate Drill Pipe** – 3 1/2 to 5 1/2 inch API bottleneck, slim-hole, API, proprietary double shoulder-high torque connections
- **Drill Collars** – 3 1/8 to 9 1/2 steel spiral and slick
- **Kellys** – hex or square from 38 to 46 inch
- **Pup Joints** – drill pipe and tubing
- **Tubing** – premium PH-6, CS-8 and API 8Rd with thread from 2 3/8 to 4 1/2

## Handling Tools



- **Stabbing Guides** – for tubing and drill pipe
- **Drifts** – for all pipe sizes (Teflon, steel and aluminum)
- **Rotary Slips** – for tubing, casing, drill pipe and drill collars
- **Safety Clamps** – for pipe and collars
- **Manual Tongs** – K-25 to K-70 hand tongs and HT-200 manual rotary tongs
- **Elevators** – slip grip, bottleneck and bushing types
- **Subs** – TDS, wear, float, X-over, bit, lift and pump-ins

## API BOPs and Pressure Control Accessories



- **Blowout Preventers** – 5M, 10M and 15M psi
- **Accumulators** – diesel, electric and air powered
- **Hoses** – high pressure, fire retardant and steel flex
- **Spools** – spacers, adaptors and diverters
- **Double Studded Adaptors**
- **Gate Valves** – manual, hydraulic and air actuated
- **Chokes** – manual adjustable and fixed orifice
- **Manifolds** – skid mounted custom buffers assembled to specification
- **Flanged Accessories** – tees, crosses (flanged and studded)
- **Stud Bolts** – B7M H<sub>2</sub>S service
- **Chicksan Iron** – loops, swivel joints and pups

# Other Products and Services

## Products Offered

### Downhole Inspection Solutions

- Independent inspection services equipment of all DTI divisions and select external customers
- Critical to efficient operations
- Services across North America including network of six domestic and one Canadian inspection facilities

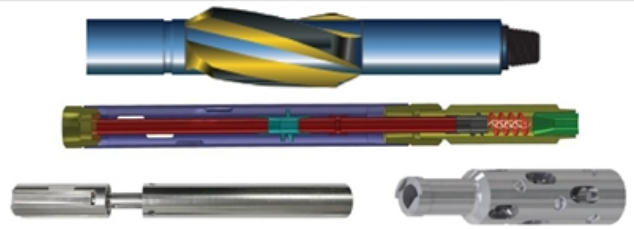
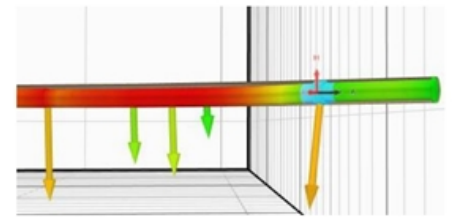
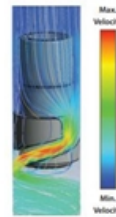
### Technical Services Group

- Sustaining engineering
- Performance analysis
- Product development
- Technical support to quality assurance

### Product Sales

- Made-to-order downhole drilling tools
- Completion and production Product Sales
- Production desander tool operations
- Williston, ND manufacturing and distribution facility

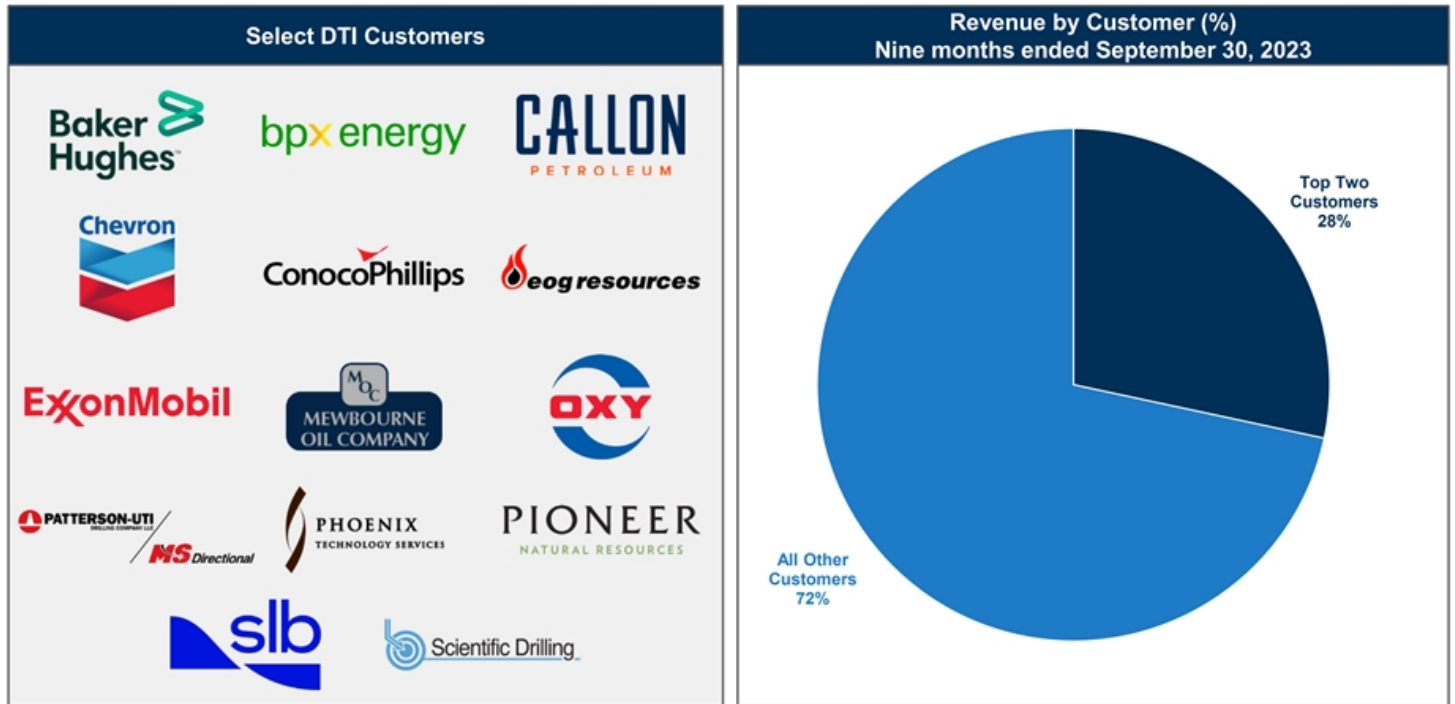
## Internal Support Services and Emerging Products



# Blue-Chip Customer Base Across E&Ps & OFS Companies

DTI has established an exceptional customer base that includes blue-chip E&P operators and many of the largest oilfield services companies

- First-call supplier for leading oilfield service providers in North America
- Over the last decade, DTI has actively expanded its customer base to further diversify its customer mix
  - In the nine months ending September 30, 2023, DTI's two largest customers represented approximately 28% of revenue



# DTI Sales Team Covers Global Markets

The Sales and Corporate Strategy teams cover customer decision makers at all organizations levels, globally



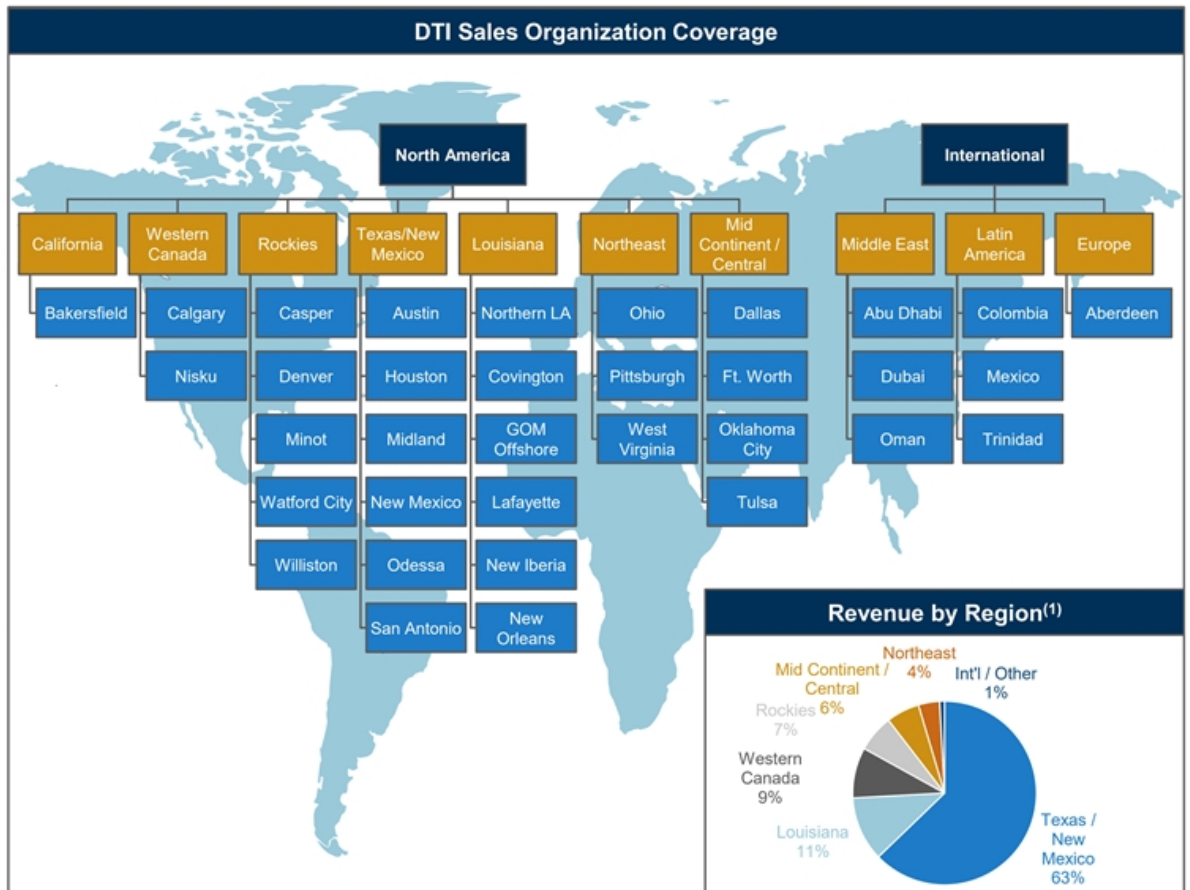
Sales Organization Covers Every Major U.S. Basin and Several Attractive International Markets



Customer "Stickiness" Enabled by Frequent Interaction Across Multiple Layers of Management



International Regions Represent Key Growth Opportunities





# Significant Upside Through Continued Consolidation

DTI believes that its established M&A framework and robust M&A pipeline will allow it to rapidly consolidate the oilfield service rental tool industry

- Has reviewed more than 100 potential acquisition targets, with approximately 20 targets in the current pipeline, 10 of which have been identified as addressing a near-term strategic priority



# Experience Matters! – The DTI Leadership Team

Experienced, talented, and committed management team with history of success



**Wayne Prejean**  
President & Chief  
Executive Officer



**Mike Domino**  
President, Directional Tool  
Rentals Division



**David Johnson**  
Chief Financial  
Officer



**Jim Rowell**  
VP, Premium Tools



**Aldo Rodriguez**  
VP of Sales & Corporate  
Development



**Trent Pope**  
VP, Business Development  
Wellbore Optimization Group



**Ashley Lane**  
VP, International Business  
Development



**Rick Young**  
VP, QHSE  
& Corporate Support



**Christian Middleton**  
VP, Finance



**Jameson Parker**  
VP, Corporate  
Development



**David Cotten**  
Director,  
Technical Services



**Chris Conner**  
General Manager,  
Downhole Inspection Solutions



**Veda Ragsdill**  
Director,  
Human Resources

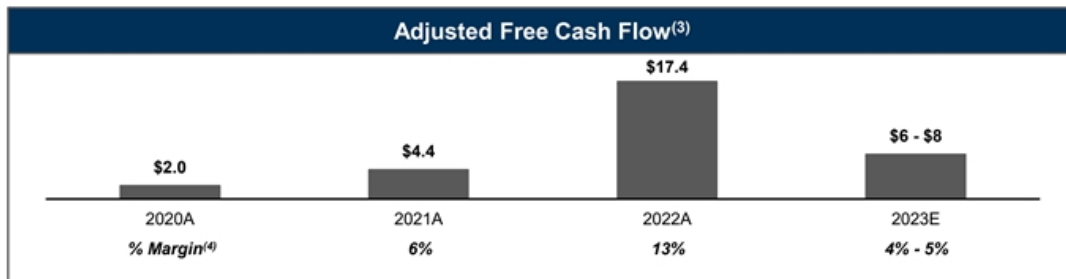
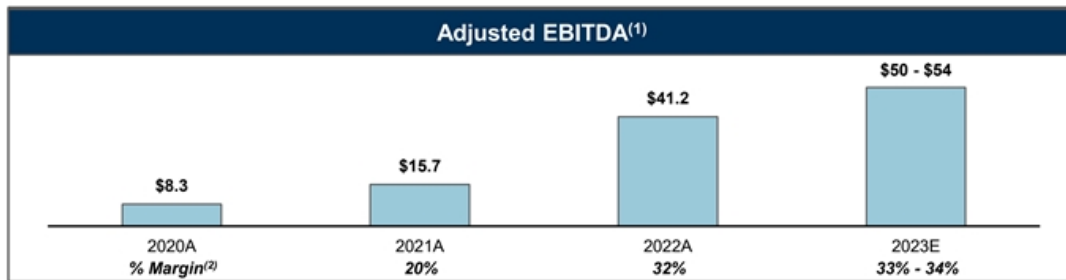
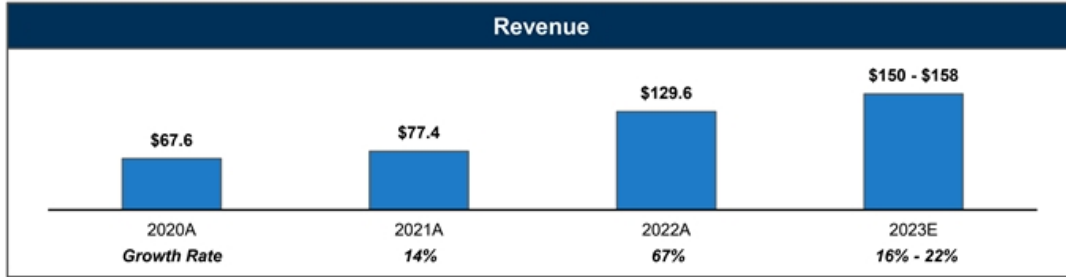
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## Financial Overview and Growth Opportunities



# Attractive Financial Profile

(\$Millions)  
Generated positive Adjusted EBITDA margins and cash flow through the pandemic, and now boasts among the top margins and cash flow profiles in the industry



**Commentary**

*Strong and Increasing Revenue Profile*

*Accelerating Adj. EBITDA and Margin Profile*

*Translating to Positive Adj. Free Cash Flow Generation*

Source: Company financials and management estimates.

1) Adjusted EBITDA is a non-GAAP measure. For a reconciliation of net income (loss) to Adjusted EBITDA for each of the periods presented, please see the Appendix.

2) Adjusted EBITDA divided by revenue in the corresponding year.

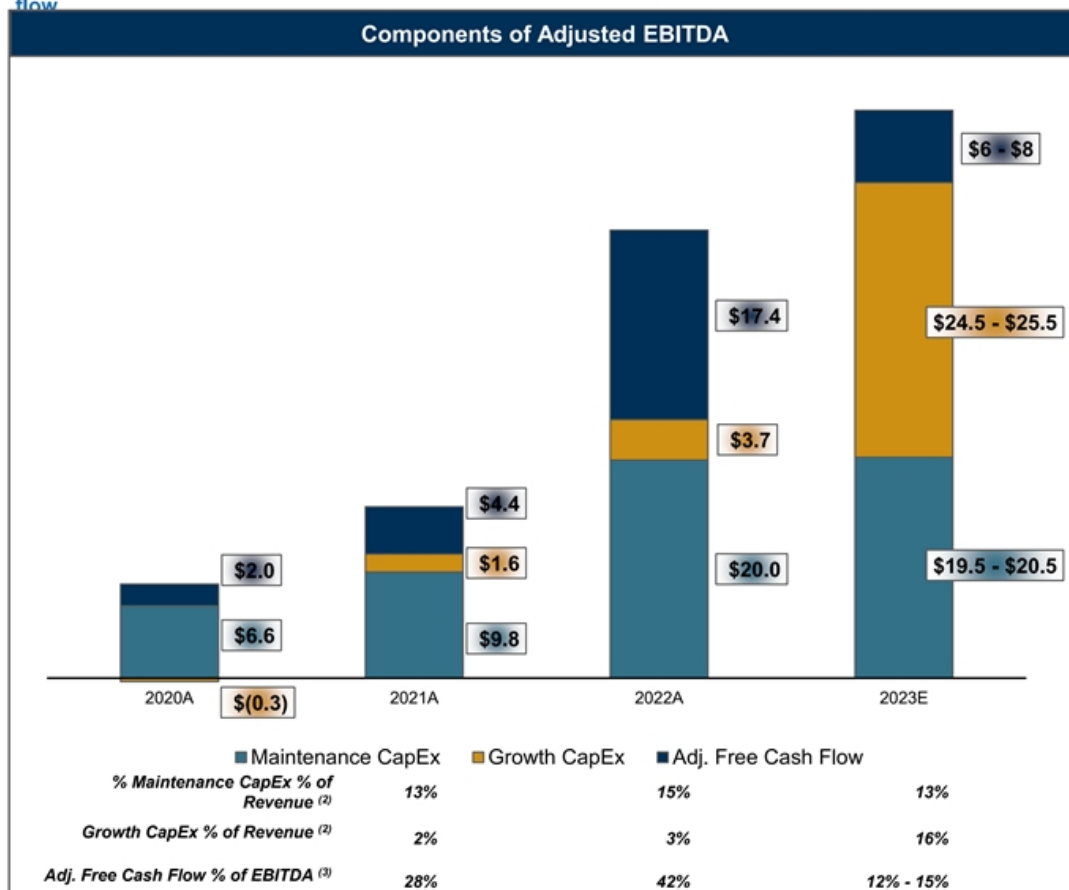
3) Adjusted Free Cash Flow is a non-GAAP measure. For a reconciliation of net income (loss) to Adjusted Free Cash Flow for each of the periods presented, please see the Appendix.

4) Adjusted Free Cash Flow divided by revenue in the corresponding year.

# Smart Capital Expenditures

(\$Millions)

Increase in 2023 Growth Capital spending to support stronger adjusted free cash flow in 2024+ translating to lower YE 2023 adjusted free cash flow



**Commentary**

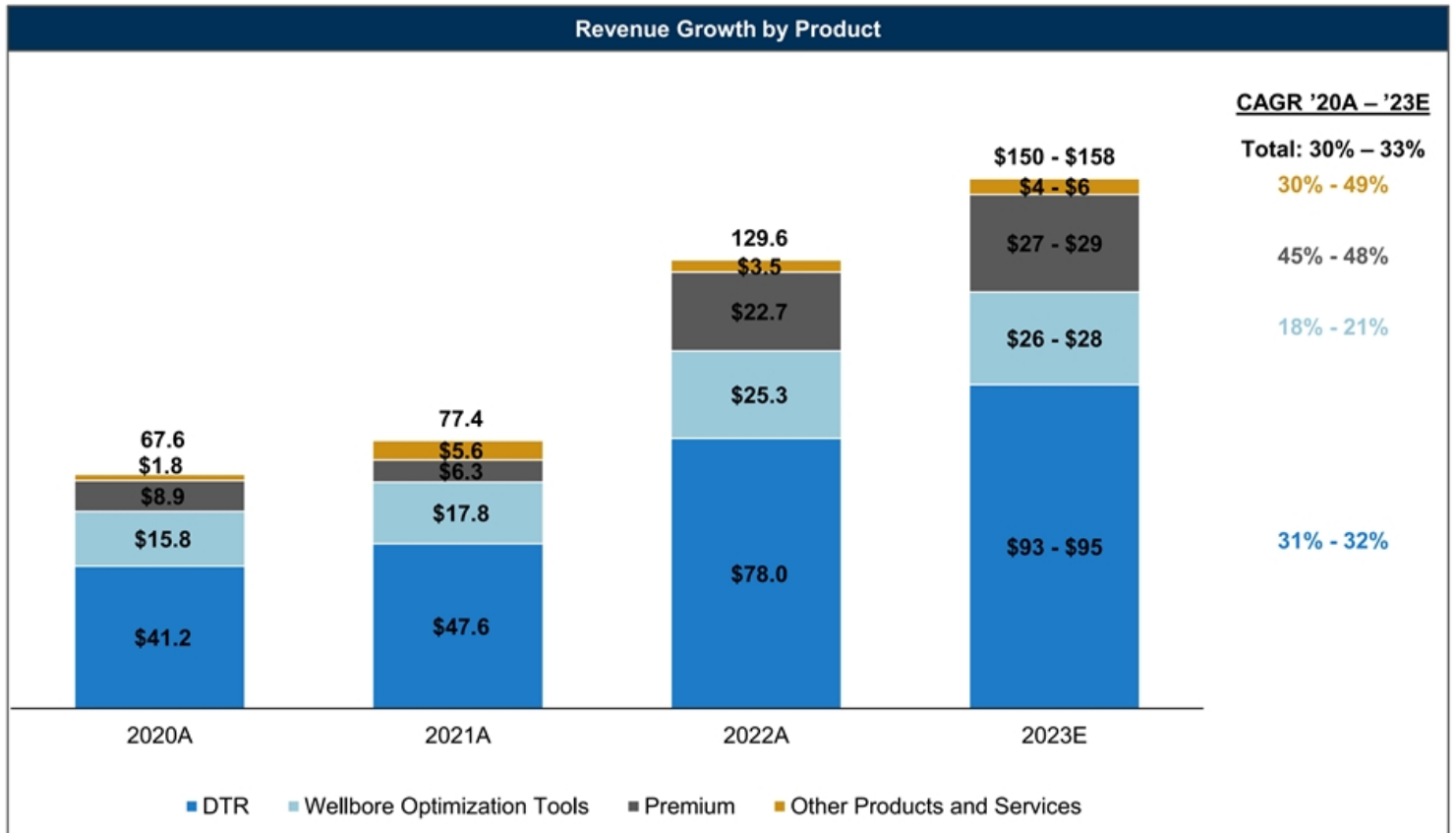
*Adjusted Free Cash Flow<sup>(1)</sup> can be directly influenced by Growth CapEx strategy*

*Growth CapEx is company funded and increased as a percentage of revenue in 2023 to support strong 2024+ adj. free cash flow*

*Maintenance CapEx is funded by tool recovery revenue and is relatively steady-state as a percentage of total revenue*

# Strong Growth Driven by all DTI Products...

(\$Millions)





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Appendix



# Reconciliation of Adjusted EBITDA

(\$ in thousands)	2020A	2021A	2022A	2023E <sup>(1)(2)</sup>
<b>Net income</b>	<b>\$(18,525)</b>	<b>\$2,101</b>	<b>\$21,080</b>	<b>\$11,576 - \$18,976</b>
Interest expense, net	2,954	1,229	477	500 – 1,300
Income tax expense/(benefit), net	(5,034)	(209)	3,697	6,500 – 7,000
Depreciation and amortization	23,814	21,718	19,709	19,900 – 21,000
Intangible impairment	3,869	-	-	-
Monitoring fee	718	291	449	500 – 1,000
Reclassification from operating to other expense	39	-	-	-
Other expense/(income)	77	233	(4,218)	0 - 500
Unrealized loss - trade securities	247	(157)	-	-
Loss/(gain) on non-op assets	(23)	(25)	(32)	-
PPP loan forgiveness	-	(8,575)	-	-
Real estate sales proceeds	-	(899)	-	-
Stock option expense <sup>(2)</sup>	158	32	-	1,661
Transaction Expense <sup>(2)</sup>	-	(899)	-	5,963
<b>Adjusted EBITDA</b>	<b>\$8,294</b>	<b>\$15,739</b>	<b>\$41,163</b>	<b>\$50,000 – \$54,000</b>

# Reconciliation of Adjusted Free Cash Flow

(\$ in thousands)	2020A	2021A	2022A	2023E <sup>(1)</sup>
<b>Net income</b>	<b>\$(18,525)</b>	<b>\$2,101</b>	<b>\$21,080</b>	<b>\$11,576 - \$18,976</b>
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Stock option expense <sup>(2)</sup>	158	32	-	1,661
Transaction Expense <sup>(2)</sup>	-	(899)	-	5,963
Gross Capital Expenditures	(6,301)	(11,837)	(23,753)	(44,000) – (46,000)
<b>Adjusted Free Cash Flow</b>	<b>\$1,993</b>	<b>\$4,352</b>	<b>\$17,410</b>	<b>\$6,000 – \$8,000</b>

# Risk Factors

## Risk Factors Summary

Certain factors may have a material adverse effect on our business, financial condition and results of operations. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business. If any of the following risks actually occurs, our business, financial condition, results of operations and future prospects could be materially and adversely affected. In that event, the trading price of our common stock following the business combination could decline, and you could lose part or all of your investment.

Potential investors are encouraged to review the "Risk Factors" section of our proxy statement/prospectus/consent solicitation statement filed with the SEC on May 12, 2023.

### Risks Relating to Our Business and Industry

- We are dependent upon the level of activity in the oil and gas industry, which is volatile and has caused, and may in the future cause, fluctuations in our operating results. Volatility and declines in oil and gas prices may adversely affect our financial condition and results of operation.
- We operate in a highly competitive industry, and the introduction of new products and technologies by our competitors, as well as the expiration of the intellectual property rights protecting our products and technologies, could lead to lower revenue and earnings.
- We are dependent on a relatively small number of customers in a single industry. The loss of an important customer could adversely affect our results of operations and financial condition.
- A portion of our revenue is derived from our non-United States operations and sales, which exposes us to additional risks inherent in doing business in other countries.
- If we fail to continue to improve and enhance the functionality, performance, reliability and design of our products in a manner that responds to our customers' evolving needs, our business may be adversely affected.
- Quality inconsistency, defects and product failures could harm our reputation and adversely affect our business, financial condition, results of operations and prospects.
- We may be unable to manage our growth effectively.
- A financial downturn could negatively affect our business, results of operations, financial condition and liquidity.
- Inflation may increase the cost of operations beyond what we can recover through price increases.
- Events outside of our control, including an epidemic or outbreak of an infectious disease, such as COVID-19, may materially adversely affect our business.
- Cyberattacks or other failures in telecommunications or IT systems could result in client or proprietary information theft, data corruption and significant disruption of our business operations. Our services may be perceived as not being secure, clients may curtail or stop using our services and we may incur significant legal and financial exposure and liabilities.
- If we fail to attract and retain qualified management and skilled technical personnel, our business may be adversely affected.
- We may incur indebtedness following the business combination that could adversely affect our business.
- The terms and covenants in our existing indebtedness restrict our ability to engage in some business and financial transactions, which could adversely affect our business.
- Our customers and the third parties with whom we contract are participants in the oil and gas, manufacturing, engineering and various other industries and are therefore subject to a number of risks specific to their industries, which directly or indirectly subjects our business to many of the same risks to which their respective operations are subject.
- If the security measures of the third parties with whom we contract are breached and unauthorized access is obtained to client or proprietary data or our IT systems, we may incur significant legal and financial exposure and liabilities.

### Risks Relating to Legal and Regulatory Matters

- We could be adversely affected if we fail to comply with any of the numerous existing or future federal, state, local and foreign laws, regulations and policies that govern environmental protection, manufacturing and other matters applicable to our businesses.
- The legal and regulatory landscape concerning oil & gas is complex and constantly changing. The adoption of any future federal, state, local or foreign laws or regulations imposing reporting obligations on, banning or in any other way limiting hydraulic fracturing, land or offshore drilling, or any other aspect of oil and gas exploration could make it more difficult for our clients to complete natural gas and oil wells, which could have a material adverse effect on our business, results of operations and financial condition.
- We may be unable to protect our proprietary rights in our products, technologies and processes.
- Legislative or regulatory initiatives, conservation measures or technological advances could reduce demand for oil and gas and, in turn, reduce demand for our products.
- Climate change laws and regulations restricting emissions of greenhouse gasses could result in increased operating costs and reduced demand for our products.
- Our business exposes us to potential environmental, product or personal injury liability.
- We may not have adequate insurance for potential environmental, product or personal injury liabilities.

# Risk Factors (Cont'd)

## Risks Relating to Ownership of Our Common Stock

- We may not meet the expectations of the market or achieve the performance indicated in this Presentation.
- The price of our securities may be volatile and may trade significantly below the price you pay for them.
- Our financial projections may not prove to be reflective of actual future results.
- There may be circumstances in which the interests of our significant stockholders could conflict with the interests of our other stockholders.
- We may issue additional shares of our common stock or other equity securities, and such issuances could reduce the price of our common stock and dilute your ownership interest.
- Nasdaq may delist our common stock from trading, and such delisting could limit investors' ability to execute transactions in our common stock and subject us to additional trading restrictions.

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## Recent Milestones







# 2023 Financial Outlook

Reiterating outlook for growth and profitability in 2023

- ✓ Rig counts have stabilized across the US and Canada
- ✓ We still expect to achieve attractive margins and growth in 2023
- ✓ Revenue and Adjusted EBITDA forecasted to grow between 16% - 22% and 21% - 31% vs. 2022, respectively
- ✓ The reiterated guidance is attributable to product-level Adjusted EBITDA margins remaining strong
- ✓ Increase in 2023 Growth Capital spending to support stronger Adjusted Free Cash flow in 2024 and beyond, translating to lower YE 2023 Adjusted Free Cash Flow

## Key Guidance Summary

Metric	Previous Guidance <sup>(1)</sup>	Current Guidance
<b>Revenue</b> (\$ million)	\$150 - \$158	\$150 - \$158
<b>Adjusted EBITDA</b> (\$ million)	\$50 - \$54	\$50 - \$54
<b>Adjusted EBITDA Margin</b>	33% - 34%	33% - 34%
<b>Adjusted Free Cash Flow<sup>(2)</sup></b> (\$ million)	\$6 - \$8	\$6 - \$8

- ✓ Increase in 2023 Growth Capital spending to support stronger Adj. Free Cash Flow in 2024 and beyond, translating to lower YE 2023 Adj. Free Cash Flow