

**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): August 1, 2024**

**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<br>Symbol(s) | Name of each exchange<br>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 2.01 Completion of Acquisition or Disposition of Assets

As previously announced, on March 6, 2024, Drilling Tools International Corporation (“**DTI**” or the “**Company**”), Superior Drilling Products, Inc., a Utah corporation (“**SDPI**”), DTI Merger Sub I, Inc., a Delaware corporation and direct wholly owned subsidiary of DTI (“**Merger Sub I**”), and DTI Merger Sub II, LLC, a Delaware limited liability company and direct wholly owned subsidiary of DTI (“**Merger Sub II**”), entered into an Agreement and Plan of Merger (the “**Merger Agreement**”) pursuant to which, among other things, and upon the terms and subject to the conditions set forth in the Merger Agreement, (a) Merger Sub I will merge with and into SDPI (the “**First Merger**”), with SDPI surviving as a wholly owned subsidiary of DTI, and (b) upon the effective time of the First Merger (the “**First Effective Time**”), SDPI, as the surviving corporation of the First Merger, will merge with and into Merger Sub II (the “**Second Merger**,” and, together with the First Merger, the “**Merger**”), with Merger Sub II surviving as a wholly owned subsidiary of DTI.

On August 1, 2024, the parties to the Merger Agreement completed the Merger. Pursuant to the Merger Agreement, at the First Effective Time, each share of SDPI common stock, par value \$0.001 per share (the “**SDPI Common Stock**”), issued and outstanding immediately prior to the First Effective Time was converted into the right to receive, without interest, at the election of the holder thereof, subject to the proration provisions of the Merger Agreement, (a) for each share of SDPI Common Stock with respect to which an election to receive cash had been made and not revoked or lost (a “**Cash Election Share**”), \$1.00 in cash (the “**Cash Election Consideration**”), (b) for each share of SDPI Common Stock with respect to which an election to receive stock had been made and not revoked or lost (each, a “**Stock Election Share**”), 0.313 validly issued, fully paid, and non-assessable shares of common stock, par value \$0.0001 per share (the “**DTI Common Stock**”), of DTI (the “**Stock Election Consideration**,” and together with the Cash Election Consideration, the “**Merger Consideration**”), and (c) for each share of SDPI Common Stock with respect to which no election to receive Cash Election Consideration or the Stock Election Consideration had been made (a “**No Election Share**”), the Cash Election Consideration or the Stock Election Consideration, as provided in the proration mechanics described below.

Pursuant to the terms of the Merger Agreement, (a) if the product obtained by multiplying the aggregate number of Stock Election Shares by 0.313 (the “**Stock Election Multiplier**” and such product, the “**Aggregate Stock Elections**”) exceeded 4,845,240 (the “**Maximum Share Amount**”), (i) all Cash Election Shares and No Election Shares were to be exchanged for the Cash Election Consideration, and (ii) a portion of the Stock Election Shares of each holder thereof was to be exchanged for the Stock Election Consideration, with such portion being equal to the product obtained by multiplying the number of such holder’s Stock Election Shares by a fraction, the numerator of which is the Maximum Share Amount and the denominator of which is the Aggregate Stock Elections, with the remaining portion of such holder’s Stock Election Shares being exchanged for the Cash Election Consideration, (b) if the Aggregate Stock Elections was less than 4,112,752 (the “**Minimum Share Amount**” and the difference between the Minimum Share Amount and the Aggregate Stock Elections, the “**Shortfall Amount**”), then (i) first, if the Shortfall Amount is smaller than or equal to the number of No Election Shares multiplied by 0.313 (the “**No Election Share Amount**”), then: (A) the Cash Election Shares were to be received in cash as they have elected and will not be affected by the adjustment; and (B) the No Election Shares held by shareholders were to be exchanged for the Stock Election Consideration equal to the product of (1) the number of No Election Shares of such holder and (2) a fraction, the numerator of which is the Shortfall Amount and the denominator of which is the No Election Share Amount, with the remaining portion of such holder’s No Election Shares receiving the Cash Election Consideration, and (ii) second, if the Shortfall Amount exceeded the No Election Share Amount, then (Y) all No Election Shares were to be exchanged for the Stock Election Consideration and (Z) the Cash Election Shares held by stockholders were to be exchanged for the Stock Election Consideration, with such portion being equal to the product of (x) the number of Cash Election Shares of such holder and (y) a fraction, the numerator of which is the amount by which the Shortfall Amount exceeded the No Election Share Amount, and the denominator of which is the product of the aggregate number of Cash Election Shares and the Stock Election Multiplier, with the remaining portion of such holder’s Cash Election Shares receiving the Cash Election Consideration, and (iii) if the Aggregate Stock Elections is (x) equal to the Maximum Share Amount, (y) less than the Maximum Share Amount but greater than the Minimum Share Amount, or (z) equal to the Minimum Share Amount, then (1) all Cash Election Shares and No Election Shares were to be exchanged for the Cash Election Consideration and (2) all Stock Election Shares will be exchanged for the Stock Election Consideration.

At 5:00 p.m. Eastern time on July 29, 2024 (the “**Election Deadline**”), no further elections by SDPI shareholders were accepted. The Merger Consideration election results were as follows:

- Holders of approximately 80.5% of the outstanding shares of SDPI Common stock, or 24,464,146 shares, elected to receive the Stock Election Consideration;
- Holders of approximately 5.3% of the outstanding shares of SDPI Common Stock, or 1,605,736 shares, elected to receive the Cash Election Consideration; and
- Holders of approximately 14.2% of the outstanding shares of SDPI Common Stock, or 4,321,362 shares, made no election, and, as a result, received the Cash Election Consideration.

Because the Maximum Share Amount was exceeded, holders of SDPI Common Stock who elected to receive all Stock Election Consideration received a portion of their Merger Consideration in Cash Election Consideration.

In addition, at the First Effective Time, each option to purchase SDPI Common Stock (“**SDPI Option**”) held by an individual who, as of immediately after the First Effective Time, constituted an “employee” of DTI within the meaning of the Securities and Exchange Commission’s (“**SEC**”) Registration Statement on Form S-8, that was outstanding and

unexercised, whether vested or unvested, immediately prior to the First Effective Time (each, an “**Assumed SDPI Option**”), ceased to represent a right to acquire shares of SDPI Common Stock and was assumed by DTI and converted automatically into an option to purchase DTI Common Stock on the same terms and conditions (including applicable vesting, exercise, and expiration provisions) as applied to such Assumed SDPI Option immediately prior to the First Effective Time, except that (i) the number of shares of DTI Common Stock subject to each Assumed SDPI Option was determined by multiplying: (A) the number of shares of SDPI Common Stock subject to such Assumed SDPI Option immediately prior to the First Effective Time by (B) 0.313 (as adjusted as appropriate to reflect any stock splits, stock dividends, combinations, reorganizations, reclassifications, or similar events, the “**Option Exchange Ratio**”) and rounding such product down to the nearest whole share, (ii) the per share exercise price of each Assumed SDPI Option was determined by dividing: (A) the per share exercise price of the Assumed SDPI Option immediately prior to the First Effective Time by (B) the Option Exchange Ratio, and rounding such quotient up to the nearest whole cent, and (iii) the Assumed SDPI Option became fully vested immediately upon the First Effective Time.

Prior to the First Effective Time, SDPI accelerated each SDPI Option in full, and all shares of restricted stock and any other shares of SDPI Common Stock subject to vesting conditions based on continuing service, performed, or on both continuing service and performance (“**SDPI Restricted Stock**”) became fully vested and the restrictions with respect thereto lapsed (to the extent not otherwise previously vested in accordance with their terms) as of immediately prior to the First Effective Time.

Effective as of the First Effective Time, each SDPI Option that was not an Assumed SDPI Option and that was outstanding and unexercised immediately prior to the First Effective Time automatically, and without any action on the part of the holder thereof, was cancelled and converted into the right to receive an amount of cash, without interest, equal to the product obtained by multiplying (x) the number of shares of SDPI Common Stock subject to the SDPI Option and (y) the excess, if any, of (i) the Cash Election Consideration over (ii) the per share exercise price of such SDPI Option, less any applicable taxes and withholding; provided, however, that each such SDPI Option that was not an Assumed SDPI Option that had an exercise price per share that was greater than or equal to the Cash Election Consideration was cancelled at the First Effective Time for no consideration.

Pursuant to the Merger Agreement, DTI issued approximately 4,845,132 shares of DTI Common Stock and paid \$14,910,868.58 in cash to holders of SDPI Common Stock as the aggregate Merger Consideration described above.

In connection with the consummation of the Merger, the NYSE American (the “**NYSEA**”) was notified that each outstanding share of SDPI Common Stock issued and outstanding immediately prior to the First Effective Time was converted into the right to receive the Merger Consideration, pursuant to and subject to the terms and conditions of the Merger Agreement. SDPI requested that the NYSEA file a notification of removal from listing on Form 25 with the SEC with respect to the delisting of the SDPI Common Stock from the NYSEA and to deregister the SDPI Common Stock under Section 12(b) of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”). Shares of SDPI Common Stock were suspended from trading on NYSEA after the closing of trading on July 31, 2024.

The Merger Agreement is filed as Exhibit 2.1 to DTI’s Current Report on Form 8-K filed with the SEC on March 7, 2024, which agreement is incorporated herein by reference. The foregoing summary has been included to provide investors and security holders with information regarding the terms of the Merger Agreement and is qualified in its entirety by the terms and conditions of the Merger Agreement. It is not intended to provide any other factual information about DTI, SDPI, or their respective subsidiaries and affiliates.

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

The information included in Item 7.01 of this Current Report on Form 8-K is incorporated herein by reference into this Item 2.02.

### **Item 7.01. Regulation FD Disclosure.**

On August 6, 2024, DTI issued a press release announcing the closing of the Merger and announcing the Company’s financial and operating results for its second quarter ended June 30, 2024. A copy of the press release is attached hereto as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated into this Item 7.01 by reference.

Attached as Exhibit 99.2 to this Current Report on Form 8-K is an investor presentation that the Company plans to use for investor relations and other purposes.

The information provided 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, nor 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.**

#### *(a) Financial Statements of Businesses Acquired.*

The audited consolidated balance sheets of SDPI as of December 31, 2023 and 2022 and the consolidated statements of operations, shareholders’ equity and cash flows for the years then ended, and the related notes and the Report of Independent Registered Public Accounting Firm, issued by Moss Adams LLP, dated March 15, 2024, relating to the consolidated financial statements of SDPI, are incorporated by reference as Exhibit 99.3 hereto and are incorporated by reference into this Item 9.01(a).

The unaudited condensed consolidated balance sheet of SDPI as of March 31, 2024 and the condensed consolidated statements of operations, shareholders’ equity and cash flows of SDPI for the period ended March 31, 2024, and the notes related thereto, are incorporated by reference as Exhibit 99.4 hereto and are incorporated by reference into this Item 9.01(a).

#### *(b) Pro Forma Financial Information.*

DTI intends to file pro forma financial information under cover of Form 8-K/A not later than 71 calendar days after the date that this Current Report on Form 8-K is required to be filed.

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

(d) Exhibits:

| <u>Exhibit No.</u> | <u>Description</u>  |
|--------------------|---|
| 23.1               | <a href="#">Consent of Moss Adams LLP</a>   |
| 99.1               | <a href="#">Press release issued by Drilling Tools International Corporation on August 6, 2024</a>  |
| 99.2               | <a href="#">Investor Presentation (Fall 2024)</a>   |
| 99.3               | <a href="#">Audited consolidated balance sheets of Superior Drilling Products, Inc. as of December 31, 2023 and 2022 and the consolidated statements of operations, shareholders' equity and cash flows for the years then ended, and the related notes (collectively referred to as the consolidated financial statements) and the Report of Independent Registered Public Accounting Firm, issued by Moss Adams LLP, dated March 15, 2024, relating to the consolidated financial statements of Superior Drilling Products, Inc. (incorporated by reference to Part II, Item 8 and Part IV, Item 15 of the Annual Report on Form 10-K of Superior Drilling Products, Inc. for the year ended December 31, 2023 (SEC File No. 001-36453) (the "2023 Form 10-K"))</a> |
| 99.4               | <a href="#">The unaudited condensed consolidated balance sheet of Superior Drilling Product, Inc. as of March 31, 2024, and the condensed consolidated statements of operations, shareholders' equity, and cash flows of Superior Drilling Products, Inc., for the period ended March 31, 2024 and the notes related thereto (incorporated by reference to Part I, Item 1 of the Quarterly Report on Form 10-Q of Superior Drilling Products, Inc. for the quarter ended March 31, 2024 (SEC File No. 001-36453))</a>   |
| 104                | Cover Page Interactive Data File (embedded within the Inline XBRL document).  |

**SIGNATURES**

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

**DRILLING TOOLS INTERNATIONAL CORPORATION**

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

Date: August 6, 2024

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the Registration Statements on Form S-8 of Drilling Tools International Corporation (No. 333-281162, No. 333-280133 and No. 333-274242), of our report dated March 15, 2024, relating to the consolidated financial statements of Superior Drilling Products, Inc. (the “Company”), appearing in the Annual Report on Form 10-K of the Company for the year ended December 31, 2023, filed with the Securities and Exchange Commission, and incorporated by reference in this Current Report on Form 8-K of Drilling Tools International Corporation.

/s/ Moss Adams LLP

Dallas, Texas  
August 6, 2024



## NEWS RELEASE

### Drilling Tools International Corp. Closes on Acquisition of Superior Drilling Products, Inc.; Company Reports 2024 Second Quarter Results

#### *Updates 2024 Guidance and Maintains Adjusted Free Cash Flow Outlook*

HOUSTON — August 6, 2024 — Drilling Tools International Corp., (NASDAQ: DTI) (“DTI” or the “Company”), a global oilfield services company that designs, engineers, manufactures and provides a differentiated, rental-focused offering of tools for use in onshore and offshore drilling operations, as well as other cutting-edge solutions across the well life cycle, today announced that it has closed on its acquisition of Superior Drilling Products, Inc. (“SDP”) for total consideration paid in cash and DTI stock of approximately \$32.2 million per the merger agreement, subject to purchase price accounting adjustments. DTI also reported today its 2024 second quarter results.

Wayne Prejean, CEO of DTI, stated, “We are pleased to announce the closing of the SDP acquisition and are excited to welcome SDP’s talented team to the DTI family and add SDP’s world-class manufacturing expertise into our broad-reaching and expanding global sales channels. This acquisition furthers DTI’s growth strategy as a premier provider of technologically differentiated solutions and services for the global oil & gas drilling industry. Directly integrating SDP’s patented Drill-N-Ream® (“DNR”) well bore conditioning tool into DTI’s vast fleet of tools and technologies provides expanded geographic market potential, lowers our capital requirements and operating costs, and improves operational efficiencies across our portfolio of capabilities. SDP’s unique offering of proprietary diamond process expertise, sophisticated manufacturing capabilities, and their recently established Middle East footprint will greatly benefit DTI’s technology focused product and service offering on a global scale.”

Prejean added, “We expect to benefit from significant synergies over the next twelve months from this acquisition and have identified more than \$4.5 million of SG&A synergies and realizable NOL tax benefits. In addition, there are vertical and horizontal integration synergies that include approximately 60% CapEx savings on new DNR tools and a 45% Repair & Maintenance margin capture. I would also like to highlight that in addition to the Vernal, Utah SDP bit repair, manufacturing, and technology center, we gained a fully operational bit repair facility in the UAE and several hundred fit-for-purpose DNR tools on the ground in the Middle East which gives us fuel in the tank to serve our clients in the region. We also gained an approximately \$6.6 million receivable from the selling party to extinguish an existing Note which will accrue to DTI’s benefit, effectively reducing the overall transaction amount.”

#### **2024 Second Quarter Results**

Total revenue was \$37.5 million, relatively flat compared to last year’s second quarter. Tool Rental net revenue was \$28.3 million and Product Sales net revenue totaled \$9.2 million in the second quarter of 2024. Operating expenses were \$35.3 million, operating income was \$2.2 million and Adjusted EBITDA(1) was \$9.0 million in the second quarter of 2024. Adjusted free cash flow(1)(2) significantly improved by \$3.2 million from (\$4.3) million in last year’s second quarter to (\$1.1) million in this year’s quarter.

“Turning to our 2024 second quarter operational results, the U.S. rig count experienced continued softness that led to a decline in the quarter compared to our flat rig count outlook earlier this year. In response, we have implemented a cost reduction program for an annualized savings of \$2.4 million. We will continue to appropriately scale our operations to adjust for the activity levels in North America but will continue with our growth initiatives in other markets where growth opportunities are available. Additionally, we were able to manage capital expenditures and improve our Adjusted Free Cash Flow by \$3.2 million over last year’s second quarter. Because of this unique lever at our disposal to generate returns despite a decline in North American land activity, we are maintaining our Adjusted Free Cash Flow guidance range of \$20 million—\$25 million for the full year,” concluded Prejean.

## Updated 2024 Full Year Outlook

|   |                      |          |                       |
|---|----------------------|----------|-----------------------|
| <b>Revenue</b>                                  | <b>\$155 million</b> | <b>-</b> | <b>\$170 million</b>  |
| <b>Adjusted Net Income<sup>(1)</sup></b>        | <b>\$9.9 million</b> | <b>-</b> | <b>\$13.5 million</b> |
| <b>Adjusted EBITDA<sup>(1)</sup></b>            | <b>\$41 million</b>  | <b>-</b> | <b>\$47 million</b>   |
| <b>Adjusted EBITDA Margin<sup>(1)</sup></b>     | <b>26%</b>           | <b>-</b> | <b>28%</b>            |
| <b>Adjusted Free Cash Flow<sup>(1)(2)</sup></b> | <b>\$20 million</b>  | <b>-</b> | <b>\$25 million</b>   |

- (1) *Adjusted Net Income, Adjusted EBITDA, Adjusted EBITDA Margin, and Adjusted Free Cash Flow are non-GAAP financial measures. See “Non-GAAP Financial Measures” at the end of this release for a discussion of reconciliations to the most directly comparable financial measures calculated and presented in accordance with U.S. generally accepted accounting principles (“GAAP”).*
- (2) *Adjusted Free Cash Flow defined as Adjusted EBITDA less Gross Capital Expenditures.*

### **Conference Call Information**

DTI will hold a conference call today to discuss the SDP acquisition and second quarter results, which can be accessed live via dial-in or webcast on Tuesday, August 6, 2024 at 9:00 a.m. Eastern Time (8:00 a.m. Central Time). Please dial 1-862-298-0702 and ask for the DTI call at least 10 minutes prior to the start time, or listen to the live webcast by logging onto: <https://investors.drillingtools.com/news-events/events>. An audio replay will be available through August 13th by dialing 1-201-612-7415 and using passcode 13748086#. Also, an archive of the webcast will be available shortly after the call at <https://investors.drillingtools.com/news-events/events> for 90 days. Please submit any questions for management prior to the call via email to [DTI@dennardlascar.com](mailto:DTI@dennardlascar.com).

### **About Drilling Tools International Corp.**

DTI 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. With roots dating back to 1984, DTI now operates from 16 service and support centers across North America and maintains 10 international service and support centers across the EMEA and APAC regions. To learn more about DTI, please visit: [www.drillingtools.com](http://www.drillingtools.com).

### **Contact:**

DTI Investor Relations  
Ken Dennard / Rick Black  
[InvestorRelations@drillingtools.com](mailto:InvestorRelations@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 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 employ and retain a sufficient number of skilled and qualified workers, including its key personnel; (4) DTI's ability to source tools and raw materials at a reasonable cost; (5) DTI's ability to market its services in a competitive industry; (6) DTI's ability to execute, integrate and realize the benefits of acquisitions, and manage the resulting growth of its business; (7) 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; (8) DTI's ability to obtain additional capital; (9) potential political, regulatory, economic and social disruptions in the countries in which DTI conducts business, including changes in tax laws or tax rates; (10) 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; (11) DTI's ability to comply with applicable laws, regulations and rules, including those related to the environment, greenhouse gases and climate change; (12) DTI's ability to maintain an effective system of disclosure controls and internal control over financial reporting; (13) the potential for volatility in the market price of DTI's common stock; (14) the impact of increased legal, accounting, administrative and other costs incurred as a public company, including the impact of possible shareholder litigation; (15) the potential for issuance of additional shares of DTI's common stock or other equity securities; (16) DTI's ability to maintain the listing of its common stock on Nasdaq; (17) the ability of DTI to realize the benefits of the acquisition of SDPI; and (18) 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 DTI's annual report on Form 10-K filed March 29, 2024 (the "10-K"). 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 10-K. 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 10-K. The Company undertakes no obligation to update these statements for revisions or changes after the date of this release, except as required by law.

*Tables to Follow*

**Drilling Tools International Corp.**  
**Consolidated Statement of Operations and Comprehensive Income**  
*(In thousands of U.S. dollars and rounded)*  
*(Unaudited)*

|   | Three Months Ended June 30, |                   | Six Months Ended June 30, |                   |
|---|-----------------------------|-------------------|---------------------------|-------------------|
|   | 2024                        | 2023              | 2024                      | 2023              |
| <b>Revenue, net:</b>  |                             |                   |                           |                   |
| Tool rental   | \$ 28,328                   | \$ 29,002         | \$ 58,294                 | \$ 61,278         |
| Product sale  | 9,205                       | 8,906             | 16,213                    | 17,429            |
| <b>Total revenue, net</b>                                       | <u>37,533</u>               | <u>37,908</u>     | <u>74,507</u>             | <u>78,707</u>     |
| <b>Operating costs and expenses:</b>                            |                             |                   |                           |                   |
| Cost of tool rental revenue                                     | 7,454                       | 7,692             | 14,455                    | 15,829            |
| Cost of product sale revenue                                    | 2,544                       | 1,157             | 4,080                     | 2,460             |
| Selling, general, and administrative expense                    | 19,619                      | 17,718            | 37,560                    | 34,447            |
| Depreciation and amortization expense                           | 5,681                       | 4,717             | 11,047                    | 9,732             |
| <b>Total operating costs and expenses</b>                       | <u>35,298</u>               | <u>31,284</u>     | <u>67,142</u>             | <u>62,468</u>     |
| <b>Income (loss) from operations</b>                            | <u>2,235</u>                | <u>6,624</u>      | <u>7,365</u>              | <u>16,239</u>     |
| <b>Other expense, net:</b>                                      |                             |                   |                           |                   |
| Interest expense, net   | (811)                       | (348)             | (992)                     | (922)             |
| Gain (loss) on sale of property                                 | 51                          | (1)               | 42                        | 68                |
| Unrealized gain on equity securities                            | 480                         | 420               | 729                       | 387               |
| Other income (expense), net                                     | (1,672)                     | (4,382)           | (2,798)                   | (6,035)           |
| <b>Total other expense, net</b>                                 | <u>(1,952)</u>              | <u>(4,311)</u>    | <u>(3,019)</u>            | <u>(6,502)</u>    |
| Income before income tax expense                                | 283                         | 2,313             | 4,346                     | 9,737             |
| Income tax (expense)/benefit                                    | 82                          | (1,376)           | (854)                     | (3,099)           |
| <b>Net income</b>   | <u>\$ 365</u>               | <u>\$ 937</u>     | <u>\$ 3,492</u>           | <u>\$ 6,638</u>   |
| Accumulated dividends on redeemable convertible preferred stock | —                           | —                 | —                         | 314               |
| Net income available to common shareholders                     | <u>\$ 365</u>               | <u>\$ 937</u>     | <u>\$ 3,492</u>           | <u>\$ 6,324</u>   |
| Basic earnings per share  | <u>\$ 0.01</u>              | <u>\$ 0.07</u>    | <u>\$ 0.12</u>            | <u>\$ 0.49</u>    |
| Diluted earnings per share                                      | <u>\$ 0.01</u>              | <u>\$ 0.05</u>    | <u>\$ 0.12</u>            | <u>\$ 0.33</u>    |
| Basic weighted-average common shares outstanding*               | <u>29,816,202</u>           | <u>13,910,670</u> | <u>29,792,385</u>         | <u>12,936,310</u> |
| Diluted weighted-average common shares outstanding*             | <u>30,873,436</u>           | <u>20,746,976</u> | <u>30,321,002</u>         | <u>20,217,648</u> |
| <b>Comprehensive income:</b>                                    |                             |                   |                           |                   |
| Net income  | \$ 365                      | \$ 937            | \$ 3,492                  | \$ 6,638          |
| Foreign currency translation adjustment, net of tax             | 102                         | (207)             | (408)                     | (207)             |
| <b>Net comprehensive income</b>                                 | <u>\$ 467</u>               | <u>\$ 730</u>     | <u>\$ 3,084</u>           | <u>\$ 6,431</u>   |

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

**Drilling Tools International Corp.**  
**Consolidated Balance Sheets**  
*(In thousands of U.S. dollars and rounded)*  
*(Unaudited)*

|  | June 30,<br>2024 | December 31,<br>2023 |
|--|------------------|----------------------|
| <b>ASSETS</b>  |                  |                      |
| <b>Current assets</b>  |                  |                      |
| Cash   | \$ 6,784         | \$ 6,003             |
| Accounts receivable, net   | 35,122           | 29,929               |
| Inventories, net   | 14,609           | 5,034                |
| Prepaid expenses and other current assets  | 2,702            | 4,553                |
| Investments - equity securities, at fair value   | 1,617            | 888                  |
| <b>Total current assets</b>  | <b>60,834</b>    | <b>46,408</b>        |
| Property, plant and equipment, net   | 71,223           | 65,800               |
| Operating lease right-of-use asset   | 21,827           | 18,786               |
| Goodwill   | 7,962            | —                    |
| Intangible assets, net   | 3,076            | 216                  |
| Deferred financing costs, net  | 991              | 409                  |
| Deposits and other long-term assets  | 961              | 879                  |
| <b>Total assets</b>  | <b>\$166,874</b> | <b>\$ 132,498</b>    |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |                  |                      |
| <b>Current liabilities</b>   |                  |                      |
| Accounts payable   | \$ 14,014        | \$ 7,751             |
| Accrued expenses and other current liabilities   | 7,719            | 10,579               |
| Current portion of operating lease liabilities   | 4,133            | 3,958                |
| Current maturities of long-term debt   | 5,000            | —                    |
| <b>Total current liabilities</b>   | <b>30,866</b>    | <b>22,288</b>        |
| Operating lease liabilities, less current portion  | 17,814           | 14,893               |
| Long-term debt   | 19,167           | —                    |
| Deferred tax liabilities, net  | 6,227            | 6,627                |
| <b>Total liabilities</b>   | <b>74,074</b>    | <b>43,808</b>        |
| <b>Commitments and contingencies</b>   |                  |                      |
| <b>Shareholders' equity</b>  |                  |                      |
| Common stock, \$0.0001 par value, shares authorized 500,000,000 as of June 30, 2024 and December 31, 2023,<br>29,859,564 shares issued and outstanding as of June 30, 2024 and 29,768,568 shares issued and outstanding as of<br>December 31, 2023 | 3                | 3                    |
| Additional paid-in-capital   | 96,536           | 95,218               |
| Accumulated deficit  | (3,105)          | (6,306)              |
| Accumulated other comprehensive loss   | (634)            | (225)                |
| <b>Total shareholders' equity</b>  | <b>92,800</b>    | <b>88,690</b>        |
| <b>Total liabilities and shareholders' equity</b>  | <b>\$166,874</b> | <b>\$ 132,498</b>    |

**Drilling Tools International Corp.**  
**Consolidated Statement of Cash Flows**  
*(In thousands of U.S. dollars and rounded)*  
*(Unaudited)*

|   | <b>Six Months Ended June 30,</b> |                 |
|---|----------------------------------|-----------------|
|   | <b>2024</b>                      | <b>2023</b>     |
| <b>Cash flows from operating activities:</b>  |                                  |                 |
| Net income  | \$ 3,492                         | \$ 6,638        |
| Adjustments to reconcile net income to net cash from operating activities:  |                                  |                 |
| Depreciation and amortization   | 11,047                           | 9,732           |
| Amortization of deferred financing costs  | 139                              | 37              |
| Non-cash lease expense  | 2,315                            | 2,275           |
| Provision for excess and obsolete inventory   | —                                | 19              |
| Provision for excess and obsolete property and equipment  | 179                              | 238             |
| Provision for credit losses   | (16)                             | 418             |
| Deferred tax expense  | (400)                            | 2,008           |
| Gain on sale of property  | (51)                             | (68)            |
| Loss on asset disposal  | 9                                | —               |
| Unrealized loss on interest rate swap   | —                                | 91              |
| Unrealized gain on equity securities  | (729)                            | (387)           |
| Gross profit from sale of lost-in-hole equipment  | (4,987)                          | (9,146)         |
| Stock-based compensation expense  | 1064                             | 3986            |
| Changes in operating assets and liabilities:  |                                  |                 |
| Accounts receivable, net  | (1,449)                          | (1,777)         |
| Prepaid expenses and other current assets   | 1,958                            | (1,531)         |
| Inventories, net  | (49)                             | 1,409           |
| Operating lease liabilities   | (2,226)                          | (2,179)         |
| Accounts payable  | (2,158)                          | 1,982           |
| Accrued expenses and other current liabilities  | (3,745)                          | 316             |
| <b>Net cash flows from operating activities</b>   | <b>4,391</b>                     | <b>14,061</b>   |
| <b>Cash flows from investing activities:</b>  |                                  |                 |
| Acquisition of a business, net of cash acquired   | (18,261)                         | —               |
| Proceeds from sale of property and equipment  | 59                               | 126             |
| Purchase of property, plant and equipment   | (16,312)                         | (24,617)        |
| Proceeds from sale of lost-in-hole equipment  | 7,786                            | 11,103          |
| <b>Net cash from investing activities</b>   | <b>(26,728)</b>                  | <b>(13,388)</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   | (672)                            | (281)           |
| Proceeds from revolving line of credit  | 1,469                            | 71,646          |
| Payments on revolving line of credit  | (1,469)                          | (89,995)        |
| Proceeds from Term Loan   | 25,000                           | —               |
| Repayment of Term Loan  | (833)                            | —               |
| Payments to holders of DTIH redeemable convertible preferred stock in connection with retiring  | —                                | (194)           |
| <b>Net cash from financing activities</b>   | <b>23,495</b>                    | <b>4,338</b>    |
| <b>Effect of Changes in Foreign Exchange Rate</b>   | <b>(377)</b>                     | <b>(207)</b>    |
| <b>Net Change in Cash</b>   | <b>781</b>                       | <b>4,804</b>    |
| <b>Cash at Beginning of Period</b>  | <b>6,003</b>                     | <b>2,352</b>    |
| <b>Cash at End of Period</b>  | <b>\$ 6,784</b>                  | <b>\$ 7,156</b> |
| <b>Supplemental cash flow information:</b>  |                                  |                 |
| Cash paid for interest  | \$ 660                           | \$ 851          |
| Cash paid for income taxes  | \$ 256                           | \$ 2,139        |
| <b>Non-cash investing and financing activities:</b>   |                                  |                 |
| Fair value of CTG liabilities assumed in CTG Acquisition  | \$ 3,162                         | \$ —            |
| ROU assets obtained in exchange for operating lease liabilities   | \$ 5,054                         | \$ 2,635        |
| Net exercise of stock options   | \$ 255                           | \$ —            |
| Shares withheld from exercise of stock options for payment of taxes   | \$ 35                            | \$ —            |
| Purchases of inventory included in accounts payable and accrued expenses and other current  | \$ 5,082                         | \$ 4,076        |
| Purchases of property and equipment included in accounts payable and accrued expenses and other                                       | \$ 1,402                         | \$ 7,640        |
| Deferred financing fees included in accounts payable  | \$ 49                            | \$ 2            |
| Non-cash directors and officers insurance   | \$ —                             | \$ 1,472        |
| Non-cash Merger financing   | \$ —                             | \$ 2,000        |
| Exchange of DTIH redeemable convertible preferred stock for DTIC Common Stock in connection   | \$ —                             | \$ 7,193        |
| Issuance of DTIC Common Stock to former holders of DTIH redeemable convertible preferred stock in connection with Exchange Agreements | \$ —                             | \$ 10,805       |
| Accretion of redeemable convertible preferred stock to redemption value   | \$ —                             | \$ 314          |

## Non-GAAP Financial Measures

This release includes Adjusted EBITDA, Adjusted Free Cash Flow and Adjusted Net Income measures. Each of the metrics are “non-GAAP financial measures” as defined in Regulation G of the Securities Exchange Act of 1934.

Adjusted EBITDA is a supplemental non-GAAP financial measure that is used by management and external users of our financial statements, such as industry analysts, investors, lenders and rating agencies. Adjusted EBITDA is not a measure of net earnings or cash flows as determined by GAAP. We define Adjusted EBITDA as net earnings (loss) before interest, taxes, depreciation and amortization, further adjusted for (i) goodwill and/or long-lived asset impairment charges, (ii) stock-based compensation expense, (iii) restructuring charges, (iv) transaction and integration costs related to acquisitions and (v) other expenses or charges to exclude certain items that we believe are not reflective of ongoing performance of our business.

We believe Adjusted EBITDA is useful because it allows us to supplement the GAAP measures in order to more effectively evaluate our operating performance and compare the results of our operations from period to period without regard to our financing methods or capital structure. We exclude the items listed above in arriving at Adjusted EBITDA because these amounts can vary substantially from company to company within our industry depending upon accounting methods and book values of assets, capital structures and the method by which the assets were acquired. Adjusted EBITDA should not be considered as an alternative to, or more meaningful than, net income as determined in accordance with GAAP, or as an indicator of our operating performance or liquidity. Certain items excluded from Adjusted EBITDA are significant components in understanding and assessing a company’s financial performance, such as a company’s cost of capital and tax structure, as well as the historic costs of depreciable assets, none of which are components of Adjusted EBITDA. Our computations of Adjusted EBITDA may not be comparable to other similarly titled measures of other companies.

Adjusted Free Cash Flow is a supplemental non-GAAP financial measure, and we define Adjusted Free Cash Flow as Adjusted EBITDA less Gross Capital Expenditures. We use Adjusted Free Cash Flow as a financial performance measure used for planning, forecasting, and evaluating our performance. We believe that Adjusted Free Cash Flow is useful to enable investors and others to perform comparisons of current and historical performance of the Company. As a performance measure, rather than a liquidity measure, the most closely comparable GAAP measure is net income (loss).

We define Adjusted Net Income (Loss) as consolidated net income (loss) adjusted for (i) goodwill and/or long-lived asset impairment charges, (ii) restructuring charges, (iii) transaction and integration costs related to acquisitions and (iv) other expenses or charges to exclude certain items that we believe are not reflective of the ongoing performance of our business. We believe Adjusted Net Income (Loss) is useful because it allows us to exclude non-recurring items in evaluating our operating performance.

We define Adjusted Diluted Earnings (Loss) per share as the quotient of adjusted net income (loss) and diluted weighted average common shares. We believe that Adjusted Diluted Earnings (Loss) per share provides useful information to investors because it allows us to exclude non-recurring items in evaluating our operating performance on a diluted per share basis.

The following tables present a reconciliation of the non-GAAP financial measures of Adjusted EBITDA, Adjusted Free Cash Flow and Adjusted Net Income to the most directly comparable GAAP financial measures for the periods indicated:

**Drilling Tools International Corp.**  
**Reconciliation of GAAP to Non-GAAP Measures (Unaudited)**  
*(In thousands of U.S. dollars and rounded)*

|   | <u>Three Months Ended June 30,</u> |                  |
|---|------------------------------------|------------------|
|   | <u>2024</u>                        | <u>2023</u>      |
| Net income (loss)                           | \$ 365                             | \$ 937           |
| Add (deduct):                               |                                    |                  |
| Income tax expense                          | (82)                               | 1,376            |
| Depreciation and amortization               | 5,681                              | 4,717            |
| Interest expense, net                       | 811                                | 348              |
| Stock option expense                        | 855                                | 1,661            |
| Management fees                             | 187                                | 262              |
| Loss (gain) on sale of property             | (51)                               | 1                |
| Unrealized (gain) loss on equity securities | (480)                              | (420)            |
| Transaction expense                         | 2,020                              | 4,142            |
| Other expense, net                          | (341)                              | 241              |
| Adjusted EBITDA                             | <u>\$ 8,965</u>                    | <u>\$ 13,265</u> |

|   | <u>Six Months Ended June 30,</u> |                  |
|---|----------------------------------|------------------|
|   | <u>2024</u>                      | <u>2023</u>      |
| Net income (loss)                           | \$ 3,492                         | \$ 6,638         |
| Add (deduct):                               |                                  |                  |
| Income tax expense                          | 854                              | 3,099            |
| Depreciation and amortization               | 11,047                           | 9,732            |
| Interest expense, net                       | 992                              | 922              |
| Stock option expense                        | 1,064                            | 1,661            |
| Management fees                             | 375                              | 478              |
| Loss (gain) on sale of property             | (42)                             | (68)             |
| Unrealized (gain) loss on equity securities | (729)                            | (387)            |
| Transaction expense                         | 2,909                            | 5,838            |
| Other expense, net                          | (104)                            | 197              |
| Adjusted EBITDA                             | <u>\$ 19,858</u>                 | <u>\$ 28,110</u> |

**Drilling Tools International Corp.**  
**Reconciliation of GAAP to Non-GAAP Measures (Unaudited)**  
*(In thousands of U.S. dollars and rounded)*

|   | <u>Three Months Ended June 30,</u> |                   |
|---|------------------------------------|-------------------|
|   | <u>2024</u>                        | <u>2023</u>       |
| Net income (loss)                           | \$ 365                             | \$ 937            |
| Add (deduct):                               |                                    |                   |
| Income tax expense                          | (82)                               | 1,376             |
| Depreciation and amortization               | 5,681                              | 4,717             |
| Interest expense, net                       | 811                                | 348               |
| Stock option expense                        | 855                                | 1,661             |
| Management fees                             | 187                                | 262               |
| Loss (gain) on sale of property             | (51)                               | 1                 |
| Unrealized (gain) loss on equity securities | (480)                              | (420)             |
| Transaction expense                         | 2,020                              | 4,142             |
| Other expense, net                          | (341)                              | 241               |
| Gross capital expenditures                  | (10,084)                           | (17,550)          |
| Adjusted Free Cash Flow                     | <u>\$ (1,119)</u>                  | <u>\$ (4,285)</u> |

|   | <u>Six Months Ended June 30,</u> |                 |
|---|----------------------------------|-----------------|
|   | <u>2024</u>                      | <u>2023</u>     |
| Net income (loss)                           | \$ 3,492                         | \$ 6,638        |
| Add (deduct):                               |                                  |                 |
| Income tax expense                          | 854                              | 3,099           |
| Depreciation and amortization               | 11,047                           | 9,732           |
| Interest expense, net                       | 992                              | 922             |
| Stock option expense                        | 1,064                            | 1,661           |
| Management fees                             | 375                              | 478             |
| Loss (gain) on sale of property             | (42)                             | (68)            |
| Unrealized (gain) loss on equity securities | (729)                            | (387)           |
| Transaction expense                         | 2,909                            | 5,838           |
| Other expense, net                          | (104)                            | 197             |
| Gross capital expenditures                  | (16,312)                         | (24,617)        |
| Adjusted Free Cash Flow                     | <u>\$ 3,545</u>                  | <u>\$ 3,493</u> |

**Drilling Tools International Corp.**  
**Reconciliation of GAAP to Non-GAAP Measures (Unaudited)**  
*(In thousands of U.S. dollars and rounded)*

|   | <b>Three Months Ended June 30,</b> |                 |
|---|------------------------------------|-----------------|
|   | <b>2024</b>                        | <b>2023</b>     |
| Net income (loss)   | \$ 365                             | \$ 937          |
| Transaction expense   | 2,020                              | 4,142           |
| Income tax expense  | (82)                               | 1,376           |
| Adjusted Income Before Tax                                      | <u>\$ 2,303</u>                    | <u>\$ 6,455</u> |
| Adjusted Income tax expense                                     | (668)                              | 3,840           |
| Adjusted Net Income   | <u>\$ 2,970</u>                    | <u>\$ 2,615</u> |
| Accumulated dividends on redeemable convertible preferred stock | <u>—</u>                           | <u>—</u>        |
| Adjusted Net income available to common shareholders            | \$ 2,970                           | \$ 2,615        |
| Adjusted Basic earnings per share                               | 0.10                               | 0.19            |
| Adjusted Diluted earnings per share                             | 0.10                               | 0.13            |
| Basic weighted-average common shares outstanding*               | 29,816,202                         | 13,910,670      |
| Basic weighted-average common shares outstanding*               | 30,873,436                         | 20,746,976      |

|   | <b>Six Months Ended June 30,</b> |                  |
|---|----------------------------------|------------------|
|   | <b>2024</b>                      | <b>2023</b>      |
| Net income (loss)   | \$ 3,492                         | \$ 6,638         |
| Transaction expense   | 2,909                            | 5,838            |
| Income tax expense  | 854                              | 3,099            |
| Adjusted Income Before Tax                                      | <u>\$ 7,255</u>                  | <u>\$ 15,575</u> |
| Adjusted Income tax expense                                     | 1,426                            | 4,957            |
| Adjusted Net Income   | <u>\$ 5,829</u>                  | <u>\$ 10,618</u> |
| Accumulated dividends on redeemable convertible preferred stock | <u>—</u>                         | <u>314</u>       |
| Adjusted Net income available to common shareholders            | \$ 5,829                         | \$ 10,304        |
| Adjusted Basic earnings per share                               | 0.20                             | 0.80             |
| Adjusted Diluted earnings per share                             | 0.19                             | 0.53             |
| Basic weighted-average common shares outstanding*               | 29,792,385                       | 12,936,310       |
| Basic weighted-average common shares outstanding*               | 30,321,002                       | 20,217,648       |



**Drilling Tools International Corp.**  
**Reconciliation of Estimated Consolidated Net Income to Adjusted EBITDA**  
*(In thousands of U.S. dollars and rounded)*  
*(Unaudited)*

|                               | Twelve Months Ended December 31, 2024 |                  |
|-------------------------------|---------------------------------------|------------------|
|                               | Low                                   | High             |
| Net Income                    | \$ 7,000                              | \$ 10,000        |
| Add (deduct)                  |                                       |                  |
| Interest expense, net         | 2,500                                 | 2,700            |
| Income tax expense            | 2,500                                 | 2,800            |
| Depreciation and amortization | 22,500                                | 23,500           |
| Management fees               | 600                                   | 900              |
| Other expense                 | (500)                                 | —                |
| Stock option expense          | 2,400                                 | 2,600            |
| Transaction expense           | 4,000                                 | 4,500            |
| <b>Adjusted EBITDA</b>        | <b>\$ 41,000</b>                      | <b>\$ 47,000</b> |
| Revenue                       | 155,000                               | 170,000          |
| <b>Adjusted EBITDA Margin</b> | <b>26%</b>                            | <b>28%</b>       |

**Drilling Tools International Corp.**  
**Reconciliation of Estimated Consolidated Net Income to Adjusted Free Cash Flow**  
*(In thousands of U.S. dollars and rounded)*  
*(Unaudited)*

|                                | Twelve Months Ended December 31, 2024 |                  |
|--------------------------------|---------------------------------------|------------------|
|                                | Low                                   | High             |
| Net Income                     | \$ 7,000                              | \$ 10,000        |
| Add (deduct)                   |                                       |                  |
| Interest expense, net          | 2,500                                 | 2,700            |
| Income tax expense             | 2,500                                 | 2,800            |
| Depreciation and amortization  | 22,500                                | 23,500           |
| Management fees                | 600                                   | 900              |
| Other expense                  | (500)                                 | —                |
| Stock option expense           | 2,400                                 | 2,600            |
| Transaction expense            | 4,000                                 | 4,500            |
| Gross capital expenditures     | (21,000)                              | (22,000)         |
| <b>Adjusted Free Cash Flow</b> | <b>\$ 20,000</b>                      | <b>\$ 25,000</b> |

**Drilling Tools International Corp.**  
**Reconciliation of Estimated Consolidated Net Income to Adjusted Net Income**  
*(In thousands of U.S. dollars and rounded)*  
*(Unaudited)*

|                                   | Twelve Months Ended December 31, 2024 |                  |
|-----------------------------------|---------------------------------------|------------------|
|                                   | Low                                   | High             |
| Net income (loss)                 | \$ 7,000                              | \$ 10,000        |
| Transaction expense               | 4,000                                 | 4,500            |
| Income tax expense                | 2,500                                 | 2,800            |
| <b>Adjusted Income Before Tax</b> | <b>\$ 13,500</b>                      | <b>\$ 17,300</b> |
| Adjusted Income tax expense       | 3,600                                 | 3,800            |
| <b>Adjusted Net Income</b>        | <b>\$ 9,900</b>                       | <b>\$ 13,500</b> |

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## Investor Presentation

Fall 2024



[www.drillingtools.com](http://www.drillingtools.com)

# Forward Looking Statements

**General:** Drilling Tools International Corporation ("DTI") is making this presentation available in connection with the release of its financial results for the three months ended June 30, 2024. 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).

**Forward-Looking Statements:** This presentation and the oral statements made in connection herewith include "forward-looking statements" within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. DTI's actual results may differ from its expectations, estimates and projections, and, consequently, you should not rely on these forward-looking statements as predictions of future events. 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 presentation may include, for example, statements about: (1) the demand for DTI's products and services, which is influenced by the general level of 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 employ and retain a sufficient number of skilled and qualified workers, including its key personnel; (4) DTI's ability to market its services in a competitive industry; (5) 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 SEC. These forward-looking statements are based on DTI management's current expectations and assumptions about future events and are based on currently available information as to the outcome and timing of future events. DTI cautions that the foregoing list of factors is not exclusive and not to place undue reliance upon any forward-looking statements, including projections, which speak only as of the date made. You should also carefully consider the risks and uncertainties described and the information presented in DTI's current annual report on Form 10-K filed March 28, 2024 and in subsequent quarterly and annual reports filed with the SEC. These filings or potential filings may identify and address other important risks and uncertainties that could cause actual events and results to differ materially from those contained in the forward-looking statements referred hereto. DTI undertakes no obligation to and accepts no obligation to release publicly any updates or revisions to any forward-looking statements or to reflect any change in its expectations or any change in events, conditions or circumstances on which any such statement is based, except as required by law.

**Industry, Market Data and Partnerships:** In this presentation, DTI relies on and refers to certain information and statistics regarding the markets and industries in which DTI competes. Such information and statistics are based on management's estimates and/or obtained from third-party sources, including reports by market research firms and company filings. While DTI believes such third-party information is reliable, there can be no assurance as to the accuracy or completeness of the indicated information. DTI has not independently verified the accuracy or completeness of the information provided by the third-party sources.

This presentation contains descriptions of certain key business partnerships of DTI. These descriptions are based on DTI's management team's discussion with such counterparties, certain non-binding written agreements and the latest available information and estimates as of the date of this presentation.

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**Non-GAAP Financial Measures:** This presentation includes certain financial measures not presented in accordance with generally accepted accounting principles ("GAAP"), including, but not limited to: Adjusted EBITDA, Adjusted Free Cash Flow, and certain ratios and other metrics derived therefrom. Note that other companies may calculate these non-GAAP financial measures differently, and, therefore, such financial measures may not be directly comparable to similarly titled measures of other companies. Further, these non-GAAP financial measures are not measures of financial performance in accordance with GAAP and may exclude items that are significant in understanding and assessing DTI's financial results. Therefore, these measures should not be considered in isolation or as an alternative to net income (loss), net cash (used in) provided by operating activities or other measures of profitability, liquidity or performance under GAAP. You should be aware that DTI's presentation of these measures may not be comparable to similarly titled measures used by other companies. DTI believes these non-GAAP measures provide useful information to management and investors regarding certain financial and business trends relating to DTI's results of operations. DTI believes that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends in DTI, and in comparing DTI's financial measures with those of other similar companies, many of which present similar non-GAAP financial measures to investors. These non-GAAP financial measures are subject to inherent limitations as they reflect the exercise of judgment by management about which items of expense and income are excluded or included in determining these non-GAAP financial measures. Please refer to footnotes where presented on each page of this presentation or to the tables herein for a reconciliation of these measures to what DTI believes are the most directly comparable measure evaluated in accordance with GAAP. Reconciliation of historical non-GAAP measures to comparable GAAP measures are provided in the Appendix. This presentation also includes certain projections of non-GAAP financial measures. Reconciliation of these items to net income include gains or losses on sale or consolidation transactions, accelerated depreciation, impairment charges, gains or losses on retirement of debt, variations in effective tax rate and fluctuations in net working capital, which are difficult to predict and estimate and are primarily dependent on future events.

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

## A platform developed and designed to keep up with ever-changing customer needs

**~65,000+**

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

**Global**

DTI has sales and distribution channels across North America, EMEA and APAC regions

**~40 years**

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

**6 Product Lines**

DTI's differentiated product lines include Directional Tool Rentals, Wellbore Optimization Tools, Premium Tools, Deep Casing Tools, PDC Tool Repair and Other Products

**Broad Footprint**

DTI operates from 16 service and support centers across North America and maintains 10 international service and support centers

**Permian**

DTI has extensive operations across the prolific Permian Basin

**35,840 SF**

DTI operates a 35,840 sq. ft. manufacturing & repair facility in Louisiana

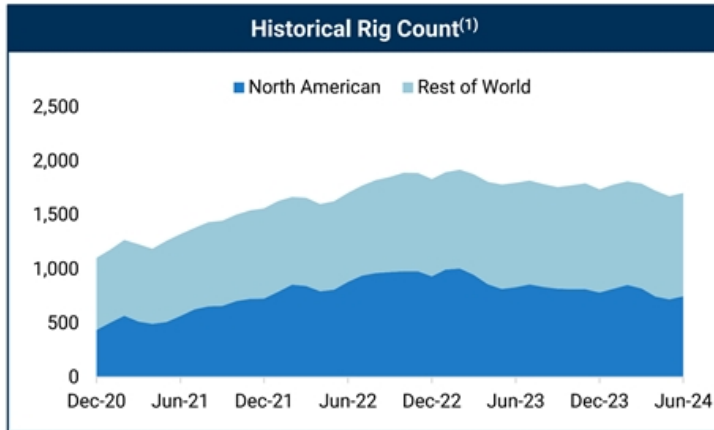
**\$152 Million**

DTI's 2023 revenue reflects broad scope and scale



# Significant Industry Tailwinds & Supportive Macro Backdrop

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

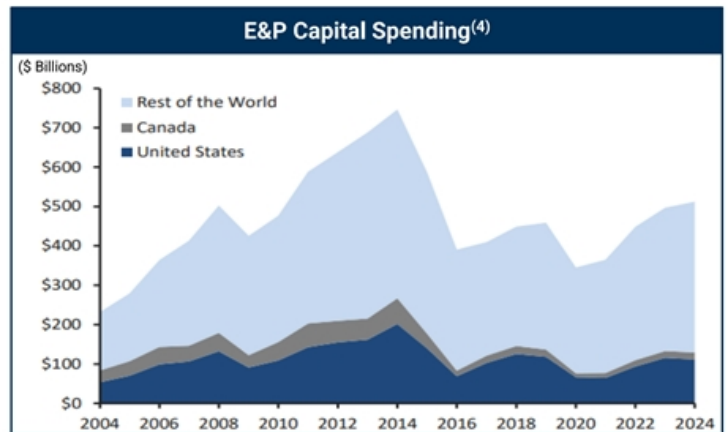
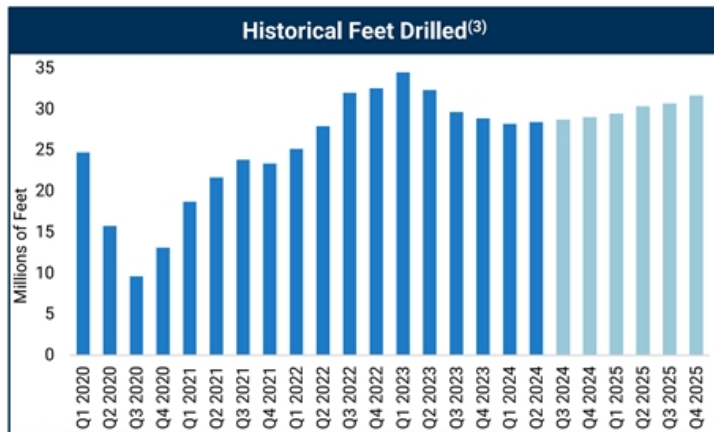


### Industry Analysis<sup>(2)</sup>

Drilling Tools Market to Grow from \$7.85 Billion in 2023 to \$11.01 Billion by 2029.

Demand for High-Performance Drilling Tools Soars as Oil and Gas Companies Reshaping the Market Expansion.

- Arizton Advisory and Intelligence



1) Baker Hughes

2) Arizton Advisory and Intelligence

3) Spears Directional Drilling Market Report – Q2 2024. Only includes number of feet drilled through reservoir rock, excludes vertical part of well

4) Evercore ISI 2024 Global E&P Spending Outlook

# 2024 Financial Outlook

## Delivering Adjusted Free Cash Flow Throughout The Cycle

DTI continues to execute its M&A strategy with ~5 near-term priority targets identified

- ✓ DTI expects continued declines in the North American rig count throughout 2024, after a 20% decline in 2023
- ✓ FY 2024 guidance includes estimated contributions from Deep Casing Tools and Superior Drilling Products

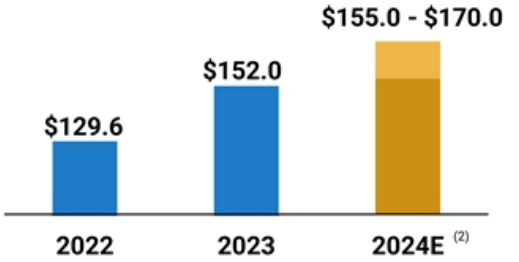
### Key Guidance Summary

| (\$ thousands)                            | FY 2024 Guidance |   |           |
|---|------------------|---|-----------|
| Revenue                                   | \$155,000        | - | \$170,000 |
| Adjusted EBITDA <sup>(1)</sup>            | \$41,000         | - | \$47,000  |
| Adjusted Net Income <sup>(1)</sup>        | \$9,900          | - | \$13,500  |
| Adjusted Free Cash Flow <sup>(1)(2)</sup> | \$20,000         | - | \$25,000  |

# Sustainable Growth – Executing on Plan

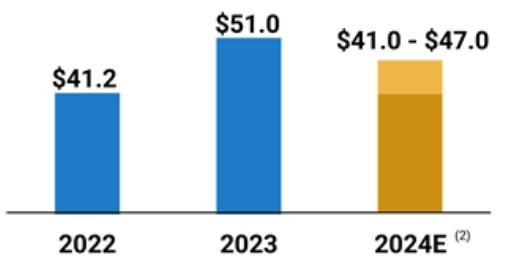
## Revenue

(\$ in millions)



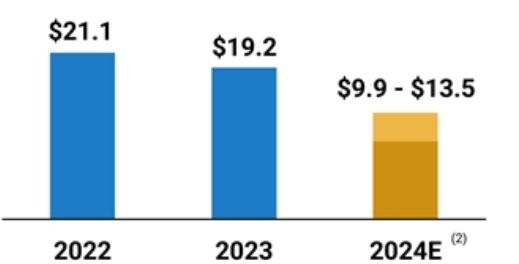
## Adjusted EBITDA (1)

(\$ in millions)



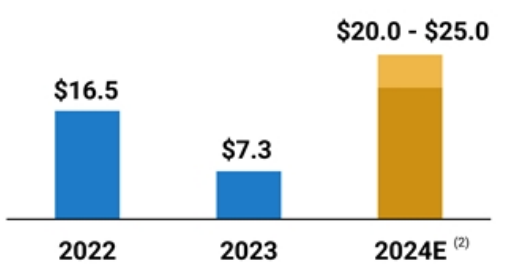
## Adjusted Net Income (1)

(\$ in millions)



## Adjusted Free Cash Flow (1)

(\$ in millions)



1) Adjusted EBITDA, Adjusted Net Income and Adjusted Free Cash Flow are non-GAAP financial measures. See "Non-GAAP Financial Measures" in the appendix for reconciliations to the most directly comparable financial measures calculated and presented in accordance with U.S. generally accepted accounting principles ("GAAP").

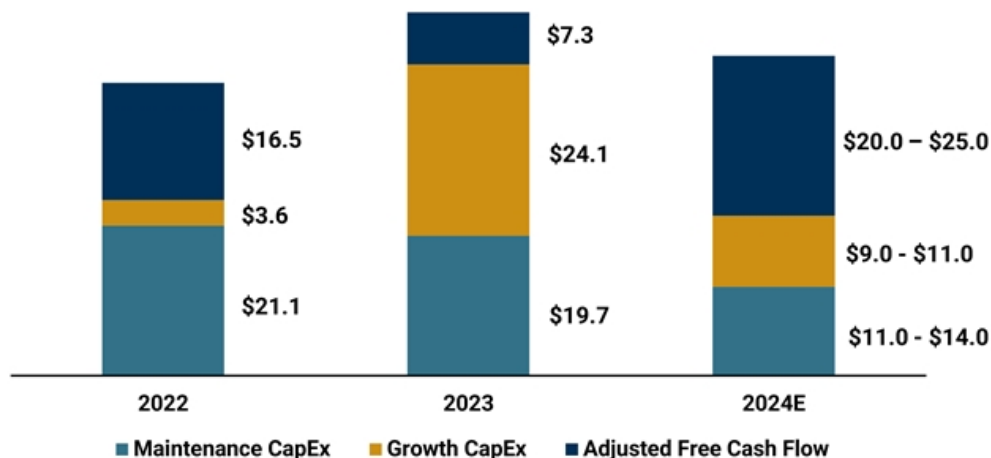
2) 2024E represents the Company's outlook as of August 6, 2024 as shown on page 4

# Components of Adjusted EBITDA

Increased Growth Capital spending in 2023 now supports stronger Adj. Free Cash Flow in 2024+

## Smart Capital Expenditures

(\$ Millions)



|  | 2022 | 2023 | 2024E   |
|--|------|------|---------|
| Maintenance CapEx % of Revenue <sup>(2)</sup>  | 16%  | 13%  | ~7%     |
| Growth CapEx % of Revenue <sup>(2)</sup>       | 3%   | 16%  | ~5%     |
| Adj. Free Cash Flow % of EBITDA <sup>(1)</sup> | 40%  | 14%  | 49%-53% |

## Commentary

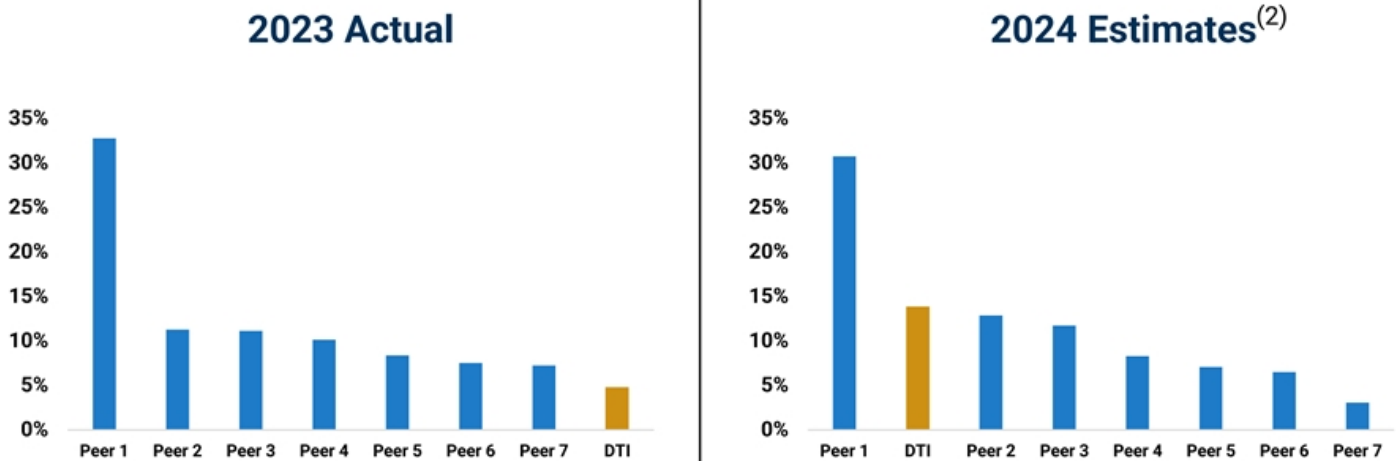
Adj. Free Cash Flow<sup>(1)</sup> can be directly influenced by Growth CapEx strategy

Growth CapEx is company funded and increased as a percentage of revenue in 2023 which supports stronger 2024+ adj. free cash flow

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



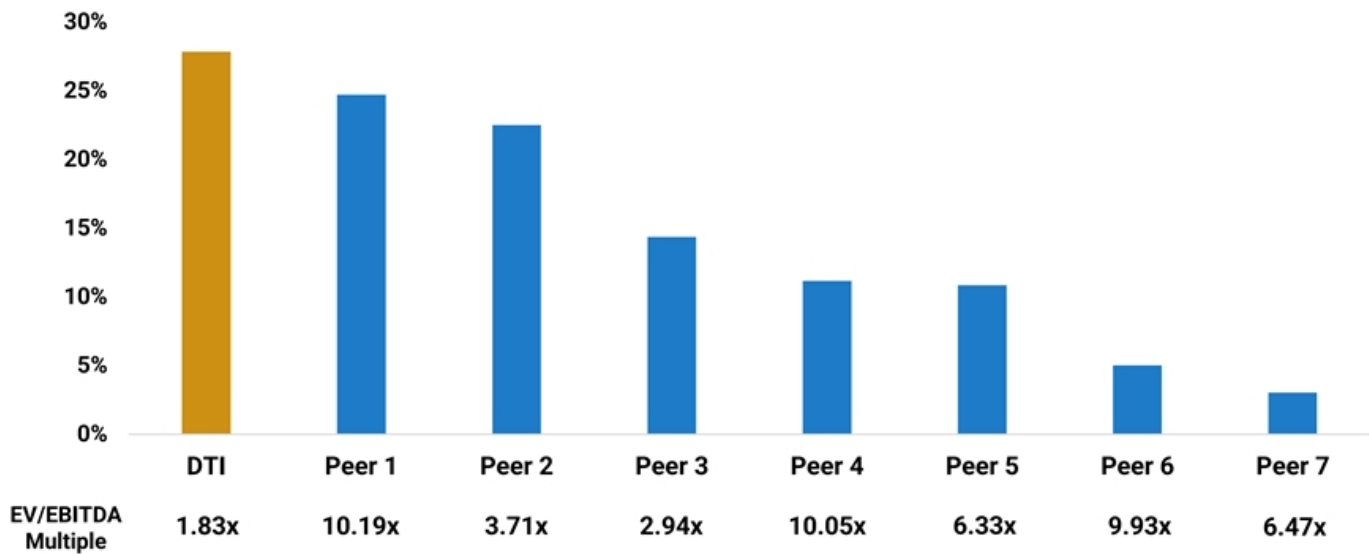
# Peer Adj. Free Cash Flow Margin<sup>(1)</sup> Comparisons



**Tool recovery revenue, also known as lost or damaged equipment charges, allows DTI to sustain its fleet, maintain relevant tools and technology, and generate positive adjusted free cash flow throughout industry cycles.**

# Peer Leading Return on Capital Employed (ROCE)

## 2023 Actual





**DRILLING TOOLS**<sup>®</sup>  
INTERNATIONAL

About Us

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

## A highly competitive suite of differentiated products

### Core Product and Service Offering



Directional Tools Rental

61% of 2023 Revenue

- Rental tools used in bottom hole assemblies ("BHA") adjacent to the drill bit
- More than 30 categories of tools



Wellbore Optimization Tools

17% of 2023 Revenue

- Drill-N-Ream™, a proprietary and patented wellbore conditioning tool
- Emerging products in 2024 will include RotoSteer™



Premium Tools

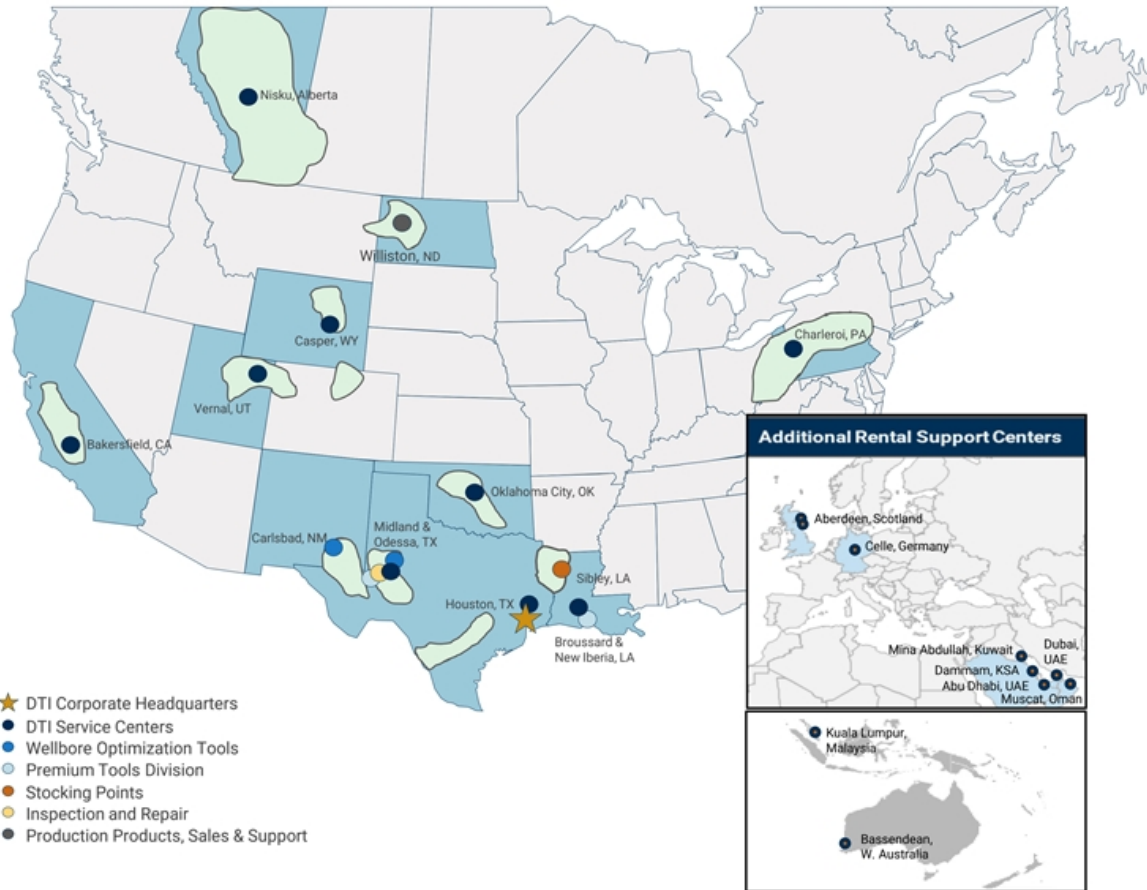
19% of 2023 Revenue

- Offers tubulars for drilling, workover and completion operations
- Complete inventory of necessary handling tools for running workstrings
- Blowout preventers and related pressure control accessories

**Market Leading Tool Rental Share of over 50% within North American land drilling rigs.  
A market leader in the deep-water Gulf of Mexico.  
Expanding geographic opportunities in International market.**

# Presence Across All Major Basins in North America

*Expanding footprint in Europe, Middle East, North Africa & Asia*



**64,000+**  
Tool Rental Fleet

**6 Differentiated**  
Product Lines

**Global Services**  
Footprint including  
all Major US Basins

**16 Service and**  
Support Centers in  
North America

**10 International**  
Service and Support  
Centers

- ★ DTI Corporate Headquarters
- DTI Service Centers
- Wellbore Optimization Tools
- Premium Tools Division
- Stocking Points
- Inspection and Repair
- Production Products, Sales & Support

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

- ✓ First-call supplier for leading oilfield service providers in North America
- ✓ DTI has actively expanded its customer base to further diversify its customer mix



# Executing Our Strategic Plan & Delivering Improved Results

## DTI achievements since becoming a public company in June 2023

Reported 2023 growth; 17% y/y Revenue & 24% y/y Adjusted EBITDA<sup>(1)</sup> growth

Acquired Superior Drilling Products, Inc.

Acquired Deep Casing Tools

Improved liquidity and strengthened the balance sheet by extending the ABL Credit Facility to \$80 million from \$60 million maturing in March 2029

New term loan of \$25 million maturing in March 2029

Initiated 2024 Revenue & Adjusted Free Cash Flow Outlook that represents meaningful year-over-year improvement despite market softness and rig count declines

Adjusted Free Cash Flow<sup>(1)</sup> expected to more than double in 2024

# Why Do Customers Rent Downhole Tools?

Complex drilling, completions, and workover programs lead most operators and service providers to focus on core competencies while preferring to rely on third-parties for rental tool support. Operators prefer renting these tools to gain the benefits of:

Outsources Logistics, Inspection, Storage & Maintenance

Eliminates Equipment Redeployment Risk

Immediate Equipment Availability

Fill Equipment Supply Gaps

Focus Capex On Core Operations



Why rent from DTI?

Our Rental Offering Provides Customer Efficiency & Value-Additive Solutions



# Key Operational Differentiators

## Modern Manufacturing and Repair Facility

- ✓ Machine and repair equipment ensures product quality, increases product life and improves fleet utilization
- ✓ Ability to manufacture most of our rental tools enables cost reduction & control of supply chain



## Proprietary COMPASS\* Order Management System

- ✓ COMPASS provides valuable information to DTI for making data-based capital allocation decisions



## Organic Growth Drivers

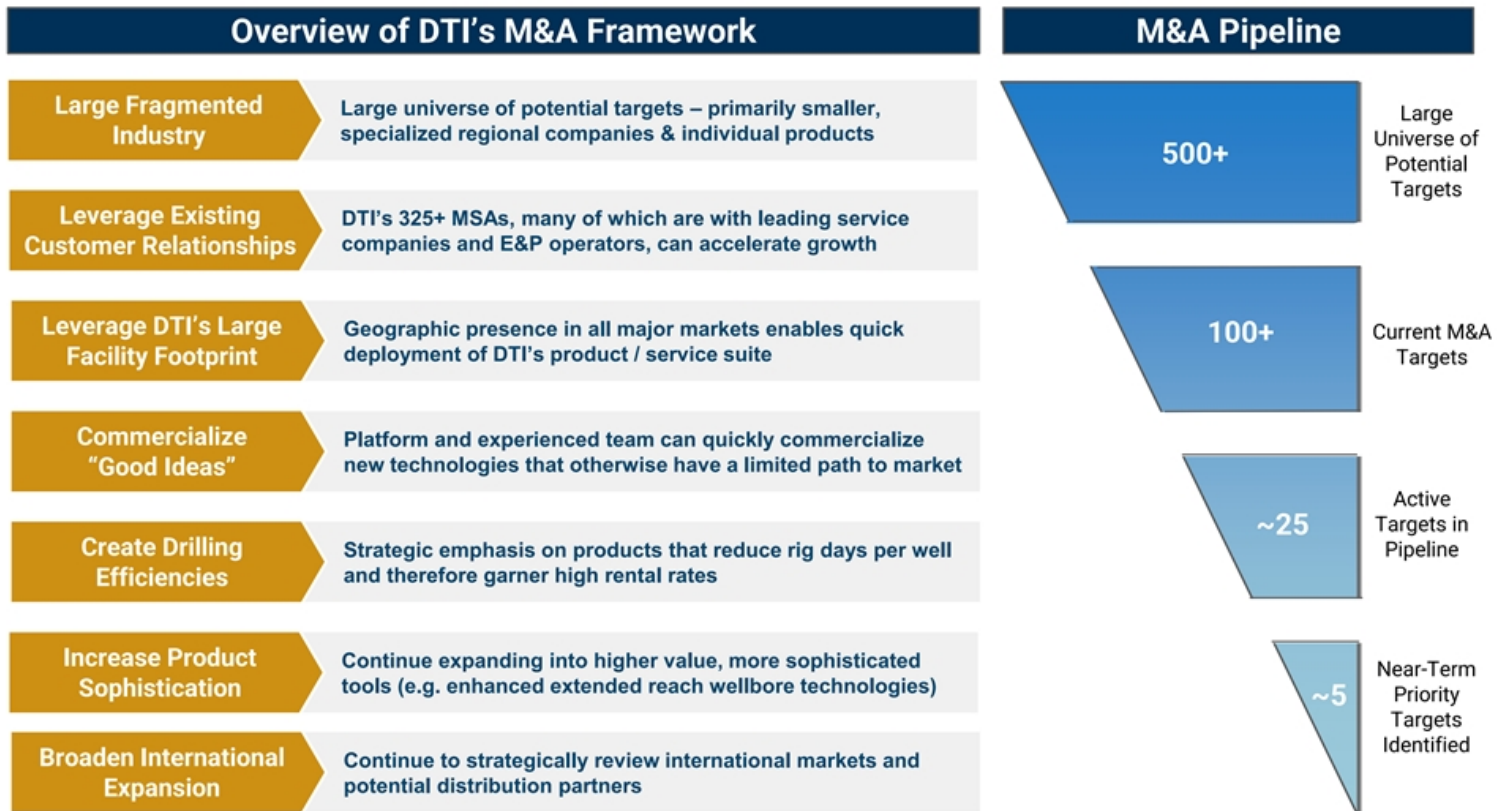
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- ✓ DTI scale, leveraging global footprint of distribution and sales channel
- ✓ Expanding scope of tools & services in existing product lines through technological advancements
- ✓ Further customer penetration, growing rentals due to expanded capabilities, new tools and services
- ✓ Growing customer base and gaining market share
- ✓ Favorable trend of longer laterals being drilled

Proprietary Examples: RotoSteer™ / Drill-N-Ream™ / SafeFloat™

# M&A Growth Strategy: Significant Consolidation Upside

Established framework and robust pipeline to strategically consolidate the oilfield service rental tool industry



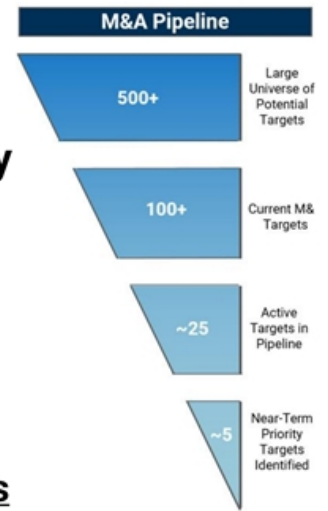
# Strategic Rationale: Superior Drilling Products

## ✓ Enhances vertical integration of differentiated technology

- ✓ Cost savings on Drill-N-Ream™ tool
- ✓ Synergies - eliminates duplicative public company costs
- ✓ Adds significant precision manufacturing capacity

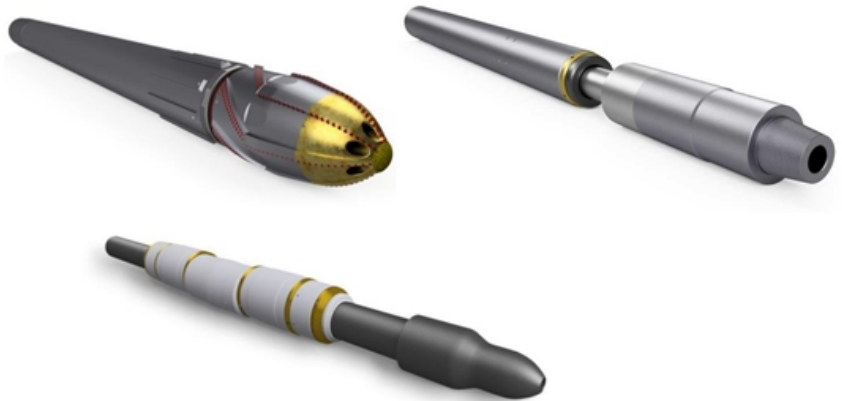
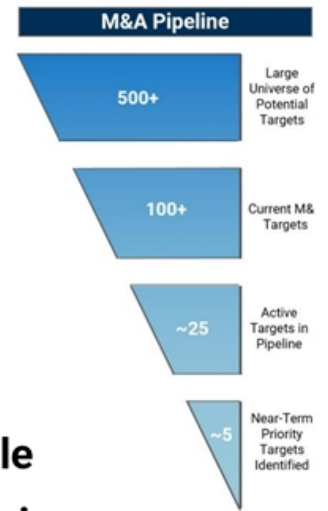
## ✓ Enhances horizontal opportunities

- ✓ Expands DTI's intellectual property portfolio by over **10 patents**
- ✓ Will own global rights to Drill-N-Ream tool
- ✓ Accelerate Drill-N-Ream growth opportunities world-wide
- ✓ Entrance into drill bit re-manufacture and repair business



# Strategic Rationale: Deep Casing Tools

- ✓ **Adds to DTI's technology platform**
  - ✓ Expands intellectual property portfolio by over **60 patents**
- ✓ **Adds strong international customer relationships**
  - ✓ ADNOC / ARAMCO / PEMEX / PETROBRAS / PETRONAS
- ✓ **Accretive to DTI's earnings and Adj. Free Cash Flow profile**
- ✓ **Opportunity to expand Deep Casing products into N. America**



# The DTI Leadership Team – Experience Matters!

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



**WAYNE PREJEAN**

PRESIDENT AND CEO



**DAVID JOHNSON**

CHIEF FINANCIAL OFFICER



**MIKE DOMINO**

PRESIDENT  
DIRECTIONAL TOOL RENTALS  
DIVISION



**ALDO RODRIGUEZ**

VICE PRESIDENT  
SALES



**TRENT POPE**

VICE PRESIDENT  
WELLBORE OPTIMIZATION



**JIM ROWELL**

VICE PRESIDENT  
PREMIUM TOOLS



**ASHLEY LANE**

VICE PRESIDENT  
INTERNATIONAL BUSINESS  
DEVELOPMENT



**DAVID STEPHENSON**

VICE PRESIDENT, DTI  
DIVISION LEADER  
DEEP CASING TOOLS



**DAVID COTTEN**

VICE PRESIDENT  
TECHNICAL SERVICES AND  
OHS&E



**VEDA RAGDILL**

VICE PRESIDENT  
HUMAN RESOURCES



**CHRISTIAN MIDDLETON**

VICE PRESIDENT  
FINANCE



**JAMESON PARKER**

VICE PRESIDENT  
CORPORATE DEVELOPMENT

# DTI's Differentiated Growth Strategy Creates a Compelling Investment Profile

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- A Market Leader in Downhole Tools for the Oil & Gas Industry**
- Blue Chip Customers**
- Strategic Model Delivering Through-Cycle Outperformance**
- Proven Growth: Organic & M&A in Fragmented Industry**
- Strong Balance Sheet / Low Leverage / Significant Free Cash Flow**
- Experienced and Proven Leadership Team**
- Sustainable Financial Growth Outlook**



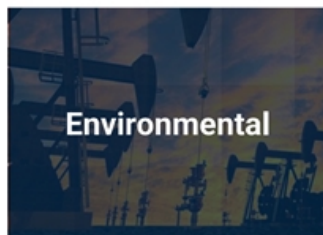
**DRILLING TOOLS<sup>®</sup>**  
INTERNATIONAL

## Supplemental Information



# ESG + Safety Are Integral to Our Success

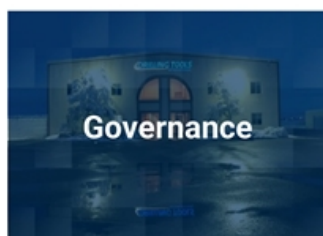
DTI is committed to environmental stewardship



- ✓ Continuous evaluations and control measures to ensure minimization of waste
- ✓ Pursuing highest levels of operational proficiency to reduce rework, and use of chemicals and waste
- ✓ Actively promoting recycling including extensive rental tool recycling and refurbishment programs & opportunities to redeploy equipment for energy transition markets such as geothermal, carbon capture and storage



- ✓ Identify and control exposures to limit potential injury and production interruptions or damages
- ✓ Continual contributions to local community events, charities and employee activities

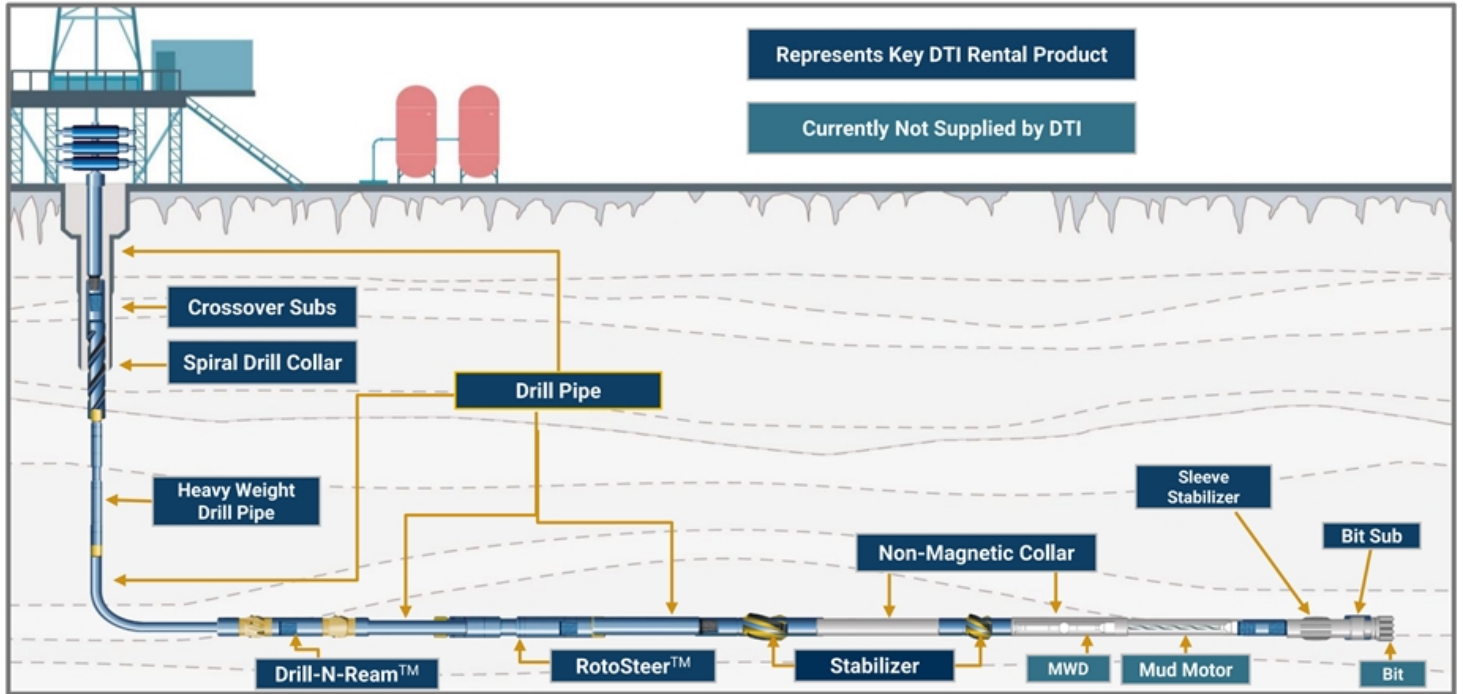


**DTI's leadership is focused on deriving long-term value for all stakeholders by:**

- ✓ Executive accountability through the election of an independent board<sup>(1)</sup>
- ✓ Strong internal controls

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

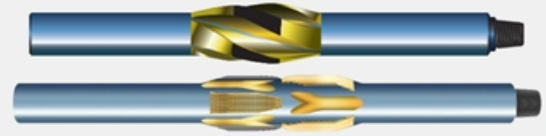
Differentiated and extensive inventory of tools to address the wide-ranging needs of oil & gas customers across all regions



# Overview of Directional Tool Rentals Key Equipment



## Stabilizers



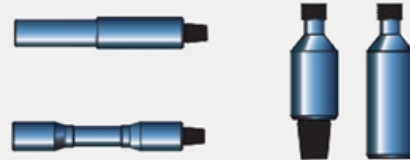
*Reduces drill string vibration and torque...*

## Drill Collars



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

## Subs and Other Equipment



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

# Overview of Wellbore Optimization Tools

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

## Products Offered

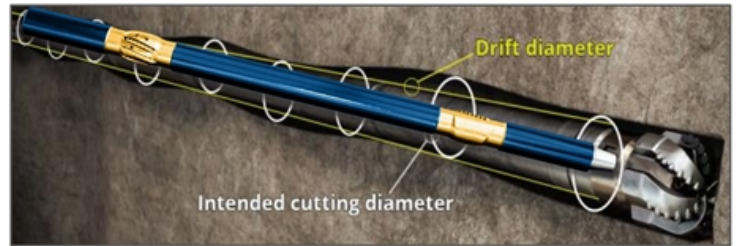
### Drill-N-Ream™ ("DNR") WellBore Conditioning Tool<sup>(1)</sup>

- 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

### Emerging Technology "RotoSteer™"

- 2023: Commercially launched
- Improves ROP, reduces torque and drag and eliminates slides
- Potential application for hundreds of wells annually

## Substantial Improvements in Wellbore Quality



## ROTOSTEER™



# Overview of Premium Tools Key Equipment

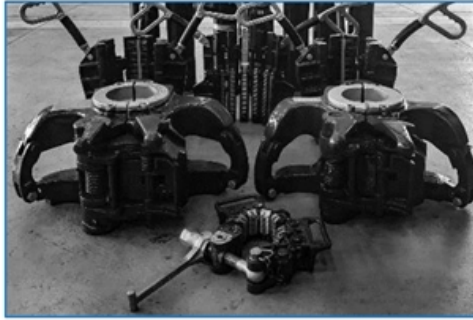
DTI offers a wide array of premium tubulars for drilling, workover and completion operations, API blowout preventers and pressure control accessories as well as a comprehensive suite of related handling tools

## Tubulars



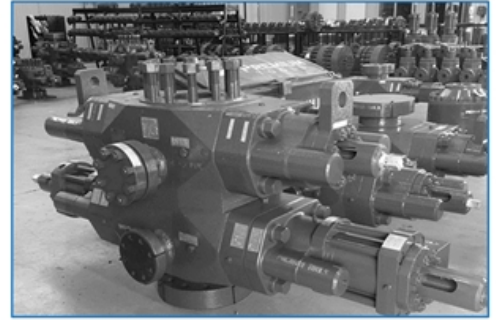
- **Drill Pipe** – 2 7/8 to 5 1/2 inch API bottleneck, slim-hole, API, proprietary double shoulder-high torque connections
- **Hevi-Wate Drill Pipe** – 3 1/2 to 5 1/2 inch API bottleneck, slim-hole, API, proprietary double shoulder-high torque connections
- **Drill Collars** – 3 1/8 to 9 1/2 steel spiral 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

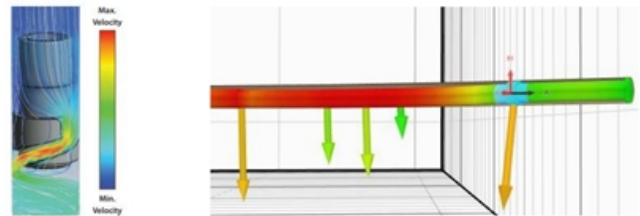
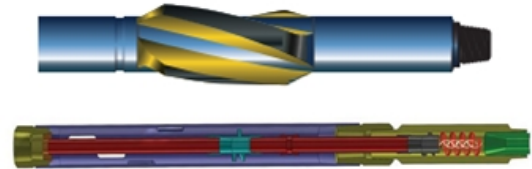
### Product Sales

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

### Technical Services Group

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

## Internal Support Services and Emerging Products



# Second Quarter 2024 Income Statement

Drilling Tools International Corp.  
Consolidated Statement of Operations and Comprehensive Income  
(In thousands of U.S. dollars and rounded)  
(Unaudited)

|   | Three Months Ended June 30, |                | Six Months Ended June 30, |                 |
|---|-----------------------------|----------------|---------------------------|-----------------|
|   | 2024                        | 2023           | 2024                      | 2023            |
| <b>Revenue, net:</b>  |                             |                |                           |                 |
| Tool rental   | \$ 28,328                   | \$ 29,002      | \$ 58,294                 | \$ 61,278       |
| Product sale  | 9,205                       | 8,906          | 16,213                    | 17,429          |
| <b>Total revenue, net</b>                                       | <b>37,533</b>               | <b>37,908</b>  | <b>74,507</b>             | <b>78,707</b>   |
| <b>Operating costs and expenses:</b>                            |                             |                |                           |                 |
| Cost of tool rental revenue                                     | 7,454                       | 7,692          | 14,455                    | 15,829          |
| Cost of product sale revenue                                    | 2,544                       | 1,157          | 4,080                     | 2,460           |
| Selling, general, and administrative expense                    | 19,619                      | 17,718         | 37,560                    | 34,447          |
| Depreciation and amortization expense                           | 5,681                       | 4,717          | 11,047                    | 9,732           |
| <b>Total operating costs and expenses</b>                       | <b>35,298</b>               | <b>31,284</b>  | <b>67,142</b>             | <b>62,468</b>   |
| <b>Income (loss) from operations</b>                            | <b>2,235</b>                | <b>6,624</b>   | <b>7,365</b>              | <b>16,239</b>   |
| <b>Other expense, net:</b>                                      |                             |                |                           |                 |
| Interest expense, net   | (811)                       | (348)          | (992)                     | (922)           |
| Gain (loss) on sale of property                                 | 51                          | (1)            | 42                        | 68              |
| Unrealized gain on equity securities                            | 480                         | 420            | 729                       | 387             |
| Other income (expense), net                                     | (1,672)                     | (4,382)        | (2,798)                   | (6,035)         |
| <b>Total other expense, net</b>                                 | <b>(1,952)</b>              | <b>(4,311)</b> | <b>(3,019)</b>            | <b>(6,502)</b>  |
| Income before income tax expense                                | 283                         | 2,313          | 4,346                     | 9,737           |
| Income tax (expense)/benefit                                    | 82                          | (1,376)        | (854)                     | (3,099)         |
| <b>Net income</b>   | <b>\$ 365</b>               | <b>\$ 937</b>  | <b>\$ 3,492</b>           | <b>\$ 6,638</b> |
| Accumulated dividends on redeemable convertible preferred stock | —                           | —              | —                         | 314             |
| Net income available to common shareholders                     | \$ 365                      | \$ 937         | \$ 3,492                  | \$ 6,324        |
| Basic earnings per share  | \$ 0.01                     | \$ 0.07        | \$ 0.12                   | \$ 0.49         |
| Diluted earnings per share                                      | \$ 0.01                     | \$ 0.05        | \$ 0.12                   | \$ 0.33         |
| Basic weighted-average common shares outstanding*               | 29,816,202                  | 13,910,670     | 29,792,385                | 12,936,310      |
| Diluted weighted-average common shares outstanding*             | 30,873,436                  | 20,746,976     | 30,321,002                | 20,217,648      |
| <b>Comprehensive income:</b>                                    |                             |                |                           |                 |
| Net income  | \$ 365                      | \$ 937         | \$ 3,492                  | \$ 6,638        |
| Foreign currency translation adjustment, net of tax             | 102                         | (207)          | (408)                     | (207)           |
| <b>Net comprehensive income</b>                                 | <b>\$ 467</b>               | <b>\$ 730</b>  | <b>\$ 3,084</b>           | <b>\$ 6,431</b> |

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

# Second Quarter 2024 Balance Sheet

Drilling Tools International Corp.  
Consolidated Balance Sheets  
(In thousands of U.S. dollars and rounded)  
(Unaudited)

|  | June 30,<br>2024  | December 31,<br>2023 |
|--|-------------------|----------------------|
| <b>ASSETS</b>  |                   |                      |
| <b>Current assets</b>  |                   |                      |
| Cash   | \$ 6,784          | \$ 6,003             |
| Accounts receivable, net   | 35,122            | 29,929               |
| Inventories, net   | 14,609            | 5,034                |
| Prepaid expenses and other current assets  | 2,702             | 4,553                |
| Investments - equity securities, at fair value   | 1,617             | 888                  |
| <b>Total current assets</b>  | <b>60,834</b>     | <b>46,408</b>        |
| Property, plant and equipment, net   | 71,223            | 65,800               |
| Operating lease right-of-use asset   | 21,827            | 18,786               |
| Goodwill   | 7,962             | —                    |
| Intangible assets, net   | 3,076             | 216                  |
| Deferred financing costs, net  | 991               | 409                  |
| Deposits and other long-term assets  | 961               | 879                  |
| <b>Total assets</b>  | <b>\$ 166,874</b> | <b>\$ 132,498</b>    |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |                   |                      |
| <b>Current liabilities</b>   |                   |                      |
| Accounts payable   | \$ 14,014         | \$ 7,751             |
| Accrued expenses and other current liabilities   | 7,719             | 10,579               |
| Current portion of operating lease liabilities   | 4,133             | 3,958                |
| Current maturities of long-term debt   | 5,000             | —                    |
| <b>Total current liabilities</b>   | <b>30,866</b>     | <b>22,288</b>        |
| Operating lease liabilities, less current portion  | 17,814            | 14,893               |
| Long-term debt   | 19,167            | —                    |
| Deferred tax liabilities, net  | 6,227             | 6,627                |
| <b>Total liabilities</b>   | <b>74,074</b>     | <b>43,808</b>        |
| <b>Commitments and contingencies</b>   |                   |                      |
| <b>Shareholders' equity</b>  |                   |                      |
| Common stock, \$0.0001 par value, shares authorized 500,000,000 as of June 30, 2024 and December 31, 2023, 29,859,564 shares issued and outstanding as of June 30, 2024 and 29,768,568 shares issued and outstanding as of December 31, 2023 | 3                 | 3                    |
| Additional paid-in-capital   | 96,536            | 95,218               |
| Accumulated deficit  | (3,105)           | (6,306)              |
| Accumulated other comprehensive loss   | (634)             | (225)                |
| <b>Total shareholders' equity</b>  | <b>92,800</b>     | <b>88,690</b>        |
| <b>Total liabilities and shareholders' equity</b>  | <b>\$ 166,874</b> | <b>\$ 132,498</b>    |



# Second Quarter 2024 Cash Flow Statement

Drilling Tools International Corp.  
Consolidated Statement of Cash Flows  
(In thousands of U.S. dollars and rounded)  
(Unaudited)

|  | Six Months Ended June 30, |                 |
|--|---------------------------|-----------------|
|  | 2024                      | 2023            |
| <b>Cash flows from operating activities:</b>   |                           |                 |
| Net income   | \$ 3,492                  | \$ 6,638        |
| Adjustments to reconcile net income to net cash from operating activities:                 |                           |                 |
| Depreciation and amortization  | 11,047                    | 9,732           |
| Amortization of deferred financing costs   | 139                       | 37              |
| Non-cash lease expense   | 2,315                     | 2,275           |
| Provision for excess and obsolete inventory  | —                         | 19              |
| Provision for excess and obsolete property and equipment                                   | 179                       | 238             |
| Provision for credit losses  | (16)                      | 418             |
| Deferred tax expense   | (400)                     | 2,008           |
| Gain on sale of property   | (51)                      | (68)            |
| Loss on asset disposal   | 9                         | —               |
| Unrealized loss on interest rate swap  | —                         | 91              |
| Unrealized gain on equity securities   | (729)                     | (387)           |
| Gross profit from sale of lost-in-hole equipment   | (4,987)                   | (9,146)         |
| Stock-based compensation expense   | 1,064                     | 3,986           |
| Changes in operating assets and liabilities:   |                           |                 |
| Accounts receivable, net   | (1,449)                   | (1,777)         |
| Prepaid expenses and other current assets  | 1,958                     | (1,531)         |
| Inventories, net   | (49)                      | 1,409           |
| Operating lease liabilities  | (2,226)                   | (2,179)         |
| Accounts payable   | (2,158)                   | 1,982           |
| Accrued expenses and other current liabilities   | (3,745)                   | 316             |
| <b>Net cash flows from operating activities</b>  | <b>4,391</b>              | <b>14,061</b>   |
| <b>Cash flows from investing activities:</b>   |                           |                 |
| Acquisition of a business, net of cash acquired  | (18,261)                  | —               |
| Proceeds from sale of property and equipment   | 59                        | 126             |
| Purchase of property, plant and equipment  | (16,312)                  | (24,617)        |
| Proceeds from sale of lost-in-hole equipment   | 7,786                     | 11,103          |
| <b>Net cash from investing activities</b>  | <b>(26,728)</b>           | <b>(13,388)</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  | (672)                     | (281)           |
| Proceeds from revolving line of credit   | 1,469                     | 71,646          |
| Payments on revolving line of credit   | (1,469)                   | (89,995)        |
| Proceeds from Term Loan  | 25,000                    | —               |
| Repayment of Term Loan   | (833)                     | —               |
| Payments to holders of DTIH redeemable convertible preferred stock in connection with      | —                         | (194)           |
| <b>Net cash from financing activities</b>  | <b>23,495</b>             | <b>4,338</b>    |
| <b>Effect of Changes in Foreign Exchange Rate</b>  | <b>(377)</b>              | <b>(207)</b>    |
| <b>Net Change in Cash</b>  | <b>781</b>                | <b>4,804</b>    |
| <b>Cash at Beginning of Period</b>   | <b>6,003</b>              | <b>2,352</b>    |
| <b>Cash at End of Period</b>   | <b>\$ 6,784</b>           | <b>\$ 7,156</b> |
| <b>Supplemental cash flow information:</b>   |                           |                 |
| Cash paid for interest   | \$ 660                    | \$ 851          |
| Cash paid for income taxes   | \$ 256                    | \$ 2,139        |
| <b>Non-cash investing and financing activities:</b>  |                           |                 |
| Fair value of CTG liabilities assumed in CTG Acquisition                                   | \$ 3,162                  | \$ —            |
| ROU assets obtained in exchange for operating lease liabilities                            | \$ 5,054                  | \$ 2,635        |
| Net exercise of stock options  | \$ 255                    | \$ —            |
| Shares withheld from exercise of stock options for payment of taxes                        | \$ 35                     | \$ —            |
| Purchases of inventory included in accounts payable and accrued expenses and other current | \$ 5,082                  | \$ 4,076        |
| Purchases of property and equipment included in accounts payable and accrued expenses and  | \$ 1,402                  | \$ 7,640        |
| Deferred financing fees included in accounts payable                                       | \$ 49                     | \$ —            |
| Non-cash directors and officers insurance  | \$ —                      | \$ 1,472        |
| Non-cash Merger financing  | \$ —                      | \$ 2,000        |
| Exchange of DTIH redeemable convertible preferred stock for DTIC Common Stock in           | \$ —                      | \$ 7,193        |
| Issuance of DTIC Common Stock to former holders of DTIH redeemable convertible             | \$ —                      | \$ —            |
| preferred stock in connection with Exchange Agreements                                     | \$ —                      | \$ 10,805       |
| Accretion of redeemable convertible preferred stock to redemption value                    | \$ —                      | \$ 314          |

# Reconciliation of Second Quarter 2024 Adjusted EBITDA

**Drilling Tools International Corp.**  
**Reconciliation of GAAP to Non-GAAP Measures (Unaudited)**  
*(In thousands of U.S. dollars and rounded)*

|   | <b>Three Months Ended June 30,</b> |                  |
|---|------------------------------------|------------------|
|   | <b>2024</b>                        | <b>2023</b>      |
| Net income (loss)                           | \$ 365                             | \$ 937           |
| Add (deduct):                               |                                    |                  |
| Income tax (expense)/benefit                | (82)                               | 1,376            |
| Depreciation and amortization               | 5,681                              | 4,717            |
| Interest expense, net                       | 811                                | 348              |
| Stock option expense                        | 855                                | 1,661            |
| Management fees                             | 187                                | 262              |
| Loss (gain) on sale of property             | (51)                               | 1                |
| Unrealized (gain) loss on equity securities | (480)                              | (420)            |
| Transaction expense                         | 2,020                              | 4,142            |
| Other expense, net                          | (341)                              | 241              |
| Adjusted EBITDA                             | <u>\$ 8,965</u>                    | <u>\$ 13,265</u> |

# Reconciliation of Second Quarter 2024 Adjusted Free Cash Flow

**Drilling Tools International Corp.**  
**Reconciliation of GAAP to Non-GAAP Measures (Unaudited)**  
*(In thousands of U.S. dollars and rounded)*

|   | <b>Three Months Ended June 30,</b> |                   |
|---|------------------------------------|-------------------|
|   | <b>2024</b>                        | <b>2023</b>       |
| Net income (loss)                           | \$ 365                             | \$ 937            |
| Add (deduct):                               |                                    |                   |
| Income tax (expense)/benefit                | (82)                               | 1,376             |
| Depreciation and amortization               | 5,681                              | 4,717             |
| Interest expense, net                       | 811                                | 348               |
| Stock option expense                        | 855                                | 1,661             |
| Management fees                             | 187                                | 262               |
| Loss (gain) on sale of property             | (51)                               | 1                 |
| Unrealized (gain) loss on equity securities | (480)                              | (420)             |
| Transaction expense                         | 2,020                              | 4,142             |
| Other expense, net                          | (341)                              | 241               |
| Gross capital expenditures                  | (10,084)                           | (17,550)          |
| Adjusted Free Cash Flow                     | <u>\$ (1,119)</u>                  | <u>\$ (4,285)</u> |

# Reconciliation of Second Quarter 2024 Adjusted Net Income

**Drilling Tools International Corp.**  
**Reconciliation of GAAP to Non-GAAP Measures (Unaudited)**  
*(In thousands of U.S. dollars and rounded)*

|   | Three Months Ended June 30, |            |
|---|-----------------------------|------------|
|   | 2024                        | 2023       |
| Net income (loss)   | \$ 365                      | \$ 937     |
| Transaction expense   | 2,020                       | 4,142      |
| Income tax expense  | (82)                        | 1,376      |
| Adjusted Income Before Tax                                      | \$ 2,303                    | \$ 6,455   |
| Adjusted Income tax expense                                     | (668)                       | 3,840      |
| Adjusted Net Income   | \$ 2,970                    | \$ 2,615   |
| Accumulated dividends on redeemable convertible preferred stock | —                           | —          |
| Adjusted Net income available to common shareholders            | \$ 2,970                    | \$ 2,615   |
| Adjusted Basic earnings per share                               | 0.10                        | 0.19       |
| Adjusted Diluted earnings per share                             | 0.10                        | 0.13       |
| Basic weighted-average common shares outstanding*               | 29,816,202                  | 13,910,670 |
| Basic weighted-average common shares outstanding*               | 30,873,436                  | 20,746,976 |

# Reconciliation of 2024 Outlook

**Drilling Tools International Corp.**  
**Reconciliation of Estimated Consolidated Net Income to Adjusted EBITDA**  
*(In thousands of U.S. dollars and rounded)*  
*(Unaudited)*

|                               | Twelve Months Ended December 31, 2024 |                  |
|-------------------------------|---------------------------------------|------------------|
|                               | Low                                   | High             |
| Net Income                    | \$ 7,000                              | \$ 10,000        |
| Add (deduct)                  |                                       |                  |
| Interest expense, net         | 2,500                                 | 2,700            |
| Income tax expense            | 2,500                                 | 2,800            |
| Depreciation and amortization | 22,500                                | 23,500           |
| Management fees               | 600                                   | 900              |
| Other expense                 | (500)                                 | -                |
| Stock option expense          | 2,400                                 | 2,600            |
| Transaction expense           | 4,000                                 | 4,500            |
| <b>Adjusted EBITDA</b>        | <b>\$ 41,000</b>                      | <b>\$ 47,000</b> |
| Revenue                       | 155,000                               | 170,000          |
| <b>Adjusted EBITDA Margin</b> | <b>26%</b>                            | <b>28%</b>       |

# Reconciliation of 2024 Outlook

**Drilling Tools International Corp.**  
**Reconciliation of Estimated Consolidated Net Income to Adjusted Free Cash Flow**  
*(In thousands of U.S. dollars and rounded)*  
*(Unaudited)*

|                                | <b>Twelve Months Ended December 31, 2024</b> |                  |
|--------------------------------|--|------------------|
|                                | <b>Low</b>                                   | <b>High</b>      |
| Net Income                     | \$ 7,000                                     | \$ 10,000        |
| Add (deduct)                   |  |                  |
| Interest expense, net          | 2,500  | 2,700            |
| Income tax expense             | 2,500  | 2,800            |
| Depreciation and amortization  | 22,500                                       | 23,500           |
| Management fees                | 600  | 900              |
| Other expense                  | (500)  | -                |
| Stock option expense           | 2,400  | 2,600            |
| Transaction expense            | 4,000  | 4,500            |
| Gross capital expenditures     | (21,000)                                     | (22,000)         |
| <b>Adjusted Free Cash Flow</b> | <b>\$ 20,000</b>                             | <b>\$ 25,000</b> |

# Reconciliation of 2024 Outlook

**Drilling Tools International Corp.**  
**Reconciliation of Estimated Consolidated Net Income to Adjusted Net Income**  
*(In thousands of U.S. dollars and rounded)*  
*(Unaudited)*

|                                   | <u>Twelve Months Ended December 31, 2024</u> |                  |
|-----------------------------------|--|------------------|
|                                   | <u>Low</u>                                   | <u>High</u>      |
| Net income (loss)                 | \$ 7,000                                     | \$ 10,000        |
| Transaction expense               | \$ 4,000                                     | \$ 4,500         |
| Income tax expense                | 2,500  | 2,800            |
| <b>Adjusted Income Before Tax</b> | <b>\$ 13,500</b>                             | <b>\$ 17,300</b> |
| Adjusted Income tax expense       | 3,600  | 3,800            |
| <b>Adjusted Net Income</b>        | <b>\$ 9,900</b>                              | <b>\$ 13,500</b> |