

# Jose Bayardo

Senior Vice President, Chief Financial Officer



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# Agenda

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Looking Back

Positioning

Looking Forward

## Looking Back

> \$3B Cost  
Reductions

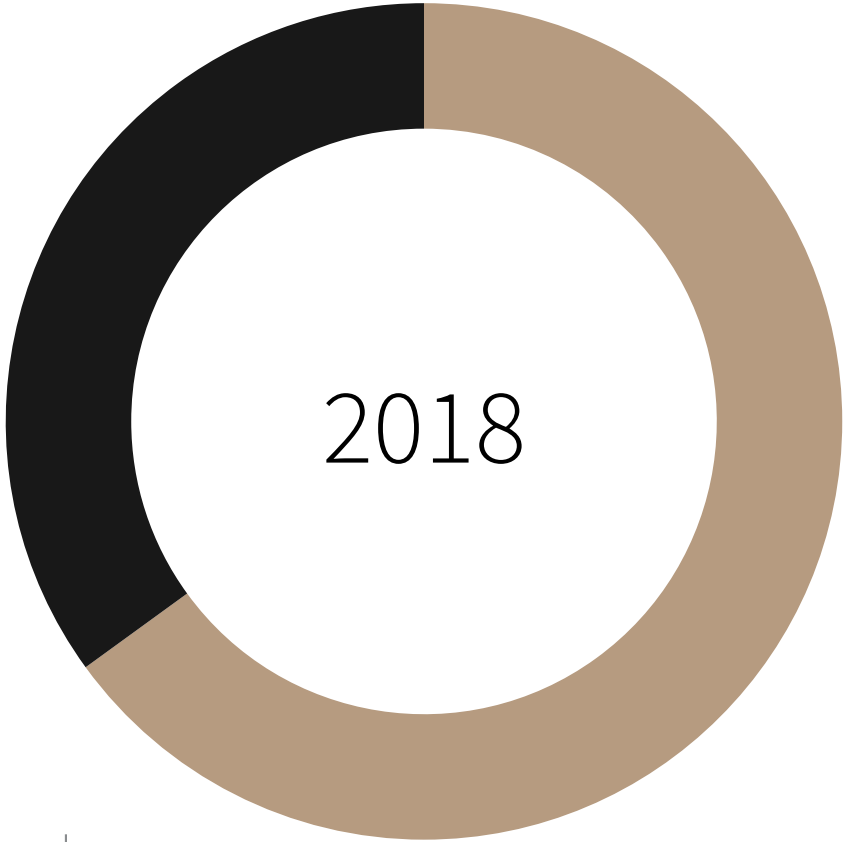
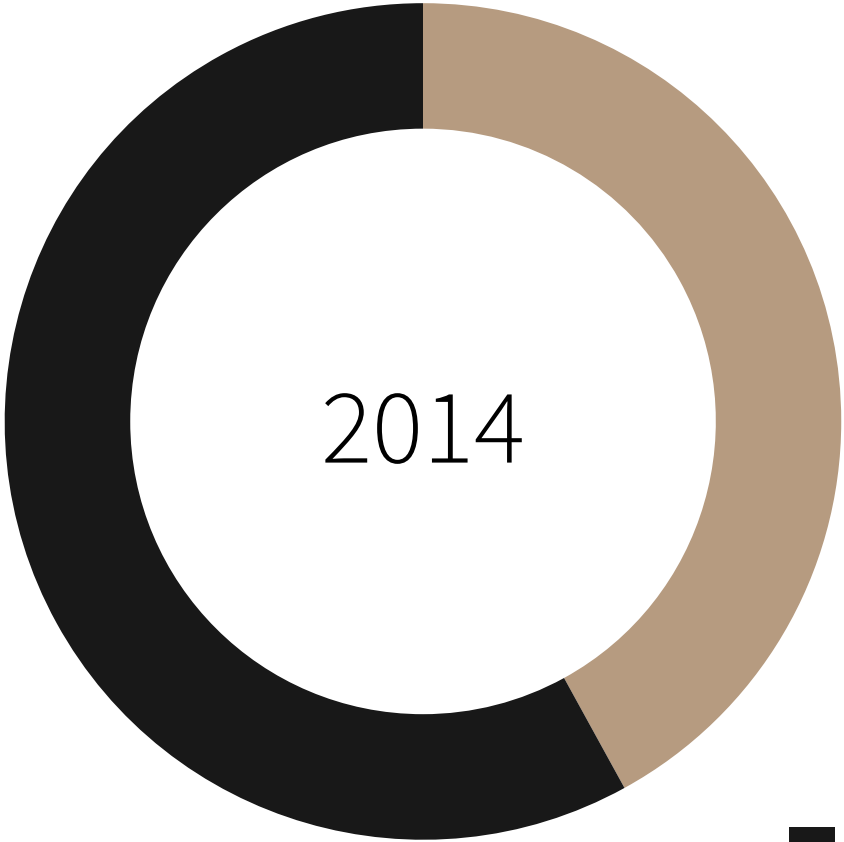
> \$2.3B in Free  
Cash Flow

Thoughtful and  
Disciplined  
Investments

*Note: From Q4 2014 through Q2 2018*

# Successful pivot to follow evolution of industry served

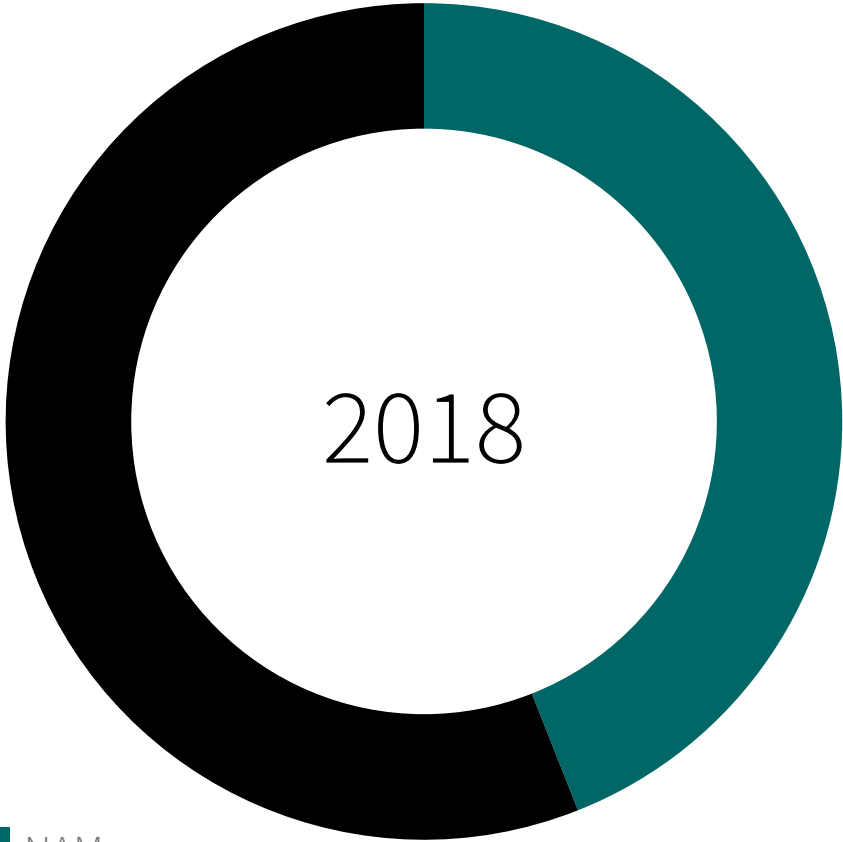
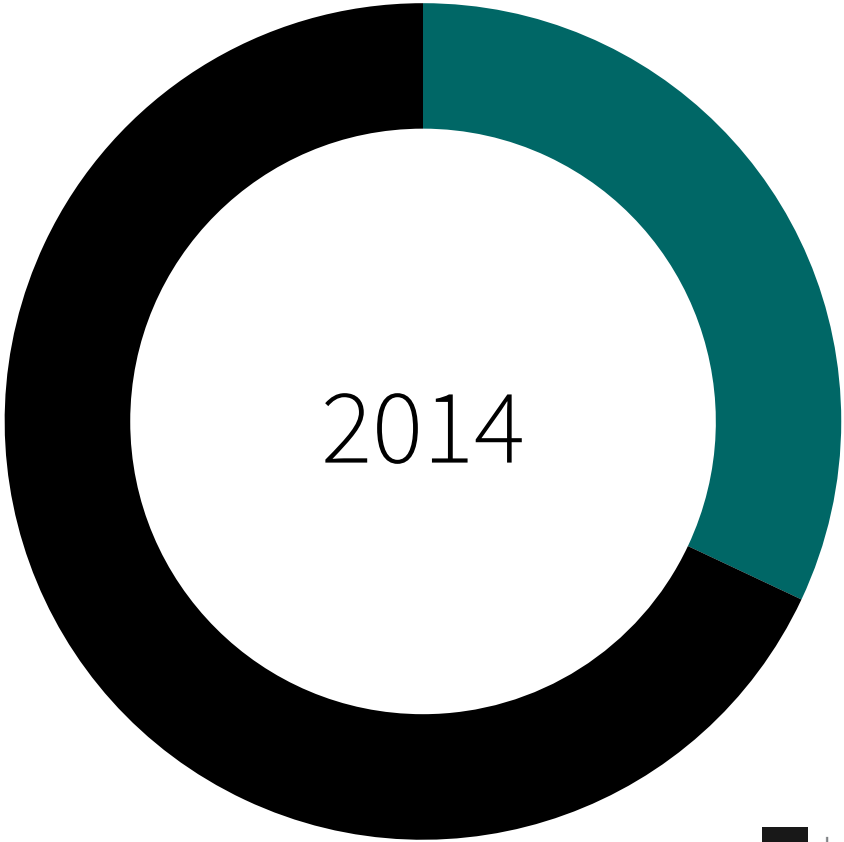
NOV Revenue



■ Offshore    ■ Land

# Successful pivot to follow evolution of industry served

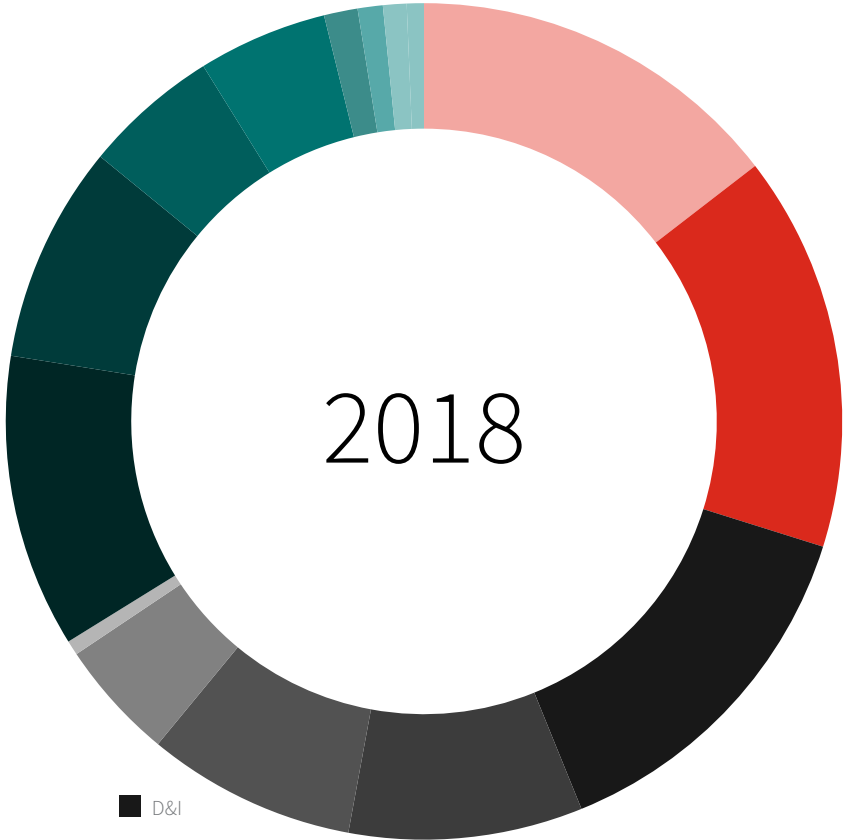
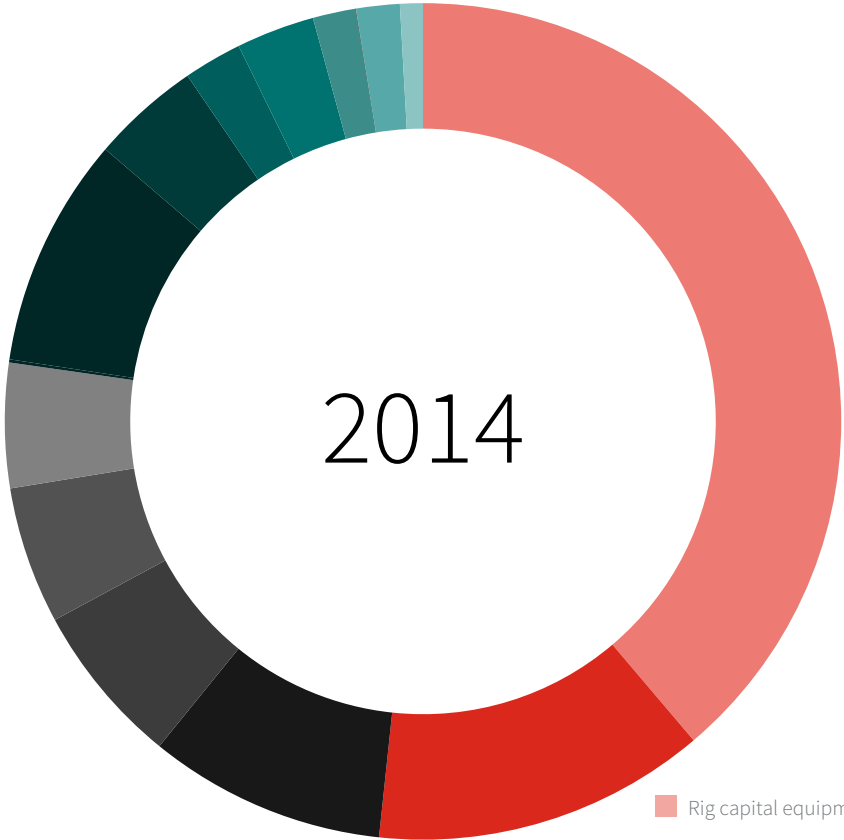
NOV Revenue



■ International ■ NAM

# Successful pivot to follow evolution of industry served

NOV Revenue



# Our vision

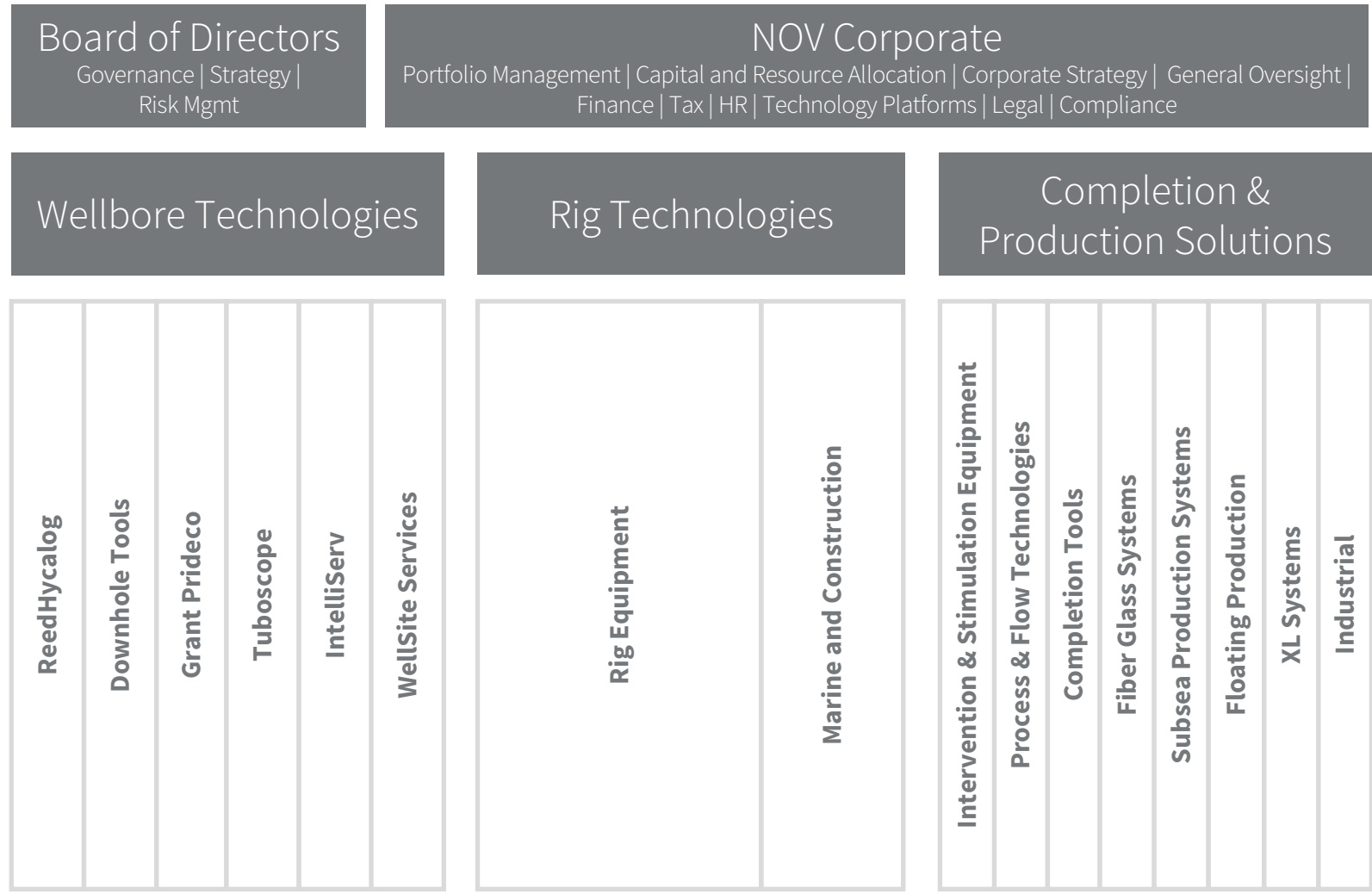
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To drive superior economics for global energy producers by providing the world's best technology and equipment

While NOV has evolved,  
**fundamental operating strategy**  
**remains the same**



# Decentralized, nimble, and highly accountable management structure



Provide oversight, technical resources

Leverage capabilities across businesses to address distinct customer needs

Highly focused business units with deep technical expertise

- Limited competing priorities
- Quick and efficient
- Entrepreneurial

# NOV's strategic framework

**Deliver** proprietary technologies that assist operators to reduce cost of supply

**Leverage** size, scope, scale, and position in the market

**Capitalize on** and facilitate new market entrants

**Employ** a capital-light business model with ability to quickly scale

**Capitalize on** the volatility in the oil and gas industry

**Sustain** a conservative capital structure with ample liquidity

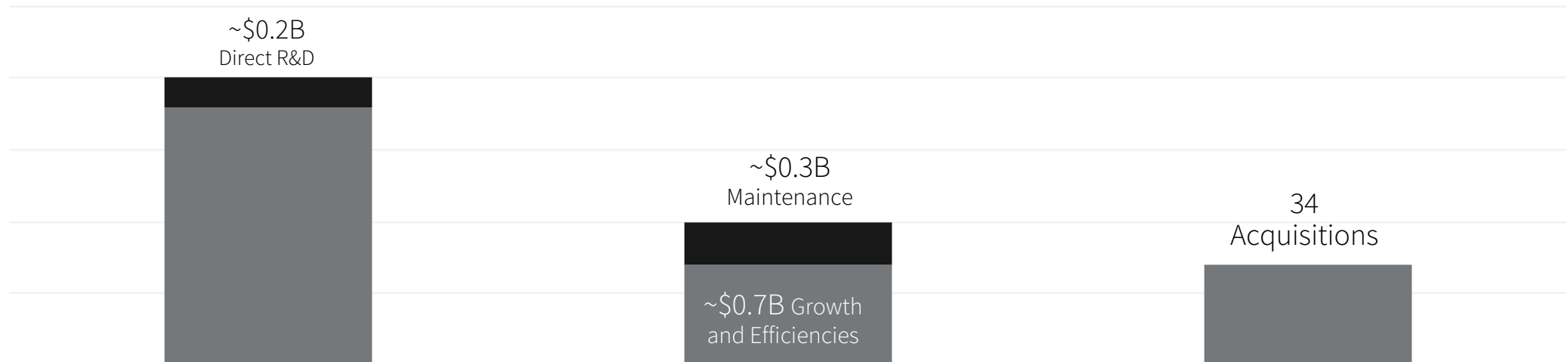
# Thoughtful, disciplined investment

Total company investments since Q4 2014<sup>1</sup>

~\$2B  
Engineering spend

~\$1B  
Capital expenditures

\$0.7B  
Acquisitions



Note <sup>1</sup>: From Q4 2014 through Q2 2018

# Execution of a growth strategy



## Identify value creating initiative

- Deliver proprietary solutions that help operators lower cost of supply or address pinch point
- Be a better owner or vendor
- Address need for new market entrant
- Leverage core competencies and infrastructure

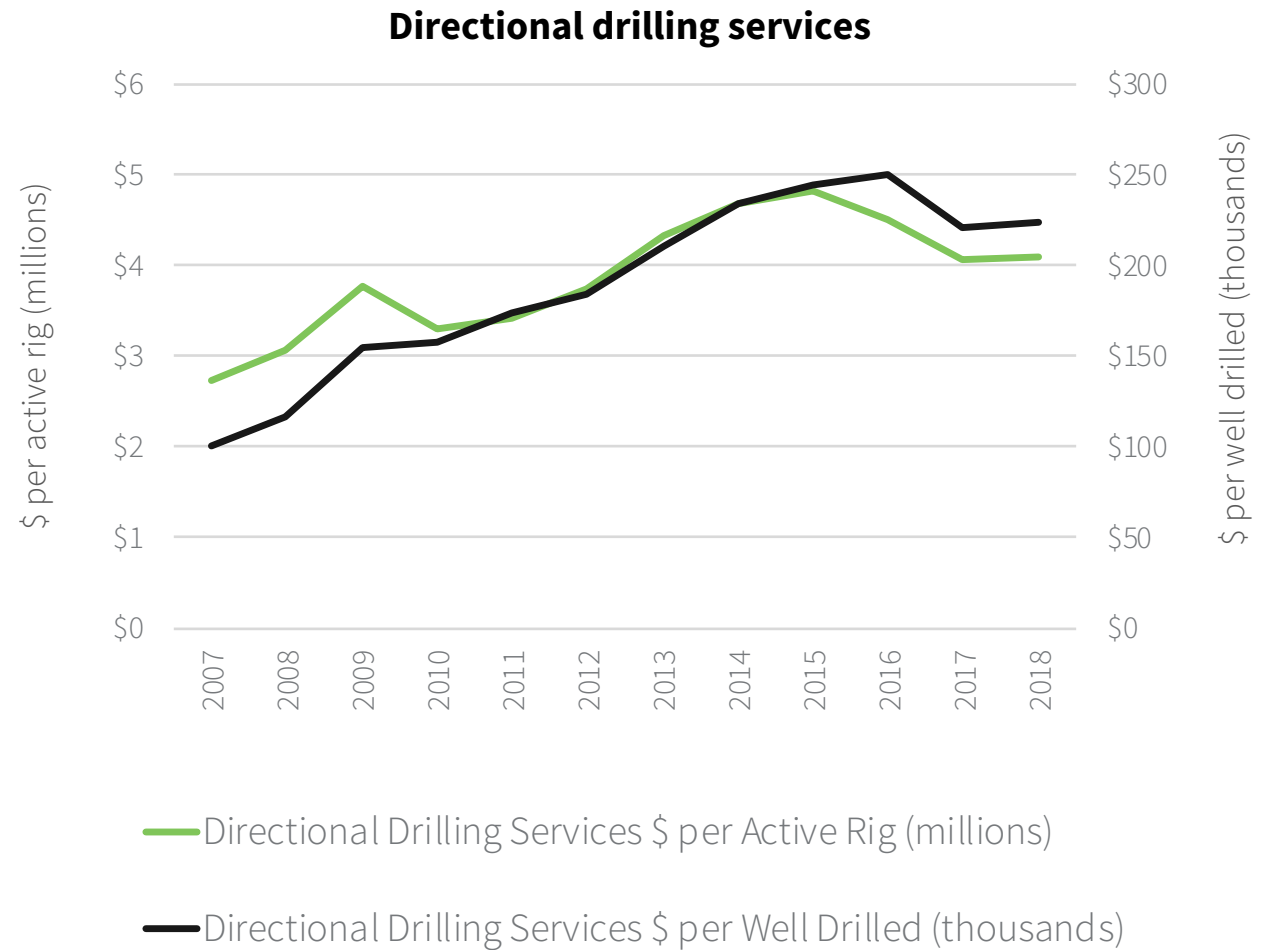
## Develop multiple paths to market

- Organic first and foremost
- Use M&A to accelerate execution of strategy

## Leverage NOV resources to accelerate development and commercialization

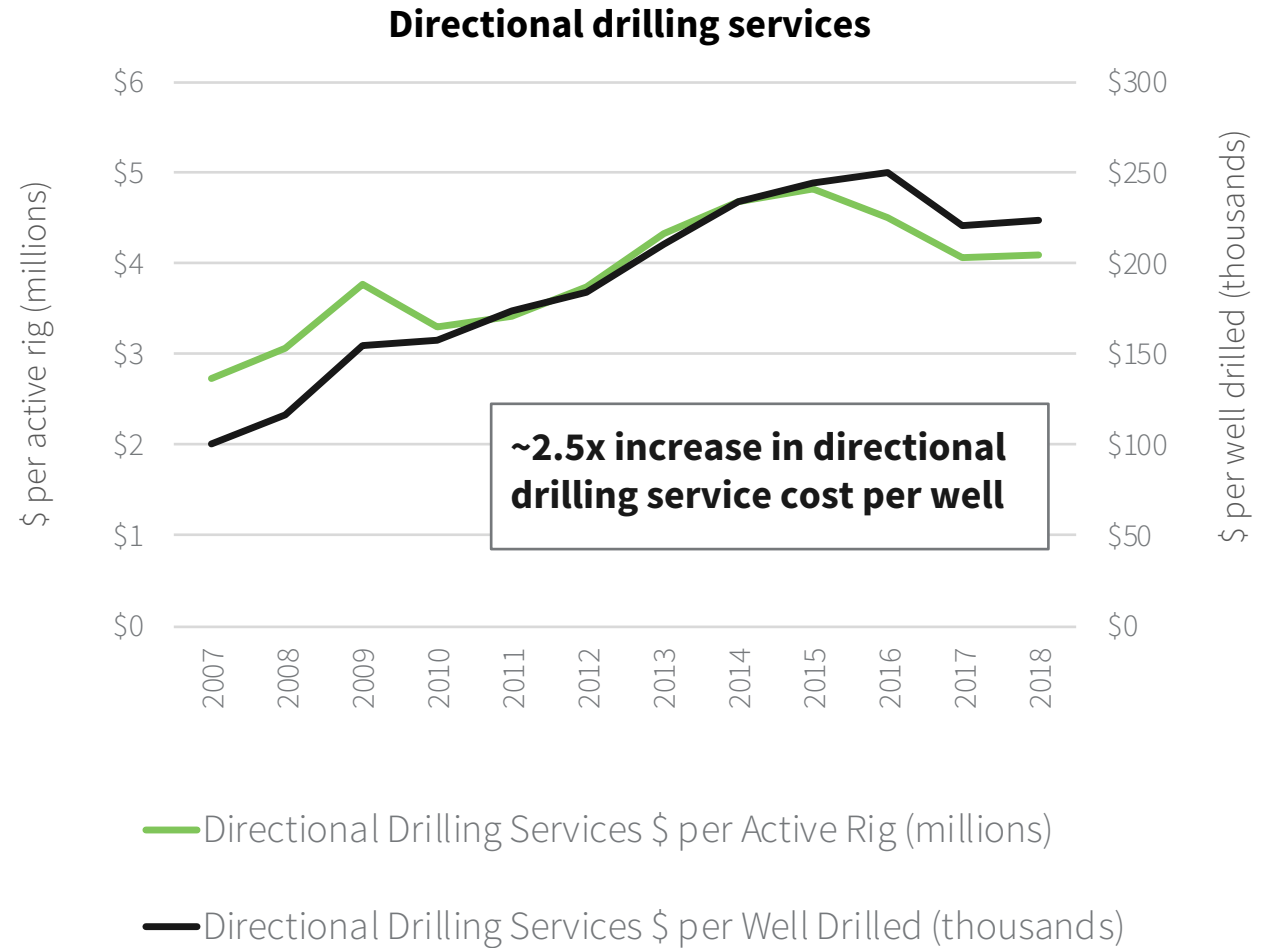
# Directional drilling tools market opportunity

Major pinch point/focus for operators



# Directional drilling tools market opportunity

Major pinch point/focus for operators

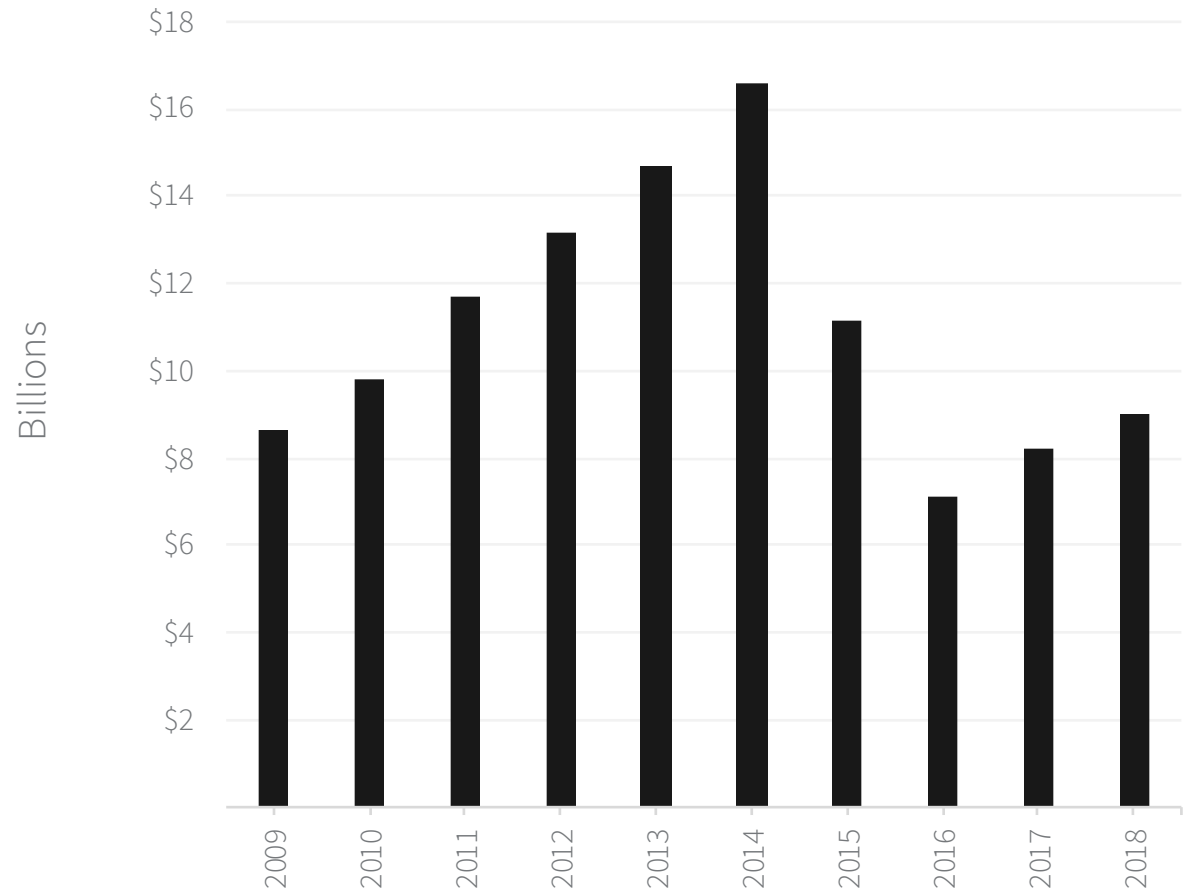


# Directional drilling tools market opportunity

Major pinch point/focus for operators

Large, global market/complementary to existing products

**Directional Drilling Services Market**

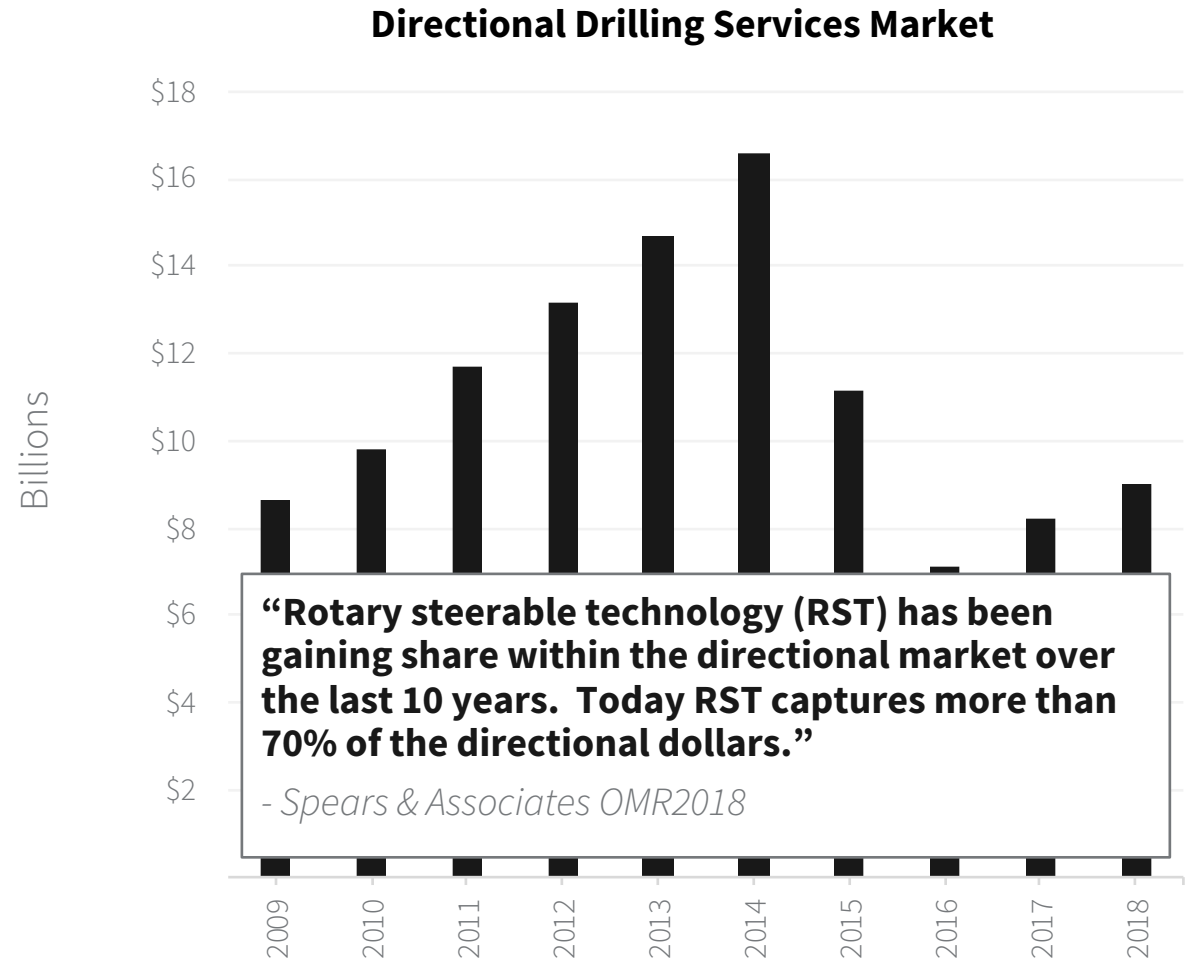


Sources: Spears & Associates

# Directional drilling tools market opportunity

Major pinch point/focus for operators

Large, global market/complementary to existing products



Sources: Spears & Associates

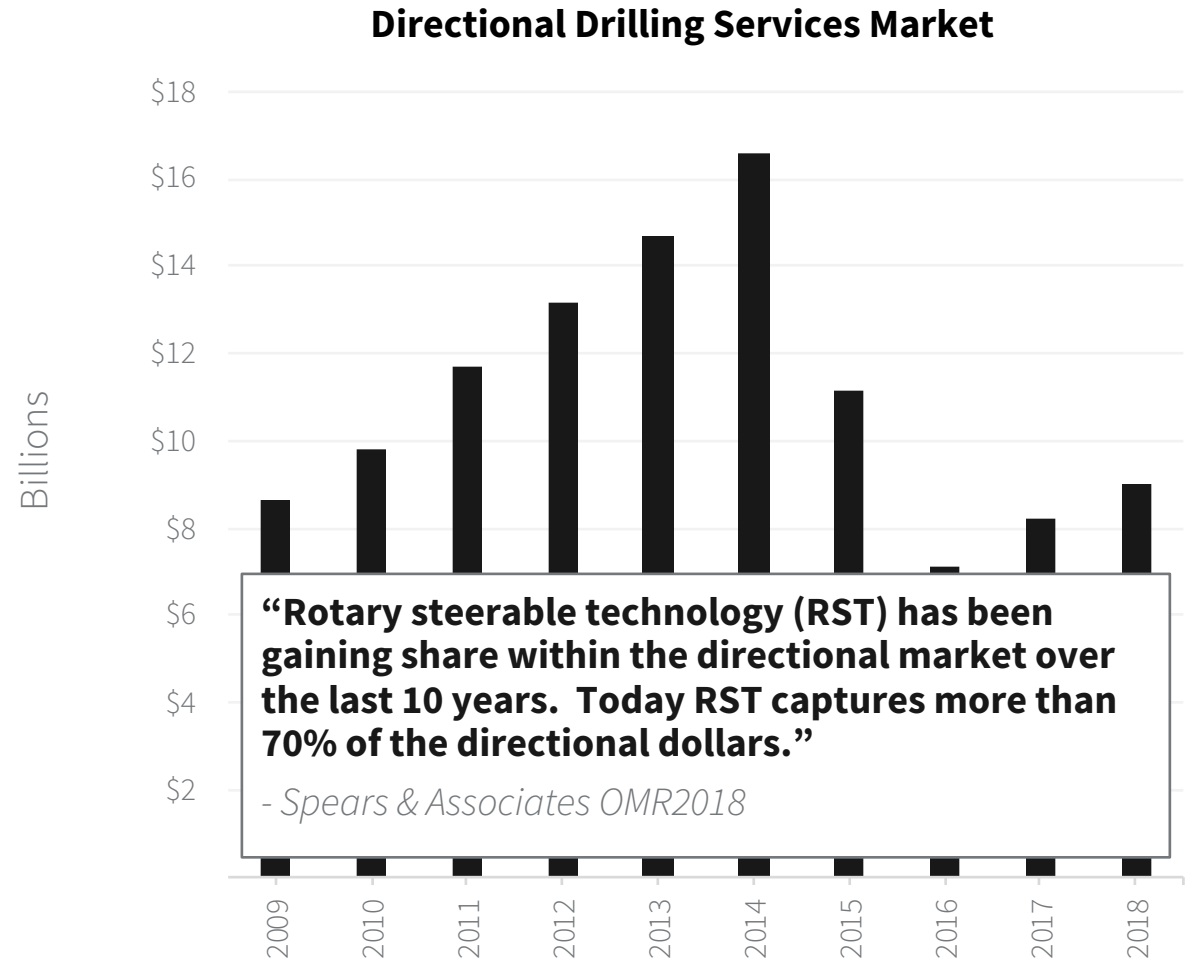


# Directional drilling tools market opportunity

Major pinch point/focus for operators

Large, global market/complementary to existing products

- Same customer base as drilling motors
- Same global service and repair center requirements



Sources: Spears & Associates

# Directional drilling tools market opportunity

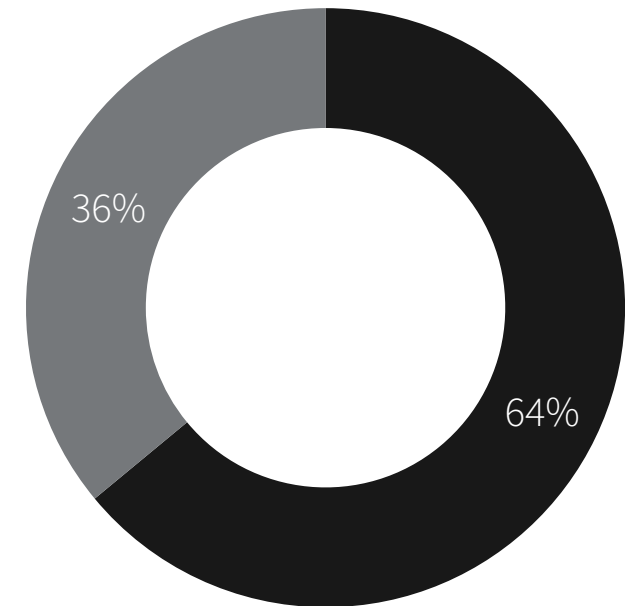
Major pinch point/focus for operators

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## Consolidated market

**Global** Directional Drilling Services Market



■ Big 4 ■ Other

# Directional drilling tools market opportunity

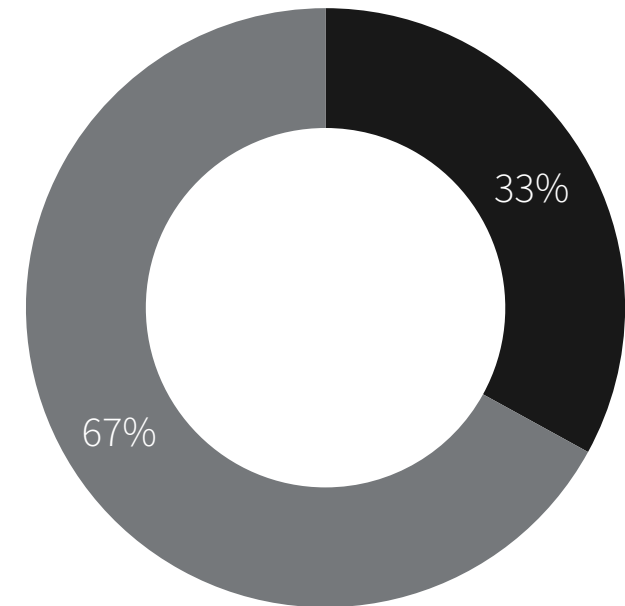
Major pinch point/focus for operators

Large, global market/complementary to existing products

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## Consolidated market

U.S. Directional Drilling Services Market



■ Big 4 ■ Other

# Directional drilling tools market opportunity

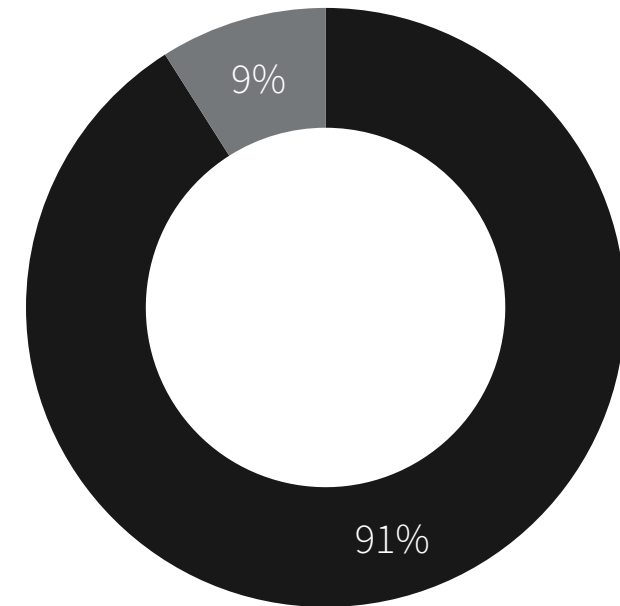
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## Consolidated market

**International** Directional Drilling Services Market



■ Big 4 ■ Other

# Directional drilling tools market opportunity

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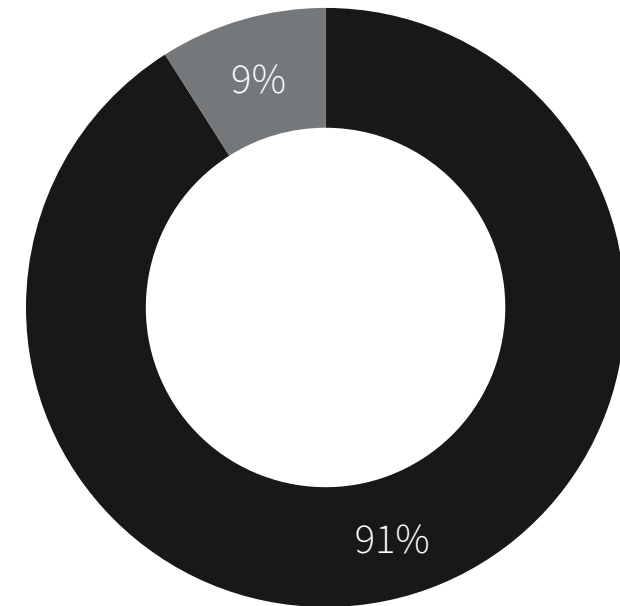
Large, global market/complementary to existing products

- Same customer base as drilling motors
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Consolidated market

**Manufacturing/product driven**

**International** Directional Drilling Services Market



■ Big 4 ■ Other

# Directional drilling tools market opportunity

Major pinch point/focus for operators

Large, global market/complementary to existing products

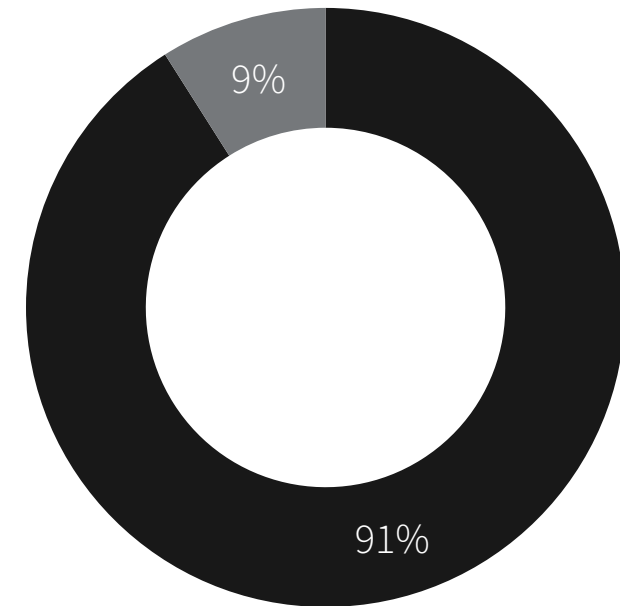
- Same customer base as drilling motors
- Same global service and repair center requirements

Consolidated market

Manufacturing/product driven

**Timing = cyclical low**

**International** Directional Drilling Services Market



■ Big 4 ■ Other

# Directional drilling tools market opportunity

Market Characteristics	NOV Strategic Framework
Major pinch point / focus for operators	Develop proprietary technologies that assist operators reduce cost of supply
Large, global market / complementary to existing products <ul style="list-style-type: none"> <li>– Same customer base as drilling motors</li> <li>– Same global service and repair center requirements</li> </ul>	Leverage size, scope, scale and position in the market
Manufacturing / product driven	Employ a capital-light business model with ability to quickly scale
Consolidated market	Address need for new market entrant
Timing = Cyclical low	Capitalize on the volatility in the oil and gas industry Sustain a conservative capital structure with ample liquidity

# Directional drilling tools opportunity

## Wired Drillstring

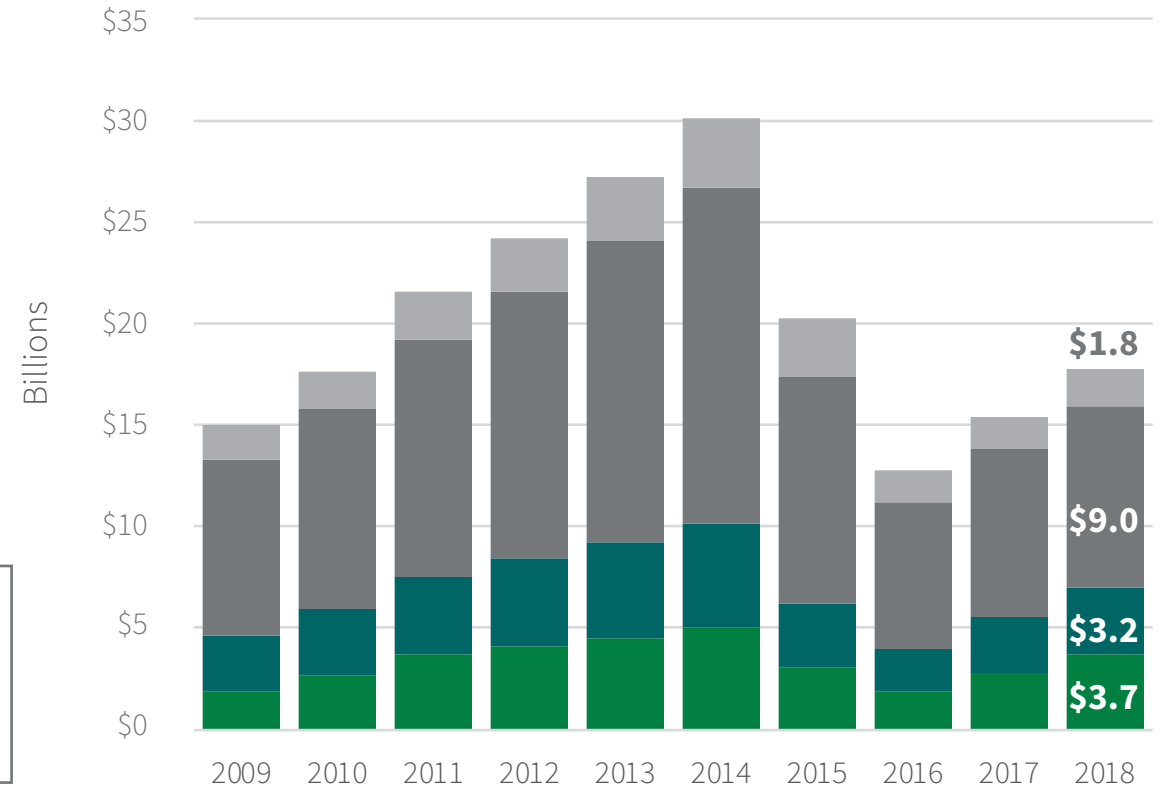
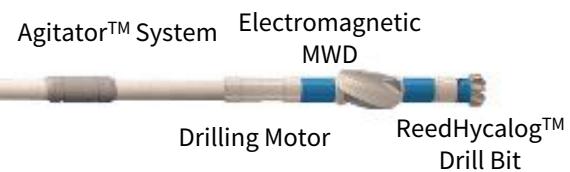
Enables high speed data transmission through drillstring

## Along-String Measurement Tools

Takes real-time measurements along the drillstring

- Temperature
- Pressure (annular and bore)
- Rotational velocity
- Three axis vibration

### Needed for Complete BHA Solution



Sources: Spears & Associates



# Execution of a plan

Product	Description	Organic / Acquisition	Status / Date Commercialized
<b>MWD</b>			
Blackstar™	Electromagnetic and dual telemetry MWD tool	Organic	2007
Tolteq™	Mud pulse MWD tool for directional drilling	Acquisition	2016
Teledrift™	Low cost mud pulse MWD tool for vertical drilling	Acquisition	2017
<b>LWD</b>			
Symmetric Propagation Resistivity	Resistivity LWD tool	Both	2018
<b>Steerables</b>			
VectorEXAKT™	RSS for vertical drilling	Acquisition	2017
VectorEDGE™	Low-cost RSS for lateral drilling	Organic	Field Testing
VectorZIEL™	Traditional high-capability RSS	Both	2018
SelectShift™ Downhole Adjustable	Downhole adjustable bent motor	Organic	Q4 2018

# NOV R&D / commercialization capabilities

World class R&D facilities provide unique ability to accelerate commercialization



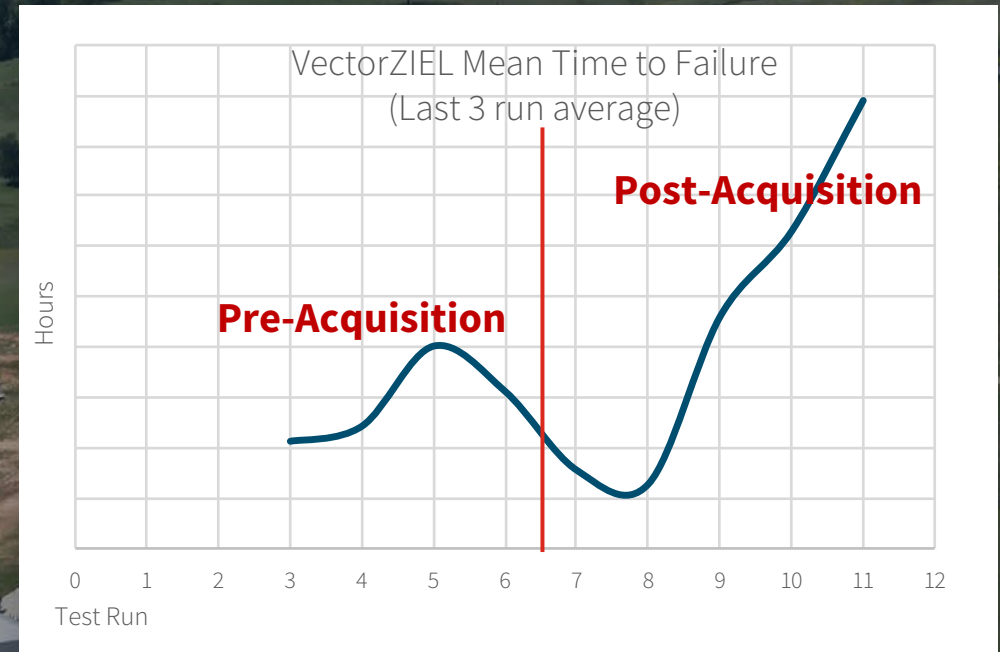
# NOV R&D / commercialization capabilities

World class R&D facilities provide unique ability to accelerate commercialization

## VectorZiel

Acquired technology with limited track record and insufficient reliability

12 months of further development and testing leveraging NOV R&D and test capabilities



# Directional drilling

Early Phase of Execution - Built comprehensive portfolio of directional drilling tools

5 transactions for ~ **\$55MM**

Internal R&D to develop  
**promising pipeline of future products**

Large, consolidated market with  
**favorable trends**

**Compelling  
Opportunity  
for NOV**



Execution of a Growth Strategy

# Example #2

# Value creating initiative – Completion Tools

## Help operators lower cost of supply or address pinch point

- Opportunity to meaningfully impact operators' largest expense (completions) and challenges/opportunities (frac hits, Recovery Factor (Rf), etc.)
- Directly impacts Rf, single largest economic driver for E&Ps

## Consolidated Market

- Market dominated by big 4 service companies, 62% of \$8.6B market
- International markets more consolidated than North America

## Better owner or vendor

- Better technology, over 100 patents

## Leverage core competency and infrastructure

- Requires world class manufacturing and service capabilities
- Existing global delivery capabilities

## Completion Tools

Early Phase of Execution - Built technically advanced portfolio of completion tools

3 transactions for ~ **\$85MM**

Internal R&D to develop **promising pipeline of future products**

Leveraging NOV platform to expand operations (**27 countries today**)

Large market with **attractive fundamentals**

**Compelling  
Opportunity  
for NOV**

## Substantial investments in other key initiatives

NOVOS /  
Automation

Predictive  
Analytics

Separation and  
Processing

Closed Loop  
Automated  
Drilling

Thoughtful  
Integration and  
Consolidation

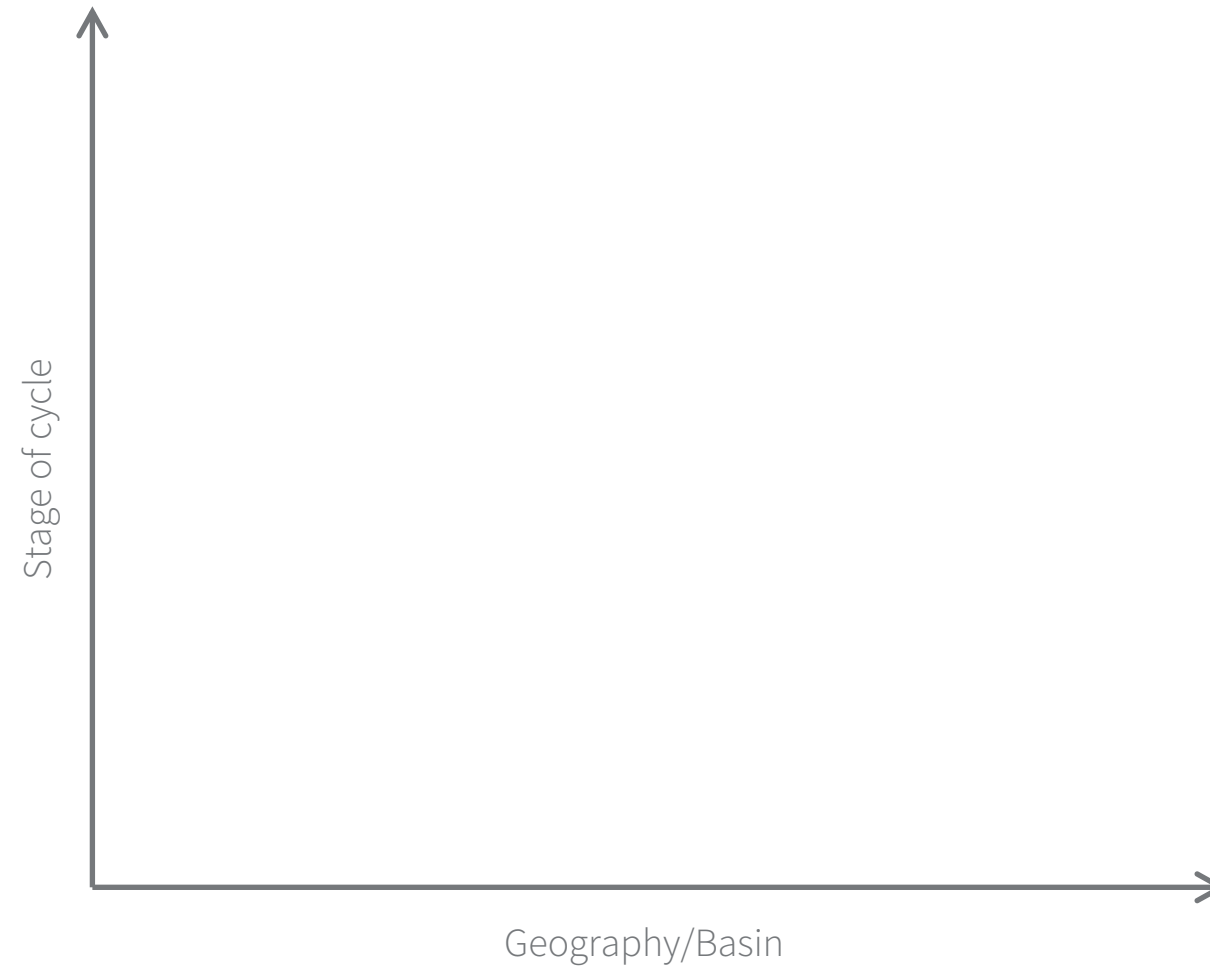
Localization



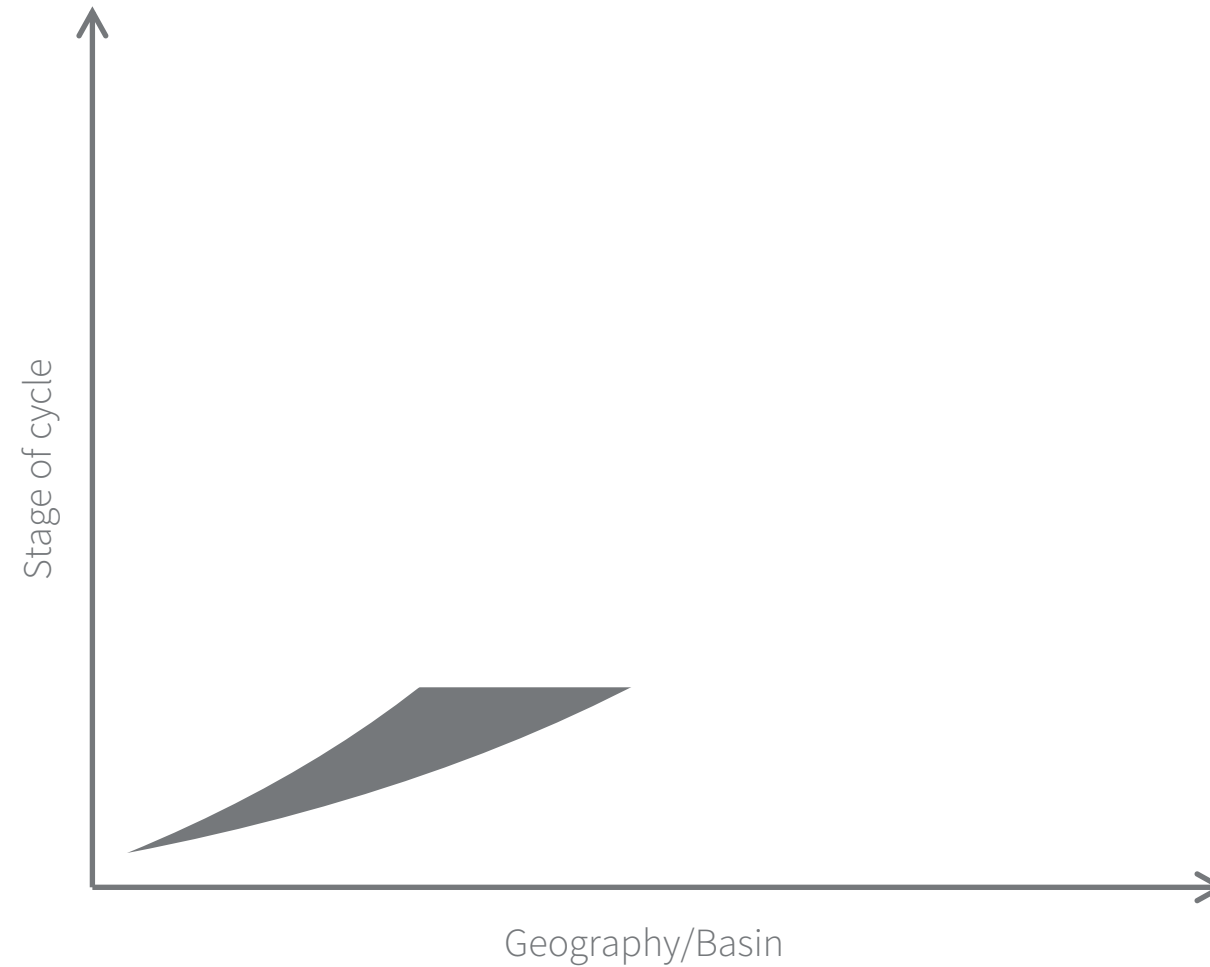
# NOV's global capabilities - Fully intact



# Well-positioned for the unfolding recovery

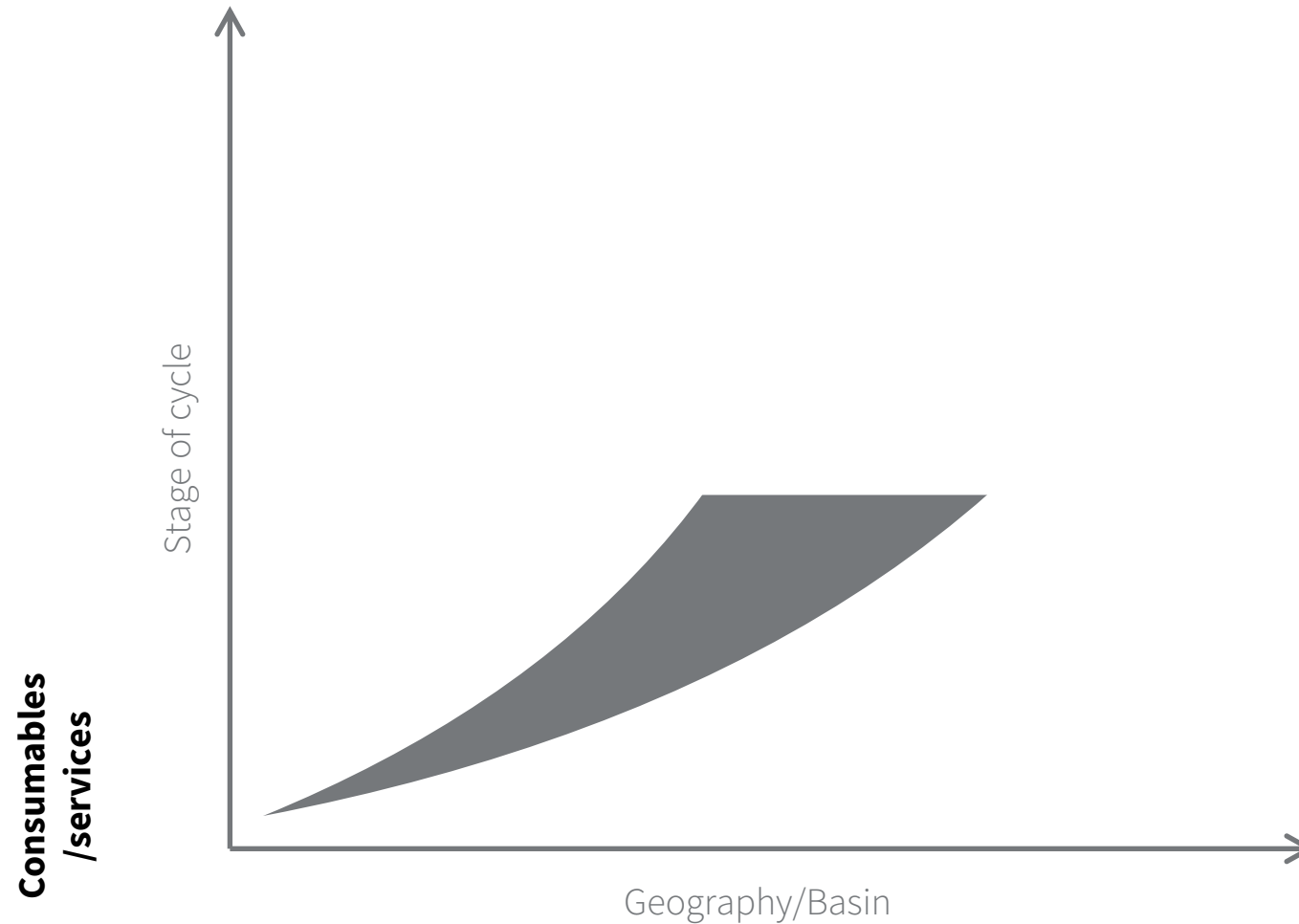


# Well-positioned for the unfolding recovery



**North  
America**

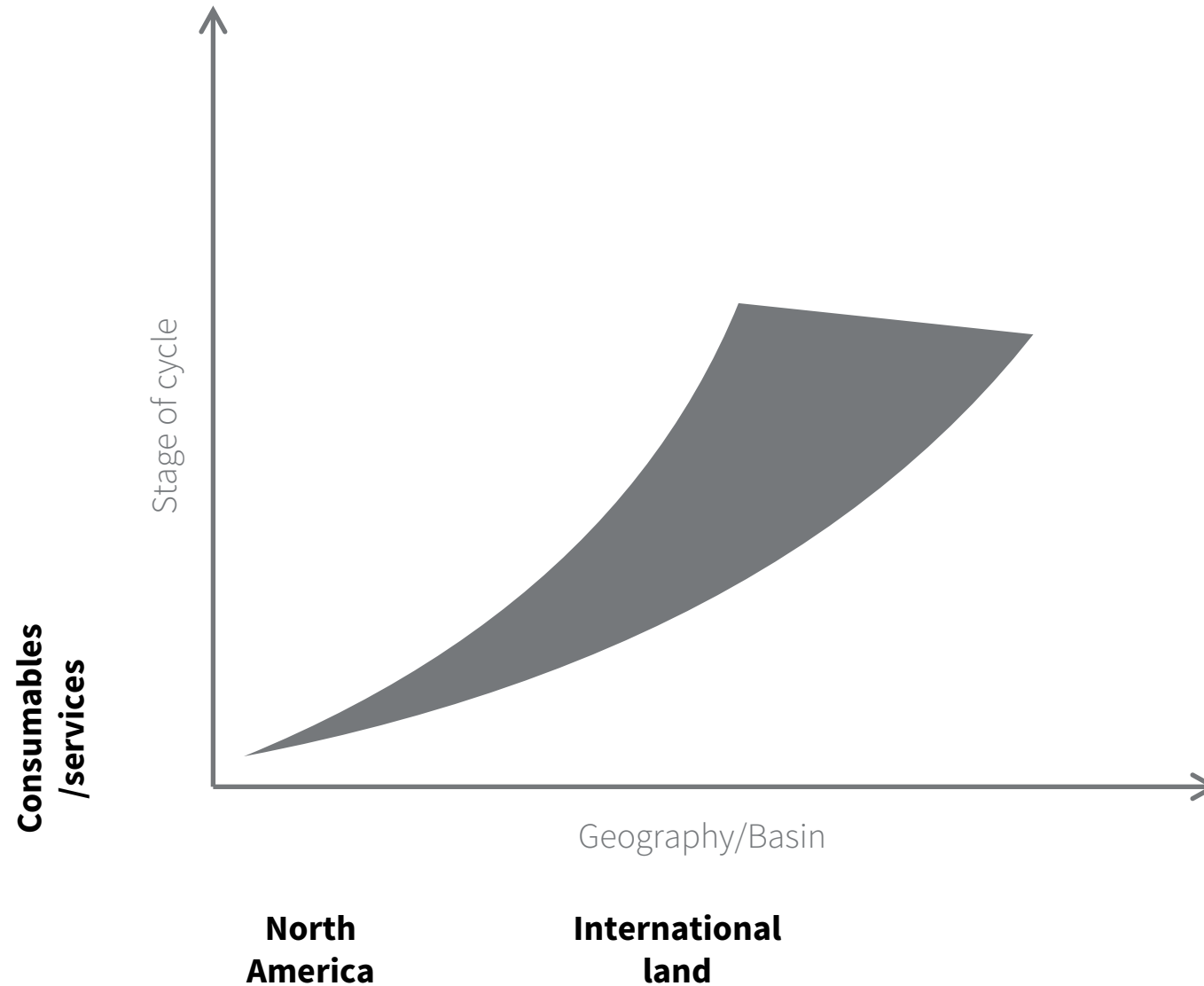
# Well-positioned for the unfolding recovery



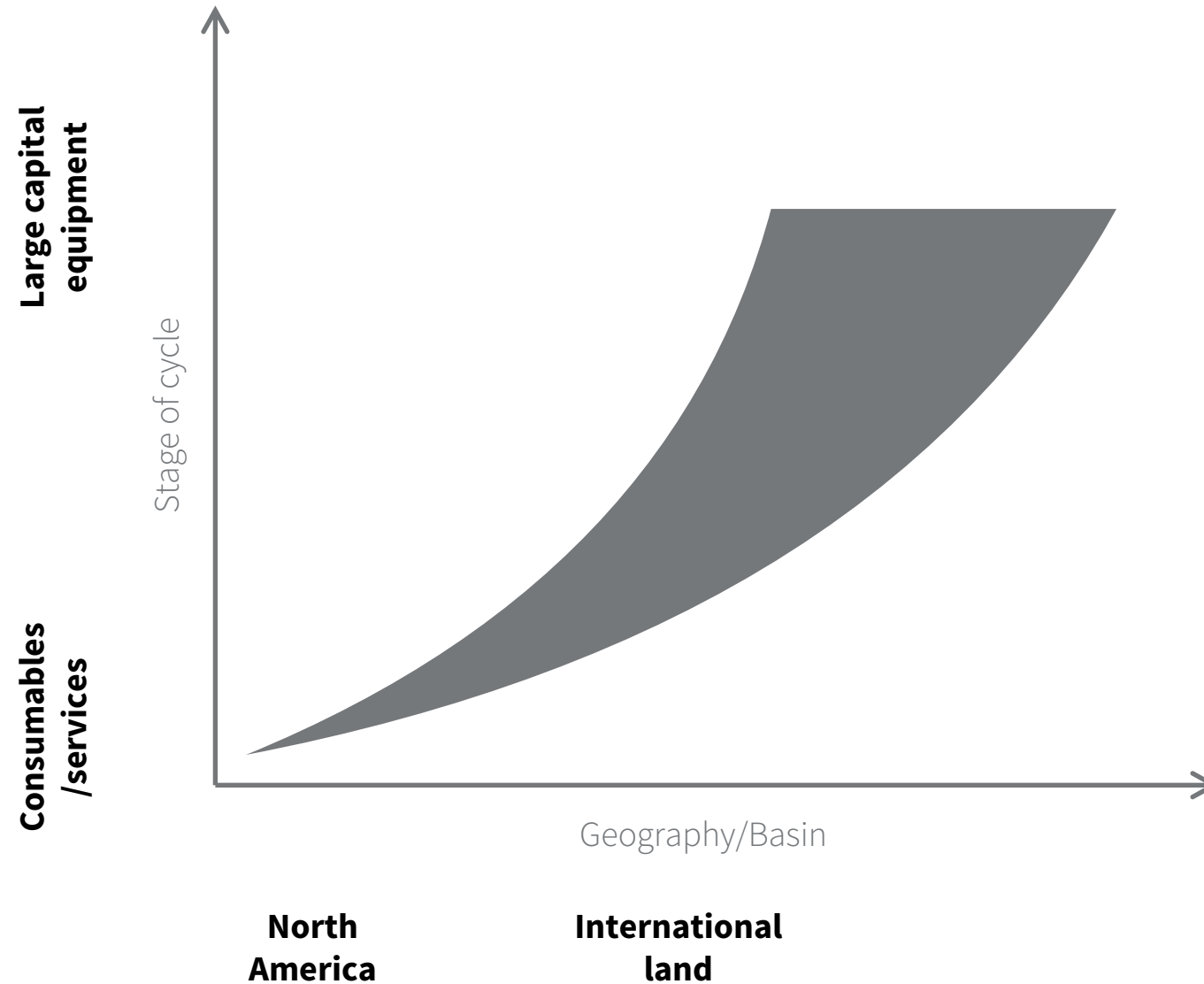
**Consumables  
/services**

**North  
America**

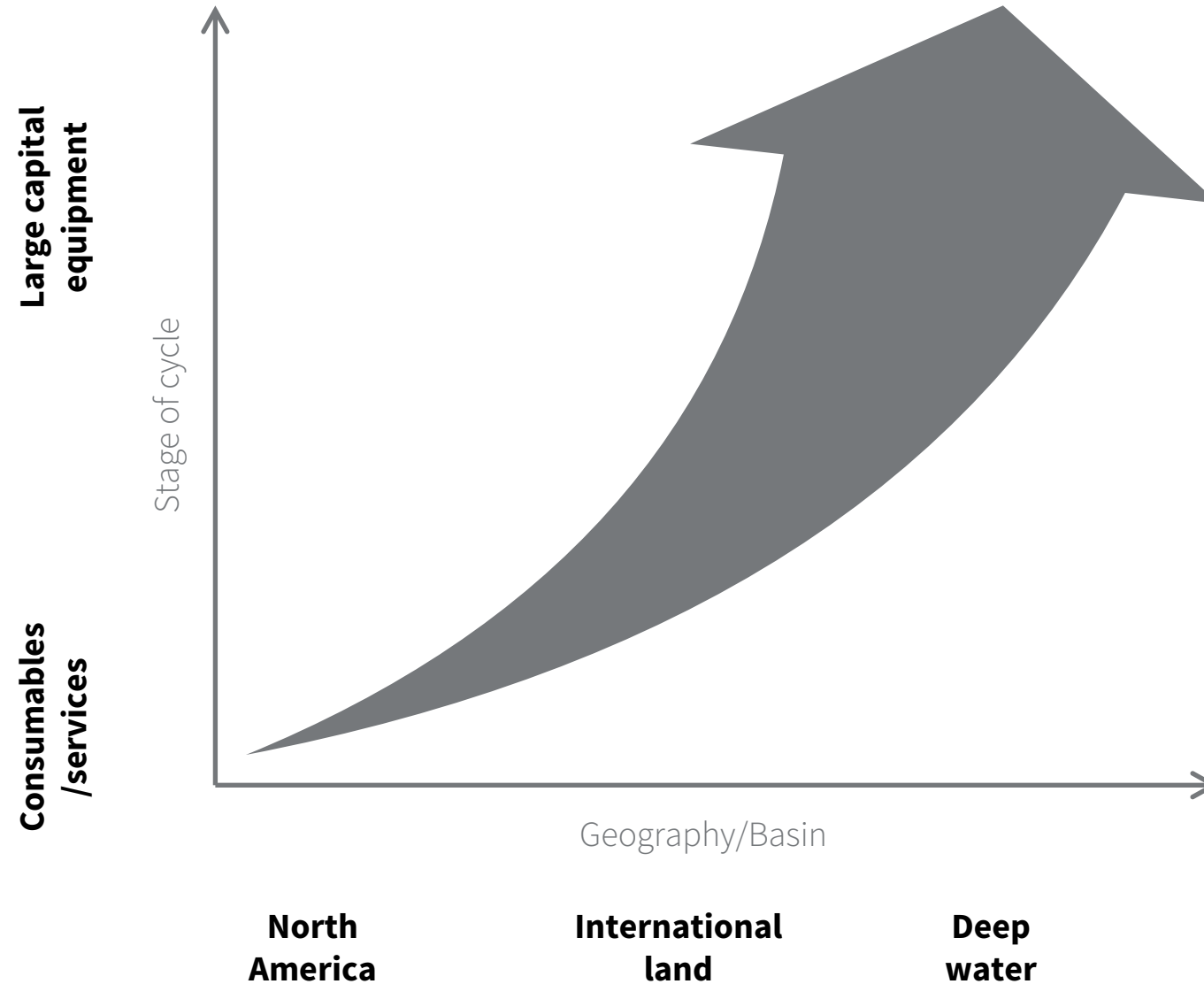
# Well-positioned for the unfolding recovery



# Well-positioned for the unfolding recovery



# Well-positioned for the unfolding recovery



# Looking Forward



# 2019 outlook

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## Segment assumptions

### Wellbore Technologies

- Flat to up NAM activity in 1H, growth in 2H
- Expansion of international market recovery
- Strong growth drill pipe sales

YOY  
Revenue  
growth

YOY  
EBITDA  
leverage

**12-18%**

**30-40%**

# 2019 outlook

## Segment assumptions

### Wellbore Technologies

- Flat to up NAM activity in 1H, growth in 2H
- Expansion of international market recovery
- Strong growth drill pipe sales

### Completion & Production Solutions

- **Sharp improvement in 2H '19 for NAM completion equipment**
- **Offshore bookings improve early '19, revenues late '19**
- **Strength in fiberglass, midstream and production equipment**

YOY Revenue growth	YOY EBITDA leverage
12-18%	30-40%
<b>8-12%</b>	<b>25-35%</b>

# 2019 outlook

## Segment assumptions

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### Rig Technologies

- **Tier 1 AC Super Spec upgrades continue in NAM**
- **Increase in demand for U.S. and intl land new builds**
- **Offshore improvement drives reactivations and upgrades**

YOY Revenue growth	YOY EBITDA leverage
12-18%	30-40%
8-12%	25-35%
<b>7-13%</b>	<b>15-25%</b>

# 2019 outlook

## Segment assumptions

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### NOV

- **WTI > \$65/bbl, Brent > \$70/bbl**
- **>10% increase in global CapEx**

**YOY  
Revenue  
growth**

**YOY  
EBITDA  
leverage**

12-18%	30-40%
8-12%	25-35%
7-13%	15-25%
<b>9-15%</b>	<b>22-33%</b>

# 2019 outlook

## Segment assumptions

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NOV

**\$9.0-9.5B Revenue, \$1.0-1.3B EBITDA**

**YOY  
Revenue  
growth**

**YOY  
EBITDA  
leverage**

12-18%

30-40%

8-12%

25-35%

7-13%

15-25%

**9-15%**

**22-33%**

# Evolution of a recovery

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## **Wellbore Technologies**

Early cycle, consumable product businesses lead recovery before growth moderates as cycle matures

## **Completion & Production Solutions**

Demand for capital equipment inflects once excess capacity is absorbed

## **Rig Technologies**

Long lead-time, large dollar capital products result in later cycle growth

# Three-Year (2021) Outlook

## Longer-term market/model assumptions

Steady, sustained improvement in commodity price over three year period

- Brent average >\$75/bbl
- WTI average >\$70/bbl

Global industry capex CAGR >10%

\$200MM in acquisitions per year

No disruptions from trade sanctions, inflationary forces or infrastructure constraints

**\$11 – 13B Revenue, \$1.8 - 2.5B EBITDA**

	Through 2021	Revenue CAGR	EBITDA leverage
<b>Wellbore Technologies</b>		11-15%	33-40%
<b>Completion &amp; Production Solutions</b>		12-16%	30-35%
<b>Rig Technologies</b>		11-18%	20-30%
<b>NOV</b>		11-16%	29-34%

# Capital allocation priorities

Returns driven organization

## 1. Defend balance sheet

Comfortable = Net Debt / EBITDA < 2.0x

Optimal = Gross debt / EBITDA < 2.0x

Investment grade rating critical to business model

## 2. Maintenance capex

Maintaining asset base is critical to operations

## 3. Growth capex

Growth capex yields highest average ROC

## 4. M&A

Opportunity to accelerate strategic growth initiatives

Proven track record of high-return investments

## 5. Fund dividend

Must have certainty in ability to sustain through cycles

## 6. Return capital

Return excess capital to shareholders once better capital uses are exhausted



# Return of capital

*With continued oilfield recovery, expect to generate excess capital*

***Board of Directors authorized a three-year  
\$500MM share repurchase program***

## **Approach:**

Vary repurchases based on outlook, share price and M&A environment

Initiate repurchase once targeted credit metrics are achieved, likely in mid-2019

Continue to monitor and return excess capital

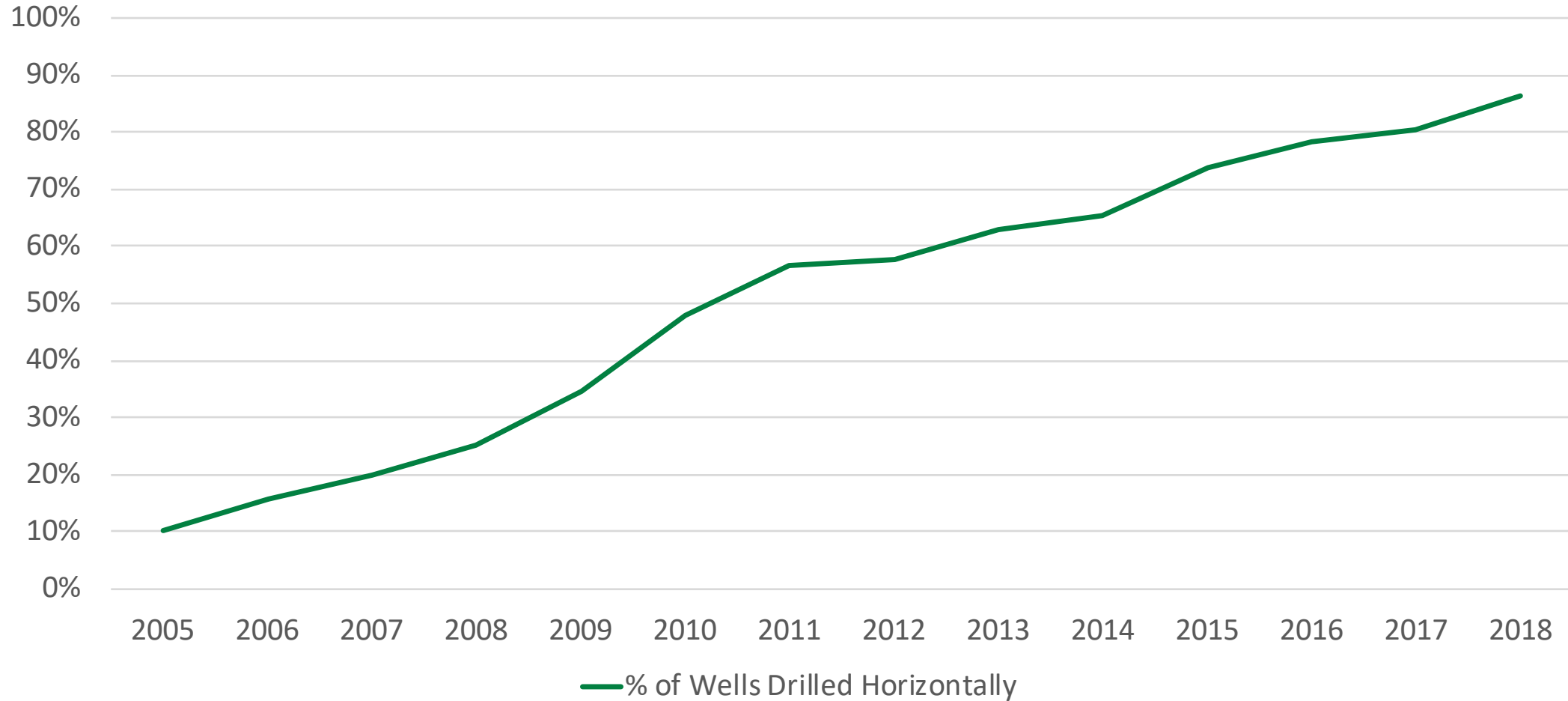
**Let's take another look at  
the future...**

... History has taught us that highly efficient tools and technologies developed for the challenged reservoirs of North America **inevitably gain traction** in international markets

# What if?

**What if** international E&Ps adopted horizontal drilling to expose more of the reservoir to their wellbores, like NAM operators have done for the past 13 years?

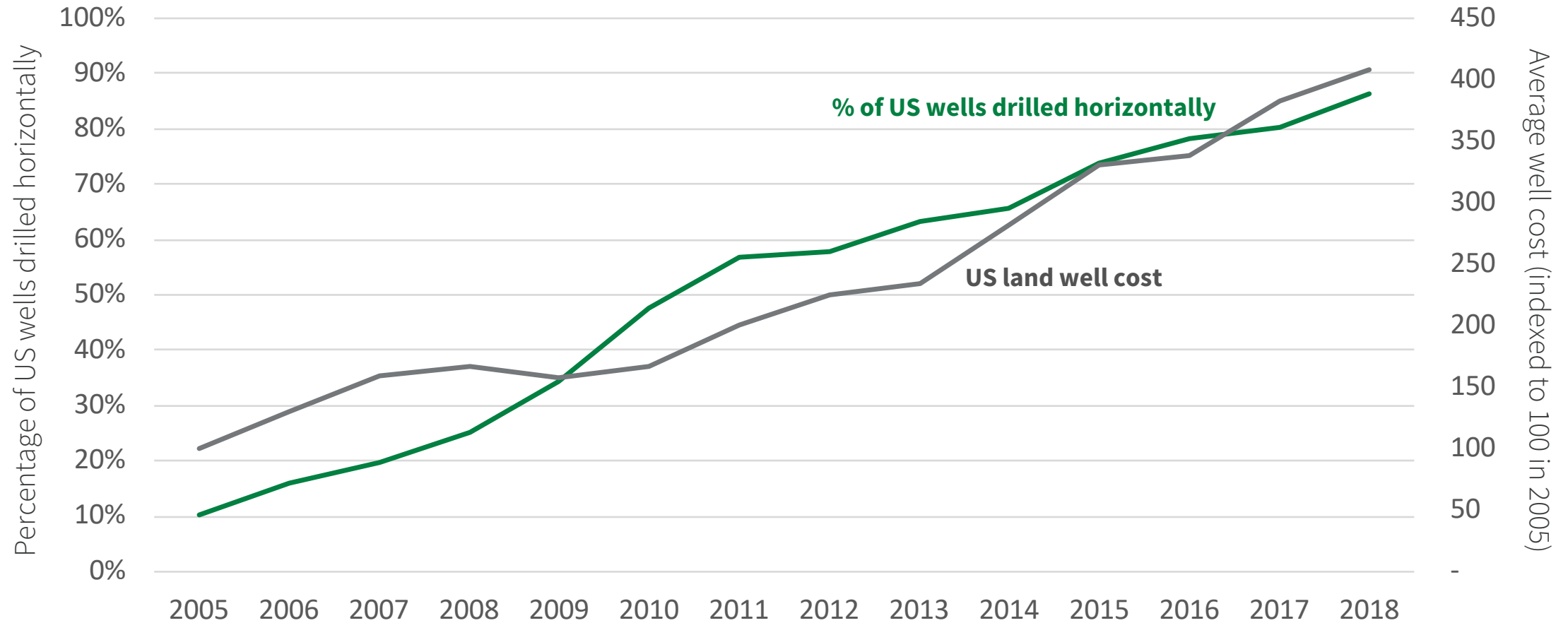
# U.S. shift from vertical to horizontal



Source: Baker Hughes

# Increase in average cost per well

Average spend per land well indexed to 2005 and % U.S. horizontal wells



Notes: ROW Excludes North America, Russia, China and Central Asia

Source: Spears & Associates

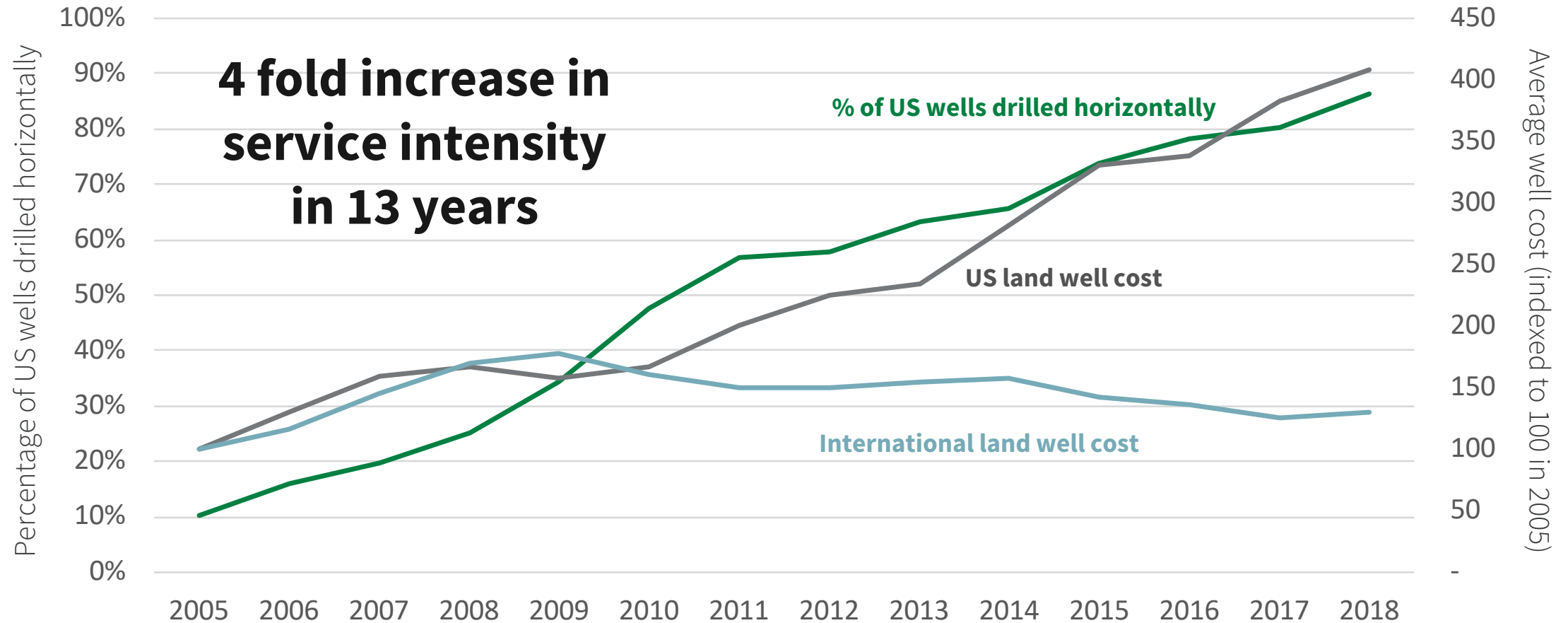
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Analyst Day 11/06/18

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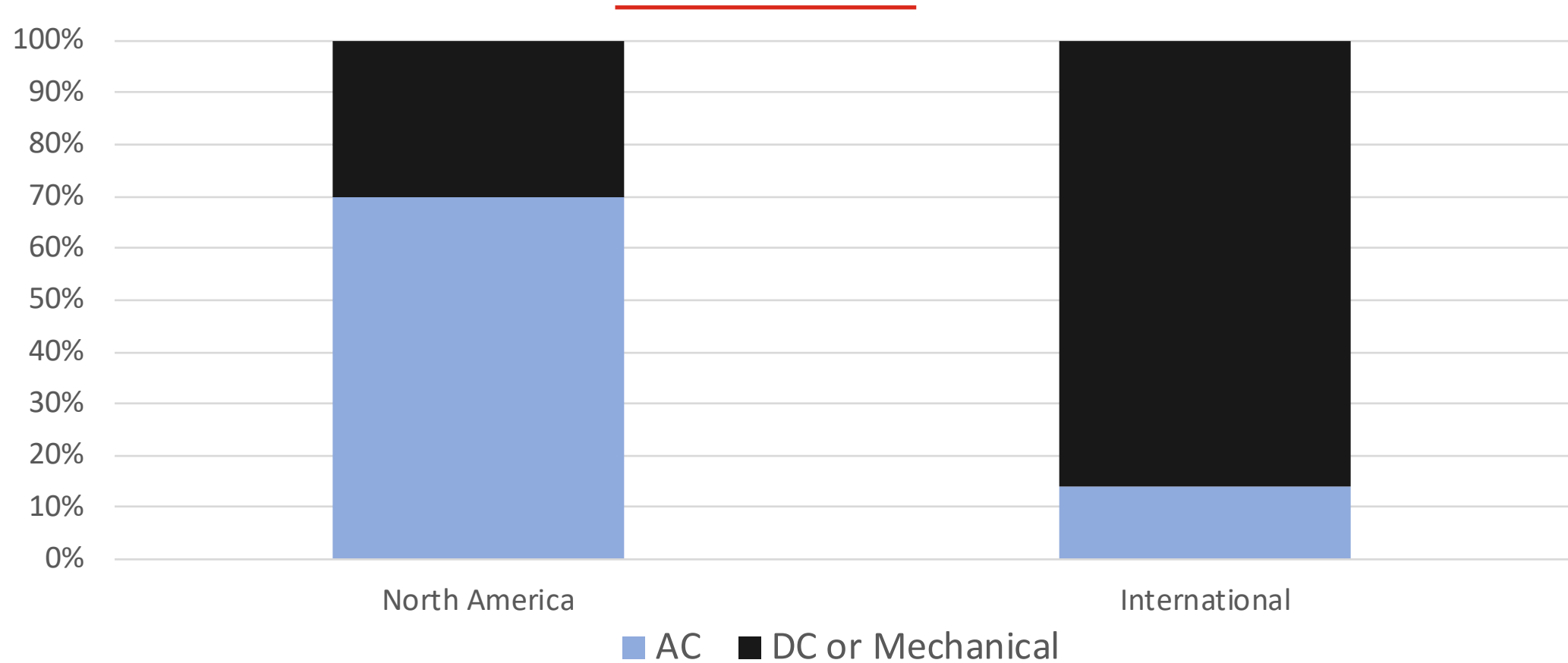


**If** the service intensity in international land markets increases 4-fold (like it did in the U.S.), global capital spending would be...

**~\$65B higher than it is today**

**What if** international land drilling markets retooled their rig fleets with modern AC rigs capable of drilling long horizontal laterals?

# Global land drilling rig fleet



**~ 70% active rigs in NAM are AC**

**~14% active rigs in ROW are AC**

Sources: Douglas Westwood, NOV estimates

**If** we retooled the international land rig fleet to be comparable to the NAM fleet (70% AC),  
**the world would need 750 new rigs**

**At \$22MM / Rig = \$17B opportunity**

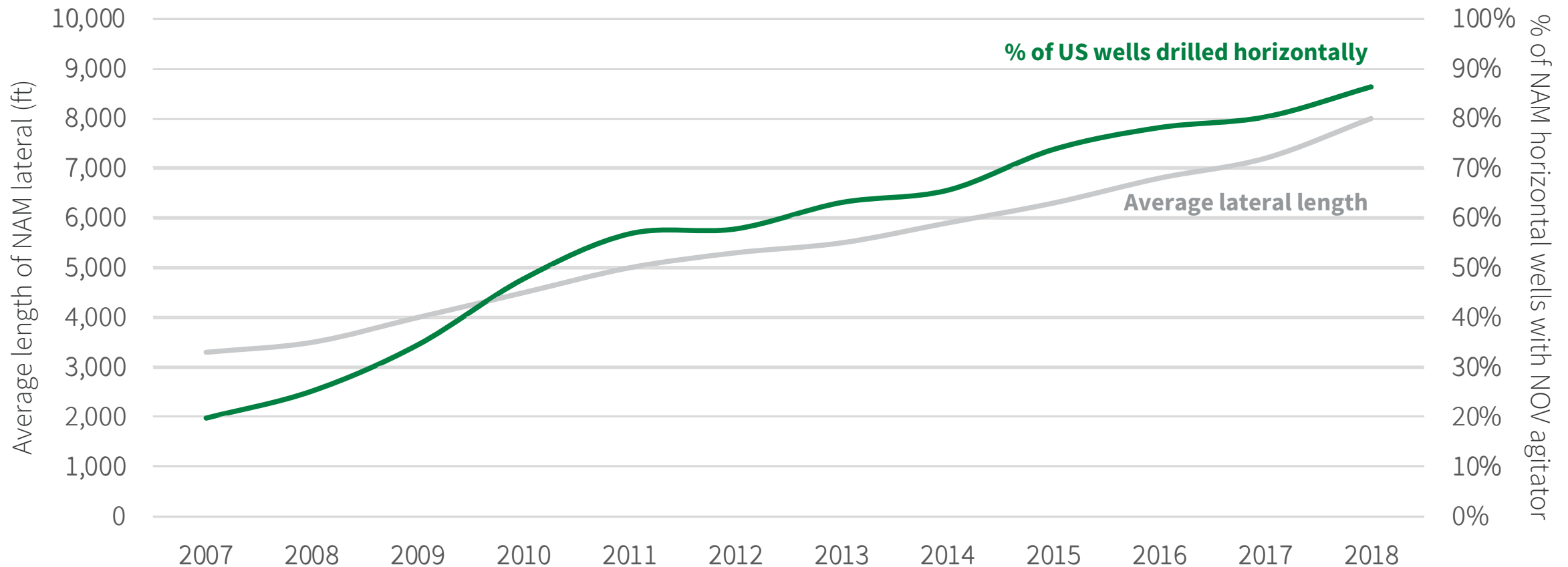
**What if** rotary steerable tools, which deliver the best wellbore geometries, were to proliferate because a reliable independent provider of these tools emerges on the scene?

**Better yet,** what if another new low-cost technology like a downhole adjustable motor were to emerge that also wins new adherents?

...Just like our Agitator™ tool, which has enabled cost-effective extended reach laterals and has revolutionized the shale drilling landscape **since 2008**

# Percent of NAM wells with Agitator and average lateral length

NOV's agitator defines the NAM horizontal drilling landscape

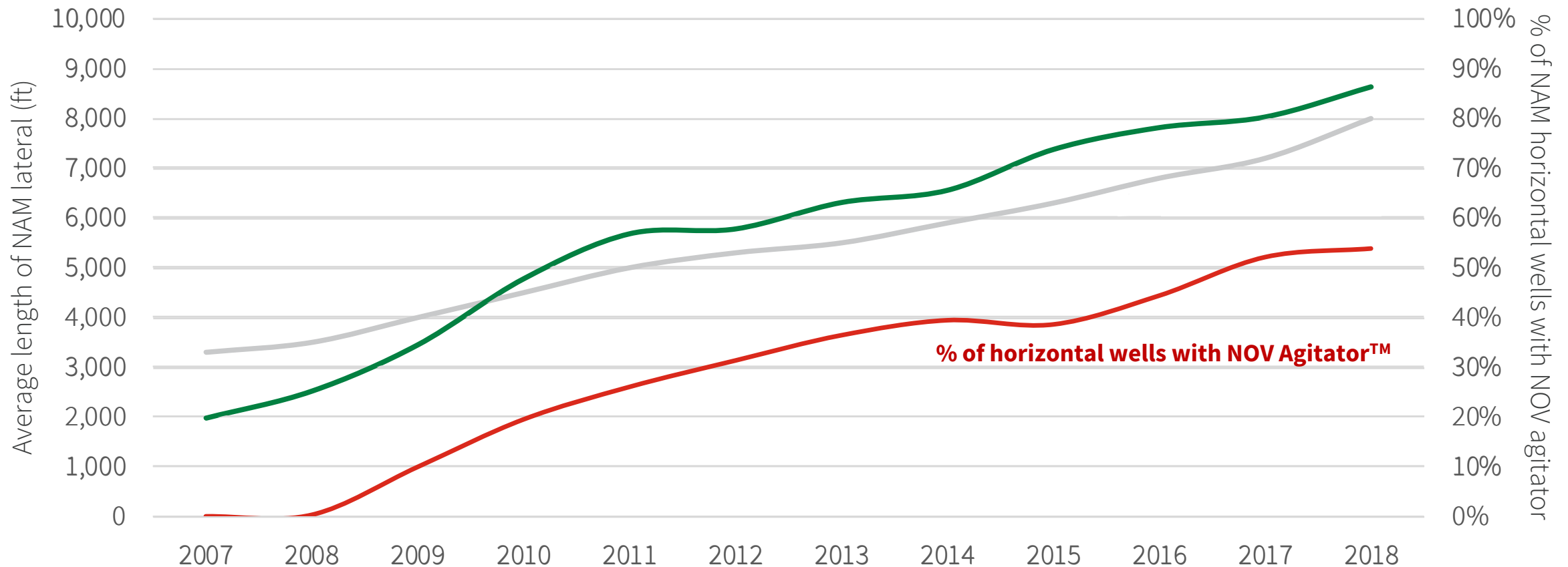


Sources: Baker Hughes, NOV estimates



# Percent of NAM wells with Agitator and average lateral length

NOV's agitator defines the NAM horizontal drilling landscape



Sources: Baker Hughes, NOV estimates

**If** NOV's SelectShift™ achieves similar market adoption as the Agitator it could represent a

**~\$750 million / year opportunity**

**What if** drilling contractors adopted machine learning and automated their operations, freeing up drillers to become directional drillers?

A worker in an orange safety suit with reflective stripes and a logo on the back is seen from behind, operating machinery in an industrial setting. The background is dark and filled with various mechanical components and pipes.

# 146

Feet drilled per rig day



146

Feet drilled per rig day

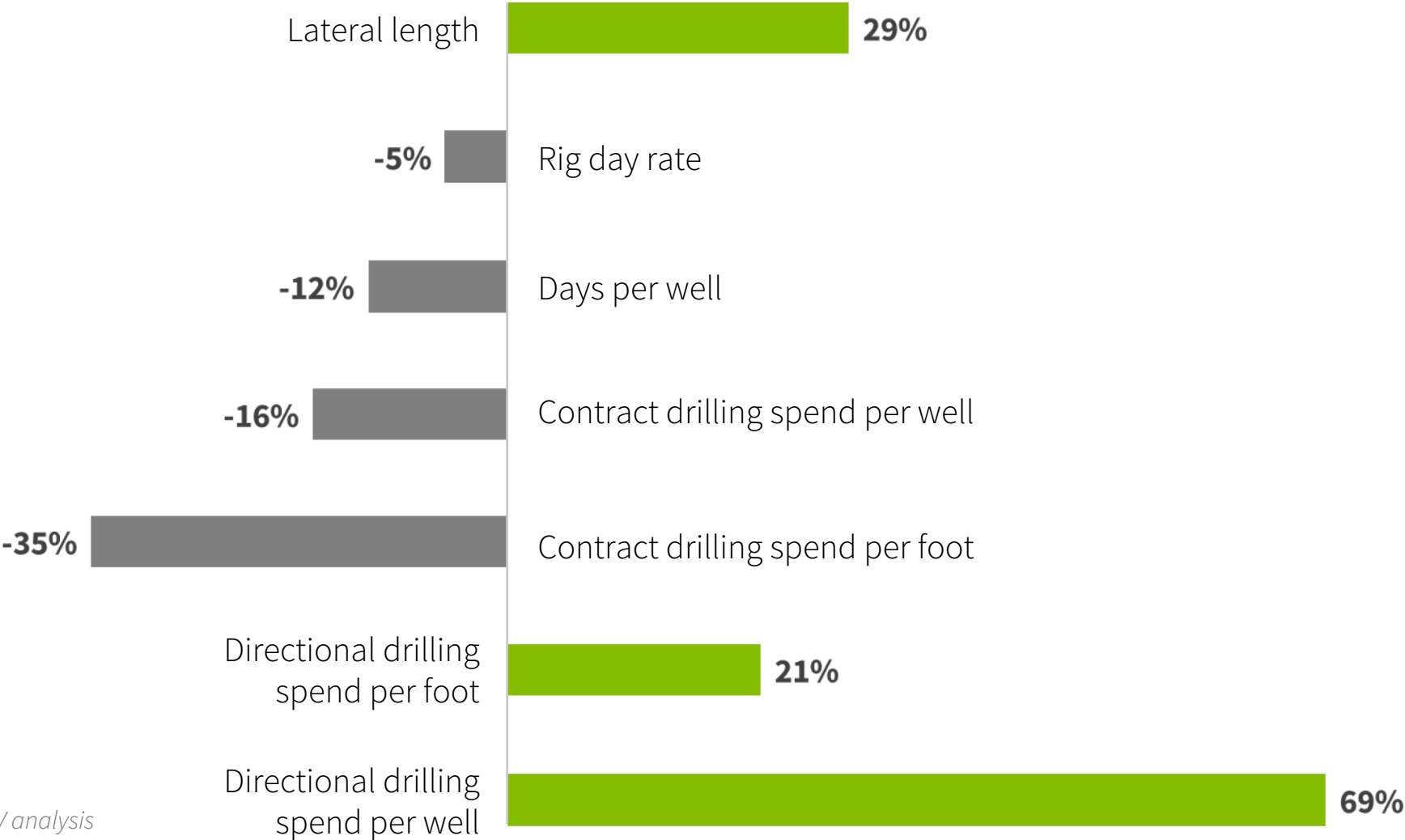


585

Feet drilled per rig day

# Drilling market dynamics across all U.S. land wells

2014 vs. 2018



Sources: Rystad Energy, NOV analysis

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**If** contract drillers move into directional drilling services...

**NOV would have 323 potential customers for its directional drilling toolkit**

## SERVICES

### PERMANENT AND TEMPORARY PERSONNEL.

Recruiting, placement and management of temporary or permanent personnel.

### OIL-WELL DRILLING AND COMPLETION OPERATIONS.

Field Project Management support.  
Oil and Gas engineering planning.  
Directional and Horizontal well drilling support.

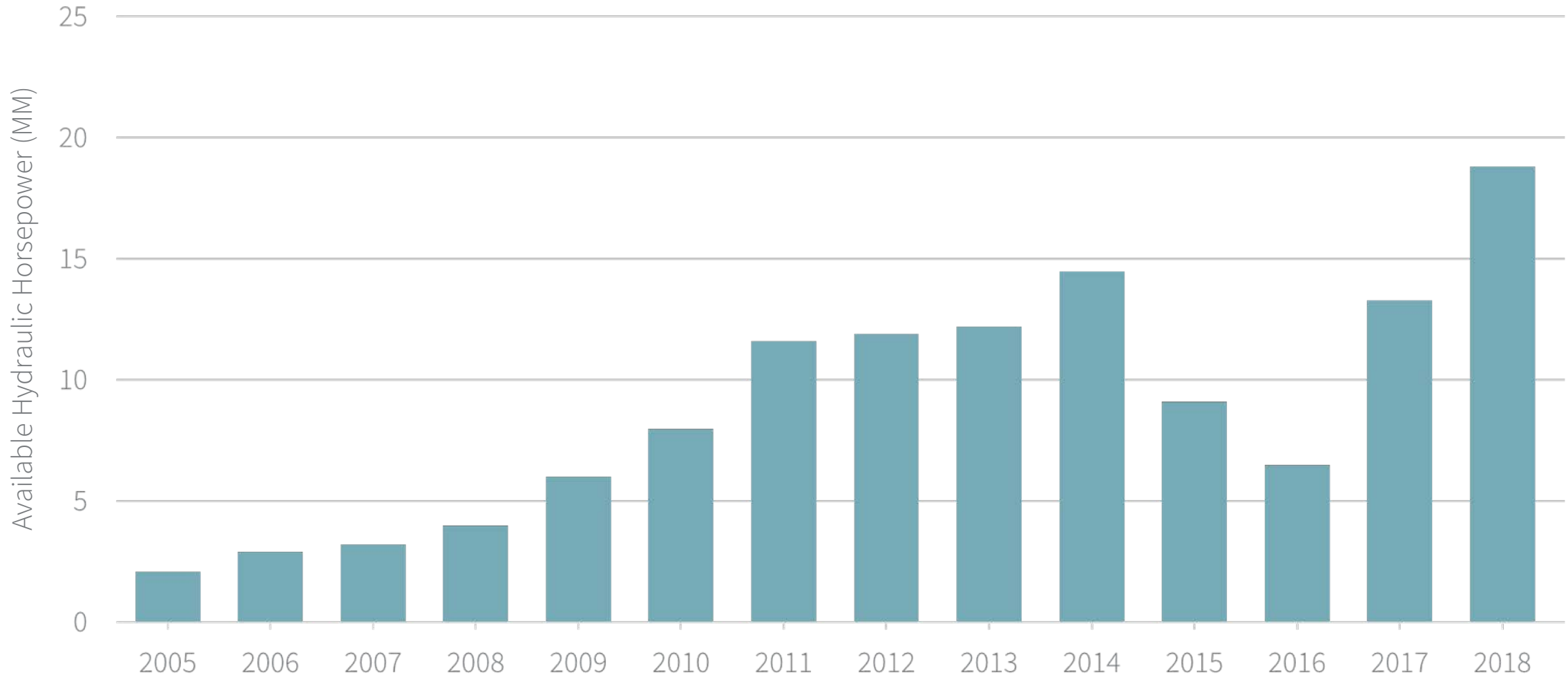
# Directional drillers on demand...





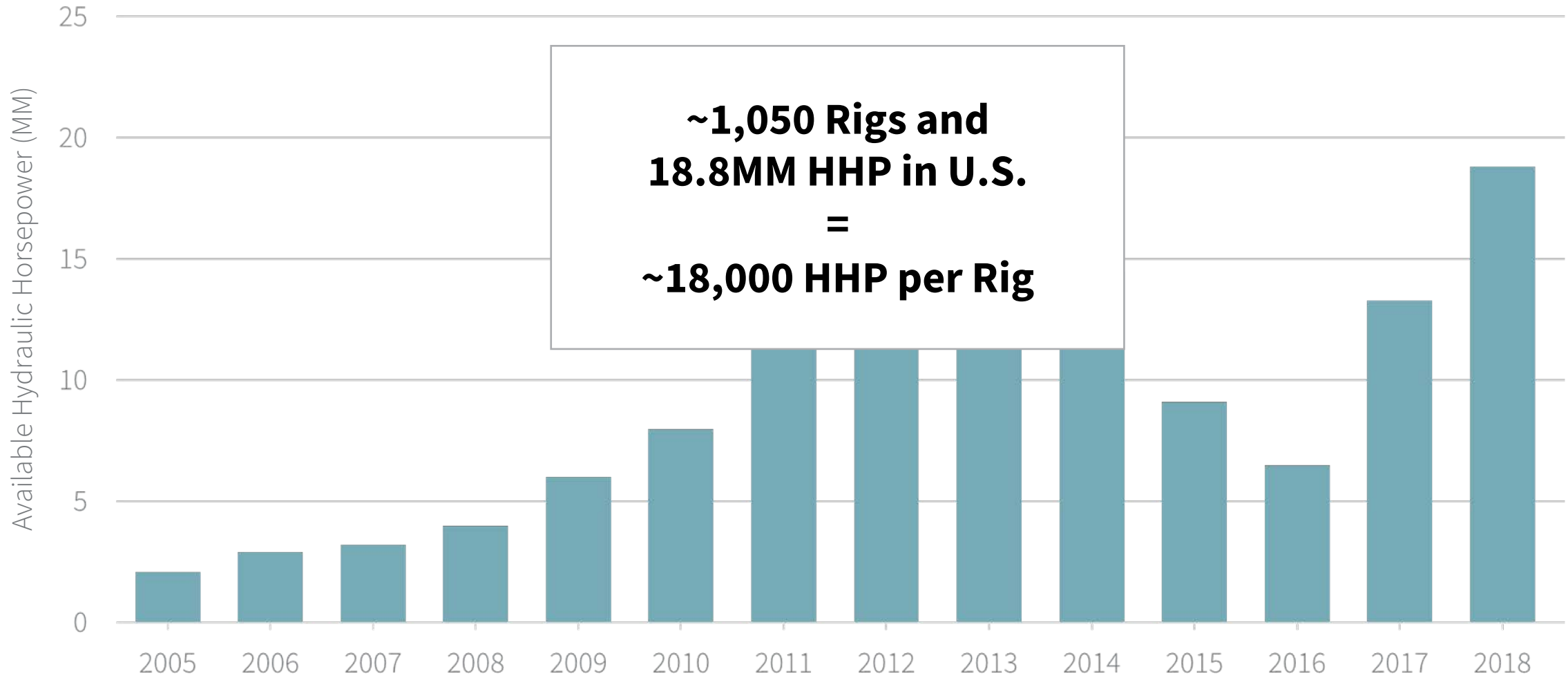
**What if** international operators adopted multi-stage hydraulic fracture stimulation to open large surface areas of their formations to the wellbore?

# U.S. pressure pumping capacity



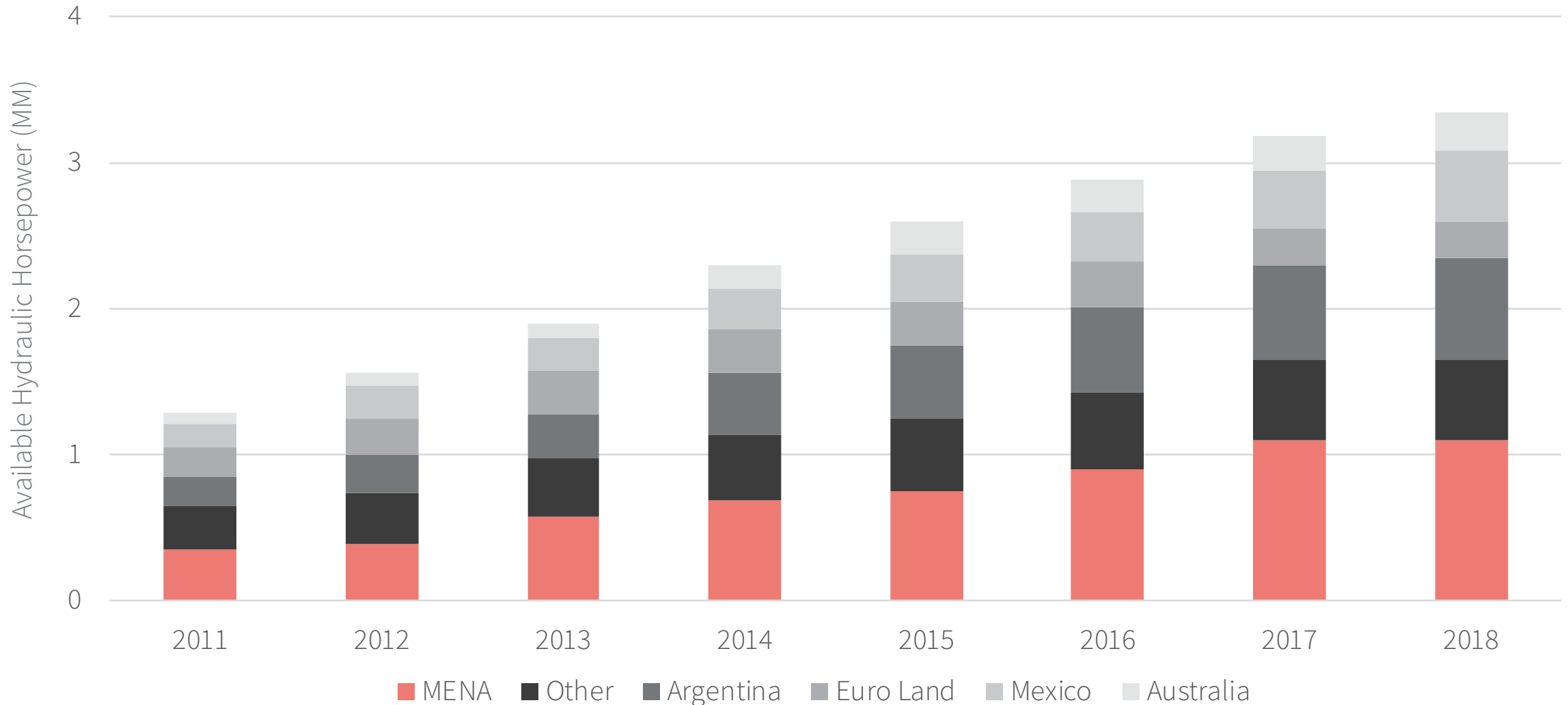
Sources: IHS, NOV analysis

# U.S. pressure pumping capacity



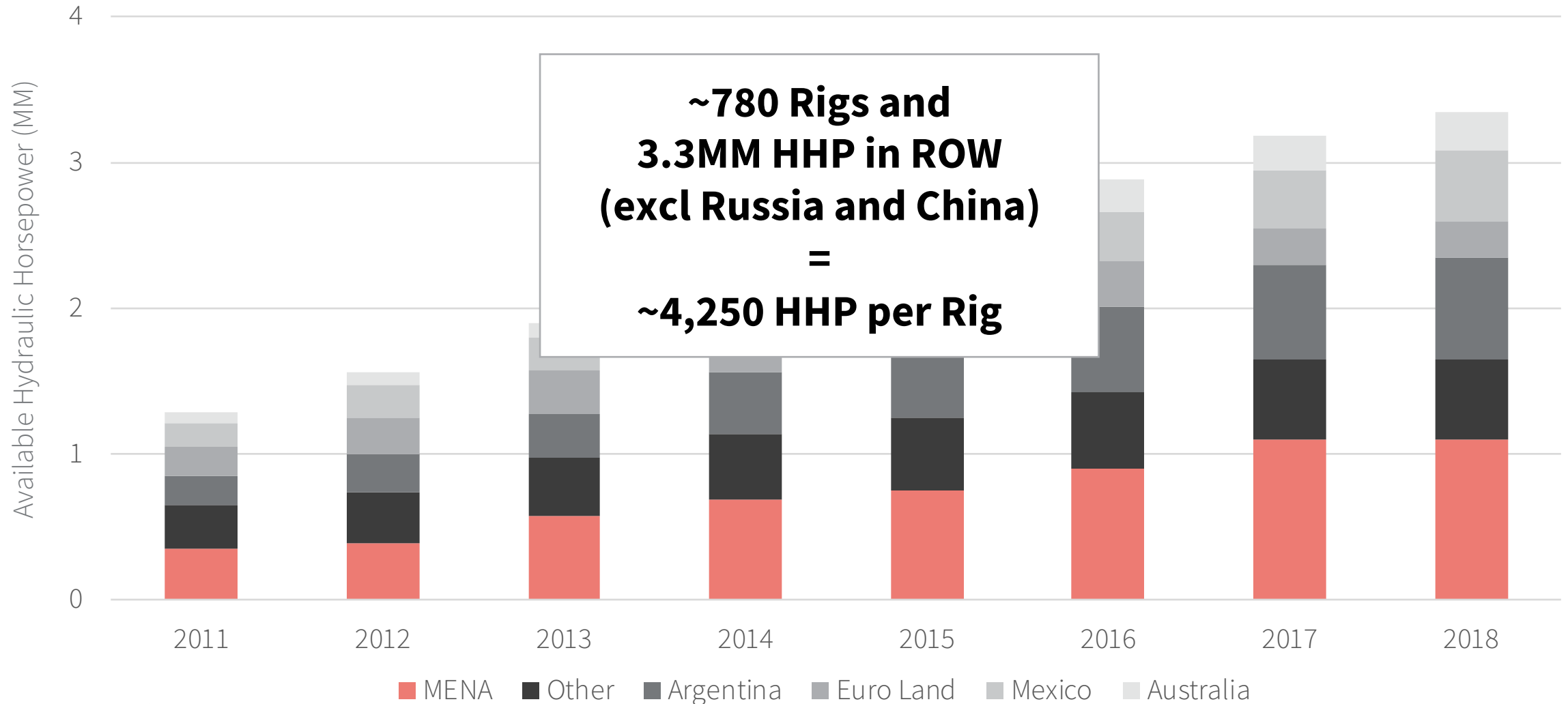
Sources: IHS, NOV analysis

# International pressure pumping capacity



Source: Rystad Energy

# International pressure pumping capacity



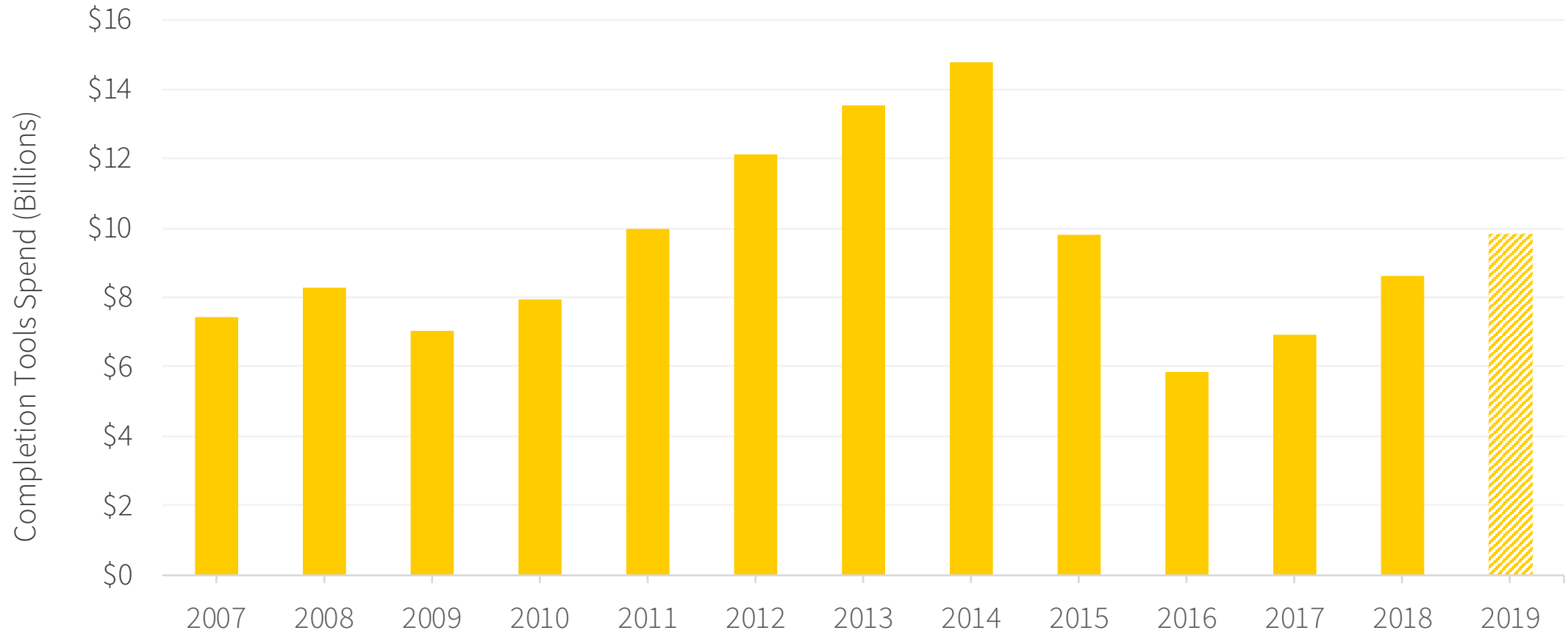
Source: Rystad Energy

**If** international markets achieve the same completion intensity as NAM, the world would need an additional 11MM HHP in pressure pumping capacity...

**At \$1k/HHP = \$11 billion opportunity**

**What if** E&P's fully adopted multi-stage sliding sleeve systems that precisely place and control fracs to eliminate frac bashing and provide better reservoir drainage?

# Completion tools market spend



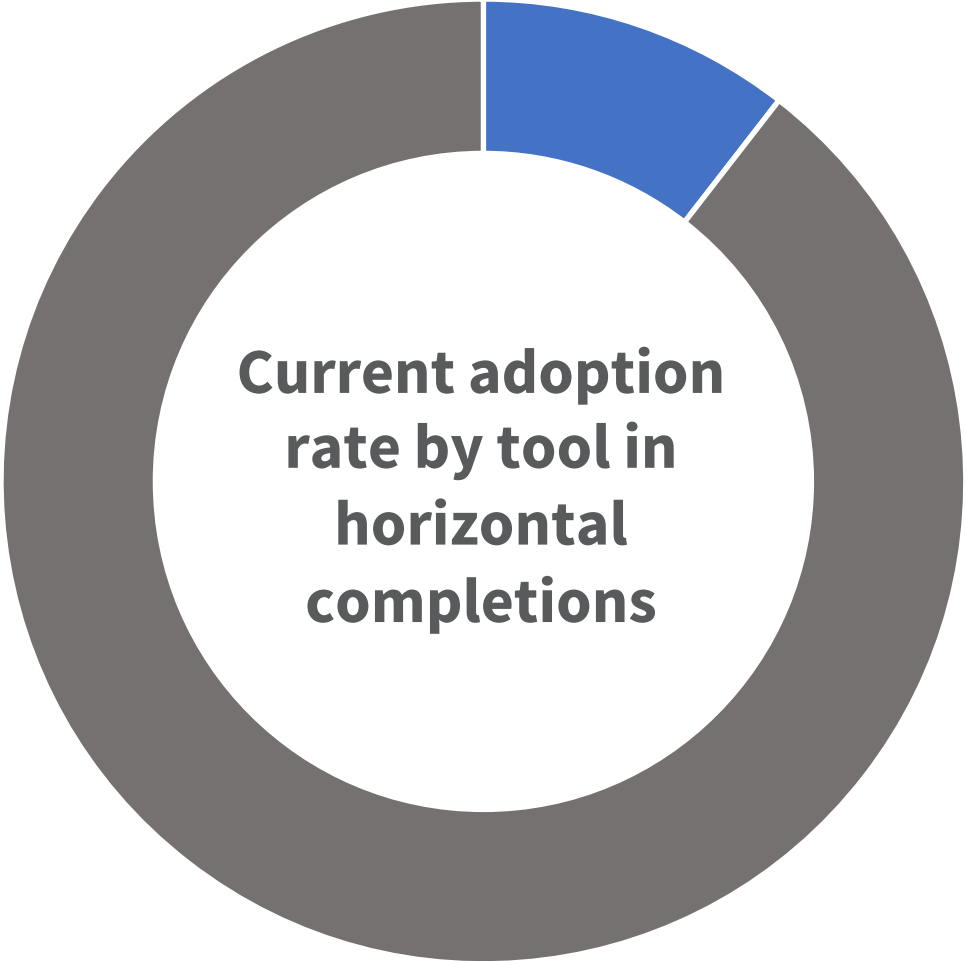
Source: Spears & Associates



# U.S. completions and competitive dynamics

■ Plug 'n Perf

■ Sliding Sleeve



**Over 30**  
technology  
providers

**Only six**  
technology  
providers

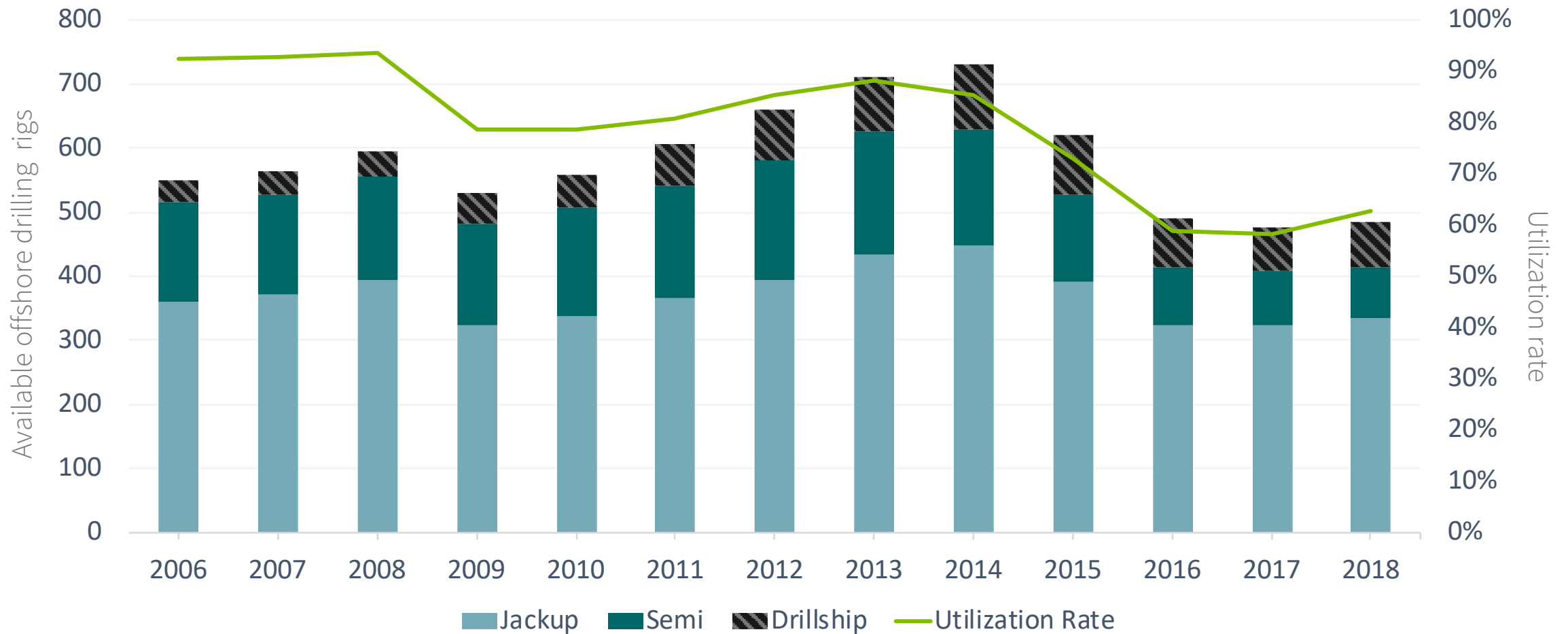
Sources: Spears & Associates, NOV estimates

**If** E&P's fully adopted sliding sleeves and NOV shared this \$8.6B market with the five current competitors....

**~\$1.4B / year opportunity**

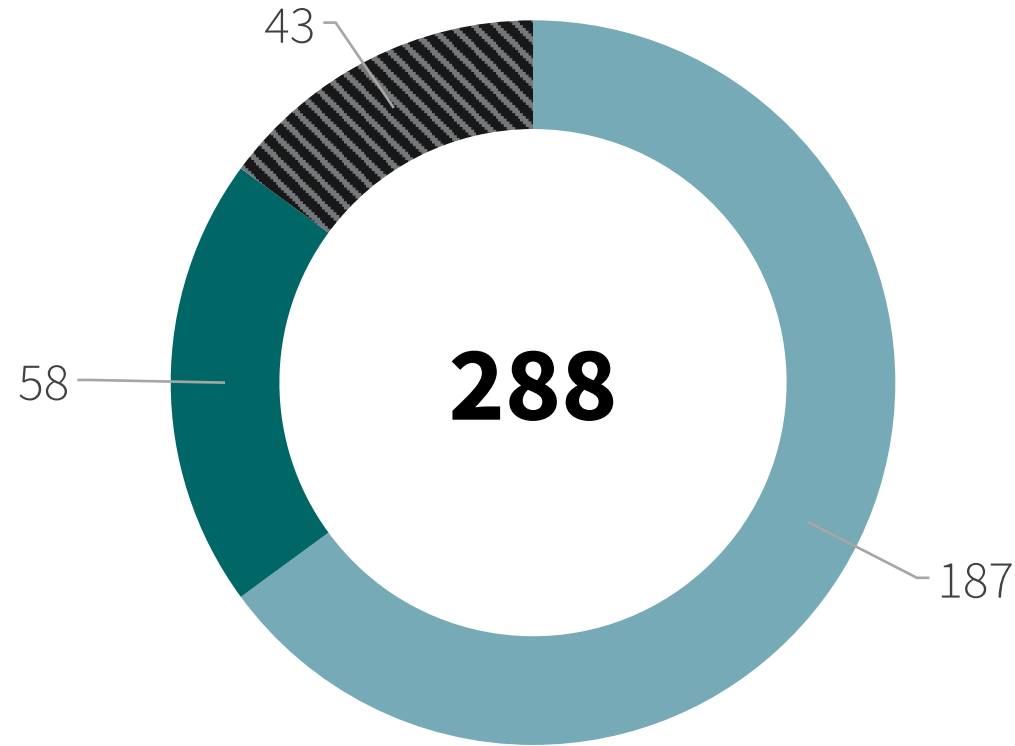
**What if** the offshore fleet were  
to reactivate 200 rigs?

# Historical supply and utilization of offshore rigs



Source: IHS Markit, NOV estimates

# Offshore drilling rigs currently stacked



■ Jackup   ■ Semi   ■ Drillship

Source: IHS Markit, NOV estimates

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Analyst Day 11/06/18

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# Offshore market - Reactivations

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## Jackups

\$3-5MM

Reactivation Revenue  
Per Rig For NOV

80-140

Estimated Market  
Reactivations  
Through 2022

## Floater

\$10-40MM

Reactivation Revenue  
Per Rig For NOV

40-65

Estimated Market  
Reactivations  
Through 2022

Source: NOV estimates

**If** these rigs were put back to work...

**~\$2.5B opportunity**

**What if** high speed data transmission from the bottom of the drill string became the standard for safety and efficiency?



**What if** the offshore industry adopts a lower cost, lower risk vendor-based model for constructing FPSOs?

**What if** the offshore industry adopts a lower cost, lower risk vendor-based model for constructing FPSOs?

... the same way the industry adopted NOV's vendor based approach for

**offshore drilling rigs**

that led to the buildout of 360 offshore rigs on-time and on budget

**What if** data driven solutions that could predict failure became a requirement to reduce downtime?

**What if** the offshore industry adopts new production management technologies that eliminate expensive and bulky topside equipment by placing processing capabilities on the sea floor, like Seabox™?

**Why wouldn't the industry  
do these things ...**

... And why wouldn't NOV regain  
**prior peak earnings?**

2019 Revenue Forecast      \$9 - 9.5B

Upside Possibilities      ~10 - 15B

Possible Revenue      \$20 - 25B

Estimated \$16-17B in revenue needed to achieve  
~\$6.00/share (prior peak) earnings

