

# National Oilwell Varco

## Q2'14 Quarterly Results

July 29, 2014



Statements made in the course of this presentation that state the Company's or management's intentions, hopes, beliefs, expectations or predictions of the future are forward-looking statements. It is important to note that the Company's actual results could differ materially from those projected in such forward-looking statements. Additional information concerning factors that could cause actual results to differ materially from those in the forward-looking statements is contained from time-to-time in the Company's filings with the U.S. Securities and Exchange Commission. Any decision regarding the Company or its securities should be made upon careful consideration of not only the information here presented, but also other available information, including the information filed by the Company with the SEC. Copies of these filings may be obtained by contacting the Company or the SEC.

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# Evolving to serve our customers, on whose success ours rests

We have grown to provide complete land rigs, offshore rig packages, enabling technologies for drilling and completions, and diverse production systems while simultaneously developing service businesses to support our technologies and enhance their performance.



**\$35B** market cap

**\$19B** annual revenue

**61,000** employees globally

**880+** locations, **62** countries

Product of transformative acquisitions

Market leadership in all we do

The Benefits of a Big Company

EXPERIENCE & STRENGTH

With a Small Company Feel

INNOVATIVE, FLEXIBLE & AGILE



Annual revenue for 2013 excludes contribution from discontinued operations

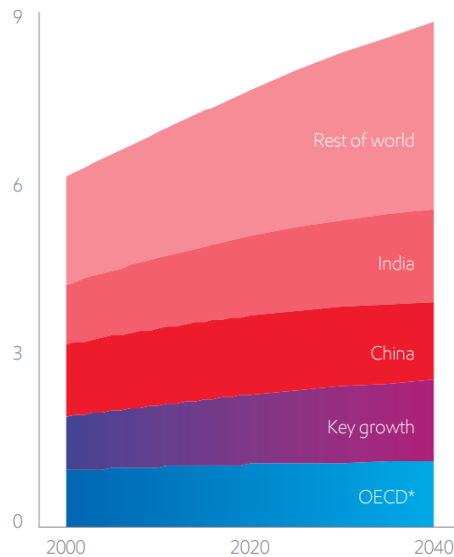
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# Enabling access to the resources our growing world needs

**More people with more money demand more energy.**

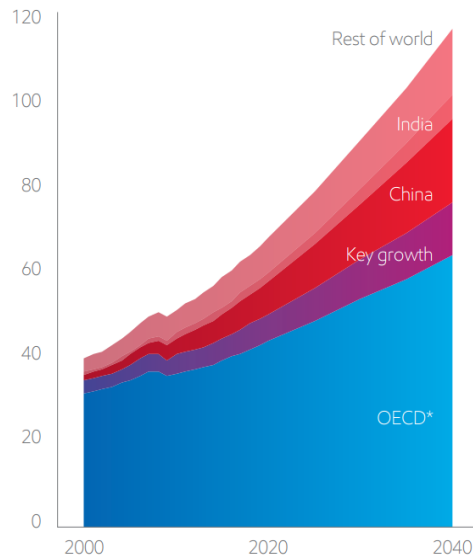
Global population

Billions of people



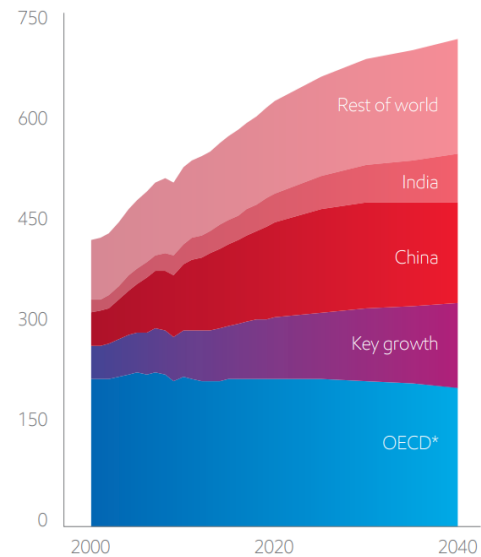
Economic output (GDP)

Trillions of 2005 dollars



Global energy demand

Quadrillion BTUs



Source: ExxonMobil, *The Outlook for Energy: A View to 2040*, 2014



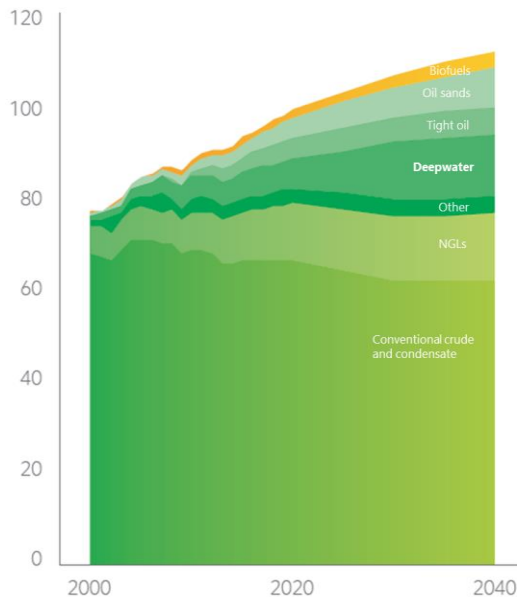
OECD – Organisation for Economic Co-operation and Development  
Mexico and Turkey included in key growth

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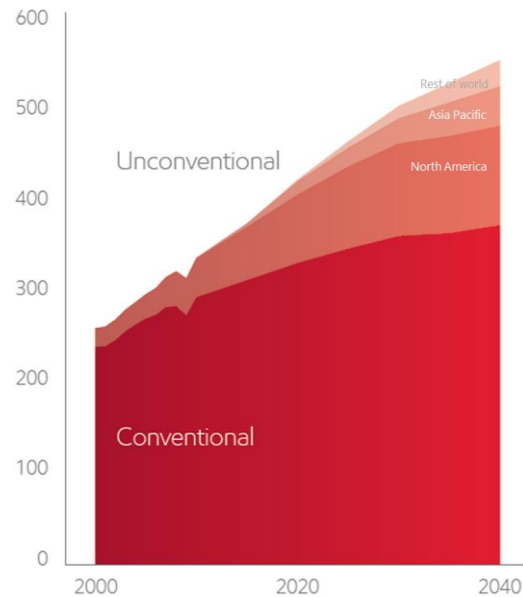
# Enabling access to the resources our growing world needs

## Deepwater and unconventional production growth help satisfy rising demand.

Global liquids supply by type  
Millions of oil-equivalent barrels per day



Natural gas production by type  
Billion cubic feet per day



Source: ExxonMobil, *The Outlook for Energy: A View to 2040*, 2014



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# Enabling access to the resources our growing world needs

Today's high-risk high-cost reserves present a challenge technology alone cannot answer. Our family of companies provides the technical expertise, advanced equipment, and operational support **necessary for success**—now and in the future.

Through our purposeful innovation and integrated efficiencies, NOV plays a vital role in our customers' never-ending quest to achieve the **safest, lowest-cost marginal production**.

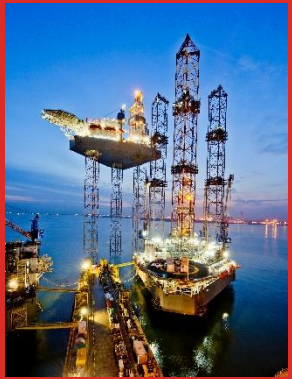
As the leading provider of equipment and technology required to drill, complete, and produce oil and gas wells in the most challenging environments, NOV is **the dependable partner** in a risk-averse world where customers have been forced to adapt as demand for oil and gas continues to rise while reserves become increasingly harder to develop.



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# Industry challenges create opportunities for NOV

Four trends reshaping the energy landscape present a positive growth outlook for us with their demand for innovation, quality, and efficiency:



REPLACEMENT  
OF AGING  
JACKUP FLEET



BUILDOUT OF  
ULTRA-DEEPWATER RIG FLEET



BUILDOUT OF INFRASTRUCTURE  
TO SUPPORT DEEPWATER FIELD  
DEVELOPMENT



GROWTH AND PROLIFERATION OF  
UNCONVENTIONAL  
TECHNOLOGIES



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# Evolving to serve our customers, on whose success ours rests

We reorganized on common customer sets and strategies, improving our execution against the changes in the energy landscape:

	RIG SYSTEMS	RIG AFTERMARKET	WELLBORE TECHNOLOGIES	COMPLETION AND PRODUCTION SOLUTIONS
	MAKING AND SUPPORTING THE WORLD'S MOST ADVANCED DRILLING SOLUTIONS		DRIVING NEW LEVELS OF DRILLING EFFICIENCY AND PRODUCTIVITY	INTEGRATING SOLUTIONS FOR INCREASED PRODUCTIVITY
DESCRIPTION	<p>Provides capital equipment to drill oil and gas wells:</p> <ul style="list-style-type: none"> <li>- Land rigs</li> <li>- Offshore drilling equipment packages</li> <li>- Discrete rig components</li> </ul>	<p>Supports the growing installed base of Rig Systems equipment:</p> <ul style="list-style-type: none"> <li>- Spare parts</li> <li>- Services</li> <li>- Repair</li> <li>- Training</li> </ul>	<p>Provides critical products and services that improve drilling performance:</p> <ul style="list-style-type: none"> <li>- Solids control and waste management equipment</li> <li>- Drilling fluids</li> <li>- Drill pipe</li> <li>- Tubular inspection and coating</li> <li>- Downhole tools, motors, and drill bits</li> <li>- Drilling optimization and instrumentation technologies</li> </ul>	<p>Provides equipment to complete and produce oil and gas wells:</p> <ul style="list-style-type: none"> <li>- Pressure pumping equipment</li> <li>- Wireline and coiled tubing equipment</li> <li>- Composite piping</li> <li>- FPSO turret-mooring systems</li> <li>- Subsea flexible pipe</li> <li>- Process and flow technologies</li> </ul>
CUSTOMER	Drilling contractors Shipyards	Drilling contractors	Operators Drilling contractors Service companies Rental companies	Operators Service companies



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# Q2'14 Financial Highlights

- Strong operating results
  - Net income of **\$619M**
  - Double-digit earnings growth (**+14%**)
- Significant creation of shareholder value
  - Successful spinout of distribution business
  - Dividend increase of **77%**
- Positive market outlook
  - Improving market conditions in NAM and international unconventional plays
  - Record capital equipment of **\$17.5B** drives resilient earnings and cash flow during cyclical order downturns



Earnings growth calculated on Adjusted EPS

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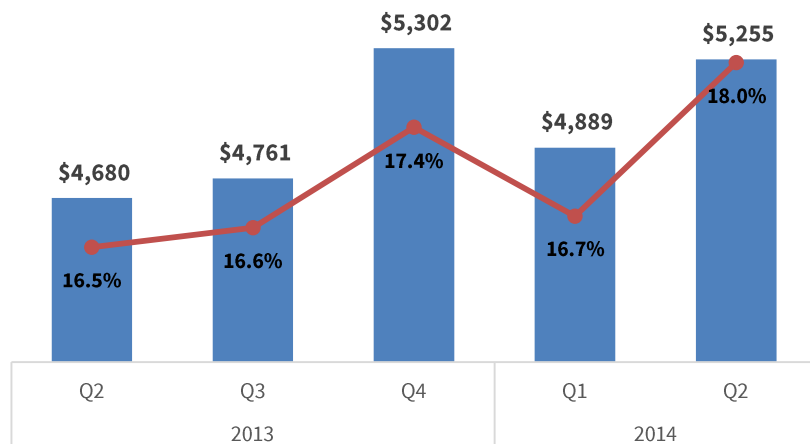


# Q2'14 Financial Highlights

- Revenue of \$5.3B, up 7% q/q (+12% y/y)
- Operating profit of 18.0%, up 130bps q/q (+150bps y/y)
- EBITDA of 21.6%, up 100bps q/q (+120bps y/y)

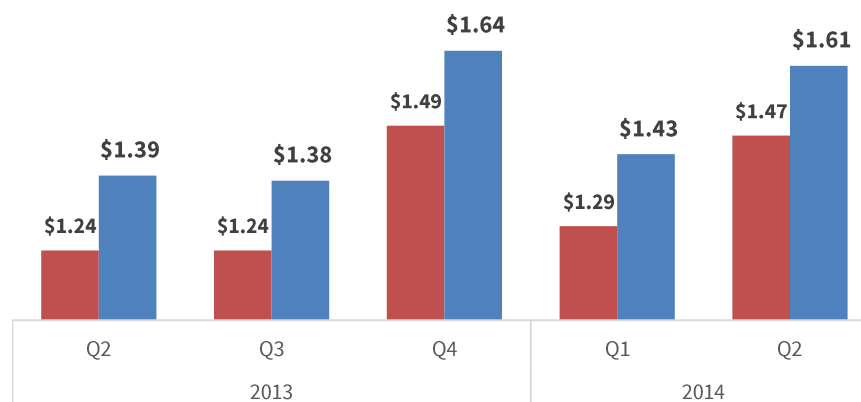
## NOV Revenue and Operating Profit

(Revenue \$M)



## NOV Earnings per Share

Adjusted EPS v. Operating (non-GAAP) EPS



- EPS of \$1.44
- Adjusted EPS of \$1.47, up 14% q/q (+19 y/y)
  - Excludes discontinued operations and nonrecurring items
- Operating (non-GAAP) EPS of \$1.61, up 13% q/q (+16% y/y)
  - Excludes discontinued operations, nonrecurring items, and amortization of purchased intangible assets
  - Shows cash earnings



EBITDA excludes non-recurring items

GAAP EPS includes \$0.02 for income from discontinued operations, (\$0.05) for non-recurring items, and (\$0.14) for amortization of purchased intangible assets

Adjusted EPS – see appendix for reconciliation

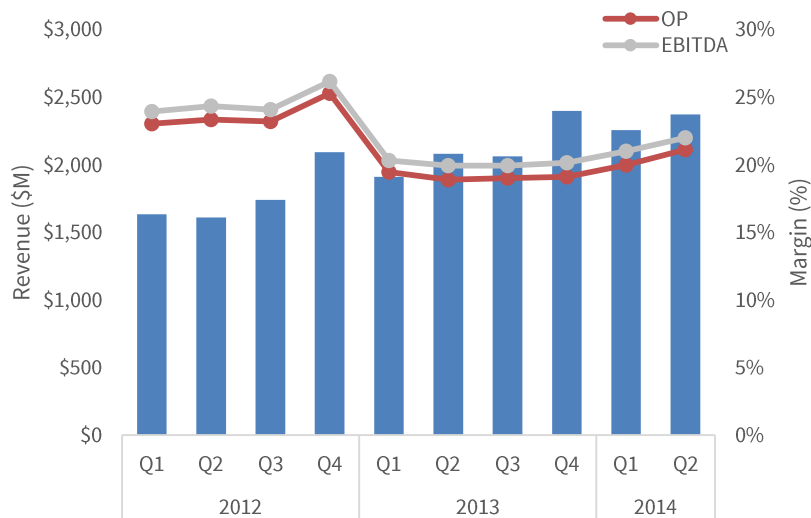
Operating EPS – see appendix for reconciliation

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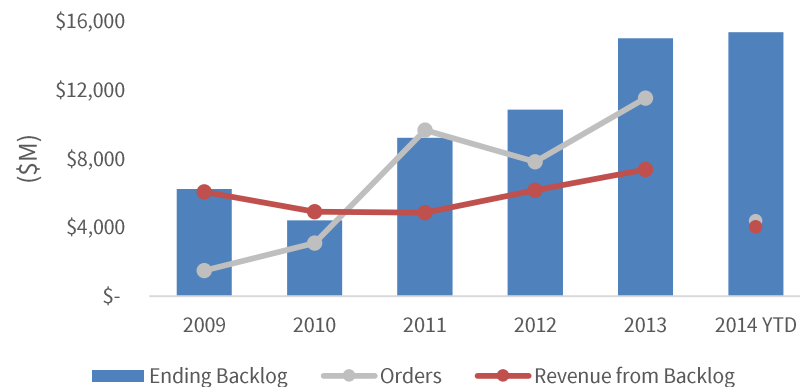
# Rig Systems Performance

- Revenue of \$2.4B, up 5% q/q (+14% y/y)
  - Increased land-related sales (22% of total)
- Operating profit of 21.1%, up 110bps q/q (+220bps y/y)
- EBITDA of 22.0%, up 100bps q/q (+10bps y/y)

Rig Systems Revenue and Margin



Rig Systems Capital Equipment Backlog



- \$2.3B orders, up 8% q/q
  - 41% land and non-newbuild offshore, 59% offshore newbuilds
  - Five floaters, two jackups
- \$2.1B revenue from backlog (1.1x book-to-bill)
- \$15.4B record backlog, up 41% since YE'12
  - 93% offshore, 94% international

**Q3'14 guidance:**

**Revenue:** flat | **OP:** 20-21%

**Order outlook:** pronounced increase in land and steady jackup demand with some interest in application-specific floaters



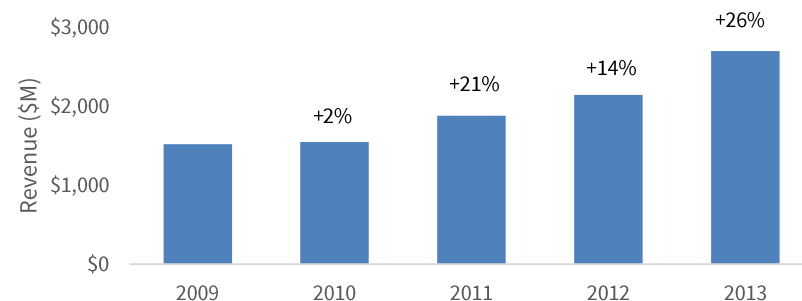
EBITDA excludes non-recurring items  
Backlog captures capital equipment sales to third-parties only

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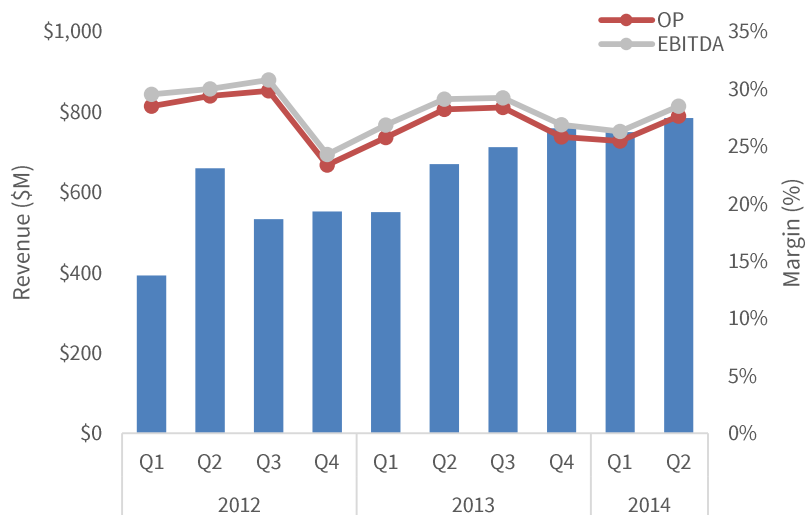
# Rig Aftermarket Performance

- Revenue of \$785M, up 5% q/q (+17% y/y)
  - Growing installed base and infrastructure investments
- Operating profit of 27.6%, up 210bps q/q (-60bps y/y)
- 28.5% EBITDA

## Rig Aftermarket Yearly Revenue Growth



## Rig Aftermarket Revenue and Margin



- Mid-teens % growth outlook annually
  - Steady margin profile
  - Slight seasonality with repair and maintenance

### Q3'14 guidance:

Revenue: up low single-digit % | OP: flat



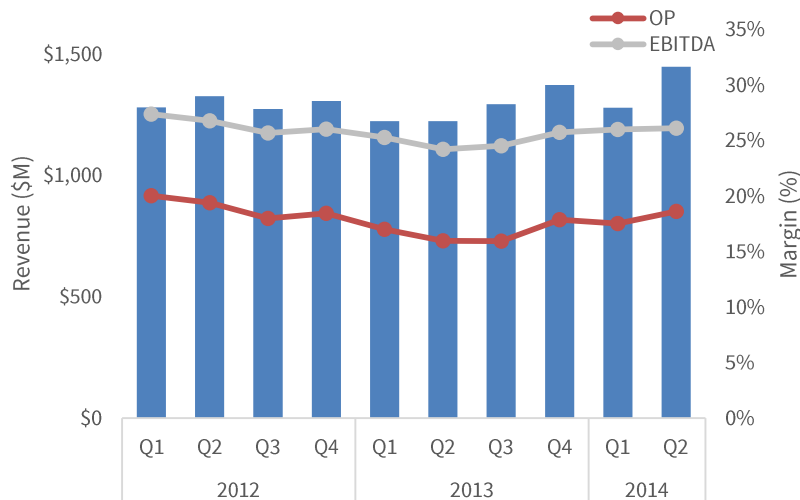
EBITDA excludes non-recurring items

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# Wellbore Technologies Performance

- \$1.4B revenue, up 13% q/q (+18% y/y)
  - Strengthening US land activity
- Operating profit of 18.6%, up 110bps q/q (+260bps y/y)
- 26.1% EBITDA

Wellbore Technologies Revenue and Margin



Wellbore Technologies Revenue and Rig Count



- Revenues levered to global drilling activity
  - 56% North America, 44% international

**Q3'14 guidance:**

**Revenue:** up low-to-mid single-digit % | **OP:** up on incremental revenue



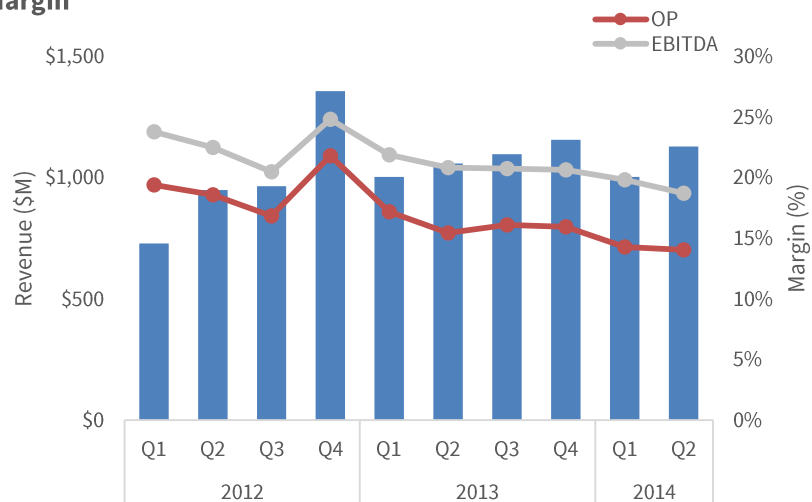
EBITDA excludes non-recurring items

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# Completion and Production Solutions Performance

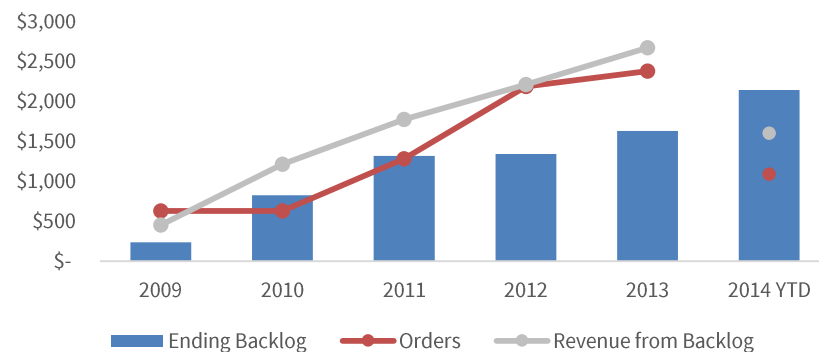
- \$1.1B revenue, up 12% q/q (+7% y/y)
  - Strong deliveries in subsea
- Operating profit of 14.0%, down 30bps q/q (-140bps y/y)
- 18.7% EBITDA

Completion and Production Solutions Revenue and Margin



EBITDA excludes non-recurring items

Completion and Production Solutions Capital Equipment Backlog



- \$1.1B orders, up 130% q/q
  - 70% production-related, 30% well intervention and stimulation
- \$600M revenue from backlog (1.8x book-to-bill)
- \$2.1B record backlog, up 60% from YE'12

**Q3'14 guidance:**

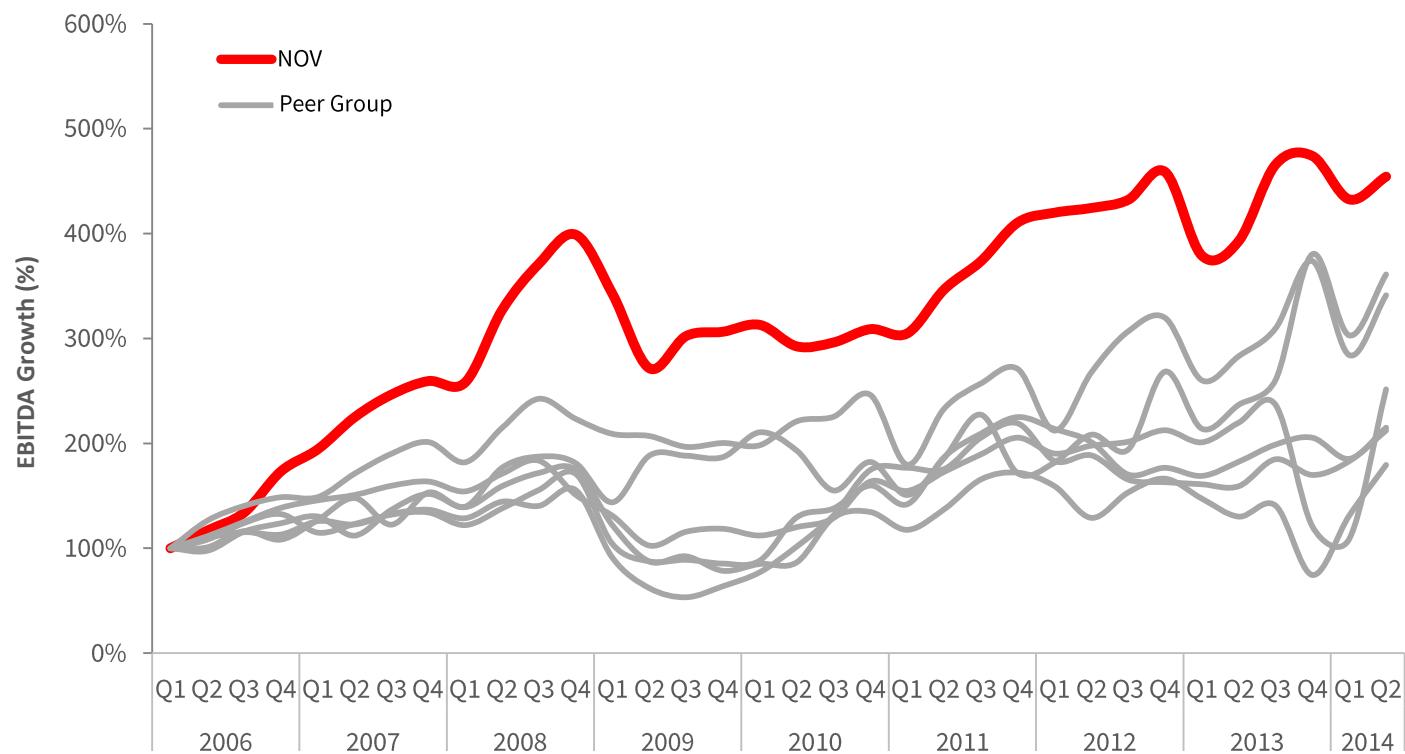
**Revenue:** up mid-to-high single-digit % | **OP:** up slightly  
**Order Outlook:** large FPSO-related orders unlikely to repeat, growing demand for frac and stimulation equipment



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# Results reflect our leadership

## Best-in-class EBITDA Growth



Source: Bloomberg  
Peer group includes SLB, BHI, HAL, WFT, CAM, FTI  
Historical NOV EBITDA includes contributions from discontinued operations

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# Cash Flow

- Cash balance of \$3.9B, net cash position of \$737M
- Free cash flow of \$610M, up 69% q/q

Apply capital to enhance competitive advantage and financial returns:

- Closed five small acquisitions YTD
  - \$110M in aggregate at attractive multiples
  - Fit our strategy, strengthen our franchise, offer strong returns
- Spent \$175M on ongoing capital expansion projects (capex of \$300M YTD)
  - Improve production and operational efficiencies, expand service in new regions and aftermarket
- Increased dividend 77% (~2.4% yield)
  - +\$0.20 per share (\$0.46 total)
  - \$198M in dividend payments



Free cash flow excludes contribution from discontinued operations  
Free Cash Flow = Operating Cash Flow less Capital Expenditures  
Quarterly dividend yield calculated on closing share price from 07/29/14

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Earnings growth calculated on Adjusted EPS

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# Appendix:

Pro Forma Selected Financial Data from Continuing Operations



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# Pro Forma Selected Financial Data from Continuing Operations:

## Revenue, Operating Income, Operating Margins, EBITDA

### Pro Forma Selected Financial Data from Continuing Operations

(\$ Millions)

	2012				2013				2014		Year To Date					
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	2009	2010	2011	2012	2013	2014
<b>Revenues</b>																
Rig Systems	\$ 1,633	\$ 1,611	\$ 1,741	\$ 2,092	\$ 1,911	\$ 2,081	\$ 2,061	\$ 2,397	\$ 2,256	\$ 2,372	\$ 6,712	\$ 5,570	\$ 5,686	\$ 7,077	\$ 8,450	\$ 4,628
Rig Aftermarket	393	660	533	552	551	670	712	759	750	785	1,518	1,546	1,876	2,138	2,692	1,535
Wellbore Technologies	1,279	1,326	1,273	1,306	1,223	1,222	1,293	1,371	1,278	1,446	3,081	3,389	4,455	5,184	5,109	2,724
Completion & Production Solutions	728	948	963	1,355	1,002	1,057	1,095	1,155	1,002	1,127	1,304	1,360	2,483	3,994	4,309	2,129
Eliminations	(65)	(339)	(203)	(592)	(311)	(350)	(400)	(380)	(397)	(475)	(820)	(764)	(1,025)	(1,199)	(1,441)	(872)
<b>Total</b>	<b>\$ 3,968</b>	<b>\$ 4,206</b>	<b>\$ 4,307</b>	<b>\$ 4,713</b>	<b>\$ 4,376</b>	<b>\$ 4,680</b>	<b>\$ 4,761</b>	<b>\$ 5,302</b>	<b>\$ 4,889</b>	<b>\$ 5,255</b>	<b>\$ 11,795</b>	<b>\$ 11,101</b>	<b>\$ 13,475</b>	<b>\$ 17,194</b>	<b>\$ 19,119</b>	<b>\$ 10,144</b>
<b>Operating Income</b>																
Rig Systems	\$ 376	\$ 376	\$ 404	\$ 529	\$ 372	\$ 393	\$ 392	\$ 458	\$ 451	\$ 501	\$ 1,876	\$ 1,636	\$ 1,569	\$ 1,685	\$ 1,615	\$ 952
Rig Aftermarket	112	194	159	129	142	189	202	196	191	217	413	435	528	594	729	408
Wellbore Technologies	256	257	229	241	208	195	206	245	224	269	303	377	736	983	854	493
Completion & Production Solutions	141	176	162	295	172	163	176	184	143	158	218	262	480	774	695	301
Eliminations	(41)	(136)	(53)	(286)	(137)	(170)	(185)	(158)	(192)	(200)	(312)	(329)	(463)	(516)	(650)	(392)
<b>Total</b>	<b>\$ 844</b>	<b>\$ 867</b>	<b>\$ 901</b>	<b>\$ 908</b>	<b>\$ 757</b>	<b>\$ 770</b>	<b>\$ 791</b>	<b>\$ 925</b>	<b>\$ 817</b>	<b>\$ 945</b>	<b>\$ 2,498</b>	<b>\$ 2,381</b>	<b>\$ 2,850</b>	<b>\$ 3,520</b>	<b>\$ 3,243</b>	<b>\$ 1,762</b>
<b>Operating Margins</b>																
Rig Systems	23.0%	23.3%	23.2%	25.3%	19.5%	18.9%	19.0%	19.1%	20.0%	21.1%	27.9%	29.4%	27.6%	23.8%	19.1%	20.6%
Rig Aftermarket	28.5%	29.4%	29.8%	23.4%	25.8%	28.2%	28.4%	25.8%	25.5%	27.6%	27.2%	28.1%	28.1%	27.8%	27.1%	26.6%
Wellbore Technologies	20.0%	19.4%	18.0%	18.5%	17.0%	16.0%	15.9%	17.9%	17.5%	18.6%	9.8%	11.1%	16.5%	19.0%	16.7%	18.1%
Completion & Production Solutions	19.4%	18.6%	16.8%	21.8%	17.2%	15.4%	16.1%	15.9%	14.3%	14.0%	16.7%	19.3%	19.3%	19.4%	16.1%	14.1%
Eliminations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>21.3%</b>	<b>20.6%</b>	<b>20.9%</b>	<b>19.3%</b>	<b>17.3%</b>	<b>16.5%</b>	<b>16.6%</b>	<b>17.4%</b>	<b>16.7%</b>	<b>18.0%</b>	<b>21.2%</b>	<b>21.4%</b>	<b>21.2%</b>	<b>20.5%</b>	<b>17.0%</b>	<b>17.4%</b>
<b>EBITDA</b>																
Rig Systems	23.9%	24.3%	24.1%	26.1%	20.3%	19.9%	19.9%	20.2%	21.0%	22.0%	28.7%	30.5%	28.7%	24.7%	20.1%	21.0%
Rig Aftermarket	29.5%	30.0%	30.8%	24.3%	26.9%	29.1%	29.2%	26.9%	26.3%	28.5%	27.9%	28.8%	28.9%	28.6%	28.0%	26.3%
Wellbore Technologies	27.4%	26.8%	25.7%	26.0%	25.3%	24.2%	24.5%	25.7%	26.0%	26.1%	21.9%	22.2%	25.1%	26.5%	24.9%	26.0%
Completion & Production Solutions	23.8%	22.5%	20.5%	24.8%	21.9%	20.8%	20.7%	20.6%	19.8%	18.7%	20.8%	23.2%	23.1%	23.0%	21.0%	19.8%
Eliminations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>24.9%</b>	<b>24.3%</b>	<b>24.5%</b>	<b>22.7%</b>	<b>21.2%</b>	<b>20.4%</b>	<b>20.5%</b>	<b>21.1%</b>	<b>20.6%</b>	<b>21.6%</b>	<b>25.3%</b>	<b>26.0%</b>	<b>25.2%</b>	<b>24.1%</b>	<b>20.8%</b>	<b>20.6%</b>



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## Pro Forma Selected Financial Data from Continuing Operations: Equity Income, EBITDA, Operating non-GAAP EPS Reconciliation, Backlog, Transaction Costs

	2012				2013				2014		Year To Date					
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	2009	2010	2011	2012	2013	2014
Equity Income in Unconsolidated Affiliates	\$ 17	\$ 19	\$ 7	\$ 15	\$ 19	\$ 15	\$ 13	\$ 16	\$ 10	\$ 23	\$ 47	\$ 36	\$ 46	\$ 58	\$ 63	\$ 33
EBITDA excluding nonrecurring items	\$ 1,000	\$ 1,042	\$ 1,055	\$ 1,059	\$ 936	\$ 985	\$ 982	\$ 1,122	\$ 1,022	\$ 1,141	\$ 2,924	\$ 2,920	\$ 3,433	\$ 4,156	\$ 4,025	\$ 2,163
Operating non-GAAP Diluted EPS Data:																
Net income attributable to Company	\$ 1.42	\$ 1.42	\$ 1.43	\$ 1.56	\$ 1.17	\$ 1.24	\$ 1.49	\$ 1.53	\$ 1.37	\$ 1.44	\$ 3.98	\$ 3.98	\$ 4.70	\$ 5.83	\$ 5.44	\$ 2.81
Income from discontinued operations	(0.06)	(0.06)	(0.06)	(0.07)	(0.10)	(0.09)	(0.09)	(0.07)	(0.09)	(0.02)	(0.07)	(0.12)	(0.20)	(0.25)	(0.34)	(0.12)
Income from continuing operations	1.36	1.35	1.36	1.49	1.07	1.15	1.40	1.47	1.28	1.42	3.91	3.86	4.50	5.56	5.09	2.69
Nonrecurring items	0.01	0.04	0.05	(0.09)	0.12	0.09	(0.16)	0.02	0.01	0.05	0.09	0.11	0.07	0.01	0.07	0.07
Amortization of intangible assets	0.11	0.12	0.12	0.13	0.13	0.15	0.14	0.15	0.14	0.14	0.38	0.39	0.43	0.48	0.57	0.29
Operating (non-GAAP) diluted earnings per share	\$ 1.48	\$ 1.51	\$ 1.53	\$ 1.53	\$ 1.32	\$ 1.39	\$ 1.38	\$ 1.64	\$ 1.43	\$ 1.61	\$ 4.38	\$ 4.36	\$ 5.00	\$ 6.05	\$ 5.73	\$ 3.05
<b>Rig Systems:</b>																
Ending Backlog					\$ 11,969	\$ 12,855	\$ 14,061	\$ 15,028	\$ 15,180	\$ 15,386	\$ 6,244	\$ 4,422	\$ 9,223	\$ 10,876	\$ 15,028	\$ 15,386
Revenue					\$ 1,666	\$ 1,819	\$ 1,772	\$ 2,128	\$ 1,964	\$ 2,075	\$ 6,089	\$ 4,928	\$ 4,869	\$ 6,176	\$ 7,385	\$ 4,039
Order Additions, net					\$ 2,759	\$ 2,705	\$ 2,978	\$ 3,095	\$ 2,116	\$ 2,281	\$ 1,499	\$ 3,106	\$ 9,670	\$ 7,829	\$ 11,537	\$ 4,397
<b>Completion &amp; Production Solutions:</b>																
Ending Backlog					\$ 1,351	\$ 1,492	\$ 1,497	\$ 1,634	\$ 1,627	\$ 2,145	\$ 239	\$ 826	\$ 1,318	\$ 1,344	\$ 1,634	\$ 2,145
Revenue					\$ 593	\$ 597	\$ 552	\$ 641	\$ 492	\$ 599	\$ 632	\$ 629	\$ 1,283	\$ 2,188	\$ 2,383	\$ 1,091
Order Additions, net					\$ 600	\$ 738	\$ 557	\$ 778	\$ 485	\$ 1,117	\$ 456	\$ 1,216	\$ 1,775	\$ 2,214	\$ 2,673	\$ 1,602
<b>Transaction and restructuring costs</b>																
Litigation Settlement	\$ 4	\$ 28	\$ 48	\$ 51	\$ 64	\$ 57	\$ 9	\$ 16	\$ 18	\$ 32	\$ 234	\$ 18	\$ 41	\$ 131	\$ 146	\$ 50
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