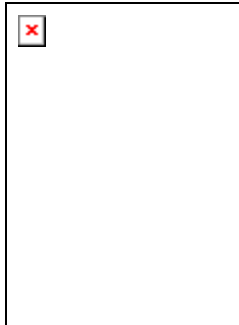


Ticker: DRQ  
Industry: Oilfield Services/Equipment  
Corp HQ: Houston, TX  
Employees: 1709 as of December 31, 2006  
Founded: 1981, IPO 1997  
2006 revenue: 443M  
Website: <http://www.dril-quip.com>

### Company Overview—



**Dril-Quip, Inc. is one of the world's leading manufacturers of precision-engineered offshore drilling and production equipment that is well suited for use in deepwater, harsh environments and severe service applications. The Company designs and manufactures subsea, surface and offshore rig equipment for use by oil and gas companies in offshore areas throughout the world. Dril-Quip also provides installation and reconditioning services as well, as rental running tools for use with its products.**

Dril-Quip was formed in 1981 by four men, three who still helm the firm as co-CEOs. Each co-CEO has distinct responsibilities and has worked effectively in driving homegrown (not acquired) growth. Dril-Quip has carved a successful niche in providing offshore equipment for fast-growing and technically demanding deep-water oil and gas fields. This should help extend peak-cycle demand and pricing for Dril-Quip over the next few years. But, like other oil field services firms, Dril-Quip will face challenges when drilling activity eases.

#### **High Insider Ownership**

About a third of the common share stocks are owned by the three CEOs. The risk of any of them leaving is reduced by the strong group of experienced leaders in the next tier of managers.

#### **Carved out successful niche**

DRQ provides offshore equipment in the deep-water oil and gas fields. Their research and development focus resulted in new innovative product launches. Also, strong relationships with major energy customers led to customer-requested new products. DRQ distinguishes itself as a vertically-integrated manufacturer; doing everything from forging and fabricating steel ingots to assembling and testing components for new, highly-specified equipment. This allows them to cut out middle-man fees and ensure quality.

#### **Strong International presence**

DRQ has four subsidiaries that manufacture and market products abroad. Dril-Quip (Europe) Limited is located in Aberdeen, Scotland, with branches in Norway, Holland, and Denmark. Dril-Quip Asia Pacific PTE Ltd. is located in Singapore. DQ Holdings PTY Ltd. is located in Perth, Australia and Dril-Quip do Brasil Ltda. is located in Macae, Brazil. For FY2006, foreign sales accounted for 65% of the total revenue.

### **Attractive Acquisition?**

DRQ patented products that are capable of operating in harsh, deep-water environments, may be coveted by potential buyer for a handsome price.

### **Strategy for Growth**

DRQ plans to grow market share through innovation rather than acquisition...of which they already have a proven track record. They will continue to take advantage of their strengths: 1) focus research & development to launch innovative products, 2) vertically integrated manufacturing operations to ensure quality, deliverability, and cost control, and 3) localize manufacturing, sales force, and product offerings in the expanded locations overseas.

### **Growth**

DRQ is enjoying the resurgence of offshore drilling. However, DRQ is subject to the inherent volatility and highly cyclical industry. The risk is reduced by several large deep-water discoveries and the longer lead-time of deep-water drilling projects. Currently, DRQ has a healthy backlog and is experiencing high demands for its products. DRQ should enjoy strong profits for at least the next few years.

### **Outside Experts**

- 06 June 2007 – The Morningstar rating is one star and its fair value stock price estimate is \$33.
- 06 Sept 2007 – Reuters performance rating was set last week to “underperform.” DRQ got the worst overall rating of all the companies in its peer comparisons. However, they all have quality rating on Manifest Investing under 65 except Grant Prideco, Inc. (GRP), which is at 69.6 and DRQ at 81.0.
- 01 Sept 2007 – S & P Quality rating is B (B+ is average), Fair Value rank is 5- (fair market value calculated to be \$68, as of 9/7 the price is \$48.28), high volatility, strong relative strength.
- Manifest Investing give DRQ the highest quality rating of all the companies in the industry. The next two are Transocean Inc. (RIG) and Natural Gas Services (NGS) and they both have lousy financial strengths.

### **SSG Judgment**

- Sales estimate – used 20%. Value Line does not cover this stock, Morningstar >20% over the next three years, Manifest Investing 27%. Looking at the charts, I think 27% is too aggressive.
- EPS estimate – used 20%.
- High P/E ratio – I eliminated the year 2002 out-layer of 48.9. I used the average of 29.3.
- Low P/E ratio – I eliminated the year 2002 out-layer of 28.4. I used the average of 16.1.
- Low Price – used forecasted price of \$34.70.

With the above judgments, the price would have to fall below \$69.20 to be in the buy zone. The price as of August 31, 2007 was \$47.06.

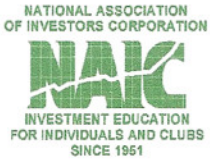
## Conclusion

Expert opinions seem to vary much for this company. The company really does not have a significant moat. However, they really seem to shine in research & development, their deepwater capabilities/expertise, and in their manufacturing process. They are very small compared to many of its peers. I see one of three things happening:

- 1) **Continue to do well.** They will be crossing the \$500M threshold soon...will they move from small-cap to mid-cap. Will they incorporate necessary changes for continued growth?
- 2) **Experience a significant hiccup.** Upper echelon conflict, competitor introduction of products to challenge their growth, etc.
- 3) **Bought by another Company.** See "Attractive Acquisition?" above.

## References:

- 1) <http://www.dril-quip.com>
- 2) Morningstar Analysis reports by Catharina Milostan
  - 06-18-07, "Dril-Quip is on track for growth in 2007"
  - 03-19-07, "We're initiating coverage of Dril-Quip"
- 3) Standard & Poor's Report, 01 Sept 2007
- 4) Reuters Report, 06 Sept 2007
- 5) 2006 Annual Report
- 6) 2007Q2 10K Report



# Stock Selection Guide<sup>®</sup>

The most widely used aid to good investment judgment

Company Dril-Quip Inc Date 08/31/07

Prepared by Kim W Data taken from StkCntrl

Where traded NYSE Major product/service Oil & Gas E

| CAPITALIZATION -- Outstanding Amounts |      | Reference        |               |
|---------------------------------------|------|------------------|---------------|
| Preferred (\$M)                       | 0.0  | % Insiders       | % Institution |
| Common (M Shares)                     | 41.0 | 29.3             | 68.6          |
| Debt (\$M)                            | 3.4  | % to Tot.Cap.    | 0.7           |
|                                       |      | % Potential Dil. | None          |

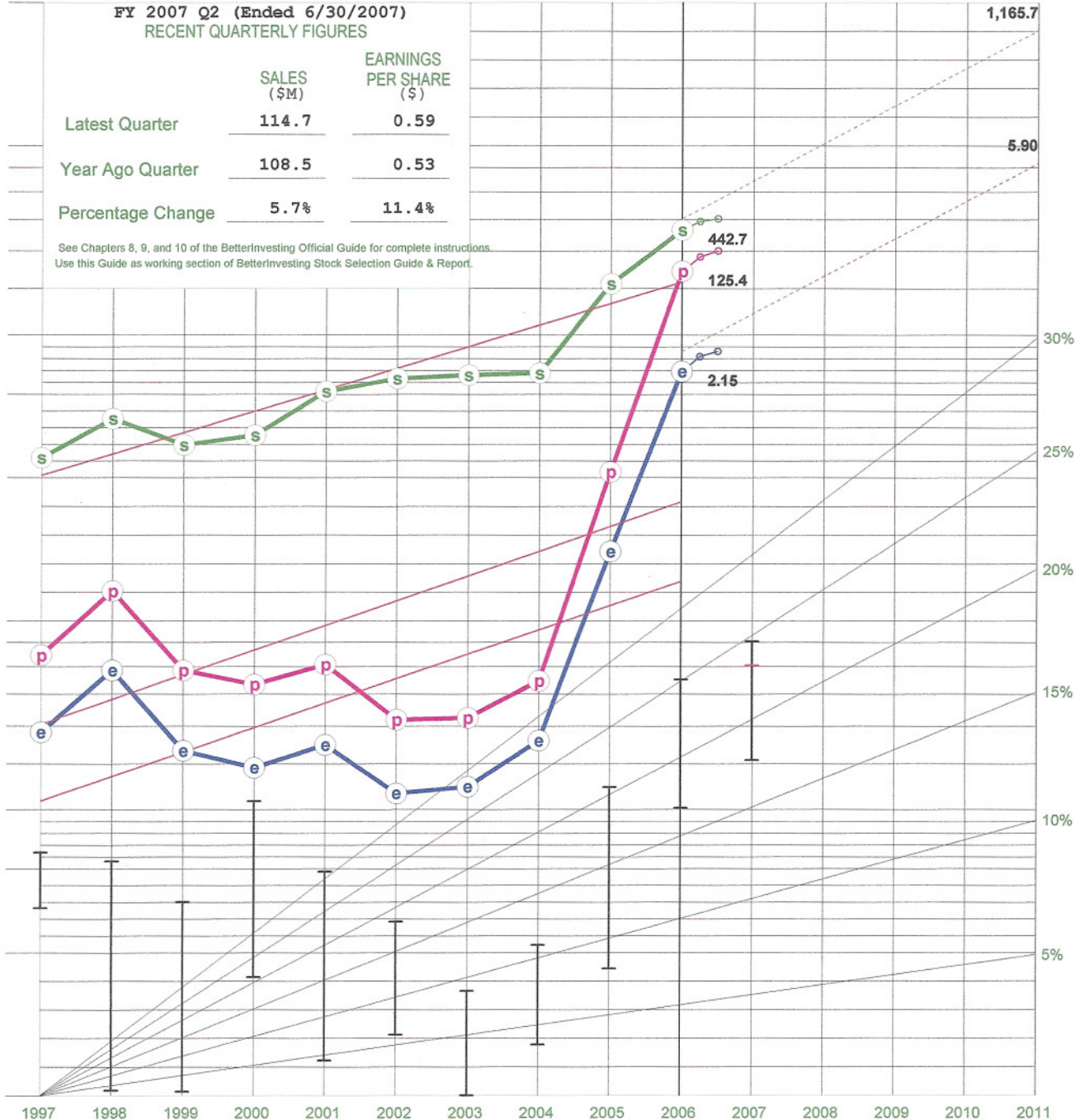
## 1 VISUAL ANALYSIS of Sales, Earnings and Price

DRQ

FY 2007 Q2 (Ended 6/30/2007)  
RECENT QUARTERLY FIGURES

|                   | SALES (\$M) | EARNINGS PER SHARE (\$) |
|-------------------|-------------|-------------------------|
| Latest Quarter    | 114.7       | 0.59                    |
| Year Ago Quarter  | 108.5       | 0.53                    |
| Percentage Change | 5.7%        | 11.4%                   |

See Chapters 8, 9, and 10 of the BetterInvesting Official Guide for complete instructions.  
Use this Guide as working section of BetterInvesting Stock Selection Guide & Report.



- |                                   |        |  |        |
|-----------------------------------|--------|--|--------|
| (1) Historical Sales Growth       | 11.0 % | (3) Historical Earnings Per Share Growth       | 12.6 % |
| (2) Estimated Future Sales Growth | 20.0 % | (4) Estimated Future Earnings Per Share Growth | 20.0 % |

Printed: 09/03/07 06:20 PM Prepared by: Kim W Using The Investor's Toolkit



**Sector:** Energy  
**Sub-Industry:** Oil & Gas Equipment & Services  
**Peer Group:** Oil & Gas - Services & Equipment - Small

**Summary:** This company manufactures highly engineered offshore drilling and production equipment for use in deep water and harsh environments.  
DRQ has an approximate 0.20% weighting in the **S&P SmallCap**

**Quantitative Evaluations**

**S&P Quality Ranking : B**



**S&P Fair Value Rank: 5-**



Lowest Highest

**Fair Value Calc: \$68.00 (Undervalued)**

**S&P Investability Quotient Percentile**



1 Lowest Highest 100

DRQ scored higher than 85% of all companies for which an S&P Report is available.

**Volatility: High**



**Technical Evaluation: NEUTRAL**

Since August, 2007, the technical indicators for DRQ have been NEUTRAL.

**Relative Strength Rank: Strong**



1 Lowest Highest 99



**Investment Strategy**

Key financial variables to consider in assessing the investment merits of an industrial company are the following:

**Sales:** What is the trend? Is future sales growth expected to be greater than the past 5-year and 9-year growth average? Accelerating sales growth ultimately provides the fuel behind earnings growth.

**Net Margin:** As a key measure of company profitability, a rising net margin assesses management capability to wring out more net income from incremental sales.

**% LT Debt of Capitalization:** A rising percentage implies greater financial risk, all else being equal. Rising debt leverage without a concomitant rise in Return on Equity should raise warning signals of potential cash flow problems. Percentages above 40%-50% should also be considered a warning.

**% Return on Equity:** A key performance measurement of capital efficiency assesses what investment returns management can earn on a company's existing capital base. A sustained percentage above 20% is considered above average.

**Key Growth Rates and Averages**

| Past Growth Rate (%) | 1 Year | 3 Year | 5 Year | 9 Year |
|----------------------|--------|--------|--------|--------|
| Sales                | 29.90  | 28.86  | 16.29  | 10.97  |
| Net Income           | 166.81 | 117.68 | 49.61  | 13.47  |

**Ratio Analysis (Average)**

|                         |       |       |       |       |
|-------------------------|-------|-------|-------|-------|
| Net Margin              | 19.63 | 11.60 | 8.59  | 8.11  |
| % LTD of Capitalization | 0.60  | 4.23  | 10.15 | 10.04 |
| % Return on Equity      | 21.81 | 13.25 | 9.85  | 9.41  |

**Revenues/Earnings Data** Fiscal year ending Dec. 31

| Revenues (Million \$)   | 2007  | 2006  | 2005  | 2004  | 2003  | 2002  |
|-------------------------|-------|-------|-------|-------|-------|-------|
| 1Q                      | 117.7 | 98.20 | 70.00 | 53.38 | 55.22 | 51.10 |
| 2Q                      | 114.7 | 108.5 | 80.62 | 52.92 | 55.72 | 54.01 |
| 3Q                      | --    | 117.8 | 95.32 | 58.22 | 56.63 | 52.62 |
| 4Q                      | --    | 118.3 | 94.89 | 57.07 | 51.92 | 58.08 |
| Year                    | --    | 442.7 | 340.8 | 221.6 | 219.5 | 215.8 |
| Earnings per Share (\$) | 2007  | 2006  | 2005  | 2004  | 2003  | 2002  |
| 1Q                      | 0.59  | 0.44  | 0.12  | 0.08  | 0.06  | 0.08  |
| 2Q                      | 0.59  | 0.53  | 0.19  | 0.08  | 0.06  | 0.07  |
| 3Q                      | --    | 0.58  | 0.27  | 0.09  | 0.07  | 0.06  |
| 4Q                      | --    | 0.61  | 0.31  | 0.11  | 0.07  | 0.04  |
| Year                    | --    | 2.15  | 0.90  | 0.36  | 0.26  | 0.25  |

**Next earnings report expected: Early November**

Historical GAAP earnings are as reported.

**Key Stock Statistics**

|                        |                     |                       |               |
|------------------------|---------------------|-----------------------|---------------|
| Average Daily Volume   | <b>0.648 mil.</b>   | Beta                  | <b>1.56</b>   |
| Market Capitalization  | <b>\$1.903 Bil.</b> | Trailing 12 Month EPS | <b>\$2.37</b> |
| Institutional Holdings | <b>68%</b>          | 12 Month P/E          | <b>19.9</b>   |
| Shareholders of Record | <b>41</b>           | Current Yield         | <b>Nil</b>    |

Value of \$10,000 Invested five yrs Ago : **\$48,490**

**Please read the required disclosures and Reg. AC certification on the last page of this report.**

This report was prepared by Standard & Poor's Quantitative Services.

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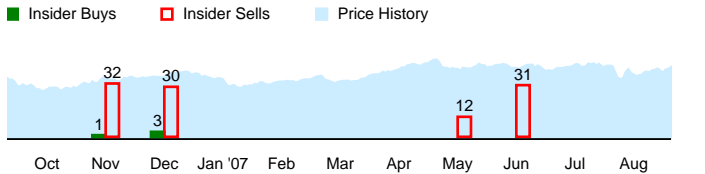
S&P Quality Ranking: **B**

Standard & Poor's Fair Value Rank : **5-**

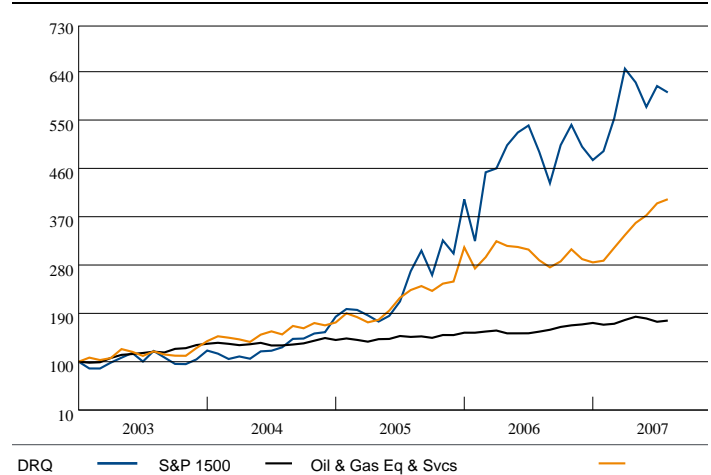
**Wall Street Opinions/Average (Mean) Opinion: Hold**

|              | No. of Ratings | % of Total | 1 Mo. Prior | 3 Mo. Prior |
|--------------|----------------|------------|-------------|-------------|
| Buy          | 2              | 25         | 2           | 0           |
| Buy/Hold     | 2              | 25         | 1           | 1           |
| Hold         | 3              | 38         | 3           | 3           |
| Weak Hold    | 0              | 0          | 0           | 0           |
| Sell         | 0              | 0          | 0           | 0           |
| No Opinion   | 1              | 12         | 1           | 2           |
| <b>Total</b> | <b>8</b>       | <b>100</b> | <b>7</b>    | <b>6</b>    |

**Insider Moves**



**Stock Performance**



**Dividend Data**

| Amount(\$)   | Date Decl. | Ex. Div. Date | Stock of Record | Payment Date |
|--------------|------------|---------------|-----------------|--------------|
| 2-for-1 Stk. | Sep.11     | Oct.6         | Sep.21          | Oct.05 '06   |

|  | Company(%) | Industry(%) | S&P 1500(%) |
|--|------------|-------------|-------------|
| YTD Return (% Annualized)              | 31.8       | 62.7        | 6.4         |
| One Year Return                        | 22.6       | 39.4        | 13.2        |
| Three Year Return                      | 68.0       | 38.7        | 10.6        |
| Five Year Return                       | 37.1       | 31.6        | 10.5        |
| Value of \$10,000 Invested 5 Years Ago | \$48,490   | \$39,502    | \$16,511    |

**Company Financials** Fiscal year ending Dec. 31

| Per Share Data (\$)  | 2006  | 2005  | 2004  | 2003 | 2002  | 2001  | 2000  | 1999  | 1998  | 1997  |
|----------------------|-------|-------|-------|------|-------|-------|-------|-------|-------|-------|
| (Year Ended Dec. 31) |       |       |       |      |       |       |       |       |       |       |
| Tangible Book Value  | 12.13 | 8.55  | 6.26  | 5.77 | 5.36  | 5.00  | 4.68  | 4.43  | 4.11  | 3.60  |
| Cash Flow            | 2.53  | 1.27  | 0.70  | 0.56 | 0.54  | 0.60  | 0.53  | 0.53  | 0.67  | 0.60  |
| Earnings             | 2.15  | 0.90  | 0.36  | 0.26 | 0.25  | 0.35  | 0.31  | 0.34  | 0.50  | 0.44  |
| Dividends            | Nil   | Nil   | Nil   | Nil  | Nil   | Nil   | Nil   | Nil   | Nil   | Nil   |
| Payout Ratio         | Nil   | Nil   | Nil   | Nil  | Nil   | Nil   | Nil   | Nil   | Nil   | Nil   |
| Prices:High          | 45.02 | 28.15 | 12.73 | 9.78 | 13.82 | 17.42 | 24.62 | 15.44 | 18.50 | 20.22 |
| Prices:Low           | 24.08 | 11.52 | 7.38  | 5.78 | 7.81  | 6.70  | 9.50  | 5.88  | 5.88  | 12.00 |
| P/E Ratio:High       | 21    | 31    | 35    | 38   | 55    | 50    | 78    | 45    | 37    | 46    |
| P/E Ratio:Low        | 11    | 13    | 20    | 22   | 31    | 19    | 30    | 17    | 12    | 28    |

**Income Statement Analysis** (Million \$)

|                    | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 |
|--------------------|------|------|------|------|------|------|------|------|------|------|
| Revenue            | 443  | 341  | 222  | 219  | 216  | 203  | 164  | 156  | 178  | 147  |
| Operating Income   | 137  | 62.6 | 30.1 | 26.5 | 26.3 | 29.7 | 24.8 | 24.4 | 31.1 | 26.5 |
| Depreciation       | 15.1 | 13.4 | 11.8 | 10.6 | 9.89 | 8.60 | 7.43 | 6.68 | 5.65 | 4.99 |
| Interest Expense   | 0.67 | 1.79 | 1.10 | 1.56 | 2.10 | 2.45 | 0.50 | 0.05 | 0.04 | 2.03 |
| Pretax Income      | 125  | 47.4 | 17.2 | 13.0 | 12.9 | 18.6 | 16.9 | 18.1 | 26.7 | 19.5 |
| Effective Tax Rate | 31%  | 31%  | 28%  | 31%  | 32%  | 35%  | 35%  | 35%  | 35%  | 34%  |
| Net Income         | 86.9 | 32.6 | 12.5 | 8.95 | 8.72 | 12.2 | 11.0 | 11.8 | 17.4 | 12.9 |

**Balance Sheet & Other Financial Data** (Million \$)

|                                    | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 |
|------------------------------------|------|------|------|------|------|------|------|------|------|------|
| Cash                               | 135  | 32.8 | 5.16 | 8.32 | 3.28 | 11.3 | 5.87 | 10.5 | 11.9 | 32.6 |
| Current Assets                     | 465  | 311  | 190  | 171  | 169  | 177  | 146  | 107  | 117  | 117  |
| Total Assets                       | 595  | 428  | 304  | 278  | 282  | 280  | 233  | 179  | 177  | 153  |
| Current Liabilities                | 118  | 90.3 | 52.4 | 35.5 | 38.2 | 46.3 | 40.7 | 24.8 | 33.6 | 27.4 |
| Long Term Debt                     | 2.88 | 3.11 | 28.1 | 38.3 | 54.2 | 57.8 | 28.4 | 0.06 | 0.15 | 0.31 |
| Common Equity                      | 467  | 329  | 216  | 200  | 185  | 173  | 162  | 153  | 142  | 124  |
| Total Capital                      | 477  | 338  | 251  | 243  | 244  | 234  | 193  | 155  | 144  | 126  |
| Capital Expenditures               | 24.1 | 20.6 | 17.1 | 8.33 | 17.6 | 25.0 | 23.2 | 19.9 | 29.6 | 10.4 |
| Cash Flow                          | 102  | 46.0 | 24.3 | 19.5 | 18.6 | 20.8 | 18.5 | 18.4 | 23.1 | 17.9 |
| Current Ratio                      | 3.9  | 3.4  | 3.6  | 4.8  | 4.4  | 3.8  | 3.6  | 4.3  | 3.5  | 4.3  |
| % Long Term Debt of Capitalization | 0.6  | 0.9  | 11.2 | 15.8 | 22.3 | 24.7 | 14.8 | 0.0  | 0.1  | 0.2  |
| % Net Income of Revenue            | 19.6 | 9.6  | 5.6  | 4.1  | 4.0  | 6.0  | 6.7  | 7.5  | 9.8  | 8.8  |
| % Return on Assets                 | 17.0 | 8.9  | 4.3  | 3.2  | 3.1  | 4.8  | 5.3  | 6.6  | 10.6 | 9.7  |
| % Return on Equity                 | 21.8 | 11.9 | 6.0  | 4.7  | 4.9  | 7.3  | 7.0  | 8.0  | 13.1 | 14.8 |

Data as orig. reptd; bef. results of disc opers/spec. items. Per share data adj. for stk. divs. as of ex-div date. NA-Not Available. NM-Not Meaningful. NR-Not Ranked.

Office: 13550 Hempstead Rd, Houston, TX, 77040  
Tel: 713-939-7711  
Website: <http://www.dril-quip.com>  
Co-Chrmn & Co-CEO: G. D. Smith  
Co-Chrmn & Co-CEO: L. E. Reimert

Dirs: L. E. Reimert, A. P. Shukis, G. D. Smith, G. L. Stone, J. M. Walker, J. V. Lovoi, L. D. Robertson  
Co-Chrmn & Co-CEO: J. M. Walker  
CFD: J. M. Brooks  
Founded: 1981  
Domicile: Delaware  
Employees: 1,709

**Sub-Industry Outlook**

Our fundamental outlook for the oil and gas equipment and services sub-industry is positive. Our view is based on continued high levels of capital spending by oil and gas producers, which we think will bolster demand for services, including production optimization and other technologically advanced services, although demand is likely to be stronger in frontier regions with low-cost and high-growth opportunities.

Although oil and U.S. natural gas prices have declined significantly from recent highs, we anticipate that they will remain relatively high by historical standards. Oil supplies are expected to remain relatively tight, with little in the way of spare capacity. In the Gulf of Mexico, the expected migration of rigs to other regions should help maintain utilization for the remaining rig fleet, although dayrates have exhibited modest weakness in recent months. The North Sea, Middle East, Mediterranean, India, North Africa and West Africa are expected to perform well, with rising demand and dayrates. We see more modest growth in South America and Asia Pacific. Onshore North America, where land rig activity surged from 2004 to 2006, has seen the beginnings of a slowdown in 2007 (mainly in Canada, and to a lesser extent in the U.S.), but we expect that rising demand for unconventional natural gas will buttress activity levels.

Over the longer term, we expect demand for drilling services to increase. In the U.S., we believe high field depletion rates and increasing demand for natural gas will continue to support healthy drilling activity. Overseas, we expect that higher spending by major oil companies and state-owned oil companies will be the main growth driver for drilling,

as they continue to search for low-cost drilling opportunities, mainly in new regions around the world, with greater emphasis on the deepwater. While there is some risk that operators may choose to expand via acquisition rather than through the drillbit, given tremendous increases in service costs over the past several years, we think demand for higher technology content services will remain high, especially in frontier regions that have historically lacked such technology. As of late August 2007, Global Insight projected WTI oil prices averaging \$73.75/bbl. in 2008, with Henry Hub natural gas prices averaging \$8.19/MMBtu.

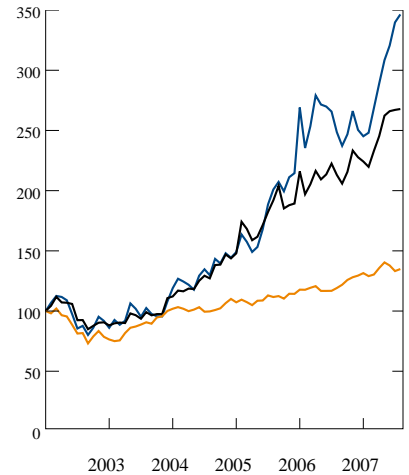
Year to date through August 24, the S&P Oil & Gas Equipment & Services Index rose 34.7% versus a 4.6% gain for the S&P 1500 Index.

--Stewart Glickman, CFA

**Stock Performance**

**GICS Sector: Energy**  
**Sub-Industry: Oil & Gas Equipment & Services**

Based on S&P 1500 Indexes  
Month-end Price Performance as of 08/31/07



Sub-Industry      Sector      S&P 1500

NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

**Sub-Industry : Oil & Gas Equipment & Services Peer Group\*: Oil & Gas - Services & Equipment - Small**

| Peer Group               | Stock Symbol | Stk.Mkt. Cap. (Mil. \$) | Recent Stock Price | P/E Ratio | 12-Mo. Trailing EPS | 30-Day Price Chg(%) | 1 Year Price Chg(%) | Beta        | Yield (%)  | Quality Ranking | Ret. on Equity (%) | Pretax Margin (%) | LTD to Cap (%) |
|--------------------------|--------------|-------------------------|--------------------|-----------|---------------------|---------------------|---------------------|-------------|------------|-----------------|--------------------|-------------------|----------------|
| <b>Dril-Quip Inc</b>     | <b>DRQ</b>   | <b>1,903</b>            | <b>47.06</b>       | <b>20</b> | <b>2.37</b>         | <b>-2%</b>          | <b>23%</b>          | <b>1.56</b> | <b>Nil</b> | <b>B</b>        | <b>21.8</b>        | <b>28.3</b>       | <b>0.6</b>     |
| Allis-Chalmers Energy    | ALY          | 693                     | 19.92              | 11        | 1.85                | -15%                | 8%                  | 1.89        | Nil        | NR              | NM                 | 15.3              | 68.9           |
| Basic Energy Svcs        | BAS          | 845                     | 20.67              | 8         | 2.49                | -2%                 | -28%                | NA          | Nil        | NR              | 31.0               | 21.0              | 35.6           |
| Carbo Ceramics           | CRR          | 1,145                   | 46.80              | 21        | 2.23                | 4%                  | 17%                 | 0.29        | 1.2        | A-              | 17.1               | 26.9              | Nil            |
| Complete Production Svcs | CPX          | 1,585                   | 22.20              | 9         | 2.52                | -2%                 | NA                  | NA          | Nil        | NR              | 27.8               | 17.7              | 47.5           |
| Core Laboratories N.V.   | CLB          | 2,675                   | 112.10             | 28        | 4.01                | 6%                  | 53%                 | 1.07        | Nil        | NR              | 57.8               | 20.5              | 80.4           |
| Lufkin Industries        | LUFK         | 850                     | 56.87              | 11        | 4.99                | -4%                 | -10%                | 1.11        | 1.6        | B+              | 24.8               | 17.3              | Nil            |
| Natco Group 'A'          | NTG          | 907                     | 49.94              | 23        | 2.13                | 8%                  | 37%                 | 0.48        | Nil        | NR              | 24.7               | 11.1              | Nil            |
| Oil States Intl          | OIS          | 2,002                   | 42.20              | 10        | 4.05                | 0%                  | 32%                 | 1.14        | Nil        | NR              | 26.8               | 15.7              | 30.9           |
| RPC, Inc.                | RES          | 1,351                   | 13.79              | 12        | 1.13                | 15%                 | 1%                  | 1.97        | 1.5        | B               | 39.0               | 30.0              | 9.3            |
| Superior Energy Services | SPN          | 3,162                   | 38.82              | 13        | 3.08                | -4%                 | 22%                 | 1.67        | Nil        | B               | 30.5               | 26.7              | 46.4           |
| TETRA Technologies       | TTI          | 1,449                   | 19.99              | 16        | 1.28                | -24%                | -28%                | 1.12        | Nil        | B               | 29.2               | 20.0              | 41.6           |
| Tesco Corp.              | TESO         | 984                     | 27.35              | 29        | 0.95                | -20%                | 66%                 | 0.69        | Nil        | B-              | 4.4                | 7.4               | 16.2           |
| W-H Energy Services      | WHQ          | 1,945                   | 63.56              | 14        | 4.47                | -1%                 | 26%                 | 0.63        | Nil        | NR              | 27.7               | 20.8              | 21.4           |
| Willbros Group           | WGG          | 740                     | 28.43              | NM        | -4.94               | -7%                 | 59%                 | 1.07        | Nil        | NR              | NM                 | NM                | 62.3           |

NA-Not Available NM-Not Meaningful NR-Not Rated. \*For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.



**S&P Analyst Research Notes and other Company News**

**August 3, 2007**

DOWN 4.55 to 43.27... Posts lower-than-expected \$0.59 vs. \$0.53 Q2 EPS on 5.7% sales rise... Sees \$0.55-\$0.65 Q3 EPS.

**May 2, 2007**

NEW YORK (Standard & Poor's)--May 1, 2007, Dril-Quip Inc., announced 1Q EPS \$0.59 vs. \$0.44.

**May 1, 2007**

DOWN 5.20 to 45.30... Posts lower-than-expected \$0.59 vs. \$0.44 Q1 EPS on 20% revenue rise... Sees \$0.55 to \$0.65 Q2 EPS, excl. any unusual or special charges.

**February 27, 2007**

NEW YORK (Standard & Poor's)--Feb 27, 2007, Dril-Quip Inc., announced 4Q EPS \$0.61 vs. \$0.32 and annual EPS \$2.15 vs. \$0.90.

**November 2, 2006**

NEW YORK (Standard & Poor's)--Nov 2, 2006, Dril-Quip Inc., announced 3Q EPS \$0.58 vs. \$0.27 and 9 mos. EPS \$1.55 vs. \$0.58. Share earns. are adjusted for Oct. '06 2-for-1 stock split.

**August 1, 2006**

NEW YORK (Standard & Poor's)--Aug 1, 2006, Dril-Quip Inc., announced 2Q EPS \$1.06 vs. \$0.37 and 6 mos. EPS \$1.92 vs. \$0.62.

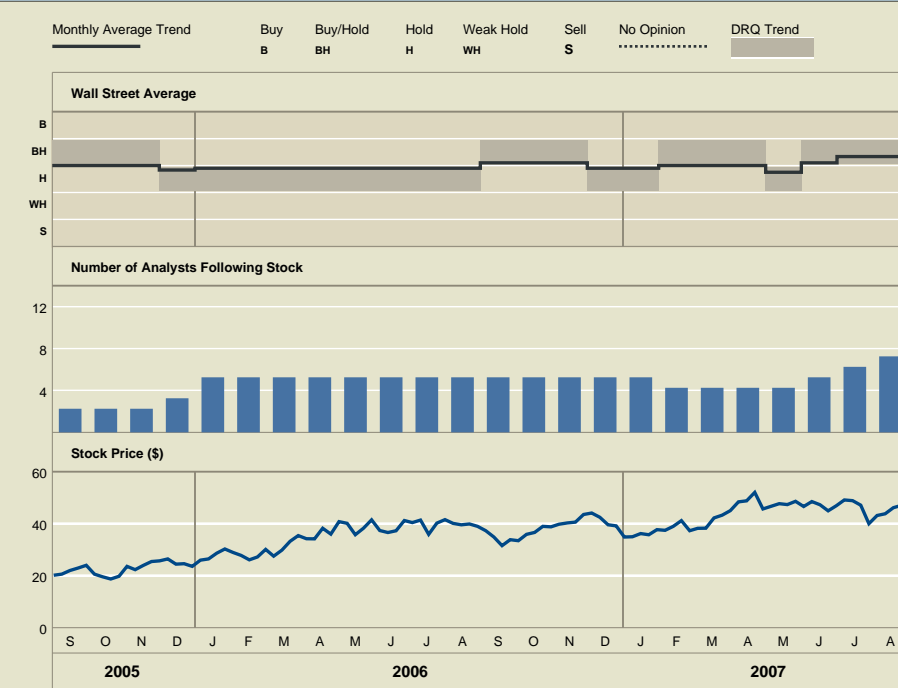
**May 3, 2006**

NEW YORK (Standard & Poor's)--May 3, 2006, Dril-Quip Inc., announced 1Q EPS \$0.87 vs. \$0.24.

**March 1, 2006**

NEW YORK (Standard & Poor's)--Mar 1, 2006, Dril-Quip Inc., announced 4Q EPS \$0.63 vs. \$0.22 and annual EPS \$1.80 vs. \$0.72.

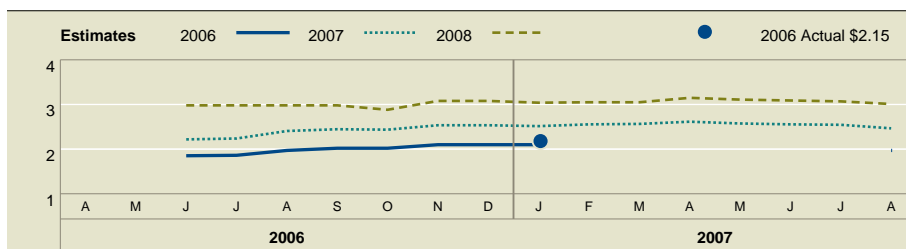
**Analysts' Recommendations**



Of the total 8 companies following DRQ, 8 analysts currently publish recommendations.

|              | No. of Ratings | % of Total | 1 Mo. Prior | 3 Mos. Prior |
|--------------|----------------|------------|-------------|--------------|
| Buy          | 2              | 25         | 2           | 0            |
| Buy/Hold     | 2              | 25         | 1           | 1            |
| Hold         | 3              | 37         | 3           | 3            |
| Weak Hold    | 0              | 0          | 0           | 0            |
| Sell         | 0              | 0          | 0           | 0            |
| No Opinion   | 1              | 12         | 1           | 2            |
| <b>Total</b> | <b>8</b>       | <b>100</b> | <b>7</b>    | <b>6</b>     |

**Wall Street Consensus Estimates**



| Fiscal Years           | Avg Est.     | High Est.    | Low Est.     | # of Est.     | Est. P/E      |
|------------------------|--------------|--------------|--------------|---------------|---------------|
| 2008                   | 3.03         | 3.49         | 2.80         | 8             | 15.5          |
| 2007                   | 2.48         | 2.52         | 2.44         | 8             | 19.0          |
| <b>2008 vs. 2007</b>   | <b>▲ 22%</b> | <b>▲ 38%</b> | <b>▲ 15%</b> | <b>0%</b>     | <b>▼ -18%</b> |
| Q3'08                  | 0.76         | 0.78         | 0.74         | 3             | 61.9          |
| Q3'07                  | 0.63         | 0.66         | 0.59         | 8             | 74.7          |
| <b>Q3'08 vs. Q3'07</b> | <b>▲ 21%</b> | <b>▲ 18%</b> | <b>▲ 25%</b> | <b>▼ -63%</b> | <b>▼ -17%</b> |

A company's earnings outlook plays a major part in any investment decision. Standard & Poor's organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years. This graph shows the trend in analyst estimates over the past 15 months.

**Wall Street Consensus Opinion**

**BUY/HOLD**

**Companies Offering Coverage**

Banc of America Securities Llc.  
Dahlman Rose & Co.  
Howard Weil Labouisse Friedric  
Jefferies & Company  
Lehman Brothers, Inc.  
Morgan Stanley & Company  
Simmons & Company Int'l  
UBS Warburg

**Wall Street Consensus vs. Performance**

For fiscal year 2007, analysts estimate that DRQ will earn \$2.48. For the 2nd quarter of fiscal year 2007, DRQ announced earnings per share of \$0.59, representing 24% of the total annual estimate. For fiscal year 2008, analysts estimate that DRQ's earnings per share will grow by 22% to \$3.03.

**Glossary**

**S&P Quality Ranking** - Growth and stability of earnings and dividends are deemed key elements in establishing S&P's quality ranking for common stocks, which are designed to capsulize the nature of this record in a single symbol. It should be noted that, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

|    |               |    |                   |
|----|---------------|----|-------------------|
| A+ | Highest       | B  | Lower             |
| A  | High          | B- | Below Average     |
| A- | Above Average | C  | Lowest            |
| B+ | Average       | D  | In Reorganization |
| NR | Not Ranked    |    |                   |

**S&P Fair Value Rank** - Using S&P's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process. A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stock with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; 4-Stock is moderately undervalued; 3-Stock is fairly valued; 2-Stock is modestly overvalued; 1-Stock is significantly overvalued.

**Fair Value Calculation** - The current price at which a stock should sell today as calculated by S&P's computers using our quantitative model based on the company's earnings, growth potential, return on equity relative to the S&P 500 and its industry group, price to book ratio history, current yield relative to the S&P 500, and other factors.

**Investability Quotient (IQ)** - The IQ is a measure of investment desirability. It serves as an indicator of potential medium-to-long-term return and as a caution against downside risk. The measure takes into account variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P proprietary measures.

**Standard & Poor's IQ Rationale:  
Dril-Quip Inc**

|                               | Raw Score  | Max Value  |
|-------------------------------|------------|------------|
| Proprietary S&P Measures      | 25         | 115        |
| Technical Indicators          | 19         | 40         |
| Liquidity/Volatility Measures | 18         | 20         |
| Quantitative Measures         | 58         | 75         |
| <b>IQ Total</b>               | <b>120</b> | <b>250</b> |

**Volatility** - Rates the volatility of the stock's price over the past year.

**Technical Evaluation** - In researching the past market history of prices and trading volume for each company, S&P's computer models apply special technical methods and formulas to identify and project price trends for the stock.

**Relative Strength Rank** - Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P's universe on a rolling 13-week basis.

**Global Industry Classification Standard (GICS)** - An industry classification standard, developed by Standard & Poor's in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 67 Industries, and 147 Sub-Industries.

**Required Disclosures**

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Additional information is available upon request.

**Disclaimer**

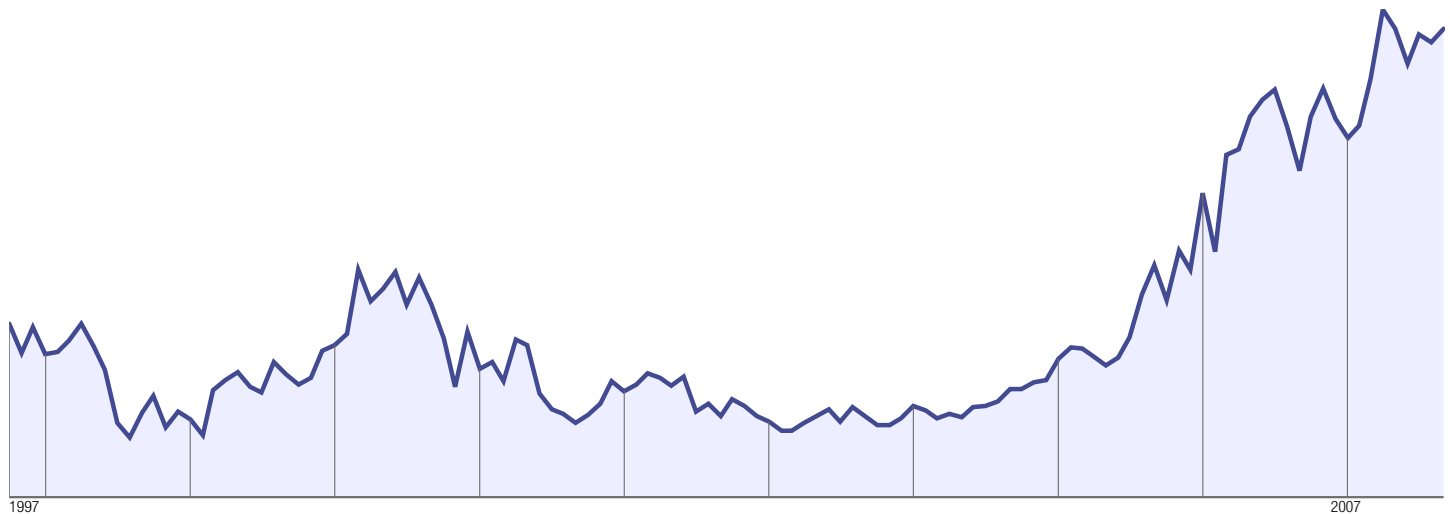
This material is based upon information that we consider to be reliable, but neither SPQS nor its affiliates warrant its completeness or accuracy, and it should not be relied upon as such. Assumptions, opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Past performance is not indicative of future results.

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**Reuters Company Research**

**Dril-Quip, Inc. (DRQ)**  
**Performance Rating: Underperform**

06 Sep 2007



**Share Price Summary**

|                                      |         |
|--------------------------------------|---------|
| Close Price on 9/6/07.....           | \$48.50 |
| Absolute Price Change on 9/6/07..... | 0.58    |
| Percent Change.....                  | 1.19%   |
| Off 52-Week High.....                | -8.35%  |
| Over 52-Week Low.....                | 62.97%  |
| Beta.....                            | 1.165   |

**Overview**

|  |         |
|--|---------|
| Float (mil).....                                 | 27.500  |
| 10 Day Average Volume (mil).....                 | 0.342   |
| 1 Day Volume Change on 9/6/07.....               | 25.20%  |
| Market Capitalization (mil).....                 | \$1,961 |
| TTM Price/Earnings.....                          | 20.50   |
| Price/Earnings Current Fiscal Year Estimate..... | 19.59   |

**Percent Price Change**

|                   | <b>DRQ</b> | <b>S&amp;P 500</b> |
|-------------------|------------|--------------------|
| Year to Date..... | 23.85      | 4.25               |
| One Year.....     | 24.63      | 14.26              |
| Two Years.....    | 134.87     | 19.59              |
| Three Years.....  | 361.47     | 31.86              |
| Five Years.....   | 437.40     | 65.40              |
| Ten Years.....    | NA         | NA                 |

**Table of Contents**

|                                |   |  |   |                                    |   |
|--------------------------------|---|--|---|------------------------------------|---|
| Reuters Rating .....           | 2 | Significant Developments continued ..... | 4 | Stock Price Rationale .....        | 7 |
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| Significant Developments ..... | 4 | General Sentiment .....                  | 6 | Footprints of Success .....        | 9 |

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This report was generated using a proprietary quantitative model that leverages widely accepted statistical methods and financial concepts to rank and rate a universe of more than 4700 US companies and US-listed ADRs with a market capitalization greater than \$50mm based on a series of financial attributes. These ratings are not intended as an indication of how an individual's investment will perform. As used in this report, **"Outperform"** designates the companies that rank in the top 30% of companies covered by Reuters, **"Neutral"** designates the middle 40%, and the bottom 30% are designated **"Underperform"**. All ratings are relative to the universe of companies covered by Reuters and not to any specific benchmark.

## Performance Rating: Underperform

Reuters ratings are based on a proprietary model that leverages widely accepted statistical methods and financial concepts to select attributes shown to be strong indicators of future stock price performance and applies these to rank stocks along a normal distribution curve. Ranks for Fundamental Quality, Value Catch-up, Operational Trends and Technical Factors are combined into a Composite Rating of Outperform, Neutral or Underperform.

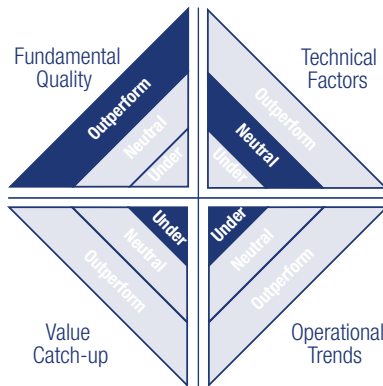
### Reuters Composite Rating

We cannot guarantee that each stock will perform in accordance with its rank. But we do believe that over the long term, stocks rated Outperform (30% of all stocks we rate) will, in the aggregate, outperform stocks rated Neutral (40% of all stocks we rate), and that stocks rated Neutral will, in the aggregate, outperform stocks rated Underperform (30%). All analysis is based on publicly available company financials, fundamental ratios, relative rankings of financial data and ratios, and observed security prices.



DRQ shares are presently rated UNDERPERFORM. No forecast is made for the stock market as a whole. However, we do believe that whichever way the market moves, it is probable that shares rated UNDERPERFORM are, in the aggregate, less likely to keep pace with most others.

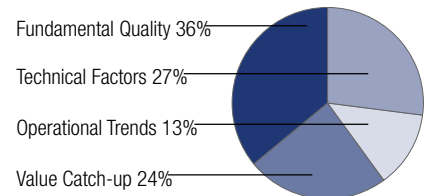
### Component Rating



"Under" = Underperform

### Component Weight

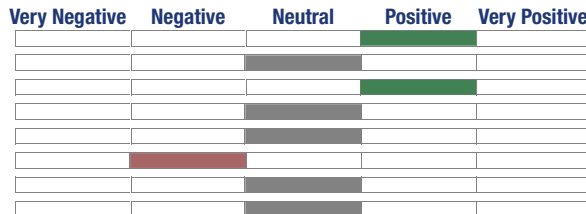
Types of investment criteria differ in how useful they are for predicting future stock movement. Based on our research, the Composite Rank assumes these relative degrees of importance.



### Fundamental Quality Component: Outperform

This rating is based on characteristics traditionally associated with "good" companies. We focus on how each company measures up against others, and give careful attention to recent improvement or slippage relative to other companies. TTM = Trailing Twelve Months.

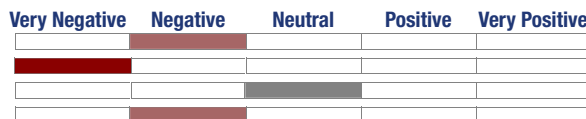
- TTM Return on Investment
- Improvement in TTM Return on Investment
- TTM Pretax Margin
- Improvement in TTM Pretax Margin
- Depreciation in Excess of Capital Spending Needs
- Issuance/Repurchase of Common Shares
- Common Shares Dilution
- Presence/Absence of Unusual Income Items



### Value Catch-up Component: Underperform

This rating measures the extent to which the share price adequately reflects improving or eroding fundamentals, and favors shares whose prices have been slower to "catch up" to improving performance measures. TTM = Trailing Twelve Months.

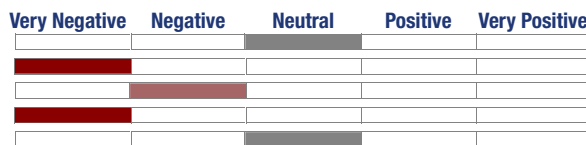
- Price Catch-up with TTM Earnings
- Price Catch-up to TTM Sales
- Price Catch-up to TTM Free Cash Flow
- Price Catch-up to MRQ Book Value



### Operational Trends Component: Underperform

This rating reflects how strong a company's recent Sales and EPS (reported as per GAAP) growth have been relative to other companies we rate. MRQ = Most Recent Quarter. TTM = Trailing Twelve Months.

- Most Recent Quarter EPS Growth
- Improvement in EPS Growth for Consecutive Quarters
- Improvement in EPS Growth (MRQ vs. TTM)
- Most Recent Quarter Sales Growth
- Improvement in Sales Growth (MRQ vs. TTM)



### Peer Comparison

This section shows the comparison of key components between DRQ and several of its peers.

| Company Name (Ticker)            | Composite Rating    | Fundamental Quality | Technical Factors | Value Catch-up      | Operational Trends  |
|----------------------------------|---------------------|---------------------|-------------------|---------------------|---------------------|
| <b>Dril-Quip, Inc. (DRQ)</b>     | <b>Underperform</b> | <b>Outperform</b>   | <b>Neutral</b>    | <b>Underperform</b> | <b>Underperform</b> |
| Cameron International C... (CAM) | Outperform          | Outperform          | Outperform        | Underperform        | Outperform          |
| FMC Technologies, Inc. (FTI)     | Outperform          | Outperform          | Outperform        | Underperform        | Outperform          |
| Aker Kvaerner ASA (AKVER)        | NA                  | NA                  | NA                | NA                  | NA                  |
| ABB Ltd (ADR) (ABB)              | Outperform          | Neutral             | Outperform        | Neutral             | Outperform          |
| Grant Prideco, Inc. (GRP)        | Outperform          | Outperform          | Neutral           | Underperform        | Outperform          |

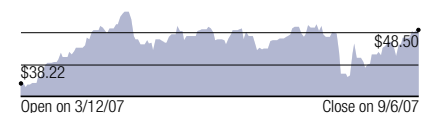
### Technical Factors: Neutral

This rating is based on analyses of share price movements over a variety of time periods. We compare performance characteristics of individual stocks with those of all the others we rate. Generally speaking, our goal is to favor up-trending shares that have experienced recent corrections and de-emphasize down-trending shares experiencing uncharacteristic periods of strength. Here is how DRQ shares performed during the various periods we examined.

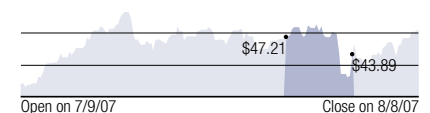
#### Price Change

Past 7 days **3.1%**  
 Past 30 days **10.5%**  
 Past 60 days **2.7%**

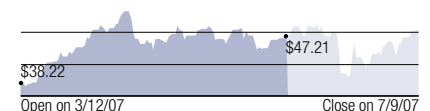
Change for Past 180 Days: **26.9%**



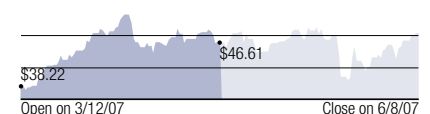
Change Between 60 and 30 Days Ago: **-7.0%**



Change Between 180 and 60 Days Ago: **23.5%**



Change Between 180 and 90 Days Ago: **22.0%**



## Getting Acquainted

Start your analysis by learning what the company does, how well it does it, where it stands relative to peers, and whether aspects of the corporate structure or capitalization are bothersome to you.

### Business Summary

Dril-Quip, Inc. (Dril-Quip) designs, manufactures, sells and services engineered offshore drilling and production equipment that is suited for use in deepwater, harsh environment and severe service applications. The Company's principal products consist of subsea and surface wellheads, subsea and surface production trees, mudline hanger systems, specialty connectors and associated pipe, drilling and production riser systems, wellhead connectors and diverters. Dril-Quip also provides installation and reconditioning services and rents running tools for use in connection with the installation and retrieval of its products.

### Contact Info

Dril-Quip, Inc. is headquartered at:  
13550 Hempstead Highway, Houston, TX,  
77040  
United States  
(713) 939-7711  
www.dril-quip.com/  
Jerry M. Brookes, CFO

### Financial Trends

TTM = Trailing Twelve Months, \* = Most Recent Quarter.

| Fiscal Year Ending      | 12/31/02 | 12/31/03 | 12/31/04 | 12/31/05 | 12/31/06 | TTM       | Historic Growth Rates |        |         |
|-------------------------|----------|----------|----------|----------|----------|-----------|-----------------------|--------|---------|
|                         |          |          |          |          |          |           | 3 Year                | 5 Year | 10 Year |
| Sales (mil)             | \$215.8  | \$219.5  | \$221.6  | \$340.8  | \$442.7  | \$468.5   | 26.35                 | 16.89  | 14.35   |
| EPS (GAAP)              | \$0.25   | \$0.26   | \$0.36   | \$0.90   | \$2.15   | \$2.37    | 102.65                | 43.69  | 21.11   |
| Dividends/Share         | \$0.00   | \$0.00   | \$0.00   | \$0.00   | \$0.00   | \$0.00    | NA                    | NA     | NA      |
| Book Value/Share        | \$5.36   | \$5.77   | \$6.25   | \$8.55   | \$11.58  | * \$12.93 | 26.13                 | 18.31  | 20.66   |
| Tangible Book Value/Sh. | \$5.36   | \$5.77   | \$6.25   | \$8.55   | \$11.58  | * \$12.93 | 26.13                 | 18.31  | 20.66   |
| Cash Flow/Share         | \$0.54   | \$0.56   | \$0.70   | \$1.27   | \$2.53   | \$2.75    | 64.87                 | 33.36  | 18.32   |
| Free Cash Flow/Share    | (\$0.10) | \$0.54   | \$0.24   | (\$1.03) | \$1.71   | \$1.90    | 46.87                 | NA     | NA      |

### Key Ratios

| Fiscal Year Ending     | 12/31/02 | 12/31/03 | 12/31/04 | 12/31/05 | 12/31/06 | TTM  | Historic Averages |        |         |
|------------------------|----------|----------|----------|----------|----------|------|-------------------|--------|---------|
|                        |          |          |          |          |          |      | 3 Year            | 5 Year | 10 Year |
| % Sales Growth         | 6.4      | 1.7      | 1.0      | 53.8     | 29.9     | 18.0 | 28.2              | 18.5   | 15.7    |
| % EPS Growth           | (28.5)   | 2.9      | 38.7     | 150.5    | 139.5    | 52.6 | 109.6             | 60.6   | 32.0    |
| % Gross Margin         | 27.3     | 28.0     | 30.8     | 32.6     | 42.0     | 42.8 | 35.1              | 32.1   | 32.0    |
| % Operating Margin     | 7.0      | 6.6      | 8.3      | 14.4     | 27.6     | 28.3 | 16.8              | 12.8   | 12.5    |
| % Tax Rate             | 32.5     | 31.1     | 27.5     | 31.3     | 30.7     | 30.4 | 29.8              | 30.6   | 32.6    |
| % Return on Assets     | 3.1      | 3.2      | 4.3      | 8.9      | 17.0     | 17.2 | 10.1              | 7.3    | 7.3     |
| % Return on Investment | 3.7      | 3.7      | 5.1      | 11.1     | 21.3     | 20.8 | 12.5              | 9.0    | 9.0     |
| % Return on Equity     | 4.9      | 4.7      | 6.0      | 11.9     | 21.8     | 21.2 | 13.2              | 9.9    | 9.9     |
| Asset Turnover         | 0.8      | 0.8      | 0.8      | 0.9      | 0.9      | 0.8  | 0.9               | 0.8    | 0.9     |
| Receivables Turnover   | 3.7      | 4.1      | 4.0      | 4.0      | 3.5      | 3.5  | 3.8               | 3.8    | 4.0     |
| Inventory Turnover     | 1.6      | 1.5      | 1.4      | 1.7      | 1.6      | 1.6  | 1.6               | 1.6    | 1.7     |

### Equity Information

Whether you are willing to accept companies that have or don't have major shareholders with controlling ownership blocks, multiple classes of common, or convertible debt or preferred issues is a matter of individual preference. Look here for anything along these lines that might make you more or less inclined to invest in this company.

Common Stock \$.01 Par, 8/07, 50M auth., 40,437,035 issd. Insiders own 34% (includes 770K shs. in options). IPO: 10/97, 5M shares (2.5M by the Company) @ \$24 by Morgan Stanley Dean Witter. 10/06, 2-for-1 stock split.

### Analyst Footnotes

Look for accounting changes, restructurings, etc. which may affect how useful historic data is in assessing future company prospects.

There are no analyst footnotes available at this time for Dril-Quip, Inc.

### Peer Comparison

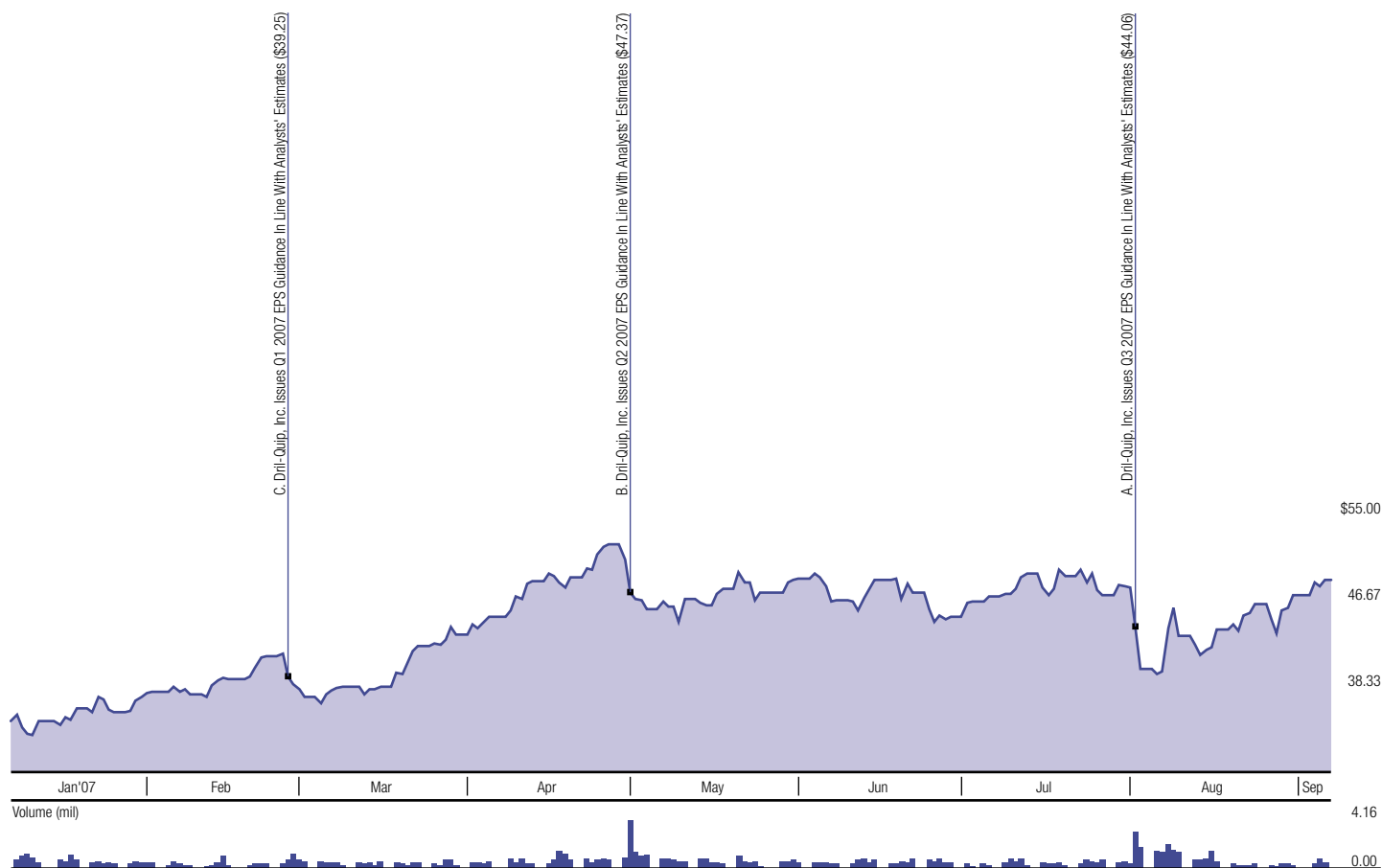
This table gives an indication of how Dril-Quip, Inc. stands in key respects compared with companies in the Oil Well Services & Equipment Industry

| Company Name (Ticker)            | Last Fiscal Year Revenue (mil) | Current Fiscal Year Projected Revenue (mil) | Projected Price/Sales | Operating EPS | Current Fiscal Year Projected EPS | P/E Based on           |                               |                           |
|----------------------------------|--------------------------------|---|-----------------------|---------------|-----------------------------------|------------------------|-------------------------------|---------------------------|
|                                  |                                |   |                       |               |                                   | Current Year Estimates | EPS % Growth Previous 5 Years | EPS % Growth Next 5 Years |
| <b>Dril-Quip, Inc. (DRQ)</b>     | <b>\$442.7</b>                 | <b>\$492.4</b>                              | <b>4.0</b>            | <b>\$2.15</b> | <b>\$2.48</b>                     | <b>19.6</b>            | <b>43.7</b>                   | <b>NA</b>                 |
| Cameron International C... (CAM) | \$3,742.9                      | \$4,572.4                                   | 2.0                   | \$2.72        | \$4.17                            | 20.7                   | 25.5                          | 23.3                      |
| FMC Technologies, Inc. (FTI)     | \$3,790.7                      | \$4,520.9                                   | 1.4                   | \$1.51        | \$2.16                            | 23.4                   | 38.2                          | 19.5                      |
| Aker Kvaerner ASA (AKVER)        | NA                             | NA  | NA                    | NA            | NA                                | NA                     | NA                            | NA                        |
| ABB Ltd (ADR) (ABB)              | \$24,412.0                     | \$28,750.0                                  | 1.8                   | \$0.71        | \$1.16                            | 20.7                   | 38.6                          | (3.5)                     |
| Grant Prideco, Inc. (GRP)        | \$1,835.7                      | \$2,140.5                                   | 3.3                   | \$3.50        | \$4.26                            | 13.0                   | 69.1                          | 18.3                      |
| McDermott International (MDR)    | \$4,120.1                      | \$5,609.1                                   | 2.0                   | \$2.89        | \$4.79                            | 20.7                   | NA                            | 16.0                      |
| W-H Energy Services, In... (WHQ) | \$894.8                        | \$1,129.2                                   | 1.8                   | \$3.76        | \$4.95                            | 13.4                   | 19.3                          | NA                        |

## Significant Developments

This page lists significant news developments related to Dril-Quip, Inc. and shows how key stories may have an impact on the stock price. When looking at the chart, note the extent to which share price reactions to stories was temporary or lasting.

### Significant News Stories Mapped to Price Chart



### Significant News Stories

**A. August 2, 2007. Dril-Quip, Inc. Issues Q3 2007 EPS Guidance In Line With Analysts' Estimates** Dril-Quip, Inc. announced that for third quarter 2007 it expects earnings per share (EPS) to be approximate \$0.55-\$0.65 per share, excluding any unusual or special charges. According to Reuters Estimates, analysts on an average are expecting the Company to report EPS of \$0.65 for the same period.

**B. May 1, 2007. Dril-Quip, Inc. Issues Q2 2007 EPS Guidance In Line With Analysts' Estimates** Dril-Quip, Inc. announced that the Company expects its earnings per share for second quarter 2007 to approximate \$0.55 to \$0.65 per share, excluding any unusual or special charges. According to Reuters Estimates, analysts on average are expecting the Company to report EPS of \$0.65 in the same period.

**C. February 27, 2007. Dril-Quip, Inc. Issues Q1 2007 EPS Guidance In Line With Analysts' Estimates** Dril-Quip, Inc. announced that for first quarter 2007 it expects earnings per share to approximate \$0.55 to \$0.65 per share, excluding any unusual or special charges. According to Reuters Estimates, analysts on an average are expecting the Company to report EPS of \$0.61 for first quarter 2007.

## Share Price Trends

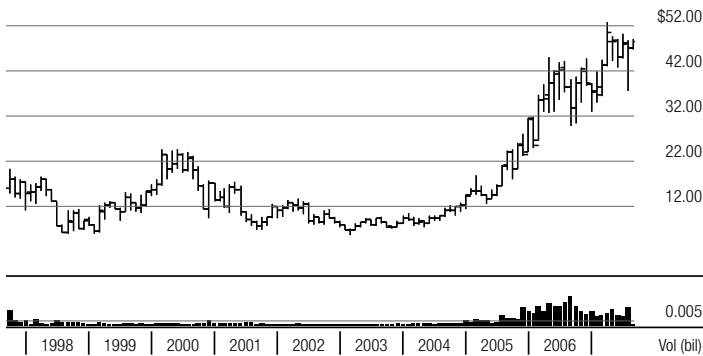
Stock price trends depict the collective opinion of the investment community. You don't have to agree with consensus views but seeing how others feel can help you decide what to look for as you go further in your analysis. Consider it similar to reading a review before seeing a movie.

### 1 Year Price Chart with Bollinger Bands and Relative Strength

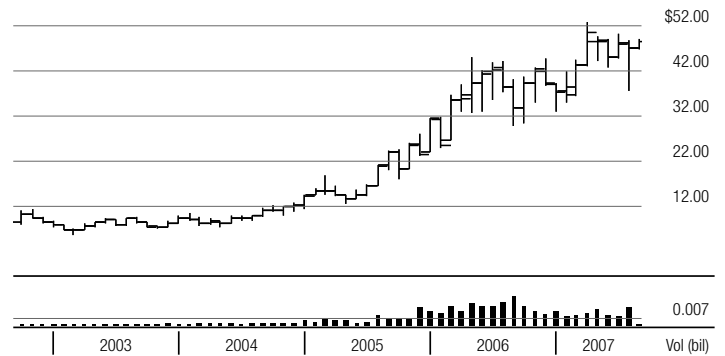
Technical analysts believe a narrowing of the bands suggests a significant price movement, up or down, will soon occur. Also, many say stocks that move outside the bands and then back inside will soon move toward the opposite band. The Relative Strength Index (RSI) calculates the strength of the current price movement compared to other recent moves and may signal when a trend is unsustainable. Technical analysts also believe RSI peaks/valleys forecast changes in share price trends.



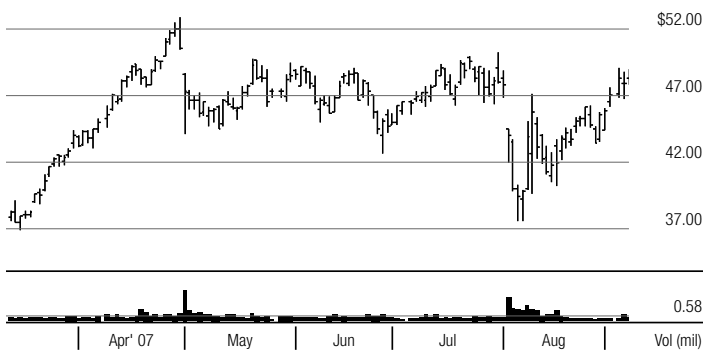
### 10 Year Price Chart (Monthly)



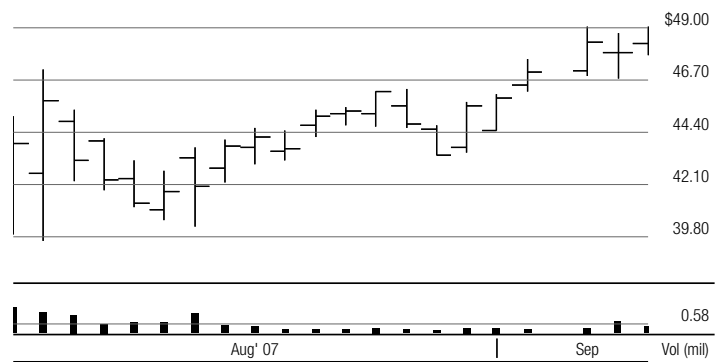
### 5 Year Price Chart (Monthly)



### 6 Month Price Chart (Daily)



### 1 Month Price Chart (Daily)

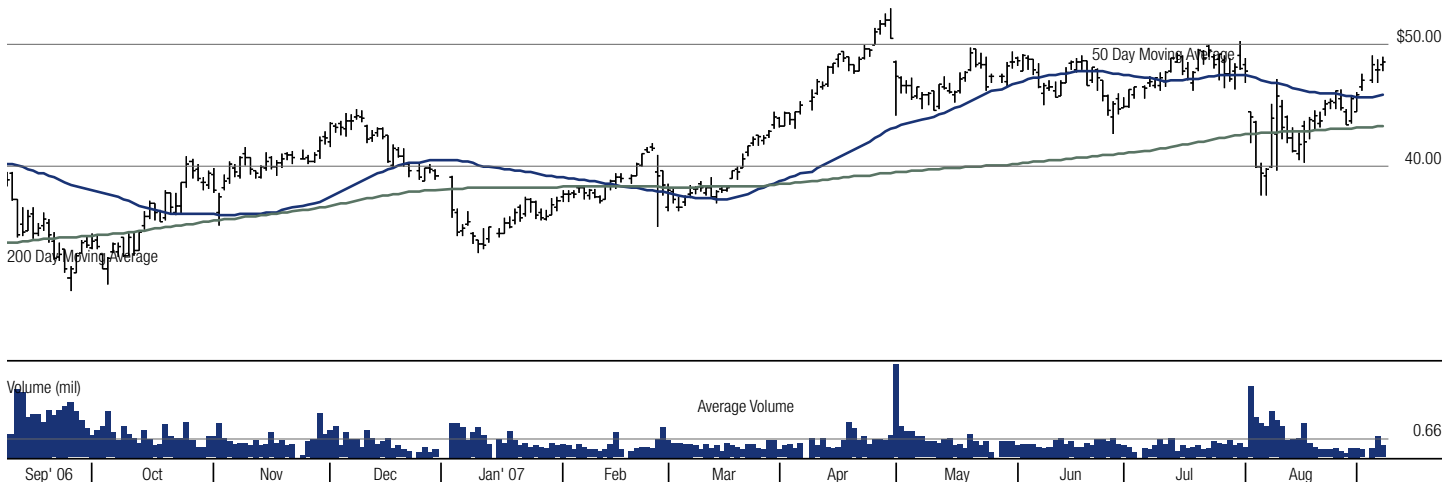




### General Sentiment

You can follow popular opinion or choose a contrarian's strategy. Either way, you should know whether the Street is bullish or bearish. Investor sentiment is typically positive when the 50-day moving average is rising, especially if it's also above the 200-day moving average. Additionally, changes in price trend can be deemed more definitive if supported by higher than normal volume.

### 52 Week Price History



### Price History

| Calendar Year  | 1998  | 1999  | 2000  | 2001  | 2002  | 2003  | 2004  | 2005  | 2006  |
|----------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| High Price     | 18.50 | 15.44 | 24.63 | 17.43 | 13.82 | 9.78  | 12.74 | 28.15 | 45.02 |
| Low Price      | 5.88  | 5.88  | 9.50  | 6.70  | 7.81  | 5.78  | 7.38  | 11.53 | 24.08 |
| Year End Price | 8.88  | 15.19 | 17.09 | 12.05 | 8.45  | 8.15  | 12.13 | 23.60 | 39.16 |
| High P/E       | 38.63 | 45.39 | 88.91 | 53.65 | 46.71 | 58.26 | 37.23 | 42.34 | 28.13 |
| Low P/E        | 11.32 | 11.83 | 27.98 | 18.77 | 25.90 | 25.65 | 25.16 | 16.13 | 12.79 |
| Year End P/E   | 17.56 | 44.53 | 53.54 | 34.15 | 33.50 | 31.49 | 33.64 | 25.56 | 17.73 |
| Dividend Yield | NM    | NM    | NM    | NM    | NM    | NM    | NM    | NM    | NM    |

### Price Performance

When stocks significantly beat or trail the S&P 500 or the industry, investors are looking more intently at company-specific matters than general-market factors. In the two percentile rank columns, a high "Rank in Industry" coupled with a low "Industry Rank" could signify a hot stock in a cold industry. The reverse, is also noteworthy.

| Time Period  | Actual Change | Percent Change | vs. S&P 500 | vs. Industry | Rank in Industry | Industry Rank |
|--------------|---------------|----------------|-------------|--------------|------------------|---------------|
| 4 Week       | 2.70          | 5.9%           | 4.1%        | (2.0)%       | 88               | 95            |
| 13 Week      | 1.98          | 4.3%           | 5.1%        | (8.4)%       | 88               | 98            |
| 26 Week      | 10.34         | 27.1%          | 20.5%       | (7.9)%       | 69               | 99            |
| 52 Week      | 9.58          | 24.6%          | 9.1%        | (15.5)%      | 57               | 91            |
| Year To Date | 9.34          | 23.9%          | 18.8%       | (12.4)%      | 66               | 96            |

BarChartKey  
YTD 4 Wk.



Rank Key  
Worst Best 1 100

### Insider Trading

Insider buying can be seen as bullish because, presumably, their company knowledge is superior. However, insider sales are less reliable because insiders may sell for a variety of reasons that have nothing to do with their opinion of the stock.

In the last 6 months, there have been no insider purchases, and there have been 43 insider sales for a total of 1,401,000 shares.

Net Change (6 months) (1) mil  
6 Month Net Transactions (43)

### Institutional Ownership

It's worthwhile to know what institutions are doing simply because their stock positions can be so large. In the short term, stocks will perform well if institutions are buying and perform poorly if institutions are selling.

439 institutions own 78.4% of the 0.04 billion common shares outstanding. This is higher than the average institutional ownership of the Oil Well Services & Equipment Industry at 59.8%, and higher than the average of the S&P 500 as a whole which is 71.4%.

Net Change (3 month) 7.7%  
Net Purchases (3 month) 3.81 mil  
Shares Purchased (3 month) 10.14 mil  
Shares Sold (3 month) 6.33 mil

### Short Interest

A high or increasing short interest implies that many investors expect the stock price to decline. You can treat that as a warning. Or you can disagree with the crowd and buy stocks with high short interest in anticipation of a short squeeze (a rally that occurs when short sellers rush to buy a stock, fearing losses they might incur if they wait too long). Prospects for a squeeze are indicated by high readings in the "Days to Cover" column (which tells how many days it would take for all short interest positions to be covered if recent trading volume levels persist). The risk: The bears may be right. So research other aspects of the company.

| Month       | Shares    | % Outstanding | Percent of Float | Days to Cover |
|-------------|-----------|---------------|------------------|---------------|
| August 2007 | 3,107,000 | 7.68          | 11.30            | 4.27          |
| July        | 2,969,000 | 7.34          | 10.80            | 6.17          |
| June        | 2,868,000 | 7.09          | 10.43            | 5.85          |
| May         | 2,756,000 | 6.82          | 10.02            | 3.36          |

## Stock Price Rationale

Determine if the stock price is justified by: growth-based value, comparative value, liquid assets, or dividends. The better the company, (in terms of growth or quality), the higher the valuation measures can be. And if valuation ratios are extremely low, double-check to see if the company appears excessively weak. In any case, you don't have to say yes to any valuation measure - many buy shares based on other factors (e.g., growth). But if you do that, at least understand what you're doing and consider the risks.

## Viewing Things In Context

Many people erroneously work with valuation ratios calculated based on numbers that aren't truly representative of a company's underlying sustainable financial characteristics. Thus it's important to determine if today's sales and EPS are significantly depressed or elevated due to temporary factors such as business cycles. Higher ratios can be tolerated if sales and EPS are temporarily depressed. But if the company is experiencing unsustainable boom conditions, seek lower ratios. GAAP = Generally Accepted Accounting Principles.

| Fiscal Year Ending | 12/31/00 | 12/31/01 | 12/31/02 | 12/31/03 | 12/31/04 | 12/31/05 | 12/31/06 | 12/31/07E | 12/31/08E |
|--------------------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|
| Sales/Share        | \$4.68   | \$5.85   | \$6.22   | \$6.35   | \$6.38   | \$9.41   | \$10.97  | \$12.21   | \$14.19   |
| Price/Sales        | NA       | NA       | 1.40     | 1.30     | 1.90     | 2.76     | 3.18     | 3.97      | 3.42      |
| EPS (GAAP)         | \$0.32   | \$0.35   | \$0.25   | \$0.26   | \$0.36   | \$0.90   | \$2.15   | \$2.48    | \$3.04    |
| P/E (GAAP)         | NA       | NA       | 34.58    | 31.97    | 33.78    | 28.88    | 16.19    | 19.59     | 15.95     |
| EPS (Normalized)   | \$0.32   | \$0.35   | \$0.28   | \$0.29   | \$0.36   | \$0.90   | \$2.15   | \$2.48    | \$3.04    |
| P/E (Normalized)   | NA       | NA       | 31.31    | 28.86    | 33.78    | 28.88    | 16.19    | 19.59     | 15.95     |
| Dividend Yield (%) | NA       | NA       | 0.00     | 0.00     | 0.00     | 0.00     | 0.00     | 0.00      | 0.00      |

## Valuation Based On Growth

The faster a company grows, the higher its stock's P/E can be. Contrary to popular belief, PEG (P/E over Growth Rate) need not always be 1.00 or less. But all else being equal, lower is better (and 3.00 is usually too high). Try to favor company PEGs that are lower than industry and market PEGs. In all cases, watch for very high growth estimates. If overly optimistic projections get cut, PEG would wind up being higher. FY = Fiscal Year.

|                               | Price/EPS (Est.) for Current FY | Price/EPS (Est.) for Next FY | Long Term Growth Estimate | Next FY P/E over LT Growth |
|-------------------------------|---------------------------------|------------------------------|---------------------------|----------------------------|
| Dril-Quip, Inc.               | 19.59                           | 15.95                        | NA                        | NA                         |
| Oil Well Services & Equipment | 19.79                           | 14.87                        | 21.36                     | 0.83                       |
| S&P 500                       | 18.16                           | 15.71                        | 12.27                     | 1.41                       |

## Comparative Valuation Ratios

Valuation below industry or S&P 500 averages can be attractive - unless the company is materially worse in terms of quality growth prospects. Year-by-year trends in comparative valuations can give clues about company merit. Be especially on guard if comparative ratios are deteriorating over time. On the other hand, relatively low valuations that are moving toward the averages might indicate that the market is tuning in to heretofore under-appreciated company merit. FY = Fiscal Year, TTM = Trailing Twelve Months, \* = Most Recent Quarter.

### Dril-Quip, Inc.

|                    | Price/Earnings | Price/Sales | Price/Book | Price/Cash Flow | Price/Tang. Book | Price/Free Cash Flow |
|--------------------|----------------|-------------|------------|-----------------|------------------|----------------------|
| Trailing 12 Months | 20.50          | 4.19        | * 3.75     | 17.50           | * 3.75           | 25.28                |
| FY Ending 12/31/06 | 16.19          | 3.18        | 3.01       | 13.79           | 3.01             | 20.43                |
| FY Ending 12/31/05 | 28.88          | 2.76        | 3.04       | 20.45           | 3.04             | (25.12)              |
| FY Ending 12/31/04 | 33.78          | 1.90        | 1.94       | 17.38           | 1.94             | 50.91                |
| FY Ending 12/31/03 | 31.97          | 1.30        | 1.43       | 14.67           | 1.43             | 15.36                |

### Bar Chart Key

2003 TTM

### Oil Well Services & Equipment

|                    | Price/Earnings | Price/Sales | Price/Book | Price/Cash Flow | Price/Tang. Book | Price/Free Cash Flow |
|--------------------|----------------|-------------|------------|-----------------|------------------|----------------------|
| Trailing 12 Months | 19.69          | 4.00        | * 5.77     | 15.04           | * 8.90           | 41.32                |
| FY Ending 2006     | 15.45          | 2.96        | 3.97       | 11.13           | 6.69             | 16.30                |
| FY Ending 2005     | 27.83          | 3.99        | 4.20       | 17.19           | 6.61             | 50.45                |
| FY Ending 2004     | 40.90          | 3.23        | 3.50       | 16.88           | 5.85             | 74.12                |
| FY Ending 2003     | 47.08          | 2.56        | 3.14       | 15.97           | 6.24             | 33.59                |

### Bar Chart Key

2003 TTM

### S&P 500

|                    | Price/Earnings | Price/Sales | Price/Book | Price/Cash Flow | Price/Tang. Book | Price/Free Cash Flow |
|--------------------|----------------|-------------|------------|-----------------|------------------|----------------------|
| Trailing 12 Months | 19.89          | 2.81        | * 4.09     | 14.22           | * 8.00           | 34.03                |
| FY Ending 2006     | 20.11          | 2.79        | 3.76       | 13.61           | 4.97             | 27.67                |
| FY Ending 2005     | 23.66          | 3.18        | 4.33       | 16.06           | 5.77             | 21.88                |
| FY Ending 2004     | 25.51          | 3.40        | 4.11       | 16.41           | 5.77             | 24.65                |
| FY Ending 2003     | 29.89          | 3.49        | 4.17       | 19.14           | 5.70             | 27.89                |

### Bar Chart Key

2003 TTM

## Dividends

Dividend is the most classic basis for stock valuation, and high dividend yields are usually deemed preferable. Today, with many companies reinvesting profits back into the business, moderate low yields can be accepted if dividends grow rapidly. The main risk is that poor performance will cause the dividend to be cut or omitted. A very high payout ratio is one warning signal. Another is a yield that is very high relative to industry peers. TTM = Trailing Twelve Months.

|                            | DRQ  | Industry |
|----------------------------|------|----------|
| Current Dividend Yield     | NA   | 1.2%     |
| 5 Yr. Avg. Dividend Yield  | 0.0% | 0.9%     |
| 5 Yr. Dividend Growth Rate | NA   | (1.5)%   |
| TTM Payout Ratio           | 0.0% | 10.2%    |
| 5 Yr. Average Payout Ratio | 0.0% | 20.3%    |

## Liquid Assets

Get a general sense of the extent to which the stock price is offset by the presence of assets that can be converted to cash immediately or in the near future. Often, these ratios will not be meaningful. Most companies are valued as ongoing businesses, rather than liquidation/buyout prospects. If you're looking at an especially troubled company, be aware that seemingly liquid-asset windfalls can be dissipated by continuing operating losses and/or shutdown costs.

| Price to ...  | DRQ  | Industry |
|---|------|----------|
| General Working Capital<br>(current assets minus current liabilities) | 4.9  | 21.6     |
| Net Working Capital<br>(current assets minus all liabilities)         | 5.0  | 1.8      |
| Cash (& cash equivalents)   | 11.6 | 36.9     |
| Cash minus total debt   | 11.9 | (21.4)   |
| Cash minus all liabilities  | 33.0 | (8.5)    |

## Expectations And Credibility

In theory, stock prices are based on the "present value" of expected future company cash flows. Therefore, we try to obtain accurate estimates of future financial performance. But remember, these are just estimates. Since we cannot really know what will happen tomorrow, we evaluate estimates critically by seeking clues that help us distinguish between normal versus excessive degrees of uncertainty.

### Estimates In Context

Below are the present consensus revenue and EPS estimates. Notice whether analysts expect recent year-to-year growth trends to persist, or are forecasting sharp improvement or deterioration. The sharper the predicted change, the greater the level of uncertainty in the forecast. (GAAP = Generally Accepted Accounting Principles)

|                   | Revenue (\$mil) |          |          |          |            | GAAP Earnings Per Share (\$) |          |          |          |            |
|-------------------|-----------------|----------|----------|----------|------------|------------------------------|----------|----------|----------|------------|
|                   | Mar 31st        | Jun 30th | Sep 30th | Dec 31st | Year Total | Mar 31st                     | Jun 30th | Sep 30th | Dec 31st | Year Total |
| FY Ending 12/2004 | 53.4            | 52.9     | 58.2     | 57.1     | 221.6      | 0.07                         | 0.08     | 0.09     | 0.11     | 0.36       |
| FY Ending 12/2005 | 70.0            | 80.6     | 95.3     | 94.9     | 340.8      | 0.12                         | 0.19     | 0.27     | 0.32     | 0.90       |
| FY Ending 12/2006 | 98.2            | 108.5    | 117.8    | 118.3    | 442.7      | 0.44                         | 0.53     | 0.58     | 0.61     | 2.15       |
| FY Ending 12/2007 | 117.7           | 114.7    | 130.6 E  | 132.9 E  | 492.4 E    | 0.59                         | 0.59     | 0.63 E   | 0.67 E   | 2.48 E     |
| FY Ending 12/2008 | NA E            | NA E     | NA E     | NA E     | 572.4 E    | 0.69 E                       | 0.71 E   | 0.78 E   | 0.82 E   | 3.04 E     |

### Confidence In Estimates

The range of estimates can be measured by standard deviation. The narrower the range (the lower the standard deviation compared to the "mean" estimate) and/or the greater the number of analysts, the more definitive the expectations. Note, too, the extent to which company expectations are consistent with or diverge from those for industry and/or market.

| Long Term Growth Rate |                |               | Near Term Growth Rate |                |               |      |
|-----------------------|----------------|---------------|-----------------------|----------------|---------------|------|
| Mean                  | # of Estimates | Standard Dev. | Mean                  | # of Estimates | Standard Dev. |      |
| NA                    | NA             | NA            | DRQ                   | 16.8           | 7             | 1.33 |
| 21.4                  | 3              | 5.48          | Industry              | 23.9           | 10            | 6.82 |
| 12.3                  | 8              | 2.92          | S&P 500               | 9.6            | 14            | 6.02 |

### EPS Estimate Accuracy

Assess the extent to which analysts are accurate and have a handle on the earning trends by comparing Estimates to Actual figures (which may omit various charges/credits included in GAAP results). The Actual figures are the ones that are most comparable in accounting method to the Estimates. (GAAP = Generally Accepted Accounting Principles)

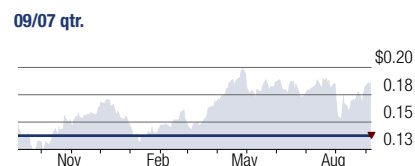
| Quarter    | Estimate | Actual | GAAP   |
|------------|----------|--------|--------|
| 06/07 qtr. | \$0.61   | \$0.59 | \$0.59 |
| 03/07 qtr. | \$0.61   | \$0.59 | \$0.59 |
| 12/06 qtr. | \$0.61   | \$0.61 | \$0.61 |
| 09/06 qtr. | \$0.53   | \$0.58 | \$0.58 |
| 06/06 qtr. | \$0.44   | \$0.50 | \$0.53 |

### Reasonableness

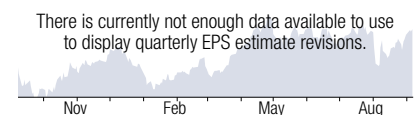
Look at the tables below to see if analysts are expecting the company to accomplish more than it has accomplished in the past. Such things can and do happen. But the stronger the predicted future (compared to the past), the greater the burden of proof on the part of those issuing the estimates.

| Annual Growth      | EPS (%) | Sales (%) | Quarterly Growth    | EPS (%) | Sales (%) |
|--------------------|---------|-----------|---------------------|---------|-----------|
| 5 year Estimate    | NA      | NA        | 12/07 qtr. Estimate | 9.8     | 12.3      |
| 2007 Estimate      | 14.9    | 11.2      | 09/07 qtr. Estimate | 7.9     | 10.9      |
| Last 5 years       | 43.7    | 16.9      | 06/07 qtr.          | 19.2    | 5.7       |
| Last 3 years       | 102.7   | 26.3      | 03/07 qtr.          | 35.6    | 19.8      |
| Last Year          | 139.5   | 29.9      | 12/06 qtr.          | 93.7    | 24.7      |
| Trailing 12 Months | 52.6    | 18.0      | 09/06 qtr.          | 114.8   | NA        |

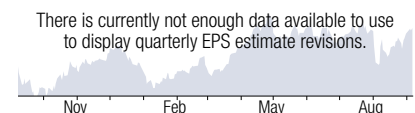
### Quarterly EPS Estimate Revisions



12/07 qtr.



03/08 qtr.



### Analyst Recommendation Trends

Difference of opinion is normal, so don't demand unanimity. Look for ratings clusters in a part of the best-to-worst scale and at Mean Rating scores. Also important is whether analyst sentiment is improving or declining over time.

|                    | Buy (Value 1) | Outperform (Value 2) | Hold (Value 3) | Underperform (Value 4) | Sell (Value 5) | Mean Rating |
|--------------------|---------------|----------------------|----------------|------------------------|----------------|-------------|
| As of 9/6/07       | 2             | 2                    | 4              | 0                      | 0              | 2.25        |
| As of 4 Weeks ago  | 1             | 2                    | 4              | 0                      | 0              | 2.43        |
| As of 8 Weeks ago  | 0             | 2                    | 5              | 0                      | 0              | 2.71        |
| As of 12 Weeks ago | 0             | 1                    | 5              | 0                      | 0              | 2.83        |

### Bar Chart Key

12 Wks ago 9/6

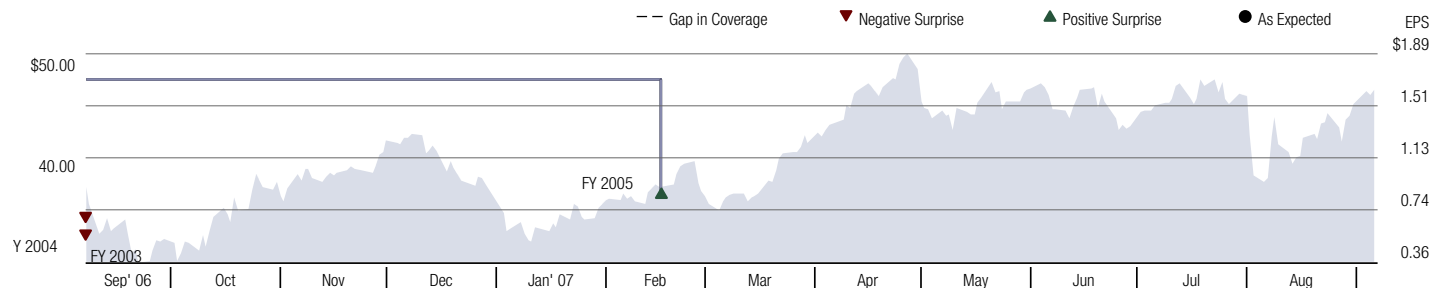


### Mean Rating

1.00 = Best  
5.00 = Worst

### Annual EPS Estimate Revisions

Since estimates address an unknowable future, revision (often prompted by company guidance) is to be expected. Investors are usually happy when analysts are scrambling to chase reality upward. So increases in estimates tend to spark strong share price performance. The reverse is usually true when estimates are falling.



## Footprints of Success

In many respects, business success requires subjective judgment. However, over time, good companies tend to leave good footprints, which become most visible when company data is compared to industry/sector/market benchmarks. That's how you see when companies perform well, not just because a rising business tide lifts all boats, but because the company is doing unique, good things. Look, too, at time-series comparisons, and take note of companies that are improving faster or suffering less than peers.

### Growth Rates (%)

Investors are accustomed to looking at EPS growth. Check sales growth, too. EPS gains can't persist indefinitely without good sales growth. Do further investigation if sales trends are falling short. (A big short fall might reflect a divestiture. On the other hand, if sales growth looks too good, check to see if it's being boosted by an acquisition.) Also, compare sales growth to capital spending growth. Over a prolonged period, it's reasonable to expect capital spending growth to more or less keep pace with sales growth. If the latter is significantly higher, capital spending may have to accelerate in the next few years.

| % Growth Rate                            | DRQ   | Industry | Sector | S&P 500 | Company Rank in Industry | DRQ vs. Industry | DRQ vs. Sector | DRQ vs. S&P 500 |
|--|-------|----------|--------|---------|--------------------------|------------------|----------------|-----------------|
| Sales Growth For Most Recent Quarter     | 5.7   | 26.3     | 12.7   | 14.2    | 24                       |                  |                |                 |
| Sales Growth For Trailing 12 Months      | 18.0  | 30.9     | 7.3    | 14.4    | 39                       |                  |                |                 |
| Sales Growth For Past 5 Years            | 16.9  | 16.4     | 21.3   | 13.7    | 45                       |                  |                |                 |
| Capital Spending Growth for Past 5 Years | (0.7) | 18.7     | 19.6   | 8.3     | 21                       |                  |                |                 |
| EPS Growth for Most Recent Quarter       | 11.3  | 40.7     | 9.8    | 14.3    | 47                       |                  |                |                 |
| EPS Growth for Trailing Twelve Months    | 52.6  | 66.8     | 19.7   | 19.4    | 47                       |                  |                |                 |
| EPS Growth for Past 5 Years              | 43.7  | 34.5     | 32.9   | 23.1    | 86                       |                  |                |                 |

Worst Best  = Co. underperforming  = Co. outperforming

### Company Quality

Some companies excel in obtaining high margins (watch out for very low tax rates, which may reflect special benefits that often won't persist indefinitely) while others are highly efficient. Still others are strong in both respects. These trade-offs are balanced in the Management Effectiveness returns, which combine both factors. TTM = Trailing Twelve Months.

| Profitability Ratios (%)                      | DRQ       | Industry  | Sector      | S&P 500   | Company Rank in Industry | DRQ vs. Industry | DRQ vs. Sector | DRQ vs. S&P 500 |
|---|-----------|-----------|-------------|-----------|--------------------------|------------------|----------------|-----------------|
| Gross Margin for Trailing Twelve Month        | 42.8      | 38.1      | 36.2        | 44.9      | 86                       |                  |                |                 |
| Gross Margin for Past 5 Years                 | 33.7      | 27.9      | 32.2        | 44.0      | 48                       |                  |                |                 |
| Operating Margin for Trailing Twelve Months   | 28.3      | 27.8      | 22.5        | 19.6      | 69                       |                  |                |                 |
| Operating Margin for Past 5 Years             | 15.2      | 12.7      | 16.0        | 19.2      | 59                       |                  |                |                 |
| EBITD Margin for Trailing Twelve Month        | 31.6      | 34.2      | 30.4        | 23.1      | 59                       |                  |                |                 |
| EBITD Margin for Past 5 Years                 | 19.5      | 22.7      | 24.8        | 21.3      | 47                       |                  |                |                 |
| Pretax Margin for Trailing Twelve Months      | 29.6      | 24.5      | 20.3        | 18.5      | 75                       |                  |                |                 |
| Pretax Margin for Past 5 Years                | 15.0      | 11.5      | 14.9        | 18.0      | 63                       |                  |                |                 |
| Net Margin for Trailing Twelve Months         | 20.6      | 20.9      | 14.3        | 13.6      | 73                       |                  |                |                 |
| Net Margin for Past 5 Years                   | 10.4      | 8.1       | 9.6         | 12.4      | 64                       |                  |                |                 |
| Effective Tax Rate for Trailing Twelve Months | 30.4      | 24.9      | 36.0        | 29.8      | 42                       |                  |                |                 |
| Effective Tax Rate for Past 5 Years           | 30.7      | 27.6      | 35.2        | 30.8      | 51                       |                  |                |                 |
| Efficiency Ratios (TTM)                       | DRQ       | Industry  | Sector      | S&P 500   | Company Rank in Industry | DRQ vs. Industry | DRQ vs. Sector | DRQ vs. S&P 500 |
| Asset Turnover                                | 0.8       | 0.9       | 1.2         | 1.0       | 53                       |                  |                |                 |
| Receivables Turnover                          | 3.5       | 5.1       | 9.9         | 10.3      | 12                       |                  |                |                 |
| Inventory Turnover                            | 1.6       | 12.0      | 18.8        | 12.1      | 7                        |                  |                |                 |
| Revenue/Employee                              | \$273,948 | \$444,115 | \$2,903,356 | \$909,439 | 40                       |                  |                |                 |
| Net Income/Employee                           | \$56,409  | \$80,701  | \$340,311   | \$113,953 | 59                       |                  |                |                 |
| Management Effectiveness Ratios (%)           | DRQ       | Industry  | Sector      | S&P 500   | Company Rank in Industry | DRQ vs. Industry | DRQ vs. Sector | DRQ vs. S&P 500 |
| Return on Assets for TTM                      | 17.2      | 15.6      | 13.6        | 8.4       | 77                       |                  |                |                 |
| Return on Assets for Past 5 Years             | 8.7       | 6.4       | 9.4         | 7.1       | 77                       |                  |                |                 |
| Return on Investment for TTM                  | 20.8      | 20.4      | 17.4        | 12.4      | 75                       |                  |                |                 |
| Return on Investment for Past 5 Years         | 10.5      | 8.3       | 11.9        | 10.6      | 76                       |                  |                |                 |
| Return on Equity for TTM                      | 21.2      | 29.4      | 26.9        | 21.4      | 54                       |                  |                |                 |
| Return on Equity for Past 5 Years             | 12.0      | 13.8      | 20.0        | 18.5      | 52                       |                  |                |                 |

Worst Best  = Co. underperforming  = Co. outperforming

### Financial Strength

Quick Ratio (cash and marketable securities divided by current liabilities) and Current Ratio (all current assets divided by current liabilities) give a sense of how readily the company could cover current obligations if the sales were to stop. Higher ratios indicate greater liquidity. Different businesses have different cash inflow-outflow characteristics, so compare companies to industry averages. Similar comparisons are relevant for debt ratios (higher ratios indicate more debt and, hence, more financial risk) and interest coverage (lower numbers signify greater risk).

|                          | DRQ | Industry | Sector | S&P 500 | Company Rank in Industry | DRQ vs. Industry | DRQ vs. Sector | DRQ vs. S&P 500 |
|--------------------------|-----|----------|--------|---------|--------------------------|------------------|----------------|-----------------|
| Quick Ratio              | 3.3 | 1.6      | 1.1    | 1.3     | 85                       |                  |                |                 |
| Current Ratio            | 5.0 | 2.3      | 1.6    | 1.8     | 93                       |                  |                |                 |
| Total Debt to Equity     | 0.6 | 43.8     | 37.8   | 78.5    | 85                       |                  |                |                 |
| Long Term Debt to Equity | 0.5 | 38.7     | 34.2   | 59.9    | 78                       |                  |                |                 |
| Interest Coverage        | NA  | 24.2     | 18.5   | 13.2    | 98                       |                  |                |                 |

Worst Best  = Co. underperforming  = Co. outperforming