Drilling Tools International – ROC Energy Acquisition Analyst & Investment Day Transcript

April 18, 2023

Moderator:
Good morning and welcome to Drilling Tools International's Analyst and Investor Day.

Before we begin, we would like to remind everyone that today's session will be recorded and a replay will be available for playback on the Drilling Tools International investor relations website.

The presentation and discussion today are subject to a number of disclaimers and risk factors, as they relate to the proposed business combination and U.S. securities laws.

For more information regarding these disclaimers and potential risks, we refer those in attendance to the first several pages of the accompanying presentation, which is available on the Drilling Tools website at drillingtools.com/investors.

For those who are unaware, Drilling Tools International, or DTI as it is commonly referred to, is an oilfield services company that manufactures and provides a differentiated, rental-focused offering of tools for use in horizontal and directional drilling.

On February 14, 2023, DTI and ROC Energy Acquisition announced an agreement for a business combination, which is expected to result in DTI, becoming a public company listed on the Nasdaq Stock Exchange under the new ticker symbol "DTI" in the second quarter of 2023, subject to customary closing conditions.

The presentation will begin today with an overview of the company's business and the markets, followed by the value proposition that drives its financials. The formal presentation will be followed by a live question and answer session.

As we go through our presentation, we encourage you to share your questions via the live chat found at the bottom of your screen.

Today's presenters are Wayne Prejean, CEO of DTI, David Johnson, CFO of DTI, and Daniel Kimes, CEO of ROC Energy Acquisition Corp.

With that I will turn the call over to Daniel to start us off.

Daniel Kimes, CEO of ROC Energy Acquisition Corp.

[Slide 6]
Thank you. And thanks to everyone for joining the Drilling Tools International Analyst & Investor Day.

As mentioned, I am Daniel Kimes. I serve as a Partner and Managing Director at Arch Energy Partners, the energy investing platform of Fifth Partners. Fifth Partners started ROC Energy Acquisition Corp., where I am the CEO, in 2021. Prior to launching ROC, we identified a number of subsectors in the traditional energy industry that would benefit from a public market listing, and we built the management team and the Board of Directors, all of whom have deep traditional energy and/or public market experience to take

advantage of those market dynamics. Importantly, we also structured ROC quite a bit differently to make it compatible with the target industry. We intentionally did not include warrants in our structure, which are common in most SPACs, and instead we have rights. That served three purposes, all of which help trading dynamics:

One - It eliminates warrant overhang, which can hurt a stock's trading performance, especially for traditional energy companies, or any company that does not have tech style growth rates.
Two - It eliminates the friction warrants cause if a dividend is introduced. And,
Three - It adds 2mm shares to public float day 1 given the rights automatically exercise into common shares at business combination closing.

[Slide 7]
With that structure set, we conducted a very thorough search, meeting over 50 companies, and did extensive work on approximately 6 of them. It was a very diligent process, and it allowed us to compare a number of very attractive traditional energy businesses to each other. To us, DTI was by far the most compelling business in potentially the most attractive part of the energy value chain as we look out over the next decade.

There were really 5 important, key attributes that made DTI stand out immediately as a compelling, differentiated story:

- One, DTI is an established company, founded in 1984, that provides well-known products and services to the oil & gas industry. It also has an impressive, longstanding earnings and profitability track record.

- Two, the company is led by oil and gas industry veterans with experience that spans decades and numerous industry cycles. Oilfield services is an industry where experience and relationships matter, so the strength of its management team really stood out to us. Wayne and David who are on the call today have been working together at DTI since 2013, during which time they have transformed the company from a market participant to a market leader, growing successfully both organically and inorganically. To underline that point, since Wayne and David joined, the company has been EBITDA positive every single year during the last ten years, including 2020. In fact, they used any downturn to take market share and strengthen the business.

- Third, another attribute that was unique to DTI was its ability to meet its blue-chip customer base's needs through its global service reach and large fleet of tools. DTI has an extensive footprint with operations in 22 locations across North America, Europe and the Middle East, including unparalleled modern manufacturing and repair facilities which ensures product quality and tool lifespan and utilization. The scale of DTI's geographic reach enables the company to efficiently deploy its fleet of more than 65,000 tools, which includes downhole drilling tools for horizontal and directional drilling, tubular goods such as drill pipe and tubing, surface control equipment, and downhole tools for producing wells.

- Fourth, the DTI team has built and implemented sophisticated processes and information technology tools. For example, DTI has a proprietary order management system called COMPASS, which allows customers to efficiently fulfill orders online, place repeat orders, obtain updates on orders, and access customized automated scheduling reports. Importantly, the COMPASS system

offers DTI deep insight into their asset base, down to the individual tools level, helping drive fleet utilization. That insight allows managers to quickly identify any trends, such as changes to consumer preferences or changes in tool performance and utilization, which allows the experienced DTI team to proactively manage the business versus being reactive, like so many other oilfield service companies. Said simply, COMPASS supports the company's performance and helps to ensure it is growing profitably.

- Fifth: it was noteworthy to us that an affiliate of Hicks Equity Partners has been the majority owner of DTI since 2012 and they were desiring to roll 100% of their common equity into the deal, which they indeed are doing and signals very strong alignment with the public shareholders. Hicks Equity Partners is the family office of Tom Hicks who, as some of you may know, is a very seasoned and successful private equity investor who has been investing in the energy industry for over 40 years. Importantly, as a family office, the Hicks family is not constrained by fund life issues. Lastly, Fifth Partner's and the ROC Board have multiple touch points at Hicks, including individuals or family members at ROC that have worked directly with Tom Hicks and his investment staff. That added layer of familiarity provided confidence that we would benefit from a strong working relationship.

The question was obviously posed as we met and vetted DTI: why go public if you are doing so well as a private company?

The answer is that a consolidation opportunity exists in the sector given how highly fragmented the industry is. There are lot of high-quality, privately owned and private equity sponsored companies who are needing to find exits. Many of these companies are either too small to be meaningful or even on the radar of the majors, or too large to be sold to other bidders for cash.

The DTI management team believes the company is strategically positioned to be a leader in consolidating their segment and expanding into new products given DTI's previously mentioned business and asset management sophistication and impressive asset footprint. And we agree with their conclusion. DTI has a proven acquisition history, with the successful execution and integration of the operations of acquisitions since 2013, which helped grow the company's annual revenue base from $25 million in 2012 to $130 million in 2022; and this market activity has provided the DTI team with valuable insight into the opportunity set which exists today.

Switching to the macro, our outlook for energy prices is constructive. Demand trends remain robust, as oil prices recently hit a new peak, and projections from agencies such as the EIA have oil demand continuing to grow through 2050. On the gas side, a step-function increase in demand is set to arrive in 2025 and 2026 as in-process LNG plants come on line. The drilling intensity needed to support such growth in oil and gas will naturally need to increase, especially as we emerge from a historically light global capex cycle and as shale productivity has started to decline as well.

DTI has been carefully and deliberately preparing to go public for the last 2 years. There is no need to transact at this time. The team is simply seeking to utilize its public currency in order to take advantage of favorable market conditions for OFS consolidation.

[Slide 8]

With the successful execution of a business combination with ROC, DTI will be positioned to achieve its goals. The business combination implies a combined pro forma enterprise value of approximately $319 million, which equates to 5.5x projected 2023 adjusted EBITDA of $58 million and 7.8x estimated 2022 EBITDA of $41 million, an attractive entry point multiple for investors.

The transaction is expected to provide net cash proceeds of up to approximately $217 million, including approximately $209 million of cash from ROC's trust account, before the impact of potential redemptions, and a $45mm targeted PIPE raise, of which we have $17 million of PIPE subscriptions to date. The PIPE includes meaningful participation by Fifth Partners, an affiliate of ROC's sponsor, and Hicks Equity Partners and other existing DTI shareholders will reinvest over 100% of their common equity holdings into the combined company for maximum cash on balance sheet.

To summarize, the transaction is expected to close in the second quarter of 2023, with DTI benefitting from a strong balance sheet, a robust cash position and no warrant over-hang. The company is already excelling with approximately 35% EBITDA margins that translates nicely into significant free cash flow.

Wayne and the team have already identified a number of growth opportunities it is ready to transact on. We believe in the assets and management team and ROC knows the Hicks team very well, which provides a lot of confidence in our being able to get this transaction across the finish line.

And with that, send it over to Wayne.

Wayne Prejean, CEO of Drilling Tools International

[Slide 9]

Thank you, Daniel. …Can everybody hear me ok? Good.

My name is Wayne Prejean and I am the CEO of Drilling Tools International. I joined DTI in 2013.

Prior to joining DTI, I accumulated 33 years of experience in the oilfield services industry working for various firms primarily focused on directional and horizontal drilling services. During those years, I worked for and managed business units domestically and internationally in roles ranging from field operations to executive leadership. My senior management roles were with public companies and I am very familiar with the strategic, financial and fiduciary responsibilities that are associated with public entities. I am also well versed in the merger and acquisition process as well as the post-closing integration of the business.

During the last decade prior to joining DTI, I also owned, operated, and was invested in several oilfield service businesses which were sold to other OFS companies. I have now led DTI for almost 10 years. My bio and CV details are available on our website and on LinkedIn if anyone wishes to dive into the details. I have been in this business for over 43 years and still have a passion for it. We are very excited about DTI as a public company and I am proud to be a part of its past, present, and future.

So, enough about me, let's get into the presentation.

[Slide 10]

Our industry is a cyclical business by nature, and as such, we must understand how to manage those cycles.

I personally have experienced numerous cycles over 4 decades. DTI and this management team have successfully navigated two cycles over the last 10 years, and we firmly believe we are at the beginning of a multi-year bull cycle post-pandemic. We still believe oil will remain reasonably strong and natural gas will recover from its current supply demand imbalance.

There has been some marginal softening in the market given the macro economic environment lately, but there is still support for oil throughout the rest of the year, especially given OPEC's recent production cut. In our view, oil prices would have to get below $55 for a sustained period before we'd see a major decline in rig activity.

Experience teaches us to be diligent in our capital allocation process. We continue to exercise capital discipline throughout every business cycle because we play the "long game" and resist the urge to overreact to industry ups and downs. The execution of these strategies has resulted in DTI growing larger and more profitable after each cycle.

In fact, based upon our market outlook, strength of our customer base, and our 1st quarter unaudited results, we are confident reporting we remain solidly on track to achieve the financial guidance we previously provided for 2023, which you can see shown here in slide [eleven].

With the industry outlook and guidance in mind, let's dive deeper into the company, beginning with an overview of who we are. DTI is not a new company. Myself and David Johnson, our CFO, along with our management team and support from the Hicks organization, are proud of our progress over the past decade. We grew revenues from $25 million in 2012 to over $130 million in 2022 and grew the enterprise value to over $300 million as of the transaction filing.

As Daniel mentioned, we maintain a fleet of over 65,000 rental tools and drilling equipment. We have a broad customer footprint, reliable manufacturing, and service capabilities across all major basins in North America. In addition, we continue to build out our international operations in Europe and the Middle East to take advantage of those growth opportunities.

Throughout this process we are asked regularly, "Why do the customers rent tools instead of buying the tools themselves". The short answer is, the E&P and oilfield service companies are better served focusing on their core competencies, for a whole host of reasons shown here in slide [13]. Managing rental equipment and maintaining a comprehensive fleet of tools across a company's operational footprint requires capital discipline and effective utilization. Many of the tools are designed for specific drilling environments and regions, especially where highly specialized equipment is required. And in many cases today, the tools are proprietary.

By renting the tools, these companies remove the cost and invested capital needed to track, transport, store, repair and maintain a vast array of equipment, not to mention the need to allocate charges to working interest partners, and the disputes that could potentially arise over costs, or damaged equipment.

By contrast, rental tool companies enjoy the benefit of focused expertise in providing these tools at affordable rates to the customer with an investable return on capital not achieved by customers owning their own equipment. As the industry has continued to evolve in the last 10-15 years, the decision to rent tools continues to be the industry norm. It has been this way for many years and we don't expect it to change.

Again, capital discipline, efficiency and execution matter.

[Slide 14]

Moving to slide [fifteen], here, we want to show the audience an example of some of the tools we supply in a drill string, and how one job can require a large array of tools. At the top you will see that DTI offers blow-out preventer equipment, cross over subs, Drill Pipe, heavy-wate drill pipe, drill collars, the patented Drill N Ream specialty tool, our new and patented RotoSteer tool and below that, Non-Magnetic Collars, Stabilizers and subs.

The key takeaway is we have an extensive inventory of tools, some of which are proprietary, which allows us to meet a wide array of customer needs across all of our geographic regions. This comprehensive offering is one of the reasons we are a market leader in downhole tool rentals.

[Slide 15]

Here we show additional details about our product and service offering and how we are organized into business segments.

On the left, our largest business segment, which contributed 60% of our revenues in 2022, was Directional Tool Rentals. This is the original core business acquired by Hicks and is described as 'bottom hole assembly' components. Sometimes the E&P operators will rent these tools directly from us, but in most cases, these tools are supplied to customers such as SLB, Baker, Halliburton, Phoenix Energy Services, and other service providers who in turn supply these tools along with their full service offering to E&P operators. Our competitive advantage is our scale, quality, service, and ability to customize products to suit our customers unique drilling tool offerings to their customers.

Our next largest segment, which contributed 20% of revenues in 2022, is our Wellbore Optimization Tools group. This division provides specialty tools such as the patented Drill-N-Ream wellbore conditioning tool, the patented RotoSteer, it is a rotational steering tool, and our new patented Safe Drill Float valve system.

Our third rental segment is our Premium Tools division that contributed 18% of revenues last year. Our Premium Tool team supplies primarily drill pipe and tubing rentals across the United States and supplies major operators with mission critical tubular products.

Our fourth division is our "Other Products and Services'. This division offers things such as our inspection services, tech support, engineering, research, and emerging product development. This is an important support component of our business. So, as you can see, we have a highly competitive and differentiated offering, spread throughout North America, which enables us to serve the most demanding blue-chip E&P operators and oilfield service companies.

[Slide 16]

Slide 16. Since beginning the go-public process with ROC, we have had many surprised responses with people wondering 'How have I never heard of DTI before?' The short answer is, up until the last few years, we did very little brand or public advertising. Our clients are the E&P and OFS companies and since we are private, we sell direct to those clients.

The original company, Directional Rentals, was founded in 1984, privately owned by the founder, and operated for 28 years in Louisiana and Texas until acquired by the Hicks group in 2012. The company rebranded to Drilling Tools International in early 2014. Our customers know us well and we continue to focus on brand awareness directly to our clients. We have launched a broader branding campaign in recent months to bring public awareness to the DTI brand.

We have arrived here today by design and by executing on a deliberate plan of steady growth, consistent capital discipline, and building a company that is equipped to survive throughout the business cycle. And we have successfully weathered two downturns and come out stronger each time.

Today we continue to execute on that same strategy of continuous improvement of a resilient and sustainable enterprise, with rentals of various tools across multiple geographic markets, being mindful to not become beholden to a particular client, singular product or service, particular rig area or concentration. This has been achieved by acquiring products and companies which helped to further build our base of business and establish DTI as a major player in the industry.

[Slide 17]

To take a moment to further discuss DTI's acquisitions, after Hicks bought Directional Rentals, the first acquisition made was the purchase of Schlumberger's North American fleet of Bottom Hole Assembly Components. David and I joined the company in concert with that transaction and shortly after rebranded the company Drilling Tools International.

To provide some background on that acquisition, in 2010, SLB, known as Schlumberger at that time, acquired Smith International, and as a result inherited Smith's "PathFinder Directional Drilling Services Group". Pathfinder owned a large inventory of internally managed down hole tools in the directional tool rental category to support their directional services offering.

After the acquisition in 2010, SLB soon recognized these assets had poor utilization and senior management decided they wanted to exit that product line. SLB has consistently maintained the number one Directional Services provider in all of North America. Having the SLB supply contract is a big win but also a big commitment.

Via experienced business relationships between DTI and SLB personnel, a deal was negotiated where SLB sold those assets to DTI and reciprocated with a four-year first call rental agreement. That was in 2013. We are still SLB's number one supplier today. The SLB deal in 2013 helped transform DTI from a local independent supplier to a major market player in the Directional Tool Rental category. Our management

team expanded that SLB deal into first call positions with Baker Hughes, Phoenix, and other major OFS companies.

Then in 2014, in order to expand our offshore capacity, we bought a gulf coast supplier of rental tools, Reamco, Incorporated, which was based out of Lafayette, LA. Today we are proud to report that we enjoy a leading market participation rate for directional tool rentals in the offshore Gulf of Mexico.

In an effort to broaden our rental product offering, during 2018, we acquired Premium Tools, a drill pipe and tubing rentals business. We were able to leverage our existing distribution footprint, and this division grew into a significant contributor to our success. We began with an acquired fleet of pipe and only 3-5 jobs. Today, we maintain a 25 – 30 rig job count and growing.

In 2018 we bought a small regional supplier of directional tools called RIK Incorporated. This was a privately-owned rental tool company, whereas the transaction was a monetization sale for the owner. This was mostly comprised of directional tools, which we were able to integrate right into our organization and expand our customer base.

[Slide 18]

Here is a geographic picture of our operations. We believe "scale matters". In order to supply major operators and oilfield service companies effectively across this landscape, our customers want to know we are located nearby and that we have repair and support capabilities in all these places.

This ability enables us to supply our biggest clients everywhere they're operating with confidence they are able to obtain consistent quality of service, pricing, delivery and have reasonable expectations no matter where they operate. This is a very important and significant differentiator.

[Slide 19]

The Permian Basin. The Permian Basin is a prolific area of activity with approximately 356 rigs drilling as of this week. Our market tracker reports indicate we consistently supply approximately 60% of those rigs with some or most of their directional tool needs. We also have a competitive position with our other business lines as well.

We have four facilities and associated infrastructure in place to support the long-term value opportunities in the Permian. We are very competitive and continue to grow our business in this important region.

[Slide 20]

Our manufacturing headquarters are located in Lafayette, Louisiana. This facility has a dual function. It is our primary manufacturing center but also the support base for offshore Gulf of Mexico operations. All new tool orders for tools are processed through our team in this facility and prioritized accordingly. We also maintain some manufacturing capability in Canada and these two facilities work together to supply tools across North America.

Our manufacturing capabilities provide DTI with the ability to control the delivery, timing, cost, and the quality of most everything that we do. We operate with the goal of running at a 100% utilization within our facility, then use qualified third parties to meet any surge in demand. This approach allows us to optimize our operations while meeting the ebb and flow of industry.

[Slide 21]

An exciting differentiator in recent years has been the development of our very own Amazon style "order management system," which we call COMPASS. It is an online customer order management system.

This is the hub through which all of our customer orders are managed. Our Customer Service Representatives use COMPASS to handle orders, ensure required specifications are met, and it provides clear pricing information. It is easy to use with an Amazon feel. Our customers are able to log-in and order the tools and services they need. It is quite impressive, with pictures, illustrations and helpful graphics, so that customers can see the attributes of what they are ordering. And it is very user friendly, with the ability to even order tools and monitor active orders from a smart phone.

In addition, COMPASS provides valuable information internally. Using COMPASS, we are able to efficiently track every asset, from raw material to end of life, - for every rental, every touch, every workflow, every repair, every run, every process. COMPASS helps us run our business more efficiently, verify quality assurance, and make sound capital decisions. We are able to analyze data in real-time and this is a major competitive advantage.

[Video to played but audio failed, cutting in and out] Wayne speaking: "…simple. …here is a float valve, subs stabilizers, collars, valves. This is a typical example of an order. …check out, and then someone entering the order could enter minimum specifications involved… We are getting to the finish line here. Now we will go on and select the customer and so on…so… Well that was a good example of our COMPASS system. Thank you."

[SLIDE 22]

Moving onto the next slide I think this is twenty-two. ESG efforts today are integral to the industry and to DTI's success. We are committed to environmental stewardship, to maintaining a strong safety program, and have a solid governance process which we have utilized throughout our time as a private company, and which has helped to prepare us for life as a public company.

We have stringent internal controls and programs which we monitor closely to ensure all of our facilities meet all the proper environmental standards. We actively participate in providing tools for geothermal well drilling, carbon capture, and storage activities. And we continue to look for ways to improve our contribution to a reduced carbon emission future.

[SLIDE 23]

Our next slide is a snapshot of the scale of revenue for each product category, their key features and products, as well as some perspective on how these business units have grown and are expected to contribute to growth through 2023.

[SLIDE 24]

On slide 24, this is an overview of our Directional Tool Rentals group, which is our largest segment. These tools are rented to the Directional Drilling Service providers and in some cases, directly to the E&P Operator. These are snapshots of our various tools including stabilizers, subs, drill collars, roller reamers, etc. This division stocks thousands of tools, with dozens of variations in size, specifications, geometries, diameters, and connections.

DTR is our high touch business, meaning these tools cycle in and out of our shops after each job and must be thoroughly inspected and serviced before embarking on the next well. We are implementing some proprietary products in this division and are also expanding internationally with this product group.

[SLIDE 25]

Our next category is our Well Bore Optimization Tools segment is marketed and it is marketed and sold directly to the E & P Operator customer base. These include the Drill-N-Ream and RotoSteer product lines, which are unique. This division has a specialized group of field sales and service professionals who provide rig site visits and customer service as needed to enable consistent product performance and customer satisfaction. This segment is expected to generate about $26-$30 million in revenues this year.

The new RotoSteer product is expected to be a major contributor in this segment by year end and we are highly confident it will exceed our forecast in this category in the near future. We are currently conservative in our forecast as experience teaches us new products don't always scale in a linear fashion.

I am highly confident this product will make a significant contribution to our near-term growth story and early indications are it's an industry game changer for the US market.

[SLIDE 26]

The Premium Tools segment provides a wide offering of tubulars for drilling, workover and completions, as well as blowout preventers, pressure control accessories and an expansive offering of related handling tools. This segment is expected to generate over $30 million in 2023 and is also one of our target divisions for continued growth in North America.

[SLIDE 27]

And our "Other Products and Services division includes product sales and a few specialty items which are a smaller piece of the business, with an estimated $5 million in revenue expected this year. Our Inspection Services Division operates within this group and is an important division as it provides critical inspection and quality support for our 3 primary rental tool operating groups.

[SLIDE 28]

DTI has an enviable customer base. We are proud of the transformation our company has undergone over the last decade becoming a market leader in the industry today.

We focus our primary business on customers with strong balance sheets and blue-chip names. And we are able to attract a quality customer base because we maintain a strict focus on having the best commercial teams in place to ensure service quality.

We also pursue working with smaller independent E & P Operators who have strong financial operating metrics and are aligned with our objectives on valuing quality and service.

[SLIDE 29]

Our sales organization covers every major basin in the U.S., as well as attractive international markets where DTI seeks to continue to expand in the future.

Our people frequently interact with customers in various locations at the field level, corporate office procurement, engineering departments, and across multiple layers of management. Their extra attention and efforts create stickiness with our customers, and it also provides DTI with a long-term understanding of customer needs. We are very proud of our sales team and the value they deliver.

[SLIDE 30]

Turning now to where we as a company are planning to expand during our next phase of development, and our reason for our approach to this transaction. We believe we have identified a substantial pipeline of growth opportunities within in our core competency.

The primary reason for the transaction with ROC energy is we believe there are numerous quality assets out there that need a home to consolidate. We believe the industry is primed for our consolidation strategy.

It is difficult for many rental tool companies to consolidate without the appropriate capital or public currency. We believe that by completing the merger with ROC Energy, we can pursue rewarding growth opportunities via strategic and creative acquisitions. These would include technology, competitive assets, and some market expansions in places such as the Middle East.

To be clear, we have targets identified and have conducted some preliminary market due diligence. We also have a proven record of deploying capital in a disciplined manner and will only execute transactions that make sense. We have an incredible team of people, an incredible asset base, and, DTI has been profitable every year since 2010.

In this environment, DTI will be well positioned when competing for assets. After closing the ROC transaction, we will have cash on the balance sheet, public currency with our common stock, low or zero debt leverage, and will have an undrawn credit facility to utilize should we need to. Recent market movements indicate we will have even more targets available for us to pursue.

[SLIDE 31]

Now before I turn the call over to my colleague, David, I want to take a moment to acknowledge our team. I have always believed experience matters. You don't build a great company and then hire great people. You have to start with great people. And we have some fine folks working for our organization.

We have talented, experienced people working for us that care passionately about what we do, and some of them are shown here. Our team is invested in the company's culture. They are also invested emotionally, and financially. Furthermore, we have a talented and dedicated team of managers, directors and skilled employees at every level who believe in our mission to be the best and are ready to take DTI to the next level.

[Slide 32]

Thank you. I'll now turn the call over to David Johnson to discuss the financial overview.

David Johnson, CFO of Drilling Tools International

Thank you, Wayne.

My name is David Johnson. I joined the Company in 2013 when Wayne invited me to serve on the leadership team as Chief Financial Officer.

With an extensive background in executive financial and accounting roles within the oilfield services space, my experience includes implementing business systems, building administrative and financial infrastructure, and cultivating teams capable of supporting the commercial success of an enterprise. A track record of ensuring the successful integration of various organic growth and M&A strategies, including international expansion, has been and continues to be a passion of mine.

With my prior experience on the OFS customer side of the table, I am very familiar with the importance of the tool rental business model. The tool rental model plays a valuable role in providing our customers with the availability of tools across North America that meet a broad range of configuration requirements and are essential to the success of their drilling programs. Having access to rent these bottom hole assembly components when and where needed allows our customers to focus on their core technologies and invest in their proprietary assets.

I am proud to be a member of this talented DTI team as we work together to grow an enterprise that provides best-in-class support for our customers and provides increased value to shareholders.

[SLIDE 33]

On slide 33, one of the first things we like to highlight is that even during the global pandemic, we stayed positive on a margin and free cash flow basis. This demonstrates a key point which is that this business is scalable, with the ability to ramp up or down in response to the market. The ability to scale the business helped us achieve positive EBITDA and free cash flow, even during 2020. Since that time, we have obviously been experiencing a period of growth, which is expected to remain strong, supported by the macro industry environment. The other good news is that we have learned to be more efficient coming out

of each industry downturn. Today we are able to do more with less resources. Our proprietary tool order management system known as COMPASS, which you just heard about from Wayne, is a large part of our improved efficiencies. The result is a business with very attractive margins and a strong free cash flow profile.

It is worth noting that the growth throughout the period shown on this slide is all organic. Strong revenue growth and margin growth are translating into strong free cash flow generation. It is also worth mentioning that our maintenance capex is approximately 15% of revenue and this is all customer funded as tools are lost or damaged by the customer. Tool recovery revenue keeps our fleet sustainable and is a very important component of the tool rental model along with rental revenue and repair revenue. Growth capex for 2023 is approximately 10% of revenue whereas it has been less than 3% of revenue for the prior 3 years. We expect the investments we are currently making in 2023 will provide even more accretive cash flow to what are already very attractive free cash flow yields.

[SLIDE 34]

Slide 34 provides additional detail on the revenue contributions by product line. This highlights the strong revenue growth we have experienced since 2020, through what we expect for this year which represents a robust 34% Compound Annual Growth Rate for combined topline growth.

On the next slide, we will look at the margin profile of our business.

[SLIDE 35]

On slide 35, we want to highlight that this strong revenue growth translates to very attractive margins. On the left side of this slide, you can see a consolidated and fully burdened margin of 35% is estimated for 2023. On the right we provide additional margin details by product line.

Beginning with our Directional Tool Rental category at the top, this product line has a large geographic footprint, large customer base, and predominantly serves the OFS companies. As Wayne mentioned, this is a high volume, high touch business. We ship over 7,000 tools on average per month now, which means that is approximately how many tools we also receive back, - and then need to inspect and repair. We anticipate this product line will generate an estimated 35% EBITDA margin in 2023. These accelerating margins provide further evidence of the scalability of this business as we gain top line leverage on our cost structure during periods of growth. With such a large geographic footprint and volume of tool activity, this part of our business is very resilient, and it provides the platform or foundation to layer in other product lines or technologies.

Our Wellbore Optimization Tools, shown directly below, are a value-add category of tools that provide wellbore conditioning or well optimizing benefits when incorporated in the bottom hole assembly. Within this group of tools, we have some patented products and some emerging technology. The tools within this product line are usually invoiced direct to the operator. You can see that even during the downturn in 2020, there were not any significant margin fluctuations, which is what you would expect from a more value-add product line. This is because the operators see the value of these tools and continue to utilize these tools in their drilling program. We expect to generate a solid 39% margin in 2023 from this product line, and there is opportunity to overachieve with our emerging RotoSteer technology.

Turning to the Premium Tools category, this product line provides very attractive EBITDA margin now approaching 58% for 2023. This product line is the opposite of the Directional Tool Rental product line in that it is a low-touch business and we usually have long-term contracts with E&P companies. If you recall from the prior page, we show strong year over year growth as we are allocating a majority of our growth capital in 2023 to this product line. With the very attractive margin profile of Premium Tools, this investment will provide a nice boost to our free cash flow.

With increased inventory utilization, the margins in Premium Tools have become very accretive. We did scale back greatly during the downturn. We acquired the business in 2018 and did not have much runway before the downturn. When pricing dropped to low levels during the global pandemic, we scaled back and chose not to chase pricing to the bottom. At the time, our division leader recommended we preserve some of our inventory for better days. While that felt a little painful in '20 and '21, as you can see on the chart, it really paid off. As we recovered from the downturn, we have been able to deploy that pipe with much better pricing. Today, because of better utilization combined with some strategic investments in premium drill pipe along the way, this product line is a very attractive low touch, high margin business.

The last segment shown is ‘Other Products and Services’ with a 38% margin expected for 2023. This segment is less than 3% of our consolidated revenue and is primarily comprised of inspection and engineering support services as well as made to order product sales. As you look at the chart for 2020, you can see that in a downturn scenario, product sales simply go away because customers do not need to replenish their inventories and they will curtail services. However, when that revenue comes back, it becomes accretive to the business. Although not a huge component of our overall revenue, these products and services provide vital support to our operations as well as to our customers.

To wrap up this portion of the presentation, I would like to answer a question we are often asked and that is; ‘Why are you seeking to go public via combination with ROC Energy?’ Well, first of all, we believe this is the next logical chapter in our DTI growth story. Second, we love the fact that ROC had the foresight to lead with an “energy” focused SPAC and they are delivering on that strategy. And third, we are appreciative of the speed with which we can go public by partnering with ROC and benefiting from their capital markets experience. This transaction will allow us to use our current platform, which generates strong margins and cash flow, to be the consolidator in our sector as a debt-free company with cash on the balance sheet. Led by our experienced management team, we will in fact be a triple threat consolidator post combination as we will have cash on the balance sheet, a credit line, and public currency available to execute our M&A strategy.

Speaking of M&A, we recognize the near-term macro volatility, and that there may even be a short-term softness looming in our industry. However, that really does not change our strategy. And to be frank, if there is some short-term softness, it would just serve to improve some of the targeted buying opportunities. With that in mind, we remain bullish on the fundamentals of the industry, and we are very excited about this transaction and the opportunities it will provide for continued growth.

[SLIDE 36]

With that, I’ll turn it over to Daniel now to go through the transaction overview and valuation.

Daniel Kimes, CEO of ROC Energy Acquisition Corp.

Thanks, David.

[SLIDE 37]

To reiterate, DTI is well positioned today. The company continues to organically grow, but the DTI and ROC management teams do think inorganic growth will help drive value for all shareholders.

I'll spend a few minutes providing a little more detail on the transaction. As I mentioned earlier in the presentation, the business combination implies a pro forma implied enterprise value of approximately $319 million, which equates to 5.5x projected 2023 adjusted EBITDA of $58 million, which we think on average provides over a one and a half multiple turn discount to the peers.

Current shareholders are reinvesting 100% of their common equity holdings into the Combined Company for maximum cash on balance sheet, of $198 million. In addition, there is approximately $209 million in cash in ROC's trust account, before the impact of potential redemptions. And because we wish to account for redemptions, we have $17 million worth of PIPE subscriptions as of today, and are seeking to raise up to $45mm to ensure a minimum amount of cash on the balance sheet at close.

On the Uses side, there is currently a small tranche of preferred equity, $11 million, which will be retired, and in addition, the small amount of debt currently on the balance sheet is expected to be completely eliminated at close. As mentioned previously, there are no warrants, only rights which will automatically be exercised into 1/10th of a share at closing which will add an additional 2mm shares of public float to the market on day one.

We anticipate a clean capital structure with only common equity at closing. All cash proceeds after fees will go to strengthen the balance sheet for use in future transactions.

[Slide 38]

To take a moment to summarize, the transaction is differentiated in a number of ways. We expect to close in the second quarter of 2023, with DTI benefitting from zero-debt at deal close, a robust cash position, no warrant over-hang, all of which position DTI to capitalize on numerous M&A targets.

[Slide 39]

I will take a moment to review our valuation metrics. When you look at the comps it's obvious we're pricing this today a very attractive level.

All these companies have a sizable manufacturing and rental business and are some of the cleanest public comparables. I would draw your attention to Oil States, which is four times smaller than EXPRO and over 10x smaller than Technip, yet it still has a similar EV to EBITDA multiple on a trailing and a forward basis, and it still has free cash flow and EBITDA yields that are roughly equivalent to those two companies. DTI, is priced more attractively on both free cash flow and EBITDA yield metrics vs Oil States.

When looking at Oil States as a reference point there's significant potential EV to EBITDA uplift for DTI. DTI's business speaks for itself on execution, high quality products and services and a seasoned management team that understands how to run a business for long term value accretion. So, when looking at the comps, we believe we are pricing this at a very attractively.

Anyone who knows the OFS sector, the first thing they say is that the industry needs consolidation. We at ROC think we're partnering with the right team here and we believe we will create solid shareholder value over time.

I will now turn the call over to the moderator to begin the question and answer portion of our call.

[Slide 40]
Moderator:
Thank you. We will now begin the Q&A portion of the call. As a reminder, participants can submit questions using the interactive question box found on the right-hand side of your screen, or email us at DrillingToolsIR@ICRInc.com. We will take a moment to compile the list.

The first question today, "Can you spend a few minutes explaining the RotoSteer? Why is it important and what impact will it have for DTI specifically?

Wayne, I think you're speaking… You might be muted and you're off screen.

Wayne Prejean, CEO of Drilling Tools international
Okay. Sorry, I was clicking small buttons here. Can you hear me now? Great. What question are we addressing?

Moderator:
Apologies, I'll repeat. Can you spend a few minutes explaining the roto steer? Why is it important and what impact will it have for DTI specifically?

Wayne Prejean, CEO of Drilling Tools international
Okay, thanks. Yeah, the RotoSteer is an exciting new product we have. It is a rotational steering tool. It enables the oil and gas customer to continuously rotate the drill string while drilling a horizontal well. In many of these longer laterals, we call it 'achieving the third and fourth mile', and some shorter laterals where wells are problematic, you're required to use vibratory tools or, you know, lots of other techniques to enable your ability to change trajectory and, and directional control either via a rotary steerable system provided by one of the majors, or you know via these other techniques we describe. This new RotorSteer enables someone to place this product in the drill string and continuously rotate and use a conventional bent housing motor to drill the well. So it's another enhancement and another option for our customers to utilize to, to drill their well successfully. And we believe it has a very big, great market growth potential throughout North America and internationally. And it's in its infancy now, but it's growing rapidly and, and the acceptance is becoming more and more vibrant by the customer base.

Moderator:
Thank you. The next question in the queue is: Your margins appear to be a differentiator. Are you able to share why your margins are more robust than the competitors shown in your deck?

Wayne Prejean, CEO of Drilling Tools international
David?

David Johnson, CFO of Drilling Tools International

This is David. I think I can take that one.

I think our margin profile points to a couple of important themes for our business. First of all, our business is now benefiting from years and years of prior investment in tools and infrastructure. I believe the platform that we have across North America would be almost impossible to replicate, or at the very least it would take years to replicate. Second of all, I think our margin profile points to that scalability factor of our business that I referred to earlier. By this, I mean, we can not only scale down in periods of an industry downturn, but we can also gain leverage through periods of growth with that ability to scale our business and gain leverage from that top line growth. I think those two factors kind of point to why our margins are pretty robust.

Moderator:

Thank you. The next question is: Wayne mentioned maintenance campa.. Excuse me, maintenance CapEx is customer funded. Can you please explain this a little more? And in addition, what is the average life of your fleet's inventory? And then there's a follow up.

David Johnson, CFO of Drilling Tools International

Yeah, I can take that one as well. This is David again.

The average kind of life of our product line kind of varies by product line. But in our case, the majority of the tools are in that zero to five-year range. We also have a number of tools in that zero to ten-year range. That tool recovery component of revenue that we've talked about is a really important part of our model as it helps keep our fleet current and relevant with that customer funded maintenance CapEx.

We do also have a smaller percentage of tools that are over 10 years old, and the good news is those, those tools are still generating revenue today. And with our rigorous inspection and repair process after every rental transaction, our tools can have a very long life unless they're lost or damaged, in which case the customer pays for that lost or damaged tool.

Moderator:

Excellent. I think you answered part of the second half of that question too, which was: Does the age remain fairly consistent or does it change through a cycle? Do you want expand on that?

David Johnson, CFO of Drilling Tools International

Yeah, I mean changes through the cycle with activity, but again - that is due to the volume of tools that are being used, and then lost or damaged and replaced throughout that cycle.

Moderator:

The next question is: Would you please discuss the primary. Excuse me, can you guys hear me? I'm hearing some feedback.

Can you break up CapEx for 2022 and 2023 by growth versus maintenance? How much is customer funded versus new tools and where do we see the customer funded CapEx flow through? Is it to revenue and if so, what proportion of revenue does this comprise?

David Johnson, CFO of Drilling Tools International

Okay, I guess that'll be me again. A lot of CapEx themed questions here, but, um, you know for 2022 and 23, our maintenance CapEx has averaged approximately, or just under 15% of revenue.

And again, the good news about our model is that all this maintenance CapEx is funded by the customer, as they lose or damage tools while in their care, custody or control. And again, this funding mechanism helps keep our fleet current and relevant and sustainable for the foreseeable future.

Growth CapEx, I think I mentioned this in the slide deck, was 3% or less in 2022 and the prior three years and this year we're expecting it to be approximately 10% of revenue, or just over $16 million. And that, I think I mentioned as well, a majority of that's growth capital is going to premium tools, and based on the margin profile of that business will provide a significant boost to our free cash flow yields.

Moderator:

Thank you. I have a rather long one next, which I believe would be for Daniel. I'll read through the full thing, so just bear with me.

Recognizing that the DTI deal is differentiated by the expectation for cash on balance sheet, no debt post close, no warrant overhang, and that DTI is an established cash generating company, - the fact remains that SPACs have not been done in the traditional energy space very much to date. There is 17 million raised in the PIPE so far. The question is, can you share how interest has been during the marketing of your PIE and provide an update on that process, and your expectations for achieving the 45 million?

Daniel Kimes, CEO of ROC Energy Acquisition Corp.

Yeah, thanks. I think all, I think embedded in that was why having traditional energy companies gone public via SPAC. And I think, honestly, I think the structure that most SPACs have had with a bunch of warrants has been incompatible with the overall industry. I think, you know, we intentionally set out to put rights in place which limit warrant overhang, or eliminated it, and make for a much cleaner overall structure. So, I think past efforts in general have been, uh, incompatible with the industry.

And then the second part obviously is how's the pipe going? I'd say a couple different things. One, the management team has been extraordinarily well received. Everyone can see that they're on top of their business. They've run a very profitable business for over 10 years. I think that sort of amount of time and in the same seats is somewhat unique, especially to the types of SPAC deals that got done over the past four years, which you know took a different flavor, I would say.

Secondly, especially as people start to dig in, they get to understand the uniqueness of the business model. The rental recovery in manufacturing aspect of it, which has been shown through different market cycles to be able to scale up and down, and produce consistent free cash flow positivity, which again, I think is a

unique factor to the company but also, especially, as you think about sort of general spec transactions. I think as people have dug in, they've started to see that the repeatability of this, the ability to, you know, actually generate free cash flow in 2020. It was pretty unique.

So, we remained very confident in our ability to achieve our goals. We've gotten off to a good start and the company is well positioned. The management team is doing a phenomenal job. So, we remain very optimistic. I think we're gonna have a successful total pipe raise.

Moderator:

Thank you. The next question is, are your customers primarily EP or do you rent to OFS companies? Does this ratio shift at all during downturns and upturns?

Wayne Prejean, CEO of Drilling Tools international

I'll take that one. Yeah, we are about 50/50. 50% of our customers are OFS and 50% are E&P. And that ratio, remains about the same. But most of our growth opportunities to grow more and more E&P business, with direct to E&P products and services, and continue our organic growth with our business that supply to the OFS. So…

Moderator:

Thank you. The next question is regarding allocation of capital: How much has been dedicated to growth versus maintenance CapEx historically, and how should we think about this ratio as we go forward?

David Johnson, CFO of Drilling Tools International

I'll take that question again. This is David.

Again, historically that that maintenance CapEx, I think we've talked about that, you know, kind of 13, 14, 15% of revenue range, we expect that to continue. I think it'll be in line with what we've seen historically as we see operators and service companies, you know, continue to push equipment up to, and sometimes pass, their limits in order to drill faster and longer wells. And again, that that component of our business is customer funded, so I think we'll see that pattern continue.

On the growth side, you know that's a strategic decision we make every year. Historically, as we mentioned, it was less than 3% for the last three years. We're allocating about 10% of our revenue to growth for 23. If we want to kind of, you know, hold, serve and maximize our free cash flow yield, we can kind of simply dial back that amount of growth capital in future periods. But if we see opportunities to expand our market share and gain that top line leverage and improve our margins and future free cash flow profiles, we can make the appropriate investment in growth capital in order to re reap those rewards in the future.

Moderator:

Thank you. The next question is: You have executed a number of acquisitions. How have those been funded, cash versus debt, and how should we think about the team's view on leverage in order to secure assets in the future?

Wayne Prejean, CEO of Drilling Tools international

I'll take that one.

We have used cash and debt to fund our previous acquisitions. We at one point in early 17 and 18, as an example, we had $60 million dollars, almost $60 million dollars of debt and a trailing 12 months of $20 million dollars of EBITDA. And we've now flipped that script over the last few years and made some good decisions on capital discipline going forward and took that leverage down to a quarter turn of where we are now.

Going forward, we now have all learned that too much debt can be burdensome. We will continue to make capital discipline decisions and strategic decisions that make sense with our near term and short-term optics of the market, and make darn sure that we're not gonna get over levered ever again. But we will use cash, maybe some debt and currency to make acquisitions that make sense for our strategic growth plan. So…

Moderator:

Thank you. The next question is how many clients does DTI have and how much of your revenue is derived from your top five customers? And how much from your top 10 customers?

David Johnson, CFO of Drilling Tools International

This is David. I'll take that one.

I think in 22, we invoiced over 300 active customers. And those included a mix of the OFS companies and the E&P operators, as you just heard from Wayne earlier, - as as well as a few drilling contractors. Our top five, I think is approximately just over 40% of our business. Our top 10 is about 55% to 58% of our business.

Moderator:

Thank you. Um, the next question is: Most close with a lot of cash on balance sheet. How are you thinking about deploying capital for acquisitions at a time when assets cost will be attractive versus a need to retain liquidity? Should we experience a recession?

Wayne Prejean, CEO of Drilling Tools international

Repeat the question again.

Moderator:

Apologies. Post close with a lot of cash on balance sheet, how are you thinking about deploying capital for acquisitions at a time when asset costs will be attractive, - versus a need to retain liquidity should we experience a recession?

Wayne Prejean, CEO of Drilling Tools international

Great question. It's going to require some knowledge of market optics, and a short to near term forecast. Even though we're playing the long game, you, you can't take make too big a bet, so we would have to find those acquisitions that make sense, that provide a lot of value and a lot of security. You know, making sure we're making a good purchase price and not that overpaying. But at the same time, we'd have to make sure we have some liquidity to withstand a possible softening in the market. So we would just take a balanced approach to figuring out what's the right forward thinking approach, and what's the right secure approach.

Moderator:

Thank you.

Wayne Prejean, CEO of Drilling Tools international

Our business is also scalable, so we, we, we add that balance factor as well.

Moderator:

Thank you.

The next question is: Can you discuss how we should think about replacement costs and the average ROI and average payback period across the fleet?

David Johnson, CFO of Drilling Tools International

This is David, I'll take that one as well. Most of the replacement costs of our fleet, as we discussed, is funded by the customer, a valuable component of our model.

Another benefit we have in our model is that many of our tools can be repurposed into another tool when it no longer meets the, geometric criteria when it was originally placed in service. So, for example, there are, longer tools such as collars that we can make into shorter tools such as pony collars or subs, or we can turn down large stabilizers into smaller od stabilizers. We can continue to repurpose some of those tools as needed, on a kind of a pricing, strategy, or target, we kind of look at an initial payback of anywhere from three months to 10 or 11 months, depending on the product line. And then we target an overall return of two and a half - to three times or more on that original investment, throughout the life of that tool. So that's kind of how we come out of the box as we look at adding tools to our rental fuel.

Moderator:

Okay. I have a question here. Let's see. International is 1% of your business. History is littered with failed efforts of small companies trying to expand internationally. Why is DTI different? Staying on international, at only 1% of revenue, why is it worth the management time, effort and cost to pursue?

Wayne Prejean, CEO of Drilling Tools international

Thanks for asking that question. One of the reasons we don't have a large footprint in the Middle East at this moment is, you know the last few years, it has not been very rewarding, but the future opportunities

are significantly more enticing. I previously, myself and other team members here have extensive experience in international business development in the Middle East, and we've seen what the success and failure stories look like. I personally built my business in the Middle East across the entire Middle East market throughout 2004 to 2010. Had an established footprint throughout and sold that to NOV. So a lot of lessons learned there. We have a lot of established contacts in that market. We have been slow growing ourself into that market, recognizing that picking the right partners the right path and infrastructure is critical to success.

And having the patience, the capital and persistence to win, not just go in there, give it a good old college try for a little while, and most people come home with your tail tucked between their legs after losing lots of money. You have to have a defined and very specific approach to how to be permanently successful in the Middle East, in that market. And I think we know how to do that. We also have been developing numerous strategies with partners over there, over some time. And this transaction will enable us to go from private to public, and will give us the wherewithal to really act on some of those strategic initiatives that we've been developing over a number of years. We also have some new technologies that we want to use to lead the opportunity to expand in those markets, so we can have something differentiated to enable us to get in to that market in a more substantial way.

So, recognize the question. Good question. Accurate, accurate analysis…history is littered with failed efforts to expand internationally. But we feel like we have the experienced knowledge and strategy once we get past this transactional point to execute on that in a very near future.

Moderator:

Thank you. We have a follow up question from that same gentleman, which is: What is your m and a process, um, financials, product fit, market fit and integration? How many acquisitions and also how many acquisitions can your team handle in a year?

Wayne Prejean, CEO of Drilling Tools international

So our process is kind of a 1, 2, 3 analysis. First is, is it strategic? Does it fit with our current core competencies? Does it make sense for what we can easily execute on? And when say that, it would be more that we might want to go and buy some competitors to further cement our leading position.

There are a lot of privately held companies, some of them owned by individuals that are aging, that need an exit path, where we can buy assets and increase our footprint. There are some technological developments, which would be more strategic, where we could differentiate ourselves. And lastly, geographically, like I said earlier, we, another criteria is established. How can we purchase a partner or purchase an existing entity and enable us to expand rapidly with our footprint? So, I hope that answers the question.

Moderator:

Thank you. I have a question here: Can you explain more about master service agreements? What is the importance of this as a differentiator and why it matters to your clients?

Wayne Prejean, CEO of Drilling Tools international

Uh, you wanna take that one David, or you want me to take it?

David Johnson, CFO of Drilling Tools International

I'll take that one, Wayne. We talked about our customers earlier, but we also have about 300+ MSAs in place today. And, most of our customers require an MSA to be in place before we can even ship tools to a rig or visit a rig.

Usually this process is part of their qualification process to ensure vendors meet their HSE requirements, insurance requirements, quality requirements, and other legal requirements, in order to be an approved vendor. Oftentimes that, that MSA process includes, facility audits by the customer to ensure that we're meeting up to the quality level, standards that they require in the MSA. I think, one important note to mention here is that our geographic footprint throughout North America, I believe helps us gain that MSSA presence with our customers since they know we'll be able to support their business in all those geographic areas in which they operate.

Moderator:

Thank you. The next question is, if someone drops rigs in a down cycle, how do you mitigate the negative impacts, and how quickly can you pivot to adjust the changing environment?

Wayne Prejean, CEO of Drilling Tools international

I'll take that one, Dave. So our business, in some components of our business is directly scalable to rig count, and other components of our business with the value add products don't scale one to one with rig reductions. We tend to have more sticking power with remaining rig operations. That's a function of our business, is focused on the operators that have programs and substantial drilling acreage with long laterals. So, we participate in their activity on a, on a follow me basis. Not all of our business, and very little of our businesses, is always on the perimeter of the up and down rig cycle that go first. So it's a balanced approach to how we can manage the down cycle.

You know, clearly when we see down cycles occurring, we begin a cost reduction strategy with an organization. And unfortunately, that includes headcount reductions and so on. And we lower our variable costs to meet the activity level, and we've been able to maintain profitability and cash flow throughout those down cycles, by lowering our costs in some form to meet the, - so we can still overcome our fixed cost structure. The great thing about this business, as compared to direct service providers, direct service providers require a one-to-one ratio of personnel and service to their jobs. We, on the other hand, can scale a little bit differently. Our tools go out and in, and they generate income regardless of the number of personnel we have. We just need more personnel to support and repair more activity. So, we just scale our business accordingly.

Daniel Kimes, CEO of ROC Energy Acquisition Corp.

Wayne, one, one thing I would add: Is you look at their customer list and you look at who's actually doing the work: You know, they intentionally high-graded when they took this over, to focus on the Pioneers and the Schlumbergers and people who have consistent big capital programs. So, when there is a downturn, you don't see Pioneer go from 20 to zero rigs like you would see a private equity operator. And

so, I think that also kind of mutes some of the impacts of a downturn, by hitching your wagon to the people who have longer term visions like an Exxon or a ConocoPhillips.

Wayne Prejean, CEO of Drilling Tools international

A great, great, great follow up. And I'll follow with that with a little bit of, - it is much more difficult to have a substantial quality service organization with scale to meet the needs of the Exxons and the OXYs and some of our biggest customers. That requires a lot of infrastructure. It's also very hard to displace by competitors. And so therefore, when we ebb and flow with those customers activities, we maintain a reasonable level of activity even in a downturn, and we're able to scale our business appropriately from costs and maintain profitability. So, that's not by accident, that's intentional. Some competitors and smaller private equity companies or privately held companies, they operate on the perimeter with independence because that's low hanging fruit. It's all general relationship driven. So we have some of that business, but it's not the bulk of our business. That makes us a little bit more resilient and, and, uh, less vulnerable.

Moderator:

Thank you. The next question is: Regarding future acquisition targets. What parts of the business would DTI most like to expand and build upon? Are there new lines of business you would like to add? And how do you think about the risks of integrating new segments? And lastly, would targets seek to expand current competencies to augment the current portfolio, or seek expansion into new business lines?

Wayne Prejean, CEO of Drilling Tools international

I'll take that one, Dave. As previously stated, we have a number of targets already on our radar screen, which I'm not gonna call low hanging fruit, but are a pretty direct correlation to how we expand our current wallet we have with the customer. But there are a number of acquisitions we know of that would diversify our portfolio into having segments where we have a balance of income and products in drilling completion and production. For example, you know, there are some consumable items that we would like to have as part of portfolio in the production side, where we would participate in a longer life cycle of the, well. We currently have in our portfolio, a small division with de-sander sales to artificial lift in the pumping section. And it's emerging and growing, but it's very small.

So we have our footprint in those segments, and we do have some other small emerging products that are in the completion side, and we rent tubers goods to those as well. So we would wanna make sure that we would look for the ones that make the most sense and provide the best value with the lowest risk. But we do have a long-term strategy of diversifying our portfolio into some less capital-intensive rental products and having a balance to feed the machine, on a more balanced basis and diversify our income and revenue streams.

Moderator:

Thank you. The next question is: At what oil price and gas price would you expect to see a material market reaction where major drillers start laying down rigs?

Wayne Prejean, CEO of Drilling Tools international

That would be based in economic specific. Because we have such a widespread throughout North America, we're not heavily weighted in any particular basin, except of course, the Permian Basin, but it is

the largest basin, which is where everyone would be heavily weighted. I've always said this, that the last drop of oil in rigs standing in the world might be in Saudi Arabia and the Permian Basin. So, those basin economics seem to be key drivers to activity. And then all of the other basins would, fall or rise accordingly. So, $50, $55 is a general number in my mind, starts changing the game, to major versus, macro. You're gonna have…different operators have different balance sheet strengths and different economics in their portfolios. So, we're now in a scenario where the shale players are 92% of all drilling activity, and therefore, you know, those changes would happen accordingly.

We are fortunate that our tools are mobile and we can redeploy and restructure where we need to be to deploy our tools where the activity calls for it. And we've done that over the last few. We've moved tools from one region to another, so we don't have to purchase more equipment in a downturn. It makes us more cash flow positive.

I think 55, $60 is, is the number where it starts stressing basin economics in many areas. Clearly, you know, anything below $80 makes operators pause for the cause, and look for cost reductions. But I think a $65 to $75 handle still has a vibrant, healthy industry, and at 80 it's much more healthy. And at 90, obviously it's unicorns and rainbows for most people. So, I think 55 to 60 is the range where we'd see some, some material significant changes.

Moderator:

Thank you. The next question is: Do you feel the company is fully prepared to be public and why?

Wayne Prejean, CEO of Drilling Tools international

Hmm. Well, I'll start with that. Maybe David can follow up with some help on that.

I will state that from day one, we've been building what we consider an enterprise, and not just a company, something that has substantial growth opportunities. And throughout the last decade, we have continually improved all of our governance, our organization, our financials, and have been prepared to, to go public. We always knew that this was inevitable. Either we would be purchased along the way by another private equity or strategic buyer, or we would one day become too big to sell and go public. And that's kind of the, the situation we're in. We would become the consolidator. So we prepared for this for some time. And yes, the answer is we are, we are financially, structurally, emotionally, and professionally repair prepared to embark on this new public life.

David Johnson, CFO of Drilling Tools International

Yeah, Wayne, I think that's right.

And the only thing I would add maybe to that is that, I know you have, as well as I have, prior experience working for public companies in senior roles. So, we've kind of been that side of the table before. And as you mentioned, we believe this is one of the next logical chapters in our growth story. So, we kind of took some proactive steps in early in 22 and embarked on some public company readiness projects. And then we, we also took that proactive approach to our financial audits and became PCAOB compliant on our audited financials. So, we now have three years' worth of those PCAOB financials. So we've kind of been

studying for this test, as we like to say, for a while and preparing. It's hard to say that you're ever fully prepared, but I believe we're taking all the right steps and we're on track and we'll continue to improve and we leverage some outside accounting advisory firms to help us in the process. We'll continue to do that as we beef up our own staff internally.

Moderator:

Thank you. The next question is: Why do you think DTI wins versus competitors? What kind of customers are you seeking to add? And lastly, how robust is your sales pipeline?

Wayne Prejean, CEO of Drilling Tools international

Well, I think we win because we built a name brand recognition and an established customer base that's enviable to all of our smaller competitors. And the rapid pace with which we achieve that goal over the past few years, and come out each long-term better and better, - I think is in our customer's minds, they have a great confidence that we're gonna be around forever. I think that's probably the greatest strength, is our brand and quality and service strength with our client, and our ability to deliver. We've demonstrated to our clients that we're resilient through downturns and we meet their needs and we keep innovating with new ideas and new products.

The interesting thing about our business is we, everyone's our customer. We sell products and rent products to E&P, oil field service contractors, you name it. And that gives us a very unique position in the industry. Whereas, if you compare a pressure pumper or a drilling contractor, they don't enjoy that same diverse, customer base broadness. They're much more focused, and you can easily model what they do on a very definitive scale. We have a more wide-open space we work within, and we can continue to expand that space and create more opportunities.

Moderator:

Thank you. The next question is: Ddo you see movement of the market to RSS versus conventional directional drilling? And what impact, if any, does RSS versus conventional have on DTI's business?

Wayne Prejean, CEO of Drilling Tools international

That's a good question. So, in all the years I've been in this business, rotary storable systems have primarily been supplied by the big three service companies, and a few that are also products that are emerging, have always been more of a designer kind of tool for offshore and very long extended reach wells. They've now become more common in the shale plays over the past few years, become more reliable, and clearly has enabled operators to drill longer laterals. We've noticed that the rotary steerable impact has continued to be more and more higher use factor. Interestingly enough, our DTR Directional Tool Rentals group, our top three customers are the rotary steerable providers. Most of our business is tools rented on rotary steerable jobs, and we provide tools with the rotary steerable suite of tools that your Schlumberger and Bakers provide their clients.

So we've seen that business grow rapidly. That's one of our sticking powers is we have that business with those rotary steerable suppliers. I do see it growing as the market expands, but I think our rotary steerable

suppliers are gonna place those products where they provide the most value to their organization, particularly SLB, Baker and Halliburton, and such.

So, our new product called RotoSteer. It's a rotational steering tool, is an alternative to a rotary steerable system, which enables conventional tools to be much more efficient. And we're getting inquiries from the three majors on their desire to use our new rotor steer tool and some of the wells they provide their client service on. So, we don't see our product as being a total disruptor. It's an enhancer, and it's gonna enhance the ability for operators and directional providers to have another tool in their toolkit to go out and provide customers value.

So, we will be renting our RotorSteer direct to operators and partnering with some of the directional providers. I see rotary steerable continue to grow as well as our RotorSteer. Longer laterals are the answer to value creation for our customers. There's no scenario where we're gonna drill shorter laterals, so we are well positioned to participate in that extension of lateral length as it becomes more efficient and more cost effective, and more reliable.

Moderator:

Thank you. The next question is: There is currently a lot of negativity swirling around North America right now, and E&Ps are calling for service cost deflation as the rig count moderates and declines. How can DTI show bifurcation to prove second half results won't come under extreme pressure, like the market is discounting.

Wayne Prejean, CEO of Drilling Tools international

So clearly the market optics in the last two months have changed from the previous two or three months. But I think a lot of that is centered around the uncertainty of, well originally the bank contagion fear, and subsequent to that, a serious recession would put great pressure on demand of oil and gas. We recognize that the gas market is imbalanced for a period of time, but I personally feel that the oil market will continue to be rather strong. And since we are oil centric and not heavily weighted on gas markets only we think that there's no certainty, just concern that the second half will be realistically soft. Our oil and gas companies do a great job of taking full advantage of any negative optics in the industry and pushing back on negative approach to their guidance.

Well, that's for two reasons. They wanna make sure they meet their guidance to their shareholders, but they also wanna send a message to their service providers that they need cost adjustments. In my view, I think the days of the ability to directly correlate our cost to the market are gonna be constrained because there are less providers. Supply chain is still constrained and costs of our products are still quite substantial, so we need to charge an appropriate amount to our customers to be successful on their behalf. So historically, all service companies would just lower their prices to remain viable. Well, I think most people are now gonna push back a bit. And we've seen that quite a bit. We've seen a lot of pushback recently. You've heard there's a lot of frac companies and rigs that say, we'll lay 'em down before we cut prices.

And I've heard that at two conferences recently. So, we feel like we're in a pretty good position to maintain our guidance going forward. But surely if the concerns are greater that everyone has, surely, we

might see a softening of our forecast at the end of the year. But we will participate in that along with everyone. So, in my view, we'll be in much better shape than our peers. But we're not invulnerable to it. We have recipes to counteract that. We feel like we're broad and diversified enough geo markets and customer bases and product lines, and we think we can insulate ourselves a little bit from a possible significant downturn. But so far, we feel pretty good about the rest of the year.

Moderator:

Thank you. The next question is: How is DTIs competitive and market strength and areas..? I guess it's asking about geographic areas such as West Texas, offshore deep water, et cetera.

Wayne Prejean, CEO of Drilling Tools international

I'm sorry, I'm sorry. I was reading while you were talking <laugh>

Moderator:

No worries.

Wayne Prejean, CEO of Drilling Tools international

Let's do that again. Ok, let's do that again.

Moderator:

It's worded a little funny. So…um...Please discuss DTI's market strength, competitive strengths and areas such as West Texas and offshore deep water. I guess it's trying to get at, geographically where are you strongest, et cetera.

Wayne Prejean, CEO of Drilling Tools international

So we have a commanding market position in the Permian with our directional tool rentals group. We have a market tracker, that we are supplying way more than 50%, in most times 60% of the rigs there with our suite of tools. We have a growing market percentage, probably a number of rigs in our premium tools rental group, which is still a growing concern within our organization. Our Drill and Reem or Wellbore Optimization group, - our Drill and Reem tool has a commanding market share, primarily in a Permian. Since we made the acquisition of Reamco back in 2014, and since I would say 2016, we have had a majority market share in deepwater, supplying our directional tool rentals to the various Shells and Chevrons and Schlumberger and Bakers and independents throughout offshore.

And we have maintained that leading market share for seven, eight years now, in offshore. So, we have a strong, stong presence and the opportunity to grow as more rigs come on into the market. As you know, the offshore deepwater market's been quite soft for the last few years, but we feel there's optimism in that area as evidenced by Transocean's guidance on rig activity and a few others internationally, but also we see some opportunities in the Gulf of Mexico. But our strongest position is clearly the Permian, and we have a solid position in Canada. Our Western Canada business is another dominant position, and we're very profitable there because we have a commanding market share there in our DTR group.

Moderator:

Great, thank you. The next question is: If growth in 2023 is all organic, how much of the uplift and revenues can be attributed to price versus mix effects from higher margin lines or overall volume increases?

Wayne Prejean, CEO of Drilling Tools international

Dave, David, you wanna grab that one?

David Johnson, CFO of Drilling Tools International

Yeah, Wayne, I'll, I'll take that one.

Yeah, in 22, we saw both activity increase and price increase, contribute to our revenue growth and margin growth. I think we expect the same scenario to kind of continue in 23, but probably just not at the same rate as we saw in 22. We're kind of expecting a little bit more modest activity increase and a little bit more modest amount of pricing increase for 23.

I think one important thing to note here is some of our growth, for example, in the Premium Tools product line, we don't have to have a huge number of rig increases or activity increases to deploy the pipe that we have coming in today. We have lots of opportunity just to gain a little incremental market share, which means putting one or two or three springs of pipe to work. And that, that makes a huge difference in our margin profile and creates a benefit of top line leverage that we talked about on the low touch business. So, we don't count on all of the activity increases externally, we think we still have some opportunity internally for that activity increase just by gaining a little incremental market share, especially in premium tools, even the wellbore optimization tools. We have room to gain a little bit of market share there. And our Directional Tool Rental business, we're already the market leader there, so it'll be hard to grab a lot of market share, but we'll participate in any activity increase in that segment as well.

Moderator:

Thank you...

Wayne Prejean, CEO of Drilling Tools international

I wanna follow up that. We have a couple of new products, the RotorSteer and and some other emerging ones that should help us as those grow. They might offset a little bit of softness in maybe some other geo markets. So, we feel like that's one of the reasons we can still meet our guidance.

Moderator:

Thank you. The next question is: How much of DTI's revenue is derived from drilling and completion versus production? Asked another way, is DTI involved in the full cycle of the well?

Wayne Prejean, CEO of Drilling Tools international

You know, most of our revenues, I'm gonna suggest 90% plus is in the drilling rental side. We do rent some cheaper goods, work strings, and tubing, and the work over and completion drill outs, and work

over segments of the business. And we have our desander product line, which is emerging in the production side. So most of it's gonna be in the drilling tool rental side. That's one of the areas that we'd like to expand. So, that's gonna be a target for us going forward. And, what was the second part of the question?

Moderator:

Apologize. I, I actually, um, I've lost the question. Sorry, I scrolled away.

Wayne Prejean, CEO of Drilling Tools international

It went off the list, so it went off the queue. So <laugh>.

Moderator:

Yeah, exactly. Sorry. Let's see, now I'm out of sync.

Okay, the next question: DTI appears to be differentiated with respect to scale, facilities, technological capabilities, and the team is able to repair and manufacture on demand and on spec. So my question is, who do you compete against in that space?

Wayne Prejean, CEO of Drilling Tools international

Who, who are our competitors?

Moderator:

Yes, who are your true competitors?

Wayne Prejean, CEO of Drilling Tools international

So, I don't think we have any publicly traded competitors. We have some privates, Stable Drill Work Streams, NTS Omega and a couple of small independents, primarily in all categories - our DTR work stream, drill pipe and then our reamers and so on. We have a couple of unique products that they don't have. They have, they have a couple of product lines that we don't support, just different strategies. That's pretty much our, our competitive, uh, landscape.

Moderator:

Thank you. We're actually coming down to the last handful of questions.

The next one is, how important is further international expansion to DTI, which I think you already spoke about a little bit. And if you do seek growth abroad, would you remain focused on the North Sea and Europe or seek expansion in the Middle East or elsewhere? And lastly, how would you think about risk management with respect to volatile geo, excuse me, geopolitical locations or ultra-deep water, et cetera?

Wayne Prejean, CEO of Drilling Tools international

I wish these questions were one at a time.

Moderator:

Yeah, I can read to you one at a time. The first part is just, if you see…in thinking about growth abroad, will you remain focused on North Sea in Europe, or are you looking to expand into the Middle East or elsewhere?

Wayne Prejean, CEO of Drilling Tools international

So we currently have a footprint in Aberdeen, southern Germany, and Dubai with partners. And we've, developed those paths to partnerships over a long period of time. We have tools on the ground in the North Sea and in in Europe. Some of those tools are being supplied to some of the geothermal operations and some ongoing gas drilling that's taken place as a result of all the geopolitical tensions recently. And I think there's a number of shifts in the narrative that, maybe we need energy security over energy transition. And there's an adjustment of priorities a bit over there. So, we're seeing an increase in activity, but the real prize long term would be the three primary areas of Middle East, Saudi, UAE and Oman, and you have of course, Kuwait and, and Qatar, as well, - but the primary high concentration rig areas would be Saudi, UAE and Oman that we would focus on with some differentiated product offerings.

And we have some strategic acquisitions in Oman. We've been talking to partners who have a stronger international presence and not much of a North American presence, which creates a balance of equities for both companies. There are some companies that have desires to partner with the US company, that are established, and have contractual paths to success. So, the Middle East, there's so much offshore and land growth opportunities there with the acceleration of rig count long-term. It's a long-term strategy. It's a five to ten-year kind of long-term opportunity to create significant growth opportunities.

There will be some of the near term, but it will be more of a longer-term strategy, and we're gonna participate in that. We think we can get some juice in the next one or two years, but it will organically grow over time. The more risk you take, the faster you can make it go, the balance of risk takes a little more time; a little patience and persistence with a managed balance of risk. So, we will have to get we're ready to act on those opportunities. And we those teed up and analyzed.

Moderator:

Okay. Down to the last two: What approximate percentage of rental tools are internally manufactured versus some subcontracted and has supply chain issues impacted lead times?

Wayne Prejean, CEO of Drilling Tools international

So, the first part of the question is our DTR rental group. We manufacture almost all of our tools ourselves. We buy raw material and we process it through our Lafayette and Canadian facilities and some third-party suppliers as well. We make our collars substance stabilizers using purchase raw material. The supply chain for some of that raw material was temporarily disrupted. We have to make long-term purchase decisions for those. - We try to buy from suppliers, mills, and we need to make sure we have the right metallurgy and the right requirements that our customers have, the right geometry. So we've, we've made some of those purchase decisions over the last few years and some well into next year, so we think we've mitigated some of the supply chain disruptions, but they happen and they occur and we pivot and move equipment around. So that answers that question to DTR.

In our like Drill N Reem product, we have a partner that manufactures those and we have a fairly reliable supply of those, and it's standard 41 45 raw material in most cases, steel. So there's been no serious supply disruption in that. With regards to our Drill Pipe division, our primary supplier is National Oilwell Varco, NOV, pipe division, and we buy only or primarily, their premium pipe and some Texas Steel specific products. So that has had some delays, but we've overcome those with extra orders. So, we are in reasonably good shape with our supply chain disruptions and delays in deliverables. For the most part we seem to have that managed and under control. But no doubt they are a challenge. Yeah, it's not as easy as used to be, by no means.

Moderator:

Thank you. And then the last question here: How much of a benefit is the Compass system to customers?

Wayne Prejean, CEO of Drilling Tools international

So, that's a good question. I'll tell you this, all of our customers use the system. Not all of them use it to order their products because it depends on their systems and how we correlate together. But, it is a great benefit.

You know, this, the generation of people, the people that order these tools are becoming of a younger and younger generation, meaning they're much more technology savvy. And our industry has evolved greatly over time, despite the fact that I'm in my sixties and have over 40 years of experience in this business. We've currently recognized many of our customers are generations younger than us and want and need and have a thirst for technology. And I think that's the main reason we made that investment, is recognizing the future. And these customers love having the data at the fingertips instead of relying on a phone call.

In fact, you would think that having them call you to get information would make them more reliant on you. I think the hook is even deeper when they have technology on their smartphone or their desktop to just look at their order and not spend time, and manage their order, change their order. With pad drilling, pad drilling has changed the way we manage assets and move assets and how we invoice for assets. So, having this sophistication and level of detail enables people to order suites of tools for one well start, and then they can subsequently add to it and see what the changes are. And if the wellbore geometry changes for some reason, or they have a problem, they can make changes on the fly, they can see the visibility. It's really evolving to a greater degree, to be a more powerful tool for us and our customers. So, it's something that we feel like gives us a great advantage. Long term it's gonna be just commonplace for our customers to order and manage their orders along with our support on our comp system.

Moderator:

Thank you. As a reminder to the audience, a replay and transcript of this event will be made available on the DTI investor relations website. I'll turn the call back now over to Wayne for any final comments.

Wayne Prejean, CEO of Drilling Tools international

Well, thank you Sioban. And thank you David and Daniel. Great job, everybody.

I hope the listeners found it interesting. We feel like we have a fantastic company and a fantastic future. It's a great group of people. These companies are built around people, and our greatest strength is the quality of the personnel and leadership we have at this business. I have a great team around me. I'm blessed to be supported by a talented, talented group of people. So, we're ready for this next chapter. And we hope that you gained all the information you wanted today. Well, if any questions weren't answered for some reason, I'm sure that we'll follow up and supply you with the information you desire.

Thank you for your time, and have a great day.