

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)
☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2025

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____ to ____

Commission File Number: 001-41103

DRILLING TOOLS INTERNATIONAL CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
10370 Richmond Ave.
#1000
Houston, Texas
(Address of principal executive offices)

87-2488708
(I.R.S. Employer
Identification No.)

77042
(Zip Code)

Registrant's telephone number, including area code: (832) 742-8500

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.0001 per share	DTI	The Nasdaq Stock Market LLC
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐		
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐		
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.		
Large accelerated filer	☐	Accelerated filer ☐
Non-accelerated filer	☒	Smaller reporting company ☒
Emerging growth company	☒	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐ No ☒

As of November 7, 2025, the registrant had 35,198,778 shares of common stock, \$0.0001 par value per share, outstanding.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Report on Form 10-Q (this “Report”) may constitute “forward-looking statements” for purposes of the federal securities laws. These forward-looking statements include, but are not limited to, statements regarding our and our management team’s expectations, hopes, beliefs, intentions or strategies regarding the future. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The words “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intends,” “may,” “might,” “plan,” “possible,” “potential,” “predict,” “project,” “should,” “will,” “would” and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements in this Report may include, for example, statements about:

- the demand for our products and services, which is influenced by the general level activity in the oil and gas industry;
- our ability to retain our customers, particularly those that contribute to a large portion of our revenue;
- our ability to employ and retain a sufficient number of skilled and qualified workers, including our key personnel;
- the impact of our status as an emerging growth company and smaller reporting company;
- our ability to source tools at reasonable cost;
- our customers’ ability to obtain required permits or authorizations from applicable governmental agencies and other third parties;
- our ability to market our services in a competitive industry;
- our ability to execute, integrate and realize the benefits of acquisitions, and manage the resulting growth of our business;
- our ability to obtain new technology that may become prevalent in the oilfield services industry;
- potential liability for claims arising from damage or harm caused by the operation of our tools, or otherwise arising from the dangerous activities that are inherent in the oil and gas industry;
- the impact of a global pandemic
- the impact of the ongoing Russia-Ukraine and Israel-Hamas conflicts on the global economy;
- application of oilfield anti-indemnity limitations enacted by certain states;
- our ability to obtain additional capital;
- the impact of restrictive covenants in the Amended and Restated Revolving Credit, Security and Guaranty Agreement among Drilling Tools International, Inc., certain of its subsidiaries, Drilling Tools International Corporation and PNC Bank, National Association, dated as of March 15, 2024 (the “Credit Facility Agreement”);
- the impact of indebtedness incurred to execute our long-term growth strategy;
- potential political, regulatory, economic and social disruptions in the countries in which we conduct business, including changes in tax laws or tax rates;
- our dependence on our information technology systems, in particular Customer Order Management Portal and Support System, for the efficient operation of our business;
- the impact of a change in relevant accounting principles, enforcement of existing or new regulations, and changes in policies, rules, regulations, and interpretations of accounting and financial reporting requirements;
- the impact of adverse and unusual weather conditions on our operations;
- our ability to comply with applicable laws, regulations and rules, including those related to the environment, greenhouse gases and climate change;
- our ability to protect our intellectual property rights or trade secrets;
- our ability to maintain an effective system of disclosure controls and internal control over financial reporting;
- the potential for volatility in the market price of the Common Stock;
- the impact of increased legal, accounting, administrative and other costs incurred as a public company, including the impact of possible shareholder litigation;

- the potential for issuance of additional shares of DTIC Common Stock or other equity securities;
- our ability to maintain the listing of the DTIC Common Stock on Nasdaq;
- the impact of industry or securities analysts changing their recommendation, or failing to cover, the DTIC Common Stock;
- the impact of our status as a “controlled company;” and
- other risks and uncertainties described in this Report, including those under the section entitled “Risk Factors.”

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

<i>(In thousands, except share data)</i>	September 30, 2025	December 31, 2024
ASSETS		
Current assets		
Cash	\$ 4,373	\$ 6,185
Accounts receivable, net	37,643	39,606
Related party note receivable, current	909	909
Inventories	18,142	17,502
Prepaid expenses and other current assets	3,643	3,874
Total current assets	64,710	68,076
Property, plant and equipment, net	76,098	75,571
Operating lease right-of-use asset	25,954	22,718
Intangible assets, net	40,105	37,232
Goodwill, net	14,615	12,147
Deferred financing costs, net	555	817
Related party note receivable, less current portion	4,379	4,262
Deposits and other long-term assets	981	1,608
Total assets	<u>\$ 227,397</u>	<u>\$ 222,431</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 10,260	\$ 11,983
Accrued expenses and other current liabilities	11,221	7,864
Current portion of operating lease liabilities	4,305	4,121
Current maturities of long-term debt	5,970	6,995
Total current liabilities	31,756	30,963
Operating lease liabilities, less current portion	22,154	18,765
Revolving line of credit	29,000	27,142
Long-term debt, less current portion	16,333	19,676
Deferred tax liabilities, net	7,034	5,926
Total liabilities	106,277	102,472
Commitments and contingencies (See Note 15)		
Shareholders' equity		
Common stock, \$0.0001 par value, shares authorized 500,000,000 as of September 30, 2025 and December 31, 2024, 35,661,297 issued and outstanding as of September 30, 2025 and 34,704,696 shares issued and outstanding as of December 31, 2024	4	3
Less: Treasury stock at cost, 462,519 and 0 shares as of September 30, 2025 and December 31, 2024, respectively	(1,152)	—
Additional paid-in-capital	130,157	125,415
Accumulated deficit	(8,559)	(3,582)
Accumulated other comprehensive income (loss)	659	(1,877)
Total Drilling Tools International stockholder's equity	121,109	119,959
Non-controlling interest	11	—
Total equity	121,120	119,959
Total liabilities and shareholders' equity	<u>\$ 227,397</u>	<u>\$ 222,431</u>

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)

	Three Months Ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
<i>(In thousands, except share and per share data)</i>				
Revenue, net:				
Tool rental	\$ 31,859	\$ 28,116	\$ 99,148	\$ 86,410
Product sale	6,958	11,977	21,970	28,190
Total revenue, net	38,817	40,093	121,118	114,600
Costs and other deductions:				
Cost of tool rental revenue	7,086	4,076	22,176	17,558
Cost of product sale revenue	3,027	5,726	9,078	10,779
Selling, general, and administrative expense	20,414	19,855	63,046	57,415
Depreciation and amortization expense	6,834	6,185	20,386	17,232
Interest expense, net	1,336	1,038	3,981	2,030
Loss (gain) on asset disposal	(1)	(19)	70	(61)
Loss (gain) on remeasurement of previously held equity interest	—	361	—	(368)
Goodwill impairment	—	—	1,901	—
Other operating and non-operating expense, net	588	2,443	4,434	5,241
Total costs and other deductions	39,284	39,665	125,072	109,826
Income (loss) before income tax expense	(467)	428	(3,954)	4,774
Income tax benefit (expense)	(437)	439	(1,024)	(415)
Net income (loss)	\$ (904)	\$ 867	\$ (4,978)	\$ 4,359
Less: Net income (loss) attributable to non-controlling interest	\$ (1)	\$ —	\$ (1)	\$ —
Net income (loss) attributable to Drilling Tools International stockholders	\$ (903)	\$ 867	\$ (4,977)	\$ 4,359
Basic earnings (loss) per share	\$ (0.03)	\$ 0.03	\$ (0.14)	\$ 0.14
Diluted earnings (loss) per share	\$ (0.03)	\$ 0.03	\$ (0.14)	\$ 0.14
Basic weighted-average common shares outstanding	35,386,122	33,072,097	35,516,692	30,893,602
Diluted weighted-average common shares outstanding	35,386,122	33,547,056	35,516,692	31,404,333
Comprehensive income (loss):				
Net income (loss)	\$ (904)	\$ 867	\$ (4,978)	\$ 4,359
Foreign currency translation adjustment, net of tax	(605)	1,163	2,536	754
Net loss attributable to non-controlling interest	(1)	—	(1)	—
Net comprehensive income (loss)	\$ (1,510)	\$ 2,030	\$ (2,443)	\$ 5,113

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

DRILLING TOOLS INTERNATIONAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)

	Common Stock		Treasury Stock							
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (loss)	Total Drilling Tools International Stockholders' Equity	Non-controlling Interest	Total Shareholders' Equity
<i>(In thousands, except share and per share data)</i>										
BALANCE, December 31, 2024	34,704	\$ 3	—	\$ —	\$ 125,415	\$ (3,582)	\$ (1,877)	\$ 119,959	\$ —	\$ 119,959
Stock-based compensation	—	—	—	—	541	—	—	541	—	541
Issuance of common stock related to business combination	888,041	1	—	—	2,922	—	—	2,923	—	2,923
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	942	942	—	942
Net loss	—	—	—	—	—	(1,669)	—	(1,669)	—	(1,669)
BALANCE, March 31, 2025	35,592	\$ 4	—	\$ —	\$ 128,878	\$ (5,251)	\$ (935)	\$ 122,696	\$ —	\$ 122,696
Stock-based compensation	—	—	—	—	642	—	—	642	—	642
Purchase of treasury stock	—	—	202,611	(608)	—	—	—	(608)	—	(608)
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	2,199	2,199	—	2,199
Shares issued due to vesting of restricted stock units	68,560	—	—	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	(2,406)	—	(2,406)	—	(2,406)
BALANCE, June 30, 2025	35,661	\$ 4	202,611	\$ (608)	\$ 129,520	\$ (7,656)	\$ 1,264	\$ 122,523	\$ —	\$ 122,524
Stock-based compensation	—	—	—	—	651	—	—	651	—	651
Forfeiture of restricted stock units	—	—	—	—	(14)	—	—	(14)	—	(14)
Purchase of treasury stock	—	—	259,908	(544)	—	—	—	(544)	—	(544)
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	(605)	(605)	—	(605)
Initial recognition of non-controlling interest	—	—	—	—	—	—	—	—	12	12
Net loss	—	—	—	—	—	(903)	—	(903)	(1)	(904)
BALANCE, September 30, 2025	35,661	\$ 4	462,519	\$ (1,152)	\$ 130,157	\$ (8,559)	\$ 659	\$ 121,109	\$ 11	\$ 121,120

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

	Common Stock						
(In thousands, except share and per share data)	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit		Accumulated Other Comprehensive Income (loss)	Total Shareholders' Equity
BALANCE, December 31, 2023	29,768,568	\$ 3	\$ 95,218	\$ (6,306)		\$ (225)	\$ 88,690
Stock-based compensation	—	—	208	—		—	208
Foreign currency translation adjustment, net of tax	—	—	—	—		(511)	(511)
Net income	—	—	—	3,126		—	3,126
BALANCE, March 31, 2024	29,768,568	\$ 3	\$ 95,426	\$ (3,180)		\$ (736)	\$ 91,513
Stock-based compensation	—	—	413	—		—	413
Exercise of stock options	16,556	—	255	(290)		—	(35)
Shares issued due to vesting of restricted stock units	17,440	—	442	—		—	442
Foreign currency translation adjustment, net of tax	—	—	—	—		102	102
Net income	—	—	—	365		—	365
BALANCE, June 30, 2024	29,802,564	\$ 3	\$ 96,536	\$ (3,105)		\$ (634)	\$ 92,800
Issuance of Common Stock related to business combination	4,845,132	—	27,714	—		—	27,714
Accelerated vesting of substitute stock options	—	—	138	—		—	138
Stock-based compensation	—	—	508	—		—	508
Foreign currency translation adjustment, net of tax	—	—	—	—		1,163	1,163
Net income	—	—	—	867		—	867
BALANCE, September 30, 2024	34,647,696	\$ 3	\$ 124,896	\$ (2,238)		\$ 529	\$ 123,190

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

DRILLING TOOLS INTERNATIONAL CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

<i>(In thousands)</i>	Nine Months Ended September 30,	
	2025	2024
Cash flows from operating activities:		
Net income (loss)	\$ (4,978)	\$ 4,359
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	20,386	17,232
Amortization of deferred financing costs	261	226
Non-cash lease expense	4,014	3,620
Unrealized loss on currency translation	740	—
Write off of excess and obsolete inventory	718	—
Write off of excess and obsolete property and equipment	251	286
Provision (recovery) for credit losses	619	42
Deferred tax expense	(893)	(1,301)
Loss (gain) on sale of property	70	(45)
Unrealized loss (gain) on equity securities	—	(368)
Realized loss on equity securities	—	12
Gain on sale of lost-in-hole equipment	(8,380)	(7,348)
Stock-based compensation expense	1,820	1,572
Interest income on related party note receivable	(117)	—
Goodwill impairment	1,901	—
Changes in operating assets and liabilities:		
Accounts receivable, net	4,018	2,086
Prepaid expenses and other current assets	1,629	(633)
Inventories	358	(2,883)
Operating lease liabilities	(3,854)	(3,416)
Accounts payable	(4,592)	(2,802)
Accrued expenses and other current liabilities	617	(916)
Net cash flows from operating activities	14,588	9,723
Cash flows from investing activities:		
Acquisition of a business, net of cash acquired	(5,622)	(38,670)
Proceeds from sale of equity securities	—	1,244
Purchase of intangible assets	(1,430)	—
Proceeds from sale of property, plant, and equipment	35	77
Purchase of property, plant, and equipment	(16,136)	(19,678)
Proceeds from sale of lost-in-hole equipment	10,408	10,895
Net cash flows from investing activities	(12,745)	(46,132)
Cash flows from financing activities:		
Investment from non-controlling interest into VIE	12	—
Payment of deferred financing costs	—	(721)
Purchase of treasury stock	(1,152)	—
Proceeds from term loan	—	25,000
Repayment of term loan	(3,750)	(2,083)
Repayment of promissory note	(673)	—
Proceeds from revolving line of credit	42,752	30,062
Repayment on revolving line of credit	(40,894)	(8,898)
Net cash flows from financing activities	(3,705)	43,360
Effect of changes in foreign exchange rates	50	(993)
Net change in cash	(1,812)	5,958
Cash at beginning of period	6,185	6,003
Cash at end of period	\$ 4,373	\$ 11,961

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NOTE 1 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

Drilling Tools International Corporation, a Delaware corporation ("DTIC" or the "Company"), is a global oilfield services company that designs, engineers, manufactures and provides a differentiated, rental-focused offering of tools for use in onshore and offshore horizontal and directional drilling operations, as well as other cutting-edge solutions across the well life cycle.

On March 15, 2024 (the "CTG Acquisition Date"), the Company entered into a Share Purchase Agreement with Casing Technologies Group Limited ("CTG"), certain shareholders of CTG, and a representative of CTG. Pursuant to the terms of the Share Purchase Agreement, the Company acquired one hundred percent (100%) of the shares of CTG (the "CTG Acquisition"), which wholly owns Deep Casing Tools Limited ("Deep Casing"), an energy technology development company, for \$20.9 million. For further details regarding the acquisition, refer to Note 3 - *Business Combinations*.

On March 6, 2024, the Company entered into an agreement and plan of merger by and among the Company, Superior Drilling Products, Inc., a Utah corporation ("SDPI"), DTI Merger Sub I, Inc., a Delaware corporation and directly wholly owned subsidiary of the Company ("Merger Sub I"), and Merger DTI Merger Sub II, LLC, a Delaware limited liability company and wholly owned subsidiary of the Company ("Merger Sub II"), pursuant to which Merger Sub I merged with and into SDPI (the "First Merger"), with SDPI surviving as a wholly owned subsidiary of DTI and upon the effective time of the First Merger (the "First Effective Time"), SDPI, as the surviving corporation of the First Merger, merged with and into Merger Sub II (the "Second Merger," and together with the First Merger, the "Merger"), with Merger Sub II surviving as a wholly owned subsidiary of the Company. In accordance with the terms of the Merger Agreement, the closing of the Merger occurred on July 31, 2024 (the "SDPI Closing Date" or "SDPI Closing") for total consideration of \$47.9 million. For further details regarding the acquisition, refer to Note 3 - *Business Combinations*.

On September 30, 2024, the Company's wholly owned subsidiary, Drilling Tools International, Inc., entered into a Share Purchase Agreement with European Drilling Projects B.V. ("EDP"), and the sole shareholder of EDP, to acquire 100% of the shares of EDP. The closing of the acquisition occurred on October 3, 2024 for total consideration of \$13.9 million. For further details regarding the acquisition, refer to Note 3 – *Business Combinations*.

On January 2, 2025, the Company's wholly owned subsidiary, Drilling Tools International, Inc., completed the acquisition of 100% of the shares of Titan Tools Group Limited ("Titan") for a total consideration of \$10.8 million. For further details regarding the acquisition, refer to Note 3 – *Business Combinations*.

The Company's United States ("U.S.") operations have locations in Texas, Louisiana, Oklahoma, Pennsylvania, North Dakota, New Mexico, Utah, and Wyoming. The Company's international operations are located in Canada, the United Kingdom, Europe, the Middle East, and Asia-Pacific. Operations outside the U.S. are subject to risks inherent in operating under different legal systems and various political and economic environments. Among the risks are changes in existing tax laws and possible limitations on foreign investment. The Company does not engage in hedging activities to mitigate its exposure to fluctuations in foreign currency exchange rates.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") as set forth by the Financial Accounting Standards Board ("FASB") and pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC"). References to US GAAP issued by the FASB in these notes to the accompanying unaudited condensed consolidated financial statements are to the FASB Accounting Standards Codification ("ASC") and Accounting Standards Update ("ASU").

Unaudited Interim Financial Information

The accompanying interim unaudited condensed consolidated financial statements included in this quarterly report have been prepared in accordance with U.S. GAAP and, in the opinion of the Company, contain all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of its financial position as of September 30, 2025, and its results of operations for the three and nine months ended September 30, 2025 and 2024, and cash flows for the nine months ended September 30, 2025 and 2024. The condensed consolidated balance sheet at December 31, 2024, was derived from the audited annual financial statements but does not contain all of the footnote disclosures from the annual financial statements.

During the nine months ended September 30, 2025, the Company changed the presentation of its interim condensed consolidated statements of comprehensive income (loss) from a two-step format to a one-step format. Under the previous two-step format,

operating income was presented as a subtotal. Under the new one-step format, all revenues are presented, followed by all expenses and losses, including income taxes, without the presentation of intermediate subtotals such as operating income. This change was made to simplify the presentation and enhance comparability with peer companies that use a similar format. The prior period's income statement has been revised to conform to the current year's presentation. This change in format does not affect the recognition, measurement, or classification of individual line items and has no impact on net income or other key financial metrics.

Emerging Growth Company

Section 102(b)(1) of the Jumpstart Our Business Startups Act ("JOBS Act") exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Securities Exchange Act of 1934, as amended) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The Company has elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard, until such time the Company is no longer considered to be an emerging growth company. At times, the Company may elect to early adopt a new or revised standard. As such, the Company's financial statements may not be comparable to companies that comply with public company effective dates.

Use of Estimates

The preparation of the unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses and the disclosure of contingent assets and liabilities in the Company's unaudited condensed consolidated financial statements and accompanying notes as of the date of the unaudited condensed consolidated financial statements. These estimates and assumptions are based on current facts, historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of expenses that are not readily apparent from other sources. Actual results may differ materially and adversely from these estimates. In the current macroeconomic and business environment affected by the Russia-Ukraine and Israel-Hamas conflicts and inflationary pressures, these estimates require increased judgment and carry a higher degree of variability and volatility. As events continue to evolve and additional information becomes available, these estimates may change materially in future periods.

Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated on consolidation. Further, the basis of consolidation incorporates the financial statements of our foreign entities, Casing Technologies Group Limited and Titan Tools Services, which operate under UK Generally Accepted Accounting Principles ("UK GAAP"). Those financial statements are translated into U.S. GAAP for consolidation purposes. The translation process adheres to established accounting standards and guidelines to ensure consistency and comparability across our consolidated financial statements. This approach enables us to accurately reflect the financial position, results of operations, and cash flows of our consolidated operations.

Foreign Currency Translation and Transactions

The Company has determined that the functional and reporting currency for its operations across the globe is the functional currency of the Company's international subsidiaries. Accordingly, all foreign balance sheet accounts have been translated into U.S. dollars using the rate of exchange at the respective balance sheet date. Components of the unaudited condensed consolidated statements of comprehensive income (loss) have been translated at the average rates during the reporting period. Translation gains and losses are recorded in accumulated other comprehensive loss as a component of stockholders' equity. Gains or losses arising from currency exchange rate fluctuations on transactions denominated in a currency other than the local functional currency are included in other operating and non-operating expenses, net in the accompanying unaudited condensed consolidated statements of comprehensive income (loss).

Business Combinations

The Company applies the acquisition method of accounting for business combinations, which requires us to make use of estimates and judgments to allocate the purchase price paid for acquisitions to the fair value of the assets and liabilities acquired. We account for contingent assets and liabilities at fair value on the acquisition date, and record changes to fair value associated with these assets and liabilities as a period cost as incurred. We use established valuation techniques and engage reputable valuation specialists to assist us

with these valuations. We use a reasonable measurement period to record any adjustment related to the opening balance sheet (generally, less than one year). After the measurement period, changes to the opening balance sheet can result in the recognition of income or expense as period costs. To the extent these items stem from contingencies that existed at the balance sheet date, but are contingent upon the realization of future events, the cost is charged to expense at the time the future event becomes known.

Revenue Recognition

The Company recognizes revenue in accordance with Topic 842 (which addresses lease accounting) and Topic 606 (which addresses revenue from contracts with customers). The Company derives its revenue from two revenue types, tool rental services and product sales.

Tool Rental Services

Tool rental services consist of rental services, inspection services, and repair services. Tool rental services are accounted for under Topic 842.

Owned tool rentals represent the most significant revenue type and are governed by the Company's standard rental contract. The Company accounts for such rentals as operating leases. The lease terms are included in the contracts, and the determination of whether the Company's contracts contain leases generally does not require significant assumptions or judgments. The Company's lease revenues do not include material amounts of variable payments. Owned tool rentals represent revenue from renting tools that the Company owns. The Company does not generally provide an option for the lessee to purchase the rented equipment at the end of the lease.

The Company recognizes revenues from renting tools on a straight-line basis. The Company's rental contract periods are daily, monthly, or per well. Additionally, the Company has rental contracts that are based on usage, either on a per footage or per well basis. As these types of rental contracts primarily consist of variable lease payments, which are unknown at commencement, revenue is recognized when the changes in the factor on which the contingent lease payments are based occur. When the customer returns the rental equipment and the footage or usage becomes known, the Company recognizes revenue. The Company accrues all known fixed lease payments for rental contracts that also include variable payments, such as those based on usage or per well, when such variable amounts are not reasonably determinable at period end.

As noted above, the Company is unsure of when the customer will return rented drilling tools. As such, the Company cannot provide a maturity analysis of future lease payments as it is unknown when the tool will be returned and what the customer will owe upon return of the tool. The Company's drilling tools are generally rented for short periods of time (significantly less than a year). Lessees do not provide residual value guarantees on rented equipment.

The Company expects to derive significant future benefits from its drilling tools following the end of the rental term. The Company's rentals are generally short-term in nature, and its tools are typically rented for the majority of the time that the Company owns them.

Product Sales

Product sales consist of charges for rented tools that are damaged beyond repair, charges for lost-in-hole, and charges for lost-in-transit while in the care, custody or control of the Company's customers, and other charges for made to order product sales. Product sales are accounted for under Topic 606.

Revenue is recognized when control of promised goods or services is transferred to a customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To determine revenue recognition for its arrangements with customers, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Company accounts for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance, and collectability of consideration is probable. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in the revenue standard. The transaction price is measured as consideration specified in a contract with a customer and excludes any sales incentives and taxes or other amounts collected on behalf of third parties. As each of the Company's contracts with customers contain a single performance obligation to provide a product sale, the Company does not have any performance obligations requiring allocation of transaction prices.

The performance obligation for made to order product sales is satisfied and revenue is recognized at a point in time when control of the asset transfers to the customer, which typically occurs upon delivery of the product or when the product is made available to the customer for pickup at the Company's shipping dock. Additionally, pursuant to the contractual terms with the Company's customers, the customer must notify the Company of, and purchase from the Company, any rented tools that are damaged beyond repair, lost-in-hole, or lost-in-transit while in the care, custody or control of the Company's customers. Revenue is recognized for these products at a point in time

upon the customer's notification to the Company of the occurrence of one of these noted events.

The Company does not have any revenue expected to be recognized in the future related to remaining performance obligations or contracts with variable consideration related to undelivered performance obligations. There was no revenue recognized in the current period from performance obligations satisfied in previous periods.

Contract Assets and Contract Liabilities

Contract assets represent the Company's rights to consideration for work completed but not billed. Contract assets were recorded in accounts receivable, net in the accompanying unaudited condensed consolidated balance sheets. The changes in contract assets for the year ended December 31, 2024 and nine months ended September 30, 2025 were as follows (in thousands):

Balance at December 31, 2023	\$	4,157
Revenue recognized from contract assets		55,937
Conversion of contract assets into accounts receivable		(54,522)
Balance at December 31, 2024		5,572
Revenue recognized from contract assets		64,067
Conversion of contract assets into accounts receivable		(63,140)
Balance at September 30, 2025		6,499

Contract liabilities consist of fees invoiced or paid by the Company's customers for which the associated services have not been performed and revenue has not been recognized based on the Company's revenue recognition criteria described above. As of September 30, 2025, December 31, 2024 and December 31, 2023, the Company did not have any contract liabilities.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company did not have any cash equivalents as of September 30, 2025 and December 31, 2024.

Accounts Receivable and Allowance for Credit Losses

The Company's accounts receivable consists principally of uncollateralized amounts billed to customers as well as contract assets for work complete but not yet billed. These receivables are generally due within 30 to 60 days of the period in which the corresponding sales or rentals occur and do not bear interest. They are recorded at net realizable value less an allowance for credit losses and are classified as accounts receivable, net on the unaudited condensed consolidated balance sheets.

The Company considers both current conditions and reasonable and supportable forecasts of future conditions when evaluating expected credit losses for uncollectible receivable balances. In our determination of the allowance for credit losses, we pool receivables by days outstanding and apply an expected credit loss percentage to each pool. The expected credit loss percentage is determined using historical loss data adjusted for current conditions and forecasts of future economic conditions. Current conditions considered include predefined aging criteria, as well as specified events that indicate the balance due is not collectible. Reasonable and supportable forecasts used in determining the probability of future collection consider publicly available macroeconomic data and whether future credit losses are expected to differ from historical losses.

The changes in the allowance for credit losses for the year ended December 31, 2024 and the nine months ended September 30, 2025 were as follows (in thousands):

Balance at December 31, 2023	\$	(1,458)
Provisions for expected credit losses		(439)
Utilization of allowances for credit losses		207
Balance at December 31, 2024	\$	(1,690)
Provisions for expected credit losses		(638)
Foreign Currency Adjustments		(139)
Utilization of allowances for credit losses		-
Balance at September 30, 2025	\$	(2,467)

Concentration of Credit Risk

The Company's customer concentration may impact its overall credit risk, either positively or negatively, in that these entities may be similarly affected by changes in economic or other conditions affecting the oil and gas industry.

During the three months ended September 30, 2025 and 2024, the Company generated approximately 27% and 25%, respectively, of its revenue from 2 customers. During the nine months ended September 30, 2025 and 2024, the Company generated approximately 27% and 27%, respectively, of its revenue from two customers. Amounts due from these customers included in accounts receivable at September 30, 2025 and December 31, 2024 were approximately \$4.4 million and \$5.4 million, respectively.

During the three and nine months ended September 30, 2025, the Company did not have any vendors that represented over 10% of total purchases. Additionally, during the three and nine months ended September 30, 2024, the Company had 2 vendors that made up 25% of total purchases.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by using the specific identification method or the first-in-first-out ("FIFO") method, depending on the type of inventory. Inventory that is obsolete or in excess of forecasted usage is written down to its net realizable value based on assumptions regarding future demand and market conditions. Inventory write-downs are charged to cost of rental revenue and cost of product sale revenue within the operating costs section of the unaudited condensed consolidated statements of comprehensive income (loss) and establish a new cost basis for the inventory. Inventory includes raw material, work in progress, and finished goods.

Property, Plant and Equipment, net

Property, plant and equipment purchased by the Company are recorded at cost less accumulated depreciation. Depreciation is recorded using the straight-line method based on the estimated useful lives of the depreciable property or, for leasehold improvements, the remaining term of the lease, whichever is shorter. Assets not yet placed in use are not depreciated.

Property, plant and equipment acquired as part of a business acquisition is recorded at acquisition date fair value with subsequent additions at cost.

The cost of refurbishments and renewals are capitalized when the value of the property, plant or equipment is enhanced for an extended period. Expenditures to maintain and repair property, plant and equipment, which do not improve or extend the life of the related assets, are charged to expense when incurred. When property, plant and equipment is retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in loss (gain) on asset disposal.

Impairment of Long-lived Assets

Long-lived assets with finite lives include property, plant and equipment and acquired intangible assets. The Company evaluates long-lived assets, including acquired intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by comparison of the carrying amount of an asset or an asset group to estimated undiscounted future net cash flows expected to be generated by the asset or asset group. If the carrying amount of an asset exceeds these estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the assets exceeds the fair value of the asset or asset group.

For the nine months ended September 30, 2025 and 2024, management determined that there were no triggering events necessitating impairment testing of property, plant and equipment, net. The segment realignment that occurred on January 1, 2025, did trigger a goodwill impairment test as required. Please refer to Note 7 - *Goodwill* for discussion around segment realignment and the Company's impairment analysis during the nine months ended September 30, 2025.

Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets and current operating lease liabilities and operating lease liabilities, net of current portion on the unaudited condensed consolidated balance sheets. The Company recognizes lease expense for its operating leases on a straight-line basis over the term of the lease.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from a lease. ROU assets and operating lease liabilities are recognized at the commencement date based on the present value of the future minimum lease payments over the lease term. Operating lease ROU assets also include the impact of any lease incentives. An amendment to a lease is assessed to determine if it represents a lease modification or a separate contract. Lease modifications are reassessed as of the effective date of the modification using an incremental borrowing rate based on the information available at the commencement date. For modified leases the Company also reassess the lease classification as of the effective date of the modification.

The interest rate used to determine the present value of the future lease payments is the Company's incremental borrowing rate because the interest rate implicit in the Company's leases is not readily determinable. The incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in economic environments where the leased asset is located.

The Company's lease terms include periods under options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option in the measurement of its ROU assets and liabilities. The Company considers contractual-based factors such as the nature and terms of the renewal or termination, asset-based factors such as physical location of the asset and entity-based factors such as the importance of the leased asset to the Company's operations to determine the lease term. The Company generally uses the base, noncancelable, lease term when determining the ROU assets and lease liabilities. The right-of-use asset is tested for impairment in accordance with Accounting Standards Codification Topic 360, *Property, Plant, and Equipment*.

Lessor Accounting

Our leased equipment primarily consists of rental tools and equipment. Our agreements with our customers for rental equipment contain an operating lease component under ASC 842 because (i) there are identified assets, (ii) the customer has the right to obtain substantially all the economic benefits from the use of the identified asset throughout the period of use and (iii) the customer directs the use of the identified assets throughout the period of use.

Our lease contract periods are daily, monthly, per well or based on footage. Lease revenue is recognized on a straight-line basis based on these rates. We do not provide an option for the lessee to purchase the rented tools at the end of the lease and the lessees do not provide residual value guarantees on the rented assets.

We recognized operating lease revenue within "Tool rental" on the unaudited condensed consolidated statements of comprehensive income (loss).

Intangible Assets

Intangible assets with finite useful lives include customer relationships, trade name, patents, non-compete agreements and a supply agreement. These intangible assets are amortized either on a straight-line basis over the asset's estimated useful life or on a basis that reflects the pattern in which the economic benefits of the intangible are realized.

Goodwill

Goodwill represents the excess of purchase price paid over the fair value of the net assets of acquired businesses. We evaluate Goodwill at least annually for impairment. Goodwill is considered impaired if the carrying amount of the reporting unit exceeds its estimated fair value. To align with our change in reporting segments and reporting units referenced in Note 7 – *Goodwill*, the Company has changed its annual goodwill impairment assessment date from December 31 to October 31 starting in 2025. This change will not have a material impact on the annual assessment. We first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the goodwill impairment test. If the qualitative assessment indicates that it is more likely than not that the fair value of the reporting unit is less than its carrying amount or we elect not to perform a qualitative assessment, the quantitative assessment of goodwill test is performed. The goodwill impairment test is also performed whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If it is necessary to perform the quantitative assessment to determine if our goodwill is impaired, we will utilize a discounted cash flow analysis using management's projections that are subject to various risks and uncertainties of revenues, expenses and cash flows as well as assumptions regarding discount rates, terminal value and control premiums. Estimates of future cash flows and fair value are highly subjective and inherently imprecise. These estimates can change materially from period to period based on many factors. Accordingly, if conditions change in the future, we may record impairment losses, which could be material to any particular reporting period. Refer to Note 7 - *Goodwill* for discussion around segment realignment and the Company's impairment analysis during the nine months ended September 30, 2025.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There is a hierarchy based upon the transparency of inputs used in the valuation of an asset or liability. Classification within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The valuation hierarchy contains three levels:

Level 1 – Valuation inputs are unadjusted quoted market prices for identical assets or liabilities in active markets.

Level 2 – Valuation inputs are quoted prices for identical assets or liabilities in markets that are not active, quoted market prices for similar assets and liabilities in active markets and other observable inputs directly or indirectly related to the assets or liabilities being measured.

Level 3 – Valuation inputs are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

In determining the appropriate levels, the Company performs a detailed analysis of the assets and liabilities that are measured and reported on a fair value basis. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. In determining the appropriate levels, the Company performs a detailed analysis of the assets and liabilities that are measured and reported on a fair value basis. The valuation of assets and liabilities recognized in business combinations are considered level 3 fair value measurements on the closing date of the acquisition. These assets and liabilities are not remeasured at each reporting period.

As of September 30, 2025 and December 31, 2024, the Company did not have **any** Level 1, 2 or 3 assets or liabilities measured on a recurring basis.

Fair value of Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, and accounts payable. The carrying amount of such instruments approximates fair value due to their short-term nature. Additionally, the Company carries long-term debt at its amortized cost, which approximates fair value.

Cost of Revenue

The Company recorded all operating costs associated with its product sales and tool rental revenue streams in cost of product sale revenue and cost of tool rental revenue, respectively, in the unaudited condensed consolidated statements of comprehensive income (loss). All indirect operating costs, including labor, freight, contract labor and others, are included in selling, general, and administrative expense in the unaudited condensed consolidated statements of comprehensive income (loss).

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with ASC 718, Compensation—Stock Compensation ("ASC 718"). ASC 718 requires that the cost of awards of equity instruments offered in exchange for employee services, including employee stock options and restricted stock awards, be measured based on the grant-date fair value of the award. The Company determines the fair value of stock options granted using the Black-Scholes- Merton option-pricing model ("Black-Scholes model") and recognizes the cost over the period during which an employee is required to provide service in exchange for the award, generally the vesting period, with forfeitures accounted for as they occur.

For restricted stock units, the grant date fair value is determined based on quoted market price for the Company's common stock as of the grant date and the grant date fair value of the awards are recognized as compensation cost as awards vest over the requisite service period.

Treasury Stock

The Company uses the cost method to record treasury stock purchases whereby the entire cost of the acquired shares of our common stock is recorded as treasury stock (at cost). When we subsequently reissue these shares, proceeds in excess of cost upon the issuance of

treasury shares are credited to additional paid-in-capital, while any deficiency is charged to retained earnings.

Non-controlling Interest

When the Company holds an equity method investment in a Variable Interest Entity ("VIE") and is determined to be the primary beneficiary, the VIE is consolidated in accordance with ASC 810, Consolidation. Upon consolidation, any equity interests in the VIE not held by the Company are presented as non-controlling interests in the unaudited condensed consolidated financial statements. The non-controlling interest represents the portion of the VIE's net assets and net income attributable to other equity holders. The Company reassesses its status as the primary beneficiary of the VIE on an ongoing basis and adjusts the non-controlling interest accordingly. Changes in ownership interests that do not result in a loss of control are accounted for as equity transactions.

Earnings Per Share

Basic earnings per share is computed by dividing the net income (loss) by the weighted-average number of common shares outstanding for the period. Diluted earnings are computed by dividing the diluted net income (loss) by the weighted-average number of common shares outstanding for the period, including potential dilutive common stock. For the purposes of this calculation, outstanding stock options are considered potential dilutive common stock and are excluded from the computation of net loss per share if their effect is anti-dilutive.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the unaudited condensed consolidated financial statements and consist of taxes currently due plus deferred taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the unaudited condensed consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income tax expense represents the change during the period in the deferred tax assets and liabilities.

The Company is subject to state income taxes in various jurisdictions.

Each uncertain tax position is assessed using a two-step process. A determination is first made whether it is more likely than not that the income tax position will be sustained, based upon technical merits and upon examination by the taxing authorities. If the income tax position is expected to meet the more likely than not criteria, the benefit recorded in the unaudited condensed consolidated financial statements equals the largest amount that is greater than 50% likely to be realized upon its ultimate settlement. The Company has no uncertain tax positions at September 30, 2025 and December 31, 2024. The Company believes there are no tax positions taken or expected to be taken that would significantly increase or decrease unrecognized tax benefits within twelve months of the reporting date.

The Company records income tax related interest and penalties, if applicable, as a component of the provision for income tax expense. However, there were no amounts recognized relating to interest and penalties in the unaudited condensed consolidated statements of comprehensive income (loss) for the three and nine months ended September 30, 2025 and 2024.

Operating Segments

Operating segments are identified as components of an enterprise about which discrete financial information is available for evaluation by the chief operating decision-maker ("CODM") in deciding resource allocation and assessing performance. The Company's Chief Executive Officer is the CODM. The Company's CODM reviews financial information presented for each operating segment for the purposes of making operations decisions, allocating resources and evaluating financial performance.

In January 2025, coinciding with the closing of the Company's acquisition of Titan Tools Services Limited, the Company has realigned its operations to support its strategic initiatives to expand its global operations and reach new markets, particularly in the Eastern Hemisphere. As a result, the Company realigned its reportable segments to correspond with changes to its operating model, management structure, and organizational responsibilities. Consequently, the Company has determined it operates in two operating and reportable segments: Eastern Hemisphere and Western Hemisphere. This realignment is reflected within the Company's unaudited condensed consolidated financial statements and prior periods are retrospectively revised to reflect this change in reportable segments.

Restructuring

The Company recognizes restructuring charges in accordance with ASC 420, Exist or Disposal Cost Obligations. Restructuring costs primarily include severance and other employee-related termination benefits, as well as reorganization costs associated with strategic initiatives to streamline operations or reduce overhead. These costs are recognized when a formal plan has been approved, communicated to affected employees, and the obligation is probable and reasonably estimable.

Recent Accounting Pronouncements

In November 2023, FASB issued Accounting Standard Update (“ASU”) 2023-07, Segment Reporting (Topic 280) - Improvements to Reportable Segment Disclosures, which includes requirements for more robust disclosures of significant segment expenses and information used in assessing segment performance on an annual and interim basis. The guidance also requires that a public entity that has a single reportable segment provide all the disclosures required by the guidance and all existing segment disclosures under the FASB Accounting Standards Codification (“ASC”) Topic 280, Segment Reporting. This standard was effective for the Company’s annual period beginning January 1, 2024, and is effective for the Company’s interim periods beginning January 1, 2025. The Company applied the standard retrospectively to all comparative periods. Refer to Note 17 - *Segment Information* for the required segment disclosures.

In December 2023, FASB issued Accounting Standard Update (“ASU”) 2023-09, Income Taxes (Topic 740) – Improvements to Income Tax Disclosures, which requires enhanced income tax disclosures that reflect how operations and related tax risks, as well as how tax planning and operational opportunities, affect the tax rate and prospects for future cash flows. This standard is effective for the Company beginning January 1, 2025, with early adoption permitted. The Company is currently evaluating the effects of adopting this new accounting guidance on its disclosures but does not currently expect adoption will have a material impact on the Company’s consolidated financial statements. The new disclosure requirements will be effective for the 2025 annual report.

In November 2024, FASB issued ASU 2024-03, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40), which requires disclosure of specific information about costs and expenses within relevant expense captions on the face of the income statement, qualitative descriptions for expense captions not specifically disaggregated quantitatively, and the total amount and definition of selling expenses for interim and annual reporting periods. This standard is effective for the Company’s annual reporting period beginning January 1, 2027, and interim reporting periods beginning January 1, 2028. Early adoption is permitted. The Company is currently evaluating the effects of adopting this new accounting guidance.

NOTE 2 – VARIABLE INTEREST ENTITY AND JOINT VENTURE ARRANGEMENT

On May 22, 2025, Drilling Tools International, Inc. (“DTI” or the “Company”), through its wholly owned subsidiary DTI Canada 1, LLC, entered into a Joint Venture and Shareholders’ Agreement with Upstream Energy SDN. BHD. (“Upstream Energy”), a Malaysian entity, to form Drilling Tools International SDN. BHD. (“DTI Malaysia”), a Malaysian corporation. The purpose of DTI Malaysia is to expand the Company’s geographic footprint to serve a broader customer base in the Asia-Pacific market.

Under the terms of the agreement, the Company contributed \$11.6 thousand and Upstream Energy contributed \$12.1 thousand to the initial share capital of \$23.7 thousand, resulting in ownership interests of 49% and 51%, respectively. Despite holding a minority equity interest, the Company was appointed as the sole manager of DTI Malaysia under a separate Management Agreement, granting it full operational and financial control over the entity.

DTI Malaysia is considered a variable interest entity (“VIE”) under ASC 810 due to the disproportionality between DTI’s voting interest and its control and economic exposure. DTI has the power to direct the activities that most significantly impact the economic performance of DTI Malaysia and is entitled to receive substantially all the economic returns from its operations. As such, DTI is the primary beneficiary of DTI Malaysia and consolidates its financial results.

DTI consolidates 100% of DTI Malaysia’s assets, liabilities, revenues, and expenses. The portion of net assets and net income attributable to Upstream Energy is presented as a noncontrolling interest in the Company’s consolidated financial statements. There are no assets of DTI Malaysia that can be used only to settle its obligations nor are there liabilities for which creditors do not have recourse to the general credit of DTI.

NOTE 3 – BUSINESS COMBINATION

Acquisition of CTG

On the March 15, 2024, the Company’s wholly owned subsidiary, Drilling Tools International, Inc., entered into and consummated the Share Purchase Agreement with CTG, the shareholders of CTG, and a representative of CTG, to acquire 100% of the shares of CTG for

a gross cash purchase consideration of \$20.9 million. CTG is incorporated in the United Kingdom and is the holding company of its wholly owned subsidiary, Deep Casing. Deep Casing specializes in the design, engineering, and manufacturing of a range of patented and innovative products for well construction, well completion, and casing installation processes for the global oil and gas sector. The CTG Acquisition allows the Company to further expand its geographical presence globally, especially in the Middle East, provides accretive earnings to consolidated results of operations, and expands the Company's portfolio of intellectual property rights, through the acquisition of over 60 patents.

The CTG Acquisition has been accounted for as a business combination in accordance with ASC 805, *Business Combinations* ("ASC 805"). Drilling Tools International, Inc. has been treated as the accounting acquirer. Accordingly, CTG's tangible and identifiable intangible assets acquired and its liabilities assumed were recorded at their estimated fair values on the CTG Acquisition Date.

The allocation of the purchase price is as follows:

	March 15, 2024	Measurement Period Adjustments	As adjusted March 15, 2024
Assets			
Cash	\$ 2,674	\$ —	\$ 2,674
Accounts receivable	3,781	—	3,781
Inventories	4,282	—	4,282
Prepaid expenses and other current assets	189	—	189
Property, plant and equipment	1,647	—	1,647
Operating lease ROU asset	315	—	315
Intangible assets	8,065	—	8,065
Goodwill	2,618	526	3,144
Total assets acquired	\$ 23,571	\$ 526	\$ 24,097
Liabilities			
Accounts payable	2,656	—	2,656
Accrued expenses and other current liabilities	(295)	526	231
Current portion of operating lease liabilities	95	—	95
Operating lease liabilities, less current portion	180	—	180
Total liabilities assumed	\$ 2,636	\$ 526	\$ 3,162
Total consideration transferred	\$ 20,935	\$ —	\$ 20,935

The excess of the purchase price over the fair values of the net identifiable tangible and intangible assets acquired has been assigned to goodwill. Goodwill represents the future benefits as a result of the acquisition that will enhance the services available to both new and existing customers and increase the Company's competitive position. Goodwill will be evaluated for impairment at least annually. Goodwill attributable to the CTG Acquisition is not deductible for tax purposes. As of March 15, 2025, the Company is complete with the process of allocating the purchase price and valuing the acquired assets and liabilities assumed.

The Company incurred acquisition-related costs of \$0.0 million and \$1.4 million, respectively, during the three and nine months ended September 30, 2024, which is included in other operating and non-operating expenses, net in the consolidated statements of income and comprehensive income.

Acquisition of Superior Drilling Products, Inc.

On **March 6, 2024**, the Company entered into the Merger Agreement by and among the Company, SDPI, Merger Sub, Merger Sub II, pursuant to the First Merger, with SDPI surviving as a wholly owned subsidiary of DTI and upon the effective time of the First Merger, SDPI, as the surviving corporation of the First Merger, merged with and into Merger Sub II, with Merger Sub II surviving as a wholly owned subsidiary of the Company. In accordance with the terms of the Merger Agreement, the closing of the Merger occurred on July 31, 2024 (the "SDPI Closing Date" or "SDPI Closing") for total consideration of \$47.9 million.

SDPI is an innovative drilling and completion tool technology company providing cost saving solutions that drive production efficiencies for the oil and natural gas drilling industry. In addition, SDPI is a manufacturer and refurbisher of polycrystalline diamond compact drill bits for leading oil field services companies. The acquisition furthers the Company's growth strategy as a premier provider of technologically differentiated solutions and services for the global oil & gas drilling industry. The SDPI acquisition allows the company to vertically integrate around our proven and successful Drill-N-Ream® tool, gain global rights to run this tool, continue the Vernal,

UT bit repair business supporting major OEMs of PDC drill bits, and leverage their high-spec machine shop. In addition, we acquired over 30 patents and patents pending, the majority of which have been granted.

The acquisition of SDPI has been accounted for as a business combination in accordance with ASC 805, Business Combinations. The Company has been treated as the accounting acquirer. Accordingly, SDPI's tangible and identifiable intangible assets acquired and its liabilities assumed were recorded at their estimated fair values on the SDPI Closing Date.

The allocation of the purchase is as follows (in thousands):

Assets acquired:	
Cash	\$ 1,726
Accounts receivable	1,239
Related party note receivable, current	1,231
Inventories	2,800
Prepaid expenses and other current assets	573
Property, plant and equipment	10,213
Related party note receivable, noncurrent	4,193
Operating lease right-of-use asset	2,662
Intangible assets	22,850
Deposits and other long-term assets	200
Total assets acquired	47,687
Liabilities assumed:	
Accounts payable	370
Current portion of operating lease liabilities	147
Accrued expenses and other current liabilities	1,804
Deferred tax liabilities, net	881
Deferred income	675
Operating lease liabilities, less current portion	2,368
Total liabilities assumed	6,245
Total identifiable net assets	41,442
Goodwill	7,718
Total net assets acquired and goodwill	\$ 49,160

The excess of the fair value of the consideration transferred and the fair value of DTI's previously held investment in SDPI over the fair values of the net identifiable tangible and intangible assets acquired has been assigned to goodwill. Goodwill represents the future benefits as a result of the acquisition that will enhance the services available to both new and existing customers and increase the Company's competitive position. Goodwill will be evaluated for impairment at least annually. Goodwill attributable to the acquisition of SDPI is not deductible for tax purposes. As of July 31, 2025, the Company is complete with the process of allocating the purchase price and valuing the acquired assets and liabilities assumed.

The Company incurred acquisition-related costs of \$1.9 million and \$2.9 million, respectively, during the three and nine months ended September 30, 2024, which is included in other operating and non-operating expenses, net in the consolidated statements of income and comprehensive income.

Acquisition of European Drilling Projects B.V.

On September 30, 2024, the Company's wholly owned subsidiary, Drilling Tools International, Inc., entered the Share Purchase Agreement with European Drilling Projects B.V. ("EDP"), and the sole shareholder of EDP, to acquire 100% of the shares of EDP. European Drilling Products is a global provider of next-generation stabilizers, specialty reamers, and wellbore optimization technology for the drilling industry. EDP designs and manufactures bespoke drilling equipment tailored to address specific industry challenges. The integration of EDP's expertise aligns seamlessly with DTI's international growth strategy and commitment to technological differentiation.

In accordance with the terms of the Merger Agreement, the closing of the acquisition occurred on October 3, 2024 (the "EDP Closing Date" or "EDP Closing") for total consideration of \$13.9 million, including a Promissory Note payable to parent company of EDP for \$5.2 million. On April 22, 2025, the First Amendment to the Promissory Note was entered into, reducing the balance owed on the Promissory Note by \$0.3 million. As the amendment was signed within a year of the acquisition date of September 30, 2024 and related

to additional information about matters which existed as of the acquisition date, the Company accounted for the amendment as a measurement period adjustment. Please refer to the table below for the impact of the reduction. Additionally, refer to *Note 8 - Long-Term Debt* for further information regarding the Promissory Note.

The acquisition of EDP has been accounted for as a business combination in accordance with ASC 805, Business Combinations (“ASC 805”). Drilling Tools International, Inc. has been treated as the accounting acquirer. Accordingly, EDP’s tangible and identifiable intangible assets acquired, and its liabilities assumed were recorded at their estimated fair values on the EDP Closing Date. The purchase price allocation for the Merger is preliminary and subject to revision. Additional information that existed as of the EDP Closing Date may become known during the remainder of the measurement period, which will not extend beyond one year from the EDP Closing Date.

The allocation of the purchase is as follows (in thousands):

	September 30, 2024	Measurement Period Adjustments	As adjusted September 30, 2024
Assets acquired:			
Cash	\$ 79	—	\$ 79
Accounts receivable	1,180	—	1,180
Accrued Revenue	271	—	271
Other current assets	42	—	42
Property, plant and equipment	3,176	—	3,176
Operating lease right-of-use asset	325	—	325
Deferred tax assets	883	(28)	855
Intangible assets	8,197	—	8,197
Total assets acquired	14,153	(28)	14,125
Liabilities assumed:			
Accounts payable	428	—	428
Other current liabilities	876	—	876
Debt, noncurrent	138	—	138
Operating lease liabilities, less current portion	325	—	325
Deferred tax liabilities, net	2	1,908	1,910
Total liabilities assumed	1,769	1,908	3,677
Total identifiable net assets	12,384	(1,936)	10,448
Goodwill	1,516	1,670	3,186
Total net assets acquired and goodwill	\$ 13,900	\$ (266)	\$ 13,634

The excess of the fair value of the consideration transferred over the fair values of the net identifiable tangible and intangible assets acquired has been assigned to goodwill. Goodwill represents the future benefits of acquiring EDP as the acquisition not only enhances DTI's competitive edge, but also reinforces its position as a leader in providing innovative drilling solutions to the global oil and gas industry. Goodwill will be evaluated for impairment at least annually. Goodwill attributable to the acquisition of EDP is not deductible for tax purposes.

During the nine months ended September 30, 2025, a measurement period adjustment was identified as it relates to the consideration transferred and the recognition of deferred tax assets and liabilities. The total measurement period adjustment was \$1.7 million. The measurement period adjustment impacted the goodwill recognized on September 30, 2024. As of September 30, 2025, the Company has completed the process of allocating the purchase price and valuing the acquired assets and liabilities assumed.

The Company incurred acquisition-related costs of \$0.2 million and \$0.3 million, respectively, during the three and nine months ended September 30, 2024, which is included in other operating and non-operating expenses, net in the consolidated statements of income and comprehensive income.

Titan Tools Group Limited

On January 2, 2025, the Company’s wholly owned subsidiary, Drilling Tools International, Inc., completed the acquisition of 100% of the shares of Titan Tools Group Limited (“Titan”). Titan is a full-service, down-hole tool rental company for land and offshore operations

focused on wellbore construction rental items for both traditional hydrocarbon extraction and geothermal industries. Titan's primary operations are located in the United Kingdom, Europe, and Africa.

In accordance with the terms of the acquisition, the closing of the acquisition occurred on January 2, 2025 (the "Titan Closing Date" or "Titan Closing") for total consideration of \$10.8 million. The consideration for the acquisition of \$10.8 million is comprised of the following items (in thousands):

Cash paid to Titan shareholders	\$	6,002
Titan transaction costs to be paid by DTI		175
Closing date equity consideration ⁽¹⁾		2,922
Effective settlement of preexisting relationship between DTI and Titan ⁽²⁾		1,675
Fair value of consideration transferred	\$	10,774

(1) Represents the value, as of the Titan Closing Date, of the DTI common stock transferred as purchase consideration.

(2) Represents the effective settlement of DTI's accounts receivable from Titan and DTI's accounts payable to Titan as Titan and DTI were customers of each other prior to the Titan Closing.

The acquisition of Titan has been accounted for as a business combination in accordance with ASC 805, Business Combinations ("ASC 805"). Drilling Tools International, Inc. has been treated as the accounting acquirer. Accordingly, Titan's tangible and identifiable intangible assets acquired, and its liabilities assumed were recorded at their estimated fair values on the Titan Closing Date. The purchase price allocation for the acquisition is preliminary and subject to revision, specifically as it relates to foreign tax positions. Additional information that existed as of the Titan Closing Date may become known during the remainder of the measurement period, which will not extend beyond one year from the Titan Closing Date.

The preliminary allocation of the purchase price is as follows (in thousands):

Assets acquired:		
Cash	\$	559
Accounts receivable		3,670
Inventory		658
Other current assets		93
Property, plant and equipment		3,927
Operating lease right-of-use asset		919
Intangible assets		2,657
Total assets acquired		12,484
Liabilities assumed:		
Accounts payable		1,090
Operating lease liabilities, current		226
Other current liabilities		1,965
Operating lease liabilities, less current portion		694
Deferred tax liabilities, net		71
Total liabilities assumed		4,045
Total identifiable net assets		8,439
Goodwill		2,335
Total net assets acquired and goodwill	\$	10,774

The excess of the fair value of the consideration transferred over the fair values of the net identifiable tangible and intangible assets acquired has been assigned to goodwill. Goodwill represents the future benefits of acquiring Titan as the acquisition not only enhances DTI's competitive edge, but also reinforces its position as a leader in providing innovative drilling solutions to the global oil and gas industry. Goodwill attributable to the acquisition of Titan is not deductible for tax purposes.

The following table sets forth the amounts allocated to the identified intangible assets, the estimated useful lives of those intangible assets as of the Titan Closing Date, and the methodologies used to determine the fair values of those intangible assets (in thousands):

	Fair value	Useful life (in years)	Fair value methodology
Customer Relationship	\$ 2,671	25	Multi-period Excess Earnings Method
Total intangible assets	<u>\$ 2,671</u>		

The intangible assets acquired are expected to be amortized over their useful lives on a straight-line basis.

The Company incurred acquisition-related costs of \$0.1 million and \$0.6 million, respectively, during the three and nine months ended September 30, 2025, which is included in other operating and non-operating expenses, net in the consolidated statements of income and comprehensive income.

The Company's consolidated statements of income and comprehensive income for the three and nine months ended September 30, 2025, include Titan's revenues of \$2.7 million and \$8.2 million, respectively, and net income of \$0.1 million and \$0.6 million, respectively from the Titan Closing Date to September 30, 2025.

Supplemental Pro Forma Information (unaudited)

The unaudited supplemental pro forma financial results below for the three and nine months ended September 30, 2025 and 2024, combine the consolidated results of the Company, SDPI and CTG, giving effect to the mergers as if they had been completed on January 1, 2024. The unaudited supplemental pro forma financial results to not give effect to the impact of the Titan or EDP Acquisitions as these were not considered significant individually or in the aggregate. This unaudited supplemental pro forma financial information is presented for informational purposes only and is not indicative of future operations or results had the acquisition been completed as of January 1, 2024, or any other date.

(in thousands)	Three months ended September 30,			
	2025		2024	
Pro forma revenue	\$	38,817	\$	40,663
Pro forma net loss	\$	(904)	\$	(2,349)

(in thousands)	Nine months ended September 30,			
	2025		2024	
Pro forma revenue	\$	121,118	\$	120,140
Pro forma net loss	\$	(4,978)	\$	(3,304)

NOTE 4 – BALANCE SHEET DETAILS - CURRENT ASSETS AND CURRENT LIABILITIES

Inventories

The following table shows the components of inventory (in thousands):

	September 30, 2025	December 31, 2024
Raw materials	\$ 13,352	\$ 12,777
Work in progress	930	1,828
Finished goods	3,860	2,897
Total inventories	<u>\$ 18,142</u>	<u>\$ 17,502</u>

Prepaid expenses and other current assets

The following table shows the components of prepaid expenses and other current assets (in thousands):

	September 30, 2025	December 31, 2024
Prepaid expenses:		
Deposits on inventory	\$ 893	\$ 551
Prepaid income tax	—	1,293
Prepaid insurance	1,228	957
Prepaid rent	446	449
Prepaid equipment	63	263
Other prepaid expenses	356	361
Other current assets:		
Income tax receivable	657	—
Total	\$ 3,643	\$ 3,874

Accrued expenses and other current liabilities

The following table shows the components of accrued expenses and other current liabilities (in thousands):

	September 30, 2025	December 31, 2024
Accrued expenses:		
Accrued compensation and related benefits	\$ 5,772	\$ 4,497
Accrued insurance	846	645
Accrued professional services	428	253
Accrued interest	417	416
Accrued property taxes	930	44
Accrued monitoring fees	373	373
Other	1,148	272
Other current liabilities:		
Income tax payable	\$ —	\$ 459
Sales tax payable	564	229
Deferred income	743	675
Total accrued expenses and other current liabilities	\$ 11,221	\$ 7,864

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT, NET

The following table shows the component of property, plant and equipment, net (in thousands):

	Estimated Useful Lives (in Years)	September 30, 2025	December 31, 2024
Rental tools and equipment	5-10	\$ 214,112	\$ 205,939
Buildings and improvements	5-40	7,857	7,074
Office furniture, fixtures and equipment	3-5	3,062	2,507
Transportation and equipment	3-5	699	714
Total property, plant and equipment		225,730	216,234
Less: accumulated depreciation		(152,623)	(142,203)
Property, plant and equipment, net (excluding construction in progress)		73,107	74,031
Construction in progress		2,991	1,540
Property, plant and equipment, net		\$ 76,098	\$ 75,571

Total depreciation expense for the three months ended September 30, 2025 and 2024 was approximately \$6.1 million and \$5.8 million, respectively. Total depreciation expense for the nine months ended September 30, 2025 and 2024 was approximately \$18.4 million and \$16.7 million, respectively. The Company has not acquired any property, plant and equipment under capital leases.

NOTE 6 – INTANGIBLE ASSETS, NET

The following table shows the components of intangible assets, net (in thousands):

	Weighted-average remaining amortization period (in years)	September 30, 2025	December 31, 2024
Trade name	12.4	\$ 3,426	\$ 3,184
Developed technology	14.7	16,968	15,438
Customer relationships	19.6	24,178	21,081
Patents	12.1	12	11
Total intangible assets		44,585	39,714
Less: accumulated amortization		(4,480)	(2,482)
Intangible assets, net		\$ 40,105	\$ 37,232

Total amortization expense for the three months ended September 30, 2025 and 2024 was approximately \$0.7 million and \$0.4 million, respectively. Total amortization expense for the nine months ended September 30, 2025 and 2024 was approximately \$2.0 million and \$0.5 million, respectively. Estimated future amortization expense for the next five years is as follows:

2026	\$ 2,487
2027	\$ 2,487
2028	\$ 2,487
2029	\$ 2,487
2030	\$ 2,487
Thereafter	\$ 27,672
Total	\$ 40,105

NOTE 7 - GOODWILL

The change in carrying amount of goodwill for the nine months ended September 30, 2025 was as follows (in thousands):

	Total
Net balance as of December 31, 2024	\$ 12,147
Additions due to business combinations	2,335
Measurement period adjustments	1,670
Impairments	(1,901)
Foreign currency translation	364
Net balance as of September 30, 2025	\$ 14,615

Change in Reporting Units and Goodwill Impairment

On January 1, 2025, the Company realigned its reportable segments to correspond with changes to its operating model, management structure, and organizational responsibilities. We bifurcated results into two segments: Eastern Hemisphere and Western Hemisphere. As a result, we split into four reporting units and reallocated goodwill among our affected reporting units on a relative fair value basis. We performed a goodwill impairment assessment immediately before and after our business reorganization. We concluded based on our pre-reorganization impairment test that goodwill was not impaired. As a result of the post-reorganization impairment test, we recognized

a non-cash goodwill impairment loss of \$1.9 million during the nine months ended September 30, 2025, related to our Diamond Products and Deep Casing reporting units as the estimated fair values of the new reporting units was lower than the related carrying value.

NOTE 8 – LONG TERM DEBT

In December 2015, the Company entered into a credit facility with PNC Bank, National Association (the "Existing Credit Facility"). The facility provided for a revolving line of credit with a maximum borrowing amount totaling \$60.0 million.

On March 15, 2024, the Company refinanced its revolving credit facility (the "Revolving Line of Credit") by entering into a Second Amended and Restated Revolving Credit, Term Loan and Security and Guaranty Agreement (the "Credit Facility") with certain of the Company's subsidiaries and PNC Bank, National Association as lender and as agent. Pursuant to the terms of the Credit Facility, the Company will be provided a revolving line of credit in a principal amount up to \$80.0 million and a single draw term loan (the "Term Loan") in a principal amount of \$25.0 million. The line of credit and the Term Loan mature in March 2029. The Credit Facility amends and restates the Company's Existing Credit Facility under that certain Amended and Restated Revolving Credit, Term Loan, and Security Agreement, dated as of June 20, 2023, by and among the Company, certain of its subsidiaries, and PNC Bank National Association. Additionally, the Company is required to make an annual payment of up to \$5.0 million, to be determined based on the Excess Cash Flows generated each fiscal year commencing with the year ended December 31, 2024, as defined in the Credit Facility. Based on the calculation for Excess Cash Flows laid forth in the agreement, no payment was owed in April 2025.

For the nine months ended September 30, 2025, the interest on the amount drawn on the Revolving Line of Credit and Term Loan and the outstanding Term Loan balance are based on the Secured Overnight Financing Rate ("SOFR") or the bank's base lending rate plus applicable margin (approximately 6.56% and 8.28%, respectively, at September 30, 2025). The Credit Facility is collateralized by substantially all the assets of the Company.

As of September 30, 2025, there was \$29.0 million drawn against the line of credit.

In connection with acquisition of EDP, the Company issued an unsecured Promissory Note to the former parent company of EDP, totaling \$5.2 million. On April 22, 2025, the First Amendment to the note was signed, reducing the balance by \$0.3 million. The note bears an interest rate of 8% per annum. The note matures in December 2029 and payments are made quarterly. The note is a foreign currency denominated monetary liability (issuance and payments are denominated Euro), and as such, is measured at the end of each reporting unit based on the exchange rate at that date. The remaining balance on the Promissory Note was \$4.4 million as of September 30, 2025. For the three and nine months ended September 30, 2025 and 2024, the Company recognized a loss of \$0.0 million and \$0.3 million, respectively, on the condensed consolidated statements of comprehensive income (loss).

As of September 30, 2025, the future maturities of long-term debt consisted of the following (in thousands):

2025	\$	1,485
2026		5,989
2027		6,071
2028		6,159
2029		31,599
Total long term debt	\$	51,303

Contingent Interest Embedded Derivative Liability

Under the Credit Facility Agreement, the interest rate will reset (the "Default Rate") upon the event of a default and an additional 2% will be added to the base rate. The Company analyzed the Default Rate feature of the Credit Facility for derivative accounting consideration under ASC 815, *Derivatives and Hedging*, and determined the Default Rate met the definition of a derivative as it is a contingent interest feature. The Company also noted that the Default Rate feature (the "Default Rate Derivative") required bifurcation from the host contract and was to be accounted for at fair value. In accordance with ASC 815-15, the Company bifurcated the Default Rate feature of the note and determined the derivative is liability classified.

The Default Rate Derivative is treated as a liability, initially measured at fair value with subsequent changes in fair value recorded in earnings. Management has assessed the probability of occurrence for a non-credit default event and determined the likelihood of a referenced event to be remote. Therefore, the estimated fair value of the Default Rate Derivative was negligible as of September 30, 2025 and December 31, 2024 and therefore no amounts were recorded as of September 30, 2025 or December 31, 2024.

NOTE 9 – INCOME TAXES

The Company recorded an income tax expense and benefit on the unaudited condensed consolidated statements of comprehensive income (loss) of \$0.4 million and \$0.4 million for the three months ended September 30, 2025 and 2024, respectively. Additionally, the Company recorded income tax expense on the unaudited condensed consolidated statements of comprehensive income (loss) of \$1.0 million and \$0.4 million for the nine months ended September 30, 2025 and 2024, respectively.

The income tax expense for the nine months ended September 30, 2025 was calculated using a discrete approach. This methodology was used because changes in the Company's results of operations and acquisitions can materially impact the estimated annual effective tax rate. The Company's effective tax rate for the nine months ended September 30, 2025 and 2024 was 25.9% and 8.7%, respectively. Such rates differed from the Federal Statutory rate of 21.0% primarily due to the state taxes, foreign income taxes on the Company's international operations, and permanent differences.

The Company records deferred tax assets and liabilities for the future tax benefit or expense that will result from differences between the carrying value of its assets for income tax purposes and for financial reporting purposes, as well as for operating loss and tax credit carryovers. A valuation allowance is recorded to bring the net deferred tax assets to a level that is more likely than not to be realized in the foreseeable future. This level will be estimated based on a number of factors, especially the amount of net deferred tax assets of the Company that are actually expected to be realized, for tax purposes, in the foreseeable future. There was no change to the valuation allowance during the three and nine months ended September 30, 2025 and 2024.

The Company is still evaluating the tax impact of the Titan Acquisition, including the impact of the transaction costs. Additionally, the Company continues to evaluate the deferred tax assets and liabilities and corresponding valuation allowance in connection with the Titan Acquisition.

On July 4th, 2025, the One Big Beautiful Bill Act ("OBBBA") was enacted in the U.S. The OBBBA includes significant provisions, such as the permanent extension of certain expiring provisions of the Tax Cuts and Jobs Act, modifications to the international tax framework and restoration of favorable tax treatment for certain business provisions. The legislation has multiple effective dates, with certain provisions effective in 2025 and others implemented through 2027. The Company incorporated these provisions effective during the quarter, and they had no material impact on our consolidated financial statements for the three and nine months ended September 30, 2025.

NOTE 10 – STOCK-BASED COMPENSATION

On June 20, 2023, the Company adopted the Drilling Tools International Corporation 2023 Omnibus Incentive Plan (the "2023 Plan"). The 2023 Plan became effective on the closing of the Merger. The 2023 Plan provides for the issuance of shares of Common Stock up to ten percent (10%) of the shares of outstanding Common Stock as of the closing of the Merger and automatically increases on the first trading day of each calendar year by the number of shares of Common Stock equal to three percent (3%) of the total number of outstanding Common Stock on the last day of the prior calendar year. The 2023 Plan allows for awards to be issued to employees, non-employee directors, and consultants in the form of options, stock appreciation rights, restricted shares, restricted stock units, performance based awards, other share-based awards, other cash-based awards, or a combination of the foregoing. As of September 30, 2025, there were 1,075,226 shares of Common Stock available for issuance under the 2023 Plan.

Stock Options

The fair value of each stock option award is estimated on the date of grant using a Black-Scholes model. Expected volatilities are based on comparable public company data. The Company uses future estimated employee termination and forfeiture rates of the options within the valuation model. The expected term of options granted is derived using the "plain vanilla" method due to the lack

of history and volume of option activity at the Company. The risk-free rate is based on the approximate U.S. Treasury yield rate in effect at the time of grant. The Company's calculation of share price involves the use of different valuation techniques, including a combination of an income and market approach. For any grants of stock options subsequent to the Company being publicly traded, the Company will use the quoted market price as of the grant date as an input into the Black-Scholes model.

The following table summarizes our stock option activity for the nine months ended September 30, 2025:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
OUTSTANDING, December 31, 2024	4,963,626	\$ 3.50	6.46	\$ —
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited	—	—	—	—
OUTSTANDING, September 30, 2025	4,963,626	\$ 3.50	5.23	\$ —
UNVESTED, September 30, 2025	1,656,666	\$ 3.02	8.38	\$ —
EXERCISABLE, September 30, 2025	3,306,960	\$ 2.93	3.65	\$ —

During the three months ended September 30, 2025 and 2024, the Company recognized \$0.4 million and \$0.4 million, respectively, of stock-based compensation expense related to stock options within selling, general, and administrative expenses on the unaudited condensed consolidated statements of comprehensive income (loss). During the nine months ended September 30, 2025 and 2024, the Company recognized \$1.1 million and \$1.0 million, respectively, of stock-based compensation expense within selling, general, and administrative expenses on the unaudited condensed consolidated statements of comprehensive income (loss). As of September 30, 2025, total unrecognized compensation expense related to the stock options totaled \$2.0 million. The unrecognized compensation expense will be recognized over the weighted average remaining vesting term of 1.4 years.

Restricted Stock Units

Restricted stock units ("RSUs") are granted to the members of the Board of Directors annually. Additionally, in February 2025, 909,321 RSUs were granted to key employees and officers. RSUs vest over a one to four year period with service and continued employment as the only vesting criteria. The recipient of the restricted stock award is entitled to all of the rights of a shareholder, except that the award is nontransferable during the vesting period. The fair value of the restricted stock award is established on the grant date and then expensed over the vesting period resulting in an increase in additional paid-in-capital.

The following table summarizes our restricted stock unit activity for the nine months ended September 30, 2025:

	Shares	Weighted Average Exercise Price
UNVESTED, December 31, 2024	68,560	\$ 3.23
Granted	1,052,451	3.16
Vested	(68,560)	3.23
Forfeited	(30,000)	3.23
UNVESTED, September 30, 2025	1,022,451	\$ 3.16

During the three months ended September 30, 2025 and 2024, the Company recognized \$0.3 million and \$0.1 million, respectively, of stock-based compensation related to RSUs within selling, general, and administrative expenses on the unaudited condensed consolidated statements of comprehensive income (loss). During the nine months ended September 30, 2025 and 2024, the Company recognized \$0.7 million and \$0.5 million, respectively, of stock-based compensation related to RSUs within selling, general, and administrative expenses on the unaudited condensed consolidated statements of comprehensive income (loss). As of September 30, 2025, unrecognized compensation expense related to the RSUs totaled \$2.7 million. The unrecognized compensation expense will be recognized over the weighted average remaining vesting term of 3.0 years.

NOTE 11 – OTHER OPERATING AND NON-OPERATING EXPENSES, NET

The following table shows the components of other operating and non-operating expenses, net for the three months ended September 30, 2025 and 2024 (in thousands):

	Three months ended September 30, 2025	Three months ended September 30, 2024
Transaction fees	170	1,857
Unrealized loss on foreign currency	(40)	—
Restructuring charges	491	—
Other, net	(123)	622
Software implementation	193	—
Interest income	(103)	(36)
Other operating and non-operating expenses, net	\$ 588	\$ 2,443

The following table shows the components of other operating and non-operating expenses, net for the nine months ended September 30, 2025 and 2024 (in thousands):

	Nine Months Ended September 30, 2025	Nine Months Ended September 30, 2024
Transaction fees	\$ 1,118	\$ 4,766
Unrealized loss on foreign currency	546	—
Restructuring charges	1,489	—
Other, net	943	546
Software implementation	641	—
Interest income	(303)	(71)
Other operating and non-operating expenses, net	\$ 4,434	\$ 5,241

NOTE 12 – RELATED PARTY TRANSACTIONS***Management fees***

For the three months ended September 30, 2025 and 2024, management fees paid to Hicks Holdings Operating LLC ("HHLLC"), a shareholder of the Company, were approximately \$0.2 million and \$0.2 million, respectively. For the nine months ended September 30, 2025 and 2024, management fees paid to Hicks Holdings Operating LLC were approximately \$0.6 million and \$0.6 million, respectively. Management fees paid to a shareholder are included in selling, general and administrative expense in the accompanying unaudited condensed consolidated statements of comprehensive income (loss).

Director fees

Director fees for the three months ended September 30, 2025 and 2024, director fees paid to Board were approximately \$0.1 million and \$0.1 million, respectively. Director fees for the nine months ended September 30, 2025 and 2024, director fees paid to Board members were approximately \$0.3 million and \$0.4 million, respectively. Director fees are included in selling, general and administrative expense in the accompanying unaudited condensed consolidated statements of comprehensive income (loss).

Related Party Note Receivable

On July 31, 2024 ("Closing Date"), the Company entered into the Sixth Amendment and Restated Promissory Note with Tronco Energy Corporation ("Tronco"), an entity owned by employees of the Company. Pursuant to the Sixth Amendment and Restated Promissory Note, Tronco will make payments to the Company of \$1.3 million annually, commencing on the first anniversary of the Closing Date through the fifth anniversary of the Closing Date. Per the agreement, if the 20-day volume-weighted average price of DTI falls below \$3.20 per share, the principal that otherwise would have been due shall be deferred and apportioned over the remaining payment dates under specified in the agreement. The first payment due on July 31, 2025 was deferred as the 20-day volume-weighted average price of DTI was below \$3.20 per share. Any payments due and not received by the Company before the fifth date following the anniversary date will bear interest from the date of nonpayment until paid equal to 3%. In accordance with ASC 805, the receivable's fair value was

measured at the present value of future cash flows upon the Closing Date. The carrying value of the note as of September 30, 2025 was \$5.3 million.

NOTE 13 – LEASES

The Company leases various facilities and vehicles under noncancelable operating lease agreements. The remaining lease terms for our leases range from 1 month to 14 years. These leases often include options to extend the term of the lease which may be for periods of up to 5 years. When it is reasonably certain that the option will be exercised, the impact of the renewal term is included in the lease term for purposes of determining total future lease payments and measuring the ROU asset and lease liability. We apply the short-term lease policy election, which allows us to exclude from recognition leases with an original term of 12 months or less. We have not entered into any finance leases as of September 30, 2025.

For the three and nine months ended September 30, 2025, the components of the Company's lease expense were as follows (in thousands):

	Three months ended September 30, 2025	Three months ended September 30, 2024
Operating lease cost	\$ 1,764	\$ 1,647
Short-term lease cost	31	34
Variable lease cost	111	96
Total Lease Cost	\$ 1,906	\$ 1,777

	Nine months ended September 30, 2025	Nine months ended September 30, 2024
Operating lease cost	\$ 5,240	\$ 4,725
Short-term lease cost	94	104
Variable lease cost	330	287
Total Lease Cost	\$ 5,664	\$ 5,116

Supplemental balance sheet information related to leases was as follows (in thousands):

	As of September 30, 2025	As of September 30, 2024
Weighted-average remaining lease term (in years)	7.97	7.23
Weighted average discount rate	8.20%	7.58%

Future undiscounted cash flows for each of the next five years and thereafter and reconciliation to the lease liabilities recognized on the unaudited condensed consolidated balance sheet as of September 30, 2025 were as follows (in thousands):

2025	\$	1,537
2026		6,012
2027		4,948
2028		4,231
2029		3,644
Thereafter		16,287
Total lease payments	\$	36,659
Less: imputed interest		(10,200)
Present value of lease liabilities	\$	26,459

The Company leases downhole drilling tools to companies in the oil and natural gas industry. Such leases are accounted for in accordance with ASC 842. For the three and nine months ended September 30, 2025, tool rental revenue was approximately \$31.9 million and \$99.1 million, respectively. For the three and nine months ended September 30, 2024

, tool rental revenue was approximately \$28.1 million and \$86.4 million, respectively. Our lease contract periods are short-term in nature and are typically daily, monthly, per well, or footage based. Due to the short term nature of the contracts, no maturity table is presented.

NOTE 14 – EMPLOYEE BENEFITS

The Company sponsors various defined contribution savings plan, primarily in the U.S., that allow employees to contribute a portion of their pre-tax and/or after-tax income in accordance with specified guidelines. Under specified conditions, the Company will make contributions to the plans and/or match a percentage of the employee contributions up to certain limits. The total expense for the three months ended September 30, 2025 and 2024 was approximately \$0.1 million and \$0.1 million, respectively. The total expense for the nine months ended September 30, 2025 and 2024 was approximately \$0.7 million and \$0.5 million, respectively.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

The Company maintains operating leases for various facilities and vehicles. See Note 13 - *Leases*, for further information.

Litigation

From time to time, the Company may become involved in various legal proceedings in the ordinary course of its business and may be subject to third-party infringement claims.

In the normal course of business, the Company may agree to indemnify third parties with whom it enters into contractual relationships, including customers, lessors, and parties to other transactions with the Company, with respect to certain matters. The Company has agreed, under certain conditions, to hold these third parties harmless against specified losses, such as those arising from a breach of representations or covenants, other third-party claims that the Company's products when used for their intended purposes infringe the intellectual property rights of such other third parties, or other claims made against certain parties. It is not possible to determine the maximum potential amount of liability under these indemnification obligations due to the Company's limited history of prior indemnification claims and the unique facts and circumstances that are likely to be involved in each particular claim.

Management Fee

The Company is required to pay a monthly management fee to a shareholder. The fee is based upon a percentage of the Company's trailing twelve months, earnings before interest, taxes and accumulated depreciation amount, as defined in the management agreement (refer to Note 12 – *Related Parties Transactions*).

NOTE 16 – EARNINGS PER SHARE

Basic earnings per share is computed using the weighted-average number of common shares outstanding for the period. Diluted earnings per share is computed using the weighted-average number of common shares outstanding for the period plus dilutive potential common shares, including performance share awards, using the treasury stock method. Performance share awards are included based on the number of shares that would be issued as if the end of the reporting period was the end of the performance period and the result was dilutive.

The following table sets forth the computation of the Company's basic and diluted net earnings per share for the three and nine months ended September 30, 2025 and 2024 (in thousands except share and per share data):

	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
Numerator:				
Net income (loss) attributable to Drilling Tools International stockholders	\$ (903)	\$ 867	\$ (4,977)	\$ 4,359
Denominator				
Weighted-average common shares used in computing earnings per share — basic	35,386,122	33,072,097	35,516,692	30,893,602
Weighted-average effect of potentially dilutive securities:				
Effect of potentially dilutive time-based stock options	—	363,581	—	412,309
Effect of potentially dilutive performance-based stock options	—	97,722	—	87,285
Effect of potentially dilutive restricted stock units	—	13,656	—	11,137
Weighted-average common shares outstanding — diluted	35,386,122	33,547,056	35,516,692	31,404,333
Earnings (loss) per share — basic	\$ (0.03)	\$ 0.03	\$ (0.14)	\$ 0.14
Earnings (loss) per share — diluted	\$ (0.03)	\$ 0.03	\$ (0.14)	\$ 0.14

As of September 30, 2025, the Company's potentially dilutive securities consisted of options to purchase common stock and restricted stock units. Based on the amounts outstanding as of the three and nine months ended September 30, 2025 and 2024, the Company excluded the following potential common shares from the computation of diluted net income per share because including them would have had an anti-dilutive effect:

	Three months ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Performance-based options outstanding	534,063	—	534,063	—
Time-based options outstanding	4,429,563	162,237	4,429,563	140,135
Time-based restricted stock units outstanding	1,022,451	—	1,022,451	—
Total	4,963,626	162,237	4,963,626	140,135

NOTE 17 - SEGMENT INFORMATION

Prior to the acquisition of Titan, we operated as a single operating segment which reflected how our business was managed. Upon completion of the acquisition, the Company split into two operating segments based on geography, Western Hemisphere and Eastern Hemisphere. Operating segments are identified as components of an enterprise about which discrete financial information is available for evaluation by the CODM in deciding resource allocation and assessing performance. The Company's Chief Executive Officer serves as the CODM. The Company's CODM reviews financial information disaggregated by hemisphere for the purposes of making operational decisions, allocating resources, and evaluating financial performance.

The Company's two operating segments derives revenues from customers by providing oilfield equipment and services to operators in wellbore construction and casing installation. The CODM assesses performance for each segment individually and decides how to allocate resources by using Segment EBITDA, which is defined as net income (loss); excluding interest income; interest expense; other operating and non-operating expense, net; income tax benefit (expense); depreciation and amortization; and unallocated corporate general and administrative expenses, including stock-option expense and monitoring fees. Additionally, the Company's CODM total segment assets and capital expenditures by segment regularly in making operational decisions. The CODM uses these metrics in the annual budget and forecasting process. The CODM considers budget-to-actual variances on a quarterly basis to forecast future performance, adjust the budget, and make decisions about the allocation of operating and capital resources to the segment.

Financial information by segment for the three months ended September 30, 2025 and 2024 is summarized below:

For The Three Months Ended September 30, 2025			
	Western Hemisphere	Eastern Hemisphere	Total
Tool Rental	27,865	5,790	33,655
Product Sales	7,087	433	7,520
Total Revenue	34,952	6,223	41,175
Reconciliation of revenue			
<i>Elimination of intersegment revenue</i>			(2,358)
Total Consolidated Revenue			38,817
Less: ⁽¹⁾			
Cost of Tool Rental	6,132	2,749	8,881
Cost of Product Sales	3,311	278	3,589
Total Cost of Sales	9,443	3,027	12,470
<i>Reconciliation of cost of revenue</i>			
Elimination of intersegment cost of revenue			(2,358)
Total consolidated cost of revenue			10,112
Selling, general, administrative expenses	13,826	3,007	16,833
Segment EBITDA	11,683	189	11,872
<i>Reconciliation of segment profit</i>			
Corporate expenses ⁽²⁾			2,757
Depreciation and amortization			6,834
Stock option expense			636
Monitoring fees			188
Transaction expenses			171
Other expenses			1,752
Consolidated loss before taxes			(467)

For The Three Months Ended September 30, 2024			
	Western Hemisphere	Eastern Hemisphere	Total
Tool Rental	31,253	541	31,794
Product Sales	7,481	3,868	11,349
Total Revenue	38,734	4,409	43,143
Reconciliation of revenue			
<i>Elimination of intersegment revenue</i>			(3,050)
Total Consolidated Revenue			40,093
Less: ⁽¹⁾			
Cost of Tool Rental	7,536	204	7,740
Cost of Product Sales	3,446	1,666	5,112
Total Cost of Sales	10,982	1,870	12,852
<i>Reconciliation of cost of revenue</i>			
Elimination of intersegment cost of revenue			(3,050)
Total consolidated cost of revenue			9,802
Selling, general, administrative expenses	14,227	1,843	16,070
Segment EBITDA	13,525	696	14,221
<i>Reconciliation of segment profit</i>			
Corporate expenses ⁽²⁾			3,097
Depreciation and amortization			6,185
Stock Option Expense			508
Monitoring fees			188
Transaction expenses			1,857
Other expenses			1,958
Consolidated income before taxes			428

(1) The significant expense categories and amounts align with the segment-level information that is regularly provided to the chief operating decision maker

(2) Comprised primarily of expenses not allocated to our geographical segments.

Financial information by segment for the nine months ended September 30, 2025 and 2024 is summarized below:

	For The Nine Months Ended September 30, 2025		
	Western Hemisphere	Eastern Hemisphere	Total
Tool Rental	90,321	15,648	105,969
Product Sales	23,412	1,713	25,125
Total Revenue	113,733	17,361	131,094
Reconciliation of revenue			
Elimination of intersegment revenue			(9,976)
Total Consolidated Revenue			121,118
Less: ⁽¹⁾			
Cost of Tool Rental	22,043	6,954	28,997
Cost of Product Sales	10,982	1,251	12,233
Total Cost of Sales	33,025	8,205	41,230
Reconciliation of cost of revenue			
Elimination of intersegment cost of revenue			(9,976)
Total consolidated cost of revenue			31,254
Selling, general, administrative expenses	43,344	9,110	52,454
Segment EBITDA	37,364	46	37,410
Reconciliation of segment profit			
Corporate expenses ⁽²⁾			8,210
Depreciation and amortization			20,386
Stock Option Expense			1,820
Monitoring fees			563
Transaction expenses			1,118
Goodwill impairment			1,901
Other expenses			7,365
Consolidated loss before taxes			(3,954)

	For The Nine Months Ended September 30, 2024		
	Western Hemisphere	Eastern Hemisphere	Total
Tool Rental	93,307	1,534	94,841
Product Sales	19,289	8,304	27,593
Total Revenue	112,596	9,838	122,434
Reconciliation of revenue			
Elimination of intersegment revenue			(7,834)
Total Consolidated Revenue			114,600
Less: ⁽¹⁾			
Cost of Tool Rental	24,978	345	25,323
Cost of Product Sales	7,048	3,800	10,848
Total Cost of Sales	32,026	4,145	36,171
Reconciliation of cost of revenue			
Elimination of intersegment cost of revenue			(7,834)
Total consolidated cost of revenue			28,337
Selling, general, administrative expenses	42,034	3,659	45,693
Segment EBITDA	38,536	2,034	40,570
Reconciliation of segment profit			
Corporate expenses ⁽²⁾			9,588
Depreciation and amortization			17,232
Stock Option Expense			1,572
Monitoring fees			563
Transaction expenses			4,766
Other expenses			2,075
Consolidated income before taxes			4,774

(1) The significant expense categories and amounts align with the segment-level information that is regularly provided to the chief operating decision maker

(2) Comprised primarily of expenses not allocated to our geographical segments.

Additional financial information by operating segment as of September 30, 2025 and 2024 is summarized below:

	September 30,	
	2025	2024
Capital Expenditures		
Western Hemisphere	\$ 12,976	\$ 19,528
Eastern Hemisphere	3,160	150
Total capital expenditures	16,136	19,678
Segment Assets⁽¹⁾:		
Western Hemisphere	\$ 149,286	\$ 160,308
Eastern Hemisphere	67,894	40,621
Total segment assets	217,180	200,929
Corporate and other ⁽²⁾	10,217	17,914
Total assets	\$ 227,397	\$ 218,843

(1) The goodwill allocated to the four reporting units is included within their respective segment asset totals. The goodwill amount included in segment assets is net of impairment losses of \$0.9 million and \$1.0 million at the Western Hemisphere and Eastern Hemisphere segments, respectively. Refer to *Note 7 - Goodwill* for further details.

(2) Corporate assets consists of cash, related party notes receivables, and deferred financing costs.

NOTE 18 - SUPPLEMENTAL CASH FLOWS

Cash flows related to income taxes, interest, leases, inventory purchases and capital expenditures included in accounts payable, assumed liabilities acquired in a business combination and other non-cash investing and financing activities were as follows:

	Nine Months Ended September 30,	
	2025	2024
Supplemental cash flow information:		
Cash paid for interest	\$ 3,536	\$ 1,488
Cash paid for income taxes	1,292	256
Non-cash investing and financing activities:		
Measurement period adjustment related to EDP Acquisition	1,671	—
ROU assets obtained in exchange for lease liabilities	6,418	5,737
Fair value of CTG liabilities assumed in CTG Acquisition	—	3,162
Fair value of SDPI liabilities assumed in SDPI Acquisition	—	6,246
Fair value of Titan liabilities assumed in Titan Acquisition	4,045	—
Non-cash consideration in SDPI Acquisition	—	27,024
Non-cash consideration in Titan Acquisition	4,597	—
Purchases of inventory included in accounts payable and accrued expenses and other current liabilities	401	1,592
Purchases of property and equipment included in accounts payable and accrued expenses and other current liabilities	798	—
Non-cash recovery of note receivable	—	255
Net exercise of stock options	—	254
Shares withheld from exercise of stock options for payment of taxes	—	36

NOTE 19 – SHARE REPURCHASES

On May 13, 2025, the Company announced a share repurchase program allowing the Company to purchase common stock held by non-affiliates, not to exceed \$10.0 million in aggregate value. Share repurchases may take place in any transaction form as allowable by the SEC. The Board of Directors of the Company approved the plan to remain active until **December 31, 2025**.

During the three months ended September 30, 2025, the Company repurchased 259,908 shares of the Company's Common Stock for an aggregate \$0.6 million, net of fees on the open market. During the nine months ended September 30, 2025, the Company

repurchased 462,519 shares of the Company's Common Stock for an aggregate \$1.2 million, net of fees on the open market. As of September 30, 2025, the Company still has \$8.8 million of remaining shares authorized for repurchase.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and related notes as of September 30, 2025, and for the three and nine months ended September 30, 2025 and 2024, included elsewhere herein. For additional information pertaining to our business, including risk factors which should be considered before investing in our common stock, refer to our Annual Report on Form 10-K for the fiscal year ended December 31, 2024. Our historical results are not necessarily indicative of the results that may be expected for any period in the future. All dollar amounts are expressed in thousands of United States dollars ("\$\$"), unless otherwise indicated. Capitalized terms used in this section, but not otherwise defined, have the meanings ascribed to them in the Report.

Overview

We are a global oilfield services company that designs, engineers, manufactures and provides a differentiated, rental-focused offering of tools for use in onshore and offshore horizontal and directional drilling operations, as well as other cutting-edge solutions across the well life cycle. We operate from 15 locations in North America and 11 international service and support centers in Europe, the Middle East, and Asia-Pacific.

Our revenues are derived from two sources: tool rental and product sales. Tool rental revenues are derived from the rental of tools used in bottom hole assemblies ("BHA"), various wellbore optimization tools, and tubular goods for drilling, workover, and completion operations. Additionally, tool rental revenue consists of the repair and inspection of such tools. Product sale revenues are derived from the sale of target depth technologies, the manufacturing and repair of tools for external customers, and tool recovery revenue. During the three months ended September 30, 2025 and 2024, we derived 82% and 70% of total revenues from tool rentals and 18% and 30% from product sales, respectively. During the nine months ended September 30, 2025 and 2024, we derived 82% and 75% from tool rentals and 18% and 25% from product sales, respectively.

We operate out of 2 reporting segments, split by geography, consisting of the Western Hemisphere operations and the Eastern Hemisphere operations.

Market Factors

Demand for our services and products depends primarily upon the general level of activity in the oil and gas industry, including the number of active drilling rigs, the number of wells drilled, the depth and working pressure of these wells, the number of well completions, the level of well remediation activity, the volume of production and the corresponding capital spending by oil and natural gas companies. Oil and gas activity is in turn heavily influenced by, among other factors, investor sentiment, availability of capital and oil and gas prices locally and worldwide, which have historically been volatile.

Our tool rental revenues are primarily dependent on drilling activity and our ability to gain or maintain market share with a sustainable pricing model.

Our product sales revenues are primarily dependent on oil and gas companies paying for tools that are lost or damaged in their drilling programs as well as the customers need to replace aging or consumable products and our ability to provide competitive pricing. With the addition of Deep Casing Tools, we now sell tools to the end users for use in constructing their wells.

All of these factors may be influenced by the oil and gas region in which our customers are operating. While these factors may lead to differing revenues, we have generally been able to forecast our product needs and anticipated revenue levels based on historic trends in a given region and product line.

Recent Developments and Trends

Industry Update

In the nine months ended September 30, 2025, the oil and gas market witnessed a dynamic interplay of geopolitical tensions, shifting demand dynamics, and evolving geopolitical and economic factors. U.S. oil production reached record highs, averaging 13.5 million

barrels per day, driven by the Permian Basin and offshore developments. However, this surge in supply coincided with an increasing surplus in global oil supply over demand, leading to downward pressure on prices. Crude oil prices experienced declines, specially WTI, whose quarterly average decreased from \$76.24 per barrel to \$65.74 per barrel from the third quarter of 2024 to the third quarter of 2025. Despite the high volatility in spot oil prices described above, our customers tend to be more focused on medium-term and long term commodity prices when making investment decisions due to the longer lead times for offshore projects.

In the nine months ended September 30, 2025, U.S. natural gas prices experienced a notable rebound following the record lows of 2024. The Henry Hub spot price averaged approximately \$3.03 per million British thermal units (MMBtu) during the third quarter, or a 43% increase compared to the third quarter of 2024. An increase in demand is expected to outpace any expected growth in U.S. production, leading to a tightening of inventories and supporting higher prices through the remainder of 2025

Notwithstanding the significant commodity price volatility over the past several years, we have seen decreases in both the Western and Eastern Hemisphere. During the three and nine months ended September 30, 2025, the weekly average Western Hemisphere rig count, as reported by Baker Hughes was 851 and 871 rigs, respectively, compared to 947 and 946 rigs for the three and nine months ended September 30, 2024. Additionally, during the three and nine months ended September 30, 2025, the weekly average Eastern Hemisphere rig count, as reported by Baker Hughes was 887 and 900 rigs, respectively, compared to 950 and 969 rigs for the three and nine months ended September 30, 2024. However, notwithstanding the impact of longer laterals, improved rig efficiencies have partially offset the impact of this reduction.

Inflation and Increased Costs

We are experiencing the impacts of global inflation, both in increased personnel costs and the prices of goods and services required to operate our rigs and execute capital projects. While we are currently unable to estimate the ultimate impact of rising prices, we do expect that our costs will continue to rise in the near term and will impact our profitability.

Results of Operations

The following table set forth our results of operations for the periods presented (in thousands):

	Three Months Ended September 30,			
	2025	2024	\$ Change	% Change
Revenue, net:				
Western Hemisphere	\$ 34,952	\$ 38,734	\$ (3,782)	-10%
Eastern Hemisphere	6,223	4,409	1,814	41%
Intersegment Revenue	(2,358)	(3,050)	692	nm
Total revenue, net	38,817	40,093	(1,276)	-3%
Segment income/(loss)				
Western Hemisphere	11,683	13,525	(1,842)	-14%
Eastern Hemisphere	189	696	(507)	-73%
Total segment income/(loss)	11,872	14,221	(2,349)	nm
Costs and other deductions:				
Corporate and other expenses ¹	3,582	3,786	(204)	nm
Depreciation and amortization expense	6,834	6,185	649	10%
Interest expense, net	1,336	1,038	298	29%
Gain (loss) on asset disposal	(1)	(19)	18	nm
Unrealized gain (loss) on equity securities	—	361	(361)	nm
Goodwill impairment	—	—	—	nm
Other operating and non-operating costs, net	588	2,443	(1,855)	-76%
Total costs and other deductions	12,339	13,793	(1,454)	-11%
Income before income taxes	(467)	428	(895)	-209%
Income tax benefit (expense)	(437)	439	(876)	nm
Net income (loss)	\$ (905)	\$ 867	(1,772)	-204%

	Nine Months Ended September 30,			
	2025	2024	\$ Change	% Change
Revenue, net:				
Western Hemisphere	\$ 113,733	\$ 112,596	\$ 1,137	1%
Eastern Hemisphere	17,361	9,838	7,523	76%
Intersegment Revenue	(9,976)	(7,834)	(2,142)	nm
Total revenue, net	121,118	114,600	6,518	6%
Segment income/(loss)				
Western Hemisphere	37,364	38,536	(1,172)	-3%
Eastern Hemisphere	46	2,034	(1,988)	-98%
Total segment income	37,410	40,570	(3,160)	-8%
Costs and other deductions:				
Corporate and other expenses ⁽¹⁾	10,593	11,723	(1,130)	-10%
Depreciation and amortization expense	20,386	17,232	3,154	18%
Interest expense, net	3,981	2,030	1,951	96%
Gain (loss) on asset disposal	70	(61)	131	nm
Unrealized gain (loss) on equity securities	—	(368)	368	nm
Goodwill impairment	1,901	—	1,901	nm
Other operating and non-operating costs, net	4,434	5,241	(807)	-15%
Total costs and other deductions	41,364	35,796	5,568	16%
Income before income taxes	(3,954)	4,774	(8,728)	-183%
Income tax benefit (expense)	(1,024)	(415)	(609)	nm
Net income (loss)	\$ (4,978)	\$ 4,359	(9,337)	-214%

(1) Corporate and other includes stock compensation expense, monitoring expenses, and unallocated corporate expenses.

(2) nm = not meaningful

Comparison of the Three Months Ended September 30, 2025 and 2024

Western Hemisphere

Western Hemisphere revenue was \$35.0 million for the three months ended September 30, 2025, a decrease of \$3.8 million, or 10%, compared to the three months ended September 30, 2024. The decrease in revenues was driven by a decrease in tool rental revenue as a result of lower customer activity levels during the three months ended September 30, 2025. Western Hemisphere segment income was \$11.7 million, a decrease of \$1.8 million, or 14%, compared to three months ended September 30, 2024. The decrease was in line with the decrease in revenue and driven by lower customer activity levels during the three months ended September 30, 2025.

Eastern Hemisphere

Eastern Hemisphere revenue was \$6.2 million for the three months ended September 30, 2025, an increase of \$1.8 million, or 41% compared to the three months ended September 30, 2024. The increase in revenues was driven by the recent acquisitions of tool rental businesses located within the Eastern Hemisphere. Eastern Hemisphere segment income was \$0.2 million, a decrease of \$0.5 million, or 73%, compared to three months ended September 30, 2024. The decrease was driven by increased headcount as a result of the acquisitions and an activity decline seen in the Middle Eastern market.

Depreciation and amortization expense

Depreciation and amortization expenses was \$6.8 million for the three months ended September 30, 2025, an increase of \$0.6 million, or 10%, compared to the three months ended September 30, 2025 and 2024. The increase corresponds with the increasing property, plant, and equipment and intangible asset balances as a result of acquisitions and capital expenditures.

Interest Expense, net

Interest expense, net was \$1.3 million for the three months ended September 30, 2025, an increase of \$0.3 million, or 29%, compared to the three months ended September 30, 2025 and 2024. The increase was primarily a result of interest on the term loan, entered into in March 2024, interest on amounts drawn on the credit facility, and interest on the promissory note, entered into in September 2024.

Other operating and non-operating expense, net

Other operating and non-operating expense, net was \$0.6 million for the three months ended September 30, 2025, a decrease of \$1.9 million, or 76%, compared to the three months ended September 30, 2025 and 2024. The decrease was primarily a result of the transaction fees incurred during the third quarter of 2024.

Comparison of the Nine Months Ended September 30, 2025 and 2024

Western Hemisphere

Western Hemisphere revenue was \$113.7 million for the nine months ended September 30, 2025, an increase of \$1.1 million, or 1%, compared to the nine months ended September 30, 2024. The increase in revenues was driven by the addition of our Diamond Products Division ("DPD") in August of 2024. Western Hemisphere segment income was \$37.4 million, a decrease of \$1.2 million, or 3%, compared to nine months ended September 30, 2024. The decrease was driven by increased headcount as a result of the acquisitions and other personnel related expenses.

Eastern Hemisphere

Eastern Hemisphere revenue was \$17.4 million for the nine months ended September 30, 2025, an increase of \$7.5 million, or 76% compared to the nine months ended September 30, 2024. The increase in revenues was driven by the recent acquisitions of tool rental businesses located within the Eastern Hemisphere. Eastern Hemisphere segment loss was \$0.0 million, a decrease of \$2.0 million, or 98%, compared to nine months ended September 30, 2024. The decrease was driven by increased headcount as a result of the acquisitions and an activity decline seen in the Middle Eastern market.

Corporate and other expenses

Corporate and other expenses was \$10.6 million for the nine months ended September 30, 2025, a decrease of \$1.1 million, or 10%, compared to the nine months ended September 30, 2024. The decrease was primarily driven by the reallocation of certain corporate expenses as a result of the recent segment reorganization in January of 2025.

Depreciation and amortization expenses

Depreciation and amortization expenses was \$20.4 million for the nine months ended September 30, 2025, an increase of \$3.2 million, or 18%, compared to the nine months ended September 30, 2024. The increase corresponds with the increasing property, plant, and equipment and intangible asset balances as a result of acquisitions and capital expenditures.

Interest Expense, net

Interest expense, net was \$3.9 million for the nine months ended September 30, 2025, an increase of \$2.0 million, or 96%, compared to the nine months ended September 30, 2024. The increase was primarily a result of interest on the term loan, entered into in March 2024, interest on amounts drawn on the credit facility, and interest on the promissory note, entered into in September 2024.

Other operating and non-operating expense, net

Other operating and non-operating expense, net was \$4.4 million for the nine months ended September 30, 2025, a decrease of \$0.8 million, or 15%, compared to the nine months ended September 30, 2024. The decrease was primarily a result of a decrease in transaction fees, offset by increases in restructuring charges and software implementation fees.

Non-GAAP Financial Measures

To supplement our unaudited interim consolidated financial statements, which are prepared and presented in accordance with U.S. GAAP, we use certain non-GAAP financial measures, as described below, to understand and evaluate our core operating performance. These non-GAAP financial measures, which may be different than similarly titled measures used by other companies, are presented to enhance investors' overall understanding of our financial performance and should not be considered a substitute for, or superior to, the financial information prepared and presented in accordance with U.S. GAAP.

We use the non-GAAP financial measure Adjusted EBITDA, which is defined as net income (loss); excluding interest income; interest expense; other operating and non-operating expense, net, net; income tax benefit (expense); depreciation and amortization; and certain other non-cash or non-recurring items impacting net income (loss) from time to time. We believe that Adjusted EBITDA helps identify underlying trends in our business that could otherwise be masked by the effect of the expenses that we exclude in Adjusted EBITDA.

This non-GAAP financial measure should not be considered in isolation from, or as substitutes for, financial information prepared in accordance with U.S. GAAP. There are a number of limitations related to the use of this non-GAAP financial measures compared to the closest comparable U.S. GAAP measure. Some of these limitations are that:

- Adjusted EBITDA excludes certain recurring, non-cash charges such as depreciation of fixed assets and amortization of acquired intangible assets and, although these are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future;
- Adjusted EBITDA excludes income tax benefit (expense).

The following tables present a reconciliation of Adjusted EBITDA to net income (loss) for the three and nine months ended September 30, 2025 and 2024 (non-recurring transaction expenses recorded to other (income) expense are presented separately within Adjusted EBITDA):

<i>(In thousands)</i>	Three Months Ended September 30,	
	2025	2024
Net income (loss)	\$ (904)	\$ 867
Add (deduct):		
Income tax expense (benefit)	437	(439)
Depreciation and amortization	6,834	6,185
Interest expense, net	1,336	1,038
Stock option expense	637	508
Management fees	188	188
Loss (gain) on sale of property	(1)	(19)
Loss (gain) on remeasurement of previously held equity interest	—	361
Goodwill impairment	—	—
Transaction expense	171	1,857
Other operating and non-operating expense, net	417	579
Adjusted EBITDA	<u>\$ 9,115</u>	<u>\$ 11,125</u>

<i>(In thousands)</i>	Nine Months Ended September 30,	
	2025	2024
Net income (loss)	\$ (4,978)	\$ 4,359
Add (deduct):		
Income tax expense (benefit)	1,024	415
Depreciation and amortization	20,386	17,232
Interest expense, net	3,981	2,030
Stock option expense	1,820	1,572
Management fees	563	563
Loss (gain) on sale of property	70	(61)
Loss (gain) on remeasurement of previously held equity interest	—	(368)
Goodwill impairment	1,901	—
Transaction expense	1,118	4,766
Other operating and non-operating expense, net	3,317	475
Adjusted EBITDA	<u>\$ 29,202</u>	<u>\$ 30,983</u>

Liquidity and Capital Resources

At September 30, 2025, we had \$4.4 million of cash and cash equivalents. Our primary sources of liquidity and capital resources are cash on hand, cash flows generated by operating activities and, if necessary, borrowings under the Credit Facility Agreement. We may use additional cash generated to execute strategic acquisitions or for general corporate purposes. We believe that our existing cash on hand, cash generated from operations and available borrowings under the Credit Facility Agreement will be sufficient for at least the next 12 months to meet working capital requirements and anticipated capital expenditures.

Credit Facility Agreement

Reference is made to the disclosure set forth under the heading “Revolving Credit Facility” in Note 8 – *Long Term Debt*, of the notes to Interim Financial Statements.

Capital Expenditures

Our capital expenditure relates to capital additions or improvements that add to our rental or repair capacity or extend the useful life of our drilling tools and related infrastructure. Also, our capital expenditures replace tools that are lost or damaged by a customer and these are funded by a rental tool recovery sale amount from the customer. We regularly incur capital expenditures on an on-going basis in order to (i) increase or maintain our rental tool fleet and equipment, (ii) extend the useful life of our rental tools and equipment and (iii) acquire or upgrade computer hardware and software. The amount of our capital expenditures is influenced by, among other things, demand for our services, recovery of lost or damaged tools, schedules for refurbishing our various rental tools and equipment, cash flow generated by our operations, expected rates of return and cash required for other purposes.

Contractual Obligations and Commitments

Our material contractual obligations arise from leases of facilities and vehicles under noncancelable operating leases agreements. See Note 15 - *Commitments and Contingencies*, of the notes to the Interim Financial Statements.

Tax Obligations

We currently have available federal net operating loss carryforwards to offset our federal taxable income, and we expect that these carryforwards will substantially reduce our cash tax payments over the next several years. If we forfeit these carryforwards for any reason or deplete them faster than anticipated, our cash tax obligations could increase substantially. For additional information, see Note 9 - *Income Taxes*, of the notes to the Interim Condensed Consolidated Financial Statements.

Cash Flows

The following table sets forth our cash flows for the period indicated:

(In thousands)	Nine Months Ended September 30,	
	2025	2024
Net cash (used in) provided by:		
Operating activities	\$ 14,588	\$ 9,723
Investing activities	(12,745)	(46,132)
Financing activities	(3,705)	43,360
Effect of changes in foreign exchange rate	50	(993)
Net increase (decrease) in cash and cash equivalents	<u>\$ (1,812)</u>	<u>\$ 5,958</u>

Cash Flows Provided by Operating Activities

Net cash provided by operating activities for the nine months ended September 30, 2025 was \$14.6 million, the driver being a net loss of \$4.9 million and a decrease in net working capital of \$1.3 million offset by non-cash adjustments of \$21.4 million. We will continue to evaluate our capital requirements for both short-term and long-term liquidity needs, which could be affected by various risks and uncertainties, including, but not limited to, the effects of the current inflationary environment, rising interest rates, and other risks detailed in the section of this Report entitled “Risk Factors.”

Net cash provided by operating activities for the nine months ended September 30, 2024 was \$9.7 million, the driver being net income of \$4.4 million, including non-cash charges of \$13.9 million, offset by a decrease in net working capital of \$8.6 million.

Cash Flows Used In Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2025 was \$12.7 million resulting from purchases of property, plant, and equipment of \$16.1 million, purchases of intangible assets of \$1.4 million, and the acquisition of Titan for \$5.6 million, partially offset by proceeds from rental tool recovery sales of \$10.4 million.

Net cash used in investing activities for the nine months ended September 30, 2024 was \$46.1 million, resulting from purchases of property, plant, and equipment of \$19.7 million and the acquisition of DCT and SDPI for \$38.7 million were partially offset by proceeds from rental tool recovery sales of \$10.9 million.

Cash Flows Used In Financing Activities

Net cash used in financing activities for the nine months ended September 30, 2025 was \$3.7 million, resulting from net debt decreases of \$2.6 million and purchases of treasury stock of \$1.2 million.

Net cash provided by financing activities for the nine months ended September 30, 2024 was \$43.4 million, resulting from net debt increases of \$44.1 million offset by the payment of debt issuance costs of \$0.7 million.

Critical Accounting Policies and Estimates

The Interim Financial Statements included in this Report have been prepared in accordance with U.S. GAAP. The preparation of these Interim Financial Statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. We also make estimates and assumptions that affect the reported amounts and related disclosures for the periods presented. Our estimates are based on our historical experience and other factors that we believe are reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ significantly. Additionally, changes in assumptions, estimates or assessments due to unforeseen events or other causes could have a material impact on our financial position or results of operations.

For a description of our critical accounting policies and estimates, see our Annual Report on Form 10-K for the fiscal year ended December 31, 2024.

Recently Issued and Adopted Accounting Standards

A discussion of recent accounting pronouncements is included in Note 1 – *Summary of Significant Accounting Policies*, of the notes to the Interim Condensed Consolidated Financial Statements included elsewhere in this report.

JOBS Act Accounting Election

In April 2012, the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”), was enacted. Section 107 of the JOBS Act provides that an “emerging growth company” may take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. Therefore, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected to avail ourselves of this extended transition period and, as a result, we will not adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies. In addition, as an emerging growth company, we may take advantage of certain reduced disclosure and other requirements that are otherwise applicable generally to public companies. DTI will take advantage of these exemptions until such earlier time that it is no longer an emerging growth company. DTI would cease to be an emerging growth company on the date that is the earliest of (i) the last day of the fiscal year following the fifth anniversary of the date of the completion of this offering (ii) the last day of the fiscal year in which its total annual gross revenue is equal to or more than \$1.07 billion (iii) the date on which it has issued more than \$1.0 billion in nonconvertible debt during the previous three years or (iv) the date on which it is deemed to be a large accelerated filer under the rules of the Securities and Exchange Commission.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Credit risk

Financial instruments which potentially subject us to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. We maintain cash and cash equivalents with major and reputable financial institutions. Deposits held with the financial institutions may exceed the amount of insurance provided by the Canadian Deposit Insurance Corporation and the Federal Deposit Insurance Corporation on such deposits but may be redeemed upon demand. We perform periodic evaluations of the relative credit standing of the financial institutions. With respect to accounts receivable, we monitor the credit quality of our customers as well as maintain an allowance for doubtful accounts for estimated losses resulting from the inability of customers to make required payments.

Concentration risk

A discussion of concentration risk is included in 1 – *Summary of Significant Accounting Policies*, of the notes to the Interim Condensed Consolidated Financial Statements included elsewhere in this report.

Foreign currency risk

Our customers are primarily located in the United States, Canada, and across the Eastern Hemisphere. Therefore, foreign exchange risk exposures arise from transactions denominated in currencies other than the United States dollar, which is our functional and reporting currency. To date, a majority of our sales have been denominated in the United States and Canadian dollars. As we expand our presence in international markets, our results of operations and cash flows may increasingly be subject to fluctuations due to changes in foreign currency exchange rates and may be adversely affected in the future due to changes in foreign exchange rates. To date, we have not entered into any hedging arrangements to minimize the impact of these fluctuations in the exchange rates. We will periodically reassess our approach to manage our risk relating to fluctuations in currency rates.

We do not believe that foreign currency risk had a material effect on our business, financial condition, or results of operations during the periods presented.

Inflation Risk

Rising international tariffs, including any tariffs applied to goods traded between the U.S. and China, the U.S. and Mexico and the U.S. and Canada, could materially and adversely affect our business and results of operations. The U.S. government has previously and now again recently imposed tariffs on certain foreign goods from a variety of countries and regions that it perceives as engaging in unfair

trade practices. Foreign governments have imposed, and may impose in the future, retaliatory tariffs on goods that their countries import from the U.S. Such changes can make it difficult or costly for us to do business in, or import our products from, those countries.

With certain tariff exclusions ending and with any new tariffs, it could further negatively impact global trade and economic conditions in many of the regions where we do business. It may also adversely impact demand for our products in certain locations. It may be time-consuming and costly for us to modify our business operations to adapt to or comply with such tariffs. If we become unable to recover a substantial portion of any increased tariff related costs, the recent or increased international tariffs could materially and adversely affect our business, financial condition and results of operations.

Cybersecurity Risk

We have a suite of controls including technology hardware and software solutions, regular testing of the resiliency of our systems including penetration and disaster recovery testing as well as regular training sessions on cybersecurity risks and mitigation strategies. We have established an incident response plan and team to take steps it determines are appropriate to contain, mitigate and remediate a cybersecurity incident and to respond to the associated business, legal and reputation risks. There is no assurance that these efforts will fully mitigate cybersecurity risk and mitigation efforts are not an assurance that no cybersecurity incidents will occur.

Item 4. Controls and Procedures.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, to allow timely decisions regarding required disclosure.

Evaluation of Disclosure Controls and Procedures

As of September 30, 2025, the Company's disclosure controls and procedures were deemed ineffective by management, including the Chief Executive Officer and Chief Financial Officer. This conclusion stems from the continued presence of a material weakness in internal control over financial reporting, originally identified during the audits of the 2022 and 2023 financial statements. Despite ongoing remediation efforts and improvements made throughout 2024 and 2025, the Company has not fully addressed all prior audit findings and therefore cannot rely on its disclosure controls as of the reporting date.

The material weakness relates to ineffective monitoring activities to assess the operation of internal control over financial reporting. While progress has been made, such as implementing a control testing plan based on applicable reporting frameworks, further improvements are needed. The elements of our remediation plan can only be accomplished over time, and we can offer no assurance that these initiatives will ultimately have the intended effects.

Changes in Internal Control over Financial Reporting

On August 1, 2024, we acquired Superior Drilling Products. As the acquisition date has exceeded one year, we are now required to assess internal controls over financial reporting. Additionally, on January 2, 2025, we completed the acquisition of Titan Tools. We are permitted to omit an assessment of an acquired business' internal control over financial reporting from our assessment of internal control over financial reporting for a period not to exceed one year from the date of the acquisition. Accordingly, we have excluded the internal control over financial reporting of Titan Tools from management's assessment of internal control over financial reporting as of September 30, 2025.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

See Part I, Item 1, Note 15 to our consolidated financial statements entitled "Commitments and Contingencies," which is incorporated in this item by reference.

Item 1A. Risk Factors.

Our Annual Report filed with the SEC on March 14, 2025, describes important risk factors that could cause our business, financial condition, results of operations and growth prospects to differ materially from those indicated or suggested by forward-looking

statements made in this Report or presented elsewhere by management from time to time. There have been no material changes to the risk factors that appear in the Annual Report as of the date of this Quarterly Report. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

On May 13, 2025, the Company announced a share repurchase program allowing the Company to purchase common stock held by non-affiliates, not to exceed \$10.0 million in aggregate value. We remain authorized to purchase \$8.8 million in aggregate value of common shares under this repurchase program.

Shares repurchased during the three months ended September 30, 2025 were as follows:

Three Months Ended September 30, 2025	Total number of shares of Common Stock Purchases	Average price paid per share of Common Stock	Aggregate purchase price of Common Stock repurchases ¹	Remaining aggregate value authorized for repurchase
July 1, 2025 - July 30, 2025	—	—	—	9,392,339
August 1, 2025 - August 30, 2025	87,594	1.95	171,046	9,221,293
September 1, 2025 - September 30, 2025	172,314	2.17	373,422	8,847,872
Total	259,908	\$ 2.09	\$ 544,467	\$ 8,847,872

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

During the nine months ended September 30, 2025, Michael Domino, President, Directional Tool Rentals Division adopted a pre-arranged stock trading plan in accordance with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. The trading plans is intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) and allow for the sale of a specified number of shares of the Company's common stock over a designated period of time, subject to certain price, timing, and volume conditions.

The plans was adopted during an open trading window in accordance with the Company's insider trading policy and are further described below:

Name/Title	Date	Type of Arrangement	Nature of Arrangement	Duration	Aggregate number of shares
Michael Domino, President - Directional Tool Rentals Division	5/16/2025	Rule 10b5-1 Trading Plan	Sale of Common Stock	15 months	125,000

During the third quarter ended September 30, 2025, Michael Domino, President - Directional Tool Rentals Division, sold 4,166 shares of common stock pursuant to a pre-arranged trading plan adopted under Rule 10b5-1.

Item 6. Exhibits.

The following exhibits are filed as part of, or incorporated by reference into, this Report.

Exhibit Number	Description
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2*	<u>Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1*	<u>Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2*	<u>Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

† Certain exhibits and schedules to this exhibit have been omitted in accordance with Regulation S-K Item 601(b)(2). We agree to furnish supplementally a copy of all omitted exhibits and schedules to the SEC upon its request.

Indicates management contract or compensatory plan or arrangement.

SIGNATURES

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

Drilling Tools International Corporation

Date: November 7, 2025

By: /s/ David R. Johnson

David R. Johnson
Chief Financial Officer
(Principal Financial and Accounting Officer)

1. I have reviewed this Form 10-Q of Drilling Tools International Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

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

1. I have reviewed this Form 10-Q of Drilling Tools International Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ David R. Johnson
David R. Johnson
Chief Financial Officer

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

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

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ David R. Johnson
David R. Johnson
Chief Financial Officer

