



**MARKET STATISTICS**

<b>Exchange / Symbol</b>	OTCQX:DPDW
<b>Price:</b>	\$0.90
<b>Market Cap (\$mm):</b>	\$14.00
<b>Enterprise Value (\$mm):</b>	\$7.14
<b>Shares Outstanding (mm):</b>	15.6
<b>Float (%):</b>	54.0%
<b>Volume (3 month avg.):</b>	15,900
<b>52 week Range:</b>	\$0.37-\$0.98
<b>Industry:</b>	Oil and Gas Field Services

**CONDENSED BALANCE SHEET**

(\$mm, except per share data)

<b>Balance Sheet Date:</b>	3/31/2016
<b>Cash:</b>	\$6.86
<b>Cash/Share:</b>	\$0.44
<b>Equity (Book Value):</b>	\$23.3
<b>Equity/Share:</b>	\$1.50

**CONDENSED INCOME STATEMENTS**

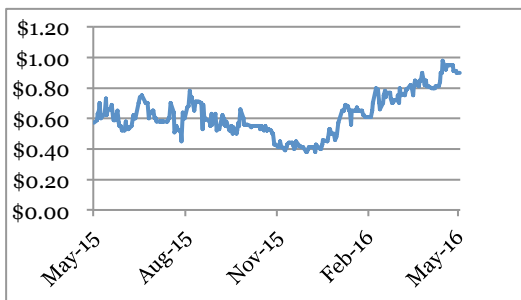
(\$mm, except per share data)

FY - 12/31	Revenue	Income	Modified EBITDA	EPS
FY13	\$29.6	\$(0.6)	\$3.4	\$(0.05)
FY14	\$28.6	\$(5.8)	\$2.0	\$(0.38)
FY15	\$24.8	\$(1.8)	\$0.6	\$(0.12)
Fy16E	\$24.0	\$0.03	\$1.3	\$0.00

**LARGEST SHAREHOLDERS**

Ronald Smith	2,078,101
Jamaka Capital Management	1,484,091
Goldman Capital Management	1,287,000
Pacific View Asset Management	1,243,183
Mary Budrunas	946,982
Eugene Butler	567,839
Aegis Financial Corporation	326,555
Randolph Warner	30,000
Mark Carden	30,000

**STOCK CHART**



**COMPANY DESCRIPTION**

Deep Down, Inc. is an oilfield services company specializing in complex deepwater and ultra-deepwater oil production, distribution system, and support services. Its services and technological solutions include providing distribution with installation support, engineering services, umbilical terminations, loose-tube steel flying leads, ROVs, and related services along with marine automation, monitoring and control systems, and the design and fabrication of large onshore and offshore carousel systems. It also supports subsea installation, commissioning, and maintenance projects through specialized, highly experienced service teams and engineered technological solutions.

**SUMMARY**

Deep Down, Inc. provides innovative concepts of subsea distribution systems with specialization in engineering services, installation management, custom fabrication, site integration testing, and inspection and repair of equipment for the subsea oil and gas industry.

- The Company focuses on complex ultra-deepwater oil production support services and products. Importantly, Deep Down is focused on supporting clients on the completion side vs. drilling.
- Deep Down provides support for subsea engineering, installation, and maintenance projects through specialized, highly experienced service teams and engineered technological solutions. Importantly, the Company is more services oriented but also produces some specialized products such as steel flying leads.
- One of the Company's core competencies is its ability to collaborate with oil and gas operators, installation contractors and subsea equipment manufacturers to determine the fastest, safest, and most cost-effective solutions to the full spectrum of complex issues which arise in the Company's industry.
- While the Company has a diversified base of customers that include operators, installation contractors and original equipment manufacturers (OEMs), Deep Down has recently made significant inroads with majors.
- Global spending on subsea production systems due to reach \$65B between 2015 and 2020, a 56% increase from the previous period.
- Over the last 3 years, the Company has grown its backlog from \$20M in FY12 to \$30+M as of Q1 2016 and anticipates additional growth in the future.
- Deep Down is focused on margin improvement. In Q1 2016, the Company reported gross margins of 33%, but in Q4 2015 it was 38%. The Company believes it can return to the 38% range for FY 2016.
- The Company recently sold its manufacturing facility in Channelview, TX for \$3.8M, allowing DPDW to pay off its only debt of \$2.7M and significantly strengthening its balance sheet. Additionally, due to the sale of Channelview, and improved efficiency in its remaining facility, the Company expects to realize cost savings of ~\$35K to \$45K/month.
- Significant upside exists if DPDW can sell two carousels it repurchased in FY 2013. Expected sale proceeds are ~\$10M with an expected \$5M+ profit once sold. Alternatively, long-term rental income (estimated at \$10-12,000 per day) could materialize if carousels are rented by customers.

We employ a scenario analysis using multiple relative valuation frameworks. The details are on page 7 and all scenarios show upside. We also note that the current market capitalization of \$14.00M is significantly less than the Company's tangible net worth of \$23.3M, with \$6.9M in cash on its balance sheet as of Q1 2016.

## COMPANY OVERVIEW

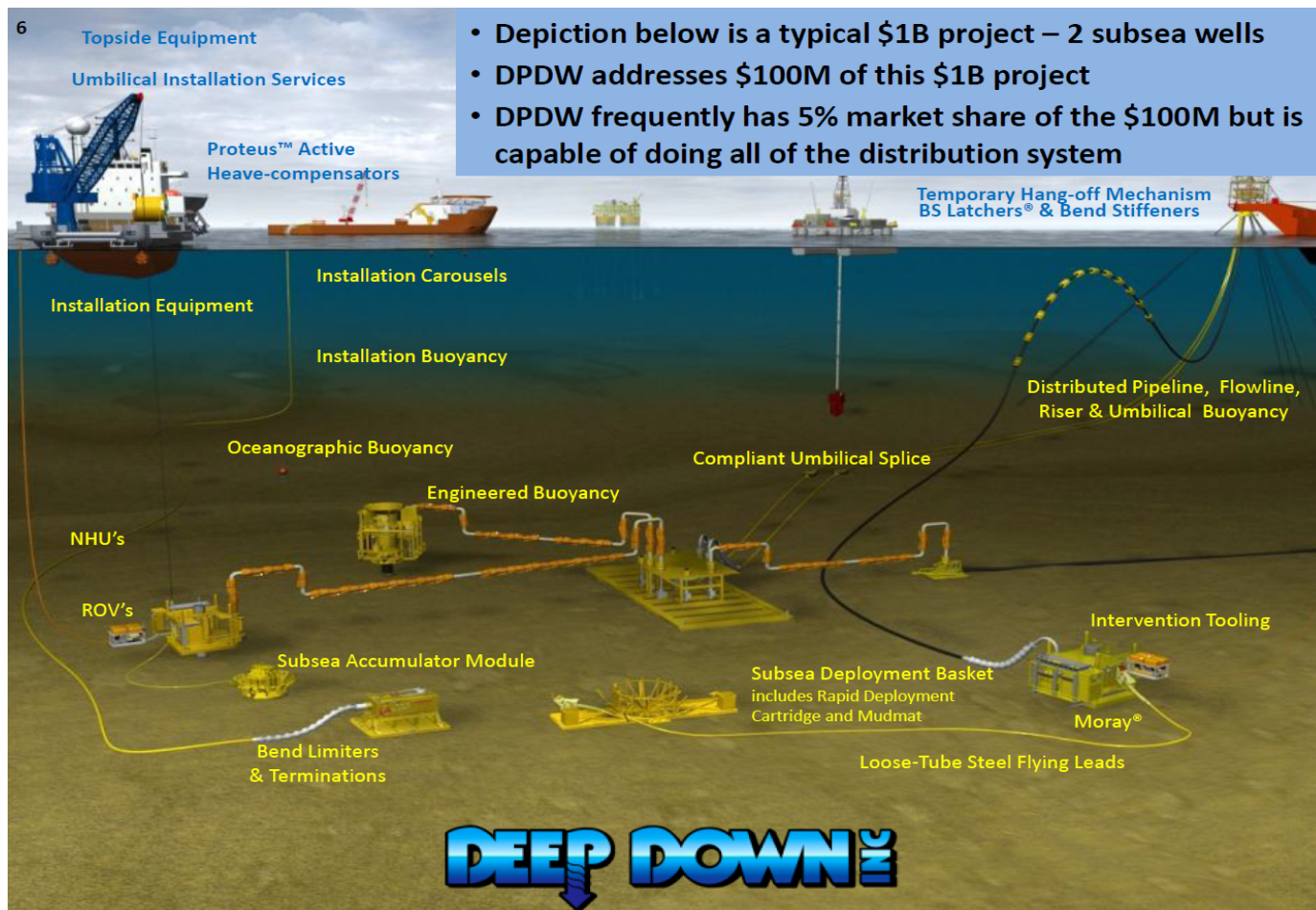
Deep Down is an oilfield services company serving the worldwide offshore exploration and production industry. DPDW's main area of expertise is in complex ultra-deepwater oil production support services and products. The Company provides support for subsea engineering, installation, and maintenance projects through specialized, highly experienced service teams and engineered technological solutions. Its customers include operators, installation contractors and original equipment manufacturers (OEMs), and it operates primarily in the Gulf of Mexico, West Africa and Brazil.

Below is a typical \$1B project involving 2 subsea wells. As can be seen, the services and products that Deep Down delivers address \$100M of this typical \$1B well completion project. Frequently, the Company has a 5% market share of the \$100M in projects that it can address but is capable of doing all of the distribution system.

Importantly, the Company is more services-oriented but also manufactures some specialized products such as steel flying leads and patented Non-Helical Umbilicals (NHU®).




As illustrated below in Exhibit 2, the Company provides its services and products to most major integrated oil & gas companies, large independents, and national oil companies, international and regional installation contractors, and OEMs. Operators make up roughly 50% of revenues, contractors are 15% of revenue, and OEMs are 35% of revenue.

### Exhibit 1: Global Subsea Tree Forecast Awards



Source: Company Presentation, Stonegate Capital Partners

**Exhibit 2: Deep Down Customer Mix**

Operators	Contractor's	OEMs
		

Source: Company Reports, Stonegate Capital Partners

While DPDW is primarily a services company, it does produce custom engineered products that allow it to help fulfill specific customer project objectives.

**SERVICES OVERVIEW**

The Company’s services include a wide array of engineering and management services, including the design, installation and retrieval of subsea equipment and systems, connection and termination operations, well-commissioning and support services, and Remotely Operated Vehicle (“ROV”) operations support.

One of its core competencies is the ability to collaborate with the engineering functions of oil and gas operators, installation contractors and subsea equipment manufacturers to determine the fastest, safest, and most cost-effective solutions to the full spectrum of complex issues which arise in the Company’s industry.

**Engineering, Project, and Installation Management** – Deep Down offers comprehensive engineering and project management for every segment of a project while tailoring it to the needs of its customers. The Company’s services are centered on the utilization of standardized hardware, well-tested installation techniques, and experienced, consistent teams that have proven to be safe and skilled in all aspects of the installation process. It can assess the intricate details of an installation project’s requirements and develop comprehensive installation procedures.



**Commissioning and Testing** – Umbilical manufacturers, control suppliers, installation contractors, and oil and gas operators utilize the Company’s services to perform all aspects of testing, including initial Factory Acceptance Testing (“FAT”), extended factory acceptance testing and System Integration Testing (“SIT”), related to connecting the umbilical termination assemblies, performing installations, and completing the commissioning of the system thereafter. To execute



these services, the Company has assembled a variety of personnel and equipment to ensure that all testing operations are done in a safe and time-efficient manner and to also reduce overall project cost.

**Pull-In and Spooling Operations** – The Company provides the necessary planning, supervision, specialized equipment and coordination with offshore installation personnel to exceed each customer’s pull-in and spooling needs. It has developed a very efficient system regarding time and cost for spooling.



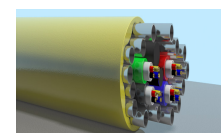
**PRODUCTS OVERVIEW**

The Company designs, manufactures, fabricates, inspects, assembles and tests subsea equipment, surface equipment and offshore equipment that is used by major integrated, large independent and foreign national oil and gas companies in offshore areas throughout the world. The Company believes the key to successful installations of hardware is to design the subsea system by considering installation issues first, and then working backwards to the design of the hardware itself. This is why the Company has been instrumental in the development of hardware and techniques to simplify deepwater installations. The Company’s products are used during oil and gas exploration, development and production operations on offshore drilling rigs, such as floating rigs and jack-ups, and for drilling and production of oil and gas on offshore platforms, tension leg platforms and moored vessels such as floating production storage and offloading vessels (“FPSO”). While DPDW provides a wide variety of products, we outline two major product focuses of the Company as they represent about 45% of revenues.

**Steel Flying Leads** – Deep Down is a leader in flying leads design, manufacture and installation. Flying leads provide electrical, hydraulic, and chemical connections to individual structures on the sea floor. The Company’s flagship product, the Loose Steel Tube Flying Lead (“LSFL®”), was developed to eliminate the residual memory left in traditional flying leads due to the bundling process. The loose lay of the tubes significantly reduces stiffness of the assembly, allows the bundle to lay flat on the sea floor, follows the prescribed lay path precisely, bends in a tight radius with minimal resistance, and offers maximum compliance for easy makeup in lengths up to 1,000’. Steel flying leads are a potential \$1B market opportunity for the Company.



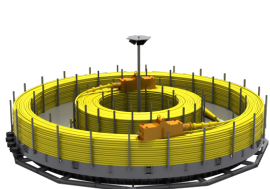
**Umbilicals** – The Company leverages its steel flying leads expertise to create umbilicals. An umbilical delivers electricity cables or optic fibers used to control subsea structures from an offshore platform or floating vessel. The Company has a patented non-helical umbilical (NHUs). Umbilicals are manufactured in lengths up to 10 miles using super duplex tubes in standard sizes and in any configuration of hydraulic, electrical or optical elements. It is intended for long-term infield (static) or short-term dynamic service applications. While this is relatively new product for Deep Down, the Company believes it’s well positioned. Its average plant cost is \$6M vs. competitors’ at \$100M, and Deep Down states it can deliver the





product in 6 months vs. delivery time of competitors at 14 months. Umbilicals have the possibility of doubling the Company’s revenues over the next several years.

**Carousel Technologies** – Carousel’s provides trans-spooling operations for subsea pipe, Umbilical’s and Steel Flying Leads for on-site storage and deployment in the field. Management indicated on their last call that they are in active discussions with potential buyers for the two carousels on their books. Their Expected sale proceeds are ~\$10M with an expected \$5M+ profit once sold. As discussed, management has indicated these carousels could alternatively be rented for \$10-12,000 per day, with very high margins.



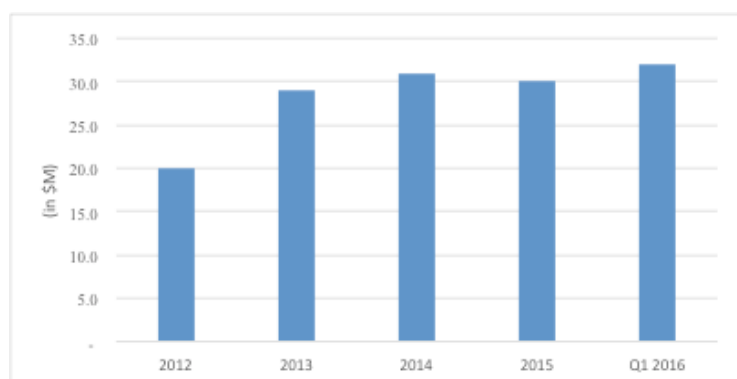
## GROWTH STRATEGY

Deep Down’s strategy is to continue to grow and strengthen its operations. It aims to accomplish this goal by first providing superior services and products to its clients in a safe, cost-effective and timely manner. The Company also looks to increase its name recognition through boosted technological capabilities, reliability, cost-effectiveness, timeliness of delivery, and operational efficiency features of its products and services.

Since 2012, Deep Down has successfully increased its backlog from \$20M to over \$30M in Q1 2016. Importantly, the Company has stated that it has not seen any cancellations to its backlog from customers.

Next, the Company intends to continue to seek strategic acquisitions of complementary service providers, product manufacturers and technologies that are focused primarily on supporting deepwater and ultra-deepwater offshore exploration, development, and production of oil and gas reserves and other maritime operations.

### Exhibit 3: Backlog Growth

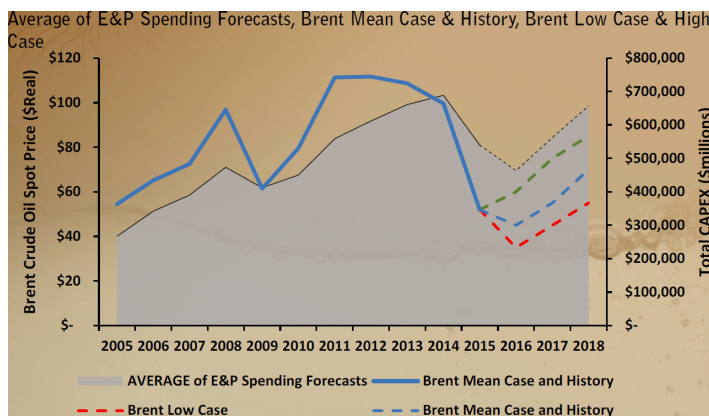


Source: Company Reports; Stonegate Capital Partners

## INDUSTRY OVERVIEW

Currently, the overall oil and gas industry is being negatively impacted by the drop in oil prices seen over the past year. While current supply and demand dynamics remain out of balance, long-term global demand for oil is forecasted to continue to rise driven by global growth and challenges involved in accessing new reserves.

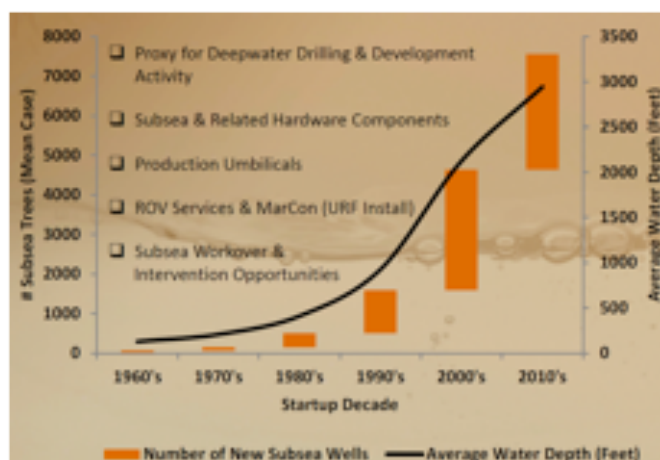
### Exhibit 4: Global E&P Spending Outlook



Source: Quest Offshore, Stonegate Capital Partners

Major long-term drivers for deepwater oilfield service suppliers such as DPDW include: (1) deepwater projects are larger and more complex, bringing greater technological challenges; (2) operators have committed billions to long lead-time product equipment for developments; and (3) most major discoveries remain offshore. We note that Quest Offshore continues to forecast healthy long-term growth in global subsea trees, which is a proxy for trends in the deepwater market.

### Exhibit 5: Global Subsea Tree Forecast Awards



Source: Quest Offshore, Stonegate Capital Partners

**BALANCE SHEETS**
**Deep Down, Inc. (OTCQX: DPDW)**
**Consolidated Balance Sheets (in thousands \$, except par value amounts)**
**Fiscal Year: December**

	FY 2014	FY 2015	Q1 2016
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	\$ 5,312	\$ 4,274	\$ 6,855
Accounts receivables, net	6,488	7,849	5,749
Inventories	3,127	3,117	3,117
Costs and estimated earnings in excess of billings on uncompleted contracts	6,808	1,354	910
Prepaid expenses	280	229	145
<b>Total Current Assets</b>	<b>22,015</b>	<b>16,823</b>	<b>16,776</b>
Property and equipment, net	11,732	10,762	7,721
Intangible assets, net	82	75	74
Other noncurrent assets	891	878	804
<b>Total Assets</b>	<b>\$ 34,720</b>	<b>\$ 28,538</b>	<b>\$ 25,375</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	\$ 4,139	\$ 2,162	\$ 1,878
Billings in excess of costs and estimated earnings on uncompleted contracts	-	46	240
Current portion of long-term debt	5,615	2,747	-
<b>Total Current Liabilities</b>	<b>9,754</b>	<b>4,955</b>	<b>2,118</b>
<b>Long-Term Liabilities</b>			
Long term debt, net of current portion	-	-	-
<b>Total Long-Term Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Stockholders' Equity</b>			
Issued shares	15	16	16
Additional paid-in capital	72,531	72,989	73,113
Accumulated deficit	(47,581)	(49,422)	(49,872)
<b>Total Stockholders' Equity (deficit)</b>	<b>24,966</b>	<b>23,583</b>	<b>23,257</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 34,720</b>	<b>\$ 28,538</b>	<b>\$ 25,375</b>
<b>Ratios</b>			
<b>Liquidity</b>			
Current Ratio	2.3x	3.4x	7.9x
Quick Ratio	1.9x	2.8x	6.4x
Working Capital	\$12,261.0	\$11,868.0	\$14,658.0
<b>Leverage</b>			
Debt To Equity	22.5%	11.6%	0.0%
Debt To Capital	18.4%	10.4%	0.0%
<b>Capital Usage -Annualized</b>			
A/R Turns	5.0x	3.5x	2.9x
Inv Turns	11.9x	5.5x	4.5x
A/P Turns	5.8x	5.5x	6.9x

*Source: Company Reports, Stonegate Capital Partners*

**INCOME STATEMENTS**

Deep Down, Inc. (OTCQX: DPDW)  
 Consolidated Statements of Income (in thousands \$, except per share amounts)  
 Fiscal Year: December

	FY 2013	FY 2014	FY 2015	Scenarios		
				Low	Mid FY 2016E	Hi
<b>Revenues</b>						
Revenues	\$ 29,593.0	\$ 28,630.0	\$ 24,848.0	\$ 20,000.0	\$ 24,000.0	\$ 28,000.0
<b>Total revenue</b>	<b>\$ 29,593.0</b>	<b>\$ 28,630.0</b>	<b>\$ 24,848.0</b>	<b>\$ 20,000.0</b>	<b>\$ 24,000.0</b>	<b>\$ 28,000.0</b>
Cost of revenues						
Cost of sales	19,454.0	18,610.0	15,802.0	12,500.0	14,400.0	15,960.0
Depreciation expenses	1,425.0	1,423.0	1,499.0	1,400.0	1,400.0	1,400.0
Total cost of revenues	20,879.0	20,033.0	17,301.0	13,900.0	15,800.0	17,360.0
<b>Gross (loss) profit</b>	<b>8,714.0</b>	<b>8,597.0</b>	<b>7,547.0</b>	<b>6,100.0</b>	<b>8,200.0</b>	<b>10,640.0</b>
Operating expenses						
Selling, general and administrative	8,769.0	9,440.0	9,113.0	8,700.0	8,800.0	9,100.0
Goodwill impairment	-	4,916.0	-	-	-	-
Depreciation and amortization	158.0	176.0	205.0	400.0	400.0	400.0
Total operating expenses	8,927.0	14,532.0	9,318.0	9,100.0	9,200.0	9,500.0
<b>Income (loss) from operations</b>	<b>(213.0)</b>	<b>(5,935.0)</b>	<b>(1,771.0)</b>	<b>(3,000.0)</b>	<b>(1,000.0)</b>	<b>1,140.0</b>
Other income / (expense):						
Interest expense, net	(195.0)	(205.0)	(247.0)	(54.0)	(54.0)	(54.0)
Gain on sale of asset	-	301.0	7.0	1,070.0	1,070.0	1,070.0
Equity in net (inc) loss of joint venture	(16.0)	32.0	226.0	-	-	-
Other income, net	(189.0)	14.0	(20.0)	20.0	20.0	20.0
Total other income / (expense):	(400.0)	142.0	(34.0)	1,036.0	1,036.0	1,036.0
<b>Pre-tax income (loss)</b>	<b>(613.0)</b>	<b>(5,793.0)</b>	<b>(1,805.0)</b>	<b>(1,964.0)</b>	<b>36.0</b>	<b>2,176.0</b>
Income taxes (expense)	18.0	(10.0)	(36.0)	(6.0)	(6.0)	(6.0)
<b>Net income (loss)</b>	<b>(595.0)</b>	<b>(5,803.0)</b>	<b>(1,841.0)</b>	<b>(1,970.0)</b>	<b>30.0</b>	<b>2,170.0</b>
<b>Basic EPS (loss)</b>	<b>\$ (0.05)</b>	<b>\$ (0.38)</b>	<b>\$ (0.12)</b>	<b>\$ (0.13)</b>	<b>\$ 0.00</b>	<b>\$ 0.14</b>
Basic shares outstanding	11,858.0	15,179.0	15,104.0	15,552.0	15,552.0	15,552.0
EBITDA	1,370.0	(4,336.0)	(67.0)	(1,200.0)	800.0	2,940.0
Modified EBITDA (1)	3,418.0	2,013.0	662.0	(680.0)	1,320.0	3,460.0

**Margin Analysis**

Gross margin	29.4%	30.0%	30.4%	30.5%	34.2%	38.0%
Selling, general and administrative	29.6%	33.0%	36.7%	43.5%	36.7%	32.5%
Depreciation and amortization	0.5%	0.6%	0.8%	2.0%	1.7%	1.4%
Operating margin	-0.7%	-20.7%	-7.1%	-15.0%	-4.2%	4.1%
Pre-tax margin	-2.1%	-20.2%	-7.3%	-9.8%	0.2%	7.8%
Net income margin	-2.0%	-20.3%	-7.4%	-9.9%	0.1%	7.8%
Tax rate	-2.9%	0.2%	2.0%	0.3%	-16.7%	-0.3%
EBITDA margin	4.6%	-15.1%	-0.3%	-6.0%	3.3%	10.5%

**Growth Rate Analysis Y/Y**

Total revenue	1.9%	-3.3%	-13.2%	-19.5%	-3.4%	12.7%
Total cost of revenues	5.6%	-4.3%	-15.1%	-20.9%	-8.9%	1.0%
Selling, general and administrative	0.3%	7.7%	-3.5%	-4.5%	-3.4%	-0.1%
Depreciation and amortization	-65.4%	11.4%	16.5%	95.1%	95.1%	95.1%
Operating income	-336.7%	-2686.4%	70.2%	-69.4%	43.5%	164.4%
EBITDA	-26.5%	-416.5%	98.5%	-1691.0%	1294.0%	4488.1%
Pre-tax income	-1232.6%	-845.0%	68.8%	-8.8%	102.0%	220.6%
Net income	-507.1%	-875.3%	68.3%	-7.0%	101.6%	217.9%
EPS	-421.5%	-661.9%	68.1%	-3.9%	101.6%	214.5%
Share count - fully diluted	16.4%	28.0%	-0.5%	3.0%	3.0%	3.0%

(1) Modified EBITDA - DPDW calculated number

Source: Company Reports, Stonegate Capital Partners estimates

## VALUATION ANALYSIS

**EV/Sales analysis-** Based on our mid-case FY16 estimates (page 6), Deep Down is trading at an EV/S ratio of 0.3x vs. median comparables at 1.4x. For our EV/Sales analysis, we use a 1.0x multiple and arrive at a valuation range of \$1.98 to \$2.24. We are using a discounted EV/Sales multiple compared to industry multiples given Deep Down's track record of missing expectations in the recent past.

**EV/EBITDA analysis** - Deep Down is trading at an EV/EBITDA multiple of 8.9x vs. comparables at 11.2x. We note, however, that current valuations on EBITDA are considered trough multiples given the depressed state of the industry. A more normalized EV/EBITDA multiple for the industry is in the 5.0x to 9.0x range. For our analysis, we assumed a 8.0x EV/EBITDA multiple on our mid-case scenario as the industry is assumed to still be under some pressure. Our high-case uses a more normalized EV/EBITDA multiple as the assumption is the industry sees some improvement. Thus our EV/EBITDA analysis arrives at a valuation range of \$1.12 to \$1.78. We again applied a discount to our multiples per our discussion above. Our estimates do not include potential EBITDA generated by the lease or sale of the carousels.

**P/B analysis** – Looking at the numbers, Deep Down's current market capitalization of \$14.0M is significantly less than the Company's tangible net worth of \$23.3M, with almost \$7M in cash on its balance sheet as Q1 2016. Using 3/31/16 balance sheet and applying P/B multiples of 1.0x to 1.5x, we arrive at a valuation range of \$1.50 to \$2.24. We applied a discount to our multiples again. We also note that subsequent to the December 2015 year-end, Deep Down closed on the sale of its manufacturing facility in Channelview, TX for \$3.8M, allowing DPDW to pay off its only debt of \$2.7M and significantly strengthening its balance sheet. Additionally, the Company holds two carousels it repurchased in FY13 on its balance sheet for \$5M. Once sold, expected sale proceeds are ~\$10M.

### Exhibit 6: EV/Sales Framework

	EV/Sales	
	Mid-Case	High-Case
	1.0x	1.0x
EV (in \$M)	\$ 24.0	\$ 28.00
Cash	6.9	6.9
Debt	-	-
MC	\$ 30.9	\$ 34.9
S/O	15.6	15.6
<b>Price</b>	<b>\$ 1.98</b>	<b>\$ 2.24</b>

(1) balance sheet stats as of March 31, 2016

Source: Company Reports, Stonegate Capital Partners

### Exhibit 7: EV/EBITDA Framework

	EV/EBITDA	
	Mid-Case	High-Case
	8.0x	6.0x
EV (in \$M)	10.6	20.8
Cash	6.9	6.9
Debt	-	-
MC	\$ 17.4	\$ 27.6
S/O	15.6	15.6
<b>Price</b>	<b>\$ 1.12</b>	<b>\$ 1.78</b>

(1) balance sheet stats as of March 31, 2016

Source: Company Reports, Stonegate Capital Partners

### Exhibit 8: P/B Framework

	P/B	
	Mid-Case	High-Case
	1.0x	1.5x
BV	23.3	23.3
MC	\$ 23.3	\$ 34.9
S/O	15.6	15.6
<b>Price</b>	<b>\$ 1.50</b>	<b>\$ 2.24</b>

(1) balance sheet stats as of March 31, 2016

Source: Company Reports, Stonegate Capital Partners

### Exhibit 9: Comparable Companies

Name	Ticker	Price (1)	Sh	Mrkt Cap	EV	EV/S (2)		EV/EBITDA (2)		P/E (2)		
						Previous FY	Current FY	Previous FY	Current FY	Previous FY	Current FY	
<b>Subsea Services</b>												
FMC Technologies Inc	FTI	31-Dec	\$ 29.39	226.40	\$ 6,653.9	\$ 6,756.1	1.1x	1.4x	7.0x	11.0x	17.3x	31.3x
Oceaneering Intl Inc	OII	31-Dec	\$ 33.42	98.10	\$ 3,278.5	\$ 3,599.0	1.2x	1.5x	5.4x	8.6x	14.3x	30.1x
Dril-Quip Inc	DRQ	31-Dec	\$ 59.72	38.00	\$ 2,269.4	\$ 1,827.5	2.2x	3.1x	6.5x	11.4x	12.0x	23.5x
Halliburton Co	HAL	31-Dec	\$ 41.55	859.30	\$ 35,703.9	\$ 40,308.3	1.7x	2.6x	2.8x	19.4x	nm	nm
<b>Small Cap Manufacturing</b>												
Newpark Resources Inc	NR	31-Dec	\$ 4.75	84.10	\$ 399.5	\$ 477.8	0.7x	1.1x	14.5x	nm	nm	nm
Matrix Service Co	MTRX	30-Jun	\$ 15.99	26.60	\$ 425.3	\$ 364.2	0.3x	0.3x	11.3x	nm	25.4x	15.4x
					<b>Average</b>		<b>1.2x</b>	<b>1.6x</b>	<b>7.9x</b>	<b>12.6x</b>	<b>17.2x</b>	<b>25.1x</b>
					<b>Median</b>		<b>1.1x</b>	<b>1.4x</b>	<b>6.8x</b>	<b>11.2x</b>	<b>15.8x</b>	<b>26.8x</b>
<b>Deep Down Inc.</b>	<b>DPDW</b>	<b>31-Dec</b>	<b>\$ 0.90</b>	<b>15.6</b>	<b>\$ 14.0</b>	<b>\$ 7.1</b>	<b>0.2x</b>	<b>0.3x</b>	<b>4.4x</b>	<b>8.9x</b>	<b>nm</b>	<b>nm</b>

(1) Previous day's closing price

(2) Estimates are from CapitalIQ except for DPDW which are Stonegate estimates

Source: Company Reports, Stonegate Capital Partners

## SIGNIFICANT EVENTS

**May 13, 2016** – DPDW reports most recent Q1 2016 results

**March 15, 2016** – DPDW announced that the previously issued financial statements for the quarters ended March 31, 2015 and June 30, 2015 should no longer be relied upon because of errors related to the recognition of revenue with respect to a transaction between the Company and one of its customers.

**March 10, 2016** – Deep Down completed the sale of buildings and approximately 10 acres of land in Channelview, TX for a sale price of \$3.8M from SAK Investments, LLC. Approximately \$1.8M of the proceeds of the sale were used to repay indebtedness secured by the Channelview Property.

**March 9, 2016** – The Company announces an award from Shell for an umbilical and distribution system to support a production platform mooring line control system.

**January 11, 2016** – Deep Down entered into an agreement with SAK Investments, LLC for the sale of its former operating facility, which includes building and approximately 10 acres of land in Channelview, Texas. The sale price for the property is \$3.8M. Upon completion of the sale, Deep Down will retire \$1.7M of debt, which is collateralized by the Channelview Property.

**October 7, 2015** – Deep Down announced that it received the largest order in the Company's history valued at \$13M directly from a super-major operator. The order includes one phase of new systems and equipment to be delivered in 2016 for installation in the Gulf of Mexico.

**September 16, 2015** – Deep Down received a large order for patented flying leads and unique UTA (Umbilical Termination Assembly), valued at approximately \$2.5M directly from an independent operator. The flying lead and UTA will be delivered and deployed in the Gulf of Mexico in the first quarter of 2016.

**August 7, 2015** – Deep Down announced that it has received orders for flying leads and offshore services, all for the Gulf of Mexico, valued in excess of \$2M. The offshore services will be performed within the next 90 days, while the flying leads will be deployed in the first quarter of 2016.

**April 7, 2015** – Deep Down announced several contract awards for deepwater work from Super Major Operators, which include SSV systems, NHU umbilicals, and a variety of installation services and equipment.

## CORPORATE GOVERNANCE

### Ron Smith - President, Chief Executive Officer and Director

- Ocean engineer with 31+ years of hands-on offshore experience having developed an understanding of subsea challenges and problem-solving creativity, including positions at ODECO, Oceaneering Multiflex, Mustang Engineering and Kvaerner
- Co-founder of Deep Down, Inc.
- Extensive contacts across the international offshore oil & gas industry
- Developer of new product applications for ever increasing technological hurdles at greater water depths

### Gene Butler - Executive Chairman and Chief Financial Officer

- Executive Chairman and Chief Financial Officer of Deep Down, Inc. since 2007
- 40+ years as Senior Management and Director of major worldwide energy companies, including 17 years at Weatherford International in various capacities including CFO, COO, CEO, President and Director
- Proven ability to manage through cyclical business challenges
- Certified Public Accountant

### Neil Stuckey - Operations Manager Hwy 90

- Experience includes 14 years as Operations Manager for Deep Down Hwy 90 subsidiary
- 20+ years' experience in subsea umbilicals, turn-key installations, controls, tree design and fabrication
- Work experience within the industry including: Oceaneering, Kvaerner, Oil States, Oceaneering Multiflex

### Charles Njuguna – Business Manager

- 20+ years of international business experience, including various operational and financial management roles in Africa, UK and USA.
- Experience includes in-depth studies of global oilfield services industry, and M&A analyses
- Proven track record of process improvement and cost optimization
- Educational background includes MBA from the University of Texas at Austin

### Board of Directors:

**Ronald E. Smith** – *Co-Founder, President, Chief Executive Officer and Director*

**Eugene L. Butler** – *Executive Chairman and Chief Financial Officer*

**Mary Budrunas** – *Co-Founder, Vice President, Corporate Secretary and Director*

**Randolph Warner** – *Independent, Director, Chairman of Compensation Committee, and Member of Audit Committee*

**Mark Carden** – *Independent Director, Chairman of Audit Committee and Member of the Compensation Committee*



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