



## THE INDUSTRIAL DISTRIBUTION EXPERTS

*Presented by:*

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Chairman, President & CEO

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**Results for Q1 Fiscal 2020**

Earnings Announcement: May 8, 2020

(Quarter Ending March 31, 2020)

# FORWARD LOOKING STATEMENTS

This presentation contains forward-looking statements within the meaning of the U.S. federal securities laws that involve risks and uncertainties. Certain statements contained in this report are not purely historical, including statements regarding our expectations, beliefs, intentions or strategies regarding the future that are forward-looking. These statements include statements concerning projected revenues, expenses, gross profit, income, gross margins or other financial items.

All forward-looking statements speak only as of the date of this presentation. You should not place undue reliance on these forward-looking statements. Although we believe our plans, intentions and expectations reflected in or suggested by the forward-looking statements we make in this presentation are reasonable, we may be unable to achieve these plans, intentions or expectations. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf. Risks and uncertainties that could cause actual results to differ from those in the forward-looking statements are described in “Risk Factors” and “Forward-Looking Statements” in our Quarterly Reports on Form 10-Q and in our Annual Report on Form 10-K as filed with the Securities and Exchange Commission.

## **Statement Regarding use of Non-GAAP Measures:**

The Non-GAAP financial measures contained in this presentation (including, without limitation, EBITDA, Adjusted EBITDA, Free Cash Flow, Return on Invested Capital (ROIC) and variations thereof) are not measures of financial performance calculated in accordance with GAAP and should not be considered as alternatives to net income (loss) or any other performance measure derived in accordance with GAAP or as alternatives to cash flows from operating activities as a measure of our liquidity. They should be viewed in addition to, and not as a substitute for, analysis of our results reported in accordance with GAAP, or as alternative measures of liquidity. Management believes that certain non-GAAP financial measures provide a view to measures similar to those used in evaluating our compliance with certain financial covenants under our credit facilities and provide financial statement users meaningful comparisons between current and prior year period results. They are also used as a metric to determine certain components of performance-based compensation. The adjustments and Adjusted EBITDA are based on currently available information and certain adjustments that we believe are reasonable and are presented as an aid in understanding our operating results. They are not necessarily indicative of future results of operations that may be obtained by the Company.



# Q1 INCOME STATEMENT HIGHLIGHTS

(\$ thousands)

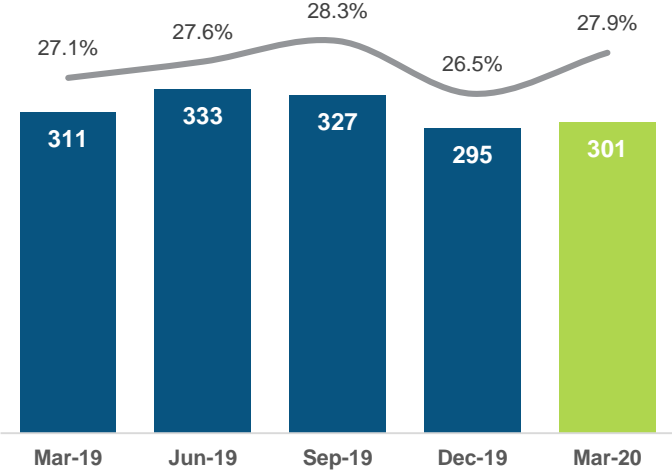
	Prior Yr March 31, 2019	Prior Qtr Dec. 31, 2019	Current Qtr March 31, 2020
Sales	\$ 311,225	\$ 295,468	\$ 300,983
<i>% growth - yoy</i>	8.8%	-5.0%	-3.3%
<i>% growth - seq</i>	0.1%	-9.7%	1.9%
Gross Profit	84,200	78,333	83,985
<i>% margin</i>	27.1%	26.5%	27.9%
Operating Income	14,816	6,742	10,915
<i>% margin</i>	4.8%	2.3%	3.6%
EBITDA as reported	21,055	13,395	17,774
<i>% margin</i>	6.8%	4.5%	5.9%
Diluted EPS	\$ 0.40	\$ 0.12	\$ 0.31
Avg. Daily Sales:	\$ 4,940	\$ 4,766	\$ 4,707

Please refer to the appendix of this presentation for current period reconciliation of the Non-GAAP financial measures to the most directly comparable GAAP measures.

# QUARTERLY FINANCIAL HIGHLIGHTS

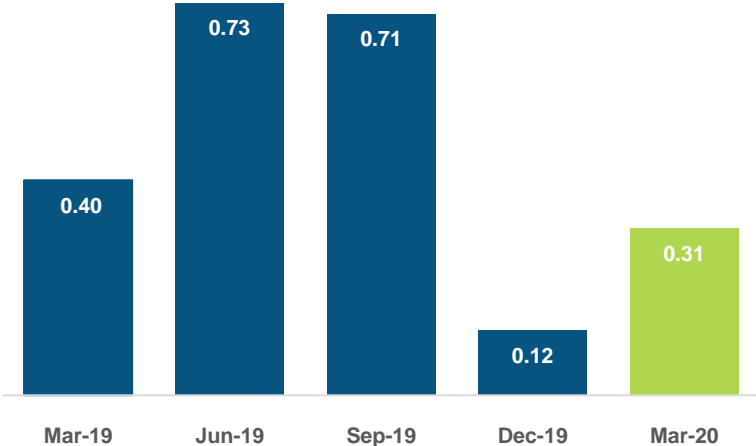
## Sales and Gross Margin

(\$ millions)



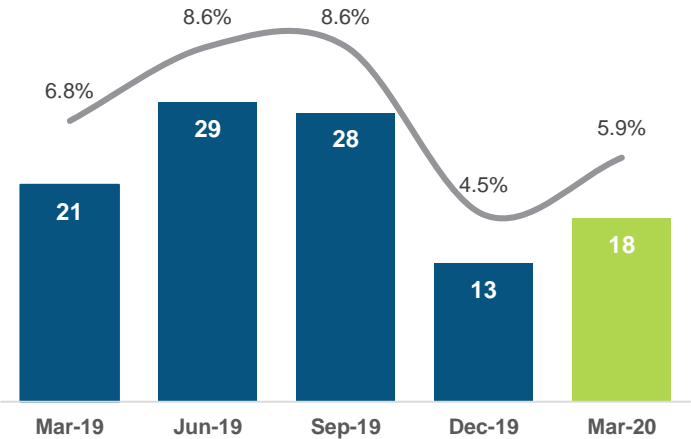
## Diluted Earnings Per Share

(\$ actuals)



## EBITDA and EBITDA Margin

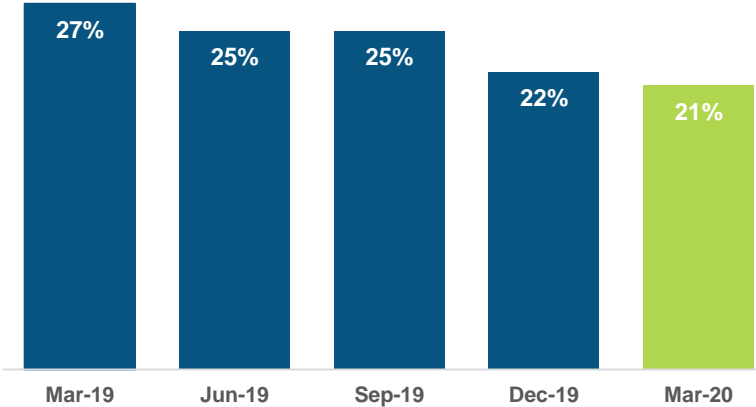
(\$ millions)



## Return on Invested Capital


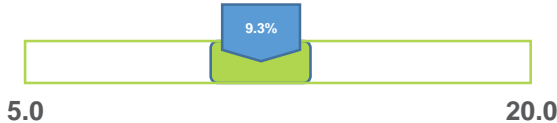

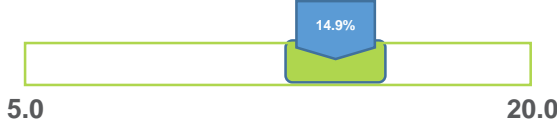

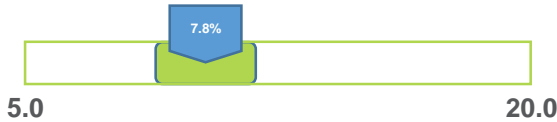
ROIC%

Return on invested capital is defined as tax-effected LTM EBITDA / average total net operating assets.



# Q1 OPERATING PERFORMANCE BY SEGMENT

(\$ millions)

	Sales \$	Sales Mix	OP\$	OP%	
<b>DXP</b>   SERVICE CENTERS	\$ 182.5	 61%	\$ 16.9	9.3%	
<b>DXP</b>   INNOVATIVE PUMPING SOLUTIONS®	\$ 70.0	 23%	\$ 10.4	14.9%	
<b>DXP</b>   SUPPLY CHAIN SERVICES	\$ 48.4	 16%	\$ 3.8	7.8%	
Corporate*	---		\$ (20.2)		
<b>Total DXP</b>	<b>\$ 300.9</b>	<b>100%</b>	<b>\$ 10.9</b>	<b>3.6%</b>	

\*Corporate expense includes amortization of intangible assets. Please refer to the appendix of this presentation for current period reconciliation of the Non-GAAP financial measures to the most directly comparable GAAP measures.

# CASH FLOW & WORKING CAPITAL

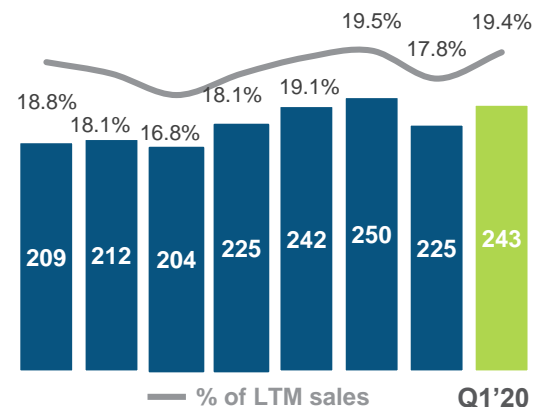
	Prior Qtr Dec. 31, 2019	Current Qtr Mar 31, 2020
GAAP net income	\$ 2,089	\$ 5,648
Depreciation and amortization	6,481	6,025
Change in net working capital	26,080	(13,991)
Other operating cash flows, net	(827)	706
<b>Net Cash provided by operating activities</b>	<b>33,823</b>	<b>(1,612)</b>
Purchase of property & equipment, net	7,873	3,235
<b>Free Cash Flow</b>	<b>25,950</b>	<b>(4,847)</b>
Net Cash used in financing activities	(648)	(742)
<b>Cash at end of the period</b>	<b>54,327</b>	<b>32,854</b>

## Supplemental Information:

Purchase of businesses	-	14,153
Cash paid for income taxes	5,372	423
Cash paid for interest	4,118	3,909
Net Debt	190,172	211,020

## NET WORKING CAPITAL

(\$ millions)

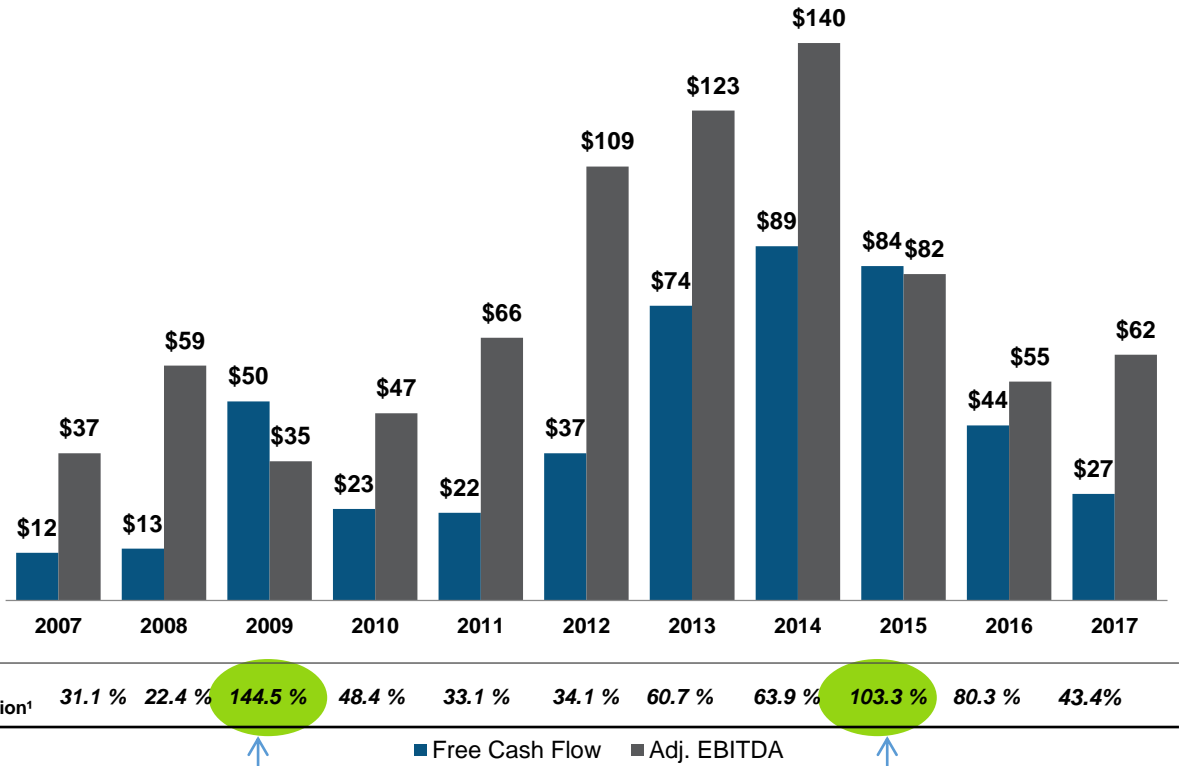


Net working capital is calculated as accounts receivable plus inventory plus cost & est. profits in excess of billings, plus prepaid expenses less accounts payable less accrued wages less billings in excess of costs and profits less customer advances less other accrued liabilities

Free cash flow is calculated as cash from operations less net purchases of property & equipment

# STRONG FREE CASH FLOW PROVIDES RESILIENCY

(\$ millions)



■ Free Cash Flow ■ Adj. EBITDA

FCF conversion peaks at height of cycle

Robust free cash flow profile...

- ✓ *Strong ability to manage broader energy markets*
- ✓ *Flexible cost structure and disciplined working capital management*
- ✓ *Track record of disciplined cash flow management via strategic actions, including an equity raise in the second half of 2016*

Note: EBITDA and net income are pre-impairment expense in 2009, 2014 and 2015. 2015 is also pre-B27 settlement and includes add back for above average legal fees. EBITDA burdened by stock based compensation.  
<sup>1</sup> Free Cash Flow calculated as operating cash flow less net capital expenditures; Free Cash Flow Conversion defined as operating cash flow less net capital expenditures / EBITDA. 2017 Free cash flow is adjusted for \$17.1M in outstanding checks

# APPENDIX

**DXP**



# RECONCILIATION OF OPERATING INCOME

(\$ thousands)

	Three Months Ended March 31,	
	2020	2019
Operating income for reportable segments	\$31,109	\$29,865
<i>Adjustments for:</i>		
Amortization of intangibles	3,197	3,814
Corporate expenses	16,997	11,235
<b>Total operating income</b>	<b>10,915</b>	<b>14,816</b>
Interest expense	4,377	5,040
Other expense (income), net	(834)	(33)
<b>Income before income taxes</b>	<b>\$ 7,372</b>	<b>\$9,809</b>

# RECONCILIATION OF NON-GAAP MEASURES: INCOME BEFORE INCOME TAXES TO EBITDA and ADJUSTED EBITDA

(\$ thousands)

The following table is a reconciliation of EBITDA and adjusted EBITDA, non-GAAP financial measures, to income before income taxes, calculated and reported in accordance with U.S. GAAP.

	Three Months Ended March 31,	
	2020	2019
Income before income taxes	\$ 7,372	\$ 9,809
Plus: interest expense	4,377	5,040
Plus: depreciation and amortization	6,025	6,206
<b>EBITDA</b>	<b>\$17,774</b>	<b>\$21,055</b>
Plus: NCI loss (gain) before tax	82	137
Plus: Stock compensation expense	904	505
<b>Adjusted EBITDA</b>	<b>\$18,760</b>	<b>\$21,697</b>



**THE INDUSTRIAL DISTRIBUTION EXPERTS**

NASDAQ: DXPE  
MAY 2020