



## THE INDUSTRIAL DISTRIBUTION EXPERTS

*Presented by:*

**David Little**

Chairman, President & CEO

**Nick Little**

Senior Vice President & COO

**Kent Yee**

Senior Vice President & CFO

**INVESTOR PRESENTATION**

NASDAQ: DXPE

Jefferies Industrials Conference

AUGUST 2022

# SAFE HARBOR AND REGULATION G DISCLOSURES

## Forward-Looking Statements:

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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:

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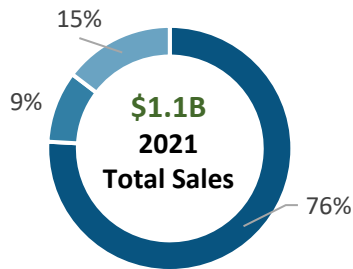
The Non-GAAP financial measures contained in this presentation (including, without limitation, EBITDA, Adjusted EBITDA, Free Cash Flow, Return on Invested Capital (ROIC) and variations thereof are not measures of financial performance calculated in accordance with GAAP and should not be considered as 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.



# DXP ENTERPRISES, INC.

Leading technical distributor of MROP products and services *Keeping the Wheels of Industry in Motion* through quality customer service and deep product expertise

All data as of Dec. 31, 2021



- Service Centers
- Innovative Pumping Solutions
- Supply Chain Services



## High-Performance Industry Leader Creating Unique Value through the Cycle

Diversified  
Counter  
Cyclical  
End Markets

Strong Cash  
Generation  
through  
Cycles

Disciplined  
Capital  
Deployment  
Delivering  
Strong ROIC

Accelerating  
Growth &  
Diversification  
with M&A

> 60%  
average FCF  
conversion  
(2017 – 2021)

> 20%  
average ROIC  
Goal  
(2017 – 2021)

**Top 20**

MROP distributor  
in North America

**#1**

Largest N.A.  
distributor of pumps

**Five (5)**

major product  
divisions supporting  
customers

Founded in

**1908**

# UNIQUE MARKET APPROACH ACROSS THREE SEGMENTS

(\$ millions)



**FYE 2021**  
**Sales: \$816**  
**Operating Income: \$99**

*Technical expertise and logistics capabilities to industrial customers; single source of supply on an efficient and competitive basis*



- ✓ **Breadth of Technical Products**
- ✓ **Vendor Managed Inventory**
- ✓ **Largest Network of National Field and Shop Repair Facilities**



**FYE 2021**  
**Sales: \$140**  
**Operating Income: \$12**

*Single source for engineering, modular process systems, engineered fluid handling packages, pump manufacturing, remanufacturing, custom castings and private label pump*



- ✓ **Process Engineering & Capital Project Management**
- ✓ **Manufacturing & Remanufacturing**
- ✓ **Private Label Pumps**



**FYE 2021**  
**Sales: \$158**  
**Operating Income: \$12**

*Manages supply chains including procurement and inventory management; reduces customers' indirect material costs and order cycle time*



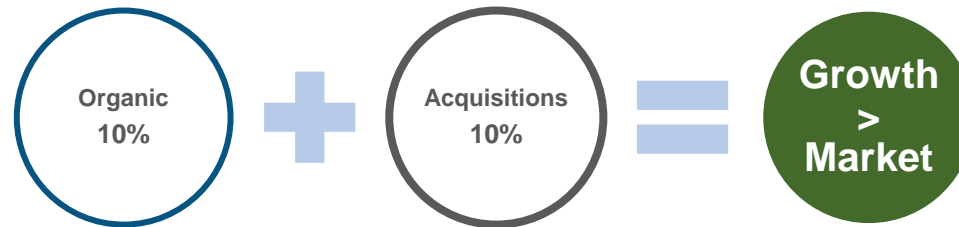
- ✓ **End-to-End Total Supply Chain Solutions**
- ✓ **Fully Outsourced MRO Service Offering**

# BREADTH OF TECHNICAL PRODUCTS & SERVICES

Product Category	Revenue Contribution <sup>1</sup>	Market Position	Selected Products		
Rotating Equipment	50%	#1	<ul style="list-style-type: none"> <li>Centrifugal Pumps</li> <li>Diaphragm Pumps</li> <li>Horizontal Pumps</li> <li>Grinder Pumps</li> <li>Rotary Gear Pumps</li> <li>Sewage Pumps</li> <li>Wastewater Pumps</li> <li>Vane Pumps</li> <li>Sealless Pumps</li> <li>Mechanical Seals</li> <li>Specialty Pumps</li> </ul>	<ul style="list-style-type: none"> <li>Pipe Fittings</li> <li>Valves</li> <li>Compressors</li> <li>Metering Pumps</li> <li>Regenerative Turbines</li> <li>Electric Motors</li> <li>Flow Meters</li> <li>Pistons</li> <li>Plungers</li> <li>Dampeners</li> </ul>	<p><b><u>Broad Portfolio of Rotating Equipment with more than 536,000 unique SKU's</u></b></p> 
Metal Working / Cutting Tools	14%	Top 5	<ul style="list-style-type: none"> <li>Bandsaw Blades</li> <li>Boring Heads</li> <li>Broaches</li> <li>Endmills</li> <li>Reamers</li> </ul>	<ul style="list-style-type: none"> <li>Carbide Tools</li> <li>Milling Cutters</li> <li>Files</li> <li>Gauges</li> <li>Coolant</li> </ul>	
Bearings & Power Transmission	15%	Top 10	<ul style="list-style-type: none"> <li>Roller Bearings</li> <li>Ball Bearings</li> <li>Hydraulics</li> <li>Linear Products</li> </ul>	<ul style="list-style-type: none"> <li>Hoses</li> <li>Pneumatics</li> <li>Lubrication</li> <li>Rubber Products</li> </ul>	
Industrial Supplies	13%	Top 15	<ul style="list-style-type: none"> <li>Abrasives</li> <li>Diamond Products</li> <li>Transformers</li> <li>Ballasts</li> </ul>	<ul style="list-style-type: none"> <li>Electronic Sensors</li> <li>Janitorial Equipment</li> <li>Welding Equipment</li> </ul>	
Safety Products & Services	8%	Top 5	<ul style="list-style-type: none"> <li>Environment Monitoring Units</li> <li>Hazmat</li> <li>Protective Clothing</li> <li>Fall Arrest Safety Gear</li> </ul>	<ul style="list-style-type: none"> <li>Ergonomics</li> <li>Fire Protection</li> <li>Hazwoper</li> <li>Tech Services</li> </ul>	

# TARGETED, BALANCED GROWTH

DYNAMIC GROWTH STRATEGY



- **Organic growth remains a top priority. . . . .**
  - Completing the first national pump distribution platform
  - SuperCenters – unmatched branch model. . . .
  - Aligned Sales force expansion – National and Local
  - National service and repair
  - Unmatched Innovative Pumping Solution capabilities
  - SCS guaranteed “customer savings”
- **. . . . Acquisitions accelerate growth, diversification and scale.....**
  - Opportunities to enlarge key product divisions
  - ***Diversify end markets and customers***
  - U.S. still top priority – significant “holes” in the map
- **Combined, consistent growth in excess of the market**
  - Consistent top and bottom-line growth
  - “One-stop” source for customer’s technical products and service needs – *“Customer Driven Experts in MROP Solutions”*
  - Long-term shareholder value creation

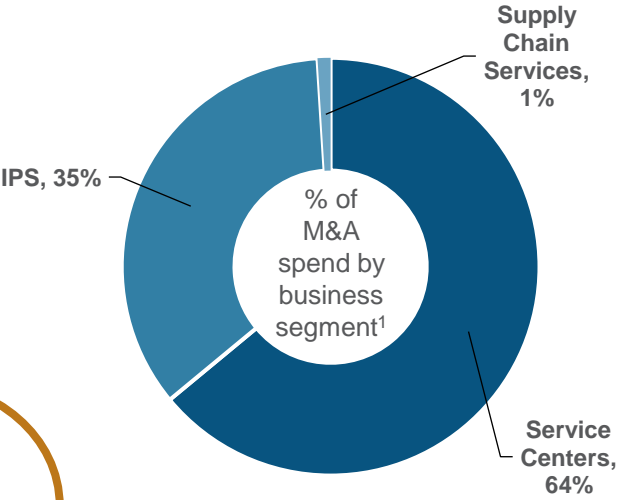
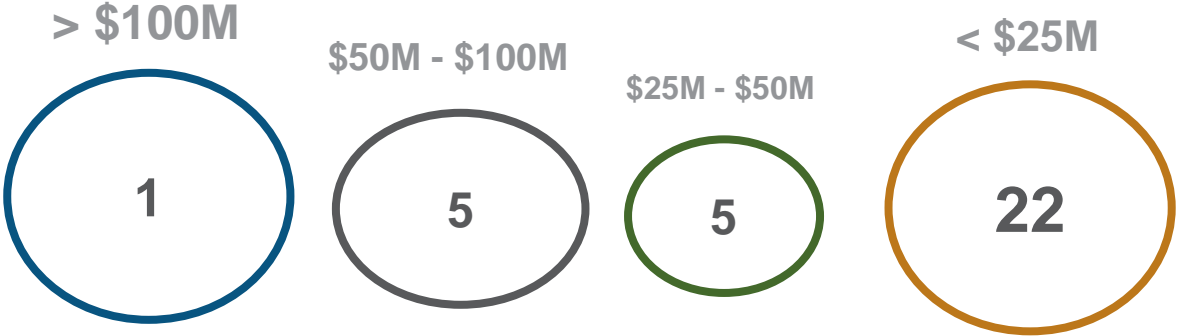
# VALUE CREATING M&A STRATEGY

DYNAMIC GROWTH STRATEGY

## KEY SELECTION CRITERIA



# of Acquisitions  
Based on purchase price<sup>1</sup>



<sup>1</sup> Reflects M&A transactions completed from FY09 to YTD FY22

# COMPELLING INVESTOR VALUE PROPOSITION



1

Differentiated business model with diversified end-market exposure

2

Comprehensive product portfolio focused on engineered solutions

3

Levers of growth drive attractive value creation algorithm

4

Strong financial position supporting consistent return of capital

5

Owner mindset focused on creating long-term value creation for shareholders



# APPENDIX

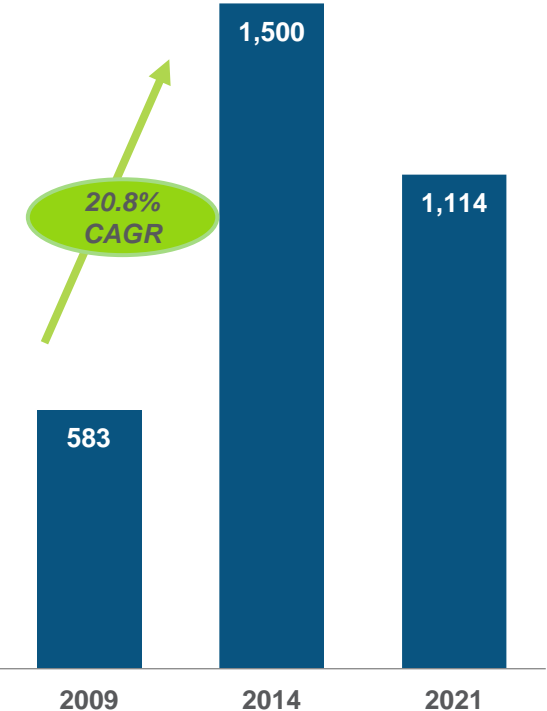
**DXP**

# FINANCIAL PERFORMANCE FROM 2009 TO 2021

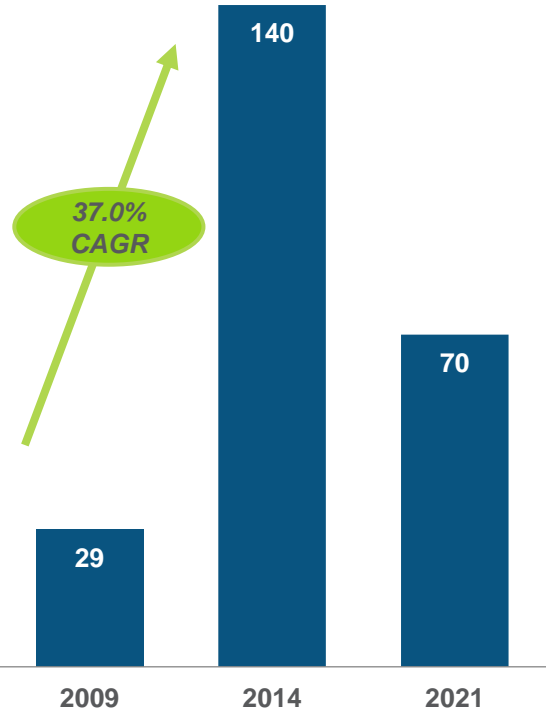
(\$ millions)

WHAT ARE THE RESULTS OF OUR STRATEGY?

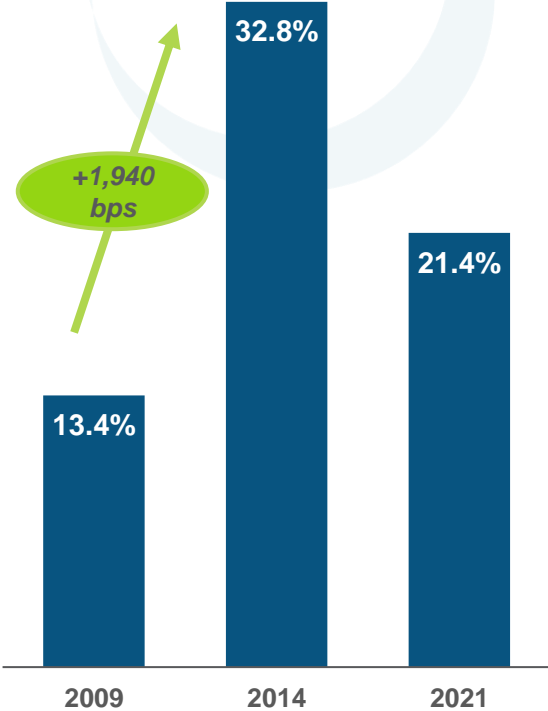
## SALES



## EBITDA\*



## RETURN ON INVESTED CAPITAL\*



\*EBITDA for 2014 is pre-impairment. Return on invested capital is defined as tax effected LTM EBITDA/Average total net operating assets (assumes a 38.5% tax rate). DXP sales, EBITDA and return on invested capital for 2015 were \$1.2 bn, \$82 million and 20%, respectively. In 2015, DXP experienced contraction in its primary end market, oil & gas, that contributed to the weakness and down cycle trend.

# Q2 INCOME STATEMENT HIGHLIGHTS

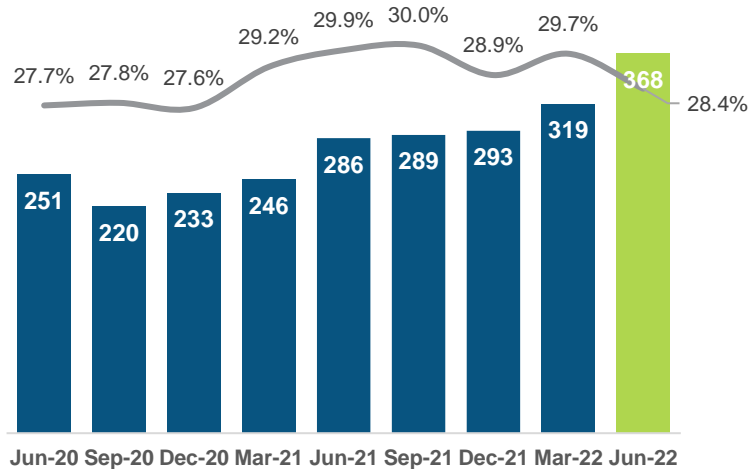
(\$ thousands)

		Prior Yr Jun 30, 2021	Prior Qtr Mar 31, 2022	Current Qtr Jun 30, 2022
Sales	\$	285,691	\$ 319,411	\$ 367,812
<i>% growth - yoy</i>		13.6%	37.3%	28.7%
<i>% growth - seq</i>		16.3%	10.3%	15.2%
Gross Profit		85,278	94,884	104,262
<i>% margin</i>		29.8%	29.7%	28.3%
Operating Income		14,846	21,559	25,920
<i>% margin</i>		5.2%	6.7%	7.0%
Adj. EBITDA as reported		22,684	28,257	32,609
<i>% margin</i>		7.9%	8.8%	8.9%
Diluted EPS	\$	0.41	\$ 0.65	\$ 0.74
Avg. Daily Sales:	\$	4,573	\$ 4,991	\$ 5,838

# QUARTERLY FINANCIAL HIGHLIGHTS

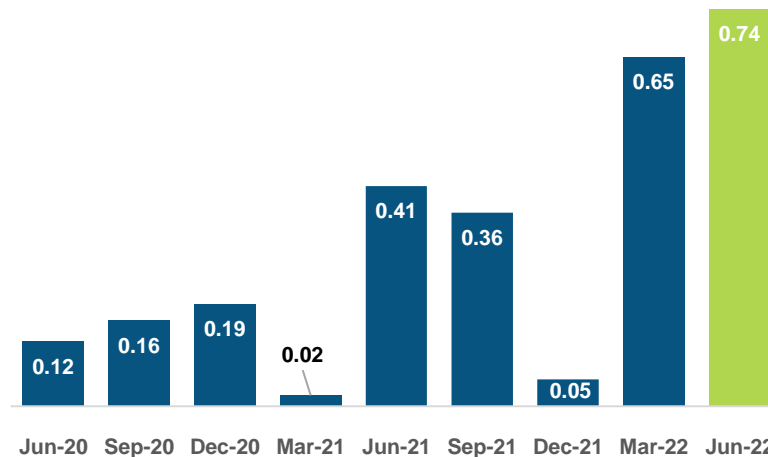
## Sales and Gross Margin

(\$ millions)



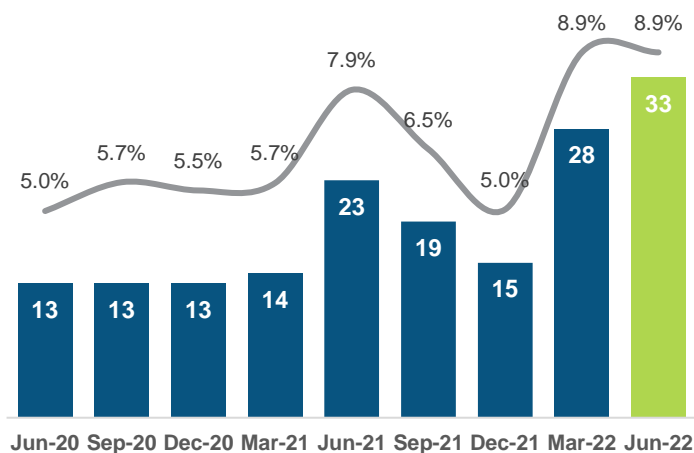
## Diluted Earnings Per Share

(\$ actuals)



## EBITDA and EBITDA Margin

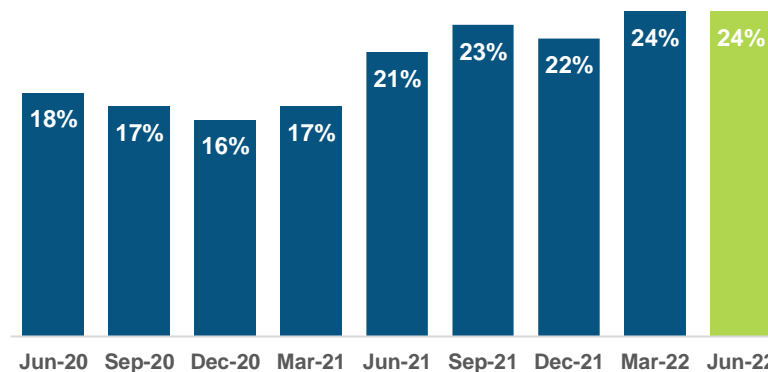
(\$ millions)



## Return on Invested Capital


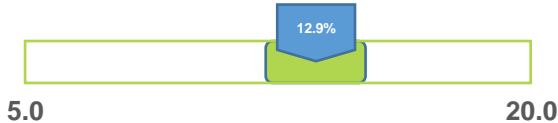

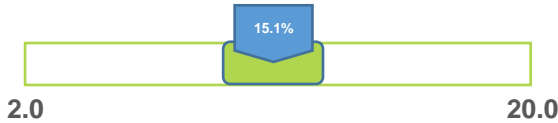

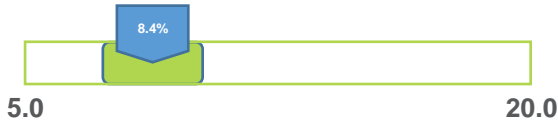
ROIC%

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



# Q2 OPERATING PERFORMANCE BY SEGMENT

(\$ millions)

	Sales \$	Sales Mix	OP\$	OP%	
<b>DXP</b>   SERVICE CENTERS	\$ 251.1	 68%	\$ 32.4	12.9%	
<b>DXP</b>   INNOVATIVE PUMPING SOLUTIONS®	\$ 57.8	 16%	\$ 8.7	15.1%	
<b>DXP</b>   SUPPLY CHAIN SERVICES	\$ 58.9	 16%	\$ 4.9	8.4%	
Corporate*	---		\$ (20.1)		
<b>Total DXP</b>	<b>\$ 367.8</b>	<b>100%</b>	<b>\$ 25.9</b>	<b>7.1%</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

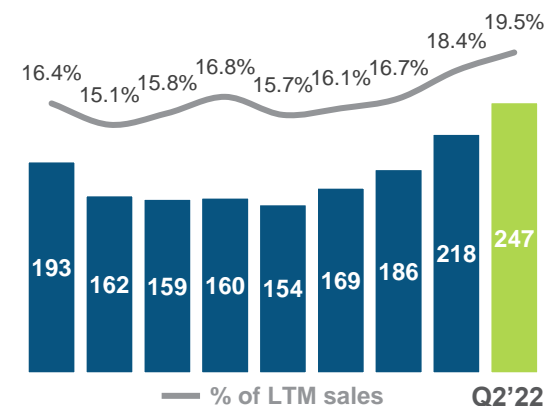
	Prior Qtr Mar 31, 2022	Current Qtr Jun 30, 2022
GAAP net income	\$ 12,527	\$ 14,494
Depreciation and amortization	6,752	7,080
Change in net working capital	(18,224)	(22,335)
Other operating cash flows, net	1,623	3,769
<b>Net Cash provided by operating activities</b>	<b>2,678</b>	<b>3,008</b>
Purchase of property & equipment, net	740	1,108
Proceeds from sale of assets	-	-
<b>Free Cash Flow</b>	<b>1,938</b>	<b>1,900</b>
Net Cash used in financing activities	(9,322)	21,344
<b>Cash at end of the period</b>	<b>36,650</b>	<b>20,664</b>

## Supplemental Information:

Purchase of businesses	5,316	38,801
Cash paid for income taxes	705	2,153
Cash paid for interest	4,704	5,157
Net Debt	288,491	333,600

## 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

# RECONCILIATION OF OPERATING INCOME

(\$ thousands)

	Three Months Ended June 30,	
	2022	2021
Operating income for reportable segments	\$46,052	\$34,591
<i>Adjustments for:</i>		
Amortization of intangibles	4,591	4,306
Corporate expenses	15,541	15,439
<b>Total operating income</b>	<b>25,920</b>	<b>14,846</b>
Interest expense	5,615	5,337
Other expense (income), net	839	(105)
<b>Income before income taxes</b>	<b>\$ 19,466</b>	<b>\$9,614</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 June 30,	
	2022	2021
Income before income taxes	\$ 19,466	\$ 9,614
Plus: interest expense	5,615	5,337
Plus: depreciation and amortization	7,080	6,958
<b>EBITDA</b>	<b>\$32,161</b>	<b>\$21,909</b>
Plus: NCI loss (gain) before tax	(45)	315
Plus: Stock compensation expense	493	460
<b>Adjusted EBITDA</b>	<b>\$32,609</b>	<b>\$22,684</b>





**THE INDUSTRIAL DISTRIBUTION EXPERTS**

NASDAQ: DXPE  
AUGUST 2022