



## **THE INDUSTRIAL DISTRIBUTION EXPERTS**

*Presented by:*

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Chairman, President & CEO

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NASDAQ: DXPE

MARCH 2014

# 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, Adjusted EBITDA Margin,, 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. AT-A-GLANCE



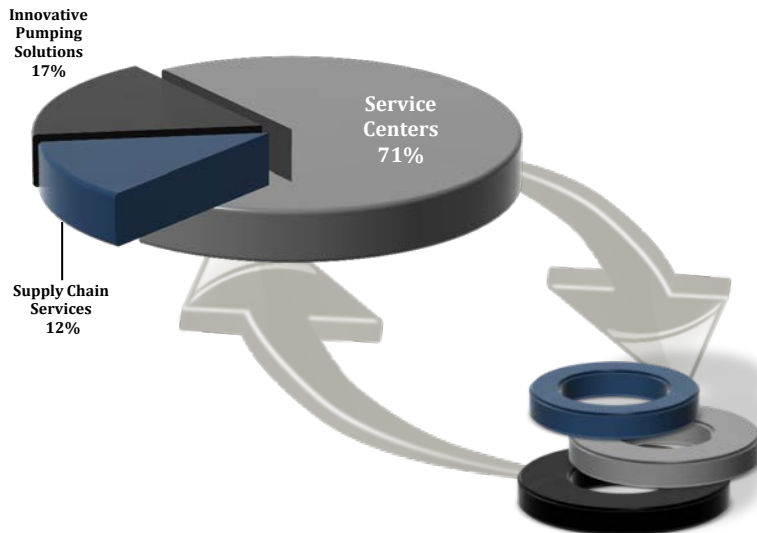
*Leading provider of technical products and services for MRO (maintenance, repair, operating), OEM and capital equipment customers...*

## **\* Last Twelve Months (LTM):**

Revenue:	\$ 1,241.5 million
EBITDA:	\$ 122.7 million
Free Cash Flow:	\$ 74.5 million
ROIC:	32.1 %



## **LTM Sales % by Business Segment**



## **...Building a North American Platform**

- 178 Locations (U.S., Canada, Mexico & Dubai)
- 58 Supply Chain Service sites
- 7 Regional distribution centers
- 12 Fabrication centers
- 1 Customer First Center
- 3,000+ Full-time employees

# DXP TODAY

*Growth and profit expansion despite market volatility...*



## KEY DRIVERS

- **Serving growing and dynamic markets**
  - Oil and gas, mining, power, chemicals, etc.
- **DXP growth strategies designed to take market share**
  - SuperCenters
- **Strategic and accretive acquisitions**
  - B27
  - Tool-Tech
  - Alaska Pump & Supply
  - Tucker Tool
  - Natpro
- **Culture of profitable growth driving continuous improvement**

*...Execution is producing strong results.*

**Momentum  
is Building...**

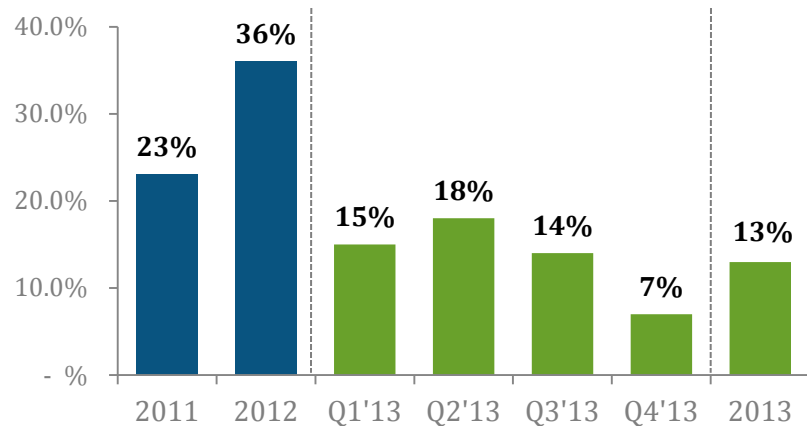


# RECENT FINANCIAL RESULTS

## Financial impact – the evidence



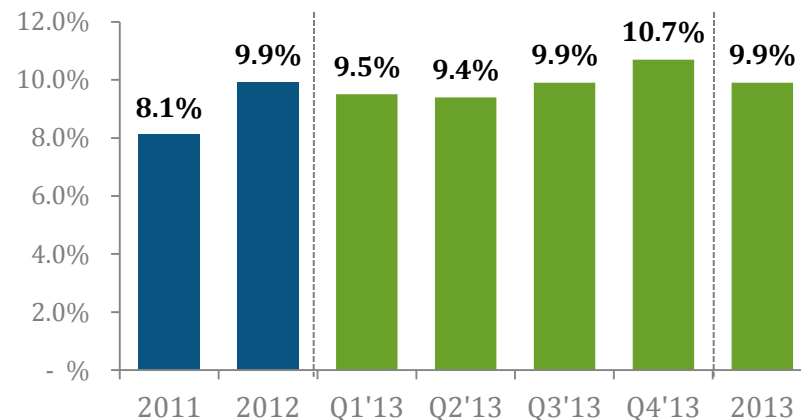
### SALES VS. PRIOR YEAR



ORGANIC GROWTH

16% 12% (1%) - 4% (1%) -

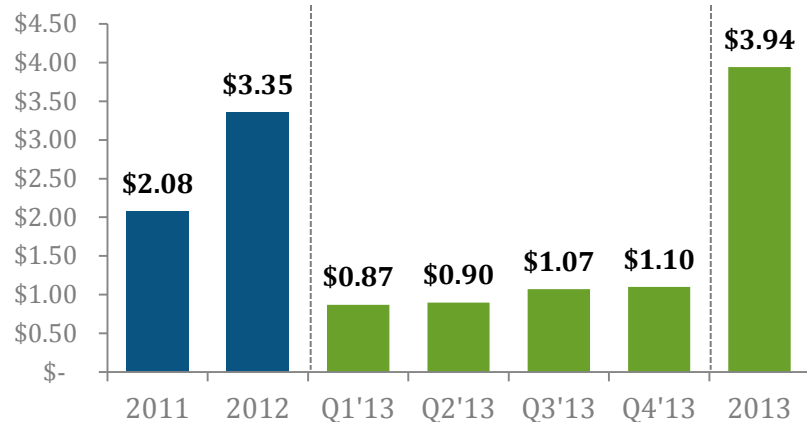
### EBITDA MARGIN (EBITDA%)



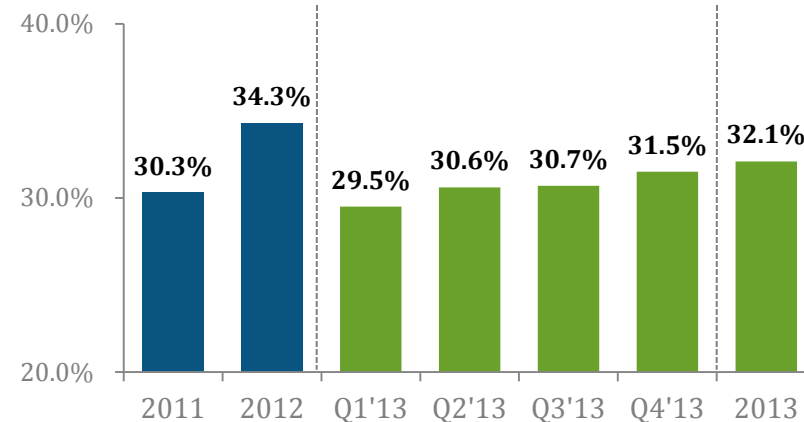
VERSUS PRIOR YEAR (BASIS POINTS)

100 180 40 - (75) 40 -

### DILUTED EARNINGS PER SHARE



### RETURN ON INVESTED CAPITAL\*



\*Return on invested capital is defined as tax effected LTM EBITDA/Average total net operating assets.

# UNIQUE MARKET APPROACH

DXP

**DXP** | INNOVATIVE  
PUMPING  
SOLUTIONS®



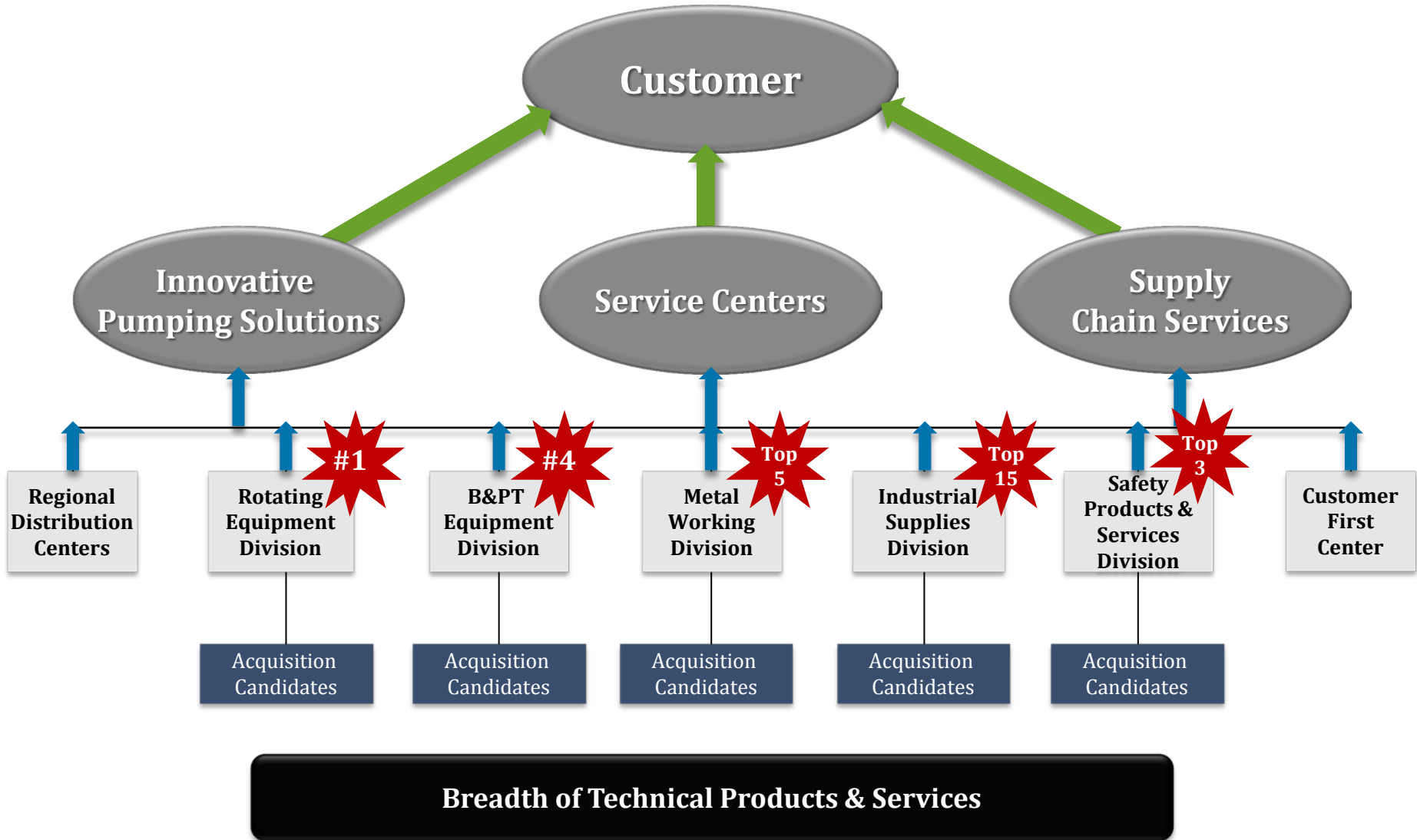
**DXP** | SERVICE  
CENTERS



**DXP** | SUPPLY  
CHAIN  
SERVICES



# CUSTOMER DRIVEN EXPERTS IN MROP SOLUTIONS

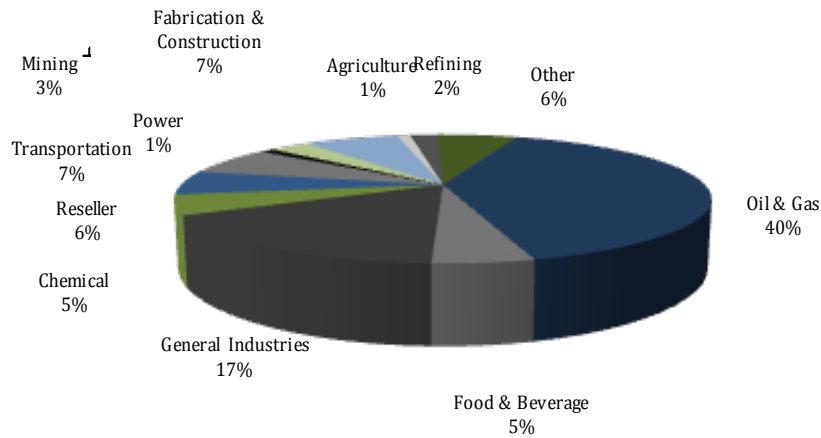


# LEADING POSITIONS IN MARKETS & PRODUCTS



## DIVERSE, GROWING END MARKETS

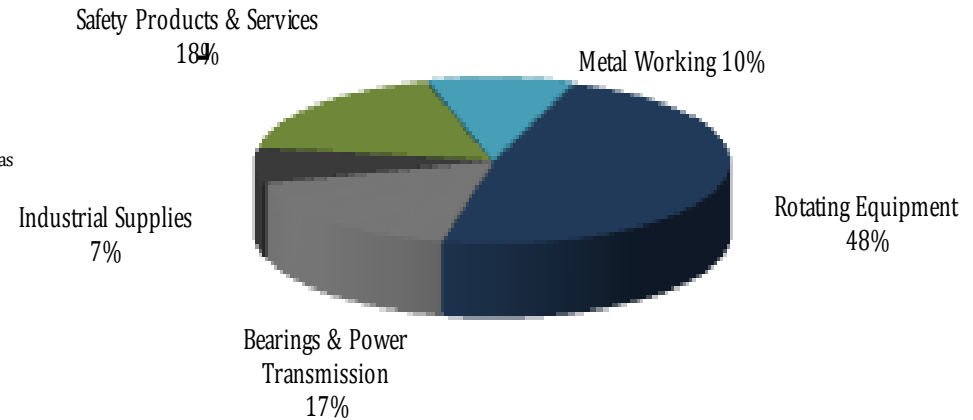
### Over 50,000 Customers



- High quality customer base across attractive industries
- Concentration in solid growth sectors such as energy, food & beverage and chemical
- Geographic expansion will increase industry diversification

## BREADTH OF TECHNICAL PRODUCTS & SERVICES

### Over 100+ Product Groups



- Breadth of products and services
- Higher margin products and value added services

Note: Management estimates for fiscal year 2013. Product division includes impact of recent acquisitions on an actual basis. Other includes aggregates, alternative energy, military, municipal, pharmaceuticals, pulp & paper, sanitary, steel and wood products. Does not include impact of B27, see page 32.



# STRONG CUSTOMER AND SUPPLIER RELATIONSHIPS



## KEY CUSTOMER RELATIONSHIPS

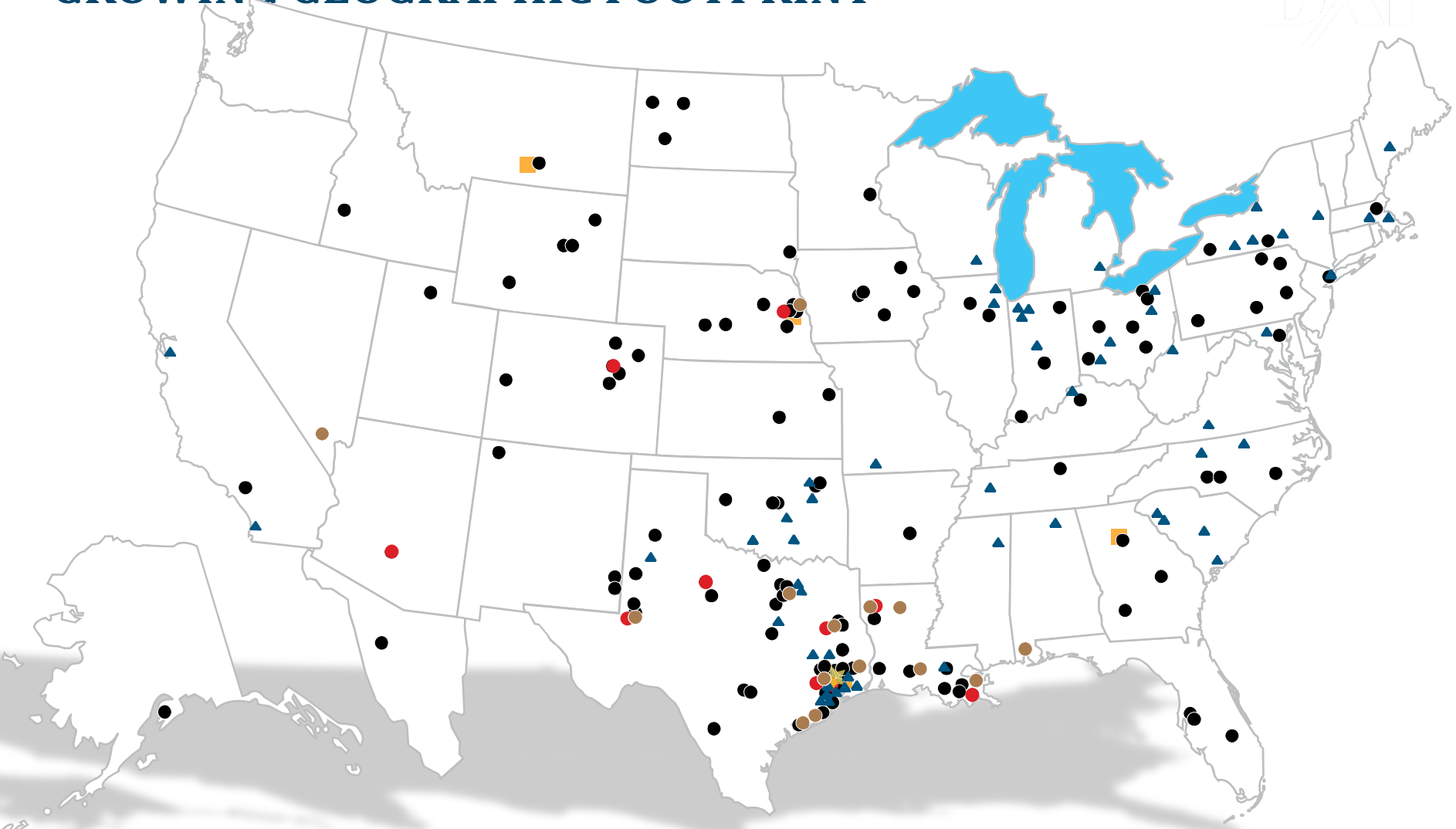


## LONG STANDING INDUSTRY PARTNERS



# GROWING GEOGRAPHIC FOOTPRINT

DXP



## U.S. and Mexico Locations:

● Service Center (114)

● Sales Office (15)

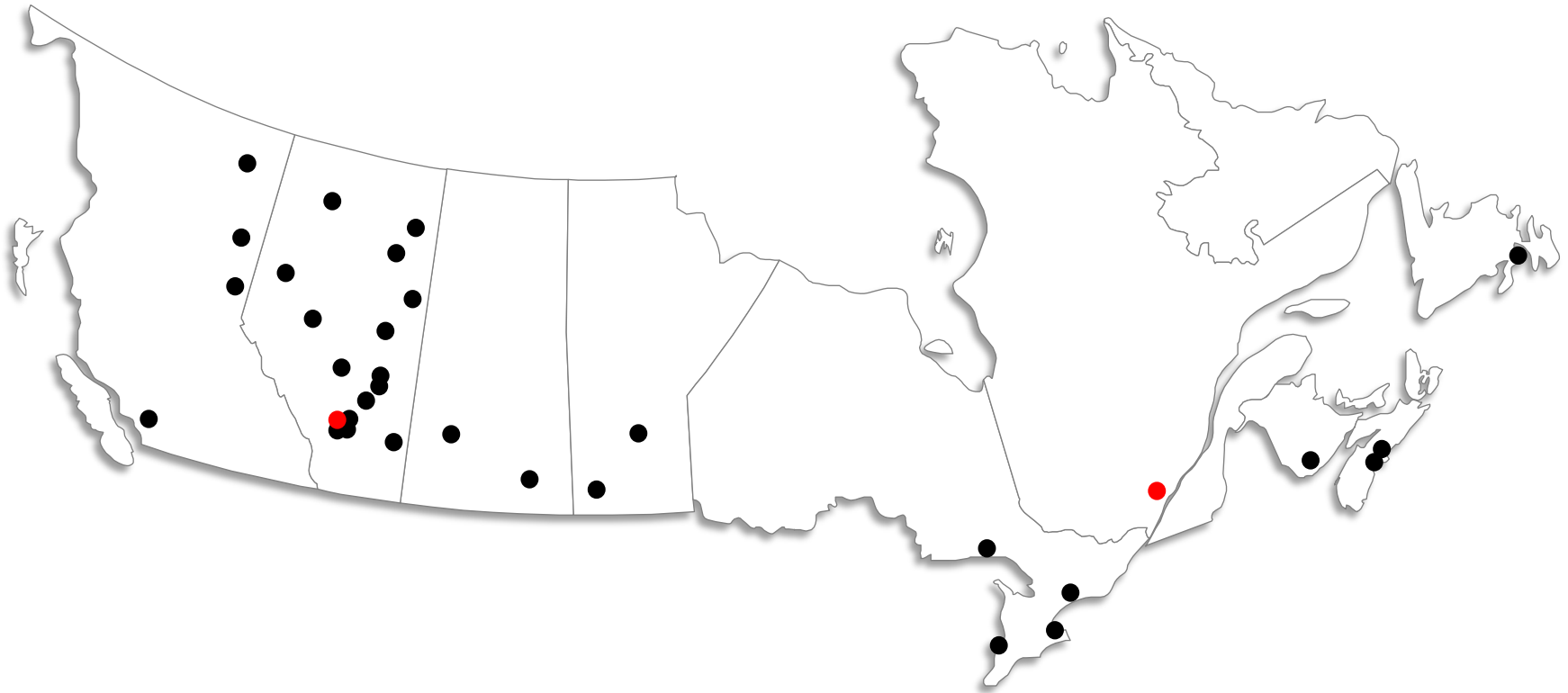
▲ Supply Chain Location (58)

■ Ballistic Dist. Center (7)

★ Customer First Center (1)

● Fabrication Center (10)

# GROWING INTERNATIONAL FOOTPRINT



## Canada Locations:

- Service Center (32)
- Dubai Sales Office (1)

- Fabrication Facility (2)

# GROWTH STRATEGY

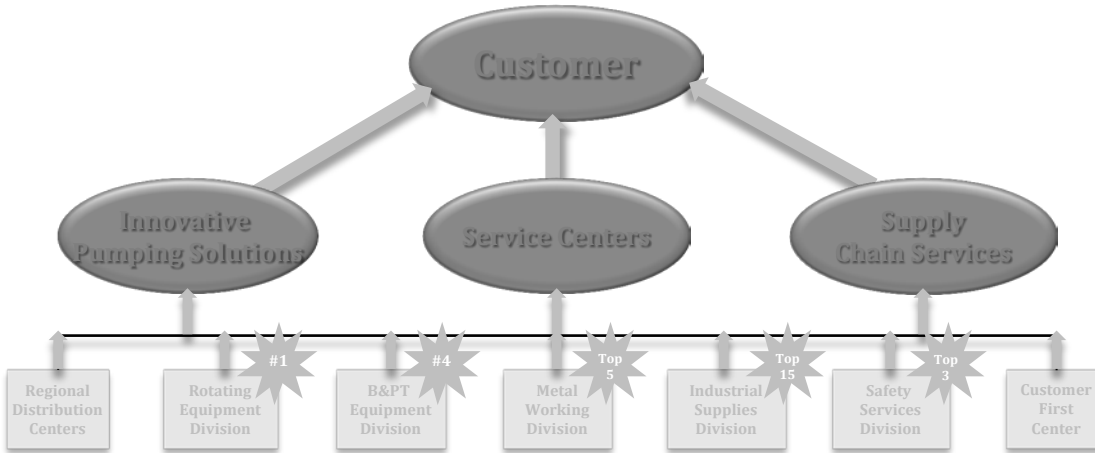
# DXP'S GROWTH STRATEGY



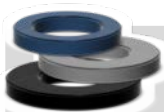
- **Organic growth remains a top priority. . . . .**
  - SuperCenters
  - Sales force expansion
  - New markets and geographies
  - Product line expansion
- **. . . . Acquisitions accelerate growth and scale**
  - Opportunities to enlarge key product divisions
  - All acquisitions leverage DXP's scale and expertise
  - U.S. remains top priority – significant “holes” in the map
- **Combined, DXP consistently grows 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

# DXP GROWTH STRATEGY

*Leading provider of technical products and services. . . . .*



*. . . . .Building a North American Platform*



## I. INTERNAL - ORGANIC

- 1 Grow Core DXP Business – Service Centers, IPS, SCS
- 2 Offer Multiple Products & Services to different Customers
- 3 Serve Strong Growing End Markers

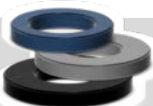
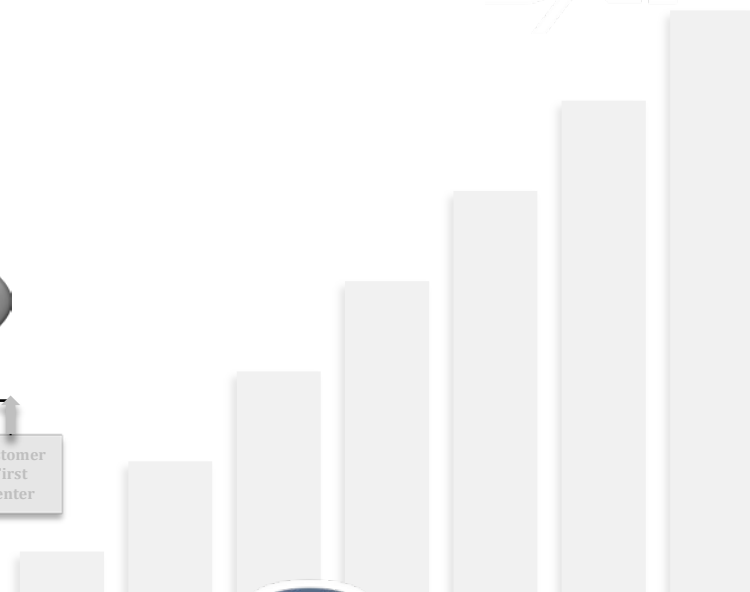
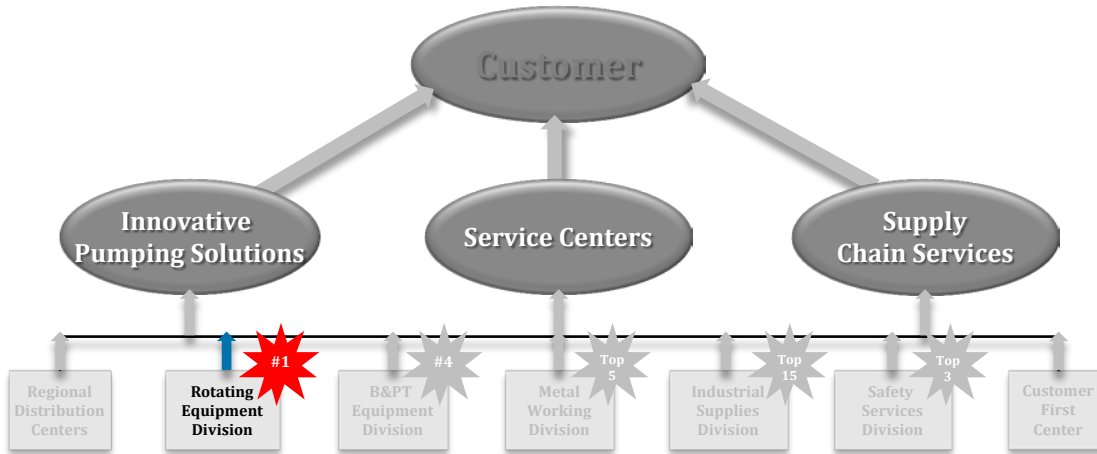


## II. EXTERNAL - INORGANIC

- 1 Enhance Product Expertise & Depth
- 2 Expand / Strengthen Geographic Position
- 3 Identify / Expand Strategic Product Divisions
- 4 Improve Overall Financial Metrics

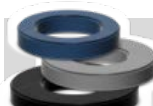
**Purposeful, Dynamic Growth Strategy**

# ACQUISITION STRATEGY & GROWTH PROCESS



## I. ACQUIRE

- 1 Core DXP Business
- 2 Product Divisions
- 3 New Geographies



## II. ENHANCE

- 4 Challenge to Grow 10%
- 5 Add Segment offering – SCS, IPS
- 6 Scale & Purchasing Power
- 7 Sales & Operational Excellence



## III. ENLARGE

- 8 Challenge to Grow 10%
- 9 Add DXP Product Divisions
- 10 Scale Multiple Product Divisions
- 11 SuperCenters



## IV. EXPAND

- 1 New Markets / Geographies
- 2 Strengthen Position
- 3 Continue to Expand Product Offering

- Margin enhancement and pricing effectiveness
- Strengthening geographic position
- Efficiencies and profit enhancement through IT infrastructure
- New stores in underserved markets

- One-stop source
- Increase value to our customer
- “Cross-sell” to existing and new customers
- 37 SuperCenters as of Q4' 13

- New stores in underserved and new markets
- Supplier extension and depth
- Expanded customer base

# TRACK RECORD OF SUCCESSFUL M&A



Date	Acquisition	Product Division	Region	LTM Revenue* (\$ millions)
Jan - 14	B27	Rotating Equipment	North TX/Southeast	\$174
July - 13	Tool-Tech	Metal Working	South Central	\$13
July - 13	Alaska Pump & Supply	Rotating Equipment	West	\$16
May - 13	Tucker Tool	Metal Working	Northeast	\$8
April - 13	Natpro	Rotating Equipment	Canada	\$69
October - 12	Jerzy Industries	Bearings & Power Transmission	Houston	\$9
July - 12	HSE Integrated	Safety	Canada	\$105
June - 12	Austin & Denholm	Rotating Equipment	Canada	\$7
May - 12	Industrial Paramedic Services	Safety	Canada	\$22
April - 12	Aledco & Force	Rotating Equipment	Northeast	\$8
February - 12	Pump & Power	Rotating Equipment	North Central	\$4
January - 12	Mid-Continent Safety	Safety	North Central	\$10
			<b>Total</b>	<b>\$445</b>

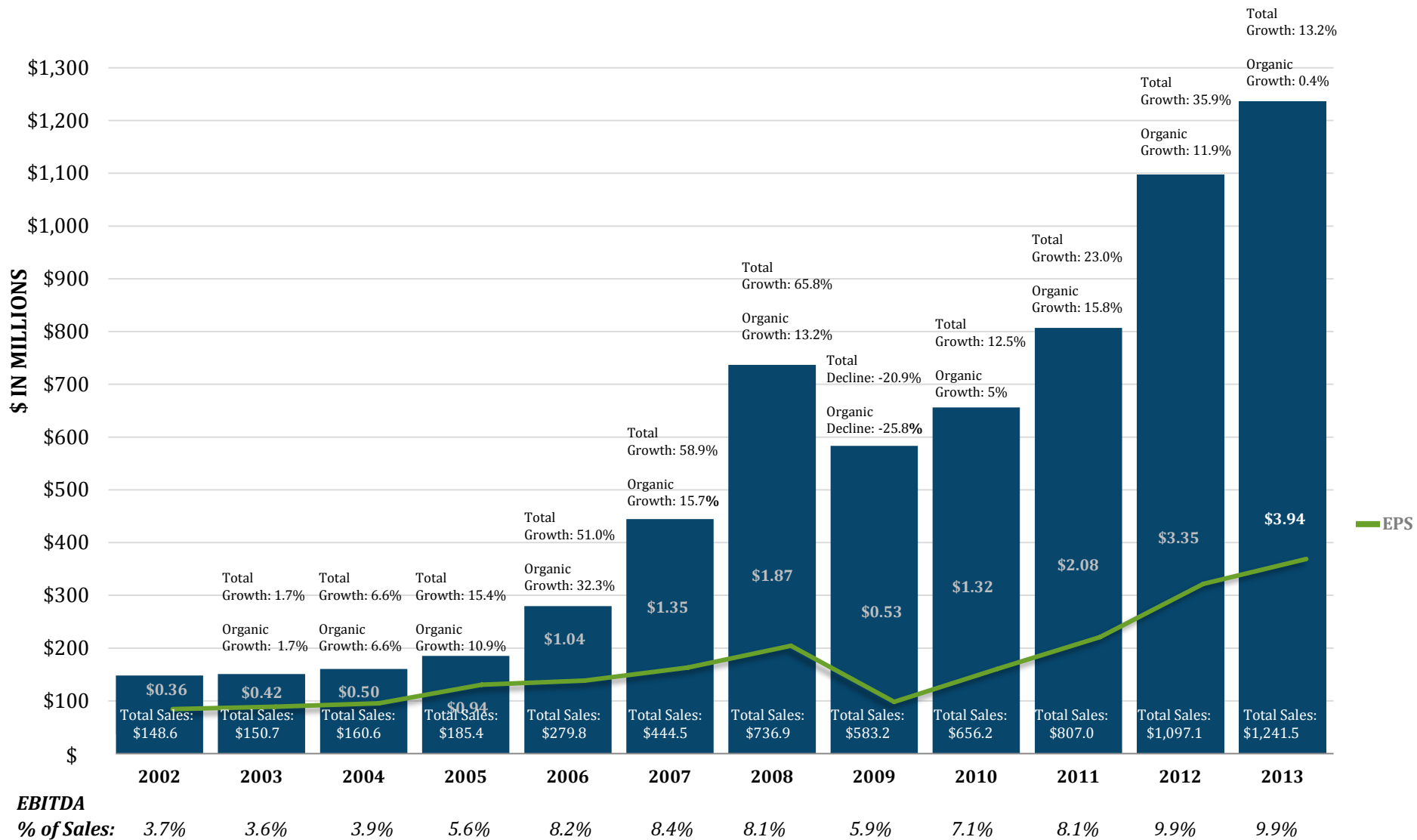
\* LTM revenue at acquisition date

**DXP has successfully acquired \$445 million of revenues since January 2012**



# FINANCIAL OVERVIEW

# YEAR-OVER-YEAR REVENUE & EARNINGS GROWTH

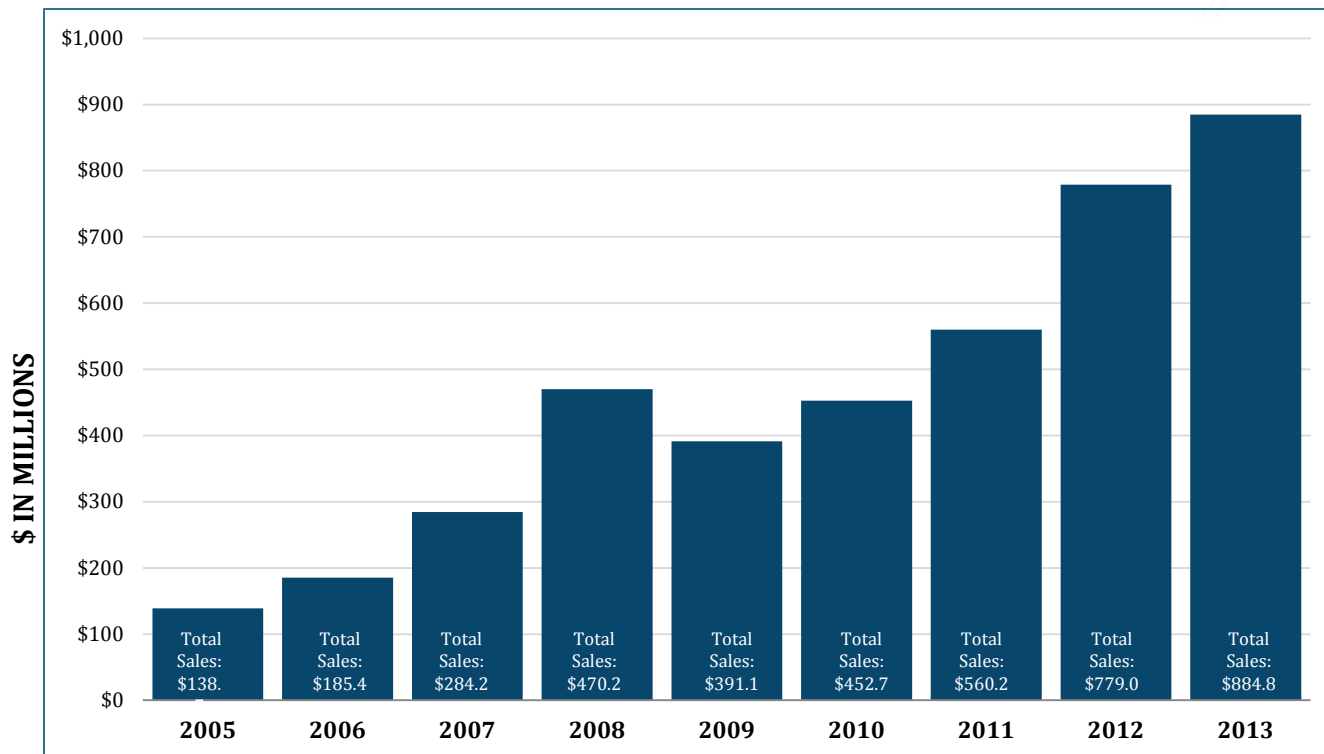


# SERVICE CENTER SEGMENT YEAR-OVER-YEAR GROWTH

**DXP** | SERVICE CENTERS

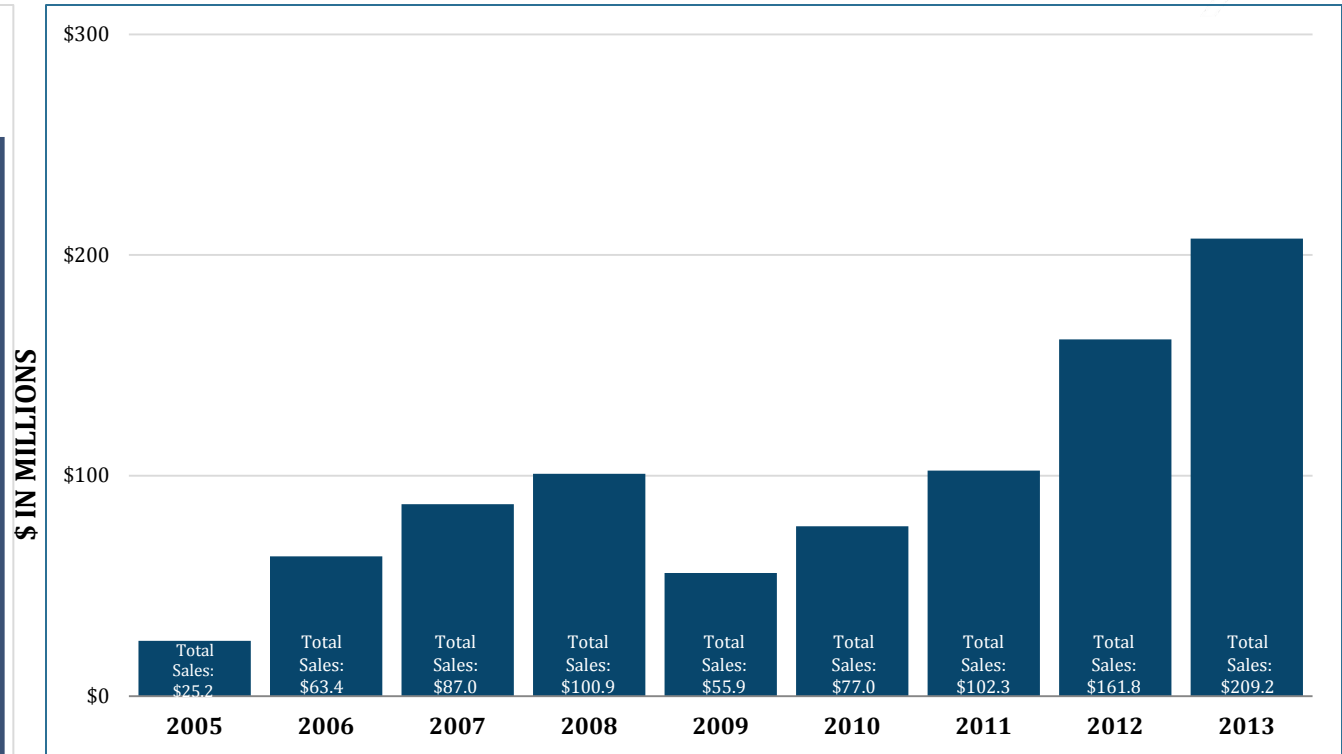


The Service Centers are engaged in providing MRO products, equipment and services, including technical expertise and logistics capabilities, to industrial customers with the ability to provide same day delivery. We offer our customers a single source of supply on an efficient and competitive basis by being a first-tier distributor that can provide products in the rotating equipment, power transmission, hose, fluid power, metal working, fastener, industrial supply, safety products and services categories.



Total Sales	\$138.7	\$185.4	\$284.2	\$470.2	\$391.1	\$452.7	\$560.2	\$779.0	\$884.8
Total Growth		33.6%	53.3%	65.5%	-16.8%	15.8%	23.7%	39.1%	13.6%
Organic Growth		20.3%	8.5%	15.7%	-24.5%	9.1%	15.3%	6.6%	-0.3%
Operating Income					\$24.4	\$50.5	\$64.5	\$88.9	\$107.1
OI as % of Sales					6.2%	11.2%	11.5%	11.4%	12.1%

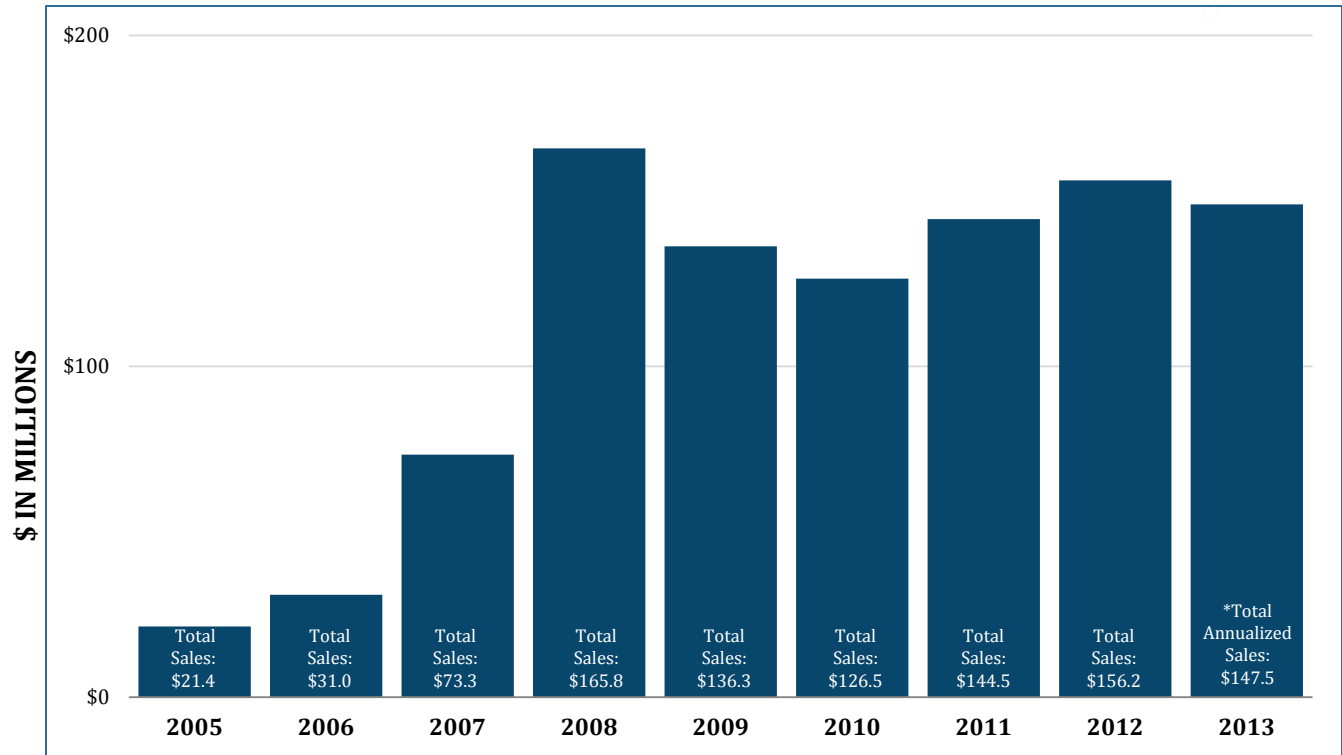
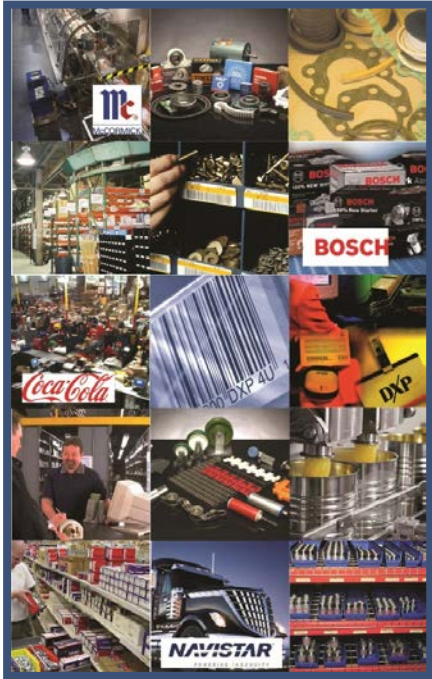
# IPS SEGMENT YEAR-OVER-YEAR GROWTH



DXP's Innovative Pumping Solutions® segment provides fabrication and technical design to meet the modular pump package equipment requirements of our global customer base. DXP's Innovative Pumping Solutions provides a single source for engineering, systems design and fabrication of custom pump packages. DXP's Innovative Pumping Solutions also provides remanufacturing and service & repair services for various types of pumps including API and ANSI pumps.

Total Sales	\$25.2	\$63.4	\$87.0	\$100.9	\$55.9	\$77.0	\$102.3	\$161.8	\$209.2
Total Growth %		151.6%	37.3%	15.9%	-44.6%	37.8%	32.8%	58.2%	29.3%
Organic Growth %		87.4%	29.8%	13.7%	-44.6%	6.6%	28.5%	58.2%	9.7%
Operating Income					\$7.5	\$10.3	\$16.9	\$32.1	\$33.8
OI as % of Sales					13.4%	13.4%	16.5%	19.8%	16.1%

# SUPPLY CHAIN SEGMENT YEAR-OVER-YEAR GROWTH



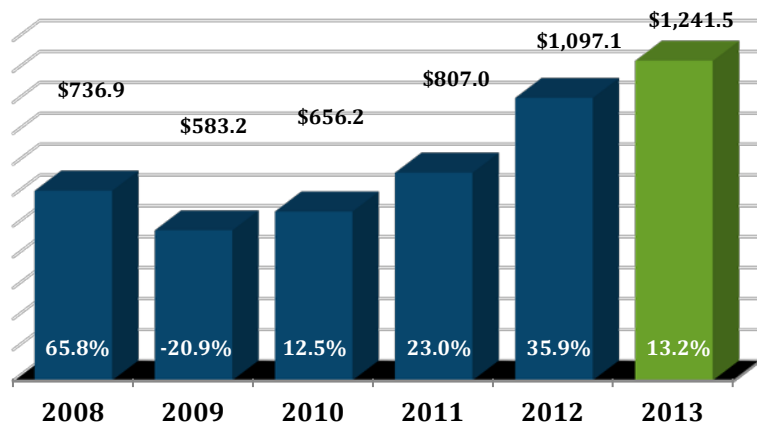
*DXP's Supply Chain Services segment manages all or part of its customers' supply chains including procurement and inventory management. DXP's Supply Chain Services provide a fully outsourced MRO solution. DXP's mission is to help customers become more competitive by reducing their indirect material costs and order cycle time by increasing productivity and by creating enterprise-wide inventory and procurement visibility and control.*

<b>Total Sales</b>	\$21.4	\$31.0	\$73.3	\$165.8	\$136.3	\$126.5	\$144.5	\$156.2	\$147.5
<b>Total Growth</b>		44.8%	136.4%	126.1%	-17.8%	-7.2%	14.2%	8.1%	-5.6%
<b>Organic Growth</b>		44.8%	28.7%	2.5%	-17.8%	-7.2%	9.5%	-0.3%	-5.6%
<b>Operating Income</b>					\$5.5	\$7.1	\$8.5	\$12.5	\$12.5
<b>OI as % of Sales</b>					4.1%	5.6%	5.9%	8.0%	8.5%

# FINANCIAL SUMMARY

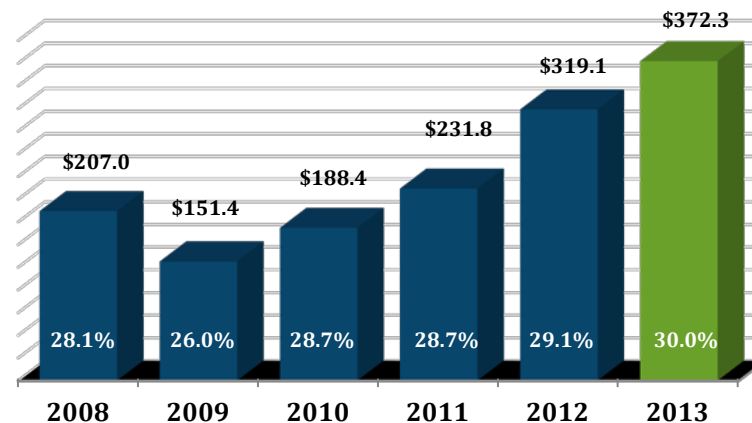


**Revenue**  
(\$ millions)



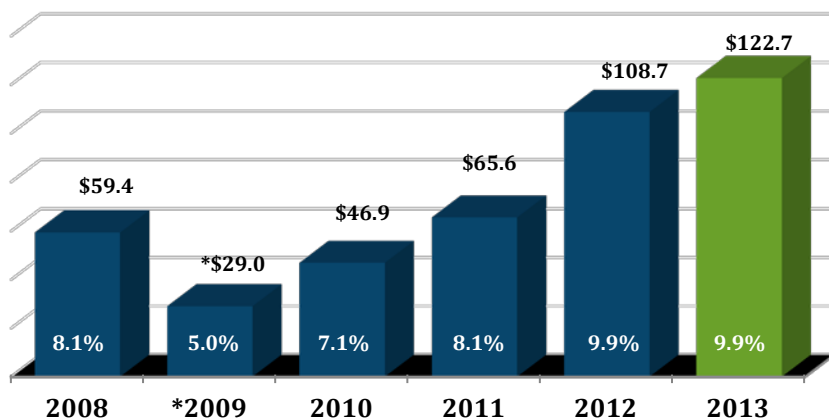
Percentages reflect year-over-year revenue growth from corresponding period.

**Gross Profit**  
(\$ millions)



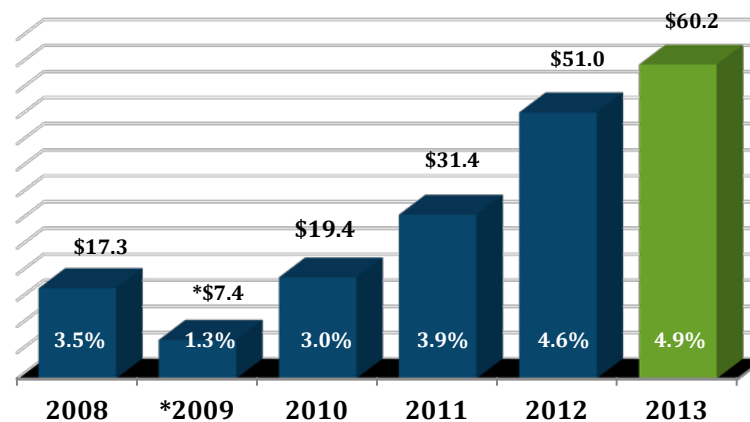
Percentages reflect gross margin.

**EBITDA**  
(\$ millions)



Percentages reflect EBITDA margin.

**Net Income**  
(\$ millions)



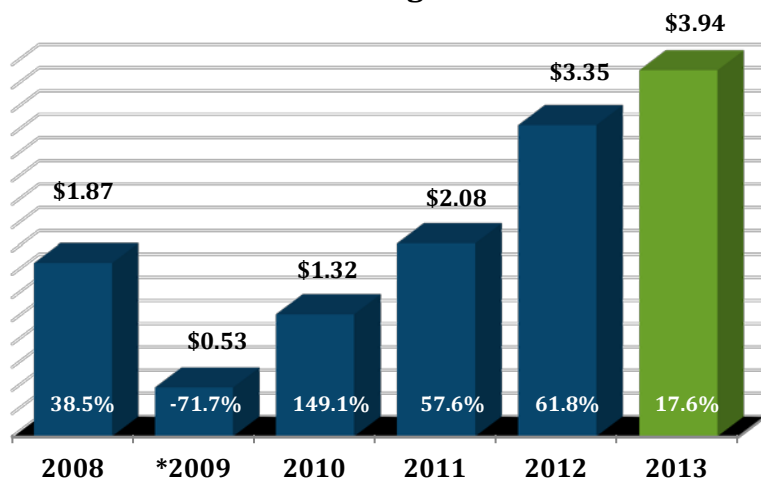
Percentages reflect net income margin.

\*2009 adjusted for impairments of \$66.8M before taxes. DXP stock split September 2008.

# FINANCIAL SUMMARY (CONT'D)



### Diluted Earnings Per Share



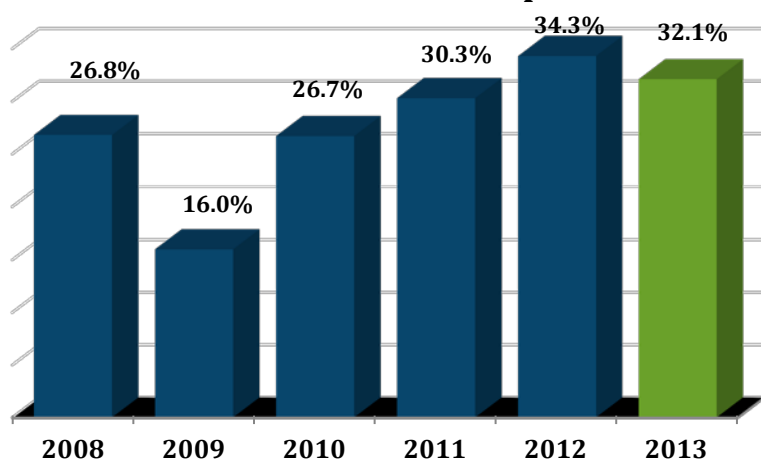
Percentages reflect year-over-year EPS growth.

### Free Cash Flow (\$ millions)



Free cash flow defined as cash from operating activities less capex.

### Return On Invested Capital



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

*Profitable, sustainable growth*  
*Consistent earnings*  
*Long-term shareholder returns*

\*2009 adjusted for impairments of \$66.8M before taxes. DXP stock split September 8, 2008.

# CAPITAL STRUCTURE



(\$ millions)	As of December 31, 2013
Cash	\$5.5
Total Debt	\$194.6
Shareholders' Equity	\$296.3
Total Book Capitalization	\$490.9

Credit Statistics	
LTM EBITDA	\$122.7
Total Debt/ Total Book Capitalization	39.6%
Total Debt/LTM EBITDA	1.59x
PF Total Debt/PF LTM EBITDA	2.93x

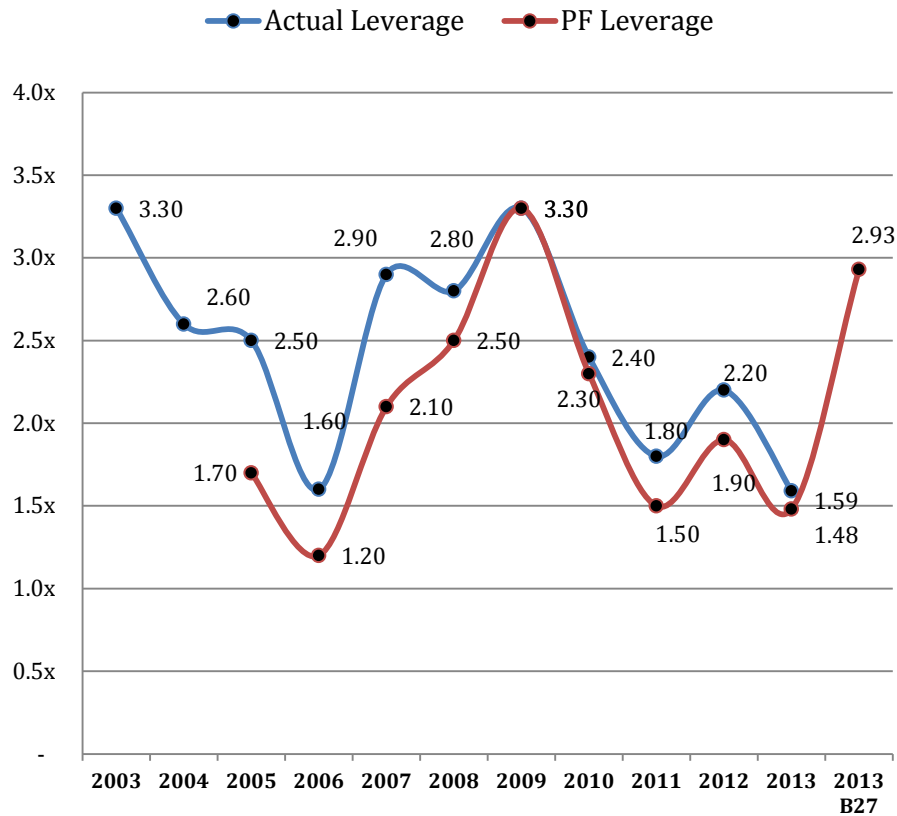
- Healthy, strong balance sheet
- Solid cash flow
- New Senior Credit Facility
  - \$350 million revolver
  - \$250 million term loan
  - \$200 million accordion feature
- Moderate leverage
- Poised for future growth



# CAPITAL STRUCTURE (CONT'D)



## LEVERAGE RATIO



## STRONG CAPITAL STRUCTURE

- Access to multiple capital markets
- Leverage ratio below 3.0x
- Supports growth strategy

# APPENDIX

# B27 ACQUISITION

# B27 TRANSACTION SUMMARY



- **DXP Enterprises, Inc. announced purchase of B27 on December 9, 2013**
  - Signed definitive agreement on December 9, 2013
  - Transaction closed January 2, 2014
- **B27 is a leading global supplier of sophisticated pump and integrated flow control solutions serving the oil & gas, power generation, air quality and other industrial markets**
  - FY2013 Sales and adjusted EBITDA of \$174 million and \$30 million, respectively
- **Purchase of stock and units for approximately \$294 million**
  - Financed with borrowings under a new \$600 million amended and restated credit facility and DXP stock
  - Forward purchase multiple in-line with other large DXP transactions – supported by size, margins, growth rate and return profile
  - Key members of management staying onboard
- **Accretive to earnings for fiscal 2014**
  - Does not factor in any revenue synergies

# B27 OVERVIEW

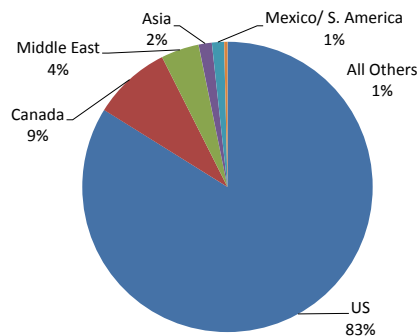


\$174M  
Sales  
(FY 2013)

Complementary with  
New Offerings

~15% +  
EBITDA Margins

Geographical Mix  
(% of 2013 Shipments)



## BRANDS

### IFS



### DISTRIBUTION



### API PUMPS



## MARKET POSITIONING

*Superior Customer Service - Outstanding Lead Times*

*Differentiated Business Model*

*Leading Engineering Capabilities*

## SUMMARY










- Leading suite of highly engineered pumps and integrated flow solutions
- Headquartered in Houston, TX with approximately 342 employees servicing customers through seven facilities in the U.S., a JV in Nigeria and a sales office in Dubai
- “One-stop” source for full range of pump and flow control solutions

## GROWTH DRIVERS

- Recent investments in capacity and capabilities positioning B27 to meet market demands
- Supply and demand dynamics in oil & gas driving need for infrastructure investments
- Substantial advantages in lead times prevent competitors from replicating offering

# COMPLEMENTARY PRODUCT AND SERVICE OFFERING



	OFFERING	OVERLAP w/DXP	DESCRIPTION
Systems	Integrated Flow Solutions 		<ul style="list-style-type: none"> <li>Provides customers with single-source solution for modular system needs, integrating electrical controls and mechanical equipment</li> </ul>
	Pump Distribution 		<ul style="list-style-type: none"> <li>Provides customers with full line of pumps from 8 OEMs, from centrifugal to positive displacement, meeting nearly all application needs of the customer</li> </ul>
Pumps	Remanufactured Pumps 		<ul style="list-style-type: none"> <li>Provides customers with remanufactured API pumps</li> <li>Remanufactured delivery times typically at 12-16 weeks vs 30+ weeks for newly manufactured pumps</li> </ul>
	Branded Pump Manufacturing 		<ul style="list-style-type: none"> <li>Full product line: Single-stage, Multi-stage, Vertical inline, Vertical turbine</li> </ul>
Aftermarket	Service, Repair, Parts, and Other 		<ul style="list-style-type: none"> <li>Manage customer needs, providing high-value aftermarket support on either an as-needed basis or under long-term contracts</li> <li>33,000 sq ft. Repair Center &amp; Global Service Team</li> </ul>

# DXP & B27 COMBINATION – ENHANCED REVENUE MIX



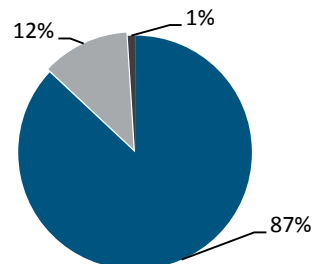
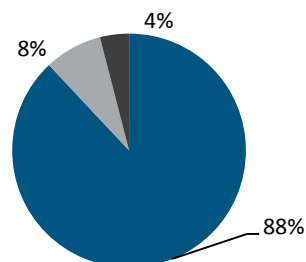
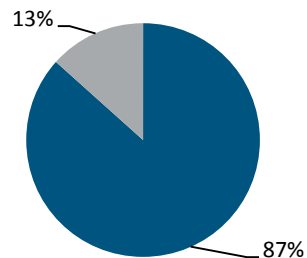
## FY 2013 PROFORMA

**DXP**  
(\$1,242M SALES)

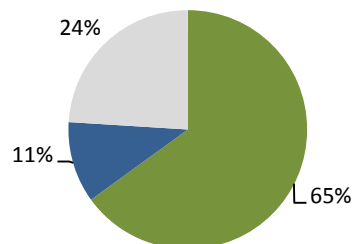
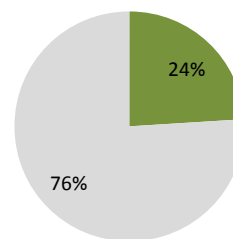
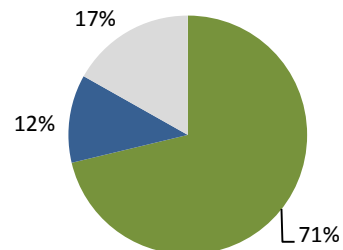
**B27**  
(\$174M SALES)

**COMBINED**  
(\$1,416M SALES)

## GEOGRAPHY (1)



## SEGMENTS (1)



## GEOGRAPHY LEGEND

- U.S.
- Canada
- Rest of World (ROW)

## SEGMENT LEGEND

- Service Center (SC)
- Supply Chain Solutions (SCS)
- Innovative Pumping Solutions (IPS)

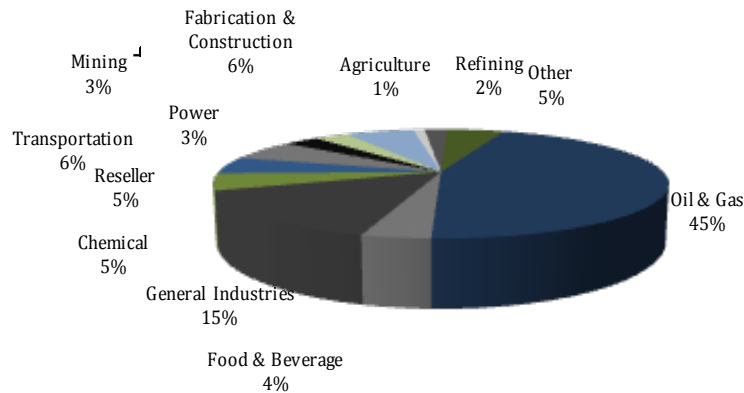
(1) FYE December 31, 2013. B27 Geography is based on 2013 actual shipments, while Combined (DXP + B27) is based upon B27 geographic shipments and DXP geographic sales.

# DXP & B27 COMBINATION – END MARKETS & PRODUCT IMPACT



## DIVERSE, GROWING END MARKETS

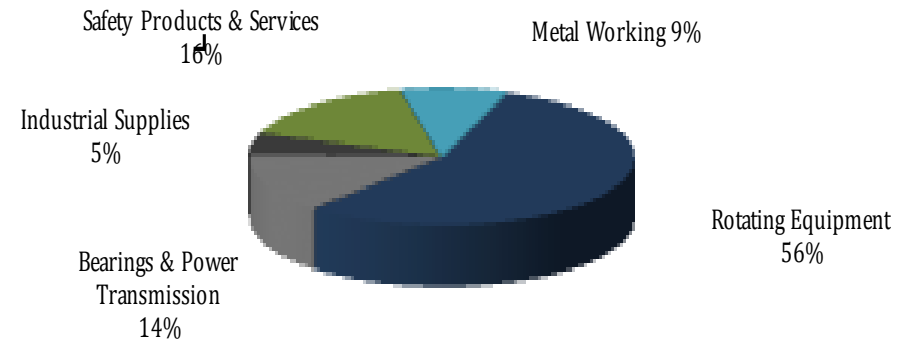
### Over 50,000 Customers



- High quality customer base across attractive industries
- Concentration in solid growth sectors such as energy, food & beverage and chemical
- Geographic expansion will increase industry diversification

## BREADTH OF TECHNICAL PRODUCTS & SERVICES

### Over 100+ Product Groups



- Breadth of products and services
- Higher margin products and value added services



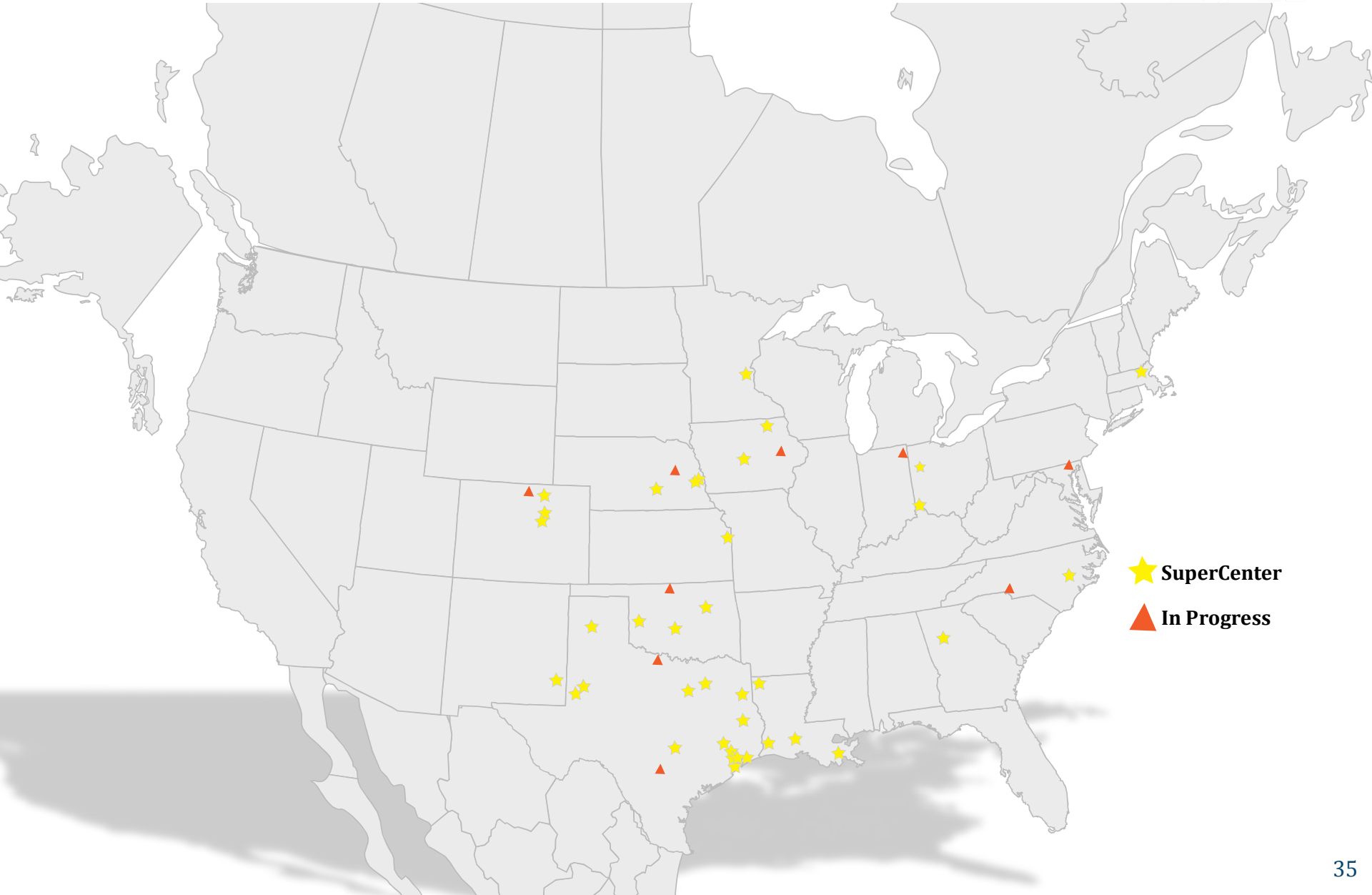
# GO FORWARD PLAN

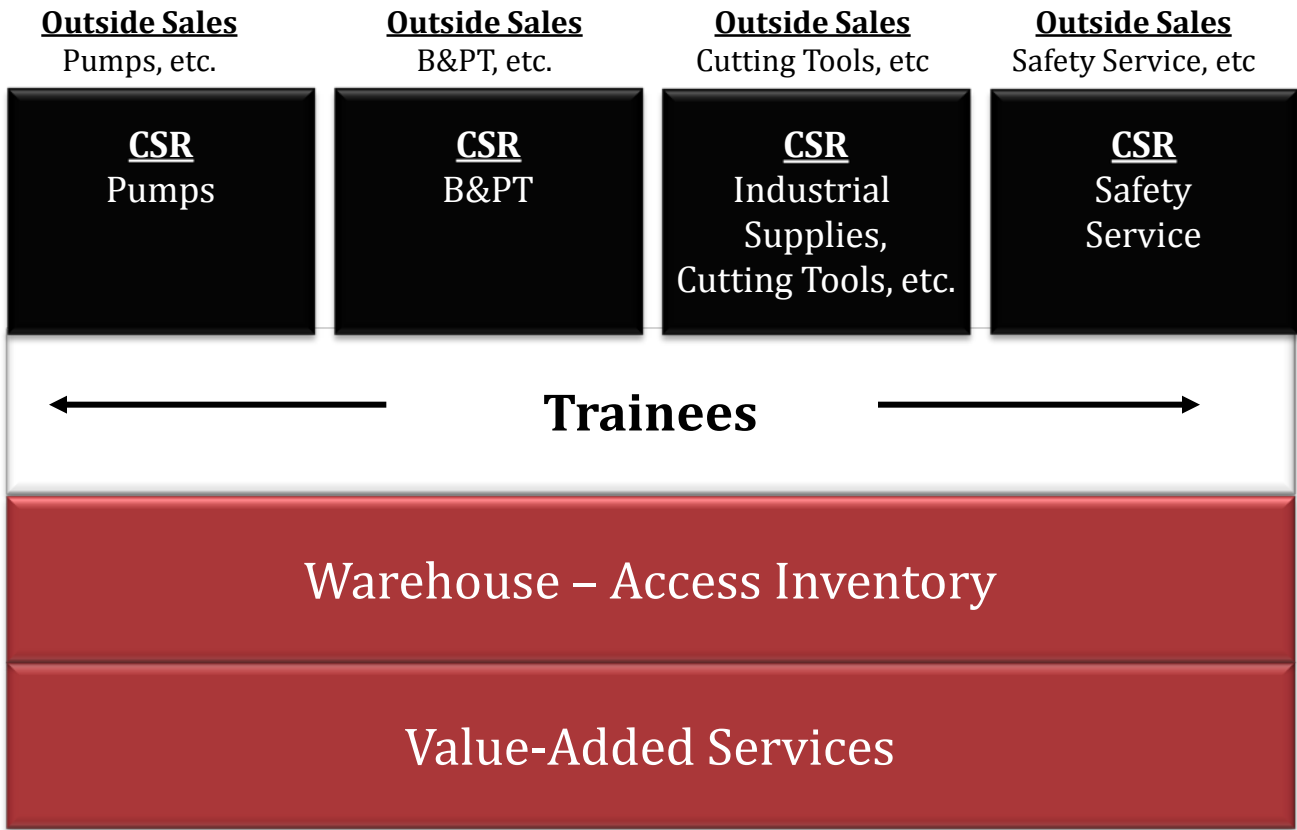


- DXP and B27 plan on the combined business leveraging purchasing scale, best practices, market knowledge and product / service offering
- DXP will help B27 accelerate expansion plans
- No immediate changes to B27 leadership or team members anticipated
- Will maintain B27 name and brands
- Will primarily report under DXP's Innovative Pumping Solutions business

# DXP SUPERCENTER STRATEGY

# DXP SUPERCENTERS



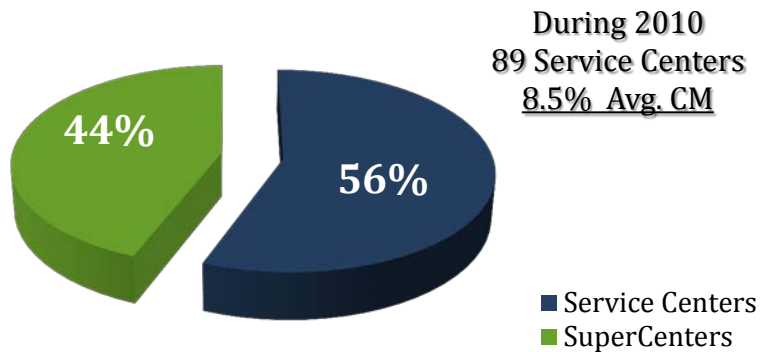


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| <input checked="" type="checkbox"/> Abilene, TX    | <input checked="" type="checkbox"/> Denver, CO        | <input checked="" type="checkbox"/> Houston, TX (GCTR) | <input checked="" type="checkbox"/> Longview, TX      | <input checked="" type="checkbox"/> Omaha DT, NE   | <input checked="" type="checkbox"/> Charlotte, NC     |
| <input checked="" type="checkbox"/> Atlanta, GA    | <input checked="" type="checkbox"/> Des Moines, IA    | <input checked="" type="checkbox"/> Hopkinton, MA      | <input checked="" type="checkbox"/> Lufkin, TX        | <input checked="" type="checkbox"/> Shreveport, LA | <input checked="" type="checkbox"/> Columbus, NE      |
| <input checked="" type="checkbox"/> Austin, TX     | <input checked="" type="checkbox"/> Elk City, OK      | <input checked="" type="checkbox"/> Kansas City, KS    | <input checked="" type="checkbox"/> Mason City, IA    | <input checked="" type="checkbox"/> Tulsa, OK      | <input checked="" type="checkbox"/> Ft. Collins, CO   |
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| <input checked="" type="checkbox"/> Cincinnati, OH | <input checked="" type="checkbox"/> Grand Prairie, TX | <input checked="" type="checkbox"/> Lafayette, LA      | <input checked="" type="checkbox"/> Odessa, TX        | <input checked="" type="checkbox"/> Baltimore, MD  |   |
| <input checked="" type="checkbox"/> Cleburne, TX   | <input checked="" type="checkbox"/> Hobbs, NM         | <input checked="" type="checkbox"/> Lake Charles, LA   | <input checked="" type="checkbox"/> Oklahoma City, OK | <input checked="" type="checkbox"/> Burlington, OK |   |

SuperCenter       SuperCenter in Process



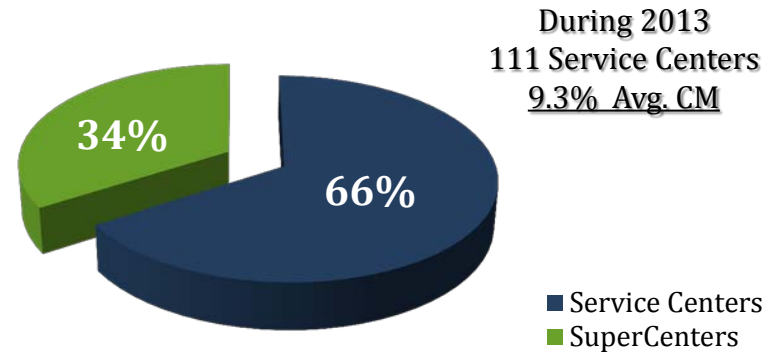
## 2010 SUPERCENTER PERFORMANCE



During 2010  
 23 SuperCenters  
10.3% Avg. CM

21% of DXP locations were SuperCenter locations and contributed 44% of total Service Center segment revenue.

## 2013 SUPERCENTER PERFORMANCE



During 2013  
 37 SuperCenters  
11.2% Avg. CM

25% of DXP locations were SuperCenter locations and contributed 34% of total Service Center segment revenue.

Figures on this slide are based on information and financial data from 2010 and 2013 and are presented only to demonstrate the overall revenue breakdown between SuperCenter and non SuperCenter locations.



**THE INDUSTRIAL DISTRIBUTION EXPERTS**

NASDAQ: DXPE  
MARCH 2014