

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 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, 2024

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 0-21513

**DXP Enterprises, Inc.**

(Exact name of registrant as specified in its charter)

Texas

76-0509661

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

5301 Hollister, Houston, Texas 77040

(Address of principal executive offices, including zip code)

(713) 996-4700

(Registrant's telephone number, including area code)

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

Title of Each Class	Trading Symbol	Name of Exchange on which Registered
Common Stock par value \$0.01	DXPE	NASDAQ Global Select Market

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, a smaller reporting company, or an emerging growth company. See 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

Number of shares of registrant's Common Stock, par value \$0.01 per share outstanding as of November 4, 2024: 15,694,883.

**DXP ENTERPRISES, INC. AND SUBSIDIARIES**  
**TABLE OF CONTENTS**

	<b>Page</b>
<b><u>PART I: FINANCIAL INFORMATION</u></b>	
<u>ITEM 1. Financial Statements</u>	<u>3</u>
a) <u>Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income</u>	<u>3</u>
b) <u>Unaudited Condensed Consolidated Balance Sheets</u>	<u>4</u>
c) <u>Unaudited Condensed Consolidated Statements of Cash Flows</u>	<u>5</u>
d) <u>Unaudited Condensed Consolidated Statements of Equity</u>	<u>6</u>
e) <u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	<u>8</u>
<u>ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>17</u>
<u>ITEM 3. Quantitative and Qualitative Disclosures about Market Risk</u>	<u>28</u>
<u>ITEM 4. Controls and Procedures</u>	<u>29</u>
<b><u>PART II: OTHER INFORMATION</u></b>	<b><u>30</u></b>
<u>ITEM 1. Legal Proceedings</u>	<u>30</u>
<u>ITEM 1A. Risk Factors</u>	<u>30</u>
<u>ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>30</u>
<u>ITEM 3. Default upon Senior Securities</u>	<u>30</u>
<u>ITEM 4. Mine Safety Disclosures</u>	<u>30</u>
<u>ITEM 5. Other Information</u>	<u>30</u>
<u>ITEM 6. Exhibits</u>	<u>31</u>
<b><u>SIGNATURES</u></b>	<b><u>32</u></b>

**PART I: FINANCIAL INFORMATION**

**ITEM 1: FINANCIAL STATEMENTS**

**DXP ENTERPRISES, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**AND COMPREHENSIVE INCOME**

*(in thousands, except per share amounts) (unaudited)*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Sales	\$ 472,935	\$ 419,249	\$ 1,331,126	\$ 1,271,556
Cost of sales	326,825	293,687	923,341	889,101
Gross profit	146,110	125,562	407,785	382,455
Selling, general and administrative expenses	106,502	89,706	301,694	273,720
Income from operations	39,608	35,856	106,091	108,735
Interest expense	15,716	12,684	46,644	36,068
Other expense (income), net (Note 15)	160	1,234	(2,844)	522
Income before income taxes	23,732	21,938	62,291	72,145
Provision for income taxes	2,631	5,766	13,165	19,339
Net income	21,101	16,172	49,126	52,806
Preferred stock dividend	23	22	68	67
Net income attributable to common shareholders	\$ 21,078	\$ 16,150	\$ 49,058	\$ 52,739
Net income	\$ 21,101	\$ 16,172	\$ 49,126	\$ 52,806
Foreign currency translation adjustments	380	(844)	(141)	(87)
Comprehensive income	\$ 21,481	\$ 15,328	\$ 48,985	\$ 52,719
Earnings per share (Note 9):				
Basic	\$ 1.34	\$ 0.98	\$ 3.08	\$ 3.08
Diluted	\$ 1.27	\$ 0.93	\$ 2.93	\$ 2.94
Weighted average common shares outstanding:				
Basic	15,750	16,516	15,915	17,104
Diluted	16,590	17,356	16,755	17,944

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

**DXP ENTERPRISES, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
*(in thousands, except share amounts) (unaudited)*

	September 30, 2024	December 31, 2023
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash	\$ 35,000	\$ 173,120
Restricted cash	91	91
Accounts receivable, net of allowance of \$5,316 and \$5,584, respectively	337,722	311,171
Inventories	109,787	103,805
Costs and estimated profits in excess of billings	49,707	42,323
Prepaid expenses and other current assets	22,274	18,044
<b>Total current assets</b>	<b>554,581</b>	<b>648,554</b>
Property and equipment, net	73,050	61,618
Goodwill	448,103	343,991
Other intangible assets, net	89,356	63,895
Operating lease right of use assets, net	48,498	48,729
Other long-term assets	17,857	10,649
<b>Total assets</b>	<b>\$ 1,231,445</b>	<b>\$ 1,177,436</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities:</b>		
Current maturities of debt	\$ 5,500	\$ 5,500
Trade accounts payable	106,802	96,469
Accrued wages and benefits	41,230	36,238
Customer advances	12,656	12,160
Billings in excess of costs and estimated profits	11,911	9,506
Short-term operating lease liabilities	14,928	15,438
Other current liabilities	56,336	48,854
<b>Total current liabilities</b>	<b>249,363</b>	<b>224,165</b>
Long-term debt, net of unamortized debt issuance costs and discounts	519,250	520,697
Long-term operating lease liabilities	34,922	34,336
Other long-term liabilities	25,542	17,359
<b>Total long-term liabilities</b>	<b>579,714</b>	<b>572,392</b>
<b>Total liabilities</b>	<b>829,077</b>	<b>796,557</b>
Commitments and Contingencies ( <a href="#">Note 10</a> )		
<b>Shareholders' equity:</b>		
Series A preferred stock, \$1.00 par value; 1,000,000 shares authorized	1	1
Series B preferred stock, \$1.00 par value; 1,000,000 shares authorized	15	15
Common stock, \$0.01 par value, 100,000,000 shares authorized; 15,694,883 and 16,177,237 outstanding, respectively	345	345
Additional paid-in capital	218,062	216,482
Retained earnings	368,329	319,271
Accumulated other comprehensive loss	(31,381)	(31,240)
Treasury stock, at cost 4,707,773 and 4,141,989 shares, respectively	(153,003)	(123,995)
<b>Total DXP Enterprises, Inc. equity</b>	<b>402,368</b>	<b>380,879</b>
<b>Total liabilities and equity</b>	<b>\$ 1,231,445</b>	<b>\$ 1,177,436</b>

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

**DXP ENTERPRISES, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(in thousands) (unaudited)*

	Nine Months Ended September 30,	
	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	49,126	52,806
Reconciliation of net income to net cash provided by operating activities:		
Depreciation	6,821	6,262
Amortization of intangibles and fixed assets	17,564	15,206
(Recovery of) provision for credit losses	(783)	(277)
Payment of contingent consideration liability in excess of acquisition-date fair value	(108)	(160)
Fair value adjustment on contingent consideration	380	1,502
Amortization of debt issuance costs	2,678	2,176
Restricted stock compensation expense	3,398	2,211
Deferred income taxes	(10,376)	(10,178)
Changes in operating assets and liabilities, net of effects of businesses acquired:		
Accounts receivable, net	(12,325)	2,295
Costs and estimated profits in excess of billings	(7,392)	(23,629)
Accounts payable and accrued expenses	16,622	12,868
Prepaid expenses and other assets	2,848	16,583
Inventories	1,130	(3,397)
Billings in excess of costs and estimated profits	2,410	(3,232)
Other long-term liabilities	(1,925)	(7,261)
<b>Net cash provided by operating activities</b>	<b>\$ 70,068</b>	<b>\$ 63,775</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(15,673)	(7,103)
Acquisition of businesses, net of cash acquired	(149,440)	(8,848)
<b>Net cash used in investing activities</b>	<b>\$ (165,113)</b>	<b>\$ (15,951)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Borrowings on asset-backed credit facility	6,000	7,870
Repayments on asset-backed credit facility	(6,000)	(7,870)
Repayments under term loan facility	(4,125)	(3,276)
Payment for acquisition contingent consideration liability	(4,580)	(5,090)
Preferred stock dividends paid	(68)	(67)
Shares repurchased held in treasury	(28,783)	(56,215)
Payment for employee taxes withheld from stock awards	(1,818)	(464)
Principal payments on finance leases	(3,010)	(1,632)
<b>Net cash used in financing activities</b>	<b>\$ (42,384)</b>	<b>\$ (66,744)</b>
Effect of foreign currency on cash	(691)	70
Net change in cash and restricted cash	(138,120)	(18,850)
Cash and restricted cash at beginning of period	173,211	46,117
<b>Cash and restricted cash at end of period</b>	<b>\$ 35,091</b>	<b>\$ 27,267</b>

Supplemental cash flow information ([Note 14](#))

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

**DXP ENTERPRISES, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY**  
*(in thousands) (unaudited)*

	<u>Series A</u> <u>preferred stock</u>	<u>Series B</u> <u>preferred stock</u>	<u>Common stock</u>	<u>Paid-in capital</u>	<u>Retained</u> <u>earnings</u>	<u>Treasury stock</u>	<u>Accum other</u> <u>comp loss</u>	<u>Total equity</u>
<b>Balance at December 31, 2023</b>	<b>\$ 1</b>	<b>\$ 15</b>	<b>\$ 345</b>	<b>\$ 216,482</b>	<b>\$ 319,271</b>	<b>\$ (123,995)</b>	<b>\$ (31,240)</b>	<b>\$ 380,879</b>
Preferred dividends paid	—	—	—	—	(23)	—	—	(23)
Compensation expense for restricted stock	—	—	—	864	—	—	—	864
Tax related items for share based awards	—	—	—	(54)	—	—	—	(54)
Currency translation adjustment	—	—	—	—	—	—	(614)	(614)
Repurchases of shares	—	—	—	—	—	(16,920)	—	(16,920)
Net income	—	—	—	—	11,332	—	—	11,332
<b>Balance at March 31, 2024</b>	<b>\$ 1</b>	<b>\$ 15</b>	<b>\$ 345</b>	<b>\$ 217,292</b>	<b>\$ 330,580</b>	<b>\$ (140,915)</b>	<b>\$ (31,854)</b>	<b>\$ 375,464</b>
Preferred dividends paid	—	—	—	—	(22)	—	—	(22)
Compensation expense for restricted stock	—	—	—	1,212	—	—	—	1,212
Tax related items for share based awards	—	—	—	(1,701)	—	—	—	(1,701)
Currency translation adjustment	—	—	—	—	—	—	93	93
Repurchases of shares	—	—	—	—	—	(7,058)	—	(7,058)
Net income	—	—	—	—	16,693	—	—	16,693
<b>Balance at June 30, 2024</b>	<b>\$ 1</b>	<b>\$ 15</b>	<b>\$ 345</b>	<b>\$ 216,803</b>	<b>\$ 347,251</b>	<b>\$ (147,973)</b>	<b>\$ (31,761)</b>	<b>\$ 384,681</b>
Preferred dividends paid	—	—	—	—	(23)	—	—	(23)
Compensation expense for restricted stock	—	—	—	1,322	—	—	—	1,322
Tax related items for share based awards	—	—	—	(63)	—	—	—	(63)
Currency translation adjustment	—	—	—	—	—	—	380	380
Repurchases of shares	—	—	—	—	—	(5,030)	—	(5,030)
Net income	—	—	—	—	21,101	—	—	21,101
<b>Balance at September 30, 2024</b>	<b>\$ 1</b>	<b>\$ 15</b>	<b>\$ 345</b>	<b>\$ 218,062</b>	<b>\$ 368,329</b>	<b>\$ (153,003)</b>	<b>\$ (31,381)</b>	<b>\$ 402,368</b>

	<u>Series A</u> <u>preferred stock</u>	<u>Series B</u> <u>preferred stock</u>	<u>Common stock</u>	<u>Paid-in capital</u>	<u>Retained</u> <u>earnings</u>	<u>Treasury stock</u>	<u>Accum other</u> <u>comp loss</u>	<u>Total equity</u>
<b>Balance at December 31, 2022</b>	\$ 1	\$ 15	\$ 345	\$ 213,937	\$ 250,549	\$ (67,780)	\$ (31,675)	\$ 365,392
Preferred dividends paid	—	—	—	—	(23)	—	—	(23)
Compensation expense for restricted stock	—	—	—	476	—	—	—	476
Tax related items for share based awards	—	—	—	(104)	—	—	—	(104)
Currency translation adjustment	—	—	—	—	—	—	98	98
Repurchases of shares	—	—	—	—	—	(9,135)	—	(9,135)
Net income	—	—	—	—	17,580	—	—	17,580
<b>Balance at March 31, 2023</b>	\$ 1	\$ 15	\$ 345	\$ 214,309	\$ 268,106	\$ (76,915)	\$ (31,577)	\$ 374,284
Preferred dividends paid	—	—	—	—	(22)	—	—	(22)
Restricted stock compensation expense	—	—	—	871	—	—	—	871
Tax related items for share based awards	—	—	—	(328)	—	—	—	(328)
Currency translation adjustment	—	—	—	—	—	—	659	659
Repurchases of shares	—	—	—	—	—	(25,053)	—	(25,053)
Net income	—	—	—	—	19,054	—	—	19,054
<b>Balance at June 30, 2023</b>	\$ 1	\$ 15	\$ 345	\$ 214,852	\$ 287,138	\$ (101,968)	\$ (30,918)	\$ 369,465
Preferred dividends paid	—	—	—	—	(22)	—	—	(22)
Restricted stock compensation expense	—	—	—	864	—	—	—	864
Tax related items for share based awards	—	—	—	(32)	—	—	—	(32)
Currency translation adjustment	—	—	—	—	—	—	(844)	(844)
Repurchases of shares	—	—	—	—	—	(22,027)	—	(22,027)
Net income	—	—	—	—	16,172	—	—	16,172
<b>Balance at September 30, 2023</b>	\$ 1	\$ 15	\$ 345	\$ 215,684	\$ 303,288	\$ (123,995)	\$ (31,762)	\$ 363,576

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

**DXP ENTERPRISES, INC. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 - THE COMPANY**

DXP Enterprises, Inc. together with its subsidiaries (collectively "DXP," the "Company," "us," "we," or "our") was incorporated in Texas on July 26, 1996. DXP Enterprises, Inc. and its subsidiaries are engaged in the business of distributing maintenance, repair and operating ("MRO") products and services to a variety of end markets and business-to-business customers. Additionally, DXP provides integrated, custom pump skid packages, pump remanufacturing and manufactures branded private label pumps to energy and broad industrial customers. The Company is currently organized into three business segments: Service Centers ("SC"), Innovative Pumping Solutions ("IPS"), and Supply Chain Services ("SCS"). See [Note 11 - Segment Reporting](#) for discussion of the business segments.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING AND BUSINESS POLICIES**

*Basis of Presentation*

The Company's financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). For interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the U.S. Securities and Exchange Commission ("SEC") not all disclosures normally required in annual consolidated financial statements prepared in accordance with U.S. GAAP are required. The unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2023 that are included in our annual report on Form 10-K filed with the SEC on March 11, 2024 ("Annual Report").

Certain reclassifications were made to the prior year's consolidated financial statements to conform to the current year presentation. Such reclassifications did not have a material effect on our consolidated statements of operations and comprehensive income, balance sheets, cash flows or equity.

The results of operations for the nine months ended September 30, 2024 are not necessarily indicative of results expected for the full fiscal year. In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all normal recurring adjustments necessary for the fair statement of the Company's financial position, results of operations and cash flows for the interim periods presented.

All intercompany accounts and transactions have been eliminated in consolidation.

**NOTE 3 - RECENT ACCOUNTING PRONOUNCEMENTS**

The Company considers the applicability and impact of all Accounting Standard Updates ("ASUs") issued by the Financial Accounting Standards Board ("FASB"). ASUs not listed within this Quarterly Report on Form 10-Q were assessed and determined as either not applicable or not material to the Company's consolidated financial position or result of operations.

**Recent Accounting Standards or Updates Not Yet Effective**

*Segment Reporting* In November 2023, the FASB issued an accounting standard update that expands the disclosure requirements for reportable segments, primarily through enhanced disclosures around significant segment expenses. The accounting standard update will be effective for our fiscal 2024 Form 10-K on a retrospective basis, and early adoption is permitted. We are currently evaluating the impact of this accounting standard update on our segment disclosures.

*Improvements on Income Tax Disclosures* In December 2023, the FASB issued an accounting standard update expanding the requirements for disclosure of disaggregated information about the effective tax rate reconciliation and income taxes paid. The accounting standard update will be effective for our fiscal 2025 Form 10-K. We are currently evaluating the impact of this accounting standard update on our income tax disclosures.



#### **NOTE 4 - FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES**

Our acquisitions may include contingent consideration as part of the purchase price. The fair value of the contingent consideration is estimated as of the acquisition date based on the present value of the contingent payments to be made using a weighted probability of possible payments. The unobservable inputs used in the determination of the fair value of the contingent consideration include management's assumptions about the likelihood of payment based on the established benchmarks, discount rates, and an internal rate of return analysis. The fair value measurement includes inputs that are Level 3 inputs as they are not observable in the market. Should actual results increase or decrease as compared to the assumptions used in our analysis, the fair value of the contingent consideration obligations will increase or decrease, up to the contracted limit, as applicable. Changes in the fair value of the contingent consideration are measured each reporting period and reflected in our results of operations.

During the nine months ended September 30, 2024, we recorded \$11.3 million in other current and other long-term liabilities for contingent consideration associated with the recent acquisitions.

The following table provides a reconciliation of the beginning and ending balances and gains or losses recognized during the nine months ended September 30, 2024 (*in thousands*):

	<u>Contingent Consideration</u>
*Beginning balance at December 31, 2023	\$ 8,753
Acquisitions ( <a href="#">Note 12</a> )	11,306
Settlements	(4,688)
Total remeasurement adjustments:	
Changes in fair value recorded in other expense (income), net	380
*Ending Balance at September 30, 2024	\$ 15,751

*\*Amounts included in other current liabilities were \$7.5 million and \$5.4 million for the periods ending September 30, 2024 and December 31, 2023, respectively. Amounts included in other long-term liabilities were \$8.3 million and \$3.4 million for the periods ending September 30, 2024 and December 31, 2023, respectively.*

#### *Sensitivity to Changes in Significant Unobservable Inputs*

The significant Level 3 unobservable inputs used in the fair value measurement of contingent consideration related to the acquisitions are annualized EBITDA forecasts developed by the Company's management and the probability of achievement of those EBITDA results. The discount rate used in the calculations was 9.6 percent. Changes in our unobservable inputs in isolation would result in a change to our fair value measurement. As of September 30, 2024, the maximum amount of contingent consideration payable under these arrangements is \$18.2 million over three years.

Other financial instruments not measured at fair value on the Company's unaudited condensed consolidated balance sheets at September 30, 2024 and December 31, 2023, but which require disclosure of their fair values include: cash, restricted cash, accounts receivable, trade accounts payable and accrued expenses. The Company believes that the estimated fair value of such instruments at September 30, 2024 and December 31, 2023 approximates their carrying value as reported on the unaudited condensed consolidated balance sheets due to the relative short maturity of these instruments.

See [Note 8 - Long-term Debt](#) for fair value disclosures on our asset-backed line of credit and term loan debt under our syndicated credit agreement facilities.

**NOTE 5 – INVENTORIES**

Inventories are made up of equipment purchased for resale, and materials utilized in the fabrication of industrial and wastewater equipment stated at lower of cost and net realizable value, primarily determined using the weighted average cost method. The Company reviews inventory and records provisions for the difference between cost and net realizable value arising from excess and obsolete items on hand based upon the aging of the inventories, market trends, and continued demand.

The carrying values of inventories are as follows (*in thousands*):

	September 30, 2024	December 31, 2023
Finished goods	\$ 95,432	\$ 94,031
Work in process	14,355	9,774
Inventories	<u>\$ 109,787</u>	<u>\$ 103,805</u>

**NOTE 6 – CONTRACT ASSETS AND LIABILITIES**

Under our customized pump production and water and wastewater project contracts, amounts are billed as work progresses in accordance with agreed-upon contractual terms, upon various measures of performance, including achievement of certain milestones, completion of specified units, or completion of a contract. Generally, billing occurs subsequent to revenue recognition, resulting in contract assets presented as "Costs and estimated profits in excess of billings". However, we sometimes receive advances or deposits from our customers before revenue is recognized, resulting in contract liabilities that are presented as "Billings in excess of costs and estimated profits" on our unaudited condensed consolidated balance sheets.

Costs and estimated profits on uncompleted contracts and related amounts billed were as follows (*in thousands*):

	September 30, 2024	December 31, 2023
Costs incurred on uncompleted contracts	\$ 119,971	\$ 92,363
Estimated profits, thereon	52,241	37,379
Total costs and estimated profits on uncompleted contracts	172,212	129,742
Less: billings to date	134,418	96,928
Net	<u>\$ 37,794</u>	<u>\$ 32,814</u>

Such amounts were included in the accompanying unaudited condensed consolidated balance sheets for September 30, 2024 and December 31, 2023 under the following captions (*in thousands*):

	September 30, 2024	December 31, 2023
Costs and estimated profits in excess of billings	\$ 49,707	\$ 42,323
Billings in excess of costs and estimated profits	(11,911)	(9,506)
Translation adjustment	(2)	(3)
Net	<u>\$ 37,794</u>	<u>\$ 32,814</u>

During the nine months ended September 30, 2024 and 2023, \$5.3 million and \$10.0 million of the balances that were previously classified as contract liabilities at the beginning of the period were recognized in revenues, respectively. Contract asset and liability changes were primarily due to normal activity and timing differences between our performance and customer payments.

**NOTE 7 – INCOME TAXES**

Income tax expense during interim periods is based on our estimated annual effective income tax rate plus any discrete items, which are recorded in the period in which they occur.

Our effective tax rate from continuing operations was a tax expense of 11.1 percent for the three months ended September 30, 2024 compared to a tax expense of 26.3 percent for the three months ended September 30, 2023. Compared to the U.S. statutory rate for the three months ended September 30, 2024, the effective tax rate was decreased by research and development tax credits and other tax credits and partially offset by state taxes, foreign taxes, nondeductible expenses, contingent consideration payments, and uncertain tax positions recorded for research and development tax credits.

Our effective tax rate from continuing operations was a tax expense of 21.1 percent for the nine months ended September 30, 2024, compared to a tax expense of 26.8 percent for the nine months ended September 30, 2023. Compared to the U.S. statutory rate for the nine months ended September 30, 2024, the effective tax rate was decreased by research and development tax credits and other tax credits and partially offset by state taxes, foreign taxes, nondeductible expenses, contingent consideration payments, and uncertain tax positions recorded for research and development tax credits.

To the extent penalties and interest would be assessed on any underpayment of income tax, such accrued amounts would be classified as a component of income tax provision (benefit) in the financial statements consistent with the Company's policy.

The Organization of Economic Cooperation and Development (OECD) continues to release additional guidance, including administrative guidance on how Pillar Two rules should be interpreted and applied by jurisdictions as they adopt Pillar Two. A number of countries have utilized the administrative guidance as a starting point for legislation that went into effect January 1, 2024. As of September 30, 2024, DXP anticipates the impact of Pillar Two to be immaterial to the Company based on current legislation that has been enacted to date.

## **NOTE 8 – LONG-TERM DEBT**

The components of the Company's long-term debt consisted of the following (*in thousands*):

	September 30, 2024	December 31, 2023
ABL Revolver	\$ —	\$ —
Senior Secured Term Loan B due October 13, 2030 <sup>(1)</sup>	544,500	548,625
<b>Total debt</b>	<b>544,500</b>	<b>548,625</b>
Less: current maturities	(5,500)	(5,500)
<b>Total long-term debt</b>	<b>\$ 539,000</b>	<b>\$ 543,125</b>
Unamortized discount and debt issuance costs	19,750	22,428
<b>Long-term debt, net of unamortized discount and debt issuance costs</b>	<b>\$ 519,250</b>	<b>\$ 520,697</b>

<sup>(1)</sup> The fair value of the Term Loan B due October 13, 2030 was \$547.9 million and \$554.1 million as of September 30, 2024 and December 31, 2023, respectively.

### **Senior Secured Term Loan B:**

On October 13, 2023, the Company entered into an amendment on its existing Senior Secured Term Loan B (the "Term Loan Amendment"), which provides for, among other things, an additional \$125 million in new incremental commitments. The Term Loan Amendment refinanced the existing Senior Term Loan B and replaced it with a new Senior Secured Term Loan B with total borrowings of \$550.0 million. The new Senior Secured Term Loan B amortizes in equal quarterly installments of 0.25%, with the remaining balance being payable on October 13, 2030, when the facility matures.

Deferred financing costs associated with the Term Loan Amendment were \$11.7 million, which is being amortized to Interest expense using the interest method over the remaining maturity of the Senior Secured Term Loan B. The interest rate for the Senior Secured Term Loan B was 10.16% and 10.44% as of September 30, 2024 and December 31, 2023, respectively.

In connection with the Term Loan Amendment the Company expensed third-party fees of \$0.8 million and recognized a \$1.2 million loss on debt extinguishment, which were included in Interest expense during 2023. Quarterly interest payments accrue on outstanding borrowings under the new Senior Secured Term Loan B at a rate equal to Term SOFR (with a floor of 1.00%) plus 4.75%, or base rate plus 3.75%. The new Senior Secured Term Loan B is guaranteed by each of the Company's direct and indirect material wholly owned subsidiaries, other than any of the Company's Canadian subsidiaries and certain other excluded subsidiaries.

As of September 30, 2024 there was \$544.5 million outstanding under the Senior Secured Term Loan B.

The Company was in compliance with all financial covenants as of September 30, 2024.

**ABL Revolver:**

On July 19, 2022, the Company entered into an Amended and Restated Loan and Security Agreement (the "ABL Credit Agreement") that provided for a \$135.0 million asset-backed revolving line of credit (the "ABL Revolver"). Subject to the conditions set forth in the ABL Credit Agreement, the ABL Revolver may be increased in increments of \$10.0 million up to an aggregate of \$50.0 million. The ABL Revolver matures on July 19, 2027. Interest accrues on outstanding borrowings at a rate equal to SOFR plus a margin ranging from 1.25% to 1.75% per annum, or at an alternate base rate, Canadian prime rate or Canadian base rate plus a margin ranging from 0.25% to 0.75% per annum, in each case, based upon the average daily excess availability under the ABL Revolver for the most recently completed calendar quarter. Fees payable on the unused portion of the facility range from 0.25% to 0.375% per annum. At September 30, 2024 the unused line fee was 0.375% and there were no amounts outstanding under the ABL Revolver.

As of September 30, 2024, the borrowing availability under our credit facility was \$131.6 million compared to \$132.1 million at December 31, 2023, primarily as a result of outstanding letters of credit.

The interest rate for the ABL Revolver was 8.25% and 8.75% as of September 30, 2024 and December 31, 2023, respectively.

As of September 30, 2024, the maturities of long-term debt for the next five years and thereafter were as follows (*in thousands*):

	<b>Amount</b>
2024	\$ 1,375
2025	5,500
2026	5,500
2027	5,500
2028	5,500
Thereafter	521,125
Total	<u>\$ 544,500</u>

**NOTE 9 - EARNINGS PER SHARE**

Basic earnings per share is computed based on weighted average shares outstanding and excludes dilutive securities. Diluted earnings per share is computed including the impacts of all potentially dilutive securities.

The following table sets forth the computation of basic and diluted earnings per share for the periods indicated (*in thousands, except per share data*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>Basic earnings per share:</b>				
Weighted average shares outstanding	15,750	16,516	15,915	17,104
Net income attributable to DXP Enterprises, Inc.	\$ 21,101	\$ 16,172	\$ 49,126	\$ 52,806
Convertible preferred stock dividend	23	22	68	67
Net income attributable to common shareholders	\$ 21,078	\$ 16,150	\$ 49,058	\$ 52,739
Per share amount	\$ 1.34	\$ 0.98	\$ 3.08	\$ 3.08
<b>Diluted earnings per share:</b>				
Weighted average shares outstanding	15,750	16,516	15,915	17,104
Assumed conversion of convertible preferred stock	840	840	840	840
Total dilutive shares	16,590	17,356	16,755	17,944
Net income attributable to common shareholders	\$ 21,078	\$ 16,150	\$ 49,058	\$ 52,739
Convertible preferred stock dividend	23	22	68	67
Net income attributable to DXP Enterprises, Inc.	\$ 21,101	\$ 16,172	\$ 49,126	\$ 52,806
Per share amount	\$ 1.27	\$ 0.93	\$ 2.93	\$ 2.94

#### **NOTE 10 - COMMITMENTS AND CONTINGENCIES**

From time to time, the Company is a party to various legal proceedings arising in the ordinary course of business. While DXP is unable to predict the outcome or estimate the financial impact of these disputes, it believes that the ultimate resolution will not have, either individually or in the aggregate, a material adverse effect on DXP's consolidated financial position, cash flows, or results of operations.

#### **NOTE 11 - SEGMENT REPORTING**

The Company's reportable business segments are: Service Centers ("SC"), Innovative Pumping Solutions ("IPS"), and Supply Chain Services ("SCS").

The Service Centers segment is engaged in providing MRO products, equipment and integrated services, including logistics capabilities, to business-to-business customers. The Service Centers segment provides a wide range of MRO products in the rotating equipment, bearing, power transmission, hose, fluid power, metal working, industrial supply, safety products and safety services categories.

The Innovative Pumping Solutions segment fabricates and assembles custom-made pump packages, re-manufactures pumps, manufactures branded private label pumps and provides products and process lines for the water and wastewater treatment industries.

The Supply Chain Services segment provides a wide range of MRO products and manages all or part of a customer's supply chain, including warehouse and inventory management.

Sales are shown net of inter-segment eliminations.

Our chief operating decision maker ("CODM") is the Chief Executive Officer. The Company's CODM directs the allocation of resources to operating or business segments based on revenue and operating income of each respective segment.

As a part of the Company's annual business planning, the CODM reviews our reportable segment composition and financial performance. As a result of this review, on January 1st, 2024, we moved certain branch locations previously reported under our IPS segment to our SC segment. Prior period segment disclosures have been recast.

The following table sets out financial information related to the Company's segments excluding amortization (*in thousands*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>Sales</b>				
Service Centers	\$ 316,831	\$ 294,459	\$ 911,783	\$ 914,078
Innovative Pumping Solutions	89,825	58,962	225,417	158,440
Supply Chain Services	66,279	65,828	193,926	199,038
Total Sales	\$ 472,935	\$ 419,249	\$ 1,331,126	\$ 1,271,556
<b>Operating Income</b>				
Service Centers	\$ 46,154	\$ 41,912	\$ 130,329	\$ 134,549
Innovative Pumping Solutions	18,207	10,599	38,543	26,555
Supply Chain Services	5,568	5,589	16,653	16,519
Total Segments Operating Income	\$ 69,929	\$ 58,100	\$ 185,525	\$ 177,623

The following table presents reconciliations of income from operations for reportable segments to the consolidated income before taxes (*in thousands*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Income from operations for reportable segments	\$ 69,929	\$ 58,100	\$ 185,525	\$ 177,623
Adjustment for:				
Amortization of intangible assets	5,245	5,866	14,333	15,206
Corporate expenses	25,076	16,378	65,101	53,682
Income from operations	\$ 39,608	\$ 35,856	106,091	108,735
Interest expense	15,716	12,684	46,644	36,068
Other expense (income), net	160	1,234	(2,844)	522
Income before income taxes	\$ 23,732	\$ 21,938	\$ 62,291	\$ 72,145

#### **NOTE 12 - BUSINESS ACQUISITIONS**

The Company enters into strategic acquisitions in an effort to better service existing customers and to attract new customers.

The Company makes an initial allocation of the purchase price at the date of acquisition based upon its estimate of the fair value of the acquired assets and assumed liabilities. Subsequent to the acquisition, and not later than one year from the acquisition date, we will record any material adjustments to the initial estimate in the reporting period in which the adjustment amounts are determined based on facts and circumstances that existed as of the acquisition date, as applicable.

A summary of the allocation of the total purchase consideration of our five business acquisitions during the nine months ended September 30, 2024 is presented as follows (*in thousands*):

	Purchase Price Consideration
Cash payments	\$ 153,763
Future consideration	11,306
Total purchase price consideration	165,069
Net Tangible Assets Acquired	20,914
Purchased Intangible Assets	39,801
Goodwill	\$ 104,354

The total purchase consideration related to our acquisitions during the period consisted primarily of cash consideration. The total cash and cash equivalents acquired for these acquisitions was \$4.5 million. Transaction-related costs included within selling, general, and administrative expenses in the consolidated statements of operations was \$1.2 million for the nine months ended September 30, 2024.

The goodwill total of approximately \$104.4 million is attributable primarily to expected synergies and the assembled workforce of each entity and is generally not deductible for tax purposes. Goodwill assigned to our SC and IPS segments was \$63.3 million and \$41.0 million, respectively.

The operating results of these acquisitions are included within the Company's consolidated statements of operations from the date of acquisition, which were not material for the three and nine months ended September 30, 2024. Pro forma results of operations information have not been presented, as the effects of the acquisitions were not material to our financial results.

Of the \$39.8 million of acquired intangible assets, \$2.2 million was provisionally assigned to non-compete agreements that are subject to amortization over 5 years and \$3.7 million was assigned to trade name and will be amortized over a period of 10 years. In addition, \$33.9 million was assigned to customer relationships and will be amortized over a period of 8 years.

### **NOTE 13 - COMMON STOCK AND SHARE REPURCHASES**

The following is a summary of changes in outstanding common stock for the period indicated (*in thousands*):

Common stock outstanding at December 31, 2022	17,691
Common stock issued related to stock compensation expense <sup>(1)</sup>	193
Total number of shares purchased	<u>(1,707)</u>
Common stock outstanding at December 31, 2023	16,177
Common stock issued related to stock compensation expense <sup>(1)</sup>	84
Total number of shares purchased	<u>(566)</u>
Common stock outstanding at September 30, 2024	<u><u>15,695</u></u>

<sup>(1)</sup> The number of common stock issued represents issuance net of tax withholding.

On December 15, 2022, the Company announced a new Share Repurchase Program pursuant to which it may repurchase up to \$85.0 million worth, or 2.8 million shares, of the Company's outstanding common stock over the next 24 months from the date of the announcement. The Company completed the program in August 2024.

On August 28, 2024, the Company announced a new Share Repurchase Program pursuant to which we may repurchase up to \$85.0 million worth, or 2.5 million shares of the Company's outstanding common stock over the next 24 months

Total consideration paid to repurchase the shares was recorded in shareholders' equity as treasury stock.

<i>(in thousands, except per share data)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Total number of shares purchased	100	618	566	1,707
Amount paid	\$ 4,985	\$ 21,508	\$ 28,783	\$ 54,721
Average price paid per share	\$ 49.85	\$ 34.79	\$ 50.87	\$ 32.06

**NOTE 14 - SUPPLEMENTAL CASH FLOW INFORMATION**

<i>(in thousands)</i>	Nine Months Ended September 30,			
	2024		2023	
<b>Supplemental disclosures of cash flow information:</b>				
Cash paid for interest	\$	43,966	\$	33,892
Cash paid for income taxes		17,911		20,298
Cash paid for finance lease liability		3,010		1,632
<b>Non-cash investing and financing activities:</b>				
Treasury shares repurchase accruals	\$	225	\$	519

**NOTE 15 - OTHER EXPENSE AND INCOME, NET**

The components of other expense (income), net were as followed:

<i>(in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Interest income	(422)	(202)	(3,487)	(1,053)
Change in fair value of contingent consideration	685	663	380	1,502
Other, net	(103)	773	263	73
<b>Other expense (income), net</b>	<b>160</b>	<b>1,234</b>	<b>(2,844)</b>	<b>522</b>

**NOTE 16 - SUBSEQUENT EVENT**

On October 3, 2024, the Company entered into an amendment (the “Third Term Loan Amendment”) on its existing Senior Secured Term Loan B, repricing and borrowing an incremental \$105 million that was added to the existing Senior Secured Term Loan B. Including the new borrowings, the Company will have \$649.5 million in Senior Secured Term Loan B borrowings. The new Senior Secured Term Loan B borrowings mature on October 13, 2030, and are priced at Term SOFR plus an applicable margin of 3.75 percent.

On November 1, 2024, the Company completed the acquisitions of Burt Gurney & Associates and MaxVac Inc. DXP funded the acquisitions with cash on the balance sheet.



## ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following management discussion and analysis ("MD&A") of the financial condition and results of operations of DXP Enterprises, Inc. together with its subsidiaries (collectively "DXP," "Company," "us," "we," or "our") for the three and nine months ended September 30, 2024 should be read in conjunction with our previous Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q, and the consolidated financial statements and notes thereto included in such reports. The Company's consolidated financial statements are prepared in accordance with U.S. GAAP.*

### DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

*This Quarterly Report on Form 10-Q (this "Report") contains statements that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. These forward-looking statements include without limitation those about the Company's expectations regarding the Company's business, the Company's future profitability, cash flow, liquidity, and growth. Such forward-looking statements can be identified by the use of forward-looking terminology such as "believes", "expects", "may", "might", "estimates", "will", "should", "could", "would", "suspect", "potential", "current", "achieve", "plans" or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy. Any such forward-looking statements are not guarantees of future performance and may involve significant risks and uncertainties, and actual results may vary materially from those discussed in the forward-looking statements or historical performance as a result of various factors. These factors include, but are not limited to, the effectiveness of management's strategies and decisions; our ability to implement our internal growth and acquisition growth strategies; general economic and business conditions specific to our primary customers; changes in government regulations; our ability to effectively integrate businesses we may acquire; new or modified statutory or regulatory requirements; availability of materials and labor; inability to obtain or delay in obtaining government or third-party approvals and permits; non-performance by third parties of their contractual obligations; unforeseen hazards such as weather conditions, acts of war or terrorist acts and the governmental or military response thereto; cyber-attacks adversely affecting our operations; other geological, operating and economic considerations and declining prices and market conditions, including reduced oil and gas prices and supply or demand for maintenance, repair and operating products, equipment and service; decreases in oil and natural gas industry capital expenditure levels, which may result from decreased oil and natural gas prices or other factors; our ability to manage changes and the continued health or availability of management personnel; and our ability to obtain financing on favorable terms or amend our credit facilities, as needed. This Report identifies other factors that could cause such differences. We cannot assure that these are all of the factors that could cause actual results to vary materially from the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in "Risk Factors", in our Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 11, 2024. We assume no obligation and do not intend to update these forward-looking statements. Unless the context otherwise requires, references in this Report to the "Company", "DXP", "we" or "our" shall mean DXP Enterprises, Inc., a Texas corporation, together with its subsidiaries.*

### NON-GAAP FINANCIAL MEASURES

*In an effort to provide investors with additional information regarding our results of operations as determined by U.S. GAAP, we disclose non-GAAP financial measures. The non-GAAP financial measures we provide in this report should be viewed in addition to, and not as an alternative for, results prepared in accordance with U.S. GAAP.*

*Our primary non-GAAP financial measures are organic sales ("Organic Sales"), sales per business day ("Sales per Business Day"), organic sales per business day ("Organic Sales per Business Day"), free cash flow ("Free Cash Flow"), earnings before interest, taxes, depreciation and amortization ("EBITDA") adjusted EBITDA ("Adjusted EBITDA"), EBITDA Margin, and Adjusted EBITDA Margin. The non-GAAP financial measures presented may differ from similarly titled non-GAAP financial measures presented by other companies, and other companies may not define these non-GAAP financial measures in the same way. These measures are not substitutes for their comparable U.S. GAAP financial measures.*

Management uses these non-GAAP financial measures to assist in comparing our performance on a consistent basis for purposes of business decision making by removing the impact of certain items that management believes do not directly reflect our underlying operations. Management believes that presenting our non-GAAP financial measures are useful to investors because it (i) provides investors with meaningful supplemental information regarding financial performance by excluding certain items, (ii) permits investors to view performance using the same tools that management uses to budget, make operating and strategic decisions, and evaluate historical performance, and (iii) otherwise provides supplemental information that may be useful to investors in evaluating our results. We believe that the presentation of these non-GAAP financial measures, when considered together with the corresponding U.S. GAAP financial measures and the reconciliations to those measures, provides investors with additional understanding of the factors and trends affecting our business than could be obtained absent these disclosures.

Refer to the Non-GAAP Financial Measures and Reconciliation section below for detailed reconciliations of our non-GAAP financial measures.

## GENERAL BUSINESS OVERVIEW

### General

DXP Enterprises, Inc. is a business-to-business distributor of MRO products and services to a variety of customers in different end markets across North America and Dubai. Additionally, we fabricate, remanufacture, and assemble custom pump packages along with manufacturing branded private label pumps.

### Key Business Metrics

We regularly monitor several financial and operating metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions. Our key non-GAAP business metrics may be calculated in a different manner than similarly titled metrics used by other companies. See “Non-GAAP Financial Measures and Reconciliations” for additional information on non-GAAP financial measures and a reconciliation to the most comparable U.S. GAAP measures.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023 <sup>(1)</sup>	2024	2023 <sup>(1)</sup>
<b>Sales by Business Segment</b>				
Service Centers	\$ 316,831	\$ 294,459	\$ 911,783	\$ 914,078
Innovative Pumping Solutions	89,825	58,962	225,417	158,440
Supply Chain Services	66,279	65,828	193,926	199,038
<b>Total DXP Sales</b>	<b>\$ 472,935</b>	<b>\$ 419,249</b>	<b>\$ 1,331,126</b>	<b>\$ 1,271,556</b>
<b>Acquisition Sales</b>	<b>28,535</b>	<b>3,868</b>	<b>63,713</b>	<b>30,266</b>
<b>Organic Sales</b>	<b>\$ 444,400</b>	<b>\$ 415,381</b>	<b>\$ 1,267,413</b>	<b>\$ 1,241,290</b>
Business Days	64	63	191	191
Sales per Business Day	\$ 7,390	\$ 6,655	\$ 6,969	\$ 6,657
Organic Sales per Business Day	\$ 6,944	\$ 6,593	\$ 6,636	\$ 6,499
Gross Profit	\$ 146,110	\$ 125,562	\$ 407,785	\$ 382,455
Gross Profit Margin	30.9 %	29.9 %	30.6 %	30.1 %
EBITDA	\$ 48,168	\$ 42,605	\$ 133,320	\$ 129,681
EBITDA Margin	10.2 %	10.2 %	10.0 %	10.2 %
Adjusted EBITDA	\$ 52,440	\$ 44,020	\$ 141,010	\$ 132,443
Adjusted EBITDA Margin	11.1 %	10.5 %	10.6 %	10.4 %
Free Cash Flow	\$ 24,390	\$ 38,272	\$ 54,395	\$ 56,672

<sup>(1)</sup> Prior period segment disclosures have been recast. For additional information, please refer to [Note 11, Segment Reporting](#).

### ***Organic Sales and Acquisition Sales***

We define and calculate organic sales to include locations and acquisitions under our ownership for at least twelve months. "Acquisition Sales" are sales from acquisitions that have been under our ownership for less than twelve months and are excluded in our calculation of Organic Sales.

### ***Business Days***

"Business Days" are days of the week, excluding Saturdays, Sundays, and holidays, that our locations are open during the year. Depending on the location and the season, our branches may be open on Saturdays and Sundays; however, for consistency, those days have been excluded from the calculation of Business Days.

### ***Sales per Business Day***

We define and calculate Sales per Business Day as sales divided by the number of Business Days in the relevant reporting period.

### ***Organic Sales per Business Days***

We define and calculate Organic Sales per Business Day as Organic Sales divided by the number of Business Days in the relevant reporting period.

### ***EBITDA and Adjusted EBITDA***

We define and calculate EBITDA as Net income attributable to DXP Enterprises, Inc., plus interest, taxes, depreciation, and amortization. We define and calculate Adjusted EBITDA as Net income attributable to DXP Enterprises, Inc., plus interest, taxes, depreciation, and amortization minus stock-based compensation expense and all other non-cash charges, adjustments, and non-recurring items. We identify the impact of all other non-cash charges, adjustments and non-recurring items because we believe these items do not directly reflect our underlying operations.

### ***EBITDA Margin and Adjusted EBITDA Margin***

We define and calculate EBITDA Margin as EBITDA divided by sales. We define and calculate Adjusted EBITDA Margin as Adjusted EBITDA divided by sales.

### ***Free Cash Flow***

We define and calculate free cash flow as net cash (used in) provided by operating activities less net purchases of property and equipment.

### ***Matters Affecting Comparability***

There were 64 business days during the three months ended September 30, 2024 and 63 business days during the three months ended September 30, 2023.

## **CURRENT MARKET CONDITIONS AND OUTLOOK**

### ***Service Centers and Innovative Pumping Solutions Segments***

The replacement and mission-critical nature of our products and services within the Company's Service Centers and Innovative Pumping Solutions business segments and industrial and manufacturing environments and processes drives a demand and outlook that are correlated with global, national and regional industrial production, capacity utilization and long-term GDP growth. For the nine months ended September 30, 2024, we had approximately \$1,137.2 million in sales in our Service Centers and Innovative Pumping Solutions segments, an increase of approximately 6.0 percent compared to the nine months ended September 30, 2023. Our performance has been strengthened by price increases from our vendors and suppliers and the Company's acquisition activity. During the nine months ended September 30, 2024, \$40.5 million was associated with recent acquisitions in the water and wastewater markets. We are encouraged by the tapering effects of inflation and believe as we move forward, demand should be consistent across all the end markets we provide products and service.

***Supply Chain Services Segment***

For the nine months ended September 30, 2024, we had approximately \$193.9 million in sales in our Supply Chain Services segment, a decrease of approximately 2.6 percent compared to the nine months ended September 30, 2023. This is primarily due to some facility closures with some of our customers as well as the inherent efficiencies we bring to customers as part of our value proposition. As we move forward and given our increasing demand, we expect our performance to be driven by either the addition of new customers or an increase in spend by our existing customers.

## RESULTS OF OPERATIONS

(in thousands, except percentages and per share data)

DXP is organized into three business segments: Service Centers, Innovative Pumping Solutions, and Supply Chain Services. The Service Centers are engaged in providing MRO products, equipment and integrated services, including technical expertise and logistics capabilities, to industrial customers with the ability to provide same day delivery. The Service Centers provide a wide range of MRO products and services in the rotating equipment, bearing, power transmission, hose, fluid power, metal working, industrial supply and safety product and service categories. The IPS segment provides products and services to the water and wastewater market and fabricates and assembles integrated pump system packages custom made to customer specifications, remanufactures pumps, and manufactures branded private label pumps. The SCS segment provides a wide range of MRO products and manages all or part of our customer's supply chain function, and inventory management.

Three Months Ended September 30, 2024 compared to Three Months Ended September 30, 2023

	Three Months Ended September 30,			
	2024	%	2023	%
Sales	\$ 472,935	100.0%	\$ 419,249	100.0%
Cost of sales	326,825	69.1%	293,687	70.1%
Gross profit	146,110	30.9%	125,562	29.9%
Selling, general and administrative expenses	106,502	22.5%	89,706	21.4%
Income from operations	39,608	8.4%	35,856	8.6%
Interest expense	15,716	3.3%	12,684	3.0%
Other expense, net	160	—%	1,234	0.3%
Income before income taxes	23,732	5.0%	21,938	5.2%
Provision for income tax expense	2,631	0.6%	5,766	1.4%
Net income	\$ 21,101	4.5%	\$ 16,172	3.9%
Earnings per share:				
Basic	\$ 1.34		\$ 0.98	
Diluted	\$ 1.27		\$ 0.93	

**SALES.** Sales for the three months ended September 30, 2024 increased \$53.7 million, or 12.8 percent, to approximately \$472.9 million from \$419.2 million for the prior year's corresponding period. The overall increase in sales was the result of an increase in sales in our SC, IPS, and SCS segments of \$22.4 million, \$30.9 million, and \$0.5 million, respectively. The fluctuations in sales are further explained in our business segment discussions below.

Sales by Business Segment	Three Months Ended September 30,			
	2024	2023 <sup>(1)</sup>	Change	Change%
Service Centers	\$ 316,831	\$ 294,459	\$ 22,372	7.6 %
Innovative Pumping Solutions	89,825	58,962	30,863	52.3 %
Supply Chain Services	66,279	65,828	451	0.7 %
<b>Total DXP Sales</b>	<b>\$ 472,935</b>	<b>\$ 419,249</b>	<b>\$ 53,686</b>	<b>12.8 %</b>

<sup>(1)</sup> Prior period segment disclosures have been recast. For additional information, please refer to Note 11. Segment Reporting.

**Service Centers segment.** Sales for the SC segment increased \$22.4 million, or 7.6 percent, for the three months ended September 30, 2024, compared to the prior year's corresponding period. This sales increase is primarily the result of the timing of jobs and business mix, as well as \$13.0 million associated with recent acquisition.

**Innovative Pumping Solutions segment.** Sales for the IPS segment increased \$30.9 million, or 52.3 percent, for the three months ended September 30, 2024, compared to the prior year's corresponding period. This sales increase is primarily the result of the timing of jobs, increased project related work, and \$15.6 million was associated with recent acquisitions in the water and wastewater markets.

**Supply Chain Services segment.** Sales for the SCS segment increased by \$0.5 million, or 0.7 percent, for the three months ended September 30, 2024, compared to the prior year's corresponding period. The increase in sales was primarily the result of increased business activity.

**SELLING, GENERAL AND ADMINISTRATIVE EXPENSES ("SG&A").** SG&A for the three months ended September 30, 2024 increased by \$16.8 million, or 18.7 percent, to \$106.5 million from \$89.7 million for the prior year's corresponding period. The increase in SG&A is primarily the result of increased payroll, incentive compensation and related taxes and 401(k) expenses.

**OPERATING INCOME.** Operating income for the third quarter of 2024 increased by \$3.8 million to \$39.6 million, from \$35.9 million in the prior year's corresponding period. This increase in operating income was driven by the increase in sales during the period.

**INTEREST EXPENSE.** Interest expense for the third quarter of 2024 increased \$3.0 million compared to the prior year's corresponding period. This increase was primarily due to the Company borrowing an additional \$125.0 million on its Term Loan during the fourth quarter of 2023.

**INCOME TAXES.** Our effective tax rate from continuing operations was a tax expense of 11.1 percent for the three months ended September 30, 2024, compared to a tax expense of 26.3 percent for the three months ended September 30, 2023. Compared to the U.S. statutory rate for the three months ended September 30, 2024, the effective tax rate was decreased by research and development tax credits and other tax credits and partially offset by state taxes, foreign taxes, nondeductible expenses, contingent consideration payments, and uncertain tax positions recorded for research and development tax credits.

*Nine Months Ended September 30, 2024 compared to Nine Months Ended September 30, 2023*

	Nine Months Ended September 30,			
	2024	%	2023	%
Sales	\$ 1,331,126	100.0%	\$ 1,271,556	100.0%
Cost of sales	923,341	69.4%	889,101	69.9%
Gross profit	407,785	30.6%	382,455	30.1%
Selling, general and administrative expenses	301,694	22.7%	273,720	21.5%
Income from operations	106,091	8.0%	108,735	8.6%
Interest expense	46,644	3.5%	36,068	2.8%
Other (income) expense, net	(2,844)	(0.2)%	522	—%
Income before income taxes	62,291	4.7%	72,145	5.7%
Provision for income taxes	13,165	1.0%	19,339	1.5%
Net income	\$ 49,126	3.7%	\$ 52,806	4.2%
Earnings per share:				
Basic	\$ 3.08		\$ 3.08	
Diluted	\$ 2.93		\$ 2.94	

**SALES.** Sales for the nine months ended September 30, 2024 increased \$59.6 million, or 4.7 percent, to approximately \$1,331.1 million from \$1,271.6 million for the prior year's corresponding period. The overall increase in sales was the result of an increase in sales within our IPS segment of \$67.0 million, offset by decreases in sales in our SC and SCS segments of \$2.3 million and \$5.1 million, respectively. The fluctuations in sales are further explained in our business segment discussions below.

	Nine Months Ended September 30,			
	2024	2023 <sup>(1)</sup>	Change	Change%
<b>Sales by Business Segment</b>				
Service Centers	\$ 911,783	\$ 914,078	\$ (2,295)	(0.3)%
Innovative Pumping Solutions	225,417	158,440	66,977	42.3 %
Supply Chain Services	193,926	199,038	(5,112)	(2.6)%
<b>Total DXP Sales</b>	<u>\$ 1,331,126</u>	<u>\$ 1,271,556</u>	<u>\$ 59,570</u>	<u>4.7 %</u>

<sup>(1)</sup> Prior period segment disclosures have been recast. For additional information, please refer to [Note 11. Segment Reporting](#).

**Service Centers segment.** Sales for the SC segment decreased by \$2.3 million, or 0.3 percent for the nine months ended September 30, 2024, compared to the prior year's corresponding period. Sales from acquisitions for the SC segment increased \$4.1 million compared to the corresponding period. Total sales for the SC segment excluding acquisitions decreased \$6.4 million from the prior year's corresponding period. This sales decrease is primarily the result of timing and business mix within the segment.

**Innovative Pumping Solutions segment.** Sales for the IPS segment increased by \$67.0 million, or 42.3 percent for the nine months ended September 30, 2024 compared to the prior year's corresponding period. Sales from acquisitions for the IPS segment increased \$29.4 million compared to the corresponding period. Total sales for the IPS segment excluding acquisitions increased \$37.6 million from the prior year's corresponding period. This increase was primarily the result of an increase in project related jobs due to increased capital spending by oil and gas producers and renewables sector.

**Supply Chain Services segment.** Sales for the SCS segment decreased by \$5.1 million, or 2.6 percent, for the nine months ended September 30, 2024, compared to the prior year's corresponding period. The decrease in sales was primarily the result of customer facilities closing where we operated.

**SELLING, GENERAL AND ADMINISTRATIVE EXPENSES ("SG&A").** SG&A for the nine months ended September 30, 2024 increased by approximately \$28.0 million, or 10.2 percent, to \$301.7 million from \$273.7 million for the prior year's corresponding period. The increase in SG&A is primarily the result of increased payroll, incentive compensation and related taxes and 401(k) expenses as a result of increased business activity.

**OPERATING INCOME.** Operating income for the nine months ended September 30, 2024 decreased by \$2.6 million or 2.4% to \$106.1 million from \$108.7 million in the prior year's corresponding period. This decrease in operating income is primarily related to the aforementioned increase in SG&A.

**INTEREST EXPENSE.** Interest expense for the nine months ended September 30, 2024 increased \$10.6 million compared with the prior year's corresponding period. This increase was primarily due to the Company borrowing an additional \$125.0 million on its Term Loan during the fourth quarter of 2023 and incurring higher than average interest rates on such debt due to changes in the macroeconomic environment and the associated increasing interest rate policy by the U.S. Federal Reserve Bank.

**INCOME TAXES.** Our effective tax rate from continuing operations was a tax expense of 21.1 percent for the nine months ended September 30, 2024, compared to a tax expense of 26.8 percent for the nine months ended September 30, 2023. Compared to the U.S. statutory rate for the nine months ended September 30, 2024, the effective tax rate was decreased by research and development tax credits and other tax credits and partially offset by state taxes, foreign taxes, nondeductible expenses, contingent consideration payments, and uncertain tax positions recorded for research and development tax credits.

## NON-GAAP FINANCIAL MEASURES AND RECONCILIATIONS

### Organic Sales and Acquisition Sales

We define and calculate organic sales to include locations and acquisitions under our ownership for at least twelve months. "Acquisition Sales" are sales from acquisitions that have been under our ownership for less than twelve months and are excluded in our calculation of Organic Sales.

The following table sets forth the reconciliation of Acquisition Sales and Organic Sales to the most comparable U.S. GAAP financial measure (*in thousands*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023 <sup>(1)</sup>	2024	2023 <sup>(1)</sup>
Service Centers	\$ 316,831	\$ 294,459	\$ 911,783	\$ 914,078
Innovative Pumping Solutions	89,825	58,962	225,417	158,440
Supply Chain Services	66,279	65,828	193,926	199,038
<b>Total DXP Sales</b>	<b>\$ 472,935</b>	<b>\$ 419,249</b>	<b>1,331,126</b>	<b>1,271,556</b>
<b>Acquisition Sales</b>	<b>28,535</b>	<b>3,868</b>	<b>63,713</b>	<b>30,266</b>
<b>Organic Sales</b>	<b>\$ 444,400</b>	<b>\$ 415,381</b>	<b>\$ 1,267,413</b>	<b>\$ 1,241,290</b>

<sup>(1)</sup> Prior period segment disclosures have been recast. For additional information, please refer to [Note 11, Segment Reporting](#).

### EBITDA, Adjusted EBITDA, EBITDA Margin, and Adjusted EBITDA Margin

We define and calculate EBITDA as Net income attributable to DXP Enterprises, Inc., plus interest, taxes, depreciation, and amortization. We define and calculate Adjusted EBITDA as Net income attributable to DXP Enterprises, Inc., plus interest, taxes, depreciation, and amortization minus stock-based compensation expense and all other non-cash charges, adjustments, and non-recurring items. We identify the impact of all other non-cash charges, adjustments and non-recurring items because we believe these items do not directly reflect our underlying operations.

We define and calculate EBITDA Margin as EBITDA divided by sales. We define and calculate Adjusted EBITDA Margin as Adjusted EBITDA divided by sales.

The following table sets forth the reconciliation of EBITDA, EBITDA Margin, Adjusted EBITDA, and Adjusted EBITDA Margin to the most comparable U.S. GAAP financial measure (*in thousands*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income attributable to DXP Enterprises, Inc.	\$ 21,101	\$ 16,172	\$ 49,126	\$ 52,806
Plus: Interest expense	15,716	12,684	46,644	36,068
Plus: Provision for income tax expense	2,631	5,766	13,165	19,339
Plus: Depreciation and amortization	8,720	7,983	24,385	21,468
<b>EBITDA</b>	<b>\$ 48,168</b>	<b>\$ 42,605</b>	<b>\$ 133,320</b>	<b>\$ 129,681</b>
Plus: other non-recurring items <sup>(1)</sup>	2,950	551	4,292	551
Plus: stock compensation expense	1,322	864	3,398	2,211
<b>Adjusted EBITDA</b>	<b>\$ 52,440</b>	<b>\$ 44,020</b>	<b>\$ 141,010</b>	<b>\$ 132,443</b>
Operating Income Margin	8.4 %	8.6 %	8.0 %	8.6 %
EBITDA Margin	10.2 %	10.2 %	10.0 %	10.2 %
Adjusted EBITDA Margin	11.1 %	10.5 %	10.6 %	10.4 %

(1) Other non-recurring items includes unique acquisition integration costs and other non-cash, non-recurring costs.



### Free Cash Flow

We define and calculate free cash flow as net cash (used in) provided by operating activities less net purchases of property and equipment.

The following table sets forth the reconciliation of Free Cash Flow to the most comparable U.S. GAAP financial measure (*in thousands*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net cash provided by (used in) operating activities	\$ 28,344	\$ 39,758	\$ 70,068	\$ 63,775
Less: purchases of property and equipment	(3,954)	(1,486)	(15,673)	(7,103)
Free Cash Flow	<u>\$ 24,390</u>	<u>\$ 38,272</u>	<u>\$ 54,395</u>	<u>\$ 56,672</u>

## LIQUIDITY AND CAPITAL RESOURCES

### General Overview

On October 3, 2024, the Company entered into an amendment (the "Third Term Loan Amendment") on its existing Senior Secured Term Loan B, repricing and borrowing an incremental \$105 million that was added to the existing Senior Secured Term Loan B. Including the new borrowings, the Company will have \$649.5 million in Senior Secured Term Loan B borrowings. The new Senior Secured Term Loan B borrowings mature on October 13, 2030, and are priced at Term SOFR plus an applicable margin of 3.75 percent.

As of September 30, 2024, we had available cash of \$35.0 million and credit facility availability of \$131.6 million. We have a \$135.0 million asset-backed line of credit (the "ABL Revolver"), partially offset by letters of credit of \$3.4 million. We had no borrowings outstanding on our ABL Revolver as of September 30, 2024.

Our primary source of capital is cash flow from operations, supplemented as necessary by bank borrowings or other sources of financing. As a distributor of MRO products and services and fabricator of custom pumps and packages, working capital can fluctuate as a result of changes in inventory levels, accounts receivable and costs in excess of billings for project work. Additional cash is required for capital items for information technology, warehouse equipment, leasehold improvements, pump manufacturing and safety services equipment. We also require cash to pay our lease obligations and to service our debt.

The following table summarizes our net cash flows provided by and used in operating activities, investing activities and financing activities for the periods presented (*in thousands*):

	Nine Months Ended September 30,	
	2024	2023
<b>Net Cash Provided by (Used in):</b>		
Operating Activities	\$ 70,068	\$ 63,775
Investing Activities	(165,113)	(15,951)
Financing Activities	(42,384)	(66,744)
Effect of Foreign Currency	(691)	70
Net Change in Cash	<u>\$ (138,120)</u>	<u>\$ (18,850)</u>

### Operating Activities

The Company generated \$70.1 million of cash from operating activities during the nine months ended September 30, 2024 compared to \$63.8 million of cash generated during the prior year's corresponding period.

### *Investing Activities*

For the nine months ended September 30, 2024, net cash used in investing activities was \$165.1 million compared to a \$16.0 million use of cash during the prior year's corresponding period. This \$149.2 million increase was primarily driven by acquisition activity during the nine months ended September 30, 2024. Total cash paid for acquisitions, net of cash acquired, was \$149.4 million compared to \$8.8 million for the nine months ended September 30, 2023. The increase is also driven by purchases of property and equipment of \$15.7 million for the nine months ended September 30, 2024 compared to \$7.1 million for the nine months ended September 30, 2023.

### *Financing Activities*

For the nine months ended September 30, 2024, net cash used in financing activities was \$42.4 million, compared to net cash used in financing activities of \$66.7 million during the prior year's corresponding period. The decrease was primarily due to share repurchases of \$28.8 million for the nine months ended September 30, 2024 compared to \$56.2 million for the nine months ended September 30, 2023. The Company also paid contingent consideration of \$4.6 million for the nine months ended September 30, 2024 compared to \$5.1 million for the nine months ended September 30, 2023.

### *Financial Covenants:*

The Company's principal financial covenants under the ABL Credit Agreement and Term Loan B Agreement include:

**Fixed Charge Coverage Ratio** – The Fixed Charge Coverage Ratio under the ABL Credit Agreement is defined as the ratio for the most recently completed four-fiscal quarter period, of (a) EBITDA minus capital expenditures (excluding (i) those financed or funded with debt (other than the ABL Loans), (ii) the portion thereof funded with the net proceeds from asset dispositions of equipment or real property which the Company is permitted to reinvest pursuant to the Term Loan and (iii) the portion thereof funded with the net proceeds of casualty insurance or condemnation awards in respect of any equipment and real estate which DXP is not required to use to prepay the ABL Loans pursuant to the Term Loan B Agreement or with the proceeds of casualty insurance or condemnation awards in respect of any other property) minus cash taxes paid (net of cash tax refunds received during such period), to (b) fixed charges. The Company is restricted from allowing its fixed charge coverage ratio to be less than 1.00 to 1.00 during a compliance period, which is triggered when the availability under the ABL Revolver falls below a threshold set forth in the ABL Credit Agreement.

As of September 30, 2024, the Company's Fixed Charge Coverage Ratio was 1.72 to 1.00.

Secured Leverage Ratio – The Term Loan B Agreement requires that the Company’s Secured Leverage Ratio, defined as the ratio, as of the last day of any fiscal quarter of consolidated secured debt (net of unrestricted cash, not to exceed \$200 million) as of such day to EBITDA, beginning with the fiscal quarter ending September 30, 2024, is either equal to or less than as indicated in the table below:

Fiscal Quarter	Secured Leverage Ratio
September 30, 2024	5.50:1.00
December 31, 2024	5.50:1.00
March 31, 2025	5.25:1.00
June 30, 2025	5.25:1.00
September 30, 2025	5.25:1.00
December 31, 2025	5.00:1.00
March 31, 2026	5.00:1.00
June 30, 2026	4.75:1.00
September 30, 2026	4.75:1.00
December 31, 2026 and thereafter	4.75:1.00

As of September 30, 2024, the Company’s Secured Leverage Ratio was 2.54 to 1.00.

EBITDA as defined under the Term Loan B Agreement for financial covenant purposes means, without duplication, for any period of determination, the sum of, consolidated net income during such period; plus to the extent deducted from consolidated net income in such period: (i) income tax expense, (ii) franchise tax expense, (iii) interest expense, (iv) amortization and depreciation during such period, (v) all non-cash charges and adjustments, and (vi) non-recurring cash expenses related to the Term Loan, provided, that if the Company acquires or disposes of any property during such period (other than under certain exceptions specified in the Term Loan B Agreement, including the sale of inventory in the ordinary course of business), then EBITDA shall be calculated, after giving pro forma effect to such acquisition or disposition, as if such acquisition or disposition had occurred on the first day of such period.

The Company was in compliance with all financial covenants as of September 30, 2024.

#### *Funding Commitments*

We intend to pursue additional acquisition targets, but the timing, size or success of any acquisition and the related potential capital commitments cannot be determined with certainty. We continue to expect to fund future acquisitions primarily with cash flows from operations and borrowings, including the undrawn portion of the credit facility or new debt issuances, but may also issue additional equity either directly or in connection with acquisitions. There can be no assurance that additional financing for acquisitions will be available at terms acceptable to the Company.

The Company believes it has adequate funding and liquidity to meet its normal working capital needs during the next twelve months. However, the Company may require additional debt outside of our credit facilities or equity financing to fund potential acquisitions. Such additional financings may include additional bank debt or the public or private sale of debt or equity securities. In connection with any such financing, the Company may issue securities that dilute the interests of our shareholders.

#### **DISCUSSION OF SIGNIFICANT ACCOUNTING AND BUSINESS POLICIES**

Critical accounting and business policies are those that are both most important to the portrayal of a company's financial position and results of operations, and require management's subjective or complex judgments. These policies have been discussed with the Audit Committee of the Board of Directors of DXP.

The Company's unaudited condensed financial statements are prepared in accordance with U.S. GAAP. The accompanying unaudited Condensed Consolidated Financial Statements have been prepared on substantially the same basis as our annual Consolidated Financial Statements and should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2023. For a more complete discussion of our significant accounting policies and business practices, refer to the consolidated Annual Report on Form 10-K filed with the SEC on March 11, 2024. The results of operations for the nine months ended September 30, 2024 are not necessarily indicative of results expected for the full fiscal year.

## **RECENT ACCOUNTING PRONOUNCEMENTS**

See [Note 3 - Recently Issued Accounting Pronouncements](#) to the Condensed Consolidated Financial Statements for information regarding recent accounting pronouncements.

## **ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

For quantitative and qualitative disclosures about market risk, see Item 7A, 'Quantitative and Qualitative Disclosures About Market Risk' of our Annual Report on Form 10-K for the year ended December 31, 2023. Our exposures to market risk have not changed materially since December 31, 2023.

#### **ITEM 4: CONTROLS AND PROCEDURES.**

##### *Evaluation of Disclosure Controls and Procedures*

With the participation of management, our principal executive officer and principal financial officer carried out an evaluation, pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of September 30, 2024.

Our management, including our principal executive officer and principal financial officer, has concluded that the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q are fairly stated in all material respects in accordance with GAAP for each of the periods presented.

##### *Remediation of Previously Disclosed Material Weaknesses*

During the quarter ended September 30, 2024, management remediated a material weakness in internal control over financial reporting related to revenue recognition. The necessary controls have been designed, implemented, and tested for operating effectiveness and these controls have been operated for a sufficient period of time as of September 30, 2024 which allows for management to conclude this material weakness is now remediated.

Additionally, in relation to the material weakness in our control environment, and as disclosed in our 2023 Form 10-K and quarterly reports on Form 10-Q for the quarters ended March 31 and June 30, 2024, the remediation of this material weakness was dependent on additional time to remediate the remaining material weakness. Given the remediation of the material weakness related to revenue recognition as disclosed above, we now conclude that this material weakness is now remediated.

##### *Changes in Internal Control Over Financial Reporting*

There were no other changes in internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act identified in the evaluation for the quarter ended September 30, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II: OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS.

From time to time, the Company is a party to various legal proceedings arising in the ordinary course of business. While DXP is unable to predict the outcome of these lawsuits, it believes that the ultimate resolution will not have, either individually or in the aggregate, a material adverse effect on DXP's consolidated financial position, cash flows, or results of operations.

### ITEM 1A. RISK FACTORS.

There have been no material changes to the risk factors as previously disclosed in "Part I. Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year end December 31, 2023.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

#### Recent Sales of Unregistered Securities

The Company did not sell any unregistered securities during the three months ended September 30, 2024.

#### Issuer Purchases of Equity Securities

A summary of our repurchases of DXP Enterprises, Inc. common stock under our current share repurchase program and employee stock awards withheld for certain tax obligations during the third quarter of fiscal year 2024 is as follows:

	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands) (3)
July 1 - July 31, 2024	—	\$ —	—	\$ 2,614
August 1 – August 31, 2024	100,322	49.87	52,446	85,000
September 1 – September 30, 2024	957	50.08	—	85,000
<b>Total</b>	<b>101,279</b>	<b>\$ 49.87</b>	<b>52,446</b>	<b>\$ 85,000</b>

(1) There were 1,279 shares transferred from employees in satisfaction of minimum statutory tax withholding obligations upon the vesting of restricted stock during the three months ended September 30, 2024.

(2) On August 21, 2024, the Company repurchased 100,000 shares for \$5.0 million from an employee, of which 52,446 or \$2.6 million were purchased as part of the previous publicly announced plan. The remainder of the shares, or 47,554 shares were repurchased prior to the company announcing the new share repurchase plan on August 28, 2024.

(3) On August 28, 2024, the Company announced a new Share Repurchase Program pursuant to which it may repurchase up to \$85.0 million worth, or 2.5 million shares, of the Company's outstanding common stock over the next 24 months at the discretion of management. As of September 30, 2024, approximately \$85.0 million worth of, or approximately 2.5 million, shares remained available under the \$85.0 million Share Repurchase Program.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

### ITEM 4. MINE SAFETY DISCLOSURES.

None.

### ITEM 5. OTHER INFORMATION.

None.

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**ITEM 6. EXHIBITS.**

- 3.1 [Restated Articles of Incorporation, as amended \(incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8, filed with the Commission on August 20, 1998, File No. :333-61953\).](#)
- 3.2 [Bylaws of DXP Enterprises, Inc. \(incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on May 10, 2018 File No. 000-21513\), as amended on July 27, 2011.](#)
- 3.3 [Amendment to Section 3.4 of the Bylaws of DXP Enterprises, Inc., effective January 1, 2022. \(incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K File No. 000-21513 : 21860170, filed with the Commission on April 27, 2021\).](#)
- \* 22.1 [Subsidiary Guarantors of Guaranteed Securities.](#)
- \* 31.1 [Certification of Chief Executive Officer pursuant to Rule 13a-14\(a\) and rule 15d-14\(a\) of the Securities Exchange Act, as amended.](#)
- \* 31.2 [Certification of Chief Financial Officer pursuant to Rule 13a-14\(a\) and rule 15d-14\(a\) of the Securities Exchange Act, as amended.](#)
- \* 32.1 [Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- \* 32.2 [Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- \*101 [The following financial information from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, formatted in Inline eXtensible Business Reporting Language \(iXBRL\), \(i\) Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income, \(ii\) Unaudited Condensed Consolidated Balance Sheets, \(iii\) Unaudited Condensed Consolidated Statements of Cash Flows, \(iv\) Unaudited Condensed Consolidated Statements of Equity, and \(v\) Notes to Unaudited Condensed Consolidated Financial Statements.](#)
- \*104 [The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024 formatted in XBRL.](#)

Exhibits designated by the symbol \* are filed or furnished with this Quarterly Report on Form 10-Q. All exhibits not so designated are incorporated by reference to a prior filing with the Commission as indicated.

## 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.

DXP ENTERPRISES, INC.

(Registrant)

By: /s/ Kent Yee

Kent Yee

Senior Vice President and Chief Financial Officer

(Duly Authorized Signatory and Principal Financial Officer)

Dated: November 7, 2024



Exhibit 22.1

The following is a listing of subsidiaries that guarantee the DXP Enterprises, Inc. Credit Facilities (the "ABL Revolver" and "Term Loan B Agreement") issued by DXP Enterprises, Inc.

**SUBSIDIARY GUARANTORS OF GUARANTEED SECURITIES**

PMI OPERATING COMPANY, LTD. (TX)

DXP HOLDINGS, INC.(TX)

CISCO AIR SYSTEMS, INC. (CA)

PUMP-PMI, LLC (DE)

PMI INVESTMENT, LLC (DE)

TOTAL EQUIPMENT COMPANY (PA)

APO PUMPS & COMPRESSORS, LLC (DE)

CARTER & VERPLANCK, LLC (FL)

B27 RESOURCES, INC. (TX)

PUMPWORKS 610, LLC (DE)

**CERTIFICATION**

I, David R. Little, certify that:

1. I have reviewed this report on Form 10-Q of DXP Enterprises, Inc.;
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.

November 7, 2024

/s/ David R. Little

David R. Little

President and Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION**

I, Kent Yee, certify that:

1. I have reviewed this report on Form 10-Q of DXP Enterprises, Inc.;
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.

November 7, 2024

/s/ Kent Yee

Kent Yee

Senior Vice President and Chief Financial Officer

(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION**

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of DXP Enterprises, Inc. (the "Company"), hereby certifies that, to my knowledge, the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David R. Little

David R. Little  
President and Chief Executive Officer  
(Principal Executive Officer)

November 7, 2024

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and is not being filed as part of the Report or as a separate disclosure document.

**CERTIFICATION**

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of DXP Enterprises, Inc. (the "Company"), hereby certifies that, to my knowledge, the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kent Yee

Kent Yee  
Senior Vice President and Chief Financial Officer  
(Principal Financial Officer)

November 7, 2024

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and is not being filed as part of the Report or as a separate disclosure document.