



THE INDUSTRIAL DISTRIBUTION EXPERTS

Presented by:

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Investor Update

COVID Discussions: May 22, 2020

(Quarter Ending March 31, 2020)

FORWARD LOOKING STATEMENTS

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

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

Statement Regarding use of Non-GAAP Measures:

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



COVID-19 UPDATE - - KEY PRIORITIES

Prioritizing employee health and safety and partnering with customers and suppliers to address current environment

Significant actions to-date include:

- Expanded ABL credit facility by \$50M
- Optional \$10M pay down of TLB
- Filed \$37.5M ATM shelf

Employee health and safety is paramount

- Enhanced distancing and sanitation protocol
- Work from home policies enforced; where appropriate
- Restricted business travel
- Incorporated shift work schedules to reduce any potential impact to DXP

Focused Business Priorities

- Classified as “Essential Industry” by federal and local governments
- Monitoring key indicators daily to scale / manage operations
- Ability to scale variable costs and limited discretionary capital expenditures

Financial Strength

- Ample liquidity and strong balance sheet
- Create lean organization throughout FY20 with targeted EBITDA goal
- Business structured to deliver free cash flow during economic down cycles

MANAGING THE PRESENT, KEEPING OUR EYES ON THE FUTURE - - OPERATING IN A DYNAMIC ENVIRONMENT

Thoughtfully staying nimble in a tough environment

Our Perspective

Stabilize

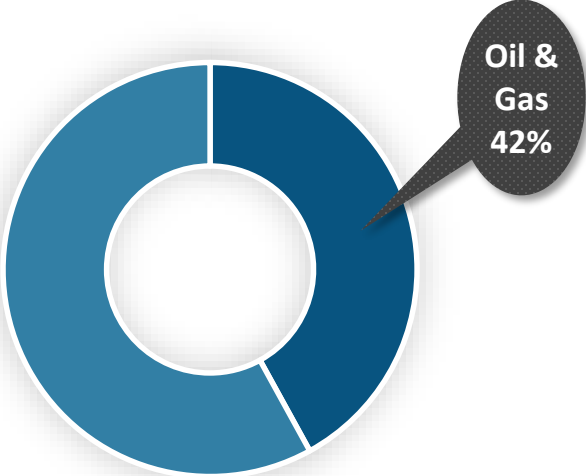
- Stabilize organization
- Liquidity
- Point of view on different scenarios - - weeks, quarter, year and 2 years

Resilience & Return

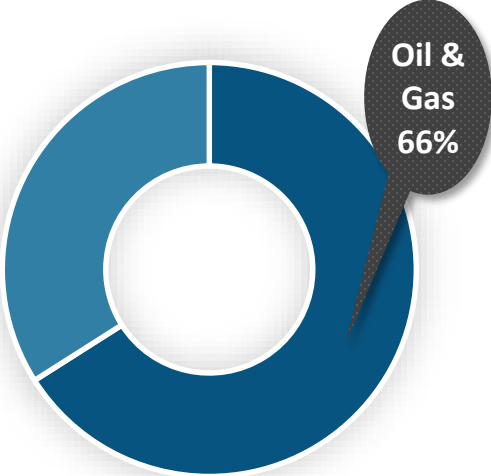
- Immediate action to cut operating costs - - protect growth and sales capacity
- Through cycle review - - reimagine and plan ahead (how has COVID changed the world going forward?)
- Reevaluate capex / investment (priorities / needs in light of COVID) portfolio
- Acquisitions

END MARKETS HAVE EVOLVED THROUGH THE CYCLES

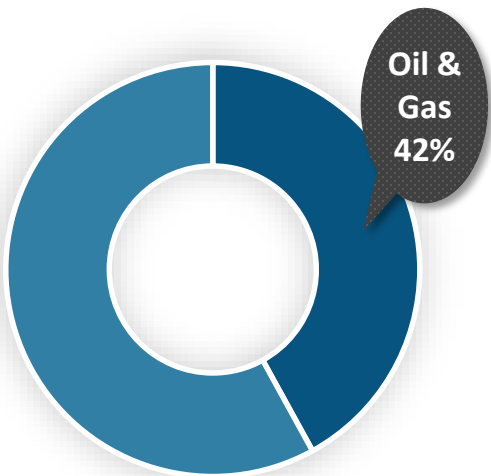
% of sales FY 2008



% of sales FY 2014



% of sales PF FY 2019



Diverse, growing end markets that drive growth in up cycles.

- ✓ *High quality customer base across dynamic industries*
- ✓ *Continued geographic expansion and targeted efforts to further diversification*
- ✓ *Core base in mega trend end markets such as energy, food & beverage and chemical*

Note: Management estimates. Industrial includes aggregates, agriculture, alternative energy, automotive, building products, military, municipal, pharmaceuticals, pulp & paper, sanitary, steel, telecommunications and wood products.

HOW IS THIS DOWNTURN / CYCLE DIFFERENT?

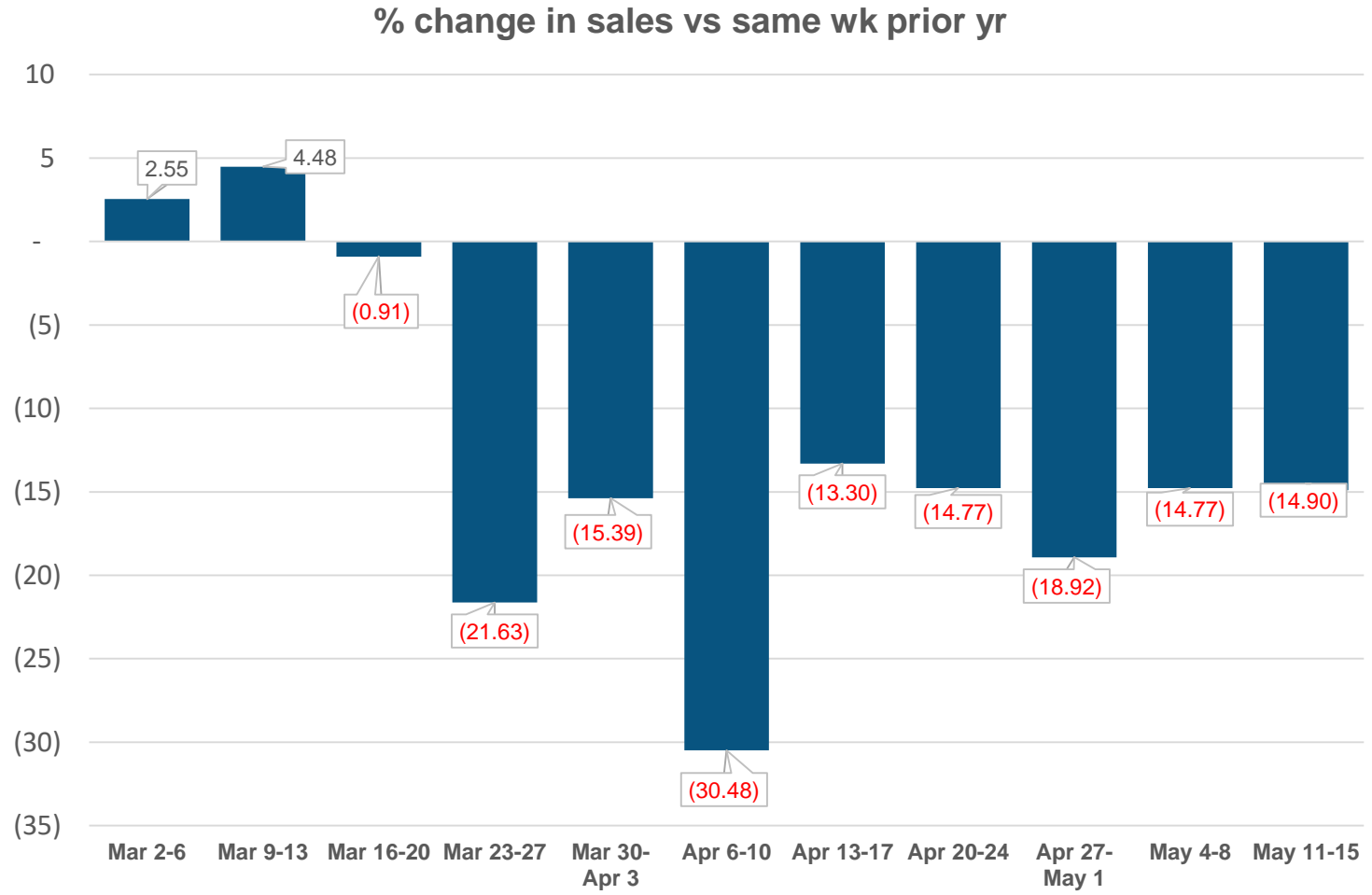
Every economic cycle is different and presents new challenges

- Virus / pandemic driven not economic but has created lasting / strong economic impacts
- Global GDP impact - - magnitude and intensity unforeseen and unprecedented
- Global pace of draw down unprecedented
- Significant government stimulus and support
- Unemployment has / will reach rarely seen highs
- Simultaneous oil & gas supply & demand shock

WHERE ARE WE AT ? - - WKLY SALES vs PRIOR YEAR

(\$ thousands)

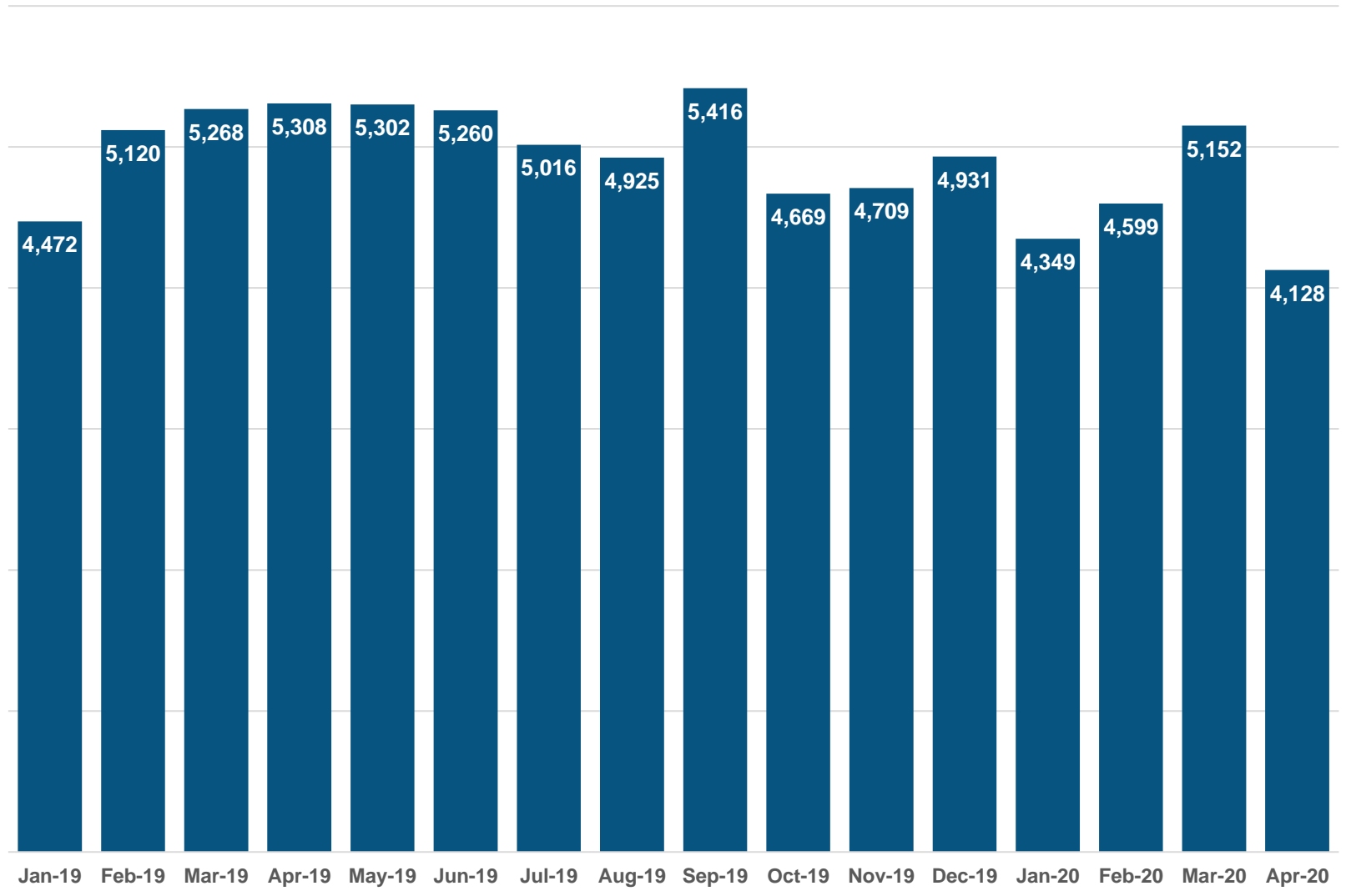
Distributor Weekly Pandemic Revenue Index (PRI) – Indian River Consulting Group



Note: Indian River Consulting Group is a consulting firm focused on industrial distribution and manufacturing.

WHERE ARE WE AT -- AVG. SALES PER BUSINESS DAY?

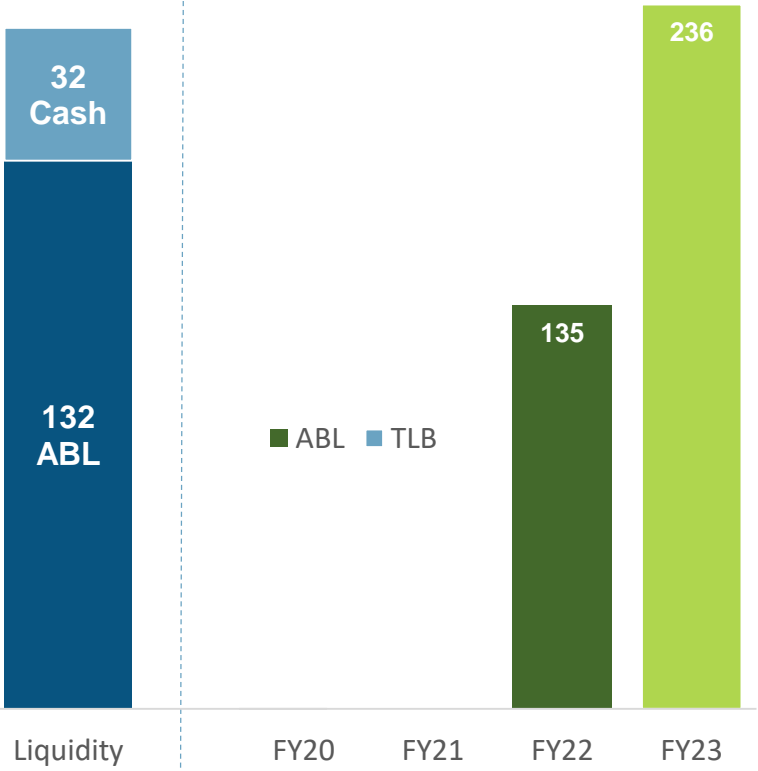
(\$ thousands)



LIQUIDITY AND CASH POSITION UPDATE

(\$ millions, balances as of March 31st, 2020)

Strong balance sheet ensuring ample liquidity for business needs



Actions to Enhance Liquidity

- Increased ABL to \$135M
- Sustained capex below FY19
- Leveraging stimulus - - employer SS
- Filed ATM

Cash and Liquidity Management

- Ample access to liquidity sources
- Filed \$37.5M ATM
- Total liquidity (ABL+cash) = \$164M
 - \$32M in cash
 - \$132M undrawn ABL with \$3M LCs

Key Credit Metrics

- 2.2x Secured Leverage Ratio

Debt Profile

- Flexible and balanced maturity profile with no significant near-term maturities

RIGHT STRATEGY-TODAY: EFFICIENT, AGILE, RESILIENT



- Swiftly acted to protect our people, and support customers
- Pivot to cut costs and protect cash
- Agility to manage through multiple disruptions
- Strong liquidity, better positioned to adapt to uncertainty
- Prepared for a post-COVID world. . .

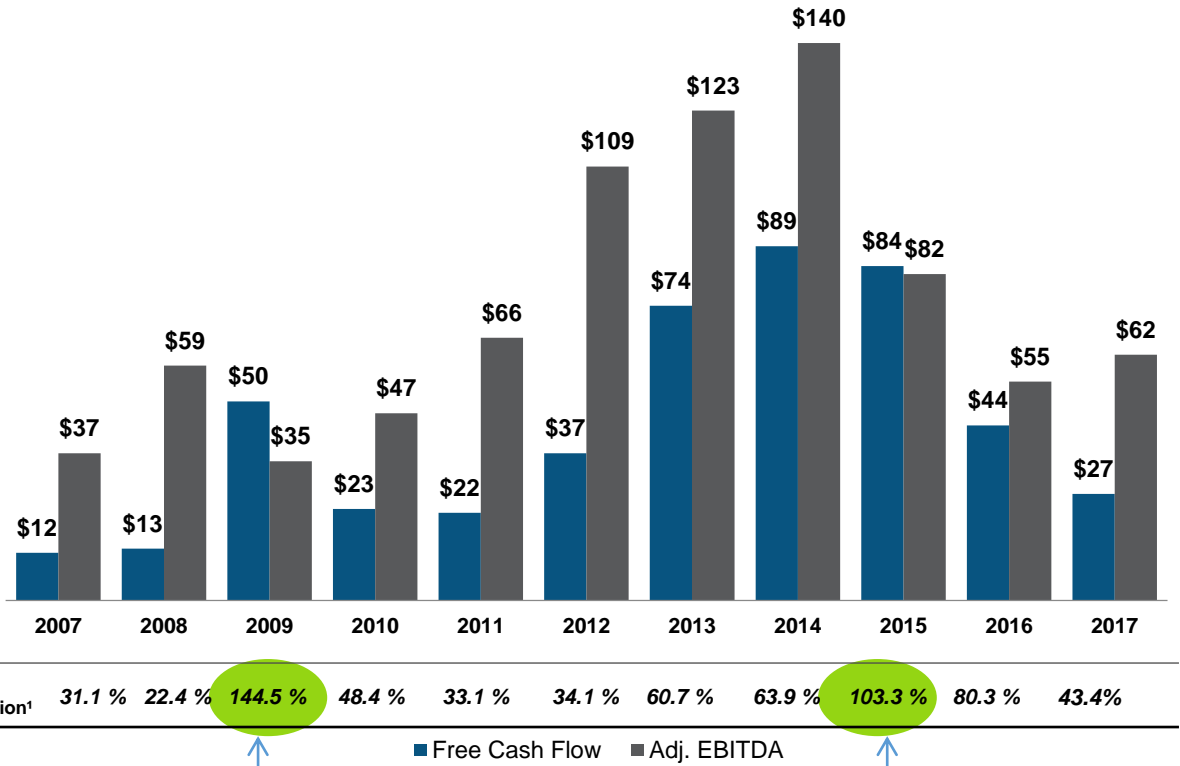
STRATEGIC FRAMEWORK TO DELIVER SUPERIOR RETURNS TOMORROW . . .



- Making deep and sustainable changes to our business
- Continue to shift mix to a more diversified high value portfolio
- Target markets where our differentiated capabilities create a win-win relationship
- Operational model and emphasis on business excellence to drive higher margins and consistent earnings
- Consistent and disciplined in our capital allocation plans
- Lead and deliver strong quartile financial performance

STRONG FREE CASH FLOW PROVIDES RESILIENCY

(\$ millions)



■ Free Cash Flow ■ Adj. EBITDA

FCF conversion peaks at height of cycle

Robust free cash flow profile...

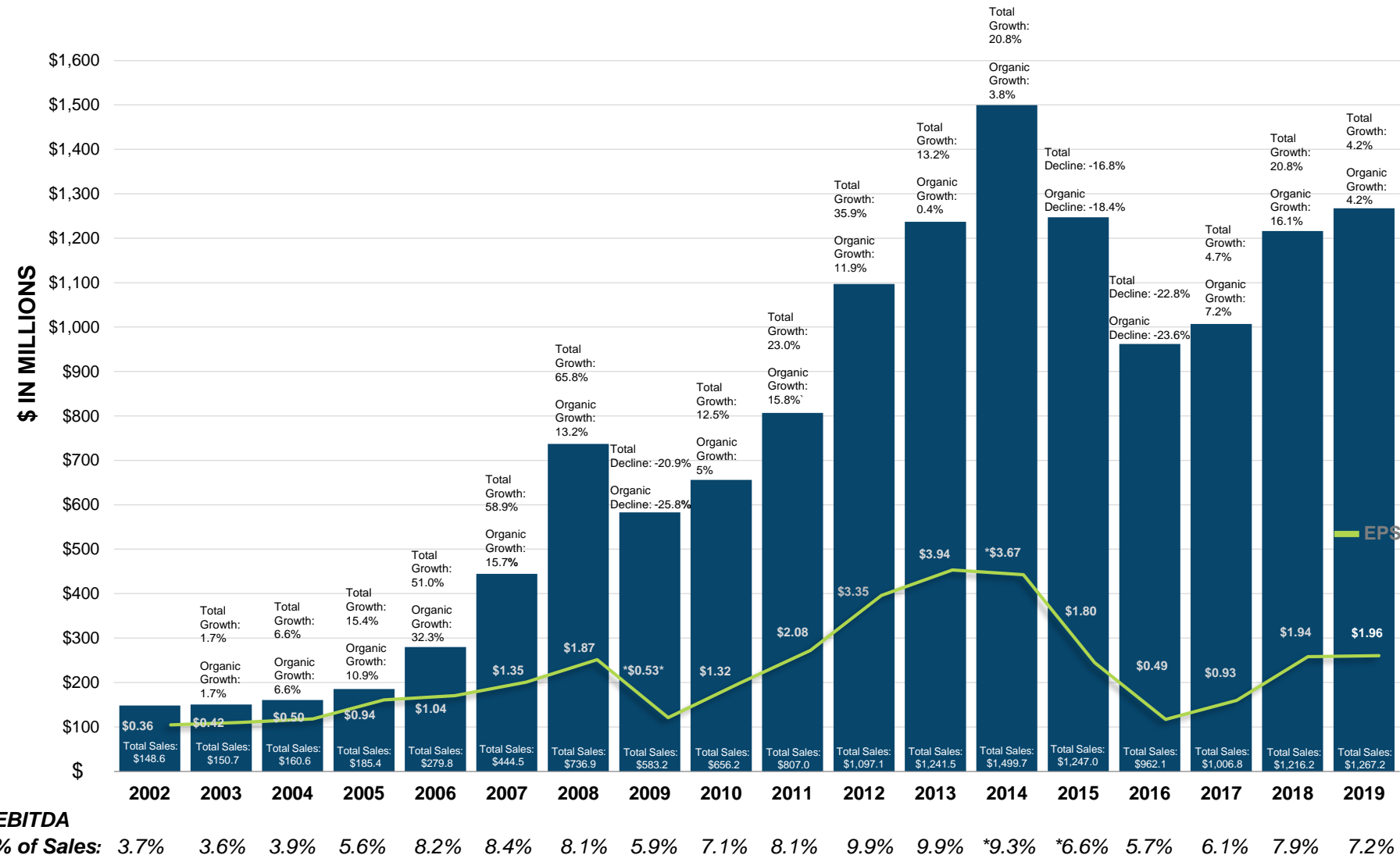
- ✓ *Strong ability to manage broader energy markets*
- ✓ *Flexible cost structure and disciplined working capital management*
- ✓ *Track record of disciplined cash flow management via strategic actions, including an equity raise in the second half of 2016*

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

APPENDIX

DXP

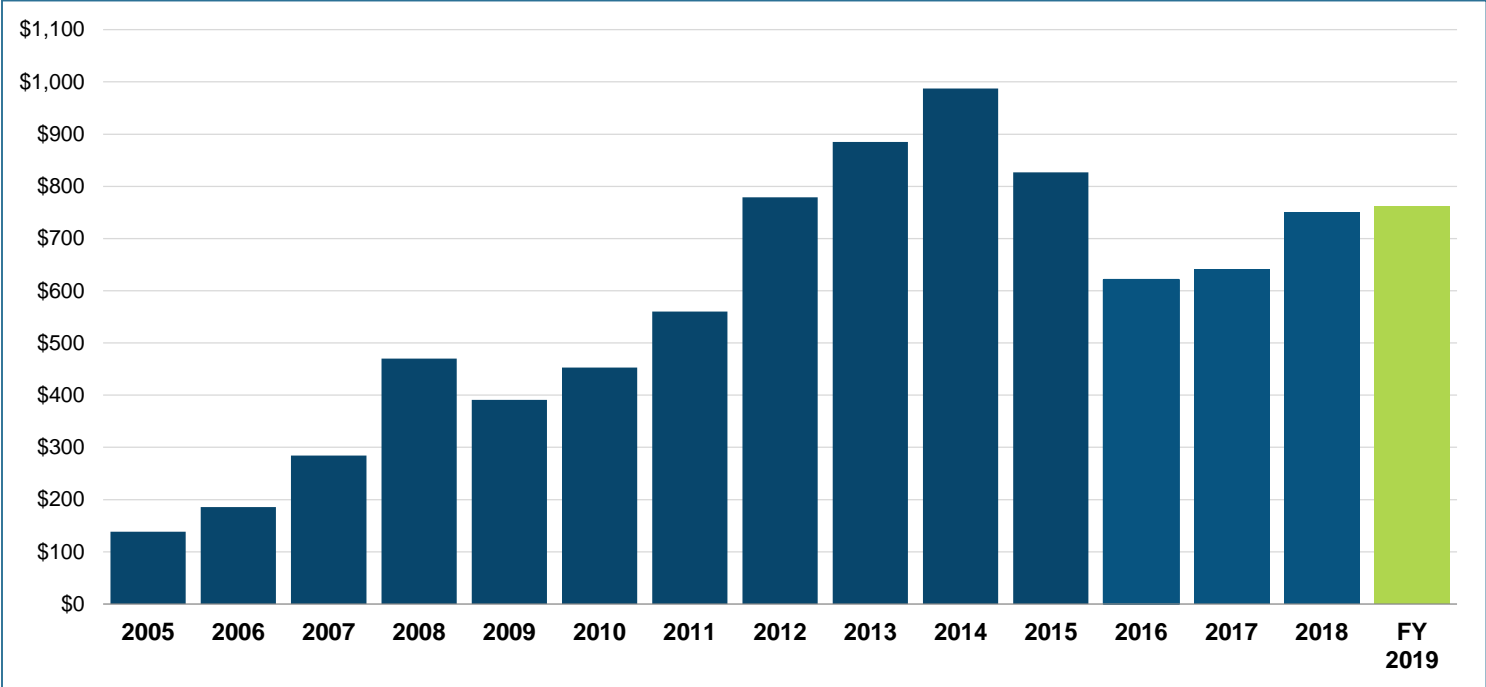
CONSISTENT REVENUE AND EARNINGS GROWTH



*EBITDA percentage for 2009 and 2014 excludes impairment charges. EBITDA percentage for 2015 is pre-impairment, pre-B27 working capital settlement and includes a \$1.0 million add-back for above-average legal fees. Diluted earnings per share for 2014 and 2015 excludes non-cash impairment charges and B27 working capital settlement.

SERVICE CENTER SEGMENT FINANCIAL PERFORMANCE

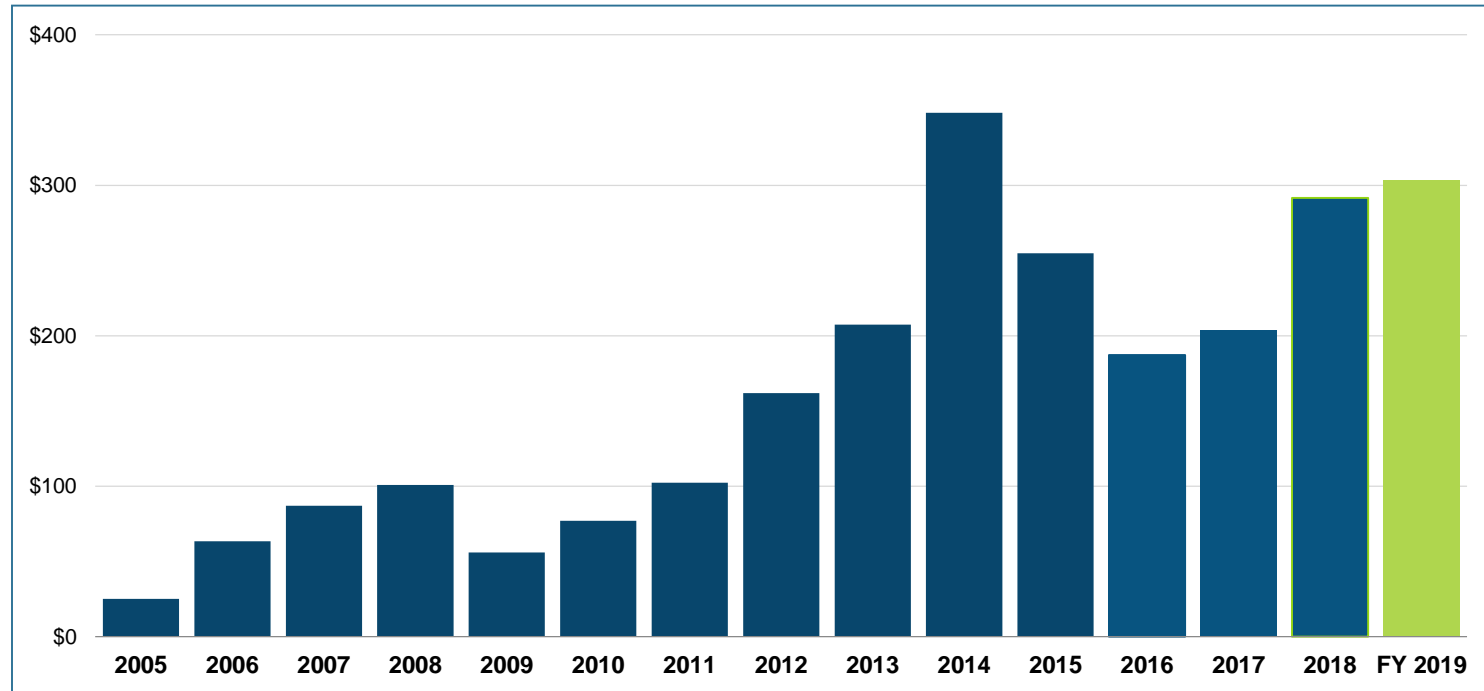
DIFFERENTIATED BUSINESS MODEL & CAPABILITIES



Total Sales	\$138.7	\$185.4	\$284.2	\$470.2	\$391.1	\$452.7	\$560.2	\$779.0	\$884.8	\$987.6	\$826.6	\$621.0	\$641.3	\$750.0	\$762.2	
Total Growth		33.6%	53.3%	65.5%	-16.8%	15.8%	23.7%	39.1%	13.6%	11.6%	-	16.3%	-24.9%	3.3%	16.9%	1.6%
Organic Growth		20.3%	8.5%	15.7%	-24.5%	9.1%	15.3%	6.6%	-0.3%	2.5%	-	18.7%	-26.1%	7.2%	9.6%	1.6%
Op. Income					\$24.4	\$50.5	\$64.5	\$88.9	\$107.1	\$107.7	\$78.2	\$47.6	\$63.3	\$80.7	\$86.8	
OI as % of Sales					6.2%	11.2%	11.5%	11.4%	12.1%	10.9%	9.5%	7.7%	9.9%	10.8%	11.4%	

IPS FINANCIAL PERFORMANCE

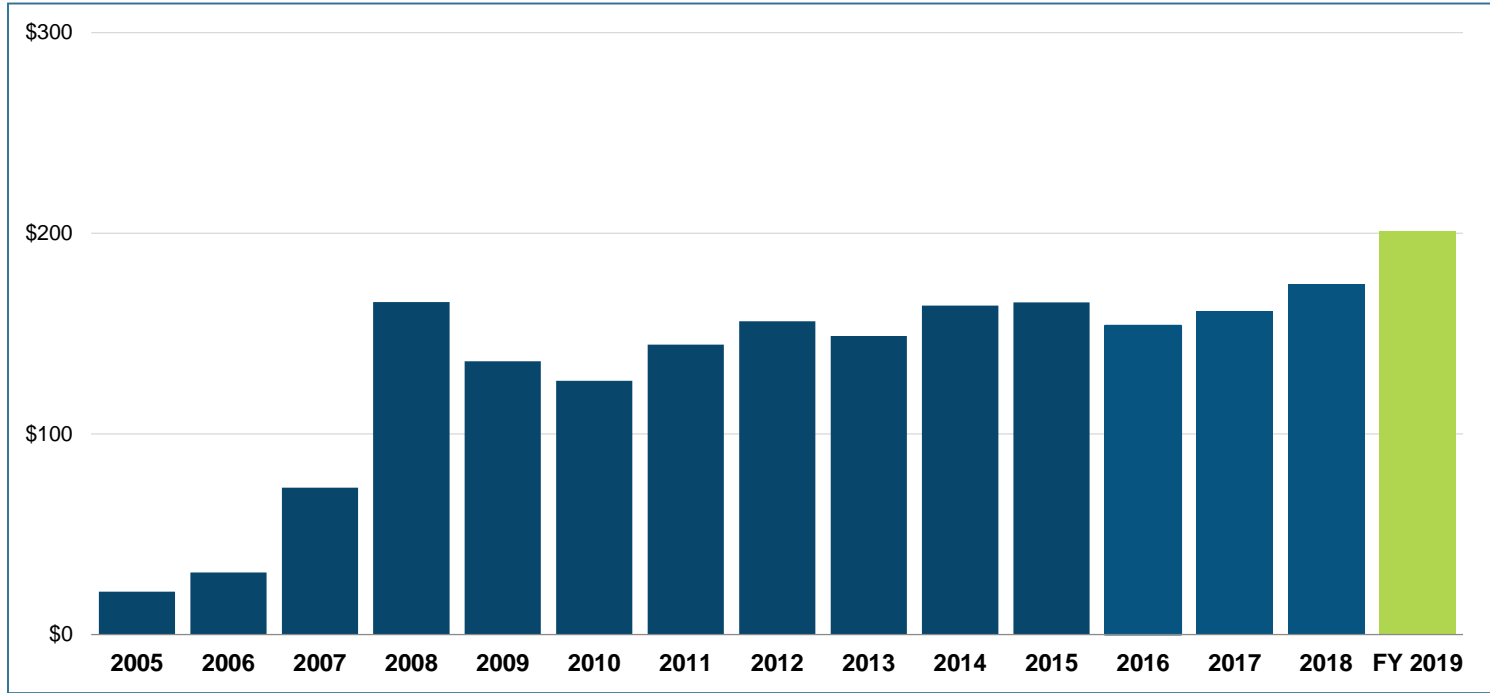
DIFFERENTIATED BUSINESS MODEL & CAPABILITIES



Total Sales	\$25.2	\$63.4	\$87.0	\$100.9	\$55.9	\$77.0	\$102.3	\$161.8	\$209.2	\$348.1	\$254.8	\$187.1	\$204.0	\$291.7	\$303.6		
Total Growth		151.6%	37.3%	15.9%	-	44.6%	37.8%	32.8%	58.2%	29.3%	66.4%	-	26.8%	26.6%	9.0%	43.0%	4.1%
Organic Growth		87.4%	29.8%	13.7%	-	44.6%	6.6%	28.5%	58.2%	9.7%	3.9%	-	26.8%	26.6%	9.0%	43.0%	4.1%
Op. Income					\$7.5	\$10.3	\$16.9	\$32.1	\$33.8	\$51.2	\$21.6	\$9.9	\$11.4	\$33.9	\$28.9		
OI as % of Sales					13.4%	13.4%	16.5%	19.8%	16.1%	14.7%	8.5%	5.3%	5.6%	11.6%	9.5%		

SUPPLY CHAIN SERVICES FINANCIAL PERFORMANCE

DIFFERENTIATED BUSINESS MODEL & CAPABILITIES



Total Sales	\$21.4	\$31.0	\$73.3	\$165.8	\$136.3	\$126.5	\$144.5	\$156.2	\$147.5	\$164.0	\$165.6	\$154.0	\$161.5	\$174.5	\$201.3
Total Growth		44.8%	136.4%	126.1%	17.8%	-7.2%	14.2%	8.1%	-5.6%	11.2%	1.0%	-7.0%	4.9%	8.0%	15.4%
Organic Growth		44.8%	28.7%	2.5%	17.8%	-7.2%	9.5%	-0.3%	-5.6%	11.2%	1.0%	-7.0%	4.9%	8.0%	15.4%
Op. Income					\$5.5	\$7.1	\$8.5	\$12.5	\$12.5	\$13.8	\$14.2	\$15.4	\$15.5	\$16.2	\$14.4
OI as % of Sales					4.1%	5.6%	5.9%	8.0%	8.5%	8.4%	8.6%	10.0%	9.6%	9.3%	7.2%

Q1 INCOME STATEMENT HIGHLIGHTS

(\$ thousands)

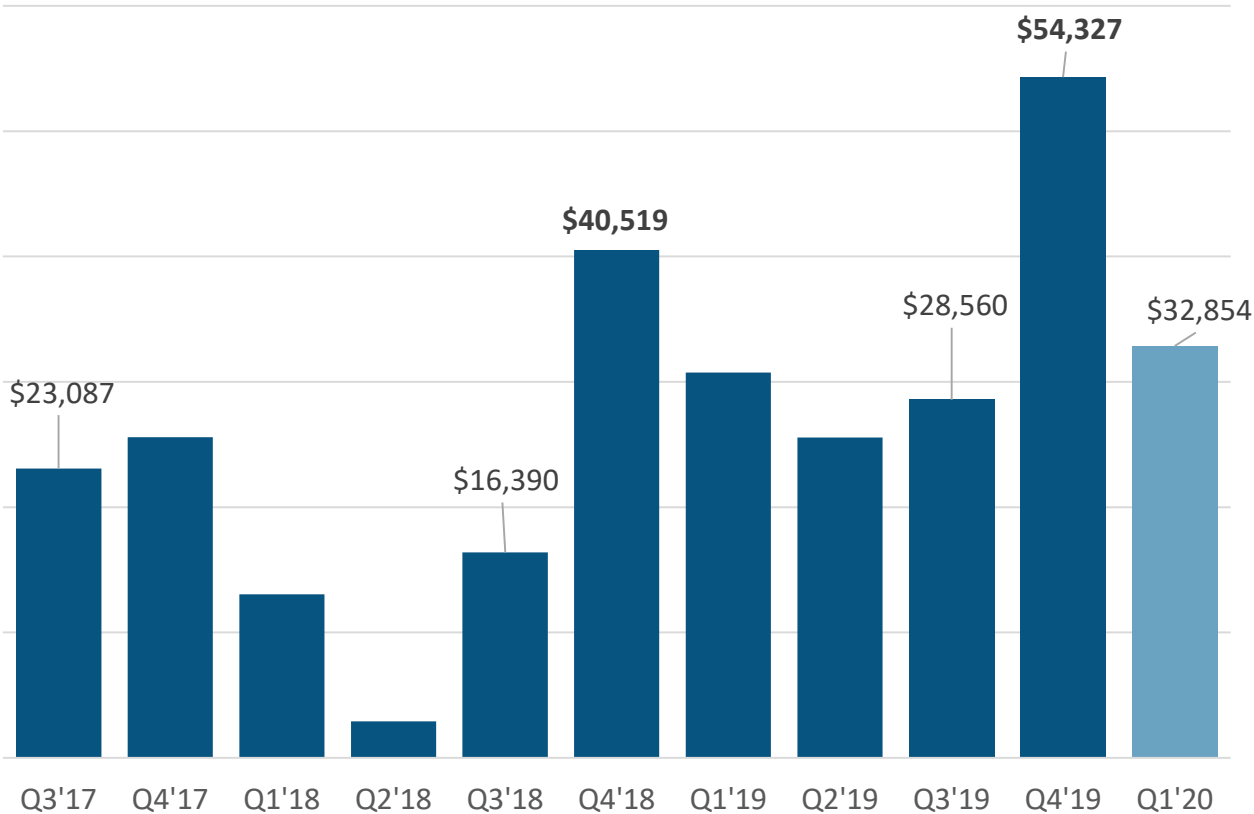
	Prior Yr March 31, 2019	Prior Qtr Dec. 31, 2019	Current Qtr March 31, 2020
Sales	\$ 311,225	\$ 295,468	\$ 300,983
<i>% growth - yoy</i>	8.8%	-5.0%	-3.3%
<i>% growth - seq</i>	0.1%	-9.7%	1.9%
Gross Profit	84,200	78,333	83,985
<i>% margin</i>	27.1%	26.5%	27.9%
Operating Income	14,816	6,742	10,915
<i>%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

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

CASH AND CASH EQUIVALENTS

(\$ thousands)

Building cash since our refinancing in August 2017

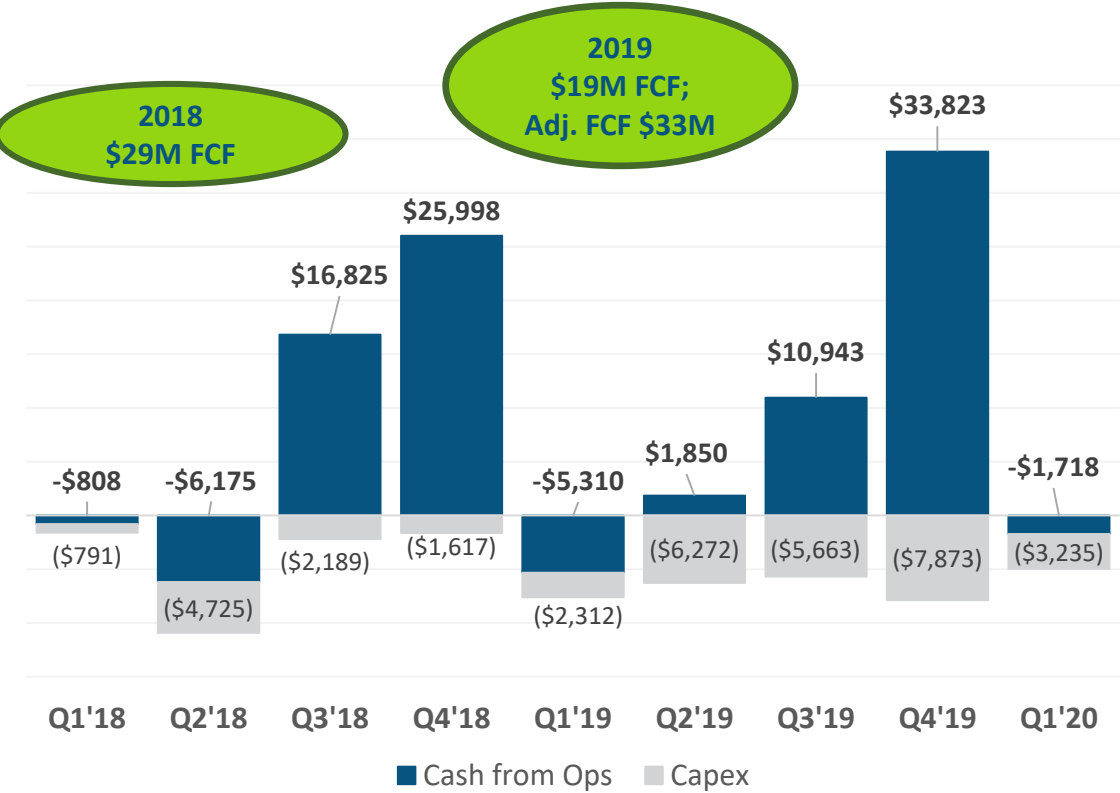


7%
Cash and cash equivalents

DXP has \$124K in restricted cash as of September 30, 2019; current loan documents only allow \$30M in cash as part of our total leverage calculation

QUARTERLY OPERATING CASH FLOW

(\$ thousands)



Operating Cash Flow Improvement

+68% y/y

Our 3rd and 4th quarter have been historically our strongest operating cash flow quarters and thus, free cash flow

Our first and second quarter are typically waited by investments in our project business

Free Cash Flow is defined as cash flow from operating activities less capital expenditures

CASH FLOW & WORKING CAPITAL

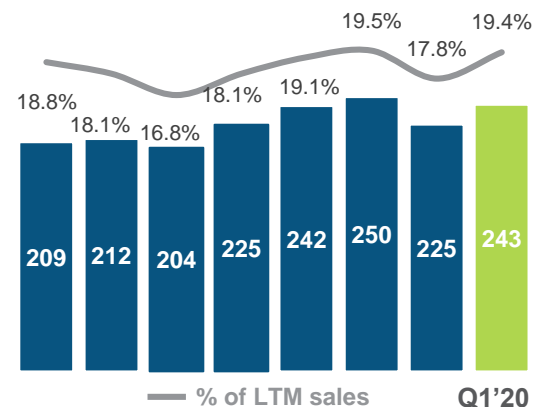
	Prior Qtr Dec. 31, 2019	Current Qtr Mar 31, 2020
GAAP net income	\$ 2,089	\$ 5,648
Depreciation and amortization	6,481	6,025
Change in net working capital	26,080	(13,991)
Other operating cash flows, net	(827)	706
Net Cash provided by operating activities	33,823	(1,612)
Purchase of property & equipment,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

Supplemental Information:

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

NET WORKING CAPITAL

(\$ millions)



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

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

RECONCILIATION OF OPERATING INCOME

(\$ thousands)

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

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

(\$ thousands)

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

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



THE INDUSTRIAL DISTRIBUTION EXPERTS

NASDAQ: DXPE
MAY 2020