



## THE INDUSTRIAL DISTRIBUTION EXPERTS

*Presented by:*

**David Little**

Chairman, President & CEO

**Kent Yee**

Senior Vice President & CFO

**Results for Q4 Fiscal 2020**

Earnings Announcement: March 9, 2021

(Quarter Ending December 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.



# Q4 INCOME STATEMENT HIGHLIGHTS

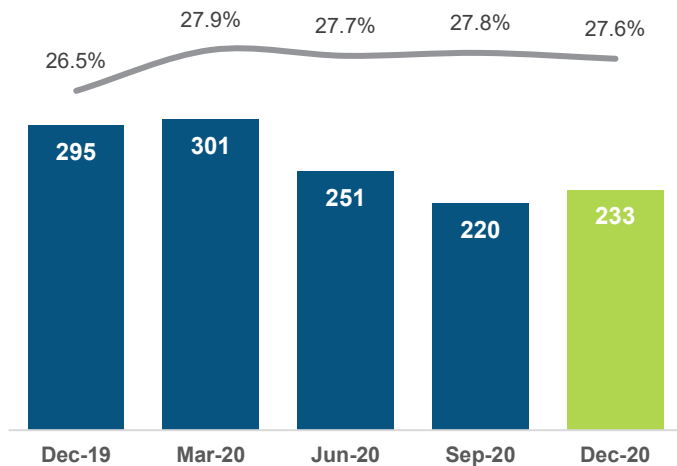
(\$ thousands)

	Prior Yr Dec 31, 2019		Prior Qtr Sep 30, 2020	Current Qtr Dec 31, 2020		
Sales	\$	295,468	\$	220,193	\$	232,689
<i>% growth - yoy</i>		-5.0%		-32.7%		-21.2%
<i>% growth - seq</i>		-9.7%		-12.4%		5.7%
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Gross Profit		78,333		61,301		64,287
<i>% margin</i>		26.5%		27.8%		27.6%
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Operating Income (excl. Impairments)		6,742		7,555		7,790
<i>% margin</i>		2.3%		3.4%		3.3%
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EBITDA as reported (excl. Impairments)		13,395		12,539		12,724
<i>% margin</i>		4.5%		5.7%		5.5%
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Adjusted EBITDA		13,970		13,705		13,618
<i>% margin</i>		4.7%		6.2%		5.9%
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Diluted EPS (excl. impairments & debt ext. costs)	\$	0.12	\$	0.16	\$	0.19
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Avg. Daily Sales:	\$	4,766	\$	3,441	\$	3,753

# QUARTERLY FINANCIAL HIGHLIGHTS

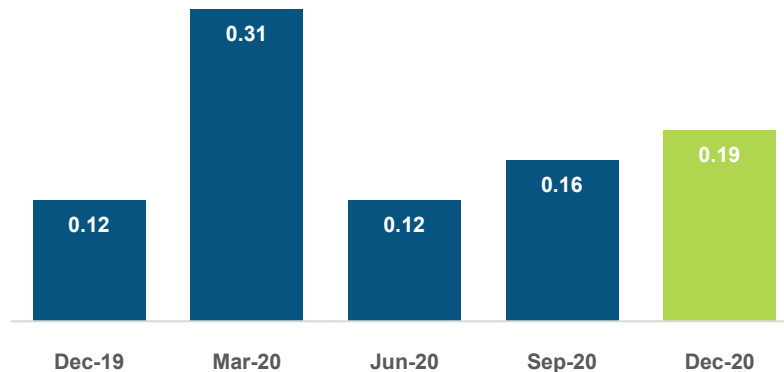
## Sales and Gross Margin

(\$ millions)



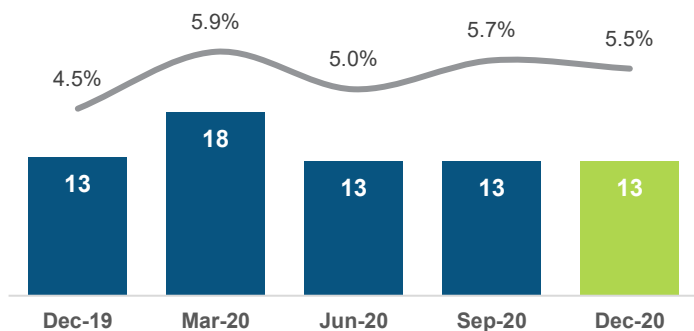
## Diluted Earnings Per Share

(\$ actuals)



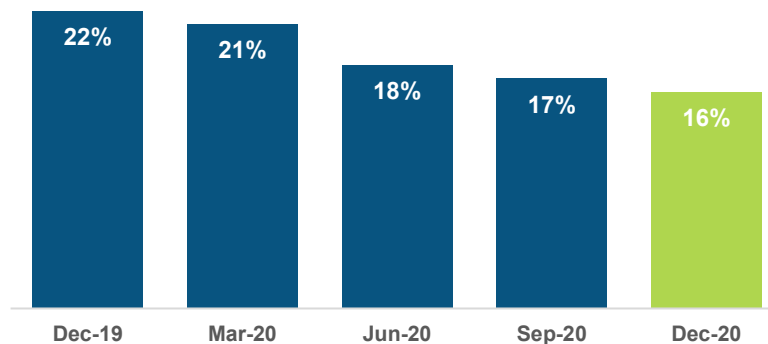
## EBITDA and EBITDA Margin

(\$ millions)




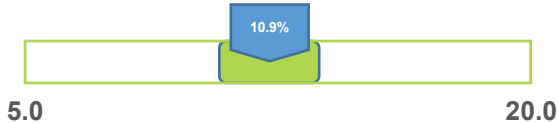



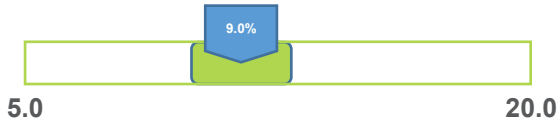
## Return on Invested Capital ROIC%

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



# Q4 OPERATING PERFORMANCE BY SEGMENT

(\$ millions)

	Sales \$	Sales Mix	OP\$	OP%	
<b>DXP</b>   SERVICE CENTERS	\$ 161.3	 70%	\$ 17.6	10.9%	
<b>DXP</b>   INNOVATIVE PUMPING SOLUTIONS®	\$ 35.6	 15%	\$ 2.6	7.4%	
<b>DXP</b>   SUPPLY CHAIN SERVICES	\$ 35.8	 15%	\$ 3.2	9.0%	
Corporate*	---		\$ (15.7)		
<b>Total DXP</b>	<b>\$ 232.7</b>	<b>100%</b>	<b>\$ 7.7</b>	<b>3.3%</b>	

\*Corporate expense includes amortization of intangible assets.

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

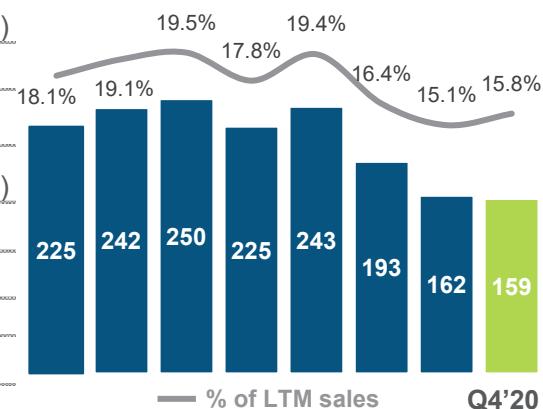
# CASH FLOW & WORKING CAPITAL

	Prior Qtr Sept. 30, 2020	Current Qtr Dec. 31, 2020	Current Yr Dec. 31, 2020
GAAP net income	\$ (34,774)	\$ (2,028)	\$ (29,073)
Depreciation and amortization	5,304	5,389	22,683
Change in net working capital	66,648	19,345	129,364
Other operating cash flows, net	(6,701)	(7,270)	(15,298)
<b>Net Cash provided by operating activities</b>	<b>30,477</b>	<b>15,436</b>	<b>107,676</b>
Purchase of property & equipment, net	1,397	142	6,672
Proceeds from sale of assets	-	-	123
<b>Free Cash Flow</b>	<b>29,080</b>	<b>15,294</b>	<b>101,127</b>
Net Cash used in financing activities	(10,809)	105,348	77,406
<b>Cash at end of the period</b>	<b>97,378</b>	<b>117,444</b>	<b>117,444</b>

## Supplemental Information:

Purchase of businesses	-	-	-
Cash paid for income taxes	2,269	2,317	6,277
Cash paid for interest	3,283	2,668	13,321
Net Debt	120,213	212,647	212,647

## 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

# APPENDIX

**DXP**

# RECONCILIATION OF OPERATING INCOME

(\$ thousands)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2020	2019	2020	2019
Operating income for DXP segments	\$23,488	\$22,933	\$102,318	\$130,118
<b>Adjustments for:</b>				
Impairment/other non-cash charges	11,482	-	59,883	-
Amortization of intangibles	2,991	3,651	12,287	15,074
Corporate expenses	12,707	12,540	57,018	48,922
<b>Total operating income (loss)</b>	<b>\$(3,692)</b>	<b>\$6,742</b>	<b>\$(26,870)</b>	<b>\$66,122</b>
Interest expense	8,512	4,587	20,571	19,498
Other expense (income), net	455	(172)	74	(45)
<b>Income (loss) before income taxes</b>	<b>\$ (12,659)</b>	<b>\$2,327</b>	<b>\$ (47,515)</b>	<b>\$46,669</b>



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

(\$ thousands)

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2020	2019		
Income before income taxes	\$ (12,659)	\$ 2,327	\$ (47,515)	\$ 46,669
Plus: interest expense	8,512	4,587	20,571	19,498
Plus: depreciation and amortization	5,389	6,481	22,683	25,174
<b>EBITDA</b>	<b>\$1,242</b>	<b>\$13,395</b>	<b>\$(4,261)</b>	<b>\$91,341</b>
Plus: NCI loss (gain) before tax	232	114	632	342
Plus: Impairment/other non- cash charges	11,482	—	59,883	—
Plus: Stock compensation expense	662	461	3,532	1,963
<b>Adjusted EBITDA</b>	<b>\$13,618</b>	<b>\$13,970</b>	<b>\$59,786</b>	<b>\$93,646</b>

# RECONCILIATION OF NON-GAAP MEASURES:

## GAAP Net Income (loss) to Non-GAAP Net Income

(\$ thousands)

The following table is a reconciliation of GAAP diluted earnings per share to adjusted diluted earnings per share, a non-GAAP financial measure, calculated and reported in accordance with U.S. GAAP.

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2020	2019		
GAAP Net Income (loss):	\$ (1,934)	\$ 2,176	\$ (28,816)	\$ 36,035
Impairment and other charges	11,482	-	59,883	-
Extinguishment of debt	5,443	-	5,443	-
Adjustment for taxes*	(11,527)	-	(22,363)	-
<b>Non-GAAP Net Income</b>	<b>\$ 3,464</b>	<b>\$2,176</b>	<b>\$ 14,147</b>	<b>\$36,035</b>
Diluted earnings (loss) per share:				
GAAP	\$ (0.11)	\$ 0.12	\$ (1.62)	\$ 1.96
<b>Non-GAAP</b>	<b>\$ 0.19</b>	<b>\$ 0.12</b>	<b>\$ 0.76</b>	<b>\$ 1.96</b>

\* Adjustment for taxes relates to the tax effects of the adjustments that we incorporate into non-GAAP measures in order to provide a more meaningful measure on non-GAAP net income. For tax purposes, the year-to-date effective tax rate of 22.5 percent was applied to the impairment and other charges for conservative purposes. Actual effective tax rate on these charges could be lower or higher based upon deductibility and local statutory tax rates. In Q4, we have included an adjustment for the normalizing of tax credits and adjustments.



**THE INDUSTRIAL DISTRIBUTION EXPERTS**

NASDAQ: DXPE  
MARCH 2021