



## THE INDUSTRIAL DISTRIBUTION EXPERTS

*Presented by:*

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**Results for Q2 Fiscal 2017**

Earnings Announcement: July 25, 2017

(Quarter Ending June 30, 2017)

# FORWARD LOOKING STATEMENTS

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

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

## **Statement Regarding use of Non-GAAP Measures:**

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



# Q2 INCOME STATEMENT HIGHLIGHTS

(\$ thousands)

|                       |    | Prior Yr<br>June 30, 2016 | Prior Qtr<br>March 31, 2017 | Current Qtr<br>June 30, 2017 |
|-----------------------|----|---------------------------|-----------------------------|------------------------------|
| Sales                 | \$ | 256,215                   | \$ 238,527                  | \$ 250,698                   |
| <i>% growth -seq.</i> |    |                           |                             | 5.1%                         |
| <i>% growth -yoy</i>  |    |                           |                             | -2.2%                        |
| <hr/>                 |    |                           |                             |                              |
| Gross Profit          |    | 71,603                    | 64,515                      | 68,936                       |
| <i>% margin</i>       |    | 27.9%                     | 27.0%                       | 27.5%                        |
| <hr/>                 |    |                           |                             |                              |
| Operating Income      |    | 8,849                     | 8,236                       | 10,257                       |
| <i>% margin</i>       |    | 3.5%                      | 3.5%                        | 4.1%                         |
| <hr/>                 |    |                           |                             |                              |
| EBITDA                |    | 16,329                    | 15,479                      | 16,947                       |
| <i>% margin</i>       |    | 6.4%                      | 6.5%                        | 6.8%                         |
| <hr/>                 |    |                           |                             |                              |
| Diluted EPS           | \$ | 0.34                      | \$ 0.17                     | \$ 0.23                      |

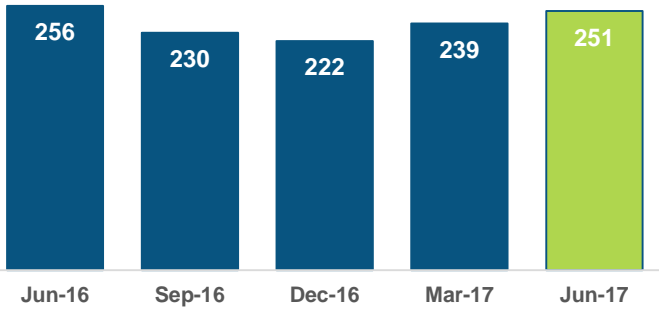
Please refer to the appendix of this presentation for current period reconciliation of the Non-GAAP financial measures to the most directly comparable GAAP measures.

# QUARTERLY FINANCIAL HIGHLIGHTS

## Sales and Gross Margin

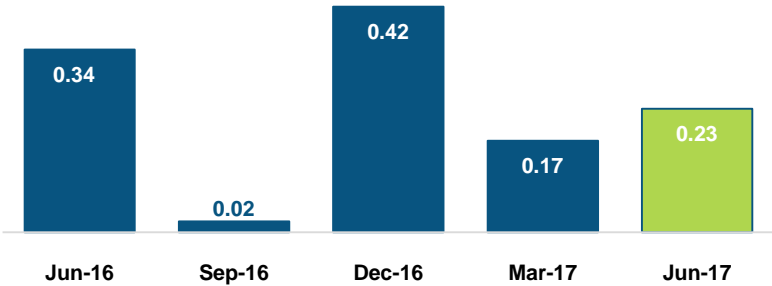
(\$ millions)

27.9%    27.7%    27.2%    27.0%    27.5%



## Diluted Earnings Per Share

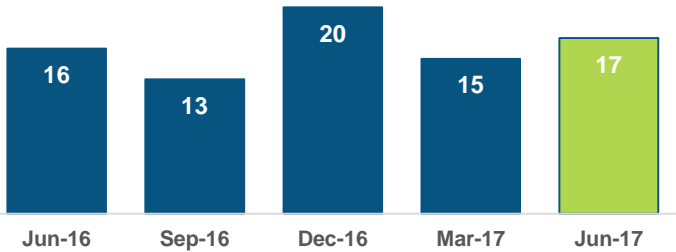
(\$ actuals)



## EBITDA and EBITDA Margin

(\$ millions)

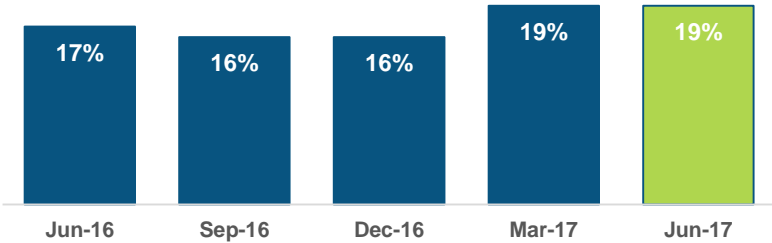
6.4%    5.6%    9.2%    6.5%    6.8%



## Return on Invested Capital

ROIC%

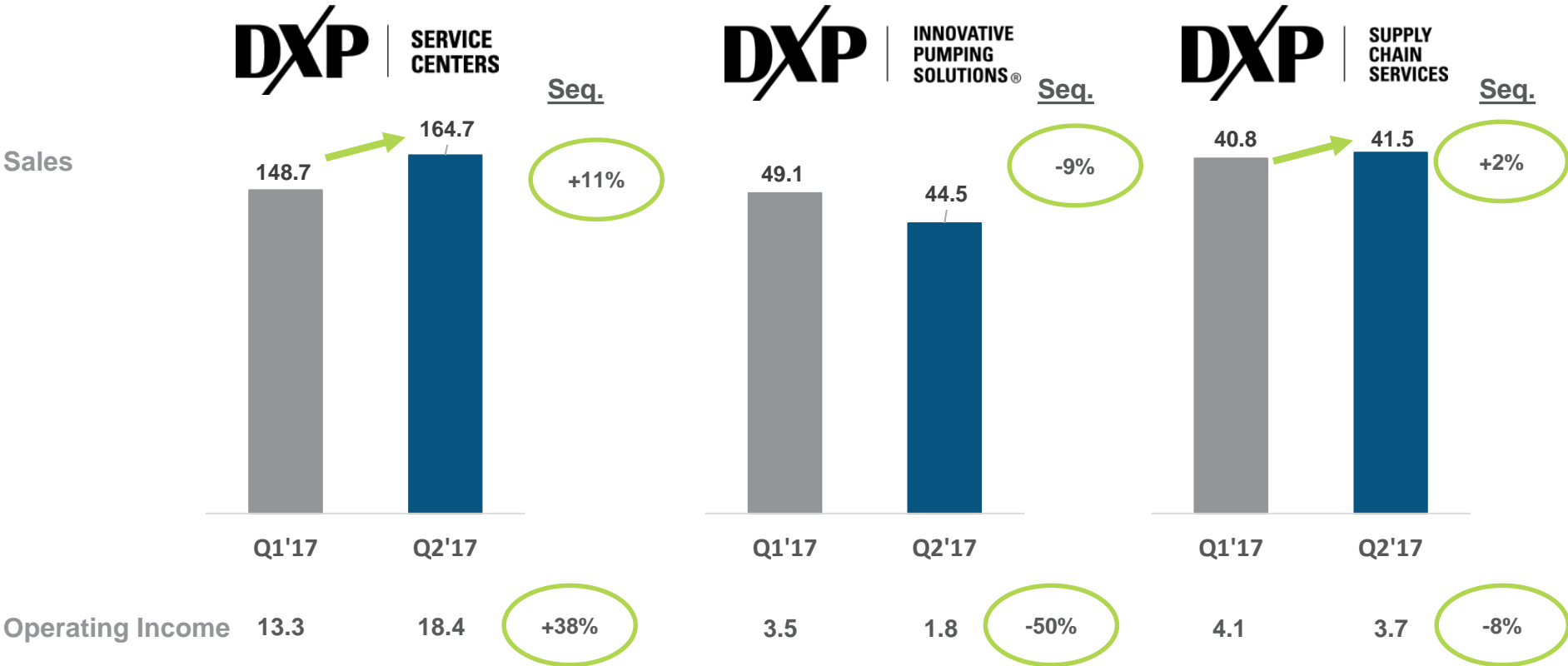
Return on invested capital is defined as tax affected LTM EBITDA / average total net operating assets.



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.

# Q2'17 SEGMENT PERFORMANCE

(\$ millions)

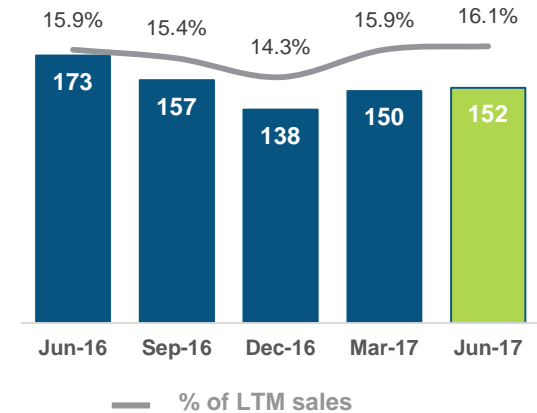


Please refer to the appendix of this presentation for current period reconciliation of the Non-GAAP financial measures to the most directly comparable GAAP measures.

# CASH FLOW & WORKING CAPITAL

|  | Prior Qtr<br>March 31, 2017 | Current Qtr<br>June 30, 2017 |
|--|-----------------------------|------------------------------|
| GAAP net income                                  | \$ 2,993                    | \$ 3,969                     |
| Depreciation and amortization                    | 7,015                       | 6,747                        |
| Change in net working capital                    | (14,236)                    | (1,730)                      |
| Other operating cash flows, net                  | 2,038                       | 1,058                        |
| <b>Net Cash provided by operating activities</b> | <b>(2,190)</b>              | <b>10,044</b>                |
| Purchase of property & equipment, net            | 601                         | 517                          |
| <b>Free Cash Flow</b>                            | <b>\$ (2,791)</b>           | <b>\$ 9,527</b>              |

## NET WORKING CAPITAL (\$ millions)

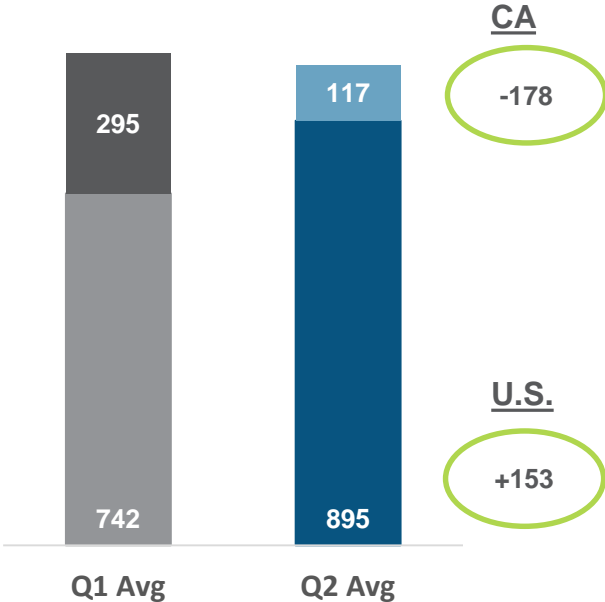


Net working capital is calculated as accounts receivable plus inventory plus cost & est. profits in excess of billings, plus prepaid expenses less accounts payable less accrued wages less billings in excess of costs and profits less customer advances less other accrued liabilities

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

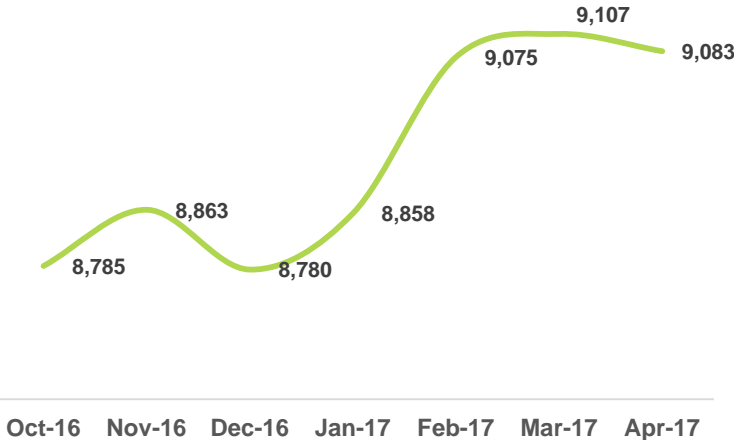
# KEY INDICATOR PERFORMANCE

## U.S. & Canadian Rig Count



## U.S. Crude Oil Production

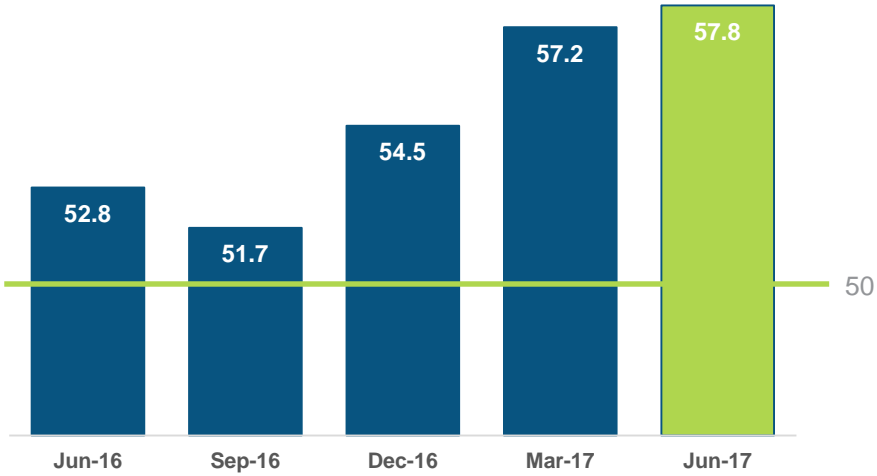
thousand barrels per day



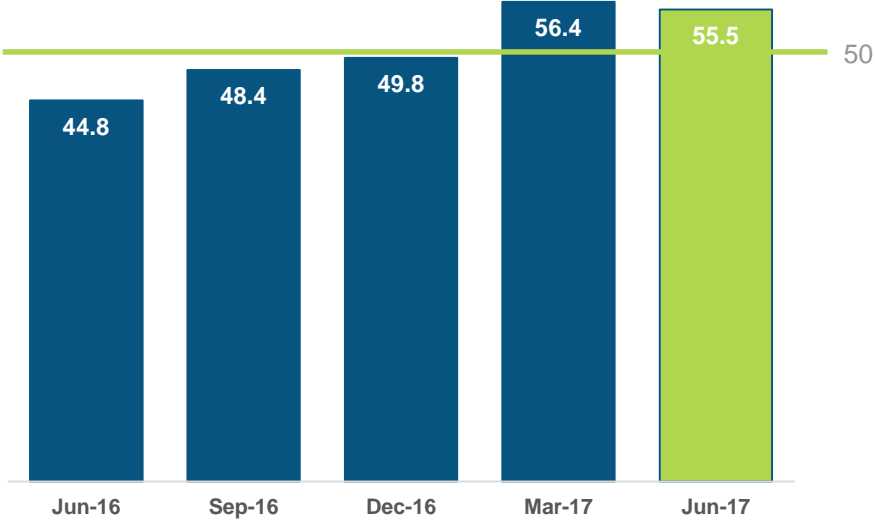
Note: The Canadian rig count typically declines during this time of year due to seasonality associated with warmer weather or what is referred to as the "Canadian breakup."  
 Source: Baker Hughes Rotary Rig Count data and Energy Information Administration. Accessed via [www.bhge.com](http://www.bhge.com). Crude Oil production data accessed via [www.eia.gov](http://www.eia.gov)

# KEY INDICATOR PERFORMANCE *(cont'd)*

Purchasing Managers Index



Metal Working Business Index



Source: Institute for Supply Management and Gardner Business Media



# APPENDIX

**DXP**

# RECONCILIATION OF NON-GAAP MEASURES: NET INCOME TO EBITDA

(\$ thousands)

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

|                                     | Three Months Ended<br>June 30, |                 | Six Months Ended<br>June 30, |                 |
|-------------------------------------|--------------------------------|-----------------|------------------------------|-----------------|
|                                     | 2017                           | 2016            | 2017                         | 2016            |
| Income (loss) before income taxes   | \$6,208                        | \$4,889         | \$11,019                     | \$(367)         |
| Plus: interest expense              | 3,992                          | 3,951           | 7,645                        | 7,360           |
| Plus: depreciation and amortization | 6,747                          | 7,489           | 13,762                       | 15,035          |
| <b>EBITDA*</b>                      | <b>\$16,947</b>                | <b>\$16,329</b> | <b>\$32,426</b>              | <b>\$22,028</b> |
| Plus: NCI loss before tax           | 269                            | 136             | 493                          | 355             |
| Plus: stock compensation expense    | 477                            | 487             | 1,010                        | 1,253           |
| <b>Adjusted EBITDA</b>              | <b>\$17,693</b>                | <b>\$16,952</b> | <b>\$33,929</b>              | <b>\$23,636</b> |

\*EBITDA – earnings before impairment, interest, taxes, depreciation and amortization.

# RECONCILIATION OF OPERATING INCOME

(\$ thousands)

|  | Three Months Ended<br>June 30, |                | Six Months Ended<br>June 30, |                |
|--|--------------------------------|----------------|------------------------------|----------------|
|  | 2017                           | 2016           | 2017                         | 2016           |
| Operating income for reportable segments | \$23,890                       | \$22,286       | \$44,798                     | \$35,609       |
| <i>Adjustments for:</i>                  |                                |                |                              |                |
| Amortization of in tangibles             | 4,291                          | 4,510          | 8,607                        | 9,038          |
| Corporate expense                        | 9,342                          | 8,927          | 17,698                       | 19,724         |
| <b>Total operating income (loss)</b>     | <b>10,257</b>                  | <b>8,849</b>   | <b>18,493</b>                | <b>6,847</b>   |
| Interest expense                         | 3,992                          | 3,951          | 7,645                        | 7,360          |
| Other expense (income), net              | 57                             | 9              | (171)                        | (146)          |
| <b>Income (loss) before income taxes</b> | <b>\$6,208</b>                 | <b>\$4,889</b> | <b>\$11,019</b>              | <b>\$(367)</b> |



**THE INDUSTRIAL DISTRIBUTION EXPERTS**

NASDAQ: DXPE  
JULY 2017