



THE INDUSTRIAL DISTRIBUTION EXPERTS

Presented by:

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Results for Q4 Fiscal 2022

Earnings Announcement: April 14, 2023

(Quarter Ending December 31, 2022)

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

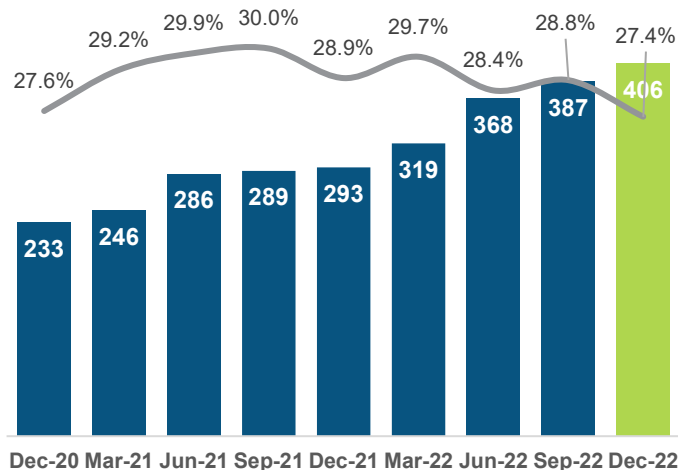
(\$ thousands)

	Prior Yr Qtr Dec 31, 2021	Prior Qtr Sep 30, 2022	Current Qtr Dec 31, 2022	Prior Yr Dec 31, 2021	Current Yr Dec 31, 2022
Sales	\$ 293,149	\$ 387,314	\$ 406,295	\$ 1,113,921	\$ 1,480,832
<i>% growth - seq.</i>	1.3%	5.3%	4.9%		
<i>% growth - yoy</i>	26.0%	33.8%	38.6%	10.8%	32.9%
Gross Profit	84,655	111,633	111,259	328,506	422,038
<i>% margin</i>	28.9%	28.8%	27.4%	29.5%	28.5%
Operating Income	7,593	26,539	23,734	39,857	97,752
<i>% margin</i>	2.6%	6.9%	5.8%	3.6%	6.6%
Adj. EBITDA, as reported	14,771	34,321	31,618	70,231	126,805
<i>% margin</i>	5.0%	8.9%	7.8%	6.3%	8.6%
Diluted EPS	\$ 0.05	\$ 0.71	\$ 0.37	\$ 0.83	\$ 2.47
Avg. Daily Sales:	\$ 4,806	\$ 6,052	\$ 6,553	\$ 4,438	\$ 5,853

QUARTERLY FINANCIAL HIGHLIGHTS

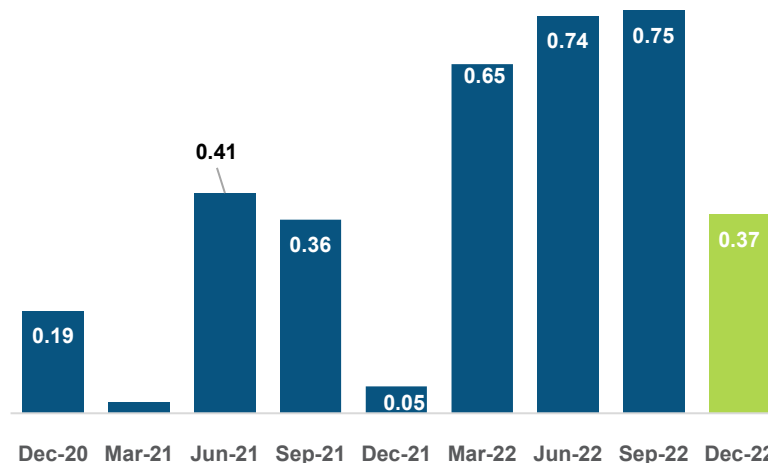
Sales and Gross Margin

(\$ millions)



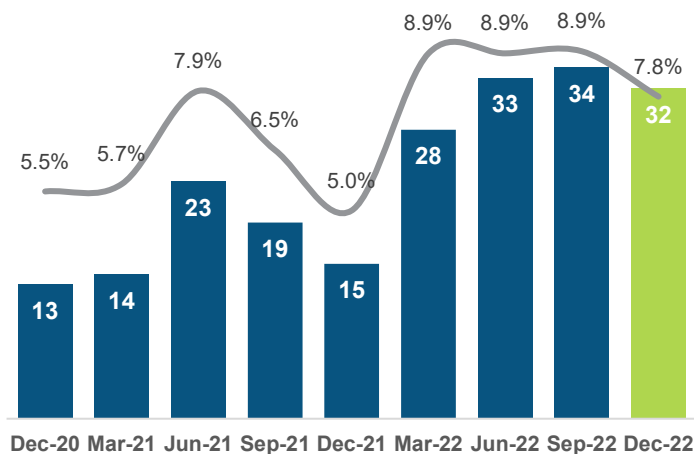
Diluted Earnings Per Share

(\$ actuals)



EBITDA and EBITDA Margin

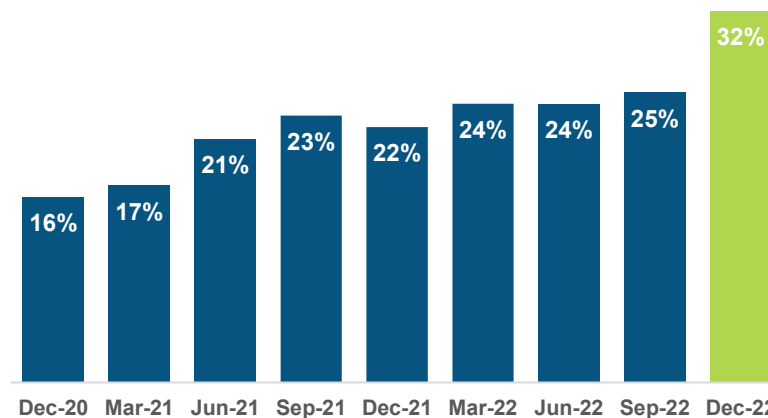
(\$ millions)



Return on Invested Capital

ROIC%


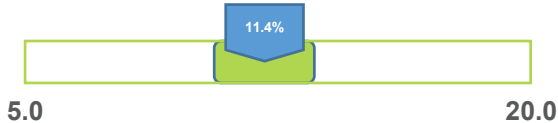

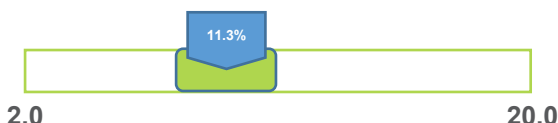
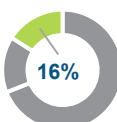
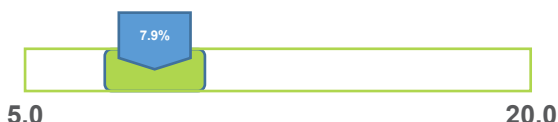
Return on invested capital is defined as tax-effected LTM EBITDA / average total net operating assets.



*Sep-20 and Dec-20 diluted earnings per share is adjusted for the impact of \$48.4 million and \$11.5 million in goodwill and other related impairments as well as the normalization of tax rates see appendix for reconciliation. Sep-22 diluted earnings per share is adjusted for the impact of a one-time non-cash loss on the sale of an asset.

Q4 OPERATING PERFORMANCE BY SEGMENT

(\$ millions)

	Sales \$	Sales Mix	OP\$	OP%	
DXP SERVICE CENTERS	\$ 279.4	 69%	\$ 31.7	11.4%	
DXP INNOVATIVE PUMPING SOLUTIONS®	\$ 61.2	 15%	\$ 6.9	11.3%	
DXP SUPPLY CHAIN SERVICES	\$ 65.7	 16%	\$ 5.2	7.9%	
Corporate*	---		\$ (20.1)		
Total DXP	\$ 406.3	100%	\$ 23.7	5.8%	

*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

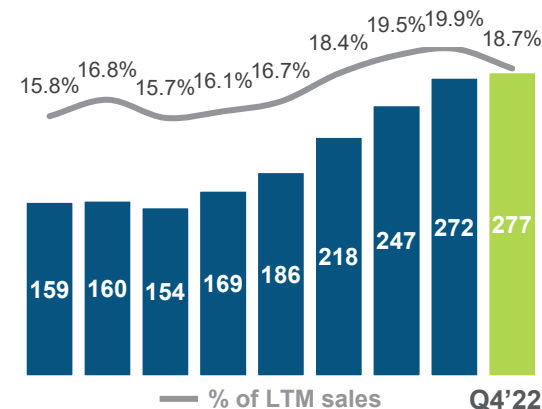
	Prior Qtr Sep 30, 2022	Current Qtr Dec 31, 2022	Current Yr Dec 31, 2022
GAAP net income	\$ 13,042	\$ 8,039	\$ 48,102
Depreciation and amortization	7,493	7,175	28,500
Change in net working capital	(20,466)	(8,021)	(69,046)
Other operating cash flows, net	(3,498)	(3,554)	(1,660)
Net Cash provided by operating activities	(3,429)	3,639	5,896
Purchase of property & equipment, net	1,578	1,490	4,916
Proceeds from sale of assets	-	-	-
Free Cash Flow	(5,007)	2,149	980
Net Cash used in financing activities	6,271	26,019	44,312
Cash at end of the period	17,064	46,119	46,119

Supplemental Information:

Purchase of businesses	4,389	-	48,506
Cash paid for income taxes	10,179	13,133	26,179
Cash paid for interest	6,392	9,068	25,321
Net Debt	347,859	382,107	382,107

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,	
	2022	2021	2022	2021
Operating income for DXP segments	\$43,871	\$30,509	\$176,741	\$122,964
Adjustments for:				
Impairment/other non-cash charges	-	-	-	-
Amortization of intangibles	4,957	4,507	18,915	17,197
Corporate expenses	15,180	18,409	60,074	65,910
Total operating income	\$23,734	\$7,593	\$97,752	\$39,857
Interest expense	11,525	5,245	29,135	21,089
Other expense (income), net	(227)	570	2,717	(414)
Income before income taxes	\$ 12,436	\$ 1,778	\$ 65,900	\$ 19,183

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,	
	2022	2021	2022	2021
Income before income taxes	\$ 12,436	\$ 1,778	\$ 65,900	\$ 19,182
Plus: interest expense	11,525	5,245	29,135	21,089
Plus: depreciation and amortization	7,175	7,073	28,500	27,143
EBITDA	\$31,136	\$14,096	\$123,535	\$67,414
Plus: NCI loss (gain) before tax	—	206	227	993
Plus: Impairment/other non- cash charges	—	—	1,193	—
Plus: Stock compensation expense	482	469	1,850	1,823
Adjusted EBITDA	\$31,618	\$14,771	\$126,805	\$70,230



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NASDAQ: DXPE
APRIL 2023