



## THE INDUSTRIAL DISTRIBUTION EXPERTS

*Presented by:*

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NASDAQ: DXPE  
NOVEMBER 2018

# 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.

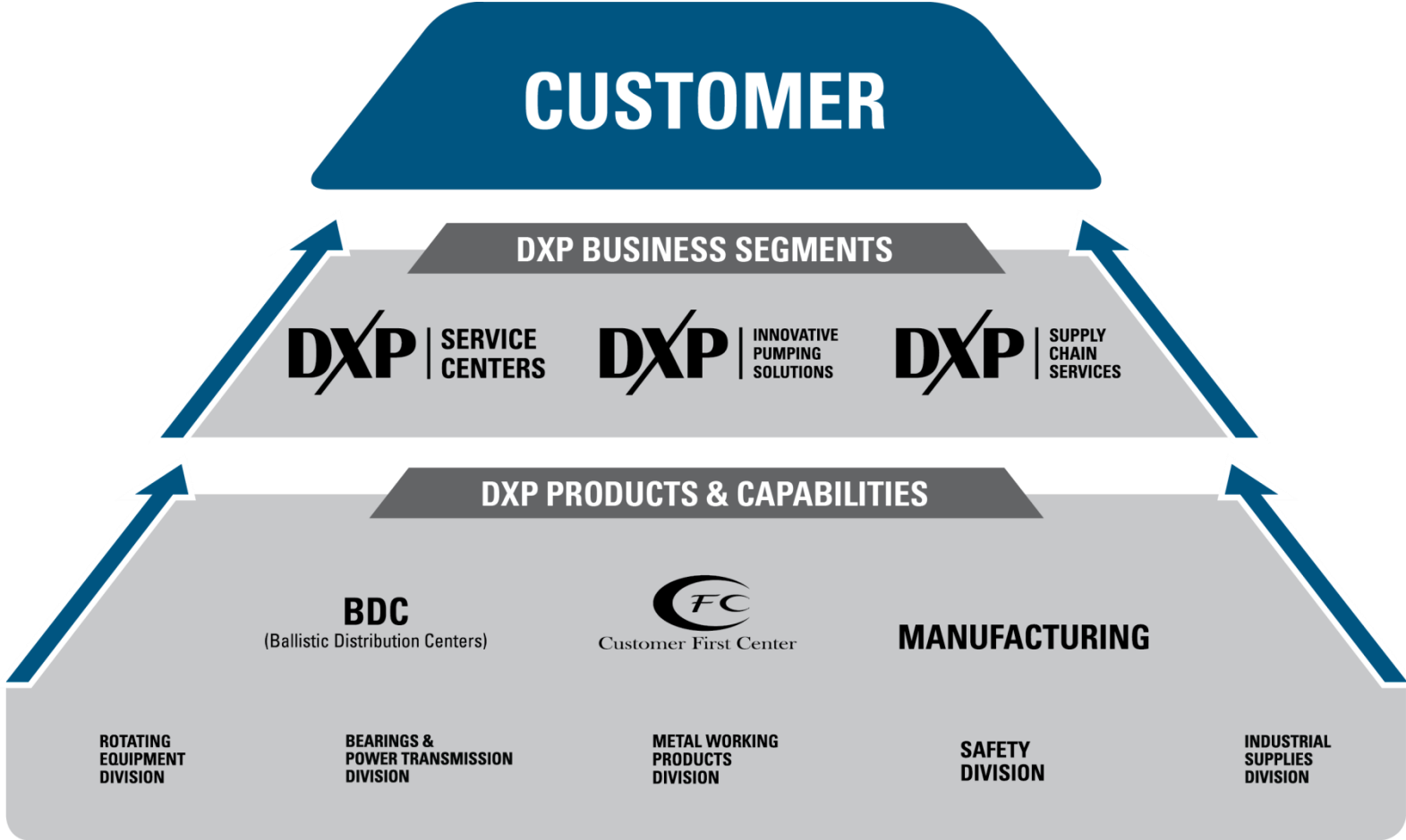


**WHAT MAKES DXP UNIQUE?**

**DXP**

# DIFFERENTIATED BUSINESS MODEL AND CAPABILITIES

WHAT MAKES DXP UNIQUE?

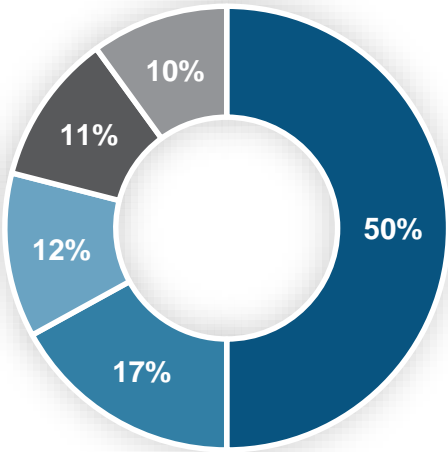


CUSTOMER DRIVEN EXPERTS IN MRO, OEM AND PROJECT SOLUTIONS

# KEY DIFFERENTIATOR: HIGHLY ENGINEERED PRODUCTS

WHAT MAKES DXP UNIQUE?

**DXP Product Divisions**  
*% of sales FY 2017*



<b>RE</b>	Rotating Equipment	#1
<b>B&amp;PT</b>	Bearing & Power Transmission	Top 10
<b>MW</b>	Metal Working / Cutting Tools	Top 5
<b>SP/SS</b>	Safety Products and Services	Top 15
<b>IS</b>	Industrial Supplies	

A breadth of technical products and services. . . . .

- ✓ *Fulfill MRO, OEM, capex customer demand streams*
- ✓ *Improve DXP's margin profile*
- ✓ *Value-added services*
- ✓ *Growing private label*

# KEY DIFFERENTIATOR: DYNAMIC END MARKETS

WHAT MAKES DXP UNIQUE?

**DXP End Markets**  
% of sales FY 2017



<b>UP</b> Upstream, 18%	<b>RESEL</b> Reseller, 6%
<b>MID</b> Midstream, 27%	<b>PWR</b> Power, 1%
<b>DOWN</b> Downstream, 4%	<b>TRANS</b> Transportation, 1%
<b>F&amp;B</b> Food & Beverage, 9%	<b>MIN</b> Mining, 4%
<b>IND</b> Industrial, 24%	<b>AG</b> Agriculture, 2%
<b>CHEM</b> Chemical, 4%	

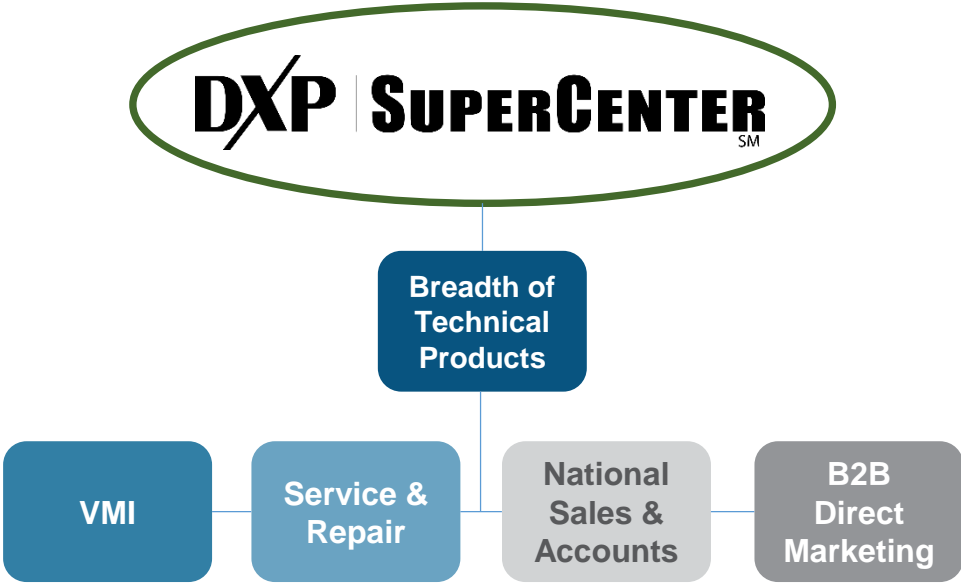
Diverse, growing end markets that drive growth in up cycles. . . . .

- ✓ *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.

# KEY DIFFERENTIATOR: UNIQUE STRATEGIES

WHAT MAKES DXP UNIQUE?



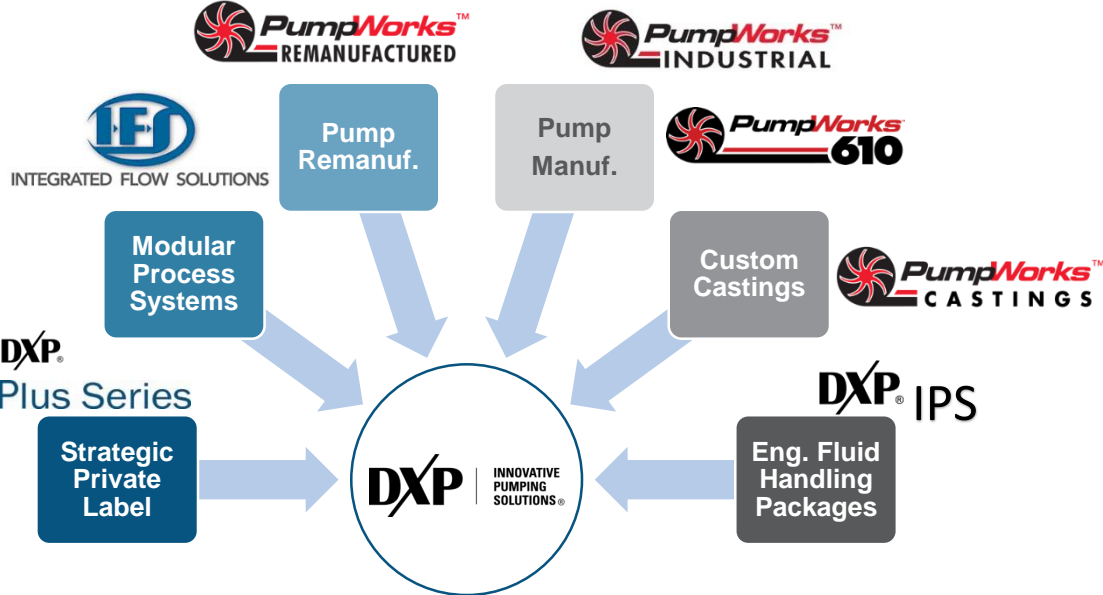
Customer driven experts in MROP solutions. . .

- ✓ *Supercenters*
- ✓ *Growth in national accounts*
- ✓ *Breadth of technical products*
- ✓ *Vendor managed inventory*
- ✓ *Largest network of national field and shop repair facilities*
- ✓ *Deep and broad global technical sales capabilities*
- ✓ *Establish digital marketing capabilities*

UNMATCHED BRANCH MODEL

# KEY DIFFERENTIATOR: UNIQUE STRATEGIES (CONT'D)

WHAT MAKES DXP UNIQUE?



Process engineering, packaging and manufacturing.... one stop solution with a single point of responsibility

- ✓ *Only distributor to provide complete set of activities*
- ✓ *Process engineering*
- ✓ *Capital project management*
- ✓ *Modular packages*
- ✓ *Customer castings*
- ✓ *Manufacturing and remanufacturing*
- ✓ *Private label pumps*
- ✓ *National / global platform for pumps*

UNMATCHED WORLD CLASS CAPABILITIES



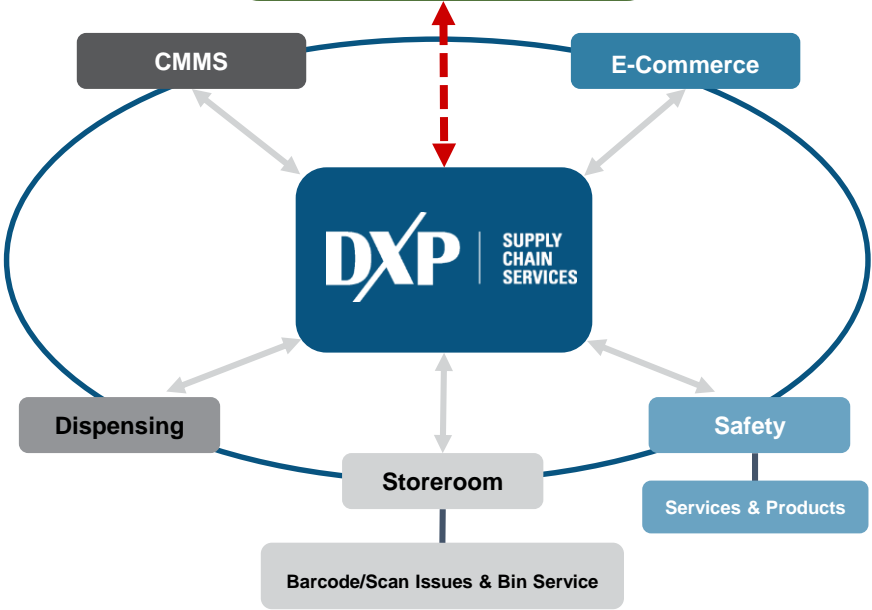
# KEY DIFFERENTIATOR: UNIQUE STRATEGIES (CONT'D)

WHAT MAKES DXP UNIQUE?



**Customer ERP/Interfaces**

- EDI
- XML
- Vending
- Custom formats



Reduce pure costs of indirect material spend by creating inventory and procurement solutions. . .

- ✓ *Leveraging 1<sup>st</sup> tier products and expertise*
- ✓ *Opportunity to expand into Canada and Mexico*
- ✓ *Leverage metal working and rotating equipment*

UNMATCHED INTEGRATED SUPPLY MODEL

WHAT ARE THE RESULTS OF OUR STRATEGY?

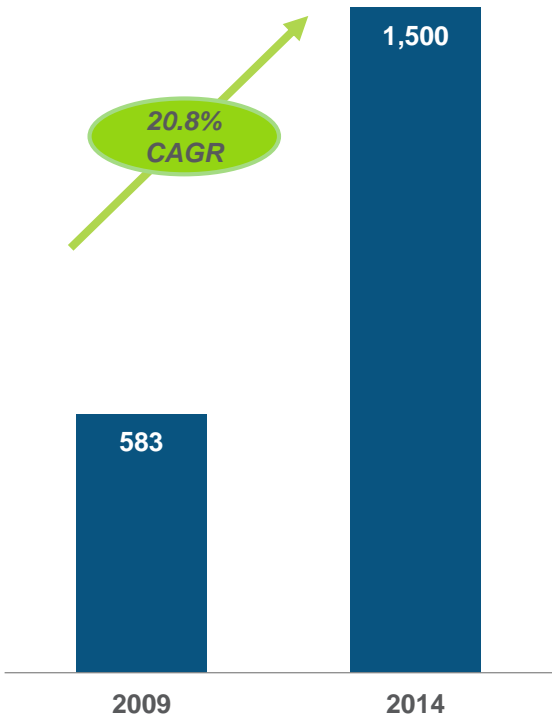
**DXP**

# SOLID FINANCIAL PERFORMANCE FROM 2009 TO 2014

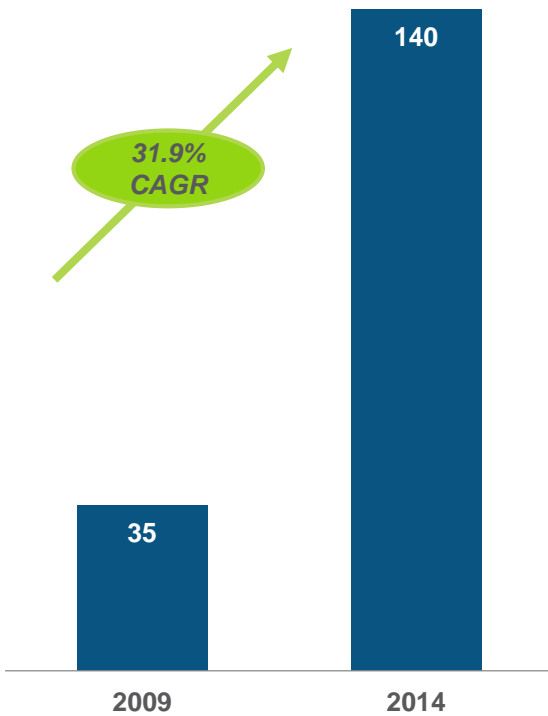
(\$ millions)

WHAT ARE THE RESULTS OF OUR STRATEGY?

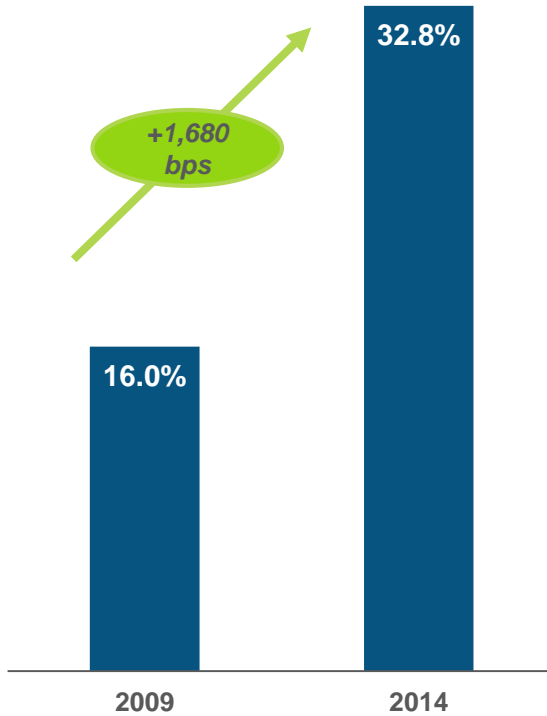
## SALES



## EBITDA\*



## RETURN ON INVESTED CAPITAL\*



\*EBITDA for 2014 is pre-impairment. Return on invested capital is defined as tax effected LTM EBITDA/Average total net operating assets (assumes a 38.5% tax rate). DXP sales, EBITDA and return on invested capital for 2015 were \$1.2 bn, \$82 million and 20%, respectively. In 2015, DXP experienced contraction in its primary end market, oil & gas, that contributed to the weakness and down cycle trend.

WHAT IS NEXT FOR DXP?

**DXP**

# DXP ENTERPRISES... THE DXP ADVANTAGE

WHAT IS NEXT FOR DXP?

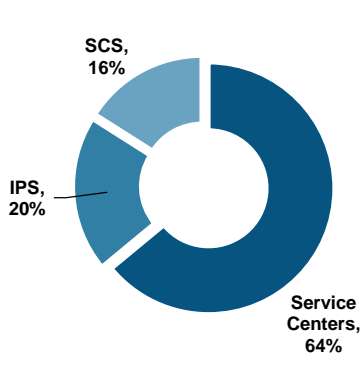
## COMPANY DESCRIPTION

- Leading **provider of technical products and services** for MRO (maintenance, repair, operating), OEM and capital equipment customers. . .
- Building a North American Platform
- Largest provider of complete rotating equipment capabilities

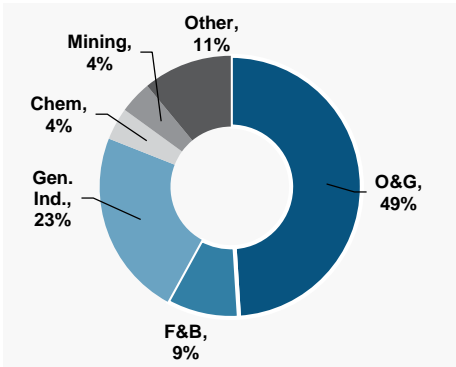
## QUICK FACTS

- ~\$1.0 billion annual sales
- 177 Locations
- 8 Regional distribution centers
- 7 Fabrication centers
- 1 Customer First Center
- 2,000 + employees

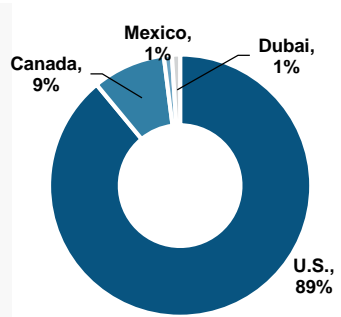
Sales by Segment



Sales by End Market



Sales by Region



## Key Markets

Oil & Gas



Food & Beverage



Industrial



Note: Business segment and sales by region is for the FY 2017.

# GROWING GLOBAL, REGIONAL AND LOCAL PRESENCE

WHAT IS NEXT FOR DXP?



- Service Center / Sales office
- Fabrication
- Ballistic Distribution Center
- Customer First Center

**171**  
Service Centers / Sales Offices

**7**  
Fabrication Centers

**6**  
Manufacturing /Reman.

**8**  
Ballistic Distribution Centers

**1**  
Customer First Center

Includes 46 Service & Repair facilities

Note: Location names do not total to total physical location count due to city or province overlap.

# FINANCIAL GOALS – THE NEXT UP CYCLE

WHAT IS NEXT FOR DXP?

	2009 – 2014 Average	Management Target
Organic sales growth	7.4%	> =
Acquisition sales	13.7%	< =
EBITDA margin	8.9%	>
Working Capital % of sales	15.5%	< =
ROIC	31.2%	>
Debt / EBITDA	2.0x	=
Debt-to-total capital	47.5%	<

# DXP BUSINESS SEGMENTS

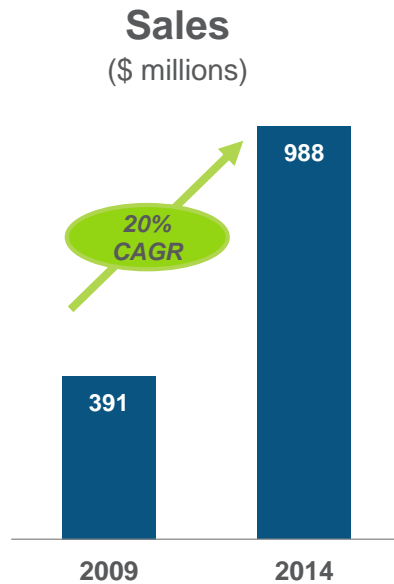




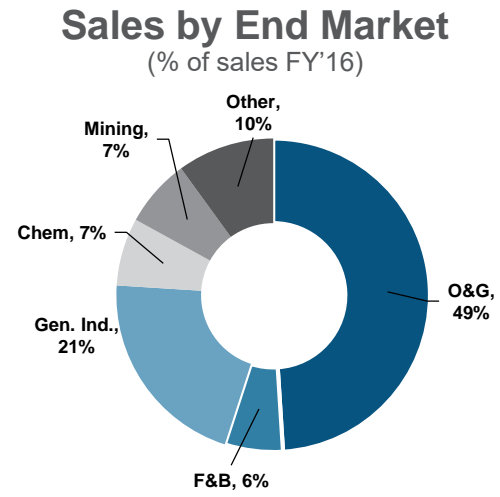
# SERVICE CENTER SEGMENT



*DXP Service Centers are engaged in providing MRO and OEM products, equipment and services, including technical expertise and logistics capabilities, to industrial customers with the ability to provide same day delivery. We offer our customers a single source of supply on an efficient and competitive basis by being a first-tier distributor that can provide products in the rotating equipment, power transmission, hose, fluid power, metal working, industrial supply, safety products and services categories.*



## DIFFERENTIATED BUSINESS MODEL & CAPABILITIES



**168**  
locations

**~80%**  
MRO

**43**  
SuperCenters

**4**  
countries

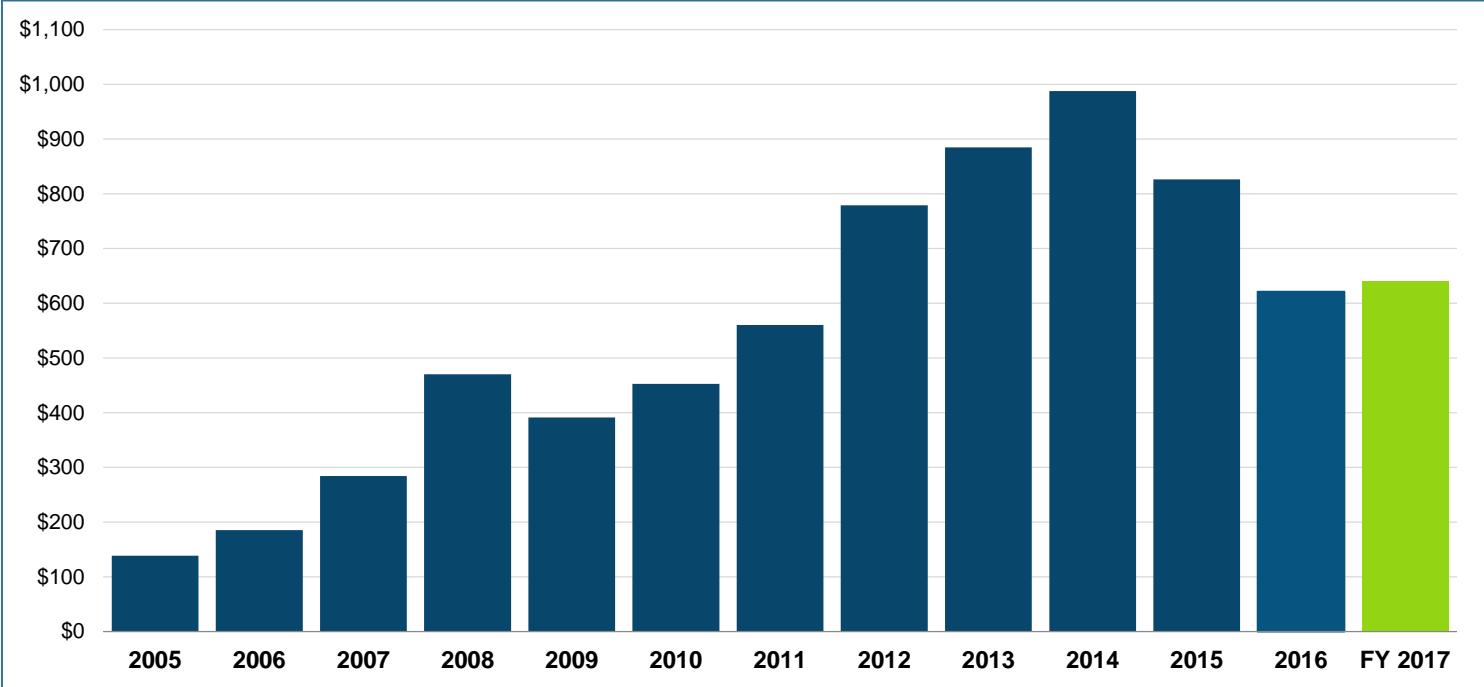
**250+**  
Outside sales persons

**~1,800**  
employees

Note: DXP's Service Centers segment sales for 2016 were \$621 million. In 2016, DXP experienced contraction in its primary end market, oil & gas, that contributed to the weakness and down cycle trend.

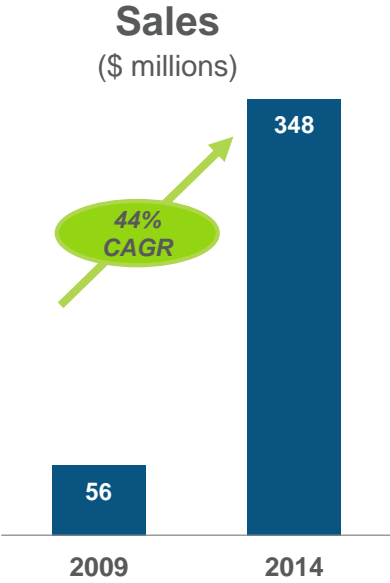
# SERVICE CENTER SEGMENT FINANCIAL PERFORMANCE

*DIFFERENTIATED BUSINESS MODEL & CAPABILITIES*



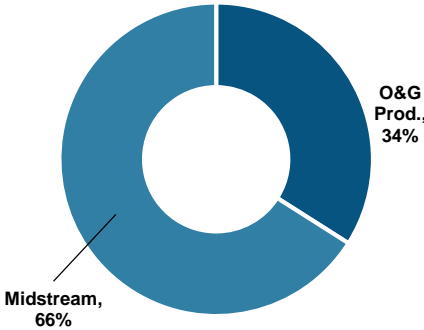
<b>Total Sales</b>	\$138.7	\$185.4	\$284.2	\$470.2	\$391.1	\$452.7	\$560.2	\$779.0	\$884.8	\$987.6	\$826.6	\$621.0	\$641.3
<b>Total Growth</b>		33.6%	53.3%	65.5%	-16.8%	15.8%	23.7%	39.1%	13.6%	11.6%	-16.3%	-24.9%	3.3%
<b>Organic Growth</b>		20.3%	8.5%	15.7%	-24.5%	9.1%	15.3%	6.6%	-0.3%	2.5%	-18.7%	-26.1%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

# INNOVATIVE PUMPING SOLUTIONS



## DIFFERENTIATED BUSINESS MODEL & CAPABILITIES

### Sales by End Market (% of sales FY'16)



*DXP's Innovative Pumping Solutions® segment is a single source for engineering, modular process systems, engineered fluid handling packages, pump manufacturing, remanufacturing, custom castings and strategic private label pump for a global customer base.*

**13**  
fabrication centers

**100%**  
capital spend

**25**  
engineers

**2**  
countries

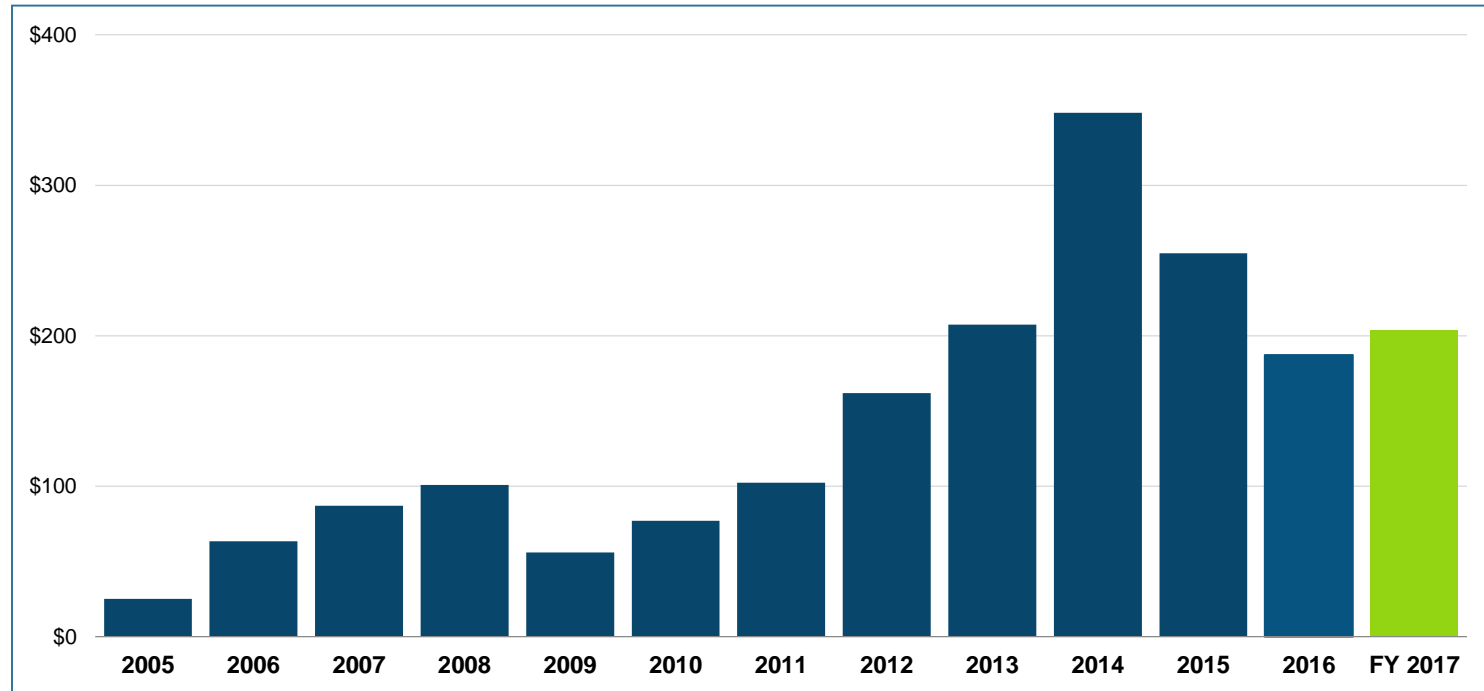
**20+**  
Outside sales persons

**~475**  
employees

Note: DXP's Innovative Pumping Solutions segment sales for 2016 were \$187 million. In 2016, DXP experienced contraction in its primary end market, oil & gas, that contributed to the weakness and down cycle trend.

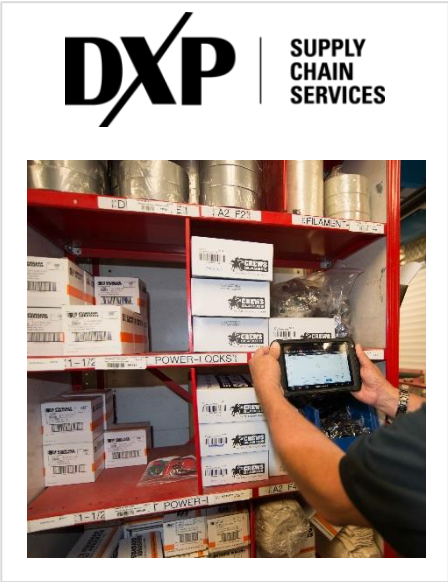
# IPS FINANCIAL PERFORMANCE

*DIFFERENTIATED BUSINESS MODEL & CAPABILITIES*

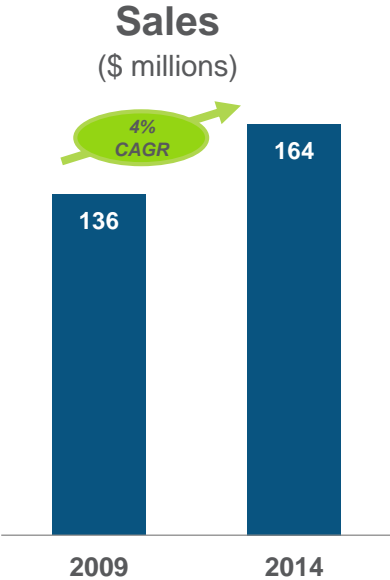


<b>Total Sales</b>	\$25.2	\$63.4	\$87.0	\$100.9	\$55.9	\$77.0	\$102.3	\$161.8	\$209.2	\$348.1	\$254.8	\$187.1	\$204.0
<b>Total Growth</b>		151.6%	37.3%	15.9%	-44.6%	37.8%	32.8%	58.2%	29.3%	66.4%	-26.8%	-26.6%	9.0%
<b>Organic Growth</b>		87.4%	29.8%	13.7%	-44.6%	6.6%	28.5%	58.2%	9.7%	3.9%	-26.8%	-26.6%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

# SUPPLY CHAIN SERVICES

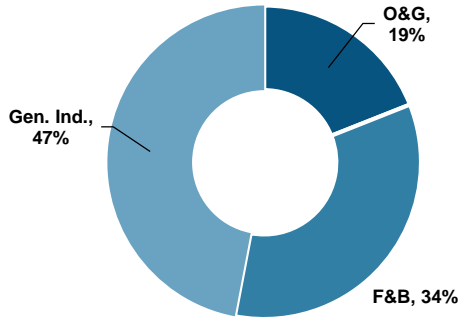


*DXP's Supply Chain Services segment manages all or part of its customers' supply chains including procurement and inventory management. DXP's Supply Chain Services provide a fully outsourced MRO solution. DXP's mission is to help customers become more competitive by reducing their indirect material costs and order cycle time by increasing productivity and by creating enterprise-wide inventory and procurement visibility and control.*



## DIFFERENTIATED BUSINESS MODEL & CAPABILITIES

### Sales by End Market (% of sales FY'16)



**69**  
customer locations

**~\$2M**  
average spend

**3 – 5 yrs**  
avg. contract length

**2**  
countries

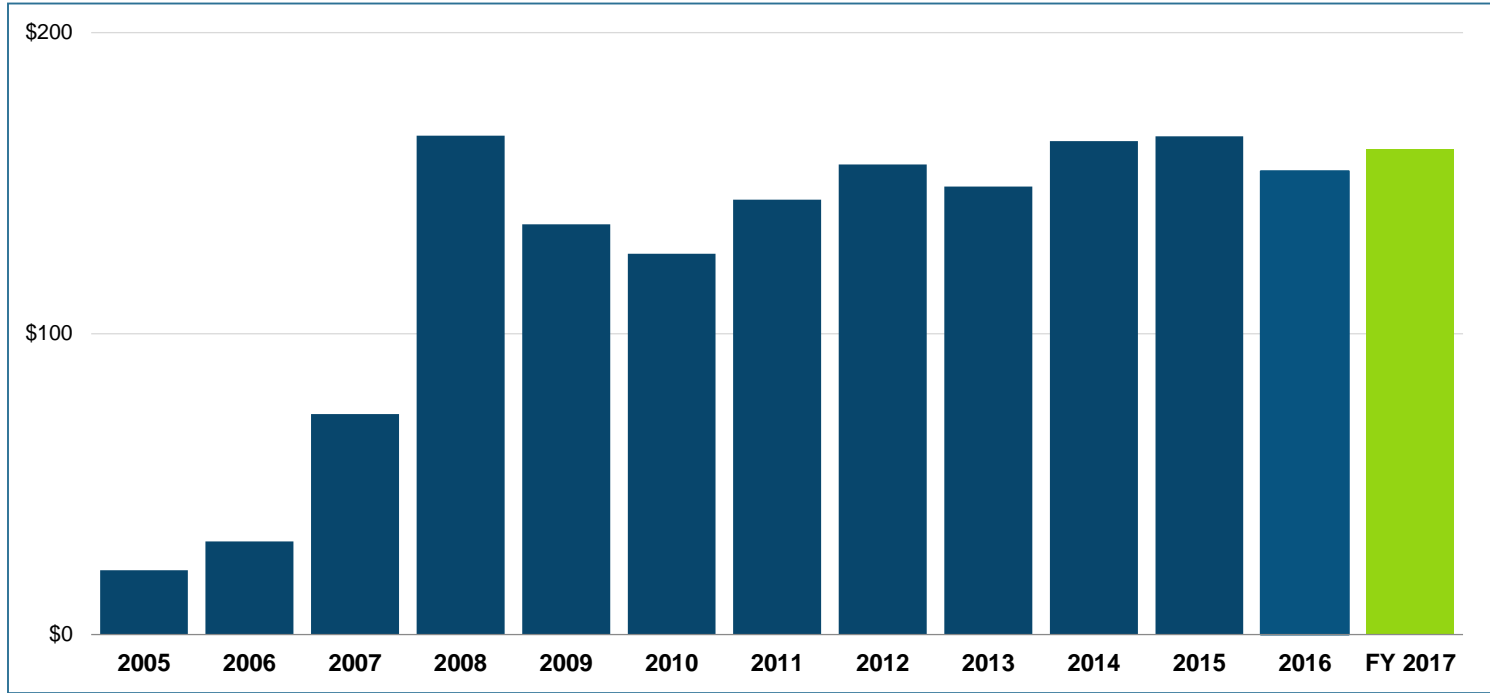
**3**  
Outside sales persons

**~250**  
employees

Note: DXP's Supply Chain Services segment sales for 2016 were \$154 million. In 2016, DXP experienced contraction in its primary end market, oil & gas, that contributed to the weakness and down cycle trend.

# SUPPLY CHAIN SERVICES FINANCIAL PERFORMANCE

*DIFFERENTIATED BUSINESS MODEL & CAPABILITIES*



<b>Total Sales</b>	\$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
<b>Total Growth</b>		44.8%	136.4%	126.1%	-17.8%	-7.2%	14.2%	8.1%	-5.6%	11.2%	1.0%	-7.0%	4.9%
<b>Organic Growth</b>		44.8%	28.7%	2.5%	-17.8%	-7.2%	9.5%	-0.3%	-5.6%	11.2%	1.0%	-7.0%	4.9%
<b>Op. Income</b>					\$5.5	\$7.1	\$8.5	\$12.5	\$12.5	\$13.8	\$14.2	\$15.4	\$15.5
<b>Op as % of Sales</b>					4.1%	5.6%	5.9%	8.0%	8.5%	8.4%	8.6%	10.0%	9.6%

# DYNAMIC GROWTH STRATEGY

**DXP**

# BALANCED GROWTH

DYNAMIC GROWTH STRATEGY



- **Organic growth remains a top priority. . . . .**
  - Completing the first national pump distribution platform
  - SuperCenters – unmatched branch model. . . .
  - Aligned Sales force expansion – National and Local
  - National service and repair
  - U.S. based facilities – quality “Made in America”
  - Unmatched Innovative Pumping Solution capabilities
  - SCS guaranteed “customer savings”
- **. . . . Acquisitions accelerate growth and scale**
  - Opportunities to enlarge key product divisions
  - Diversify end markets and customers
  - U.S. still top priority – significant “holes” in the map
- **Combined, consistent growth in excess of the market**
  - Consistent top and bottom-line growth
  - “One-stop” source for customer’s technical products and service needs – “*Customer Driven Experts in MROP Solutions*”
  - Long-term shareholder value creation



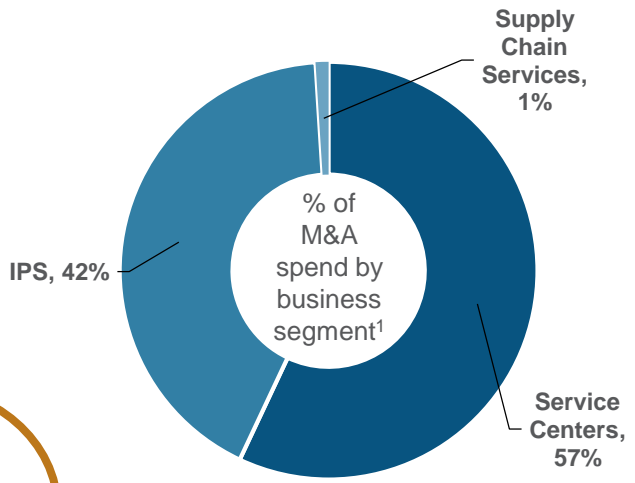
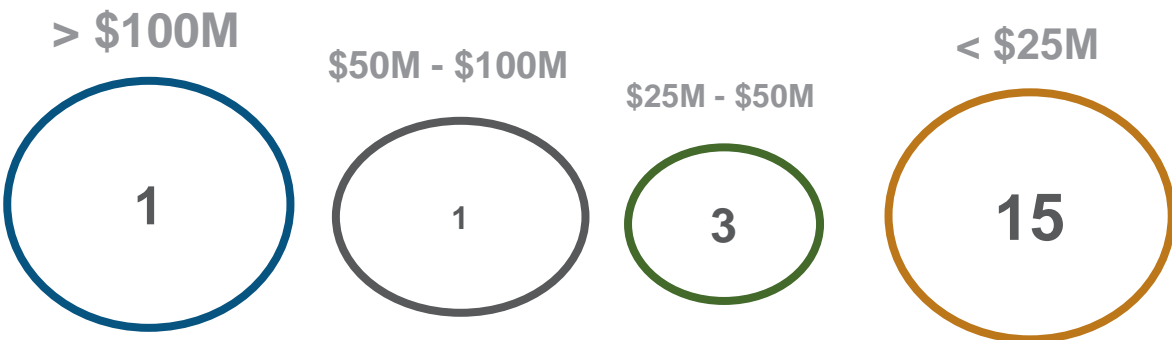
# TARGETED M&A STRATEGY

DYNAMIC GROWTH STRATEGY

## KEY SELECTION CRITERIA

- Enhance or Expand Product Expertise & Depth
- Strengthened Geographic Presence
- Diversify or Enhance End Markets & Customers
- Accretive
- Margin Enhancement Opportunities

### # of Acquisitions Based on purchase price<sup>1</sup>

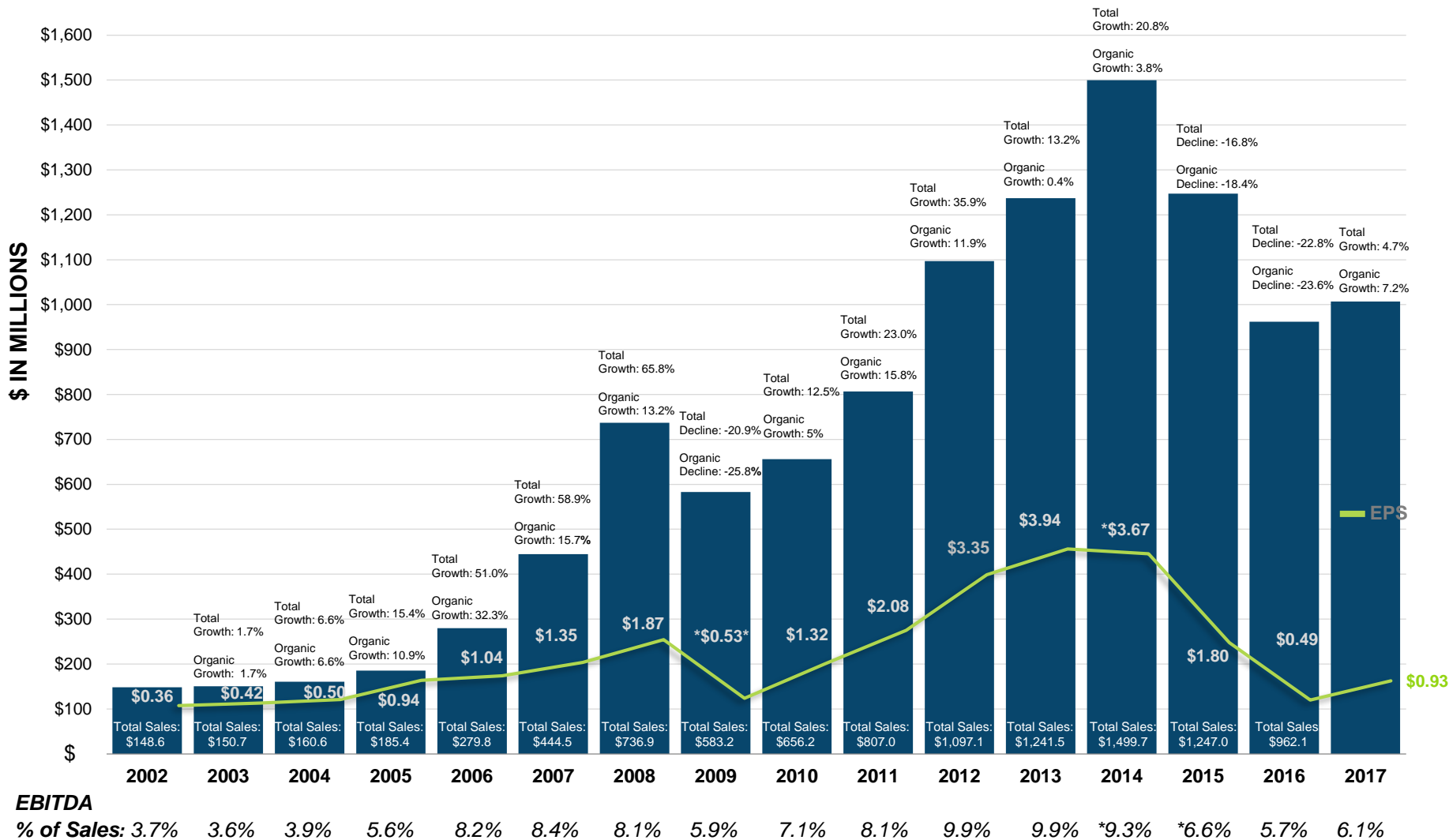


<sup>1</sup> Reflects M&A transactions completed from FY09 to the present.

# FINANCIAL REVIEW



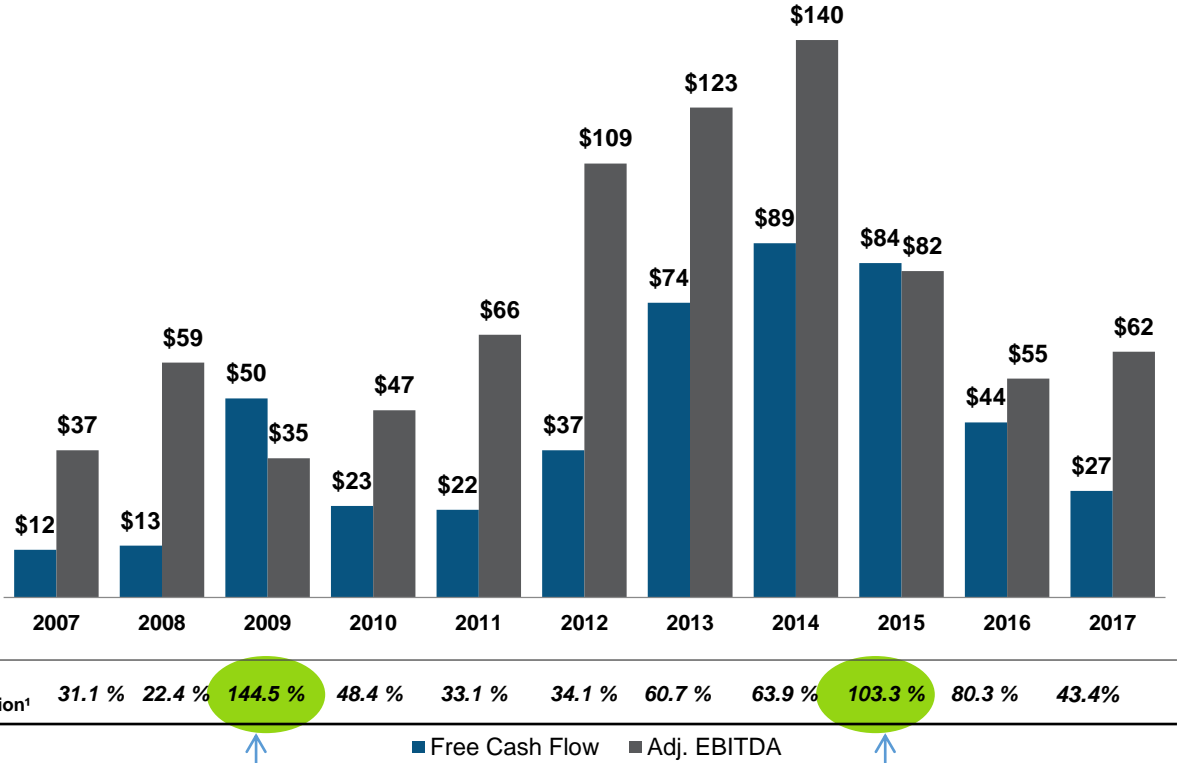
# CONSISTENT REVENUE AND EARNINGS GROWTH



\*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.

# STRONG FREE CASH FLOW PROVIDES RESILIENCY

(\$ millions)



■ Free Cash Flow ■ Adj. EBITDA

FCF conversion peaks at height of cycle

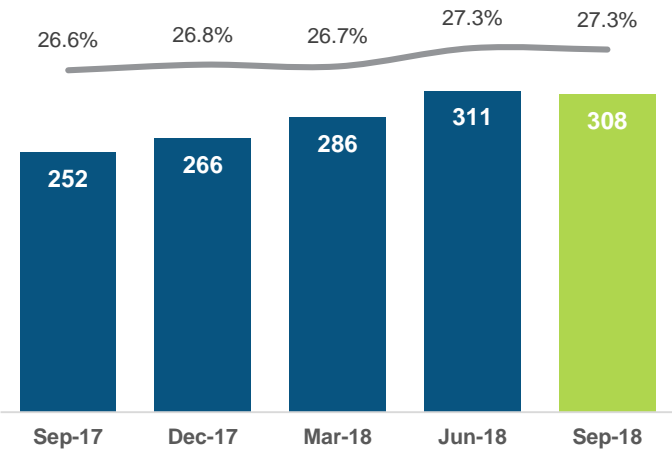
Robust free cash flow profile...

- ✓ *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*

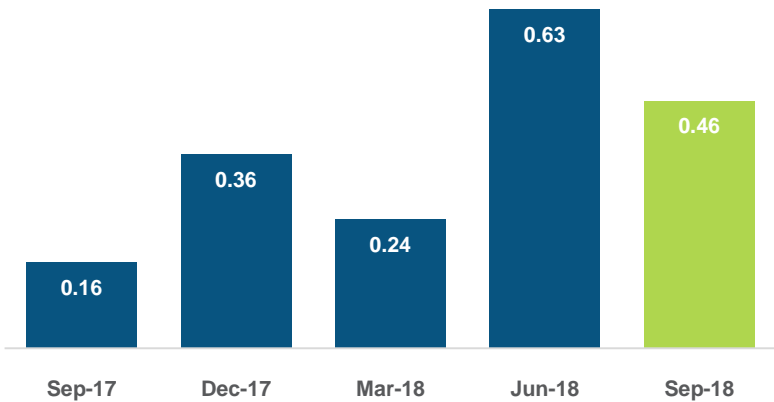
Note: EBITDA and net income are pre-impairment expense in 2009, 2014 and 2015. 2015 is also pre-B27 settlement and includes add back for above average legal fees. EBITDA burdened by stock based compensation.  
<sup>1</sup> Free Cash Flow calculated as operating cash flow less net capital expenditures; 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

# QUARTERLY FINANCIAL HIGHLIGHTS

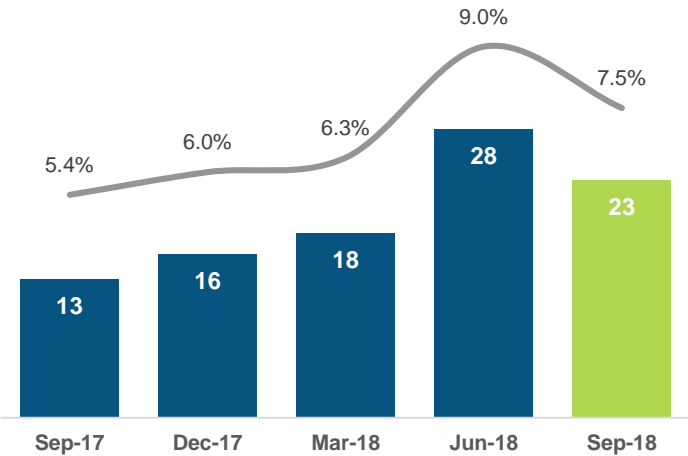
**Sales and Gross Margin**  
(\$ millions)



**Diluted Earnings Per Share**  
(\$ actuals)

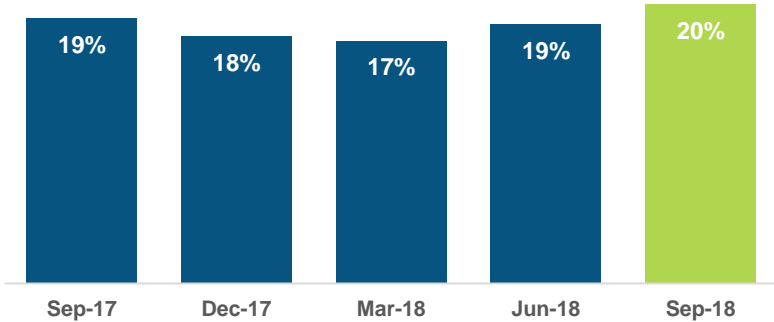


**EBITDA and EBITDA Margin**  
(\$ millions)



**Return on Invested Capital**  
ROIC%

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



# REVENUE BY BUSINESS SEGMENT

(\$ millions)

	Sep-17 \$	Dec-17 \$	Mar-18 \$	Jun-18 \$	\$	Sep-18 Q/Q%	Y/Y%
<b>DXP</b>   SERVICE CENTERS	\$ 160.9	\$ 166.9	\$ 175.4	\$ 193.6	\$ 187.8	-3%	17%
<b>DXP</b>   INNOVATIVE PUMPING SOLUTIONS®	\$ 51.0	\$ 59.5	\$ 67.6	\$ 74.2	\$ 76.7	3%	50%
<b>DXP</b>   SUPPLY CHAIN SERVICES	\$ 40.0	\$ 39.2	\$ 42.9	\$ 43.4	\$ 43.6	0.5%	9%
<b>Total DXP</b>	<b>\$ 251.9</b>	<b>\$ 265.6</b>	<b>\$ 285.9</b>	<b>\$ 311.2</b>	<b>\$ 308.0</b>	<b>-1%</b>	<b>22%</b>

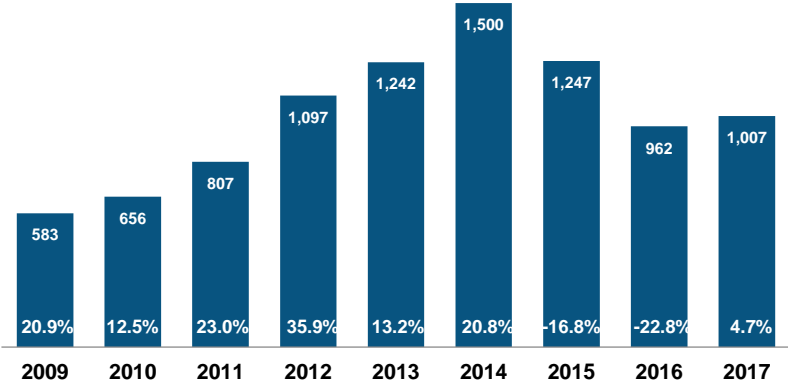
*DXP's Service Centers is engaged in providing MRO and OEM products, equipment and services, including technical expertise to industrial customers. We offer our customers a single source of supply that can provide products in the rotating equipment, power transmission, metal working, industrial supply, safety products and services categories.*

*DXP's Innovative Pumping Solutions® segment is a single source for engineering, modular process systems, engineered fluid handling packages, pump manufacturing, remanufacturing, custom castings and strategic private label pump for a global customer base.*

*DXP's Supply Chain Services segment manages all or part of its customers' supply chains including procurement and inventory management. DXP's mission is to help customers become more competitive by reducing their indirect material costs and order cycle time by increasing productivity and by creating enterprise-wide inventory and procurement visibility and control.*

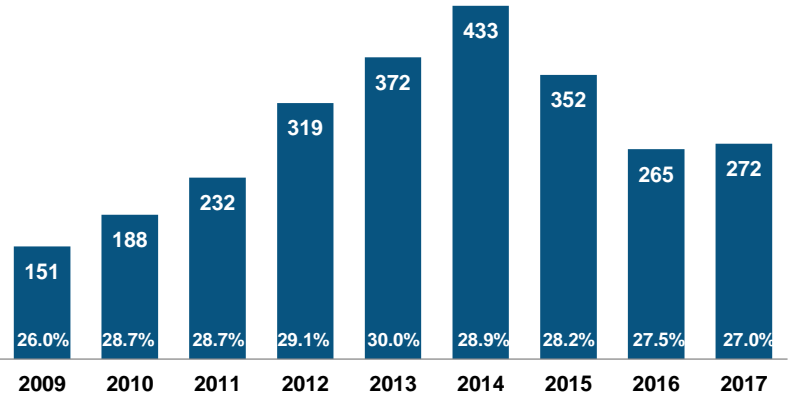
# HISTORICAL ANNUAL FINANCIAL PERFORMANCE

**Revenue**  
(\$ millions)



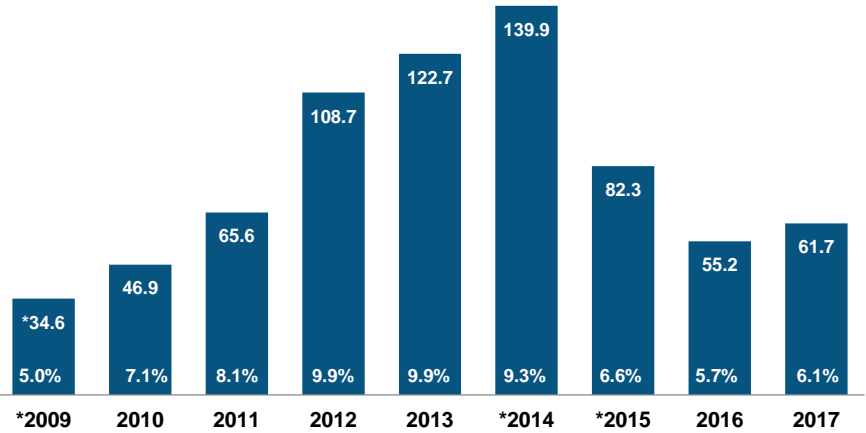
Percentages reflect year-over-year revenue growth from corresponding period.

**Gross Profit**  
(\$ millions)



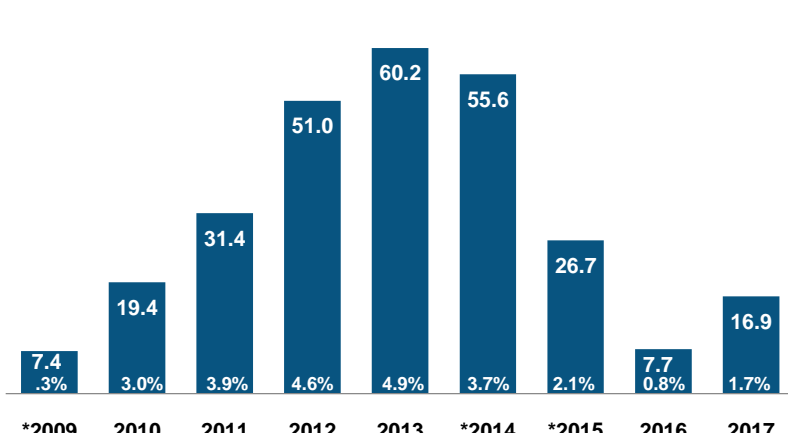
Percentages reflect gross margin.

**EBITDA**  
(\$ millions)



Percentages reflect EBITDA margin.

**Net Income**  
(\$ millions)

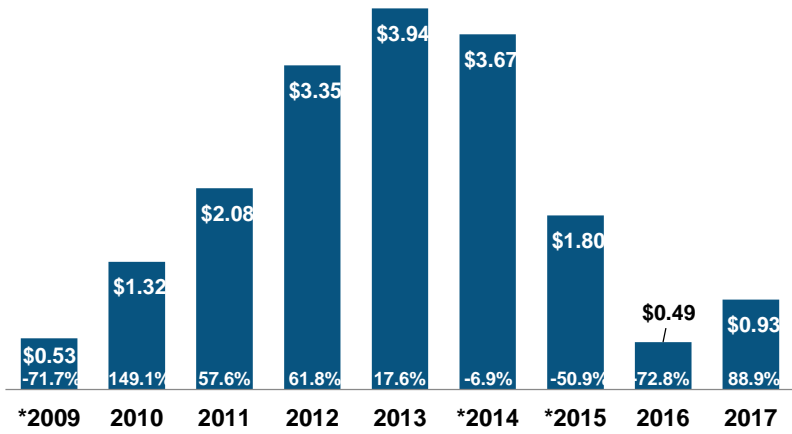


Percentages reflect net income margin.

\*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.

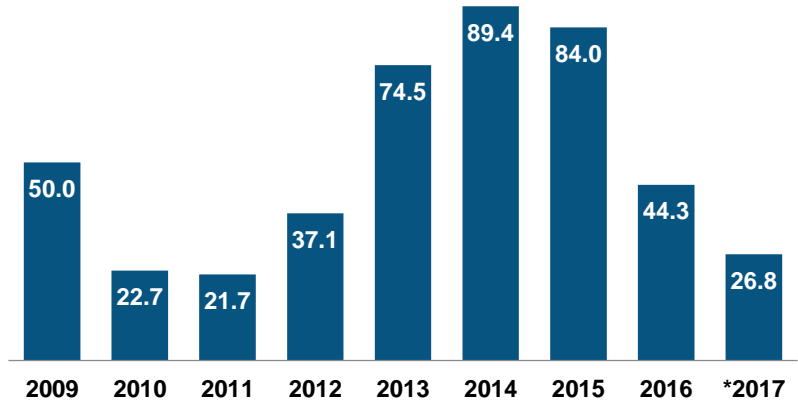
# HISTORICAL FINANCIAL PERFORMANCE (CONT'D)

Diluted Earnings Per Share



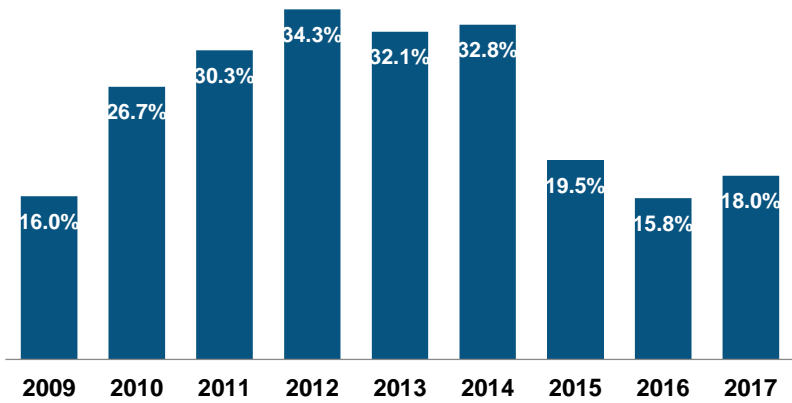
Percentages reflect year-over-year EPS growth.

Free Cash Flow (\$ millions)



Free cash flow defined as cash from operating activities less capex.

Return On Invested Capital



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

*PROFITABLE, SUSTAINABLE GROWTH*

*CONSISTENT EARNINGS*

*LONG-TERM SHAREHOLDER RETURNS*

\*2009, 2014 and 2015 are adjusted for impairments and B27 settlement. FY 2017 Free Cash Flow is adjusted for \$17.1M in outstanding checks.



WHY INVEST IN DXP?

**DXP**

# WHY INVEST IN DXP?

1

Differentiated business model and capabilities

2

Positioned to deliver meaningful earnings power

3

Strong sustainable, resilient free cash flow

4

Unwavering shareholder return commitment

**Q&A**

# APPENDIX

**DXP**

# RECONCILIATION OF OPERATING INCOME

(\$ thousands)

	Three Months Ended September 30,	
	2018	2017
Operating income for reportable segments	\$33,249	\$21,370
<i>Adjustments for:</i>		
Amortization of intangibles	4,098	4,336
Corporate expenses	12,338	10,524
<b>Total operating income</b>	<b>16,813</b>	<b>6,510</b>
Interest expense	4,781	4,928
Other expense (income), net	120	(153)
<b>Income before income taxes</b>	<b>\$ 11,912</b>	<b>\$1,735</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 September 30,	
	2018	2017
Income before income taxes	\$ 11,912	\$ 1,735
Plus: interest expense	4,781	4,928
Plus: depreciation and amortization	6,506	6,836
<b>EBITDA</b>	<b>\$23,199</b>	<b>\$13,499</b>
Plus: NCI loss before tax	64	85
Plus: Stock compensation expense	526	382
<b>Adjusted EBITDA</b>	<b>\$23,789</b>	<b>\$13,966</b>



**THE INDUSTRIAL DISTRIBUTION EXPERTS**

NASDAQ: DXPE  
NOVEMBER 2018