



## THE INDUSTRIAL DISTRIBUTION EXPERTS

*Presented by:*

**David Little**

Chairman, President & CEO

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**Results for Q4 Fiscal 2017**

Earnings Announcement: March 21, 2018

(Quarter Ending December 31, 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.



# Q4 INCOME STATEMENT HIGHLIGHTS

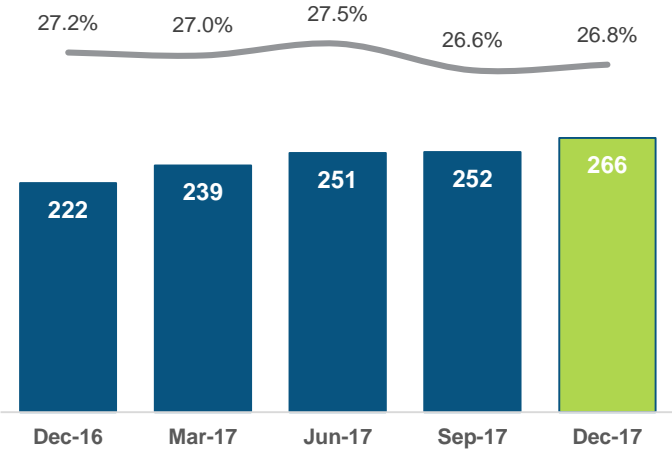
(\$ thousands)

	Prior Yr Qtr Dec 31, 2016	Prior Qtr Sep 30, 2017	Current Qtr Dec 31, 2017	Prior Yr Dec 31, 2016	Current Yr Dec 31, 2017
Sales	\$ 222,291	\$ 251,930	\$ 265,627	\$ 962,092	\$ 1,006,782
<i>% growth - seq.</i>			5.4%		
<i>% growth - yoy</i>			19.5%		4.6%
Gross Profit	60,561	66,963	71,167	264,802	271,581
<i>% margin</i>	27.2%	26.6%	26.8%	27.5%	27.0%
Operating Income	7,552	6,510	8,487	19,332	33,490
<i>% margin</i>	3.4%	2.6%	3.2%	2.0%	3.3%
EBITDA	20,428	13,499	15,807	55,232	61,732
<i>% margin</i>	9.2%	5.4%	6.0%	5.7%	6.1%
Diluted EPS	\$ 0.42	\$ 0.16	\$ 0.36	\$ 0.49	\$ 0.93
Avg. Daily Sales:	\$ 3,644	\$ 3,999	\$ 4,355	\$ 3,818	\$ 4,011

# QUARTERLY FINANCIAL HIGHLIGHTS

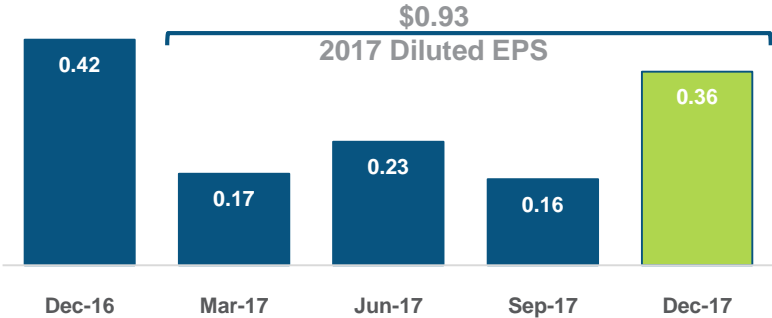
## Sales and Gross Margin

(\$ millions)



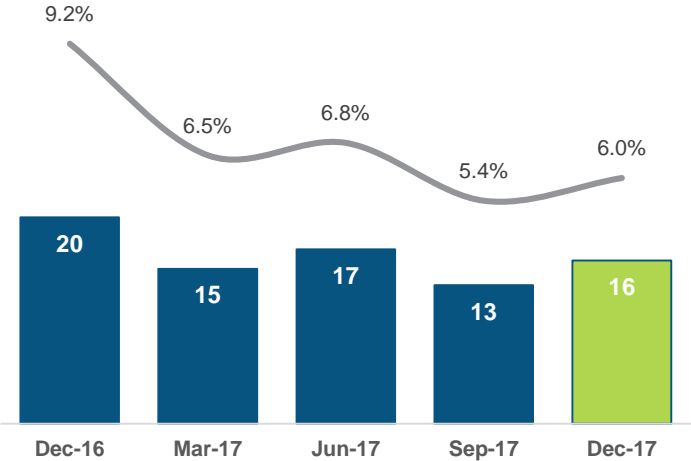
## Diluted Earnings Per Share

(\$ actuals)



## EBITDA and EBITDA Margin

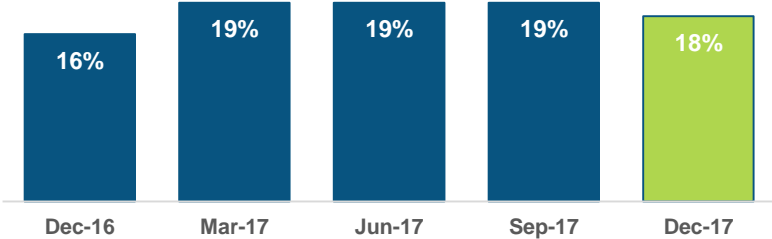
(\$ millions)



## Return on Invested Capital

ROIC%


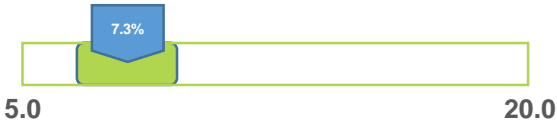
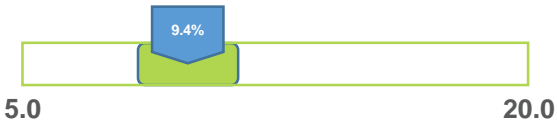
Return on invested capital is defined as tax affected LTM EBITDA / average total net operating assets.



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.

# Q4 OPERATING PERFORMANCE BY SEGMENT

(\$ millions)

	Sales \$	OP\$	OP%	
<b>DXP</b>   SERVICE CENTERS	\$ 166.9	\$ 15.9	9.6%	
<b>DXP</b>   INNOVATIVE PUMPING SOLUTIONS®	\$ 59.5	\$ 4.3	7.3%	
<b>DXP</b>   SUPPLY CHAIN SERVICES	\$ 39.2	\$ 3.7	9.4%	
Corporate	---	\$ (19.8)		
<b>Total DXP</b>	<b>\$ 265.6</b>	<b>\$ 4.1</b>	<b>1.6%</b>	

Note: Corporate includes Corporate SG&A, amortization, interest expense and other expense (income)

# CASH FLOW & WORKING CAPITAL

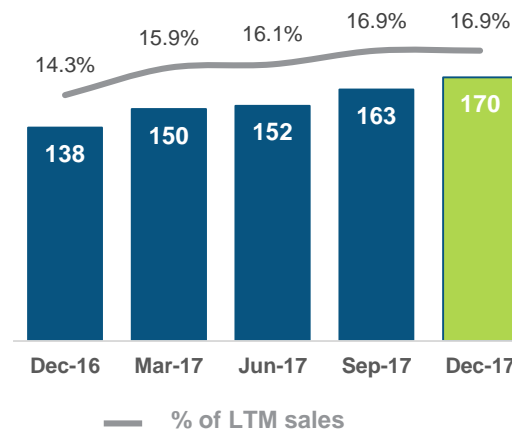
	Prior Qtr Sep 30, 2017	Current Qtr Dec 31, 2017	Current Yr Dec 31, 2017
GAAP net income	\$ 2,912	\$ 6,655	\$ 16,529
Depreciation and amortization	6,836	7,188	27,786
Change in net working capital	(10,944)	(7,703)	(36,155)
Other operating cash flows, net	1,870	(2,123)	4,384
<b>Net Cash provided by operating activities</b>	<b>674</b>	<b>4,017</b>	<b>12,544</b>
Purchase of property & equipment, net	1,039	654	2,811
<b>Free Cash Flow</b>	<b>(365)</b>	<b>3,363</b>	<b>9,733</b>
Net Cash used in financing activities	20,821	(750)	14,188
<b>Cash at end of the period</b>	<b>23,087</b>	<b>25,579</b>	<b>25,579</b>

## Supplemental Information:

Cash paid for income taxes	(2,285)	144	714
Cash paid for interest	3,920	4,481	14,927
Net Debt	229,851	226,518	226,518

## 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

# REVENUE BY BUSINESS SEGMENT

(\$ millions)

	Dec-16 \$	Mar-17 \$	Jun-17 \$	Sep-17 \$	\$	Dec-17 Q/Q%	Y/Y%
<b>DXP</b>   SERVICE CENTERS	\$ 139.7	\$ 148.7	\$ 164.7	\$ 160.9	\$ 166.9	4%	20%
<b>DXP</b>   INNOVATIVE PUMPING SOLUTIONS®	\$ 45.5	\$ 49.1	\$ 44.5	\$ 51.0	\$ 59.5	17%	31%
<b>DXP</b>   SUPPLY CHAIN SERVICES	\$ 37.1	\$ 40.8	\$ 41.5	\$ 40.0	\$ 39.2	(2%)	6%
<b>Total DXP</b>	<b>\$ 222.3</b>	<b>\$ 238.5</b>	<b>\$ 250.7</b>	<b>\$ 251.9</b>	<b>\$ 265.6</b>	<b>5%</b>	<b>19%</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.*

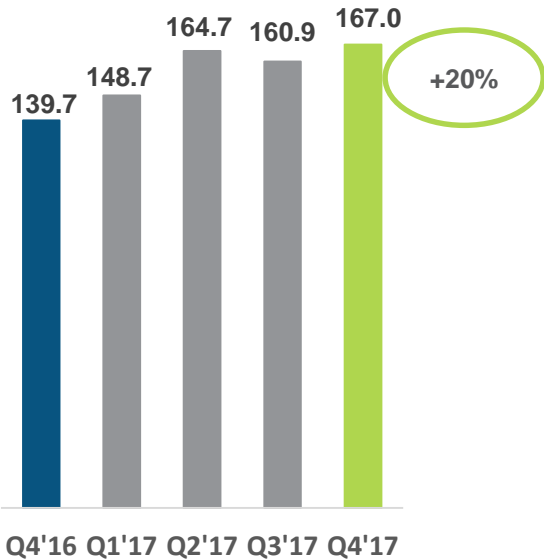
# Q4'17 SEGMENT PERFORMANCE

(\$ millions)

**DXP** | SERVICE CENTERS

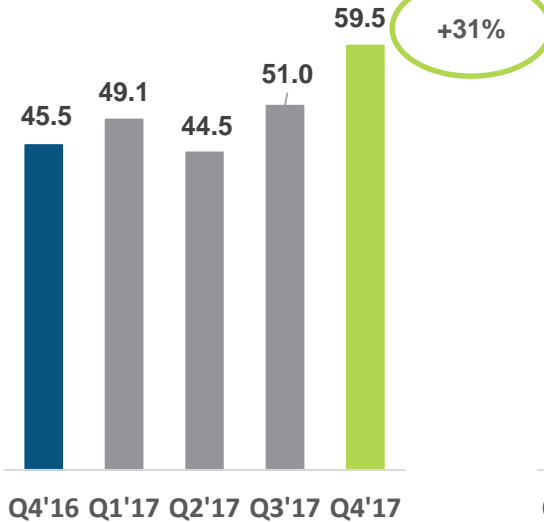
yoY

Sales



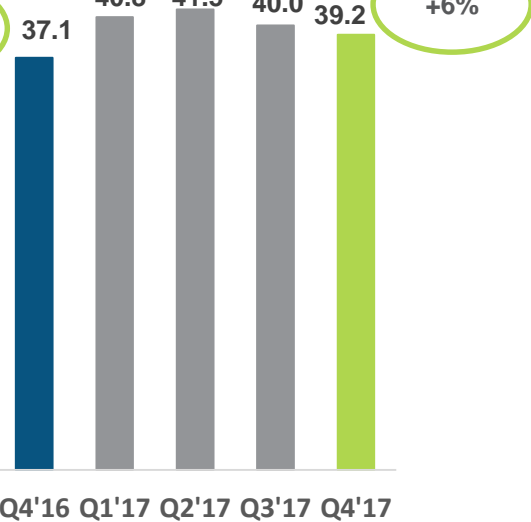
**DXP** | INNOVATIVE PUMPING SOLUTIONS®

yoY



**DXP** | SUPPLY CHAIN SERVICES

yoY



Operating Inc.

12.2 13.3 18.4 15.6 15.9 +31%

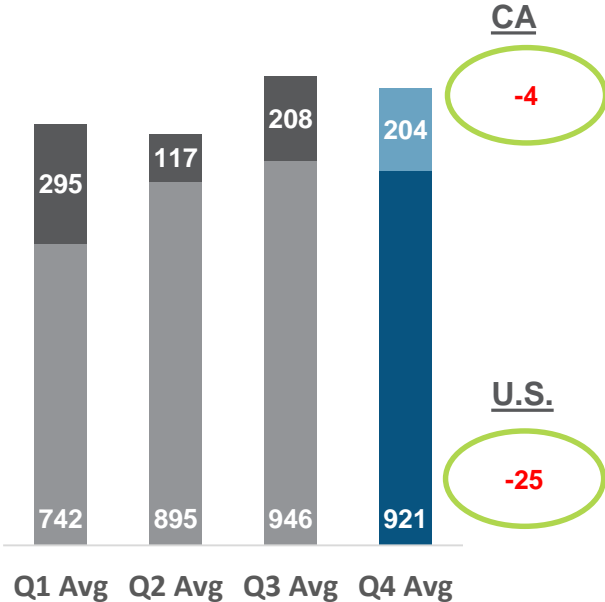
2.4 3.5 1.8 1.8 4.3 +77%

3.8 4.1 3.7 3.9 3.7 -4%



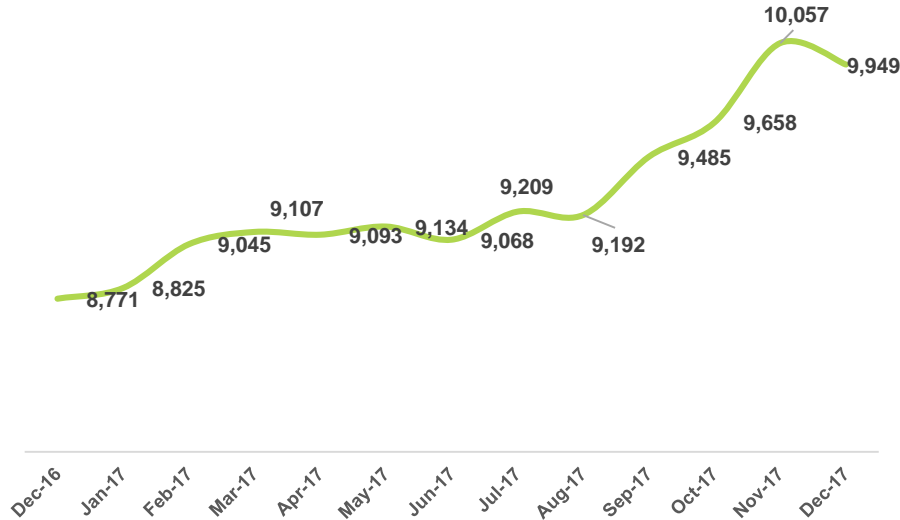
# KEY INDICATOR PERFORMANCE

## U.S. & Canadian Rig Count



## U.S. Crude Oil Production

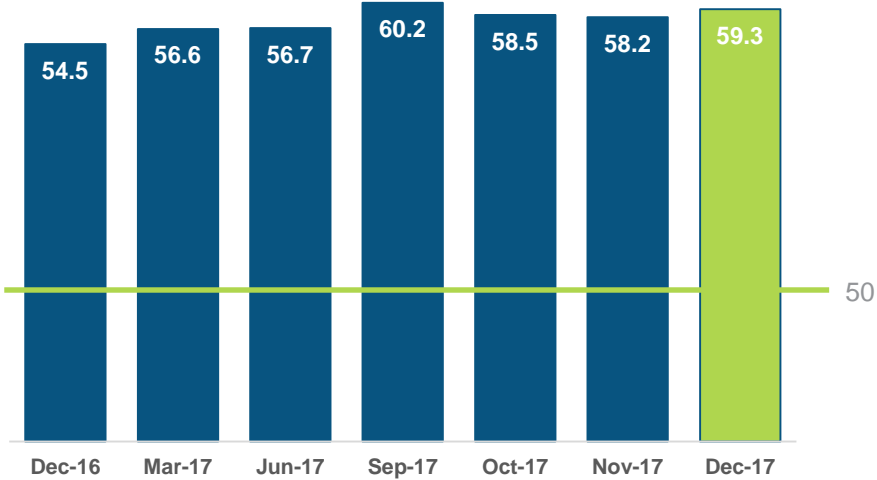
thousand barrels per day



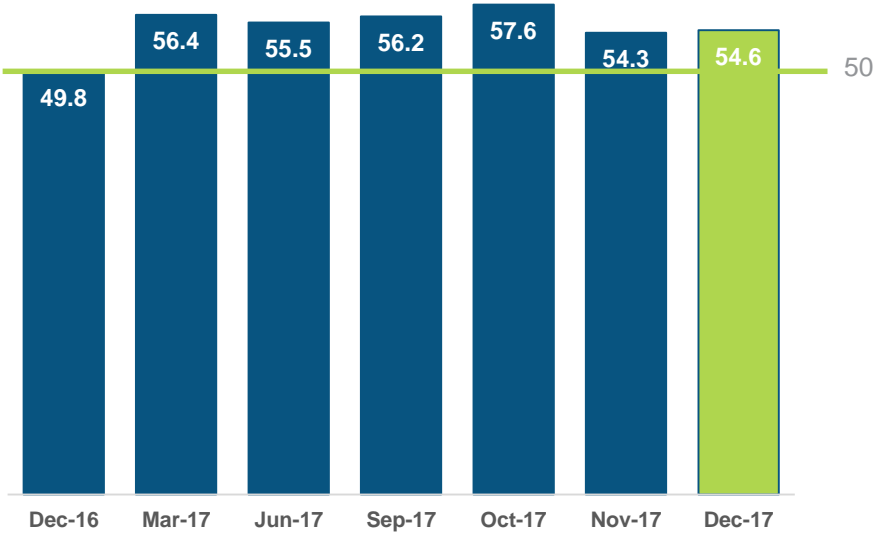
Note: The Canadian rig count typically declines during Q2 due to seasonality associated with warmer weather or what is referred to as the "Canadian breakup."  
 Source: Baker Hughes Rotary Rig Count data and Energy Information Administration. Accessed via [www.bhge.com](http://www.bhge.com). Crude Oil 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, unaudited)

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 December 31,		Twelve Months Ended December 31,	
	2017	2016	2017	2016
Income (loss) before income taxes	\$4,138	\$9,195	\$16,892	\$9,674
Plus: interest expense	4,481	3,866	17,054	15,564
Plus: depreciation and amortization	7,188	7,367	27,786	29,994
<b>EBITDA*</b>	<b>\$15,807</b>	<b>\$20,428</b>	<b>\$61,732</b>	<b>\$55,232</b>
Plus: NCI loss before tax	(1)	400	577	886
Plus: stock compensation expense	316	1,636	1,708	3,580
<b>Adjusted EBITDA</b>	<b>\$16,122</b>	<b>\$22,464</b>	<b>\$64,017</b>	<b>\$59,698</b>

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

# RECONCILIATION OF OPERATING INCOME

(\$ thousands, unaudited)

	Three Months Ended December 31,		Twelve Ended December 31,	
	2017	2016	2017	2016
Operating income for reportable segments	\$23,955	\$18,437	\$90,123	\$72,949
<i>Adjustments for:</i>				
Amortization of in tangibles	4,323	4,504	17,265	18,061
Corporate expense	11,145	6,381	39,368	35,556
<b>Total operating income (loss)</b>	<b>8,487</b>	<b>7,552</b>	<b>33,490</b>	<b>19,332</b>
Interest expense	4,481	3,866	17,054	15,564
Other expense (income), net	(132)	(5,509)	(456)	(5,906)
<b>Income (loss) before income taxes</b>	<b>\$4,138</b>	<b>\$9,195</b>	<b>\$16,892</b>	<b>\$9,674</b>



**THE INDUSTRIAL DISTRIBUTION EXPERTS**

NASDAQ: DXPE  
MARCH 2018