



THE INDUSTRIAL DISTRIBUTION EXPERTS

Presented by:

David Little

Chairman, President & CEO

Kent Yee

Senior Vice President & CFO

Results for Q4 Fiscal 2018

Earnings Announcement: March 7, 2019

(Quarter Ending December 31, 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, 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.



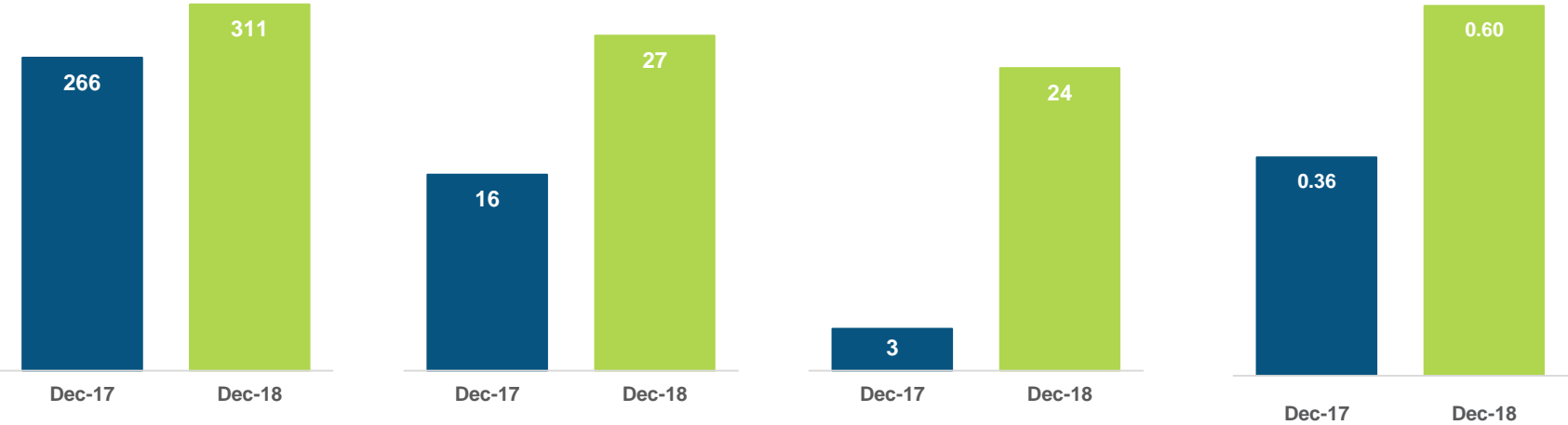
QUARTERLY BUSINESS HIGHLIGHTS

TOTAL SALES (\$M)

EBITDA (\$M)

FREE CASH FLOW (\$M)

DILUTED EARNINGS PER SHARE (\$M)



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 AND FISCAL 2018 INCOME STATEMENT HIGHLIGHTS

(\$ thousands)

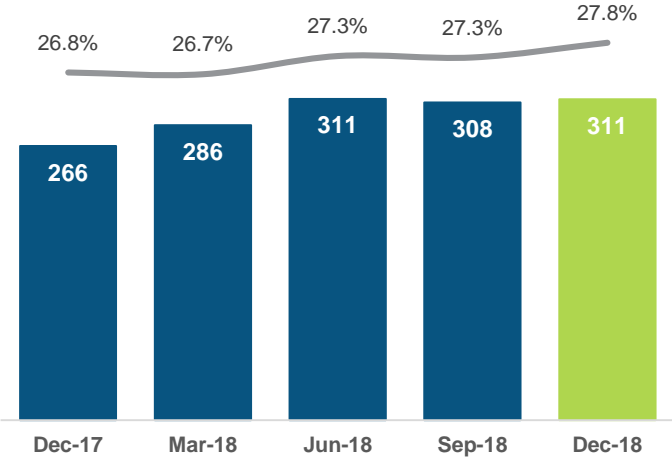
	Prior Yr Qtr Dec 31, 2017	Prior Qtr Sep 30, 2018	Current Qtr Dec 31, 2018	Prior Yr Dec 31, 2017	Current Yr Dec 31, 2018
Sales	\$ 265,627	\$ 308,028	\$ 311,006	\$ 1,006,782	\$ 1,216,197
<i>% growth - seq.</i>	5.4%	-1.0%	1.0%		
<i>% growth - yoy</i>	19.5%	22.3%	17.1%	4.6%	20.8%
Gross Profit	71,167	84,070	86,577	271,581	332,208
<i>% margin</i>	26.8%	27.3%	27.8%	27.0%	27.3%
Operating Income	8,487	16,813	20,429	33,490	68,451
<i>% margin</i>	3.2%	5.5%	6.6%	3.3%	5.6%
EBITDA	15,807	23,199	26,757	61,732	95,807
<i>% margin</i>	6.0%	7.5%	8.6%	6.1%	7.9%
Diluted EPS	\$ 0.36	\$ 0.46	\$ 0.60	\$ 0.93	\$ 1.94

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

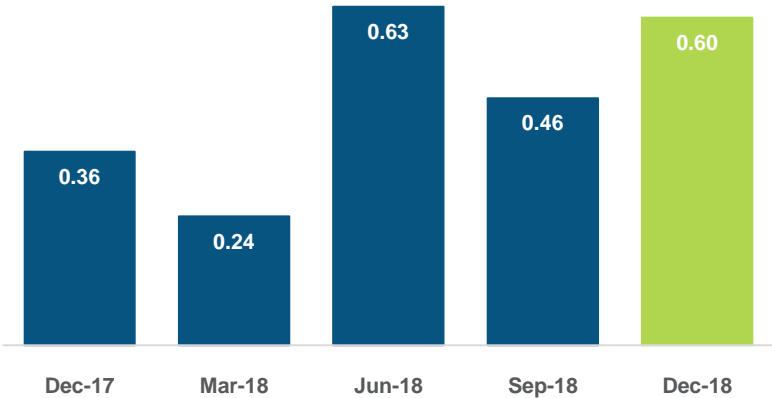
Sales and Gross Margin

(\$ millions)



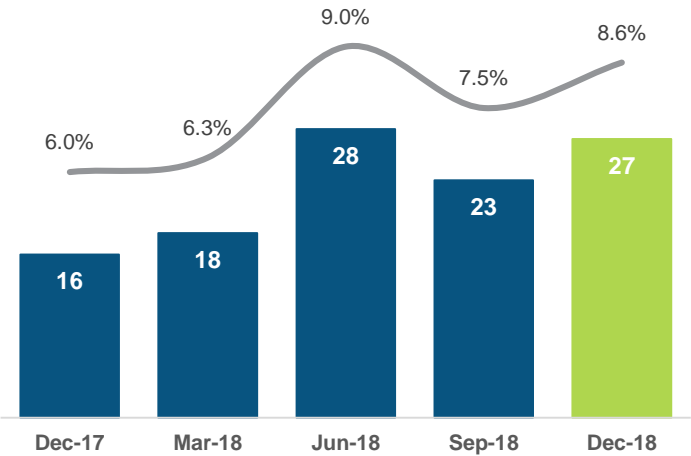
Diluted Earnings Per Share

(\$ actuals)



EBITDA and EBITDA Margin

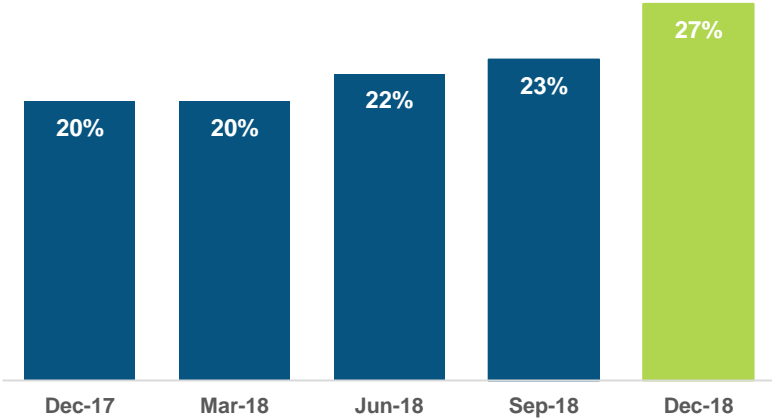
(\$ millions)



Return on Invested Capital

ROIC%

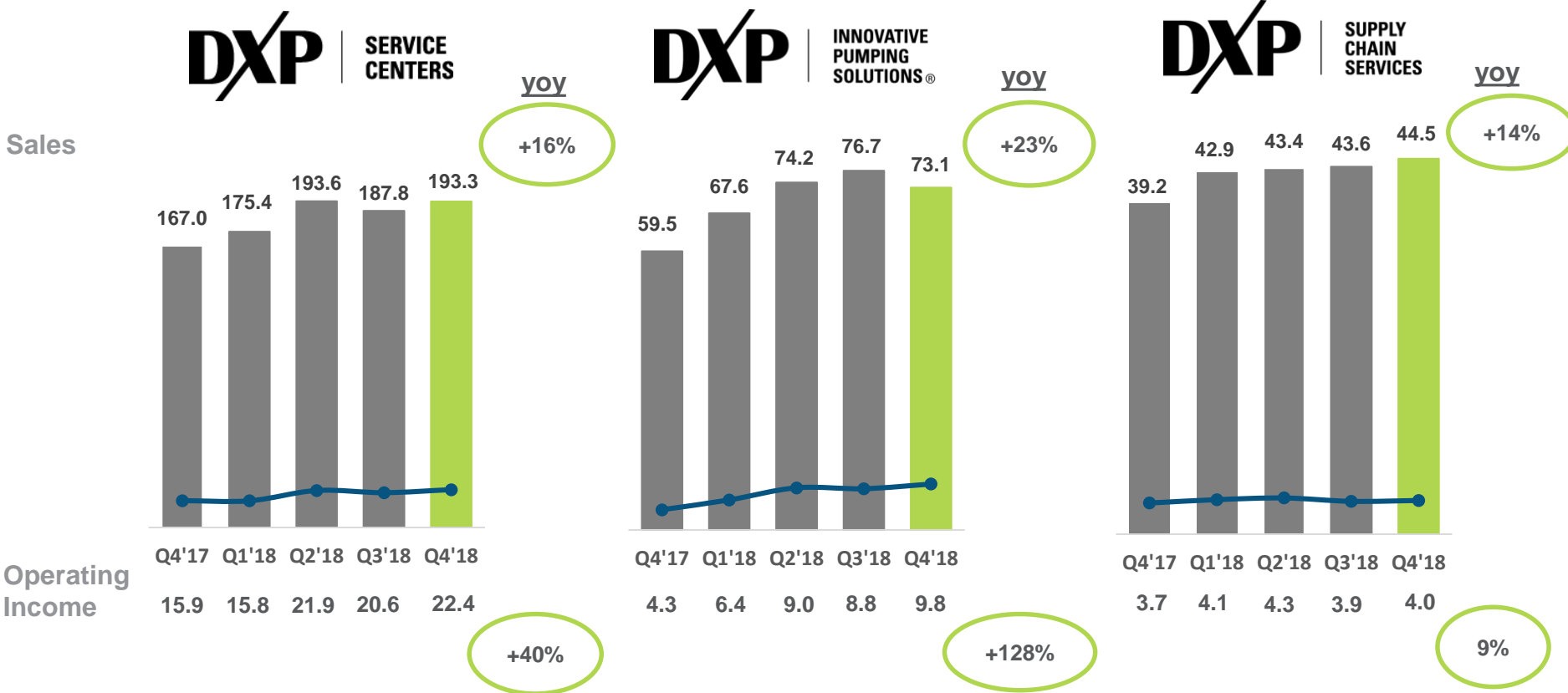
Return on invested capital is defined as tax affected LTM EBITDA / average total net operating assets.



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. Due to changes to the U.S. Federal tax code, DXP adjusted the assumed tax rate in analysis from Q1 2017 through the present.

Q4'18 SEGMENT PERFORMANCE


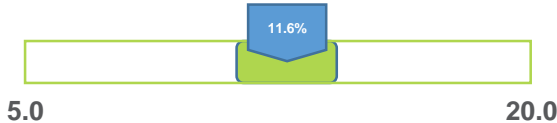

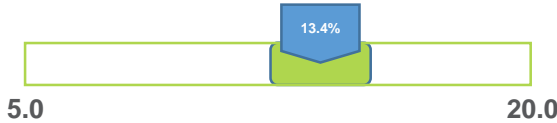

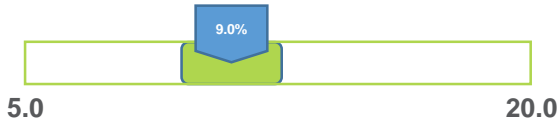
(\$ millions)



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.

Q4 OPERATING PERFORMANCE BY SEGMENT

(\$ millions)

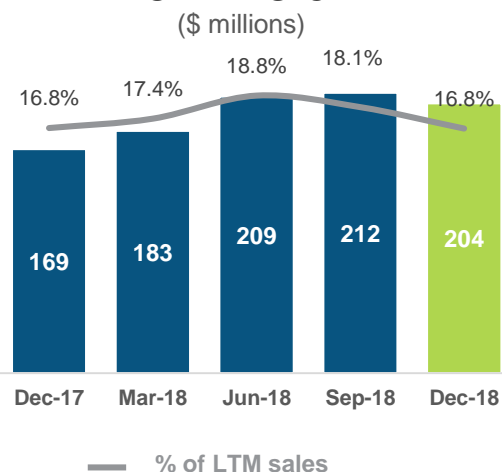
	Sales \$	Sales Mix	OP\$	OP%	
DXP SERVICE CENTERS	\$ 193.4		\$ 22.4	11.6%	
DXP INNOVATIVE PUMPING SOLUTIONS®	\$ 73.1		\$ 9.8	13.4%	
DXP SUPPLY CHAIN SERVICES	\$ 44.5		\$ 4.0	9.0%	
Corporate*	---		\$ (15.8)		
Total DXP	\$ 311.0		\$ 20.4	6.6%	

*Corporate expense includes amortization
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, 2018	Current Qtr Dec 31, 2018	Current Yr Dec 31, 2018
GAAP net income	\$ 8,362	\$ 11,102	\$ 35,521
Depreciation and amortization	6,506	6,454	26,164
Change in net working capital	86	6,711	(35,162)
Other operating cash flows, net	1,871	1,731	9,317
Net Cash provided by operating activities	16,825	25,998	35,840
Purchase of property&equipment, net	2,189	1,618	9,323
Proceeds from disposition of property&equipment	-	12	2,558
Free Cash Flow	14,636	24,392	29,075
Net Cash used in financing activities	(1,065)	73	(2,921)
Cash at end of the period	16,390	40,519	40,519
Supplemental Information:			
Cash paid for income taxes	2,264	2,289	8,301
Cash paid for interest	4,376	4,572	19,134
Net Debt	\$ 233,570	\$ 208,412	\$ 208,412

NET WORKING CAPITAL



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

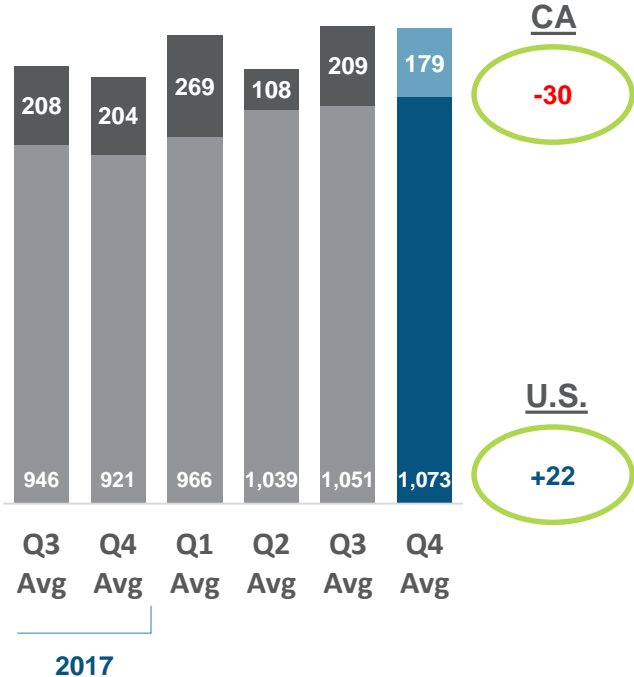
Free cash flow is calculated as cash from operations less net purchases of property & equipment

BUSINESS INDICATORS

DXP

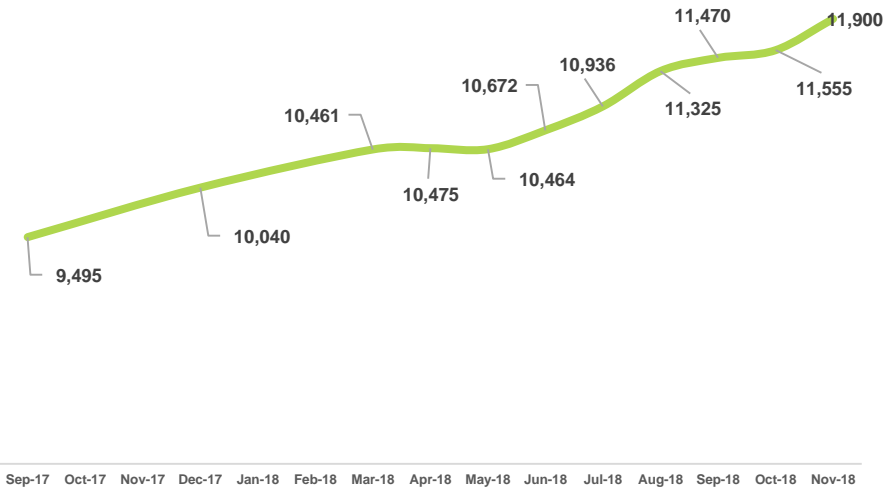
KEY INDICATOR PERFORMANCE

U.S. & Canadian Rig Count



U.S. Crude Oil Production

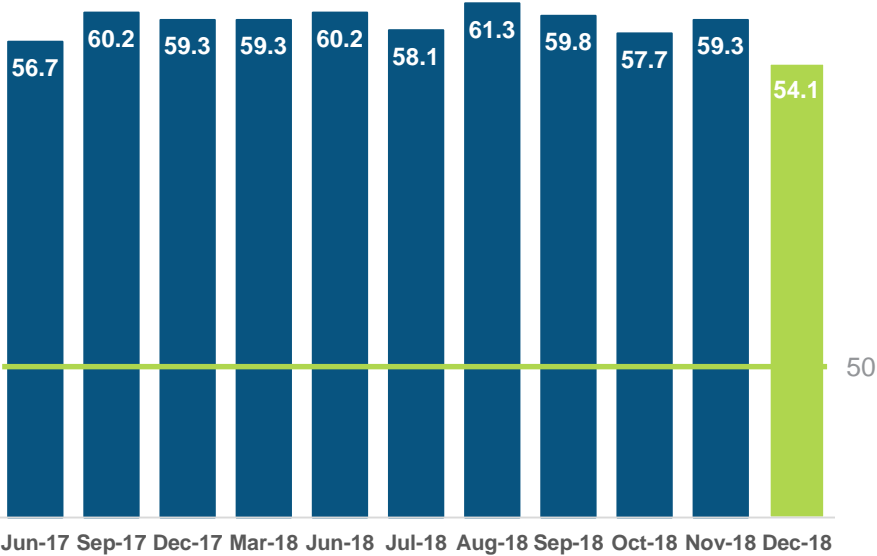
thousand barrels per day



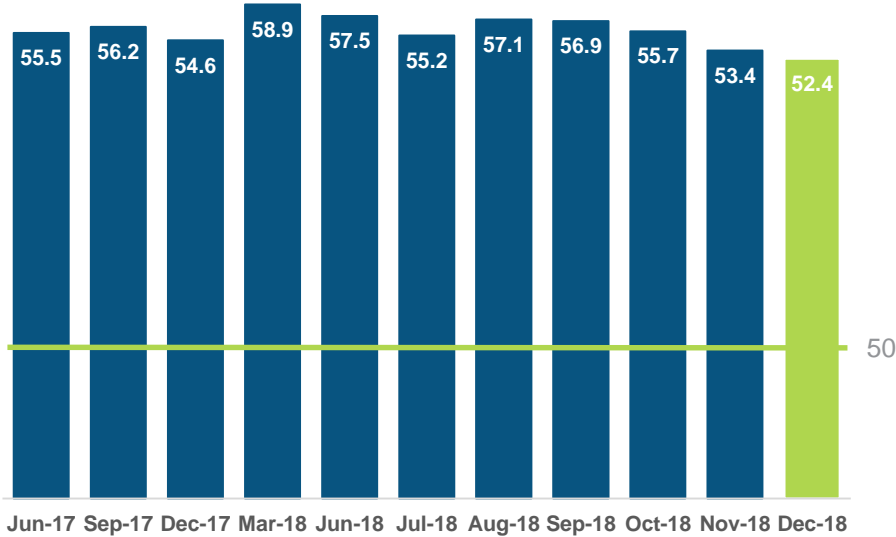
Source: Baker Hughes Rotary Rig Count data and Energy Information Administration. Accessed via www.bhge.com. Crude Oil production data accessed via www.eia.gov

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 OPERATING INCOME

(\$ thousands)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2018	2017	2018	2017
Operating income for reportable segments	\$36,207	\$23,955	\$130,865	\$90,124
<i>Adjustments for:</i>				
Amortization of intangibles	4,011	4,323	16,586	17,266
Corporate expenses	11,767	11,145	45,828	39,368
Total operating income	20,429	8,487	68,451	33,490
Interest expense	4,978	4,481	20,937	17,054
Other expense (income), net	126	(132)	(1,192)	(456)
Income before income taxes	\$ 15,325	\$4,138	\$48,706	\$16,892

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,	
	2018	2017	2018	2017
Income before income taxes	\$ 15,325	\$ 4,138	\$ 48,706	\$16,892
Plus: interest expense	4,978	4,481	20,937	17,054
Plus: depreciation and amortization	6,454	7,188	26,164	27,786
EBITDA	\$26,757	\$15,807	\$95,807	\$61,732
Plus: NCI loss (gain) before tax	37	(1)	157	577
Plus: Stock compensation expense	526	316	2,549	1,708
Adjusted EBITDA	\$27,320	\$16,122	\$98,513	\$64,017



THE INDUSTRIAL DISTRIBUTION EXPERTS

NASDAQ: DXPE
MARCH 2019