



## **THE INDUSTRIAL DISTRIBUTION EXPERTS**

*Presented by:*

**David Little**

Chairman, President & CEO

**Mac McConnell**

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NASDAQ: DXPE  
AUGUST 2013

# 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.

# DXP ENTERPRISES, INC. AT-A-GLANCE

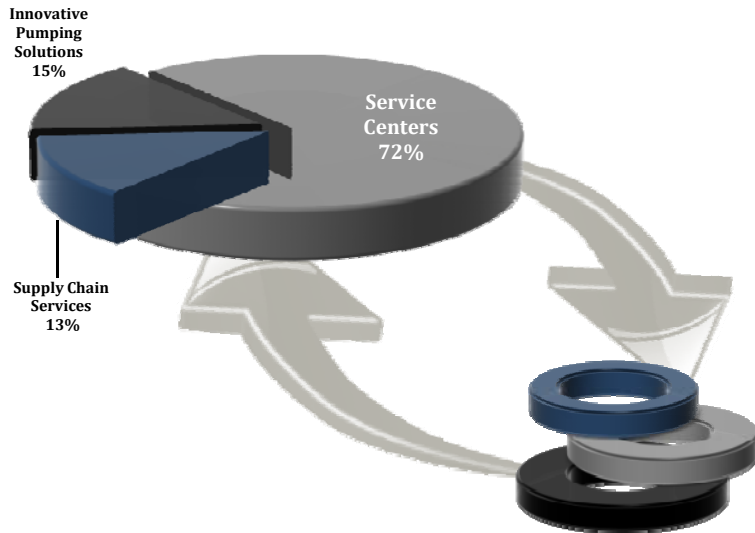
*Leading provider of technical products and services for MRO (maintenance, repair, operating), OEM and capital equipment customers...*

## **\* Last Twelve Months (LTM):**

Revenue:	\$ 1,181.1 million
EBITDA:	\$ 117.5 million
Free Cash Flow:	\$ 56.7 million
ROIC:	30.5 %



## **LTM Sales % by Business Segment**



## ***...Building a North American Platform***

- 163 Locations (U.S. and Canada)
- 58 Supply Chain Service sites
- 7 Regional distribution centers
- 10 Fabrication centers
- 1 Customer First Center
- 3,000+ Full-time employees

\*LTM for the period ended June 30, 2013. Free cash flow is defined as cash flow from operations less capital expenditures. Location summary as of July 31, 2013.

# DXP TODAY

*Growth and profit expansion despite market volatility...*

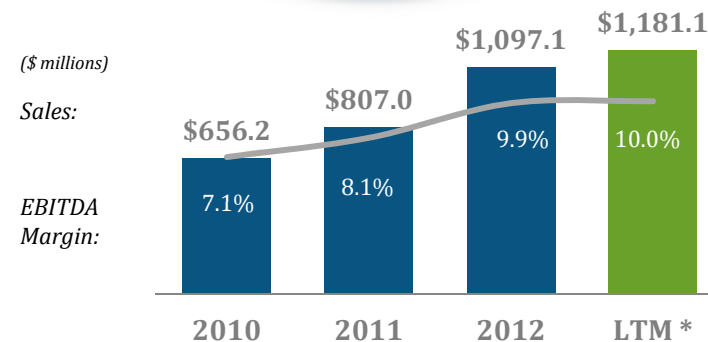


## KEY DRIVERS

- **Serving growing and dynamic markets**
  - Oil and gas, mining, power, chemicals, etc.
- **DXP growth strategies designed to take market share**
  - SuperCenters
- **Strategic and accretive acquisitions**
  - Tool-Tech
  - Alaska Pump & Supply
  - Tucker Tool
  - Natpro
- **Culture of profitable growth driving continuous improvement**

*...Execution is producing strong results.*

**Momentum  
is Building...**



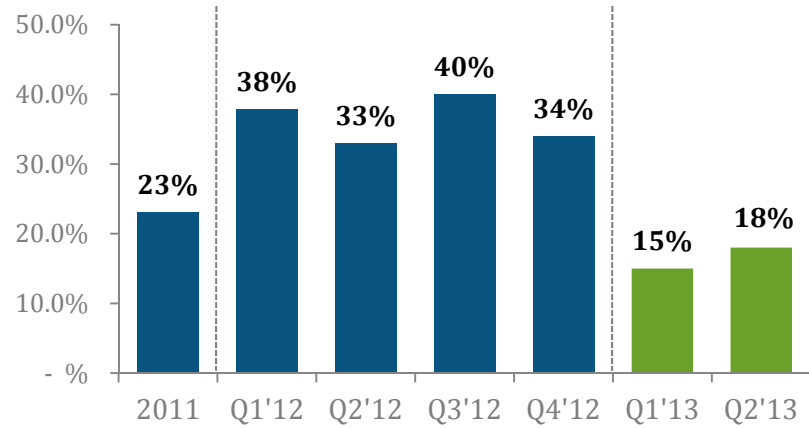
\*LTM for the period ended June 30, 2012

# RECENT FINANCIAL RESULTS

*Financial impact – the evidence*



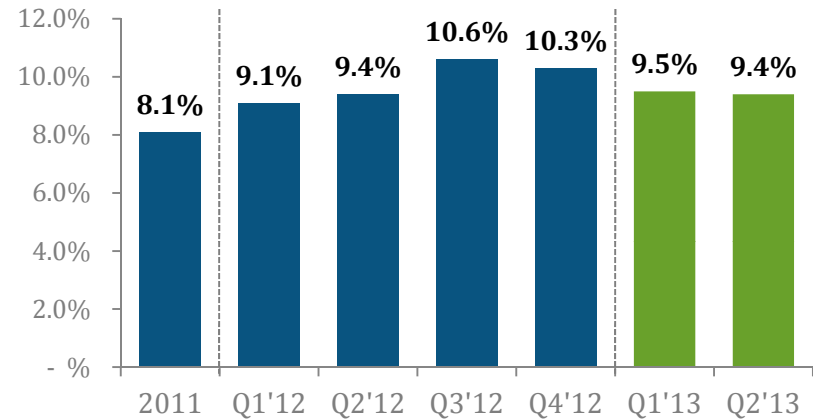
## SALES VS. PRIOR YEAR



ORGANIC GROWTH

16%    20%    13%    7%    8%    (1%)    0

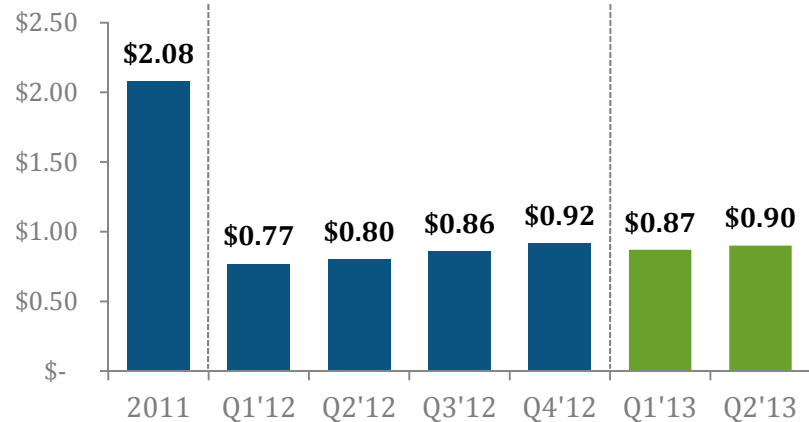
## EBITDA MARGIN (EBITDA%)



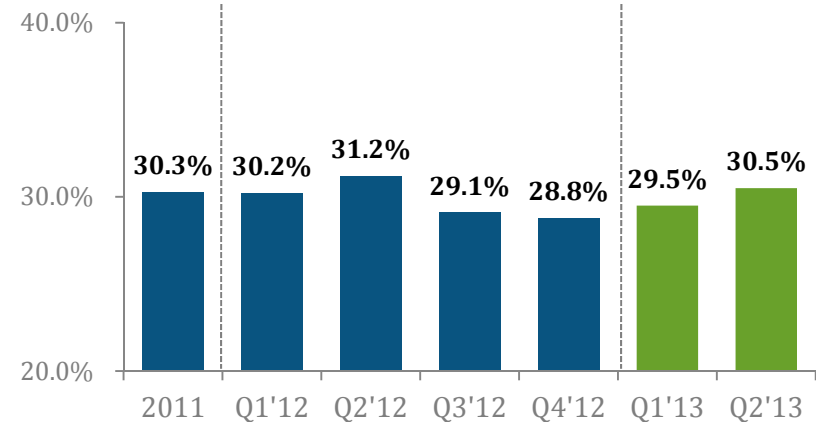
VERSUS PRIOR YEAR (BASIS POINTS)

100    150    120    240    190    40    0

## DILUTED EARNINGS PER SHARE



## RETURN ON INVESTED CAPITAL\*



\*Return on invested capital is defined as tax effected LTM EBITDA/Average total net operating assets.

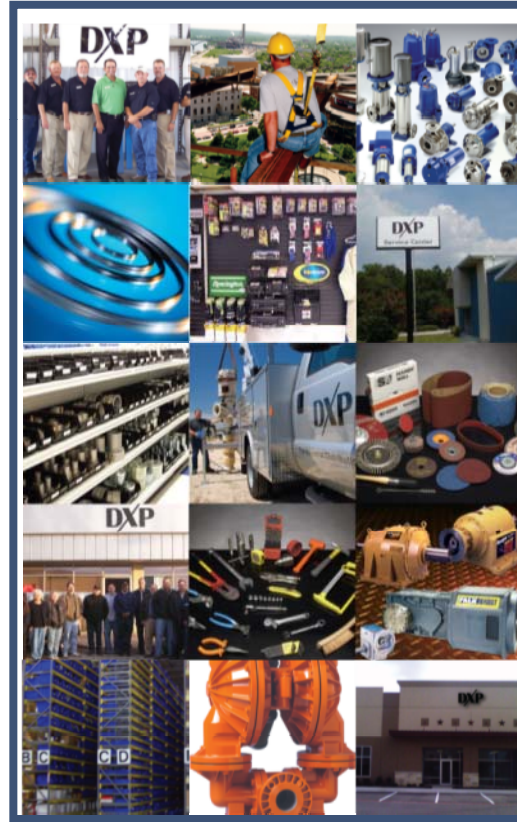


# UNIQUE MARKET APPROACH

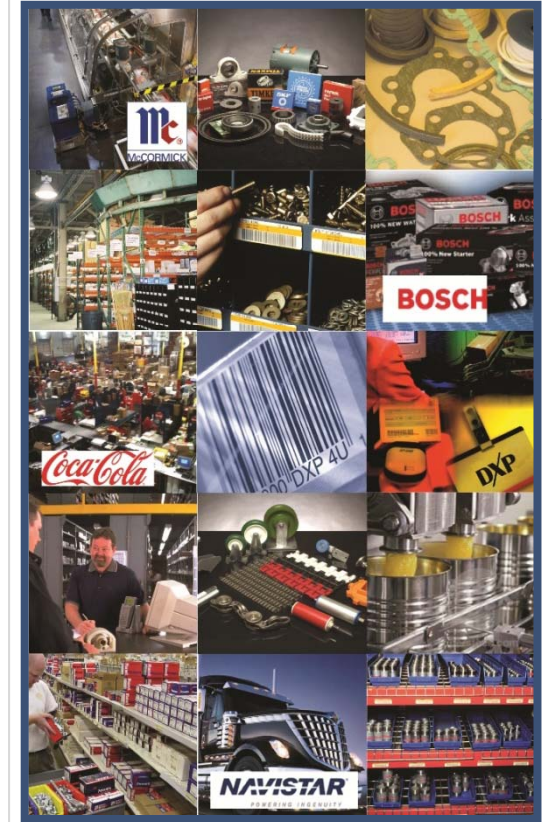
**DXP** | INNOVATIVE PUMPING SOLUTIONS®



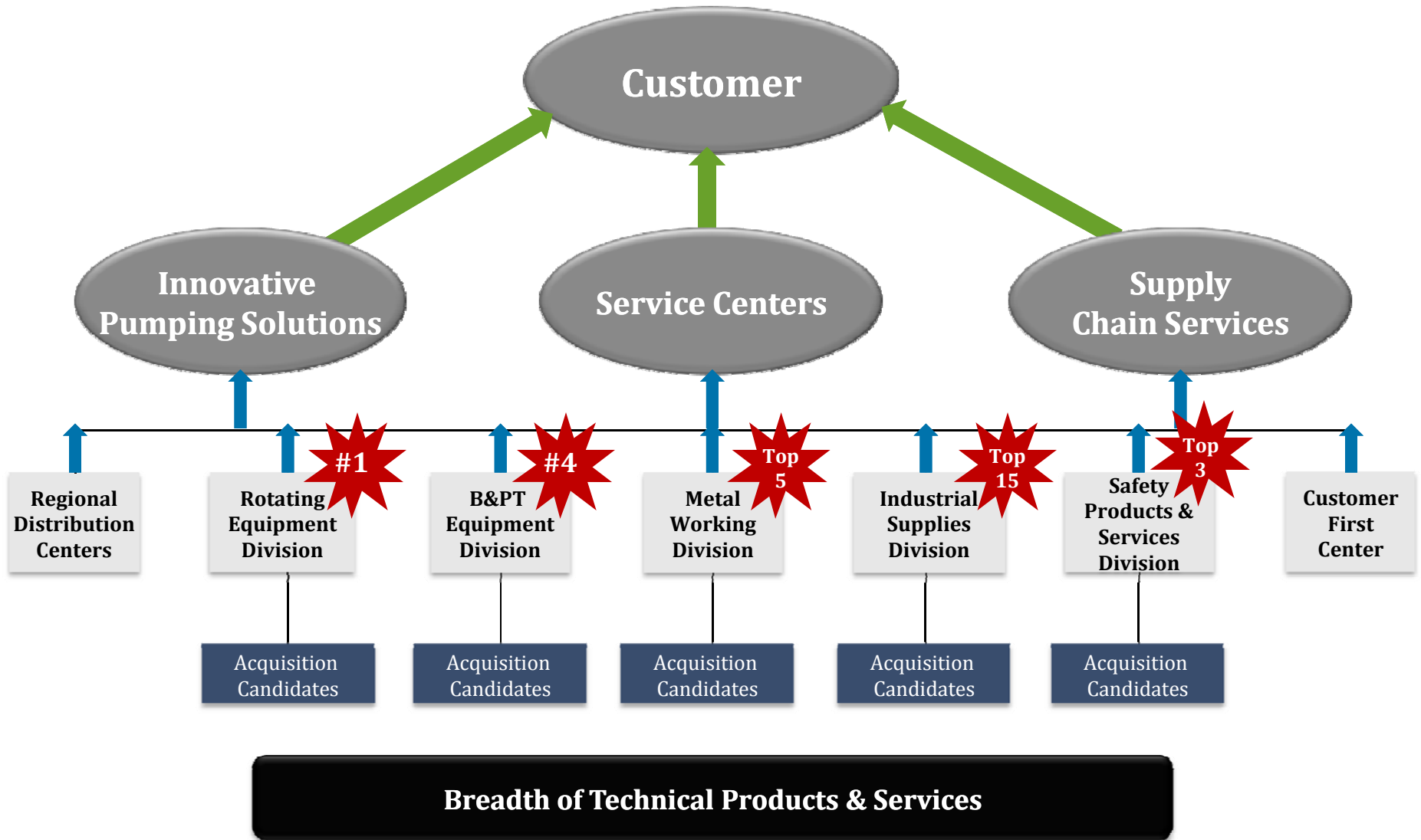
**DXP** | SERVICE CENTERS



**DXP** | SUPPLY CHAIN SERVICES



# CUSTOMER DRIVEN EXPERTS IN MROP SOLUTIONS

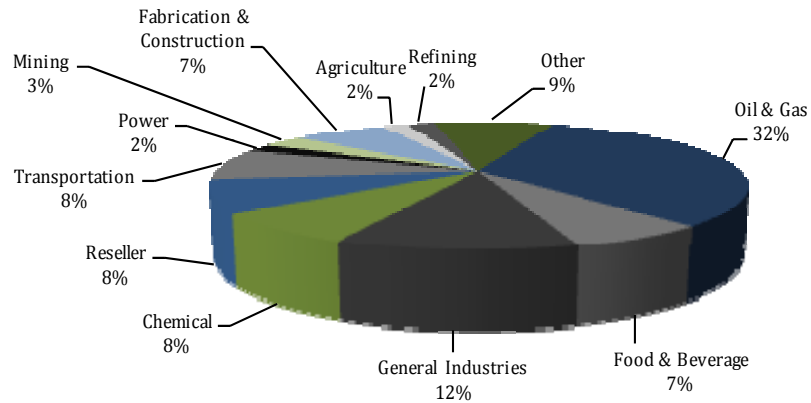


Source: Management estimates. Modern Distribution Management Product Rankings and industry/product trade publications.

# LEADING POSITIONS IN MARKETS & PRODUCTS

## DIVERSE, GROWING END MARKETS

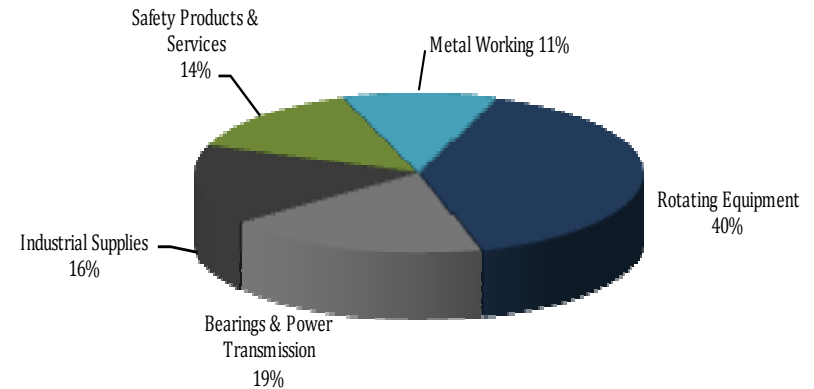
Over 50,000 Customers



- High quality customer base across attractive industries
- Concentration in solid growth sectors such as energy, food & beverage and chemical
- Geographic expansion will increase industry diversification

## BREADTH OF TECHNICAL PRODUCTS & SERVICES

Over 100+ Product Groups



- Breadth of products and services
- Higher margin products and value added services

Note: Management estimates for fiscal year 2012. Product division includes impact of recent acquisitions on an actual basis. Other includes aggregates, alternative energy, military, municipal, pharmaceuticals, pulp & paper, sanitary, steel and wood products.



# STRONG CUSTOMER AND SUPPLIER RELATIONSHIPS

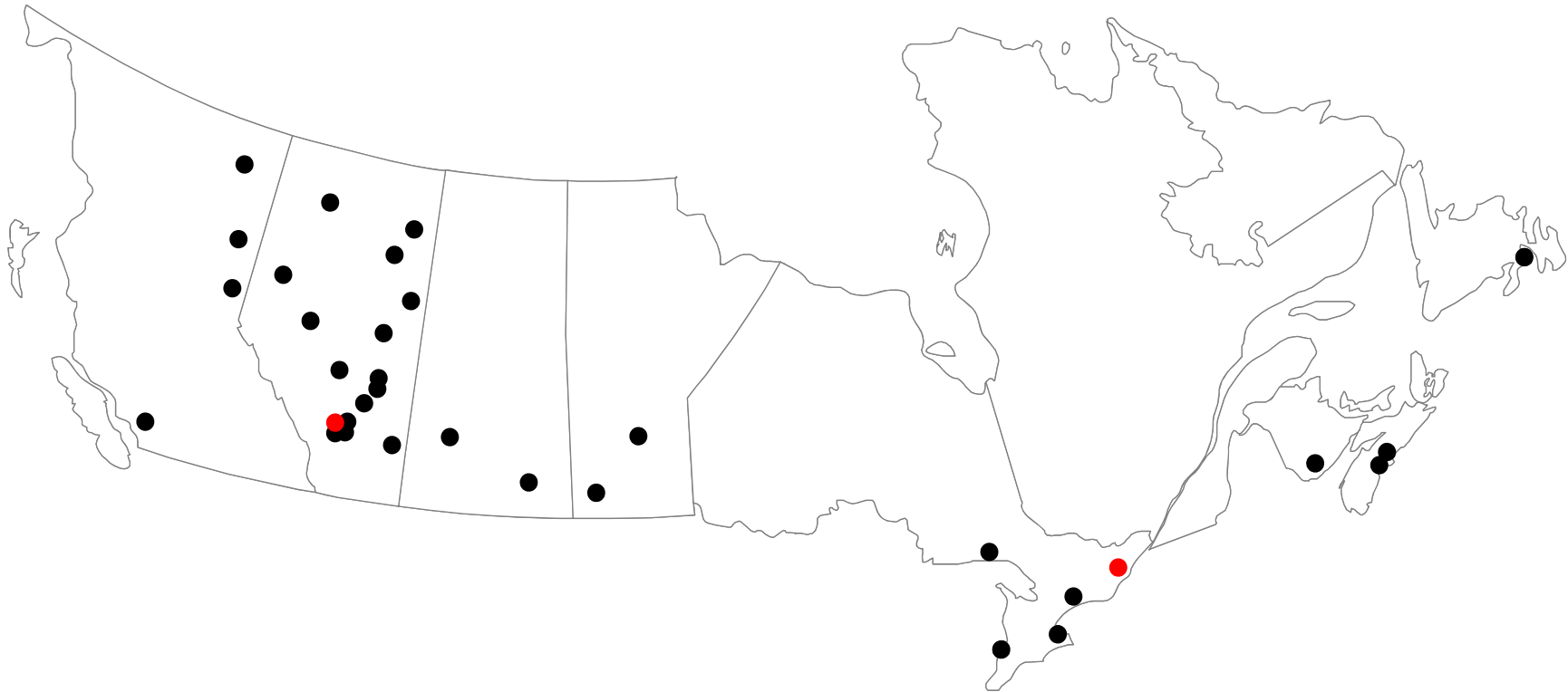
## KEY CUSTOMER RELATIONSHIPS



## LONG STANDING INDUSTRY PARTNERS



# GROWING GEOGRAPHIC FOOTPRINT - DXP CANADA



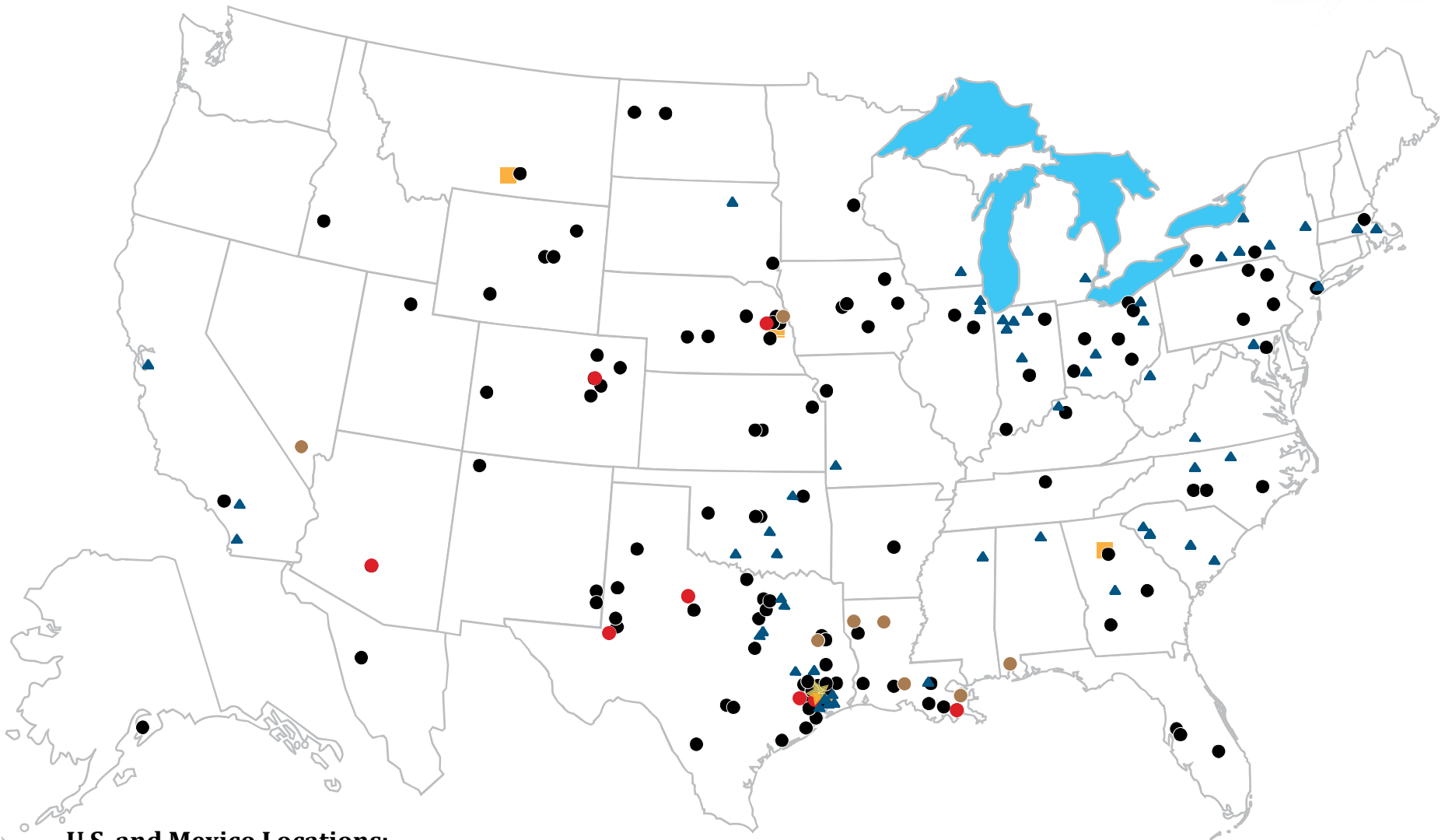
## Canada Locations:

● Service Center (33)

● Fabrication Facility (2)

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

# GROWING GEOGRAPHIC FOOTPRINT - CONT'D



## U.S. and Mexico Locations:

● Service Center (121)

● Sales Office (9)

▲ DXP Supply Chain Services (58)

■ Ballistic Dist. Center (7)

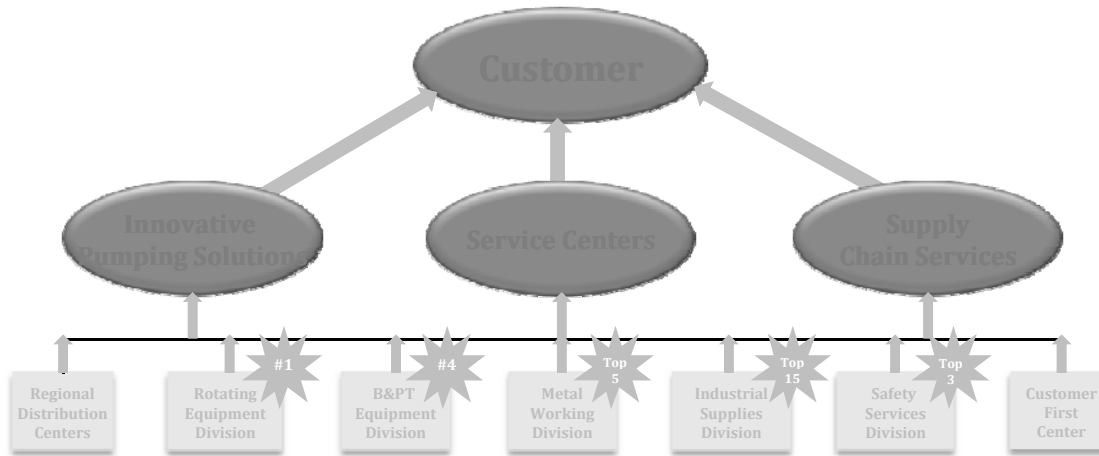
★ Customer First Center (1)

● Fabrication Center (10)

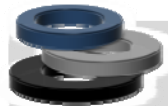
# GROWTH STRATEGY

# DXP GROWTH STRATEGY

*Leading provider of technical products and services. ....*

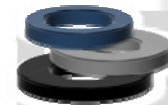


*.....Building a North American Platform*



## I. INTERNAL - ORGANIC

- 1 Grow Core DXP Business – Service Centers, IPS, SCS
- 2 Offer Multiple Products & Services to different Customers
- 3 Serve Strong Growing End Markers

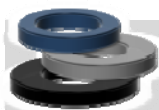
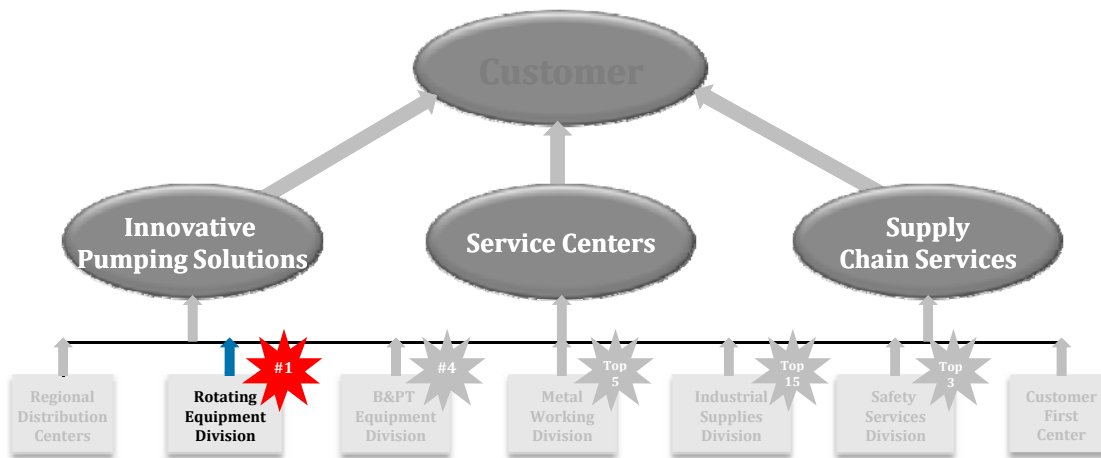


## II. EXTERNAL - INORGANIC

- 1 Enhance Product Expertise & Depth
- 2 Expand / Strengthen Geographic Position
- 3 Identify / Expand Strategic Product Divisions
- 4 Improve Overall Financial Metrics

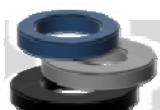
**Purposeful, Dynamic Growth Strategy**

# ACQUISITION STRATEGY & GROWTH PROCESS



## I. ACQUIRE

- 1 Core DXP Business
- 2 Product Divisions
- 3 New Geographies



## II. ENHANCE

- 4 Challenge to Grow 10%
- 5 Add Segment offering – SCS, IPS
- 6 Scale & Purchasing Power
- 7 Sales & Operational Excellence



## III. ENLARGE

- 8 Challenge to Grow 10%
- 9 Add DXP Product Divisions
- 10 Scale Multiple Product Divisions
- 11 SuperCenters



## IV. EXPAND

- 1 New Markets / Geographies
- 2 Strengthen Position
- 3 Continue to Expand Product Offering

- Margin enhancement and pricing effectiveness
- Strengthening geographic position
- Efficiencies and profit enhancement through IT infrastructure
- New stores in underserved markets

- One-stop source
- Increase value to our customer
- “Cross-sell” to existing and new customers
- 34 SuperCenters as of Q2’ 13

- New stores in underserved and new markets
- Supplier extension and depth
- Expanded customer base



## TRACK RECORD OF SUCCESSFUL M&A

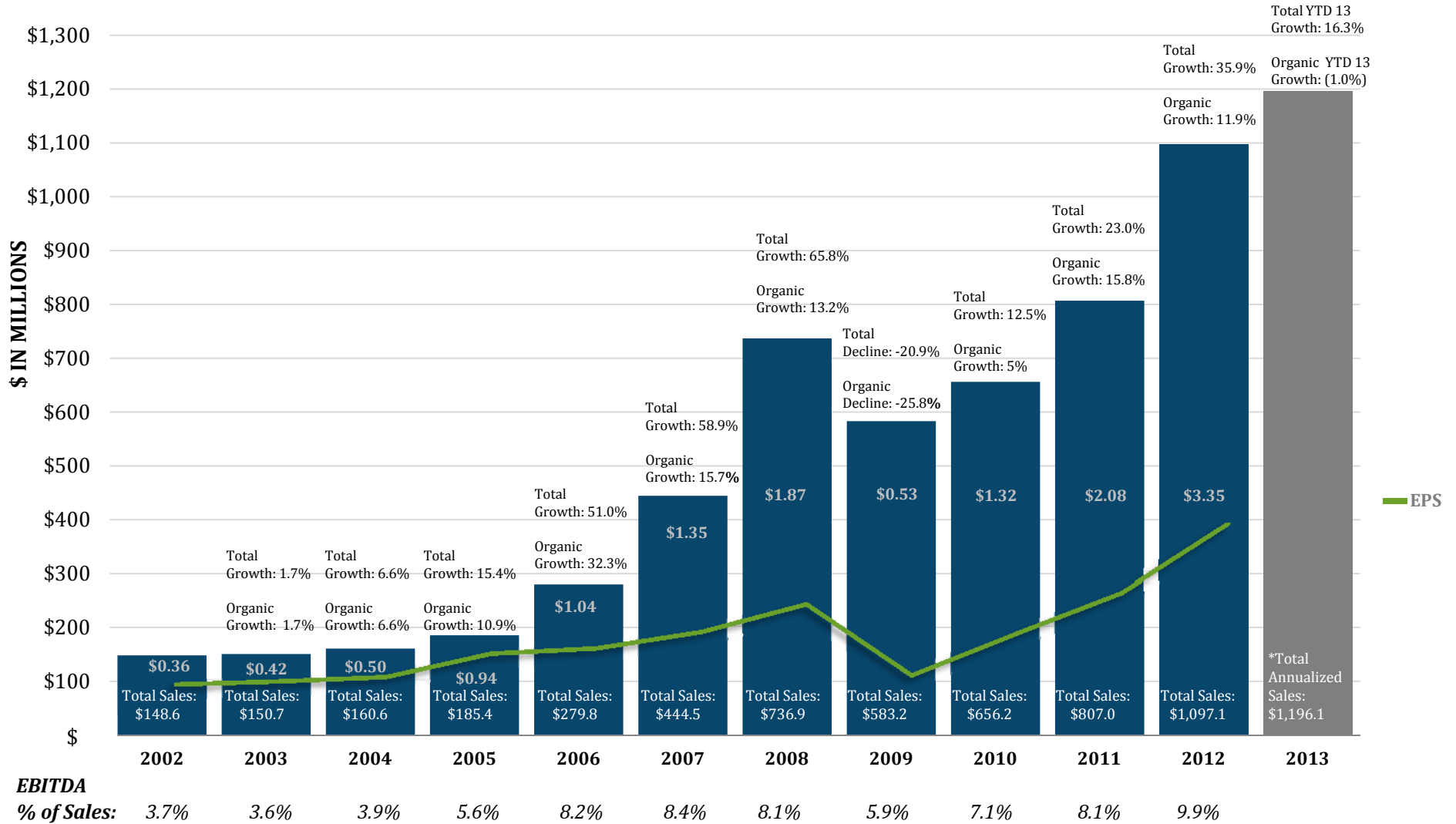
Date	Acquisition	Product Division	Region	LTM Revenue* (\$ millions)
July - 13	Tool-Tech	Metal Working	South Central	\$13
July - 13	Alaska Pump & Supply	Rotating Equipment	West	\$16
May - 13	Tucker Tool	Metal Working	U.S./Northeast	\$8
April - 13	Natpro	Rotating Equipment	Canada	\$69
October - 12	Jerzy Industries	Bearings & Power Transmission	U.S./Houston	\$9
July - 12	HSE Integrated	Safety	Canada	\$105
June - 12	Austin & Denholm	Rotating Equipment	Canada	\$7
May - 12	Industrial Paramedic Services	Safety	Canada	\$22
April - 12	Aledco & Force	Rotating Equipment	U.S./Northeast	\$8
February - 12	Pump & Power	Rotating Equipment	U.S./North Central	\$4
January - 12	Mid-Continent Safety	Safety	U.S./North Central	\$10
			<b>Total</b>	<b>\$271</b>

**DXP has successfully acquired \$271 million of revenues since January 2012**

\* LTM revenue at acquisition date

# FINANCIAL OVERVIEW

# YEAR-OVER-YEAR REVENUE & EARNINGS GROWTH

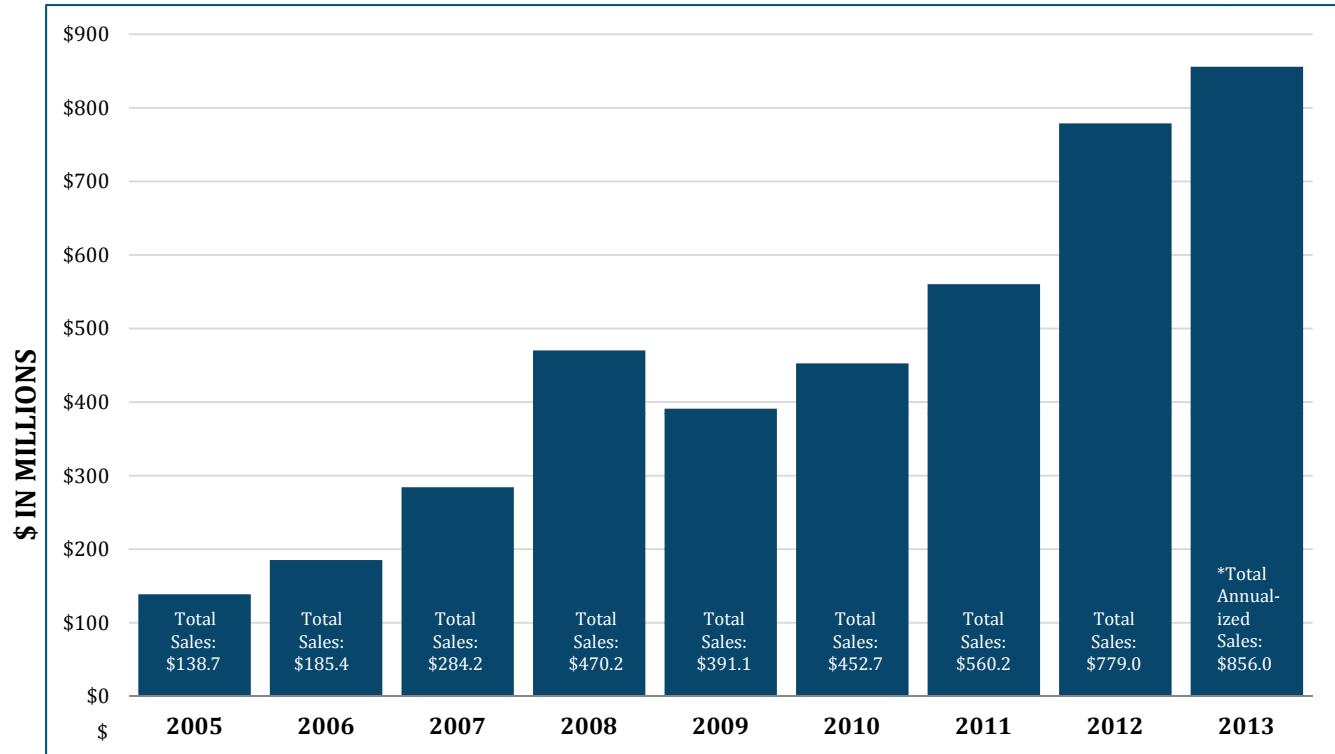


\* Annualized sales is based on sales of \$598 million for the six months ended June 30, 2013.

# SERVICE CENTER SEGMENT YEAR-OVER-YEAR GROWTH



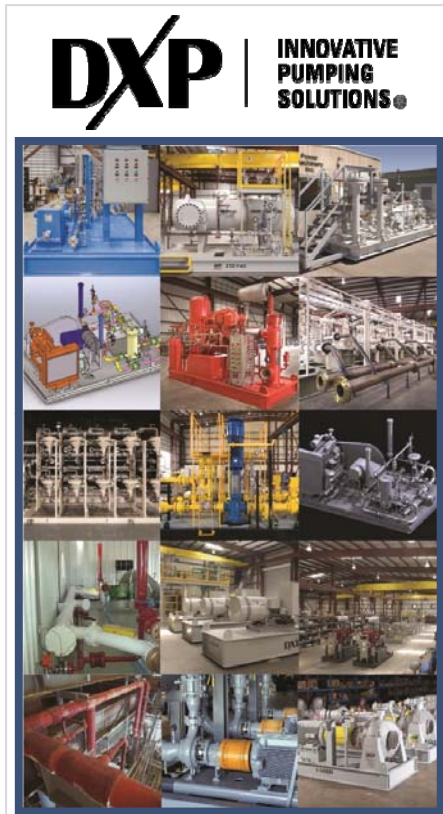
The Service Centers are engaged in providing MRO products, equipment and integrated services, including technical expertise and logistics capabilities, to industrial customers with the ability to provide same day delivery. We offer our customers a single source of supply on an efficient and competitive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



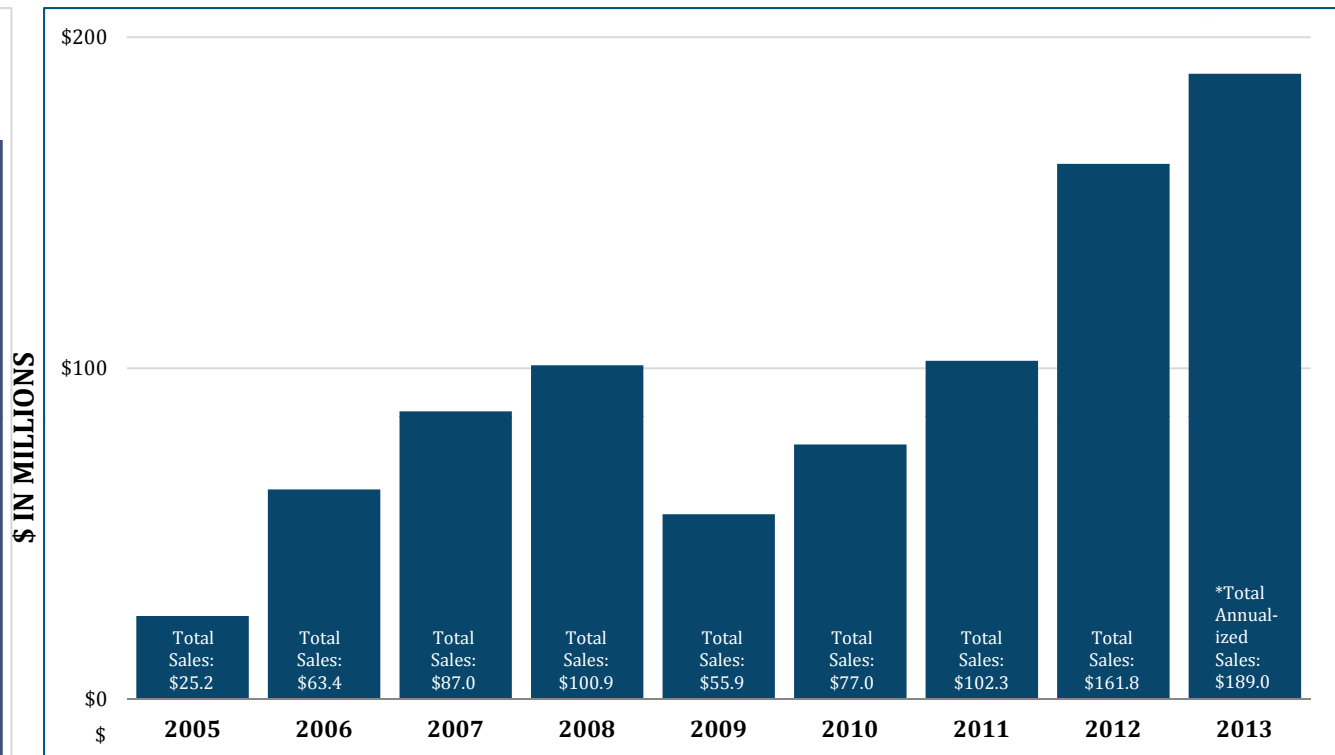
	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Total Sales</b>	\$138.7	\$185.4	\$284.2	\$470.2	\$391.1	\$452.7	\$560.2	\$779.0	\$856.0*
<b>Total Growth</b>		33.6%	53.3%	65.5%	-16.8%	15.8%	23.7%	39.1%	19.2%
<b>Organic Growth</b>		20.3%	8.5%	15.7%	-24.5%	9.1%	15.3%	6.6%	-2.7%
<b>Operating Income</b>					\$24.4	\$50.5	\$64.5	\$88.9	\$96.8*
<b>OI as % of Sales</b>					6.2%	11.2%	11.5%	11.4%	11.3%

\* Annualized sales and operating income are based on sales of \$428 million and operating income of \$48.4 million for the six months ended June 30, 2013 respectively.

# IPS SEGMENT YEAR-OVER-YEAR GROWTH



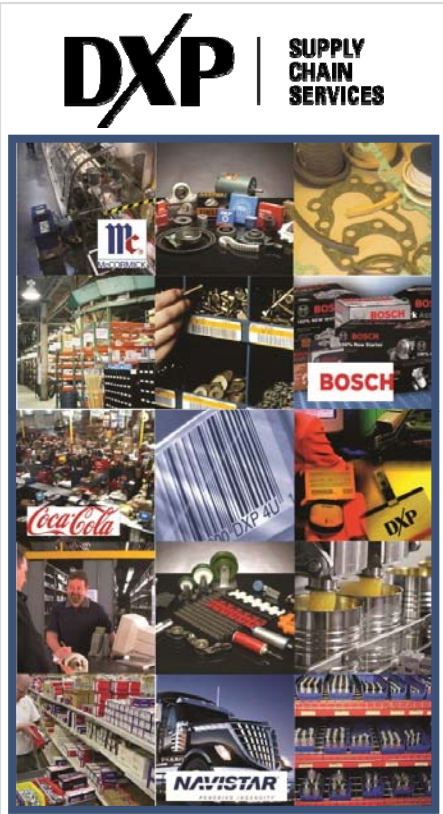
DXP's Innovative Pumping Solutions® segment provides fabrication and technical design to meet the modular pump package equipment needs of our global customer base. DXP's Innovative Pumping Solutions provides a single source for engineering, systems design and fabrication of custom pump packages.



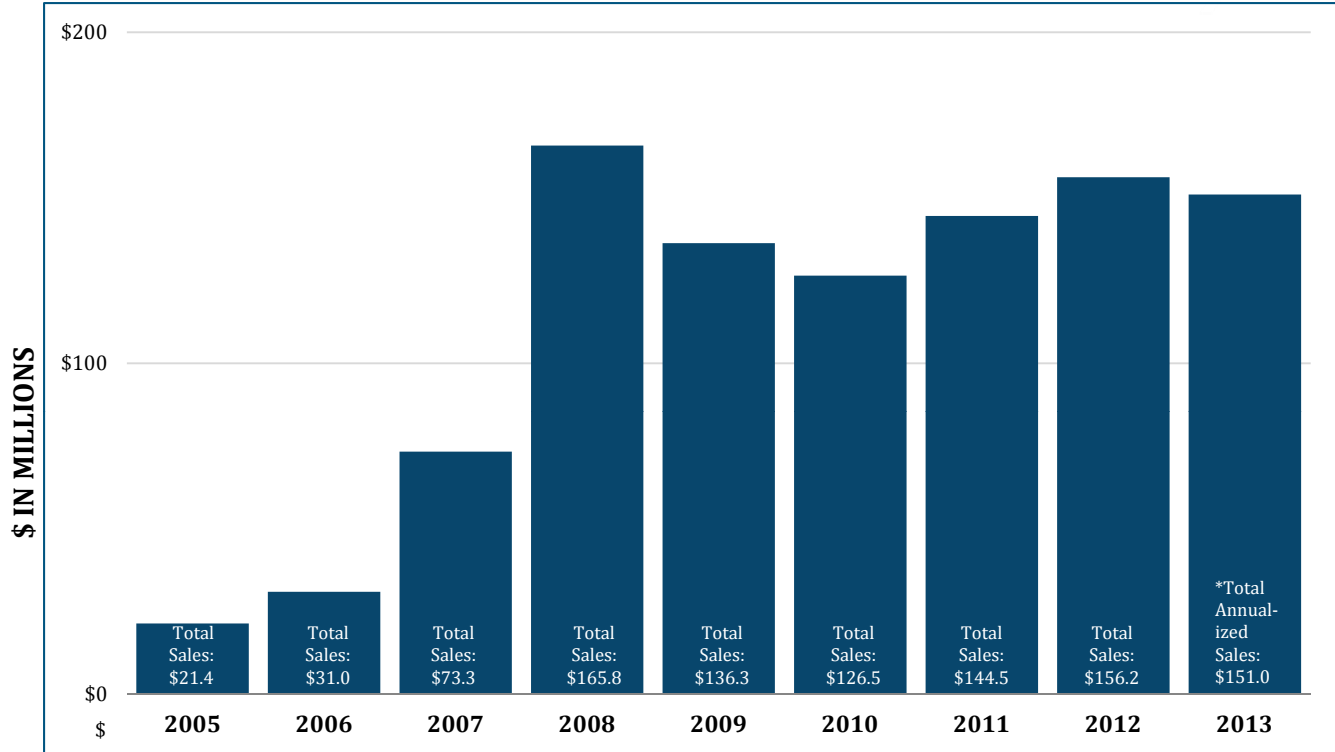
Total Sales	\$25.2	\$63.4	\$87.0	\$100.9	\$55.9	\$77.0	\$102.3	\$161.8	\$189.0*
Total Growth %		151.6%	37.3%	15.9%	-44.6%	37.8%	32.8%	58.2%	26.2%
Organic Growth %		87.4%	29.8%	13.7%	-44.6%	6.6%	28.5%	58.2%	16.0%
Operating Income					\$7.5	\$10.3	\$16.9	\$32.1	\$30.4*
OI as % of Sales					13.4%	13.4%	16.5%	19.8%	16.1%

\* Annualized sales and operating income are based on sales of \$94.5 million and operating income of \$15.2 million for the six months ended June 30, 2013 respectively.

# SUPPLY CHAIN SEGMENT YEAR-OVER-YEAR GROWTH



DXP's Supply Chain Services segment manages all or part of its customers' supply chains including procurement and inventory management. We provides a fully outsourced MRO solution. Our mission is to help our 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.



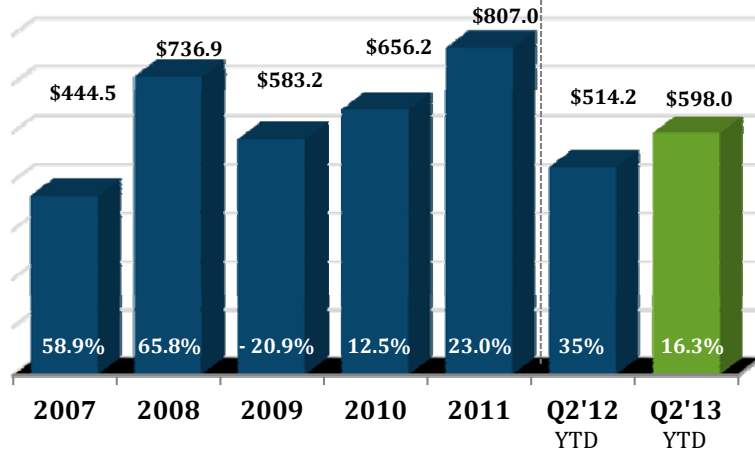
Total Sales	\$21.4	\$31.0	\$73.3	\$165.8	\$136.3	\$126.5	\$144.5	\$156.2	\$151.0*
Total Growth		44.8%	136.4%	126.1%	-17.8%	-7.2%	14.2%	8.1%	-6.0%
Organic Growth		44.8%	28.7%	2.5%	-17.8%	-7.2%	9.5%	-0.3%	-6.0%
Operating Income					\$5.5	\$7.1	\$8.5	\$12.5	\$12.6*
OI as % of Sales					4.1%	5.6%	5.9%	8.0%	8.4%

\* Annualized sales and operating income are based on sales of \$75.5 million and operating income of \$6.3 million for the six months ended June 30, 2013 respectively.



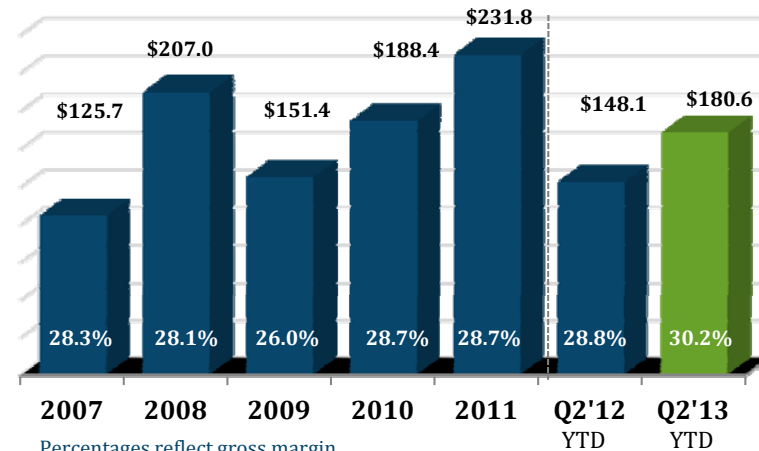
# FINANCIAL SUMMARY

**Revenue**  
(\$ millions)



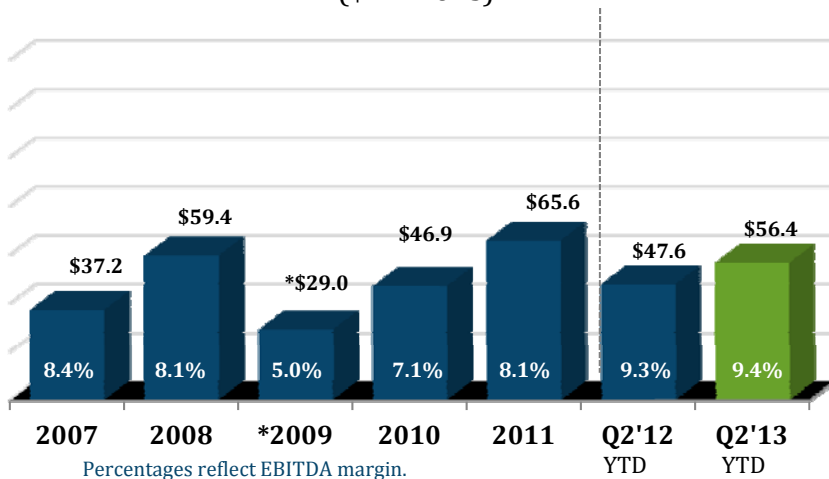
Percentages reflect year-over-year revenue growth from corresponding period.

**Gross Profit**  
(\$ millions)



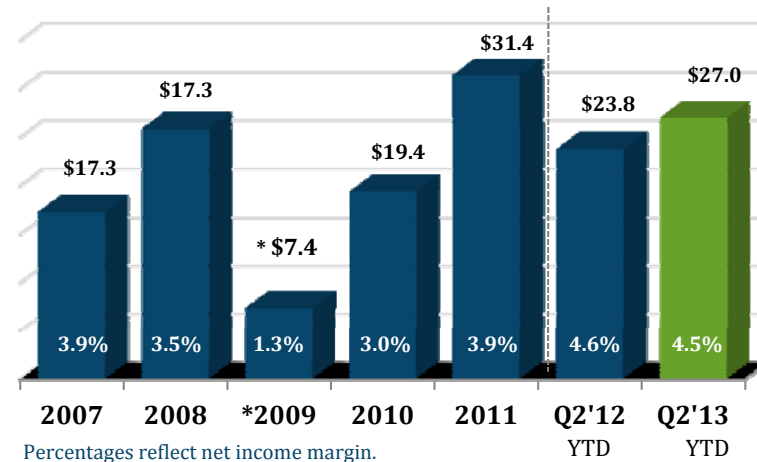
Percentages reflect gross margin.

**EBITDA**  
(\$ millions)



Percentages reflect EBITDA margin.

**Net Income**  
(\$ millions)

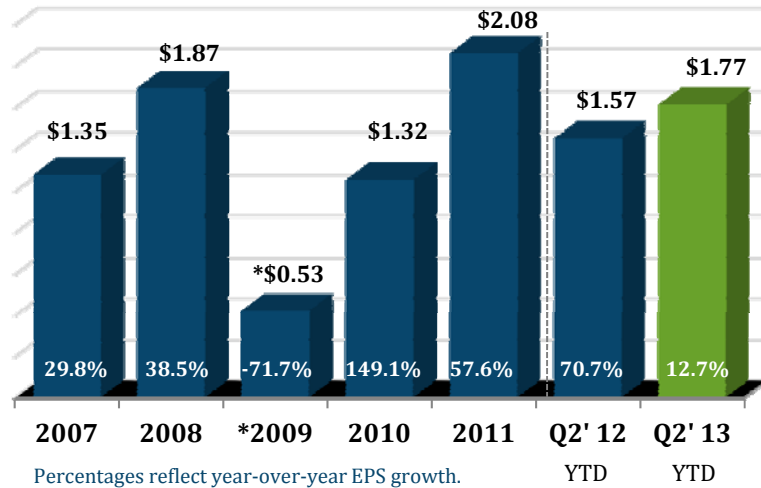


Percentages reflect net income margin.

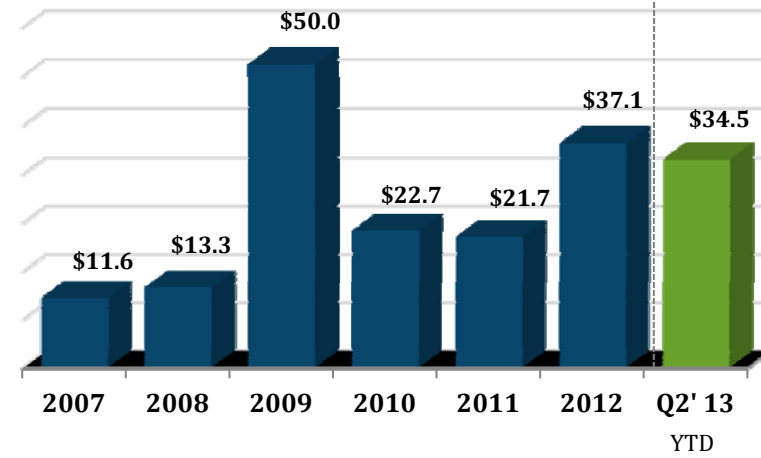
\*2009 adjusted for impairments of \$66.8M before taxes. DXP stock split September 2008.

# FINANCIAL SUMMARY *(CONT'D)*

### Diluted Earnings Per Share

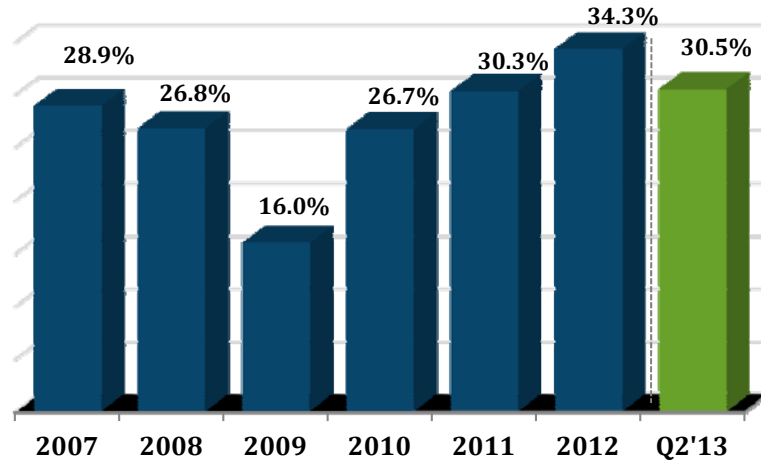


### Free Cash Flow (\$ millions)



Free cash flow defined as cash from operating activities less capital expenditures.

### 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 adjusted for impairments of \$66.8M before taxes. DXP stock split September 8, 2008.

# CAPITAL STRUCTURE



(\$ millions)	As of June 30, 2013
Cash	\$12.1
Total Debt	\$247.3
Shareholders' Equity	\$237.9
Total Book Capitalization	\$485.2

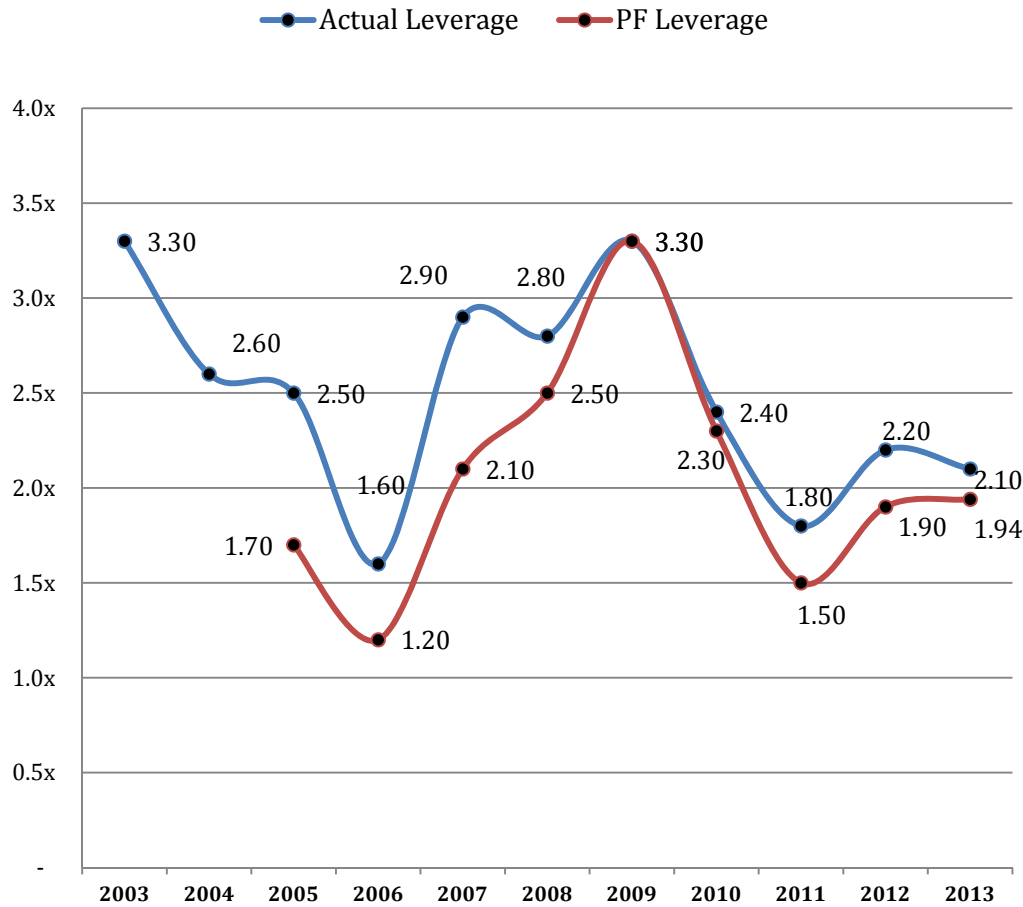
Credit Statistics	
LTM EBITDA	\$117.5
Total Debt/ Total Book Capitalization	51.0%
Total Debt/LTM EBITDA	2.10x
PF Total Debt/PF LTM EBITDA	1.94x

- Healthy, strong balance sheet
- Solid cash flow
- New Senior Credit Facility
  - \$262 million revolver
  - \$120 million term loan
  - \$100 million accordion feature
- Moderate leverage
- Poised for future growth

# CAPITAL STRUCTURE (CONT'D)



## LEVERAGE RATIO



## STRONG CAPITAL STRUCTURE

- Access to multiple capital markets
- Leverage ratio below 3.0x
- Supports growth strategy



# **DXP**

**THE INDUSTRIAL DISTRIBUTION EXPERTS**

NASDAQ: DXPE  
AUGUST 2013