



THE INDUSTRIAL DISTRIBUTION EXPERTS

Presented by:

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INVESTOR PRESENTATION

NASDAQ: DXPE

SEPTEMBER 2022

SAFE HARBOR AND REGULATION G DISCLOSURES

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.

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Statement Regarding use of Non-GAAP Measures:

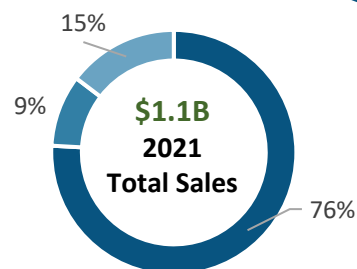
The Non-GAAP financial measures contained in this presentation (including, without limitation, EBITDA, Adjusted EBITDA, Free Cash Flow, Return on Invested Capital (ROIC) and variations thereof are not measures of financial performance calculated in accordance with GAAP and should not be considered as 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.



DXP ENTERPRISES, INC.

Leading technical distributor of MROP products and services *Keeping the Wheels of Industry in Motion* through quality customer service and deep product expertise

All data as of Dec. 31, 2021



- Service Centers
- Innovative Pumping Solutions
- Supply Chain Services



High-Performance Industry Leader Creating Unique Value through the Cycle

Diversified
Counter
Cyclical
End Markets

Strong Cash
Generation
through
Cycles

Disciplined
Capital
Deployment
Delivering
Strong ROIC

Accelerating
Growth &
Diversification
with M&A

> 60%
average FCF
conversion
(2017 – 2021)

> 20%
average ROIC
Goal
(2017 – 2021)

Top 20

MROP distributor
in North America

#1

Largest N.A.
distributor of pumps

Five (5)

major product
divisions supporting
customers

Founded in

1908

COMPELLING INVESTOR VALUE PROPOSITION



1

Differentiated business model with diversified end-market exposure

2

Comprehensive product portfolio focused on engineered solutions

3

Levers of growth drive attractive value creation algorithm

4

Strong financial position supporting consistent return of capital

5

Owner mindset focused on creating long-term value creation for shareholders

1

UNIQUE MARKET APPROACH ACROSS THREE SEGMENTS

(\$ millions)



LTM Q2 2022
Sales: \$890
Operating Income: \$110

Technical expertise and logistics capabilities to industrial customers; single source of supply on an efficient and competitive basis



- ✓ **Breadth of Technical Products**
- ✓ **Vendor Managed Inventory**
- ✓ **Largest Network of National Field and Shop Repair Facilities**



LTM Q2 2022
Sales: \$190
Operating Income: \$22

Single source for engineering, modular process systems, engineered fluid handling packages, pump manufacturing, remanufacturing, custom castings and private label pumps



- ✓ **Process Engineering & Capital Project Management**
- ✓ **Manufacturing & Remanufacturing**
- ✓ **Private Label Pumps**



LTM Q2 2022
Sales: \$189
Operating Income: \$15

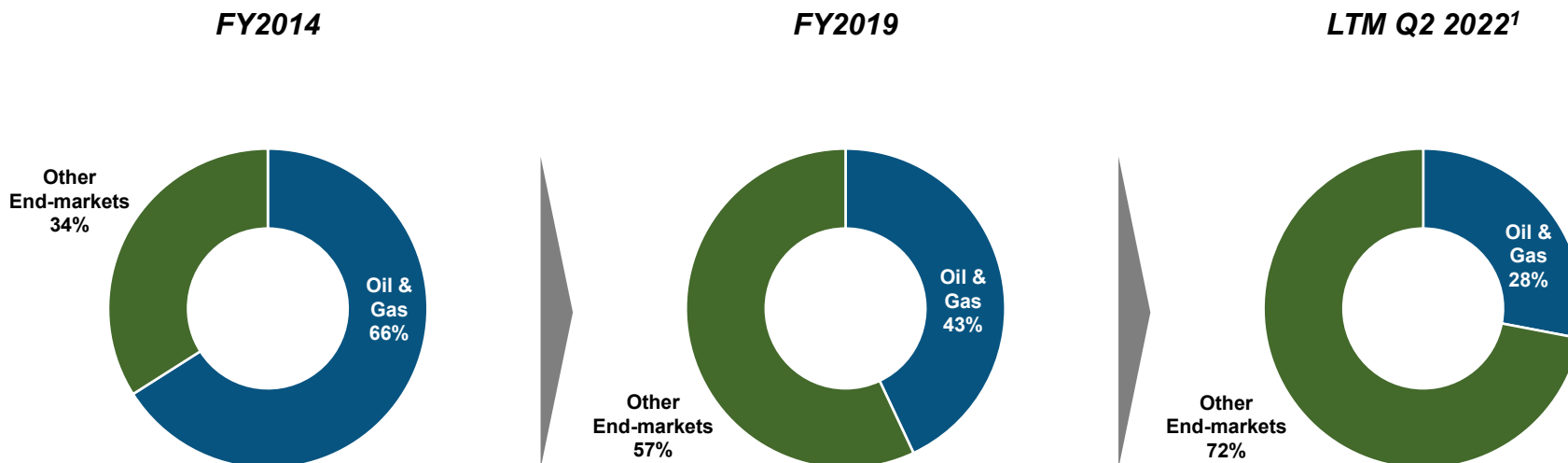
Manages supply chains including procurement and inventory management; reduces customers' indirect material costs and order cycle time



- ✓ **End-to-End Total Supply Chain Solutions**
- ✓ **Fully Outsourced MRO Service Offering**

1 DIVERSIFIED COUNTER CYCLICAL END MARKETS

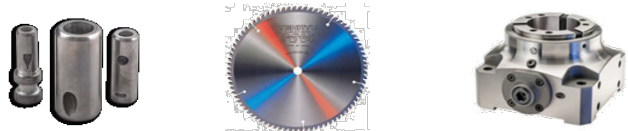
DXP End Market Transformation and Diversification



DXP is a leading player in diverse, growing, and recession-resistant end markets

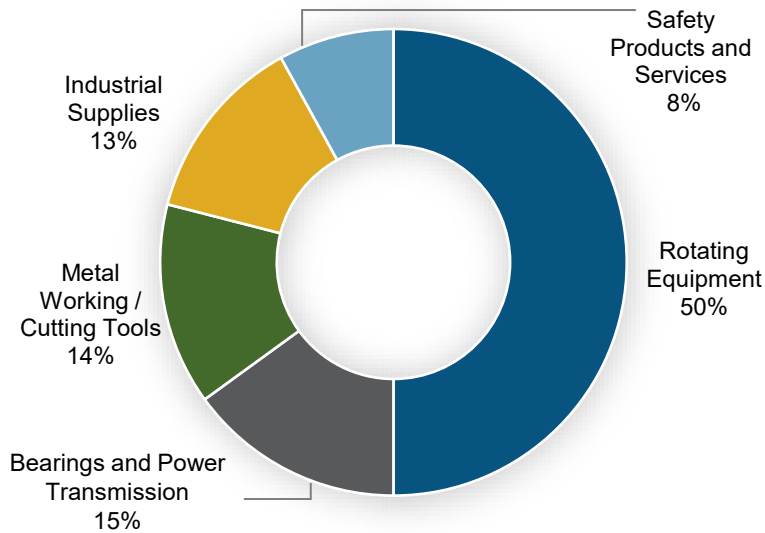
- ✓ *Less exposure to Oil & Gas end market; Decreased ~40% from FY 2014 to LTM Q2 2022*
- ✓ *Increased diversity in end market exposure*
- ✓ *Expanding presence in Industrial, Water & Wastewater and Food & Beverage industries which benefit from strong secular trends*
- ✓ *High quality customer base across dynamic industries*

2 BREADTH OF TECHNICAL PRODUCTS & SERVICES

Product Category	Revenue Contribution ¹	Market Position	Selected Products				
Rotating Equipment	50%	#1	<ul style="list-style-type: none"> Centrifugal Pumps Diaphragm Pumps Horizontal Pumps Grinder Pumps Rotary Gear Pumps Sewage Pumps Wastewater Pumps Vane Pumps Sealless Pumps Mechanical Seals Specialty Pumps 	<ul style="list-style-type: none"> Pipe Fittings Valves Compressors Metering Pumps Regenerative Turbines Electric Motors Flow Meters Pistons Plungers Dampeners 	<p><u>Broad Portfolio of Rotating Equipment with more than 536,000 unique SKU's</u></p> 		
Metal Working / Cutting Tools	14%	Top 5	<ul style="list-style-type: none"> Bandsaw Blades Boring Heads Broaches Endmills Reamers 	<ul style="list-style-type: none"> Carbide Tools Milling Cutters Files Gauges Coolant 			
Bearings & Power Transmission	15%	Top 10	<ul style="list-style-type: none"> Roller Bearings Ball Bearings Hydraulics Linear Products 	<ul style="list-style-type: none"> Hoses Pneumatics Lubrication Rubber Products 			
Industrial Supplies	13%	Top 15	<ul style="list-style-type: none"> Abrasives Diamond Products Transformers Ballasts 	<ul style="list-style-type: none"> Electronic Sensors Janitorial Equipment Welding Equipment 			
Safety Products & Services	8%	Top 5	<ul style="list-style-type: none"> Environment Monitoring Units Hazmat Protective Clothing Fall Arrest Safety Gear 	<ul style="list-style-type: none"> Ergonomics Fire Protection Hazwoper Tech Services 			

2 COMPREHENSIVE PRODUCT PORTFOLIO WITH EMPHASIS ON HIGHLY ENGINEERED SOLUTIONS

DXP Product Divisions¹



Market Leader Across Products

#1 Rotating Equipment

Top 5 Metal Working / Cutting Tools
Safety Products and Services

Top 10 Bearings and Power Transmission

Top 15 Industrial Supplies

A breadth of technical products and services.

- ✓ *Single source for engineering, system design, and fabrication of custom pump packages*
- ✓ *Fulfill MRO, OEM, and capex customer demand streams*
- ✓ *Higher margin products and value-added services*



3

BALANCED STRATEGY HAS ACCELERATED GROWTH

Annual Goals

Organic Growth Remains a Top Priority...

10%



...Acquisitions Accelerate Growth and Scale

10%



Combined, Consistent Growth in Excess of the Market

Results

- Completing first national pump distribution platform
- SuperCenters – unmatched branch model
- Aligned sales force expansion – national and local
- Unmatched Innovative Pumping Solution capabilities
- SCS guaranteed “customer savings”

- Continue consolidation of fragmented market
- Opportunities to enlarge key product divisions
- Diversify end markets and customers
- U.S. still top priority – targeting “holes” in the map

- 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

Recent Acquisitions

Date	Acquisition	Product Division	Region
Sep-22 ¹	Sullivan Environmental Technologies	Water & Wastewater	Midwest
May-22	Cisco Air Systems	Compressors	South
Mar-22	Drydon Equipment, Inc	Water & Wastewater	Midwest
Mar-22	Burlingame Engineers, Inc	Water & Wastewater	West
Sep-21	Premier Water	Water & Wastewater	South
Jul-21	Process Machinery, Inc	Pumps, Filters	South
Apr-21	Carter & Verplanck, Inc	Water & Wastewater	South East
Dec-20	Total Equipment Company	Pumps, Compressors	East
Dec-20	APO Pumps & Compressors	Pumps, Compressors	Midwest
Dec-20	Pumping Solutions	Pumps, Process Equipment	Midwest
Dec-20	Corporate Equipment Company	Water & Wastewater	Midwest
Feb-20	Turbo Machinery Repair	Pump Service & Repair	West
Jan-20	Pumping Systems	Pumps	South Atlantic

3 VALUE CREATING M&A STRATEGY

DYNAMIC GROWTH STRATEGY

KEY SELECTION CRITERIA

Enhance or Expand Product Expertise & Depth

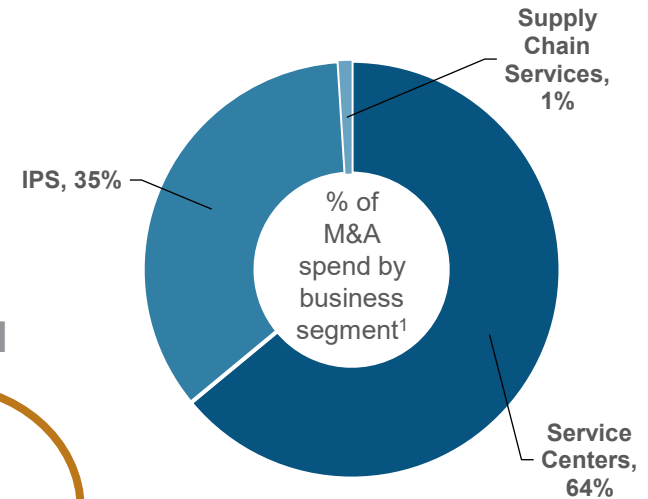
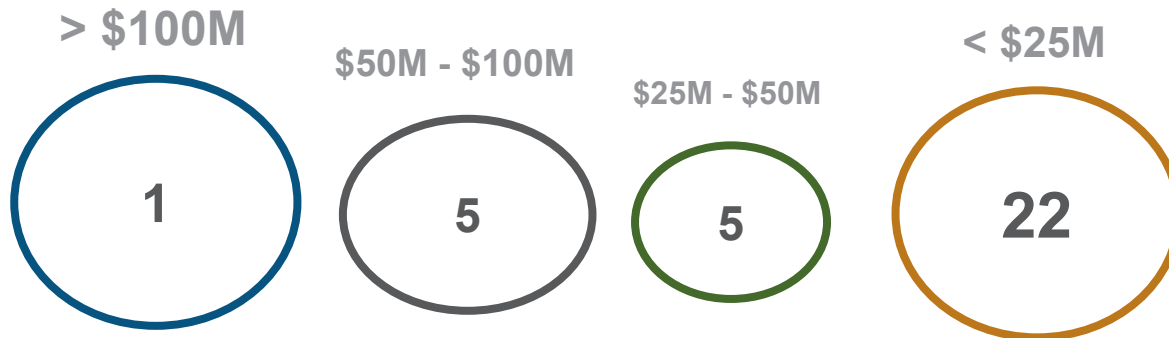
Strengthened Geographic Presence

Diversify or Enhance End Markets & Customers

Accretive

Margin Enhancement Opportunities

of Acquisitions Based on purchase price¹



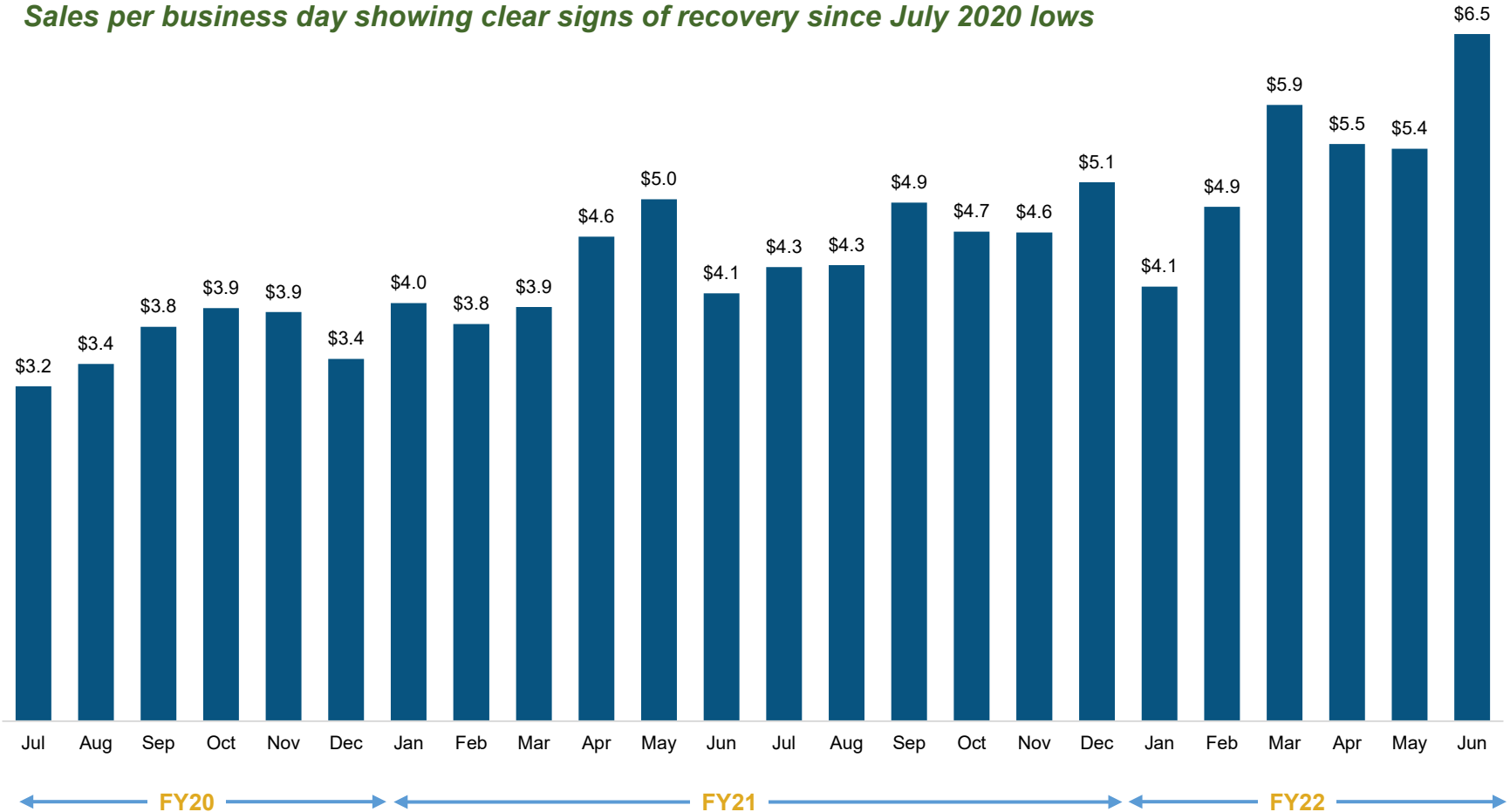
¹ Reflects M&A transactions completed from FY09 to YTD FY22

4

HISTORICAL PERFORMANCE | SALES PER BUSINESS DAY

(\$ millions)

✓ Sales per business day showing clear signs of recovery since July 2020 lows

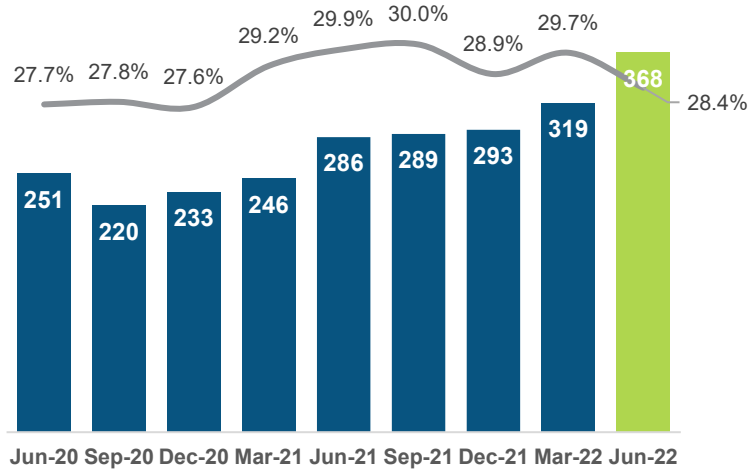


~30% average monthly year-over-year growth in sales per business day from 2021 to 2022 YTD

HEALTHY FINANCIAL PERFORMANCE DRIVING RETURNS

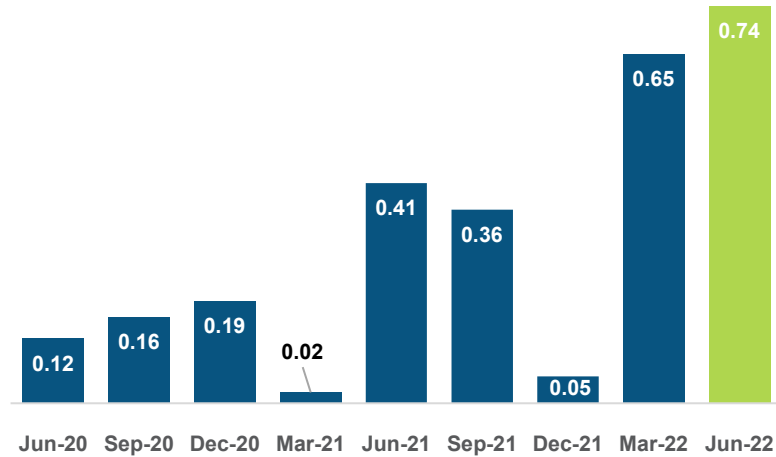
Sales and Gross Margin

(\$ millions)



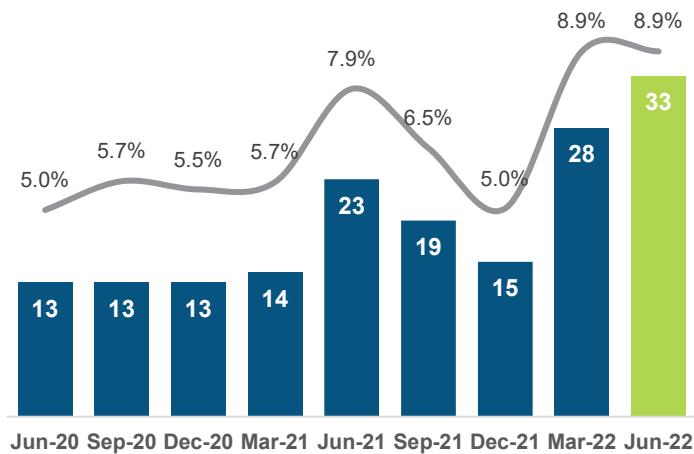
Diluted Earnings Per Share

(\$ actuals)



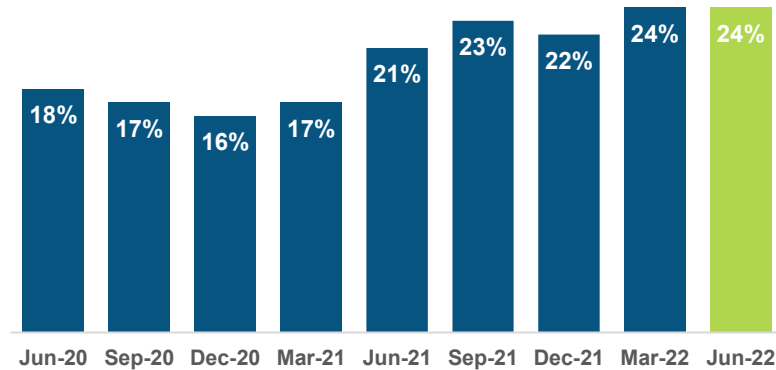
EBITDA and EBITDA Margin

(\$ millions)



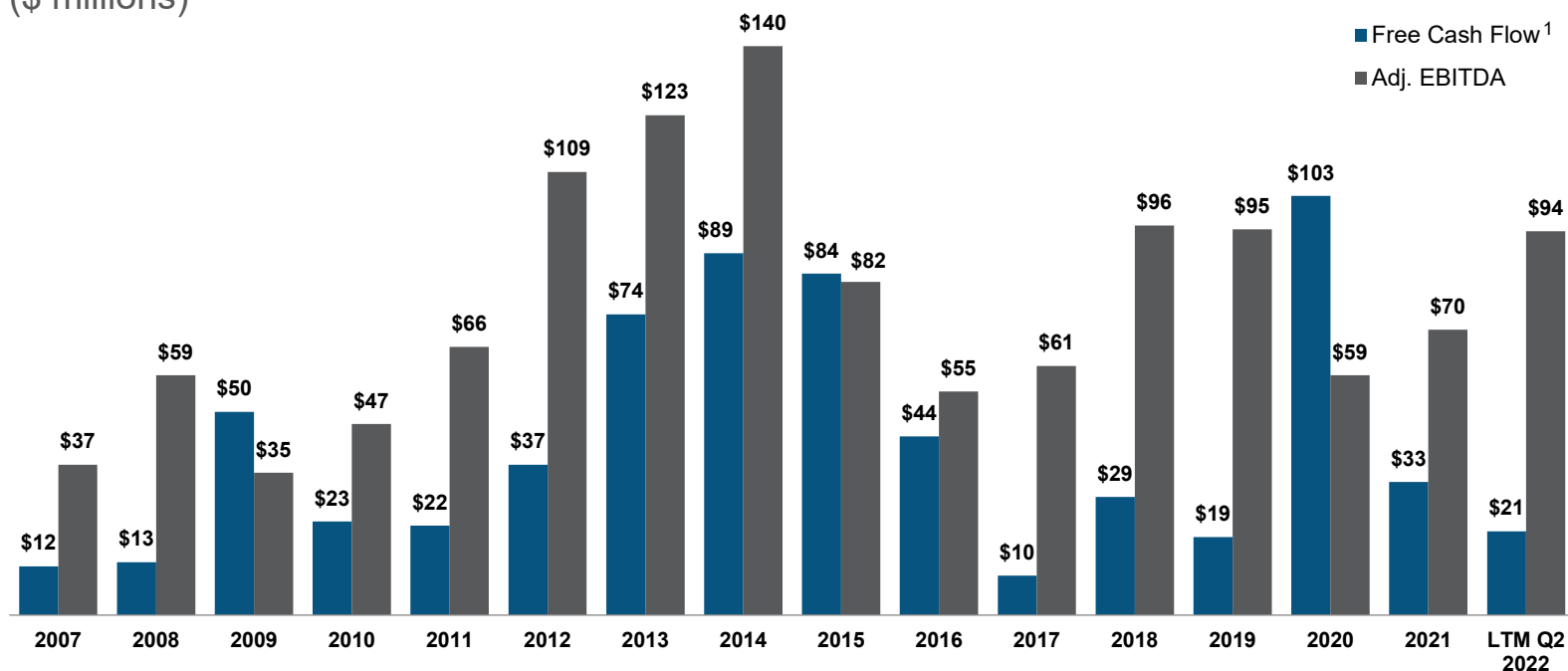
Return on Invested Capital ROIC%

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



4 STRONG CASH FLOW GENERATION THROUGH CYCLES

(\$ millions)



FCF Conversion ¹	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	LTM Q2 2022
	31.1%	22.4%	144.5%	48.4%	33.1%	34.1%	60.7%	63.9%	103.3%	80.3%	15.9%	30.3%	20.2%	174.8%	46.6%	21.9%
	26.8%			48.0%					36.7%				34.3%			

FCF conversion peaks at height of cycles...

...But is still strong during non-peak periods

FCF conversion peaks at the height of cycles (2009, 2015 and 2020) but remains robust (~40% average) during non-peak years.

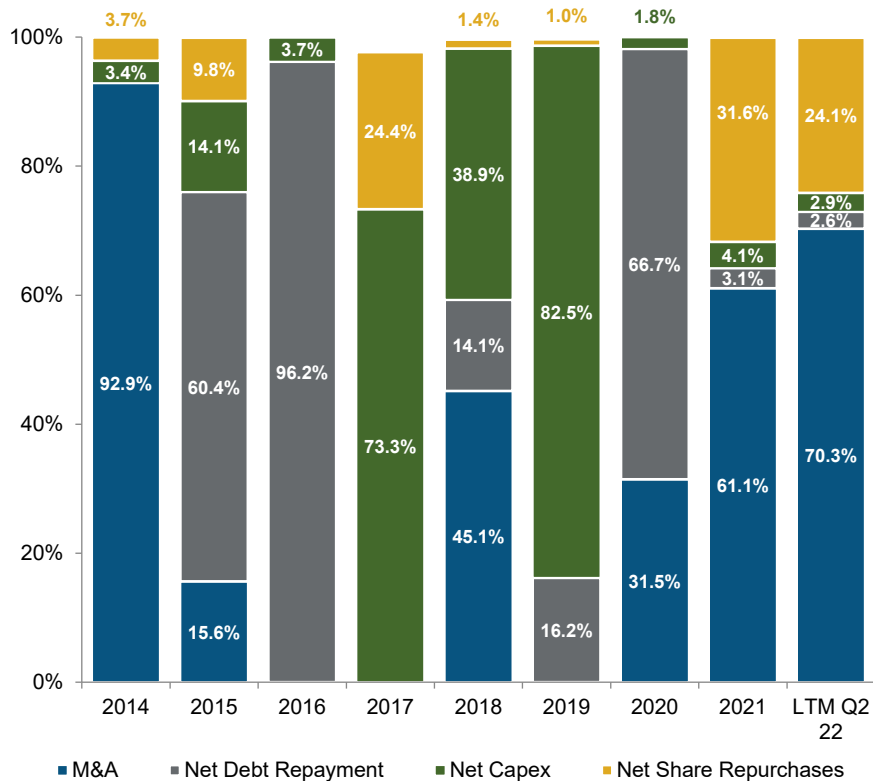
Robust free cash flow profile...

- ✓ 15 year average free cash flow conversion of ~60%+ from FY 2007 to FY 2021
- ✓ During downturns, DXP has effectively managed its cash flow by releasing working capital and remaining disciplined in acquisitive growth
- ✓ Flexible cost structure and disciplined working capital management underpin free cash flow
- ✓ Strong ability to manage headwinds in broader energy markets

Note: Adj. EBITDA is pre-impairment expense in 2009, 2014 and 2015. 2015 is also pre-B27 settlement and includes add back for above average legal fees. Adj. EBITDA per Company financials.
¹ Free Cash Flow calculated as cash flows from operations less net purchases of property and equipment per Company financials; FCF Conversion defined as (cash flows from operations – net purchases of property and equipment) / Adj. EBITDA.

4 CAPITAL ALLOCATION PRIORITIES

2014 – LTM Q2 2022 Capital Allocation¹



Balanced Capital Deployment

- Track record of sustainable and proactive debt management through the cycle
- Target leverage of 3.00 – 3.75x

- Flexible share repurchase program that allows for opportunistic buyback of DXP stock
- Disciplined capital deployment delivering strong ROIC: > 20% average ROIC goal (2017-2021)



- Disciplined M&A strategy focused on end market diversification, portfolio enhancement and geographic expansion
- Flexible capital deployment policy with ability to shift capital spend based on business requirements

Counter cyclical cash flow profile with ability to change capital allocation priorities based on market environment

Note: Percentages may not tie to 100% due to rounding. Capital allocation represents net contribution. M&A includes cash acquisitions only.

¹ Excludes preferred dividends which are negligible and not payable to public shareholders.

APPENDIX

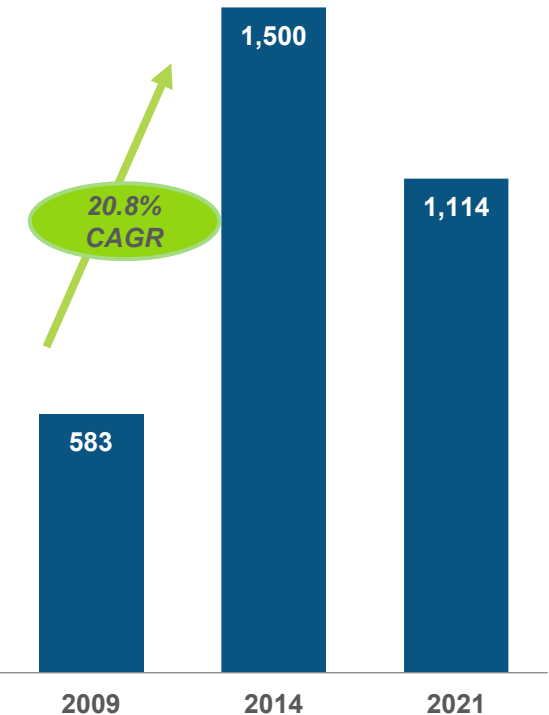
DXP

FINANCIAL PERFORMANCE FROM 2009 TO 2021

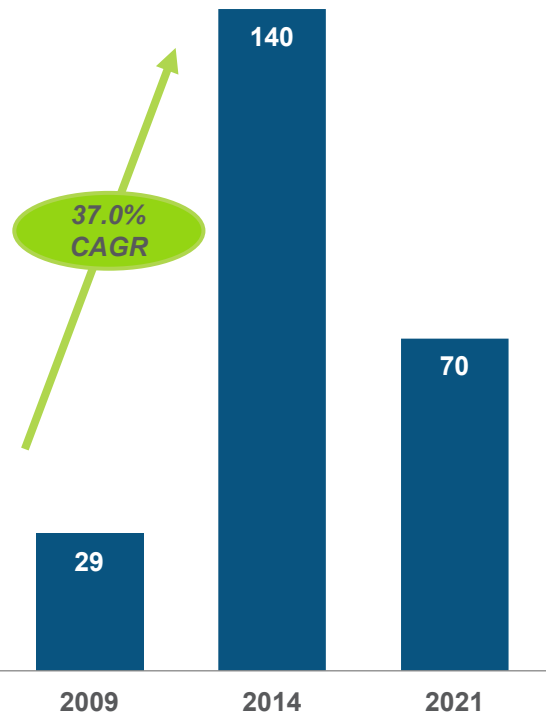
(\$ millions)

WHAT ARE THE RESULTS OF OUR STRATEGY?

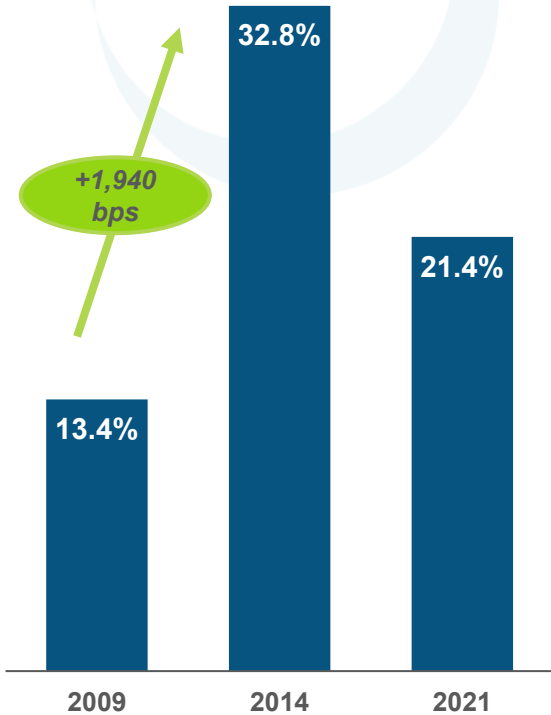
SALES



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.

SERVICE CENTERS SEGMENT

(\$ millions)

Segment Description

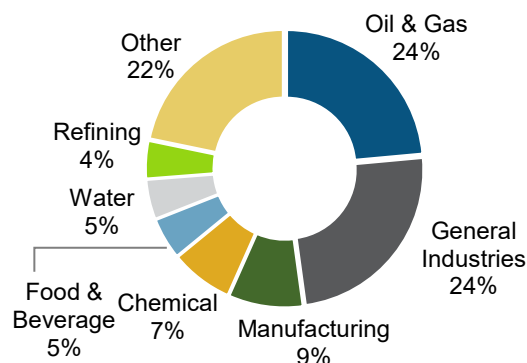
- DXP Service Centers provides MRO and OEM products, equipment and services, including technical expertise and logistics capabilities
- Serves a diverse customer base in varied end markets with ability to provide same day delivery
- Offers a single source of supply on an efficient and competitive basis
- First-tier distributor providing products in rotating equipment, power transmission, hose, fluid power, metal working, industrial supply, and safety products and safety services
- Majority of sales derived from customer product purchase orders, directly solicited by outside sales force making calls to customer locations

Quick Facts

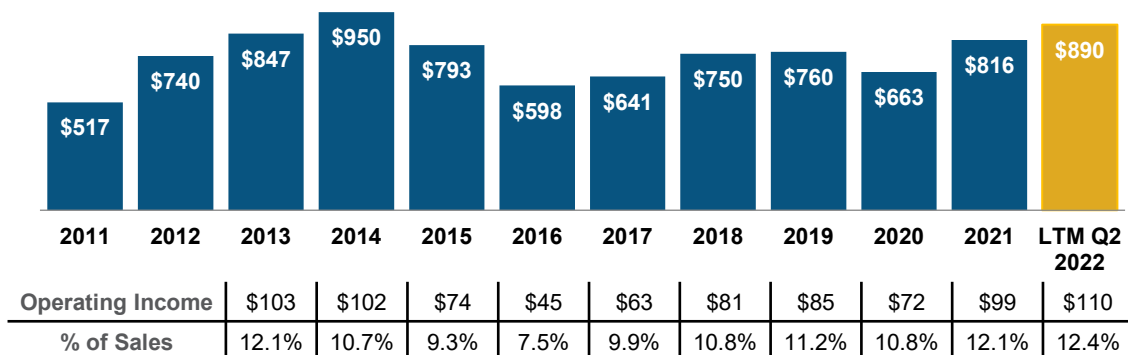
- \$890 million LTM Q2 2022 sales
- 148 Service Centers
- 4 Distribution Centers
- ~1,600 Employees

End Markets and Financial Performance

FY 2021A Sales by End Market



Segment Performance – Sales and Operating Income



INNOVATIVE PUMPING SOLUTIONS SEGMENT

(\$ millions)

Segment Description

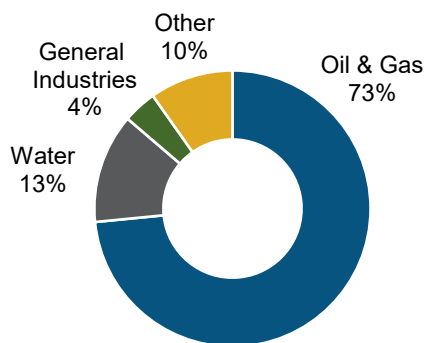
- Provides integrated, custom pump skid packages, pump remanufacturing and private label pumps to meet customers' capital equipment needs
- Leading single source provider for engineering, systems design rerates, and modular process systems for unique customer specifications
- DXP's engineering staff designs complete custom pump packages to meet customers' project specifications
- Pump applications include oil & gas production, pipelines, water and wastewater applications, injection systems to dispose of produced water and complete systems in power, mining, air quality filtration and LNG
- With over 100 years of fabrication experience, DXP has unmatched technical expertise providing the highest quality products

Quick Facts

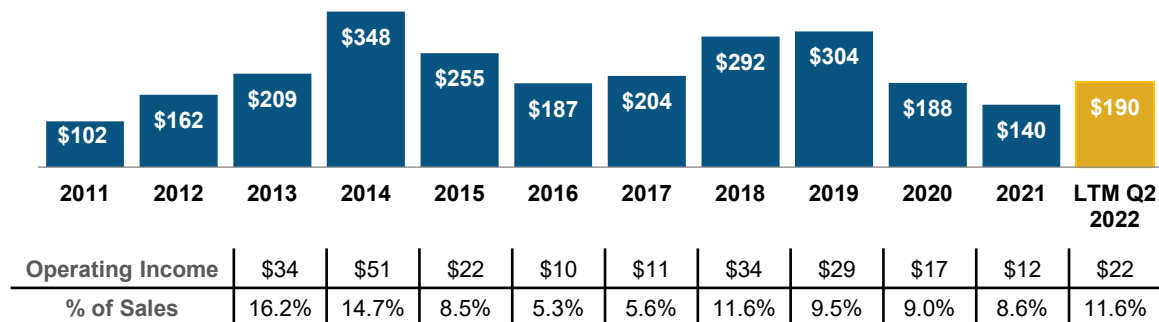
- **\$190** million Q2 2022 sales
- **11** Fabrication Facilities
- **~300** Employees

End Markets and Financial Performance

FY 2021A Sales by End Market



Segment Performance – Sales and Operating Income



SUPPLY CHAIN SERVICES SEGMENT

(\$ millions)

Segment Description

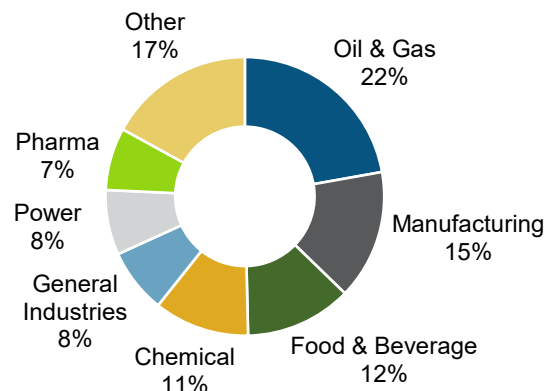
- Manages all or part of customer supply chains, including procurement and inventory management
- Provides fully outsourced solutions for sourcing MRO products including inventory optimization and management, store-room management, transaction consolidation and control and vendor oversight
- With decades of supply chain inventory management experience and comprehensive research, DXP takes a consultative approach to determine the strengths and opportunities for improvement within customers' MRO products supply chain
- Customer benefits include hard-dollar cost savings, reduced inventory, lower unit prices, reduced staffing, and improved procurement visibility and control

Quick Facts

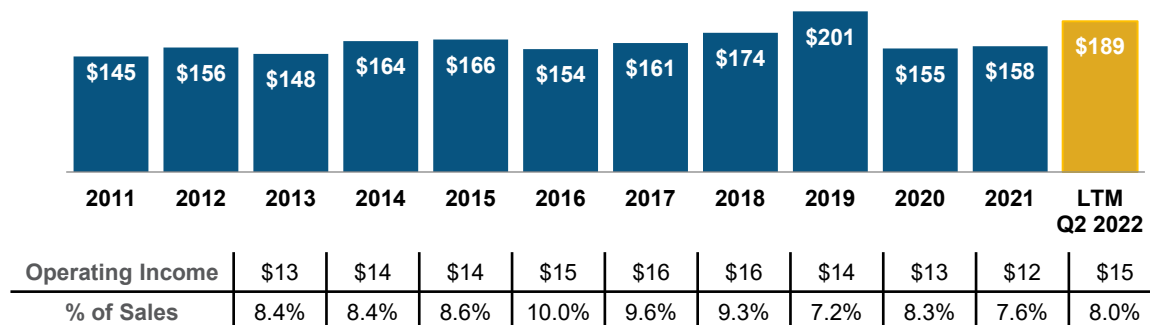
- \$189 million LTM Q2 2022 sales
- 83 Customer Facilities
- ~360 Employees

End Markets and Financial Performance

FY 2021A Sales by End Market



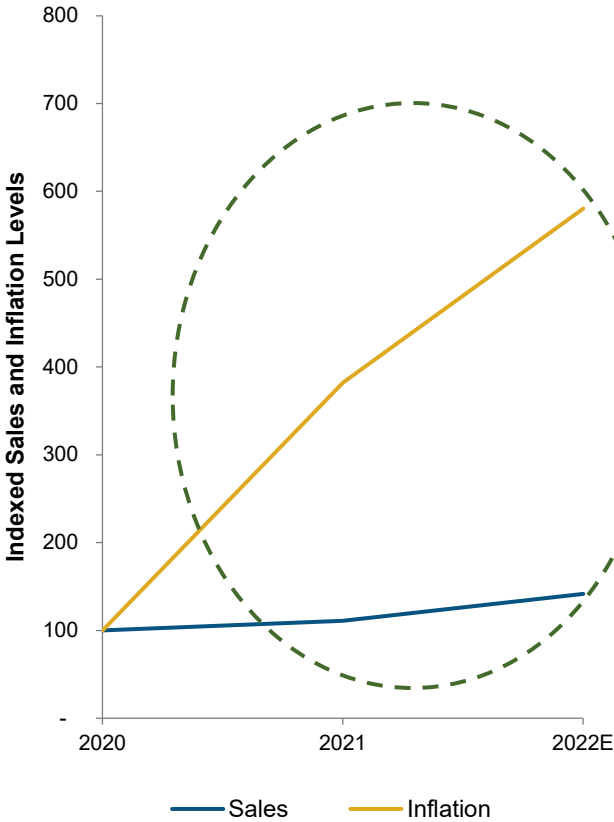
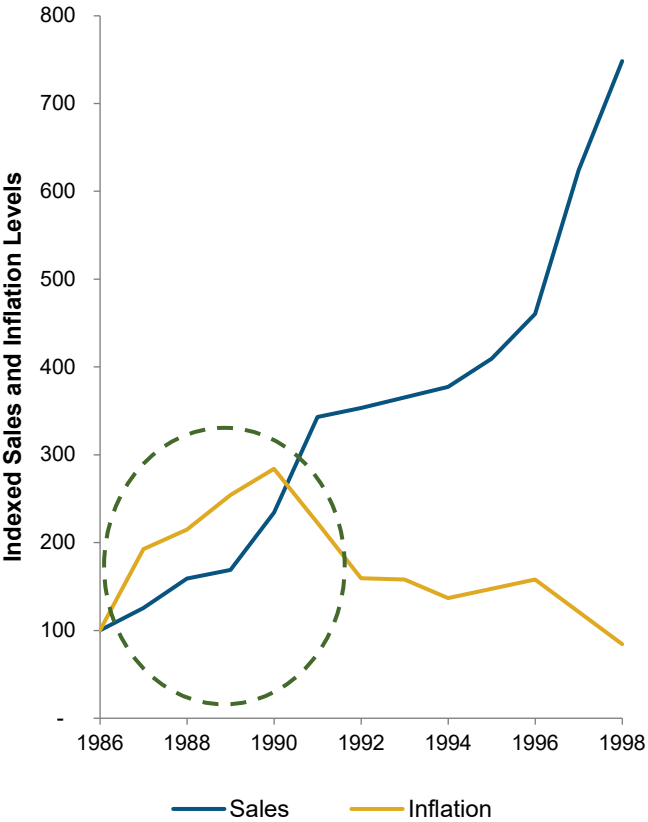
Segment Performance – Sales and Operating Income



PERFORMANCE THROUGH INFLATIONARY PERIODS

Inflationary Period 1986 – 1998

Inflationary Period 2020 – 2022E



- ✓ Differentiated business model with ability to effectively manage through inflationary pressures
- ✓ Continued strong performance in inflationary periods driven by the company's ability to pass through price increases to customers
- ✓ Inelastic product demand as company has historically sustained volumes through inflationary periods


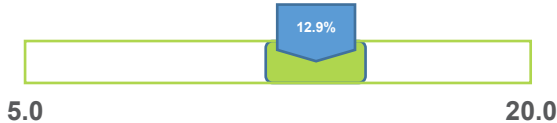
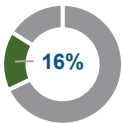
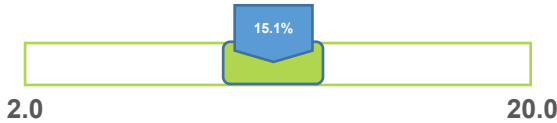

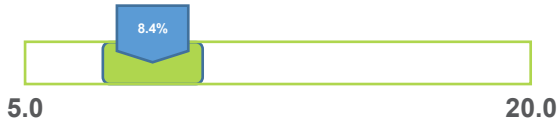
Q2 INCOME STATEMENT HIGHLIGHTS

(\$ thousands)

	Prior Yr Jun 30, 2021		Prior Qtr Mar 31, 2022		Current Qtr Jun 30, 2022	
Sales	\$	285,691	\$	319,411	\$	367,812
<i>% growth - yoy</i>		13.6%		37.3%		28.7%
<i>% growth - seq</i>		16.3%		10.3%		15.2%
Gross Profit		85,278		94,884		104,262
<i>% margin</i>		29.8%		29.7%		28.3%
Operating Income		14,846		21,559		25,920
<i>% margin</i>		5.2%		6.7%		7.0%
Adj. EBITDA as reported		22,684		28,257		32,609
<i>% margin</i>		7.9%		8.8%		8.9%
Diluted EPS	\$	0.41	\$	0.65	\$	0.74
Avg. Daily Sales:	\$	4,573	\$	4,991	\$	5,838

Q2 OPERATING PERFORMANCE BY SEGMENT

(\$ millions)

	Sales \$	Sales Mix	OP\$	OP%	
DXP SERVICE CENTERS	\$ 251.1	 68%	\$ 32.4	12.9%	
DXP INNOVATIVE PUMPING SOLUTIONS®	\$ 57.8	 16%	\$ 8.7	15.1%	
DXP SUPPLY CHAIN SERVICES	\$ 58.9	 16%	\$ 4.9	8.4%	
Corporate*	---		\$ (20.1)		
Total DXP	\$ 367.8	100%	\$ 25.9	7.1%	

*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

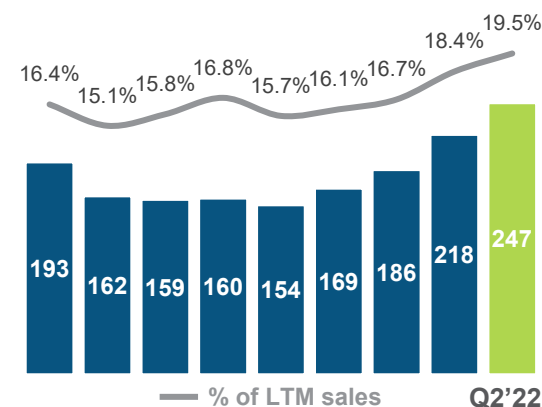
	Prior Qtr Mar 31, 2022	Current Qtr Jun 30, 2022
GAAP net income	\$ 12,527	\$ 14,494
Depreciation and amortization	6,752	7,080
Change in net working capital	(18,224)	(22,335)
Other operating cash flows, net	1,623	3,769
Net Cash provided by operating activities	2,678	3,008
Purchase of property & equipment, net	740	1,108
Proceeds from sale of assets	-	-
Free Cash Flow	1,938	1,900
Net Cash used in financing activities	(9,322)	21,344
Cash at end of the period	36,650	20,664

Supplemental Information:

Purchase of businesses	5,316	38,801
Cash paid for income taxes	705	2,153
Cash paid for interest	4,704	5,157
Net Debt	288,491	333,600

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

RECONCILIATION OF OPERATING INCOME

(\$ thousands)

	Three Months Ended June 30,	
	2022	2021
Operating income for reportable segments	\$46,052	\$34,591
<i>Adjustments for:</i>		
Amortization of intangibles	4,591	4,306
Corporate expenses	15,541	15,439
Total operating income	25,920	14,846
Interest expense	5,615	5,337
Other expense (income), net	839	(105)
Income before income taxes	\$ 19,466	\$9,614

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 June 30,	
	2022	2021
Income before income taxes	\$ 19,466	\$ 9,614
Plus: interest expense	5,615	5,337
Plus: depreciation and amortization	7,080	6,958
EBITDA	\$32,161	\$21,909
Plus: NCI loss (gain) before tax	(45)	315
Plus: Stock compensation expense	493	460
Adjusted EBITDA	\$32,609	\$22,684



THE INDUSTRIAL DISTRIBUTION EXPERTS

NASDAQ: DXPE
SEPTEMBER 2022