



DXP Enterprises, Inc.

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Earnings Call

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Call Participants

EXECUTIVES

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& CEO*

Kent Yee

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Director*

Unknown Executive

ANALYSTS

Thomas Allen Moll

Stephens Inc., Research Division

Presentation

Operator

Good morning, my name is David, and I'll be your conference operator today. At this time, I'd like to welcome everyone to the DXP Enterprises 2021 Fourth Quarter and Fiscal Year 2021 Results Conference Call. Today's conference is being recorded. [Operator Instructions].

Thank you. Kent Yee, CFO, you may begin your conference.

Kent Yee

Senior VP, CFO, Secretary & Director

Thank you, David, and thank you to everyone joining us today. This is Kent Yee, and welcome to DXP's Q4 2021 Conference Call to discuss our results for the fourth quarter and fiscal year ending December 31, 2021. Joining me today is our Chairman and CEO, David Little.

Before we get started, I want to remind you that today's call is being webcast and recorded and includes forward-looking statements. Actual results may differ materially from those contemplated by these forward-looking statements. A detailed discussion of the many factors that we believe may have a material effect on our business on an ongoing basis are contained in our SEC filings. However, DXP assumes no obligation to update that information as a result of new information or future events.

During this call, we may present both GAAP and non-GAAP financial measures. A reconciliation of GAAP to non-GAAP measures is included in our earnings press release. The press release and an accompanying investor presentation are now available on our website at ir.dxpe.com.

I will now turn the call over to David to provide his thoughts and a summary of our fiscal 2021 and fourth quarter results. David?

David R. Little

Chairman of the Board, President & CEO

Good morning. Thank you, Ken, and thanks to everyone for joining us today on our 2021 fourth quarter and year-end conference call. I will begin today with some perspectives on our fourth quarter and year-end results, current industry conditions and our position going forward. Ken will then take you through the key financial details after my remarks. After his prepared comments, we will open for Q&A.

As we all know, everyone continues to navigate through COVID and COVID-related challenges for 2021, and I am proud of the courage, compassion and commitment demonstrated by our DXPeople throughout the year. There is no question 2021 was an extraordinary year. It continued to remain challenging for us, our customers, our DXPeople, our suppliers and our communities. But even in an incredible dynamic market environment, DXPeople came together, we stayed true to our strategy, remain customer-driven, and though we still have a lot of work to do, I am proud of the fact that we delivered strong results for our shareholders.

DXP started fiscal 2021 believing financial results were not going to become easy and we were going to have to take market share where we could. The pace and magnitude of recovery would vary greatly from geography, customer type and end markets. This largely proved to be true as the economy continued to recover from the short, but deep recession the marked the pandemic's early months and days. The subsequent robust growth that followed in certain markets began to put enormous pressure on the supply chain, triggering levels of inflation not seen in decades. By year-end, interest rate hikes were widely expected. Markets entered into a new uncertainty.

While we don't expect fiscal 2022 to look like 2021, DXP's confidence is as strong as it ever has been. Our strategy is working. We continue to be customer-driven experts, sourcing, providing, servicing our customers, as they navigate whatever the outcome year holds.

In fiscal 2021, we soundly executed on diversifying our end markets with a focus on water and wastewater and other industrial markets, continuing to do acquisitions, adding 3 great companies during the year including Carter & Verplanck, Process Machinery and Premier Water. Executing, we executed on share repurchase program and growing organically in the second half of 2021, delivering second half organic sales growth of 13%.

Our strategy has always been to combine financial strength, talent, resources, technology and capabilities of a large company with the fast, flexible and entrepreneurial capabilities of our local businesses to deliver superior value to our customers and our suppliers while providing better growth opportunities for our DXP people. We continue to believe in this approach and look to renew our commitment to people, processes and resources and technology as we scale DXP and we remain focused on doubling the size of our business over the next 3 to 5 years.

From a sales per business day standpoint, DXP experienced continued improvement throughout the year, with Q1 averaging 3.9 million sales per day and ending Q4 averaging 4.8 million sales per business day or an improvement of 23.1% from Q1 to Q4. While we did experience some softness during the summer months, from August through the end of December, we consistently performed above our 2021 sales per day average of 4.5 million sales per day. Our fourth quarter results reflect sequential sales growth and improvements in our end markets and industry indicators, including our PMI and our metalworking indexes. Oil and gas also started to see signs of firming and DXP experienced sequential increases in our related backlog and IPS expected -- experienced 2 sequential quarters of organic growth through Q4.

Total DXP sales for Q4 were \$293.1 million or \$4.8 million per business day. Our profits for the quarter were impacted by a sequential decline in gross margins as well as an increase in SG&A associated -- expenses associated with auditor transition and related items, which Kent will review during his comments.

However, in the midst of continued change in growth, our year-over-year earnings showed improvement and resilience as we grew diluted earnings per share 13.9% to \$0.83 per share on a year-over-year basis.

Thank you to our 2,841 DXPeople for your hard work and dedication and finishing the year as strongly as possible. It is always my pleasure to share our fourth quarter and year-end results on your behalf.

In terms of cash flow and liquidity, we generated \$32.7 million of free cash flow versus a record of \$101 million of free cash flow in 2020, which reflects the turning of the business and investing in related working capital as the business begins to turn positive during the second half of the year. This, combined with flexible capital structure, plus us in a position where we could keep executing on our acquisition strategy, as well as return capital to our shareholders via opportunistic share repurchases. As we discussed at the back end of 2020, acquisitions have continued to diversify our end market exposure and position us well for a rebounding economy as we are excited about 2022 and the growth we expect to see both organically and through acquisitions as we continue to have a strong pipeline of opportunities.

We are excited to have 3 new companies join us during the year 2021, on top of the 4 we completed at the end of 2020 or essentially the beginning of 2021. Carter & Verplanck, Process Machinery, Premier Water have been great additions to the DXP family. That is 7 acquisitions over the last 12 months, including APO Pumps & Compressors, Corporate Equipment Company, Pumping Systems, Inc. and Total Equipment Company. To all of you, welcome to DXP, and we are excited to have you be a part of our DXP family, and we look forward to our successes together.

DXP has continued to find ways to deliver financial results and position us well for all our stakeholders in the face of extraordinary challenges. This is evidenced by our sales growth, improved gross margins and acquisitions and the overall teamwork of the DXPeople.

We continue to build our capabilities to provide complementary set of products and services to all of our markets, which makes DXP very unique in our industry and gives us more ways to help our customer win. We also are constantly looking at reviewing opportunities where we can grow market share. We complement our strategy with a relentless drive for progress that includes business and operational initiatives, which we believe will allow us to steadily improve our performance for all our stakeholders. As

we go into 2022, we are excited about the opportunities ahead and the potential DXP has to continue to scale and grow within existing and new markets.

Total DXP sales in fiscal 2021 were up 10.8% to \$1.1 billion. Service centers led the way at \$816 million followed by supply chain services of \$158 million, and then innovative funding solutions at \$140 million. The point here is acquisitions, the diversity of end markets and MRO nature of Service Centers allowed us to remain resilient. Supply Chain Services remained impacted by oil and gas and transportation-related end markets during the first half of the year, and as we move into the second, as some of these related COVID impacts began to subside. Additionally, we started more proactive sales development that translated into other growth and supply chain services in 2022.

As we discussed during Q1 through Q3, we experienced the largest organic sales decline within our Innovative Pumping Solutions business segment. IPS is tied to capital budgets and predominantly in the oil and gas industry, but we have added, through acquisitions, water and wastewater treatment project work this year, which has positively impacted the results of IPS along with improvements in cost management on our traditional business.

In terms of the strength in the IPS backlog, we have now had 2 consecutive quarters of sequential double-digit increases, and the trend looks to continue in Q1. DXP overall gross profit margins for the year were 29.5%, a 192 basis point improvement over 2020. We displayed consistent gross margin performance within IPS through the year and added accretive gross margin acquisitions. That said, IPS improved gross margins 463 basis points year-over-year in the midst of a significant decline in demand.

Overall, DXP produced EBITDA of \$70.2 million or an increase of 19.1% year-over-year. EBITDA as a percent of sales was 6.3%, or an increase of 43 basis points compared to 2020.

In summary, we are pleased with our overall performance in 2021. Obviously, another excellent year that resumed the final changes, but also highlighted or accentuated certain business trends that provided us with areas to enhance and focus upon as we go into 2022. We look to continue to drive improvement in our organic sales and marketing strategies, drive future sales growth through acquisitions, and anticipate fiscal 2022 to be a strong recovery year.

Our acquisitions performed very well during 2021, contributing significantly to our growth in sales and adjusted EBITDA. We continue to expect a busy acquisition year in 2022. In 2021, we made great progress with an investment in a customer relations management system or CRM tool for our sales force, which will help our over 400 outside sales leaders bring increased value to our current customers and drive growth through new customers and increase share of wallet. We are very optimistic that our investment in digital tools and marketing can create significant competitive advantage for DXP overall through our strategic investments and initiatives. We will remain focused on providing world-class tools, processes, trainings and technology to deliver value to our customers and suppliers and to help our DXP people being more productive so they can better help our customers with.

We will continue to use whatever median the customer prefers and tailor our approach to their needs. DXP is always customer-focused, especially in the environment we have today. We're listening to the customer matters. I am very proud of how our team continues to perform in this extraordinary times. As a leading distributor of highly engineered products and services, we believe DXP remains well-positioned to support our customers and navigate this challenging period for the benefit of all our stakeholders.

I would like to sincerely thank all of our DXPeople who continue to show up to work with their passion, commitment, teamwork and selfless service. We have a tremendous team. It is an honor to overcome the collective diversity we all experienced and deliver value for all our stakeholders.

With that, I will now turn it back to Ken to review our financials in more detail.

Kent Yee

Senior VP, CFO, Secretary & Director

Thank you, David, and thank you to everyone. Fiscal 2021 financial results.

2021 turned out to be another unique year as we moved through the COVID-19 and experienced new and related challenges. Despite these challenges, DXP successfully navigated through the year and was able to execute and create value for all our stakeholders.

Overall, DXP's fiscal 2021 financial results were good to see and reflect the following: diversifying our end markets with strong acquisition activity, completing 3 acquisitions in 2021 after completing the 4 at the beginning of the year or on December 31 of last year. Sales improving further from the ongoing pressures of COVID-19, with sales per business day averaging 4.5 million sales per business day in 2021. Improved business segment strength, with year-over-year growth in Service Centers and Supply Chain Services despite the first half of 2021 presenting. Two quarters of sequential growth in the IPS backlog during the back end of the year, gross margin improvement year-over-year and opportunistic share repurchases, returning \$33.5 million in capital back to shareholders. Essentially, a great transition year, and one that will position us well for 2022 and beyond.

Total sales for the fourth quarter increased sequentially 1.3% to \$293.1 million, reflecting significant improvement in sales per business day going from \$4.5 million per day in sales in Q3 with 64 business days to 4.8 million sales per business day with 61 days in Q4. Additionally, this reflects impacts from supply chain shortages and sales getting pushed into 2022. Acquisitions contributed \$43.5 million in sales during the quarter. Total sales for DXP for fiscal 2021 were \$1.1 billion, increasing 10.8% compared to fiscal 2020. For the full year, acquisitions contributed \$147.5 million in sales.

Average daily sales for the fourth quarter, as I mentioned, were \$4.8 million per day versus \$3.8 million per day in Q4 2020. Average daily sales for fiscal 2021 were \$4.5 million per day versus \$4 million per day for fiscal 2020. Adjusting for acquisitions for the full year, average daily sales were \$3.9 million per day.

In terms of our business segments, Service Centers grew 23.2% year-over-year. Excluding acquisitions, Service Centers grew 6.9% year-over-year, followed by Supply Chain Services growing 2.1%, and then Innovative Pumping Solutions, excuse me, declining 25.8%. Excluding acquisitions, Innovative Pumping Solutions declined 35.5% year-over-year.

In terms of our Service Centers, regions within our Service Center business segment which experienced sales growth year-over-year include California, Ohio River Valley, North Texas and our Canadian Safety Services business. Key end markets driving the sales performance include food and beverage, mining, municipal water, wastewater, specialty chemicals, as well as some COVID-related activity in Canada during the first half of the year.

Supply Chain Services performance reflects the pullback in activity at oil and gas and transportation-related customer sites. This subsided as we move to the second half of the year and then the SCS team turned their focus to new customer wins which we anticipate, as David said, adding significant growth in 2022.

In terms of Innovative Pumping Solutions, we have now experienced 2 consecutive quarters of increase in the backlog. As I always say, we review monthly bookings and backlog and compare these data points to fiscal 2015, 2016 averages, as well as fiscal 2017 averages. Our Q4 average backlog was down 12% from the 27 (sic) [2017] average backlog and down 28% from the 2015 average backlog, but is up 22% compared to the 2016 monthly average backlog. The conclusion here is that we are now trending slightly above 2016 sales levels based upon where our backlog stands today over the next 12 months.

Turning to our gross margins. DXP's total gross margins were 29.5%, a 192 basis point improvement over 2020. Drivers of the improvement include acquisitions, which were at an average gross margin of 30.2% and continued improvement in IPS on a year-over-year basis. Organic gross margins improved 436 basis points year-over-year within IPS followed by 154 basis points improvement within Service Centers. Supply Chain Services was essentially flat year-over-year.

In terms of operating income, combined all 3 business segments increased 94 basis points in year-over-year business segment operating income margins versus 2020. This was driven by improvement in organic operating income margins from Service Centers. Total DXP operating income increased 38 basis points versus 2020 to \$39.9 million. Service Centers improved operating income margins 128 basis points to

\$98.9 million. Supply Chain Services operating income margins declined 70 basis points to \$12 million. Innovative Pumping Solutions operating income margins declined 33 basis points compared to 2020, which is notable once again, given the contracting market environment.

Our SG&A for the full year increased \$43.7 million from 2020. This increase reflects higher than normal audit and legal-related expenses associated with our auditor [noise] this past year, increased health care costs versus 2020 due to abnormally low costs incurred in 2020 when stay-at-home orders were in place and increased insurance cost. Additionally, DXP incurred growth-related increases in SG&A, including over \$775,000 associated with investing in a new CRM package, as David mentioned.

Turning to EBITDA, fiscal 2021 adjusted EBITDA was \$70.2 million. Adjusted EBITDA margins were 6.3%. Year-over-year EBITDA margins increased 43 basis points. We typically expect to receive greater fixed cost SG&A leverage as we grow, but given our growth was driven from acquisitions and our business declined organically 2% year-over-year, we do not experience the leverage that we will experience as we move through the cycle. This points to the accretive nature of the margins with acquisitions and the opportunity to significantly improve EBITDA margins as we move to our organic growth in 2022.

In terms of our EPS, our net income for 2021 was \$16.4 million. Our earnings per diluted share for fiscal '21 was \$0.83 per share versus an adjusted \$0.73 per share last year.

Turning to the balance sheet and cash flow. In terms of our working capital, our working capital increased \$27.1 million from the prior year to \$186.2 million. As a percentage of sales, this amounted to 16.7%. This primarily reflects an 11-day increase in day sales outstanding, or what they refer to as DSO days, and investments in inventory. We are still at a point where we are in line with our historical averages or ranges in terms of investing in working capital.

In terms of cash, we had \$49.1 million in cash on the balance sheet at December 31. This is a decrease of \$70.3 million compared to December 31, 2020. This reduction was the result of our acquisition activity and our share repurchase program that we announced in May of 2021.

In terms of CapEx, CapEx in the fourth quarter was \$3 million. CapEx in the fiscal year was \$6 million or 0.5% of total sales. Compared to fiscal 2020, we are down \$673,000. As a reminder, CapEx reflects our ability to control capital investment and the minimal maintenance needs of our business. During fiscal 2020, we are focused on liquidity as we establish our bearings around COVID. In 2021, we maintained that discipline, but also began to opportunistically invest in the business with 75% of our CapEx activity occurring in Q3 and Q4.

Moving into 2022, we will continue to invest in the business as we move towards growth. Turning to free cash flow. We generated solid operating cash flow during the fourth quarter as we did during the second and third quarter. During Q4 and for fiscal 2021, we had a cash flow from operations of \$14.3 million and \$37.1 million, respectively. For fiscal 2021, this translated into \$32.8 million in free cash flow.

Return on invested capital or ROIC for 2021 was 21%. At December 31, our fixed charge coverage ratio was 2.7:1 and our secured leverage ratio was 3.7:1. Total debt outstanding at December 31 was \$326.7 million. In terms of liquidity, we remain undrawn on our ABL and have over \$180.7 million in liquidity, consisting of \$49 million in cash and \$131.7 million under the ABL.

In terms of acquisitions, we anticipate closing another acquisition by the end of Q2. This transaction will continue to diversify DXP from an end market perspective as well as further strengthen our capabilities in key geographic regions and enhance product capabilities. Our acquisition strategy continues to create value for DXP, and our pipeline is as strong and is expanding in different end markets. More importantly, the talent [at the companies joining DXP] is very high, brings expertise and valuable experience to our growing company.

The last item I want to touch briefly upon is our auditor transition plan. I'm sure many saw the announcement this morning that we have appointed PricewaterhouseCoopers as our auditor for fiscal 2022. I want to first start off by publicly thanking McConnell & Jones for working with us to get our third quarter and fiscal 2021 done in a timely manner given the unusual circumstances. The team from

McConnell & Jones handled everything with the utmost professionalism, diligence and candor. Frankly, it was extremely refreshing.

As discussed back in November, DXP's auditor transition or bridge plan has been about the future of DXP and to align with our vision and goals for the finance and accounting function. Since 2017, we have been focused on ensuring we were building a finance and accounting team, capabilities and functions that would support and propel DXP into becoming a multibillion-dollar company. Progress by no means is a straight line, and we are improving year-over-year. We are also staying nimble as we continue to grow and work with a variety of market challenges that you face. We are at that inflection point, and I am excited to work with PwC and have another fresh view as we scale DXP in real time organically and through acquisitions.

In summary, our priorities this year were to drive shareholder value through diversifying our end markets, continuing to execute on our acquisition program and opportunistic share repurchases. We were successful and look forward to a stronger 2022 and beyond.

I will now turn the call over for questions.

Question and Answer

Operator

[Operator Instructions] We'll take our first question from Tommy Moll with Stephens.

Thomas Allen Moll

Stephens Inc., Research Division

I wanted to start for your oil and gas customers. With crude here above \$100, what if any, kind of change in appetite for spend are you seeing there? And especially on the pricing side, I would assume you're probably seeing some input inflation, and obviously, these customers are realizing much higher prices on their side. So do you have any kind of incremental pricing power in this environment that might be a tailwind to margins?

David R. Little

Chairman of the Board, President & CEO

Yes. Yes. First of all, let me say that we're kind of moving ourselves away from oil and gas and yet we sell a lot of product into that marketplace and we'll continue to do so. One of the bigger opportunity for IPS though is to sell a lot of alternative fuel type projects and also carbon capture stuff and things to -- improves our environment, which is pretty exciting for us and pretty exciting for DXP as kind of creating a whole new market, and that's when we're kind of expanding there.

But back to your question. Certainly, people are spending money to produce as much as they can. Drilling is going back up, but those budgets are not -- they're nowhere nearly as big as they used to be, but they're still increasing. So we're seeing activity at our IPS segment, both for alternative fuels, environmental and gathering systems and things that help produce more.

So all of that looks really, really good for IPS. Our costs, you say they're getting more at the wellhead for their product, and they certainly are. I'm a big fan that that's too high. It will ultimately, somewhere along the line at all, even out towards probably the right amount, but the perfect price of oil, we always talk about that.

But it's not at \$100 plus, I'll just tell you that. So I'm worried about how it affects the rest of our business. But back to the oil and gas part, people costs are going up. Our suppliers are raising their prices because their people costs are going up. Steel has gone, all the commodities have gone up, so -- and then we pass that on. And I think the oil and gas companies expect us to pass that on, whether or not we pass on a little bit for ourselves, that's kind of up to the individual salesperson and the people doing the quoting and stuff, but we try to. And -- but we're just going to have a simply -- that was all stated to kind of point to the fact that, really, our service centers did great supply chain services. I think it's going to have a good year. It's -- it keeps looking like it's going to have a good year. But the real improvement, a real detriment in 2021 was IPS and the capital projects. And then -- but that's coming back and we're expecting them to have a good year.

Thomas Allen Moll

Stephens Inc., Research Division

Moving up to the total company level and just looking at your daily sales, it sounds like most to the second half of last year was quite strong. And I'm curious, now we're most of the way through the first quarter here, just what kind of commentary could you offer on, I don't know if you want to go month by month or quarter to-date, year-to-date? Just any context you could give us on how daily sales have progressed?

Kent Yee

Senior VP, CFO, Secretary & Director

Yes. Tommy, this is Kent. What I'll do is, I'll jump in here and just give you the trends as I normally do. Sometimes I caveat the sales business day, but I'll just pull it forward from the Q3 average and then kind of the last 5 months, if you will.

So for Q3, we averaged \$4.5 million per day. In October, it was \$4.7 million per day. In November it was \$4.6 million per day. In December, it was \$5.1 million per day. January was \$4.1 million per day, January is usually always a soft month, kind of coming out the shoe at the beginning of the year. And in February, we kicked up to \$4.9 million per day. So trending in the right fashion and increasing month over month, so we like what we see.

Now some of that does include acquisitions to be fair. But without getting into the detail, we're seeing the incremental increase in both sales per business day and when all emphasizes our backlog as well. We're seeing remarkable increases in our backlog. Now, some of that's driven by the fact that there are the supply chain issues and some sales are getting pushed out, but the net trends lead to a favorable 2022 once again.

Thomas Allen Moll

Stephens Inc., Research Division

Yes. Moving to expenses here, on operating expense. I think you called out in the prepared remarks some of the drivers in fourth quarter moving higher, one of which was auditor-related. But as we move into this year, 2022, are there any factors you would point us to, just if we think about where that expense line was in Q4? Any factors that would drive that higher or lower as we move through this year?

Kent Yee

Senior VP, CFO, Secretary & Director

Yes. Let me -- Tom, in terms of the answer to that question, let me just retrace a little bit, some of those buckets, and put some numbers around it and then kind of then specifically answer your question, if you will, kind of going into 2022.

In terms of our auditor [noise], once again, nothing that [we, I think,] wanted to have happen publicly. But once again, I'll just couch it with it was refreshing the kind of be able to move forward and find a firm that we could come alongside for our growth and development. But that created an excess of \$1 million to \$1.5 million in 2021 that we wouldn't have normally experienced. Increased health care costs, that was another additional \$2.0 million. And then in terms of increased insurance costs, another \$1.1 million. A lot of that, once again, to your point, was back end weighted, towards the back end of the year, just given a lot of things.

In terms of pulling forward as we go into 2022, we are still in the midst of the transition once again. It feels a lot better, but as we transition from McConnell & Jones because we had to have them pick up in Q3 and for the full year audit, there'll still be some expenses as we close out the 10-K and then we will onboard, if you will, with Pricewaterhouse. And so 2022 will probably still be elevated, probably more than likely not at the same levels as 2021, but we will have some elevated costs there.

And then just in terms of SG&A going forward, I guess I would couch it in terms of big picture. I think every company in today's environment is receiving pressures around people. Sometimes it gets taglined with the great resignation or just people moving from company to company. I don't think DXP is any different. And so for the value team members, we're trying to do all the right things and retaining those and looking at compensation, and then in general, you have inflationary pressures to -- in general, to kind of meet those demands. So I think you'll see some of that as we kind of move through 2022.

Thomas Allen Moll

Stephens Inc., Research Division

Last one for me just on M&A. It sounds like there may be another deal you expect to close sometime in Q2. I suppose you've given us all the context you can there, given it's not over the line yet. But whatever you could share us about the pipeline in general, the number of opportunities you're looking at versus

trend? Any transformative opportunities in the pipeline or more along the tuck-in route that we've seen lately?

Kent Yee

Senior VP, CFO, Secretary & Director

Yes. No. And big picture, you know. Some of those themes that are very relevant to DXP got lost and one of those, obviously, with all the auditor [noise] was acquisitions, right? We remained acquisitive 7 over the last 12 months. The pipeline continues to grow, is growing in the midst of all that. We obviously just recently closed 2 here already at the beginning of 2022, so Drydon and Burlingame. Not a lot of sales, roughly around \$9 million of sales added to DXP. And then in terms of kind of one upcoming, I'll call it closer to our average acquisition size, which average acquisition size is typically \$25 million to \$35 million plus in revenue. And so we're excited with where our pipeline stands.

Some of the dynamics in the pipeline, which you see, the market is very competitive still. And so you do see multiple pressure, but we're still able to find those that are accretive to DXP and are a good fit. And they have the themes of focusing on water, wastewater, and diversity of end markets. And so we're excited to be in 2022, and we're excited to kind of have that pipeline still grow, and see where we end up by the end of 2022 in terms of the number of deals, but a full pipeline.

David R. Little

Chairman of the Board, President & CEO

Tommy, I'd add one -- just one thought is that we're also in pursuit of companies that are in the service business. We're trying to stay away from -- we always think of ourselves as an engineering, customer expert type business, and so we see that we don't want to compete with Amazon. We don't want to compete with the Graingers and et cetera. So companies that are in the service business and then specifically, it may seem enticing to kind of jump back on oil and gas, but we really, we have enough exposure in that market. And so we're looking at other industries that have a high service content.

Thomas Allen Moll

Stephens Inc., Research Division

David. That's all for me. I'll turn it back.

Operator

Those are all the questions today. We thank you for your participation. This concludes today's conference. You may now disconnect.

David R. Little

Chairman of the Board, President & CEO

Tommy, if you have anything else you want to add, come on.

Unknown Executive

Already done.

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