



THE INDUSTRIAL DISTRIBUTION EXPERTS

Presented by:

David Little

Chairman, President & CEO

Kent Yee

Senior Vice President & CFO

Investor Update

Stephens Conference: November 17, 2020

(Quarter Ending September 30, 2020)

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.



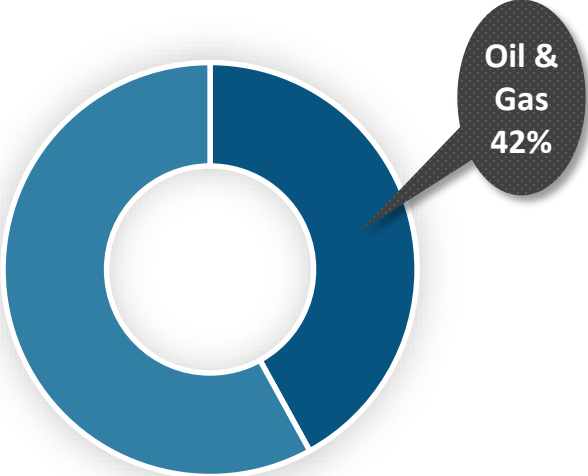
STRATEGIC FRAMEWORK TO DELIVER SUPERIOR RETURNS TOMORROW . . .



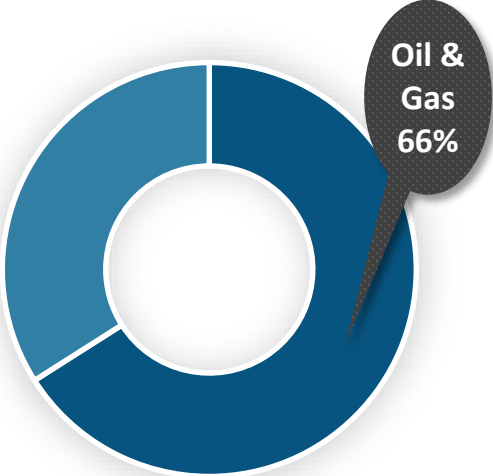
- Making deep and sustainable changes to our business
- Continue to shift mix to a more diversified high value portfolio
- Target markets where our differentiated capabilities create a win-win relationship
- Operational model and emphasis on business excellence to drive higher margins and consistent earnings
- Consistent and disciplined in our capital allocation plans
- Lead and deliver strong quartile financial performance

END MARKETS HAVE EVOLVED THROUGH THE CYCLES

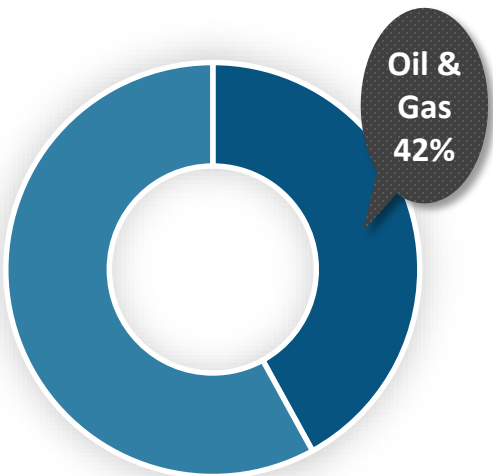
% of sales FY 2008



% of sales FY 2014



% of sales PF FY 2019



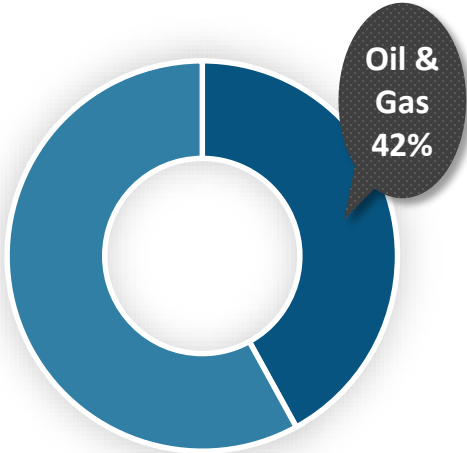
Diverse, growing end markets that drive growth in up cycles.

- ✓ *High quality customer base across dynamic industries*

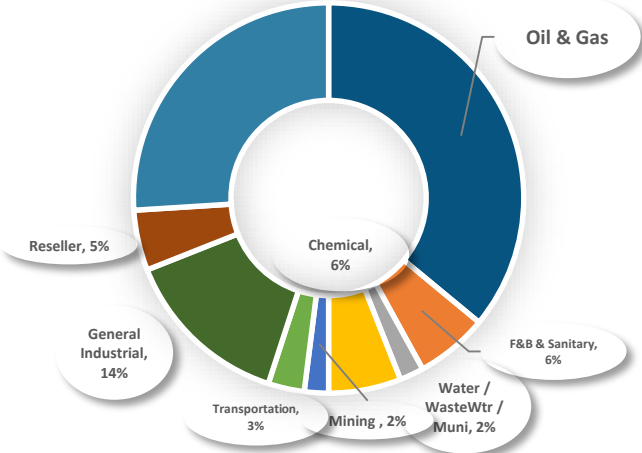
Note: Management estimates. Industrial includes aggregates, agriculture, alternative energy, automotive, building products, military, municipal, pharmaceuticals, pulp & paper, sanitary, steel, telecommunications and wood products. 2019 PF for recent acquisitions including Pumping Systems, Inc. and Turbo Machinery

END MARKETS WILL CONTINUE TO EVOLVE . . .

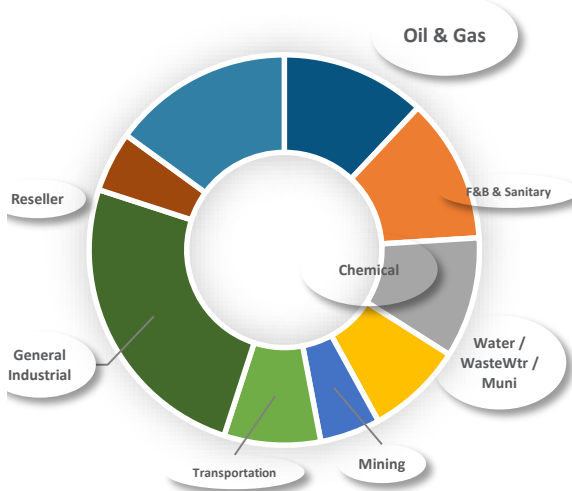
% of sales PF FY 2019



% of sales Q3' 2020



DXP FUTURE



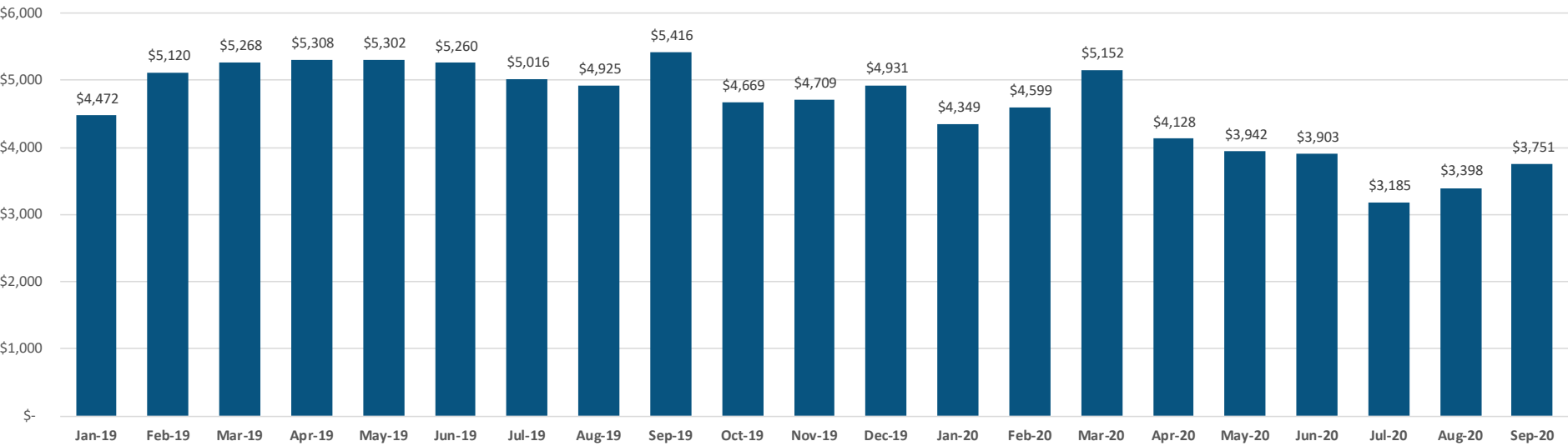
Diverse, growing end markets that drive growth in up cycles.

- ✓ *High quality customer base across dynamic industries*
- ✓ *Continued geographic expansion and targeted efforts to further diversification*
- ✓ *Core base in mega trend end markets such as water and wastewater, municipal, energy, food & beverage and chemical*

Note: Management estimates. Industrial includes aggregates, agriculture, alternative energy, automotive, building products, military, municipal, pharmaceuticals, pulp & paper, sanitary, steel, telecommunications and wood products. 2019 PF for recent acquisitions including Pumping Systems, Inc. and Turbo Machinery

SALES PER BUSINESS DAY TRENDS

(\$ thousands)



During July, we experienced our lowest sales per business day - - However, Service Centers and Supply Chain showed strength through the quarter. . .

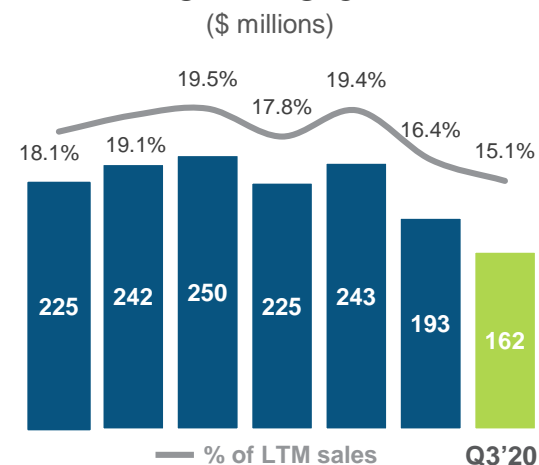
CASH FLOW & WORKING CAPITAL

	Prior Qtr Jun 30, 2020	Current Qtr Sept. 30, 2020
GAAP net income	\$ 2,082	\$ (34,774)
Depreciation and amortization	5,965	5,304
Change in net working capital	57,363	66,648
Other operating cash flows, net	(2,035)	(6,701)
Net Cash provided by operating activities	63,375	30,477
Purchase of property & equipment, net	1,898	1,397
Proceeds from sale of assets	123	-
Free Cash Flow	61,600	29,080
Net Cash used in financing activities	(16,391)	(10,809)
Cash at end of the period	78,769	97,378

Supplemental Information:

Purchase of businesses	-	-
Cash paid for income taxes	1,268	2,269
Cash paid for interest	3,461	3,283
Net Debt	149,447	120,213

NET WORKING CAPITAL



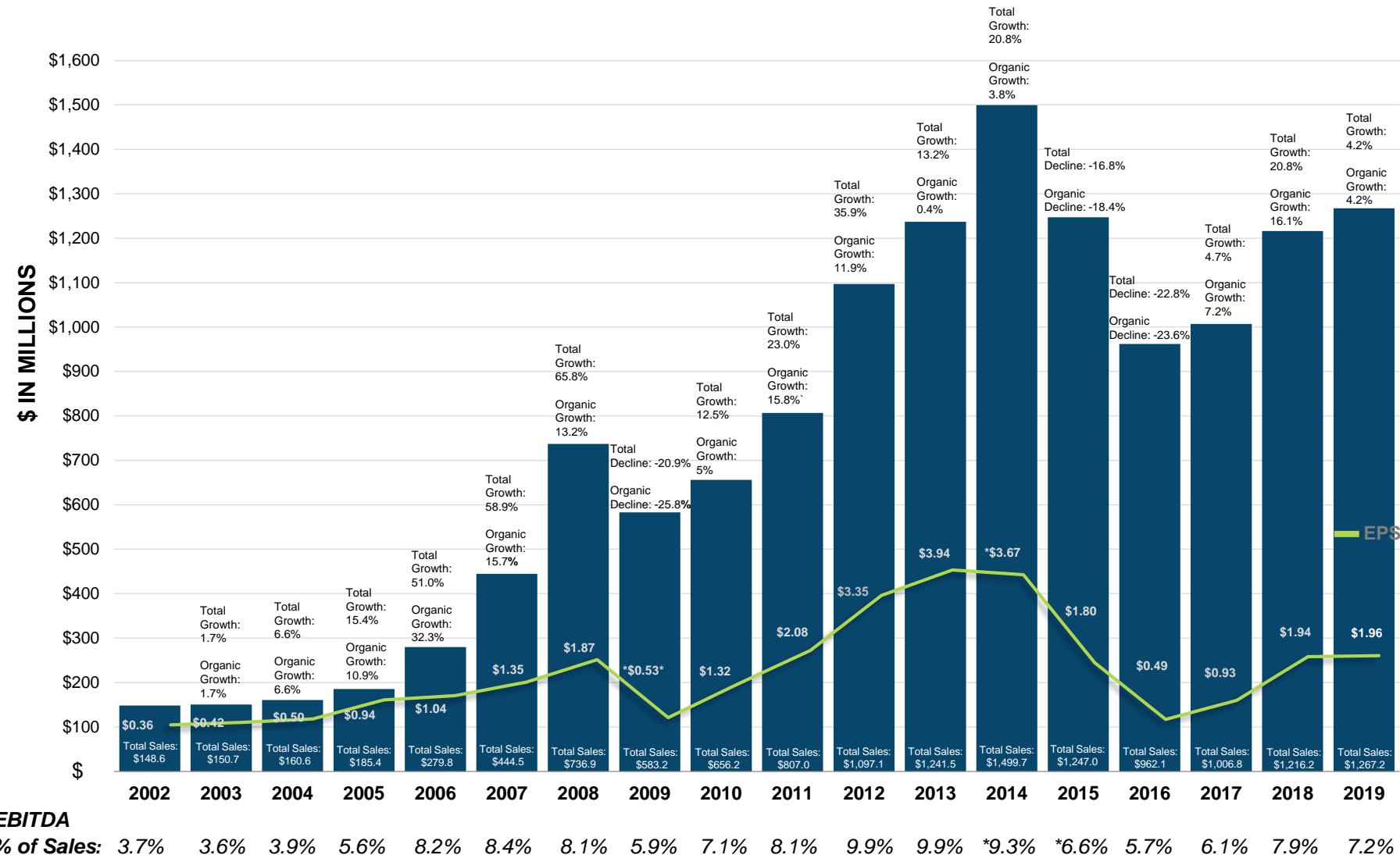
Net working capital is calculated as accounts receivable plus inventory plus cost & est. profits in excess of billings, plus prepaid expenses less accounts payable less accrued wages less billings in excess of costs and profits less customer advances less other accrued liabilities

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

APPENDIX

DXP

CONSISTENT REVENUE AND EARNINGS GROWTH



*EBITDA percentage for 2009 and 2014 excludes impairment charges. EBITDA percentage for 2015 is pre-impairment, pre-B27 working capital settlement and includes a \$1.0 million add-back for above-average legal fees. Diluted earnings per share for 2014 and 2015 excludes non-cash impairment charges and B27 working capital settlement.


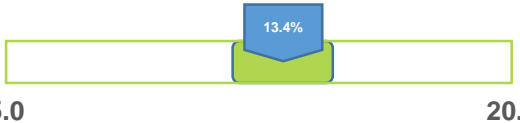

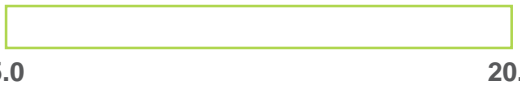

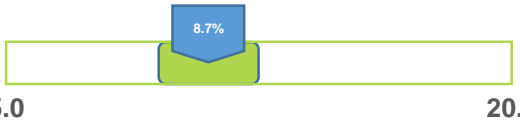
Q3 INCOME STATEMENT HIGHLIGHTS

(\$ thousands)

	Prior Yr Sep 30, 2019	Prior Qtr June 30, 2020	Current Qtr Sep 30, 2020
Sales	\$ 327,178	\$ 251,401	\$ 220,193
<i>% growth - yoy</i>	6.2%	-19.2%	-32.7%
<i>% growth - seq</i>	-1.8%	-14.9%	-12.4%
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Gross Profit	92,704	69,696	61,301
<i>% margin</i>	28.3%	27.7%	27.8%
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Operating Income (excl. Impairment)	21,717	6,753	7,555
<i>% margin</i>	6.6%	2.7%	3.4%
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EBITDA as reported	28,164	12,585	12,539
<i>% margin</i>	8.6%	5.0%	5.7%
<hr/>			
Diluted EPS (excl. impairment)	\$ 0.71	\$ 0.12	\$ 0.16
Avg. Daily Sales:	\$ 5,112	\$ 3,990	\$ 3,441

Q3 OPERATING PERFORMANCE BY SEGMENT

(\$ millions)

	Sales \$	Sales Mix	OP\$	OP%	
DXP SERVICE CENTERS	\$ 164.9	 75%	\$ 22.2	13.4%	
DXP INNOVATIVE PUMPING SOLUTIONS®	\$ 21.9	 10%	\$ (2.9)	(13.3)%	
DXP SUPPLY CHAIN SERVICES	\$ 33.4	 15%	\$ 2.9	8.7%	
Corporate*	---		\$ (14.6)		
Total DXP	\$ 220.2	100%	\$ 7.6	3.4%	

*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.

RECONCILIATION OF OPERATING INCOME

(\$ thousands)

	Three Months Ended September 30,	
	2020	2019
Operating income for reportable segments	\$22,138	\$38,278
<i>Adjustments for:</i>		
Impairment and other non-cash charges	48,401	-
Amortization of intangibles	3,053	3,806
Corporate expenses	11,530	12,755
Total operating income (loss)	(40,846)	21,717
Interest expense	3,752	4,986
Other expense (income), net	320	(25)
Income (loss) before income taxes	\$ (44,918)	\$16,756

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 September 30,	
	2020	2019
Income before income taxes	\$ (44,918)	\$ 16,756
Plus: interest expense	3,752	4,986
Plus: depreciation and amortization	5,304	6,422
EBITDA	\$(35,862)	\$28,164
Plus: NCI loss (gain) before tax	183	(55)
Plus: Impairment and other non-cash charges	48,401	—
Plus: Stock compensation expense	983	473
Adjusted EBITDA	\$13,705	\$28,582

RECONCILIATION OF NON-GAAP MEASURES:

GAAP Net Income (loss) to Non-GAAP Net Income

(\$ thousands)

The following table is a reconciliation of GAAP diluted earnings per share to adjusted diluted earnings per share, a non-GAAP financial measure, calculated and reported in accordance with U.S. GAAP.

	Three Months Ended September 30,	
	2020	2019
GAAP Net Income (loss):	\$ (34,689)	\$ 13,086
Impairment and other charges	48,401	-
Adjustment for taxes*	(10,842)	-
Non-GAAP Net Income	\$ 2,870	\$13,086
Diluted earnings (loss) per share:		
GAAP	\$ (1.95)	\$ 0.71
Non-GAAP	\$ 0.16	\$ 0.71

* Adjustment for taxes relates to the tax effects of the adjustments that we incorporate into non-GAAP measures in order to provide a more meaningful measure on non-GAAP net income. For tax purposes, the year-to-date effective tax rate of 22.4 percent was applied to the impairment and other charges for conservative purposes. Actual effective tax rate on these charges could be lower or higher based upon deductibility and local statutory tax rates.



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NASDAQ: DXPE
SEPTEMBER 2020