



THE INDUSTRIAL DISTRIBUTION EXPERTS

Presented by:

David Little

Chairman, President & CEO

Kent Yee

Senior Vice President & CFO

Results for Q1 Fiscal 2018

Earnings Announcement: May 8, 2018

(Quarter Ending March 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, 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.



Q1 INCOME STATEMENT HIGHLIGHTS

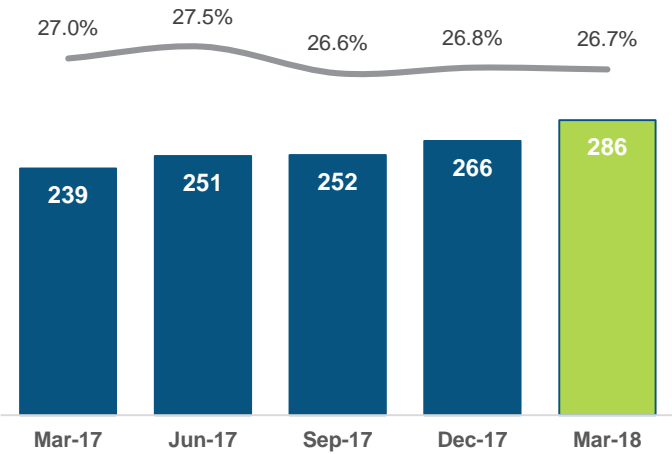
(\$ thousands)

	Prior Yr March 31, 2017	Prior Qtr December 31, 2017	Current Qtr March 31, 2018
Sales	\$ 238,527	\$ 265,627	\$ 285,936
<i>% growth - seq.</i>			7.6%
<i>% growth - yoy</i>			19.9%
<hr/>			
Gross Profit	64,515	71,167	76,444
<i>% margin</i>	27.0%	26.8%	26.7%
<hr/>			
Operating Income	8,236	8,487	11,149
<i>% margin</i>	3.5%	3.2%	3.9%
<hr/>			
EBITDA	15,479	15,807	17,885
<i>% margin</i>	6.5%	6.0%	6.3%
<hr/>			
Diluted EPS	\$ 0.17	\$ 0.36	\$ 0.24

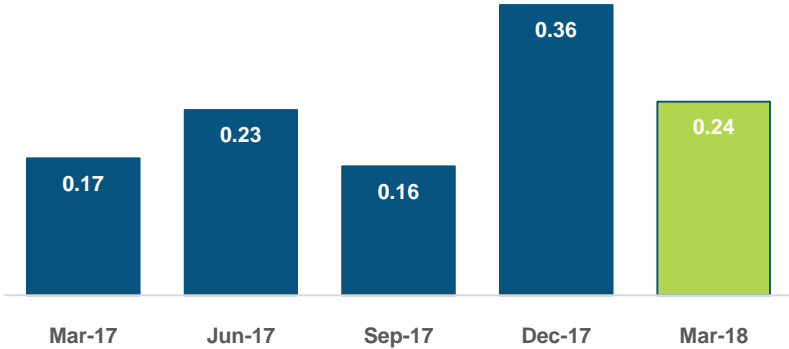
Please refer to the appendix of this presentation for current period reconciliation of the Non-GAAP financial measures to the most directly comparable GAAP measures.

QUARTERLY FINANCIAL HIGHLIGHTS

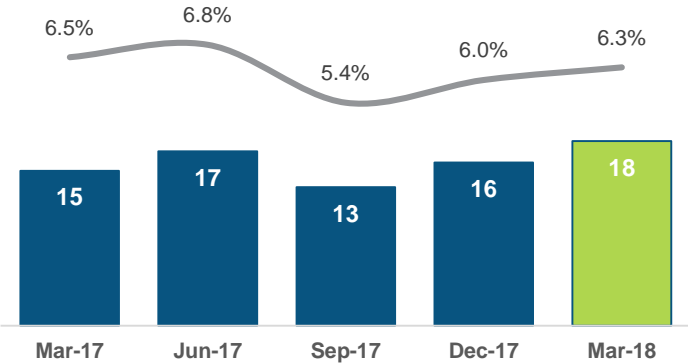
Sales and Gross Margin
(\$ millions)



Diluted Earnings Per Share
(\$ actuals)

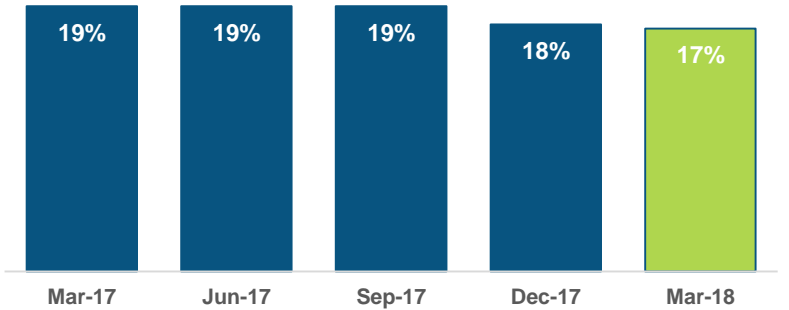


EBITDA and EBITDA Margin
(\$ millions)



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.

Q1 OPERATING PERFORMANCE BY SEGMENT

(\$ millions)

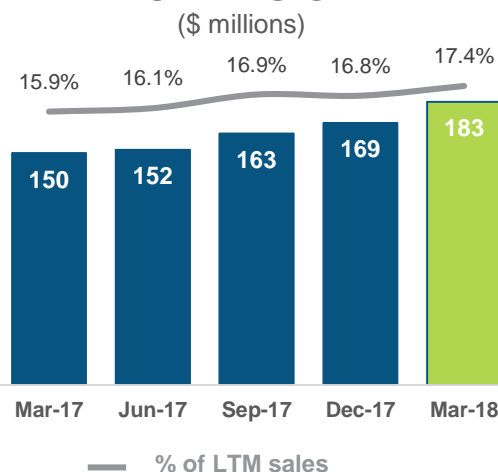
	Sales \$	OP\$	OP%	
DXP SERVICE CENTERS	\$ 175.4	\$ 15.8	9.0%	
DXP INNOVATIVE PUMPING SOLUTIONS®	\$ 67.6	\$ 6.4	9.4%	
DXP SUPPLY CHAIN SERVICES	\$ 42.9	\$ 4.1	9.4%	
Corporate	---	\$ (15.1)		
Total DXP	\$ 285.9	\$ 11.2	3.9%	

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 Dec 31, 2017	Current Qtr Mar 31, 2018
GAAP net income	\$ 6,655	\$ 4,495
Depreciation and amortization	7,188	6,714
Change in net working capital	(7,703)	(13,867)
Other operating cash flows, net	(2,123)	1,052
Net Cash provided by operating activities	4,017	(1,606)
Purchase of property & equipment, net	654	791
Free Cash Flow	3,363	(2,397)
Net Cash used in financing activities	(750)	(1,044)
Cash at end of the period	25,579	13,041

NET WORKING CAPITAL



Supplemental Information:

Cash paid for income taxes	144	2,894
Cash paid for interest	4,481	4,579
Net Debt	230,050	238,607

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

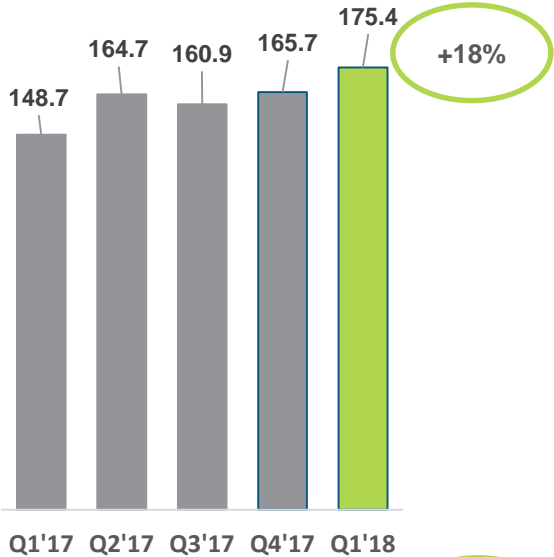
Q1'18 SEGMENT PERFORMANCE

(\$ millions)

DXP | SERVICE CENTERS

yoY

Sales



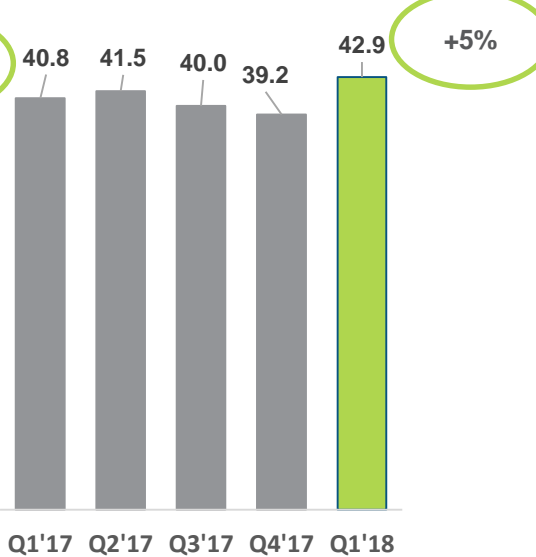
DXP | INNOVATIVE PUMPING SOLUTIONS®

yoY

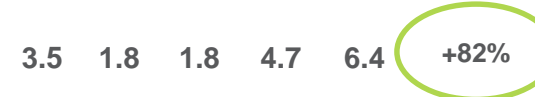


DXP | SUPPLY CHAIN SERVICES

yoY

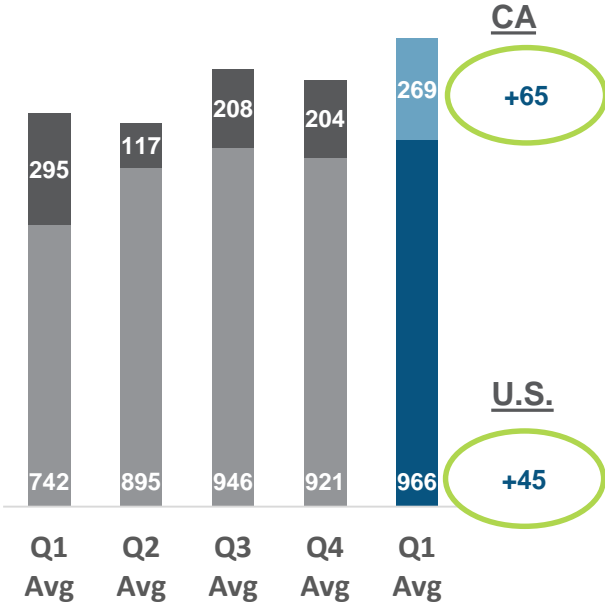


Operating Inc.



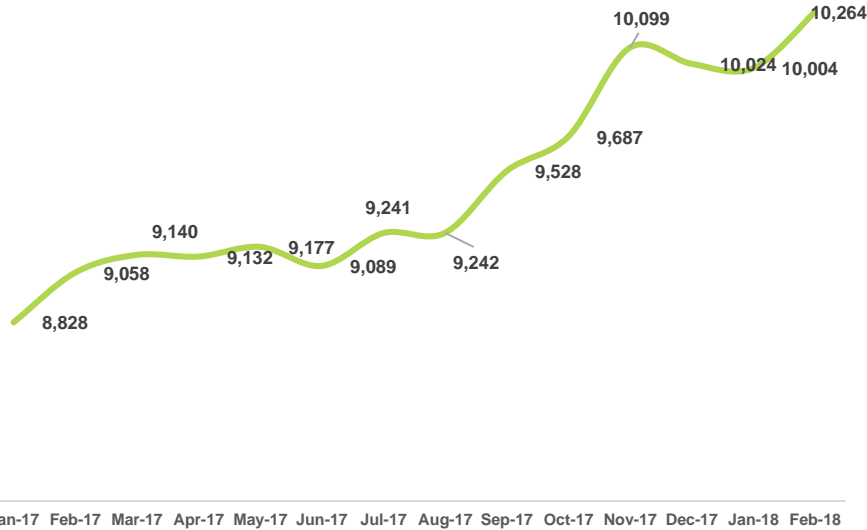
KEY INDICATOR PERFORMANCE

U.S. & Canadian Rig Count



U.S. Crude Oil Production

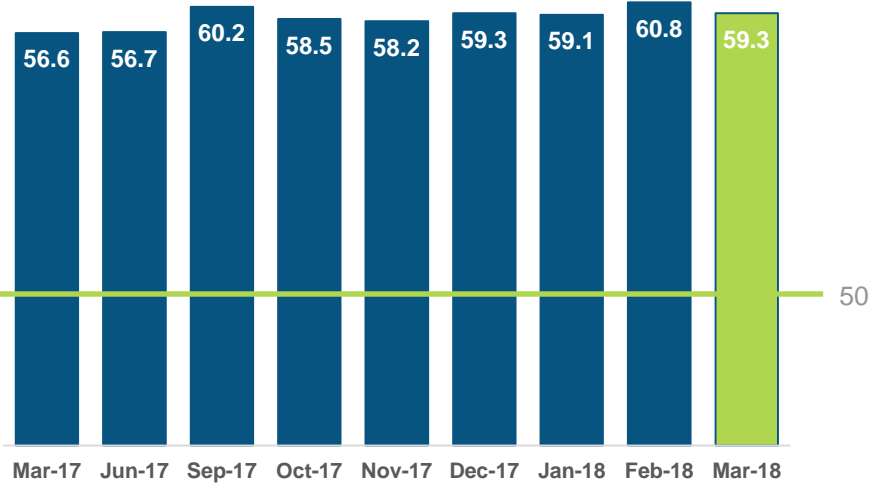
thousand barrels per day



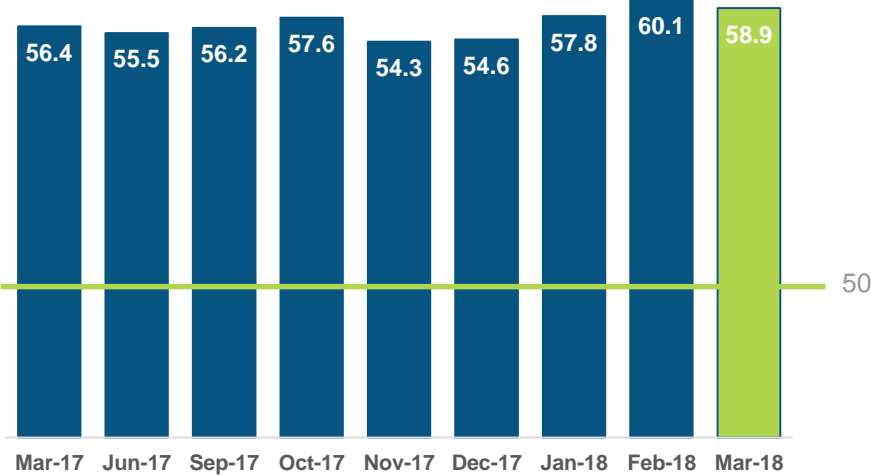
Note: The Canadian rig count typically declines during Q2 due to seasonality associated with warmer weather or what is referred to as the "Canadian breakup."
 Source: Baker Hughes Rotary Rig Count data and Energy Information Administration. Accessed via www.bhge.com. Crude Oil production data accessed 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 NON-GAAP MEASURES: NET INCOME TO EBITDA

(\$ thousands)

The following table is a reconciliation of EBITDA*, a non-GAAP financial measure, to income before income taxes, calculated and reported in accordance with U.S. GAAP.

	Three Months Ended March 31,	
	2018	2017
Income before income taxes	\$ 6,130	\$ 4,811
Plus: interest expense	5,041	3,653
Plus: depreciation and amortization	6,714	7,015
EBITDA*	\$17,885	\$15,479
Plus: NCI loss before tax	57	224
Plus: stock compensation expense	446	533
Adjusted EBITDA	\$18,388	\$16,236

*EBITDA – earnings before impairment, interest, taxes, depreciation and amortization.

RECONCILIATION OF OPERATING INCOME

(\$ thousands)

	Three Months Ended March 31,	
	2018	2017
Operating income for reportable segments	\$26,266	\$20,908
<i>Adjustments for:</i>		
Amortization of in tangibles	4,358	4,316
Corporate expense	10,759	8,356
Total operating income	11,149	8,236
Interest expense	5,041	3,653
Other (income), net	(22)	(228)
Income before income taxes	\$ 6,130	\$ 4,811



THE INDUSTRIAL DISTRIBUTION EXPERTS

NASDAQ: DXPE
MAY 2018