



DXP Enterprises Announces 2013 Fourth Quarter and Year End Results

Company Release - 03/03/2014 17:15

HOUSTON--(BUSINESS WIRE)-- **DXP Enterprises, Inc. (NASDAQ: DXPE)** today announced that for the fourth quarter ended December 31, 2013 it earned net income of \$16.9 million, or \$1.10 per fully diluted share. Sequentially, fully diluted earnings per share improved 2.8% from \$1.07 per fully diluted share, or \$16.4 million in net income for the third quarter ended September 30, 2013. Compared to fourth quarter 2012 earnings of \$14.1 million or \$0.92 per fully diluted share, fourth quarter 2013 fully diluted earnings per share improved 19.5%.

For the year ended December 31, 2013, DXP reported net income of \$60.2 million, with fully diluted EPS of \$3.94 compared to year end December 31, 2012 net income of \$51.0 million, with EPS of \$3.35, for an improvement of \$9.3 million in net income or 17.6% per fully diluted share.

Sales for the fourth quarter of 2013 increased \$20.7 million, or 7.08% to approximately \$313.8 million from \$293.0 million for the same period in 2012.

For the year ended December 31, 2013, DXP reported a sales increase of \$144.4 million, or 13.2% to approximately \$1,241.5 million from \$1,097.1 million for 2012.

David R. Little, Chairman and Chief Executive Officer remarked, "We achieved strong results in 2013. Achieving sales growth of 13.2% to \$1.24 billion with EBITDA margins of 9.9% and 2013 diluted earnings per share growth of 17.6% to \$3.94. I would like to thank our 'DXPeople,' as they battled for market share and fought hard for the financial results earned this year. The execution of our strategy relied heavily on inorganic growth, year-over-year gross margin expansion and efficient working capital management which led to strong cash flow performance.

Innovative Pumping Solutions lead the way with 29.6% sales growth followed by DXP's Service Centers, which grew at 13.5%. DXP's Supply Chain Services revenues declined by 5.6%, however, SCS improved operating margins by 50 basis points. Operating margins for Innovative Pumping Solutions, DXP Services Centers and Supply Chain Services were 16.1%, 12.1% and 8.5%, respectively. With acquisitions fueling a majority of our growth, DXP's ability to gain operating leverage was dampened with EBITDA margins staying flat from 2012 at 9.9%. As we mentioned at the beginning of 2012, and we will continue to reiterate, we still feel there is room for additional margin improvement as we continue to find ways to instill pricing discipline and ensure our cost structure is aligned appropriately. We completed four strategic acquisitions in 2013, including the purchase of National Process Equipment, Inc. and Alaska Pump which helped grow our Rotating Equipment division. As well as, Tucker Tool and Tool-Tech which helped grow our Metal Working division. Total employees increased from approximately 2,817 to 3,207.

As we enter 2014, we are optimistic that the economy will improve. However, whether we continue in a see-saw environment or not, DXP will continue to grow sales organically, invest in the business, make strategic acquisitions and focus on creating efficiency. As such, for fiscal 2014, we will focus on rebalancing our resources for growth and reasserting the operating leverage that is inherent in our business. We are excited to be entering the year with strong financial resources, an experienced group of expert employees, growth strategies and optimism on the acquisition front; all of which should allow us to continue our history of double digit revenue growth and outperformance in 2014."

Mac McConnell, Chief Financial Officer added, "Our annual financial results reflect year-over-year sales growth driven by acquisitions and improving profitability during the second half of the year. We grew sales by 13.2% over 2012 and achieved over 10% EBITDA margins during the second half of the year. DXP generated over \$74 million in free cash flow, which was primarily used to fund acquisitions. Subsequent to the quarter end, we completed the purchase of B27, LLC. Using debt outstanding at the end of February, 2014, including the pro forma effect of the acquisition, DXP has total debt to EBITDA of approximately 2.93:1."

We will host a conference call regarding 2013 fourth quarter and year end results to be web cast live on the Company's website (www.dxpe.com) today at 5:00 P.M. Eastern time. Web participants are encouraged to go to the Company's website at least 15 minutes prior to the start of the call to register, download and install any necessary audio software. The online

archived replay will be available immediately after the conference call at www.dxpe.com and at www.viavid.net.

About DXP Enterprises, Inc.

DXP Enterprises, Inc. is a leading products and service distributor that adds value and total cost savings solutions to industrial customers throughout the United States and Sonora, Mexico in virtually every industry since 1908. DXP provides innovative pumping solutions, supply chain services and maintenance, repair, operating and production ("MROP") services that emphasize and utilize DXP's vast product knowledge and technical expertise in rotating equipment, bearings, power transmission, industrial supplies and safety products and services. DXP's breadth of MROP products and service solutions allows DXP to be flexible and customer driven, creating competitive advantages for our customers. DXP's business segments include Service Centers, Innovative Pumping Solutions and Supply Chain Services. For more information, go to www.dxpe.com.

The Private Securities Litigation Reform Act of 1995 provides a "safe-harbor" for forward-looking statements. Certain information included in this press release (as well as information included in oral statements or other written statements made by or to be made by the Company) contains statements that are forward-looking. Such forward-looking information involves important risks and uncertainties that could significantly affect anticipated results in the future; and accordingly, such results may differ from those expressed in any forward-looking statement made by or on behalf of the Company. These risks and uncertainties include, but are not limited to: ability to obtain needed capital, dependence on existing management, leverage and debt service, domestic or global economic conditions, and changes in customer preferences and attitudes. For more information, review the Company's filings with the Securities and Exchange Commission.

DXP ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

	Years ending December 31,		Three Months Ending December 31,	
	2013	2012	2013	2012
Sales	\$1,241,510	\$1,097,110	\$313,752	\$293,006
Cost of sales	869,165	778,019	219,150	205,527
Gross profit	372,345	319,091	94,602	87,479
Selling, general and administrative expense	271,421	228,569	66,545	62,223
Operating income	100,924	90,522	28,057	25,256
Other income (expense)	75	47	59	14
Interest expense	6,282	5,560	1,352	1,682
Income before provision for income taxes	94,717	85,009	26,764	23,588
Provision for income taxes	34,480	34,024	9,860	9,518
Net income	60,237	50,985	16,904	14,070

Per share and share amounts

Basic earnings per common share	\$ 4.17	\$ 3.54	\$ 1.17	\$ 0.98
Common shares outstanding	14,439	14,374	14,463	14,373
Diluted earnings per share	\$ 3.94	\$ 3.35	\$ 1.10	\$ 0.92
Common and common equivalent shares outstanding	15,279	15,214	15,303	15,213

SEGMENT DATA

(in thousands)

	Year Ended December 30,				Three Months Ended December 30,			
	Service Centers	IPS	SCS	Total	Service Centers	IPS	SCS	Total
2013								
Sales	\$884,821	\$209,175	\$147,514	\$1,241,510	\$224,269	\$53,603	\$35,880	\$313,752

Operating income for reportable segments	\$107,142	\$ 33,766	\$ 12,490	\$ 153,398	\$ 31,166	\$ 9,499	\$ 2,940	\$ 43,605
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2012

Sales	\$779,038	\$161,834	\$156,238	\$1,097,110	\$207,363	\$48,368	\$37,275	\$293,006
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Operating income for reportable segments	\$ 88,924	\$ 32,099	\$ 12,494	\$ 133,518	\$ 21,469	\$ 9,686	\$ 2,995	\$ 34,150
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Unaudited Reconciliation of Non-GAAP Financial Information

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 (in thousands):

	Years Ended December 31,		Three Months Ended December 31,	
	2013	2012	2013	2012
Income before income taxes	\$ 94,717	\$ 85,009	\$ 26,764	\$ 23,588
Plus interest expense	6,282	5,560	1,352	1,682
Plus depreciation and amortization	21,660	18,082	5,505	4,974
EBITDA	\$ 122,659	\$ 108,651	\$ 33,621	\$ 30,244

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

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Source: DXP Enterprises, Inc.