



DXP Enterprises Announces 2015 First Quarter Results

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HOUSTON--(BUSINESS WIRE)-- **DXP Enterprises, Inc. (NASDAQ:DXPE)** today announces results for its first quarter ended March 31, 2015. The following are results for the three months ended March 31, 2015 compared to the three months ended March 31, 2014. A reconciliation of the Non-GAAP Financial Measures is in the back of this press release.

DXP Enterprises 2015 first quarter financial highlights:

- Sales were \$341.6 million for the first quarter of 2015, compared to \$348.5 million for the first quarter of 2014, a decrease of 2.0%. Organic sales decreased 5.2%, acquisitions positively impacted sales by \$11.3 million.
- Gross profit was \$98.0 million, or 28.7% of sales, for the first quarter of 2015, compared to \$101.7 million, or 29.2% of sales, for the first quarter of 2014.
- Selling, general & administrative (SG&A) expenses were \$80.0 million, or 23.4% of sales, for the first quarter of 2015, compared to \$80.6 million, or 23.1% of sales, for the first quarter of 2014.
- Operating income was \$18.1 million for the current quarter, compared to \$21.2 million for the first quarter of 2014. Operating profit as a percentage of sales was 5.3% and 6.1% in 2015 and 2014, respectively.
- Net income attributable to common shareholders of \$9.6 million for the current quarter was down 12.0% compared to \$10.9 million, for the first quarter of 2014.
- Earnings per diluted share for the first quarter of 2015 were \$0.63 per share, based on 15.2 million diluted shares, compared to \$0.70 per share in the first quarter of 2014, based on 15.6 million diluted shares.
- Free cash flow for the first quarter of 2015 was \$18.4 million, or 191% of net income compared to \$19.0 million, or 173% of net income for the first quarter of 2014.

David R. Little, Chairman and Chief Executive Officer, remarked, "Total DXP revenue of \$341.6 million for the first quarter was down 2% year-over-year, significantly less than the 42% decline in the rig count and 53% drop in oil prices from March of last year through the end of the quarter this year. We appreciate all the hard work from our DXPeople as we work as a team through these tough market conditions. That said, the first quarter results were in line with our expectations and reflect our end market exposure discussed during our Q4 earnings call. Our customer base during the first quarter has responded to market conditions by cutting capital budgets, seeking pricing concessions and delaying order placement and project timing. However, our plans remain unchanged. We will continue to focus on generating cash, cutting costs where appropriate and driving gains in market share. During the first quarter, we experienced strong organic growth within Supply Chain Services. Sales were down within our Service Centers and Innovative Pumping Solutions businesses. This was primarily driven by softness in the upstream drilling, development and completion; upstream production; and mining markets. DXP's first quarter results were also negatively impacted by the strengthening U.S. dollar. These declines were mitigated by strength in our chemical, food & beverage and MRO industrial markets. From a strategic perspective, we will use our financial resources and positive cash flow to navigate through this cycle and pursue strategic opportunities arising from the current market.

"We believe certain end markets will continue to be challenged in the coming quarters but we will continue to manage through this downturn focusing on reducing costs, protecting our market position and delivering the superior execution and solution our customers expect of DXP."

Mac McConnell, Chief Financial Officer, added, "Our first quarter results reflect our end-market exposure and the reverse operating leverage you get within distribution when sales decline. However, I am pleased that we generated \$18.4 million in free cash flow, and our leverage ratio was 2.95:1. Subsequent to the quarter end, we completed the acquisition of Tool Supply, Inc., a leading distributor of cutting tools, abrasives, coolants and machine shop supplies. Tool Supply provides us additional end-market diversification and geographic reach. As we move through the year, we will monitor our free cash flow generation, costs and working capital."

We will host a conference call regarding 2015 first quarter results on the Company's website (www.dxpe.com) on Thursday, May 7, 2015 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.

DXP Enterprises 2015 first quarter business segment results:

- Service Centers revenue was down 2.4% year-over-year with a 10.1% operating income margin. Organic revenue was down 7.3% year-over-year.
- Innovative Pumping Solutions revenue was down 7.0% year-over-year with a 11.6% operating income margin.
- Supply Chain Services revenue was up 11.1% year-over-year with a 7.9% operating margin.

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, Canada, Mexico and Dubai. 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 share and per share amounts)		
	Three Months Ending March 31,	
	2015	2014
Sales	\$ 341,594	\$ 348,504
Cost of sales	243,545	246,797
Gross profit	98,049	101,707
Selling, general and administrative expense	79,950	80,553
Operating income	18,099	21,154
Other income	(249)	(150)
Interest expense	2,683	3,397
Income before provision for income taxes	15,665	17,907
Provision for income taxes	6,014	6,944
Net income	9,651	10,963
Per share and share amounts		
Basic earnings per common share	\$ 0.67	\$ 0.74
Common shares outstanding	14,391	14,724
Diluted earnings per share	\$ 0.63	\$ 0.70
Common and common equivalent shares outstanding	15,231	15,564

Sales by Segment	Operating Income by Segment
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	Three Months Ended		Three Months Ended	
	March 31,		March 31,	
	2015	2014	2015	2014
Service Centers	\$ 225,792	\$ 231,224	\$ 22,866	\$ 24,425
Innovative Pumping Solutions	74,263	79,881	8,626	9,549
Supply Chain Services	41,539	37,399	3,279	3,125
Total	\$ 341,594	\$ 348,504	\$ 34,771	37,099

	Three Months Ended	
	March 31,	
	2015	2014
Operating income for reportable segments	\$ 34,771	\$ 37,099
Adjustment for:		
Amortization of intangibles	5,358	5,577
Corporate and other expense, net	11,314	10,368
Total operating income	\$ 18,099	\$ 21,154

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):

	Three Months Ended	
	March 31,	
	2015	2014
Income before income taxes	\$ 15,665	\$ 17,907
Plus interest expense	2,683	3,397
Plus depreciation and amortization	8,259	8,561
EBITDA	\$ 26,607	\$ 29,865

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

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Source: DXP Enterprises, Inc.