



DXP Enterprises Announces 2016 First Quarter Results

Company Release - 05/12/2016 21:00

HOUSTON--(BUSINESS WIRE)-- **DXP Enterprises, Inc. (NASDAQ:DXPE)** today announced financial results for the first quarter ended March 31, 2016. The following are results for the three months ended March 31, 2016 compared to the three months ended March 31, 2015 and December 31, 2015, where appropriate. A reconciliation of the non-GAAP financial measures is in the back of this press release.

DXP Enterprises 2016 First Quarter Financial Highlights:

- Sales were \$253.6 million for the first quarter of 2016, compared to \$278.7 million for the fourth quarter of 2015 and \$341.6 million for the first quarter of 2015, a decrease of 9.0 percent from the fourth quarter and a decrease of 25.8 percent compared to the first quarter of 2015.
- Adjusted EBITDA was \$6.8 million for the current quarter versus \$14.7 million in the fourth quarter and \$27.4 million for the first quarter of 2015. Adjusted EBITDA as a percentage of sales was 2.7 percent versus 5.3 percent for the fourth quarter of 2015 and 8.0 percent in the first quarter of 2015.
- Loss per diluted share for the first quarter was \$0.35, based on 14.5 million diluted shares, compared to a loss of \$0.20 per share in the fourth quarter of 2015, also based on 14.5 million diluted shares.

David R. Little, Chairman and CEO remarked, "Completing the first quarter, I am pleased with the collective effort to win new business and aggressively cut costs in an effort to try and keep pace with continued sales declines. Total DXP revenue of \$253.6 million for the first quarter was down 9.0 percent sequentially. We appreciate the continued hard work, perseverance and sacrifices from our DXPeople as we work through the prolonged oil and gas downturn and industrial softness. DXP's industrial end markets, which is 60 percent of our business today, appears to have bottomed and shows signs of positive upward movement. Oil and gas, which today is 40 percent of DXP, is attempting to find a bottom as declines are decreasing. During the first quarter sales were \$167.5 million for Service Centers, \$47.4 million for Innovative Pumping Solutions and \$38.6 million for Supply Chain Services. The continued sequential declines reflect the ongoing challenges in oil and gas and the mining markets and the associated cut in spending and activity by these customers. These declines were mitigated by stability in the food & beverage and chemical markets.

In such a prolonged and difficult environment, we are taking substantial steps to reorganize DXP without hurting sales efforts and our ability to capitalize on the eventual turnaround of the oil and gas market. Should conditions improve, the combination of strong early feedback on DXP's pump offering, a gradual return of project work and continued improvements to our cost structure will result in strong earnings growth. We will maintain strong focus on those areas that we control, continue to right size and align our businesses and optimize cost structures. We remain steadfast in our ability to manage through the current cycle, maintaining our customer focus while creating long-term stakeholder value."

Mac McConnell, CFO added, "Our first quarter results reflect the continued sales decline we experienced during the first half of the first quarter. During the second half of the first quarter we took steps to cut costs with an effort to optimize costs and sustain earnings going forward. Our first quarter adjusted EBITDA for bank purposes was \$6.8 million. Also, in May, we were able to negotiate an amendment to DXP's credit facility providing a waiver of key financial covenant ratios as of March 31, 2016."

We will host a conference call regarding 2016 first quarter financial results on the Company's website (www.dxpe.com) Friday, May 13, 2016 at 10am CST. 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 2016 First Quarter Business Segment Results:

- Service Centers' revenue for the first quarter was \$167.5 million, a decline of 10.6 percent sequentially with a 5.7 percent operating income margin.

- *Innovative Pumping Solutions*' revenue for the first quarter was \$47.4 million, a decline of 9.1 sequentially with a 0.6 percent operating income margin.
- *Supply Chain Services*' revenue for the first quarter was \$38.6 million, a decline of 1.2 percent sequentially with a 9.0 percent operating margin or 112 basis points improvement over the first quarter of 2015.

Non-GAAP Financial Measures

DXP supplements reporting of net income (loss) with non-GAAP measurements, including Adjusted EBITDA and free cash flow. This supplemental information should not be considered in isolation or as a substitute for the unaudited GAAP measurements. Additional information regarding Adjusted EBITDA referred to in this press release is included below under "--Reconciliation of Non-GAAP Measures."

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, metal working, 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
(\$ thousands, except per share amounts)
(unaudited)

	Three Months Ended	
	March 31,	
	2016	2015
Sales	\$253,561	\$341,594
Cost of sales	184,743	243,545
Gross profit	68,818	98,049
Selling, general and administrative expenses	70,820	79,950
Operating income (loss)	(2,002)	18,099
Other expense (income), net	(155)	(249)
Interest expense	3,409	2,683
Income (loss) before income taxes	(5,256)	15,665
Provision (benefit) for income taxes	(8)	6,014
Net income (loss)	(5,248)	9,651
Less: Net income (loss) attributable to non-controlling interest	(136)	-
Net income (loss) attributable to DXP Enterprises, Inc.	(5,112)	9,651
Preferred stock dividend	23	23
Net income (loss) attributable to common shareholders	\$ (5,135)	\$ 9,628
Diluted earnings (loss) per share attributable to DXP Enterprises, Inc.	\$ (0.35)	\$ 0.63
Weighted average common shares and common equivalent shares outstanding	14,486	15,231

SEGMENT DATA
(\$ thousands, unaudited)

	Sales by Segment		Operating Income by Segment	
	Three Months Ended March 31,		Three Months Ended March 31,	
	2016	2015	2016	2015
Service Centers	\$ 167,502	\$ 225,792	\$ 9,536	\$ 22,866
Innovative Pumping Solutions	47,431	74,263	306	8,626
Supply Chain Services	38,628	41,539	3,480	3,279
Total	<u>\$ 253,561</u>	<u>\$ 341,594</u>	<u>\$ 13,322</u>	<u>\$ 34,771</u>

Reconciliation of Operating Income for Reportable Segments
(\$ thousands, unaudited)

	Three Months Ended March 31,	
	2016	2015
Operating income for reportable segments	\$ 13,322	\$ 34,771
<i>Adjustment for:</i>		
Amortization of intangibles	4,528	5,358
Corporate expense	10,796	11,314
Total operating income (loss)	(2,002)	18,099
Interest expense	3,409	2,683
Other expense (income), net	(155)	(249)
Income (loss) before income taxes	<u>\$ (5,256)</u>	<u>\$ 15,665</u>

Unaudited Reconciliation of Non-GAAP Financial Information

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

	Three Months Ended March 31,		Three Months Ended December 31,
	2016	2015	2015
Income (loss) before income taxes	\$ (5,256)	\$ 15,665	\$ (7,564)
Plus: impairment expense	-	-	9,847
Plus: interest expense	3,409	2,683	3,027
Plus: depreciation and amortization	7,546	8,259	8,328
EBITDA	<u>\$ 5,699</u>	<u>\$ 26,607</u>	<u>\$ 13,638</u>
Plus: NCI before tax	219	-	433
Plus: Stock compensation expense	848	834	669
Adjusted EBITDA	<u>\$ 6,766</u>	<u>\$ 27,441</u>	<u>\$ 14,740</u>

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

View source version on [businesswire.com](http://www.businesswire.com): <http://www.businesswire.com/news/home/20160512006668/en/>

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