THE INDUSTRIAL DISTRIBUTION EXPERTS

NASDAQ: DXPE

Sidoti Micro-Cap Conference
January 18th – 19th

INVESTOR PRESENTATION

NASDAQ: DXPE

JANUARY 2023

SAFE HARBOR AND REGULATION G DISCLOSURES

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.

ABOUT DXP ENTERPRISES, INC.

Leading technical distributor of MROP products and services with a focus on quality customer service and deep product or application expertise

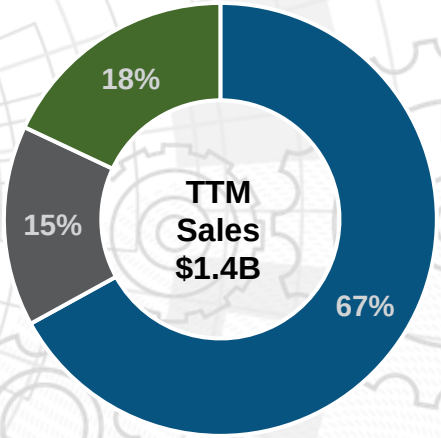
~ 1,689
average order size

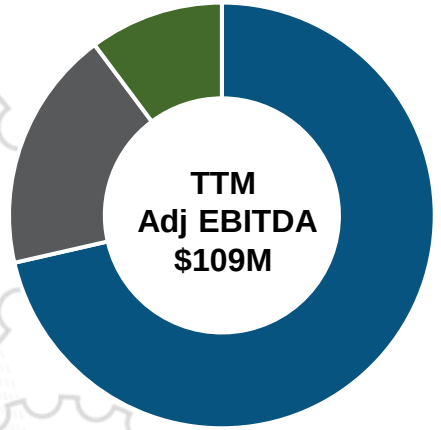
~ 25K
active customers

~ 2,500+
DXPeople companywide

DXP

- SERVICE CENTERS
- INNOVATIVE PUMPING SOLUTIONS®
- SUPPLY CHAIN SERVICES





Q3 ‘22 Sales $387M

Q3 ‘22 Adj EBITDA $34.3M

Source: Company filings as of September 30, 2022.

WHY DXP: COMPELLING INVESTOR VALUE PROPOSITION



1. Differentiated business model with diversified end-market exposure
2. Comprehensive product portfolio focused on engineered solutions
3. Levers of growth drive attractive value creation algorithm
4. Strong financial position supporting consistent return of capital
5. Owner mindset focused on creating long-term value creation for shareholders

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.

1 UNIQUE MARKET APPROACH ACROSS THREE SEGMENTS

($ millions)

DXP SERVICE CENTERS

LTM Q3 2022
Sales: $938
Operating Income: $117

Technical expertise and logistics capabilities to industrial customers; single source of supply on an efficient and competitive basis



- ✓ ***Breadth of Technical Products***
- ✓ ***Vendor Managed Inventory***
- ✓ ***Largest Network of National Field and Shop Repair Facilities***

DXP INNOVATIVE PUMPING SOLUTIONS®

LTM Q3 2022
Sales: $213
Operating Income: $29

Single source for engineering, modular process systems, engineered fluid handling packages, pump manufacturing, remanufacturing, custom castings and private label pumps



- ✓ ***Process Engineering and Capital Project Management***
- ✓ ***Manufacturing and Remanufacturing***
- ✓ ***Private Label Pumps***

DXP SUPPLY CHAIN SERVICES

LTM Q3 2022
Sales: $217
Operating Income: $17

Manages supply chains including procurement and inventory management; reduces customers' indirect material costs and order cycle time

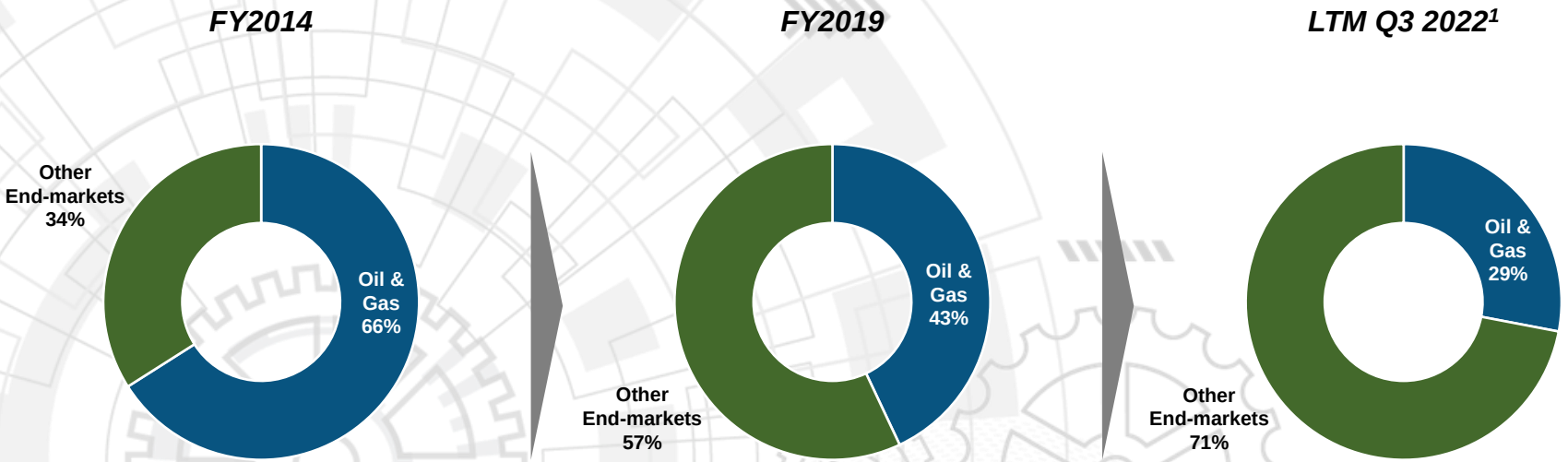


- ✓ ***End-to-End Total Supply Chain Solutions***
- ✓ ***Fully Outsourced MRO Service Offering***

Source: Company filings as of September 30, 2022.

1 DIVERSIFIED COUNTER CYCLICAL END MARKETS

DXP End Market Transformation and Diversification



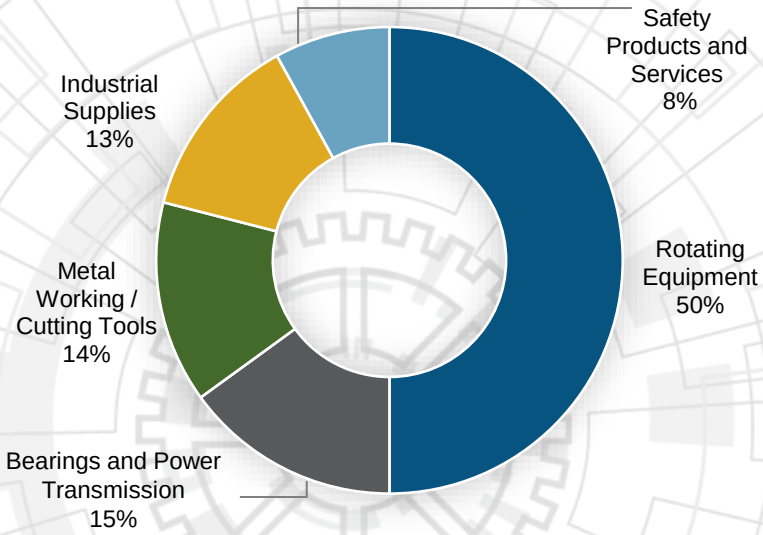
DXP is a leading player in diverse, growing, and recession-resistant end markets

- ✓ ***Less exposure to Oil & Gas end market; Decreased ~40% from FY 2014 to LTM Q3 2022***
- ✓ ***Increased diversity in end market exposure***
- ✓ ***Expanding presence in Industrial, Water & Wastewater and Food & Beverage industries which benefit from strong secular trends***
- ✓ ***High quality customer base across dynamic industries***

Note: Management estimates. Industrial includes aggregates, alternative energy, automotive, building products, military, municipal, pharmaceuticals, pulp & paper, sanitary, steel, telecommunications and wood products. [1] LTM figure pro-forma for Sullivan acquisition which announced September 02, 2022 and contributes approximately $4.4 million of revenue in the LTM period.

2 Comprehensive Product Portfolio with Emphasis on Highly Engineered Solutions

DXP Product Divisions[1]



Market Leader Across Products

#1	Rotating Equipment
Top 5	Metal Working / Cutting Tools Safety Products and Services
Top 10	Bearings and Power Transmission
Top 15	Industrial Supplies

A breadth of technical products and services. . . . . .

- ✓ ***Single source for engineering, system design, and fabrication of custom pump packages***
- ✓ ***Fulfill MRO, OEM, and capex customer demand streams***
- ✓ ***Higher margin products and value-added services***









Source: Rankings reflect management market estimates regarding market share position. Modern Distribution Management, Product Rankings and industry/product trade publications.
[1] % of FY 2021 sales.

3 BALANCED STRATEGY HAS ACCELERATED GROWTH

Annual Goals	Results
Organic Growth Remains a Top Priority... **10%**	• Completing first national pump distribution platform • SuperCenters – unmatched branch model • Aligned sales force expansion – national and local • Unmatched Innovative Pumping Solution capabilities • SCS guaranteed “customer savings”
...Acquisitions Accelerate Growth and Scale **10%**	• Continue consolidation of fragmented market • Opportunities to enlarge key product divisions • Diversify end markets and customers • U.S. still top priority – targeting “holes” in the map
Combined, Consistent Growth in Excess of the Market	• Consistent top and bottom-line growth • “One-stop” source for customer’s technical products and service needs – “Customer Driven Experts in MROP Solutions” • Long-term shareholder value creation

Recent Acquisitions

Date	Acquisition	Product Division	Region
Sep-22[1]	Sullivan Environmental Technologies	Water & Wastewater	Midwest
May-22	Cisco Air Systems	Compressors	South
Mar-22	Drydon Equipment, Inc	Water & Wastewater	Midwest
Mar-22	Burlingame Engineers, Inc	Water & Wastewater	West
Sep-21	Premier Water	Water & Wastewater	South
Jul-21	Process Machinery, Inc	Pumps, Filters	South
Apr-21	Carter & Verplanck, Inc	Water & Wastewater	South East
Dec-20	Total Equipment Company	Pumps, Compressors	East
Dec-20	APO Pumps & Compressors	Pumps, Compressors	Midwest
Dec-20	Pumping Solutions	Pumps, Process Equipment	Midwest
Dec-20	Corporate Equipment Company	Water & Wastewater	Midwest
Feb-20	Turbo Machinery Repair	Pump Service & Repair	West
Jan-20	Pumping Systems	Pumps	South Atlantic

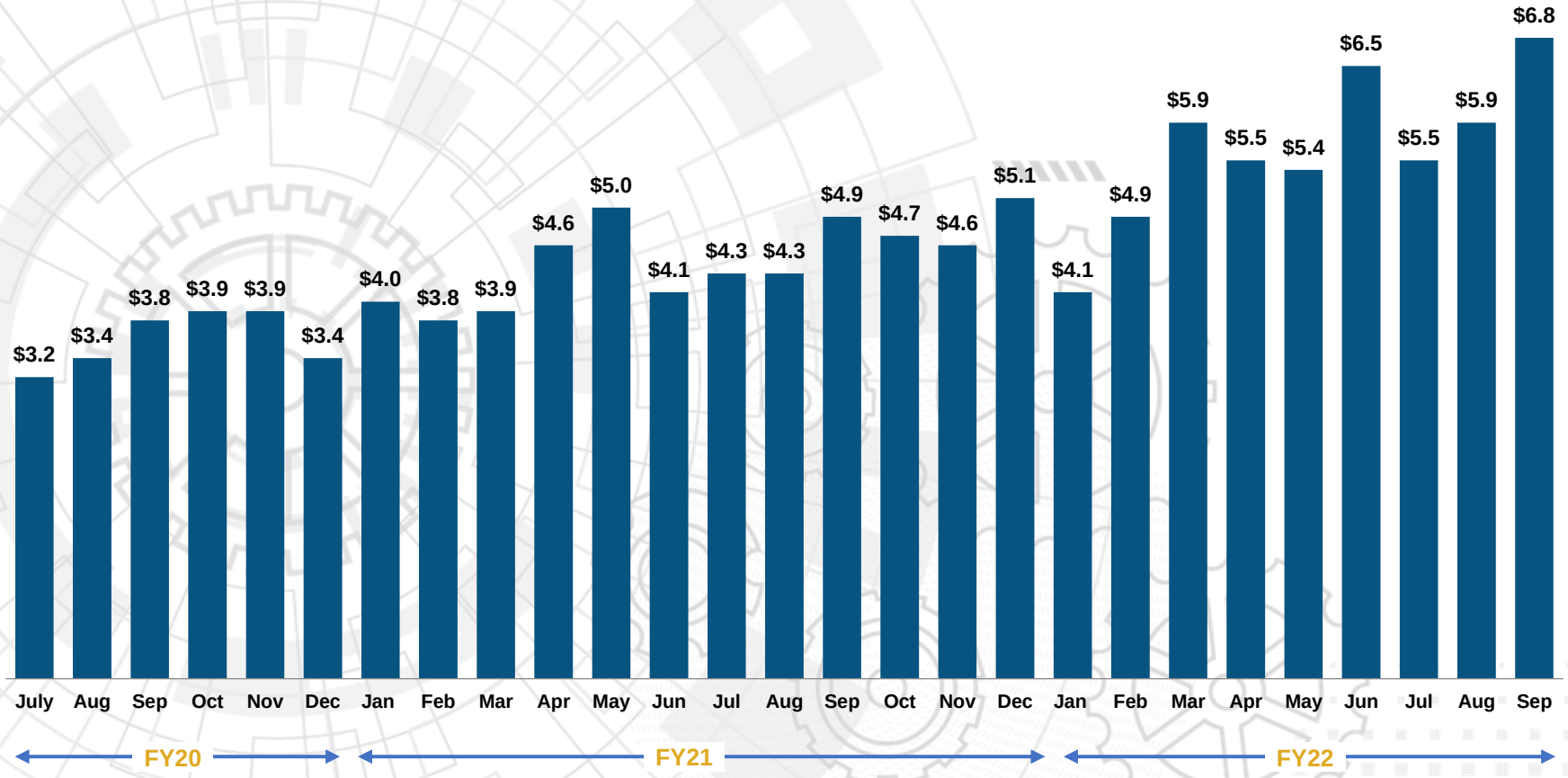
[1] *Transaction announced on September 2, 2022.*

4

Historical Performance | Sales Per Business Day

($ millions)

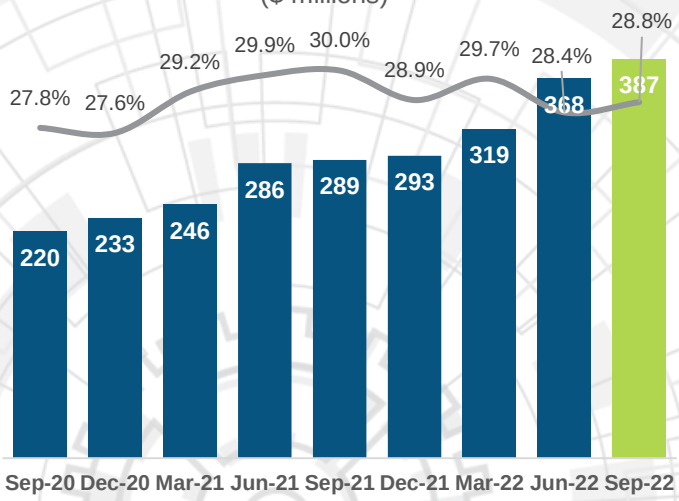
✓ *Sales per business day at historic highs as of September 2022*



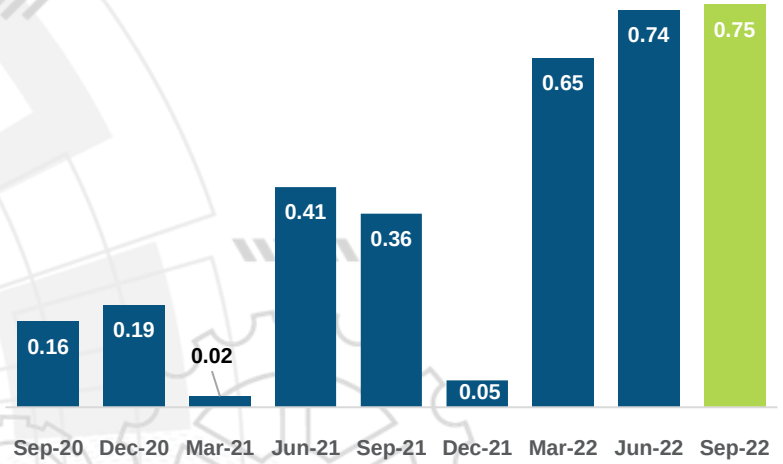
~30% average monthly year-over-year growth in sales per business day from 2021 to 2022 YTD

4 Healthy Financial Performance Driving Returns

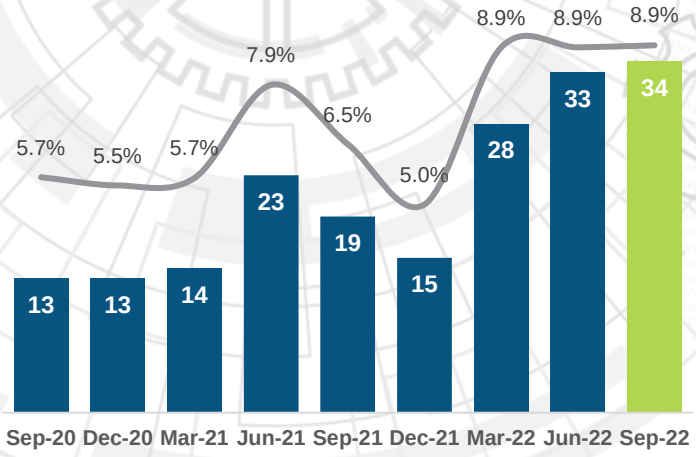
Sales and Gross Margin
($ millions)



Diluted Earnings Per Share
($ actuals)

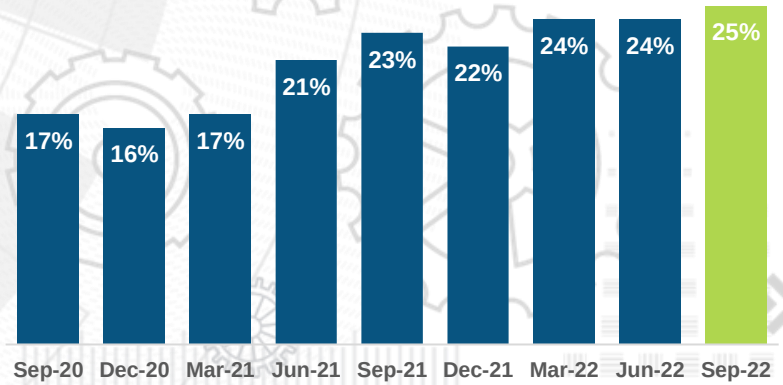


EBITDA and EBITDA Margin
($ millions)



Return on Invested Capital ROIC%

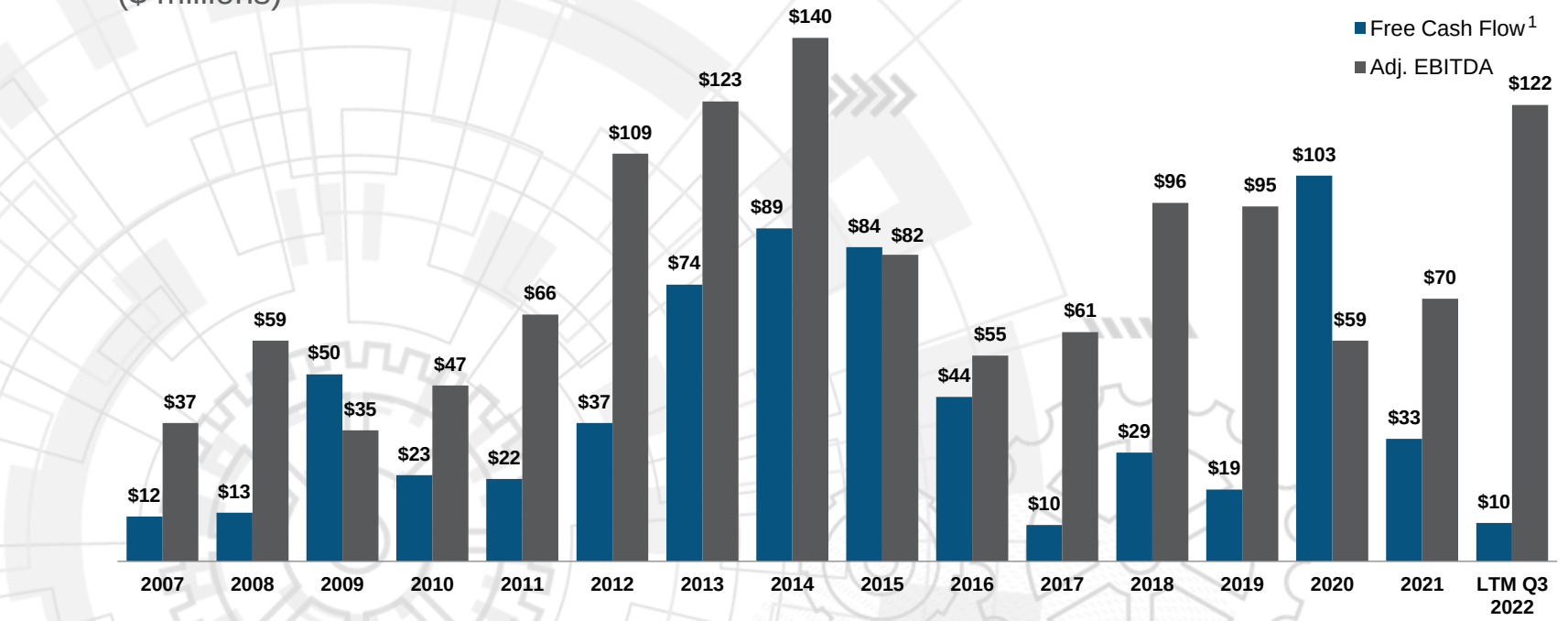
Return on invested capital is defined as tax-effected LTM EBITDA / average total net operating assets.



*Sep-20 and Dec-20 diluted earnings per share is adjusted for the impact of $48.4 million and $11.5 million in goodwill and other related impairments as well as the normalization of tax rates see appendix for reconciliation. Sep-22 diluted earnings per share is adjusted for the impact of a one-time non-cash loss on the sale of an asset.

4 Strong Cash Flow Generation Through Cycles

($ millions)



FCF Conversion[1]	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	LTM Q3 2022
	31.1%	22.4%	144.5%	48.4%	33.1%	34.1%	60.7%	63.9%	103.3%	80.3%	15.9%	30.3%	20.2%	174.8%	46.6%	8.4%

26.8% 48.0% 36.7% 27.5%

FCF conversion peaks at height of cycles…

…But is still strong during non-peak periods

FCF conversion peaks at the height of cycles (2009, 2015 and 2020) but remains robust (~35% average) during non-peak years.

Robust free cash flow profile...

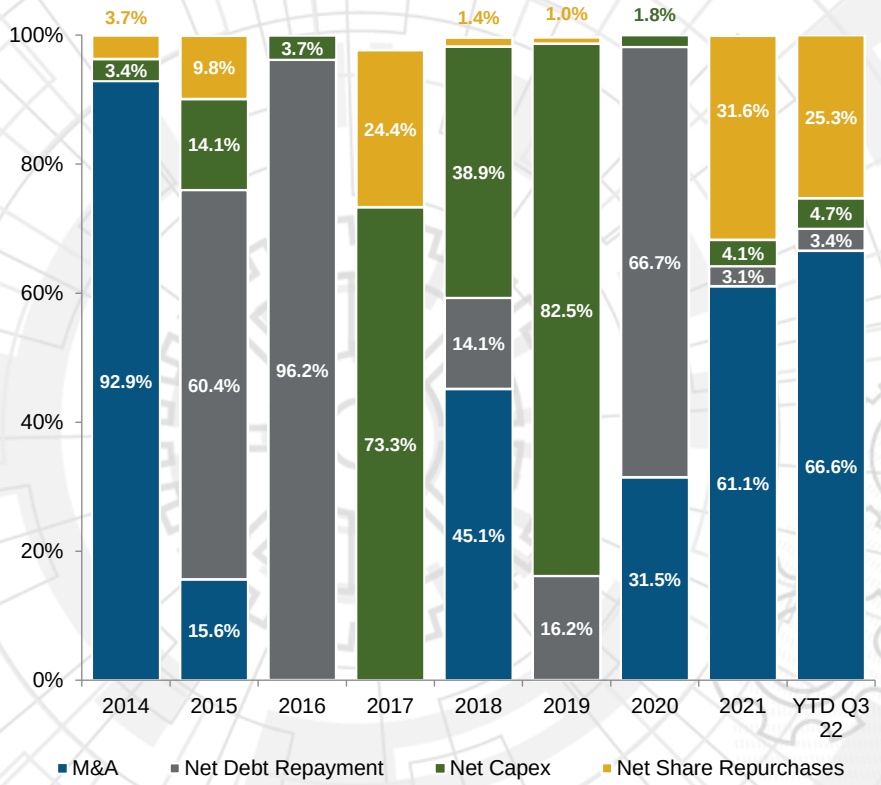
- ✓ *15 year average free cash flow conversion of ~60%+ from FY 2007 to FY 2021*
- ✓ *During downturns, DXP has effectively managed its cash flow by releasing working capital and remaining disciplined in acquisitive growth*
- ✓ *Flexible cost structure and disciplined working capital management underpin free cash flow*
- ✓ *Strong ability to manage headwinds in broader energy markets*

Note: Adj. EBITDA is pre-impairment expense in 2009, 2014 and 2015. 2015 is also pre-B27 settlement and includes add back for above average legal fees. Adj. EBITDA per Company financials.

[1] Free Cash Flow calculated as cash flows from operations less net purchases of property and equipment per Company financials; FCF Conversion defined as (cash flows from operations – net purchases of property and equipment) / Adj. EBITDA.

4 CAPITAL ALLOCATION PRIORITIES

2014 – YTD Q3 2022 Capital Allocation[1]



Balanced Capital Deployment

- Track record of sustainable and proactive debt management through the cycle
- Target leverage of 3.00 – 3.75x
- Flexible share repurchase program that allows for opportunistic buyback of DXP stock
- Disciplined capital deployment delivering strong ROIC: > 20% average ROIC goal (2017-2021)



- Disciplined M&A strategy focused on end market diversification, portfolio enhancement and geographic expansion
- Flexible capital deployment policy with ability to shift capital spend based on business requirements

Counter cyclical cash flow profile with ability to change capital allocation priorities based on market environment

Note: Percentages may not tie to 100% due to rounding. Capital allocation represents net contribution. M&A includes cash acquisitions only.
[1] Excludes preferred dividends which are negligible and not payable to public shareholders.

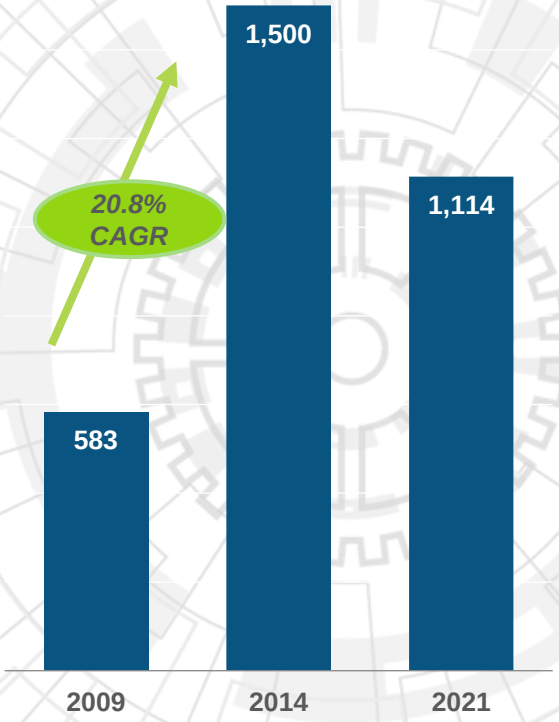
APPENDIX

FINANCIAL PERFORMANCE FROM 2009 TO 2021

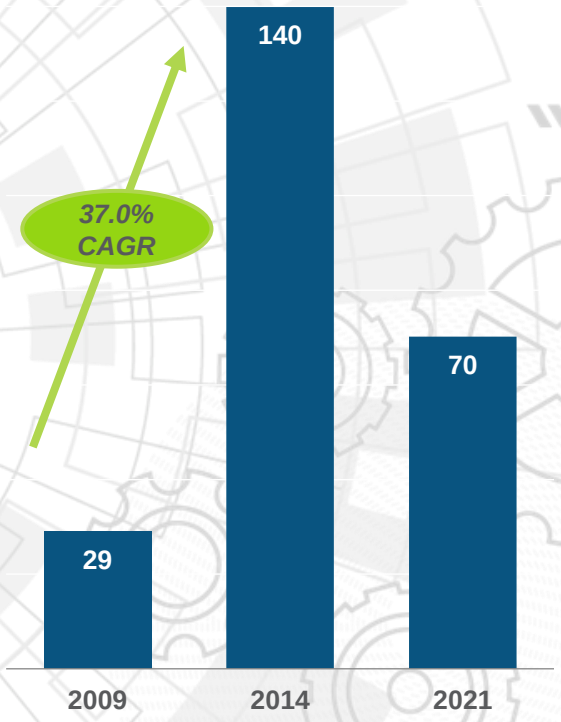
($ millions)

WHAT ARE THE RESULTS OF OUR STRATEGY?

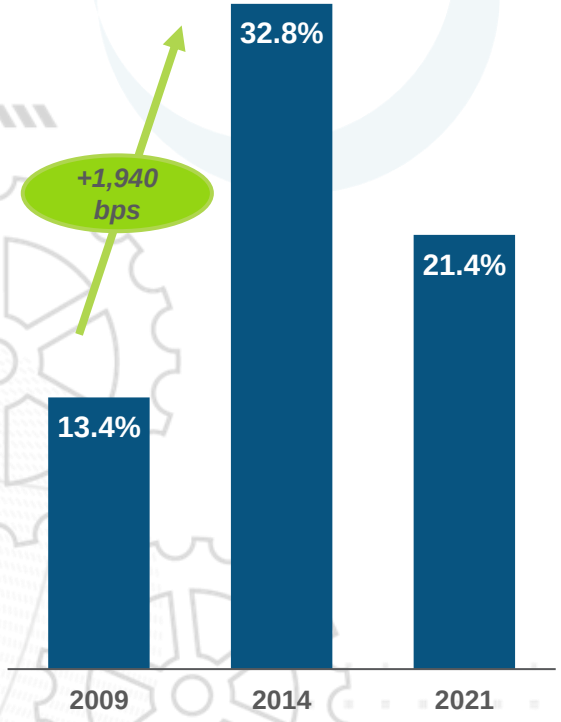
SALES



EBITDA*



RETURN ON INVESTED CAPITAL*



*EBITDA for 2014 is pre-impairment. Return on invested capital is defined as tax effected LTM EBITDA/Average total net operating assets (assumes a 38.5% tax rate). DXP sales, EBITDA and return on invested capital for 2015 were $1.2 bn, $82 million and 20%, respectively. In 2015, DXP experienced contraction in its primary end market, oil & gas, that contributed to the weakness and down cycle trend.

SERVICE CENTERS SEGMENT

($ millions)

Segment Description

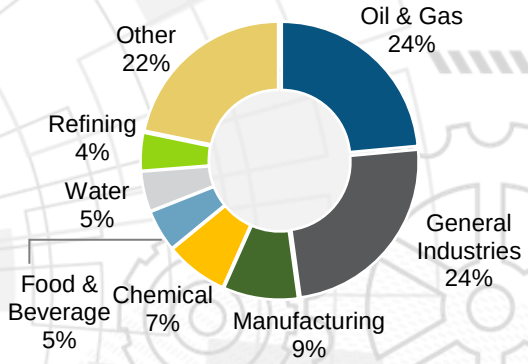
- DXP Service Centers provides MRO and OEM products, equipment and services, including technical expertise and logistics capabilities
- Serves a diverse customer base in varied end markets with ability to provide same day delivery
- Offers a single source of supply on an efficient and competitive basis
- First-tier distributor providing products in rotating equipment, power transmission, hose, fluid power, metal working, industrial supply, and safety products and safety services
- Majority of sales derived from customer product purchase orders, directly solicited by outside sales force making calls to customer locations

Quick Facts

- **$938** million LTM Q3 2022 sales
- **148** Service Centers
- **4** Distribution Centers
- **~1,600** Employees

End Markets and Financial Performance

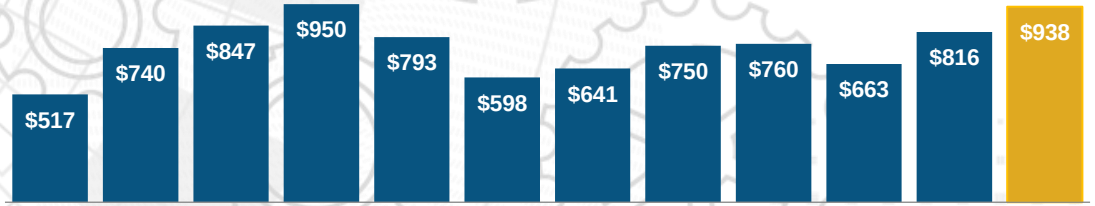
FY 2021A Sales by End Market



DXP | SERVICE CENTERS



Segment Performance – Sales and Operating Income



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	LTM Q3 2022
Operating Income	$103	$102	$74	$45	$63	$81	$85	$72	$99	$117		
% of Sales	12.1%	10.7%	9.3%	7.5%	9.9%	10.8%	11.2%	10.8%	12.1%	12.4%		

Note: LTM Q3 2022 as of September 30, 2022. To present all periods comparably, for 2011 to 2016, sales and operating income from Vertex Corporate Holdings, Inc. are excluded as Vertex was divested in 2016.

INNOVATIVE PUMPING SOLUTIONS SEGMENT

($ millions)

Segment Description

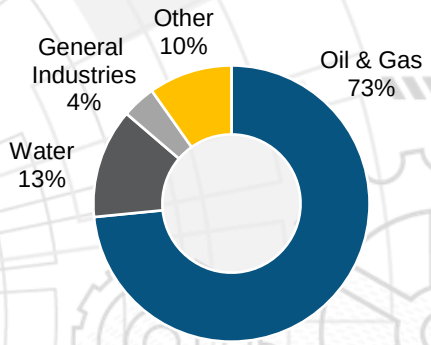
- Provides integrated, custom pump skid packages, pump remanufacturing and private label pumps to meet customers' capital equipment needs
- Leading single source provider for engineering, systems design rerates, and modular process systems for unique customer specifications
- DXP's engineering staff designs complete custom pump packages to meet customers' project specifications
- Pump applications include oil & gas production, pipelines, water and wastewater applications, injection systems to dispose of produced water and complete systems in power, mining, air quality filtration and LNG
- With over 100 years of fabrication experience, DXP has unmatched technical expertise providing the highest quality products

Quick Facts

- **$213** million Q3 2022 sales
- **11** Fabrication Facilities
- **~300** Employees

End Markets and Financial Performance

FY 2021A Sales by End Market



DXP | INNOVATIVE PUMPING SOLUTIONS®



Segment Performance – Sales and Operating Income



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	LTM Q3 2022
Operating Income	$34	$51	$22	$10	$11	$34	$29	$17	$12	$29		
% of Sales	16.2%	14.7%	8.5%	5.3%	5.6%	11.6%	9.5%	9.0%	8.6%	13.7%		

Note: LTM Q3 2022 as of September 30, 2022.

Supply Chain Services Segment

($ millions)

Segment Description

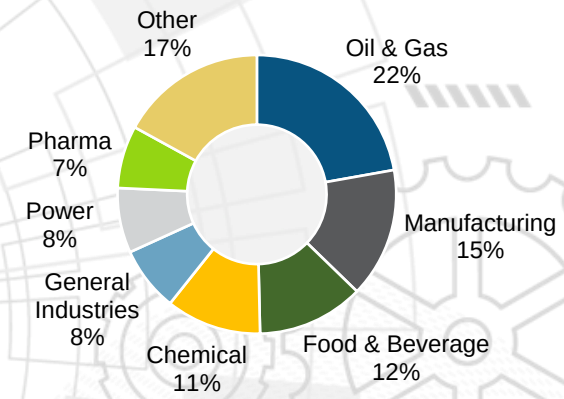
- Manages all or part of customer supply chains, including procurement and inventory management
- Provides fully outsourced solutions for sourcing MRO products including inventory optimization and management, store-room management, transaction consolidation and control and vendor oversight
- With decades of supply chain inventory management experience and comprehensive research, DXP takes a consultative approach to determine the strengths and opportunities for improvement within customers' MRO products supply chain
- Customer benefits include hard-dollar cost savings, reduced inventory, lower unit prices, reduced staffing, and improved procurement visibility and control

Quick Facts

- **$217** million LTM Q2 2022 sales
- **83** Customer Facilities
- **~360** Employees

End Markets and Financial Performance

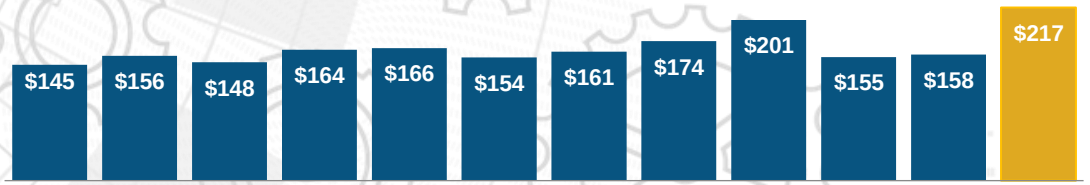
FY 2021A Sales by End Market



DXP | SUPPLY CHAIN SERVICES



Segment Performance – Sales and Operating Income

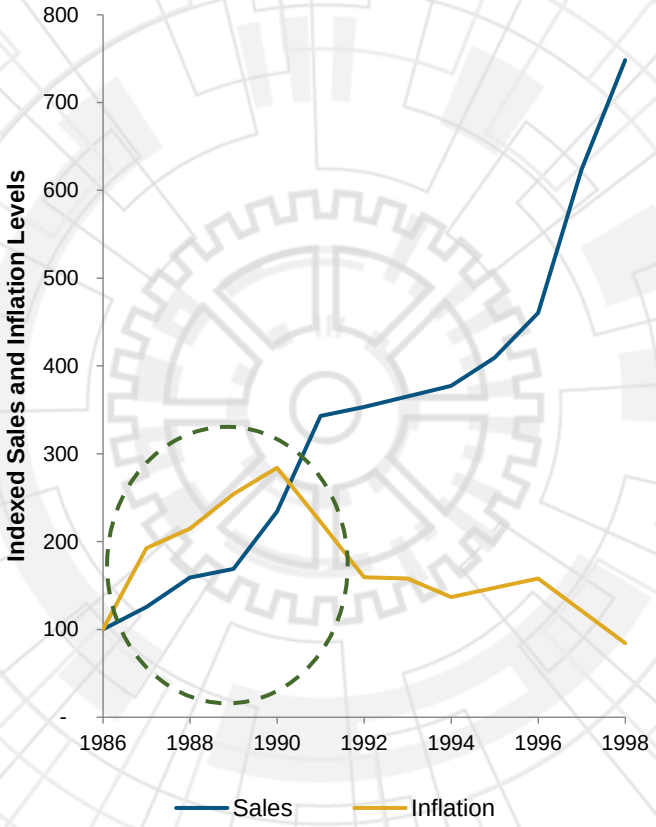


	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	LTM Q3 2022
Operating Income	$13	$14	$14	$15	$16	$16	$14	$13	$12	$17		
% of Sales	8.4%	8.4%	8.6%	10.0%	9.6%	9.3%	7.2%	8.3%	7.6%	8.0%		

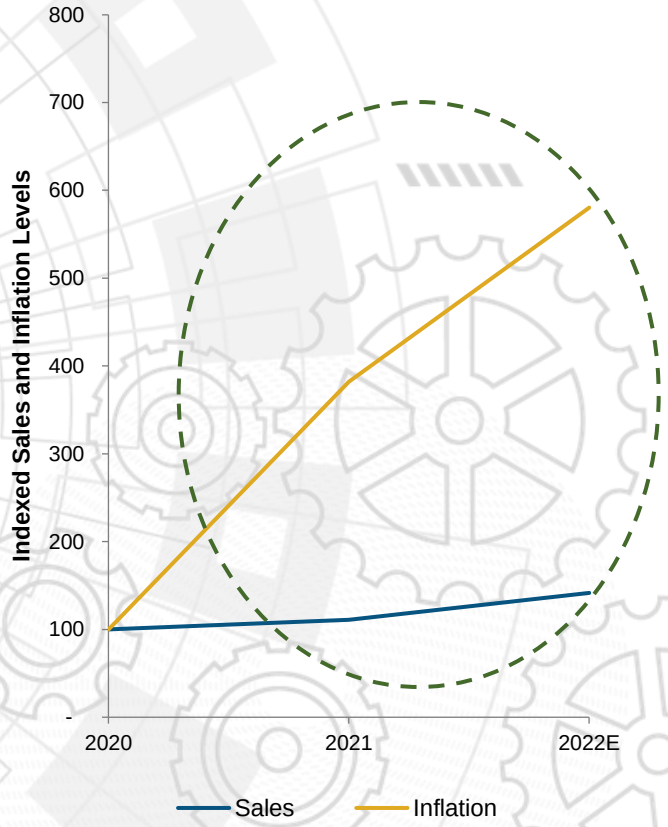
Note: LTM Q3 2022 as of September 30, 2022.

Performance Through Inflationary Periods

Inflationary Period 1986 – 1998



Inflationary Period 2020 – 2022E



- ✓ *Differentiated business model with ability to effectively manage through inflationary pressures*
- ✓ *Continued strong performance in inflationary periods driven by the company's ability to pass through price increases to customers*
- ✓ *Inelastic product demand as company has historically sustained volumes through inflationary periods*

Q3 Income Statement Highlights

($ thousands)

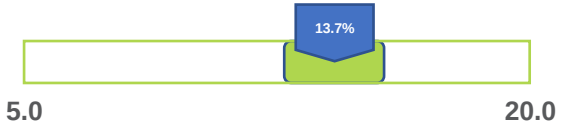
	Prior Yr Sept. 30, 2021	Prior Qtr Jun 30, 2022	Current Qtr Sep 30, 2022
Sales	$ 289,494	$ 367,812	$ 387,314
% growth - yoy		*28.7%*	*33.8%*
% growth - seq		*15.2%*	*5.3%*
Gross Profit	86,943	104,262	111,633
% margin	*30.0%*	*28.3%*	*28.8%*
Operating Income	11,185	25,920	26,539
% margin	*3.9%*	*7.0%*	*6.9%*
Adj. EBITDA as reported	18,824	32,609	34,321
% margin	*6.5%*	*8.9%*	*8.9%*
Diluted EPS	$ 0.36	$ 0.74	$ 0.74
Non-GAPP Diluted EPS	$ 0.36	$ 0.74	$ 0.78
Avg. Daily Sales:	$ 4,526	$ 5,838	$ 6,052

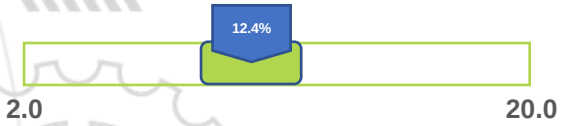
Please refer to the appendix of this presentation for current period reconciliation of the Non-GAAP financial measures to the most directly comparable GAAP measures.

Q3 Operating Performance by Segment

($ millions)

	Sales $	Sales Mix	OP$	OP%
DXP SERVICE CENTERS	$ 260.1	67%	$ 35.7	13.7%
DXP INNOVATIVE PUMPING SOLUTIONS®	$ 59.0	15%	$ 7.3	12.4%
DXP SUPPLY CHAIN SERVICES	$ 68.2	18%	$ 5.3	7.8%
Corporate*	---		$ (21.8)	
Total DXP	**$ 387.3**	**100%**	**$ 26.5**	**6.9%**







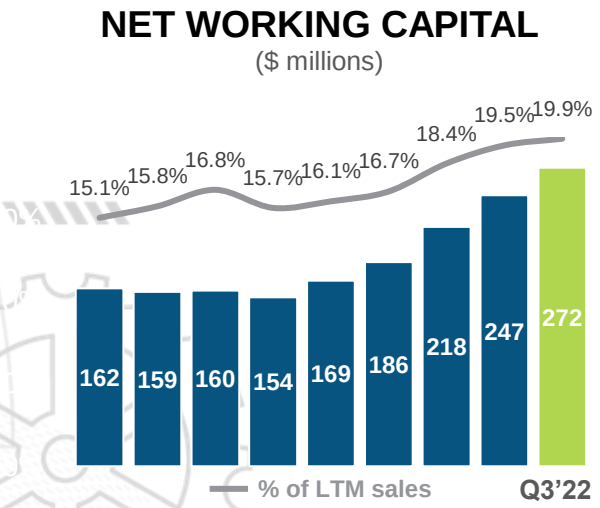
*Corporate expense includes amortization of intangible assets.

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.

CASH FLOW & WORKING CAPITAL

	Prior Qtr Jun 30, 2022	Current Qtr Sep 30, 2022
GAAP net income	$ 14,494	$ 13,042
Depreciation and amortization	7,080	7,493
Change in net working capital	(22,335)	(20,466)
Other operating cash flows, net	3,769	(3,498)
Net Cash provided by operating activities	**3,008**	**(3,429)**
Purchase of property & equipment, net	1,108	1,578
Proceeds from sale of assets	-	-
Free Cash Flow	**1,900**	**(5,007)**
Net Cash used in financing activities	21,344	6,271
Cash at end of the period	**20,664**	**17,064**

Supplemental Information:		
Purchase of businesses	38,801	4,389
Cash paid for income taxes	2,153	9,362
Cash paid for interest	5,157	6,392
Net Debt	333,600	347,859



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

RECONCILIATION OF OPERATING INCOME

($ thousands)

	Three Months Ended September 30,	
	2022	2021
Operating income for reportable segments	$48,377	$32,839
Adjustments for:		
Amortization of intangibles	5,132	4,238
Corporate expenses	16,706	17,416
Total operating income	**26,539**	**11,185**
Interest expense	6,833	5,264
Other expense (income), net	1,566	(450)
Income before income taxes	**$ 18,140**	**$6,371**

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,	
	2022	2021
Income before income taxes	$ 18,140	$ 6,371
Plus: interest expense	6,833	5,264
Plus: depreciation and amortization	7,493	6,486
EBITDA	**$32,466**	**$18,121**
Plus: NCI loss (gain) before tax	159	190
Plus: One-time non-cash loss	1,193	--
Plus: Stock compensation expense	505	514
Adjusted EBITDA	**$34,323**	**$18,825**



THE INDUSTRIAL DISTRIBUTION EXPERTS

NASDAQ: DXPE
JANUARY 2023