

THE INDUSTRIAL DISTRIBUTION EXPERTS

Presented by:

David Little

Chairman, President & CEO

Kent Yee

Senior Vice President & CFO

Results for Q3 Fiscal 2023

Earnings Announcement: November 9, 2023

(Quarter Ending September 30, 2023)

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.

Q3 INCOME STATEMENT HIGHLIGHTS

($ thousands)

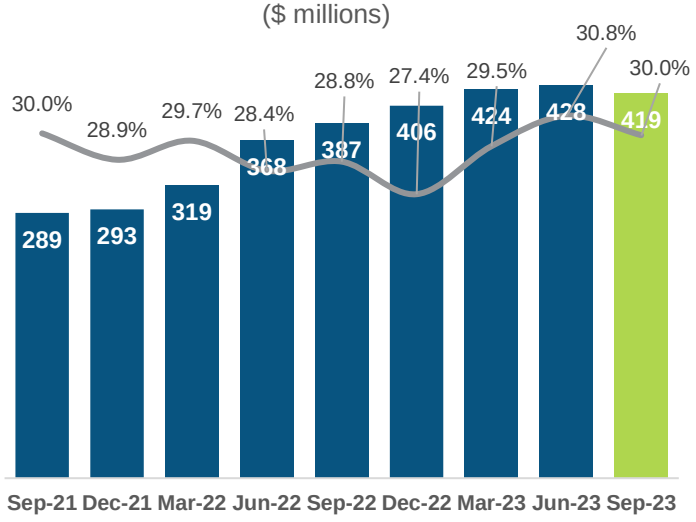
	Prior Yr Sep 30, 2022	Prior Qtr Jun 30, 2023	Current Qtr Sep 30, 2023
Sales	$ 387,314	$ 428,040	$ 419,249
% growth - yoy	*33.8%*	*16.4%*	*8.2%*
% growth - seq	*5.3%*	*0.9%*	*-2.1%*
Gross Profit	111,633	131,852	125,562
% margin	*28.8%*	*30.8%*	*29.9%*
Operating Income	26,539	37,480	35,855
% margin	*6.9%*	*8.8%*	*8.6%*
Adj. EBITDA as reported	34,321	45,296	44,020
% margin	*8.9%*	*10.6%*	*10.5%*
Diluted EPS	$ 0.71	$ 1.06	$ 0.93
Diluted shares	19,672	18,051	17,356
Avg. Daily Sales:	$ 6,052	$ 6,688	$ 6,655

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

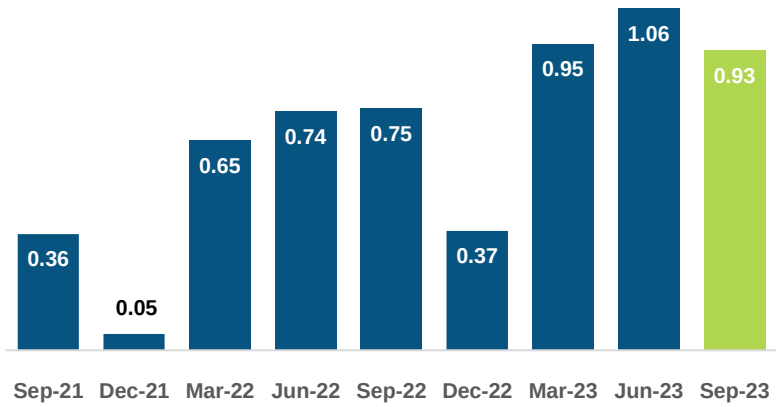
Sales and Gross Margin

($ millions)



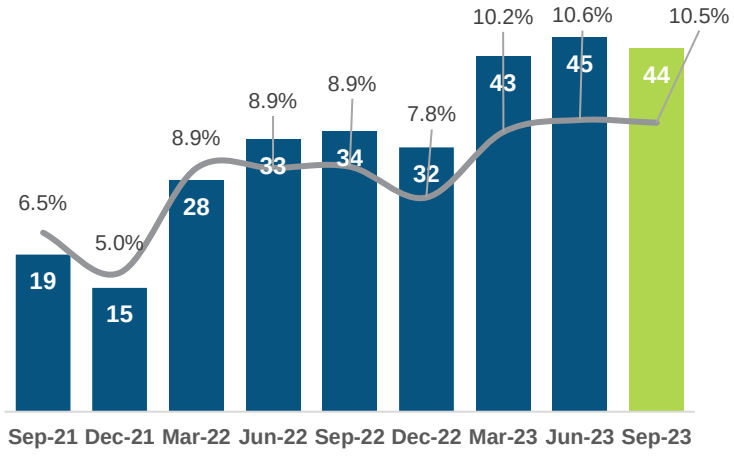
Diluted Earnings Per Share

($ actuals)*



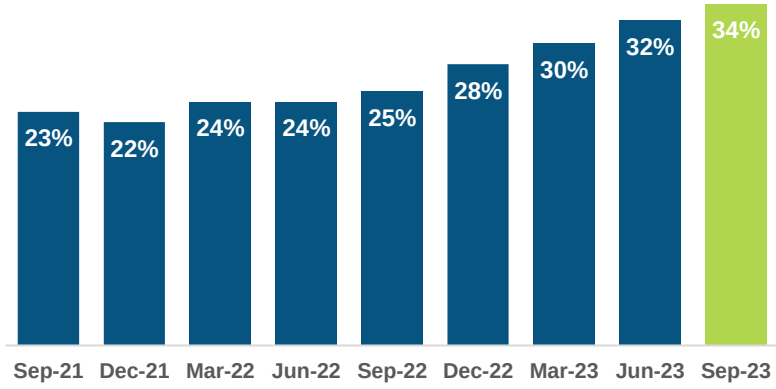
Adj. EBITDA and Adj. EBITDA Margin

($ millions)



Return on Invested Capital ROIC%

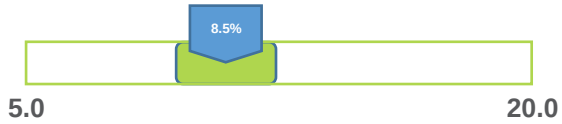
Return on invested capital is defined as tax-effected LTM EBITDA / average total net operating assets.



* Sep-22 diluted earnings per share is adjusted for the impact of a one-time non-cash loss on the sale of an asset. Actual diluted earning per share was $0.71 for Q3'22.

Q3 Operating Performance by Segment

($ millions)

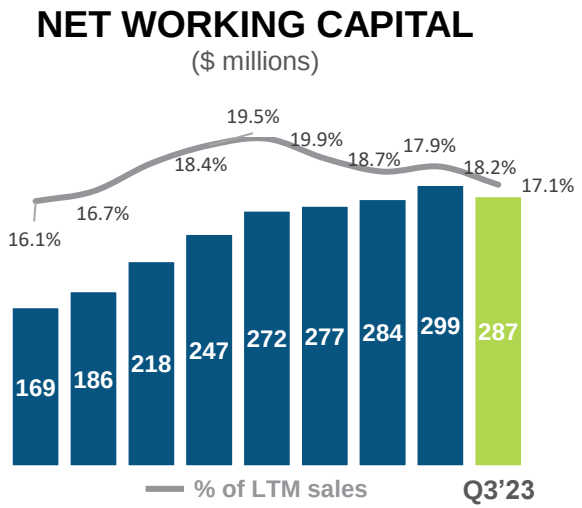
	Sales $	Sales Mix	OP$	OP%	
DXP SERVICE CENTERS	$ 294.5	70%	$ 41.4	14.1%	
DXP INNOVATIVE PUMPING SOLUTIONS®	$ 58.9	14%	$ 11.2	18.9%	
DXP SUPPLY CHAIN SERVICES	$ 65.8	16%	$ 5.6	8.5%	
Corporate*	---		$ (22.3)		
Total DXP	**$ 419.2**	**100%**	**$ 35.9**	**8.6%**	

*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, 2023	Current Qtr Sept. 30, 2023
GAAP net income	$ 19,054	$ 16,173
Depreciation and amortization	6,703	7,983
Change in net working capital	(27,233)	18,535
Other operating cash flows, net	(955)	(2,930)
Net Cash provided by operating activities	**(2,431)**	**39,761**
Purchase of property & equipment, net	1,813	1,486
Proceeds from sale of assets	-	-
Free Cash Flow	**(4,244)**	**38,275**
Net Cash used in financing activities	(29,811)	(26,581)
Cash at end of the period	**15,624**	**27,267**

Supplemental Information:		
Purchase of businesses	8,488	360
Cash paid for income taxes	15,928	3,991
Cash paid for interest	11,096	11,917
Net Debt	410,416	397,681



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

APPENDIX

RECONCILIATION OF OPERATING INCOME

($ thousands)

	Three Months Ended September 30,	
	2023	**2022**
Operating income for reportable segments	$58,189	$48,377
Adjustments for:		
Amortization of intangibles	5,866	5,132
Corporate expenses	16,467	16,706
Total operating income	**35,855**	**26,539**
Interest expense	12,684	6,833
Other expense (income), net	1,234	1,568
Income before income taxes	**$ 21,938**	**$18,138**

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,	
	2023	2022
Income before income taxes	$ 21,938	$ 18,138
Plus: interest expense	12,684	6,833
Plus: depreciation and amortization	7,983	7,493
EBITDA	**$42,605**	**$32,464**
Plus: Stock comp. expense & other charges	1,415	1,698
Adjusted EBITDA	**$44,020**	**$34,321**



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NASDAQ: DXPE
SEPTEMBER 2023