THE INDUSTRIAL DISTRIBUTION EXPERTS

Presented by:

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Results for Q1 Fiscal 2024

Earnings Announcement: May 8, 2024

(Quarter Ending March 31, 2024)

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.

Q1 INCOME STATEMENT HIGHLIGHTS

($ thousands)

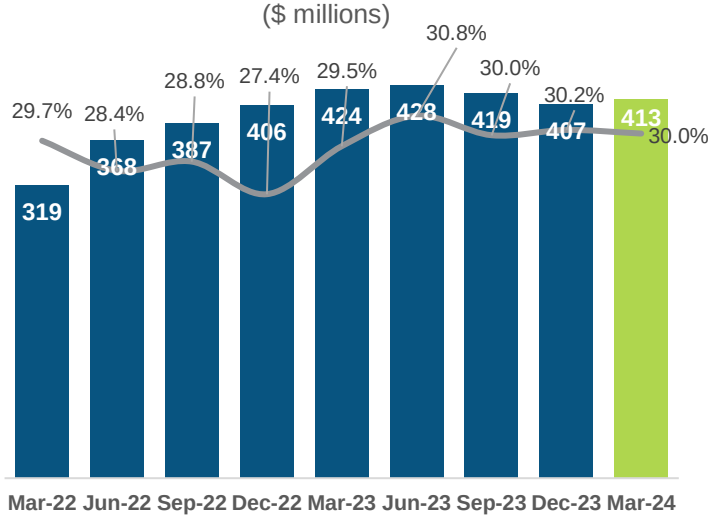
	Prior Yr Mar 31, 2023	Prior Qtr Dec 31, 2023	Current Qtr Mar 31, 2024
Sales	$ 424,267	$ 407,044	$ 412,635
% growth - yoy	*32.8%*	*0.2%*	*-2.7%*
% growth - seq	*4.4%*	*-2.9%*	*1.4%*
Gross Profit	125,041	122,836	123,882
% margin	*29.5%*	*30.2%*	*30.0%*
Operating Income	35,399	29,987	29,131
% margin	*8.3%*	*7.4%*	*7.1%*
Adj. EBITDA as reported	43,126	41,861	40,343
% margin	*10.2%*	*10.3%*	*9.8%*
Free Cash Flow	22,644	37,284	24,095
Diluted EPS	$ 0.95	$ 0.94	$ 0.67
Diluted shares	18,436	17,017	16,968
Adjusted Diluted EPS	$ 0.95	$ 1.12	$ 0.74
Avg. Daily Sales:	$ 6,629	$ 6,673	$ 6,550

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

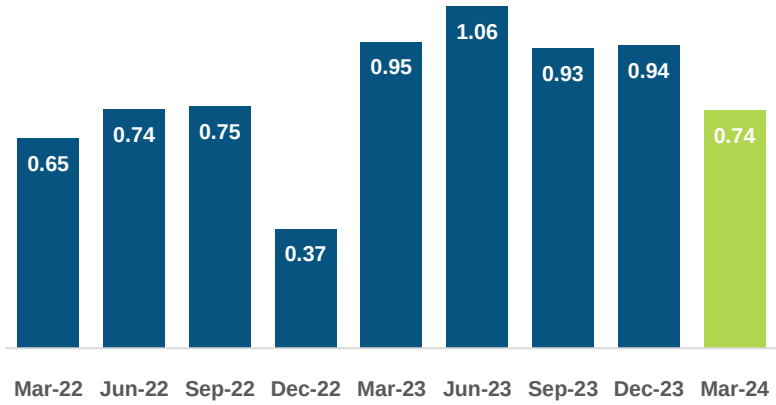
Sales and Gross Margin

($ millions)



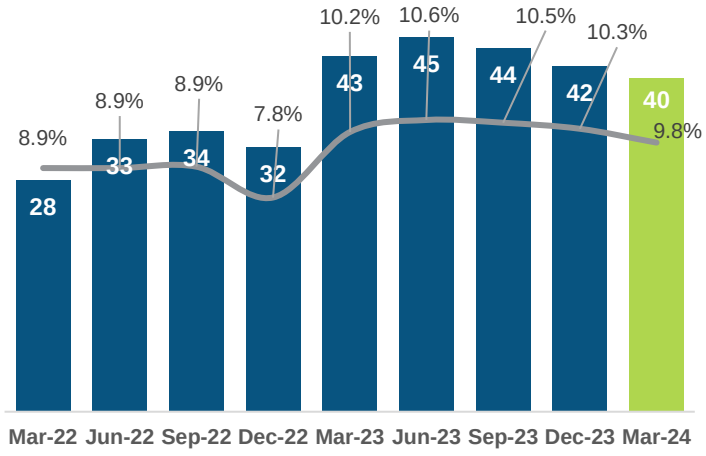
Diluted Earnings Per Share

($ actuals)*



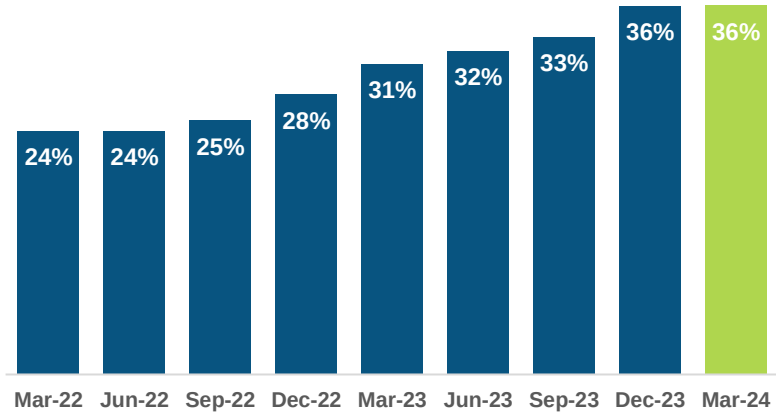
Adj. EBITDA and Adj. EBITDA Margin

($ millions)



Return on Invested Capital ROIC%

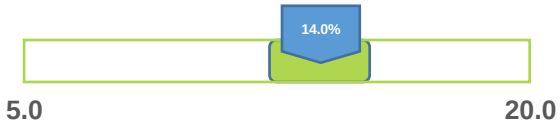
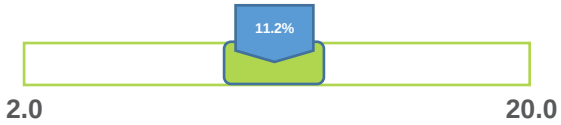
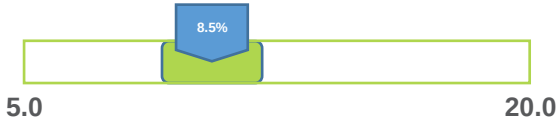
Return on invested capital is defined as tax-effected LTM EBITDA / average total net operating assets.



* Mar-24 diluted earnings per share is adjusted for one-time acquisition integration costs and other unique non-cash charges. Actual diluted EPS was $0.67 for Q1-24. 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.

Q1 Operating Performance by Segment

($ millions)

	Sales $	Sales Mix	OP$	OP%	
DXP SERVICE CENTERS	$ 288.4	70%	$ 40.3	14.0%	
DXP INNOVATIVE PUMPING SOLUTIONS®	$ 62.2	15%	$ 7.0	11.2%	
DXP SUPPLY CHAIN SERVICES	$ 62.0	15%	$ 5.3	8.5%	
Corporate*	---		$ (23.4)		
Total DXP	**$ 412.6**	**100%**	**$ 29.1**	**7.1%**	

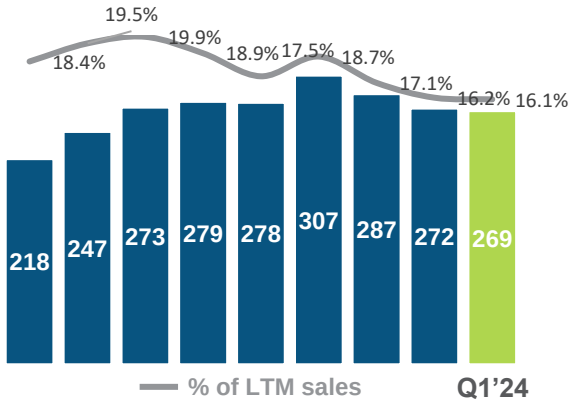
*Corporate expense includes amortization of intangible assets.
Please refer to the appendix of this presentation for current period reconciliation of the Non-GAAP financial measures to the most directly comparable GAAP measures.

CASH FLOW & WORKING CAPITAL

	Prior Qtr Dec 31, 2023	Current Qtr Mar 31, 2024
GAAP net income	$ 16,005	$ 11,332
Depreciation and amortization	8,637	7,538
Change in net working capital	14,177	10,827
Other operating cash flows, net	3,625	(2,708)
Net Cash provided by operating activities	**42,444**	**26,989**
Purchase of property & equipment, net	5,160	2,894
Proceeds from sale of assets	-	-
Free Cash Flow	**37,284**	**24,095**
Net Cash used in financing activities	110,325	(18,147)
Cash at end of the period	**173,211**	**139,789**

NET WORKING CAPITAL

($ millions)



Supplemental Information:		
Purchase of businesses	1,536	39,261
Cash paid for income taxes	1,541	14,693
Cash paid for interest	15,062	14,649
Net Debt	375,505	407,553

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 NON-GAAP MEASURES:
ORGANIC SALES and ORGANIC SALES PER BUSINESS DAY
($ thousands)

The following table is a reconciliation of organic sales and organic sales per business day to the most comparable U.S. GAAP financial measure

	Three Months Ended March 31,	
	2024	2023
Sales by Business Segment		
Service Centers	$288,435	$305,813
Innovative Pumping Solutions	62,216	51,411
Supply Chain Services	61,984	67,043
Total DXP Sales	**$412,635**	**$424,267**
Acquisition Sales	11,775	19,133
Organic Sales	**$400,860**	**$405,134**
Business Days	63	64
Sales per Business Day	**$6,550**	**$6,629**
Organic Sales per Business Day	**$6,363**	**$6,330**

RECONCILIATION OF OPERATING INCOME

($ thousands)

	Three Months Ended March 31,	
	2024	**2023**
Operating income for reportable segments	$52,552	$60,524
Adjustments for:		
Amortization of intangibles	4,369	4,758
Corporate expenses, net	19,052	20,367
Total operating income	**29,131**	**35,399**
Interest expense	15,544	11,521
Other expense (income), net	(1,968)	(469)
Income before income taxes	**$15,555**	**$24,347**

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 March 31,	
	2024	2023
Income before income taxes	$ 15,555	$ 24,347
Plus: interest expense	15,544	11,521
Plus: depreciation and amortization	7,538	6,782
EBITDA	**$38,637**	**$42,650**
Plus: Stock comp. expense & other charges	1,706	476
Adjusted EBITDA	**$40,343**	**$43,126**



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NASDAQ: DXPE
MARCH 2024