

THE INDUSTRIAL DISTRIBUTION EXPERTS

Presented by:

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Results for Q2 Fiscal 2024

Earnings Announcement: August 8, 2024

(Quarter Ending June 30, 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.

Q2 INCOME STATEMENT HIGHLIGHTS

($ thousands, except per share data)

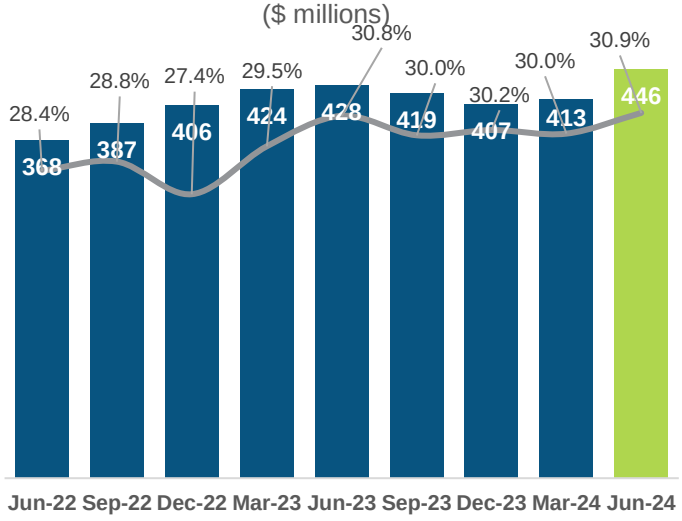
	Prior Yr Qtr Jun 30, 2023	Prior Qtr Mar 31, 2024	Current Qtr Jun 30, 2024
Sales	$ 428,040	$ 412,635	$ 445,556
% growth - yoy	*16.4%*	*-2.7%*	*4.1%*
% growth - seq	*0.9%*	*1.4%*	*8.0%*
Gross Profit	131,852	123,882	137,793
% margin	*30.8%*	*30.0%*	*30.9%*
Operating Income	37,480	29,131	37,352
% margin	*8.8%*	*7.1%*	*8.4%*
Adj. EBITDA as reported	45,296	40,343	48,226
% margin	*10.6%*	*9.8%*	*10.8%*
Free Cash Flow	(4,243)	24,095	5,910
Diluted EPS	$ 1.06	$ 0.67	$ 1.00
Diluted shares	18,051	16,968	16,708
Adjusted Diluted EPS	$ 1.06	$ 0.74	$ 1.02
Avg. Daily Sales:	$ 6,688	$ 6,550	$ 6,962

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

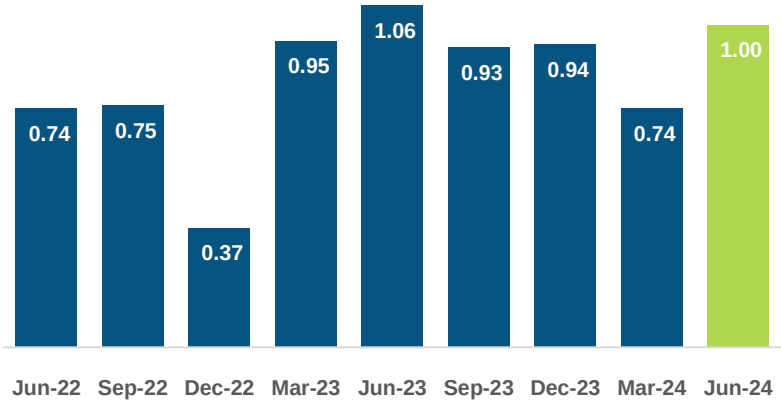
Sales and Gross Margin

($ millions)



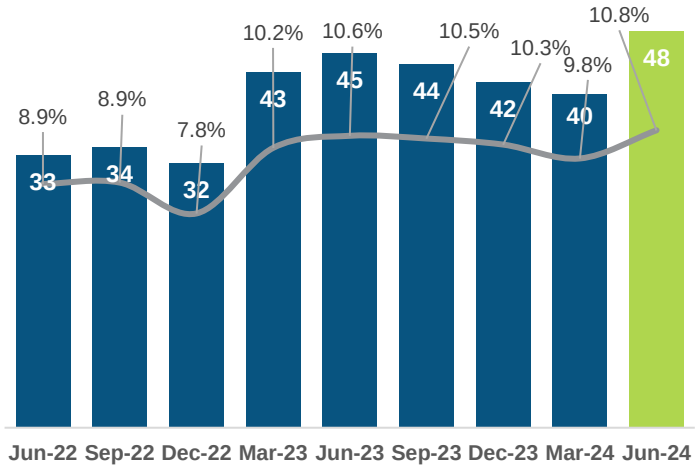
Diluted Earnings Per Share

($ actuals)*



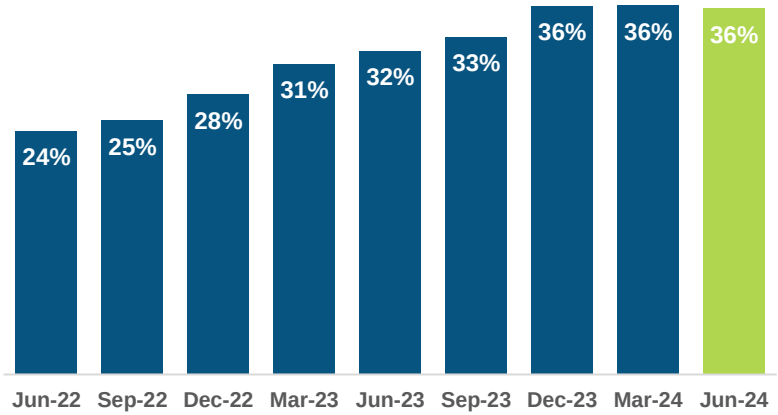
Adj. EBITDA and Adj. EBITDA Margin

($ millions)



Return on Invested Capital ROIC%

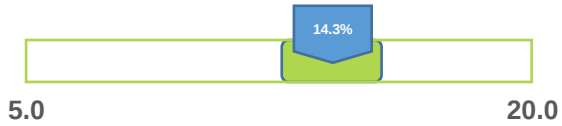
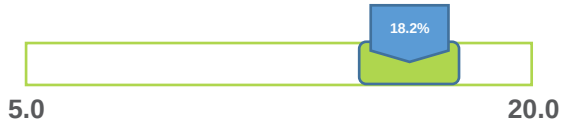
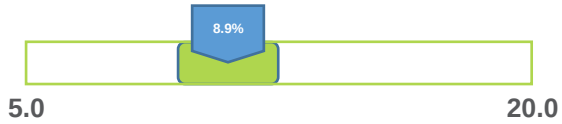
Return on invested capital is defined as tax-effected LTM EBITDA / average total net operating assets.



* 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.

Q2 Operating Performance by Segment

($ millions)

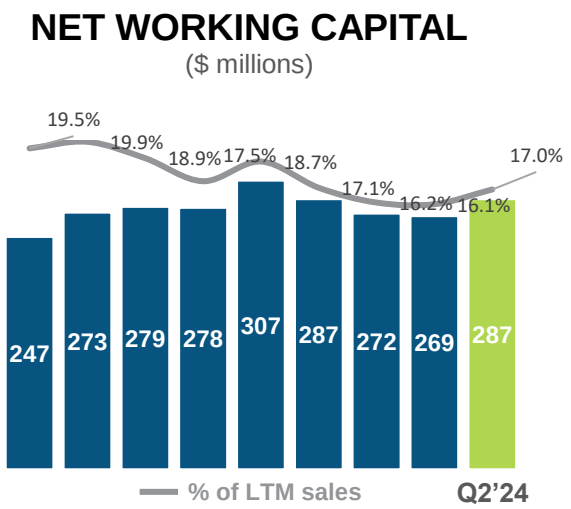
	Sales $	Sales Mix	OP$	OP%	
DXP SERVICE CENTERS	$ 306.5	69%	$ 43.9	14.3%	
DXP INNOVATIVE PUMPING SOLUTIONS®	$ 73.4	16%	$ 13.4	18.2%	
DXP SUPPLY CHAIN SERVICES	$ 65.7	15%	$ 5.8	8.9%	
Corporate*	---		$ (25.7)		
Total DXP	**$ 445.6**	**100%**	**$ 37.4**	**8.4%**	

*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

	Current YTD Jun 30, 2024	Prior Qtr Mar 31, 2024	Current Qtr Jun 30, 2024
GAAP net income	$ 28,025	$ 11,332	$ 16,693
Depreciation and amortization	15,665	7,538	8,127
Change in net working capital	207	10,827	(10,620)
Other operating cash flows, net	(2,173)	(2,708)	535
Net Cash provided by operating activities	**41,724**	**26,989**	**14,735**
Purchase of property & equipment, net	11,719	2,894	8,825
Free Cash Flow	**30,005**	**24,095**	**5,910**
Net Cash used in financing activities	(35,003)	(18,146)	(16,857)
Cash at end of the period	**50,026**	**139,789**	**50,026**

Supplemental Information:			
Purchase of businesses	119,017	39,261	79,756
Cash paid for income taxes	15,456	14,693	763
Cash paid for interest	29,140	14,649	14,491
Net Debt	495,939	407,553	495,939



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 June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Sales by Business Segment				
Service Centers	$306,516	$313,806	$594,952	$619,619
Innovative Pumping Solutions	73,377	48,067	135,592	99,478
Supply Chain Services	65,663	66,167	127,647	133,210
Total DXP Sales	**$445,556**	**$428,040**	**$858,191**	**$852,307**
Acquisition Sales	23,403	7,265	35,178	26,398
Organic Sales	**$422,153**	**$420,775**	**$823,013**	**$825,909**
Business Days	64	64	127	128
Sales per Business Day	**$6,962**	**$6,688**	**$6,757**	**$6,659**
Organic Sales per Business Day	**$6,596**	**$6,575**	**$6,480**	**$6,452**

RECONCILIATION OF OPERATING INCOME

($ thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Operating income for reportable segments	$63,044	$58,999	$115,596	$119,523
Adjustments for:				
Amortization of intangibles	4,719	4,582	9,088	9,340
Corporate expenses, net	20,973	16,937	40,025	37,304
Total operating income	**37,352**	**37,480**	**66,483**	**72,879**
Interest expense	15,384	11,863	30,928	23,384
Other income, net	(1,035)	(242)	(3,004)	(712)
Income before income taxes	**$23,003**	**$25,859**	**$38,559**	**$50,207**

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 June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Income before income taxes	$ 23,003	$ 25,859	$ 38,559	$ 50,207
Plus: interest expense	15,384	11,863	30,928	23,384
Plus: depreciation and amortization	8,127	6,703	15,665	13,485
EBITDA	**$46,514**	**$44,425**	**$85,152**	**$87,076**
Plus: Stock comp. expense & other charges	1,712	871	3,418	1,347
Adjusted EBITDA	**$48,226**	**$45,296**	**$88,570**	**$88,423**

KEY BUSINESS METRICS DEFINITIONS

Organic Sales and Acquisition Sales

We define and calculate organic sales to include locations and acquisitions under our ownership for at least twelve months. "Acquisition Sales" are sales from acquisitions that have been under our ownership for less than twelve months and are excluded in our calculation of Organic Sales.

Business Days

"Business Days" are days of the week, excluding Saturdays, Sundays, and holidays, that our locations are open during the year. Depending on the location and the season, our branches may be open on Saturdays and Sundays; however, for consistency, those days have been excluded from the calculation of Business Days.

Sales per Business Day

We define and calculate Sales per Business Day as sales divided by the number of Business Days in the relevant reporting period.

Organic Sales per Business Days

We define and calculate Organic Sales per Business Day as Organic Sales divided by the number of Business Days in the relevant reporting period.

EBITDA and Adjusted EBITDA

We define and calculate EBITDA as Net income attributable to DXP Enterprises, Inc., plus interest, taxes, depreciation, amortization, and non-controlling interest. We define and calculate Adjusted EBITDA as Net income attributable to DXP Enterprises, Inc., plus interest, taxes, depreciation, amortization minus stock-based compensation expense, non-controlling interest before taxes and all other non-cash charges, adjustments, and non-recurring items. We identify the impact of all other non-cash charges, adjustments and non-recurring items because we believe these items do not directly reflect our underlying operations.

EBITDA Margin and Adjusted EBITDA Margin

We define and calculate EBITDA Margin as EBITDA divided by sales. We define and calculate Adjusted EBITDA Margin as Adjusted EBITDA divided by sales.

Free Cash Flow

We define and calculate free cash flow as net cash (used in) provided by operating activities less net purchases of property and equipment.



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NASDAQ: DXPE
JUNE 2024