

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):

May 9, 2014

**LAWSON PRODUCTS, INC.**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation)

0-10546

(Commission File Number)

36-2229304

(I.R.S. Employer Identification No.)

8770 W. Bryn Mawr Ave., Suite 900, Chicago, Illinois

(Address of principal executive offices)

60631

(Zip Code)

(Registrant's telephone number, including area code)

(773) 304-5050

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 7.01 Regulation FD Disclosure.**

Lawson Products, Inc. has updated its Investor Presentation (the "Presentation") which is furnished as Exhibit 99.1 to this Report on Form 8-K. A copy of the Presentation is also available on the Company's website at [www.lawsonproducts.com](http://www.lawsonproducts.com).

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits:

99.1 Investor Presentation May 2014

## SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**LAWSON PRODUCTS, INC.**

(Registrant)

Date: May 9, 2014

By: /s/ Ronald J. Knutson

Name: Ronald J. Knutson

Title: Executive Vice President, Chief Financial Officer

EXHIBIT INDEX

**Exhibit Number**

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99.1

**Description**

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Investor Presentation May 2014



**LAWSON** Products



**Investor Presentation** May 2014

# Forward-Looking Statements

"Safe Harbor" Statement under the Securities Litigation Reform Act of 1995:

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. The terms "may," "should," "could," "anticipate," "believe," "continues," "estimate," "expect," "intend," "objective," "plan," "potential," "project" and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. These statements are based on management's current expectations, intentions or beliefs and are subject to a number of factors, assumptions and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Factors that could cause or contribute to such differences or that might otherwise impact the business include: failure to retain a talented workforce including productive sales representatives; the inability of management to successfully implement strategic initiatives; failure to manage change; the ability to adequately fund our operating and working capital needs through cash generated from operations; the ability to meet the covenant requirements of our line of credit; disruptions of the Company's information and communication systems; the effect of general economic and market conditions; inventory obsolescence; work stoppages and other disruptions at transportation centers or shipping ports; changing customer demand and product mixes; increases in commodity prices; violations of environmental protection regulations; a negative outcome related to tax matters; and, all other factors discussed in the Company's "Risk Factors" set forth in its Annual Report on Form 10-K for the year ended December 31, 2013.

The Company undertakes no obligation to update any such factors or to publicly announce the results of any revisions to any forward-looking statements contained herein whether as a result of new information, future events or otherwise.

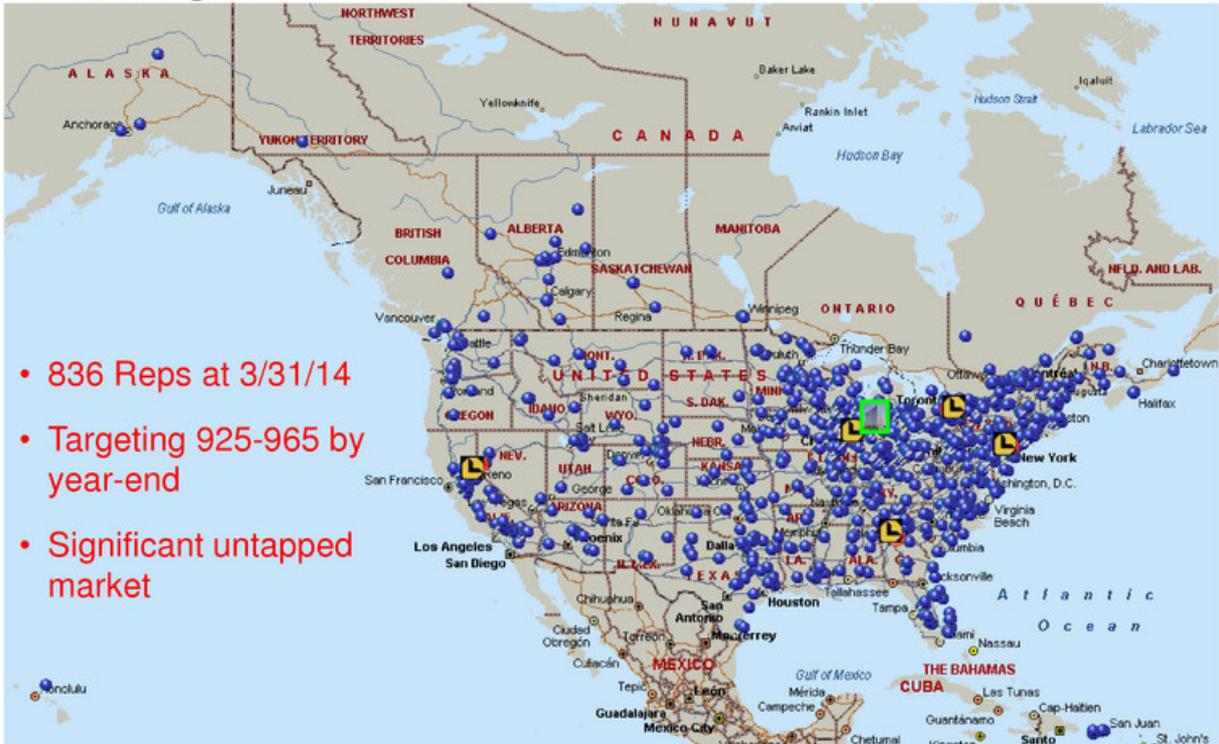
# Lawson Products: At a Glance

- Leading service based provider of consumables in MRO market
- Founded in 1952; listed on NASDAQ (LAWS) since 1970
- Serves industrial, commercial, institutional and government markets in all 50 states, Canada, Mexico, Puerto Rico and the Caribbean
- Headquartered in Chicago, IL
  - 5 strategically located distribution centers and 1 corporate HQ
  - Workforce ~1,500 (over 800 sales reps)
- Supplies approximately 300,000 products to the MRO marketplace
  - Heavy focus on private label



# Lawson Products: At a Glance

## Sales Coverage and Distribution Reach Across North America;



- 836 Reps at 3/31/14
- Targeting 925-965 by year-end
- Significant untapped market

**Legend:**

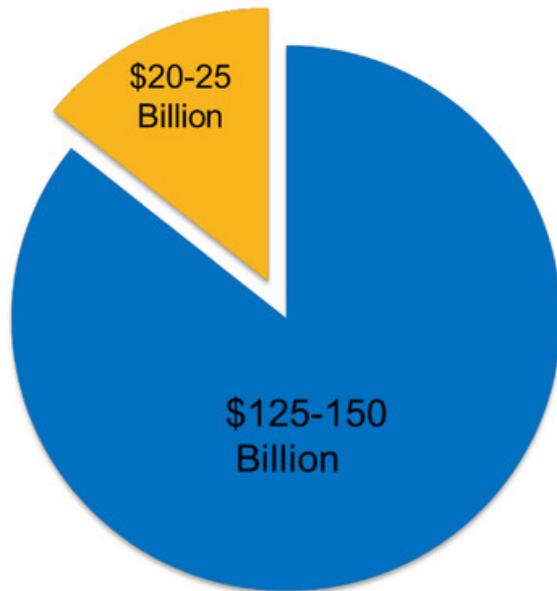
- Sales Penetration 
- Distribution Center 
- Chicago, IL (HQ) 

**Distribution Centers:**

- McCook, IL
- Fairfield, NJ
- Reno, NV
- Suwanee, GA
- Mississauga, ON (Canada)

# Lawson Products: Competitive Advantages and Differentiators

“Not the Typical MRO Distributor”



■ Broad Based MRO Market ■ Service Based VMI Market

## ***What differentiates Lawson:***

- Service intensive “high touch” value proposition
- Vendor managed inventory or “keep fill”
- Deep product knowledge
- Broad geographic sales and service coverage throughout the US and Canada
- Significant investments in people, facilities and technology to enable outstanding customer service

# Our Commitment to our Customers



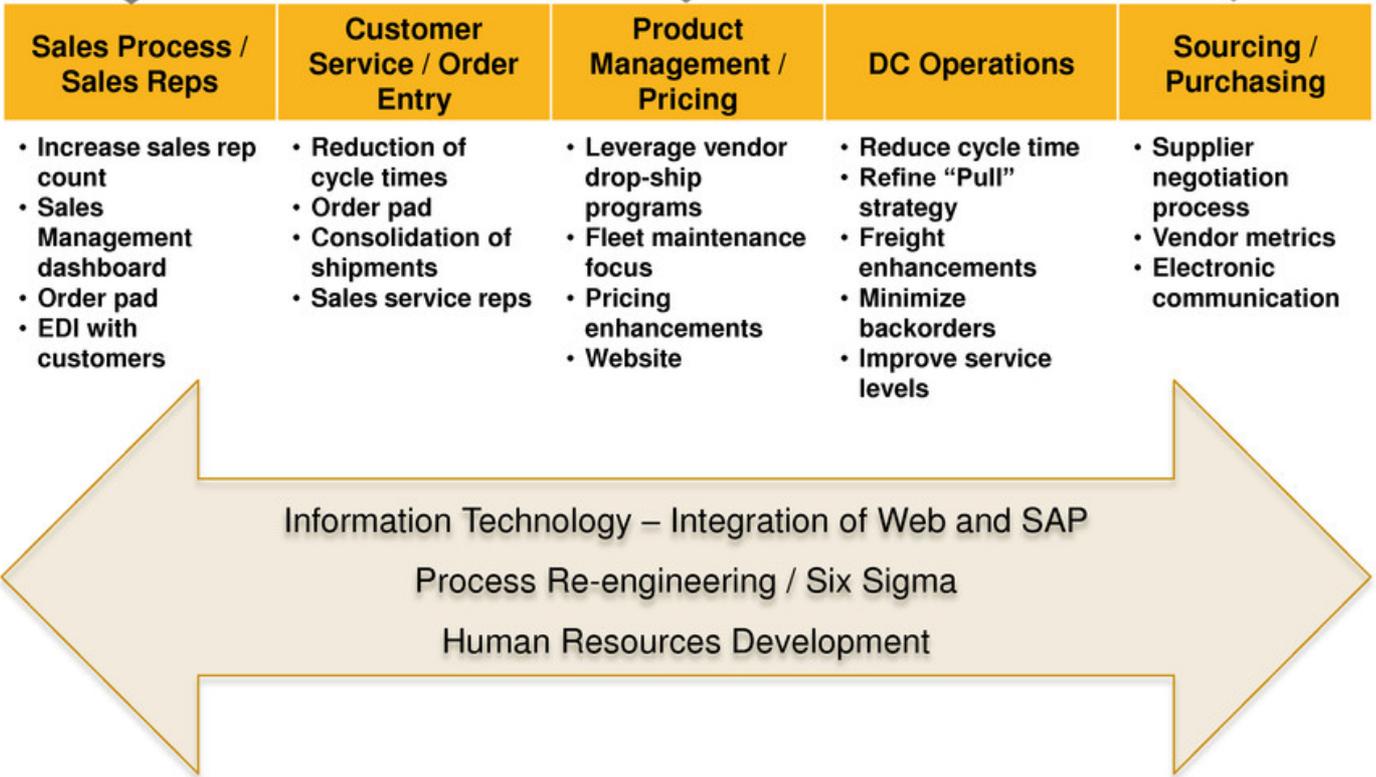
One Company, Zero Headaches	Inventory Management Options	Access to Industry Knowledge & Expertise
<ul style="list-style-type: none"> <li>Approximately 300,000 products</li> </ul>	<ul style="list-style-type: none"> <li>Lawson Managed Inventory</li> </ul>	<ul style="list-style-type: none"> <li>Product recommendations from your Lawson Representative</li> </ul>
<ul style="list-style-type: none"> <li>Hundreds of pre-built assortments</li> </ul>	<ul style="list-style-type: none"> <li>Industrial vending</li> </ul>	<ul style="list-style-type: none"> <li>Application advice from our test and application engineers</li> </ul>
<ul style="list-style-type: none"> <li>Unlimited sourcing of hard-to-find items</li> </ul>	<ul style="list-style-type: none"> <li>Self-service inventory management</li> </ul>	<ul style="list-style-type: none"> <li>Complimentary on-site safety &amp; product usage training</li> </ul>

## Recent Investments Lead To:

Investment	Benefits
ERP	<ul style="list-style-type: none"> <li>• Platform for growth</li> <li>• Easier ordering</li> <li>• Improved customer service</li> <li>• Data consistency</li> <li>• Centralized market-based pricing</li> <li>• Enables new E Commerce Site</li> </ul>
Network Optimization	<ul style="list-style-type: none"> <li>• Consolidated 3 facilities into one state-of-the-art facility (McCook, IL)</li> <li>• Reduces overall fixed-cost base</li> <li>• Drive efficiencies in inventory and material handling</li> <li>• Allows centralization of certain inventory</li> <li>• Consolidate operations in Reno distribution facility</li> </ul>
Sales Transformation	<ul style="list-style-type: none"> <li>• Increasing sales rep count; added net 30 in Q1 2014</li> <li>• Multiple sales channels, including new website</li> <li>• Process efficiencies</li> <li>• Real time inventory available to sales force</li> <li>• Aggressively grow sales team in 2014</li> </ul>
Lean/Six Sigma	<ul style="list-style-type: none"> <li>• Focus on removing non-value activities</li> <li>• Process cycle time reduction</li> <li>• Cultural shift</li> </ul>

# 2014 Focus: Actions Across the Value Chain Driving Growth

## Refine and Leverage Current Initiatives



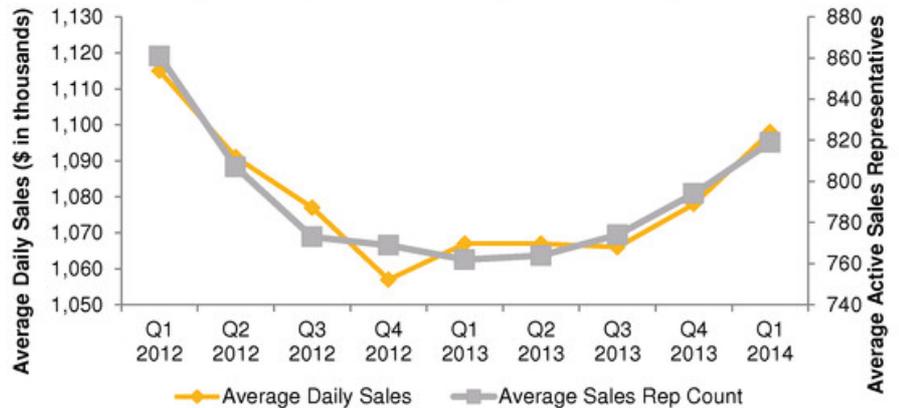
# Financial Highlights

- **Focused on revenue growth → Number of sales reps and sales rep productivity**
- **Ended Q1 2014 with 836 sales reps, up 10% from Q1 2013**
  - Added 30 net additional sales reps in Q1 2014
- **Strong balance sheet**
  - Debt to total cap of 16%
  - Significant capital investments over past 3 years to drive growth
- **Closed on the sale of Automatic Screw Machine Products, a non-core subsidiary, in February 2014 for \$12.5M sales price**
- **Signed LOI to sell Reno distribution facility for \$8.7M**
  - Will leaseback portion of facility currently in use by Company for greater operational efficiency

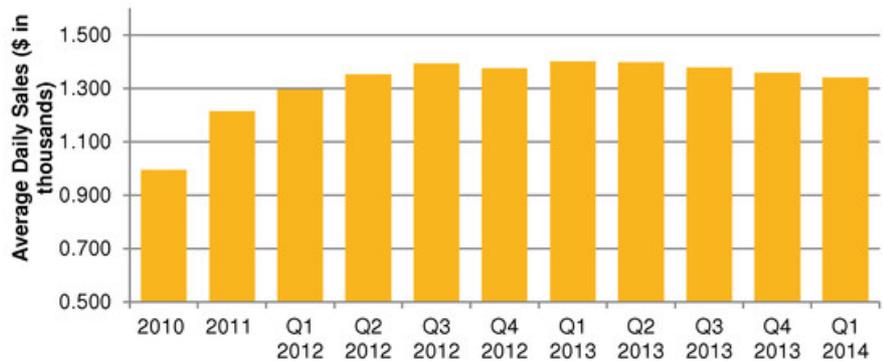
# Financial Highlights – Sales Trends

- Added net 49 sales reps in 2013; added net 30 in Q1 2014
- Will aggressively add the sales team in 2014 including Business Development Managers, Sales Service Reps, District Managers and Sales Reps in 2014
- Sales rep count to increase by 15% to 20% by 2014 year-end
- Tight correlation between sales levels and sales rep count
- Focus on sales rep productivity
- New sales reps will dilute productivity as they build out their business

Average Daily Sales & Rep Count By Quarter

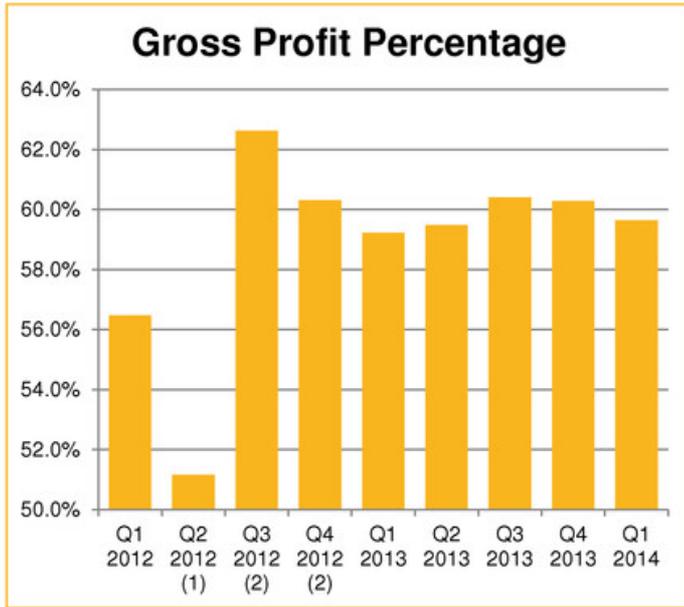


Sales per Rep per Day



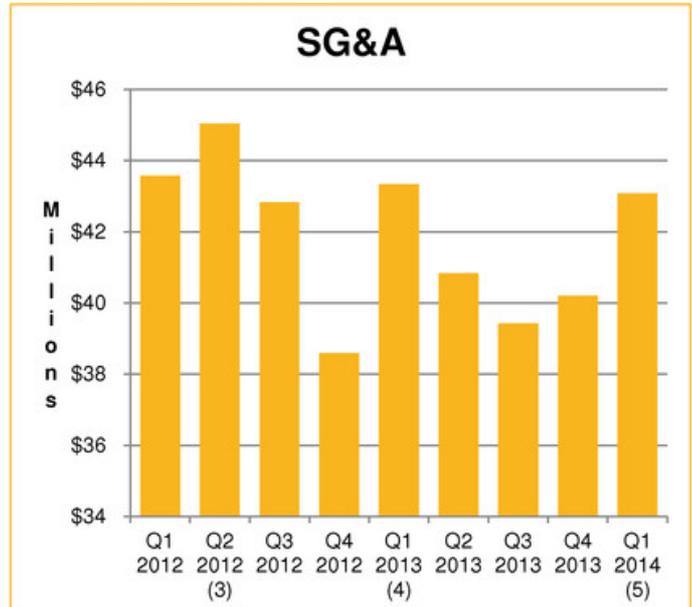
# Financial Highlights – Gross Margin & Cost Controls

- One of the highest gross profit percentages in the industry
- Actions taken in 2012 benefited SG&A in 2013 & 2014



(1) Q2 2012 includes a \$3.9M charge for discontinuing certain stocked products

(2) Q3 and Q4 2012 benefited from sell through of discontinued product at better than anticipated pricing

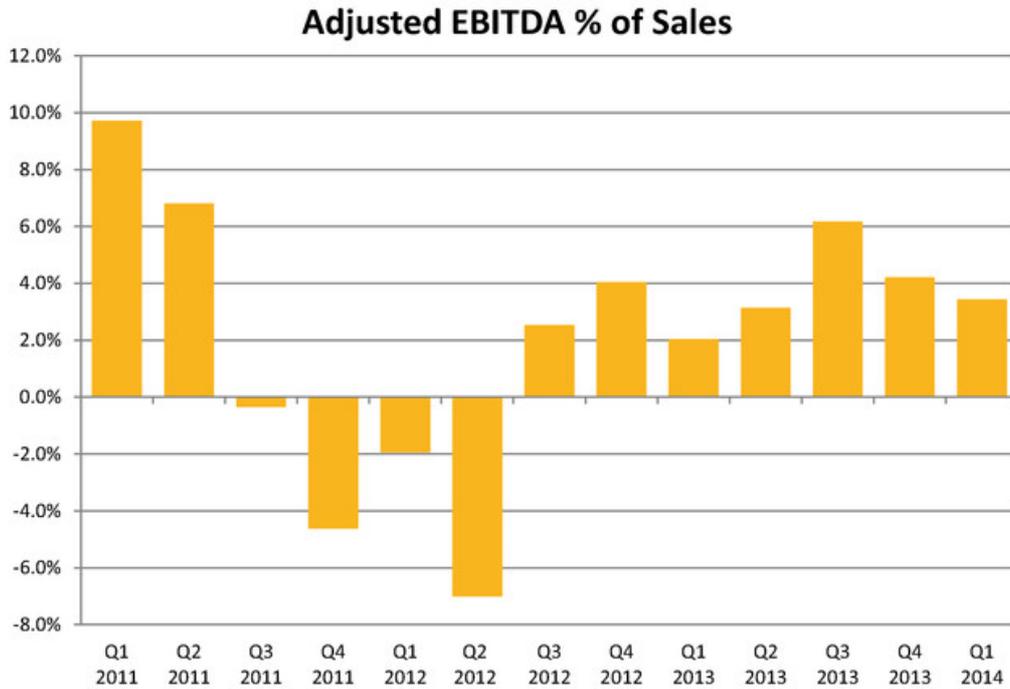


(3) Increase over Q1 2012 driven by \$1.0M additional bad debt expense and \$0.5M additional facility costs

(4) Includes national sales meeting (\$1.2M), stock compensation (\$1.6M) and seasonal Q1 payroll taxes

(5) Includes stock compensation (\$1.1M) and seasonal Q1 payroll taxes

# Financial Highlights – Adjusted EBITDA



Adjusted EBITDA excludes non-recurring costs, severance, stock based compensation and gains on disposal of properties - See Regulation G Non-GAAP reconciliation in appendix P-2

# Lawson Products: Poised for Growth

## Strong Foundation

- Established presence in service segment of large MRO marketplace
- Diversified products, customers and markets
- Strong leadership team
- Infrastructure now in place (McCook DC, ERP, agent to sales rep conversion)



## Improving Financial Results

- Focus on sales growth
  - Add incremental sales reps
  - Sales rep retention
  - Existing rep productivity
- High product gross margins
- SG&A costs controls
- Debt to total cap ratio of 16%



## = Strong Foundation for Growth

- Large, fragmented market
- Significant leverage gained on moderate sales growth
- Less economically/industry sensitive
- Drive toward 10% EBITDA margins

## For More Information

### Contact:

**Ronald J. Knutson**  
**EVP, CFO**  
**Investor Relations**  
**(773) 304-5665**

[ron.knutson@lawsonproducts.com](mailto:ron.knutson@lawsonproducts.com)



LAWS listed NASDAQ  
[www.lawsonproducts.com](http://www.lawsonproducts.com)

And see our Website at

<http://www.lawsonproducts.com/company-info/investor-relations.jsp>

# Appendices

# Significant Foundational Activities

Appendix P-1

August 2011	➤ Implemented SAP
October 2011	➤ Commenced construction of new McCook, IL distribution center
May 2012	➤ Relocated corporate headquarters
June 2012	➤ Announced \$20M in annual costs savings ➤ Restructured senior team
August 2012	➤ Transitioned packaging facility to McCook, IL distribution center ➤ Entered into new five year \$40M credit facility
October 2012	➤ Announced new CEO and President ➤ Consolidated Vernon Hills distribution center into McCook, IL
November 2012	➤ Completed planned reduction of staff ➤ Commenced roll-out of new website to existing web customers
December 2012	➤ Completed on-boarding of U.S. independent agents to employees
April 2013	➤ Roll-out of new web-site to new customers
April/May 2013	➤ McCook DC begins to ship customer orders
November 2013	➤ Entered into sub-lease of headquarters space to generate \$2.9M of future cash savings
December 2013	➤ Ended year with over 800 sales reps – First increase in 8 years
February 2014	➤ Closed on Automatic Screw machine Products sale for net proceeds of \$12.1M
March 2014	➤ Signed LOI to sell Reno distribution facility for \$8.7M; will lease currently used portion of facility for 10 years

# Regulation G – GAAP Reconciliation

Appendix P-2

## Non GAAP Reconciliation of Adjusted EBITDA to Sales Percentage

The Company reports its financial results in accordance with U.S. generally accepted accounting principles (GAAP). However, the Company's management believes that certain non-GAAP financial measures may provide users of this financial information additional meaningful comparisons between current results and results in prior operating periods. Management believes that these non-GAAP financial measures can provide additional meaningful reflection of underlying trends of the business because they provide a comparison of historical information that excludes certain infrequently occurring or non-operational items that impact the overall comparability. See the table below for supplemental financial data and corresponding reconciliations to GAAP financial measures for quarterly adjusted EBITDA as a percentage of net sales. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, the Company's reported results prepared in accordance with GAAP.

(\$ in thousands)	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014
Net Sales	\$79,255	\$80,625	\$71,490	\$69,029	\$71,364	\$69,830	\$67,863	\$64,505	\$67,213	\$68,317	\$68,235	\$65,738	\$69,204
Operating Income (Loss)	3,542	1,397	(3,480)	(6,995)	(3,466)	(42,084)	(1,740)	2,057	(3,530)	(201)	870	(3,002)	(4,713)
Depreciation & Amortization	1,260	1,315	1,160	1,675	1,715	1,566	1,963	1,841	2,061	2,244	2,367	2,358	2,295
EBITDA	4,802	2,712	(2,320)	(5,320)	(1,751)	(40,518)	223	3,898	(1,469)	2,043	3,237	(644)	(2,418)
<b>Excluded Costs</b>													
Severance	745	465	282	122	185	6,585	1,410	(159)	-	2	962	(127)	728
Stock Based Compensation (Benefit)	227	(95)	(538)	467	198	(1,015)	77	434	1,596	76	33	562	1,125
ERP Implementation Costs	1,902	2,388	2,344	339	-	-	-	-	-	-	-	-	-
Loss/(Gain) on Disposal of Property	-	-	-	22	-	(2,122)	(11)	(1,588)	-	-	(36)	32	10
Employment Tax Matter	-	-	-	1,200	-	-	-	-	-	-	-	-	-
Loss on Sub-Lease	-	-	-	-	-	-	-	-	-	-	-	2,928	-
Goodwill Impairment	-	-	-	-	-	28,306	-	-	-	-	-	-	-
Inventory Rationalization	-	-	-	-	-	3,893	-	-	-	-	-	-	-
National sales meeting	-	-	-	-	-	-	-	-	1,225	-	-	-	-
Property Impairment Loss	-	-	-	-	-	-	-	-	-	-	-	-	2,914
Adjusted EBITDA	\$ 7,676	\$ 5,470	\$ (232)	\$ (3,170)	\$ (1,368)	\$ (4,871)	\$ 1,699	\$ 2,585	\$ 1,352	\$ 2,121	\$ 4,196	\$ 2,751	\$ 2,359
Adjusted EBITDA % of Sales	9.7%	6.8%	-0.3%	-4.6%	-1.9%	-7.0%	2.5%	4.0%	2.0%	3.1%	6.1%	4.2%	3.4%

# Quarterly Results

Appendix P-3

(\$ in thousands)

	Three Months Ended				
	Mar. 31, 2014	Dec. 31, 2013	Sep. 30, 2013	Jun. 30, 2013	Mar. 31, 2013
Number of business days	63	61	64	64	63
Average daily net sales	\$ 1,098	\$ 1,078	\$ 1,066	\$ 1,067	\$ 1,067
Sequential quarter increase (decrease)	1.9%	1.1%	(0.1%)	0.0%	0.9%
Average active sales rep. count <sup>(1)</sup>	819	794	774	764	762
Period-end active sales rep. count	836	806	784	773	760
Sales per rep. per day	\$ 1.341	\$ 1.358	\$ 1.377	\$ 1.397	\$ 1.4
Sequential quarter increase (decrease)	(1.3%)	(1.4%)	(1.4%)	(0.2%)	1.8%
Net sales	\$ 69,204	\$ 65,738	\$ 68,235	\$ 68,317	\$ 67,213
Gross profit	41,278	39,627	41,220	40,634	39,814
Gross profit percentage	59.6%	60.3%	60.4%	59.5%	59.2%
<u>Operating expenses</u>					
Selling, general & administrative expenses	\$ 43,077	\$ 40,101	\$ 40,350	\$ 40,835	\$ 43,344
Other expenses, net <sup>(2)</sup>	2,914	2,528	—	—	—
	<u>45,991</u>	<u>42,629</u>	<u>40,350</u>	<u>40,835</u>	<u>43,344</u>
Operating income (loss)	<u>\$ (4,713)</u>	<u>\$ (3,002)</u>	<u>\$ 870</u>	<u>\$ (201)</u>	<u>\$ (3,530)</u>

# 2013 Consolidated Balance Sheet

Appendix P-4

(\$ in thousands)	<b>March 31, 2014</b>
<b>ASSETS</b>	(Unaudited)
<b>Current assets:</b>	
Cash and cash equivalents	\$ 988
Restricted cash	800
Accounts receivable, less allowance for doubtful accounts	32,904
Inventories, net	43,351
Miscellaneous receivables and prepaid expenses	4,829
Deferred income taxes	5
Property held for sale	8,439
Discontinued operations	—
<b>Total current assets</b>	<b>91,316</b>
Property, plant and equipment, net	45,588
Cash value of life insurance	9,300
Deferred income taxes	54
Other assets	465
Discontinued operations	—
<b>Total assets</b>	<b>\$ 146,723</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	
<b>Current liabilities:</b>	
Revolving line of credit	\$ 11,635
Accounts payable	10,040
Accrued expenses and other liabilities	22,579
Discontinued operations	1,150
<b>Total current liabilities</b>	<b>45,404</b>
Security bonus plan	15,865
Financing lease obligation	10,028
Deferred compensation	5,530
Deferred rent liability	4,858
Other liabilities	2,166
<b>Total liabilities</b>	<b>83,851</b>
<b>Stockholders' equity</b>	<b>62,872</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 146,723</b>

