LAWSON Products

ANNIVERSARY
65 YEARS
EST. 1952

Investor Presentation

Third Quarter 2017

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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**
- **Serves industrial, commercial, institutional and government markets in all 50 states, Canada, Mexico, Puerto Rico and the Caribbean**
- **Headquartered in Chicago, IL**
  - Strategically located distribution centers
  - Workforce ~1,600 (~ 1,000 sales reps)
- **Supplies a comprehensive line of products to the MRO marketplace**
- **VMI and private label drives high gross margins**

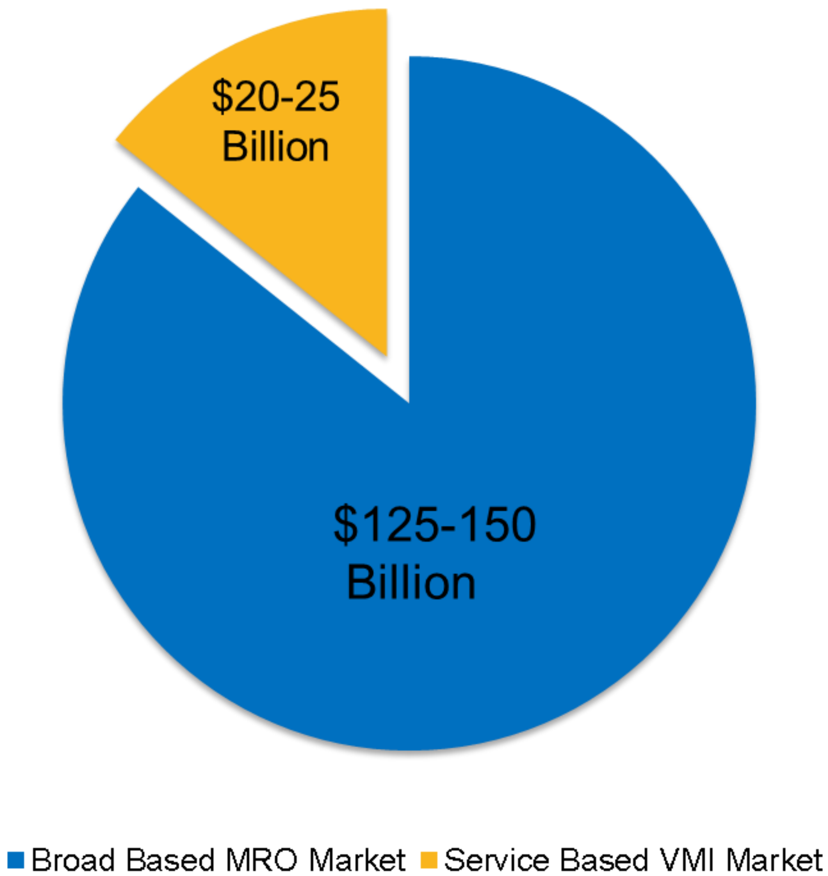
Fasteners	Cutting Tools	Chemicals	Hydraulics	Other





Competitive Advantages and Differentiators

"Not the Typical MRO Distributor"



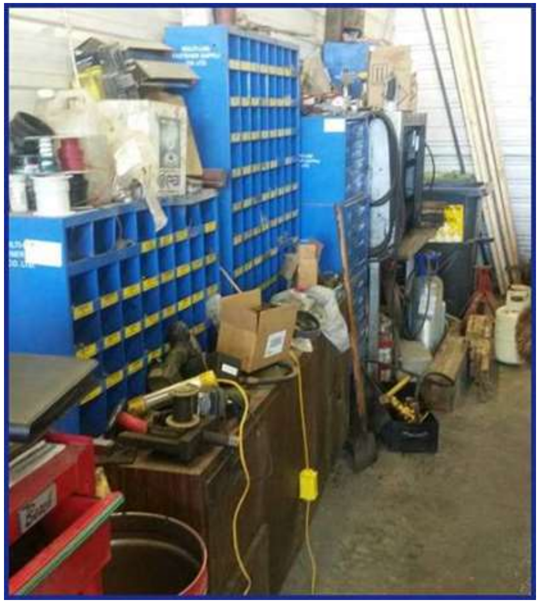
What differentiates Lawson:

- 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
- Leverage investments in sales team, facilities and technology to enable outstanding customer service
- Lowest total cost

Our Commitment to our 70,000 Customers

High touch service and technical expertise drives customer relationships

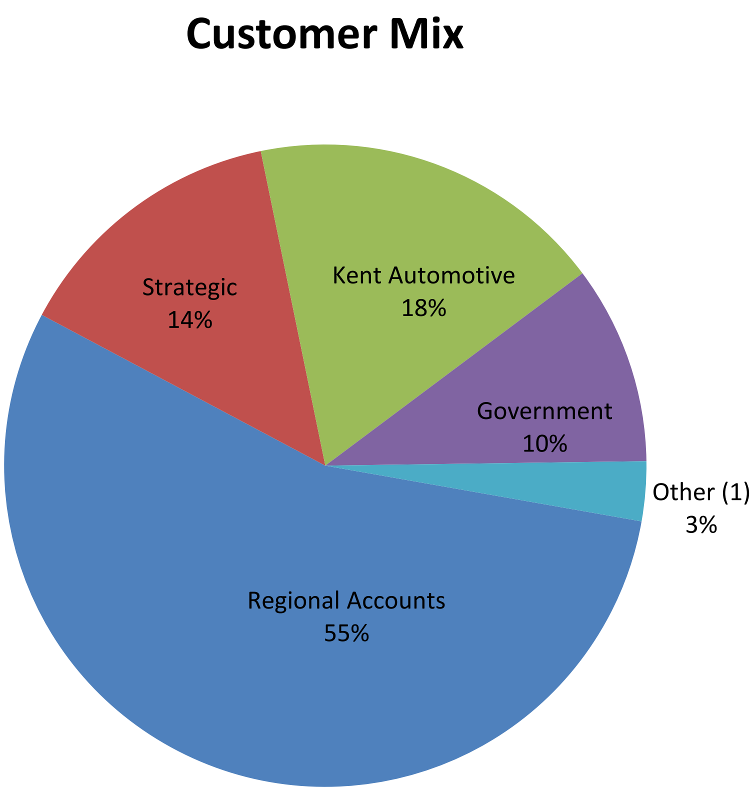
Before

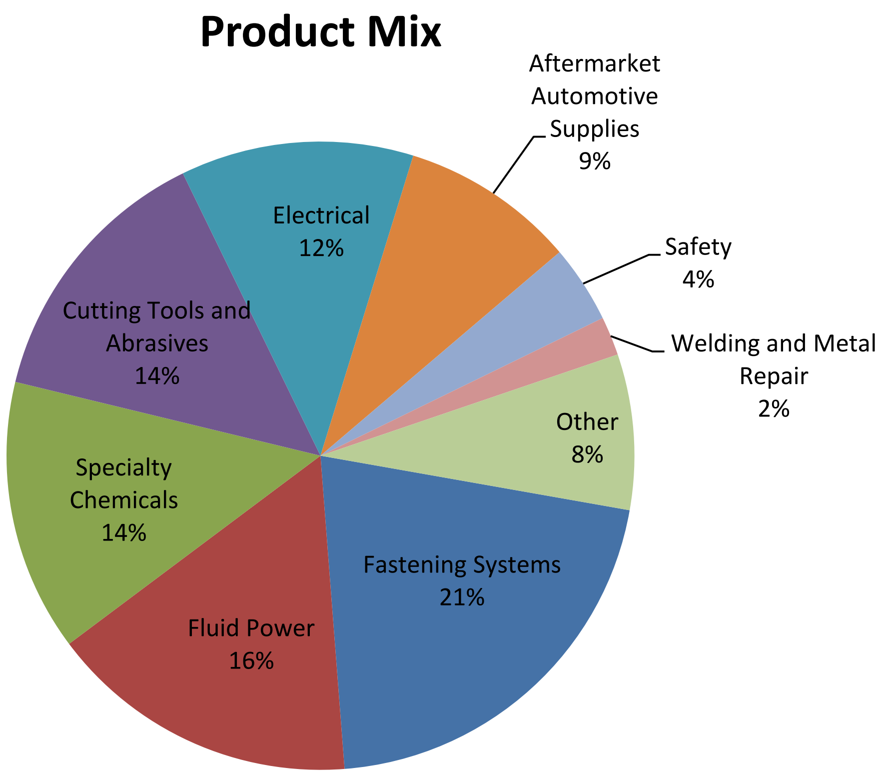


After

One Company, Zero Headaches	Inventory Management Options	Access to Industry Knowledge & Expertise
• Comprehensive line of products	• Lawson Managed Inventory	• Product recommendations from your Lawson Representative
• Hundreds of pre-built assortments	• Industrial vending	• Application advice from our test and application engineers
• Unlimited sourcing of hard-to-find items	• Self-service inventory management	• Complimentary on-site safety & product usage training

Customer and Product Profile





(1) Other consists primarily of freight revenue offset by rebates

Lawson Growth Strategy

Sales Growth Driven By

Add New Sales Reps

Drive Sales Rep Productivity

Acquisitions

Foundational Support

ERP	Network Optimization	Sales Transformation	Lean Six Sigma	Website

2017 Focus: Actions Across the Value Chain Driving Growth

Add New Sales Reps and Drive Rep Productivity

Sales Process / Sales Reps	Customer Service / Order Entry	Product Management / Pricing	DC Operations	Sourcing / Purchasing
• Increase sales rep count • Onboarding process/training • Sales Management dashboard • EDI with customers	• Reduction of cycle times • Order pad • Consolidation of shipments • Sales service reps	• Leverage vendor drop-ship programs • Fleet maintenance focus • Pricing enhancements • Website	• Reduce cycle time • Refine “Pull” strategy • Freight enhancements • Minimize backorders • Improve service levels • Forecasting tool	• Supplier negotiation process • Vendor metrics • Electronic communication

Information Technology – Integration of Web and SAP
Lean Six Sigma

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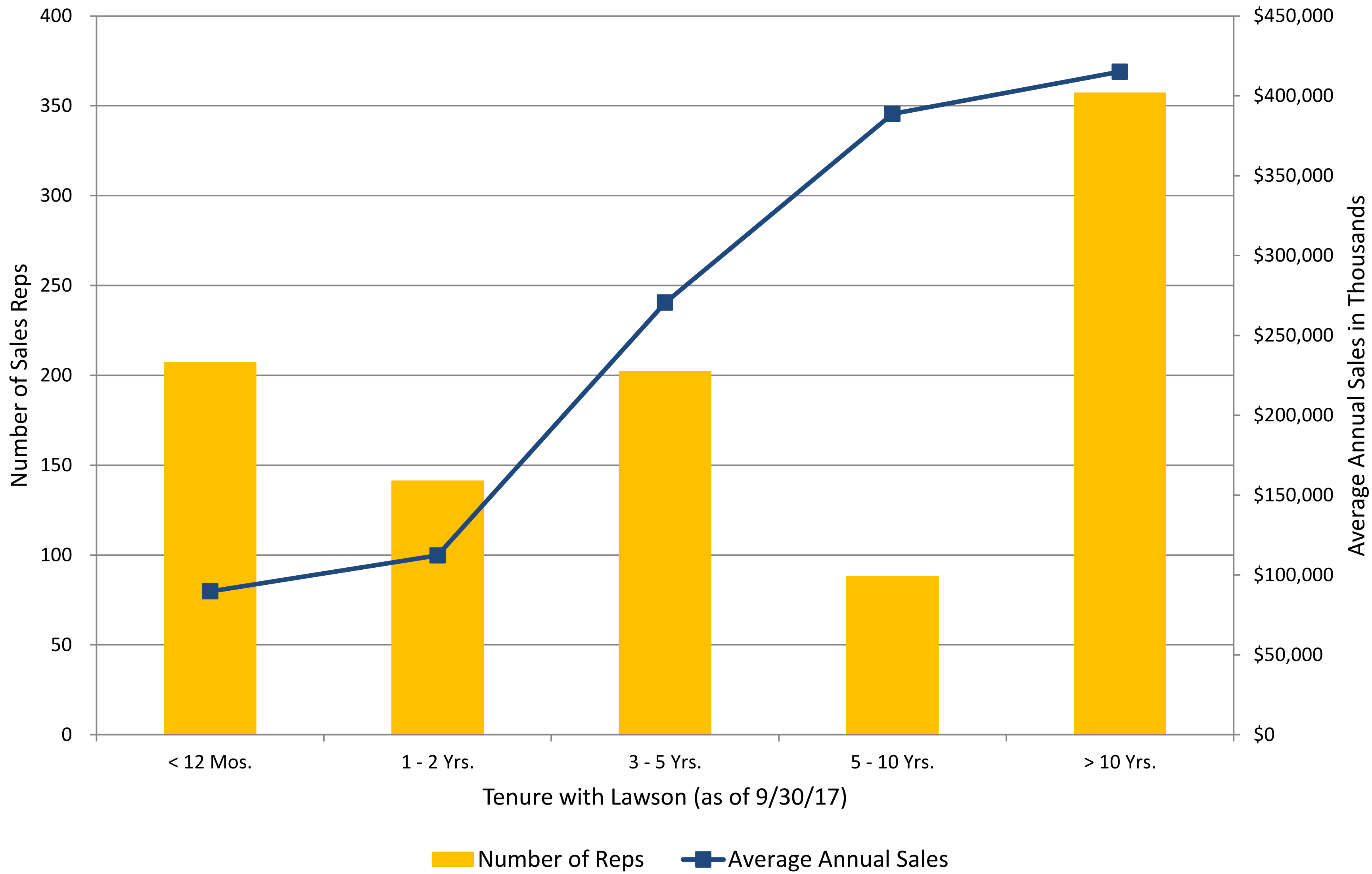
Longer Sales Rep Tenure Drives Rep Productivity



Financial Highlights for Third Quarter 2017

- **Average daily sales increased 9.5% YOY**

- **Strong gross margins** – Consistently over 60%

- **Adjusted EBITDA margin improving**
  - ✓ 6.8% in Q3 2017 v. 5.8% in Q3 2016 and 6.0% in Q2 2017
  - ✓ Continued investment in new sales reps
  - ✓ Cost control measures in place

- **Continued expansion through acquisitions**
  - ✓ Acquired Bolt Supply House in October 2017
  - ✓ Completed three acquisitions in 2016

- **Strong balance sheet**
  - ✓ Available cash of $19 million at the end of Q3
  - ✓ Significant capital investments completed to support growth
  - ✓ $40 million credit facility in place

Lawson Products: Poised for Growth

- **Foundational Investments Completed**
- **Operational Excellence**
- **Leverage Current Infrastructure**
- **Continued Sales Force Expansion**
- **Large Fragmented Market**

For More Information

Contact:

Ronald J. Knutson
EVP, CFO
Investor Relations
(773) 304-5665
ron.knutson@lawsonproducts.com

And see our Website at
http://www.lawsonproducts.com/company-info/investor-relations.jsp

Appendices

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Significant Activities

August 2011	➢Implemented SAP
October 2011	➢Commenced construction of new McCook, Ill distribution center
May 2012	➢Relocated corporate headquarters
June 2012	➢Restructured senior team. Announced $20M cost savings plan
August 2012	➢Transitioned packaging facility to McCook, Ill distribution center ➢Entered into new five-year $40M credit facility
October 2012	➢Announced new CEO and President, Michael G. DeCata ➢Consolidated Vernon Hills distribution center into McCook, Ill
November 2012	➢Rolled out new website to existing web customers
December 2012	➢Completed transition of U.S. independent agents to employees
April 2013	➢Roll-out of new website to new web 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
June 2014	➢Entered into sale-leaseback of Reno distribution facility for net proceeds of $8.3M
December 2014	➢Ended year with over 900 sales reps
February 2015	➢Held North American sales meeting
September 2015	➢Completed West Coast Fasteners acquisition
March 2016	➢Completed Perfect Products of Michigan acquisition
May 2016	➢Completed F. B. Feeney acquisition
June 2016	➢Expanded sales team to over 1,000 sales reps
September 2016	➢Extended credit facitlity to August, 2020
November 2016	➢Completed Mattic Industries acquisition
March 2017	➢Consolidated Fairfield, NJ distribution operations into McCook, Ill and Suwanee, GA
May 2017	➢Sold Fairfield, NJ distribution center for a gain of $5.4M
October 2017	➢Completed Bolt Supply House acquisition

Regulation G – GAAP Reconciliation

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 non-operational, non-recurring or intermittently recurring 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)	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017
Net Sales	$ 70,243	$ 64,961	$ 69,711	$ 69,348	$ 70,199	$ 67,315	$ 74,617	$ 75,006	$ 75,651
Operating Income (Loss)	2,810	(2,985)	1,169	29	2,389	(5,044)	712	7,891	1,090
Depreciation & Amortization	2,119	2,202	2,187	2,226	1,973	1,680	1,705	1,644	1,591
EBITDA	4,929	(783)	3,356	2,255	4,362	(3,364)	2,417	9,535	2,681
Excluded Costs									
Severance	372	280	204	143	367	1,662	465	(9)	139
Stock Based Compensation (Benefit)	(30)	1,693	(1,217)	515	(630)	3,801	(30)	415	2,337
Loss/(Gain) on Disposal of Property	(2)	9	-	-	-	-		(5,422)	-
Remediation expense	-	931	-	-	-	-	-	-	-
Adjusted EBITDA	$ 5,269	$ 2,130	$ 2,343	$ 2,913	$ 4,099	$ 2,099	$ 2,852	$ 4,519	$ 5,157
Adjusted EBITDA % of Sales	*7.5%*	*3.3%*	*3.4%*	*4.2%*	*5.8%*	*3.1%*	*3.8%*	*6.0%*	*6.8%*

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Quarterly Results

	Three Months Ended				
	Sep. 30 2017	Jun. 30 2017	Mar. 31 2017	Dec. 31 2016	Sep. 30 2016
Number of business days	63	64	64	60	64
Average daily net sales	$ 1,201	$ 1,172	$ 1,166	$ 1,122	$ 1,097
Sequential quarter increase	2.5%	0.5 %	3.9 %	2.3 %	1.2 %
Average active sales rep. count	991	981	990	1,007	1,007
Period-end active sales rep. count	988	987	979	1,009	1,006
Sales per rep. per day	$ 1.212	$ 1.195	$ 1.178	$ 1.114	$ 1.089
Sequential quarter increase (decrease)	1.4%	1.4 %	5.7%	2.3%	(1.4)%
Net sales	$ 75,651	$ 75,006	$ 74,617	$ 67,315	$ 70,199
Gross profit	46,005	45,141	44,879	40,504	42,573
Gross profit percentage	60.8%	60.2%	60.1%	60.2%	60.6%
Selling, general & administrative expenses	$ 44,915	$ 42,672	$ 44,167	$ 45,548	$ 40,184
Gain on sale of property	—	(5,422)	—	—	—
	44,915	37,250	44,167	45,548	40,184
Operating income (loss)	$ 1,090	$ 7,891	$ 712	$ (5,044)	$ 2,389

Consolidated Balance Sheet

	September 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 19,043	$ 10,421
Restricted cash	800	800
Accounts receivable, less allowance for doubtful accounts	37,290	30,200
Inventories, net	43,341	42,561
Miscellaneous receivables and prepaid expenses	3,755	3,788
Total current assets	104,229	87,770
Property, plant and equipment, net	26,844	30,907
Cash value of life insurance	11,623	10,051
Goodwill	5,789	5,520
Deferred income taxes	20	20
Other assets	905	1,039
Total assets	$ 149,410	$ 135,307
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Revolving line of credit	$ —	$ 841
Accounts payable	12,207	11,307
Accrued expenses and other liabilities	30,831	27,289
Total current liabilities	43,038	39,437
Security bonus plan	13,347	14,216
Financing lease obligation	6,710	7,543
Deferred compensation	5,108	4,830
Deferred rent liability	3,473	3,676
Other liabilities	5,071	4,472
Total liabilities	76,747	74,174
Stockholders' equity:		
Preferred stock, $1 par value:		
Authorized - 500,000 shares, issued and outstanding — None	—	—
Common stock, $1 par value:		
Authorized - 35,000,000 shares Issued - 8,921,302 and 8,864,929 shares, respectively Outstanding - 8,888,028 and 8,832,623 shares, respectively	8,921	8,865
Capital in excess of par value	12,335	11,055
Retained earnings	51,216	41,943
Treasury stock – 33,274 and 32,306 shares, respectively	(711)	(691)
Accumulated other comprehensive income (loss)	902	(39)
Total stockholders' equity	72,663	61,133
Total liabilities and stockholders' equity	$ 149,410	$ 135,307