DISTRIBUTION SOLUTIONS GROUP

Powerful Solutions. Proven Results.

NASDAQ: DSGR

Q3 2024 Financial Results

October 31, 2024

Safe Harbor Statement

Cautionary Note Regarding Forward-Looking Statements

This presentation contains certain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the “safe-harbor” provisions under the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties. The terms "aim," "anticipate," "believe," "contemplates," "continues," "could," "ensure," "estimate," "expect," "forecasts," "if," "intend," "likely," "may," "might," "objective," "outlook," "plan," "positioned," "potential," "predict," "probable," "project," "shall," "should," "strategy," "will," "would," and variations of them and other words and terms of similar meaning and expression (and the negatives of such words and terms) are intended to identify forward-looking statements.

Forward-looking statements can also be identified by the fact that they do not relate strictly to historical or current facts. Such forward-looking statements are based on current expectations and involve inherent risks, uncertainties and assumptions, including factors that could delay, divert or change any of them, and could cause actual outcomes to differ materially from current expectations. DSG can give no assurance that any goal or plan set forth in forward-looking statements can be achieved and DSG cautions readers not to place undue reliance on such statements. DSG undertakes no obligation to release publicly any revisions to forward-looking statements as a result of new information, future events or otherwise. Each forward-looking statement speaks only as of the date on which such statement is made, and DSG undertakes no obligation to update any such statement to reflect events or circumstances arising after such date. Actual results may differ materially from those projected as a result of certain risks and uncertainties. Factors that could cause or contribute to such differences or that might otherwise impact DSG’s business, financial condition and results of operations include the risks that DSG may encounter difficulties integrating the business of DSG with the business of other companies that DSG has combined with or may otherwise combine with and that certain assumptions with respect to such business or transactions could prove to be inaccurate. Certain risks associated with DSG’s business are also discussed from time to time in the reports DSG files with the Securities and Exchange Commission, including the Company’s Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K or other reports the Company may file from time to time with the Securities and Exchange Commission, which should be reviewed carefully.

Earnings Call Agenda

Today's Conference Call Will Discuss Results Primarily on an Adjusted (Non-GAAP) and Comparable Operations Basis.

Agenda

- 2024 Q3 Consolidated Highlights & Financial Results
- Segment Highlights & Financial Results
- Q&A

Change in Reportable Segments: As a result of the Source Atlantic Limited ("Source Atlantic") acquisition, we realigned our GAAP reportable segments by adding a new segment with a focus on the Canadian MRO market. The new Canada Branch Division segment includes the results of Source Atlantic and Bolt Supply House ("Bolt"). The results of Bolt had previously been included in our All Other non-reportable segment prior to Q3 2024. The results of the Lawson, TestEquity and Gexpro Services reportable segments did not change. The segment realignment had no impact on our financial condition or results of operations. Prior period segment results have been recast to reflect our new reportable segments.

See appendix for GAAP to Non-GAAP reconciliations.

Q3 2024 Commentary

- Q3 revenue of $468M and adjusted EBITDA of $49M or 10.5%.
- Q3 revenue up $29.1M or 6.6% including acquired revenue of $38.1M from three acquisitions closed in 2024. While organic sales declined 2.1% over a year ago, organic sales grew 0.2% sequentially over the second quarter of 2024.
- Q3 adjusted EBITDA of $49.1M, or 10.5% of sales, compared to $43.7M or 10.0% in the prior year quarter. Sequentially, adjusted EBITDA grew $3.9M or 20bps from the second quarter of 2024.
- Q3 2024 M&A Activity
  - Source Atlantic, CAD $250M annual revenue, major geographic expansion of MRO solutions into Eastern Canada
  - ConRes Test Equipment, $12M annual revenue, expanding Test & Measurement leasing and calibration offerings, deepens national customer relationships, expands resources in the Northeast
  - Tech-Component Resources (TCR) expansion into Southeast Asia to grow and support OEM customers

Results are presented on an Adjusted (Non-GAAP) and continuing operations basis. See appendix of this presentation and press release for reconciliations.
DSG's Board of Directors approved and declared a two-for-one stock split in Q3 2023. Accordingly, all share and per share amounts presented herein have been retroactively adjusted to reflect the impact of the Stock Split.

Leading Specialty Industrial Distribution Platform

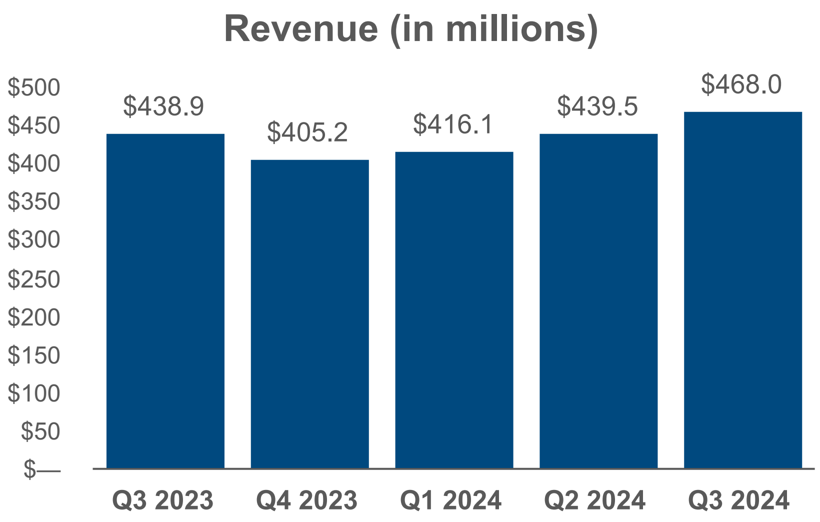
MRO Focus		OEM Focus	Industrial Technologies Focus
VMI Focus	**Canadian Branch Focus**		
Leading vendor managed inventory provider of C-parts to the MRO market	*Leading wholesale distributor of MRO supplies, safety products, fasteners, and services to the Canadian MRO market*	*Leading global supply chain services and C-parts provider to OEM and aftermarket applications*	*Leading supplier of electronic and specialty production supplies and T&M equipment across OEM and MRO markets*
~***25% of Revenue*** (2)	~***13% of Revenue*** (2)	~***22% of Revenue*** (2)	~***40% of Revenue*** (2)

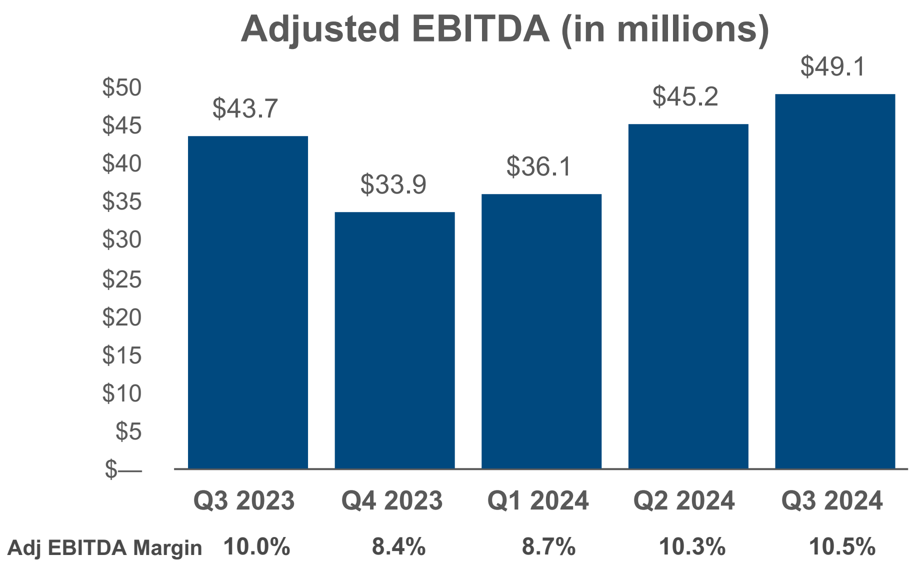
TTM Financial Highlights	**$1.92Bn** Adjusted Revenue	**~9.1%** Adjusted EBITDA %	**~$150M+** Adj. Free Cash Flow (1)	**Fly-by Operating Stats**	**40+** Countries Served	**190k+** Customers	**500k+** Unique SKU's

Results are presented on an Adjusted (Non-GAAP) and continuing operations basis. See appendix of this presentation and press release for reconciliations.
Information inclusive of Other Acquisition results prior to the acquisition date.
(1) Defined as Reg G EBITDA less Reg G cash items, less capex, plus/minus change in inventory, accounts receivable & accounts payable divided by Reg G EBITDA.
(2) TTM revenue by segment inclusive of Other Acquisition results prior to the acquisition date.

2024 Consolidated Financial Highlights

- Q3 revenue of $468.0M; up $29.1M or 6.6% due to three acquisitions closed in 2024. While organic sales declined 2.1% over a year ago, organic sales grew 0.2% over the second quarter of 2024.
- Q3 adjusted EBITDA of $49.1M or 10.5% of sales compared to $43.7M or 10.0% in the prior year quarter; up $3.9M or 20bps from 10.3% of sales in the second quarter of 2024. As expected the acquisition of Source Atlantic compressed margins by ~20bps in Q3.
- Diluted income per share was $0.46 for the quarter inclusive of a $0.40 tax benefit based on the anticipated effective tax rate for the full year compared to diluted loss per share of $0.03 in the year-ago quarter. Non-GAAP adjusted diluted earnings per share was $0.37 compared to $0.35 for the same period a year ago and $0.40 for the second quarter of 2024.
- Ended the third quarter with net debt leverage of 3.7x which includes impact of the acquisitions of ESS, S&S Automotive and Source Atlantic; ended the quarter with $76M of cash and approx. $252M of availability under revolving credit facility.



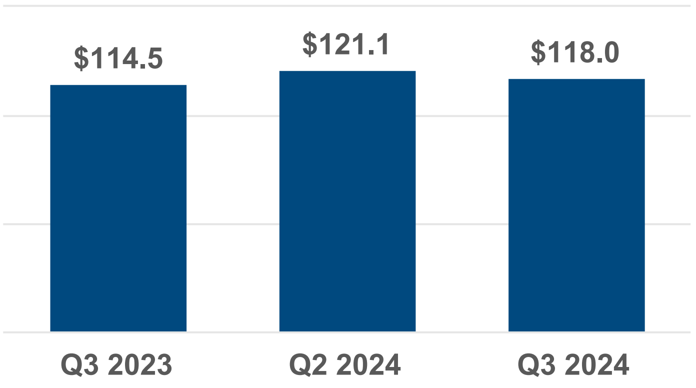


Lawson Products – MRO Focus

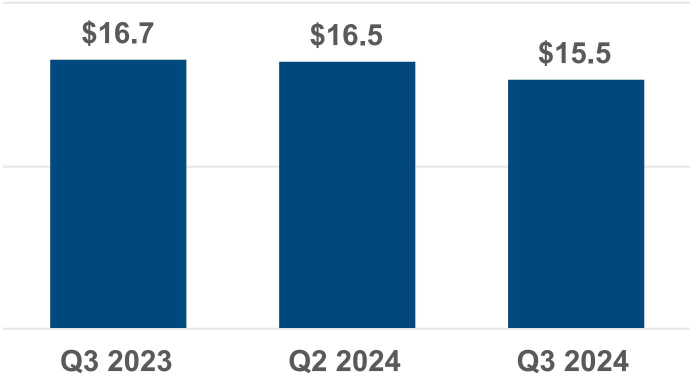
Q3 2024 Highlights:

- Q3 average daily sales (ADS) up 1.4% over prior year. S&S and ESS acquisitions contributed $13.4M of revenue in Q3. Organic ADS down ~10.0% on lower rep count
- Ended September 30, 2024 with ~860 sales reps compared to ~900 a year ago and 835 in Q2
- 2024 to be a year of continued evolution of sales rep enhancements and customer/channel expansion while incrementally increasing sales rep count
- Q3 adjusted EBITDA of $15.5M or 13.1% of revenue

Revenue (in millions)



Adjusted EBITDA (in millions)

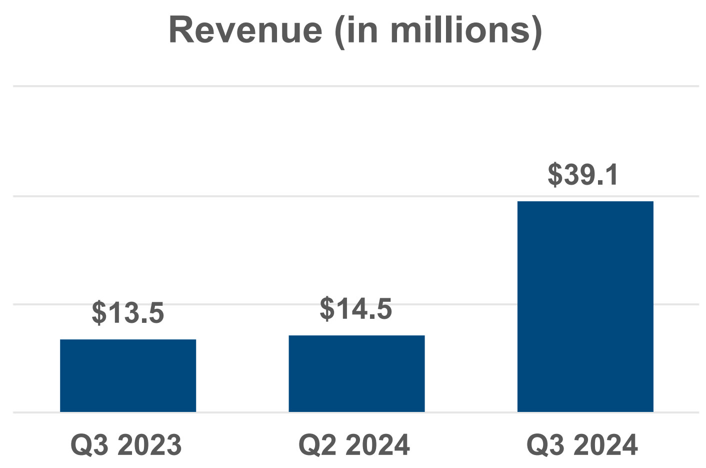


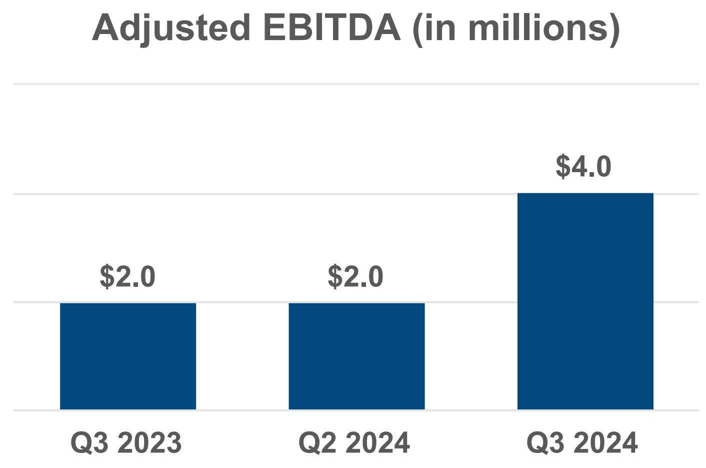
Adj EBITDA Margin	**14.6%**	**13.6%**	**13.1%**

Canada Branch Division – Canadian MRO Focus

Q3 2024 Highlights:

- Q3 revenue up sequentially and over prior year driven by the Source Atlantic acquisition which contributed $24.7M of sales in Q3. Excluding Source Atlantic, revenue up $0.9M or 6.2% from year-ago quarter.
- Acquisition of Source Atlantic expands our geographic operating footprint in the Canadian MRO market when combined with Bolt Supply.
- Key operating initiatives focused on acquisition integration including pricing disciplines, optimization of the sales force and cost management
- Q3 adjusted EBITDA of $4.0M or 10.3% of revenue. Excluding Source Atlantic, adjusted EBITDA at 14.8% of revenue; flat with year-ago quarter. Targeting double-digit EBITDA margins run-rate by end of 2025E for Source Atlantic, driven by anticipated growth and realization of synergies.





	Q3 2023	Q2 2024	Q3 2024
Adj EBITDA Margin	14.8%	13.9%	10.3%

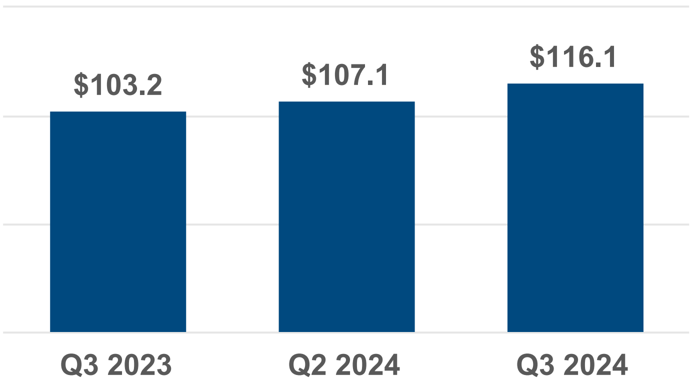
Results are presented on an Adjusted (Non-GAAP) and continuing operations basis. See appendix of this presentation and press release for reconciliations.

Gexpro Services – OEM Focus

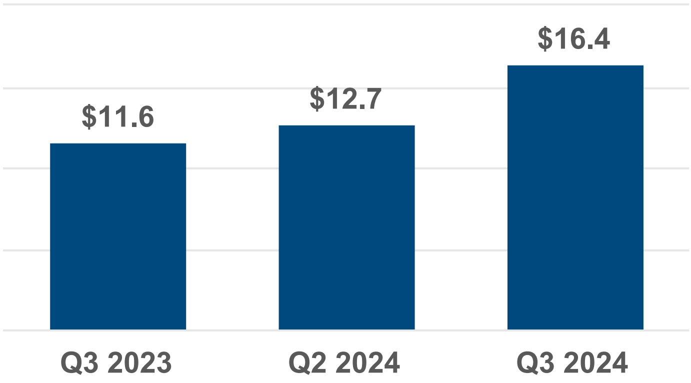
Q3 2024 Highlights:

- Q3 organic daily revenue up $12.9M or 12.5% from year-ago quarter and up 10.1% sequentially. Most end markets recovering, in particular, Renewables and Technology drove sales growth combined with previously acquired company growth.
- Continued expansion in net margins primarily through leveraging cost structure over an increasing sales base
- Value creation initiatives including DSG cross sell, acquisition synergies and expanded kitting offerings and E-commerce. Book to billing increasing over 2nd half of 2023
- Q3 adjusted EBITDA of $16.4M or 14.1% of revenue, up from 11.2% in year-ago quarter on sales increase, gross margin management and operating leverage

Revenue (in millions)



Adjusted EBITDA (in millions)



Adj EBITDA Margin	**11.2%**	**11.9%**	**14.1%**

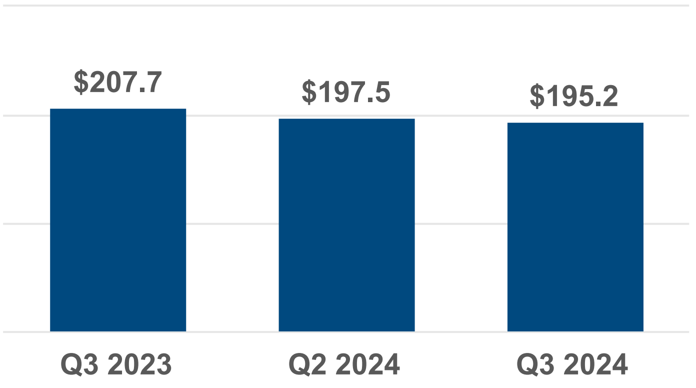
Results are presented on an Adjusted (Non-GAAP) and continuing operations basis. See appendix of this presentation and press release for reconciliations.

TestEquity – Industrial Technologies Focus

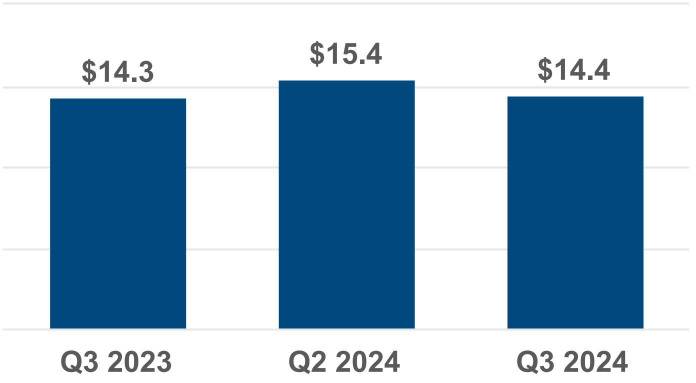
Q3 2024 Highlights:

- Q3 Revenue down 6.0% or $12.4M YoY primarily driven by slowdown in the electronics assembly market causing softness in EPS end market
- Key operating initiatives focused on acquisition integration, pricing disciplines, sales force optimization, digital channel expansion and cost containment
- Q3 adjusted EBITDA of $14.4M or 7.4% of revenue, up from 6.9% in year-ago quarter on gross margin improvements. Sequentially net margin compression primarily driven by sales mix shifts to lower margin categories.

Revenue (in millions)



Adjusted EBITDA (in millions)



Adj EBITDA Margin	**6.9%**	**7.8%**	**7.4%**

Capital Allocation

Robust Net Working Capital Investment

$497.4M

9/30/2024 Trade NWC

High returns realized on working capital investments

Focus on Deleveraging via Earnings Growth and Free Cash Flow Generation

3.6x

Leverage[(1)] at April 1, 2022 Merger Close

3.7x

Leverage[(1)] as of September 30, 2024

Inclusive of 7 acquisitions post-April 2022 merger with cash portion of purchase price of ~$430M

Total Liquidity

September 30, 2024 Liquidity[(2)]

- **TTM Free Cash Flow Conversion of ~90%[(3)]**
- **TTM ROIC of ~10%[(4)]**

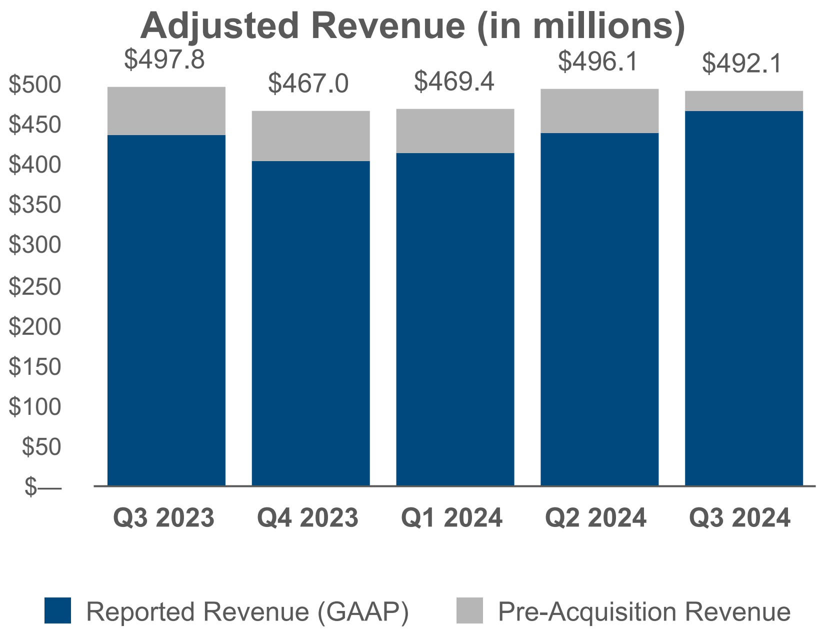
(1) As defined under DSG's credit agreement.
(2) Inclusive of restricted & unrestricted cash position and availability under credit facility.
(3) Defined as Reg G EBITDA less Reg G cash items, less capex, plus/minus change in inventory, accounts receivable & accounts payable divided by Reg G EBITDA.
(4) Defined as adjusted net operating profit after tax (NOPAT) divided by invested capital (current assets plus property, plant and equipment (net), rental equipment (net), goodwill, intangible assets (net), and other assets less cash and cash equivalents, accounts payable, accrued expenses and other current liabilities and goodwill related to the April 2022 DSG merger).

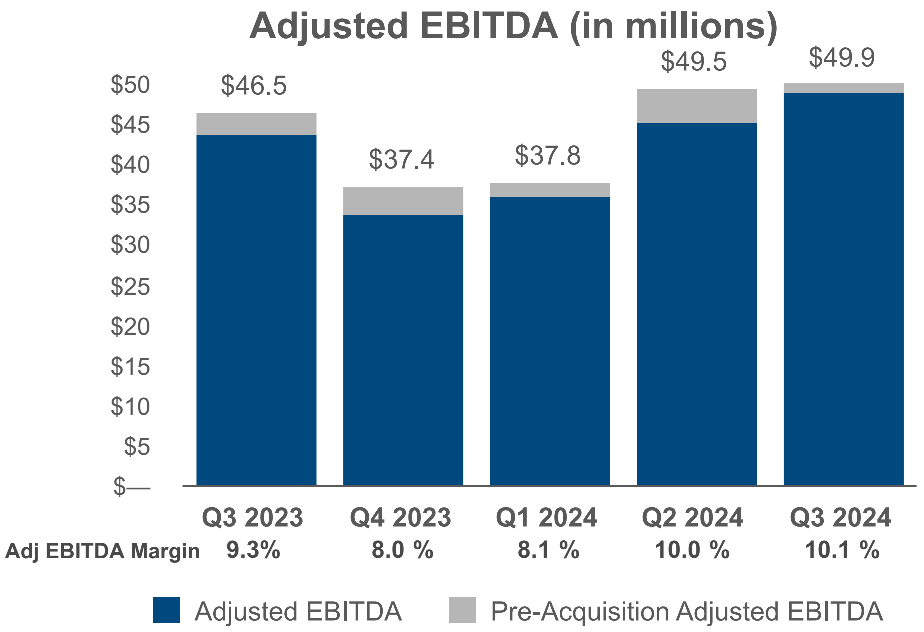
Appendix

Q3 2024 Consolidated Financial Highlights

Results Inclusive of Pre-Acquisition Results

- Adjusted Revenue and adjusted EBITDA below include the reported GAAP results and the pre-acquisition results of other businesses that were acquired at any time during the Q3 2023-Q3 2024 period.





Adjusted Revenue and Adjusted EBITDA results are presented on an Adjusted (Non-GAAP) and continuing operations basis.
Information inclusive of Other Acquisition results prior to the acquisition date.

GAAP to Non-GAAP Reconciliations

Q3 Revenue and Adjusted EBITDA Reconciliation ($000s)
(Unaudited)

	Lawson Products		Gexpro Services		TestEquity		Canada Branch Division		All Other		Eliminations		Consolidated DSG	
Quarter Ended	**Q3 2024**	**Q3 2023**	**Q3 2024**	**Q3 2023**	**Q3 2024**	**Q3 2023**	**Q3 2024**	**Q3 2023**	**Q3 2024**	**Q3 2023**	**Q3 2024**	**Q3 2023**	**Q3 2024**	**Q3 2023**
Revenue from external customers	$ 117,953	$ 114,477	$ 115,764	$ 103,232	$ 195,210	$ 207,657	$ 39,092	$ 13,543	$ —	$ —	$ —	$ —	$ 468,019	$ 438,909
Intersegment revenue	4	—	377	—	34	—	—	—	—	—	(415)	—	—	—
Revenue	$ 117,957	$ 114,477	$ 116,141	$ 103,232	$ 195,244	$ 207,657	$ 39,092	$ 13,543	$ —	$ —	$ (415)	$ —	$ 468,019	$ 438,909
Operating income (loss)	$ 726	$ 10,643	$ 11,543	$ 7,332	$ 4,329	$ (5,027)	$ 2,523	$ 1,468	$ (174)	$ (1,633)			$ 18,947	$ 12,783
Depreciation and amortization	6,533	4,069	3,840	4,069	7,460	8,322	791	550	—	—			18,624	17,010
Adjustments:														
Acquisition related costs(1)	2,967	995	462	135	875	(1,535)	—	—	(1,403)	311			2,901	(94)
Stock-based compensation(2)	2,209	1,049	—	—	65	—	—	—	158	—			2,432	1,049
Severance and acquisition related retention expenses(3)	2,269	73	13	16	1,275	10,388	11	1	—	—			3,568	10,478
Inventory step-up(4)	432	—	—	—	—	2,150	694	—	—	—			1,126	2,150
Other non-recurring(5)	337	(108)	538	—	380	—	—	(9)	257	444			1,512	327
Non-GAAP adjusted EBITDA	$ 15,473	$ 16,721	$ 16,396	$ 11,552	$ 14,384	$ 14,298	$ 4,019	$ 2,010	$ (1,162)	$ (878)			$ 49,110	$ 43,703
Operating income (loss) as a percent of revenue	0.6%	9.3%	9.9%	7.1%	2.2%	(2.4)%	6.5%	10.8%	N/M	N/M			4.0%	2.9%
Adjusted EBITDA as a percent of revenue	13.1%	14.6%	14.1%	11.2%	7.4%	6.9%	10.3%	14.8%	N/M	N/M			10.5%	10.0%

(1) Transaction and integration costs related to acquisitions
(2) Expense (benefit) primarily for stock-based compensation, of which a portion varies with the Company's stock price
(3) Includes severance expense for actions taken in 2024 and 2023 not related to a formal restructuring plan and acquisition related retention expenses for the Hisco and S&S Automotive acquisitions
(4) Inventory fair value step-up adjustment for acquisition accounting related to acquisitions completed by Lawson Products and TestEquity
(5) Other non-recurring costs consist of certain non-recurring strategic projects and other non-recurring items
N/M Not meaningful

GAAP to Non-GAAP Reconciliations

DSG DISTRIBUTION SOLUTIONS GROUP

Adjusted Revenue and Adjusted EBITDA Reconciliation ($000s)
Results Inclusive of Acquisitions – Pre-Acquisition Date
(Unaudited)

	Consolidated DSG				
Quarter Ended	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024
Revenue	$ 438,909	$ 405,239	$ 416,086	$ 439,536	$ 468,019
Pre-acquisition revenue(1)	58,929	61,793	53,335	56,563	24,125
Adjusted revenue	$ 497,838	$ 467,032	$ 469,421	$ 496,099	$ 492,144
Operating income (loss)	$ 12,783	$ (289)	$ 2,783	$ 14,158	$ 18,947
Pre-acquisition operating Income (loss) (1)	2,153	3,043	1,405	(696)	593
Adjusted Operating Income (loss)	14,936	2,754	4,188	13,462	19,540
Depreciation and amortization	17,010	16,272	17,052	18,535	18,624
Adjustments:					
Acquisition related costs(2)	(94)	2,498	1,954	3,598	2,901
Stock-based compensation(3)	1,049	2,499	2,198	(307)	2,432
Severance and acquisition related retention expenses(4)	10,478	11,400	10,716	8,313	3,568
Inventory step-up(5)	2,150	716	—	634	1,126
Other non-recurring(6)	327	784	1,364	250	1,512
Pre-Acquisition add-backs(7)	603	452	351	5,028	205
Adjusted EBITDA	$ 46,459	$ 37,375	$ 37,823	$ 49,513	$ 49,908
Operating income (loss) as a percent of revenue	2.9%	(0.1)%	0.7%	3.2%	4.0%
Adjusted EBITDA as a percent of revenue	10.6%	9.2%	9.1%	11.3%	10.7%
Adjusted EBITDA as a percent of pro forma revenue	9.3%	8.0%	8.1%	10.0%	10.1%

References to table footnotes are on slide 16

GAAP to Non-GAAP Reconciliations

Adjusted Revenue and EBITDA Reconciliation – Table Footnotes

(1) Represents additional revenue and operating income of acquisitions prior to their acquisition dates not in reported GAAP results

(2) Transaction and integration costs related to acquisitions

(3) Expense (benefit) primarily for stock-based compensation, of which a portion varies with the Company’s stock price

(4) Includes severance expense for actions taken in 2024 and 2023, not related to a formal restructuring plan and acquisition related retention expenses for the Hisco and S&S Automotive acquisitions

(5) Inventory fair value step-up adjustments resulting from the acquisition accounting related to acquisitions completed by Lawson Products and TestEquity

(6) Other non-recurring costs consist of certain non-recurring strategic projects and other non-recurring items

(7) Represents additional EBITDA adjustments of other acquisitions prior to the respective acquisition dates

GAAP to Non-GAAP Reconciliations

DSG DISTRIBUTION SOLUTIONS GROUP

GAAP Net Income (Loss) and GAAP Diluted EPS to Non-GAAP Adjusted Net Income and Non-GAAP Adjusted Diluted EPS Reconciliation
($000s, except per share data)
(Unaudited)

	Consolidated DSG					
	Q3 2024		Q3 2023(3),(4)		Q2 2024	
	Amount	Diluted EPS(2)	Amount	Diluted EPS(2)	Amount	Diluted EPS(2)
Net income (loss)	$ 21,921	$ 0.46	$ (1,568)	$ (0.03)	$ 1,896	$ 0.04
Pretax adjustments:						
Stock-based compensation	2,432	0.05	1,049	0.02	(307)	(0.01)
Acquisition related costs	2,901	0.06	(94)	—	3,598	0.08
Amortization of intangible assets	11,972	0.25	11,308	0.24	12,206	0.26
Severance and acquisition related retention expenses	3,568	0.08	10,478	0.22	8,313	0.17
Change in fair value of earnout liabilities	858	0.02	(667)	(0.01)	8	—
Inventory step-up	1,126	0.02	2,150	0.05	634	0.01
Other non-recurring	1,512	0.03	327	0.01	250	0.01
Total pretax adjustments	24,369	0.51	24,551	0.53	24,702	0.52
Tax effect on adjustments(1)(3)	(11,210)	(0.23)	(6,457)	(0.14)	(7,238)	(0.15)
Deferred tax asset valuation allowance(5)	(17,425)	(0.37)	—	—	(410)	(0.01)
Non-GAAP adjusted net income	$ 17,655	$ 0.37	$ 16,526	$ 0.35	$ 18,950	$ 0.40

(1) The adjustment to the income tax expense (benefit) determined by including the non-GAAP adjustments by jurisdiction

(2) Pretax adjustments to diluted EPS calculated on 47.560 million, 46.737 million and 47.624 million diluted shares for the third quarter of 2024 and 2023,and the second quarter of 2024, respectively

(3) In the fourth quarter of 2023, the Company changed the treatment of amortization of intangible assets and the deferred tax asset valuation allowance to be included in the calculation of Non-GAAP adjusted net income and Non-GAAP adjusted diluted EPS. The calculation of the tax effect on adjustments was revised to consider the jurisdictional rate of the originating territory of the non-GAAP adjustments. Prior periods have been adjusted to conform to current period presentation.

(4) Share and per share data for all periods presented reflect two-for-one stock split

(5) The estimated impact to the deferred tax asset valuation allowance from interest expense limitations under Section 163(j) determined by including the non-GAAP adjustments by jurisdiction