

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):

February 24, 2015

**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 February 2015

**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: February 24, 2015

By: /s/ Ronald J. Knutson

Name: Ronald J. Knutson

Title: Executive Vice President, Chief Financial Officer

## EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
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99.1

Investor Presentation February 2015



**LAWSON** Products



**Investor Presentation** February 2015

# 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, 2014.

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.

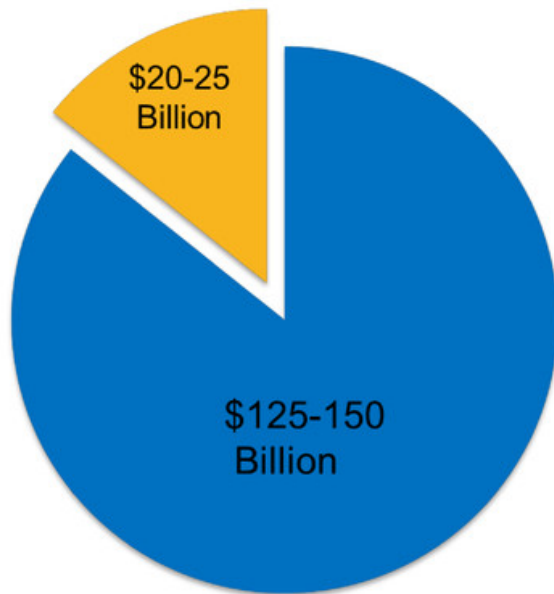
# Lawson Products: At a Glance

- **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**
  - 5 strategically located distribution centers and 1 corporate HQ
  - Workforce ~1,500 (approximately 900 sales reps)
- **Supplies approximately 300,000 products to the MRO marketplace**
- **VMI and private label drives high gross margins**



# Lawson Products: Competitive Advantages and Differentiators

“Not the Typical MRO Distributor”



■ Broad Based MRO Market ■ Service Based VMI Market

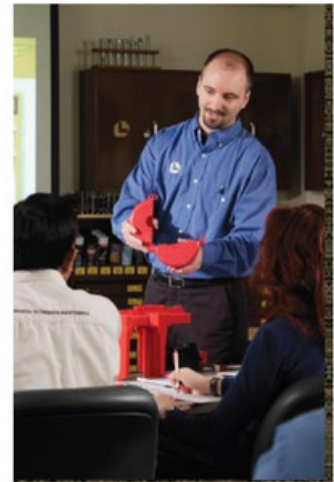
## ***What differentiates Lawson:***

- 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
- Lowest total cost



# Our Commitment to our 70,000 Customers

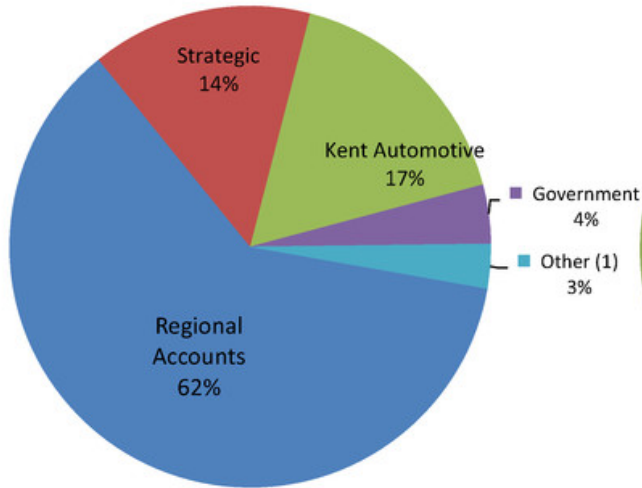
High touch service and technical expertise drives customer relationships



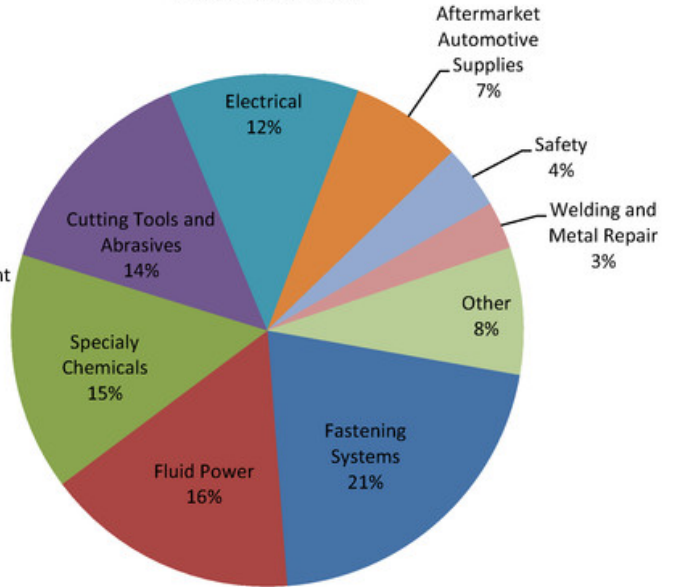
One Company, Zero Headaches	Inventory Management Options	Access to Industry Knowledge & Expertise
<ul style="list-style-type: none"> <li>Approximately 300,000 products</li> </ul>	<ul style="list-style-type: none"> <li>Lawson Managed Inventory</li> </ul>	<ul style="list-style-type: none"> <li>Product 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>

# Customer and Product Profile

## Customer Mix



## Product Mix



(1) Other consists primarily of freight revenue

## Sales Growth Driven By

**Add New  
Sales  
Reps**

**Drive Sales  
Rep  
Productivity**

**Selective  
Acquisitions**

### **Foundational Support**

ERP

Network  
Optimization

Sales  
Transformation

Lean/Six  
Sigma

Website

## 2015 Focus: Actions Across the Value Chain Driving Growth

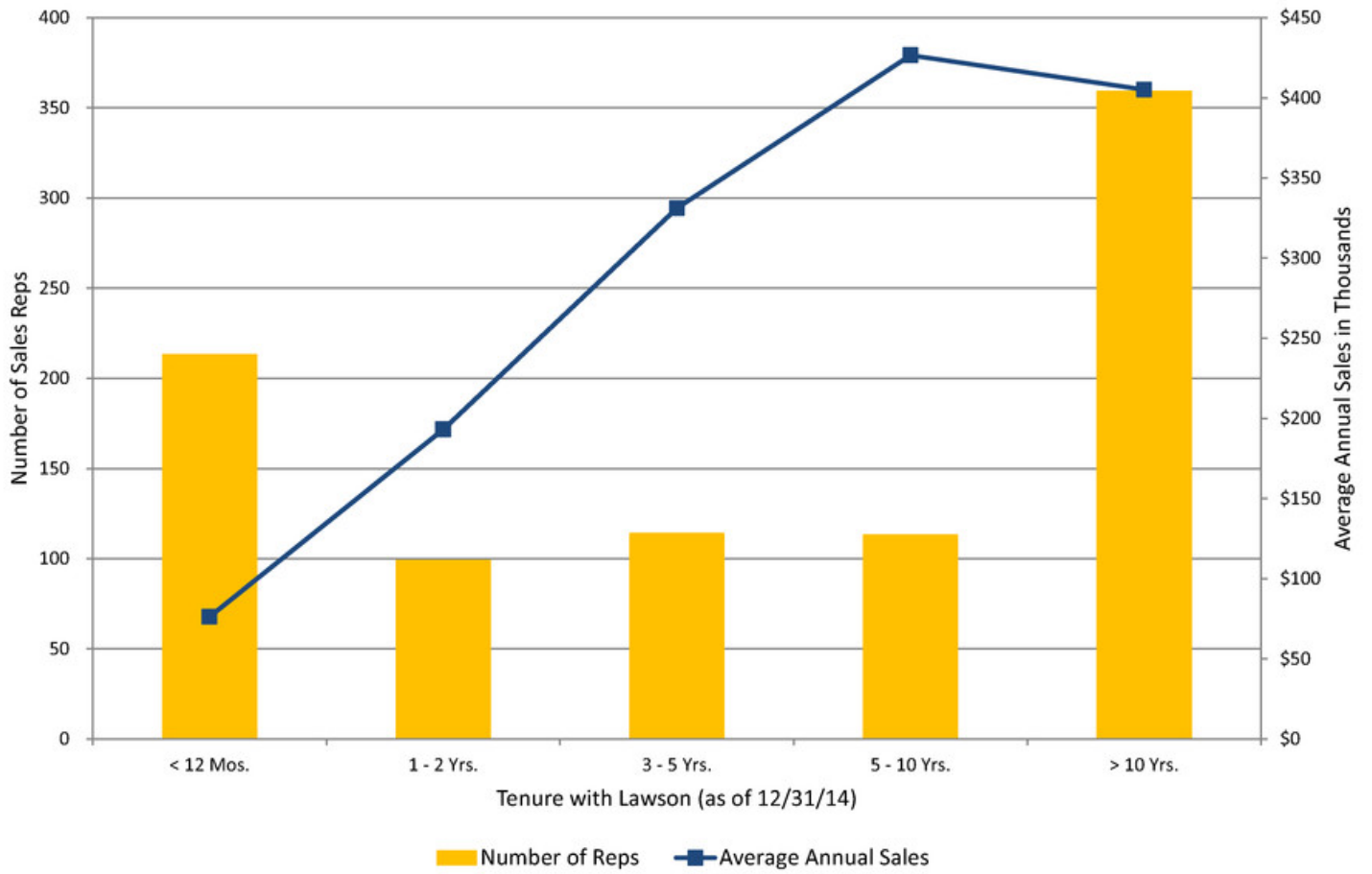
### Add New Sales Reps and Drive Rep Productivity



Sales Process / Sales Reps	Customer Service / Order Entry	Product Management / Pricing	DC Operations	Sourcing / Purchasing
<ul style="list-style-type: none"> <li>• Increase sales rep count</li> <li>• Onboarding process</li> <li>• Sales Management dashboard</li> <li>• EDI with customers</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction of cycle times</li> <li>• Order pad</li> <li>• Consolidation of shipments</li> <li>• Sales service reps</li> </ul>	<ul style="list-style-type: none"> <li>• Leverage vendor drop-ship programs</li> <li>• Fleet maintenance focus</li> <li>• Pricing enhancements</li> <li>• Website</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce cycle time</li> <li>• Refine "Pull" strategy</li> <li>• Freight enhancements</li> <li>• Minimize backorders</li> <li>• Improve service levels</li> </ul>	<ul style="list-style-type: none"> <li>• Supplier negotiation process</li> <li>• Vendor metrics</li> <li>• Electronic communication</li> </ul>

Information Technology – Integration of Web and SAP  
Lean / Six Sigma

# Longer Sales Rep Tenure Drives Rep Productivity



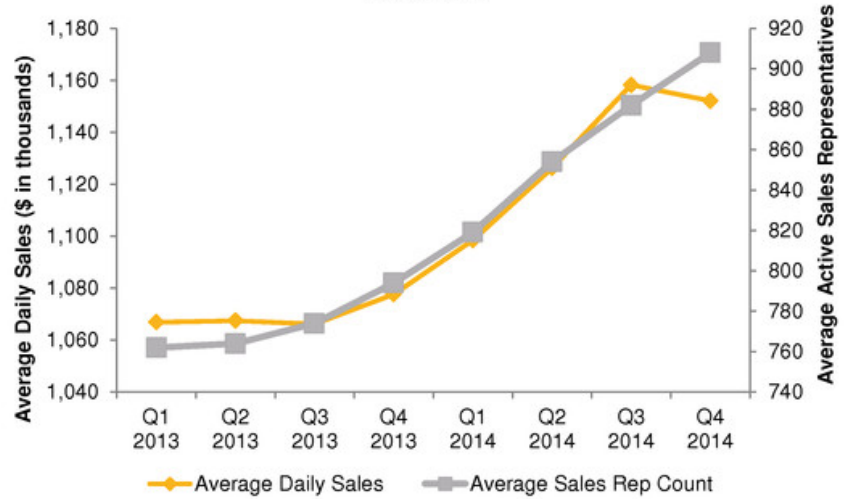
## Financial Highlights

- **Focused on revenue growth - Number of sales reps and sales rep productivity**
- **Ended 2014 with 916 sales reps, up 14% from 2013**
  - Added 110 net additional sales reps in 2014
- **Strong balance sheet**
  - No debt
  - Significant capital investments over past 3 years to drive growth
  - \$40 million credit facility in place
  - Sold non-core businesses
- **Strong gross margins** – 60.4% in 2014 v. 59.8% in 2013
- **Adjusted EBITDA margin improving**
  - 4.8% in 2014 v. 3.7% in 2013
  - Previous expense reductions

# Financial Highlights – Sales Trends

- Tight correlation between sales levels and sales rep count
- Added net 110 in 2014
- Sales rep count to increase to approximately 1,000 by 2015 year-end
- Will continue to aggressively add to the sales team in 2015 including Business Development Managers, Sales Service Reps, District Managers and Sales Reps
- Drive sales rep productivity
- New sales reps will impact productivity as they build out their business

**Average Daily Sales & Rep Count By Quarter**



## **Lawson Products: Poised for Growth**

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



## For More Information

### Contact:

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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, Ill 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, 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	➤ Completed planned staff reduction ➤ 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 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
June 2014	➤ Closed on sale of Reno distribution facility for net proceeds of \$8.3M; began 10 year lease for currently used portion of facility

## 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 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Net Sales	\$ 67,213	\$ 68,317	\$ 68,235	\$ 65,738	\$ 69,204	\$ 72,080	\$ 74,128	\$ 70,281
Operating Income (Loss)	(3,530)	(201)	870	(3,002)	(4,713)	1,241	678	(2,169)
Depreciation & Amortization	2,061	2,244	2,367	2,358	2,295	2,163	2,160	2,133
EBITDA	(1,469)	2,043	3,237	(644)	(2,418)	3,404	2,838	(36)
<b>Excluded Costs</b>								
Severance	-	2	962	(127)	728	290	(328)	(59)
Stock Based Compensation (Benefit)	1,596	76	33	562	1,125	408	2,423	2,443
Loss/(Gain) on Disposal of Property	-	-	(36)	32	-	-	97	45
Legal Settlement	-	-	-	-	-	-	(688)	-
Employment Tax Matter	-	-	-	(400)	-	-	-	-
Loss on Sub-Lease	-	-	-	2,928	-	-	-	-
National sales meeting	1,225	-	-	-	-	-	-	-
Remediation expense	-	-	-	-	-	-	-	340
Property Impairment Loss	-	-	-	-	2,914	132	-	-
Adjusted EBITDA	\$ 1,352	\$ 2,121	\$ 4,196	\$ 2,351	\$ 2,349	\$ 4,234	\$ 4,342	\$ 2,733
<i>Adjusted EBITDA % of Sales</i>	2.0%	3.1%	6.1%	3.6%	3.4%	5.9%	5.9%	3.9%
<i>Annual Adjusted EBITDA % of Sales</i>				3.7%				4.8%

(Dollars in thousands)  
Three Months Ended

	Dec. 31, 2014	Sep. 30, 2014	Jun. 30, 2014	Mar. 31, 2014	Dec. 31, 2013
Number of business days	61	64	64	63	61
Average daily net sales	\$ 1,152	\$ 1,158	\$ 1,126	\$ 1,098	\$ 1,078
Sequential quarter (decrease) increase	(0.5)%	2.8 %	2.6 %	1.9 %	1.1 %
Average active sales rep count	908	882	854	819	794
Period-end active sales rep count	916	894	878	836	806
Sales per rep per day	\$ 1.269	\$ 1.313	\$ 1.319	\$ 1.341	\$ 1.358
Sequential quarter decrease	(3.4)%	(0.5)%	(1.6)%	(1.3)%	(1.4)%
Net sales	\$ 70,281	\$ 74,128	\$ 72,080	\$ 69,204	\$ 65,738
Gross profit	42,935	44,533	43,803	41,278	39,627
Gross profit percentage	61.1%	60.1%	60.8%	59.6%	60.3%
<u>Operating expenses</u>					
Selling, general & administrative expenses	\$ 44,719	\$ 43,758	\$ 42,430	\$ 43,077	\$ 40,069
Loss on asset disposals	45	97	—	—	32
Other operating expenses	340	—	132	2,914	2,528
	<u>45,104</u>	<u>43,855</u>	<u>42,562</u>	<u>45,991</u>	<u>42,629</u>
Operating income (loss)	<u>\$ (2,169)</u>	<u>\$ 678</u>	<u>\$ 1,241</u>	<u>\$ (4,713)</u>	<u>\$ (3,002)</u>

# 2014 Consolidated Balance Sheet

Appendix P-4

	December 31, 2014	December 31, 2013
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 4,207	\$ 698
Restricted cash	800	800
Accounts receivable, less allowance for doubtful accounts of \$733 and \$828, respectively	31,546	30,221
Inventories	44,517	45,774
Miscellaneous receivables and prepaid expenses	5,433	4,393
Deferred income taxes	—	5
Discontinued operations	—	8,960
<b>Total current assets</b>	<b>86,503</b>	<b>90,851</b>
Property, plant and equipment, net	41,588	58,974
Cash value of life insurance	9,188	9,179
Deferred income taxes	51	54
Other assets	510	481
Discontinued operations	—	406
<b>Total assets</b>	<b>\$ 137,840</b>	<b>\$ 159,945</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Revolving line of credit	\$ —	\$ 16,078
Accounts payable	7,867	14,787
Accrued expenses and other liabilities	30,616	23,521
Discontinued operations	245	564
<b>Total current liabilities</b>	<b>38,728</b>	<b>54,950</b>
Security bonus plan	15,857	16,143
Financing lease obligation	9,414	10,223
Deferred compensation	5,102	5,867
Deferred rent liability	4,361	4,961
Other liabilities	2,523	1,889
<b>Total liabilities</b>	<b>75,985</b>	<b>94,033</b>
<b>Stockholders' equity:</b>		
Preferred stock, \$1 par value:		
Authorized - 500,000 shares, issued and outstanding — None	—	—
Common stock, \$1 par value:		
Authorized - 35,000,000 shares		
Issued - 8,720,350 and 8,670,512 shares, respectively		
Outstanding - 8,706,467 and 8,658,885 shares, respectively	8,720	8,671
Capital in excess of par value	8,701	7,799
Retained earnings	43,275	47,644
Treasury stock - 13,883 and 11,627 shares held, respectively	(267)	(187)
Accumulated other comprehensive income	1,426	1,985
<b>Total stockholders' equity</b>	<b>61,855</b>	<b>65,912</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 137,840</b>	<b>\$ 159,945</b>

