

DSG

DISTRIBUTION
SOLUTIONS GROUP

Powerful Solutions. Proven Results.



NASDAQ: DSGR

Q2 2022 Financial Results

August 9, 2022

Cautionary Note Regarding Forward-Looking Statements

This investor deck contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, 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 other words and terms of similar meaning and expression 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. Distribution Solutions Group (“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, which speak only as of the date made. DSG undertakes no obligation to release publicly any revisions to forward-looking statements as a result of new information, future events or otherwise. Actual results may differ materially from those projected as a result of certain risks and uncertainties. Certain risks associated with DSG’s business are also discussed from time to time in the reports DSG files with the SEC, including DSG’s (formerly Lawson Products, Inc.) Annual Report on Form 10-K for the fiscal year ended December 31, 2021, DSG’s Quarterly Reports on Form 10-Q and DSG’s Current Reports on Form 8-K. In addition, the following factors, among others, could cause actual outcomes and results to differ materially from those discussed in the forward-looking statements: (i) whether or not the terms of the earnout provisions in either of the merger agreements will be satisfied such that DSG would be required to issue additional shares of common stock in connection with the mergers; (ii) unanticipated difficulties or expenditures relating to the mergers; (iii) the risk that stockholder litigation in connection with the mergers results in significant costs of defense, indemnification and liability; and (iv) any problems arising in combining the businesses of Lawson Products, TestEquity and Gexpro Services, which may result in the combined company not operating as effectively and efficiently as expected.

Today's Conference Call Will Discuss Results Primarily on an Adjusted (Non-GAAP) and Comparable Operations Basis. The complexities of Reverse Merger Accounting treatment makes GAAP comparisons difficult.

GAAP results reported under Reverse Merger Accounting:

- Combined Gexpro Services/TestEquity is accounting acquiror of Lawson Products given common control of entities
- Lawson Products results included commencing on the merger date of April 1, 2022
- GAAP reported results for 2021 and Q1 2022 do not include Lawson Products as a result of reverse merger accounting treatment

See Appendix for Reconciliations.

- Q2 2022 Consolidated Highlights & Financial Results
- Segment Highlights & Financial Results
- Q&A

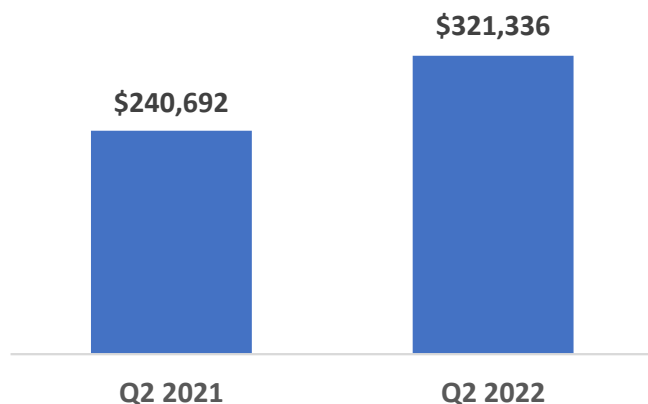
- Segment reporting structure: Lawson Products, Gexpro Services, TestEquity & Other (primarily Bolt Supply & unallocated costs)
- Strong topline and bottom-line results across the three principal operating companies
- Combined sales growth of 34%; organic sales growth of nearly 12%; broad based within all segments
- To date, four acquisitions closed in 2022 (Resolux, Frontier, TEquipment & National Test Equipment) – Total of over \$180M of annual acquired revenue
- Product demand remains strong; increasing backlog within TestEquity
- Good progress on realizing cost savings and cross-selling among the operating companies; early wins on new customer business
- Performance of all three principal operating companies at or exceeding expected levels

Q2 2022 CONSOLIDATED FINANCIAL HIGHLIGHTS

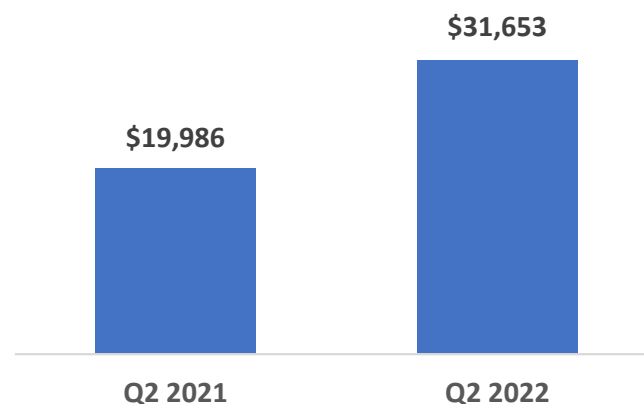


- Sales of \$321M, an increase of \$80.6M or +34%; acquired sales of \$52.3M; organic growth of +11.8%
- Adjusted EBITDA of \$31.7M; up 58%
- Adjusted EBITDA of 9.9% of sales – on pace to exit 2022 over 10%

Adjusted Net Sales (\$000s)



Adjusted EBITDA (\$000s)



Strong Second Quarter Results for Initial Reporting Period on a Combined Basis

Q2 CONDENSED CONSOLIDATED BALANCE SHEET



\$000s

Cash	\$	17,872
Current Assets		449,938
Long-term Assets		758,386
Total Assets	\$	1,226,196
Current Liabilities	\$	201,483
Long-term Debt		389,279
Other Long-Term Liabilities		93,606
Total Liabilities		684,368
Total Stockholders Equity		541,828
Total Liabilities & Stockholders' Equity	\$	1,226,196

- Strong financial position; cash position of \$17.9M and \$85.9M of availability under existing credit facility
- Net debt leverage of 3.6x at 6/30/22
- Debt levels include recent acquisitions of TEquipment and National Test Equipment
- Anticipate to manage net debt leverage between 3.0x – 4.0x
- Additional \$200M available under accordion feature of credit facility

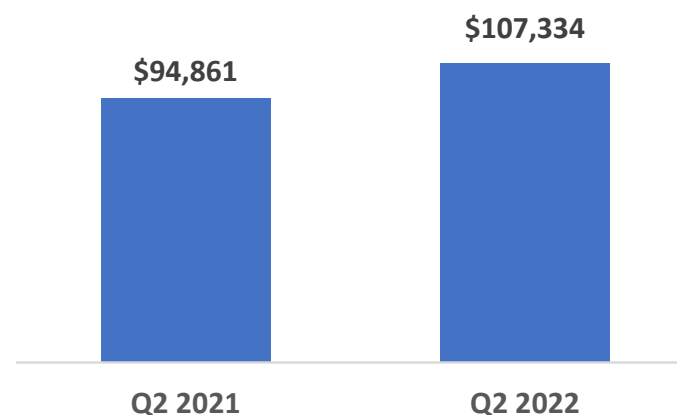
Operating Company Detail



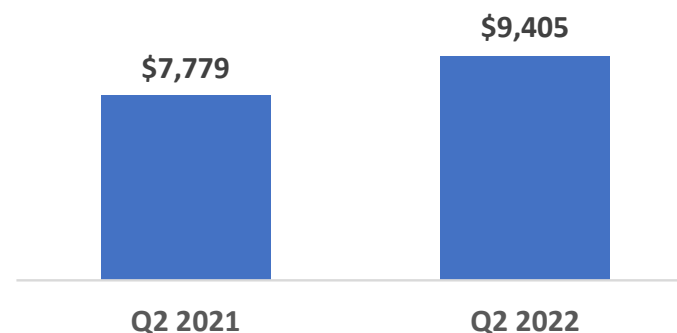
Q2 2022 Highlights:

- Prior year Q2 2021 results are pre 4/1/22 merger
- Sales +13%; all organic growth
- Price increases in late 2021 and 2022 being realized
- Ended June 30, 2022 with 1,013 sales reps. Sales per rep per day productivity improved 20% vs. a year ago quarter
- Adjusted EBITDA of \$9.4M or 8.8% of sales
- Strong growth in strategic business, Kent Automotive and core business; business development strong within strategic business
- Cesar Lanuza, new CEO integrated into the business

Adjusted Net Sales (\$000s)



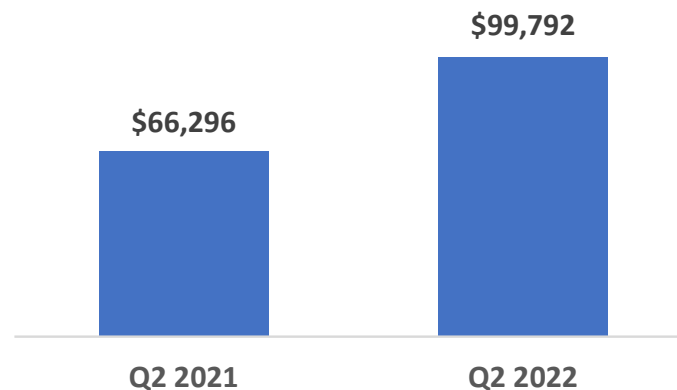
Adjusted EBITDA (\$000s)



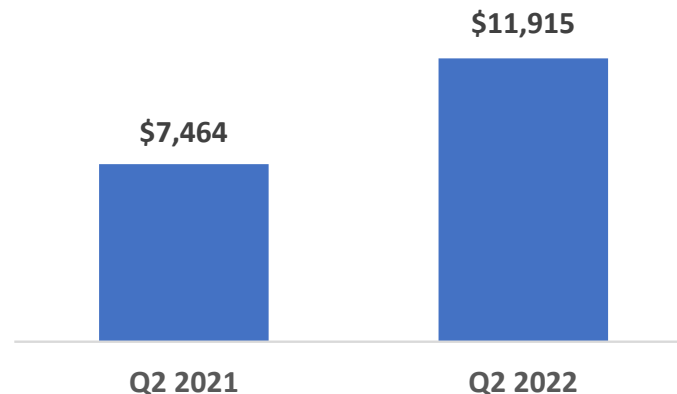
Q2 2022 Highlights:

- Sales of \$99.8M; up \$33.5M or 50.5%; organic growth of 6%
- Q2 2022 sales includes \$29.5M incremental revenue from 2021 and 2022 acquisitions (Omni, NEF, SIS, Resolux, Frontier)
- Strong demand continues across all end markets partially offset by renewables headwinds; wallet share and new business development remains strong
- Continued expansion in gross margin percentage through recapturing vendor and freight increases
- Adjusted EBITDA of \$11.9M or 11.9% of sales

Adjusted Net Sales (\$000s)



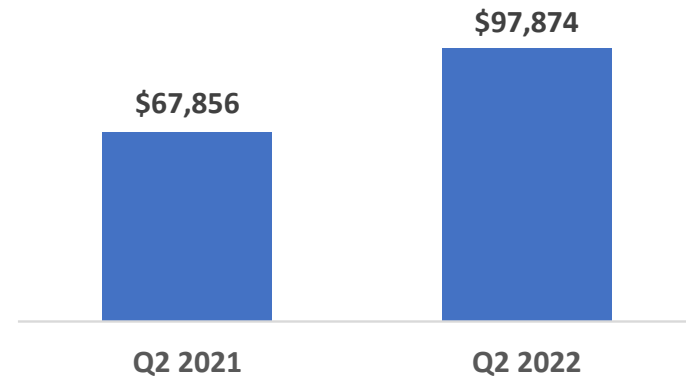
Adjusted EBITDA (\$000s)



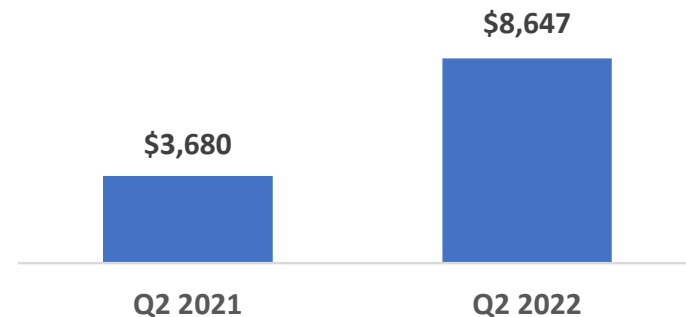
Q2 2022 Highlights:

- Sales of \$97.9M; up \$30.0M or 44.2%
- Q2 2022 sales includes \$22.8M incremental revenue from 2021 and 2022 acquisitions (MCS, TEquipment and National Test Equip). Integration well underway
- Organic growth up 10.6% in both Test & Measurement and Electronic Production Supplies businesses
- Increased backlog in T&M business (Q2 ended > \$40M or 2x Dec 2021) on inconsistent supply chain; anticipated unevenness in billings for remainder of 2022
- Continue SKU expansion; > 30,000 added YTD primarily in Electronic Production Supplies business
- Adjusted EBITDA of \$8.6M or 8.8% of sales, up from 5.4% a year ago

Adjusted Net Sales (\$000s)



Adjusted EBITDA (\$000s)



- **Great start** for the initial reporting period on a combined basis
- Q2 results driven by both acquired sales and organic growth – aligns with growth strategy; **combined 34% sales growth**
- Improvement in adjusted EBITDA to **9.9% of sales**
- On path to **exit 2022** with adjusted **EBITDA > 10% of sales**
- All three operating companies **at or exceeding expected** levels
- **Acquisition pipeline remains strong** – investing in M&A team
- Companies **collaborating well together** to identify growth and cost saving opportunities

Appendix

GAAP TO NON-GAAP RECONCILIATIONS

Adjusted Net Sales and EBITDA Reconciliation (\$'000s)

	Lawson Products		Gexpro Services		TestEquity		Other		Consolidated DSG	
	Q2 2022	Q2 2021	Q2 2022	Q2 2021	Q2 2022	Q2 2021	Q2 2022	Q2 2021	Q2 2022	Q2 2021
GAAP Net Sales	\$ 107,334	\$ -	\$ 99,792	\$ 66,296	\$ 97,874	\$ 67,856	\$ 16,336	\$ -	\$ 321,336	\$ 134,152
Pre-Merger Sales (1)		94,861	-	-	-	-	-	11,679	-	106,540
Adjusted Net Sales	\$ 107,334	\$ 94,861	\$ 99,792	\$ 66,296	\$ 97,874	\$ 67,856	\$ 16,336	\$ 11,679	\$ 321,336	\$ 240,692
GAAP Operating Income	\$ (2,562)	\$ -	\$ 5,390	\$ 5,465	\$ 471	\$ 3	\$ 814	\$ -	\$ 4,113	\$ 5,468
Pre-Merger Operating Income (1)	-	2,443	-	-	-	-	-	939	-	3,382
Adjusted Operating Income	(2,562)	2,443	5,390	5,465	471	3	814	939	4,113	8,850
Depreciation and amortization	4,522	1,885	4,093	1,085	5,761	3,381	370	119	14,746	6,470
Adjustments:										
Merger transaction costs (2)	1,818	1,353	2,160	367	1,812	-	-	-	5,790	1,720
Stock-based compensation (3)	4,013	1,574	-	-	-	-	-	-	4,013	1,574
Severance costs (4)	449	(131)	45	12	458	5	1	5	953	(109)
Acquisition related costs (5)	-	655	189	515	145	291	-	-	334	1,461
Inventory step-up (6)	1,165	-	-	-	-	-	457	-	1,622	-
Other non-recurring (7)	-	-	38	20	-	-	44	-	82	20
Adjusted EBITDA	\$ 9,405	\$ 7,779	\$ 11,915	\$ 7,464	\$ 8,647	\$ 3,680	\$ 1,686	\$ 1,063	\$ 31,653	\$ 19,986
Operating income as percent of net sales	-2.4%	-	5.4%	8.2%	0.5%	0.0%	5.0%	-	1.3%	4.1%
Adjusted EBITDA as percent of net sales	8.8%	-	11.9%	11.3%	8.8%	5.4%	10.3%	-	9.9%	14.9%
Adjusted EBITDA as percent of adjusted net sales	8.8%	8.2%	11.9%	11.3%	8.8%	5.4%	10.3%	9.1%	9.9%	8.3%

- 1) Represents Lawson Products pre-merger sales and operating income
- 2) Merger transaction costs related to the negotiation, review and execution of the merger agreements relating to the business combination of Lawson Products, TestEquity and Gexpro Services
- 3) Expense primarily for stock-based compensation, of which a portion varies with the Company's stock price
- 4) Includes severance expense for actions taken in 2022 and 2021
- 5) Expense for acquisition related costs, unrelated to the business combination of Lawson Products, TestEquity and Gexpro Services
- 6) Inventory fair value step-up adjustment resulting from the reverse merger acquisition accounting
- 7) Other non-recurring costs consist of acquisition integration costs and other non-recurring items