

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2025

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file Number: 0-10546

DISTRIBUTION SOLUTIONS GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

36-2229304

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

301 Commerce Street, Suite 1700, Fort Worth, Texas

(Address of principal executive offices)

76102

(Zip Code)

(888) 611-9888

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, \$1.00 par value	DSGR	NASDAQ Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 24, 2025, 46,227,784 shares of common stock, \$1.00 par value, were outstanding.

TABLE OF CONTENTS

		<u>Page #</u>
PART I - FINANCIAL INFORMATION		
Item 1.	Financial Statements (Unaudited)	5
	Condensed Consolidated Balance Sheets as of September 30, 2025 and December 31, 2024	5
	Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) for the Three and Nine Months Ended September 30, 2025 and 2024	6
	Condensed Consolidated Statements of Changes in Stockholders' Equity for the Three and Nine Months Ended September 30, 2025 and 2024	7
	Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2025 and 2024	9
	Notes to Condensed Consolidated Financial Statements	11
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	31
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	51
Item 4.	Controls and Procedures	51
PART II - OTHER INFORMATION		
Item 1.	Legal Proceedings	51
Item 1A.	Risk Factors	51
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	52
Item 5.	Other Information	52
Item 6.	Exhibits	53
	SIGNATURES	54

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains certain “forward-looking statements” within the meaning of the federal securities laws that involve risks and uncertainties. Terms such as “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. 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 as of the date they are made 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 our business, financial condition and results of operations include:

- inventory obsolescence;
- work stoppages and other disruptions at transportation centers or shipping ports;
- changes in our customers, product mix and pricing strategy;
- disruptions of our information and communication systems;
- cyber-attacks, other information security incidents or IT system outages;
- the inability to successfully recruit, integrate and retain productive sales representatives;
- failure to retain talented employees, managers and executives;
- difficulties in integrating the business operations of TestEquity Acquisition, LLC (“TestEquity”) and 301 HW Opus Holdings, Inc., which conducts business as Gexpro Services (“Gexpro Services”), with our other operations, and/or the failure to successfully combine those operations within our expected timetable;
- the inability of management to successfully implement changes in operating processes;
- various risks involved in any pursuit or completion by us of additional acquisitions;
- competition in the markets in which we operate;
- potential impairment charges for goodwill and other intangible assets;
- changes that affect governmental and other tax-supported entities;
- failure to maintain effective internal control over financial reporting;
- changes in our segment reporting structure;
- our significant amount of indebtedness;
- failure to adequately fund our operating and working capital needs through cash generated from operations and borrowings available under our credit facility;
- failure to meet the covenant requirements of our credit facility or an increase in interest rates under our credit facility;
- government efforts to combat inflation, along with other interest rate pressures, could lead to higher financing costs;
- declines in the market price of our common stock (the “DSG common stock”);
- the significant influence of Luther King Capital Management Corporation (“LKCM”) over the Company in light of its ownership percentage;
- any sales of shares of DSG common stock held by entities affiliated with LKCM or the possibility of any such sales;
- violations of environmental protection regulations;
- changes in tax matters;
- results of income tax audits, sales tax audits or similar proceedings;
- risks arising from our international operations;
- potential limitations on our ability to use our net operating losses and certain other tax attributes generated prior to the April 1, 2022 merger transactions in which TestEquity and Gexpro Services merged with and into subsidiaries of DSG, with TestEquity and Gexpro Services surviving as wholly-owned subsidiaries of DSG, and in connection with which DSG issued shares of DSG common stock to the former equityholders of TestEquity and Gexpro Services in exchange for their equity interests in TestEquity and Gexpro Services;
- public health emergencies;
- a downturn in the economy or in certain sectors of the economy;
- changes in energy costs, tariffs, transportation costs and the cost of raw materials used in our products, and other inflationary pressures;
- enhanced tariffs, changes in trade policies and import and export regulations of the U.S. and foreign governments;
- supply chain constraints, inflationary pressure and labor shortages;
- foreign currency exchange rate changes; and
- the other factors discussed in the “Risk Factors” section of our Annual Report on Form 10-K for the fiscal year ended December 31, 2024.

We undertake no obligation to update or revise any forward-looking statement contained herein, whether to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events or otherwise, except as may be required under applicable law.

PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

Distribution Solutions Group, Inc.
Condensed Consolidated Balance Sheets
(Dollars in thousands, except share data)
(Unaudited)

ASSETS	September 30, 2025	December 31, 2024
Current assets:		
Cash and cash equivalents	\$ 69,214	\$ 66,479
Restricted cash	13,486	15,247
Accounts receivable, less allowances of \$5,811 and \$2,416, respectively	295,456	250,717
Inventories	345,206	348,226
Prepaid expenses and other current assets	43,030	31,505
Total current assets	766,392	712,174
Property, plant and equipment, net	126,544	125,524
Rental equipment, net	37,454	39,376
Goodwill	467,024	462,789
Deferred tax asset, net	372	136
Intangible assets, net	237,227	269,763
Cash value of life insurance	21,253	19,916
Right of use operating lease assets	105,312	91,962
Other assets	4,948	5,615
Total assets	\$ 1,766,526	\$ 1,727,255
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 155,036	\$ 125,575
Current portion of long-term debt	42,452	40,476
Current portion of lease liabilities	20,256	18,951
Accrued expenses and other current liabilities	88,219	81,259
Total current liabilities	305,963	266,261
Long-term debt, less current portion, net	665,539	693,903
Lease liabilities	92,993	77,758
Deferred tax liability, net	23,477	22,265
Other liabilities	24,680	26,525
Total liabilities	1,112,652	1,086,712
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Preferred stock, \$1 par value:		
Authorized - 500,000 shares, issued and outstanding — None	—	—
Common stock, \$1 par value:		
Authorized - 70,000,000 shares		
Issued - 47,828,925 and 47,738,290 shares, respectively		
Outstanding - 46,286,285 and 46,856,757 shares, respectively	46,286	46,856
Capital in excess of par value	683,902	677,473
Retained deficit	(27,323)	(42,039)
Treasury stock – 1,542,640 and 881,533 shares, respectively	(40,135)	(19,631)
Accumulated other comprehensive income (loss)	(8,856)	(22,116)
Total stockholders' equity	653,874	640,543
Total liabilities and stockholders' equity	\$ 1,766,526	\$ 1,727,255

See notes to Condensed Consolidated Financial Statements (Unaudited)

Distribution Solutions Group, Inc.
Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
(Dollars in thousands, except per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Revenue	\$ 517,958	\$ 468,019	\$ 1,498,424	\$ 1,323,641
Cost of goods sold	347,632	309,171	994,034	869,857
Gross profit	170,326	158,848	504,390	453,784
Selling, general and administrative expenses	146,707	139,901	433,848	417,896
Operating income (loss)	23,619	18,947	70,542	35,888
Interest expense	(13,955)	(15,160)	(42,408)	(39,780)
Change in fair value of earnout liabilities	—	(858)	(1,000)	(861)
Other income (expense), net	(1,283)	(15)	(1,377)	82
Income (loss) before income taxes	8,381	2,914	25,757	(4,671)
Income tax expense (benefit)	1,929	(19,007)	11,041	(23,264)
Net income (loss)	\$ 6,452	\$ 21,921	\$ 14,716	\$ 18,593
Basic income (loss) per share of common stock	\$ 0.14	\$ 0.47	\$ 0.32	\$ 0.40
Diluted income (loss) per share of common stock	\$ 0.14	\$ 0.46	\$ 0.31	\$ 0.39
Comprehensive income (loss)				
Net income (loss)	\$ 6,452	\$ 21,921	\$ 14,716	\$ 18,593
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	(3,855)	4,254	13,260	(1,442)
Other	—	—	—	—
Comprehensive income (loss)	\$ 2,597	\$ 26,175	\$ 27,976	\$ 17,151

See notes to Condensed Consolidated Financial Statements (Unaudited)

Distribution Solutions Group, Inc.
Condensed Consolidated Statements of Changes in Stockholders' Equity
(Dollars in thousands, except share data)
(Unaudited)

	Common Stock		Capital in Excess of Par Value	Retained Deficit	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Outstanding Shares	\$1 Par Value					
Balance at January 1, 2025	46,856,757	\$ 46,856	\$ 677,473	\$ (42,039)	\$ (19,631)	\$ (22,116)	\$ 640,543
Net income (loss)	—	—	—	3,261	—	—	3,261
Foreign currency translation adjustment	—	—	—	—	—	1,664	1,664
Stock-based compensation	—	—	1,571	—	—	—	1,571
Shares issued	31,810	32	845	—	—	—	877
Repurchases of common stock ⁽¹⁾	(320,638)	(321)	321	—	(11,203)	—	(11,203)
Balance at March 31, 2025	46,567,929	\$ 46,567	\$ 680,210	\$ (38,778)	\$ (30,834)	\$ (20,452)	\$ 636,713
Net income (loss)	—	—	—	5,003	—	—	5,003
Foreign currency translation adjustment	—	—	—	—	—	15,451	15,451
Stock-based compensation	—	—	1,306	—	—	—	1,306
Shares issued	41,325	41	(41)	—	—	—	—
Repurchases of common stock ⁽¹⁾	(332,575)	(333)	333	—	(9,053)	—	(9,053)
Tax withholdings related to net share settlements of stock-based compensation awards	(1,586)	(2)	2	—	(45)	—	(45)
Other ⁽²⁾	—	2	(2)	—	—	—	—
Balance at June 30, 2025	46,275,093	\$ 46,275	\$ 681,808	\$ (33,775)	\$ (39,932)	\$ (5,001)	\$ 649,375
Net income (loss)	—	—	—	6,452	—	—	6,452
Foreign currency translation adjustment	—	—	—	—	—	(3,855)	(3,855)
Stock-based compensation	—	—	2,105	—	—	—	2,105
Shares issued	17,500	18	(18)	—	—	—	—
Repurchases of common stock ⁽¹⁾	—	—	—	—	4	—	4
Tax withholdings related to net share settlements of stock-based compensation awards	(6,308)	(6)	6	—	(207)	—	(207)
Other ⁽²⁾	—	(1)	1	—	—	—	—
Balance at September 30, 2025	46,286,285	\$ 46,286	\$ 683,902	\$ (27,323)	\$ (40,135)	\$ (8,856)	\$ 653,874

⁽¹⁾ Includes adjustments for net excise tax liability

⁽²⁾ Adjustments for rounding

See notes to Condensed Consolidated Financial Statements (Unaudited)

Distribution Solutions Group, Inc.
Condensed Consolidated Statements of Changes in Stockholders' Equity
(Dollars in thousands, except share data)
(Unaudited)

	Common Stock		Capital in Excess of Par Value	Retained Deficit	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Outstanding Shares	\$1 Par Value					
Balance at January 1, 2024	46,758,359	\$ 46,758	\$ 671,154	\$ (34,707)	\$ (16,434)	\$ (5,170)	\$ 661,601
Net income (loss)	—	—	—	(5,224)	—	—	(5,224)
Foreign currency translation adjustment	—	—	—	—	—	(3,138)	(3,138)
Stock-based compensation	—	—	998	—	—	—	998
Stock-based compensation liability paid in shares	—	—	870	—	—	—	870
Shares issued	62,246	62	(62)	—	—	—	—
Tax withholdings related to net share settlements of stock-based compensation awards	(14,032)	(14)	14	—	(449)	—	(449)
Balance at March 31, 2024	46,806,573	\$ 46,806	\$ 672,974	\$ (39,931)	\$ (16,883)	\$ (8,308)	\$ 654,658
Net income (loss)	—	—	—	1,896	—	—	1,896
Foreign currency translation adjustment	—	—	—	—	—	(2,558)	(2,558)
Stock-based compensation	—	—	1,080	—	—	—	1,080
Shares issued	38,992	39	(39)	—	—	—	—
Repurchases of common stock	(55,844)	(56)	56	—	(1,683)	—	(1,683)
Tax withholdings related to net share settlements of stock-based compensation awards	(2,561)	(3)	3	—	(89)	—	(89)
Balance at June 30, 2024	46,787,160	\$ 46,786	\$ 674,074	\$ (38,035)	\$ (18,655)	\$ (10,866)	\$ 653,304
Net income (loss)	—	—	—	21,921	—	—	21,921
Foreign currency translation adjustment	—	—	—	—	—	4,254	4,254
Stock-based compensation	—	—	1,100	—	—	—	1,100
Shares issued	80,520	81	999	—	—	—	1,080
Shares issued through employee share purchases	(29,800)	(30)	30	—	(897)	—	(897)
Balance at September 30, 2024	46,837,880	\$ 46,837	\$ 676,203	\$ (16,114)	\$ (19,552)	\$ (6,612)	\$ 680,762

See notes to Condensed Consolidated Financial Statements (Unaudited)

Distribution Solutions Group, Inc.
Condensed Consolidated Statements of Cash Flows
(Dollars in thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2025	2024
Operating activities		
Net income (loss)	\$ 14,716	\$ 18,593
Adjustments to reconcile to net cash used in operating activities:		
Depreciation and amortization	60,359	54,211
Amortization of debt issuance costs	2,581	2,093
Stock-based compensation	4,624	4,323
Deferred income taxes	975	(2,814)
Change in fair value of earnout liabilities	1,000	861
(Gain) loss on sale of rental equipment	(3,454)	(1,586)
(Gain) loss on sale of property, plant and equipment	(716)	190
Charge for step-up of acquired inventory	—	1,760
Net realizable value adjustment and write-offs for obsolete and excess inventory	5,694	4,311
Bad debt expense	3,480	537
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(44,940)	(30,423)
Inventories	1,470	(981)
Prepaid expenses and other current assets	3,743	(33,335)
Accounts payable	27,556	14,091
Accrued expenses and other current liabilities	(10,334)	(20,183)
Other changes in operating assets and liabilities	152	(912)
Net cash provided by (used in) operating activities	66,906	10,736
Investing activities		
Purchases of property, plant and equipment	(15,796)	(9,091)
Proceeds from sale of property, plant and equipment	990	—
Business acquisitions, net of cash acquired	(2,176)	(194,393)
Purchases of rental equipment	(12,849)	(5,703)
Proceeds from sale of rental equipment	9,367	3,795
Net cash provided by (used in) investing activities	(20,464)	(205,392)
Financing activities		
Proceeds from revolving lines of credit	205,943	166,777
Payments on revolving lines of credit	(204,128)	(166,496)
Proceeds from term loans	—	200,000
Payments on term loans	(30,188)	(22,688)
Deferred financing costs	—	(2,064)
Repurchase of common stock	(20,252)	(2,580)
Shares repurchased held in treasury	(252)	(538)
Stock option exercises	877	—
Payment of financing lease principal	(445)	(462)
Net cash provided by (used in) financing activities	(48,445)	171,949
Effect of exchange rate changes on cash and cash equivalents	2,977	(1,151)
Increase (decrease) in cash, cash equivalents and restricted cash	974	(23,858)
Cash, cash equivalents and restricted cash at beginning of period	81,726	99,625
Cash, cash equivalents and restricted cash at end of period	\$ 82,700	\$ 75,767
Cash and cash equivalents	\$ 69,214	\$ 61,344
Restricted cash	13,486	14,423
Total cash, cash equivalents and restricted cash	\$ 82,700	\$ 75,767

See notes to Condensed Consolidated Financial Statements (Unaudited)

Distribution Solutions Group, Inc.
Condensed Consolidated Statements of Cash Flows (Continued)
(Dollars in thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2025	2024
Supplemental disclosure of cash flow information		
Net cash paid for income taxes	\$ 12,589	\$ 13,065
Net cash paid for interest	\$ 40,304	\$ 38,337
Net cash paid for interest on supply chain financing	\$ 2,075	\$ 2,121
Non-cash activities:		
Additions of property, plant and equipment included in accounts payable	\$ 536	\$ 235
Right of use assets obtained in exchange for finance lease liabilities	\$ 292	\$ 390
Right of use assets obtained in exchange for operating lease liabilities	\$ 27,924	\$ 10,807

See notes to Condensed Consolidated Financial Statements (Unaudited)

Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 1 – Nature of Operations and Basis of Presentation

Organization

Distribution Solutions Group, Inc. (“DSG”), a Delaware corporation, is a global specialty distribution company providing value added distribution solutions to the maintenance, repair and operations (“MRO”), original equipment manufacturer (“OEM”) and industrial technology markets.

Unless the context requires otherwise, references in this Quarterly Report on Form 10-Q to “DSG”, the “Company”, “we”, “our” or “us” refer to Distribution Solutions Group, Inc., and all entities consolidated in the accompanying unaudited condensed consolidated financial statements.

Nature of Operations

A summary of the nature of operations for our reportable segments is presented below.

Lawson is a distributor of specialty products and services to the industrial, commercial, institutional and governmental MRO marketplace. Lawson primarily distributes MRO products to its customers through a network of sales representatives and an inside sales channel throughout the United States and Canada.

TestEquity is a distributor of test and measurement equipment and solutions, industrial and electronic production supplies, vendor managed inventory programs, and converting, fabrication and adhesive solutions from its leading manufacturer partners supporting the aerospace and defense, wireless and communication, semiconductors, industrial electronics and automotive, and electronics manufacturing industries.

Gexpro Services is a global supply chain solutions provider, specializing in the development of mission critical production line management, aftermarket and field installation programs.

Canada Branch Division combines the operations of our Bolt and Source Atlantic subsidiaries, which distribute industrial MRO supplies, safety products, fasteners, power tools and related value-add services to the Canadian MRO market through the sale of products and services via warehouse shipments and to its walk-up customers through 36 branch locations.

Basis of Presentation and Consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not contain all disclosures required by GAAP for complete consolidated financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with DSG’s audited consolidated financial statements and accompanying notes included in its Annual Report on Form 10-K for the year ended December 31, 2024, filed with the U.S. Securities and Exchange Commission (“SEC”). All normal recurring adjustments have been made that are necessary to fairly state the results of operations for the interim periods. Operating results for the three and nine-months ended September 30, 2025, are not necessarily indicative of the results that may be expected for the year ending December 31, 2025.

Period-end Dates: The Company and its consolidated subsidiaries, except for the subsidiaries in the Gexpro Services segment, operate on a calendar year-end. Gexpro Services operates on a calendar year-end for annual reporting purposes. However, quarterly financial statements for Gexpro Services are prepared on financial close dates that may differ from that of the Company. For the quarter ended September 30, 2025, there was a three day difference in the period end. The consolidated financial statement impact of the three day difference arising from the different period ends for the quarter ended September 30, 2025 was not material. The Company utilizes the exchange rates in effect at Gexpro Services’ reporting date and the appropriate weighted-average rate for its fiscal reporting period.

Note 2 – Summary of Significant Accounting Policies

There were no significant changes to the Company’s accounting policies from those disclosed in DSG’s Annual Report on Form 10-K for the year ended December 31, 2024. See Note 2 of the 2024 consolidated financial statements included in DSG’s

Annual Report on Form 10-K for the year ended December 31, 2024 for further details of the Company's significant accounting policies.

Recent Accounting Pronouncements - Not Yet Adopted

From time to time, the Financial Accounting Standards Board (the "FASB") or other standards setting bodies issue new accounting pronouncements. The FASB issues updates to new accounting pronouncements through the issuance of an Accounting Standards Update ("ASU"). The Company does not discuss recent pronouncements that are not anticipated to have an impact on, or are unrelated to, its consolidated financial condition, results of operations, cash flows or disclosures.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures to require greater disaggregation of income tax disclosures related to the income tax rate reconciliation and income taxes paid. The pronouncement is effective on a prospective basis for annual periods beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of the adoption on its financial statement disclosures.

In November 2024, the FASB issued ASU 2024-03, Income Statement (Topic 220): Reporting Comprehensive Income, which requires disclosure of disaggregated information about certain income statement expense line items within the notes to the consolidated financial statements. The FASB further clarified the effective date in January 2025 with the issuance of ASU 2025-01, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date. The pronouncement is effective for annual reporting periods beginning after December 15, 2026 and interim reporting periods beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating the impact of the adoption on its financial statement disclosures.

In July 2025, the FASB issued ASU 2025-05, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets, which provides all entities with a practical expedient to assume that current conditions as of the balance sheet date do not change for the remaining life of the assets. The pronouncement is effective on a prospective basis for interim and annual reporting periods beginning after December 15, 2025, with early adoption permitted. The Company is currently evaluating the impact of the adoption on its financial statement disclosures.

In September 2025, the FASB issued ASU 2025-06, Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software, which modernizes the accounting for internal-use software costs by removing all references to prescriptive and sequential software development stages. The new standard requires entities to consider whether significant development uncertainty has been resolved before starting to capitalize software costs and aligns disclosure requirements with ASC 360, Property, Plant, and Equipment. The pronouncement is effective for interim and annual reporting periods beginning after December 15, 2027, and can be applied prospectively, retrospectively, or using a modified transition method, with early adoption permitted. The Company is currently evaluating the impact of the adoption on its financial statement disclosures.

Note 3 – Business and Asset Acquisitions

DSG and its operating companies acquired businesses during the year ended December 31, 2024. The acquisitions were accounted for under ASC 805, the acquisition method of accounting. For each acquisition, the allocation of consideration exchanged to the assets acquired and liabilities assumed was based on estimated acquisition-date fair values. The final valuations will be completed within the one-year measurement period following the respective acquisition date, and any adjustments will be recorded in the period in which the adjustments are determined.

2024 Acquisitions

ConRes Test Equipment

On November 18, 2024, DSG acquired the assets of ConRes Test Equipment, ("ConRes TE" and the "ConRes TE Transaction"), for a purchase price of approximately \$17.0 million. These assets were acquired to expand TestEquity's test equipment offerings and value-add service capabilities in all of our end markets. The results of operations from the additional assets acquired from ConRes TE are included within the TestEquity reportable segment. The acquisition was funded using DSG's cash on hand and its revolving credit facility. This acquisition was accounted for as an asset acquisition because substantially all of the fair value of the acquired assets were concentrated in property, plant and equipment.

The following table summarizes the allocation of consideration exchanged to the estimated fair values of assets acquired and liabilities assumed:

	ConRes TE	
	November 18, 2024 Acquisition Date	
(in thousands)		
Inventory	\$	789
Property, plant and equipment		16,211
Right of use assets		414
Lease liabilities		(414)
Total purchase consideration exchanged, net of cash acquired	\$	17,000
Cash consideration	\$	15,725
Deferred consideration ⁽¹⁾		1,275
Total purchase consideration exchanged, net of cash acquired	\$	17,000

⁽¹⁾ The Company paid \$0.0 million of the ConRes TE deferred consideration during the three and nine months ended September 30, 2025 and \$0.0 million during the year ended December 31, 2024.

Tech-Component Resources Pte Ltd

On October 30, 2024, DSG acquired all of the issued and outstanding capital stock of Tech-Component Resources Pte LTD (“TCR” and the “TCR Transaction”) for a purchase price of approximately \$6.0 million, net of cash acquired of \$1.9 million. TCR is a distributor of fasteners, mechanical components, and other industrial products in Southeast Asia. TCR was acquired to provide us with a strategic foothold in this growing region. The results of operations of TCR are included within the Gexpro Services reportable segment. The acquisition was funded using DSG’s cash on hand and its revolving credit facility.

The following table summarizes the allocation of consideration exchanged to the estimated fair values of assets acquired and liabilities assumed, including the allocation to other intangible assets acquired:

(in thousands)	Tech-Component Resources Pte Ltd		
	October 30, 2024 Acquisition Date	Measurement Period Adjustments	Adjusted Total
Accounts receivable	\$ 923	\$ (53)	\$ 870
Inventory	793	56	849
Other current assets	526	—	526
Property, plant and equipment	17	—	17
Right of use assets	5	—	5
Other intangible assets:			
Customer relationships	2,250	—	2,250
Trade names	1,000	—	1,000
Deferred tax liability, net of deferred tax asset	(641)	—	(641)
Accounts payable	(295)	3	(292)
Lease liabilities	(5)	—	(5)
Accrued expenses and other liabilities	(65)	(30)	(95)
Goodwill	1,372	168	1,540
Total purchase consideration exchanged, net of cash acquired	\$ 5,880	\$ 144	\$ 6,024
Cash consideration	\$ 4,925	\$ 144	\$ 5,069
Deferred consideration ⁽¹⁾	955	—	955
Total purchase consideration exchanged, net of cash acquired	\$ 5,880	\$ 144	\$ 6,024

⁽¹⁾ The Company paid \$0.0 million of the TCR deferred consideration during the three and nine months ended September 30, 2025 and \$0.0 million during the year ended December 31, 2024.

Following the initial fair value measurement, the Company updated the purchase price allocation for TCR primarily related to the ongoing review of the opening balance sheet and revised certain assumptions used in estimating the fair value. The adjustments resulted in a \$0.2 million increase to goodwill. Total purchase consideration, net of cash acquired increased due to working capital and other adjustments in accordance with the purchase agreement of \$0.1 million. The accounting for the TCR Transaction was completed during the third quarter of 2025.

The customer relationships and trade names intangible assets have estimated useful lives of ten years. Goodwill generated from the TCR Transaction is not deductible for tax purposes and is primarily attributable to the benefits we expect to derive from expected synergies, including expanded product and service offerings and cross-selling opportunities.

Source Atlantic

On August 14, 2024, DSG acquired all of the issued and outstanding capital stock of Source Atlantic Limited (“Source Atlantic” and the “Source Atlantic Transaction”) for a purchase price of approximately \$103.5 million, net of cash acquired of \$4.4 million. Source Atlantic, headquartered in Saint John, New Brunswick, Canada, is a wholesale distributor of industrial MRO supplies, safety products, fasteners, and related value-add services for the Canadian MRO market. Source Atlantic has 20 branch locations across Canada with a heavy focus in Eastern Canada. Source Atlantic was acquired to expand DSG’s operating footprint in the Canadian market. The results of operations of Source Atlantic are included within the Canada Branch Division reportable segment. The acquisition was funded with borrowings under the Company’s Amended Credit Agreement. Refer to Note 9 – Debt for information about the Amended Credit Agreement.

The following table summarizes the allocation of consideration exchanged to the estimated fair values of assets acquired and liabilities assumed, including the allocation to other intangible assets acquired:

(in thousands)	Source Atlantic		
	August 14, 2024 Acquisition Date	Measurement Period Adjustments	Adjusted Total
Accounts receivable ⁽¹⁾	\$ 33,679	\$ —	\$ 33,679
Inventory	28,427	(160)	28,267
Other current assets	1,846	—	1,846
Property, plant and equipment	21,217	182	21,399
Right of use assets	6,780	—	6,780
Other intangible assets:			
Customer relationships	11,035	1,242	12,277
Trade names	10,012	804	10,816
Deferred tax liability, net of deferred tax asset	(10,314)	(1,030)	(11,344)
Accounts payable	(17,857)	—	(17,857)
Lease liabilities	(6,780)	—	(6,780)
Accrued expenses and other liabilities	(5,422)	—	(5,422)
Goodwill	30,518	(727)	29,791
Total purchase consideration exchanged, net of cash acquired	\$ 103,141	\$ 311	\$ 103,452
Cash consideration	\$ 98,756	\$ —	\$ 98,756
Deferred consideration ⁽²⁾	4,385	311	4,696
Total purchase consideration exchanged, net of cash acquired	\$ 103,141	\$ 311	\$ 103,452

⁽¹⁾ Accounts receivable had an estimated fair value of \$33.7 million and a gross contractual value of \$34.3 million. The difference represents the Company’s best estimate of the contractual cash flows that will not be collected.

⁽²⁾ The Company paid \$0.0 million and \$1.0 million of the Source Atlantic deferred consideration during the three and nine months ended September 30, 2025, respectively, and \$0.0 million during the year ended December 31, 2024.

Following the initial fair value measurement, the Company updated the purchase price allocation for Source Atlantic primarily related to the ongoing review of the opening balance sheet and revised certain assumptions used in estimating the fair value. The adjustments resulted in a \$2.0 million increase to customer relationships and trade names, a \$0.7 million decrease to goodwill. Total purchase consideration, net of cash acquired increased due to working capital and other adjustments in accordance with the purchase agreement of \$0.3 million. The accounting for the Source Atlantic Transaction was completed during the second quarter of 2025.

The customer relationships and trade names intangible assets have estimated useful lives of 17 years and 8 years, respectively. Goodwill generated from the Source Atlantic Transaction is not deductible for tax purposes and is primarily attributable to the benefits we expect to derive from expected synergies, including expanded product and service offerings and cross-selling opportunities.

S&S Automotive

On May 1, 2024, DSG acquired all of the issued and outstanding capital stock of S&S Automotive Inc. (“S&S Automotive” and the “S&S Automotive Transaction”), with a purchase price of approximately \$80.1 million, net of cash acquired of \$0.7 million. S&S Automotive is a distributor of automotive, industrial, and safety supplies primarily to the automotive dealership market based near Chicago in Woodridge, Illinois. S&S Automotive was acquired to expand Lawson’s services and products to the automotive end market. The results of operations of S&S Automotive are included within the Lawson reportable segment. The acquisition was funded using DSG’s cash on hand and its revolving credit facility.

The following table summarizes the allocation of consideration exchanged to the estimated fair values of assets acquired and liabilities assumed, including the allocation to other intangible assets acquired:

(in thousands)	S&S Automotive		
	May 1, 2024 Acquisition Date	Measurement Period Adjustments	Adjusted Total
Accounts receivable	\$ 4,100	\$ —	\$ 4,100
Inventory	7,100	(203)	6,897
Other current assets	306	—	306
Property, plant and equipment	2,351	(223)	2,128
Right of use assets	7,581	—	7,581
Other intangible assets:			
Customer relationships	30,200	(6,700)	23,500
Trade names	12,200	(300)	11,900
Other assets	35	3	38
Accounts payable	(1,120)	—	(1,120)
Lease liabilities	(7,604)	—	(7,604)
Accrued expenses and other liabilities	(1,989)	—	(1,989)
Goodwill	26,892	7,423	34,315
Total purchase consideration exchanged, net of cash acquired	\$ 80,052	\$ —	\$ 80,052
Cash consideration	\$ 78,659	\$ —	\$ 78,659
Deferred consideration ⁽¹⁾	1,393	—	1,393
Total purchase consideration exchanged, net of cash acquired	\$ 80,052	\$ —	\$ 80,052

⁽¹⁾ The Company paid \$0.0 million and \$0.2 million of the S&S Automotive deferred consideration during the three and nine months ended September 30, 2025, respectively, and \$0.9 million during the year ended December 31, 2024. As of September 30, 2025, there is no deferred consideration remaining.

Following the initial fair value measurement, the Company updated the purchase price allocation for S&S Automotive primarily related to the ongoing review of the opening balance sheet and revised certain assumptions used in estimating the fair value. The adjustments resulted in a \$7.0 million decrease to customer relationships and trade names and a \$7.4 million increase to goodwill. The accounting for the S&S Automotive Transaction was completed during the first quarter of 2025.

The customer relationships and trade names intangible assets have estimated useful lives of 17 years and 8 years, respectively. As a result of the S&S Automotive Transaction, the Company recorded tax deductible goodwill of \$34.3 million

in 2024 that may result in a tax benefit in future periods and is primarily attributable to the benefits we expect to derive from expected synergies, including expanded product and service offerings and cross-selling opportunities.

Emergent Safety Supply

On January 19, 2024, DSG acquired the assets of Safety Supply Illinois LLC, conducting business as Emergent Safety Supply (“ESS” and the “ESS Transaction”), with a purchase price of \$9.9 million. ESS is a national distributor of safety products based near Chicago in Batavia, Illinois. ESS was acquired to expand Lawson’s safety product category. The results of operations of ESS are included within the Lawson reportable segment. The acquisition was funded using DSG’s cash on hand.

The following table summarizes the allocation of consideration exchanged to the estimated fair values of assets acquired and liabilities assumed, including the allocation to other intangible assets acquired:

(in thousands)	Emergent Safety Supply		
	January 19, 2024 Acquisition Date	Measurement Period Adjustments	Adjusted Total
Accounts receivable	\$ 1,363	\$ —	\$ 1,363
Inventory	1,399	—	1,399
Other current assets	10	—	10
Property, plant and equipment	228	—	228
Right of use assets	550	—	550
Other intangible assets:			
Customer relationships	2,700	100	2,800
Trade names	1,400	—	1,400
Other assets	11	—	11
Accounts payable	(205)	—	(205)
Lease liabilities	(550)	—	(550)
Accrued expenses and other liabilities	(25)	11	(14)
Goodwill	2,973	(111)	2,862
Total purchase consideration exchanged, net of cash acquired	\$ 9,854	\$ —	\$ 9,854
Cash consideration	\$ 8,904	\$ —	\$ 8,904
Deferred consideration ⁽¹⁾	950	—	950
Total purchase consideration exchanged, net of cash acquired	\$ 9,854	\$ —	\$ 9,854

⁽¹⁾ The Company paid \$0.8 million of the ESS deferred consideration during the three and nine months ended September 30, 2025 and \$0.2 million during the year ended December 31, 2024. As of September 30, 2025, there is no deferred consideration remaining.

Following the initial fair value measurement, the Company updated the purchase price allocation for ESS primarily related to the ongoing review of the opening balance sheet and revised certain assumptions used in estimating the fair value. The adjustments resulted in a \$0.1 million increase to customer relationships and a \$0.1 million decrease to goodwill. The accounting for the ESS Transaction was completed during the fourth quarter of 2024.

The customer relationships and trade names intangible assets have estimated useful lives of 16 years and 8 years, respectively. As a result of the ESS Transaction, the Company recorded tax deductible goodwill of \$2.9 million in 2024 that may result in a tax benefit in future periods and is primarily attributable to the benefits we expect to derive from expected synergies, including expanded product and service offerings and cross-selling opportunities.

Unaudited Pro Forma Information

The following table presents estimated unaudited pro forma consolidated financial information for DSG as if the acquisitions disclosed above occurred on January 1, 2023 for the acquisitions completed during 2024. The unaudited pro forma information reflects adjustments including amortization on acquired intangible assets, interest expense, and the related tax effects. This information is presented for informational purposes only and is not necessarily indicative of future results or the results that would have occurred had the acquisitions been completed on the date indicated.

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Revenue	\$ 517,958	\$ 496,584	\$ 1,498,424	\$ 1,470,658
Net income (loss)	\$ 6,452	\$ 17,167	\$ 14,716	\$ 6,510

Actual Results of Business Acquisitions

The following table presents actual results attributable to our acquisitions that were included in the unaudited condensed consolidated financial statements for the third quarter of 2024. The results for these acquisitions are only included subsequent to their respective acquisition dates provided above.

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Revenue	\$ 59,094	\$ 38,137	\$ 165,959	\$ 50,537
Net income (loss)	\$ 6,233	\$ 3,916	\$ 10,692	\$ 3,505

The Company incurred transaction and integration costs (credits) related to completed and contemplated acquisitions of \$0.1 million and \$0.0 million for the three and nine months ended September 30, 2025 and \$2.9 million and \$8.5 million for the three and nine months ended September 30, 2024, respectively, which are included in Selling, general and administrative expenses in the Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

Note 4 – Revenue Recognition

Disaggregation of Revenue

The Company's revenue is primarily comprised of product sales to customers. The Company has disaggregated revenue by geographic area and by segment as it most reasonably depicts the amount, timing and uncertainty of revenue and cash flows generated from our contracts with customers. Disaggregated consolidated revenue by geographic area (based on the location to which the product is shipped to):

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
United States	\$ 378,291	\$ 357,164	\$ 1,106,561	\$ 1,041,059
Canada	78,597	55,912	220,564	116,278
Europe	18,295	13,853	48,247	44,700
Pacific Rim	8,510	4,958	23,903	13,447
Latin America	31,055	33,560	89,534	100,740
Other	3,782	2,987	11,422	8,895
Intersegment revenue elimination	(572)	(415)	(1,807)	(1,478)
Total revenue	\$ 517,958	\$ 468,019	\$ 1,498,424	\$ 1,323,641

See Note 14 – Segment Information for disaggregation of revenue by segment.

Rental Revenue

TestEquity rents new and used electronic test and measurement equipment to customers in multiple industries. Lawson leases parts washer machines to customers. This leased equipment is included in Rental equipment, net in the Unaudited Condensed Consolidated Balance Sheets, and rental revenue is included in Revenue in the Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). The unearned rental revenue related to customer prepayments on equipment leases was nominal at September 30, 2025 and December 31, 2024.

Rental revenue from operating leases:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Revenue from operating leases	\$ 6,485	\$ 4,115	\$ 19,715	\$ 12,525

Note 5 – Supplemental Financial Statement Information

Restricted Cash

The Company has agreed to maintain restricted cash of \$13.5 million under agreements with outside parties. During 2024, escrow accounts were established in conjunction with certain business acquisitions, to be released upon meeting certain working capital and other post-closing requirements as of the one-year post-acquisition dates with a balance of \$5.0 million at September 30, 2025. The Company is restricted from withdrawing this balance without the prior consent of the sellers. The remaining restricted cash balance of \$8.5 million represents collateral for certain borrowings under the Amended Credit Agreement, and the Company is restricted from withdrawing this balance without the prior consent of the respective lenders.

Property, Plant and Equipment, net

Components of property, plant and equipment, net were as follows:

(in thousands)	September 30, 2025	December 31, 2024
Land	\$ 16,449	\$ 16,187
Buildings and improvements	65,164	63,935
Machinery and equipment	61,789	55,890
Capitalized software	20,468	12,295
Furniture and fixtures	12,429	13,251
Vehicles	6,601	5,716
Construction in progress ⁽¹⁾	7,775	6,284
Total	190,675	173,558
Accumulated depreciation and amortization	(64,131)	(48,034)
Property, plant and equipment, net	\$ 126,544	\$ 125,524

⁽¹⁾ Construction in progress primarily relates to upgrades to certain of the Company's information technology systems and distribution facilities that we expect to place in service in the next twelve months.

Depreciation expense for property, plant and equipment and amortization expense for capitalized software, which are included in Selling, general and administrative expenses in the Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), were as follows:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Depreciation expense for property, plant and equipment	\$ 4,475	\$ 4,125	\$ 13,938	\$ 11,625
Amortization expense for capitalized software	\$ 1,059	\$ 834	\$ 2,988	\$ 2,503

Rental Equipment, net

Rental equipment, net consisted of the following:

(in thousands)	September 30, 2025	December 31, 2024
Rental equipment	\$ 65,332	\$ 64,160
Accumulated depreciation	(27,878)	(24,784)
Rental equipment, net	\$ 37,454	\$ 39,376

Depreciation expense for rental equipment, which is included in Cost of goods sold in the Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), was as follows:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Depreciation expense for rental equipment	\$ 2,858	\$ 1,693	\$ 8,548	\$ 5,159

Refer to Note 4 – Revenue Recognition for a discussion on the Company’s activities as lessor.

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

(in thousands)	September 30, 2025	December 31, 2024
Accrued compensation	\$ 29,628	\$ 23,800
Accrued and withheld taxes, other than income taxes	10,802	10,178
Deferred revenue	7,620	3,727
Accrued customer rebates	7,388	6,366
Deferred acquisition payments and accrued earnout liabilities	4,970	6,384
Accrued income taxes	2,678	1,703
Accrued severance and acquisition related retention bonus	2,076	2,864
Accrued health benefits	2,011	2,234
Accrued interest	1,329	2,030
Accrued stock-based compensation	903	1,960
Other	18,814	20,013
Total accrued expenses and other current liabilities	\$ 88,219	\$ 81,259

Other Liabilities

Other liabilities consisted of the following:

(in thousands)	September 30, 2025	December 31, 2024
Security bonus plan	\$ 7,363	\$ 7,536
Deferred compensation	12,440	11,455
Other	4,877	7,534
Total other liabilities	\$ 24,680	\$ 26,525

Note 6 – Goodwill and Intangible Assets

Goodwill

Changes in the carrying amount of goodwill by segment were as follows:

(in thousands)	Lawson	TestEquity	Gexpro Services	Canada Branch Division	Total
Balance at December 31, 2024	\$ 192,598	\$ 164,880	\$ 56,342	\$ 48,969	\$ 462,789
Acquisitions ⁽¹⁾	—	—	168	849	1,017
Impact of foreign exchange rates	191	—	1,414	1,613	3,218
Balance at September 30, 2025	\$ 192,789	\$ 164,880	\$ 57,924	\$ 51,431	\$ 467,024

⁽¹⁾ Refer to Note 3 – Business and Asset Acquisitions for information related to measurement period adjustments.

Intangible Assets

The gross carrying amount and accumulated amortization for definite-lived intangible assets were as follows:

(in thousands)	September 30, 2025			December 31, 2024		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Trade names	\$ 141,392	\$ (56,448)	\$ 84,944	\$ 141,654	\$ (45,386)	\$ 96,268
Customer relationships	274,467	(123,924)	150,543	272,051	(100,867)	171,184
Other ⁽¹⁾	7,869	(6,129)	1,740	8,310	(5,999)	2,311
Total	\$ 423,728	\$ (186,501)	\$ 237,227	\$ 422,015	\$ (152,252)	\$ 269,763

⁽¹⁾ Other primarily consists of non-compete agreements.

Amortization expense for definite-lived intangible assets is included in Selling, general and administrative expenses in the Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) as follows:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Amortization expense for intangible assets	\$ 11,650	\$ 11,972	\$ 34,885	\$ 34,924

The estimated aggregate amortization expense for the remaining year 2025 and each of the next four years and thereafter are as follows:

(in thousands)	Amortization
Remaining 2025	\$ 11,760
2026	43,582
2027	38,501
2028	34,214
2029	30,628
Thereafter	78,542
Total	\$ 237,227

Note 7 – Leases

The Company leases property used for warehousing, distribution centers, office space, branch locations, equipment and vehicles. The components of lease cost were as follows (in thousands):

Lease Type	Classification	Three Months Ended September 30,		Nine Months Ended September 30,	
		2025	2024	2025	2024
Operating lease expense ⁽¹⁾	Operating expenses	\$ 7,160	\$ 5,528	\$ 20,978	\$ 17,344
Financing lease amortization	Operating expenses	142	171	441	436
Financing lease interest	Interest expense	27	29	79	78
Financing lease expense		169	200	520	514
Sublease income ⁽²⁾		(190)	(160)	(509)	(266)
Net lease cost		\$ 7,139	\$ 5,568	\$ 20,989	\$ 17,592

⁽¹⁾ Includes short-term lease expense, which is immaterial.

⁽²⁾ The Company subleases excess property to third-party tenants. Sublease income is recognized on a straight-line basis over the sublease agreement and is recorded as an offset to operating lease expense.

The value of net assets and liabilities related to our operating and finance leases as of September 30, 2025 and December 31, 2024 was as follows (in thousands):

Lease Type	September 30, 2025	December 31, 2024
Total right of use operating lease assets	\$ 105,312	\$ 91,962
Total right of use financing lease assets	1,590	1,702
Total lease assets	\$ 106,902	\$ 93,664
Total current operating lease obligation	\$ 19,677	\$ 18,413
Total current financing lease obligation	579	538
Total current lease obligation	\$ 20,256	\$ 18,951
Total long-term operating lease obligation	\$ 92,138	\$ 76,759
Total long-term financing lease obligation	855	999
Total long-term lease obligation	\$ 92,993	\$ 77,758

The value of lease liabilities related to our operating and finance leases and sublease income as of September 30, 2025 was as follows (in thousands):

Maturity Date of Lease Liabilities	Operating Leases	Financing Leases	Total	Sublease Income
Remaining 2025	\$ 7,139	\$ 173	\$ 7,312	\$ 173
2026	26,125	632	26,757	368
2027	24,356	384	24,740	42
2028	21,657	251	21,908	43
2029	17,933	107	18,040	44
Thereafter	45,787	37	45,824	30
Total lease payments	142,997	1,584	144,581	700
Less: Interest	(31,182)	(150)	(31,332)	—
Present value of lease liabilities	\$ 111,815	\$ 1,434	\$ 113,249	\$ 700

The weighted average lease terms and interest rates of leases held as of September 30, 2025 and December 31, 2024 were as follows:

	September 30, 2025		December 31, 2024	
	Operating Leases	Finance Leases	Operating Leases	Finance Leases
Weighted average remaining lease term	6.4 years	3.3 years	6.3 years	3.7 years
Weighted average interest rate	7.4%	7.1%	7.6%	7.3%

The cash outflows of leasing activity for the nine months ended September 30, 2025 and 2024 were as follows (in thousands):

Cash Flow Source	Classification	Nine Months Ended September 30,	
		2025	2024
Operating cash flows from operating leases	Operating activities	\$ (19,506)	\$ (15,516)
Operating cash flows from financing leases	Operating activities	\$ (79)	\$ (77)
Financing cash flows from financing leases	Financing activities	\$ (445)	\$ (462)

Refer to Note 4 – Revenue Recognition for a discussion on the Company’s activities as lessor.

Note 8 – Earnout Liabilities

Frontier Acquisition

On March 31, 2022, Gexpro Services acquired Frontier Technologies Brewton, LLC and Frontier Engineering and Manufacturing Technologies, Inc. ("Frontier"). The consideration for the Frontier acquisition included a potential earn-out payment of up to \$3.0 million based upon the achievement of certain milestones and relative thresholds during the earn-out measurement period, which ended on December 31, 2024, with payments made annually beginning in 2023 and ending in 2025. During the first quarter of 2025, a \$2.0 million earn-out payment was made based on the achievement of certain milestones in 2024 and cumulatively during the earn-out period. No earn-out payment was made in 2024 based on certain milestones not met in 2023. During the first quarter of 2023, a \$1.0 million earn-out payment was made based on the achievement of certain milestones in 2022. No additional payments will be made subsequent to the first quarter of 2025. The fair value of the contingent consideration arrangement was classified as a Level 3 instrument and was determined using a probability-based scenario analysis approach. As of March 31, 2022 (the Frontier acquisition date), December 31, 2024 and September 30, 2025, the fair value of the earn-out was \$0.9 million, \$1.0 million and \$0.0 million, respectively, with amounts recorded in Accrued expenses and other current liabilities in the Unaudited Condensed Consolidated Balance Sheets. The Company recorded expense of \$0.0 million and \$1.0 million for the three and nine months ended September 30, 2025, respectively, and expense of \$0.9 million for both the three and nine months ended September 30, 2024, for changes in the fair value of the earn-out liability, as a component of Change in fair value of earnout liabilities in the Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

Note 9 – Debt

The Company's outstanding long-term debt was comprised of the following:

(in thousands)	September 30, 2025	December 31, 2024
Senior secured revolving credit facility	\$ —	\$ —
Senior secured term loan	206,250	215,625
Senior secured delayed draw term loan	42,500	44,375
Incremental term loans	460,688	479,625
Other revolving line of credit	2,201	226
Total debt	711,639	739,851
Less: current portion of long-term debt	(42,452)	(40,476)
Less: deferred financing costs	(3,648)	(5,472)
Total long-term debt	\$ 665,539	\$ 693,903

On March 31, 2025, the Company entered into the Fourth Amendment to Amended and Restated Credit Agreement (the "Fourth Amendment"), which amended the previous credit agreement dated as of April 1, 2022 (as amended by the First Amendment dated June 8, 2023, the Second Amendment dated June 13, 2024, the Third Amendment dated August 14, 2024, and the Fourth Amendment, the "Amended Credit Agreement"), by and among the Company, certain subsidiaries of the Company as borrowers or guarantors, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent. The Fourth Amendment increased the aggregate amount of restricted payments permitted under the Amended Credit Agreement during any fiscal year, subject to certain conditions, from \$10 million to \$25 million.

As amended, the Amended Credit Agreement provides for (i) a \$255 million senior secured revolving credit facility, with a \$25 million letter of credit sub-facility and a \$10 million swingline loan sub-facility, (ii) a \$250 million senior secured initial term loan facility, (iii) \$505 million of incremental term loans, (iv) a \$50 million senior secured delayed draw term loan facility and (v) the Company to increase the commitments thereunder from time to time by up to \$300 million in the aggregate, subject to, among other things, the receipt of additional commitments from existing and/or new lenders and pro forma compliance with certain financial covenants.

The Company has unused outstanding letters of credit of \$2.3 million as of September 30, 2025. Net of these letters of credit, there was \$252.7 million of borrowing availability under the revolving credit facility as of September 30, 2025.

The Second Amendment dated June 13, 2024 replaced a specified benchmark interest rate for certain loans under the Amended Credit Agreement, whereby effective June 28, 2024, the CDOR Rate was replaced with the CORRA Rate (each as

defined in the Amended Credit Agreement). The additional margin range did not change. As amended, loans under the Amended Credit Agreement bear interest, at the Company's option, at a rate equal to (i) the Alternate Base Rate or the Canadian Prime Rate (each as defined in the Amended Credit Agreement), plus, in each case, an additional margin ranging from 0.0% to 1.75% per annum, depending on the total net leverage ratio of the Company and its restricted subsidiaries as of the most recent determination date under the Amended Credit Agreement or (ii) the Adjusted Term SOFR Rate (as defined in the Amended Credit Agreement) or the CORRA Rate, plus, in each case, an additional margin ranging from 1.0% to 2.75% per annum, depending on the total net leverage ratio of the Company and its restricted subsidiaries as of the most recent determination date under the Amended Credit Agreement.

The Amended Credit Agreement requires that the proceeds of any revolving credit facility loans be used for working capital and general corporate purposes (including, without limitation, permitted acquisitions), and requires that the proceeds of any delayed draw term loan facility be used solely to finance the payment of consideration for acquisitions permitted under the Amended Credit Agreement, and for any fees, costs and expenses incurred in connection therewith.

The Amended Credit Agreement requires the Company to pay certain closing fees, arrangement fees, administration fees, commitment fees, ticking fees and letter of credit fees. These fees are reported as a component of Interest expense in the Consolidated Statements of Operations and Comprehensive Income (Loss) and vary depending on the total net leverage ratio as defined in the Amended Credit Agreement. Fees were nominal in 2025 and 2024.

On August 14, 2024, the Company incurred deferred financing costs of \$1.8 million associated with the Third Amendment. Deferred financing costs of \$3.4 million were incurred during 2023 in connection with the First Amendment dated June 8, 2023, and deferred financing costs of \$4.0 million were incurred during 2022 in connection with the previous credit agreement. Deferred financing costs are amortized over the life of the debt instrument and reported as a component of Interest expense in the Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). Amortization of deferred financing costs was \$0.8 million and \$2.6 million for the three and nine months ended September 30, 2025, respectively, and \$0.8 million and \$2.1 million for the three and nine months ended September 30, 2024, respectively. As of September 30, 2025, total deferred financing costs net of accumulated amortization were \$5.0 million of which \$3.7 million are included in Long-term debt, less current portion, net (related to the senior secured term loan, senior secured delayed draw term loan and incremental term loans) and \$1.3 million are included in Other assets (related to the senior secured revolving credit facility) in the Unaudited Condensed Consolidated Balance Sheets.

Each of the loans under the Amended Credit Agreement mature on April 1, 2027, at which time all outstanding loans, together with all accrued and unpaid interest, must be repaid and the revolving credit facility commitments will terminate. Future maturities of long-term debt are \$40.3 million per year payable in equal quarterly installments during 2025 and 2026, with the remaining balance of \$659.1 million due in 2027 upon maturity. The Company is also required to prepay the term loans with the net cash proceeds from any disposition of certain assets (subject to reinvestment rights) or from the incurrence of any unpermitted debt. The Company may borrow, repay and reborrow the revolving loans until April 1, 2027, prepay any of the term loans, and terminate any of the commitments, in whole or in part, at any time without premium or penalty, subject to certain conditions and the reimbursement of certain lender costs in the case of prepayments of certain types of loans.

Subject to certain exceptions as set forth in the Amended Credit Agreement, the obligations of the Company and its U.S. subsidiaries under the Amended Credit Agreement are guaranteed by the Company and certain of the Company's U.S. subsidiaries and the obligations of each of the Company's Canadian subsidiaries under the Amended Credit Agreement are guaranteed by the Company and certain of its U.S. and Canadian subsidiaries.

Subject to certain exceptions as set forth in the Amended Credit Agreement, the obligations under the Amended Credit Agreement are secured by a first priority security interest in and lien on substantially all assets of the Company, each other borrower and each guarantor.

The Amended Credit Agreement contains various covenants, including financial maintenance covenants requiring the Company to maintain compliance with a consolidated minimum interest coverage ratio and a maximum total net leverage ratio, each determined in accordance with the terms of the Amended Credit Agreement. The Amended Credit Agreement contains various events of default (subject to exceptions, thresholds and grace periods as set forth in the Amended Credit Agreement). Under certain circumstances, a default interest rate will apply on all obligations at a rate equal to 2.0% per annum above the applicable interest rate. The Company was in compliance with all financial covenants as of September 30, 2025.

Note 10 – Stock-Based Compensation

The Company recorded stock-based compensation expense of \$2.4 million and \$4.6 million for the three and nine months ended September 30, 2025, respectively, and expense of \$2.4 million and \$4.3 million for the three and nine months ended September 30, 2024, respectively, in Selling, general and administrative expenses in the Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). A portion of the Company's stock-based awards are liability-classified. Accordingly, changes in the market value of DSG common stock may result in stock-based compensation expense or benefit in certain periods. A stock-based compensation liability of \$0.9 million as of September 30, 2025 and \$2.0 million as of December 31, 2024 was included in Accrued expenses and other current liabilities in the Unaudited Condensed Consolidated Balance Sheets.

Restricted Stock Awards

During the nine months ended September 30, 2025, the Company issued approximately 104,650 restricted stock awards ("RSAs") that vest over one year to five years from the grant date with a grant date fair value of \$3.2 million. Upon vesting, the vested RSAs are exchanged for an equal number of shares of DSG common stock. The participants have no voting or dividend rights under the RSAs. The RSAs are valued at the closing price of the DSG common stock on the date of grant and the expense is recorded ratably over the vesting period.

Stock Options

During the nine months ended September 30, 2025, the Company granted approximately 422,500 stock options with a grant date fair value of \$5.4 million. Stock options vest through the fifth anniversary from the grant date. Each stock option can be exchanged for one share of DSG common stock at the stated exercise price. Upon vesting, stock options are recognized as a component of equity.

The grant date fair value of the stock options issued during the nine months ended September 30, 2025 was estimated using a Black-Scholes valuation model. The weighted average fair value assumptions used in the model were as follows:

Expected volatility	45.6%
Risk-free rate of return	4.1%
Expected term (in years)	6.5
Expected annual dividend	\$0

The expected volatility was based on the historic volatility of the Company's stock price commensurate with the expected life of the stock options. The risk-free rate of return reflects the interest rate offered for zero coupon treasury bonds over the expected life of the stock options. The expected life represents the period of time that options granted are expected to be outstanding and was calculated using the simplified method allowed by the SEC, which approximates our historical experience. The estimated annual dividend was based on the recent dividend payout trend.

Note 11 – Stockholders' Equity**Stock Repurchase Program**

Under an existing stock repurchase program authorized by the Board of Directors, the Company may repurchase its common stock from time to time in open market transactions, privately negotiated transactions or by other methods. During the first nine months of 2025, the Company repurchased 653,213 shares of DSG common stock under the repurchase program at an average cost of \$30.69 per share for a total cost of \$20.0 million. During the first nine months of 2024, the Company repurchased 85,644 shares of DSG common stock under the repurchase program at an average cost of \$30.13 per share for a total cost of \$2.6 million. The remaining availability for stock repurchases under the program was \$6.3 million at September 30, 2025.

Note 12 – Earnings Per Share

The following table provides the computation of basic and diluted earnings per share:

(in thousands, except share and per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Basic income per share:				
Net income (loss)	\$ 6,452	\$ 21,921	\$ 14,716	\$ 18,593
Basic weighted average shares outstanding	46,280,811	46,799,672	46,419,969	46,798,598
Basic income (loss) per share of common stock	\$ 0.14	\$ 0.47	\$ 0.32	\$ 0.40
Diluted income per share:				
Net income (loss)	\$ 6,452	\$ 21,921	\$ 14,716	\$ 18,593
Basic weighted average shares outstanding	46,280,811	46,799,672	46,419,969	46,798,598
Effect of dilutive securities	779,214	760,806	792,943	805,210
Diluted weighted average shares outstanding	47,060,025	47,560,478	47,212,912	47,603,808
Diluted income (loss) per share of common stock	\$ 0.14	\$ 0.46	\$ 0.31	\$ 0.39

The securities that were excluded from the calculation of diluted earnings per share because their inclusion would be anti-dilutive were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Stock options	1,572,056	995,953	1,438,136	989,257
Other stock-based awards	2,004	—	1,238	—

Note 13 – Income Taxes

The Company recorded income tax expense of \$1.9 million, a 23.0% effective tax rate for the three months ended September 30, 2025. An income tax benefit of \$19.0 million, a (652.3)% effective tax rate was recorded for the three months ended September 30, 2024. The effective tax rate for the three months ended September 30, 2025 differs from the U.S. statutory rate primarily due to foreign income and a change in valuation allowances related to interest expense limitation deferred tax assets. The effective tax rate for the three months ended September 30, 2024 differs from the U.S. statutory rate primarily due to foreign income and a change in valuation allowances related to interest expense limitation deferred tax assets.

The Company recorded income tax expense of \$11.0 million, a 42.9% effective tax rate for the nine months ended September 30, 2025. An income tax benefit of \$23.3 million, a 498.1% effective tax rate was recorded for the nine months ended September 30, 2024. The effective tax rate for the nine months ended September 30, 2025 differs from the U.S. statutory rate primarily due to foreign income and a change in valuation allowances related to interest expense limitation deferred tax assets. The effective tax rate for the nine months ended September 30, 2024 differs from the U.S. statutory rate primarily due to foreign income and a change in the valuation allowance related to interest expense limitation deferred tax assets.

The Company and its subsidiaries are subject to U.S. federal income tax, as well as income tax of multiple state and foreign jurisdictions. As of September 30, 2025, the Company is subject to U.S. federal income tax examinations for the years 2022 through 2024 and income tax examinations from various other jurisdictions for the years 2018 through 2024.

Earnings from the Company's foreign subsidiaries are considered to be indefinitely reinvested. A distribution of these non-U.S. earnings in the form of dividends or otherwise would subject the company to foreign withholding taxes and may subject the Company to U.S. federal and state taxes. Determination of the amount of unrecognized deferred tax liability related to indefinitely reinvested profits is not feasible primarily due to the Company's legal entity structure and the complexity of U.S. tax laws.

On July 4, 2025, the U.S. government enacted the One Big Beautiful Bill Act. In accordance with GAAP, the Company accounted for the tax effects of the change in tax law in the period of enactment, which is the third quarter of calendar year 2025. The net impact of these tax law changes was not material to the consolidated financial statements.

Note 14 – Segment Information

The Company's CODM is the Chief Executive Officer of DSG. For each reportable segment, the CODM uses segment operating income (loss) to allocate resources (including employees and financial resources) in a way to manage and grow margins.

The Company has four reporting segments: Lawson, TestEquity, Gexpro Services and Canada Branch Division. A description of our reportable segments is as follows:

Lawson is a distributor of specialty products and services to the industrial, commercial, institutional and governmental MRO marketplace. Lawson primarily distributes MRO products to its customers through a network of sales representatives and an inside sales channel throughout the United States and Canada.

TestEquity is a distributor of test and measurement equipment and solutions, industrial and electronic production supplies, vendor managed inventory programs, and converting, fabrication and adhesive solutions from its leading manufacturer partners supporting the aerospace and defense, wireless and communication, semiconductors, industrial electronics and automotive, and electronics manufacturing industries.

Gexpro Services is a global supply chain solutions provider, specializing in the development of mission critical production line management, aftermarket and field installation programs.

Canada Branch Division combines the operations of our Bolt and Source Atlantic subsidiaries, which distribute industrial MRO supplies, safety products, fasteners, power tools and related value-add services to the Canadian MRO market through the sale of products and services via warehouse shipments and to its walk-up customers through 36 branch locations.

The Company also has an "All Other" category which includes unallocated DSG holding company costs that are not directly attributable to the ongoing operating activities of our reportable segments. There is no revenue associated with the All Other category.

Financial information for the Company's segments and reconciliations of that information to the unaudited condensed consolidated financial statements is presented below.

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Revenue				
Lawson	\$ 121,549	\$ 117,957	\$ 366,324	\$ 357,261
TestEquity	206,479	195,244	590,298	579,874
Gexpro Services	130,525	116,141	377,237	321,926
Canada Branch Division	59,977	39,092	166,372	66,058
Intersegment revenue elimination	(572)	(415)	(1,807)	(1,478)
Total revenue	\$ 517,958	\$ 468,019	\$ 1,498,424	\$ 1,323,641
Cost of goods sold				
Lawson	\$ 55,215	\$ 52,609	\$ 163,182	\$ 160,450
TestEquity	162,879	150,958	462,368	447,608
Gexpro Services	89,609	79,493	259,255	221,341
Canada Branch Division	40,471	26,526	111,012	41,936
Intersegment cost of goods sold elimination	(542)	(415)	(1,783)	(1,478)
Total cost of goods sold	\$ 347,632	\$ 309,171	\$ 994,034	\$ 869,857
Selling, general and administrative expenses				
Lawson	\$ 60,949	\$ 64,622	\$ 183,466	\$ 185,849
TestEquity	40,965	39,957	116,352	133,328
Gexpro Services	27,036	25,105	78,959	75,489
Canada Branch Division	16,012	10,043	49,464	19,276
All Other	1,745	174	5,607	3,954
Total operating expenses	\$ 146,707	\$ 139,901	\$ 433,848	\$ 417,896
Operating income (loss)				
Lawson	\$ 5,385	\$ 726	\$ 19,676	\$ 10,962
TestEquity	2,635	4,329	11,578	(1,062)
Gexpro Services	13,880	11,543	39,023	25,096
Canada Branch Division	3,494	2,523	5,896	4,846
All Other	(1,775)	(174)	(5,631)	(3,954)
Total operating income (loss)	\$ 23,619	\$ 18,947	\$ 70,542	\$ 35,888
Reconciliation to income (loss) before income taxes				
Interest expense	\$ (13,955)	\$ (15,160)	\$ (42,408)	\$ (39,780)
Change in fair value of earnout liabilities	—	(858)	(1,000)	(861)
Other income (expense), net	(1,283)	(15)	(1,377)	82
Income (loss) before income taxes	\$ 8,381	\$ 2,914	\$ 25,757	\$ (4,671)

Segment revenue includes revenue from sales to external customers and intersegment revenue from sales transactions between segments. The Company accounts for intersegment sales similar to third party transactions that are conducted on an arm's-length basis and reflect current market prices. Intersegment revenue is eliminated in consolidation. Segment revenue and the elimination of intersegment revenue was as follows:

(in thousands)	Lawson	TestEquity	Gexpro Services	Canada Branch Division	Elimination	Total
Three Months Ended September 30, 2025						
Revenue from external customers	\$ 121,541	\$ 206,310	\$ 130,192	\$ 59,915	\$ —	\$ 517,958
Intersegment revenue	8	169	333	62	(572)	—
Revenue	<u>\$ 121,549</u>	<u>\$ 206,479</u>	<u>\$ 130,525</u>	<u>\$ 59,977</u>	<u>\$ (572)</u>	<u>\$ 517,958</u>
Three Months Ended September 30, 2024						
Revenue from external customers	\$ 117,953	\$ 195,210	\$ 115,764	\$ 39,092	\$ —	\$ 468,019
Intersegment revenue	4	34	377	—	(415)	—
Revenue	<u>\$ 117,957</u>	<u>\$ 195,244</u>	<u>\$ 116,141</u>	<u>\$ 39,092</u>	<u>\$ (415)</u>	<u>\$ 468,019</u>
Nine Months Ended September 30, 2025						
Revenue from external customers	\$ 366,268	\$ 589,596	\$ 376,259	\$ 166,301	\$ —	\$ 1,498,424
Intersegment revenue	56	702	978	71	(1,807)	—
Revenue	<u>\$ 366,324</u>	<u>\$ 590,298</u>	<u>\$ 377,237</u>	<u>\$ 166,372</u>	<u>\$ (1,807)</u>	<u>\$ 1,498,424</u>
Nine Months Ended September 30, 2024						
Revenue from external customers	\$ 357,204	\$ 579,721	\$ 320,658	\$ 66,058	\$ —	\$ 1,323,641
Intersegment revenue	57	153	1,268	—	(1,478)	—
Revenue	<u>\$ 357,261</u>	<u>\$ 579,874</u>	<u>\$ 321,926</u>	<u>\$ 66,058</u>	<u>\$ (1,478)</u>	<u>\$ 1,323,641</u>

Total assets by segment and long-lived assets by geographic area were as follows:

(in thousands)	September 30, 2025	December 31, 2024
Total assets by segment		
Lawson	\$ 543,100	\$ 524,077
TestEquity	629,821	654,315
Gexpro Services	351,232	331,811
Canada Branch Division	216,899	199,362
All Other	25,474	17,690
Total	<u>\$ 1,766,526</u>	<u>\$ 1,727,255</u>
Long-lived assets by geographic area⁽¹⁾		
United States	\$ 795,829	\$ 818,100
Canada	141,668	138,218
Europe	31,459	30,345
Pacific Rim	6,196	4,751
Latin America	3,357	3,615
Other	—	—
Total	<u>\$ 978,509</u>	<u>\$ 995,029</u>

⁽¹⁾ Long-lived assets include property, plant and equipment, rental equipment, goodwill, intangibles, right of use operating lease assets, and other assets.

Refer to Note 4 – Revenue Recognition for disaggregated revenue by geographic area.

Capital expenditures and depreciation and amortization by segment were as follows:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Capital expenditures				
Lawson	\$ 2,706	\$ 1,277	\$ 7,534	\$ 3,481
TestEquity	7,357	2,974	16,646	7,715
Gexpro Services	588	1,260	2,974	2,808
Canada Branch Division	528	240	1,491	790
All Other	—	—	—	—
Total	\$ 11,179	\$ 5,751	\$ 28,645	\$ 14,794
Depreciation and amortization				
Lawson	\$ 6,666	\$ 6,533	\$ 20,026	\$ 18,131
TestEquity	8,220	7,460	24,628	22,751
Gexpro Services	3,541	3,840	10,526	11,505
Canada Branch Division	1,615	791	5,179	1,824
All Other	—	—	—	—
Total	\$ 20,042	\$ 18,624	\$ 60,359	\$ 54,211

Note 15 – Commitments and Contingencies

Environmental Matter

In 2012, it was determined that a Company-owned site in Decatur, Alabama, contained hazardous substances in the soil and groundwater as a result of historical operations prior to the Company's ownership. The Company retained an environmental consulting firm to further investigate the contamination, prepare a remediation plan, and enroll the site in the Alabama Department of Environmental Management ("ADEM") voluntary cleanup program.

A remediation plan was approved by ADEM in 2018. The plan consisted of chemical injections throughout the affected area, as well as subsequent monitoring of the area. The injection process was completed in the first quarter of 2019 and the environmental consulting firm monitored the affected area. On July 30, 2025, the Company received a letter of concurrence from the ADEM, indicating that all remediation requirements have been satisfactorily fulfilled. Consequently, this matter is considered to be resolved in its entirety, and no additional expenses are anticipated to be incurred subsequent to September 30, 2025, in connection with this issue.

Note 16 – Related Party Transactions

Consulting Services

Individuals employed by LKCM Headwater Operations, LLC, a related party of LKCM, have provided the Company with certain consulting services for interim executive management in addition to assisting in identifying cost savings, revenue enhancements and operational synergies of the combined companies. Expense of \$0.3 million and \$0.8 million for the three and nine months ended September 30, 2025, respectively, and \$0.4 million and \$1.1 million for the three and nine months ended September 30, 2024, respectively, was recorded within Selling, general and administrative expenses in the Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), reflecting expenses incurred for these consulting services.

Significant Shareholder

LKCM, entities affiliated with LKCM and J. Bryan King (President and Chief Executive Officer of DSG and Chairman of the DSG Board of Directors), including private investment partnerships for which LKCM serves as investment manager, beneficially owned in the aggregate approximately 36,357,588 shares of DSG common stock as of September 30, 2025 representing approximately 78.5% of the outstanding shares of DSG common stock as of September 30, 2025.

Leased Properties

In connection with the Company's headquarters move to Fort Worth, Texas in 2023, the Company has been utilizing office space in a building that is leased by LKCM. The Company is not charged any rent or other amounts for the use of the office space.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of DSG’s financial condition and results of operations should be read in conjunction with the unaudited condensed consolidated financial statements and related notes included in this Quarterly Report on Form 10-Q and the audited consolidated financial statements, accompanying notes and other information included in DSG’s Annual Report on Form 10-K filed for the year ended December 31, 2024.

References to “DSG”, the “Company”, “we”, “our” or “us” refer to Distribution Solutions Group, Inc. and all entities consolidated in the accompanying unaudited condensed consolidated financial statements.

Overview

DSG is a multi-platform specialty distribution company providing high touch, value-added distribution solutions to the maintenance, repair and operations (“MRO”), the original equipment manufacturer (“OEM”) and the industrial technologies markets.

We manage and report our operating results through four reportable segments: Lawson, TestEquity, Gexpro Services and Canada Branch Division. A summary of our reportable segments is presented below. For additional details about our segments see Note 1 – Nature of Operations and Basis of Presentation and Note 14 – Segment Information, within Item 1. Financial Statements.

Lawson is a distributor of specialty products and services to the industrial, commercial, institutional and governmental MRO marketplace. Lawson primarily distributes MRO products to its customers through a network of sales representatives and an inside sales channel throughout the United States and Canada.

TestEquity is a distributor of test and measurement equipment and solutions, industrial and electronic production supplies, vendor managed inventory programs, and converting, fabrication and adhesive solutions from its leading manufacturer partners supporting the aerospace and defense, wireless and communication, semiconductors, industrial electronics and automotive, and electronics manufacturing industries.

Gexpro Services is a global supply chain solutions provider, specializing in the development of mission critical production line management, aftermarket and field installation programs.

Canada Branch Division combines the operations of our Bolt Supply House (“Bolt”) and Source Atlantic Limited subsidiaries, which distribute industrial MRO supplies, safety products, fasteners, power tools and related value-add services to the Canadian MRO market through the sale of products and services via warehouse shipments and to its walk-up customers through 36 branch locations.

In addition to these four reportable segments, we have an “All Other” category which includes unallocated DSG holding company costs that are not directly attributable to the ongoing operating activities of our reportable segments.

Organic Growth Strategy

We intend to grow our businesses organically by exploring growth opportunities that provide different channels to reach customers, increase revenue and generate positive results. We plan to utilize our Company structure to grow organic revenue through collaborative selling across our diverse customer base and expanding the digital capabilities across our platform.

Acquisition Strategy

In addition to organic growth, we plan to actively pursue acquisition opportunities complementary to our businesses and that we believe will be financially accretive to our organization.

Sales Drivers

DSG believes that the Purchasing Managers Index (“PMI”) published by the Institute for Supply Management is an indicative measure of the relative strength of the economic environment of the industry in which it operates. The PMI is a composite index of economic activity in the U.S. manufacturing sector. A measure of the PMI index above 50 is generally viewed as indicating an expansion of the manufacturing sector while a measure below 50 is generally viewed as representing a

contraction. The average monthly PMI was 49.1 in the nine months ended September 30, 2025, compared to 48.3 in the nine months ended September 30, 2024.

Lawson Sales Drivers

The North American MRO market is highly fragmented. Lawson competes for business with several national distributors as well as a large number of regional and local distributors. The MRO business is impacted by the overall strength of the manufacturing sector of the U.S. economy.

Lawson's revenue is also influenced by the number of sales representatives and their productivity. Lawson plans to continue concentrating its efforts on increasing the productivity and size of its sales team. Additionally, Lawson drives revenue through the expansion of products sold to existing customers as well as attracting new customers and additional ship-to locations. Lawson also utilizes an inside sales team to help drive field sales representative productivity and also utilizes an e-commerce site to generate sales.

TestEquity Sales Drivers

The North American market for test and measurement, industrial, and electronic production supplies is highly fragmented, with competition ranging from global to regional distributors. TestEquity stands out through its portfolio of specialized brands, technical knowledge, and digital platforms, each tailored to serve specific needs across the electronics lifecycle. These brands maintain unique identities and address every stage of the electronics process—from R&D to assembly and ongoing maintenance. This multi-brand approach enables TestEquity to offer an extensive product range, expert support, and tailored technical solutions, positioning it as a trusted partner across diverse customer requirements.

Revenue growth is fueled by TestEquity's comprehensive catalog of test and measurement equipment, electronic production supplies, and industrial tools, supported by a high-touch, consultative sales model. Strategic acquisitions have expanded its customer base and strengthened recurring rental revenue. We believe that continued investments in e-commerce, rising demand from high-growth sectors like aerospace and telecommunications, and TestEquity's strong positioning as a preferred vendor amid supplier consolidation will contribute to sustained momentum and long-term value creation.

Gexpro Services Sales Drivers

The global supply chain solutions market is highly fragmented across Gexpro Services' key vertical segments. Gexpro Services' competitors range from large global distributors and manufacturers to small regional domestic distributors and manufacturers. Gexpro Services' revenue is influenced by our OEMs' production schedules, new product introduction launches, and service project needs.

Gexpro Services' strategy is to increase revenue through increasing wallet share with existing customers, customer-led geographic expansion, new customer development in its six key vertical markets and leveraging its portfolio of recent acquisitions to expand its installation and aftermarket services.

Canada Branch Division Sales Drivers

Canada Branch Division combines the operations of our Bolt and Source Atlantic subsidiaries, which distribute industrial MRO supplies, safety products, fasteners, power tools and related value-add services to the Canadian MRO market through the sale of products and services via warehouse shipments and to its walk-up customers through 36 branch locations. Source Atlantic was acquired to expand DSG's operating footprint in the Canadian market.

Canada Branch Division's strategy is to grow revenue through increasing wallet share with existing customers, via introduction of new product lines and services in geographic areas that were underserved previously. Additionally, Canada Branch Division will engage new customers and additional ship-to locations with its national sales team.

Supply Chain Disruptions

We continue to be affected by rising supplier costs caused by inflation and increased tariffs, transportation and labor costs. We have instituted various price increases during 2024 and 2025 in response to rising supplier costs including tariffs, as well as increased transportation and labor costs in order to attempt to manage our gross profit margins.

Critical Accounting Policies and Use of Estimates

The unaudited condensed consolidated financial statements were prepared in accordance with GAAP. A discussion of our critical accounting policies and estimates is contained within Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations in DSG’s Annual Report on Form 10-K for the year ended December 31, 2024. There have been no significant changes to our previously disclosed critical accounting policies and use of estimates. The following provides information on the accounts requiring more significant estimates.

Income Taxes - Deferred tax assets or liabilities reflect temporary differences between amounts of assets and liabilities for financial and tax reporting. Such amounts are adjusted, as appropriate, to reflect changes in enacted tax rates expected to be in effect when the temporary differences reverse. Significant judgment is required in determining income tax provisions as well as deferred tax asset and liability balances, including the estimation of valuation allowances and the evaluation of uncertain tax positions.

Goodwill Impairment - Goodwill represents the cost of business acquisitions in excess of the fair value of identifiable net tangible and intangible assets acquired. The Company reviews goodwill for potential impairment annually on October 1st, or when an event or other circumstances change that would more likely than not reduce the fair value of the asset below its carrying value.

The first step in the multi-step process to determine if goodwill has been impaired and to what degree is to review the relevant qualitative factors that could cause the fair value of the reporting unit to decrease below the carrying value of the reporting unit. The Company considers factors such as macroeconomic, industry and market conditions, cost factors, overall financial performance and other relevant factors that would affect the individual reporting units. If the Company determines that it is more likely than not that the fair value of the reporting unit is greater than the carrying value of the reporting unit, then no further impairment testing is needed. If the Company determines that it is more likely than not that the carrying value of the reporting unit is greater than the fair value of the reporting unit, the Company will move to the next step in the process. The Company will estimate the fair value of the reporting unit and compare it to the reporting unit’s carrying value. If the carrying value of the reporting unit exceeds its fair value, the Company will record an impairment of goodwill equal to the amount the carrying value of the reporting unit exceeds its fair value, up to the total amount of goodwill previously recognized.

Business Combinations - We allocate the purchase price paid for assets acquired and liabilities assumed in connection with our acquisitions based on their estimated fair values at the time of acquisition. This allocation involves a number of assumptions, estimates, and judgments in determining the fair value, as of the acquisition date, of the following:

- intangible assets, including the valuation methodology (the relief of royalty method for trade names and multi-period excess earnings method for customer relationships), estimations of future cash flows, discount rates, royalty rates, recurring revenue attributed to customer relationships, and our assumed market segment share, as well as the estimated useful life of intangible assets;
- deferred tax assets and liabilities, uncertain tax positions, and tax-related valuation allowances;
- inventory;
- property, plant and equipment;
- pre-existing liabilities or legal claims;
- contingent consideration, including estimating the likelihood and timing of achieving the relevant thresholds; and
- goodwill as measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed.

Our assumptions and estimates are based upon comparable market data and information obtained from our management and the management of the acquired companies. We allocate goodwill to the reporting units of the business that are expected to benefit from the business combination.

Factors Affecting Comparability to Prior Periods

Our results of operations are not directly comparable on a year-over-year basis due to various prior acquisitions. We account for acquisitions under Accounting Standards Codification 805, Business Combinations (“ASC 805”). Accordingly, the results of acquisitions are only included subsequent to their respective acquisition dates. Refer to Note 3 – Business and Asset Acquisitions within Item 1. Financial Statements for a description of each acquisition completed in 2024 and the reportable segment in which each acquisition’s respective results of operations are included.

Non-GAAP Financial Measures

The Company's management believes that certain non-GAAP financial measures may provide users of this financial information with 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, seasonal or non-operational items that impact the overall comparability. These 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.

Non-GAAP Adjusted EBITDA

Management believes Adjusted EBITDA is an important measure of the Company's operating performance and may provide investors with additional meaningful comparisons between current results and results in prior operating periods because Adjusted EBITDA excludes certain non-operational or non-cash items whose fluctuations from period to period do not necessarily correspond to changes in the operating performance of our business and consequently may impact the overall comparability from period to period. We define Adjusted EBITDA as operating income plus depreciation and amortization, stock-based compensation, severance and acquisition related retention costs, costs related to the execution and integration of acquisitions, amortization of the fair value step-up of inventory resulting from acquisitions and other non-recurring items. Management uses operating income and Adjusted EBITDA to evaluate the performance of its reportable segments. See Note 14 – Segment Information within Item 1. Financial Statements for additional information about our reportable segments.

The following table provides a reconciliation of Net income (loss) to Adjusted EBITDA on a consolidated basis and Operating income (loss) to Adjusted EBITDA by segment for the three and nine months ended September 30, 2025 and 2024. A reconciliation of Net income (loss) to Adjusted EBITDA by segment is not provided because management does not determine or review net income at the segment level and does not allocate non-operating costs and expenses to its segments, such as income taxes, interest expense, and various other non-operating income and expense.

Reconciliation of Net Income (Loss) to Non-GAAP Adjusted EBITDA (Unaudited)

	Three Months Ended September 30, 2025					
(in thousands)	Lawson	TestEquity	Gexpro Services	Canada Branch Division	All Other	Consolidated
Net income (loss)						\$ 6,452
Income tax expense (benefit)						1,929
Other income (expense), net						1,283
Interest expense						13,955
Operating income (loss)	\$ 5,385	\$ 2,635	\$ 13,880	\$ 3,494	\$ (1,775)	\$ 23,619
Depreciation and amortization	6,666	8,220	3,541	1,615	—	20,042
Stock-based compensation ⁽¹⁾	1,025	925	60	—	390	2,400
Severance and acquisition related retention expenses ⁽²⁾	840	486	276	492	—	2,094
Acquisition related costs ⁽³⁾	(17)	58	(2)	48	—	87
Inventory step-up ⁽⁴⁾	—	—	—	—	—	—
Other non-recurring ⁽⁵⁾	60	27	—	128	—	215
Adjusted EBITDA	<u>\$ 13,959</u>	<u>\$ 12,351</u>	<u>\$ 17,755</u>	<u>\$ 5,777</u>	<u>\$ (1,385)</u>	<u>\$ 48,457</u>

Three Months Ended September 30, 2024

(in thousands)	Lawson	TestEquity	Gexpro Services	Canada Branch Division	All Other	Consolidated
Net income (loss)						\$ 21,921
Income tax expense (benefit)						(19,007)
Other income (expense), net						15
Change in fair value of earnout liabilities						858
Interest expense						15,160
Operating income (loss)	\$ 726	\$ 4,329	\$ 11,543	\$ 2,523	\$ (174)	\$ 18,947
Depreciation and amortization	6,533	7,460	3,840	791	—	18,624
Stock-based compensation ⁽¹⁾	2,209	65	—	—	158	2,432
Severance and acquisition related retention expenses ⁽²⁾	2,269	1,275	13	11	—	3,568
Acquisition related costs ⁽³⁾	2,967	875	462	—	(1,403)	2,901
Inventory step-up ⁽⁴⁾	432	—	—	694	—	1,126
Other non-recurring ⁽⁵⁾	337	380	538	—	257	1,512
Adjusted EBITDA	<u>\$ 15,473</u>	<u>\$ 14,384</u>	<u>\$ 16,396</u>	<u>\$ 4,019</u>	<u>\$ (1,162)</u>	<u>\$ 49,110</u>

Nine Months Ended September 30, 2025

(in thousands)	Lawson	TestEquity	Gexpro Services	Canada Branch Division	All Other	Consolidated
Net income (loss)						\$ 14,716
Income tax expense (benefit)						11,041
Other income (expense), net						1,377
Change in fair value of earnout liabilities						1,000
Interest expense						42,408
Operating income (loss)	\$ 19,676	\$ 11,578	\$ 39,023	\$ 5,896	\$ (5,631)	\$ 70,542
Depreciation and amortization	20,026	24,628	10,526	5,179	—	60,359
Stock-based compensation ⁽¹⁾	2,323	1,261	78	—	962	4,624
Severance and acquisition related retention expenses ⁽²⁾	1,793	1,351	319	614	—	4,077
Acquisition related costs ⁽³⁾	97	(206)	(134)	196	34	(13)
Inventory step-up ⁽⁴⁾	—	—	—	—	—	—
Other non-recurring ⁽⁵⁾	60	27	—	128	—	215
Adjusted EBITDA	<u>\$ 43,975</u>	<u>\$ 38,639</u>	<u>\$ 49,812</u>	<u>\$ 12,013</u>	<u>\$ (4,635)</u>	<u>\$ 139,804</u>

Nine Months Ended September 30, 2024

(in thousands)	Lawson	TestEquity	Gepro Services	Canada Branch Division	All Other	Consolidated
Net income (loss)						\$ 18,593
Income tax expense (benefit)						(23,264)
Other income (expense), net						(82)
Change in fair value of earnout liabilities						861
Interest expense						39,780
Operating income (loss)	\$ 10,962	\$ (1,062)	\$ 25,096	\$ 4,846	\$ (3,954)	\$ 35,888
Depreciation and amortization	18,131	22,751	11,505	1,824	—	54,211
Stock-based compensation ⁽¹⁾	3,588	225	—	—	510	4,323
Severance and acquisition related retention expenses ⁽²⁾	4,664	17,611	277	45	—	22,597
Acquisition related costs ⁽³⁾	6,654	1,538	917	—	(656)	8,453
Inventory step-up ⁽⁴⁾	1,066	—	—	694	—	1,760
Other non-recurring ⁽⁵⁾	337	380	2,152	—	257	3,126
Adjusted EBITDA	<u>\$ 45,402</u>	<u>\$ 41,443</u>	<u>\$ 39,947</u>	<u>\$ 7,409</u>	<u>\$ (3,843)</u>	<u>\$ 130,358</u>

⁽¹⁾ Expense (benefit) primarily for stock-based compensation, of which a portion varies with the Company's stock price.

⁽²⁾ Includes severance expense from actions taken not related to a formal restructuring plan and acquisition related retention expenses.

⁽³⁾ Transaction and integration costs related to acquisitions.

⁽⁴⁾ Inventory fair value step-up adjustment for acquisition accounting related to acquisitions completed.

⁽⁵⁾ Other non-recurring costs consist of certain non-recurring strategic projects and other non-recurring items.

Intersegment Transactions

Segment revenue and Operating income (loss) by reportable segment includes sales to external customers and sales transactions between our segments, referred to as intersegment revenue, and the impact of those intersegment revenue transactions on operating activities. Reconciliations of segment revenue and Operating income (loss) to our consolidated results of operations in the unaudited condensed consolidated financial statements are provided in Note 14 – Segment Information within Item 1. Financial Statements.

RESULTS OF OPERATIONS

Three Months Ended September 30, 2025 Compared to Three Months Ended September 30, 2024

Consolidated Results of Operations

(Dollars in thousands)	Three Months Ended September 30,			
	2025		2024	
	Amount	% of Revenue	Amount	% of Revenue
Revenue				
Lawson	\$ 121,549	23.5%	\$ 117,957	25.2%
TestEquity	206,479	39.9%	195,244	41.7%
Gexpro Services	130,525	25.2%	116,141	24.8%
Canada Branch Division	59,977	11.6%	39,092	8.4%
Intersegment revenue elimination	(572)	(0.2)%	(415)	(0.1)%
Total Revenue	517,958	100.0%	468,019	100.0%
Cost of goods sold				
Lawson	55,215	10.7%	52,609	11.2%
TestEquity	162,879	31.4%	150,958	32.3%
Gexpro Services	89,609	17.3%	79,493	17.0%
Canada Branch Division	40,471	7.8%	26,526	5.7%
Intersegment cost of goods sold elimination	(542)	(0.1)%	(415)	(0.1)%
Total Cost of goods sold	347,632	67.1%	309,171	66.1%
Gross profit	170,326	32.9%	158,848	33.9%
Selling, general and administrative expenses				
Lawson	60,949	11.8%	64,622	13.8%
TestEquity	40,965	7.9%	39,957	8.5%
Gexpro Services	27,036	5.2%	25,105	5.4%
Canada Branch Division	16,012	3.1%	10,043	2.1%
All Other	1,745	0.3%	174	—%
Total Selling, general and administrative expenses	146,707	28.3 %	139,901	29.9%
Operating income (loss)	23,619	4.6%	18,947	4.0%
Interest expense	(13,955)	(2.7)%	(15,160)	(3.2)%
Change in fair value of earnout liabilities	—	—%	(858)	(0.2)%
Other income (expense), net	(1,283)	(0.3)%	(15)	—%
Income (loss) before income taxes	8,381	1.6%	2,914	0.6%
Income tax expense (benefit)	1,929	0.4%	(19,007)	(4.1)%
Net income (loss)	\$ 6,452	1.2%	\$ 21,921	4.7%

Overview of Consolidated Results of Operations

Our consolidated revenue increased \$49.9 million in the third quarter of 2025 compared to the third quarter of 2024 primarily driven by \$23.3 million from acquisitions completed in 2024 and an increase in organic revenue of \$26.6 million or 6.0%. Consolidated gross profit and Selling, general and administrative expenses also increased in the third quarter of 2025 compared to the prior year quarter, primarily driven by the inclusion of the S&S Automotive, Source Atlantic, TCR and ConRes TE acquisitions completed in 2024.

Refer to Results by Reportable Segment below for a complete discussion of our results of operations.

Results by Reportable Segment
Lawson Segment

(Dollars in thousands)	Three Months Ended September 30,			Change	
	2025	2024	Amount	%	
Revenue from external customers	\$ 121,541	\$ 117,953	\$ 3,588	3.0 %	
Intersegment revenue	8	4	4	100.0 %	
Revenue	121,549	117,957	3,592	3.0 %	
Cost of goods sold	55,215	52,609	2,606	5.0 %	
Gross profit	66,334	65,348	986	1.5 %	
Selling, general and administrative expenses	60,949	64,622	(3,673)	(5.7)%	
Operating income (loss)	\$ 5,385	\$ 726	\$ 4,659	641.7 %	
Gross profit margin	54.6 %	55.4 %			
Adjusted EBITDA ⁽¹⁾	\$ 13,959	\$ 15,473	\$ (1,514)	(9.8)%	

⁽¹⁾ Refer to the Non-GAAP Adjusted EBITDA section in Overview for a reconciliation of Adjusted EBITDA to operating income.

Revenue and Gross Profit

Revenue increased \$3.6 million, or 3.0%, to \$121.5 million in the third quarter of 2025 compared to \$118.0 million in the third quarter of 2024. The increase was primarily driven by increased sales to Lawson's strategic, government, and automotive customers.

Gross profit increased \$1.0 million, or 1.5%, to \$66.3 million in the third quarter of 2025 compared to gross profit of \$65.3 million in the prior year quarter primarily as a result of the increase in revenue. Lawson gross profit as a percent of revenue was 54.6% in the third quarter of 2025 compared to 55.4% in the prior year quarter. The gross profit margin percentage decrease was primarily due to increased vendor costs and higher tariff rates on inbound freight partially offset by lower amortization of the fair value step-up of inventory of \$0.4 million related to the S&S Automotive Transaction and customer price increases.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of compensation and support for Lawson sales representatives and expenses to operate Lawson's distribution network and overhead expenses.

Selling, general and administrative expenses decreased \$3.7 million to \$60.9 million in the third quarter of 2025 compared to \$64.6 million in the prior year quarter. The decrease was primarily driven by a decrease in severance expense, merger and acquisition expenses and stock based compensation of \$1.4 million, \$3.0 million and \$1.2 million, respectively. The decrease was partially offset by increased employee related expenses due to increased headcount, annual incentives and health insurance.

Adjusted EBITDA

During the three months ended September 30, 2025, Lawson generated Adjusted EBITDA of \$14.0 million, or 11.5% of sales. This is a decrease of \$1.5 million from the same period a year ago primarily driven by higher employee related costs and a lower gross profit margin percentage partially offset by increased revenue.

TestEquity Segment

(Dollars in thousands)	Three Months Ended September 30,		Change	
	2025	2024	Amount	%
Revenue from external customers	\$ 206,310	\$ 195,210	\$ 11,100	5.7 %
Intersegment revenue	169	34	135	397.1 %
Revenue	206,479	195,244	11,235	5.8 %
Cost of goods sold	162,879	150,958	11,921	7.9 %
Gross profit	43,600	44,286	(686)	(1.5)%
Selling, general and administrative expenses	40,965	39,957	1,008	2.5 %
Operating income (loss)	\$ 2,635	\$ 4,329	\$ (1,694)	(39.1)%
Gross profit margin	21.1 %	22.7 %		
Adjusted EBITDA ⁽¹⁾	\$ 12,351	\$ 14,384	\$ (2,033)	(14.1)%

⁽¹⁾ Refer to the Non-GAAP Adjusted EBITDA section in Overview for a reconciliation of Adjusted EBITDA to operating income.

Revenue and Gross Profit

Revenue increased \$11.2 million, or 5.8%, to \$206.5 million in the third quarter of 2025 compared to \$195.2 million in the third quarter of 2024. The increase was primarily driven by a \$8.0 million increase in test and measurement sales, a \$1.0 million increase in rental revenue and \$2.0 million of additional revenue generated from the 2024 acquisition of ConRes TE.

Gross profit decreased \$0.7 million to \$43.6 million in the third quarter of 2025 compared to gross profit of \$44.3 million in the prior year quarter. The decrease was primarily driven by \$1.2 million of higher depreciation expense due to the expansion of the rental equipment fleet from the 2024 acquisition of ConRes TE. TestEquity gross profit as a percent of revenue decreased to 21.1% in the third quarter of 2025 compared to 22.7% in the prior year quarter primarily due to higher depreciation expense on the expanded rental equipment fleet and a shift in sales toward test and measurement which have lower margins.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of compensation and support for TestEquity's sales representatives and expenses to operate TestEquity's distribution network and overhead expenses.

Selling, general and administrative expenses increased \$1.0 million to \$41.0 million in the third quarter of 2025 compared to \$40.0 million in the prior year quarter. The increase was primarily driven by an increase in stock based compensation of \$0.9 million, \$0.6 million of higher bad debt expense and \$0.6 million of higher employee related expenses, partially offset by lower severance and acquisition related retention expenses of \$0.8 million, lower merger and acquisition expenses of \$0.8 million and a higher gain on the sale of rental equipment of \$0.4 million.

Adjusted EBITDA

During the three months ended September 30, 2025, TestEquity generated Adjusted EBITDA of \$12.4 million or 6.0% of sales. This is a decrease of \$2.0 million from the same period a year ago, which was primarily driven by lower gross profit margins, partially offset by net margins of \$2.6 million generated from 2024 acquisitions.

Gexpro Services Segment

(Dollars in thousands)	Three Months Ended September 30,		Change	
	2025	2024	Amount	%
Revenue from external customers	\$ 130,192	\$ 115,764	\$ 14,428	12.5 %
Intersegment revenue	333	377	(44)	(11.7)%
Revenue	130,525	116,141	14,384	12.4 %
Cost of goods sold	89,609	79,493	10,116	12.7 %
Gross profit	40,916	36,648	4,268	11.6 %
Selling, general and administrative expenses	27,036	25,105	1,931	7.7 %
Operating income (loss)	<u>\$ 13,880</u>	<u>\$ 11,543</u>	<u>\$ 2,337</u>	<u>20.2 %</u>
Gross profit margin	31.3 %	31.6 %		
Adjusted EBITDA ⁽¹⁾	\$ 17,755	\$ 16,396	\$ 1,359	8.3 %

⁽¹⁾ Refer to the Non-GAAP Adjusted EBITDA section in Overview for a reconciliation of Adjusted EBITDA to operating income.

Revenue and Gross Profit

Revenue increased \$14.4 million, or 12.4%, to \$130.5 million in the third quarter of 2025 compared to \$116.1 million in the third quarter of 2024. The increase in revenue was primarily driven by increased sales in the renewable energy, aerospace and defense and industrial power vertical markets of \$5.7 million, \$4.4 million and \$3.0 million, respectively, and additional revenue generated from the 2024 acquisition of TCR of \$1.2 million.

Gross profit increased \$4.3 million to \$40.9 million in the third quarter of 2025 compared to gross profit of \$36.6 million in the prior year quarter, primarily due to higher revenue. Gexpro Services gross profit as a percent of revenue decreased to 31.3% in the third quarter of 2025 compared to 31.6% in the prior year quarter as a result of a shift in sales toward lower margin profile projects.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of sales and marketing expenses primarily relating to compensation, costs associated with supporting Gexpro Services' service facilities, overhead expenses within finance, legal, human resources and information technology, and other costs required to operate Gexpro Services' business.

Selling, general, and administrative expenses increased \$1.9 million to \$27.0 million in the third quarter of 2025 compared to \$25.1 million in the prior year quarter primarily driven by investments to drive the increase in Gexpro Services' revenue and increased expenses of \$0.7 million driven by the 2024 acquisition of TCR.

Adjusted EBITDA

During the three months ended September 30, 2025, Gexpro Services generated Adjusted EBITDA of \$17.8 million or 13.6% of sales. This is an increase of \$1.4 million from the same period a year ago primarily driven by higher organic revenue, gross profit margin management and leveraging its Selling, general, and administrative expenses over a higher sales base.

Canada Branch Division Segment

(Dollars in thousands)	Three Months Ended September 30,		Change	
	2025	2024	Amount	%
Revenue from external customers	\$ 59,915	\$ 39,092	\$ 20,823	53.3 %
Intersegment revenue	62	—	62	— %
Revenue	59,977	39,092	20,885	53.4 %
Cost of goods sold	40,471	26,526	13,945	52.6 %
Gross profit	19,506	12,566	6,940	55.2 %
Selling, general and administrative expenses	16,012	10,043	5,969	59.4 %
Operating income (loss)	<u>\$ 3,494</u>	<u>\$ 2,523</u>	<u>\$ 971</u>	<u>38.5 %</u>
Gross profit margin	32.5 %	32.1 %		
Adjusted EBITDA ⁽¹⁾	\$ 5,777	\$ 4,019	\$ 1,758	43.7 %

⁽¹⁾ Refer to the Non-GAAP Adjusted EBITDA section in Overview for a reconciliation of Adjusted EBITDA to operating income.

Revenue and Gross Profit

Revenue increased \$20.9 million to \$60.0 million in the third quarter of 2025 compared to \$39.1 million in the third quarter of 2024 primarily driven by \$20.1 million of additional revenue generated by the 2024 acquisition of Source Atlantic which was included for the full quarter of 2025 versus a partial quarter in 2024.

Gross profit increased \$6.9 million to \$19.5 million in the third quarter of 2025 compared to gross profit of \$12.6 million in the prior year quarter primarily from the inclusion of additional gross profit of \$6.9 million from the 2024 acquisition of Source Atlantic. Gross profit as a percent of revenue increased to 32.5% in the third quarter of 2025 compared to 32.1% in the prior year quarter primarily due to an increase in the gross profit margin profile of Source Atlantic as a result of executing on acquisition related synergy plans and lower inventory step up amortization of \$0.7 million from the Source Atlantic acquisition.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for Canada Branch Division consist of compensation, expenses to operate its distribution network and branch locations and overhead expenses.

Selling, general and administrative expenses increased \$6.0 million to \$16.0 million in the third quarter of 2025 compared to \$10.0 million in the prior year quarter. Approximately \$5.9 million of the increased expenses was driven by the 2024 acquisition of Source Atlantic.

Adjusted EBITDA

During the three months ended September 30, 2025, Canada Branch Division generated Adjusted EBITDA of \$5.8 million, or 9.6% of sales. This is an increase of \$1.8 million from the same period a year ago, primarily driven by approximately \$1.8 million of adjusted EBITDA generated by the 2024 acquisition of Source Atlantic.

Consolidated Non-operating Income and Expense

(Dollars in thousands)	Three Months Ended September 30,		Change	
	2025	2024	Amount	%
Interest expense	\$ (13,955)	\$ (15,160)	\$ 1,205	(7.9)%
Change in fair value of earnout liabilities	\$ —	\$ (858)	\$ 858	(100.0)%
Other income (expense), net	\$ (1,283)	\$ (15)	\$ (1,268)	N/M
Income tax expense (benefit)	\$ 1,929	\$ (19,007)	\$ 20,936	N/M

^{N/M} Not meaningful

Interest Expense

Interest expense decreased \$1.2 million in the third quarter of 2025 compared to the prior year quarter primarily due to lower outstanding borrowings.

Change in Fair Value of Earnout Liabilities

The \$0.9 million expense in the third quarter of 2024 related to the change in fair value of the earnout liabilities associated with the Frontier acquisition.

Other Income (Expense), Net

Other income (expense), net consists of effects of changes in foreign currency exchange rates, interest income, net and other non-operating income and expenditures. The \$1.3 million change in the third quarter of 2025 compared to the same period of 2024 is primarily due to unfavorable changes in foreign currency exchange rates.

Income Tax Expense (Benefit)

Income tax expense was \$1.9 million, a 23.0% effective tax rate for the three months ended September 30, 2025 compared to an income tax benefit of \$19.0 million and a (652.3)% effective tax rate for the three months ended September 30, 2024. The change in the year-over-year effective tax rate was primarily due to a change in valuation allowances related to interest expense limitation on deferred tax assets, state taxes and foreign income. The income tax expense recorded in the third quarter of 2025 is based on the estimated year-end effective tax rate. Limitations on the deductibility of interest expense and other permanent items on a nominal pre-tax income amount drove the higher effective tax rate in 2024.

Nine Months Ended September 30, 2025 Compared to Nine Months Ended September 30, 2024
Consolidated Results of Operations

(Dollars in thousands)	Nine Months Ended September 30,			
	2025		2024	
	Amount	% of Net Sales	Amount	% of Net Sales
Revenue				
Lawson	\$ 366,324	24.4 %	\$ 357,261	27.0 %
TestEquity	590,298	39.4 %	579,874	43.8 %
Gexpro Services	377,237	25.2 %	321,926	24.3 %
Canada Branch Division	166,372	11.1 %	66,058	5.0 %
Intersegment revenue elimination	(1,807)	(0.1)%	(1,478)	(0.1)%
Total Revenue	1,498,424	100.0 %	1,323,641	100.0 %
Cost of goods sold				
Lawson	163,182	10.9 %	160,450	12.1 %
TestEquity	462,368	30.9 %	447,608	33.8 %
Gexpro Services	259,255	17.3 %	221,341	16.7 %
Canada Branch Division	111,012	7.4 %	41,936	3.2 %
Intersegment cost of goods sold elimination	(1,783)	(0.1)%	(1,478)	(0.1)%
Total Cost of goods sold	994,034	66.3 %	869,857	65.7 %
Gross profit	504,390	33.7 %	453,784	34.3 %
Selling, general and administrative expenses				
Lawson	183,466	12.2 %	185,849	14.0 %
TestEquity	116,352	7.8 %	133,328	10.1 %
Gexpro Services	78,959	5.3 %	75,489	5.7 %
Canada Branch Division	49,464	3.3 %	19,276	1.5 %
All Other	5,607	0.4 %	3,954	0.3 %
Total Selling, general and administrative expenses	433,848	29.0 %	417,896	31.6 %
Operating income (loss)	70,542	4.7 %	35,888	2.7 %
Interest expense	(42,408)	(2.8)%	(39,780)	(3.0)%
Change in fair value of earnout liabilities	(1,000)	(0.1)%	(861)	(0.1)%
Other income (expense), net	(1,377)	(0.1)%	82	— %
Income (loss) before income taxes	25,757	1.7 %	(4,671)	(0.4)%
Income tax expense (benefit)	11,041	0.7 %	(23,264)	(1.8)%
Net income (loss)	\$ 14,716	1.0 %	\$ 18,593	1.4 %

Overview of Consolidated Results of Operations

Our consolidated revenue increased \$174.8 million in the first nine months of 2025 compared to the first nine months of 2024 primarily driven by an increase of \$123.7 million from acquisitions completed in 2024 and an increase in organic revenue of 4.0%. Consolidated Gross profit and Selling, general and administrative expenses also increased over the prior year primarily driven by the inclusion of the ESS, S&S Automotive, Source Atlantic, TCR and ConRes TE acquisitions completed in 2024.

Refer to Results by Reportable Segment below for a complete discussion of our results of operations.

Results by Reportable Segment

Lawson Segment

(Dollars in thousands)	Nine Months Ended September 30,		Change	
	2025	2024	Amount	%
Revenue from external customers	\$ 366,268	\$ 357,204	\$ 9,064	2.5 %
Intersegment revenue	56	57	(1)	(1.8)%
Revenue	366,324	357,261	9,063	2.5 %
Cost of goods sold	163,182	160,450	2,732	1.7 %
Gross profit	203,142	196,811	6,331	3.2 %
Selling, general and administrative expenses	183,466	185,849	(2,383)	(1.3)%
Operating income (loss)	\$ 19,676	\$ 10,962	\$ 8,714	79.5 %
Gross profit margin	55.5 %	55.1 %		
Adjusted EBITDA ⁽¹⁾	\$ 43,975	\$ 45,402	\$ (1,427)	(3.1)%

⁽¹⁾ Refer to the Non-GAAP Adjusted EBITDA section in Overview for a reconciliation of Adjusted EBITDA to operating income.

Revenue and Gross Profit

Revenue increased \$9.1 million, or 2.5%, to \$366.3 million in the first nine months of 2025 compared to revenue of \$357.3 million in the same period of 2024. The increase was primarily driven by \$15.6 million of additional revenue generated from the acquisitions completed in 2024, partially offset by a decline in military customer sales of \$5.4 million.

Gross profit increased \$6.3 million to \$203.1 million in the first nine months of 2025 compared to gross profit of \$196.8 million in the same period of 2024 primarily as a result of the inclusion of \$8.5 million of additional gross profit from the acquisitions completed in 2024 partially offset by lower revenue for legacy Lawson. Lawson gross profit as a percent of revenue was 55.5% in the first nine months of 2025 compared to 55.1% in the prior year period. The gross profit margin percentage increase was primarily the result of the lower amortization of the fair value step-up of inventory of \$1.1 million related to the S&S Automotive Transaction, lower write-offs of obsolete and excess inventory and increased prices. This was partially offset by increased vendor costs and higher tariff rates on inbound freight and lower gross profit margin profile on revenue generated by the 2024 acquisitions compared to Lawson's organic profile.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of compensation and support for Lawson sales representatives as well as expenses to operate Lawson's distribution network and overhead expenses.

Selling, general and administrative expenses decreased \$2.4 million to \$183.5 million in the first nine months of 2025 compared to \$185.8 million in the same period of 2024. The decrease was primarily driven by a decrease in severance expense, merger and acquisition expenses and stock based compensation of \$2.9 million, \$6.6 million and \$1.3 million, respectively. The decrease was partially offset by an increase of \$3.8 million of additional expense generated by the acquisitions completed in 2024, higher employee related costs of \$1.9 million and higher depreciation and amortization expense of \$1.8 million.

Adjusted EBITDA

During the nine months ended September 30, 2025, Lawson generated Adjusted EBITDA of \$44.0 million, a decrease of \$1.4 million, or 3.1% from the same period a year ago primarily driven by lower net margins on lower organic revenue and higher selling, general and administrative expenses primarily from higher employee related costs, partially offset by additional contributions of approximately \$3.7 million generated by the acquisitions completed in 2024.

TestEquity Segment

(Dollars in thousands)	Nine Months Ended September 30,		Change	
	2025	2024	Amount	%
Revenue from external customers	\$ 589,596	\$ 579,721	\$ 9,875	1.7 %
Intersegment revenue	702	153	549	358.8 %
Revenue	590,298	579,874	10,424	1.8 %
Cost of goods sold	462,368	447,608	14,760	3.3 %
Gross profit	127,930	132,266	(4,336)	(3.3)%
Selling, general and administrative expenses	116,352	133,328	(16,976)	(12.7)%
Operating income (loss)	\$ 11,578	\$ (1,062)	\$ 12,640	(1190.2)%
Gross profit margin	21.7 %	22.8 %		
Adjusted EBITDA ⁽¹⁾	\$ 38,639	\$ 41,443	\$ (2,804)	(6.8)%

⁽¹⁾ Refer to the Non-GAAP Adjusted EBITDA section in Overview for a reconciliation of Adjusted EBITDA to operating income.

Revenue and Gross Profit

Revenue increased \$10.4 million, or 1.8%, to \$590.3 million in the first nine months of 2025 compared to \$579.9 million in the same period in 2024. The increase was primarily driven by \$5.9 million of additional revenue generated from the acquisition completed in 2024 and an increase of \$9.0 million in the test and measurement and calibration business, partially offset by a \$4.5 million decrease in electronic production supplies and value added services.

Gross profit decreased \$4.3 million to \$127.9 million in the first nine months of 2025 compared to \$132.3 million in the same period of 2024. The decrease was primarily driven by \$3.2 million of higher depreciation expense due to the expansion of the rental equipment fleet from the 2024 acquisition of ConRes TE and a sales mix shift toward test and measurement which have lower margins. TestEquity gross profit as a percent of revenue decreased to 21.7% in the first nine months of 2025 compared to 22.8% in the prior year primarily due to higher depreciation expense on the expanded rental equipment fleet, higher inventory write-offs of \$1.6 million and a shift in sales mix toward test and measurement which have lower margins partially offset by favorability in vendor rebates.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of compensation and support for TestEquity's sales representatives and expenses to operate TestEquity's distribution network and overhead expenses.

Selling, general and administrative expenses decreased \$17.0 million to \$116.4 million in the first nine months of 2025 compared to \$133.3 million in the same period of 2024. The decrease was primarily driven by a decrease in severance expense and merger and acquisition expenses of \$16.3 million primarily related to the 2024 acquisition of Hisco and \$1.7 million, respectively, partially offset by an increase in stock based compensation of \$1.0 million.

Adjusted EBITDA

During the nine months ended September 30, 2025, TestEquity generated Adjusted EBITDA of \$38.6 million, a decrease of \$2.8 million, or 6.8%, from the same period a year ago primarily driven by lower gross margins partially offset by net margins of \$6.3 million generated from the 2024 acquisition of ConRes TE.

Gexpro Services Segment

(Dollars in thousands)	Nine Months Ended September 30,		Change	
	2025	2024	Amount	%
Revenue from external customers	\$ 376,259	\$ 320,658	\$ 55,601	17.3 %
Intersegment revenue	978	1,268	(290)	(22.9)%
Revenue	377,237	321,926	55,311	17.2 %
Cost of goods sold	259,255	221,341	37,914	17.1 %
Gross profit	117,982	100,585	17,397	17.3 %
Selling, general and administrative expenses	78,959	75,489	3,470	4.6 %
Operating income (loss)	<u>\$ 39,023</u>	<u>\$ 25,096</u>	<u>\$ 13,927</u>	<u>55.5 %</u>
Gross profit margin	31.3 %	31.2 %		
Adjusted EBITDA ⁽¹⁾	\$ 49,812	\$ 39,947	\$ 9,865	24.7 %

⁽¹⁾ Refer to the Non-GAAP Adjusted EBITDA section in Overview for a reconciliation of Adjusted EBITDA to operating income.

Revenue and Gross Profit

Revenue increased \$55.3 million, or 17.2%, to \$377.2 million in the first nine months of 2025 compared to \$321.9 million in the same period of 2024. The increase in revenue was primarily driven by increased sales in the renewable energy, aerospace and defense and technology vertical markets of \$30.2 million, \$14.6 million, and \$7.9 million, respectively, and additional revenue generated from the 2024 acquisition of TCR of \$3.4 million. This was partially offset by softness within the consumer and industrial vertical market.

Gross profit increased \$17.4 million to \$118.0 million in the first nine months of 2025 compared to \$100.6 million in the same period of 2024 primarily due to higher revenue. Gexpro Services' gross profit as a percent of revenue was 31.3% in the first nine months of 2025 compared to 31.2% in the prior year period.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of sales and marketing expenses primarily relating to compensation, costs associated with supporting Gexpro Services' service facilities, overhead expenses within finance, legal, human resources and information technology, and other costs required to operate Gexpro Services' business.

Selling, general, and administrative expenses increased \$3.5 million to \$79.0 million in the first nine months of 2025 compared to \$75.5 million in the same period of 2024. The increase was primarily driven by investments to support sales growth and 2025 new commercial investments, partially offset by lower merger and acquisition expenses of \$1.1 million and a reduction to non-recurring strategic project consulting costs of \$2.2 million.

Adjusted EBITDA

During the nine months ended September 30, 2025, Gexpro Services generated Adjusted EBITDA of \$49.8 million, an increase of \$9.9 million, or 24.7% from the same period a year ago primarily driven by higher organic revenue, managing gross profit margins and leveraging Selling, general, and administrative expenses over a higher sales base.

Canada Branch Division Segment

(Dollars in thousands)	Nine Months Ended September 30,		Change	
	2025	2024	Amount	%
Revenue from external customers	\$ 166,301	\$ 66,058	\$ 100,243	151.7 %
Intersegment revenue	71	—	71	— %
Revenue	166,372	66,058	100,314	151.9 %
Cost of goods sold	111,012	41,936	69,076	164.7 %
Gross profit	55,360	24,122	31,238	129.5 %
Selling, general and administrative expenses	49,464	19,276	30,188	156.6 %
Operating income (loss)	\$ 5,896	\$ 4,846	\$ 1,050	21.7 %
Gross profit margin	33.3 %	36.5 %		

Adjusted EBITDA ⁽¹⁾	\$ 12,013	\$ 7,409	\$ 4,604	62.1 %
--------------------------------	-----------	----------	----------	--------

⁽¹⁾ Refer to the Non-GAAP Adjusted EBITDA section in Overview for a reconciliation of Adjusted EBITDA to operating income.

Revenue and Gross Profit

Revenue increased \$100.3 million, or 151.9%, to \$166.4 million in the first nine months of 2025 compared to \$66.1 million the same period of 2024 primarily driven by \$98.8 million of revenue generated by the 2024 acquisition of Source Atlantic.

Gross profit increased \$31.2 million to \$55.4 million in the first nine months of 2025 compared to gross profit of \$24.1 million in the same period of 2024 primarily from the inclusion of additional gross profit of \$30.8 million generated by the 2024 acquisition of Source Atlantic. Gross profit as a percent of revenue decreased to 33.3% in the first nine months of 2025 compared to 36.5% in the prior year primarily due to the lower gross profit margin profile of Source Atlantic as compared to Bolt.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for Canada Branch Division consist of compensation, expenses to operate its distribution network and branch locations and overhead expenses.

Selling, general and administrative expenses increased \$30.2 million to \$49.5 million in the first nine months of 2025 compared to \$19.3 million in the prior year quarter. Approximately \$30.4 million of the increased expenses was driven by the 2024 acquisition of Source Atlantic.

Adjusted EBITDA

During the first nine months of 2025, Canada Branch Division generated Adjusted EBITDA of \$12.0 million, an increase of \$4.6 million from the same period a year ago with an increase of approximately \$4.0 million driven by the acquisition of Source Atlantic.

Consolidated Non-operating Income and Expense

(Dollars in thousands)	Nine Months Ended September 30,		Change	
	2025	2024	Amount	%
Interest expense	\$ (42,408)	\$ (39,780)	\$ (2,628)	6.6 %
Change in fair value of earnout liabilities	\$ (1,000)	\$ (861)	\$ (139)	16.1 %
Other income (expense), net	\$ (1,377)	\$ 82	\$ (1,459)	N/M
Income tax expense (benefit)	\$ 11,041	\$ (23,264)	\$ 34,305	N/M

^{N/M} Not meaningful

Interest Expense

Interest expense increased \$2.6 million in the first nine months of 2025 compared to the same period of 2024 primarily due to higher outstanding borrowings related to the 2024 acquisitions of S&S Automotive, Source Atlantic, TCR and ConRes TE.

Change in Fair Value of Earnout Liabilities

The increase of \$0.1 million in expense in the first nine months of 2025 compared to the same period in 2024 related to the change in fair value of the earnout liabilities associated with the Frontier acquisition.

Other Income (Expense), Net

Other income (expense), net consists of effects of changes in foreign currency exchange rates, interest income, net and other non-operating income and expenditures. The \$1.5 million change in the first nine months of 2025 compared to the same period of 2024 is primarily due to unfavorable changes in foreign currency exchange rates and lower interest income.

Income Tax Expense (Benefit)

Income tax expense was \$11.0 million, a 42.9% effective tax rate for the first nine months of 2025 compared to an income tax benefit of \$23.3 million and a 498.1% effective tax rate for the first nine months of 2024. The change in the year-over-year effective tax rate was primarily due to changes in valuation allowances related to interest expense limitation on deferred tax assets. Limitations on the deductibility of interest expense and other permanent items on a nominal pre-tax income amount drove the higher effective tax rate in 2024.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were \$69.2 million on September 30, 2025 compared to \$66.5 million on December 31, 2024.

The Company believes its current balances of cash and cash equivalents, availability under its Amended Credit Agreement and cash flows from operations will be sufficient to meet its liquidity needs for the next twelve months. As of September 30, 2025, the Company had \$69.2 million of cash and cash equivalents and \$252.7 million of borrowing availability remaining, net of outstanding letters of credit, under the Amended Credit Agreement.

Our primary short-term and long-term liquidity and capital resource needs are to finance operating expenses, working capital, capital expenditures, potential business acquisitions, strategic initiatives and general corporate purposes. Our current debt obligations under the Amended Credit Agreement mature in April 2027. Required principal payments on the Amended Credit Agreement for the next twelve months are \$40.3 million. Refer to Note 9 – Debt within Item 1. Financial Statements for additional information related to our debt obligations. Access to debt capital markets has historically provided the Company with sources of liquidity, beyond normal operating cash flows. We do not currently anticipate having difficulty in obtaining financing from those markets in the future, however, we cannot provide assurance that unforeseen events or events beyond our control (such as a potential tightening of debt capital markets, including in response to the implementations of new tariffs as part of the U.S. trade policy and any reciprocal or retaliatory tariffs thereto) will not have a material adverse impact on our liquidity.

Sources and Uses of Cash

The following table presents a summary of our cash flows:

(in thousands)	Nine Months Ended September 30,			Change
	2025		2024	
Net cash provided by (used in) operating activities	\$ 66,906	\$	10,736	\$ 56,170
Net cash provided by (used in) investing activities	\$ (20,464)	\$	(205,392)	\$ 184,928
Net cash provided by (used in) financing activities	\$ (48,445)	\$	171,949	\$ (220,394)

Cash Provided by (Used in) Operating Activities

Net cash provided by operating activities for the nine months ended September 30, 2025 was \$66.9 million primarily due to net income including non-cash items, partially offset by investments in trade working capital and other net cash flow items.

Net cash provided by operating activities for the nine months ended September 30, 2024 was \$10.7 million, primarily due to net income including non-cash items, partially offset by payments of \$34.6 million related to the Company's commitment to pay retention bonuses to certain employees of HIS Company, Inc. ("Hisco") in connection with the Company's 2023 acquisition of Hisco and investments in trade working capital and other net cash flow items.

Cash Provided by (Used in) Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2025 was \$20.5 million, primarily due to purchases of property, plant and equipment and rental equipment, partially offset by the sale of property, plant and equipment and rental equipment.

Net cash used in investing activities for the nine months ended September 30, 2024 was \$205.4 million, primarily due to the purchase of ESS, S&S Automotive and Source Atlantic, as well as purchases of property, plant and equipment and rental equipment which was partially offset by the sale of rental equipment.

Cash Provided by (Used in) Financing Activities

Net cash used in financing activities for the nine months ended September 30, 2025 was \$48.4 million primarily due to principal payments on the term loans and repurchases of DSG common stock under the repurchase program.

Net cash provided by financing activities for the nine months ended September 30, 2024 was \$171.9 million primarily due to borrowings under the Company's credit facility partially offset by principal payments on the term loan. In conjunction with the Source Atlantic Transaction on August 14, 2024, the Company borrowed \$200 million under an incremental term loan facility under the Amended Credit Agreement. During the first nine months of 2024, deferred financing costs of \$2.1 million were incurred related to the Amended Credit Agreement.

Financing and Capital Requirements

Credit Facility

As amended, the Amended Credit Agreement includes a \$255 million senior secured revolving credit facility, a \$250 million senior secured initial term loan facility, \$505 million of incremental term loans, and a \$50 million senior secured delayed draw term loan facility and permits the Company to increase the commitments under the credit facility from time to time by up to \$300 million in the aggregate, subject to, among other things, receipt of additional commitments from existing and/or new lenders and pro forma compliance with certain financial covenants. Refer to Note 9 – Debt within Item 1. Financial Statements for a description of the Amended Credit Agreement.

On September 30, 2025, we had \$711.6 million in outstanding borrowings under the Amended Credit Agreement and \$252.7 million of borrowing availability remaining, net of outstanding letters of credit, under the senior secured revolving credit facility component.

As of September 30, 2025, we were in compliance with all financial covenants under our Amended Credit Agreement. While we were in compliance with our financial covenants as of September 30, 2025, failure to meet the covenant requirements of the Amended Credit Agreement in future quarters could lead to higher financing costs and increased restrictions, reduce or eliminate our ability to borrow funds, or accelerate the payment of our indebtedness and could have a material adverse effect on our business, financial condition and results of operations.

Purchase Commitments

As of September 30, 2025, we had contractual commitments to purchase approximately \$199.3 million of products from our suppliers and contractors over the next twelve months.

Capital Expenditures

During the nine months ended September 30, 2025, total net capital expenditures for property, plant and equipment and rental equipment were \$18.3 million including proceeds from the sale of property, plant and equipment and rental equipment. The Company expects to spend approximately \$22.0 million to \$25.0 million for net capital expenditures during the full fiscal 2025 year to support ongoing operations.

Stock Repurchase Program

The Company's Board of Directors previously authorized a stock repurchase program that permits the Company to repurchase its common stock. The timing and the amount of any repurchases will be determined by management under parameters established by the Board of Directors and depend on various factors including an evaluation of our stock price, corporate and regulatory requirements, capital availability and other market conditions.

During the nine months ended September 30, 2025, the Company repurchased 653,213 shares of DSG common stock under the repurchase program at an average cost of \$30.69 per share for a total cost of \$20.0 million. During the nine months ended September 30, 2024, the Company repurchased 85,644 shares of DSG common stock under the repurchase program at an average cost of \$30.13 per share for a total cost of \$2.6 million. The remaining availability for stock repurchases under the program was \$6.3 million as of September 30, 2025. See Note 11 – Stockholders' Equity within Item 1. Financial Statements for further information.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Our exposure to market risk for changes in interest rates relate primarily to our floating rate long-term debt obligations. Interest rate risk is the exposure to loss resulting from changes in the level of interest rates and the spread between different interest rates. These risks are highly sensitive to many factors, including U.S. monetary and tax policies, U.S. and international economic factors and other factors beyond our control.

The loans under the Amended Credit Agreement bear interest, at the Company's option, at a rate equal to (i) the Alternate Base Rate or the Canadian Prime Rate (each as defined in the Amended Credit Agreement), plus, in each case, an additional margin ranging from 0.0% to 1.75% per annum, depending on the total net leverage ratio of the Company and its restricted subsidiaries as of the most recent determination date under the Amended Credit Agreement or (ii) the Adjusted Term SOFR Rate or the CORRA Rate (each as defined in the Amended Credit Agreement), plus, in each case, an additional margin ranging from 1.0% to 2.75% per annum, depending on the total net leverage ratio of the Company and its restricted subsidiaries as of the most recent determination date under the Amended Credit Agreement. Refer to Note 9 – Debt within Item 1. Financial Statements for information about the Amended Credit Agreement.

As of September 30, 2025, 100% of our debt was floating rate debt. A hypothetical increase/decrease in interest rates of 100 basis points would increase/decrease our annual interest expense by approximately \$7.1 million. We have not entered into, and currently do not intend to enter into, interest rate swaps or other derivative financial instruments to mitigate the impact of fluctuations in interest rates.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our senior management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this report (the "Evaluation Date"). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded as of the Evaluation Date that our disclosure controls and procedures were effective as of the Evaluation Date.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act, during the quarter ended September 30, 2025, that materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II OTHER INFORMATION

ITEMS 3 and 4 of Part II are not applicable and have been omitted from this report.

ITEM 1. LEGAL PROCEEDINGS

See Note 15 – Commitments and Contingencies to our unaudited condensed consolidated financial statements, included within Item 1. Financial Statements, which is incorporated herein by reference, for a description of certain legal proceedings, which are incorporated herein by reference. In addition, the Company is involved in legal actions that have arisen in the ordinary course of business.

ITEM 1A. RISK FACTORS

Other than the risk factor discussed below, there have been no material changes from the risk factors disclosed in the "Risk Factors" section in our Annual Report on Form 10-K for the year ended December 31, 2024.

General Risks

Enhanced tariffs, changes in trade policies and import and export regulations of the U.S. and foreign governments may have a negative effect on global economic conditions, financial markets and our cost of goods, which may result in lower operating margins.

There is currently significant uncertainty about the future relationship between the U.S. and various other countries with respect to trade policies, treaties, tariffs and taxes. For example, the U.S. presidential administration has threatened or imposed new or increased tariffs on imports from various countries, including China, Mexico and Canada. These actions have and are expected to continue to result in retaliatory measures on U.S. goods. If maintained, the tariffs and the potential escalation of trade disputes could pose a significant risk to our business and if we are unable to fully pass any such increased prices and costs through to our customers or to modify our activities, the impact could have an adverse effect on our gross profit margins and financial condition. The extent and duration of the tariffs and the resulting impact on general economic conditions on our business are uncertain and depend on various factors, including negotiations between the U.S. and affected countries, the responses of other countries or regions, exemptions or exclusions that may be granted, availability and cost of alternative sources of supply, and demand for our products in affected markets. Further, actions we take to adapt to new tariffs or trade restrictions may cause us to modify our operations or forgo business opportunities. Likewise, tariffs and import and export regulations could also limit the availability of our products, prompt our customers to seek alternative products and provide an opportunity for competitors not subject to such tariffs to establish a presence in markets where we conduct our business.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Unregistered Sales of Equity Securities

The Company did not make any unregistered sales of its equity securities during the three months ended September 30, 2025.

Issuer Purchases of Equity Securities

The Board of Directors previously authorized a stock repurchase program that permits the Company to repurchase DSG common stock from time to time in open market transactions, privately negotiated transactions or by other methods. The stock repurchase program does not have an expiration date. There were no repurchases of any shares of DSG common stock during the three months ended September 30, 2025.

ITEM 5. OTHER INFORMATION

During the quarter ended September 30, 2025, none of our directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement” (as such terms are defined under Item 408 of Regulation S-K).

ITEM 6. EXHIBITS

Exhibit #	Description of Exhibit
3.1	Third Amended and Restated Certificate of Incorporation of the Company, effective as of August 31, 2023, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 000-10546) filed on September 1, 2023.
3.2	Amended and Restated By-Laws of the Company effective as of May 5, 2022, incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K (File No. 000-10546) filed on May 5, 2022.
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32**	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following financial statements from the Quarterly Report on Form 10-Q for the quarter ended September 30, 2025, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statement of Operations and Comprehensive Income (Loss), (iii) Condensed Consolidated Statements of Stockholders' Equity, (iv) Condensed Consolidated Statements of Cash Flows, and (v) Notes to Condensed Consolidated Financial Statements.
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	The cover page from the Quarterly Report on Form 10-Q for the quarter ended September 30, 2025, formatted in Inline XBRL and contained in Exhibit 101

* Filed herewith.

** Furnished herewith.

SIGNATURES

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

DISTRIBUTION SOLUTIONS GROUP, INC.
(Registrant)

Dated: October 30, 2025

/s/ J. Bryan King

J. Bryan King
Chairman, President and Chief Executive Officer
(principal executive officer)

Dated: October 30, 2025

/s/ Ronald J. Knutson

Ronald J. Knutson
Executive Vice President, Chief Financial Officer and Treasurer
(principal financial officer)

Dated: October 30, 2025

/s/ David S. Lambert

David S. Lambert
Vice President, Controller and Chief Accounting Officer
(principal accounting officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, J. Bryan King, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Distribution Solutions Group, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: October 30, 2025

/s/ J. Bryan King

J. Bryan King

Chairman, President and Chief Executive Officer

(principal executive officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Ronald J. Knutson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Distribution Solutions Group, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal three months (the registrant’s fourth fiscal three months in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: October 30, 2025

/s/ Ronald J. Knutson

Ronald J.
Knutson
Executive Vice President,
Chief Financial Officer and
Treasurer
(principal financial officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Distribution Solutions Group, Inc. (the “Company”) on Form 10-Q for the period ending September 30, 2025 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned Chief Executive Officer and Chief Financial Officer of the Company hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002 that based on their knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered in the Report.

October 30, 2025

/s/ J. Bryan King

J. Bryan King
Distribution Solutions Group, Inc.
Chairman, President and Chief Executive Officer
(principal executive officer)

/s/ Ronald J. Knutson

Ronald J. Knutson
Distribution Solutions Group, Inc.
Executive Vice President, Chief Financial Officer and Treasurer
(principal financial officer)