UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): March 31, 2023 (March 30, 2023)

DISTRIBUTION SOLUTIONS GROUP, INC.
(Exact name of registrant as specified in charter)

Delaware	0-10546	36-2229304
(State or other jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

8770 W. Bryn Mawr Ave., Suite 900, Chicago, Illinois	60631
(Address of Principal Executive Offices)	(Zip Code)

Registrants' Telephone Number, including Area Code: (773) 304-5050

N/A
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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	The Nasdaq Stock Market LLC (Nasdaq Global Select Market)

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

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. ☐

Item 7.01 Regulation FD Disclosure.

On March 31, 2023, Distribution Solutions Group, Inc., a Delaware corporation (the "**Company**"), issued a press release announcing that it has entered into a Stock Purchase Agreement, dated March 30, 2023 (the "**Purchase Agreement**"), with HIS Company, Inc., a Texas corporation ("**Hisco**"), HIS Company, Inc. Employee Stock Ownership Trust (the "**Seller**"), which is maintained pursuant to and in connection with the HIS Company, Inc. Employee Stock Ownership Plan, acting through GreatBanc Trust Company, not in its corporate capacity, but solely in its capacity as trustee of the Seller, and Ellis Moseley, solely in his capacity as the representative of the Seller, for the acquisition of all of the issued and outstanding capital stock of Hisco from the Seller (the "**Transaction**"). A copy of the press release is being furnished with this Current Report on Form 8-K as Exhibit 99.1 and is incorporated by reference herein.

On March 31, 2023, representatives of the Company furnished an investor presentation (the "**Investor Presentation**") in connection with the announcement of the Transaction, which is included as Exhibit 99.2 to this Current Report on Form 8-K and is incorporated by reference herein.

The information set forth in this Item 7.01, including Exhibits 99.1 and 99.2, is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any other filing of the Company under the Securities Act of 1933, as amended (the "**Securities Act**") or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language in such other filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits. The following documents have been furnished as exhibits to this Current Report on Form 8-K and are incorporated by reference herein as described above.

Exhibit No.	Exhibit Description
99.1	Press Release, dated March 31, 2023
99.2	Investor Presentation, dated March 31, 2023
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

Forward-Looking Statements

This Current Report on Form 8-K contains forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Exchange Act and the "safe harbor" provisions under the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties. The terms "aim," "anticipate," "believe," "contemplates," "continues," "could," "ensure," "estimate," "expect," "forecasts," "if," "intend," "likely," "may," "might," "objective," "outlook," "plan," "positioned," "potential," "predict," "probable," "project," "shall," "should," "strategy," "will," "would," and other words and terms of similar meaning and expression are intended to identify forward-looking statements.

Forward-looking statements do not relate to historical or current facts and are only predictions and reflect the Company's views as of the date they are made with respect to future events and financial performance. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. The Company gives no assurance that any goal set forth in forward-looking statements can be achieved and cautions readers not to place undue reliance on such statements, which speak only as of the date made. These statements are based on the Company's management's current expectations, intentions or beliefs and are subject to assumptions and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Factors that could cause or contribute to such differences or that might otherwise impact the Company's business, financial condition and results of operations include (1) unanticipated difficulties or expenditures relating to the acquisition of Hisco by the Company, (2) the failure to complete the Transaction on the proposed terms or anticipated timeline, (3) the inability to obtain, or delays in obtaining, required approvals under applicable antitrust legislation, (4) the occurrence of any event, change or other circumstances that could give rise to the termination of the Purchase Agreement, (5) difficulties integrating the business operations of the Company and Hisco, which may result in the combined company not operating as effectively and efficiently as expected, (6) the Company's ability to achieve the synergies contemplated with respect to the Transaction, (7) the failure to retain key management and employees of Hisco and its subsidiaries, (8) unfavorable reactions to the Transaction from customers, competitors, suppliers and employees, and (9) the possibility that certain assumptions with respect to Hisco's business or the Transaction could prove to be inaccurate. In addition to the factors identified herein, certain risks associated with the Company's business are also discussed from time to time in the reports the Company files with the U.S. Securities and Exchange Commission. The information contained in this Current Report on Form 8-K is as of the date indicated above. The Company assumes no obligation to update any forward-looking statements contained in this Current Report on Form 8-K as a result of new information or future events or developments.

SIGNATURES

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

DISTRIBUTION SOLUTIONS GROUP, INC.

Date: March 31, 2023

By: /s/ Ronald J. Knutson
Name: Ronald J. Knutson
Title: Executive Vice President and Chief Financial Officer

Exhibit 99.1

Distribution Solutions Group Enters Into Agreement to Acquire Hisco, a Leading Industrial Equipment Supplier
Broadens DSG's Industrial Technologies' Focus
Conference Call Today at 11am ET; Acquisition-Related Materials on Website

CHICAGO— March 31, 2023—Distribution Solutions Group, Inc. (Nasdaq: DSGR) ("DSG" or the "Company"), a premier specialty distribution company announced today that it reached a definitive agreement to acquire HIS Company, Inc., ("Hisco"), a leading distributor of specialty products serving high growth industrial technology applications. In connection with this transaction, DSG will combine the operations of TestEquity and Hisco, creating one of the largest suppliers serving the electronics design, production, and repair industries. For fiscal year ended October 31, 2022, Hisco generated sales in excess of $400 million and adjusted EBITDA of approximately $29 million.(1)

Hisco, an employee-owned company, operates in 38 locations across North America, including its Precision Converting facilities that provide value-added fabrication and its Adhesive Materials Group that provides an array of custom repackaging solutions. Hisco offers customers a broad range of products, including adhesives, chemicals and tapes, as well as specialty materials such as electrostatic discharge, thermal management materials and static shielding bags. Hisco also offers vendor-managed inventory and RFID programs with specialized warehousing for chemical management, logistics services and cold storage.

Bryan King, Chief Executive Officer and Chairman of the Board of DSG, said, "We are very excited to announce our plans for this strategic acquisition which we expect to be accretive on an adjusted basis starting in 2023. Hisco is a strong business with niche market leadership positions, a strong growth and return profile, and an outstanding management team that we believe will thrive as part of DSG. The combination of TestEquity and Hisco will take a "best-of-both" approach in terms of people, capabilities, and strategies. While our industrial technologies focus will benefit most from this combination, we are also excited about how Hisco is expected to expand DSG's commercial opportunities and durability, enhancing our organic growth rates and providing further scale to the overall DSG platform."

"The addition of Hisco will meaningfully expand the product and service offerings at TestEquity, as well as all of our operating businesses under DSG," said Russ Frazee, Chief Executive Officer of TestEquity. "With the addition of Hisco's product lines and value-added capabilities, we are able to offer customers a more comprehensive solution for their electronic assembly requirements. We look forward to working with the Hisco team to bring increased value and offerings to our combined customers, suppliers and stakeholders."

"This transaction is the result of decades of hard work on the behalf of our employee owners," said Bob Dill, Hisco's Chief Executive Officer. "It's also a recognition of Hisco's deep industry relationships, innovative customer-centric solutions, and comprehensive capabilities that Hisco has developed over the course of its history. Looking ahead, the combination of TestEquity and Hisco will allow the combined business to build on our complementary capabilities and further enhance the value that Hisco, TestEquity and the DSG family of companies provide to its customers and partners."

Acquisition Terms and Financing

In connection with the transaction, DSG has agreed to pay $269.1 million at closing, with a potential additional earn-out payment of up to $12.6 million, subject to Hisco achieving certain performance targets. DSG will also pay $37.5 million in cash or DSG common stock in retention bonuses to certain Hisco employees that remain employed with Hisco or its affiliates for twelve or more months after the closing of the transaction.

DSG anticipates funding the transaction using a combination of its expanded committed credit facility and approximately $100 million of equity to be raised in a rights offering to existing stockholders. Luther King Capital Management and its affiliates ("LKCM") currently own approximately 77% of DSG's outstanding stock and have indicated an intention to fully subscribe for their pro rata portion in the rights offering, as well as for their pro rata portion of any rights remaining unsubscribed at the completion of the subscription period. The Company anticipates that after giving effect to this combination its net debt leverage on adjusted EBITDA will be between 3.25x to 3.50x at the time of closing.

The transaction is expected to close in the second quarter of 2023, subject to regulatory and customary closing conditions.

Conference Call to be Held Today, Friday, March 31st at 11:00 AM ET

A conference call to discuss this transaction has been scheduled for today at 11:00 AM ET. Call in information can be found below. Webcast information and conference call materials will be available in the Investors section of DSG's website at https://distributionsolutionsgroup.com/investor-relations/.

<u>Today's call-in information:</u>
Toll Free: 888-506-0062
International: 973-528-0011
Participant Access Code: 641202

Replay of the call will be available until Friday, April 14, 2023, by calling 1-877-481-4010, replay code 47947.

(1) See GAAP to non-GAAP reconciliation attached.

<u>About Distribution Solutions Group, Inc.</u>

Distribution Solutions Group ("DSG") is a premier specialty distribution company providing high touch, value-added distribution solutions to the maintenance, repair & operations (MRO), original equipment manufacturer (OEM) and the industrial technologies markets. DSG was formed through the strategic combination of Lawson Products, Inc. ("Lawson Products"), a leader in MRO distribution of C-parts; 301 HW Opus Holdings, Inc., conducting business as Gexpro Services ("Gexpro Services"), a leading global supply chain services provider to manufacturing customers; and TestEquity Acquisition, LLC ("TestEquity"), a leader in electronic test & measurement solutions.

Through its collective businesses, DSG is dedicated to helping customers lower their total cost of operation by increasing productivity and efficiency with the right products, expert technical support and fast, reliable delivery to be a one-stop solution provider. DSG serves 110,000 customers in several diverse end markets supported by more than 3,100 dedicated employees and strong vendor partnerships. DSG ships from strategically located distribution and service centers to customers in North America, Europe, Asia, South America and the Middle East.

For more information on Distribution Solutions Group please visit www.distributionsolutionsgroup.com.

<u>About TestEquity</u>

TestEquity® is a leading distributor focused on providing the largest and highest quality selection of test and measurement equipment and solutions, electronic production supplies, and tool kits from its leading manufacturer partners supporting the technology, aerospace, defense, automotive, electronics, education, and medical industries. TestEquity also designs a full line of the industry's highest-quality environmental test chambers. Serving electronic design and test engineers as well as maintenance technicians, industrial manufacturing assembly and the telecommunication repair community, TestEquity features more than 250,000 products from over 700 manufacturer brands. TestEquity continues to benefit from ubiquitous electronification of all types of products across most industries including IOT, EV, and 5G. For more information, visit <u>www.testequity.com</u>.

<u>About Hisco</u>

For over 50 years, employee-owned Hisco has been a leader in supply chain solutions. Hisco is a specialty distribution company serving the electronic assembly, aerospace and defense, medical and other industrial markets. Hisco delivers documented value creation to its nearly 10,000 customers through quality products, process solutions and cost savings. Hisco also offers specialized warehousing for cold storage and vendor managed inventory services. For more information visit <u>www.hisco.com</u>.

Forward-Looking Statements

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Forward-looking statements do not relate to historical or current facts and are only predictions and reflect the views of the Company as of the date they are made with respect to future events and financial performance. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. The Company gives no assurance that any goal set forth in forward-looking statements can be achieved and cautions readers not to place undue reliance on such statements, which speak only as of the date made. These statements are based on the Company's management's current expectations, intentions or beliefs and are subject to assumptions and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Factors that could cause or contribute to such differences or that might otherwise impact the Company's business, financial condition and results of operations include (1) unanticipated difficulties or expenditures relating to the acquisition of Hisco by the Company (the "Transaction"), (2) the failure to complete the Transaction on the proposed terms or anticipated timeline, (3) the inability to obtain, or delays in obtaining, required approvals under applicable antitrust legislation, (4) the occurrence of any event, change or other circumstances that could give rise to the termination of the definitive agreement to acquire Hisco, (5) difficulties integrating the business operations of the Company and Hisco, which may result in the combined company not operating as effectively and efficiently as expected, (6) the Company's ability to achieve the synergies contemplated with respect to the Transaction, (7) the failure to retain key management and employees of Hisco and its subsidiaries, (8) unfavorable reactions to the Transaction from customers, competitors, suppliers and employees, and (9) the possibility that certain assumptions with respect to Hisco's business or the Transaction could prove to be inaccurate. In addition to the factors identified herein, certain risks associated with the Company's business are also discussed from time to time in the reports the Company files with the U.S. Securities and Exchange Commission. The information contained in this press release is as of the date indicated above. The Company assumes no obligation to update any forward-looking statements contained in this press release as a result of new information or future events or developments.

Non-Solicitation

This press release shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any states or jurisdictions in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act or an exemption therefrom.

Non-GAAP Financial Measures; SEC Regulation G GAAP Reconciliations

Some of the financial information and data contained in this press release relating to Hisco, such as revenue and Adjusted EBITDA, have not been prepared in accordance with GAAP. DSG believes that these non-GAAP financial measures provide useful information to management and investors regarding certain financial and business trends relating to Hisco's financial condition and results of operations. DSG does not consider non-GAAP measures an alternative to financial measures determined in accordance with GAAP. The principal limitation of these non-GAAP financial measures is they may exclude significant expense and income items that are required by GAAP to be recognized in DSG's consolidated financial statements. In addition, they reflect the exercise of management's judgment about which expense and income items are excluded or included in determining these non-GAAP financial measures. Non-GAAP financial measures should not be relied upon, in whole or part, in evaluating the financial condition, results of operations or future prospects of DSG, Hisco or the combined company. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, DSG's reported results prepared in accordance with GAAP. A reconciliation of the non-GAAP financial measures to the nearest comparable GAAP financial measures is contained in this press release.

Company Contact:

Distribution Solutions Group, Inc.
Ronald J. Knutson
Executive Vice President and Chief Financial Officer
773-304-5665

Investor Relations Contacts:

Three Part Advisors, LLC
Steven Hooser or Sandy Martin
214-872-2710

Reconciliation of GAAP Revenue and GAAP Operating Income to
Non-GAAP Adjusted Revenue and Non-GAAP Adjusted EBITDA
(Dollars in thousands)

Distribution Solutions Group

	Year Ended 12/31/2022
GAAP Revenue	$1,151,422
Pre-Merger Revenue (1)	117,877
Adjusted Revenue	$1,269,299
GAAP Operating Income	$ 41,786
Pre-Merger Operating Income (1)	12,076
Adjusted Operating Income	$ 53,862
Depreciation and amortization	47,275
Adjustments:	
Merger/integration costs (2)	15,633
Stock-based compensation (3)	(6,147)
Severance costs (4)	3,422
Acquisition related costs (5)	2,782
Inventory net realizable value adj. (6)	1,737
Inventory step-up (7)	2,867
Other non-recurring (8)	1,597
Adjusted EBITDA	**$ 123,028**

Hisco

	Year Ended 10/31/2022
GAAP Revenue	$ 403,675
GAAP Operating Income	$ 9,101
Depreciation and amortization	7,306
Adjustments:	
Merger/integration costs (2)	—
Stock-based compensation (9)	6,872
Severance costs (4)	—
Acquisition related costs (5)	873
Inventory net realizable value adj. (6)	4,353
Inventory step-up (7)	—
Other non-recurring (8)	—
Adjusted EBITDA	**$ 28,505**

(1) Lawson Products revenue and operating income for the three months ended March 31, 2022, were not included in the Company's GAAP operating results under reverse merger acquisition accounting.
(2) Merger transaction costs related to the negotiation, review and execution of the merger agreements relating to the business combination of Lawson Products, TestEquity and Gexpro Services and subsequent integration costs.
(3) Expense primarily for stock-based compensation (benefit), of which a portion varies with the Company's stock price.
(4) Includes severance expense for actions taken, not related to a formal restructuring plan.
(5) Expense for acquisition related costs, unrelated to the business combination of Lawson Products, TestEquity and Gexpro Services.
(6) Inventory net realizable value adjustment recorded to reduce inventory related to discontinued products where the anticipated net realizable value was lower than the cost reflected in the Company's records.
(7) Inventory fair value step-up adjustments resulting from the reverse merger acquisition accounting for Lawson Products and acquisition accounting for additional acquisitions completed by Gexpro Services.
(8) Other non-recurring costs consists of sales force optimization and other non-recurring items.
(9) Compensation expense for the fair market value of shares released and contributed to the Company's Employee Stock Ownership Plan.

Exhibit 99.2

DSG
DISTRIBUTION SOLUTIONS GROUP

Powerful Solutions. Proven Results.

NASDAQ: DSGR

HIS Company, Inc. (“Hisco”) Acquisition Overview

March 31, 2023

Forward-Looking Statements

Forward-Looking Statements

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

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Non-Solicitation

This presentation shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any states or jurisdictions in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act or an exemption therefrom.

Non-GAAP Financial Measures, SEC Regulation G GAAP Reconciliations

Some of the financial information and data contained in this presentation relating to Hisco, such as revenue and Adjusted EBITDA, have not been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The Company believes that these non-GAAP financial measures provide useful information to management and investors regarding certain financial and business trends relating to Hisco's financial condition and results of operations. DSG does not consider non-GAAP measures an alternative to financial measures determined in accordance with GAAP. The principal limitation of these non-GAAP financial measures is they may exclude significant expense and income items that are required by GAAP to be recognized in our consolidated financial statements. In addition, they reflect the exercise of management's judgment about which expense and income items are excluded or included in determining these non-GAAP financial measures. Non-GAAP financial measures should not be relied upon, in whole or part, in evaluating the financial condition, results of operations or future prospects of DSG, Hisco or the combined company. A reconciliation of the non-GAAP financial measures to the nearest comparable GAAP financial measures is contained in this presentation.

Hisco Accelerates DSG's Vision for Growth

DSG

'22 Revenue:[1] ~$1.3B

'22 EBITDA:[1] ~$123M

Diversified distribution company with high-touch, value-added solutions catering to MRO, OEM and Industrial Technologies customers

Hisco

'22 Revenue:[2] ~$404M

'22 EBITDA:[2] ~$29M

Mission-critical distribution company serving electronic assembly, aerospace & defense, medical and other industrial customers

Combined Results

'22 Revenue:[1,2] ~$1.7B

'22 EBITDA:[1,2,3] ~$158M

Bolsters DSG's world-class industrial distribution platform

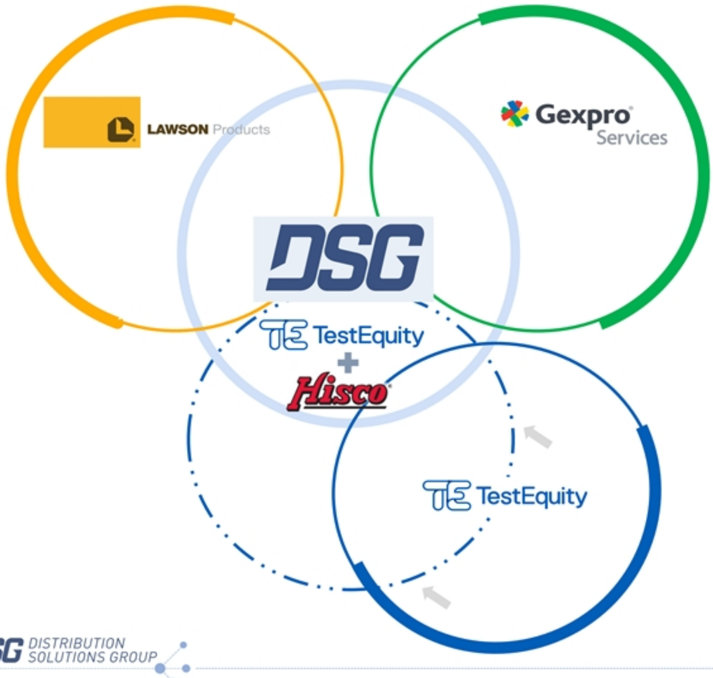
Expected to achieve cost synergies and significant customer and offering expansion benefits

Compelling value creation and growth opportunity

The Hisco Transaction Accelerates the Growth Trajectory of the Combined DSG Platform

(1) Represents adjusted DSG revenue and EBITDA, including Lawson Products pre-merger results. Excludes $53M of revenue and $4M of EBITDA contribution from pre-acquisition results of acquisitions acquired in 2022. See appendix for reconciliations.
(2) Represents Hisco 2022 FY (Oct) revenue and Adjusted EBITDA. Excludes $26M of revenue and $2M of annual Adjusted EBITDA acquired in December 2022. See appendix for reconciliations.
(3) Inclusive of $6M of synergies (comprised of commercial benefits, net spend savings, and other SG&A savings) expected to be realized over the first year after the Transaction close.

Creating a More Unified Platform



More closely aligns TestEquity to DSG and strengthens the overall organization's value proposition

- ✓ *Extended cross-sell opportunities*
- ✓ *Expanded value-added capabilities across platform*
- ✓ *Geographic pull-through deeper into Mexico and South America*
- ✓ *Expected to accelerate timeline to higher structural margin profile*

Transaction Summary

Value	▪ Upfront purchase price of $269.1M (9.4x 2022 Adjusted EBITDA[1]) • Mid-7x inclusive of anticipated synergies realized within 12 months post-close ▪ Approximately $35M of anticipated future tax benefit value[2] ▪ Expected to be accretive on an adjusted basis[3] in 2023
Structure	▪ Transaction structure includes: • $269.1M cash at close, subject to customary closing adjustments • $37.5M employee retention payments paid 12 or more months after closing in cash or DSG stock • Up to $12.6M cash earn-out, contingent on Hisco FY 2023 performance
Financing	▪ Funded at closing via: • Committed expansion of existing credit facility, plus • Approximately $100M equity rights offering to existing shareholders, with support indicated by largest shareholder, Luther King Capital Management and affiliates ("LKCM") ▪ Anticipating net borrowing leverage of 3.25x – 3.50x upon closing
Approval & Timing	▪ Unanimously approved by DSG's Board of Directors ▪ Full support from LKCM (>77% of outstanding shares) ▪ Expected to close in 2Q 2023, subject to HSR approval and customary closing conditions

(1) Represents Hisco 2022 FY (Oct) Adjusted EBITDA. Excludes $26M of revenue and $2M of annual Adjusted EBITDA acquired in December 2022. See appendix for reconciliations.
(2) Represents the gross value of the tax benefit associated with the step-up of acquired assets to be amortized for tax purposes in the future, according to a Section 338(h)(10) election, and applied at a company estimated tax rate of 28%.
(3) Excluding stock-based compensation, M&A/integration costs, severance, and other non-recurring items; inclusive of amortization from Section 338(h)(10) election and $6M of synergies (comprised of commercial benefits, net spend savings, and other SG&A savings) expected to be realized over the first year after the Transaction close.

Industry-Leading Industrial Distribution Platform

DSG

LAWSON Products

MRO Focus

Leading vendor managed inventory provider of C-parts to the MRO market

~29% of Sales[1]

Gexpro Services

OEM Focus

Leading global supply chain services and C-parts provider to OEM and aftermarket

~23% of Sales[1]

TestEquity / Hisco

Industrial Technologies Focus

Leading supplier of electronic & specialty production supplies and T&M equipment across OEM and MRO markets

~48% of Sales[1,2]

Hisco Acquisition Benefits

- ✓ Elevates organic growth rate of all businesses through commercial revenue opportunities
- ✓ Diversifies products and geographies, while capitalizing on nearshoring trends
- ✓ Enhances DSG's suite of value-added capabilities leverageable across the entire platform
- ✓ Provides immediate scale; pro forma 2022 revenue of ~$1.7B[1,2] and adjusted EBITDA of ~$158M[1,2,3]
- ✓ Generates strong and sustainable pro forma cash flow

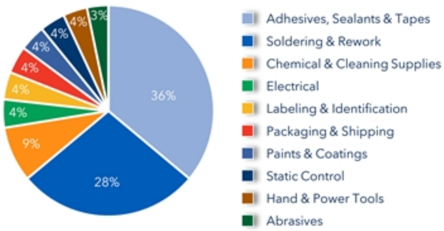
(1) Represents adjusted DSG revenue and EBITDA, including Lawson Products pre-merger results. Excludes $53M of revenue and $4M of EBITDA contribution from pre-acquisition results of acquisitions acquired in 2022. See appendix for reconciliations.
(2) Represents Hisco 2022 FY (Oct) revenue and Adjusted EBITDA. Excludes $26M of revenue and $2M of annual Adjusted EBITDA acquired in December 2022. See appendix for reconciliations.
(3) Inclusive of $6M of synergies (comprised of commercial benefits, net spend savings, and other SG&A savings) expected to be realized over the first year after the Transaction close.

Hisco® At a Glance

Business Overview

- Leading broadline industrial supplies distribution business with integrated footprint across the United States, Canada, and Mexico
- Headquartered in Houston, TX with 38 branches and ~600 employees
- High-margin, value-added services including precision converting and packaging for adhesives, sealants, and specialty chemicals
- Deeply embedded with customers, providing requirement-driven solutions

Select Product Offering Mix[1]



Largest Suppliers

3M, alpha, Atlas Copco, BRADY, DESCO, Elkem, Henkel LOCTITE, ITW Chemtronics

Value-Added Services

Custom Fabrication	Precision Slitting
Packaging / Labeling	Die Cutting
Cold / Clean Room Storage	Labeling / Printing
Vendor-Managed Inventory	Prototyping

End Markets

(1) Represents FY 2022 revenue; excludes Alliance Printing revenue and certain value-added services not categorized by company into revenue buckets.

Hisco's Strategic Fit with TestEquity

Highly Complementary Businesses

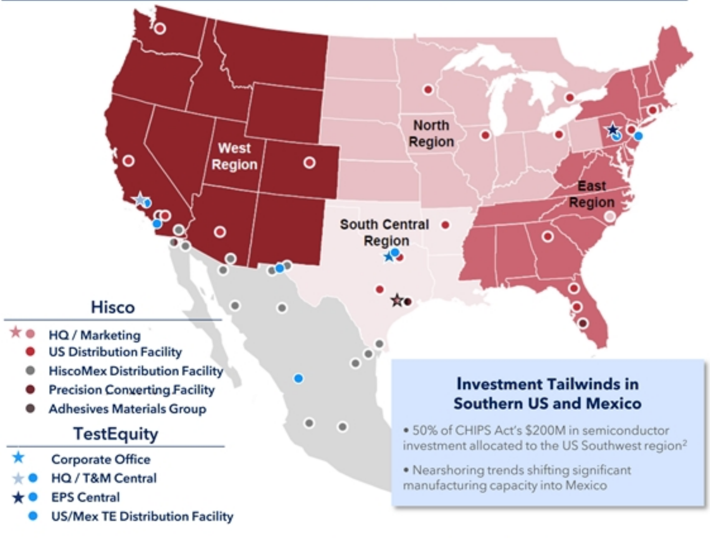
Aligned Product Offerings / Services — Strong, complementary fit with TestEquity's niche, specialty product offerings and value-add services

Suppliers — Strategic alignment with TestEquity's suppliers, particularly within Electronic Production Supplies ("EPS")

Operational Structure — "Best of both" consolidation with meaningful combination benefits, including facility optimization and operating resource leverage

Benefits of Market Tailwinds — Beneficiary of growth driven by CHIPS Act in the Southwestern US and nearshoring trends in Mexico

Scaled Geographic Footprint



Investment Tailwinds in Southern US and Mexico

- 50% of CHIPS Act's $200M in semiconductor investment allocated to the US Southwest region[2]
- Nearshoring trends shifting significant manufacturing capacity into Mexico

Transformed Industrial Technologies Focus with ~2/3[1] of Business Driven by Production Supplies and Value-added Services

DSG DISTRIBUTION SOLUTIONS GROUP

(1) Based on each of TestEquity and Hisco's FY 2022 revenues.
(2) Source: Semiconductor Industry Association.

DSG Go-Forward Vision for Growth

Best-in-Class Specialty Distribution Platform Poised for Accelerated Growth

Positioned for Organic Growth Opportunities

- ✓ Unique Total Customer and Supplier Value Proposition
- ✓ Comprehensive Value-Added Capabilities Across Premier Brands
- ✓ Geographic / Infill Expansion Opportunities Across North America
- ✓ Enhanced Digital Capabilities Across the Platform
- ✓ Proven Management Team with Clear Vision of Value Creation
- ✓ Continued Commitment to Drive Expanded EBITDA Margins

+

Actionable Acquisition Program

- In-house Corporate Development team with first-class experience
- Highly fragmented markets with thousands of smaller competitors
- Established track record of purchasing and integrating complementary, accretive businesses
- Well-capitalized to selectively pursue incremental acquisitions

Value-Added Acquisitions

~Q2 2023

2017 - 2020 | 2021 | 2022

Compelling Strategic Rationale

- Meaningfully enhances DSG's scale and operational footprint in North America
- Highly complementary product offerings, supplier & customer bases and end markets
- Synergistic acquisition with strong commercial logic, accelerating DSG's overall growth trajectory
- Strategic fit with TestEquity, enhancing its value proposition as a specialty distribution provider
- Best-in-class, combined management team with a track record of operational excellence
- Expected to be accretive on an adjusted basis[1] in 2023, delivering incremental value for all DSG shareholders

(1) Excluding stock-based compensation, M&A/integration costs, severance, and other non-recurring items; inclusive of amortization from Section 338(h)(10) election and $6M of synergies (comprised of commercial benefits, net spend savings, and other SG&A savings) expected to be realized over the first year after the Transaction close.

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Appendix

Reconciliation of GAAP Revenue and GAAP Operating Income to Non-GAAP Adjusted Revenue and Non-GAAP Adjusted EBITDA

(Dollars in Thousands)

Distribution Solutions Group

		Year Ended 12/31/2022
GAAP Revenue	$	1,151,422
Pre-Merger Revenue (1)		117,877
Adjusted Revenue	$	1,269,299
GAAP Operating Income	$	41,786
Pre-Merger Operating Income (1)		12,076
Adjusted Operating Income	$	53,862
Depreciation and amortization		47,275
Adjustments:		
Merger/integration costs (2)		15,633
Stock-based compensation (3)		(6,147)
Severance costs (4)		3,422
Acquisition related costs (5)		2,782
Inventory net realizable value adj. (6)		1,737
Inventory step-up (7)		2,867
Other non-recurring (8)		1,597
Adjusted EBITDA	**$**	**123,028**

Hisco

		Year Ended 10/31/2022
GAAP Revenue	$	403,675
GAAP Operating Income	$	9,101
Depreciation and amortization		7,306
Adjustments:		
Merger/integration costs (2)		-
Stock-based compensation (9)		6,872
Severance costs (4)		-
Acquisition related costs (5)		873
Inventory net realizable value adj. (6)		4,353
Inventory step-up (7)		-
Other non-recurring (8)		-
Adjusted EBITDA	**$**	**28,505**

(1) Lawson Products revenue and operating income for the three months ended March 31, 2022, were not included in the Company's GAAP operating results under reverse merger acquisition accounting .
(2) Merger transaction costs related to the negotiation, review and execution of the merger agreements relating to the business combination of Lawson Products, TestEquity and Gexpro Services and subsequent integration costs.
(3) Expense primarily for stock-based compensation (benefit), of which a portion varies with the Company's stock price.
(4) Includes severance expense for actions taken, not related to a formal restructuring plan.
(5) Expense for acquisition related costs, unrelated to the business combination of Lawson Products, TestEquity and Gexpro Services.
(6) Inventory net realizable value adjustment recorded to reduce inventory related to discontinued products where the anticipated net realizable value was lower than the cost reflected in the Company's records.
(7) Inventory fair value step-up adjustments resulting from the reverse merger acquisition accounting for Lawson Products and acquisition accounting for additional acquisitions completed by Gexpro Services.
(8) Other non-recurring costs consists of sales force optimization and other non-recurring items.
(9) Compensation expense for the fair market value of shares released and contributed to the Company's Employee Stock Ownership Plan.