

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

Form 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2024

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)

Registrant's telephone number, including area code:
(888) 611-9888

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

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

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

None

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of the registrant's voting stock held by non-affiliates on June 30, 2024, based upon the closing price of the registrant's Common Stock on that date, was approximately \$298,778,940.

As of February 28, 2025, 46,558,913 shares of common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Annual Report on Form 10-K incorporates by reference certain portions of the registrant's definitive proxy statement related to its 2025 Annual Stockholders' Meeting, to be filed with the Securities and Exchange Commission within 120 days after the close of the fiscal year. Except as expressly incorporated by reference, the registrant's definitive proxy statement shall not be deemed to be part of this report.

TABLE OF CONTENTS

	<u>Page #</u>
Cautionary Statement Regarding Forward-Looking Statements	3
<u>PART I</u>	
Item 1. Business	5
Item 1A. Risk Factors	15
Item 1B. Unresolved Staff Comments	25
Item 1C. Cybersecurity	25
Item 2. Properties	26
Item 3. Legal Proceedings	26
Item 4. Mine Safety Disclosures	26
<u>PART II</u>	
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	27
Item 6. [RESERVED]	28
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations	29
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	54
Item 8. Financial Statements and Supplementary Data	56
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	106
Item 9A. Controls and Procedures	107
Item 9B. Other Information	109
Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	109
<u>PART III</u>	
Item 10. Directors, Executive Officers and Corporate Governance	110
Item 11. Executive Compensation	110
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	111
Item 13. Certain Relationships and Related Transactions, and Director Independence	111
Item 14. Principal Accountant Fees and Services	111
<u>PART IV</u>	
Item 15. Exhibit and Financial Statement Schedules	112
Item 16. Form 10-K Summary	114
Signatures	115

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K 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 (the “Mergers”) 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;
- supply chain constraints, inflationary pressure and labor shortages; and
- foreign currency exchange rate changes.

A detailed discussion of various factors that could cause actual results to differ materially from those described in the forward-looking statements is set forth in Part 1, Item 1A. “Risk Factors” of this Annual Report on Form 10-K. 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

ITEM 1. BUSINESS.

Overview

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. DSG was formed in 2022 through the strategic mergers of Lawson Products, a leader in MRO distribution of C-parts, TestEquity, a leader in electronic test & measurement solutions and Gexpro Services, a leading global supply chain services provider to manufacturing customers. A summary of the mergers is presented in Note 1 – Nature of Operations and Basis of Presentation, in Item 8. Financial Statements and Supplementary Data.

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 approximately 200,000 distinct customers in several diverse end markets supported by approximately 4,400 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. DSG was originally incorporated in Illinois in 1952 and was reincorporated in Delaware in 1982.

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

Recent Events

2024 Business Acquisitions

On November 18, 2024, DSG acquired the assets of ConRes Test Equipment, (“ConRes TE” and the “ConRes TE Transaction”). These assets were acquired to expand TestEquity’s test equipment offerings and value-add service capabilities in all of our end markets. The total purchase consideration exchanged was approximately \$17.0 million and was funded using DSG’s cash on hand and its revolving credit facility.

On October 30, 2024, DSG completed the acquisition of Tech-Component Resources Pte Ltd (“TCR” and the “TCR Transaction”). 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 total purchase consideration exchanged was approximately \$5.9 million, net of cash acquired of \$1.9 million, and was funded using DSG’s cash on hand and its revolving credit facility.

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”). 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 was acquired to expand DSG’s operating footprint in the Canadian market. The total purchase consideration exchanged was \$103.1 million, net of cash acquired of \$4.4 million. DSG funded the Source Atlantic Transaction with borrowings under its amended and restated credit facility (discussed below).

On May 1, 2024, DSG completed the acquisition of S&S Automotive Inc. (“S&S Automotive” and the “S&S Automotive Transaction”). 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 total purchase consideration exchanged was approximately \$80.1 million, net of cash acquired of \$0.7 million, and was funded using DSG’s cash on hand and its revolving credit facility.

On January 19, 2024, DSG acquired the assets of Safety Supply Illinois LLC, conducting business as Emergent Safety Supply (“ESS” and the “ESS Transaction”). 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 total purchase consideration exchanged was \$9.9 million and was funded using DSG’s cash on hand.

Refer to Note 3 – Business and Asset Acquisitions in Item 8. Financial Statements and Supplementary Data for additional information about these acquisitions.

Debt Amendment

On August 14, 2024, the Company entered into the Third Amendment to Amended and Restated Credit Agreement (the “Third Amendment”). The Third Amendment provided for an additional \$200 million incremental term loan and a \$55 million increase in the Company’s senior secured revolving credit facility and permits the Company to increase the commitments under the agreement 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 included in Item 8. Financial Statements and Supplementary Data for additional information about DSG’s credit agreement.

DSG Vision and Strategic Focus

The complementary distribution operations of Lawson, TestEquity and Gexpro Services were combined in 2022 for the purpose of creating a global specialty distribution company enabling each of Lawson, TestEquity and Gexpro Services to maintain their respective high-touch, value-added service delivery models and customer relationships in their specialty distribution businesses under the leadership of their separate business unit management teams. The DSG leadership team provides oversight to these separate leadership teams. This structure helps the combined company to leverage best practices, back-office resources and technologies across the three operating companies to help drive cost synergies and efficiencies. The combined company has the ability to utilize its combined financial resources to accelerate a strategy of expansion through both business acquisitions and organic growth.

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 customer bases 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.

Human Capital Resources - General Employee Information

Our organization supports a culture of continuous improvement and emphasizes the importance of addressing the needs of our customers. We require our employees to act with integrity in every aspect of our business while encouraging them to be results driven, team oriented and progressive.

As of December 31, 2024, our combined workforce included approximately 4,400 individuals, comprised of approximately 1,610 in sales and marketing, approximately 1,880 in operation and distribution and approximately 860 in management and administration. Approximately 1,740 individuals are within Lawson, 1,160 are within TestEquity, 740 are within Gexpro Services, and 710 are within Canada Branch Division.

Segments

In connection with the Source Atlantic Transaction in the third quarter of 2024, the Company realigned its reportable segments to align with our business strategy and the manner in which our chief operating decision maker (“CODM”) assesses performance and strategic execution and makes decisions regarding the allocation of resources. The Company now has four reporting segments: Lawson, TestEquity, Gexpro Services and Canada Branch Division. For additional details about our segment realignment, see Note 1 – Nature of Operations and Basis of Presentation in Item 8. Financial Statements and Supplementary Data.

The following is a discussion of our reportable segments. For more information about our segments, refer to Note 14 – Segment Information in Item 8. Financial Statements and Supplementary Data.

Lawson

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 throughout the United States and Canada.

Background and Operations — Lawson delivers quality products to customers and offers them extensive product knowledge, product application expertise and Vendor Managed Inventory (“VMI”) services. Lawson competes for business primarily by offering a value-added service approach wherein highly trained sales representatives manage the product inventory for customers. The VMI model makes it less likely that customers will run out of a product while optimizing their inventory levels. Lawson ships products to its customers in all 50 states, Puerto Rico, Canada, Mexico and the Caribbean.

Strategic Focus — Lawson’s vision is to be its customers’ first choice for MRO solutions that improve their operating performance. Lawson plans to achieve its vision by working closely with customers to maintain and enhance their operations by providing them with quality products, superior service and innovative solutions and to grow both organically and through acquisitions.

Industry and Competition — The MRO market is comprised of companies that buy and stock products in bulk and supply these products to customers on an as needed basis. The customer benefits from our knowledge and the convenience of ordering smaller quantities maintained by us.

There is a significant amount of competitive fragmentation by geography and product within the industry. We encounter competition from several national distributors and manufacturers and a large number of regional and local distributors. Some competitors have greater financial and personnel resources, handle more extensive lines of merchandise, operate larger facilities and price some merchandise more competitively than we do.

Customers — During 2024, the Lawson segment sold products to over 53,000 distinct customers. Lawson’s largest customer accounted for approximately 4% of Lawson’s revenue. In 2024, approximately 92% of Lawson’s revenue was generated in the United States and approximately 8% in Canada. Although seasonality is not significant, due to fewer selling days and less activity during the holiday season, revenue in the fourth quarter is historically lower than the first three quarters of the year.

Lawson’s customers operate in a variety of industries. Lawson’s revenue percentages by customer end markets in 2024 were as follows:

End Markets	Percentage of Lawson Revenue
Automotive	27%
Manufacturing	14%
Trade wholesale and retail	12%
Construction	8%
Mining	8%
Equipment rental	6%
Transportation	5%
Government and military	5%
Agriculture	3%
Other	12%
	100%

Lawson’s customers include a wide range of purchasers of industrial supply products from small repair shops to large national and governmental accounts.

Products — Lawson’s revenue percentages by product categories in 2024 were as follows:

Product Category	Percentage of Lawson Revenue
Aftermarket automotive supplies	18%
Fastening systems	17%
Fluid power	14%
Electrical	11%
Specialty chemicals	10%
Cutting tools and abrasives	8%
Safety	6%
Welding and metal repair	2%
Other	14%
	100%

Lawson offers over 157,000 different products of which over 96,000 products are maintained in distribution centers. Lawson strives to carry sufficient inventory to ensure product availability and rapid processing of customer orders. Accurate forecasting of customer demand is essential to establish the proper level of inventory for each product. Inventory levels need to be sufficient to meet customer demand while avoiding the costs of stocking excess items.

During 2024, Lawson purchased products from approximately 2,400 suppliers and no single supplier accounted for more than 4% of these purchases. The loss of one core supplier could affect operations by hindering the ability to provide full service to customers.

Lawson’s quality control department tests its product offerings to help ensure they meet our customers’ specifications. Lawson recommends solutions to help customers maximize product performance and avoid costly product failures. Lawson’s engineering department provides technical support for products and offers on-site problem solutions. It also develops and presents product safety and technical training seminars tailored to meet customers’ needs.

Human Capital Resources — As of December 31, 2024, Lawson’s workforce had 1,740 individuals: approximately 1,030 in sales and marketing of whom approximately 900 are field sales representatives, 420 in operation and distribution and 290 in management and administration. Approximately 13% of the Lawson workforce is covered by three collective bargaining agreements. We believe that our relationships with our employees and their collective bargaining organizations are satisfactory.

Sales force growth is a strategic driver of the Lawson business, and increased sales coverage throughout the United States and Canada directly impacts Lawson’s success as an organization. Lawson is focused on identifying and recruiting individuals who are a good fit with its sales organization and providing them with the tools needed to succeed, such as training about Lawson’s products and on the successful and effective ways to call potential customers and maintain relationships with existing customers. Lawson’s product training educates its sales team on the optimal uses of products, enabling them to provide the proper products and customized solutions to address customers’ needs, including technical expertise and on-site problem resolution.

Lawson’s leadership team is also focused on reducing sales force turn-over and on offering growth opportunities for its sales representatives.

TestEquity

TestEquity is a leading 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 manufacturing partners. TestEquity operates primarily through its five distribution brands, namely TestEquity, Hisco, TEquipment, Techni-Tool and Jensen Tools, and is focused primarily in North America with a network of sales representatives throughout the United States, Canada, Mexico, Germany and the United Kingdom.

Background and Operations — Based out of North Richland Hills, Texas, TestEquity is a large, comprehensive provider of electronic test solutions in the United States supporting the aerospace and defense, wireless and communication, semiconductors, industrial electronics and automotive, and electronics manufacturing industries. TestEquity designs, rents and sells a full line of high-quality environmental test chambers. In addition to a large array of test and measurement products, TestEquity also offers calibration, refurbishment and rental solutions and a wide range of refurbished products. TestEquity continues to benefit from electrification of products across a range of industries including the internet of things (“IOT”), electric vehicles (“EV”) and the 5th generation mobile network (“5G”). TestEquity offers over 400,000 products and 800 manufacturer brands with overlap across the following brands.

Hisco is a specialty distribution company serving the electronic assembly, aerospace and defense, medical and other industrial markets. Hisco also offers specialized warehousing for cold storage and vendor managed inventory services.

TEquipment (acquired as Interworld Highway, LLC) is one of the top distributors for both test and measurement and electronic production supplies in the United States with its e-commerce focused strategy, broad product range, amplified by access to core TestEquity products, and strong technical support for their customers.

Techni-Tool is one of the industry’s largest solder, soldering equipment and electronic production distributors. Techni-Tool offers a wide range of products to support electronic production as well as compliance testing. In addition to the brand specific products offered, Techni-Tool also provides VMI solutions and dedicated technical support.

Jensen Tools is a top distributor for the electronics MRO customer base. In addition to being a distributor of handheld tools from leading brands, Jensen Tools offers private label Jensen branded hand tools that have been developed over years of customer usage and manufactured to a specified and demanding tolerance level. Jensen Tools employs a dedicated team of engineering, operational and sales professionals who focus on designing and building quality tool kits for its customers.

Strategic Focus — TestEquity intends to grow revenue both organically and through acquisitions and continuing to expand and improve its service offerings to its customers. In particular, TestEquity strives to improve its digital experience, with a consistent approach for all of its brands. TestEquity intends to increase its market share through continued expansion of product lines and greater penetration of the e-commerce market, enabled through investment in key digital talent and leverage of the existing TestEquity and TEquipment platforms.

Industry and Competition — Across both the test and measurement and electronic production supplies businesses, the North American market is fragmented with competitors ranging from large global distributors to national and regional distributors. Some competitors have greater financial and personnel resources, handle more extensive lines of merchandise, operate larger facilities and price some merchandise more competitively than TestEquity.

Customers — TestEquity serves over 107,000 customers at 128,000 locations across the United States and abroad, primarily in Canada, Europe and Mexico with approximately 81% of TestEquity’s revenue in 2024 derived from customers in the United States. There is no significant seasonality in TestEquity’s business across its fiscal quarters. However, the number of business days in a quarter has an impact on TestEquity’s revenue and profitability.

TestEquity’s revenue percentages by customer end markets in 2024 were as follows:

End Markets	Percentage of TestEquity Revenue
Electronics manufacturing	33%
Aerospace and defense	17%
Medical	7%
Reseller	6%
Automotive	6%
General industrial	5%
Wireless and communications technology	4%
Semi-conductor production	2%
Other	20%
	100%

Products — Approximately 19,000 fast-moving products are typically held in inventory across 40 distribution centers available for next day delivery. TestEquity’s revenue percentages by product categories in 2024 were as follows:

Product Category	Percentage of TestEquity Revenue
Electronic production supplies	62%
Test & measurement	35%
Rental and refurbished	3%
	100%

TestEquity has 28 key suppliers that made up approximately 35% of TestEquity’s purchases in 2024. In total, TestEquity purchases from approximately 3,000 suppliers across the marketplace.

Human Capital Resources — TestEquity supports a culture of continuous improvement, integrity and diversity. TestEquity prides itself on its ability to meet its customers’ needs in a driven and progressive manner. As of December 31, 2024, TestEquity’s workforce had 1,160 individuals, comprised of approximately 250 in sales and marketing, 550 in operation and distribution and 360 in administration and support.

Gexpro Services

Gexpro Services is a world-class global supply chain solutions provider, specializing in the development of mission critical production line management, aftermarket and field installation programs. Gexpro Services provides comprehensive supply chain management solutions, including a full technology suite offering of VMI, kitting, global logistics management, manufacturing localization and import expertise, value engineering and quality assurance. Gexpro Services’ end-to-end project management is designed to support OEMs with their engineered material specifications, fulfillment, and quality requirements to improve their total cost of ownership. Gexpro Services has manufacturing and supply chain operations in over 34 service center sites across twelve countries including key geographies in North America, South America, Asia, Europe, and the Middle East. Gexpro Services serves customers in six vertical markets, including renewables, industrial power, consumer and industrial, technology, transportation, and aerospace and defense.

Background and Operations — Gexpro Services was formed in November 2019 and, in February 2020, LKCM Headwater acquired the “Gexpro Services” business from French distributor Rexel S.A. via a carve-out acquisition.

As a top distributor and service provider to the OEM market, Gexpro Services has approximately 2,800 suppliers offering approximately 49,000 products. These products are inventoried and sourced through 30 locations in North America, South America, Asia, Europe and the Middle East.

Strategic Focus — Gexpro Services intends to grow organically through market share expansion primarily through new product introduction, increased sales of products and services to existing customers and expansion of its customer base. Gexpro Services believes that its services benefit its customers by helping them reduce their direct and indirect procurement costs and total cost of ownership for high volume, low value Class C parts, and that its services can help drive substantial cost savings for its customers. Additionally, Gexpro Services intends to grow its business through strategic, accretive acquisitions, and through continued improvement in service and product offerings to its customers.

Industry and Competition — Gexpro Services operates in a large, fragmented market with many competitors servicing OEMs as well as the MRO segment of the Class C product line. Competitors of Gexpro Services include large global distributors as well as national, regional and local distributors.

Customers — Gexpro Services serves over 2,000 customers in over 49 countries through its 30 facilities. In 2024, approximately 76% of Gexpro Services’ revenues were generated in the United States. Through its customer base, Gexpro Services provides VMI services with over 155,000 installed bins which allow its customers to maintain the necessary on-hand inventory levels to support their production cycles. Gexpro Services’ value-added processes for its customers include VMI, packaging and kitting, engineering, product standardization when appropriate, sales and technical support, global sourcing and quality assurance.

Approximately 64% of Gexpro Services' revenue in 2024 was from customers under long-term agreements. Gexpro Services' largest customer represented approximately 23% of Gexpro Services' 2024 total revenue while the top 20 customers represented approximately 82% of Gexpro Services' 2024 total revenue.

Gexpro Services has existing customers in many different industry end markets. Gexpro Services' revenue percentages by customer end markets in 2024 were as follows:

End Markets	Percentage of Gexpro Services Revenue
Renewable energy	32%
Industrial power	19%
Transportation	19%
Consumer and industrial	13%
Aerospace and defense	11%
Technology	6%
	100%

Products — Gexpro Services' revenue percentages by product categories in 2024 were as follows:

Product Category	Percentage of Gexpro Services Revenue
Hardware	47%
Electrical	22%
Fabrications	19%
Mechanical	12%
	100%

Approximately 63% of Gexpro Services' suppliers are based in the United States, which helps limit the risk of increased freight and logistics costs; however, many of these suppliers source their products from overseas. Gexpro Services maintains favorable and long-tenured relationships with approximately 2,800 suppliers, with the largest supplier representing approximately 2% of Gexpro Services' total product purchases in 2024 while the top 10 suppliers represented approximately 17% of total product purchases in 2024.

Human Capital Resources — Gexpro Services supports a culture of continuous improvement, integrity and diversity. Gexpro Services prides itself on being a full value provider to its customers supported with a team committed to providing world-class customer service. As of December 31, 2024, Gexpro Services' workforce had approximately 740 individuals, comprised of approximately 240 in sales and marketing, 430 in operation and distribution and 70 in management and administration.

Canada Branch Division

Canada Branch Division is a wholesale distributor providing product and service solutions for the industrial, government, commercial and residential contractor markets for the Canadian MRO market.

Background and Operations — Canada Branch Division combines the operations of our Bolt Supply House ("Bolt") and Source Atlantic subsidiaries, which distribute industrial MRO supplies, safety products, fasteners, and related value-add services to the Canadian MRO market primarily through the sale of products to its walk-up customers through 38 branch locations.

Strategic Focus — 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 38 branch locations.

Industry and Competition — The MRO market is comprised of companies that buy and stock products in bulk and supply these products to customers on an as needed basis. The customer benefits from our knowledge and the convenience of purchasing smaller quantities from stock maintained by us.

There is a significant amount of competition within the Canadian MRO industry. We encounter competition from regional and local distributors in Canada as well as international distributors and manufacturers. Some competitors have greater financial and personnel resources, handle more extensive lines of merchandise, operate larger facilities and price some merchandise more competitively than we do.

Customers — During 2024, the Canada Branch Division segment sold products to over 40,400 distinct customers. Canada Branch Division’s largest customer accounted for approximately 3% of consolidated revenue. Approximately 100% of Canada Branch Division’s revenue was generated in Canada. Although seasonality is not significant, due to fewer selling days and less activity during the holiday season, revenue in the fourth quarter is historically lower than the first three quarters of the year.

Canada Branch Division’s customers operate in a variety of industries. Revenue percentages by customer end markets in 2024 were as follows:

End Markets	Percentage of Canada Branch Division Revenue
Contractors	25%
Machining and manufacturing	24%
Mining and oil & gas	13%
Government and military	6%
Forestry	4%
Wholesale	4%
Utilities	3%
Transportation	3%
Shipbuilding and repair	2%
Construction	1%
Engineering and consulting	1%
Other	14%
	100%

Canada Branch Division’s customers include a wide range of purchasers of industrial supply products from small independent contractors to large manufacturers, and governmental and military accounts.

Products — Canada Branch Division’s revenue percentages by product categories in 2024 were as follows:

Product Category	Percentage of Canada Branch Division Revenue
Fasteners	24%
Tools and equipment	13%
Safety	11%
Plumbing	8%
Mobile valve	7%
Machine	7%
Industrial - Other	6%
Cutting tools and abrasives	5%
Power transmission	3%
Engineering	3%
Other	13%
	<u>100%</u>

Canada Branch Division offers over 135,000 different products of which over 92,500 products are maintained in distribution centers and physical store branch locations. Canada Branch Division strives to carry sufficient inventory to ensure product availability. Accurate forecasting of customer demand is essential to establish the proper level of inventory for each product. Inventory levels need to be sufficient to meet customer demand while avoiding the costs of stocking excess items.

During 2024, Canada Branch Division purchased products from approximately 2,400 suppliers with the largest supplier representing approximately 18% of total product purchases in 2024. Canada Branch Division maintains favorable and long-tenured relationships with approximately 2,400 suppliers. The loss of one core supplier could affect operations by hindering the ability to provide full service to customers.

Human Capital Resources — Canada Branch Division supports a culture of continuous improvement, integrity and diversity and prides itself on its committed team that is driven to meet customers’ needs through quality service. As of December 31, 2024, Canada Branch Division’s workforce had approximately 710 individuals: approximately 480 in operation and distribution, 90 in sales and marketing and 140 in management and administration.

Available Information

We file with, or furnish to, the Securities and Exchange Commission (“SEC”) annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and, as applicable, amendments to those reports pursuant to Section 13(a) or 15(d) of the Exchange Act. The public can obtain copies of these materials by accessing the SEC’s website at <http://www.sec.gov>. In addition, as soon as reasonably practicable after we electronically file such materials with, or furnish such materials to, the SEC, we make copies of such materials available to the public free of charge through our website at www.distributionsolutionsgroup.com. Information on our website is not incorporated by reference into this report. We also make available on our website our Code of Business Conduct, Corporate Governance Principles and the charters of the committees of our Board of Directors.

Information About Our Executive Officers

The executive officers of DSG as of February 3, 2025 were as follows:

Name	Age	Year First Named to Present Office	Position
J. Bryan King	53	2022	Chairman, President and Chief Executive Officer
Ronald J. Knutson	61	2014	Executive Vice President, Chief Financial Officer and Treasurer
David S. Lambert	51	2021	Vice President, Controller and Chief Accounting Officer

Biographical information for the past five years relating to each of our executive officers is set forth below.

Mr. King was elected President and Chief Executive Officer in May 2022. Mr. King has also served as a member of the Board of Directors of the Company since 2017 and has served as Chairman of the Board of Directors of the Company since March 2019. Mr. King has a career in investment management spanning over three decades and has served as Chairman or managing partner of several industrial distribution companies. Mr. King is a Principal of Luther King Capital Management Corporation (“LKCM”), an SEC-registered investment adviser, and Founder and Managing Partner of LKCM Capital Group and LKCM Headwater Investments, the private capital investment group of LKCM.

Mr. Knutson has served as Executive Vice President, Chief Financial Officer and Treasurer since April 2014 and has served as Executive Vice President and Chief Financial Officer of the Company since July 2012.

Mr. Lambert has served as Vice President, Controller and Chief Accounting Officer of the Company since June 2021. Prior to joining the Company, Mr. Lambert served as the Corporate Controller, and previously the Assistant Controller, of Univar Solutions, a chemical distribution company, publicly traded on the NYSE from June 2017 through June 2021. Prior to these roles, Mr. Lambert held progressive roles within finance and accounting at several other publicly traded companies.

ITEM 1A. RISK FACTORS.

Our operating results depend on many factors and are subject to various risks and uncertainties, including those discussed below. The material risks and uncertainties known to us and described below may negatively affect our business, financial condition and results of operations. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair or otherwise adversely affect our business, financial condition and results of operations, and may give rise to or amplify many of the risks discussed below.

Business Risks

A significant portion of our inventory may become obsolete.

Our business strategy requires us to carry a significant amount of inventory to meet rapid processing of customer orders. If our inventory forecasting and production planning processes result in inventory levels exceeding the levels demanded by customers or should our customers decrease their orders with us, our operating results could be adversely affected due to costs of carrying the inventory and additional inventory write-offs for excess and obsolete inventory, which could materially adversely affect our business, financial condition and results of operations.

Work stoppages and other disruptions at transportation centers or shipping ports, along with other supply chain disruptions, may adversely affect our ability to obtain inventory and make deliveries to our customers.

Our ability to rapidly process customer orders is an integral component of our overall business strategy. Interruptions at our company-operated facilities or disruptions at a major transportation center or shipping port, due to events such as severe weather, labor interruptions, natural disasters, acts of terrorism, trade restrictions, government-imposed quotas or other events, could adversely affect our ability to maintain core products in inventory or deliver products to our customers on a timely basis or adversely affect demand for our products, which may in turn adversely affect our business, financial condition and results of operations. Similarly, other supply chain disruptions have impacted our ability to maintain certain core products in inventory and deliver products to customers on a timely basis, and may continue to impact our ability to do so. Such supply chain disruptions may adversely affect our business, financial condition and results of operations.

Changes in our customers, product mix and pricing strategy could cause our gross profit margin percentage to decline in the future.

From time to time, our businesses have experienced overall changes in the product mix demand of customers. When customers or product mix changes, there can be no assurance that we will be able to maintain our gross profit margins. Changes in our customers, product mix, volume of orders or prices charged, along with additional freight costs or lower productivity levels, could cause our gross profit margin percentage to decline. Our gross profit margin percentage may also come under pressure in the future if we increase the percentage of national accounts in our customer base, as sales to these customers are generally at lower margins.

Disruptions of our information and communication systems could adversely affect the Company.

We depend on our information and communication systems to process orders, purchase and manage inventory, maintain cost-effective operations, sell and ship products, manage accounts receivable collections and serve our customers. Disruptions in the operation of information and communication systems can occur due to a variety of factors including power outages, hardware failure, programming faults and human error. Disruptions in the operation of our information and communication systems, whether over a short or an extended period of time or affecting one or multiple distribution centers, could have a material adverse effect on our business, financial condition and results of operations.

Cyber-attacks or other information security incidents could have a material adverse effect on our business strategy, results of operations or financial condition and subject us to additional legal costs.

We are increasingly dependent on digital technology to process and record financial and operating data and communicate with our employees and business partners. During the normal course of business we receive, retain and transmit certain confidential information that our customers provide to purchase products or services or to otherwise communicate with us, as well as certain potentially sensitive information about our employees and other persons and entities.

Our technologies, systems, networks and data and information processes (and those of our business partners) have been, and may in the future be, the target of cyber-attacks and/or information security incidents that may have resulted in, or may in the future result in, the unauthorized release, misuse, loss or destruction of proprietary, personal and other information, or other disruption of our business operations, including compromise of our email systems. For example, in February 2022, Lawson became aware that its computer network was the subject of a cyber incident potentially involving unlawful access (the “Cyber Incident”). Because of the nature of the information that may have been potentially compromised, which may have included personal identifiable information and protected health information, we were required to notify the parties whose information was potentially compromised of the incident as well as various governmental agencies and have taken other actions, such as offering credit monitoring services. After this incident, we also reviewed our overall systems and processes, and implemented certain changes, including employee training, designed to improve our overall cybersecurity program, but we cannot assure you that these changes will be effective to prevent future incidents. In addition, from time to time our email systems (and those of our business partners communicating with us) have been subjected to malicious attacks, including phishing attacks.

Such attacks or incidents could have a material adverse effect on our business strategy, results of operations or financial condition and subject us to additional legal costs. For example, a putative class action lawsuit was filed against DSG in April 2023 asserting a variety of claims seeking monetary damages, injunctive relief and other related relief in connection with the Cyber Incident, which could result in additional legal and other costs.

The techniques used by criminals to obtain unauthorized access to sensitive data change frequently and often are not recognizable until launched against a target or until a breach has already occurred. Accordingly, we may be unable to anticipate these techniques or implement adequate preventative measures. In addition, we are exposed to growing and evolving risks arising from the use of Artificial Intelligence technologies by bad actors to commit fraud, misappropriate funds and facilitate cyberattacks. As cyber threats continue to evolve, we may be required to expend additional resources to continue to modify or enhance our protective measures or to investigate and fix any information security vulnerabilities.

We maintain and have access to data and information that is subject to privacy and security laws, data protection laws and applicable regulations. The interpretation and application of such laws, including federal, state and international laws, relating to the collection, use, retention, disclosure, security and transfer of personally identifiable data in the United States (including but not limited to the California Consumer Privacy Act and the California Privacy Rights Act), Europe (including but not limited to the European Union’s General Data Protection Regulation) and elsewhere, are uncertain and evolving. Despite our efforts to protect such information, cyber, privacy or security incidents, or misplaced or lost data could have a materially adverse impact on our business strategy, results of operations or financial condition and may divert management and employee attention from other business and growth initiatives.

The inability to successfully recruit, integrate and retain productive sales representatives could adversely affect our business, financial condition and operating results.

We have committed to a plan to increase the size of our sales force. A successful expansion in our sales force requires us to identify under-served territories that offer the greatest potential growth opportunity, locate and recruit talented sales representatives, provide them with the proper training, and successfully integrate them into our organization. This expansion will require significant investment in capital and resources. The failure to identify the optimal sales territories, recruit and retain quality sales representatives and provide them with sufficient support could adversely affect our business, financial condition and results of operations.

It is also critical to retain the experienced and productive sales representatives that have historically contributed to the successes of our businesses. Failure to retain a sufficient number of talented, experienced and productive sales representatives could adversely affect our business, financial condition and results of operations.

Failure to retain talented employees, managers and executives could negatively impact our business and operating results.

Our success depends on, among other things, our ability to attract, develop and retain talented employees, including executives and other key managers. The loss of certain key executives and managers or the failure to attract and develop talented employees could have a material adverse effect on our business, financial condition and results of operations.

There may be difficulties in integrating certain operations of TestEquity's and Gexpro Services' respective businesses with our other operations, and the failure to successfully combine those operations within our expected timetable could adversely affect our future results and the market price of our common stock.

The Mergers involve the combination of businesses that previously operated as independent businesses. Management has devoted and will continue to devote significant attention and resources to combine certain business operations of TestEquity and Gexpro Services with our other business operations. This may divert the time and attention of our management team and diminish their time to manage our businesses, service existing customers, attract new customers, develop new products, services and strategies and identify other beneficial opportunities.

If our management is not able to effectively manage the process following the closing of the Mergers, or if any significant business activities are interrupted as a result of this process, our businesses could suffer.

Furthermore, it is possible that the Mergers could result in the loss of key employees. If we are not able to fully realize the anticipated savings and synergies from the Mergers in a timely manner, or the cost to achieve these synergies is greater than expected, we may not fully realize the anticipated benefits (or any benefits) of the Mergers, or it may take longer than expected to realize any benefits. The failure to fully or timely realize the anticipated benefits could have a negative effect on the market price of DSG common stock.

The inability of management to successfully implement changes in operating processes could lead to disruptions in our operations.

We strive to improve operational efficiencies throughout our organization and to identify and initiate changes intended to improve our internal operations. The implementation of changes to our current operations involves a risk that the changes may not work as intended, may disrupt related processes, may not be properly applied or may not result in accomplishing the intended efficiencies. Failure to successfully manage the implementation of these changes could lead to disruptions in our operations.

Any pursuit or completion by DSG of additional acquisition opportunities would involve risks that could adversely affect our business, financial condition and results of operations.

One of our growth strategies is to actively pursue additional acquisition opportunities which complement our business model. However, there are risks associated with pursuing acquisitions, which include the incurrence of significant transaction costs without the guarantee that such transactions will be completed and the risk that we may not realize the anticipated benefits of the acquisition once it is completed. We may fail to successfully identify the right opportunities and/or to successfully integrate the acquired businesses, operations, technologies, systems and/or personnel with those of DSG, which could adversely affect our business, financial condition and results of operations.

We operate in highly competitive markets.

The marketplaces in which we operate are highly competitive. Our competitors include large and small companies with similar or greater market presence, name recognition, and financial, marketing, and other resources. We believe the competition will continue to challenge our business with their product selection, financial resources and services.

We may be required to recognize impairment charges for goodwill and other intangible assets.

As a result of the closing of the Mergers on April 1, 2022, and other acquisitions completed during 2024, 2023 and 2022, we have a significant amount of goodwill and other intangible assets on our consolidated balance sheet as of December 31, 2024. In accordance with generally accepted accounting principles in the United States ("GAAP"), our management periodically assesses our goodwill and other intangible assets to determine if they are impaired. Significant negative industry or economic trends, disruptions to our business, an inability to effectively integrate acquired businesses, unexpected significant changes, planned changes in use of the assets, divestitures and market capitalization declines may impair goodwill and other intangible assets. Any charges relating to such impairments could materially and adversely affect our results of operations in the periods recognized, which could result in an adverse effect on the market price of DSG common stock.

Changes that affect governmental and other tax-supported entities, including but not limited to changes arising from geopolitical instability and military hostilities, could negatively impact our revenue and earnings.

A portion of our revenue is derived from the United States military and other governmental and tax-supported entities. These entities are largely dependent upon government budgets and require adherence to certain laws and regulations, including sanctions. Such sanctions could include restrictions on selling or importing goods, services, or technology in or from affected regions and travel bans and asset freezes impacting connected individuals and political, military, business, and financial organizations. In addition, geopolitical instability and military hostilities, such as the Hamas-Israel military conflict and the Russia-Ukraine military conflict, could negatively impact our business. Although we have not, do not currently and do not plan to conduct business operations in Gaza, Israel, Russia, Belarus, or Ukraine, it is not possible to predict the broader consequences of these conflicts, which could include sanctions, embargoes or other geopolitical instability. Any decrease in the levels of defense and other governmental spending or the introduction of more stringent governmental regulations and oversight could lead to reduced revenue or an increase in compliance costs which would adversely affect our business, financial condition and results of operations.

We are required to evaluate our internal controls over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002 and any adverse results from such evaluation, and any failure to maintain effective internal controls over financial reporting, could result in a loss of investor confidence in our financial reports and could have an adverse effect on our stock price.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 and applicable SEC rules, we are required to include in each Annual Report on Form 10-K a report by our management on our internal control over financial reporting. This assessment must include disclosure of any material weaknesses in our internal control over financial reporting identified by management. Each year, we must prepare or update the process documentation and perform the evaluation needed to comply with Section 404 of the Sarbanes-Oxley Act of 2002 and applicable SEC rules in providing this report. During this process, if our management identifies one or more material weaknesses in our internal control over financial reporting, we will be unable to assert such internal control is effective. For example, management's report on our internal controls over financial reporting contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, identified a material weakness and concluded that we did not maintain effective internal controls over financial reporting as of December 31, 2022. Ensuring that we have adequate internal financial and accounting controls and procedures in place is a costly and time-consuming exercise that needs to be re-evaluated frequently. We and our independent auditors may in the future discover areas of our internal controls that need further attention and improvement, particularly with respect to any other businesses that we decide to acquire in the future.

One of our growth strategies is to actively pursue additional acquisition opportunities which complement our business model. These acquired businesses are typically private companies and may not have in place the financial organization, reporting and controls which are required for a U.S. public company. The cost of implementing this type of financial organization, reporting and controls in respect of the acquired business and integrating their financial reporting processes with our financial reporting processes may be significant. If there are limitations in the acquired businesses' financial organization, reporting and controls, or if we are unable to effectively integrate their financial reporting processes with our financial reporting processes, we could, among other things, have material weaknesses in our internal controls, violate our indebtedness covenants, miss an SEC reporting deadline or otherwise fail to comply with an applicable law or regulation.

Implementing any appropriate changes to our internal controls may require specific compliance training, entail substantial costs in order to modify our existing accounting systems or those of the companies that we acquire, and take a material period of time to complete. However, such changes may not be effective in maintaining the adequacy of our internal controls, and any failure to maintain that adequacy, or consequent inability to produce accurate financial statements on a timely basis, could increase our operating costs and could harm our ability to operate our business. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations. Any failure to maintain effective internal controls over financial reporting, or any investor perception that our internal controls are inadequate or that we are unable to produce accurate financial statements on a timely, consistent basis, may result in a loss of investor confidence in our financial reports and may adversely affect our stock price. Any failure to maintain effective internal controls over financial reporting or to comply with Section 404 of the Sarbanes-Oxley Act of 2002 and applicable SEC rules could also potentially subject us to sanctions or investigations by the SEC, Nasdaq or other regulatory authorities.

The changes made in the third quarter of 2024 to our segment reporting structure could be confusing to investors and may not have the desired effects.

In the third quarter of 2024 we introduced a fourth reporting segment, Canada Branch Division, which includes the results of Bolt Supply House (“Bolt”) and Source Atlantic. Prior to this change, we had three reportable segments: Lawson, TestEquity and Gexpro Services. We also had an “All Other” category which included unallocated DSG holding company costs and the results of Bolt, which was previously a non-reportable segment. Managing this change has required, and may continue to require, significant expenditures and allocation of valuable management resources. We have provided disclosures about our new segment reporting structure, but there is no guarantee that investors or the market will understand this change to our financial reporting. There is also no guarantee that this change will have the desired effect. Failure of investors or analysts to understand our revised segment reporting structure may negatively affect their ability to understand our business and operating results which could adversely affect our stock price.

Debt Financing Risks

We have a significant amount of indebtedness, and our significant indebtedness could adversely affect our business, financial condition and results of operations.

We have \$739.9 million of indebtedness as of December 31, 2024, which includes a significant amount of indebtedness under our Amended Credit Agreement (as defined in Note 9 – Debt in Item 8. Financial Statements and Supplementary Data). In addition, we may be able to incur a significant amount of additional indebtedness, subject to the terms and restrictions of our Amended Credit Agreement. Our indebtedness could have significant consequences on our future operations, including:

- events of default if we fail to comply with the financial and other covenants contained in the Amended Credit Agreement and/or other agreements governing our debt instruments, which could result in all of the debt becoming immediately due and payable or require us to negotiate an amendment to financial or other covenants that could cause us to incur additional fees and expenses;
- reducing the availability of our cash flow to fund working capital, capital expenditures, investments, acquisitions and other general corporate purposes, and limiting our ability to obtain additional financing for these purposes;
- limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industries in which we operate, and the overall economy;
- limiting our ability to buy back common stock or pay dividends;
- placing us at a competitive disadvantage compared to any of our competitors that have less debt or are less leveraged; and
- increasing our vulnerability to the impact of adverse economic and industry conditions.

Our ability to meet our payment and other obligations under our debt instruments will depend on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. We cannot assure that we will generate cash flow from operations, or that future borrowings will be available to us, in an amount sufficient to enable us to meet our indebtedness obligations and to fund other liquidity needs.

Failure to adequately fund our operating and working capital needs through cash generated from operations and borrowings available under our Amended Credit Agreement could negatively impact our ability to invest in our business and maintain our capital structure.

Our business requires investment in working capital and fixed assets. We expect to fund these investments from cash generated from operations and borrowings available under our Amended Credit Agreement. Failure to generate sufficient cash flow from operations or from our Amended Credit Agreement could cause us to have insufficient funds to operate our business. Adequate funds may not be available when needed or may not be available on favorable terms.

Our business, financial condition and operating results could be materially adversely affected if we failed to meet the covenant requirements of our Amended Credit Agreement.

Our Amended Credit Agreement contains financial and other restrictive covenants. These covenants could adversely affect us by limiting our financial and operating flexibility as well as our ability to plan for and react to market conditions and to meet our capital needs. Failure to meet these covenant requirements could lead to higher financing costs and increased restrictions, reduce or eliminate our ability to borrow funds, result in events of default and accelerate the date on which our indebtedness must be repaid.

If we require more liquidity than is available to us under our Amended Credit Agreement, we may need to raise additional funds through debt or equity offerings which may not be available when needed or may not be available on terms favorable to us. Should funding be insufficient at any time in the future, we may be unable to develop or enhance our products or services, take advantage of business opportunities or respond to competitive pressures, any of which could have a material adverse effect on our business, financial condition and results of operations.

Government efforts to combat inflation, along with other interest rate pressures, could lead to higher financing costs.

Inflation has risen on a global basis, the United States has been experiencing relatively high levels of inflation, and government entities have taken various actions to combat inflation, such as raising interest rate benchmarks. Government entities may continue their efforts, or implement additional efforts, to combat inflation, which could include among other things raising interest rate benchmarks, maintaining interest rate benchmarks at elevated levels and/or failing to lower interest rate benchmarks. Such government efforts, along with other interest rate pressures, could lead to higher financing costs and have material adverse effect on our business, financial condition and results of operations.

Common Stock Risks

The market price of our common stock may decline.

The price of our common stock could decrease if our financial performance is inadequate or does not meet investors' expectations, if there is deterioration in the overall market for equities, if large amounts of shares are sold in the market, if there is index trading, or if investors have concerns that our business, financial condition, results of operations and capital requirements are negatively impacted by an economic downturn or any other adverse development.

Entities affiliated with LKCM and J. Bryan King beneficially own a significant majority of the outstanding DSG common stock and, therefore, have significant influence over our Company, which could delay or deter a change in control or other business combination or otherwise cause us to take actions with which you may disagree.

Based on a Schedule 13D filed with the SEC by LKCM and various other persons and entities (as amended through December 27, 2023), entities affiliated with LKCM beneficially owned in the aggregate approximately 36.4 million shares of DSG common stock as of December 26, 2023, representing approximately 77.6% of the outstanding shares of DSG common stock as of December 31, 2024. J. Bryan King, Chairman and Chief Executive Officer of the Company, is a Principal of LKCM. In addition, M. Bradley Wallace, who became a director of the Company upon his election at the Company's 2023 annual stockholders meeting on May 19, 2023, is a Founding Partner of LKCM Headwater Investments, the private capital investment group of LKCM. As a result, LKCM has significant influence over the outcome of matters requiring a stockholder vote, including the election of directors and the approval of other significant matters, and LKCM's interests may not align with the interests of other stockholders. This concentration of ownership could also have the effect of delaying or preventing a change of control or other business combination that might be beneficial to our stockholders.

In addition, as a result of this concentrated ownership interest of DSG common stock, DSG believes that it qualifies as a "controlled company." Under Nasdaq Listing Rules, a listed company of which more than 50% of the voting power is held by an individual, group or another company is a "controlled company" and, accordingly, DSG believes that, if it so desired, it would be generally exempt from the requirements of Rule 5605(b), (d) and (e) of the Nasdaq Listing Rules that among other things would otherwise require DSG to have:

- a majority of the DSG Board of Directors comprised of independent directors;
- a compensation committee comprised solely of independent directors; and
- director nominees be selected or recommended to the DSG Board of Directors for selection, either by (1) DSG's independent directors constituting a majority of the DSG Board of Directors' independent directors in a vote in

which only independent directors participate or (2) a nominating committee comprised solely of independent directors.

Entities affiliated with LKCM beneficially own a significant number of shares of DSG common stock, and any sales of any such shares or the possibility of any such sales could have a negative effect on the price of DSG common stock.

Entities affiliated with LKCM beneficially own a significant number of shares of DSG common stock. In connection with the Mergers, DSG granted to certain entities affiliated with LKCM certain registration rights with respect to the shares of DSG common stock that DSG issued to those entities in connection with the Mergers. Any sales of any of the shares of DSG common stock held by any entities affiliated with LKCM (whether those shares were acquired by those entities in connection with the Mergers or in other transactions), or the anticipation of the possibility of any such sales, could create downward pressure on the market price of DSG common stock.

Legal and Regulatory Risks

A violation of federal, state or local environmental protection regulations could lead to significant penalties and fines or other remediation costs.

Our product offerings include a wide variety of industrial chemicals and other products which are subject to a multitude of federal, state and local regulations. These environmental protection laws change frequently and affect the composition, handling, transportation, storage and disposal of these products. Failure to comply with these regulations could lead to severe penalties and fines for each violation.

Additionally, a facility we own in Decatur, Alabama, was found to contain hazardous substances in the soil and groundwater as a result of historical operations prior to our ownership. We retained an environmental consulting firm to further investigate the contamination, including measurement and monitoring of the site. The Company concluded that further remediation was required, and accordingly, has made an accrual for the estimated cost of this environmental matter. A remediation plan was approved by the Alabama Department of Environmental Management and the remediation of the affected area is ongoing. Additional procedures may be required that could negatively impact our business, financial condition and results of operations.

Our results of operations could be affected by changes in taxation.

We are subject to income taxation at federal and state levels in the United States and to income taxation in numerous non-U.S. jurisdictions. Our results of operations could be adversely affected by changes in the Company's effective tax rate as a result of changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets, audits by taxing authorities or changes in tax laws, regulations and their interpretation. From time-to-time changes in tax laws or regulations may be proposed or enacted that could adversely affect our overall tax liability. In addition, the Organization for Economic Cooperation and Development ("OECD"), which represents a coalition of member countries, has recommended fundamental tax reform affecting the taxation of multinational corporations, including the Base Erosion and Profit Shifting ("BEPS") project, which in part aims to address international corporate tax avoidance. On December 20, 2021, the OECD released Pillar Two Model Rules defining the global minimum tax rules, which contemplate a 15% minimum tax rate. The OECD continues to release additional guidance on these rules and the framework calls for law enactment by OECD and G20 members to take effect in 2024 or 2025. However, the detail of the proposals is subject to change and the impact on the Company will need to be determined by reference to the final rules. The Company is continuing to monitor the potential impact of the Pillar Two proposals and developments on our consolidated financial statements and related disclosures, including eligibility for any transitional safe harbor rules. Among the jurisdictions where the Company operates, the U.K. has enacted legislation during 2024 that becomes effective in 2025. Canada has also enacted legislation during 2024 in accordance with the Pillar Two framework. Other countries have also enacted or are expected to enact Pillar Two legislation. The Company continues to monitor the development and implementation of these rules both in local countries and on a multi-lateral basis, making it uncertain to predict the ultimate impact in the future. For the year ended December 31, 2024, the Company has not identified nor recorded any incremental tax as a result of Pillar Two. Changes in applicable tax laws and regulations could affect our ability to realize our deferred tax assets, which could adversely affect our results of operations.

From time to time we may become subject to income tax audits, sales tax audits or similar proceedings, and as a result we may incur additional costs and expenses or owe additional taxes, interest and penalties that may negatively impact our operating results.

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax of multiple state and foreign jurisdictions. The Company's determination of its tax liability is subject to review by applicable domestic and foreign tax authorities. As of December 31, 2024, we were subject to U.S. federal income tax examinations for the years 2021 through 2023 and income tax examinations from various other jurisdictions for the years 2017 through 2023.

The timing and resolution of any future tax examinations are subject to significant uncertainty and could result in us having to pay amounts to the applicable tax authority in order to resolve examination of its tax positions. An increase or decrease of tax related to tax examination resolutions could result in a change in our income tax expense and could negatively impact our financial condition and results of operations.

Our international operations subject us to additional legal and regulatory regimes.

TestEquity has business operations and/or sales in a number of foreign countries, including Canada, Mexico, Germany and the United Kingdom. Gexpro Services has business operations and/or sales in a number of foreign countries, including Hungary, China and Singapore. Lawson and Canada Branch Division have business operations and/or sales in Canada. Compliance with diverse legal and regulatory requirements, including in connection with the movement or repatriation of cash, may be costly and time-consuming and require significant resources. Violations could result in significant fines or monetary damages, sanctions, prohibitions or restrictions on doing business and damage to our reputation. In addition, operating in foreign countries requires us to manage the potential conflicts between locally accepted business practices in any given jurisdiction and our obligations to comply with laws and regulations with respect to such jurisdictions, including anti-corruption laws or regulations applicable to DSG, such as the U.S. Foreign Corrupt Practices Act (the "FCPA") and the UK Bribery Act 2010 (the "UKBA"). The U.S., U.K. and other foreign agencies and authorities have a broad range of civil and criminal penalties they may seek to impose against companies for violations of export controls, the FCPA, the UKBA, and other laws, rules, sanctions, embargoes and regulations, including those established by the Office of Foreign Assets Control. Any violation of these legal requirements, even if prohibited by our policies, procedures and controls, could subject us to criminal or civil enforcement actions or penalties for non-compliance or otherwise have an adverse effect on our business and reputation.

As a result of the Mergers, DSG's ability to use its net operating losses and certain other tax attributes generated prior to the Mergers may be subject to limitations.

At December 31, 2024, the Company had \$21.4 million of U.S. federal net operating loss carryforwards which were generated after 2017 and are not subject to expiration and \$50.6 million of various state net operating loss carryforwards which expire at varying dates between 2025 and 2036. As a result of the Mergers, DSG's ability to use its net operating losses and certain other tax attributes generated prior to the Mergers may be subject to limitations, which may adversely impact on our future tax liability and cash flows.

Public Health Emergencies Risks

Public health emergencies, whether domestic or international, such as the COVID-19 pandemic, may materially adversely affect our business strategy, financial condition or results of operations.

Pandemics, epidemics or disease outbreaks in the U.S. or globally, including new variants of COVID-19, may have a material adverse effect on our business strategy, financial condition or results of operations, as well as on our employees, suppliers, customers, and the general economy. The full effect and estimated length of these disruptions could be difficult to predict by the Company given such an event is affected by a number of factors, many of which could be outside of our control. For example, the COVID-19 pandemic resulted in lost revenue to our Company and adversely affected our financial condition and results of operations by, among other things, limiting our ability to source high demand product, limiting our sales force to perform certain functions due to state or federal stay-at-home orders, causing a slow-down of customer demand for our products and limiting the ability of some customers to pay us on a timely basis.

General Risks

Our results of operations may be adversely impacted by a downturn in the economy or in certain sectors of the economy.

Any decline or uncertainty in the strength of the economy may lead to a decrease in customer spending and may cause certain customers to cancel or delay placing orders. Some of our customers may file for bankruptcy protection, preventing us from collecting on accounts receivable and may result in our stocking excess inventory. Contractions in the credit markets may also cause some of our customers to experience difficulties in obtaining financing, leading to lower sales, delays in the collection of receivables and result in an increase in bad debt expense.

Adverse economic conditions could also affect our key suppliers and contractors. This could lead us to incur additional expenses or result in delays in shipping products to our customers. Economic uncertainty can make it difficult to accurately predict future order activity and affect our ability to effectively manage inventory levels. There are no assurances that we would be able to establish alternative financing or obtain financing with terms similar to our existing financing arrangements, including our credit agreement.

Changes in energy costs, tariffs, transportation costs and the cost of raw materials used in our products, and other inflationary pressures, could impact our cost of goods and distribution and occupancy expenses, which may result in lower operating margins.

Increases in the cost of raw materials used in our products (e.g., steel, brass, copper), quotas imposed on any cross border supplies within our businesses, increases in or continuation of any tariffs or imposition of any new tariffs, increases in natural gas, electricity and other energy costs and increases in freight and other costs necessary to produce and transport our products, as well as other inflationary pressures, could raise the production costs of our vendors. Those vendors have typically looked to pass their higher costs along to us through price increases. 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 operating profit margins and financial condition. On the other hand, a decrease in oil prices may result in weaker demand from oil and gas customers in the future, resulting in lower net sales. Changes in trade policies, increases in or continuation of any tariffs or imposition of any new tariffs, and other inflationary pressures could also affect our sourcing of product and ability to secure sufficient product and/or impact the cost or price of our products, with potentially negative impacts on our reported gross profits and results of operations.

Supply chain constraints, inflationary pressure and labor shortages could impact our cost of goods and other costs and expenses, which may result in lower gross profit margins and/or otherwise materially adversely affect our business, financial condition and results of operations.

Our businesses have been and may continue to be impacted by supply chain constraints, resulting in inflationary pressure on material costs, longer lead times, port congestion, and increased freight costs. This could result in challenges in acquiring and receiving inventory in a timely fashion and fulfilling customer orders. In addition, we have been and may continue to be impacted by labor shortages. This could result in challenges in fulfilling customer orders and can have a negative impact on our operating results as we may be required to utilize higher-cost temporary labor. We have also experienced and continue to experience inflationary pressure in other areas that adversely impact our cost of goods sold and other costs and expenses. While we instituted various price increases during 2022, 2023 and 2024 in response to rising supplier costs, as well as increased transportation and labor costs, there can be no assurance that future cost increases can be partially or fully passed on to customers, or that the timing of such sales price increases will match our supplier cost increases. As a result, we are unable to predict the impact of these constraints on our business, financial condition and results of operations.

The Company is exposed to the risk of foreign currency changes.

A number of our subsidiaries are located and operate outside the United States, and each uses the currency in such foreign country as its functional currency. Operating results denominated in foreign currencies are translated into U.S. dollars when consolidated into our financial statements. Therefore, we are exposed to market risk relating to the fluctuation of value of such foreign currencies (including the Canadian dollar, Mexican peso, British pound sterling, the Euro, Danish krone, Brazilian real, Chinese renminbi, Turkish lira, and Singapore dollar) relative to the U.S. dollar that could adversely affect our financial condition and operating results.

In addition, the revolving credit facility under our Amended Credit Agreement is available to be drawn in U.S. dollars, Canadian dollars and any other additional currencies that may be agreed between us and our lenders. Any borrowings in Canadian dollars or any other foreign currency would expose us to market risk relating to the change in the value of such foreign currency in relation to the U.S. dollar.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 1C. CYBERSECURITY.

Risk Management & Strategy

We are focused on addressing the growing threat of cybersecurity risks that we face in today's global business environment and have identified cybersecurity as an important enterprise risk. Our cybersecurity risk management program is part of our overall enterprise risk management program, and is focused on identifying, assessing, managing, and remediating material risks from cybersecurity incidents. We rely on risk-based security controls, including access limitations and contractual requirements on third-party service providers, as part of our overall approach of protecting the integrity, availability and confidentiality of our important systems and information. We have an established cyber incident response plan to respond to cyber incidents.

We continue to improve our cybersecurity program and processes by investing in preventative measures. We engage consultants and third-party service providers in connection with our cybersecurity risk testing and assessment. These third-party service providers assist us in evaluating our cybersecurity program, provide support for threat monitoring and detection, and scan for vulnerabilities and other cybersecurity events which may pose a significant risk to the Company. We also engage in cybersecurity training, with the employees of certain of our operating companies undergoing compulsory training that enables them to detect and report malware, ransomware and other malicious software or social engineering attempts that may compromise the Company's information technology systems, and those employees are routinely assessed on this training. Employees are also generally required to complete compulsory training covering the handling of sensitive data. As the cyber landscape evolves, both in our technology systems and in the broader context of the internet and expanding connectivity, management continually updates its cybersecurity approach as part of its effort to safeguard the Company's sensitive information and assets.

We have not experienced any cybersecurity incidents in the last three years, including as a result of the Cyber Incident, that have materially affected the business strategy, results of operations, or financial condition of the Company. For more information regarding how cybersecurity threats could materially affect our business strategy, results of operations or financial condition, see "Cyber-attacks or other information security incidents could have a material adverse effect on our business strategy, results of operations or financial condition and subject us to additional legal costs." in Item 1A. Risk Factors.

Corporate Governance

Our Board of Directors has overall responsibility for risk oversight and has delegated the oversight of risks associated with cybersecurity to the Audit Committee. The Audit Committee reports to the Board on our cybersecurity risk management practices and performance, generally on a quarterly basis. The Audit Committee receives reports from senior members of management, including from each of our Chief Information Officers ("CIOs") (which include the CIO of each of our principal operating companies: Lawson, TestEquity and Gexpro Services), and the internal audit department regarding the cybersecurity risk management program. Among other things, these reports have focused on the following:

- recent cyber risk and cybersecurity developments;
- cyber risk governance and oversight;
- assessments by third-party experts;
- key cyber risk metrics and activities; and
- major projects and initiatives.

We have also established a governance structure under each of the CIOs that oversee investments in systems, resources, and processes as part of the continued maturity of our cybersecurity posture. Our CIOs have collectively over seventy years of service in various roles in the cybersecurity and information technology areas, including over forty years in their current roles or within the industry.

ITEM 2. PROPERTIES.

Our principal executive office is located in Fort Worth, Texas. As of December 31, 2024, we owned or leased multiple properties in the United States and abroad, including office spaces, distribution centers, warehouses and branch retail locations.

Owned and leased properties by reportable segment as of December 31, 2024 are summarized below.

	Number of Properties				
	Lawson	TestEquity	Gexpro Services	Canada Branch Division	All Other ⁽¹⁾
Offices	3	5	3	2	1
Distribution centers/warehouses	8	40	30	1	—
Branch locations	5	—	—	38	—
Other ⁽²⁾	1	—	—	—	—
Total	17	45	33	41	1

⁽¹⁾ Includes our principal executive office.

⁽²⁾ Unoccupied facility related to a discontinued business in a prior year.

While we believe that our facilities are adequate to meet our current needs, we will continue to assess the location and operation of our facilities to determine whether they meet the strategic needs of our business.

ITEM 3. LEGAL PROCEEDINGS.

See Note 15 – Commitments and Contingencies to our consolidated financial statements, included in Item 8. Financial Statements and Supplementary Data, which is hereby incorporated herein by reference, for a description of certain of our pending legal proceedings, which are hereby incorporated herein by reference. In addition, the Company is involved in legal actions that arise in the ordinary course of business.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II**ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.****Stock Price Data**

The DSG common stock is traded on the Nasdaq Global Select Market under the symbol of DSGR. On February 28, 2025, the closing sales price of our common stock was \$29.48 and the number of stockholders of record was 256. We did not declare or pay dividends in 2024, 2023 or 2022 and the Company currently has no plans to declare or pay dividends in the foreseeable future. Dividends are subject to certain restrictions based on terms detailed in our Amended Credit Agreement. Information about our equity compensation plans may be found in Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters, of this report which is hereby incorporated by reference.

Repurchases 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. In December 2023 the Board of Directors increased the repurchase program by \$25.0 million, bringing the total authorized to \$37.5 million. We had \$26.4 million of remaining availability under the stock repurchase program as of December 31, 2024. The stock repurchase program does not have an expiration date.

The following table summarizes repurchases of DSG common stock for the three months ended December 31, 2024 under the repurchase program described above and excludes shares withheld from employees to satisfy tax withholding requirements on option exercises and other equity-based transactions. For additional information about our repurchases of DSG common stock, see Note 2 – Summary of Significant Accounting Policies and Note 11 – Stockholders’ Equity.

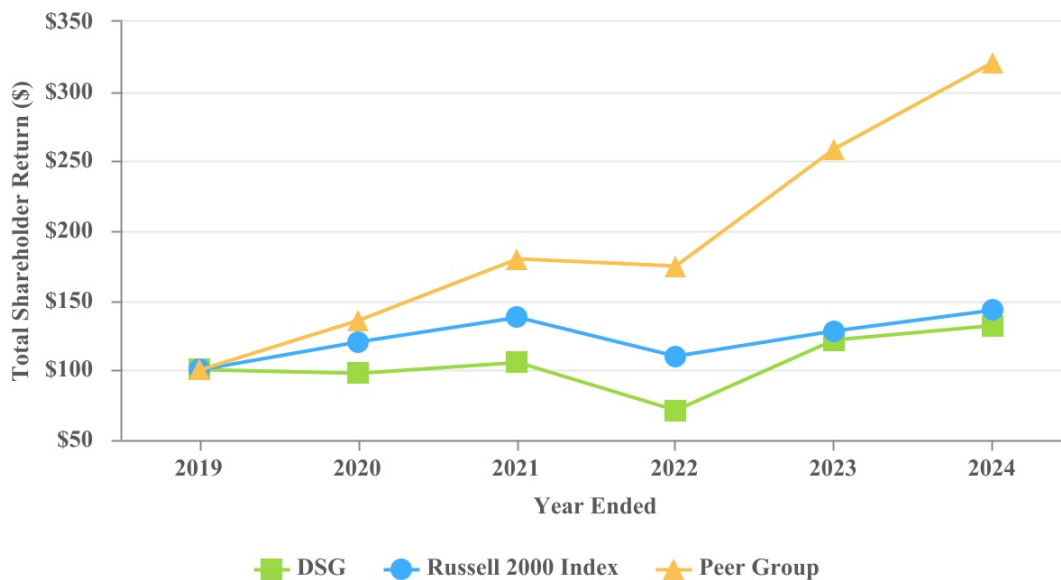
Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs
October 1 through October 31, 2024	—	\$ —	—	\$ —
November 1 through November 30, 2024	—	—	—	—
December 1 through December 31, 2024	—	—	—	—
Total	—	—	—	—

Stock Price Performance Graph

The following performance graph and related information shall not be deemed “soliciting material” or to be “filed” with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act or Exchange Act, except to the extent we specifically incorporate it by reference into such filing.

The following stock performance graph compares the cumulative total stockholder return of DSG common stock against the Russell 2000 Index and a peer group (the “Peer Group”). The Peer Group is composed of W.W. Grainger, Inc., Fastenal Company, MSC Industrial Direct Co., Inc., Applied Industrial Technologies, Inc., DXP Enterprises, Inc. and Global Industrial Company. The graph assumes the value of the investment in our DSG common stock and each index was \$100 at December 31, 2019 and all dividends paid by those companies included in the indices were reinvested. The graph is based on historical data and is not necessarily indicative of future performance.

Comparison of 5-Year Cumulative Total Return



	December 31,					
	2019	2020	2021	2022	2023	2024
DSG	\$ 100.00	\$ 97.70	\$ 105.11	\$ 70.75	\$ 121.15	\$ 132.05
Russell 2000 Index	100.00	119.96	137.74	109.58	128.14	142.92
Peer Group	100.00	135.35	179.74	174.64	258.21	320.60

ITEM 6. [RESERVED]

ITEM 7. 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 audited consolidated financial statements and related notes included in this Annual Report on Form 10-K, the audited consolidated financial statements and accompanying notes included in DSG’s Annual Report on Form 10-K for the year ended December 31, 2023, filed on March 7, 2024, the audited consolidated financial statements and accompanying notes included in DSG’s Annual Report on Form 10-K for the year ended December 31, 2022, filed on March 14, 2023 and the Lawson Products, Inc. unaudited condensed consolidated financial statements and accompanying notes included in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2022, filed on April 28, 2022.

This section of the Annual Report on Form 10-K generally discusses the years ended December 31, 2024 and 2023 and the year-over-year comparisons between the years ended December 31, 2024 and 2023. As a result of the change in our operating and reportable segments during the third quarter of 2024, this section also presents year-over-year comparisons between the years ended December 31, 2023, and 2022 on a recasted basis to reflect the change. For additional details about our segment realignment in the third quarter of 2024, see Note 1 – Nature of Operations and Basis of Presentation in Item 8. Financial Statements and Supplementary Data.

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

Overview

Organization and Structure

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 segments is presented below. For additional details about our segments, see Item 1. Business and Note 14 – Segment Information in Item 8. Financial Statements and Supplementary Data.

Lawson is a distributor of specialty products and services to the industrial, commercial, institutional and government MRO market.

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 38 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.

Recent Events

2024 Business and Asset Acquisitions

On November 18, 2024, DSG acquired the assets of ConRes Test Equipment, (“ConRes TE” and the “ConRes TE Transaction”). 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 have been included in the TestEquity reportable segment subsequent to its acquisition date.

On October 30, 2024, DSG completed the acquisition of Tech-Component Resources Pte Ltd (“TCR” and the “TCR Transaction”). 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 have been included in the Gexpro Services reportable segment subsequent to its acquisition date.

On August 14, 2024, DSG completed the acquisition of Source Atlantic Limited (“Source Atlantic” and the “Source Atlantic Transaction”). 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 was acquired to expand DSG’s operating footprint in the Canadian market. The results of operations of Source Atlantic have been included in the Canada Branch Division reportable segment subsequent to its acquisition date.

On May 1, 2024, DSG completed the acquisition of S&S Automotive Inc. (“S&S Automotive” and the “S&S Automotive Transaction”). 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 have been included in the Lawson reportable segment subsequent to its acquisition date.

On January 19, 2024, DSG acquired the assets of Safety Supply Illinois LLC, conducting business as Emergent Safety Supply (“ESS” and the “ESS Transaction”). 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 have been included in the Lawson reportable segment subsequent to its acquisition date.

Refer to Note 3 – Business and Asset Acquisitions in Item 8. Financial Statements and Supplementary Data for additional information about these acquisitions.

Debt Amendment

On August 14, 2024, the Company entered into the Third Amendment to Amended and Restated Credit Agreement (the “Third Amendment”). The Third Amendment provided for an additional \$200 million incremental term loan and a \$55 million increase in the senior secured revolving credit facility to \$255 million, and permits the Company to increase the commitments under the agreement 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 in Item 8. Financial Statements and Supplementary Data for additional information about DSG’s credit agreement.

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 48.3 in the year ended December 31, 2024, compared to 47.1 in the year ended December 31, 2023, and 53.5 in the year ended December 31, 2022.

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 is expanding its inside sales team to help drive field sales representative productivity and also utilizes an e-commerce site to generate sales.

TestEquity Sales Drivers

Across the test and measurement, industrial and electronic production supplies businesses, the North American market is highly fragmented with competitors ranging from large global distributors to national and regional distributors.

Through the Hisco Transaction, TestEquity expanded its product offerings, including adhesives, chemicals and tapes as well as specialty materials such as electrostatic discharge, thermal management materials and static shielding bags. Hisco operates in 32 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 also offers vendor-managed inventory and Radio Frequency Identification (“RFID”) programs with specialized warehousing for chemical management, logistics services and cold storage.

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 38 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 transportation and labor costs. We have instituted various price increases during 2023 and 2024 in response to rising supplier costs, as well as increased transportation and labor costs in order to manage our gross profit margins.

Cyber Incident Litigation

On February 10, 2022, DSG disclosed that Lawson Products’ computer network was the subject of a cyber incident potentially involving unauthorized access to certain confidential information (the “Cyber Incident”). DSG engaged a cybersecurity forensics firm to assist in the investigation of the incident and to assist in securing its computer network.

Because of the nature of the information that may have been compromised, DSG was required to notify the parties whose information was potentially compromised of the incident as well as various governmental agencies and has taken other actions, such as offering credit monitoring services. On April 4, 2023, a putative class action lawsuit was filed against DSG related to the Cyber Incident (the “Cyber Incident Suit”). At December 31, 2024, DSG had not incurred material costs as a result of the Cyber Incident. For more information about the Cyber Incident Suit, refer to Note 15 – Commitments and Contingencies within Item 8. Financial Statements and Supplementary Data.

Factors Affecting Comparability to Prior Periods

Our results of operations are not directly comparable on a year-over-year basis due to various business combinations. 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. Business combinations that affected the year-over-year comparability of our financial results were as follows:

2024 Comparability Factors

Refer to the 2024 Business Acquisitions section above for a description of each acquisition completed in 2024 and the reportable segment that each acquisition’s respective results of operations is included in.

2023 Comparability Factors

On June 8, 2023, we completed the acquisition of HIS Company, Inc. The results of operations of HIS Company, Inc. have been included in the TestEquity reportable segment subsequent to the acquisition date.

2022 Comparability Factors

On April 1, 2022 (the “Merger Date”) we completed the Mergers whereby TestEquity and Gexpro Services became wholly-owned subsidiaries of DSG. The Mergers were accounted for as a reverse merger under the accounting guidance for reverse acquisitions as provided in ASC 805. Under this guidance, TestEquity and Gexpro Services were treated as a combined entity as the accounting acquirer for financial reporting purposes, and DSG was identified as the accounting acquiree. This determination was primarily made as TestEquity and Gexpro Services were under the common control of an entity that owned a majority of the voting rights of the combined entity, and therefore, only DSG experienced a change in control. Accordingly, the results of operations for the year ended December 31, 2022 include the results of operations of TestEquity and Gexpro Services on a consolidated basis for the full year, and the results of operations of DSG’s legacy Lawson, Canada Branch Division and All Other have only been included subsequent to the April 1, 2022 Merger Date.

2022 Supplemental Information - Lawson and Canada Branch Division Pro Forma Operating Income and Non-GAAP Adjusted EBITDA

For management to discuss Lawson’s and Canada Branch Division’s operating results on a comparable basis, Lawson’s and Canada Branch Division’s GAAP results of operations were adjusted to include Lawson’s and Canada Branch Division’s historical pre-merger components of operating income, prior to the April 1, 2022 Merger Date, along with pre-merger pro forma adjustments prepared under SEC Regulation S-X Article 11, in order to reflect the total operating activities attributable to Lawson and Canada Branch Division for each period presented. Management believes this supplemental information provides the most meaningful basis of comparison for Lawson’s and Canada Branch Division’s operations, is more useful in identifying current business trends, and is important for the users of our financial statements in understanding Lawson’s and Canada Branch Division’s businesses. Refer to Note 1 – Nature of Operations and Basis of Presentation and Note 3 – Business and Asset Acquisitions within Item 8. Financial Statements and Supplementary Data for information about the Mergers.

This supplemental information may not reflect the actual results we would have achieved had the Mergers occurred at the beginning of 2022 and should not be viewed as a substitute for the results of operations presented in accordance with GAAP. Lawson’s and Canada Branch Division’s historical operating results prior to the Mergers were obtained from the unaudited condensed consolidated financial statements included in the Lawson Products, Inc. Quarterly Report on Form 10-Q filed for the quarterly period ended March 31, 2022. The pro forma adjustments were obtained from the unaudited pro forma condensed combined financial information included in DSG’s Current Report on Form 8-K/A filed on August 24, 2023.

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, inventory net realizable value adjustments, amortization of fair value step-up 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 of our consolidated financial statements within Item 8. Financial Statements and Supplementary Data for additional information about our reportable segments.

The following table provides a reconciliation of Net income to Adjusted EBITDA on a consolidated basis and Operating income to Adjusted EBITDA by segment for the years ended December 31, 2024, 2023 and 2022. A reconciliation of Net income 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)

(in thousands)	Year Ended December 31, 2024						Consolidated
	Lawson	TestEquity	Gexpro Services	Canada Branch Division	All Other		
Net income (loss)							\$ (7,332)
Income tax expense (benefit)							6,796
Other income (expense), net							358
Change in fair value of earnout liabilities							988
Interest expense							55,145
Operating income (loss)	\$ 14,555	\$ 3,967	\$ 36,533	\$ 6,024	\$ (5,124)	\$	\$ 55,955
Depreciation and amortization	24,349	30,799	15,489	3,739	—		74,376
Stock-based compensation ⁽¹⁾	4,132	433	—	—	668		5,233
Severance and acquisition related retention expenses ⁽²⁾	4,937	17,791	460	49	(1)		23,236
Acquisition related costs ⁽³⁾	7,023	2,251	1,501	23	(656)		10,142
Inventory net realizable value adjustment ⁽⁴⁾	—	—	—	—	—		—
Inventory step-up ⁽⁵⁾	1,066	—	—	1,816	—		2,882
Other non-recurring ⁽⁶⁾	337	1,047	1,792	—	257		3,433
Adjusted EBITDA	\$ 56,399	\$ 56,288	\$ 55,775	\$ 11,651	\$ (4,856)	\$	\$ 175,257

Year Ended December 31, 2023						
(in thousands)	Lawson	TestEquity	Gexpro Services	Canada Branch Division	All Other	Consolidated
Net income (loss)						\$ (8,967)
Income tax expense (benefit)						6,960
Other income (expense), net						2,982
Change in fair value of earnout liabilities						(758)
Interest expense						42,774
Operating income (loss)	\$ 32,498	\$ (16,465)	\$ 27,000	\$ 5,731	\$ (5,773)	\$ 42,991
Depreciation and amortization	19,532	26,002	15,986	2,068	—	63,588
Stock-based compensation ⁽¹⁾	7,940	—	—	—	—	7,940
Severance and acquisition related retention expenses ⁽²⁾	476	23,949	238	3	—	24,666
Acquisition related costs ⁽³⁾	3,015	6,215	1,081	—	1,250	11,561
Inventory net realizable value adjustment ⁽⁴⁾	—	—	—	—	—	—
Inventory step-up ⁽⁵⁾	—	3,582	—	—	—	3,582
Other non-recurring ⁽⁶⁾	202	—	886	—	1,620	2,708
Adjusted EBITDA	\$ 63,663	\$ 43,283	\$ 45,191	\$ 7,802	\$ (2,903)	\$ 157,036

Year Ended December 31, 2022						
(in thousands)	Lawson ⁽⁷⁾	TestEquity	Gexpro Services	Canada Branch Division ⁽⁷⁾	All Other ⁽⁷⁾	Consolidated
Net income (loss)						\$ 7,406
Income tax expense (benefit)						5,531
Other income (expense), net						670
Change in fair value of earnout liabilities						483
Loss on extinguishment of debt						3,395
Interest expense						24,301
Operating income (loss)	\$ 6,536	\$ 11,375	\$ 21,291	\$ 4,614	\$ (2,030)	\$ 41,786
Depreciation and amortization	10,594	17,480	15,175	1,937	—	45,186
Stock-based compensation ⁽¹⁾	2,448	—	—	—	—	2,448
Severance and acquisition related retention expenses ⁽²⁾	1,429	1,095	266	6	—	2,796
Acquisition related costs ⁽³⁾	4,698	4,786	5,957	—	—	15,441
Inventory net realizable value adjustment ⁽⁴⁾	1,737	—	—	—	—	1,737
Inventory step-up ⁽⁵⁾	1,943	—	163	761	—	2,867
Other non-recurring ⁽⁶⁾	1,199	—	354	—	44	1,597
Adjusted EBITDA	\$ 30,584	\$ 34,736	\$ 43,206	\$ 7,318	\$ (1,986)	\$ 113,858

⁽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 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 our records.

⁽⁵⁾ Inventory fair value step-up adjustment for acquisition accounting related to acquisitions completed.

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

⁽⁷⁾ Includes the operating results of Lawson, Canada Branch Division and All Other subsequent, but not prior, to the April 1, 2022 Merger Date in accordance with GAAP accounting guidance for reverse acquisitions.

Composition of Results of Operations

The following results of operations for the years ended December 31, 2024 and 2023 include the combined operations of DSG, while the following results of operations for the year ended December 31, 2022 include the accounts of the TestEquity and Gexpro Services combined entity, as the accounting acquirer, for the full year, and the results of DSG's legacy Lawson, Canada Branch Division and All Other businesses have only been included for activity subsequent, and not prior, to the April 1, 2022 Merger Date.

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 consolidated financial statements are provided in Note 14 – Segment Information within Item 8. Financial Statements and Supplementary Data.

RESULTS OF OPERATIONS FOR 2024 AS COMPARED TO 2023

Consolidated Results of Operations

(Dollars in thousands)	Year Ended December 31,			
	2024		2023	
	Amount	% of Revenue	Amount	% of Revenue
Revenue				
Lawson	\$ 469,044	26.0 %	\$ 468,711	29.8 %
TestEquity	771,180	42.7 %	641,768	40.9 %
Gexpro Services	440,723	24.4 %	405,733	25.8 %
Canada Branch Division	125,099	6.9 %	55,890	3.6 %
Intersegment revenue elimination	(1,942)	(0.1)%	(1,700)	(0.1)%
Total Revenue	1,804,104	100.0 %	1,570,402	100.0 %
Cost of goods sold				
Lawson	211,784	11.7 %	203,251	12.9 %
TestEquity	595,368	33.0 %	499,916	31.8 %
Gexpro Services	302,228	16.8 %	284,664	18.1 %
Canada Branch Division	82,897	4.6 %	32,396	2.1 %
Intersegment cost of goods sold elimination	(1,948)	(0.1)%	(1,700)	(0.1)%
Total Cost of goods sold	1,190,329	66.0 %	1,018,527	64.9 %
Gross profit	613,775	34.0 %	551,875	35.1 %
Selling, general and administrative expenses				
Lawson	242,705	13.5 %	232,962	14.8 %
TestEquity	171,845	9.5 %	158,317	10.1 %
Gexpro Services	101,962	5.7 %	94,069	6.0 %
Canada Branch Division	36,178	2.0 %	17,763	1.1 %
All Other	5,130	0.3 %	5,773	0.4 %
Total Selling, general and administrative expenses	557,820	30.9 %	508,884	32.4 %
Operating income (loss)	55,955	3.1 %	42,991	2.7 %
Interest expense	(55,145)	(3.1)%	(42,774)	(2.7)%
Change in fair value of earnout liabilities	(988)	(0.1)%	758	— %
Other income (expense), net	(358)	— %	(2,982)	(0.2)%
Income (loss) before income taxes	(536)	— %	(2,007)	(0.1)%
Income tax expense (benefit)	6,796	0.4 %	6,960	0.4 %
Net income (loss)	\$ (7,332)	(0.4)%	\$ (8,967)	(0.6)%

Overview of Consolidated Results of Operations

Our consolidated revenue increased \$233.7 million for 2024 compared to 2023 primarily driven by \$268.2 million of revenue from acquisitions completed in 2023 and 2024 offset by a decline in organic revenue of \$34.5 million. Consolidated Gross profit and Selling, general and administrative expenses also increased over the prior year primarily driven by the inclusion of the Hisco, ESS, S&S, Source Atlantic, TCR and ConRes TE acquisitions completed in 2023 and 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)	Year Ended December 31,		Change	
	2024	2023	Amount	%
Revenue from external customers	\$ 468,976	\$ 468,379	\$ 597	0.1 %
Intersegment revenue	68	332	(264)	(79.5)%
Revenue	469,044	468,711	333	0.1 %
Cost of goods sold	211,784	203,251	8,533	4.2 %
Gross profit	257,260	265,460	(8,200)	(3.1)%
Selling, general and administrative expenses	242,705	232,962	9,743	4.2 %
Operating income (loss)	\$ 14,555	\$ 32,498	\$ (17,943)	(55.2)%
Gross profit margin	54.8 %	56.6 %		
Adjusted EBITDA ⁽¹⁾	\$ 56,399	\$ 63,663	\$ (7,264)	(11.4)%

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

Revenue and Gross Profit

Revenue increased \$0.3 million, or 0.1%, to \$469.0 million in 2024 compared to revenue of \$468.7 million in 2023. The increase was primarily driven by \$39.8 million of revenue generated from the acquisitions completed in 2024 and strengthening sales within the automotive end market of \$2.9 million, offset by a decline in sales to Lawson's core, governmental and strategic customers of \$42.4 million primarily as a result of fewer sales representatives.

Gross profit decreased \$8.2 million, or 3.1%, to \$257.3 million in 2024 compared to gross profit of \$265.5 million in 2023 primarily due to a shift in sales toward larger lower margin profile customers and the amortization of the fair value step-up of inventory of \$1.1 million related to the S&S Automotive Transaction. Lawson gross profit as a percent of revenue was 54.8% in 2024 compared to gross profit as a percent of revenue of 56.6% in the prior year. The gross profit margin percentage decrease for 2024 was primarily the result of the amortization of the fair value step-up of inventory of \$1.1 million related to the S&S Automotive Transaction, a shift in sales toward larger lower margin profile customers and a lower margin profile from the 2024 acquisitions than its organic margin 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 increased \$9.7 million to \$242.7 million in 2024 compared to \$233.0 million in 2023. Approximately \$10.3 million of the increased expenses was driven by the acquisitions completed in 2024 in addition to higher severance and merger and acquisition expenses of \$4.5 million and \$4.0 million, respectively. These costs were partially offset by a decrease in stock-based compensation expense of \$3.8 million and a decrease in variable compensation as a result of lower sales.

Adjusted EBITDA

During 2024, Lawson generated Adjusted EBITDA of \$56.4 million, a decrease of 11.4% or \$7.3 million from the prior year primarily driven by lower organic revenue and gross profit margin partially offset by contributions of approximately \$6.2 million generated by the acquisitions completed in 2024.

TestEquity Segment

(Dollars in thousands)	Year Ended December 31,		Change	
	2024	2023	Amount	%
Revenue from external customers	\$ 770,866	\$ 641,643	\$ 129,223	20.1 %
Intersegment revenue	314	125	189	151.2 %
Revenue	771,180	641,768	129,412	20.2 %
Cost of goods sold	595,368	499,916	95,452	19.1 %
Gross profit	175,812	141,852	33,960	23.9 %
Selling, general and administrative expenses	171,845	158,317	13,528	8.5 %
Operating income (loss)	\$ 3,967	\$ (16,465)	\$ 20,432	(124.1)%
Gross profit margin	22.8 %	22.1 %		
Adjusted EBITDA ⁽¹⁾	\$ 56,288	\$ 43,283	\$ 13,005	30.0 %

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

Revenue and Gross Profit

Revenue increased \$129.4 million, or 20.2%, to \$771.2 million in 2024 compared to \$641.8 million in 2023. The increase was primarily driven by \$157.4 million of revenue generated from acquisitions completed in 2024 and 2023, partially offset by a \$28.0 million decline in legacy TestEquity revenue due to a slowdown in the electronics assembly market causing softening in the electronic production supplies end markets.

Gross profit increased \$34.0 million to \$175.8 million in 2024 compared to \$141.9 million in 2023 primarily as a result of the inclusion of the acquisitions completed in 2024 and 2023, which generated \$39.5 million of additional gross profit during 2024, partially offset by a decrease in gross profit on the decline in legacy TestEquity revenue. TestEquity gross profit as a percent of revenue increased to 22.8% in 2024 compared to 22.1% in the prior year. 2023 included expense of \$3.6 million for the amortization of the fair value step-up of inventory related to the acquisition completed in 2023.

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 \$13.5 million to \$171.8 million in 2024 compared to \$158.3 million in 2023. Approximately \$17.3 million of the increased expenses, including depreciation, was driven by the acquisitions completed in 2024 and 2023. These costs were partially offset by lower merger and acquisition expenses of \$4.0 million and lower personnel expenses in 2024 compared to 2023 inclusive of severance and acquisition related retention expenses.

Adjusted EBITDA

During 2024, TestEquity generated Adjusted EBITDA of \$56.3 million, an increase of \$13.0 million from the same period a year ago with an increase of approximately \$16.2 million driven by the acquisitions completed in 2024 and 2023, partially offset by a reduction of \$3.2 million in legacy TestEquity primarily due to a decline in organic revenue.

Gexpro Services Segment

(Dollars in thousands)	Year Ended December 31,		Change	
	2024	2023	Amount	%
Revenue from external customers	\$ 439,163	\$ 404,490	\$ 34,673	8.6 %
Intersegment revenue	1,560	1,243	317	25.5 %
Revenue	440,723	405,733	34,990	8.6 %
Cost of goods sold	302,228	284,664	17,564	6.2 %
Gross profit	138,495	121,069	17,426	14.4 %
Selling, general and administrative expenses	101,962	94,069	7,893	8.4 %
Operating income (loss)	\$ 36,533	\$ 27,000	\$ 9,533	35.3 %
Gross profit margin	31.4 %	29.8 %		
Adjusted EBITDA ⁽¹⁾	\$ 55,775	\$ 45,191	\$ 10,584	23.4 %

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

Revenue and Gross Profit

Revenue increased \$35.0 million, or 8.6%, to \$440.7 million in 2024 compared to \$405.7 million in 2023. There were two more selling days in the year ended December 31, 2024, compared to the same period a year ago. A selling day generally represents a business day in which Gexpro Services ships products to its customers. Average daily sales increased 7.8% over the same period a year ago. The increase in revenue was primarily driven by increased sales in the renewable energy vertical market of \$21.8 million, increased sales in the aerospace and defense vertical market of \$6.4 million, strengthening sales within the technology vertical market of \$6.7 million and \$0.6 million of revenue generated from the acquisition completed in 2024, partially offset by softness within the consumer and industrial vertical market.

Gross profit increased \$17.4 million to \$138.5 million in 2024 compared to \$121.1 million in 2023. Gexpro Services' gross profit as a percent of revenue was 31.4% in 2024 compared to 29.8% in the prior year period. The gross profit margin percentage improvement for 2024 was primarily the result of strategic sourcing initiatives, supply chain improvements and end market sales mix.

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 \$7.9 million to \$102.0 million in 2024 compared to \$94.1 million in 2023. The increase was primarily driven by additional consulting costs of \$1.8 million to support non-recurring strategic projects, non-recurring legal fees of \$1.0 million and investments to support future growth and additional compensation.

Adjusted EBITDA

During 2024, Gexpro Services generated Adjusted EBITDA of \$55.8 million, an increase of \$10.6 million, or 23.4% from 2023 primarily driven by higher organic revenue and managing gross profit margins, partially offset by an increase in Selling, general, and administrative expenses.

Canada Branch Division Segment

(Dollars in thousands)	Year Ended December 31,		Change	
	2024	2023	Amount	%
Revenue from external customers	\$ 125,099	\$ 55,890	\$ 69,209	123.8 %
Intersegment revenue	—	—	—	— %
Revenue	125,099	55,890	69,209	123.8 %
Cost of goods sold	82,897	32,396	50,501	155.9 %
Gross profit	42,202	23,494	18,708	79.6 %
Selling, general and administrative expenses	36,178	17,763	18,415	103.7 %
Operating income (loss)	\$ 6,024	\$ 5,731	\$ 293	5.1 %
Gross profit margin	33.7 %	42.0 %		
Adjusted EBITDA ⁽¹⁾	\$ 11,651	\$ 7,802	\$ 3,849	49.3 %

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

Revenue and Gross Profit

Revenue increased \$69.2 million, or 123.8%, to \$125.1 million in 2024 compared to \$55.9 million in 2023. The increase was primarily driven by \$70.3 million of revenue generated from the acquisition of Source Atlantic completed in 2024, partially offset by a decline in organic Canada Branch Division revenue of \$1.1 million.

Gross profit increased \$18.7 million to \$42.2 million in 2024 compared to gross profit of \$23.5 million in 2023 primarily as a result of the inclusion of the acquisition of Source Atlantic completed in 2024, which generated \$18.7 million of additional gross profit during 2024. Gross profit as a percent of revenue decreased to 33.7% in 2024 compared to 42.0% 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 \$18.4 million to \$36.2 million in 2024 compared to \$17.8 million in 2023. Approximately \$18.1 million of the increased expenses, including depreciation, was driven by the acquisition of Source Atlantic completed in 2024.

Adjusted EBITDA

During 2024, Canada Branch Division generated Adjusted EBITDA of \$11.7 million, an increase of \$3.8 million from the same period a year ago with an increase of approximately \$4.1 million driven by the acquisition of Source Atlantic completed in 2024.

Consolidated Non-operating Income and Expense

(Dollars in thousands)	Year Ended December 31,		Change	
	2024	2023	Amount	%
Interest expense	\$ (55,145)	\$ (42,774)	\$ (12,371)	28.9 %
Change in fair value of earnout liabilities	\$ (988)	\$ 758	\$ (1,746)	N/M
Other income (expense), net	\$ (358)	\$ (2,982)	\$ 2,624	(88.0)%
Income tax expense (benefit)	\$ 6,796	\$ 6,960	\$ (164)	(2.4)%

^{N/M} Not meaningful

Interest Expense

Interest expense increased \$12.4 million in 2024 compared to 2023 primarily due to an increase in interest rates and higher outstanding borrowings related to the acquisitions of Hisco, S&S Automotive, Source Atlantic, TCR and ConRes TE.

Change in Fair Value of Earnout Liabilities

The \$1.0 million expense in 2024 and the \$0.8 million benefit in 2023 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 \$2.6 million change in 2024 compared to 2023 was partly due to favorable increases in interest income and favorable changes in foreign currency exchange rates.

Income Tax Expense (Benefit)

Income tax expense was \$6.8 million, a (1,267.9)% effective tax rate for the year ended December 31, 2024 compared to income tax expense of \$7.0 million and a (346.8)% effective tax rate for the prior year. The change in the year-over-year effective tax rate was primarily due to a change in valuation allowances related to interest expense limitation deferred tax assets. The disproportionate effective tax rates were caused by limitations on the deductibility of interest expense and other permanent items on a small pre-tax loss amount.

RESULTS OF OPERATIONS FOR 2023 AS COMPARED TO 2022

Consolidated Results of Operations

(Dollars in thousands)	Year Ended December 31,			
	2023		2022	
	Amount	% of Revenue	Amount	% of Revenue
Revenue				
Lawson ⁽¹⁾	\$ 468,711	29.8 %	\$ 324,783	28.2 %
TestEquity	641,768	40.9 %	392,358	34.1 %
Gexpro Services	405,733	25.8 %	385,326	33.5 %
Canada Branch Division ⁽¹⁾	55,890	3.6 %	48,955	4.3 %
Intersegment revenue elimination	(1,700)	(0.1)%	—	— %
Total Revenue	1,570,402	100.0 %	1,151,422	100.0 %
Cost of goods sold				
Lawson ⁽¹⁾	203,251	12.9 %	154,030	13.4 %
TestEquity	499,916	31.8 %	302,980	26.3 %
Gexpro Services	284,664	18.1 %	272,462	23.7 %
Canada Branch Division ⁽¹⁾	32,396	2.1 %	31,052	2.7 %
Intersegment cost of goods sold elimination	(1,700)	(0.1)%	—	— %
Total Cost of goods sold	1,018,527	64.9 %	760,524	66.1 %
Gross profit	551,875	35.1 %	390,898	33.9 %
Selling, general and administrative expenses				
Lawson ⁽¹⁾	232,962	14.8 %	164,217	14.3 %
TestEquity	158,317	10.1 %	78,003	6.8 %
Gexpro Services	94,069	6.0 %	91,573	8.0 %
Canada Branch Division ⁽¹⁾	17,763	1.1 %	13,289	1.2 %
All Other	5,773	0.4 %	2,030	0.2 %
Total Selling, general and administrative expenses	508,884	32.4 %	349,112	30.3 %
Operating income (loss)	42,991	2.7 %	41,786	3.6 %
Interest expense	(42,774)	(2.7)%	(24,301)	(2.1)%
Loss on extinguishment of debt	—	— %	(3,395)	(0.3)%
Change in fair value of earnout liabilities	758	— %	(483)	— %
Other income (expense), net	(2,982)	(0.2)%	(670)	(0.1)%
Income (loss) before income taxes	(2,007)	(0.1)%	12,937	1.1 %
Income tax expense (benefit)	6,960	0.4 %	5,531	0.5 %
Net income (loss)	\$ (8,967)	(0.6)%	\$ 7,406	0.6 %

⁽¹⁾ Includes the operating results of Lawson, Canada Branch Division and All Other subsequent, but not prior, to the April 1, 2022 Merger Date.

Overview of Consolidated Results of Operations

Our consolidated results of operations include the financial impact of the Mergers that were completed on April 1, 2022 and the other acquisitions completed in 2023 and 2022. The increase in gross profit for 2023 compared to 2022 was primarily due to the inclusion of Lawson and Canada Branch Division operations only subsequent, and not prior, to the Merger Date and to the Hisco and other acquisitions completed in 2023 and 2022. Expenses for 2023 were impacted by the other

acquisitions completed in 2023 and 2022.

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)	Year Ended December 31,		Change	
	2023	2022	Amount	%
Revenue from external customers	\$ 468,379	\$ 324,783	\$ 143,596	44.2 %
Intersegment revenue	332	—	332	— %
Revenue	468,711	324,783	143,928	44.3 %
Cost of goods sold	203,251	154,030	49,221	32.0 %
Gross profit	265,460	170,753	94,707	55.5 %
Selling, general and administrative expenses	232,962	164,217	68,745	41.9 %
Operating income (loss)	\$ 32,498	\$ 6,536	\$ 25,962	397.2 %
Gross profit margin	56.6 %	52.6 %		
Adjusted EBITDA ⁽¹⁾	\$ 63,663	\$ 30,584	\$ 33,079	108.2 %

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

Revenue and Gross Profit

Revenue increased \$143.9 million, or 44.3%, to \$468.7 million in 2023 compared to revenue of \$324.8 million in the same period of 2022 primarily due to \$125.3 million of revenue in the first quarter of 2023 with no comparable amount in 2022 due to the inclusion of Lawson operations beginning on the Merger Date and not including any Lawson operations prior to the Merger Date. The remaining increase was primarily driven by strengthening sales to Lawson's strategic and governmental customers and automotive end market customers from a combination of organic growth and the realization of price increases enacted throughout 2022 and 2023 to offset rising supplier costs.

Gross profit increased \$94.7 million, or 55.5%, to \$265.5 million in 2023 compared to gross profit of \$170.8 million in the same period of 2022 primarily due to \$70.9 million of gross profit in the first quarter of 2023 with no comparable amount in 2022 due to the inclusion of Lawson operations beginning on the Merger Date and not including any Lawson operations prior to the Merger Date. The remaining increase was primarily the result of increased sales volume, price increases and lower net freight expense and spreading operating expenses over a higher sales level. Lawson gross profit as a percent of revenue was 56.6% in 2023 compared to gross profit as a percent of revenue of 52.6% in the prior year period. The gross profit margin percentage improvement for 2023 was primarily the result of price increases, lower net freight expense and leveraging operating expenses over a higher sales base. The gross profit margin percentage for the same period of 2022 was impacted by increased supplier costs from inflation and supply chain disruptions and a sales shift toward lower margin customers. Gross profit margin for 2022 was also impacted by an inventory charge of \$1.7 million to reduce inventory related to discontinued products where the anticipated net realizable value was lower than the cost reflected in our records and the amortization of the fair value step-up of inventory of \$1.9 million related to the Mergers.

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 increased \$68.7 million to \$233.0 million in 2023 compared to Selling, general and administrative expenses of \$164.2 million in the same period of 2022 primarily due to \$62.7 million of Selling, general and administrative expenses in the first quarter of 2023 with no comparable amount in 2022 due to the inclusion of Lawson operations beginning on the Merger Date and not including any Lawson operations prior to the Merger Date.

Adjusted EBITDA

During 2023, Lawson generated Adjusted EBITDA of \$63.7 million, an increase of 108.2% or \$33.1 million from the same period a year ago primarily due to \$18.5 million of Adjusted EBITDA in the first quarter of 2023 with no comparable amount in 2022 due to the inclusion of Lawson operations beginning on the Merger Date and not including any Lawson operations prior to the Merger Date and increased revenue and gross profit margin partially offset by an increase in Selling, general and administrative expenses.

Supplemental Information

For management to discuss Lawson's operating results on a comparable basis, Lawson's GAAP results of operations were adjusted to include Lawson's historical pre-merger components of operating income, prior to the April 1, 2022 Merger Date, along with pre-merger pro forma adjustments prepared under SEC Regulation S-X Article 11, in order to reflect the total operating activities attributable to Lawson for each period presented. These pro forma results presented in the tables below are referred to within this supplemental results of operations discussion concerning Lawson as "pro forma".

Refer to the section titled *2022 Supplemental Information - Lawson and Canada Branch Division Pro Forma Operating Income and Non-GAAP Adjusted EBITDA* above for further explanation of the calculation of this supplemental information.

Lawson Pro Forma Results - Calculation of Supplemental Information (Unaudited)

Lawson Operating Income	Year Ended December 31, 2022			
	GAAP Results ⁽¹⁾	Pre-Merger Results ⁽²⁾	Pro-Forma Adjustments ⁽³⁾	Pro Forma Results ⁽⁴⁾
Revenue from external customers	\$ 324,783	\$ 104,902	\$ —	\$ 429,685
Intersegment revenue	—	—	—	—
Revenue	324,783	104,902	—	429,685
Cost of goods sold	154,030	49,371	—	203,401
Gross profit	170,753	55,531	—	226,284
Selling, general and administrative expenses	164,217	44,435	4,086	212,738
Operating income (loss)	\$ 6,536	\$ 11,096	\$ (4,086)	\$ 13,546
Lawson Adjusted EBITDA⁽⁵⁾	\$ 30,584	\$ 8,042		\$ 38,626

⁽¹⁾ Operating income prepared in accordance with GAAP, which includes Lawson's results of operations subsequent, but not prior, to the April 1, 2022 Merger Date. See Note 1 – Nature of Operations and Basis of Presentation.

⁽²⁾ Lawson's results of operations for the three months ended March 31, 2022, which occurred prior to the April 1, 2022 Merger Date and were not included in the Company's GAAP operating results under reverse merger acquisition accounting.

⁽³⁾ Pro-forma adjustments include the incremental expense related to the fair value adjustment of share-based compensation awards of \$1.9 million and the net impact of \$2.2 million from the elimination of historical depreciation and amortization expense and recognition of new depreciation expense on the fair value of property, plant and equipment and amortization expense related to identifiable intangible assets.

⁽⁴⁾ Lawson's pro forma results of operations adjusted for comparability on a period-over-period basis. These results represent Lawson's total operating activities for the year ended 2022, regardless of the Merger Date (that is, they reflect both pre- and post-Merger results of Lawson, including the pro forma adjustments related to the pre-Merger period).

⁽⁵⁾ Refer to the Non-GAAP Adjusted EBITDA section above for a reconciliation of operating income to Adjusted EBITDA.

Lawson - 2023 as Compared to Pro Forma 2022 (Unaudited)

(Dollars in thousands)	Year Ended December 31,		Change	
	2023	Pro Forma 2022 ⁽¹⁾	Amount	%
Revenue from external customers	\$ 468,379	\$ 429,685	\$ 38,694	9.1%
Intersegment revenue	332	—	332	—%
Revenue	468,711	429,685	39,026	9.1%
Cost of goods sold	203,251	203,401	(150)	(0.1)%
Gross profit	265,460	226,284	39,176	17.3%
Selling, general and administrative expenses	232,962	212,738	20,224	9.7%
Operating income (loss)	\$ 32,498	\$ 13,546	\$ 18,952	107.5%
Gross profit margin	56.6 %	52.7 %		
Adjusted EBITDA ⁽²⁾	\$ 63,663	\$ 38,626	\$ 25,037	64.8%

⁽¹⁾ For comparability purposes, Lawson's GAAP results of operations were adjusted to include the historical unaudited results of Lawson prior to the Merger Date and certain pro-forma adjustments including the incremental expense related to the fair value adjustment of share-based compensation awards and incremental depreciation and amortization expense related to the fair value adjustments of property, plant and equipment and identifiable intangible assets. Refer to the section *Factors Affecting Comparability to Prior Periods* and the section *2022 Supplemental Information - Lawson and Canada Branch Division Pro Forma Operating Income and Non-GAAP Adjusted EBITDA* and the section *Lawson Pro Forma Results - Calculation of Supplemental Information (Unaudited)* for more information related to the calculation of adjusted amounts.

⁽²⁾ Refer to the Non-GAAP Adjusted EBITDA section in Overview for a reconciliation of operating income to Adjusted EBITDA.

Revenue and Gross Profit

Revenue increased \$39.0 million, or 9.1%, to \$468.7 million in 2023 compared to pro forma revenue of \$429.7 million in the same period of 2022. The increase was primarily driven by strengthening sales to Lawson's strategic and governmental customers of \$25.2 million and automotive end market customers of \$13.5 million from a combination of organic growth and the realization of price increases enacted throughout 2022 and 2023 to offset rising supplier costs.

Gross profit increased \$39.2 million to \$265.5 million in 2023 compared to pro forma gross profit of \$226.3 million in the same period of 2022 primarily as a result of increased sales volume and price increases, which contributed to an increase in gross profit of \$29.4 million, lower net freight expense of \$2.9 million, lower expense for write-offs of obsolete and excess inventory of \$3.2 million and spreading operating expenses over a higher sales level. Lawson gross profit as a percent of revenue was 56.6% in 2023 compared to pro forma gross profit as a percent of pro forma revenue of 52.7% in the prior year period. The gross profit margin percentage improvement for 2023 was primarily the result of price increases, lower net freight costs, lower expense for write-offs of obsolete and excess inventory and leveraging operating costs over a higher sales base. The pro forma gross profit margin percentage for the same period of 2022 was impacted by increased supplier costs from inflation and supply chain disruptions and a sales shift toward lower margin customers. Pro forma gross profit margin for 2022 was also impacted by an inventory charge of \$1.7 million to reduce inventory related to discontinued products where the anticipated net realizable value was lower than the cost reflected in our records and the amortization of the fair value step-up of inventory of \$1.9 million related to the Mergers.

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 increased \$20.2 million to \$233.0 million in 2023 compared to pro forma Selling, general and administrative expenses of \$212.7 million in the same period of 2022. The increase was primarily driven by additional depreciation and amortization of \$9.2 million as a result of the fair value step-up adjustments related to the reverse merger acquisition accounting and higher stock-based compensation of \$12.2 million due to expense of \$7.9 million

in 2023 and a benefit of \$4.2 million realized in 2022, partially offset by lower acquisition related costs of \$4.7 million in 2023 compared to the same period of 2022.

Adjusted EBITDA

During 2023, Lawson generated Adjusted EBITDA of \$63.7 million, an increase of 64.8% or \$25.0 million from the same period a year ago primarily driven by increased revenue and gross profit margin partially offset by an increase in Selling, general and administrative expenses.

TestEquity Segment

(Dollars in thousands)	Year Ended December 31,		Change	
	2023	2022	Amount	%
Revenue from external customers	\$ 641,643	\$ 392,358	\$ 249,285	63.5 %
Intersegment revenue	125	—	125	— %
Revenue	641,768	392,358	249,410	63.6 %
Cost of goods sold	499,916	302,980	196,936	65.0 %
Gross profit	141,852	89,378	52,474	58.7 %
Selling, general and administrative expenses	158,317	78,003	80,314	103.0 %
Operating income (loss)	\$ (16,465)	\$ 11,375	\$ (27,840)	(244.7)%
Gross profit margin	22.1 %	22.8 %		
Adjusted EBITDA ⁽¹⁾	\$ 43,283	\$ 34,736	\$ 8,547	24.6 %

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

Revenue and Gross Profit

Revenue increased \$249.4 million, or 63.6%, to \$641.8 million in 2023 compared to \$392.4 million in the same period in 2022. The increase was primarily driven by \$273.4 million of revenue generated from acquisitions completed in 2023 and 2022 offset by a \$24.0 million decline in legacy TestEquity revenue due to a slowdown in the test and measurement market, primarily caused by tightening of capital budgets in TestEquity's customer base and softening in the EPS end markets.

Gross profit increased \$52.5 million to \$141.9 million in 2023 compared to \$89.4 million in the same period of 2022 primarily as a result of the inclusion of the acquisitions completed in 2023 and 2022, which generated \$57.9 million of additional gross profit during 2023 offset by a decline in legacy TestEquity revenue. TestEquity gross profit as a percent of revenue decreased to 22.1% in 2023 compared to 22.8% in the prior year primarily due to the amortization of the fair value step-up of inventory of \$3.6 million related to the Hisco Transaction and a shift in sales mix from the lower gross margin rates from the 2022 and 2023 acquisitions.

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 \$80.3 million to \$158.3 million in 2023 compared to \$78.0 million in the same period of 2022. Approximately \$68.8 million of the increased expenses, including depreciation, was driven by the acquisitions completed in 2023 and 2022 of which \$22.8 million was related to the Hisco retention bonuses. The remaining increase in Selling, general and administrative expenses of \$11.5 million is primarily due to \$4.6 million of additional amortization of intangible assets acquired through the Hisco acquisition, \$1.4 million of higher acquisition related expenses and \$5.5 million of higher expenses for health insurance, allowance for doubtful accounts and other professional services.

Adjusted EBITDA

During 2023, TestEquity generated Adjusted EBITDA of \$43.3 million, an increase of \$8.5 million from the same period a year ago with approximately \$19.7 million driven by the acquisitions completed in 2023 and 2022 partially offset by \$7.3 million due to lower gross profit margin on lower legacy TestEquity revenue and \$3.9 million primarily due to higher expenses for health insurance, allowance for doubtful accounts and other professional services.

Gexpro Services Segment

(Dollars in thousands)	Year Ended December 31,		Change	
	2023	2022	Amount	%
Revenue from external customers	\$ 404,490	\$ 385,326	\$ 19,164	5.0 %
Intersegment revenue	1,243	—	1,243	— %
Revenue	405,733	385,326	20,407	5.3 %
Cost of goods sold	284,664	272,462	12,202	4.5 %
Gross profit	121,069	112,864	8,205	7.3 %
Selling, general and administrative expenses	94,069	91,573	2,496	2.7 %
Operating income (loss)	\$ 27,000	\$ 21,291	\$ 5,709	26.8 %
Gross profit margin	29.8 %	29.3 %		
Adjusted EBITDA ⁽¹⁾	\$ 45,191	\$ 43,206	\$ 1,985	4.6 %

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

Revenue and Gross Profit

Revenue increased \$20.4 million, or 5.3%, to \$405.7 million in 2023 compared to \$385.3 million in the same period of 2022. The increase was primarily driven by strengthening sales within Gexpro Services' Aerospace & Defense, Industrial Power, and Transportation end markets of \$7.3 million, \$17.7 million and \$4.9 million, respectively, partially offset by continued softness in the Technology/Semiconductor end markets of \$24.5 million. The increase also came from a combination of organic growth and the realization of price increases enacted throughout 2022 and 2023 to offset rising supplier costs.

Gross profit increased \$8.2 million to \$121.1 million in 2023 compared to \$112.9 million in the same period of 2022 primarily as a result of increased sales volume and price increases and lower net freight expense of \$6.1 million partially offset by an increase in expense for write-offs for obsolete and excess inventory of \$3.6 million and higher freight capitalization of \$0.5 million. Gexpro Services gross profit as a percent of revenue was 29.8% in 2023 compared to 29.3% in the prior year period. The gross profit margin percentage improvement for 2023 was primarily the result of price increases and lower net freight costs partially offset by higher expense for write-offs of obsolete and excess inventory.

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 and service customers.

Selling, general, and administrative expenses increased \$2.5 million to \$94.1 million in 2023 compared to \$91.6 million in the same period of 2022. The increase was primarily driven by \$1.7 million of additional expenses from the Frontier acquisition completed at the end of the first quarter of 2022 and additional compensation and product fulfillment costs to support the organic sales growth.

Adjusted EBITDA

During 2023, Gexpro Services generated Adjusted EBITDA of \$45.2 million, an increase of \$2.0 million, or 4.6% from the same period a year ago primarily driven by increased revenue and gross profit margin, partially offset by an increase in Selling, general, and administrative expenses.

Canada Branch Division Segment

(Dollars in thousands)	Year Ended December 31,		Change	
	2023	2022	Amount	%
Revenue from external customers	\$ 55,890	\$ 48,955	\$ 6,935	14.2 %
Intersegment revenue	—	—	—	— %
Revenue	55,890	48,955	6,935	14.2 %
Cost of goods sold	32,396	31,052	1,344	4.3 %
Gross profit	23,494	17,903	5,591	31.2 %
Selling, general and administrative expenses	17,763	13,289	4,474	33.7 %
Operating income (loss)	\$ 5,731	\$ 4,614	\$ 1,117	24.2 %
Gross profit margin	42.0 %	36.6 %		
Adjusted EBITDA ⁽¹⁾	\$ 7,802	\$ 7,318	\$ 484	6.6 %

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

Revenue and Gross Profit

Revenue increased \$6.9 million, or 14.2%, to \$55.9 million in 2023 compared to revenue of \$49.0 million in the same period of 2022 primarily due to \$14.6 million of revenue in the first quarter of 2023 with no comparable amount in 2022 due to the inclusion of Canada Branch Division operations beginning on the Merger Date and not including any Canada Branch Division operations prior to the Merger Date. This was partially offset by a decrease in the sale of fasteners to corporate customers in 2023 compared to 2022.

Gross profit increased \$5.6 million, or 31.2%, to \$23.5 million in 2023 compared to gross profit of \$17.9 million in the same period of 2022 primarily due to \$6.1 million of gross profit in the first quarter of 2023 with no comparable amount in 2022 due to the inclusion of Canada Branch Division operations beginning on the Merger Date and not including any Canada Branch Division operations prior to the Merger Date. Canada Branch Division gross profit as a percent of revenue was 42.0% in 2023 compared to gross profit as a percent of revenue of 36.6% in the prior year period. Gross profit margin for 2022 was impacted by the amortization of the fair value step-up of inventory of \$0.8 million related to the Mergers and a shift in sales mix to lower margin products, specifically fasteners sold to corporate customers.

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 \$4.5 million to \$17.8 million in 2023 compared to Selling, general and administrative expenses of \$13.3 million in the same period of 2022 primarily due to \$4.5 million of Selling, general and administrative expenses in the first quarter of 2023 with no comparable amount in 2022 due to the inclusion of Canada Branch Division operations beginning on the Merger Date and not including any Canada Branch Division operations prior to the Merger Date.

Adjusted EBITDA

During 2023, Canada Branch Division generated Adjusted EBITDA of \$7.8 million, an increase of 6.6% or \$0.5 million from the same period a year ago primarily due to \$2.1 million of Adjusted EBITDA in the first quarter of 2023 with no

comparable amount in 2022 due to the inclusion of Canada Branch Division operations beginning on the Merger Date and not including any Canada Branch Division operations prior to the Merger Date.

Supplemental Information

For management to discuss Canada Branch Division's operating results on a comparable basis, Canada Branch Division's GAAP results of operations were adjusted to include Canada Branch Division's historical pre-merger components of operating income, prior to the April 1, 2022 Merger Date, along with pre-merger pro forma adjustments prepared under SEC Regulation S-X Article 11, in order to reflect the total operating activities attributable to Canada Branch Division for each period presented. These pro forma results presented in the tables below are referred to within this supplemental results of operations discussion concerning Canada Branch Division as "pro forma".

Refer to the section titled *2022 Supplemental Information - Lawson and Canada Branch Division Pro Forma Operating Income and Non-GAAP Adjusted EBITDA* above for further explanation of the calculation of this supplemental information.

Canada Branch Division Pro Forma Results - Calculation of Supplemental Information (Unaudited)

(in thousands)	Year Ended December 31, 2022			
	GAAP Results ⁽¹⁾	Pre-Merger Results ⁽²⁾	Pro-Forma Adjustments ⁽³⁾	Pro Forma Results ⁽⁴⁾
Canada Branch Division Operating Income				
Revenue from external customers	\$ 48,955	\$ 12,975	\$ —	\$ 61,930
Intersegment revenue	—	—	—	—
Revenue	48,955	12,975	—	61,930
Cost of goods sold	31,052	8,008	—	39,060
Gross profit	17,903	4,967	—	22,870
Selling, general and administrative expenses	13,289	3,987	—	17,276
Operating income (loss)	\$ 4,614	\$ 980	\$ —	\$ 5,594
Canada Branch Division Adjusted EBITDA⁽⁵⁾	\$ 7,318	\$ 1,128	\$ —	\$ 8,446

⁽¹⁾ Operating income prepared in accordance with GAAP, which includes Canada Branch Division's results of operations subsequent, but not prior, to the April 1, 2022 Merger Date. See Note 1 – Nature of Operations and Basis of Presentation.

⁽²⁾ Canada Branch Division's results of operations for the three months ended March 31, 2022, which occurred prior to the April 1, 2022 Merger Date and were not included in the Company's GAAP operating results under reverse merger acquisition accounting.

⁽³⁾ There were no significant pro-forma adjustments for Canada Branch Division.

⁽⁴⁾ Canada Branch Division's pro forma results of operations adjusted for comparability on a period-over-period basis. These results represent Canada Branch Division's total operating activities for the year ended 2022, regardless of the Merger Date (that is, they reflect both pre- and post-Merger results of Canada Branch Division, including the pro forma adjustments related to the pre-Merger period).

⁽⁵⁾ Refer to the Non-GAAP Adjusted EBITDA section above for a reconciliation of operating income to Adjusted EBITDA.

Canada Branch Division - 2023 as Compared to Pro Forma 2022 (Unaudited)

(Dollars in thousands)	Year Ended December 31,		Change	
	2023	Pro Forma 2022 ⁽¹⁾	Amount	%
Revenue from external customers	\$ 55,890	\$ 61,930	\$ (6,040)	(9.8)%
Intersegment revenue	—	—	—	—%
Revenue	55,890	61,930	(6,040)	(9.8)%
Cost of goods sold	32,396	39,060	(6,664)	(17.1)%
Gross profit	23,494	22,870	624	2.7%
Selling, general and administrative expenses	17,763	17,276	487	2.8%
Operating income (loss)	\$ 5,731	\$ 5,594	\$ 137	2.4%
Gross profit margin	42.0 %	36.9 %		
Adjusted EBITDA ⁽²⁾	\$ 7,802	\$ 8,446	\$ (644)	(7.6)%

⁽¹⁾ For comparability purposes, Canada Branch Division's GAAP results of operations were adjusted to include the historical unaudited results of Canada Branch Division prior to the Merger Date and certain pro-forma adjustments including the incremental expense related to the fair value adjustment of share-based compensation awards and incremental depreciation and amortization expense related to the fair value adjustments of property, plant and equipment and identifiable intangible assets. Refer to the section *Factors Affecting Comparability to Prior Periods* and the section *2022 Supplemental Information - Lawson and Canada Branch Division Pro Forma Operating Income and Non-GAAP Adjusted EBITDA* and the section *Canada Branch Division Pro Forma Results - Calculation of Supplemental Information (Unaudited)* for more information related to the calculation of adjusted amounts.

⁽²⁾ Refer to the Non-GAAP Adjusted EBITDA section in Overview for a reconciliation of operating income to Adjusted EBITDA.

Revenue and Gross Profit

Revenue decreased \$6.0 million, or 9.8%, to \$55.9 million in 2023 compared to pro forma revenue of \$61.9 million in the same period of 2022 primarily driven by a decrease in the sale of fasteners to corporate customers of \$7.2 million and an unfavorable currency impact of \$2.0 million, partially offset by an increase in branch sales of \$3.2 million.

Gross profit increased \$0.6 million to \$23.5 million in 2023 compared to pro forma gross profit of \$22.9 million in the same period of 2022 primarily as a result of a shift in sales mix to higher margin products. Canada Branch Division gross profit as a percent of revenue was 42.0% in 2023 compared to pro forma gross profit as a percent of pro forma revenue of 36.9% in the prior year period. The pro forma gross profit margin percentage for 2022 was impacted by the amortization of the fair value step-up of inventory of \$0.8 million related to the Mergers and a shift in sales mix to lower margin products, specifically fasteners sold to corporate customers.

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 \$0.5 million to \$17.8 million in 2023 compared to pro forma Selling, general and administrative expenses of \$17.3 million in the same period of 2022. The increase was primarily driven by higher employee compensation costs.

Adjusted EBITDA

During 2023, Canada Branch Division generated Adjusted EBITDA of \$7.8 million, a decrease of 7.6% or \$0.6 million from the same period a year ago primarily driven by a decrease in Canada Branch Division revenue partially offset by an increase in gross profit margin and Selling, general and administrative expenses.

Consolidated Non-operating Income and Expense

(Dollars in thousands)	Year Ended December 31,		Change	
	2023	2022	Amount	%
Interest expense	\$ (42,774)	\$ (24,301)	\$ (18,473)	76.0 %
Loss on extinguishment of debt	\$ —	\$ (3,395)	\$ 3,395	N/M
Change in fair value of earnout liabilities	\$ 758	\$ (483)	\$ 1,241	N/M
Other income (expense), net	\$ (2,982)	\$ (670)	\$ (2,312)	N/M
Income tax expense (benefit)	\$ 6,960	\$ 5,531	\$ 1,429	25.8 %

^{N/M} Not meaningful

Interest Expense

Interest expense increased \$18.5 million in 2023 compared to the same period of 2022 primarily due to an increase in interest rates and higher borrowings related to the Hisco and other 2023 and 2022 acquisitions.

Loss on Extinguishment of Debt

The \$3.4 million loss on extinguishment of debt in 2022 was primarily due to the write-off of previously capitalized financing costs as a result of the debt refinancing related to the Mergers.

Change in Fair Value of Earnout Liabilities

The \$0.8 million benefit in 2023 related to the change in fair value of the earnout liabilities associated with the Frontier acquisition and the Hisco Transaction. The \$0.5 million expense in 2022 primarily related to the change in fair value of the earnout derivative liability associated with the earnout provisions of the Merger Agreements and the Frontier earnout. Refer to Note 8 – Earnout Liabilities and Note 3 – Business Acquisitions within Item 8. Financial Statements and Supplementary Data for information about the earnout liabilities.

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 \$2.3 million change in 2023 compared to the same period of 2022 was partly due to unfavorable changes in foreign currency exchange rates and other insignificant changes in other non-operating income and expenditures.

Income Tax Expense (Benefit)

Income tax expense was \$7.0 million, a (346.8)% effective tax rate for the year ended December 31, 2023 compared to income tax expense of \$5.5 million and a 42.8% effective tax rate for the prior year. The change in the year-over-year effective tax rate was primarily due to an increase in the partial valuation allowance against our excess interest expense carryforward balance, state taxes, foreign income and a pre-tax loss in the current year. The 2022 income tax was also impacted by the creation of a consolidated group for federal income tax purposes as a result of the completion of the Mergers.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were \$66.5 million on December 31, 2024 compared to \$83.9 million on December 31, 2023.

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. On August 14, 2024, the Company borrowed \$200 million under the incremental term loan of the Amended Credit Agreement. The Company used a portion of these proceeds to fund the Source Atlantic Transaction. As of December 31, 2024, the Company had \$66.5 million of cash and cash equivalents and \$253.0 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 8. Financial Statements and Supplementary Data 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 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) 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)	December 31, 2024	December 31, 2023	Change
Net cash provided by (used in) operating activities	\$ 56,453	\$ 102,286	\$ (45,833)
Net cash provided by (used in) investing activities	\$ (229,683)	\$ (278,523)	\$ 48,840
Net cash provided by (used in) financing activities	\$ 159,301	\$ 250,406	\$ (91,105)

Cash Provided by (Used in) Operating Activities

Net cash provided by operations for the year ended December 31, 2024 was \$56.5 million primarily due to non-cash items, partially offset by a net loss, payments of \$34.6 million related to the Hisco retention bonuses and other net cash flow items.

Net cash provided by operations for the year ended December 31, 2023 was \$102.3 million, primarily due to non-cash items, partially offset by a net loss and improvements in working capital.

Cash Provided by (Used in) Investing Activities

Net cash used in investing activities for the year ended December 31, 2024 was \$229.7 million, primarily due to the purchase of ESS, S&S Automotive, Source Atlantic, TCR and certain assets of ConRes TE as well as purchases of property, plant and equipment and rental equipment. This was partially offset by the sale of property, plant and equipment and rental equipment.

Net cash used in investing activities for the year ended December 31, 2023 was \$278.5 million, primarily due to the Hisco Transaction, 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 provided by financing activities for the year ended December 31, 2024 was \$159.3 million primarily due to borrowings under the Company's credit facility partially offset by principal payments on the term loans. In conjunction with the Source Atlantic Transaction, the Company borrowed \$200 million under the incremental term loan facility on August 14, 2024. During 2024, deferred financing costs of \$2.1 million were incurred related to the Amended Credit Agreement.

Net cash provided by financing activities for the year ended December 31, 2023 was \$250.4 million, due to borrowings under the Company's credit facility and proceeds from a rights offering that we completed during the second quarter of 2023, partially offset by repayment of previous indebtedness and principal payments on the term loans. In conjunction with the Hisco Transaction, the Company borrowed \$305.0 million under the incremental term loan facility on June 8, 2023 and raised approximately \$98.5 million, net of offering costs, through the rights offering. During 2023, deferred financing costs of \$3.4 million were incurred related to the First Amendment, dated June 8, 2023, to the Company's credit facility.

Financing and Capital Requirements

Credit Facility

On August 14, 2024, in connection with the Source Atlantic Transaction, DSG entered into the Third Amendment, which provided for an additional \$200 million incremental term loan and a \$55 million increase in the Company's senior secured revolving credit 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.

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. Refer to Note 9 – Debt within Item 8. Financial Statements and Supplementary Data for a description of the Amended Credit Agreement.

On December 31, 2024, we had \$739.9 million in outstanding borrowings under the Amended Credit Agreement and \$253.0 million of borrowing availability remaining, net of outstanding letters of credit, under the senior secured revolving credit facility component.

As of December 31, 2024, we were in compliance with all financial covenants under our Amended Credit Agreement. While we were in compliance with our financial covenants as of December 31, 2024, 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 December 31, 2024, we had contractual commitments to purchase approximately \$173 million of products from our suppliers and contractors over the next twelve months.

Capital Expenditures

During the year ended December 31, 2024, total capital expenditures for property, plant and equipment and rental equipment were \$23.2 million excluding proceeds from the sale of rental equipment. The Company expects to spend approximately \$20 million to \$25 million for capital expenditures during 2025 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. In December 2023, the Board of Directors increased the existing repurchase program by \$25.0 million bringing the total authorized to \$37.5 million.

During 2024, the Company repurchased 85,644 shares of DSG common stock at an average cost of \$30.13 per share for a total cost of \$2.6 million. During 2023, the Company repurchased 138,725 shares of DSG common stock at an average cost of \$26.09 per share for a total cost of \$3.6 million. The remaining availability for stock repurchases under the program was \$26.4 million at December 31, 2024. See Note 11 – Stockholders' Equity within Item 8. Financial Statements and Supplementary Data for further information.

Retention Bonuses

Under the Hisco Purchase Agreement, DSG became obligated to 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 at least twelve months after the closing of the Hisco Transaction. Pursuant to the Hisco Purchase Agreement, the Company paid \$1.8 million of the retention bonuses in 2023 and \$34.6 million in 2024, with the remaining balance of \$1.1 million to be paid in 2025.

CRITICAL ACCOUNTING POLICIES AND USE OF ESTIMATES

We have disclosed our significant accounting policies in Note 2 – Summary of Significant Accounting Policies within Item 8. Financial Statements and Supplementary Data. 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.

ITEM 7A. 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 8. Financial Statements for additional information about the Amended Credit Agreement.

As of December 31, 2024, 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 \$7.4 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The following information is presented in this item:

	<u>Page #</u>
Report of Independent Registered Public Accounting Firm (Grant Thornton, LLP; Dallas, Texas; PCAOB ID#248)	57
Report of Independent Registered Public Accounting Firm (BDO USA, P.C.; Chicago, Illinois; PCAOB ID#243)	59
Consolidated Balance Sheets as of December 31, 2024 and 2023	60
Consolidated Statements of Operations and Comprehensive Income (Loss) for the Years ended December 31, 2024, 2023 and 2022	61
Consolidated Statements of Changes in Stockholders' Equity for the Years ended December 31, 2024, 2023 and 2022	62
Consolidated Statements of Cash Flows for the Years ended December 31, 2024, 2023 and 2022	63
Notes to Consolidated Financial Statements	65

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Distribution Solutions Group, Inc.

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of Distribution Solutions Group, Inc. (a Delaware corporation) and subsidiaries (the “Company”) as of December 31, 2024 and 2023, the related consolidated statements of operations and comprehensive income (loss), changes in stockholders’ equity, and cash flows for each of the two years in the period ended December 31, 2024, and the related notes and financial statement schedule included under Item 15(a)(1) (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2024, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), and our report dated March 6, 2025 expressed an unqualified opinion.

Basis for opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical audit matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Business Acquisitions – Valuation of acquired Intangible Assets

As described further in Note 3 to the financial statements, the Company acquired S&S Automotive Inc. (S&S Automotive) on May 1, 2024, and Source Atlantic Limited (Source Atlantic) on August 14, 2024, for a combined purchase price of approximately \$183.2 million, net of cash acquired. The Company allocated the purchase price, on a preliminary basis, to the assets acquired and liabilities assumed based on their respective fair values, including identified intangible assets of \$58.5 million.

The principal considerations for our determination that the valuation of acquired customer relationships and trade names is a critical audit matter are (i) the significant judgment by management when determining assumptions used in the fair value measurement of acquired intangible assets and (ii) the high degree of auditor judgment and subjectivity in performing procedures and evaluating management’s significant assumptions relating to the projected forecasted information including revenue growth rates, weighted average costs of capital (WACC), and royalty rates.

Our audit procedures related to the valuation of the acquired intangible assets included the following, among others:

(i) we tested the design and operating effectiveness of the controls over the Company's acquisition and valuation process, including review of the valuation models, significant assumptions used, and the completeness and accuracy of the underlying data used

(ii) we reviewed the projected forecasted information including forecasted revenue growth rate by assessing the reasonableness of management's forecasts compared to historical results and forecasted industry trends

(iii) with the assistance of our valuation specialists, we assessed the assumptions and methodologies used in developing the WACC and royalty rates by developing a range of independent estimates and comparing those to the rates selected by management. We also involved our valuation specialists to validate the assumptions and methodologies used in valuing the intangible assets.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2023.

Dallas, Texas
March 6, 2025

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
Distribution Solutions Group, Inc.
Chicago, Illinois

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of operations and comprehensive income (loss), stockholders' equity, and cash flows and financial statement schedule listed in the accompanying index for the year ended December 31, 2022, and the related notes (collectively referred to as the "consolidated financial statements") of Distribution Solutions Group, Inc. (the "Company"). In our opinion, the consolidated financial statements present fairly, in all material respects, the results of the Company's operations and its cash flows for the year ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ BDO USA, P.C.

We served as the Company's auditor from 2022 to 2023.

Chicago, Illinois

March 14, 2023, except for the effects of the Stock Split described in Notes 1 and 11, as to which the date is March 7, 2024, and Note 14, as to which the date is March 6, 2025

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

	December 31,	
	2024	2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 66,479	\$ 83,931
Restricted cash	15,247	15,695
Accounts receivable, less allowances of \$2,416 and \$2,120, respectively	250,717	213,448
Inventories	348,226	315,984
Prepaid expenses and other current assets	31,505	28,272
Total current assets	712,174	657,330
Property, plant and equipment, net	125,524	113,811
Rental equipment, net	39,376	24,575
Goodwill	462,789	399,925
Deferred tax asset, net	136	95
Intangible assets, net	269,763	253,834
Cash value of life insurance	19,916	18,493
Right of use operating lease assets	91,962	76,340
Other assets	5,615	5,928
Total assets	\$ 1,727,255	\$ 1,550,331
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 125,575	\$ 98,674
Current portion of long-term debt	40,476	32,551
Current portion of lease liabilities	18,951	13,549
Accrued expenses and other current liabilities	81,259	97,241
Total current liabilities	266,261	242,015
Long-term debt, less current portion, net	693,903	535,881
Lease liabilities	77,758	67,065
Deferred tax liability, net	22,265	18,326
Other liabilities	26,525	25,443
Total liabilities	1,086,712	888,730
Commitments and contingencies (Note 15)		
Stockholders' equity⁽¹⁾:		
Preferred stock, \$1 par value:		
Authorized - 500,000 shares, issued and outstanding - None	—	—
Common stock, \$1 par value:		
Authorized - 70,000,000 shares		
Issued - 47,738,290 and 47,535,618 shares, respectively		
Outstanding - 46,856,757 and 46,758,359 shares, respectively	46,856	46,758
Capital in excess of par value	677,473	671,154
Retained deficit	(42,039)	(34,707)
Treasury stock - 881,533 and 777,259 shares, respectively	(19,631)	(16,434)
Accumulated other comprehensive income (loss)	(22,116)	(5,170)
Total stockholders' equity	640,543	661,601
Total liabilities and stockholders' equity	\$ 1,727,255	\$ 1,550,331

⁽¹⁾ The accompanying Consolidated Financial Statements and notes thereto have been retroactively adjusted to reflect the two-for-one stock split completed in August 2023. See Note 1 – Nature of Operations and Basis of Presentation for details.

See notes to Consolidated Financial Statements

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

	Year Ended December 31,		
	2024	2023	2022
Revenue	\$ 1,804,104	\$ 1,570,402	\$ 1,151,422
Cost of goods sold	1,190,329	1,018,527	760,524
Gross profit	613,775	551,875	390,898
Selling, general and administrative expenses	557,820	508,884	349,112
Operating income (loss)	55,955	42,991	41,786
Interest expense	(55,145)	(42,774)	(24,301)
Loss on extinguishment of debt	—	—	(3,395)
Change in fair value of earnout liabilities	(988)	758	(483)
Other income (expense), net	(358)	(2,982)	(670)
Income (loss) before income taxes	(536)	(2,007)	12,937
Income tax expense (benefit)	6,796	6,960	5,531
Net income (loss)	\$ (7,332)	\$ (8,967)	\$ 7,406
Basic income (loss) per share of common stock⁽¹⁾	\$ (0.16)	\$ (0.20)	\$ 0.22
Diluted income (loss) per share of common stock⁽¹⁾	\$ (0.16)	\$ (0.20)	\$ 0.21
Comprehensive income (loss)			
Net income (loss)	\$ (7,332)	\$ (8,967)	\$ 7,406
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustment	(16,946)	4,906	(11,525)
Other	—	(120)	—
Comprehensive income (loss)	\$ (24,278)	\$ (4,181)	\$ (4,119)

⁽¹⁾ The accompanying Consolidated Financial Statements and notes thereto have been retroactively adjusted to reflect the two-for-one stock split completed in August 2023. See Note 1 – Nature of Operations and Basis of Presentation for details.

See notes to Consolidated Financial Statements

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

	Common Stock ⁽¹⁾		Capital in Excess of Par Value ⁽¹⁾	Retained Deficit	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Outstanding Shares	\$1 Par Value					
Balance at January 1, 2022	20,589,648	\$ 20,636	\$ 186,739	\$ (33,142)	\$ (10,033)	\$ 1,569	\$ 165,769
Net income (loss)	—	—	—	7,406	—	—	7,406
Foreign currency translation adjustment	—	—	—	—	—	(11,525)	(11,525)
Stock-based compensation	—	—	1,505	—	—	—	1,505
Shares issued	135,927	135	(135)	—	—	—	—
Deemed consideration for reverse acquisition	18,240,334	18,240	333,251	—	—	—	351,491
Reclassification of issuable shares from earnout derivative liability	—	—	43,624	—	—	—	43,624
Fair value adjustment of stock-based compensation awards	—	—	1,910	—	—	—	1,910
Repurchases of common stock	(108,178)	(108)	108	—	(1,940)	—	(1,940)
Tax withholdings related to net share settlements of stock-based compensation awards	(24,163)	(24)	57	—	(553)	—	(520)
Settlement of related party liability	—	—	5,276	—	—	—	5,276
Other	—	(45)	44	—	—	—	(1)
Balance at December 31, 2022	<u>38,833,568</u>	<u>\$ 38,834</u>	<u>\$ 572,379</u>	<u>\$ (25,736)</u>	<u>\$ (12,526)</u>	<u>\$ (9,956)</u>	<u>\$ 562,995</u>
Net income (loss)	—	—	—	(8,967)	—	—	(8,967)
Foreign currency translation adjustment	—	—	—	—	—	4,906	4,906
Stock-based compensation	—	—	3,732	—	—	—	3,732
Stock-based compensation liability paid in shares	—	—	227	—	—	—	227
Shares issued	85,842	86	(86)	—	—	—	—
Shares issued - earnout	3,400,000	3,400	(3,400)	—	—	—	—
Issuance of common stock in rights offering	4,444,444	4,444	94,025	—	—	—	98,469
Shares issued through employee share purchase plan	144,608	144	3,109	—	—	—	3,253
Compensation expense related to employee share purchase plan	—	—	427	—	—	—	427
Repurchases of common stock	(138,725)	(139)	139	—	(3,619)	—	(3,619)
Tax withholdings related to net share settlements of stock-based compensation awards	(11,378)	(11)	11	—	(287)	—	(287)
Other	—	—	591	(4)	(2)	(120)	465
Balance at December 31, 2023	<u>46,758,359</u>	<u>\$ 46,758</u>	<u>\$ 671,154</u>	<u>\$ (34,707)</u>	<u>\$ (16,434)</u>	<u>\$ (5,170)</u>	<u>\$ 661,601</u>
Net income (loss)	—	—	—	(7,332)	—	—	(7,332)
Foreign currency translation adjustment	—	—	—	—	—	(16,946)	(16,946)
Stock-based compensation	—	—	4,467	—	—	—	4,467
Stock-based compensation liability paid in shares	—	—	870	—	—	—	870
Shares issued	202,672	203	877	—	—	—	1,080
Repurchases of common stock	(85,644)	(86)	86	—	(2,580)	—	(2,580)
Tax withholdings related to net share settlements of stock-based compensation awards	(18,630)	(19)	19	—	(617)	—	(617)
Balance at December 31, 2024	<u>46,856,757</u>	<u>\$ 46,856</u>	<u>\$ 677,473</u>	<u>\$ (42,039)</u>	<u>\$ (19,631)</u>	<u>\$ (22,116)</u>	<u>\$ 640,543</u>

⁽¹⁾ The accompanying Consolidated Financial Statements and notes thereto have been retroactively adjusted to reflect the two-for-one stock split completed in August 2023. See Note 1 – Nature of Operations and Basis of Presentation for details.

See notes to Consolidated Financial Statements

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

	Year Ended December 31,		
	2024	2023	2022
Operating activities			
Net income (loss)	\$ (7,332)	\$ (8,967)	\$ 7,406
Adjustments to reconcile to net cash used in operating activities:			
Depreciation and amortization	74,376	63,588	45,186
Amortization of debt issuance costs	2,922	2,420	1,888
Extinguishment of debt	—	—	3,395
Stock-based compensation	5,233	7,940	2,448
Compensation expense related to employee share purchases	—	427	—
Deferred income taxes	(6,649)	(8,028)	(2,406)
Change in fair value of earnout liabilities	988	(758)	483
(Gain) loss on sale of rental equipment	(2,813)	(2,675)	(3,632)
(Gain) loss on sale of property, plant and equipment	(61)	294	—
Charge for step-up of acquired inventory	2,882	3,582	2,866
Net realizable value adjustment and write-offs for obsolete and excess inventory	6,612	8,990	4,608
Bad debt expense	863	784	795
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	(1,423)	18,020	(21,771)
Inventories	(9,227)	(1,236)	(42,404)
Prepaid expenses and other current assets	(869)	931	(1,874)
Accounts payable	11,338	3,048	(8,839)
Accrued expenses and other current liabilities	(21,254)	13,667	4,492
Other changes in operating assets and liabilities	867	259	(3,670)
Net cash provided by (used in) operating activities	<u>56,453</u>	<u>102,286</u>	<u>(11,029)</u>
Investing activities			
Purchases of property, plant and equipment	(13,684)	(15,337)	(8,307)
Proceeds from sale of property, plant and equipment	3,662	—	—
Business acquisitions, net of cash acquired	(199,423)	(259,835)	(115,343)
Asset acquisitions	(15,853)	—	—
Purchases of rental equipment	(9,509)	(9,341)	(11,794)
Proceeds from sale of rental equipment	5,124	5,990	8,756
Net cash provided by (used in) investing activities	<u>(229,683)</u>	<u>(278,523)</u>	<u>(126,688)</u>
Financing activities			
Proceeds from revolving lines of credit	211,599	180,982	383,489
Payments on revolving lines of credit	(213,634)	(302,083)	(320,751)
Proceeds from term loans	200,000	305,000	445,630
Payments on term loans	(32,750)	(26,375)	(335,305)
Deferred financing costs	(2,064)	(3,419)	(11,956)
Proceeds from rights offering, net of offering costs of \$1,531	—	98,469	—
Repurchase of common stock	(2,580)	(3,619)	(1,940)
Shares repurchased held in treasury	(617)	(287)	(520)
Proceeds from employees for share purchases	—	3,253	—
Payment of financing lease principal	(653)	(515)	(429)
Payment of earnout	—	(1,000)	—
Payment on seller's note	—	—	(9,757)
Net cash provided by (used in) financing activities	<u>159,301</u>	<u>250,406</u>	<u>148,461</u>
Effect of exchange rate changes on cash and cash equivalents	(3,971)	717	(675)
Increase (decrease) in cash, cash equivalents and restricted cash	(17,900)	74,886	10,069
Cash, cash equivalents and restricted cash at beginning of period	99,626	24,740	14,671
Cash, cash equivalents and restricted cash at end of period	\$ 81,726	\$ 99,626	\$ 24,740
Cash and cash equivalents	\$ 66,479	\$ 83,931	\$ 24,554
Restricted cash	15,247	15,695	186
Total cash, cash equivalents and restricted cash	<u>\$ 81,726</u>	<u>\$ 99,626</u>	<u>\$ 24,740</u>

See notes to Consolidated Financial Statements

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

	Year Ended December 31,		
	2024	2023	2022
Supplemental disclosure of cash flow information			
Net cash paid for income taxes	\$ 15,259	\$ 12,422	\$ 13,813
Net cash paid for interest	\$ 52,905	\$ 38,048	\$ 22,153
Net cash paid for interest on supply chain financing	\$ 2,889	\$ 2,581	\$ 1,291
Non-cash activities:			
Fair value of common stock exchanged for reverse acquisition	\$ —	\$ —	\$ 351,491
Settlement of related party obligations	\$ —	\$ —	\$ 5,276
Additions of property, plant and equipment included in accounts payable	\$ 457	\$ 361	\$ 177
Right of use assets obtained in exchange for finance lease liabilities	\$ 821	\$ 616	\$ 886
Right of use assets obtained in exchange for operating lease liabilities	\$ 14,515	\$ 19,424	\$ 14,634
Seller's note issued as purchase consideration	\$ —	\$ —	\$ 1,169

See notes to Consolidated Financial Statements

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 Annual Report on Form 10-K to “DSG”, the “Company”, “we”, “our” or “us” refer to Distribution Solutions Group, Inc., and all entities consolidated in the accompanying consolidated financial statements.

Reportable Segments and Nature of Operations

Change in Reportable Segments

In connection with the Source Atlantic Transaction (as defined in Note 3 – Business and Asset Acquisitions) during the third quarter of 2024, the Company realigned its reportable segments to align with our business strategy and the manner in which our chief operating decision maker (“CODM”) assesses performance and strategic execution and makes decisions regarding the allocation of resources.

Prior to the third quarter of 2024, the Company had three reportable segments: Lawson, TestEquity and Gexpro Services. The Company also had an “All Other” category which included unallocated DSG holding company costs that were not directly attributable to the ongoing operating activities of our reportable segments and included the results of the Bolt Supply House (“Bolt”) non-reportable segment. Beginning in the third quarter of 2024, the Company has four reporting segments: Lawson, TestEquity, Gexpro Services and Canada Branch Division. Canada Branch Division includes the results of Bolt and Source Atlantic (which we acquired during the third quarter of 2024 as described in Note 3 – Business and Asset Acquisitions). No changes were made to the Lawson, TestEquity and Gexpro Services reportable segments. The “All Other” category now includes only unallocated DSG holding company costs that are not directly attributable to the ongoing operating activities of our reportable segments.

The segment realignment had no impact on our financial condition or results of operations. Prior period segment results have been recast to reflect our new reportable segments. Additional information regarding DSG’s reportable segments is presented in Note 14 – Segment Information.

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 38 branch locations.

Combination with TestEquity and Gexpro Services

On December 29, 2021, DSG entered into:

- an Agreement and Plan of Merger (the “TestEquity Merger Agreement”) by and among (i) LKCM TE Investors, LLC, a Delaware limited liability company (the “TestEquity Equityholder”), (ii) TestEquity Acquisition, LLC (“TestEquity”), which was a wholly-owned subsidiary of the TestEquity Equityholder, (iii) DSG and (iv) Tide Sub, LLC, a Delaware limited liability company and a wholly-owned subsidiary of DSG (“Merger Sub 1”), pursuant to the terms and subject to the conditions of which the parties agreed, among other things, that Merger Sub 1 would merge with and into TestEquity, with TestEquity surviving the merger as a wholly-owned subsidiary of DSG (the “TestEquity Merger”); and

- an Agreement and Plan of Merger (the “Gexpro Services Merger Agreement” and, together with the TestEquity Merger Agreement, the “Merger Agreements”) by and among (i) 301 HW Opus Investors, LLC, a Delaware limited liability company (the “Gexpro Services Stockholder”), (ii) 301 HW Opus Holdings, Inc., conducting business as Gexpro Services (“Gexpro Services”), which was a wholly-owned subsidiary of the Gexpro Services Stockholder, (iii) DSG and (iv) Gulf Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of DSG (“Merger Sub 2”), pursuant to the terms and subject to the conditions of which the parties agreed, among other things, that Merger Sub 2 would merge with and into Gexpro Services, with Gexpro Services surviving the merger as a wholly-owned subsidiary of DSG (the “Gexpro Services Merger” and, together with the TestEquity Merger, the “Mergers”).

At the closing of the Mergers, each outstanding share of TestEquity and Gexpro Services common stock outstanding immediately prior to the closing of the Mergers was converted into approximately 0.1809 shares and 0.3838 shares, respectively, of DSG common stock, based on the ratio of outstanding shares of each entity immediately prior to the Mergers to the number of shares of DSG common stock acquired in the Mergers.

Completion of the TestEquity Merger

On April 1, 2022 (the “Merger Date”), the TestEquity Merger was consummated pursuant to the TestEquity Merger Agreement. In accordance with the TestEquity Merger Agreement, Merger Sub 1 merged with and into TestEquity, with TestEquity surviving as a wholly-owned subsidiary of DSG.

In accordance with and under the terms of the TestEquity Merger Agreement, in connection with the closing of the TestEquity Merger on the Merger Date, DSG: (i) issued to the TestEquity Equityholder 6,600,000 shares of DSG common stock, (ii) on behalf of TestEquity, paid certain indebtedness of TestEquity and (iii) on behalf of TestEquity, paid certain transaction expenses of TestEquity.

The TestEquity Merger Agreement provided that up to an additional 1,400,000 shares of DSG common stock would be potentially issuable to the TestEquity Equityholder in accordance with, and subject to the terms and conditions of, the earnout provisions of the TestEquity Merger Agreement. On March 20, 2023, DSG issued 1,400,000 shares of DSG common stock to the TestEquity Equityholder (the “TestEquity Holdback Shares”) pursuant to the terms of the earnout provisions of the TestEquity Merger Agreement. The TestEquity Holdback Shares issued represented the maximum number of additional shares that could be issued under the TestEquity Merger Agreement, and no further shares are available for issuance, and no additional shares will be issued, in connection with the TestEquity Merger Agreement. Refer to Note 8 – Earnout Liabilities for information about the earnout derivative liability related to the TestEquity Holdback Shares.

Completion of the Gexpro Services Merger

On the Merger Date, the Gexpro Services Merger was consummated pursuant to the Gexpro Services Merger Agreement. In accordance with the Gexpro Services Merger Agreement, Merger Sub 2 merged with and into Gexpro Services, with Gexpro Services surviving as a wholly-owned subsidiary of DSG.

In accordance with and under the terms of the Gexpro Services Merger Agreement, in connection with the closing of the Gexpro Services Merger on the Merger Date, DSG: (i) issued to the Gexpro Services Stockholder 14,000,000 shares of DSG common stock, (ii) on behalf of Gexpro Services, paid certain indebtedness of Gexpro Services and (iii) on behalf of Gexpro Services, paid certain specified transaction expenses of Gexpro Services.

The Gexpro Services Merger Agreement provided that up to an additional 2,000,000 shares of DSG common stock would be potentially issuable to the Gexpro Services Stockholder in accordance with, and subject to the terms and conditions of, the earnout provisions of the Gexpro Services Merger Agreement. On March 20, 2023, DSG issued 2,000,000 shares of DSG common stock to the Gexpro Services Stockholder (the “Gexpro Services Holdback Shares”) pursuant to the terms of the earnout provisions of the Gexpro Services Merger Agreement. The Gexpro Services Holdback Shares issued represented the maximum number of additional shares that could be issued under the Gexpro Services Merger Agreement, and no further shares are available for issuance, and no additional shares will be issued, in connection with the Gexpro Services Merger Agreement.

As of April 1, 2022, approximately 1,076,000 of the Gexpro Services Holdback Shares had been expected to be issued under the first earnout opportunity in the Gexpro Services Merger Agreement based on certain earnout metrics related to the consummation of certain additional acquisitions which were completed prior to the Merger Date. Under the Gexpro Services Merger Agreement, if any Gexpro Services Holdback Shares remained after the calculation of the first earnout opportunity, there was a second earnout opportunity under the Gexpro Services Merger Agreement based on certain earnout performance metrics. On March 20, 2023, all 2,000,000 Gexpro Services Holdback Shares were issued under the earnout opportunities. The incremental 924,000 Gexpro Services Holdback Shares that were issued in excess of the 1,076,000 Gexpro Services Holdback Shares that were originally expected to be issued had been remeasured at fair value immediately prior to and reclassified to equity at December 31, 2022. Refer to Note 8 – Earnout Liabilities for information about the earnout derivative liability related to the Gexpro Services Holdback Shares.

Accounting for the Mergers

TestEquity and Gexpro Services were treated as a combined entity as the accounting acquirer for financial reporting purposes, and DSG was identified as the accounting acquiree. Accordingly, periods prior to the April 1, 2022 Merger Date reflect the results of operations of TestEquity and Gexpro Services on a consolidated basis, and the results of operations of DSG’s legacy Lawson, Canada Branch Division and All Other are only included subsequent to the April 1, 2022 Merger Date.

Basis of Presentation and Consolidation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and include the accounts and transactions of the Company and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

2023 Stock Split

On August 15, 2023, DSG announced that its Board of Directors approved and declared a two-for-one stock split (the “Stock Split”) which entitled each stockholder of record as of the close of business on August 25, 2023 to receive one additional share of DSG common stock for each share of DSG common stock then-held. The additional shares were distributed after the close of trading on August 31, 2023, and shares of DSG common stock began trading at the split-adjusted basis on September 1, 2023. Accordingly, all share and per share amounts have been retroactively adjusted to reflect the impact of the Stock Split for all periods presented herein. Refer to Note 11 – Stockholders’ Equity for additional information about the Stock Split.

2022 Mergers

The Mergers were accounted for as a reverse merger under the acquisition method of accounting in accordance with the accounting guidance for reverse acquisitions as provided in Accounting Standards Codification (“ASC”) 805, *Business Combinations* (“ASC 805”). Under this guidance, TestEquity and Gexpro Services were treated as a combined entity as the accounting acquirer for financial reporting purposes, and DSG was identified as the accounting acquiree. This determination was primarily made as TestEquity and Gexpro Services were under the common control of an entity that owns a majority of the voting rights of the combined entity, and therefore, only DSG experienced a change in control. Accordingly, the consolidated financial statements for the year ended December 31, 2022 reflect the results of operations of TestEquity and Gexpro Services on a consolidated basis, and the results of operations of DSG’s legacy Lawson, Canada Branch Division and All Other are only included subsequent to the April 1, 2022 Merger Date. The combined operations of all three entities are included in the consolidated financial statements for the years ended December 31, 2024 and 2023. The financial statements as of December 31, 2024 and 2023 reflect the financial position of TestEquity, Gexpro Services and DSG’s legacy Lawson,

Canada Branch Division and All Other on a consolidated basis.

Note 2 – Summary of Significant Accounting Policies

Revenue Recognition —

Revenue from Contracts with Customers: Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring a product or providing a service. A majority of the Company's revenue is short cycle in nature with shipments within one year of the order. A small portion of the Company's revenue derives from contracts extending over one year and in some cases may have optional renewal terms if both parties agree to renew. The Company's payment terms generally range between 10 to 120 days and vary by contract, the types of products sold and the volume of products sold, among other factors. Revenue includes product sales, services and billings for shipping charges, net of discounts, expected returns, rebates and sales tax. Estimates for rebates and expected returns is based on historical experience. The Company includes shipping costs billed to customers in Revenue and the related shipping costs in Cost of goods sold in the Consolidated Statements of Operations and Comprehensive Income (Loss).

Performance Obligations: A majority of the Company's contracts have a performance obligation which represents, in most cases, the product being sold to the customer. Some contracts include a second performance obligation to provide additional Vendor Managed Inventory ("VMI") services primarily related to monitoring and stocking. Although the Company has identified that it offers some customers both a product and a service obligation, the customer only receives one invoice per transaction with no price allocation between these obligations. The Company does not price its offerings based on any allocation between these obligations.

A portion of the Company's contracts offer assurance-type warranties in connection with the sale of a product to the customer. Assurance-type warranties provide a customer with assurance that the related product will function as parties intended because it complies with the agreed-upon specifications. Such warranties are not significant and do not represent a separate performance obligation.

Select contracts with customers include variable consideration primarily related to volume rebates if predetermined thresholds are met. The Company estimates variable consideration using the expected-value method considering all reasonably available information, including experience, current, historical, and forecasted. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved.

Over 95% of the Company's performance obligations are recognized at a point in time, rather than over time, as the Company completes its performance obligations. Specifically, revenue is recognized when control transfers to the customer, typically upon shipment or receipt by the customer. Less than 5% of the Company's revenue is recognized over time and relates to services, in which the Company transfers control of a good or service over time and the customer simultaneously receives and consumes the benefits. That portion of expected consideration is deferred until the time that those services have been provided and the related performance obligations have been satisfied. At December 31, 2024 and 2023, the deferred consideration for the service performance obligations that have not been satisfied was \$3.7 million and \$0.8 million and will be recognized within twelve months of the respective balance sheet date. Revenue recognized for the years ended December 31, 2024 and 2023 from amounts included in contract liabilities at the beginning of the respective periods was \$0.8 million and \$2.3 million, respectively.

For revenue recognized over time, the input method is utilized and is based on costs incurred relative to estimated total costs.

Contract Costs: The Company has adopted the practical expedient within ASC 340, *Other Assets and Deferred Costs* ("ASC 340"), to recognize incremental costs to obtain a contract, primarily employee related costs, as expense when incurred since the amortization period of the asset that the Company otherwise would have recognized is one year or less.

Rental Revenue: The Company determines if a contract contains a lease at inception. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Lawson and TestEquity segments operate as a lessor and rent certain equipment to customers through leases classified as operating leases under ASC 842, *Leases* ("ASC 842"). Lease revenue is recognized on a straight-line basis over the life of each lease. As there are trivial non-lease components, the Company has adopted the practical expedient not to separate the non-lease components

that would be within the scope of ASC 606, *Revenue from Contracts with Customers* (“ASC 606”) from the associated lease component as the relevant criteria under ASC 842 are met.

Cash, Cash Equivalents, and Restricted Cash — The Company considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents. The carrying amount of the Company’s cash equivalents at December 31, 2024 and December 31, 2023 approximates fair value. Cash balances at individual banks may exceed the federally insured limit by the Federal Deposit Insurance Corporation (the “FDIC”). The Company has not experienced any material losses in such accounts.

Allowance for Credit Losses — The Company evaluates the collectibility of accounts receivable based on a combination of factors. In circumstances where the Company is aware of a specific customer’s inability to meet its financial obligations (e.g., bankruptcy filings, substantial down-grading of credit ratings), a specific reserve for bad debts is recorded against amounts due to reduce the receivable to the amount the Company reasonably believes will be collected. For all other customers, the Company recognizes reserves for bad debts based on current and forecasted probability of collection, economic conditions, historical experience of bad debt write-offs as a percent of accounts receivable outstanding, and other significant events that may impact the collectibility of accounts receivable. Uncollected trade receivables are written off when identified to be unrecoverable.

Inventories — Inventories principally consist of purchased finished products and manufactured electronic equipment offered for resale stated at the lower of cost or net realizable value using the first-in-first-out method for the Lawson segment and primarily the weighted average method for the TestEquity, Gexpro Services and Canada Branch Division segments. Most of our products are not exposed to the risk of obsolescence due to technology changes. However, some of our products do have a limited shelf life, and from time to time we add and remove items from our catalogs, brochures or website for marketing and other purposes.

To reduce the cost basis of inventory to a lower of cost or net realizable value, a write-down is recorded for slow-moving and obsolete inventory based on historical experience and monitoring of current inventory activity. Estimates are used to determine the necessity of recording these write-downs based on periodic detailed analysis using both qualitative and quantitative factors. As part of this analysis, the Company considers several factors including the inventories length of time on hand, historical sales, product shelf life, product life cycle, product category and product obsolescence. In general, depending on the product category, we write-down inventory with low turnover at higher rates than inventory with higher turnover.

Property, Plant and Equipment — Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Depreciation expense is computed primarily by the straight-line method for buildings, machinery and equipment, furniture and fixtures and vehicles. The Company estimates useful lives of 10 to 40 years for buildings and improvements, the shorter of the useful life of the assets or term of the underlying leases for leasehold improvements, and 2 to 10 years for machinery and equipment, furniture and fixtures and vehicles. Capitalized software is amortized over estimated useful lives of 3 to 5 years using the straight-line method. The costs of repairs, maintenance and minor renewals are charged to expense as incurred. Amortization of financing leases is included in depreciation expense. When property, plant and equipment are retired, sold, or otherwise disposed of, the asset’s carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in the income from operations.

Rental Equipment — Rental equipment is stated at cost less accumulated depreciation and amortization. Expense is computed primarily by the straight-line method over an estimated useful life of 3 to 7 years. Upon sale or retirement of such assets, the related cost and accumulated depreciation are removed from the Consolidated Balance Sheets, and gains or losses are reflected in operating income (loss) within the Consolidated Statements of Operations and Comprehensive Income (Loss). The costs of repairs, maintenance and minor renewals are charged to expense as incurred.

Cash Value of Life Insurance — The Company invests funds in life insurance policies for certain current and former employees. The cash surrender value of the policies is invested in various investment instruments and is recorded as an asset in the Consolidated Balance Sheets. The Company records these policies at their contractual value. The change in the cash surrender value of the life insurance policies, which is recorded as a component of Other income (expense) in the Consolidated Statements of Operations and Comprehensive Income (Loss), is the change in the policies’ contractual values.

Security Bonus Plan — The Company has a security bonus plan which was previously created for the benefit of its Lawson independent sales representatives, under the terms of which participants are credited with a percentage of their

annual net commissions. The aggregate amounts credited to participants' accounts vest 25% after five years, and an additional 5% vests each year thereafter upon qualification for the plan. On January 1, 2013, the Company converted all of its Lawson U.S. independent sales representatives to employees. The security bonuses for those converted employees continue to vest, but their accounts are no longer credited with a percentage of net commissions. For financial reporting purposes, amounts are charged to operations over the vesting period. The security bonus plan is partially funded by an \$8.4 million investment in the cash surrender value in life insurance of certain employees which is included as a component of Cash value of life insurance in the Consolidated Balance Sheets. As of December 31, 2024, the \$7.6 million liability is primarily included in Other liabilities in the Consolidated Balance Sheets with the remaining portion included in Accrued expenses and other current liabilities in the Consolidated Balance Sheets.

Deferred Compensation — The Company's Executive Deferral Plan ("Deferral Plan") allows certain executives to defer payment of a portion of their earned compensation. The deferred compensation is recorded in an account balance, which is a bookkeeping entry made by the Company to measure the amount due to the participant. The account balance is equal to the participant's deferred compensation, adjusted for increases and/or decreases in the amount that the participant has designated to one or more bookkeeping portfolios that track the performance of certain mutual funds. The Company adjusts the deferred compensation liability to equal the contractual value of the participants' account balances. These adjustments are the changes in contractual value of the individual plans and are recorded as a component of Other income (expense) in the Consolidated Statements of Operations and Comprehensive Income (Loss).

Stock-Based Compensation — Compensation based on the share value of DSG common stock is valued at its fair value at the grant date and the expense is recognized over the vesting period. Fair value is re-measured each reporting period for liability-classified awards that may be redeemable in cash. The Company accounts for forfeitures of stock-based compensation in the period in which they occur.

Goodwill — The Company had \$462.8 million of goodwill at December 31, 2024 and \$399.9 million of goodwill at December 31, 2023. 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.

Intangible Assets — The Company's intangible assets primarily consist of trade names and customer relationships. Intangible assets are amortized over a weighted average of 8 to 15 year and 9 to 20 year estimated useful lives for trade names and customer relationships, respectively. The Company amortizes trade name intangible assets on a straight-line basis and customer relationship intangible assets on a basis consistent with their estimated economic benefit.

Impairment of Long-Lived Assets — The Company reviews its long-lived assets, including property, plant and equipment, right of use assets and definite life intangibles, for impairment whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable. Recoverability is measured by a comparison of the assets carrying amount to their expected future undiscounted net cash flows. If such assets are considered to be impaired, the impairment to be recognized is measured based on the amount by which the carrying amount of the asset exceeds its fair value. No impairments occurred in 2024, 2023 or 2022.

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. A valuation allowance is established to offset any deferred tax assets if,

based upon the available evidence, it is more likely than not (i.e. greater than 50% likely) that some or all of the deferred tax assets will not be realized. The determination of the amount of a valuation allowance to be provided on recorded deferred tax assets involves estimates regarding (1) the timing and amount of the reversal of taxable temporary differences, (2) expected future taxable income, (3) the impact of tax planning strategies and (4) the ability to carry back deferred tax assets to offset prior taxable income. In assessing the need for a valuation allowance, the Company considers all available positive and negative evidence, including past operating results, projections of future taxable income and the feasibility of ongoing tax planning strategies. The projections of future taxable income include a number of estimates and assumptions regarding our volume, pricing and costs. Additionally, valuation allowances related to deferred tax assets can be impacted by changes to tax laws. 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.

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.

The Company recognizes the benefit of tax positions when a benefit is more likely than not (i.e., greater than 50% likely) to be sustained on its technical merits. Recognized tax benefits are measured at the largest amount that is more likely than not to be sustained, based on cumulative probability, in final settlement of the position. The Company recognizes interest and penalties related to unrecognized tax benefits as a component of Income tax expense (benefit) in the Consolidated Statements of Operations and Comprehensive Income (Loss).

Leases — The Company determines if a contract contains a lease at inception. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At the commencement date of a lease, the Company recognizes a liability to make lease payments and a Right Of Use asset representing the right to use the underlying asset during the lease term. The Company includes options to extend or terminate a lease within the lease term when it is reasonably certain the option will be exercised. Leases are categorized as either operating or financing leases at commencement of the lease. Operating leases consist of office space, distribution and service centers, and branch locations. Financing leases primarily consist of equipment such as forklifts and copiers. The lease liability is measured at the present value of fixed lease payments over the lease term. The lease liability includes payments allocated to lease components, while payments allocated to non-lease components are expensed as incurred for all asset classes. The Company uses its incremental borrowing rate to discount the total cash payments to present value for each lease. The Company reviews each lease to determine if there is a more appropriate discount rate to apply. The initial measurement of the right of use asset includes the initial measurement of the lease liability, fixed lease payments made in advance of the lease commencement date and initial direct costs incurred by the Company and excludes lease incentives. Variable lease payments, such as payments based on an index rate or usage, are expensed as incurred and excluded from lease liabilities and right of use assets. Upon commencement of the lease, rent expense is recognized on a straight-line basis for each operating lease. Each financing lease right of use asset is amortized on a straight-line basis over the lease period. The Company has elected the practical expedient to exclude any short-term lease, defined as a lease with an initial term of 12 months or less, from the provisions of ASC 842. The short-term leases are not recorded in the consolidated balance sheets. The lease expense for short-term leases is recognized on a straight-line basis over the lease term.

The Lawson and TestEquity segments operate as a lessor and rent certain equipment to customers through leases classified as operating leases. The leased equipment is recognized in Rental equipment, net in the Consolidated Balance Sheets and the leasing revenue is recognized on a straight-line basis.

Earnings per Share — Basic earnings per share ("EPS") is computed by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted-average number of shares of common stock and, if dilutive, common stock equivalents outstanding during the period. Diluted earnings per share reflect the potential dilution from the exercise or conversion of outstanding performance awards, stock options, market stock units and restricted stock awards into common stock. The dilutive effect of these common stock equivalents is reflected in diluted earnings per share by application of the treasury stock method. Contingently issuable shares are considered outstanding common shares and included in basic EPS as of the date that all necessary conditions have been satisfied (i.e., when issuance of the shares is no longer contingent). For diluted EPS, the contingently issuable shares should be included in the denominator of the diluted EPS calculation as of the beginning of the interim period in which the conditions are satisfied and the earnout arrangements have been resolved.

In accordance with ASC 260, *Earnings per Share* (“ASC 260”), the historical EPS was retrospectively adjusted to reflect the impact of the two-for-one stock split that occurred during 2023.

For the reverse acquisition period prior to April 1, 2022, the Company calculates the basic EPS for each comparative period before the acquisition date presented in the consolidated financial statements by dividing the income of the accounting acquirer attributable to common shareholders in each of those periods by the accounting acquirer’s historical weighted-average number of common shares outstanding. The Company calculates the weighted-average number of common shares outstanding (the denominator of the EPS calculation), including the equity interests issued by the legal acquirer to effect the reverse acquisition, as the number of common shares outstanding from the beginning of that period to the acquisition date computed on the basis of the weighted-average number of common shares of the accounting acquirer outstanding during the period multiplied by an exchange ratio derived from the shares exchanged at the Merger Date.

Foreign Currency — The accounts of foreign subsidiaries are measured using the local currency as the functional currency. All balance sheet amounts are translated into U.S. dollars using the exchange rates in effect at the applicable period end. Components of income or loss are translated using the average exchange rate for each reporting period.

Gains and losses resulting from changes in the exchange rates from translation of the subsidiary accounts in local currency to U.S. dollars are reported as a component of Accumulated other comprehensive income or loss in the Consolidated Balance Sheets. Gains and losses resulting from the effect of exchange rate changes on transactions denominated in currencies other than the functional currency are included as a component of net income or loss upon settlement of the transaction.

Gains and losses resulting from foreign intercompany transactions are included as a component of net income or loss each reporting period unless the transactions are of a long-term-investment nature and settlement is not planned or anticipated in the foreseeable future, in which case the gains and losses are recorded as a component of Accumulated other comprehensive income or loss in the Consolidated Balance Sheets. Foreign currency transaction losses of \$0.4 million, \$1.5 million and \$0.9 million were recorded for 2024, 2023 and 2022, respectively, as a component of Other income (expense) in the Consolidated Statements of Operations and Comprehensive Income (Loss).

Treasury Stock — The Company repurchased 85,644 shares of its common stock during 2024, 138,725 shares of its common stock during 2023 and 108,178 shares of its common stock during 2022 through its previously announced stock repurchase plan. The Company repurchased 18,630 shares of its common stock in 2024, 11,378 shares of its common stock in 2023 and 24,163 shares of its common stock in 2022 from employees upon the vesting of restricted stock to offset the income taxes owed by those employees. The Company accounts for treasury stock using the cost method and includes treasury stock as a component of stockholders’ equity. The cost of the common stock repurchased and held in treasury during 2024, 2023 and 2022 was \$3.2 million, \$3.9 million and \$2.5 million, respectively.

Segment Information — ASC 280, *Segment Reporting*, establishes standards for reporting information about operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The Company’s chief operating decision-maker (“CODM”) is the Chief Executive Officer of DSG. For each reportable segment, the CODM uses segment operating income (loss) to evaluate financial performance and allocate resources (including employees and financial resources) in a way to manage and grow margins.

The Company has determined it has five operating segments: (i) Lawson, (ii) Gexpro Services, (iii) TestEquity, (iv) Canada Branch Division and (v) All Other. The Company’s four reportable segments are (i) Lawson, (ii) Gexpro Services, (iii) TestEquity and (iv) Canada Branch Division.

The reporting segments follow the same accounting policies used in the preparation of the Company’s consolidated financial statements. See Note 14 – Segment Information for further details.

Acquisitions — When applicable, the Company accounts for the acquisition of a business in accordance with the guidance in ASC 805. The Company recognizes identifiable assets acquired and liabilities assumed at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. While the Company uses its best estimates and assumptions for the purchase price allocation process to value assets acquired and liabilities assumed at the acquisition date,

the estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill.

When an acquisition does not meet the definition of a business combination, the Company accounts for the acquisition as an asset acquisition. In an asset acquisition, goodwill is not recognized, but rather, any difference in purchase consideration compared to the fair value of the net assets acquired is allocated on a relative fair value basis to the identifiable net assets as of the acquisition date and any direct acquisition-related transaction costs are capitalized as part of the purchase consideration.

Fair Value Measurements — The Company applies the guidance in ASC 820, *Fair Value Measurements* to account for financial assets and liabilities measured on a recurring basis. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described below:

Level 1 - Unadjusted quoted prices for identical assets and liabilities in active markets.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Unobservable inputs that are supported by little or no market activity, may be derived from internally developed methodologies based on management's best estimate of fair value and that are significant to the fair value of the asset or liability.

The carrying amount of accounts receivable, accounts payable, accrued expenses and other working capital balances are considered a reasonable estimate of their fair value due to the short-term maturity of these instruments. The carrying amount of debt is also considered to be a reasonable estimate of the fair value based on the nature of the debt and that the debt bears interest at the prevailing market rate for instruments with similar characteristics. The Company's earnout derivative liability and debt are recorded at fair value on a recurring basis and were estimated using Level 3 inputs.

Earnout Derivative Liability — The Company recorded an earnout derivative liability for the future contingent equity shares related to the TestEquity Holdback Shares and the Gexpro Services Holdback Shares provisions within the Merger Agreements. The contingently issuable shares are not indexed to DSG common stock and, therefore, are accounted for as liability classified instruments in accordance with ASC 815-40, *Contracts in Entity's Own Equity*, as the events that determine the number of contingently issuable shares required to be released or issued, as the case may be, include events that are not solely indexed to the fair value of DSG common stock. The contingently issuable shares were initially measured at the Merger Date and were subsequently measured at each reporting date until settled, or when they met the criteria for equity classification. Changes in the fair value of the earnout derivative liability are recorded as a component of Change in fair value of earnout liability in the Consolidated Statements of Operations and Comprehensive Income (Loss).

The Company reassesses the classification of these derivative liabilities for earnout arrangements each balance sheet date. If the contingencies are resolved for the issuable shares, the earnout derivative liability is reclassified from the liability to equity as of the date of the event that caused the contingencies to be met. The earnout derivative liability is measured at fair value immediately prior to the reclassification to equity. If the earnout derivative liability is reclassified from a liability to equity, gains or losses recorded to account for the liability at fair value during the period that the contract was classified as a liability are not reversed.

The contingently issuable shares are included in the denominator of the basic earnings per share calculation as of the date that all necessary conditions have been satisfied (i.e., when issuance of the shares is no longer contingent). For diluted earnings per share, the contingently issuable shares are included in the denominator of the diluted earnings per share calculation as of the beginning of the interim period in which the conditions are satisfied and the earnout arrangements have been resolved.

Use of Estimates — Preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported for service

revenue, service cost, allowance for credit losses, inventory write-offs, initial and on-going goodwill and intangible asset valuations, stock-based compensation and income taxes in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

Recent Accounting Pronouncements - Adopted

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which expands annual and interim disclosure requirements for reportable segments, primarily through enhanced disclosures about significant segment expenses. The pronouncement was effective for annual periods beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The adoption of ASU 2023-07 has been applied retrospectively to all prior periods presented in the financial statements. The Company adopted this guidance on January 1, 2024. The adoption had no material impact on the Company's financial condition, results of operations or cash flows.

Recent Accounting Pronouncements - Not Yet Adopted

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 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.

Note 3 – Business and Asset Acquisitions

DSG and its operating companies acquired businesses during 2024, 2023 and 2022. 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 as substantially all of the fair value of the assets being acquired was 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 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 \$5.9 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 preliminary allocation of consideration exchanged to the estimated fair values of assets acquired and liabilities assumed, including the allocation to other intangible assets acquired:

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

⁽¹⁾ The Company paid \$0.0 million of the TCR deferred consideration during the year ended December 31, 2024.

Certain estimated values for the TCR Transaction, including working capital and other liability adjustments, right of use assets, the valuation of intangibles and property, plant and equipment and income taxes are not yet finalized, and the preliminary purchase price allocation is subject to change as the Company completes its analysis of the fair value at the date of acquisition.

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 \$103.1 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 24 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 preliminary 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	—	28,427
Other current assets	1,846	—	1,846
Property, plant and equipment	21,217	(22)	21,195
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)	(448)	(10,762)
Accounts payable	(17,857)	—	(17,857)
Lease liabilities	(6,780)	—	(6,780)
Accrued expenses and other liabilities	(5,422)	—	(5,422)
Goodwill	30,518	(1,576)	28,942
Total purchase consideration exchanged, net of cash acquired	\$ 103,141	\$ —	\$ 103,141
Cash consideration	\$ 98,756	\$ —	\$ 98,756
Deferred consideration ⁽²⁾	4,385	—	4,385
Total purchase consideration exchanged, net of cash acquired	\$ 103,141	\$ —	\$ 103,141

⁽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 of the Source Atlantic deferred consideration during the year ended December 31, 2024.

Certain estimated values for the Source Atlantic Transaction, including working capital and other liability adjustments, right of use assets, the valuation of intangibles and property, plant and equipment and income taxes are not yet finalized, and the preliminary purchase price allocation is subject to change as the Company completes its analysis of the fair value at the date of acquisition. 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 and a \$1.6 million decrease to goodwill.

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 preliminary 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 \$0.9 million of the S&S Automotive deferred consideration during the year ended December 31, 2024.

Certain estimated values for the S&S Automotive Transaction, including working capital and other liability adjustments, right of use assets, the valuation of intangibles and property, plant and equipment and income taxes are not yet finalized, and the preliminary purchase price allocation is subject to change as the Company completes its analysis of the fair value at the date of acquisition. 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 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 preliminary 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 \$0.2 million of the ESS deferred consideration during the year ended December 31, 2024.

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.

2023 Acquisition

HIS Company, Inc.

On June 8, 2023, DSG acquired all of the issued and outstanding capital stock of HIS Company, Inc., a Texas corporation (“Hisco” and the “Hisco Transaction”), a distributor of specialty products serving industrial technology applications, pursuant to a Stock Purchase Agreement dated March 30, 2023 (the “Hisco Purchase Agreement”). In connection with this transaction, DSG combined the operations of TestEquity and Hisco, further expanding the product and service offerings at TestEquity, as well as all of our operating businesses under DSG. The results of operations of Hisco are included within the TestEquity reportable segment.

The total purchase consideration exchanged for the Hisco Transaction was \$267.2 million, net of cash acquired of \$12.2 million, with a potential additional earn-out payment subject to Hisco achieving certain performance targets. Refer to Note 8 – Earnout Liabilities for additional information on the earn-out. Under the Hisco Purchase Agreement, DSG became obligated to 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 at least twelve months after the closing of the Hisco Transaction. Pursuant to the Hisco Purchase Agreement, the Company paid \$1.8 million of the retention bonuses in 2023 and \$34.6 million in 2024. The remaining balance of \$1.1 million will be paid in 2025. Compensation expense is recorded over the service period for the

retention bonuses as a component of Selling, general and administrative expenses in the Consolidated Statements of Operations and Comprehensive Income (Loss). Compensation expense inclusive of payroll taxes was \$16.3 million for the year ended December 31, 2024 and \$22.8 million for the year ended December 31, 2023.

DSG funded the Hisco Transaction with borrowings under its Amended Credit Agreement and proceeds raised from the Rights Offering. Refer to Note 9 – Debt for information about the Amended Credit Agreement and Note 11 – Stockholders’ Equity for details on the Rights Offering.

The Hisco Purchase Agreement allowed certain eligible Hisco employees to invest all or a portion of their respective closing payment in DSG common stock at \$22.50 per share, up to an aggregate value of DSG common stock issued to such eligible Hisco employees of \$25.0 million. During 2023, the Company issued 144,608 shares of DSG common stock to the eligible Hisco employees and received approximately \$3.3 million. During 2023, approximately \$0.4 million was recorded as compensation expense for the discount between the prevailing market price of the DSG common stock on the date of purchase and the purchase price of \$22.50 per share as a component of Selling, general and administrative expenses in the Consolidated Statements of Operations and Comprehensive Income (Loss).

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)	Hisco		
	June 8, 2023 Acquisition Date	Measurement Period Adjustments	Adjusted Total
Accounts receivable ⁽¹⁾	\$ 66,792	\$ (2,269)	\$ 64,523
Inventory	61,300	(645)	60,655
Other current assets	3,858	350	4,208
Property, plant and equipment	48,326	—	48,326
Right of use assets	21,102	1,188	22,290
Other intangible assets:			
Customer relationships	41,800	(1,800)	40,000
Trade names	25,600	(300)	25,300
Deferred tax liability, net of deferred tax asset	(2,544)	81	(2,463)
Other assets	2,495	—	2,495
Accounts payable	(16,689)	—	(16,689)
Lease liabilities	(22,372)	293	(22,079)
Accrued expenses and other liabilities	(8,961)	(289)	(9,250)
Goodwill	49,718	122	49,840
Total purchase consideration exchanged, net of cash acquired	\$ 270,425	\$ (3,269)	\$ 267,156
Cash consideration	\$ 252,007	\$ —	\$ 252,007
Deferred consideration ⁽²⁾	12,418	2,631	15,049
Contingent consideration	6,000	(5,900)	100
Total purchase consideration exchanged, net of cash acquired	\$ 270,425	\$ (3,269)	\$ 267,156

⁽¹⁾ Accounts receivable had an estimated fair value of \$64.5 million and a gross contractual value of \$66.8 million. The difference represents the Company’s best estimate of the contractual cash flows that will not be collected.

⁽²⁾ The Company paid \$7.2 million of the Hisco deferred consideration during 2024 and \$7.8 million during 2023. As of December 31, 2024, there is no deferred consideration remaining.

Following the initial fair value measurement, the Company updated the purchase price allocation for Hisco primarily related to the ongoing review of the opening balance sheet and contractual working capital adjustments and revised certain assumptions used in estimating the fair value of the contingent consideration. The adjustments to these balances resulted in a \$0.1 million increase to goodwill and a \$3.3 million decrease to the total purchase consideration, net of cash acquired. The accounting for the Hisco Transaction was completed during the second quarter of 2024.

The customer relationships and trade names intangible assets have estimated useful lives of 12 years and 8 years, respectively. As a result of the Hisco Transaction, the Company recorded tax deductible goodwill of \$41.4 million in 2023 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.

2022 Acquisitions

Combination with TestEquity and Gexpro Services

On April 1, 2022, the Mergers were completed via all-stock merger transactions. Pursuant to the Merger Agreements, DSG issued an aggregate of 20.6 million shares of DSG common stock to the former owners of TestEquity and Gexpro Services. On March 20, 2023, an additional 3.4 million shares of DSG common stock were issued. Refer to Note 1 – Nature of Operations and Basis of Presentation for further information regarding the Mergers.

The Mergers were accounted for as a reverse merger under the acquisition method of accounting for business combinations, whereby TestEquity and Gexpro Services were identified as the accounting acquirers and were treated as a combined entity for financial reporting purposes, and DSG was identified as the accounting acquiree. Accordingly, under the acquisition method of accounting, the purchase price was allocated to DSG's tangible and identifiable intangible assets acquired and liabilities assumed, based on their estimated acquisition-date fair values. These estimates were determined through established and generally accepted valuation techniques.

Allocation of Consideration Exchanged

Under the acquisition method of accounting, the consideration exchanged was calculated as follows:

(in thousands, except share data)	April 1, 2022
Number of DSG common shares	18,240,334
DSG common stock closing price per share on March 31, 2022	\$ 19.27
Fair value of shares exchanged	\$ 351,491
Other consideration ⁽¹⁾	1,910
Total consideration exchanged	\$ 353,401

⁽¹⁾ Fair value adjustment of stock-based compensation awards.

Due to the publicly traded nature of shares of DSG common stock, the equity issuance of shares of DSG common stock based on this value was considered to be a more reliable measurement of the fair market value of the transaction compared to the equity interests of the accounting acquirer.

The allocation of consideration exchanged to other intangible assets acquired is as follows:

(in thousands)	Fair Value	Estimated Life (in years)
Customer relationships	\$ 76,050	19
Trade names	43,010	8
Total other intangible assets	\$ 119,060	

Purchases of Other Companies in 2022

During the year ended December 31, 2022, TestEquity acquired Interworld Highway, LLC, National Test Equipment, and Instrumex, and Gexpro Services acquired Resolux ApS ("Resolux") and Frontier Technologies Brewton, LLC and Frontier Engineering and Manufacturing Technologies, Inc. ("Frontier"). The consideration exchanged for these acquired businesses included various combinations of cash and sellers' notes.

(in thousands)	Interworld Highway, LLC	Resolux	Frontier	National Test Equipment	Instrumex	Total
Acquisition date	April 29, 2022	January 3, 2022	March 31, 2022	June 1, 2022	December 1, 2022	
Cash consideration	\$ 54,690	\$ 30,755	\$ 25,674	\$ 6,023	\$ 1,818	\$ 118,960
Seller's notes	—	—	—	1,169	—	1,169
Deferred consideration	—	—	—	—	474	474
Total purchase consideration exchanged, net of cash acquired	\$ 54,690	\$ 30,755	\$ 25,674	\$ 7,192	\$ 2,292	\$ 120,603

The consideration for the Frontier acquisition includes 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 ends on December 31, 2024. Refer to Note 8 – Earnout Liabilities for additional information on the earn-out.

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 acquisition completed during 2024, January 1, 2022 for the acquisitions completed during 2023 and January 1, 2021 for the acquisitions completed during 2022. 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)	Year Ended December 31,		
	2024	2023	2022
Revenue	\$ 1,941,867	\$ 1,998,209	\$ 1,753,939
Net income	\$ (13,722)	\$ (3,855)	\$ (6,264)

Actual Results of Business Acquisitions

The following table presents actual results attributable to our acquisitions that were included in the consolidated financial statements for the years ended December 31, 2024, 2023 and 2022. The results for these acquisitions are only included subsequent to their respective acquisition dates provided above.

(in thousands)	Year Ended December 31,		
	2024	2023	2022
Revenue	\$ 111,566	\$ 229,358	\$ 524,955
Net income	\$ 4,095	\$ (14,478)	\$ 23,953

The Company incurred transaction and integration costs related to completed and contemplated acquisitions of \$10.1 million for the year ended December 31, 2024, \$11.6 million for the year ended December 31, 2023, and \$15.4 million for the year ended December 31, 2022, which are included in Selling, general and administrative expenses in the 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)	Year Ended December 31,		
	2024	2023	2022
United States	\$ 1,389,754	\$ 1,253,401	\$ 932,418
Canada	192,213	141,125	118,722
Europe	58,144	79,643	51,631
Pacific Rim	20,584	13,515	10,768
Latin America	131,345	74,577	34,202
Other	14,006	9,841	3,681
Intersegment revenue elimination	(1,942)	(1,700)	—
Total revenue	\$ 1,804,104	\$ 1,570,402	\$ 1,151,422

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 Consolidated Balance Sheets, and rental revenue is included in Revenue in the Consolidated Statements of Operations and Comprehensive Income (Loss). The unearned rental revenue related to customer prepayments on equipment leases was nominal at December 31, 2024 and December 31, 2023.

Rental revenue from operating leases:

(in thousands)	Year Ended December 31,		
	2024	2023	2022
Revenue from operating leases	\$ 17,519	\$ 17,186	\$ 17,675

Note 5 – Supplemental Financial Statement Information

Restricted Cash

The Company has agreed to maintain restricted cash of \$15.2 million under agreements with outside parties. During 2024, escrow accounts of \$9.0 million 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 \$7.9 million at December 31, 2024. The Company is restricted from withdrawing this balance without the prior consent of the sellers. The remaining restricted cash balance of \$7.3 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)	December 31,	
	2024	2023
Land	\$ 16,187	\$ 16,916
Buildings and improvements	63,935	50,376
Machinery and equipment	55,890	48,844
Capitalized software	12,295	9,148
Furniture and fixtures	13,251	11,022
Vehicles	5,716	1,738
Construction in progress ⁽¹⁾	6,284	6,025
Total	173,558	144,069
Accumulated depreciation and amortization	(48,034)	(30,258)
Property, plant and equipment, net	\$ 125,524	\$ 113,811

⁽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 12 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 Consolidated Statements of Operations and Comprehensive Income (Loss), were as follows:

(in thousands)	Year Ended December 31,		
	2024	2023	2022
Depreciation expense for property, plant and equipment	\$ 16,125	\$ 13,052	\$ 6,534
Amortization expense for capitalized software	\$ 3,287	\$ 2,642	\$ 1,583

Rental Equipment, net

Rental equipment, net consisted of the following:

(in thousands)	December 31,	
	2024	2023
Rental equipment	\$ 64,160	\$ 52,387
Accumulated depreciation	(24,784)	(27,812)
Rental equipment, net	\$ 39,376	\$ 24,575

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

(in thousands)	Year Ended December 31,		
	2024	2023	2022
Depreciation expense for rental equipment	\$ 7,481	\$ 7,631	\$ 7,972

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)	December 31,	
	2024	2023
Accrued compensation	\$ 23,800	\$ 25,371
Accrued and withheld taxes, other than income taxes	10,178	8,661
Deferred acquisition payments and accrued earnout liabilities	6,384	7,513
Accrued customer rebates	6,366	5,473
Deferred revenue	3,727	810
Accrued severance and acquisition related retention bonus	2,864	21,128
Accrued health benefits	2,234	1,728
Accrued interest	2,030	3,301
Accrued stock-based compensation	1,960	5,573
Accrued income taxes	1,703	1,994
Other	20,013	15,689
Total accrued expenses and other current liabilities	\$ 81,259	\$ 97,241

Other Liabilities

Other liabilities consisted of the following:

(in thousands)	December 31,	
	2024	2023
Security bonus plan	\$ 7,536	\$ 8,666
Deferred compensation	11,455	11,041
Other	7,534	5,736
Total other liabilities	\$ 26,525	\$ 25,443

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, 2022	\$ 155,773	\$ 114,104	\$ 55,421	\$ 22,750	\$ 348,048
Acquisitions	—	50,886	—	—	50,886
Impact of foreign exchange rates	142	—	322	527	991
Balance at December 31, 2023	155,915	164,990	55,743	23,277	399,925
Acquisitions ⁽¹⁾	37,177	(110)	1,372	28,942	67,381
Impact of foreign exchange rates	(494)	—	(773)	(3,250)	(4,517)
Balance at December 31, 2024	\$ 192,598	\$ 164,880	\$ 56,342	\$ 48,969	\$ 462,789

⁽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)	December 31, 2024			December 31, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Trade names	\$ 141,654	\$ (45,386)	\$ 96,268	\$ 117,881	\$ (30,093)	\$ 87,788
Customer relationships	272,051	(100,867)	171,184	233,513	(71,215)	162,298
Other ⁽¹⁾	8,310	(5,999)	2,311	8,011	(4,263)	3,748
Total	\$ 422,015	\$ (152,252)	\$ 269,763	\$ 359,405	\$ (105,571)	\$ 253,834

⁽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 Consolidated Statements of Operations and Comprehensive Income (Loss) as follows:

(in thousands)	Year Ended December 31,		
	2024	2023	2022
Amortization expense for intangible assets	\$ 47,483	\$ 40,263	\$ 29,097

The remaining weighted-average useful lives of intangible assets as of December 31, 2024 was 3.6 years for trade names and 5.2 years for customer relationships.

The estimated aggregate amortization expense for each of the next five years and thereafter are as follows:

(in thousands)	Amortization
2025	\$ 46,224
2026	43,188
2027	38,139
2028	33,878
2029	30,331
Thereafter	78,003
Total	\$ 269,763

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	Year Ended December 31,		
		2024	2023	2022
Operating lease expense ⁽¹⁾	Operating expenses	\$ 23,958	\$ 21,131	\$ 15,151
Financing lease amortization	Operating expenses	612	546	466
Financing lease interest	Interest expense	108	93	41
Financing lease expense		720	639	507
Sublease income ⁽²⁾		(425)	—	—
Net lease cost		\$ 24,253	\$ 21,770	\$ 15,658

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

⁽²⁾ The Company subleases one of its leased properties with a remaining lease term of approximately 1.5 years that terminates on June 30, 2026. 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 December 31, 2024 and December 31, 2023 was as follows (in thousands):

Lease Type	December 31,	
	2024	2023
Total right of use operating lease assets	\$ 91,962	\$ 76,340
Total right of use financing lease assets	1,702	1,560
Total lease assets	\$ 93,664	\$ 77,900
Total current operating lease obligation	\$ 18,413	\$ 13,010
Total current financing lease obligation	538	539
Total current lease obligation	\$ 18,951	\$ 13,549
Total long-term operating lease obligation	\$ 76,759	\$ 66,234
Total long-term financing lease obligation	999	831
Total long-term lease obligation	\$ 77,758	\$ 67,065

The value of lease liabilities related to our operating and finance leases and sublease income as of December 31, 2024 was as follows (in thousands):

Maturity Date of Lease Liabilities	Operating Leases	Financing Leases	Total	Sublease Income
2025	\$ 24,854	\$ 628	\$ 25,482	\$ 640
2026	20,775	533	21,308	326
2027	17,859	310	18,169	—
2028	15,130	182	15,312	—
2029	11,313	45	11,358	—
Thereafter	32,998	20	33,018	—
Total lease payments	122,929	1,718	124,647	966
Less: Interest	(27,757)	(181)	(27,938)	—
Present value of lease liabilities	\$ 95,172	\$ 1,537	\$ 96,709	\$ 966

The weighted average lease terms and interest rates of leases held as of December 31, 2024 and 2023 were as follows:

	Year Ended December 31,			
	2024		2023	
	Operating Leases	Finance Leases	Operating Leases	Finance Leases
Weighted average remaining lease term	6.3 years	3.7 years	6.6 years	2.8 years
Weighted average interest rate	7.6%	7.3%	7.8%	7.1%

The cash outflows of leasing activity for the years ended December 31, 2024, 2023 and 2022 were as follows (in thousands):

Cash Flow Source	Classification	Year Ended December 31,		
		2024	2023	2022
Operating cash flows from operating leases	Operating activities	\$ (21,980)	\$ (15,516)	\$ (12,149)
Operating cash flows from financing leases	Operating activities	\$ (111)	\$ (242)	\$ (184)
Financing cash flows from financing leases	Financing activities	\$ (653)	\$ (515)	\$ (429)

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

Note 8 – Earnout Liabilities

Combination with TestEquity and Gexpro Services

On the Merger Date, the Company recorded an earnout derivative liability for the two earnout provisions within the Merger Agreements. The Company estimated the initial fair value of the earnout derivative liability based on an aggregate of 2,324,000 additional shares available to be issued under the two earnout provisions of the Merger Agreements. The aggregate of 2,324,000 shares was comprised of 1,400,000 shares of DSG common stock that were contingently issuable to (or forfeitable by) the TestEquity Equityholder and 924,000 shares of DSG common stock that were contingently issuable to (or forfeitable by) the Gexpro Services Stockholder, in each case as of the Merger Date. The additional 1,076,000 shares that were potentially issuable as of the Merger Date under the earnouts were not recorded as an earnout derivative liability as the acquisition contingency for these shares was determined to have been met at the Merger Date.

The Company's earnout derivative liability was classified as a Level 3 instrument and was measured at fair value on a recurring basis. The fair value of the earnout derivative liability was measured using the Monte Carlo simulation valuation model using a distribution of potential outcomes on a monthly basis for the year ended December 31, 2022. Inputs to that model included the expected time to liquidity, the risk-free interest rate over the term, expected volatility based on representative peer companies and the estimated fair value of the underlying class of common stock. The significant unobservable inputs used in the fair value measurement of the earnout derivative liability were the fair value of the underlying stock at the valuation date and the estimated term of the earnout arrangement periods. Generally, increases (decreases) in the fair value of the underlying stock and estimated term would result in a directionally similar impact to the fair value measurement.

The estimated aggregate fair value of the earnout derivative liability recorded on the April 1, 2022 Merger Date was \$43.9 million, with an offsetting entry to additional paid-in capital. As of April 29, 2022 and December 31, 2022, 1,400,000 and 924,000 of the 2,324,000 shares, respectively, were reclassified to equity, as the contingencies had been determined to have been met. There was no remaining earnout derivative liability at December 31, 2022. Immediately prior to the reclassifications, the respective shares were remeasured to fair value. For the year ended December 31, 2022, the Company recorded income of \$0.3 million as a component of Change in fair value of earnout liabilities in the Consolidated Statements of Operations and Comprehensive Income (Loss) due to changes in the fair value of the earnout derivative liability. As the remaining additional shares had been reclassified to equity as of December 31, 2022, there was no change in fair value for the year ended December 31, 2023 or 2024. See Fair Value Measurements in Note 2 – Summary of Significant Accounting Policies for further information.

On March 20, 2023, all of the 3.4 million shares of DSG common stock available to be issued under the earnout provisions within the Merger Agreements were issued in accordance with the two earnout provisions within the Merger Agreements.

Hisco Acquisition

The Hisco Transaction included a potential earn-out payment of up to \$12.6 million, subject to Hisco achieving certain performance targets. The earn-out payment was to be calculated based on the gross profit of Hisco and its affiliates for the twelve months ended October 31, 2023, subject to certain adjustments and exclusions set forth in the Hisco Purchase Agreement. 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 June 8, 2023 (the Hisco Transaction date), December 31, 2023 and December 31, 2024, the fair value of the earn-out was \$0.1 million, \$0.0 million and \$0.0 million, respectively, with amounts recorded in Accrued expenses and other current liabilities in the Consolidated Balance Sheets. As the performance targets were not achieved, no earn-out payment was made.

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 includes 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 ends on December 31, 2024, with payments made annually beginning in 2023 and ending in 2025. 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. 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, 2022, 2023 and 2024, the fair value of the earn-out was \$0.9 million, \$1.7 million, \$0.0 million and \$1.0 million, respectively, with amounts recorded in Accrued expenses and other current liabilities in the Consolidated Balance Sheets. The Company recorded expense of \$1.0 million, income of \$0.7 million and expense of \$0.8 million for changes in the fair value of the earn-out liability for the years ended December 31, 2024, 2023 and 2022, respectively, as a component of Change in fair value of earnout liabilities in the 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)	December 31,	
	2024	2023
Senior secured revolving credit facility	\$ —	\$ —
Senior secured term loan	215,625	228,125
Senior secured delayed draw term loan	44,375	46,875
Incremental term loans	479,625	297,375
Other revolving line of credit	226	2,301
Total debt	739,851	574,676
Less: current portion of long-term debt	(40,476)	(32,551)
Less: deferred financing costs	(5,472)	(6,244)
Total long-term debt	<u>\$ 693,903</u>	<u>\$ 535,881</u>

On August 14, 2024, the Company entered into the Third Amendment to Amended and Restated Credit Agreement (the "Third 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 and the Third 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 Third Amendment provided for an additional \$200 million incremental term loan and an increase in the senior secured revolving credit facility from \$200 million to \$255 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 the certain financial covenants.

The additional borrowings under the Third Amendment were used, among other things, to pay the purchase price, fees and other expenses incurred in connection with the acquisition of Source Atlantic. Refer to Note 3 – Business and Asset Acquisitions for further details about the acquisition of Source Atlantic.

The Company has unused outstanding letters of credit of \$2.0 million as of December 31, 2024. Net of these letters of credit, there was \$253.0 million of borrowing availability under the revolving credit facility as of December 31, 2024.

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 2024, 2023 and 2022.

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 Consolidated Statements of Operations and Comprehensive Income (Loss). Amortization of deferred financing costs was \$2.9 million, \$2.4 million, and \$1.9 million for 2024, 2023 and 2022, respectively. As of December 31, 2024, total deferred financing costs net of accumulated amortization were \$7.5 million of which \$5.5 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 \$2.0 million are included in Other assets (related to the senior secured revolving credit facility) in the Consolidated Balance Sheets.

Each of the loans under the Amended Credit Agreement matures 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 December 31, 2024.

Previous Amendments and Credit Agreements

The First Amendment to Amended and Restated Credit Agreement dated June 8, 2023 (the “First Amendment”) amended and replaced the previous credit agreement dated April 1, 2022 and provided for (i) a \$200 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) a \$305 million incremental term loan, (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 \$200 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 the financial covenants.

On June 8, 2023 in connection with the Hisco Transaction, the Company borrowed \$305 million under the incremental term loan as provided by the First Amendment. The borrowings were used, among other things, to partially fund the Hisco Transaction, to repay certain existing indebtedness of Hisco and to pay fees and expenses incurred in connection with the Hisco Transaction and the First Amendment. Refer to Note 3 – Business and Asset Acquisitions for further details about the Hisco Transaction.

During 2022, in conjunction with the Mergers, the Company paid off debt obligations under its previous credit agreements. A \$3.4 million loss on the extinguishment of debt for unamortized deferred financing costs was recorded in 2022 in connection with the payoff of previous indebtedness. The extinguishment was recorded in Loss on extinguishment of debt in the Consolidated Statements of Operations and Comprehensive Income (Loss).

Note 10 – Stock-Based Compensation

The Company recorded stock-based compensation expense of \$5.2 million, \$7.9 million and \$2.4 million for the years ended December 31, 2024, 2023 and 2022, respectively, in Selling, general and administrative expenses in the Consolidated Statements of Operations and Comprehensive Income (Loss) and recognized a net tax benefit relating to stock-based compensation of \$1.1 million, \$0.9 million and \$2.1 million, respectively. 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 \$2.0 million as of December 31, 2024 and \$5.6 million as of December 31, 2023 was included in Accrued expenses and other current liabilities in the Consolidated Balance Sheets.

Impact of Stock Split

The equity compensation plans contain anti-dilution provisions whereby in the event of any change in the capitalization of the Company (including in the event of a stock split), the number and type of awards underlying outstanding stock-based compensation awards must be adjusted, as appropriate, in order to prevent dilution or enhancement of rights. The impact of these provisions resulted in a modification of all outstanding stock-based compensation awards upon the Stock Split. As the fair value of the awards immediately after the Stock Split did not change when compared to the fair value of such awards immediately prior to the Stock Split, no incremental compensation costs were recognized as a result of such modifications. In addition, there was no change to the vesting conditions or classification of each of the outstanding stock-based compensation awards.

Equity Compensation Plans

On October 17, 2022, the Board of Directors approved and adopted the Distribution Solutions Group, Inc. Equity Compensation Plan, as amended and restated, effective October 17, 2022, and as amended November 10, 2022 (the “Amended and Restated Equity Plan”). The Amended and Restated Equity Plan provides for the grant of nonqualified and incentive stock options, stock awards and stock units to officers and employees of the Company. The Amended and Restated Equity Plan also provides for the grant of option rights and restricted stock to non-employee directors. Non-employee directors are limited to grants of no more than 60,000 shares of common stock in any calendar year and other than non-employee directors are limited to grants of no more than 500,000 shares of common stock in any calendar year. The Amended and Restated Equity Plan is administered by the Compensation Committee of the Board of Directors, or its designee, which as administrator of the plan, has the authority to select plan participants, grant awards, and determine the terms and conditions of the awards. As of December 31, 2024, the Company had approximately 694,000 shares of common stock still available under the Amended and Restated Equity Plan.

The Company also has a Stock Performance Rights Plan (“SPR Plan”) that provides for the issuance of Stock Performance Rights (“SPRs”) that allow non-employee directors, officers and key employees to receive cash awards, subject to certain restrictions, equal to the appreciation of DSG common stock. The SPR Plan is administered by the Compensation Committee of the Board of Directors.

Stock Performance Rights

SPRs entitle the recipient to receive a cash payment equal to the excess of the market value of DSG common stock over the SPR exercise price when the SPRs are surrendered. Expense, equal to the fair market value of the SPR at the date of grant and remeasured each reporting period, is recorded ratably over the vesting period. Compensation expense is included in Selling, general and administrative expense in the Consolidated Statements of Operations and Comprehensive Income (Loss). The outstanding SPRs were granted with approximately a seven year life and vest over one to three years beginning on the first anniversary of the date of the grant. The SPRs are liability classified and included in Accrued expenses and other current liabilities in the Consolidated Balance Sheets.

The fair value of the outstanding SPRs was estimated using a Black-Scholes valuation model. This model requires the input of subjective assumptions that may have a significant impact on the fair value estimate. The weighted-average fair value of SPRs outstanding as of December 31, 2024, 2023 and 2022 was \$20.80, \$18.37 and \$7.65 per SPR, respectively. The weighted average fair value assumptions used in the model were as follows:

	December 31,		
	2024	2023	2022
Expected volatility	36.9% to 38.0%	41.1% to 45.9%	43.4% to 52.2%
Risk-free rate of return	4.2% to 4.2%	4.5% to 5.3%	4.4% to 4.7%
Expected term (in years)	0.5 to 1	0.3 to 1.5	0.5 to 2.0
Expected annual dividend	\$0	\$0	\$0

The expected volatility was based on the historic volatility of the Company’s stock price commensurate with the expected life of the SPR. The risk-free rate of return reflects the interest rate offered for zero coupon treasury bonds over the expected life of the SPR. 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.

A liability of \$2.0 million as of December 31, 2024 and \$4.9 million as of December 31, 2023 is included as a component of Accrued expenses and other liabilities in the Consolidated Balance Sheets reflecting the estimated fair value of future pay-outs.

Activity related to the Company’s SPRs during the year ended December 31, 2024 was as follows:

	Number of SPRs	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding on December 31, 2023	259,018	\$ 18.37		
Granted	—	—		
Exercised	(166,478)	33.78		
Cancelled	—	—		
Outstanding on December 31, 2024	<u>92,540</u>	20.80	1.4	\$ 1,921
Exercisable on December 31, 2024	92,540	\$ 20.80	1.4	\$ 1,921

The intrinsic value of SPRs exercised was \$3.5 million for 2024, \$1.7 million for 2023 and \$5.2 million for 2022. All SPRs for plan participants were fully vested prior to 2022, as such, there is no unrecognized compensation associated with any SPRs.

Restricted Stock Awards

Restricted stock awards (“RSAs”) generally vest over a one to five year period beginning on the first anniversary of the date of the grant. 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 with the RSAs. The RSAs are valued at the closing price of DSG common stock on the date of grant and the expense is recorded ratably over the vesting period.

Activity related to the Company’s RSAs during the year ended December 31, 2024 was as follows:

	Restricted Stock Awards	Weighted Average Grant Date Fair Value
Outstanding on December 31, 2023	98,216	\$ 23.57
Granted	141,325	32.16
Cancelled	(1,560)	25.28
Exchanged for common shares	(75,832)	24.09
Outstanding on December 31, 2024	<u>162,149</u>	<u>\$ 31.68</u>

As of December 31, 2024, there was \$3.7 million of total unrecognized compensation cost related to RSAs that will be recognized over a weighted average period of 2.5 years. The weighted average grant date fair value per share of awards granted during the year was \$32.16 in 2024, \$21.86 in 2023 and \$18.75 in 2022. The fair value of RSAs exchanged for shares of DSG common stock was \$1.4 million during 2024, \$1.5 million during 2023, and \$0.5 million during 2022.

Market Stock Units

Market Stock Units (“MSUs”) are exchangeable for between 0% to 150% of the DSG common shares at the end of the vesting period based on the trailing 60-day average closing price of DSG common stock. The value of the MSUs was determined using a geometric brownian motion model that, based on certain variables, generates a large number of random trials simulating the price of the DSG common stock over the measurement period. As of December 31, 2024 all MSUs are fully vested. The fair value of MSUs exchanged for shares of DSG common stock was \$0.7 million during 2024, \$0.6 million during 2023 and \$0.9 million during 2022.

Activity related to the Company’s MSUs during 2024 was as follows:

	Number of Market Stock Units	Maximum Shares Potentially Issuable	Weighted Average Grant Date Fair Value
Outstanding on December 31, 2023	116,107	163,555	\$ 17.25
Granted	—	—	—
Cancelled	—	—	—
Exchanged for common shares	(12,841)	(18,464)	15.69
Outstanding on December 31, 2024	<u>103,266</u>	<u>145,091</u>	<u>\$ 17.45</u>

Stock Options

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. Activity related to the Company's stock options during the year ended December 31, 2024 was as follows:

	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding on December 31, 2023	1,880,067	\$ 37.53		
Granted	442,242	45.79		
Exercised	(80,000)	13.50		
Cancelled	(113,834)	32.41		
Outstanding on December 31, 2024	2,128,475	40.43	8.6	\$ 3,252
Exercisable on December 31, 2024	707,407	\$ 38.62	7.9	\$ 2,267

The weighted average exercise price per stock option granted was \$45.79 for 2024, \$37.03 for 2023 and \$42.88 for 2022. Unrecognized compensation cost related to stock options as of December 31, 2024 was \$12.3 million, which is expected to be recognized over a weighted-average period of 2.3 years. There were 1,421,068 unvested and 707,407 fully vested stock options outstanding on December 31, 2024 with a weighted average exercise price of \$38.62. The intrinsic value of stock options exercised was \$1.5 million for 2024, \$0.0 million for 2023 and \$0.6 million for 2022.

Cash received from options exercised was \$1.1 million and \$0.2 million in 2024 and 2022, respectively. The tax benefit realized from stock options exercised was insignificant in 2024 and 2022. No options were exercised in 2023.

The grant date fair value of the stock options issued was estimated using a Black-Scholes valuation model. The weighted average fair value assumptions used in the model were as follows:

	December 31,		
	2024	2023	2022
Expected volatility	45.2% to 45.6%	45.2% to 45.6%	43.7% to 44.6%
Risk-free rate of return	3.6% to 4.2%	3.6% to 4.5%	2.7% to 3.1%
Expected term (in years)	6.5 years	6.2 years	6.5 years
Expected annual dividend	\$0	\$0	\$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.

Performance Awards

Performance Awards ("PAs") are exchangeable for between 0% to 150% of DSG common shares, or the equivalent amount in cash, based upon the achievement of certain financial performance metrics at the end of the vesting period. The PAs are liability classified and included in Accrued expenses and other current liabilities in the Consolidated Balance Sheets. The intrinsic value of PAs exercised was \$0.9 million during 2024, \$0.2 million during 2023 and \$0.1 million during 2022. There was no unrecognized compensation cost related to PAs as of December 31, 2024.

Activity related to the Company's PAs during the year ended December 31, 2024 was as follows:

	Number of Performance Awards	Maximum Shares Potentially Issuable	Weighted Average Grant Date Fair Value
Outstanding on December 31, 2023	26,080	39,120	\$ 25.70
Granted	—	—	—
Exercised	(26,080)	(39,120)	25.70
Cancelled	—	—	—
Outstanding on December 31, 2024	—	—	\$ —

Note 11 – Stockholders' Equity

Stock Split

On August 15, 2023, DSG announced that its Board of Directors approved and declared the Stock Split which entitled each stockholder of record as of the close of business on August 25, 2023, to receive one additional share of DSG common stock for each share of DSG common stock then-held. The additional shares were distributed after the close of trading on August 31, 2023, and shares of DSG common stock began trading at the split-adjusted basis on September 1, 2023. Accordingly, all share and per share amounts presented herein have been retroactively adjusted to reflect the impact of the Stock Split. Stockholders' equity has been retroactively adjusted, where applicable, to give effect to the Stock Split for all periods presented by reclassifying the par value of the additional shares issued in connection with the Stock Split to Common stock from Capital in excess of par value in the Consolidated Balance Sheets.

In order to implement the Stock Split, on August 31, 2023, DSG filed a Third Amended and Restated Certificate of Incorporation of DSG with the Secretary of State of the State of Delaware to increase the number of authorized shares of DSG common stock from 35,000,000 to 70,000,000, which became effective on that date. The Stock Split did not change the \$1.00 par value of DSG common stock.

Rights Offering

The Company completed a subscription rights offering on May 9, 2023 (the "Rights Offering"), that raised gross proceeds of approximately \$100.0 million and resulted in the issuance of 4,444,444 shares of DSG common stock at a purchase price of \$22.50 per share. Net proceeds were approximately \$98.5 million after transaction costs of \$1.5 million related to the issuance of DSG common stock for the Rights Offering, which were recorded against Capital in excess of par value in the Consolidated Balance Sheets. DSG used the proceeds from the Rights Offering, in combination with borrowings under the Amended Credit Agreement, to fund the Hisco Transaction.

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 2024, 2023 and 2022, the Company repurchased 85,644, 138,725 and 108,178 shares of DSG common stock at an average cost of \$30.13, \$26.09 and \$17.93 per share for a total cost of \$2.6 million, \$3.6 million and \$1.9 million, respectively. The remaining availability for stock repurchases under the program was \$26.4 million at December 31, 2024.

Note 12 – Earnings Per Share

As a result of the Stock Split and Mergers discussed in Note 1 – Nature of Operations and Basis of Presentation, all historical per share data, number of shares and numbers of equity awards were retroactively adjusted. The following table provides the computation of basic and diluted earnings per share:

(in thousands, except share and per share data)	December 31,		
	2024	2023	2022
Basic income per share:			
Net income (loss)	\$ (7,332)	\$ (8,967)	\$ 7,406
Basic weighted average shares outstanding	46,811,354	44,868,862	34,291,870
Basic income (loss) per share of common stock	<u>\$ (0.16)</u>	<u>\$ (0.20)</u>	<u>\$ 0.22</u>
Diluted income per share:			
Net income (loss)	\$ (7,332)	\$ (8,967)	\$ 7,406
Basic weighted average shares outstanding	46,811,354	44,868,862	34,291,870
Effect of dilutive securities	—	—	794,722
Diluted weighted average shares outstanding	46,811,354	44,868,862	35,086,592
Diluted income (loss) per share of common stock	<u>\$ (0.16)</u>	<u>\$ (0.20)</u>	<u>\$ 0.21</u>
Anti-dilutive securities excluded from the calculation of diluted income per share	810,397	424,934	496,000

Note 13 – Income Taxes

Income (loss) from operations before income taxes consisted of the following:

(in thousands)	Year Ended December 31,		
	2024	2023	2022
United States	\$ (23,598)	\$ (24,949)	\$ 910
Foreign	23,062	22,942	12,027
Total	<u>\$ (536)</u>	<u>\$ (2,007)</u>	<u>\$ 12,937</u>

Provision (benefit) for income taxes from operations consisted of the following:

(in thousands)	Year Ended December 31,		
	2024	2023	2022
Current income tax expense:			
U.S. federal	\$ 3,035	\$ 4,961	\$ 4,011
U.S. state	2,633	2,388	869
Foreign	7,777	7,639	3,057
Total	<u>\$ 13,445</u>	<u>\$ 14,988</u>	<u>\$ 7,937</u>
Deferred income tax expense (benefit):			
U.S. federal	\$ (3,554)	\$ (8,101)	\$ (947)
U.S. state	(1,603)	1,232	(73)
Foreign	(1,492)	(1,159)	(1,386)
Total	<u>\$ (6,649)</u>	<u>\$ (8,028)</u>	<u>\$ (2,406)</u>
Total income tax expense (benefit):			
U.S. federal	\$ (519)	\$ (3,141)	\$ 3,063
U.S. state	1,030	3,620	796
Foreign	6,285	6,481	1,672
Total	<u>\$ 6,796</u>	<u>\$ 6,960</u>	<u>\$ 5,531</u>

The reconciliation between the effective income tax rates and the statutory federal rates for operations are as follows:

	Year Ended December 31,		
	2024	2023	2022
Statutory Federal rate	21.0 %	21.0 %	21.0 %
Increase (decrease) resulting from:			
Change in valuation allowance - current period activity	(1,196.4)	(380.7)	1.3
Change in valuation allowance - reversal	—	—	—
Foreign rate differential	(63.2)	6.2	4.0
Stock compensation	81.6	(5.0)	(0.5)
Compensation deduction limitation	—	(7.0)	—
State and local taxes, net	178.4	67.1	4.5
Life insurance	(14.1)	(3.4)	—
Meals & entertainment	(65.2)	(17.3)	1.4
Change in uncertain tax positions	46.0	18.1	(2.9)
Provision to return differences	(78.5)	(45.3)	—
GILTI, Section 78, FDII, and Section 250	(8.5)	—	3.2
Transaction costs	(157.4)	—	8.3
Branch income	(275.2)	(81.6)	—
Earn out revaluation	—	—	0.8
Change in deferred balances	263.4	79.4	—
Other items, net	0.2	1.7	1.7
Provision for income taxes	<u>(1,267.9)%</u>	<u>(346.8)%</u>	<u>42.8 %</u>

The effective tax rate for the year ended December 31, 2024 was (1,267.9)% compared to a (346.8)% effective tax rate for the year ended December 31, 2023. The change in the year-over-year effective tax rate was primarily due to state taxes, foreign operations, transaction costs and changes in the valuation allowance on the Company's 163(j) interest expense limitation deferred tax asset.

The effective tax rate for the year ended December 31, 2023 was (346.8)% compared to a 42.8% effective tax rate for the year ended December 31, 2022. The change in the year-over-year effective tax rate was primarily due to an increase in the partial valuation allowance against the Company's excess interest expense carryforward balance, state taxes, foreign income and a pre-tax loss in 2023. Relative to the U.S. statutory rate, the effective tax rate for the year ended December 31, 2023 was impacted by the items listed above.

Deferred income tax assets and liabilities contain the following temporary differences:

(in thousands)	December 31,	
	2024	2023
Deferred tax assets:		
Federal & state NOL carryforward	\$ 9,943	\$ 10,158
Inventory reserve	10,269	8,815
Transaction costs	1,523	673
Stock based compensation	3,113	3,602
Accrued benefits & bonuses	7,821	11,998
Bad debt reserve	546	977
Section 163(j) limitation carryforward	20,422	15,891
Right of use liabilities	21,476	18,936
Deferred state income tax	452	—
Deferred revenue	135	77
Investment in foreign subsidiaries	—	—
Other	5,952	4,005
Total deferred tax assets	81,652	75,132
Deferred tax liabilities:		
Intangible assets and goodwill	45,360	44,057
Right of use assets	20,449	18,264
Fixed assets	21,685	20,977
Deferred state income tax	—	17
Other	1,419	1,591
Total deferred tax liabilities	88,913	84,906
Net deferred tax liabilities before valuation allowance	(7,261)	(9,774)
Valuation allowance	(14,868)	(8,457)
Net deferred tax liabilities	<u>\$ (22,129)</u>	<u>\$ (18,231)</u>

At December 31, 2024, the Company had \$21.4 million of U.S. federal net operating loss carryforwards (“NOLs”) that do not expire, and \$50.6 million of state NOLs that expire between 2025 and 2036. At December 31, 2024 the Company had a total valuation allowance of \$14.9 million. At December 31, 2023, the valuation allowance was \$8.5 million. The change in the valuation allowance during 2024 was primarily related to establishing a valuation allowance against the deferred tax asset for Section 163(j) limited interest expense. The Company does not expect that its future taxable income will be sufficient to realize these existing deferred tax assets.

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 the Company’s legal entity structure and the complexity of U.S. tax laws.

Global Intangible Low Taxed Income (GILTI) is a deemed amount of income derived from controlled foreign corporations (CFCs) in which a U.S. person is a 10% direct or indirect shareholder. The Company owns numerous CFCs, which are subject to GILTI inclusion. However, because several of the CFCs operate in countries with a high tax rate, notably Canada, Denmark and Mexico, it was determined that a Section 954 High Tax Exception to GILTI inclusions is appropriate.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

(in thousands)	December 31,		
	2024	2023	2022
Balance at beginning of year	\$ 2,734	\$ 3,027	\$ —
Additions for tax positions of current year	595	—	191
Additions for tax positions of prior years	—	503	3,741
Reductions for tax positions of prior year	(152)	—	(238)
Lapse of statute of limitations	(815)	(796)	(667)
Balance at end of year	<u>\$ 2,362</u>	<u>\$ 2,734</u>	<u>\$ 3,027</u>

The recognition of the unrecognized tax benefits would have a favorable effect on the effective tax rate. The unrecognized tax benefits as of December 31, 2024 included \$1.1 million of tax benefits that, if recognized, would impact the effective tax rate in future periods. The Company recognizes interest and penalties related to uncertain tax positions as a component of income tax expense. The unrecognized tax benefits are recorded as a component of Other Liabilities in the Consolidated Balance Sheets. The total amount accrued for interest and penalties in the liability for uncertain tax positions was \$1.1 million, \$0.8 million and \$0.9 million as of December 31, 2024, 2023 and 2022, respectively. It is reasonably possible that the amount of unrecognized tax benefits will change in the next twelve months; however, the Company does not expect the change to have a material impact on the Consolidated Statements of Operations and Comprehensive Income (Loss) or the Consolidated Balance Sheets. Interest and penalties are recognized over uncertain tax positions that arose from income tax matters in Canada. The Company has substantially concluded all Canadian income tax matters through the year ended December 31, 2016. Years 2017 through present are open and subject to examination.

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 December 31, 2024, the Company was subject to U.S. federal income tax examinations for the years 2021 through 2023 and income tax examinations from various other jurisdictions for the years 2017 through 2023.

Note 14 – Segment Information

As a result of the Source Atlantic acquisition in the third quarter of 2024, discussed in Note 3 – Business and Asset Acquisitions, the Company realigned its reportable segments to align with its business strategy and the manner in which the CODM assesses performance and strategic execution and makes decisions regarding the allocation of resources. 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.

Beginning in the third quarter of 2024, the Company has four reporting segments: Lawson, TestEquity, Gexpro Services and Canada Branch Division. Canada Branch Division includes the results of the Bolt and Source Atlantic subsidiaries. No changes were made to the Lawson, TestEquity and Gexpro Services reportable segments. For additional details about our segment realignment in the third quarter of 2024, see Note 1 – Nature of Operations and Basis of Presentation.

The segment realignment had no impact on our financial condition or results of operations. Prior period segment results have been recast to reflect our new reportable segments. 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 38 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 consolidated financial statements is presented below.

(in thousands)	Year Ended December 31,		
	2024	2023	2022 ⁽¹⁾
Revenue			
Lawson	\$ 469,044	\$ 468,711	\$ 324,783
TestEquity	771,180	641,768	392,358
Gexpro Services	440,723	405,733	385,326
Canada Branch Division	125,099	55,890	48,955
Intersegment revenue elimination	(1,942)	(1,700)	—
Total revenue	\$ 1,804,104	\$ 1,570,402	\$ 1,151,422
Cost of goods sold			
Lawson	\$ 211,784	\$ 203,251	\$ 154,030
TestEquity	595,368	499,916	302,980
Gexpro Services	302,228	284,664	272,462
Canada Branch Division	82,897	32,396	31,052
Intersegment cost of goods sold elimination	(1,948)	(1,700)	—
Total cost of goods sold	\$ 1,190,329	\$ 1,018,527	\$ 760,524
Selling, general and administrative expenses			
Lawson	\$ 242,705	\$ 232,962	\$ 164,217
TestEquity	171,845	158,317	78,003
Gexpro Services	101,962	94,069	91,573
Canada Branch Division	36,178	17,763	13,289
All Other	5,130	5,773	2,030
Total operating expenses	\$ 557,820	\$ 508,884	\$ 349,112
Operating income (loss)			
Lawson	\$ 14,555	\$ 32,498	\$ 6,536
TestEquity	3,967	(16,465)	11,375
Gexpro Services	36,533	27,000	21,291
Canada Branch Division	6,024	5,731	4,614
All Other	(5,124)	(5,773)	(2,030)
Total operating income (loss)	\$ 55,955	\$ 42,991	\$ 41,786
Reconciliation to income (loss) before income taxes			
Interest expense	\$ (55,145)	\$ (42,774)	\$ (24,301)
Loss on extinguishment of debt	—	—	(3,395)
Change in fair value of earnout liabilities	(988)	758	(483)
Other income (expense), net	(358)	(2,982)	(670)
Income (loss) before income taxes	\$ (536)	\$ (2,007)	\$ 12,937

⁽¹⁾ Includes the operating results of Lawson, Canada Branch Division and All Other only subsequent to the Merger Date of April 1, 2022.

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
Year Ended December 31, 2024						
Revenue from external customers	\$ 468,976	\$ 770,866	\$ 439,163	\$ 125,099	\$ —	\$ 1,804,104
Intersegment revenue	68	314	1,560	—	(1,942)	—
Revenue	<u>\$ 469,044</u>	<u>\$ 771,180</u>	<u>\$ 440,723</u>	<u>\$ 125,099</u>	<u>\$ (1,942)</u>	<u>\$ 1,804,104</u>
Year Ended December 31, 2023						
Revenue from external customers	\$ 468,379	\$ 641,643	\$ 404,490	\$ 55,890	\$ —	\$ 1,570,402
Intersegment revenue	332	125	1,243	—	(1,700)	—
Revenue	<u>\$ 468,711</u>	<u>\$ 641,768</u>	<u>\$ 405,733</u>	<u>\$ 55,890</u>	<u>\$ (1,700)</u>	<u>\$ 1,570,402</u>
Year Ended December 31, 2022⁽¹⁾						
Revenue from external customers	\$ 324,783	\$ 392,358	\$ 385,326	\$ 48,955	\$ —	\$ 1,151,422
Intersegment revenue	—	—	—	—	—	—
Revenue	<u>\$ 324,783</u>	<u>\$ 392,358</u>	<u>\$ 385,326</u>	<u>\$ 48,955</u>	<u>\$ —</u>	<u>\$ 1,151,422</u>

⁽¹⁾ Includes the operating results of Lawson, Canada Branch Division and All Other only subsequent to the Merger Date of April 1, 2022.

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

(in thousands)	December 31,	
	2024	2023
Total assets by segment		
Lawson	\$ 524,077	\$ 467,195
TestEquity	654,315	638,950
Gexpro Services	331,811	329,799
Canada Branch Division	199,362	71,446
All Other	17,690	42,941
Total	<u>\$ 1,727,255</u>	<u>\$ 1,550,331</u>
Long-lived assets by geographic area⁽¹⁾		
United States	\$ 818,100	\$ 765,160
Canada	138,218	72,054
Europe	30,345	32,997
Pacific Rim	4,751	417
Latin America	3,615	3,785
Total	<u>\$ 995,029</u>	<u>\$ 874,413</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)	Year Ended December 31,		
	2024	2023	2022 ⁽¹⁾
Capital expenditures			
Lawson	\$ 5,163	\$ 6,626	\$ 3,737
TestEquity	12,692	2,955	250
Gexpro Services	4,269	5,053	3,809
Canada Branch Division	1,069	703	511
All Other	—	—	—
Total	\$ 23,193	\$ 15,337	\$ 8,307
Depreciation and amortization			
Lawson	\$ 24,349	\$ 19,532	\$ 10,594
TestEquity	30,799	26,002	17,480
Gexpro Services	15,489	15,986	15,175
Canada Branch Division	3,739	2,068	1,937
All Other	—	—	—
Total	\$ 74,376	\$ 63,588	\$ 45,186

⁽¹⁾ Includes the activities of Lawson, Canada Branch Division and All Other only subsequent to the Merger Date of April 1, 2022.

Note 15 – Commitments and Contingencies

Cyber Incident Litigation

On February 10, 2022, DSG disclosed that its computer network was the subject of a cyber incident potentially involving unauthorized access to certain confidential information (the “Cyber Incident”). On April 4, 2023, a putative class action lawsuit (the “Cyber Incident Suit”) was filed against DSG entitled Lardone Davis, on behalf of himself and all others similarly situated, v. Lawson Products, Inc., Case No. 1:23-cv-02118, in the United States District Court for the Northern District of Illinois, Eastern Division. The plaintiff in this case, who purports to represent the class of individuals harmed by alleged actions and/or omissions by DSG in connection with the Cyber Incident, asserts a variety of common law and statutory claims seeking monetary damages, injunctive relief and other related relief related to the potential unauthorized access by third parties to personal identifiable information and protected health information.

DSG disagrees with and intends to vigorously defend against the Cyber Incident Suit. The Cyber Incident Suit could result in additional costs and losses to DSG, although, at this time, DSG is unable to reasonably estimate the amount or range of reasonably possible losses, if any, that might result from adverse judgments, settlements, fines, penalties or other resolution of these proceedings based on the early stage of this proceeding, the absence of specific allegations as to alleged damages, the uncertainty as to the certification of a class or classes and the size of any certified class, if applicable, and the lack of resolution of significant factual and legal issues. Accordingly, no amounts have been recorded in the consolidated financial statements for the Cyber Incident Suit. No assurance can be given that additional lawsuits will not be filed against DSG and/or its directors and officers and/or other persons or entities in connection with the Cyber Incident.

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 consists 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 is monitoring the affected area. At December 31, 2024 the Company had approximately \$0.1 million accrued for potential monitoring costs included in Accrued expenses and other current liabilities in the Consolidated Balance Sheets. The costs for future monitoring are not significant and have been fully accrued. The Company does not expect to capitalize any amounts related to the remediation plan.

Defined Contribution Plan

The Company provides a 401(k) defined contribution plan to allow employees a pre-tax investment vehicle to save for retirement. The Company made contributions to the 401(k) plan of \$7.5 million, \$7.2 million and \$5.5 million for the years ended December 31, 2024, 2023 and 2022, respectively.

Note 16 – Related Party Transactions

Management Services Agreements

Prior to the Mergers, a subsidiary of TestEquity was party to a management agreement with Luther King Capital Management Corporation (“LKCM”) for certain advisory and consulting services (the “TestEquity Management Agreement”), and a subsidiary of Gexpro Services was party to a management agreement with LKCM for certain advisory and consulting services (the “Gexpro Services Management Agreement”). In connection with the closing of the Mergers on April 1, 2022, (i) all of the TestEquity subsidiary’s rights, liabilities and obligations under the TestEquity Management Agreement were novated to, transferred to and assumed by the TestEquity Equityholder, and LKCM released the TestEquity subsidiary from all obligations and claims under the TestEquity Management Agreement, and (ii) all of the Gexpro Services subsidiary’s rights, liabilities and obligations under the Gexpro Services Management Agreement were novated to, transferred to and assumed by the Gexpro Services Stockholder, and LKCM released the Gexpro Services subsidiary from all obligations and claims under the Gexpro Services Management Agreement (collectively, the “Novations”). During the first three months of 2022, expense of \$0.5 million was recorded within Selling, general and administrative expenses within the Consolidated Statements of Operations and Comprehensive Income (Loss), reflecting expenses accrued under these management agreements from January 1, 2022 through the April 1, 2022 Merger Date. As of April 1, 2022, the prior obligation of \$5.3 million was effectively settled and considered to be a deemed equity contribution by LKCM recorded to additional paid in capital. As a result of the Novations, no additional expense under these management agreements has been incurred subsequent to the Mergers.

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. For the years ended December 31, 2024, 2023 and 2022, expense of \$1.2 million, \$0.6 million and \$0.2 million, respectively, was recorded in Selling, general and administrative expenses within the Consolidated Statements of Operations and Comprehensive Income (Loss), reflecting expenses incurred for these consulting services.

Principal Executive Office Lease

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.

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 36.4 million shares of DSG common stock as of December 31, 2024, representing approximately 77.6% of the outstanding shares of DSG common stock as of December 31, 2024.

TestEquity and Gexpro Services Mergers

Immediately prior to the Mergers, entities affiliated with LKCM and J. Bryan King, including private investment partnerships for which LKCM serves as investment manager, owned a majority of the ownership interests in the TestEquity Equityholder (which in turn owned all of the outstanding equity interests of TestEquity as of immediately prior to the completion of the TestEquity Merger). As of the Merger Date, Mr. King was a director of the TestEquity Equityholder. In

addition, as of the Merger Date, Mark F. Moon (a member of the DSG Board of Directors) was a director of, and held a direct or indirect equity interest in, the TestEquity Equityholder.

Immediately prior to the Mergers, entities affiliated with LKCM and Mr. King, including private investment partnerships for which LKCM serves as investment manager, owned a majority of the ownership interests in the Gexpro Services Stockholder (which in turn owned all of the then outstanding stock of Gexpro Services).

Immediately prior to the Mergers, entities affiliated with LKCM and Mr. King beneficially owned approximately 48% of the then-outstanding shares of DSG common stock. As a result of the issuance of 20.6 million shares at the closing of the Mergers and the issuance of the additional 3.4 million shares in accordance with the earnout provisions of the TestEquity Merger Agreement and the Gexpro Services Merger Agreement on March 20, 2023, entities affiliated with LKCM and Mr. King beneficially owned in the aggregate approximately 32.6 million shares of DSG common stock representing approximately 77.4% of the outstanding shares of DSG common stock as of March 31, 2023.

Rights Offering

Certain entities affiliated with LKCM and J. Bryan King exercised their basic subscription rights and over-subscription rights in the Rights Offering and purchased approximately 3.6 million additional shares of DSG common stock at a purchase price of \$22.50 per share. Following the completion of the Rights Offering on May 30, 2023, entities affiliated with LKCM and Mr. King beneficially owned in the aggregate approximately 36.4 million shares of DSG common stock as of June 1, 2023, representing approximately 77.6% of the outstanding shares of DSG common stock as of December 31, 2024.

Board of Directors

M. Bradley Wallace, who became a director of the Company upon his election at the Company's 2023 annual stockholders meeting on May 19, 2023, is a Founding Partner of LKCM Headwater Investments, the private capital investment group of LKCM.

Lawson Products, Inc.
Schedule II - Valuation and Qualifying Accounts

The roll forward of valuation accounts were as follows:

(Dollars in thousands)

Description	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions	Balance at End of Period
Valuation allowance for deferred tax assets:				
Year ended December 31, 2024	\$ 8,457	\$ 6,411	\$ —	\$ 14,868
Year ended December 31, 2023	\$ 815	\$ 7,642	\$ —	\$ 8,457
Year ended December 31, 2022	\$ 638	\$ 177	\$ —	\$ 815

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. 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 annual 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 December 31, 2024.

Management’s Report on Internal Control over Financial Reporting

Company management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company as defined in Rule 13a-15(f) under the Exchange Act. This system, which management has chosen to base on the framework set forth in the 2013 Internal Control-Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), is under the supervision of our Chief Executive Officer and Chief Financial Officer, is effected by the Company’s Board of Directors, management and other personnel, and is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

The Company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and the directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Further, because of changes in conditions, effectiveness of internal controls over financial reporting may vary over time.

Given the timing of the Source Atlantic Transaction, the S&S Automotive Transaction and the TCR Transaction and the complexity of systems and business processes, the Company has excluded Source Atlantic, S&S Automotive and Tech-Component Resources Pte Ltd, wholly-owned subsidiaries, from the scope of management’s report on internal control over financial reporting, representing approximately \$114.5 million of total assets (excluding goodwill and intangible assets, which were integrated into the Company’s control environment) as of December 31, 2024 and \$99.0 million of revenue for the year then ended.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the fourth quarter of 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. Because of its inherent limitations, internal control over financial reporting may not prevent or detect all control issues or misstatements, accordingly, our controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of our control system are met. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Distribution Solutions Group, Inc.

Opinion on internal control over financial reporting

We have audited the internal control over financial reporting of Distribution Solutions Group, Inc. (a Delaware corporation) and subsidiaries (the “Company”) as of December 31, 2024, based on criteria established in the 2013 *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on criteria established in the 2013 *Internal Control – Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated financial statements of the Company as of and for the year ended December 31, 2024, and our report dated March 6, 2025 expressed an unqualified opinion on those financial statements.

Basis for opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Our audit of, and opinion on, the Company’s internal control over financial reporting does not include the internal control over financial reporting of S&S Automotive Inc., Source Atlantic Limited and Tech-Component Resources Pte Ltd, wholly owned subsidiaries, whose financial statements reflect total assets and revenues constituting 7 and 5 percent, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2024. As indicated in Management’s Report, S&S Automotive Inc., Source Atlantic Limited and Tech-Component Resources Pte Ltd, were acquired during 2024. Management’s assertion on the effectiveness of the Company’s internal control over financial reporting excluded internal control over financial reporting of S&S Automotive Inc., Source Atlantic Limited and Tech-Component Resources Pte Ltd.

Definition and limitations of internal control over financial reporting

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ GRANT THORNTON LLP
Dallas, Texas
March 6, 2025

ITEM 9B. OTHER INFORMATION.

During the quarter ended December 31, 2024, none of our directors or officers 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 9C. DISCLOSURES REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

a. Directors

The information required by this Item will be set forth in the Company's Proxy Statement for the 2025 Annual Meeting of Stockholders to be held on May 22, 2025, under the captions "Proposal One--Election of Directors," "Corporate Governance," and "Section 16(a) Beneficial Ownership Reporting Compliance," which information is incorporated herein by reference.

b. Executive Officers

The information required by this Item is set forth in Item 1 of Part I of this report, under the caption "Information About Our Executive Officers."

c. Audit Committee

Information on the Company's Audit Committee required by this Item will be contained under the caption "Board of Directors Meetings and Committees" in the Company's Proxy Statement for the Annual Meeting of Stockholders to be held on May 22, 2025, which information is incorporated herein by reference.

The Board of Directors has determined that Lee Hillman, a member of the Audit Committee of the Board of Directors, qualifies as an "audit committee financial expert" as defined in Item 407(d)(5)(ii) of Regulation S-K, and that Mr. Hillman is "independent" as the term is defined in the listing standards of the Nasdaq Global Select Market.

d. Code of Business Conduct

The Company has adopted a Code of Business Conduct applicable to all employees and sales representatives. The Company's Code of Business Conduct is applicable to senior financial executives including the principal executive officer, principal financial officer and principal accounting officer of the Company. The Company's Code of Business Conduct is available on the Corporate Governance page in the Investor Relations section of the Company's website at <http://www.distributionsolutionsgroup.com>. The Company intends to post on its website any amendments to, or waivers from its Code of Business Conduct applicable to senior financial executives. The Company will provide any persons with a copy of its Code of Business Conduct without charge upon written request directed to the Company's Secretary at the Company's address.

e. Insider Trading Policies and Procedures

The Company has an insider trading policy governing the purchase, sale and other dispositions of the Company's securities that applies to all Company personnel, including directors, officers, employees, and other covered persons. The policy also applies to the Company. The Company believes that its insider trading policy is reasonably designed to promote compliance with insider trading laws, rules, and regulations, and NASDAQ listing standards applicable to the Company. A copy of the Company's insider trading policy is filed as Exhibit 19 to this Form 10-K. The remaining information required by this Item 10 will be set forth in the Company's Proxy Statement for the 2025 Annual Meeting of Stockholders to be held on May 22, 2025, under the caption "Corporate Governance," which information is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION.

The information required under this Item will be set forth in the Company's Proxy Statement for the 2025 Annual Meeting of Stockholders to be held on May 22, 2025, under the captions "Compensation Discussion and Analysis," "Remuneration of Executive Officers," and "Director Compensation in 2024."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information required under this Item relating to Security Ownership of Certain Beneficial Owners will be set forth in the Company's Proxy Statement for the 2025 Annual Meeting of Stockholders to be held on May 22, 2025, under the caption "Share Ownership of Certain Beneficial Owners and Management," which information is incorporated herein by reference.

Equity Compensation Plan Information

The following table provides information as of December 31, 2024 regarding the number of shares of DSG common stock that were available for issuance under the Company's equity compensation plans. Refer to Note 10 – Stock-Based Compensation within Item 8. Financial Statements and Supplementary Data for further information about the Company's equity compensation plans.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by stockholders			
Stock options	2,128,475	\$ 40.43	
Other stock units ⁽¹⁾	307,240	N/A	
Equity compensation plans not approved by stockholders			
Total	2,435,715	\$ 40.43	693,680

⁽¹⁾ Includes potential DSG common stock issuance of 162,149 from restricted stock awards, 145,091 from market stock units and 0 from performance awards.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information required by this Item will be set forth in the Company's Proxy Statement for the 2025 Annual Meeting of Stockholders to be held on May 22, 2025, under the captions "Proposal One--Election of Directors" and "Certain Relationships and Related Transactions," which information is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The information required under this Item will be set forth in the Company's Proxy Statement for the 2025 Annual Meeting of Stockholders to be held on May 22, 2025, under the caption "Fees Billed to the Company by Grant Thornton, LLP," which information is incorporated herein by reference. The information set forth under the subcaption "Report of the Audit Committee of the Board of Directors" should not be deemed filed nor should it be incorporated by reference into any other filing under the Securities Act of 1933, as amended, or the Exchange Act except to the extent the Company specifically incorporates such report by reference therein.

PART IV

ITEM 15. EXHIBIT AND FINANCIAL STATEMENT SCHEDULES.

- (a) (1) See Index to Financial Statements and Supplementary Data in Item 8 on page 56.
- (2) All other financial statement schedules are omitted because they are inapplicable, not required under the instructions, or the information is reflected in the financial statements or notes thereto.
- (3) Exhibits:

Exhibit Number	Description of Exhibit
<u>2.1†</u>	<u>Agreement and Plan of Merger, dated as of December 29, 2021, by and among LKCM TE Investors, LLC, TestEquity Acquisition, LLC, Lawson Products, Inc. and Tide Sub, LLC, incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K (File No. 000-10546) filed on January 4, 2022.</u>
<u>2.2†</u>	<u>Agreement and Plan of Merger, dated as of December 29, 2021, by and among 301 HW Opus Investors, LLC, 301 HW Opus Holdings, Inc., Lawson Products, Inc. and Gulf Sub, Inc., incorporated by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K (File No. 000-10546) filed on January 4, 2022.</u>
<u>2.3†</u>	<u>Stock Purchase Agreement, dated as of March 30, 2023, by and among HIS Company, Inc., Distribution Solutions Group, Inc., HIS Company, Inc. Employee Stock Ownership Trust, 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 HIS Company, Inc. Employee Stock Ownership Trust, and Ellis Moseley, solely in his capacity as the representative of HIS Company, Inc. Employee Stock Ownership Trust, incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K (File No. 000-10546) filed on March 31, 2023.</u>
<u>3.1</u>	<u>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.</u>
<u>3.2</u>	<u>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.</u>
<u>4.1**</u>	<u>Description of common stock</u>
<u>10.1*</u>	<u>Lawson Products, Inc. Executive Deferral Plan (as Amended and Restated Effective November 1, 2015), incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q (File No. 000-10546) for the quarter ended September 30, 2021, filed on October 28, 2021.</u>
<u>10.2*</u>	<u>Lawson Products, Inc. Amended Stock Performance Plan (as Amended and Restated Effective January 24, 2017), incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q (File No. 000-10546) for the quarter ended September 30, 2021, filed on October 28, 2021.</u>
<u>10.3*</u>	<u>Amendment of the Lawson Products, Inc. Amended Stock Performance Plan (as Amended and Restated Effective January 24, 2017), dated December 23, 2020, incorporated by reference to Exhibit 10.23 to the Company's Annual Report on Form 10-K (File No. 000-10546) for the fiscal year ended December 31, 2020, filed on February 26, 2021.</u>
<u>10.4*</u>	<u>Form Letter regarding Stock Performance Rights, incorporated by reference to Exhibit 10(c)(16) to the Company's Annual Report on Form 10-K (File No. 000-10546) for the fiscal year ended December 31, 2004, filed on March 16, 2005.</u>
<u>10.5*</u>	<u>Distribution Solutions Group, Inc. Equity Compensation Plan (amended and restated effective October 17, 2022, as amended November 10, 2022), incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 000-10546) filed on November 18, 2022.</u>
<u>10.6*</u>	<u>Form of Award Agreement under the 2009 Equity Compensation Plan (now known as the Distribution Solutions Group, Inc. Equity Compensation Plan) (Target Units, SPRs and Restricted Units), incorporated by reference to Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q (File No. 000-10546) for the quarter ended September 30, 2021, filed on October 28, 2021.</u>
<u>10.7*</u>	<u>Form of Award Agreement under the 2009 Equity Compensation Plan (now known as the Distribution Solutions Group, Inc. Equity Compensation Plan) (MSU Target Units, ROIC Target Units and Restricted Units), incorporated by reference to Exhibit 10.12 to the Company's Quarterly Report on Form 10-Q (File No. 000-10546) for the quarter ended September 30, 2021, filed on October 28, 2021.</u>
<u>10.8*</u>	<u>Form of Award Agreement under the 2009 Equity Compensation Plan (now known as the Distribution Solutions Group, Inc. Equity Compensation Plan) (MSU Target Units, ROIC Target Units and Restricted Units), incorporated by reference to Exhibit 10.13 to the Company's Quarterly Report on Form 10-Q (File No. 000-10546) for the quarter ended September 30, 2021, filed on October 28, 2021.</u>

- [10.9*](#) [Form of Option Award Agreement dated as of August 22, 2023 under the Distribution Solutions Group, Inc. Equity Compensation Plan, as amended on November 10, 2022, incorporated by reference to Exhibit 10.9 to the Company's Annual Report of Form 10-K \(File No. 000-10546\) filed on March 7, 2024.](#)
- [10.10*](#) [Form of Option Award Agreement dated as of January 27, 2023 under the Distribution Solutions Group, Inc. Equity Compensation Plan, as amended on November 10, 2022, incorporated by reference to Exhibit 10.10 to the Company's Annual Report of Form 10-K \(File No. 000-10546\) filed on March 7, 2024.](#)
- [10.11*](#) [Lawson Products, Inc. 2021 Annual Incentive Plan Summary, incorporated by reference to Exhibit 10.14 to the Company's Quarterly Report on Form 10-Q \(File No. 000-10546\) for the quarter ended September 30, 2021, filed on October 28, 2021.](#)
- [10.12*](#) [Form of Indemnification Agreement for Directors and Officers, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K \(File No. 000-10546\) filed on September 19, 2008.](#)
- [10.13*](#) [Form of Change in Control Agreement for Officers, incorporated by reference to Exhibit 10.16 to the Company's Quarterly Report on Form 10-Q \(File No. 000-10546\) for the quarter ended September 30, 2021, filed on October 28, 2021.](#)
- [10.14*](#) [Retirement and Consulting Agreement, dated as of March 2, 2021, by and between Lawson Products, Inc., an Illinois corporation, and Neil Jenkins, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K \(File No. 000-10546\) filed on March 5, 2021.](#)
- [10.15](#) [Voting Agreement, dated as of December 29, 2021, by and among Lawson Products, Inc. and Luther King Capital Management Corporation, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K \(File No. 000-10546\) filed on January 4, 2022.](#)
- [10.16†](#) [Amended and Restated Credit Agreement, dated as of April 1, 2022, by and among Lawson Products, Inc., the subsidiaries of Lawson Products, Inc. party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K \(File No. 000-10546\) filed on April 4, 2022.](#)
- [10.17](#) [Registration Rights Agreement, dated as of April 1, 2022, by and among Lawson Products, Inc., 301 HW Opus Investors, LLC and LKCM TE Investors, LLC, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K \(File No. 000-10546\) filed on April 4, 2022.](#)
- [10.18*](#) [Retirement and Consulting Agreement, dated as of April 4, 2022, by and between Lawson Products, Inc., an Illinois corporation, and Michael G. DeCata, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K \(File No. 000-10546\) filed on April 8, 2022.](#)
- [10.19*](#) [Employment Agreement, dated as of April 4, 2022, by and between Lawson Products, Inc., an Illinois corporation, and Cesar A. Lanuza, incorporated by reference to Exhibit 10.22 to the Company's Quarterly Report on Form 10-Q \(File No. 000-10546\) for the quarter ended June 30, 2022, filed on August 9, 2022.](#)
- [10.20*](#) [Employment Agreement, dated as of January 27, 2023, by and between Lawson Products, Inc., an Illinois corporation, and Ronald J. Knutson, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K \(File No. 000-10546\) filed on January 31, 2023.](#)
- [10.21](#) [Subscription Agent Agreement, dated as of May 8, 2023, by and among Distribution Solutions Group, Inc., Computershare Inc. and Computershare Trust Company, N.A., incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K \(File No. 000-10546\) filed on May 9, 2023.](#)
- [10.22†](#) [First Amendment to Amended and Restated Credit Agreement, dated as of June 8, 2023, by and among Distribution Solutions Group, Inc., the subsidiaries of Distribution Solutions Group, Inc. party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent, incorporated by reference to the Company's Current Report on Form 8-K \(File No. 000-10546\) filed on June 9, 2023.](#)
- [10.23†](#) [Second Amendment to the Amended and Restated Credit Agreement, dated as of June 13, 2024, by and among Distribution Solutions Group, Inc., the subsidiaries of Distribution Solutions Group, Inc. party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report of Form 10-Q \(File No. 000-10546\) for the quarter ended June 30, 2024, filed on August 1, 2024.](#)
- [10.24†](#) [Third Amendment to Amended and Restated Credit Agreement, dated as of August 14, 2024, by and among Distribution Solutions Group, Inc., the subsidiaries of Distribution Solutions Group, Inc. party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K \(File No. 000-10546\) filed on August 16, 2024.](#)
- [19**](#) [Insider Trading Policy.](#)
- [21**](#) [Subsidiaries of the Company.](#)
- [23.1**](#) [Consent of Grant Thornton, LLP.](#)
- [23.2**](#) [Consent of BDO USA, P.C.](#)
- [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.](#)

[97](#) [Distribution Solutions Group, Inc. Incentive Based Compensation Recoupment Policy, dated as of November 28, 2023, incorporated by reference to Exhibit 97 to the Company's Annual Report of Form 10-K \(File No. 000-10546\) filed on March 7, 2024.](#)

- 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 Cover Page Interactive File (embedded within the Inline XBRL document and contained in Exhibit 101)

† Certain schedules and/or similar attachments omitted pursuant to Item 601(a)(5) of Regulation S-K promulgated by the U.S. Securities and Exchange Commission. The Company agrees to furnish supplementally a copy of any omitted schedule or similar attachment to the SEC upon request.

* Indicates management employment contracts or compensatory plans or arrangements.

** Filed herewith.

*** Furnished herewith.

ITEM 16. FORM 10-K SUMMARY.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: March 6, 2025

/s/ J. Bryan King

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

Dated: March 6, 2025

/s/ Ronald J. Knutson

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

Dated: March 6, 2025

/s/ David S. Lambert

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ J. Bryan King</u> J. Bryan King	Chairman, President and Chief Executive Officer (principal executive officer)	March 6, 2025
<u>/s/ Ronald J. Knutson</u> Ronald J. Knutson	Executive Vice President, Chief Financial Officer and Treasurer (principal financial officer)	March 6, 2025
<u>/s/ David S. Lambert</u> David S. Lambert	Vice President, Controller and Chief Accounting Officer (principal accounting officer)	March 6, 2025
<u>/s/ I. Steven Edelson</u> I. Steven Edelson	Director	March 6, 2025
<u>/s/ Lee S. Hillman</u> Lee S. Hillman	Director	March 6, 2025
<u>/s/ Mark F. Moon</u> Mark F. Moon	Director	March 6, 2025
<u>/s/ Bianca A. Rhodes</u> Bianca A. Rhodes	Director	March 6, 2025
<u>/s/ M. Bradley Wallace</u> M. Bradley Wallace	Director	March 6, 2025
<u>/s/ Robert S. Zamarripa</u> Robert S. Zamarripa	Director	March 6, 2025

DESCRIPTION OF COMMON STOCK

The following summary is a description of the material terms of the common stock ("common stock") of Distribution Solutions Group, Inc. (referred to herein as "we", "us" or "our"). This summary is not meant to be complete and is qualified by reference to the applicable provisions of the Delaware General Corporation Law ("DGCL") and our certificate of incorporation and bylaws, each as amended. You are urged to read those documents carefully. Copies of our certificate of incorporation and bylaws are filed as Exhibits 3.1 and 3.2 to our Annual Report on Form 10-K.

Authorized Capitalization

We are currently authorized to issue 70,000,000 shares of common stock, \$1.00 par value per share and 500,000 shares of preferred stock, \$1.00 par value per share. On February 28, 2025, there were 46,558,913 shares of our common stock outstanding. There are no shares of preferred stock outstanding.

Common Stock

Issuance of Common Stock. Shares of common stock may be issued from time to time as our board shall determine and, on such terms, and for such consideration, as shall be fixed by the board.

Dividends and Rights Upon Liquidation. After the requirements with respect to preferential dividends on preferred stock, if any, are met, the holders of our outstanding common stock are entitled to receive dividends out of assets legally available at the time and in such amounts as the board may from time to time determine. Our common stock is not convertible or exchangeable into other securities. Upon our liquidation, dissolution or winding up, the holders of our common stock are entitled to receive the assets that are legally available for distribution on a pro rata basis, after payment of all of our debts and other liabilities and subject to the prior rights of holders of any preferred stock then outstanding. The Company does not currently pay a dividend on its common stock.

Voting Rights. The holders of the common stock are entitled to vote at all meetings of the stockholders and are entitled to cast one vote for each share of common stock held by them respectively and standing in their respective names on the books of the Company. Each stockholder is entitled to cumulative voting with respect to the election of directors which entitles stockholders to add all of the votes they have for directors and cast such votes for any single director or distribute them among directors.

Preemptive Rights. Holders of our common stock do not have preemptive rights with respect to any shares that may be issued. Shares of our common stock are not subject to redemption.

Business Combinations. The Company's certificate of incorporation requires (i) the affirmative vote of holders of not less than 75% of the voting power of the Company to approve any merger, any sale of the Company or substantially all of its assets or the issuance of any securities in exchange for assets having a value equal or greater to 5% of the assets of the Company in a transaction with a stockholder holding 10% or more of our common stock (the "10% stockholder") and (ii) the approval of such transaction by holders of a majority of the voting power not owned by the 10% stockholder. The above requirements do not apply to (x) a transaction with respect to which the board has approved a memorandum of understanding prior to the time such other entity becomes a 10% stockholder or (y) transactions approved by two-thirds of the directors who are not representatives or affiliates of the 10% stockholder.

Relevant Provisions of the Delaware Business Corporation Law

We are governed by the provisions of Section 203 of the Delaware General Corporation Law. In general, Section 203 prohibits a public Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. A "business combination" includes mergers, asset sales or other transactions resulting in a financial benefit to the stockholder. An "interested stockholder" is a person who, together with affiliates and associates, owns, or within three years of the date on which it is sought to be determined whether such person is an "interested stockholder," did own, 15% or more of the corporation's outstanding voting stock. These provisions may have the effect of delaying, deferring or preventing a change in control.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Computershare. The transfer agent and registrar for any preferred stock we issue will be set forth in the applicable prospectus supplement.

Listing

Our common stock is listed on The Nasdaq Global Select Market under the symbol "DSGR".

Distribution Solutions Group, Inc.

Adopted as of June 1, 2022

Insider Trading Policy

Objective

This Insider Trading Policy is designed to help officers, employees and directors understand the nature and scope of the federal insider trading laws and the serious consequences of violating these laws. It also describes certain prohibited transactions in securities of Distribution Solutions Group, Inc. ("DSG") and other companies.

Statement of Policy

DSG's long-standing policy prohibits officers, employees or directors from buying or selling DSG securities (including common stock and derivative instruments relating thereto) while in possession of material, non-public information about DSG. It also prohibits such persons from using material non-public information to trade in the securities of other companies with whom DSG is associated or disclosing any material non-public information about DSG or any other such company to any other person until after such information has been effectively communicated to the public.

Scope

This Insider Trading Policy applies to all officers, directors and employees of DSG, whether or not directly employed by DSG or an operating company of DSG, each of the DSG operating companies and each of their respective subsidiaries.

Insider Trading

The insider trading laws prohibit buying or selling securities while in possession of material, non-public information or passing such information on to others who purchase or sell securities. These laws apply to trading in DSG's securities and to trading in the securities of other companies where inside information has been acquired by the insider in the course of his, her or their activities on behalf of DSG or while working for DSG or its operating companies.

As a DSG employee, you are responsible for ensuring that you are not involved in any DSG securities transactions whenever you are in possession of material non-public information. If you have any questions as to whether you are in possession of material non-public information or if it is permissible for you to trade, please contact Rick Pufpaf.

Definitions

Material information is any information that a reasonable investor would consider important in making a decision to buy, sell or hold the securities of a company. In other words, any information that reasonably could be expected to affect the price of DSG's stock or other securities is "material" information. While it is impossible to provide a complete list, some examples of information that could be considered "material" are:

1. Unpublished financial results, reports or projections such as earnings estimates or results, or a change in previously announced earnings estimate;
2. News of a pending or proposed merger, acquisition, divestiture or tender offer;
3. Changes in top management;
4. Changes in dividend policy, declarations of stock splits or offerings of securities;
5. Calls, redemptions or purchases by DSG of its securities;

6. Changes in prices or demand for DSG's products, or changes in the costs of producing, transporting or selling DSG's products;
7. The gain or loss of a large customer or supplier;
8. Unusual or large borrowing;
9. Liquidity matters;
10. Significant new products or services or other changes in operations;
11. Commencement or settlement of a major claim or lawsuit;
12. Commencement or possibility of significant litigation or governmental investigation or other governmental action;
13. Industry information (i.e., prices, volumes or other conditions affecting our business); and
14. Initiation or settlement of labor negotiations or disputes, strikes or lockouts.

Non-Public Information is any information that has not been generally disclosed to the public or, if it has been disclosed, the time elapsed since disclosure has not been sufficient for investors to evaluate the information. Information becomes public when it has been released through appropriate channels, such as a press release, governmental filing, or public statement from a senior officer, and enough time has elapsed for the investing public to evaluate the information. At that point and not before the information is considered "public." All information that you learn about DSG (or any other company) in connection with your employment is potentially "insider" information until publicly disclosed.

Tipping is the passing along of material non-public information to others. Penalties for tipping apply whether or not you derive benefit from another's actions. Recommending that others buy or sell DSG stock or other securities, even without telling them why, still can be unlawful in certain circumstance, and thus should be avoided.

General Procedures Applicable to Officers and Directors

Officers of DSG or its subsidiaries and directors of DSG (collectively, the "Covered Persons") may only trade in DSG securities when all of the following conditions are met for the proposed transaction: 1) the trade will take place outside of the blackout periods described below, 2) the Covered Person is not in possession of material non-public information about DSG and 3) the Covered Person has pre-cleared the transaction with Rick Pufpaf at least twenty-four hours in advance of the proposed transaction. Notwithstanding the foregoing, trades may be executed pursuant to a Rule 10b5-1 trading plan that has been approved in advance by Rick Pufpaf. Note that Rule 10b5-1 trading plans must be adopted outside of a blackout period and you must provide Rick Pufpaf with written notice of any termination or modification of a Rule 10b5-1 trading plan. In addition, routine stock option exercises, without the sale of the underlying stock, may be made at any time and without prior approval.

Each blackout period begins at the close of business on the fifteenth day of each March, June, September and December and continues until the end of the second business day after the issuance of the earnings release for the applicable fiscal quarter.

DSG may in its discretion establish additional blackout periods. In addition, even outside of blackout periods, Covered Persons are still subject to the insider trading rules and no Covered Person should engage in transactions if such Covered Person is aware of material non-public information. For these reasons and in order to minimize the risk of an inadvertent violation, Covered Persons are required to obtain pre-clearance of any transaction from Rick Pufpaf at least twenty-four hours in advance of the proposed transaction.

Procedures for Other Employees

Generally, employees who are not covered by the blackout period or pre-clearance requirements described above may trade in DSG securities as long as they are not in possession of material non-public information.

Prohibited Transactions

No officer, director or employee who has material non-public information relating to DSG may buy or sell securities of DSG or engage in any other action to take personal advantage of that information or pass that information on to others. No officer, director or employee may buy or sell securities of another company at any time when that person has material non-public information about that company or has material non-public information that could affect the share price of that company, including information obtained in the course of employment that relates to any other company, including customers or suppliers or other economically linked companies.

For purposes of this policy, DSG considers short sales (sales of securities not owned by the seller at the time of the sale), buying or selling puts or calls and pledges of DSG stock to be purchases and sales of DSG securities.

Directors and officers cannot sell DSG shares short. As a matter of policy, directors and officers should assume that this includes buying puts or selling calls or engaging in other similar transactions involving derivative securities. Without limiting the foregoing, this policy prohibits any director or executive officer of DSG (or any designee of such director or executive officer) from purchasing financial instruments (including prepaid variable forward contracts, equity swaps, collars, and exchange funds) that are designed to hedge or offset any decrease in the market value of DSG stock (a) granted to the director or executive officer as part of the compensation of the director or executive officer or (b) held, directly or indirectly, by the director or executive officer.

At all times, employees must refrain from providing advice or making recommendations regarding the purchase or sale of DSG stock. If you provide information that someone else uses to trade illegally, you may be subject to legal penalties for tipping whether or not you personally derive any benefit from the illegal trading.

Transactions that may be considered necessary or justifiable for personal reasons (such as the need to raise money unexpectedly) are not considered a defense to charges of trading on inside information.

Short-Swing Profits

Under Section 16(b) of the Securities Exchange Act of 1934, directors and executive officers must pay DSG the amount by which the price of any sales of DSG shares exceeds the price of any purchases of DSG shares within any six-month period, regardless of the order of the sale and purchase. Purchases and sales of derivative securities relating to DSG stock may be matchable against purchases and sales of DSG stock and other derivative transactions and any gain that results from such matching, or loss avoided that results from such matching, is recoverable by DSG. The grant of stock options and restricted stock awards by the Compensation Committee of our Board, as well as the exercise of stock options so granted, are generally exempt from Section 16(b).

Transactions by Family Members

Under DSG's policy, the same restrictions that apply to you also apply to your immediate family members and to others living in your household. Each employee is responsible for ensuring that each member of his or her immediate family complies with the terms of this policy. The term "immediate family" means your spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law or any other individuals residing in your home. In particular, transactions by your family members may be subject to Section 16(b) of the Securities Exchange Act of 1934 whether or not you were aware of those transactions.

Penalties for Insider Trading Violations

Insider trading violations are pursued vigorously by the Securities and Exchange Commission (the "SEC"), the U.S. Department of Justice and private litigants. The penalties for insider-trading-law violations are severe.

Individuals who trade on inside information (or tip information to others who then trade) are subject to:

1. The disgorgement of any profit gained or loss avoided;
2. A civil penalty of up to three times the profit gained or loss avoided;
3. A criminal fine (no matter how small the profit) of up to \$5 million; and
4. A jail term of up to 20 years.

Companies (as well as certain supervisory persons) who fail to take appropriate steps to prevent insider trading are also subject to:

1. A civil penalty of the greater of \$1 million or three times the profit gained or loss avoided as a result of the associate's violation;
2. A criminal penalty of up to \$25 million;
3. Injunctions or cease-and-desist orders prohibiting future violations; and
4. Irreparable loss of reputation.

Employees who violate DSG's Insider Trading Policy will be subject to appropriate disciplinary action up to and including dismissal. DSG may also refer potential violations of law to appropriate authorities.

Detection of Insider Trading Violations

The SEC and other regulatory authorities have increasingly sophisticated trading-surveillance techniques, so there is a strong likelihood that insider trading will be detected and prosecuted, even if it does not involve a great deal of money. In addition, the Insider Trading Protection Act contains certain bounty provisions that reward individuals who turn in violators of the insider trading laws. This added incentive makes it even more likely that insider trading will be discovered and punished.

Responsibility

Each DSG officer, employee and director is ultimately responsible for adhering to this Insider Trading Policy and avoiding improper transactions. If you have any questions at all about the propriety of a transaction, you should contact Rick Pufpaf before buying or selling DSG's securities.

SUBSIDIARIES OF THE COMPANY

Name	Jurisdiction of Incorporation
301 HW Opus Holdings, Inc. (conducting business as Gexpro Services)	Delaware
Gexpro Services Supply Chain Management (Shanghai) Co. Ltd.	China
GS Holdings Canada Inc.	Canada
GS Holdings Denmark ApS	Denmark
GS Holdings RE LLC	Delaware
GS Operating, LLC	Delaware
GS Operating Holding Hungary Kft. - Dissolved as of 5/22/2024	Hungary
GS Operating Magyarország Általános Kereskedelmi és Szolgáltató Kft	Hungary
GX Pro Opus, S. de R.L. de C.V.	Mexico
Heads and Threads, Inc.	Illinois
HIS Company, Inc.	Texas
Hisco Acquisition Subsidiary I, Inc.	Texas
Hisco International, Inc.	Delaware
HiscoCan Inc.	Ontario, Canada
HiscoMex, S.A. de C.V.	Mexico
Convertidora HiscoMex, S.A., de C.V.	Mexico
Instrumex Vertriebsgesellschaft für elektronische GmbH	Germany
Interworld Highway, LLC	New Jersey
Lawson Products, Inc.	Illinois
Lawson Products Canada Inc.	Canada
Lawson Products de Mexico, S.A. de C.V.	Mexico
MCS Rentals Holdings Limited	United Kingdom
MCS Test Group Limited	United Kingdom
MCS Test Holding Limited	United Kingdom
MCS Test Equipment Limited	United Kingdom
MCS Rentals Limited	United Kingdom
National Engineered Fasteners Inc.	Canada
Resolux ApS	Denmark
Resolux do Brazil Industria e Comercio Especializado em Energia Eolica Ltd.	Brazil
Resolux GmbH	Germany
Resolux Inc.	Iowa
Resolux India Private Limited	India
Resolux Turkey Ruzgar Turbinleri Elektrik Aksamlari Sanayi ve Ticaret Anonim Sirketi	Turkey
Resolux Windpower Technology (Tianjin) Co. Ltd.	China
S&S Automotive	Illinois
Soucie Salo Limited	Canada
Source Atlantic Limited	Canada
Tech Component Resources Pte. Ltd.	Singapore
Tech-Component Resources Sdn. Bhd.	Malaysia
TestEquity Acquisition LLC	Delaware
TestEquity Acquisition Holdings, LLC	Delaware
TestEquity de Mexico S. de R.L. de C.V.	Mexico
TestEquity Inc.	Canada
TestEquity LLC	Delaware
The Bolt Supply House Ltd.	Canada

Subsidiaries that in the aggregate are not considered significant to the consolidated results of the Company at the end of December 31, 2024 have been omitted.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated March 6, 2025, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of Distribution Solutions Group, Inc. on Form 10-K for the year ended December 31, 2024. We consent to the incorporation by reference of the said reports in the Registration Statements of Distribution Solutions Group, Inc. on Form S-3 (File No. 333-270678) and Forms S-8 (File Nos. 333-199243 and 333-231672).

/s/ GRANT THORNTON LLP

Dallas, Texas
March 6, 2025

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-270678) and Form S-8 (No. 333-199243 and 333-231672) of Distribution Solutions Group, Inc. of our report dated March 14, 2023, except for the effects of the Stock Split described in Notes 1 and 11, as to which the date is March 7, 2024, and Note 14, as to which the date is March 6, 2025, relating to the consolidated financial statements and financial statement schedule, which appears in this Annual Report on Form 10-K.

/s/ BDO USA, P.C.

Chicago, Illinois
March 6, 2025

**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 Annual Report on Form 10-K 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: March 6, 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 Annual Report on Form 10-K 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: March 6, 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 Annual Report of Distribution Solutions Group, Inc. (the “Company”) on Form 10-K for the period ending December 31, 2024 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.

March 6, 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)