LAWSON Products

Investor Presentation

Third Quarter 2018

Presenters: Michael DeCata, President & CEO
Ronald Knutson, EVP & CFO

USA: 866.LAWSON4U (866.529.7664) | Canada: 800.563.1717 | lawsonproducts.com

Lawson Products, Inc.

"Safe Harbor" Statement under the Securities Litigation Reform Act of 1995:

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. The terms “may,” “should,” “could,” “anticipate,” “believe,” “continues,” “estimate,” “expect,” “intend,” “objective,” “plan,” “potential,” “project” and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. These statements are based on management’s current expectations, intentions or beliefs and are subject to a number of factors, assumptions and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Factors that could cause or contribute to such differences or that might otherwise impact the business include: failure to retain a talented workforce including productive sales representatives; the inability of management to successfully implement strategic initiatives; failure to manage change; the ability to adequately fund our operating and working capital needs through cash generated from operations; the ability to meet the covenant requirements of our line of credit; disruptions of the Company’s information and communication systems; the effect of general economic and market conditions; inventory obsolescence; work stoppages and other disruptions at transportation centers or shipping ports; changing customer demand and product mixes; increases in commodity prices; violations of environmental protection regulations; a negative outcome related to tax matters; and, all other factors discussed in the Company’s “Risk Factors” set forth in its Annual Report on Form 10-K for the year ended December 31, 2017.

The Company undertakes no obligation to update any such factors or to publicly announce the results of any revisions to any forward-looking statements contained herein whether as a result of new information, future events or otherwise.

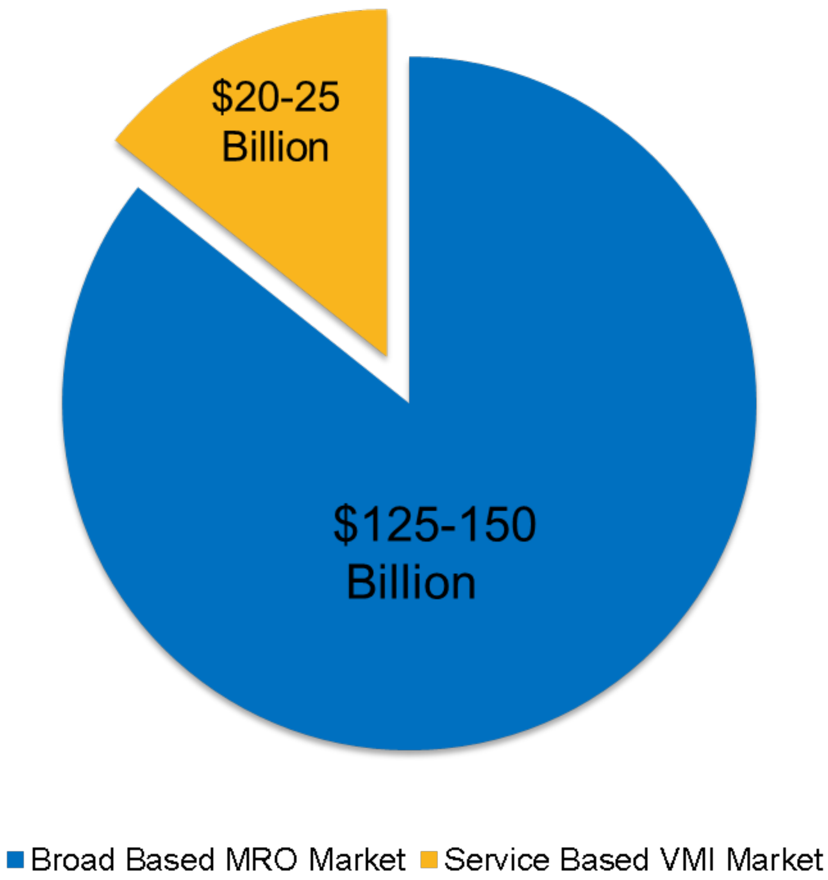
Lawson Products: At a Glance

- **Leading service based provider of consumables in MRO market**
- **Serves industrial, commercial, institutional and government markets in all 50 states, Canada, Mexico, Puerto Rico and the Caribbean**
- **Headquartered in Chicago, IL**
  - Strategically located distribution centers
  - Workforce ~1,600 (~ 1,000 sales reps)
- **Supplies a comprehensive line of products to the MRO marketplace**
- **VMI and private label drives high gross margins**

Fasteners	Cutting Tools	Chemicals	Hydraulics	Other
				

Competitive Advantages and Differentiators

"Not the Typical MRO Distributor"



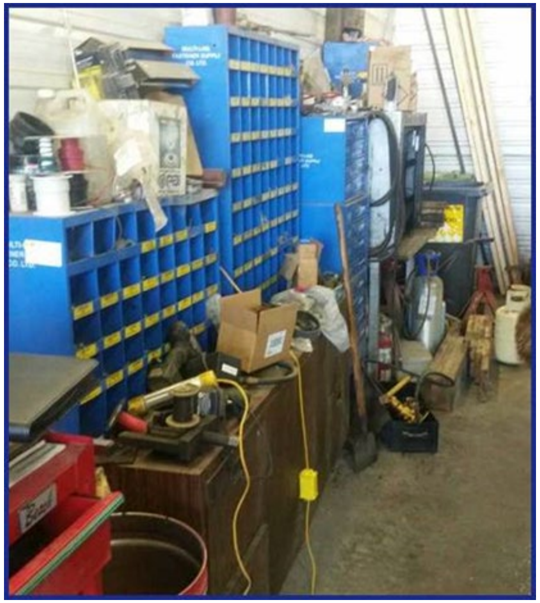
What differentiates Lawson:

- Service intensive "high touch" value proposition
- Vendor managed inventory or "keep fill"
- Deep product knowledge
- Broad geographic sales and service coverage throughout the US and Canada
- Leverage investments in sales team, facilities and technology to enable outstanding customer service
- Lowest total cost

Our Commitment to our 70,000+ Customers

High touch service and technical expertise drives customer relationships

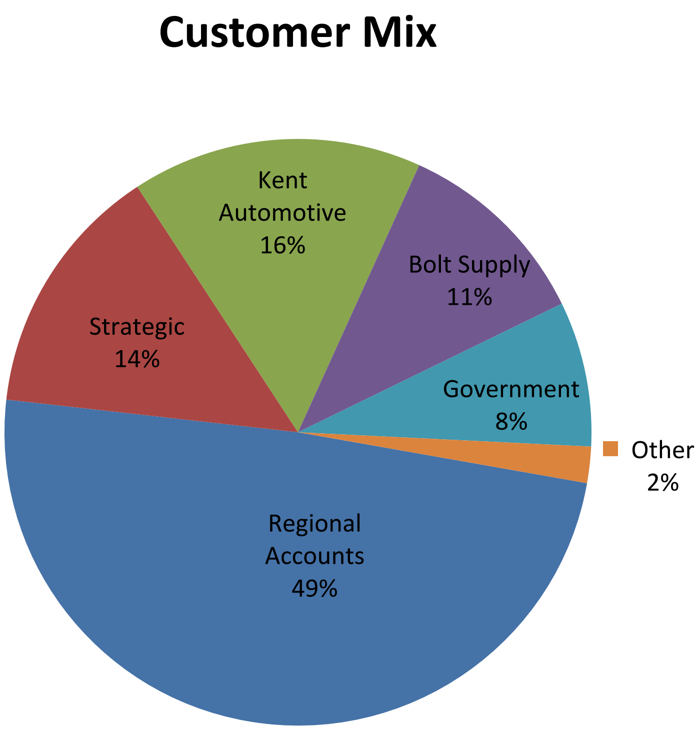
Before

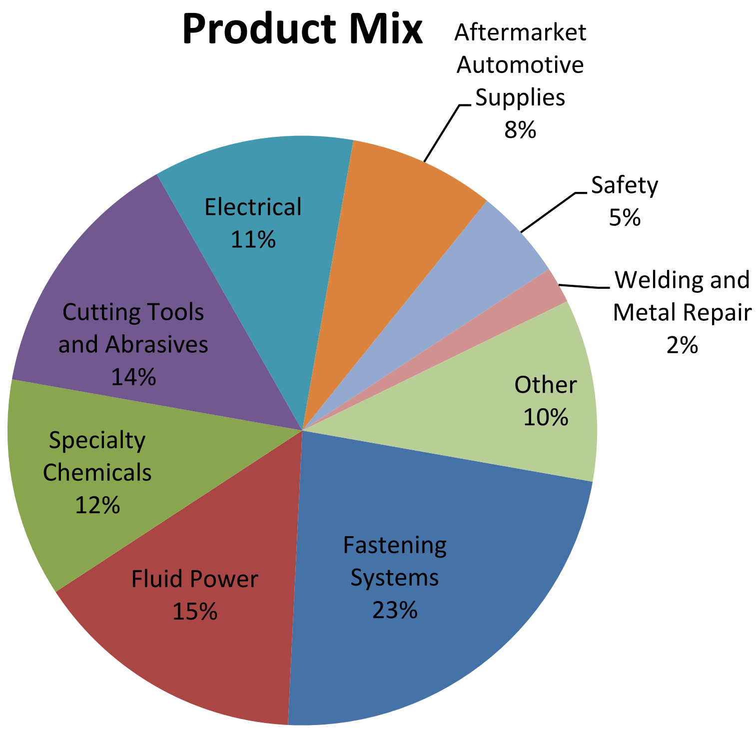


After

One Company, Zero Headaches	Inventory Management Options	Access to Industry Knowledge & Expertise
• Comprehensive line of products	• Lawson Managed Inventory	• Product recommendations from your Lawson Representative
• Hundreds of pre-built assortments	• Industrial vending	• Application advice from our test and application engineers
• Unlimited sourcing of hard-to-find items	• Self-service inventory management	• Complimentary on-site safety & product usage training

Customer and Product Profile





Lawson Growth Strategy

Sales Growth Driven By

Add New Sales Reps

Drive Sales Rep Productivity

Acquisitions

Foundational Support

ERP	Network Optimization	Sales Transformation	Lean Six Sigma	Website

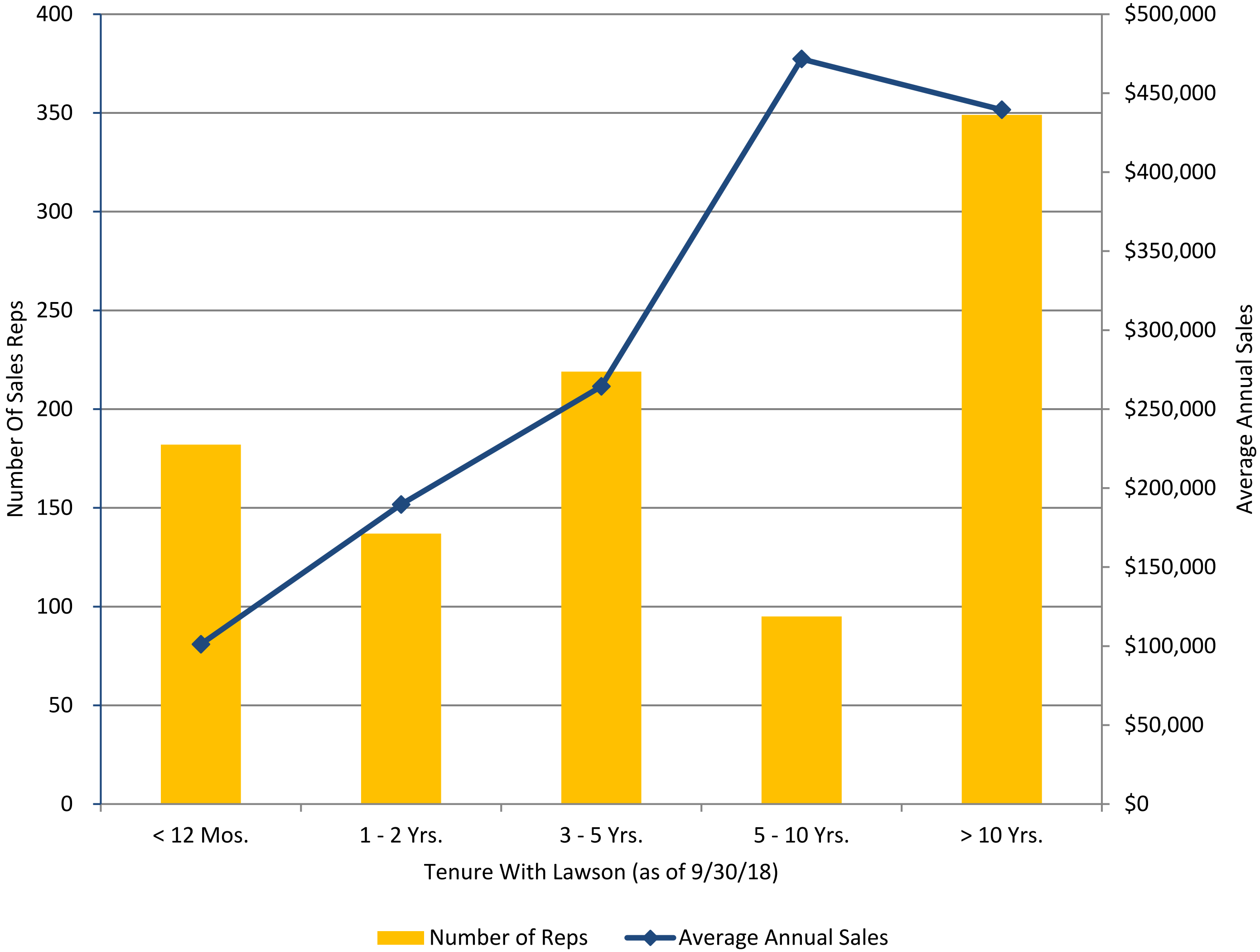
2018 Focus: Actions Across the Value Chain Driving Growth

Add New Sales Reps and Drive Rep Productivity

Sales Process / Sales Reps	Customer Service / Order Entry	Product Management / Pricing	DC Operations	Sourcing / Purchasing
• Increase sales rep count • Onboarding process/training • Sales Management dashboard • EDI with customers	• Reduction of cycle times • Order pad • Consolidation of shipments • Sales service reps	• Leverage vendor drop-ship programs • Fleet maintenance focus • Pricing enhancements • Website	• Reduce cycle time • Refine "Pull" strategy • Freight enhancements • Minimize backorders • Improve service levels • Forecasting tool	• Supplier negotiation process • Vendor metrics • Electronic communication

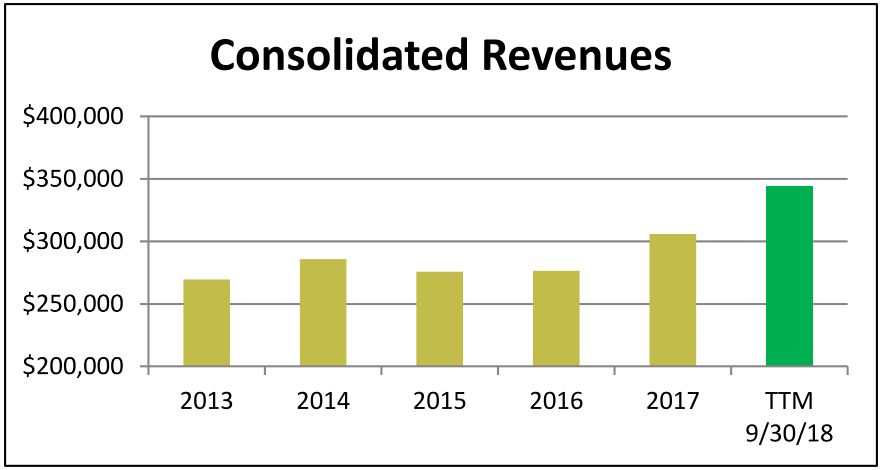
Information Technology – Integration of Web and SAP
Lean Six Sigma

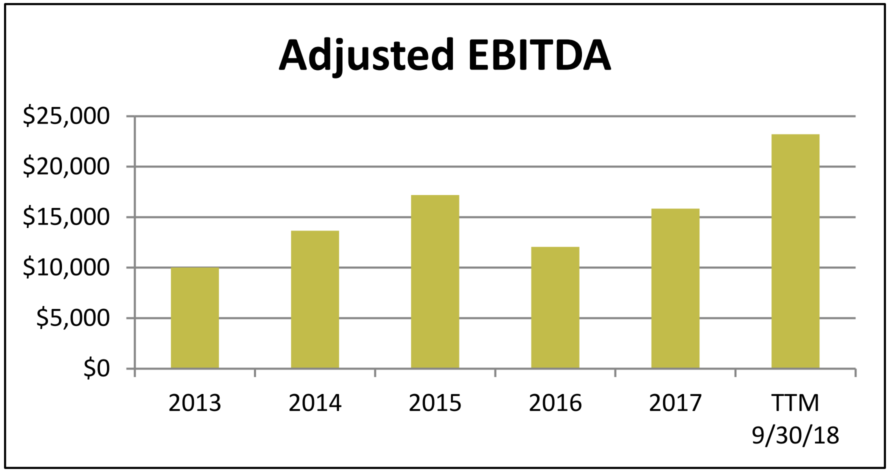
Longer Sales Rep Tenure Drives Rep Productivity

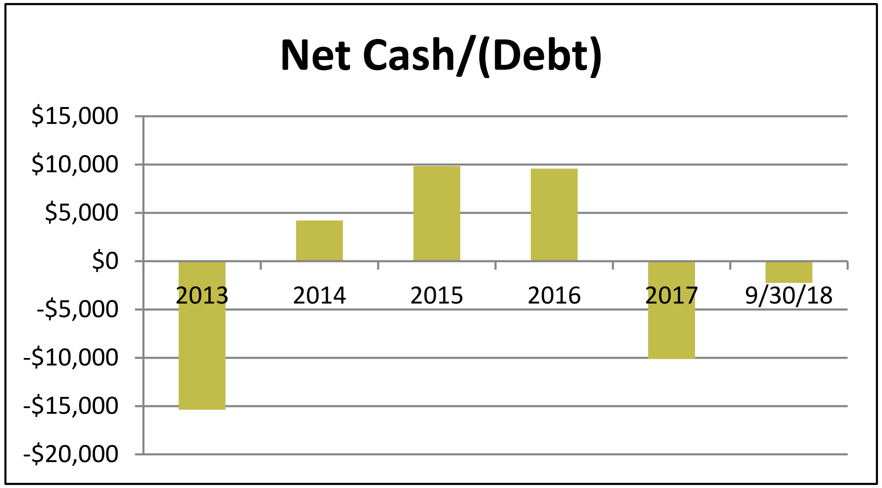


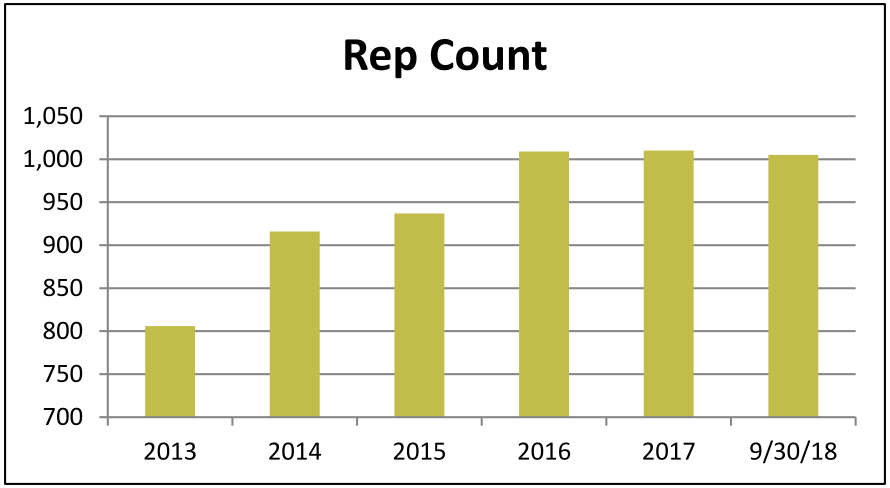
Historical Financial Performance

Recent sales growth and earnings expansion providing financial flexibility









Financial Highlights for Third Quarter 2018

- **Sales increased 17.0% YOY**

- **Strong gross margins**

- **Adjusted EBITDA margin improving**
  - ✓ 8.3% in Q3 2018 v. 7.2% in Q3 2017
  - ✓ Continued investment in new sales reps
  - ✓ Cost control measures in place

- **Continued expansion through acquisitions**
  - ✓ Acquired Screw Products in October 2018
  - ✓ Acquired Bolt Supply House in October 2017
  - ✓ Completed six acquisitions in the last 3 years

- **Strong balance sheet**
  - ✓ Significant capital investments completed to support growth
  - ✓ $40 million credit facility in place

Lawson Products: Poised for Growth

- **Leverage Current Infrastructure**
- **Continued Sales Growth**
- **Foundational Investments Completed**
- **Operational Excellence**
- **Large Fragmented Market**

For More Information

Contact:

Ronald J. Knutson
EVP, CFO
Investor Relations
(773) 304-5665
ron.knutson@lawsonproducts.com

And see our Website at
http://www.lawsonproducts.com/company-info/investor-relations.jsp

Appendices

Significant Activities

August 2011	➢Implemented SAP
October 2011	➢Commenced construction of new McCook, Ill distribution center
May 2012	➢Relocated corporate headquarters
June 2012	➢Restructured senior team. Announced $20M cost savings plan
August 2012	➢Transitioned packaging facility to McCook, Ill distribution center ➢Entered into new five-year $40M credit facility
October 2012	➢Announced new CEO and President, Michael G. DeCata ➢Consolidated Vernon Hills distribution center into McCook, Ill
November 2012	➢Rolled out new website to existing web customers
December 2012	➢Completed transition of U.S. independent agents to employees
April 2013	➢Roll-out of new website to new web customers
April/May 2013	➢McCook DC begins to ship customer orders
November 2013	➢Entered into sub-lease of headquarters space to generate $2.9M of future cash savings
December 2013	➢Ended year with over 800 sales reps – First increase in 8 years
February 2014	➢Closed on Automatic Screw Machine Products sale for net proceeds of $12.1M
June 2014	➢Entered into sale-leaseback of Reno distribution facility for net proceeds of $8.3M
December 2014	➢Ended year with over 900 sales reps
February 2015	➢Held North American sales meeting
September 2015	➢Completed West Coast Fasteners acquisition
March 2016	➢Completed Perfect Products of Michigan acquisition
May 2016	➢Completed F. B. Feeney acquisition
June 2016	➢Expanded sales team to over 1,000 sales reps
September 2016	➢Extended credit facitlity to August, 2020
November 2016	➢Completed Mattic Industries acquisition
March 2017	➢Consolidated Fairfield, NJ distribution operations into McCook, Ill and Suwanee, GA
May 2017	➢Sold Fairfield, NJ distribution center for a gain of $5.4M
October 2017	➢Completed Bolt Supply House acquisition
April 2018	➢Opened MRO distribution center in Calgary, Canada
October 2018	➢Completed Screw Products acquisition and added Bolt Supply branch

Regulation G – GAAP Reconciliation

Non GAAP Reconciliation of Adjusted EBITDA to Sales Percentage

The Company reports its financial results in accordance with U.S. generally accepted accounting principles (GAAP). However, the Company's management believes that certain non-GAAP financial measures may provide users of this financial information additional meaningful comparisons between current results and results in prior operating periods. Management believes that these non-GAAP financial measures can provide additional meaningful reflection of underlying trends of the business because they provide a comparison of historical information that excludes certain non-operational, non-recurring or intermittently recurring items that impact the overall comparability. See the table below for supplemental financial data and corresponding reconciliations to GAAP financial measures for quarterly adjusted EBITDA as a percentage of net sales. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, the Company's reported results prepared in accordance with GAAP.

($ in thousands)	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018
Net Sales	$ 70,199	$ 67,315	$ 74,617	$ 75,006	$ 75,651	$ 80,633	$ 84,459	$ 90,382	$ 88,530
Operating Income (Loss)	2,389	(5,044)	712	7,891	1,090	243	1,837	5,554	(2,266)
Depreciation & Amortization	1,973	1,680	1,705	1,644	1,591	1,830	1,686	1,679	1,755
EBITDA	4,362	(3,364)	2,417	9,535	2,681	2,073	3,523	7,233	(511)
Excluded Costs									
Severance	367	1,662	465	(9)	139	144	628	64	31
Stock Based Compensation (Benefit)	(630)	3,801	(30)	415	2,337	384	970	87	7,637
Acquisition Related Costs	178	120	-	-	286	425	-	-	168
Loss/(Gain) on Disposal of Property	-	-	-	(5,422)	-	-	-	-	-
Lease termination gain	-	-	-	-	-	-	-	(164)	-
Discontinued operation accrual	-	-	-	-	-	-	-	529	-
Adjusted EBITDA	$ 4,277	$ 2,219	$ 2,852	$ 4,519	$ 5,443	$ 3,026	$ 5,121	$ 7,749	$ 7,325
Adjusted EBITDA % of Sales	*6.1%*	*3.3%*	*3.8%*	*6.0%*	*7.2%*	*3.8%*	*6.1%*	*8.6%*	*8.3%*

Quarterly Results

	(Dollars in thousands) Three Months Ended				
	Sep. 30 2018	Jun. 30 2018	Mar. 31 2018	Dec. 31 2017	Sep. 30 2017
Average daily net sales	$ 1,405	$ 1,412	$ 1,341	$ 1,322	$ 1,201
Year over year increase	17.0%	20.5%	15.0%	17.8%	9.5%
Sequential quarter increase (decrease)	(0.5%)	5.3%	1.4%	10.1%	2.5%
Net Sales	$ 88,530	$ 90,382	$ 84,459	$ 80,633	$ 75,651
Gross profit [1]	48,108	49,131	46,218	46,993	46,005
Gross profit percentage [1]	54.3%	54.4%	54.7%	58.3%	60.8%
Selling, general & administrative expenses	$ 50,374	$ 43,577	$ 44,381	$ 46,750	$ 44,915
Operating income (loss)	$ (2,266)	$ 5,554	$ 1,837	$ 243	$ 1,090

(1) Reflects the adoption of ASC 606 effective January 1, 2018 including the reclassification of $3.4 million, $3.1 million, and $3.5 million of selling expense as a reduction of gross profit in the three months ended September 30, 2018, June 30, 2018 and March 31, 2018, respectively.

Consolidated Balance Sheet

	September 30, 2018		December 31, 2017	
ASSETS				
Current assets:				
Cash and cash equivalents	$	7,663	$	4,416
Restricted cash		800		800
Accounts receivable, less allowance for doubtful accounts of $445 and $476, respectively		43,561		38,575
Inventories, net		51,154		50,928
Miscellaneous receivables and prepaid expenses		5,077		3,728
Total current assets		108,255		98,447
Property, plant and equipment, net		24,535		27,333
Deferred income taxes		20,457		21,248
Goodwill		19,114		19,614
Cash value of life insurance		13,360		11,964
Intangible assets, net		10,901		11,813
Other assets		339		248
Total assets	$	196,961	$	190,667
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Revolving lines of credit	$	9,918	$	14,543
Accounts payable		16,332		12,394
Accrued expenses and other liabilities		38,583		33,040
Total current liabilities		64,833		59,977
Security bonus plan		12,876		12,981
Financing lease obligation		5,524		6,420
Deferred compensation		6,107		5,476
Deferred rent liability		2,081		3,512
Deferred tax liability		3,073		3,115
Other liabilities		4,445		5,696
Total liabilities		98,939		97,177
Stockholders' equity:				
Preferred stock, $1 par value:				
Authorized - 500,000 shares, issued and outstanding — None		---		---
Common stock, $1 par value:				
Authorized - 35,000,000 shares				
Issued - 8,952,918 and 8,921,302 shares, respectively				
Outstanding - 8,919,644 and 8,888,028 shares, respectively		8,953		8,921
Capital in excess of par value		14,989		13,005
Retained earnings		74,738		71,453
Treasury stock – 33,274 shares		(712)		(712)
Accumulated other comprehensive income		53		822
Total stockholders' equity		98,022		93,490
Total liabilities and stockholders' equity	$	196,961	$	190,667