

# DSG

DISTRIBUTION  
SOLUTIONS GROUP

Powerful Solutions. Proven Results.

NASDAQ: DSGR

## 16th Annual Southwest IDEAS Conference

*November 21, 2024*



# Disclaimers

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

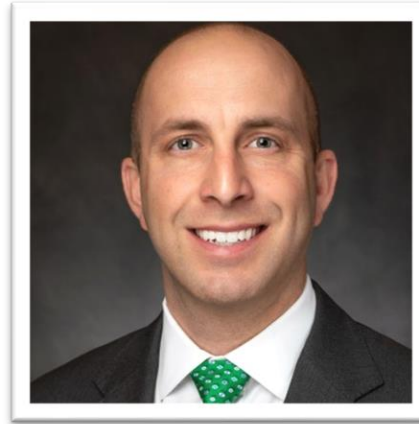
Forward-looking statements can also be identified by the fact that they do not relate strictly to historical or current facts. Such forward-looking statements are based on current expectations and involve inherent risks, uncertainties and assumptions, including factors that could delay, divert or change any of them, and could cause actual outcomes to differ materially from current expectations. DSG can give no assurance that any goal or plan set forth in forward-looking statements can be achieved and DSG cautions readers not to place undue reliance on such statements. DSG undertakes no obligation to release publicly any revisions to forward-looking statements as a result of new information, future events or otherwise. Each forward-looking statement speaks only as of the date on which such statement is made, and DSG undertakes no obligation to update any such statement to reflect events or circumstances arising after such date. Actual results may differ materially from those projected as a result of certain risks and uncertainties. Factors that could cause or contribute to such differences or that might otherwise impact DSG's business, financial condition and results of operations include the risks that DSG may encounter difficulties integrating the business of DSG with the business of other companies that DSG has combined with or may otherwise combine with and that certain assumptions with respect to such business or transactions could prove to be inaccurate. Certain risks associated with DSG's business are also discussed from time to time in the reports DSG files with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K or other reports the Company may file from time to time with the Securities and Exchange Commission, which should be reviewed carefully.

## Non-GAAP Financial Measures, SEC Regulation G GAAP Reconciliations

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

# Presenters

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**Brett Scarbrough**

*Vice President, Strategy &  
Investor Relations  
DSG*

# Leading Specialty Industrial Distribution Platform



## MRO Focus

## OEM Focus

## Industrial Technologies Focus

### VMI Focus

### Canadian Branch Focus

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

Leading wholesale distributor of MRO supplies, safety products, fasteners, and services to the Canadian MRO market

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

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

~25% of Sales<sup>1</sup>

~13% of Sales<sup>1</sup>

~22% of Sales<sup>1</sup>

~40% of Sales<sup>1</sup>

## TTM Financial Highlights

**\$1.92Bn<sup>1</sup>**

Adjusted Revenue

**~9.1%<sup>1</sup>**

Adjusted EBITDA %

**\$150M+**

Adj. Free Cash Flow<sup>2</sup>

## Fly-by Operating Stats

**40+**

Countries Served

**190k**

Customers

**500k+**

Unique SKU's

(1) TTM as of September 30, 2024. Adjusted Revenue and Adjusted EBITDA results are presented on an Adjusted (Non-GAAP) and continuing operations basis. Information inclusive of Other Acquisition results prior to the acquisition date. See appendix for reconciliations of all GAAP to Non-GAAP measures.  
 (2) Defined as Reg G EBITDA less Reg G cash items, less capex, plus/minus change in inventory, accounts receivable & accounts payable divided by Reg G EBITDA.

# Attractive Attributes of *Specialty* Distributors

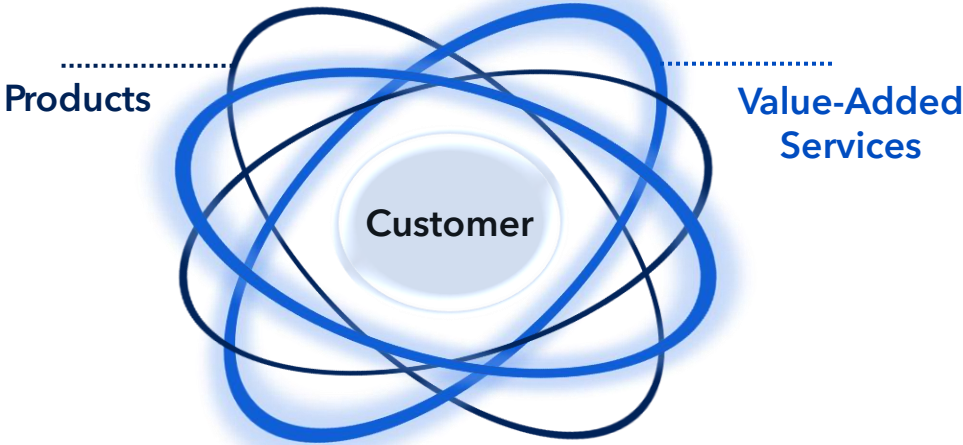
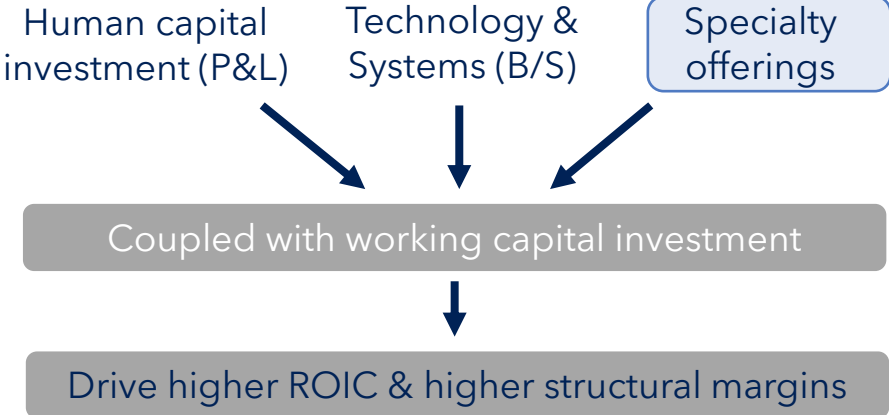
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- ✓ Business model that extends beyond conventional distribution - **repeatedly demonstrating a clear, differentiated value proposition for customers**
- ✓ **Fortified competitive moat** created by robust technical knowledge, extensive service capabilities, and/or sourcing of complex, scarce products
- ✓ Ability to **rapidly and consistently scale** through organic and inorganic investments
- ✓ Large **consolidation opportunity** driven by **fragmentation** of niche product & service offerings
- ✓ **Diversification** across various dimensions, including customers, suppliers, end markets, and geographies in a **large multi-trillion dollar marketplace**
- ✓ **Resilient through business cycles** via asset light model and working capital rationalization



# Value-Added Capabilities Drive Returns

## Specialty Distribution Model



## Value-Added Offerings...Create High Customer Retention



**Vendor Managed Inventory ("VMI")**



**Customized Supply Chain Solutions**



**Kitting / Labeling / Packaging**



**Fabrication / Repair / Service**

# Cross-Company Collaboration

*The Power of Three*



## Main Assembly



Hydraulics



Fasteners



Chemicals



Fabrications



Hardware



Electrical

Comprehensive product solutions supported by robust suite of value-added services

- VMI Management
- Manufacturing & Assembly
- Labeling & Printing
- Slitting & Die Cutting
- Packaging & Kitting
- Value Engineering
- Chemical Management
- Calibration & Repair

## R&D Lab



Environmental Chambers



Oscilloscopes



Electrical Analyzers

## Electronics Assembly



Solder Wire



Cases & Tools



Benches & Workstations

## Maintenance Shop



Safety



Cutting & Abrasives



Shop Supplies



# DSG Delivers a Unique & Attractive Specialty Distribution Platform



## Strong, Sticky Role in the Value Chain

### Customer-Embedded

Via value-added, best-in-class services

### >92% Revenue Retention<sup>1</sup>

Providing long-term stability



## Significant Customer, Supplier & End Market Diversity

### Serve 10+ Industries

Catering to 190,000+ customers up and down the value chain

### 7,000+ Suppliers

None >6% of Purchases



## Attractive, Accretive Returns on Incremental Capital

### 110+ bps Adjusted EBITDA % ↑

8.0%<sup>2</sup> pre-merger (2021) to ~9.1% TTM as of September 30, 2024

### ~28% Current RONWC<sup>3</sup>

Targeting 50+% with margin expansion and increased NWC efficiency



## Dual Pronged Growth Strategy

### End markets with long-term strong tailwinds

### 10 Strategic Acquisitions<sup>4</sup>

Completed since 2022; Purchase price range from 4.7x - 9.4x (weighted 8.8x)

- 1) Revenue decrease from lost customers over the trailing twelve-month period over revenue at the beginning of the same period.
- 2) Inclusive of Lawson Products results Pre-April 1, 2022 Merger Date.
- 3) RONWC calculated as Adjusted EBITDA divided by current trade Net Working Capital (Accounts Receivable plus Inventory less Accounts Payable).
- 4) Includes 2 acquisitions completed in Q1 2022 post merger announcement but pre-close and 8 acquisitions completed post merger.



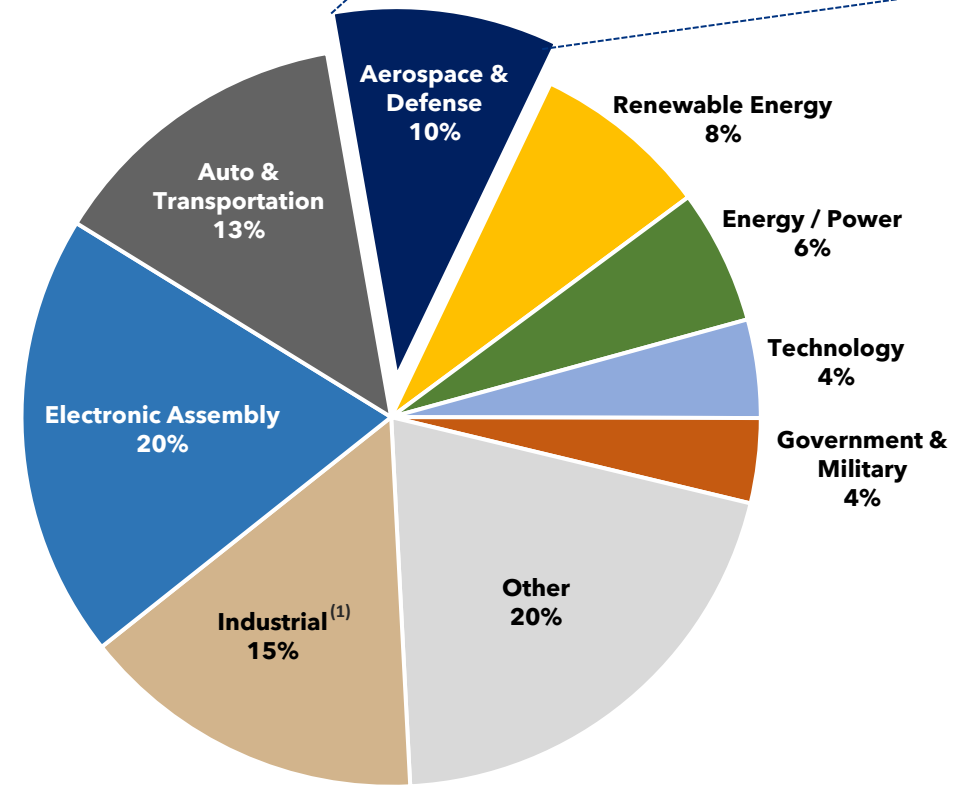
# DSG Serves a Broad & Diverse Set of End Markets

## Spotlight: Revenue and End Market Diversification

**>190,000 customers  
in a robust set of end markets**

- ✓ Sticky customer relationships
- ✓ Diverse demand drivers
- ✓ World class global supply chain capabilities across the platform
- ✓ Servicing the full life cycle of customers within various end markets

A&D Industry - example of how DSG serves customers up and down the value chain within various end markets:  
**R&D** - TE | **OEM** - GS/TE/Hisco | **MRO** - Lawson/Hisco



# Value Creation Themes

## Spotlight: Embedded Growth Opportunities

### Leverage Platform Across Customer Base

Unique total customer value proposition



Monetize distinct capabilities across the platform



Collaborative selling across customer base



Expand digital capabilities across the platform

### Strong Secular Tailwinds



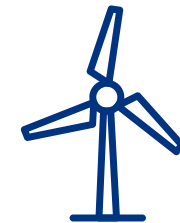
Onshoring /  
Nearshoring



Infrastructure  
(CHIPS Act)



Tech /  
Digitalization (IoT)



Renewables

*...and increasing supply chain complexity across many sectors*

# MRO Focus: Overview

## Business Unit Snapshot

**MRO Focus**

**38%** of Total Revenue

**OEM Focus**

**Industrial Technologies Focus**



### MRO - Lawson Products

- **History:** 72+ years in business (Founded 1952)
- **Office HQ:** Chicago, IL
- **TTM 9/30 Revenue:** \$742M
- **Focus:** Vendor managed inventory approach providing high-touch, MRO

#### Products



- Fasteners
- Chemicals
- Cutting tools
- Hydraulics
- Other broad offerings and C-Parts
- Safety

#### Services



- Managed inventory
- Industrial vending
- Self-service inventory management
- Product recommendations
- Application advice

#### Value to Customer



- "One-stop shop"
- Deep product knowledge
- Reducing supply chain costs
- Purchasing leverage / private label offering with consistent delivery

#### End Markets



- Manufacturing
- Automotive
- Government / Military
- Construction
- Equipment rental
- Other industrial-related sectors

#### Geography



- United States
- Canada

# OEM Focus: Overview

## Business Unit Snapshot

MRO Focus

OEM Focus

22% of Total Revenue

Industrial Technologies Focus



### OEM - Gexpro Services

- **History:** 28+ years in business (carved out of Rexel in '20)
- **Office HQ:** Irving, Texas
- **TTM 9/30 Revenue:** \$415M
- **Focus:** Global supply chain solutions and manufacturing services

### Comprehensive Supply Chain Solutions



Vendor Managed Inventory (VMI)



Kitting & Assembly



Aftermarket / Installation



Technology

### Diverse End Markets



Renewables



Technology



Aerospace & Defense



Industrial Power



Consumer & Industrial



Transportation

### Serving Customers in 40 Countries and 6 Continents

USA  
Canada  
Mexico

Denmark  
Hungary  
Germany

Turkey  
China  
Brazil

...and Many Others



# Industrial Technologies Focus: Overview

## Business Unit Snapshot

MRO Focus

OEM Focus

Industrial Technologies Focus **40%** of Total Revenue

### TestEquity

- **History:** 53+ years in business (Founded 1971)
- **Office HQ:** North Richland Hills, Texas
- **TTM 9/30 Adj. Revenue:** \$771M
- **Focus:** T&M equipment and electronic production supplies serving OEM customers



### Hisco (Acquisition)

- **History:** 54+ years in business (Founded 1970)
- **Office HQ:** Houston, Texas
- **Focus:** Specialty (adhesives, chemicals, electronic) industrial supplies distribution & manufacturing



### Products



- Electronic Production Supplies
- Test & Measurement Instrumentation
- Environmental Test Chambers
- Chemicals & Adhesives
- Labels and Printing

### Services



- VMI
- Calibration
- Chemical Management
- Asset Management
- Rentals

### Value to Customer



- Highly technical knowledge
- "Total Lifecycle Support" T&M offering
- Omni-channel availability for customer
- Private label & branded offerings
- VMI & value-add mfg

### End Markets



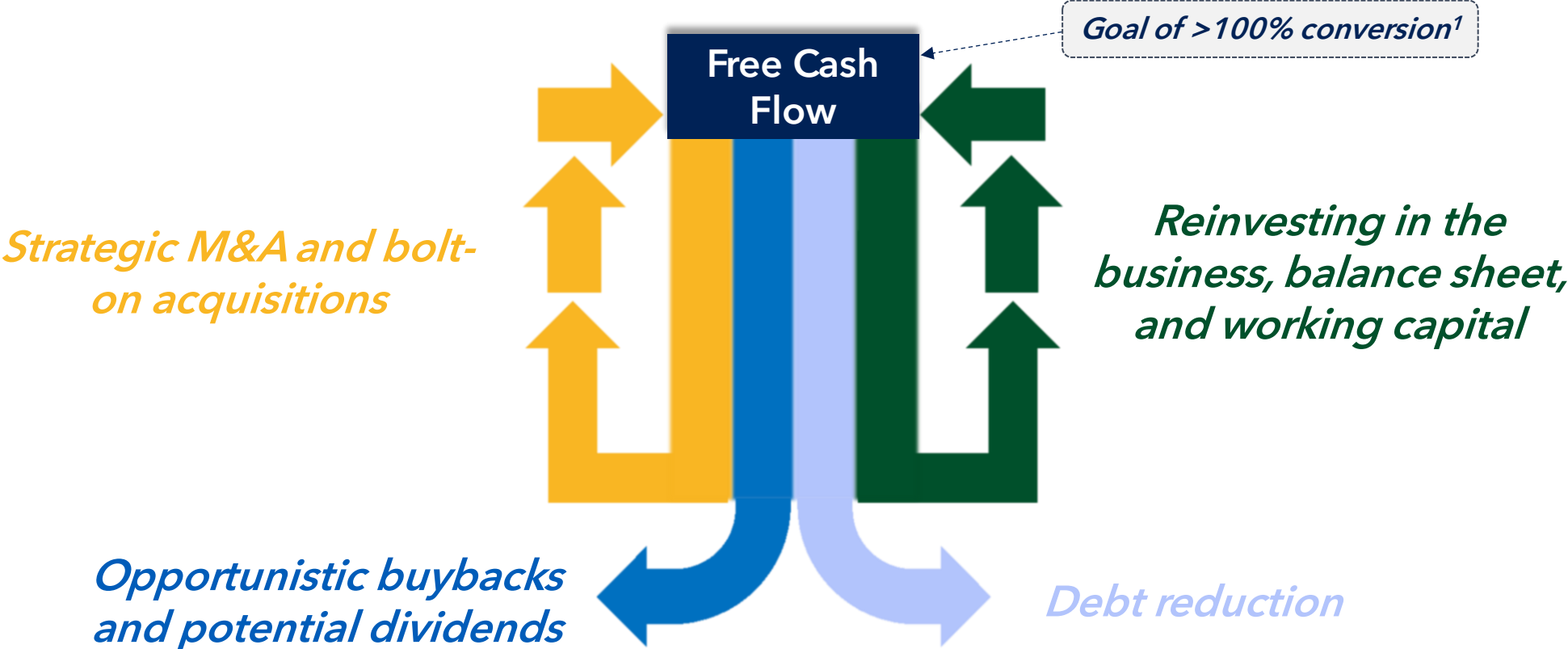
- Aerospace & Defense
- Automotive
- EDU
- Technology
- OEM
- Medical

### Geography



- United States
- Canada
- Mexico & Central America
- UK
- Western Europe

# Compounding Effect of Cash Flow Reinvestment



*Disciplined Capital Allocation Framework with a Healthy Competition for Capital*

(1) Defined as Reg G EBITDA less Reg G cash items, less capex, plus/minus change in inventory, accounts receivable & accounts payable divided by Reg G EBITDA.



## Acquisition Criteria

**Unique customer value proposition**

**Strong organic growth and potential for scale in attractive end markets**

**Synergistic across the platform while driving higher structural margins**

**A clear integration thesis to unlock targeted value-enhancement levers**

**Prioritizing North American footprint**



### MRO Focus

- Product offering expansion in safety, cutting tools, automotive, and fluid power categories
- Leverage current VMI offering across acquired company's customer base
- Augment current go-to-market model with technical product/service specialists
- Expand manufacturing customer presence especially in the US and Canada
- Other focus areas include private label and eCommerce



### OEM Focus

- Expansion of fasteners, fabrication, electricals, mechanicals, & gasket/seals/o-ring products
- Strengthen value proposition with strategic sourcing, VMI offering, specification engineering resources, and manufacturing capabilities
- Complementary technology solutions including eCommerce, WMS, AI, etc.
- End market focus: Aerospace & Defense, Industrial Power, Renewables, Technology in North America, Europe, and SE Asia



### Industrial Technologies Focus

- Distribution: EPS & T&M, with emphasis on acquiring companies with strong technical sales force
- Calibration: Adding this capability to RFID asset management service offering provides very sticky customer relationships and "final brick in moat"
- Used/Rental: Capital intensive, high margins, sticky customer relationships
- Geographic expansion focus in US, Western Europe and Canada

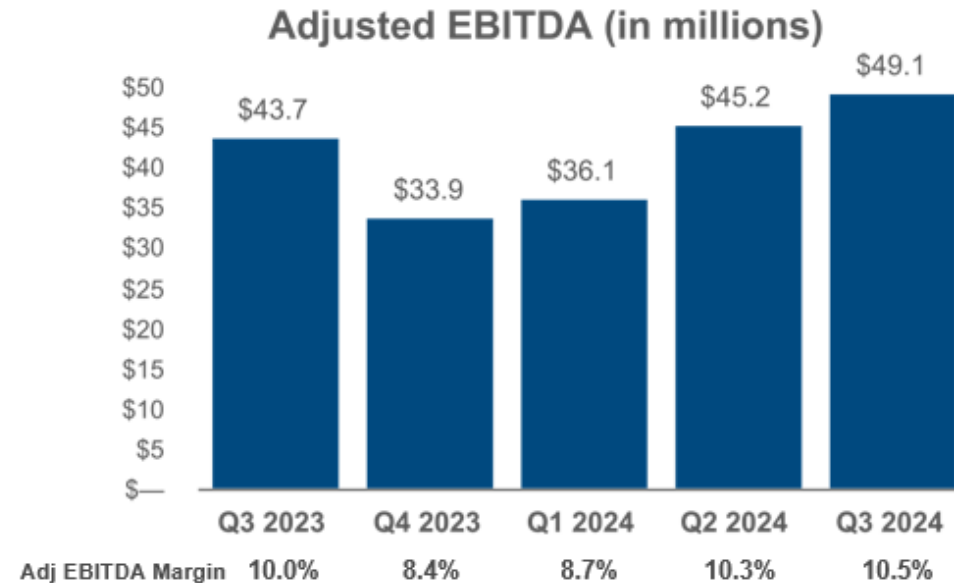
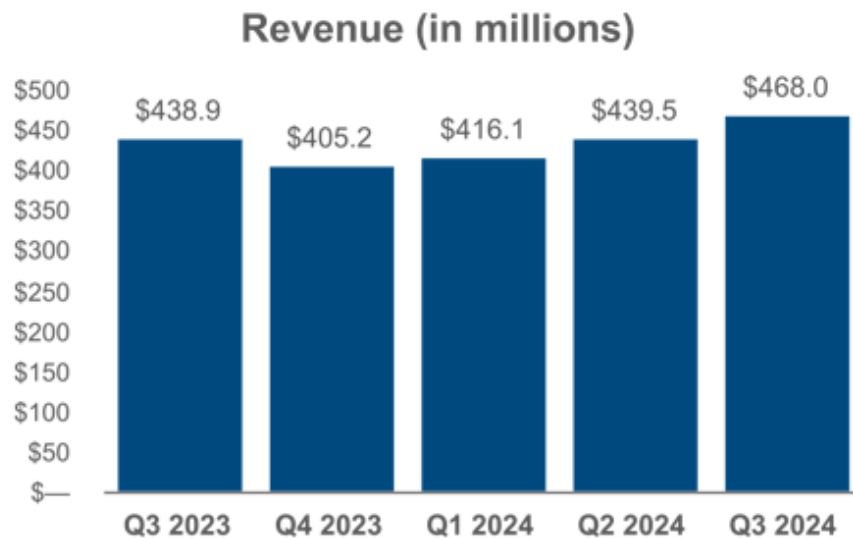
# M&A Focus Areas

				
Expand	<b>Product Offering</b>	Safety, Cutting Tools, Automotive, Fluid Power, Fasteners, Welding	Fasteners, Fabrication, Electricals, Mechanicals, Gaskets/Seals/O-Rings, Hose Assemblies	Electronic Production Supplies Test & Measurement Calibration
	<b>Geographic Coverage</b>	United States Canada Mexico	North America Europe SE Asia	United States Western Europe Canada
	<b>End Market</b>	Manufacturing Infrastructure Transportation Forestry	Aerospace & Defense Industrial Power Renewables Technology	Aerospace & Defense OEM Medical / Life Sciences Education
Enhance	<b>Value-Added Services / Capabilities</b>	VMI Technical Sales Resources Product Specialists Training	VMI Field Installation Specification Engineering	Calibration Fabrication Printing
	<b>Technology &amp; Sales Channels</b>	E-Commerce Inside Sales	E-Commerce Integrated Technology (e.g., AI, WMS, EDI, data analytics)	New/Used Rentals Digital



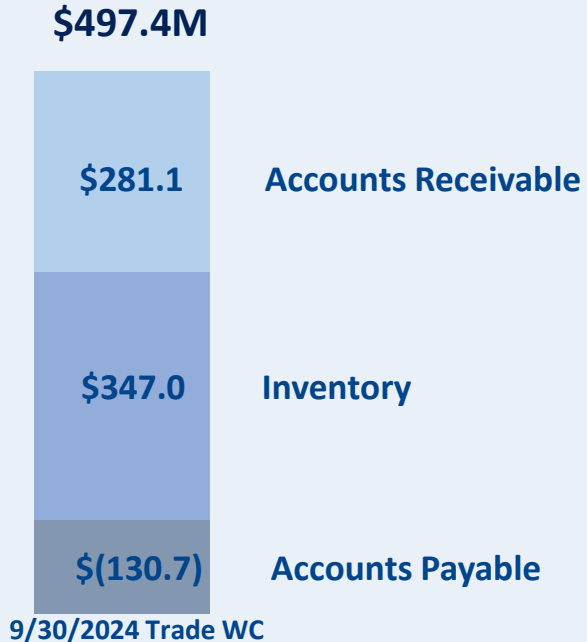
# Q3 2024 Consolidated Financial Highlights

- ✓ Q3 revenue of \$468.0M; up \$29.1M or 6.6% due to three acquisitions closed in 2024. While organic sales declined 2.1% over a year ago, organic sales grew 0.2% over the second quarter of 2024.
- ✓ Q3 adjusted EBITDA of \$49.1M or 10.5% of sales compared to \$43.7M or 10.0% in the prior year quarter; up \$3.9M or 20bps from 10.3% of sales in the second quarter of 2024. As expected the acquisition of Source Atlantic compressed margins by ~20bps in Q3.
- ✓ Diluted income per share was \$0.46 for the quarter inclusive of a \$0.40 tax benefit based on the anticipated effective tax rate for the full year compared to diluted loss per share of \$0.03 in the year-ago quarter. Non-GAAP adjusted diluted earnings per share was \$0.37 compared to \$0.35 for the same period a year ago and \$0.40 for the second quarter of 2024.
- ✓ Ended the third quarter with net debt leverage of 3.7x which includes impact of the acquisitions of ESS, S&S Automotive and Source Atlantic; ended the quarter with \$76M of cash and approx. \$252M of availability under revolving credit facility.



# Other Financial Highlights

## Robust Net Working Capital Investment



High returns realized on working capital investments

## Focus on Deleveraging via Earnings Growth and Free Cash Flow Generation

**3.6x**

Leverage<sup>(1)</sup> at April 1, 2022 Merger Close



**3.7x**

Leverage<sup>(1)</sup> as of September 30, 2024

Inclusive of 7 acquisitions post-April 2022 merger with cash portion of purchase price of ~\$430M

## Total Liquidity

~\$328 M




September 30, 2024 Liquidity<sup>(2)</sup>

- TTM Free Cash Flow Conversion of ~90%<sup>(3)</sup>
- TTM ROIC of ~10%<sup>(4)</sup>

(1) As defined under DSG's credit agreement.  
 (2) Inclusive of restricted & unrestricted cash position and availability under credit facility.  
 (3) Defined as Reg G EBITDA less Reg G cash items, less capex, plus/minus change in inventory, accounts receivable & accounts payable divided by Reg G EBITDA.  
 (4) Defined as adjusted net operating profit after tax (NOPAT) divided by invested capital (current assets plus property, plant and equipment (net), rental equipment (net), goodwill, intangible assets (net), and other assets less cash and cash equivalents, accounts payable, accrued expenses and other current liabilities and goodwill related to the April 2022 DSG merger).

# Highly Aligned Leadership / Governance

**DSG**  **J. Bryan King**  
*DSG Chairman & CEO*  
*LKCM HW Managing Partner*

 **Ron Knutson**  
*EVP and CFO*  
*Lawson and DSG*

**LKCM HEADWATER INVESTMENTS**  
*Dedicated LKCM Headwater team investing significant time, resources and well aligned capital*

**LAWSON PRODUCTS**

**GEXPRO SERVICES**

**TESTEQUITY GROUP**



**Cesar Lanuza**  
*CEO*



**Bob Connors**  
*CEO*



**Russ Frazee**  
*CEO*

M&A playbook led by a first-class, in-house corporate development team

Independent & diverse Board of Directors providing strategic direction

*Supported by a base of over 4,300 employees*

# LKCM Headwater Introduction



- Private, employee-owned SEC-registered investment advisor
- Founded in 1979 with over 73 investment and other professionals
- \$29.0 billion of assets under management (9/30/2024)
- C-corp with 45 years of retained earnings
- Primarily long-term, long-equity strategies for individuals and families
- LKCM, investment team & affiliates are collectively the firm's largest client



- Private investment arm of LKCM
- Over 100 years of collective experience & more than 100 businesses in the distribution space
- LKCM, investment team and affiliates are collectively the largest investor (~1/3 of capital)
- Engaged group of over 100 retired and active operating executives that are investors in the partnerships and willingness to lean into engagements to improve value within the portfolio
- More than \$2.1 billion of committed private capital



## SIGNIFICANT PRIVATE COMPANY DISTRIBUTION EXPERIENCE

CURRENT

**ERIKS** **LewisGoetz** **CNC**

- LG - Leading distributor of fabricated hose, gaskets and belting for specialized and mission-critical applications
- ESP - Value-added provider of mission-critical sealing solutions to diverse end markets
- CNC - Leading provider of flow control solutions to the energy industry

**Gexpro Services**

- Value-added distributor specializing in designing and implementing supply chain solutions / VMI for OEM customers

**BUILDING CONTROLS & SOLUTIONS**

- Leading provider of building automation, controls and gas detection solutions for the commercial buildings market

**relevant.**

- Value-added instrumentation, controls, automation and rotating equipment distributor with engineering and service capabilities

**TESTEQUITY**

- Largest North American specialty distributor of electronic production supplies and T&M equipment

**BEARC-M**

- North America's leading value-added distributor and service provider of mission-critical communication solutions

**GSMS**

- High growth value-added distributor, packager and re-packager of generic pharmaceuticals

**IDG**  
Industrial Distribution Group

- Provider of supply chain solutions and distributor of indirect materials primarily to manufacturers

**Rawson**

- Leading value-added instrumentation and valve distributor based in the Gulf Coast

FORMER



# Questions?

Visit our websites for more information

[www.lawsonproducts.com](http://www.lawsonproducts.com)

[www.testequity.com](http://www.testequity.com)

[www.gexproservices.com](http://www.gexproservices.com)

[www.lkcmheadwater.com](http://www.lkcmheadwater.com)

[www.distributionsolutionsgroup.com](http://www.distributionsolutionsgroup.com)



# Investor Contacts



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# Appendix

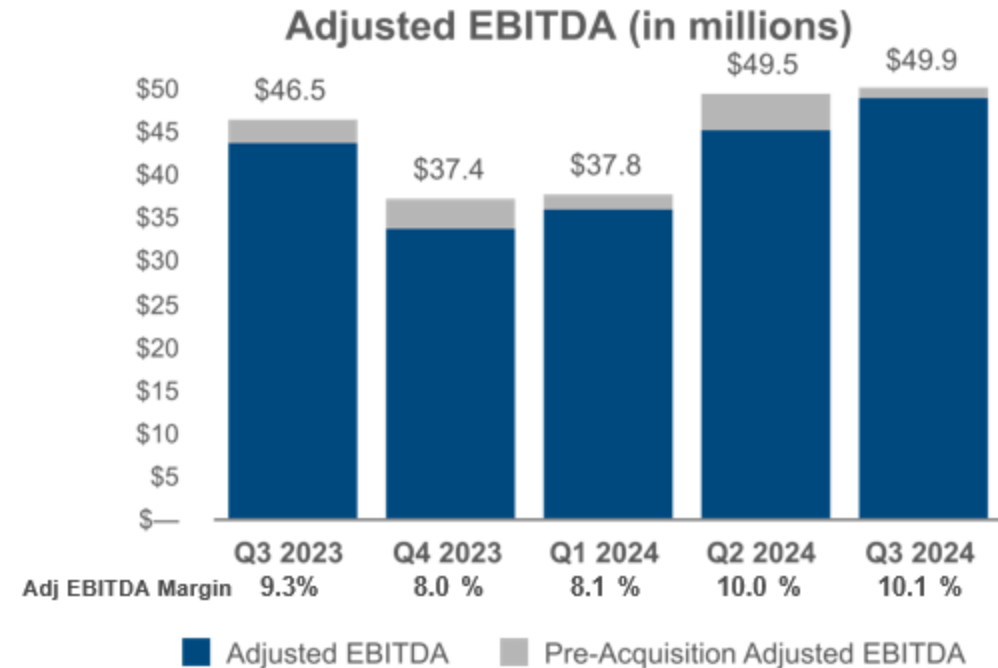
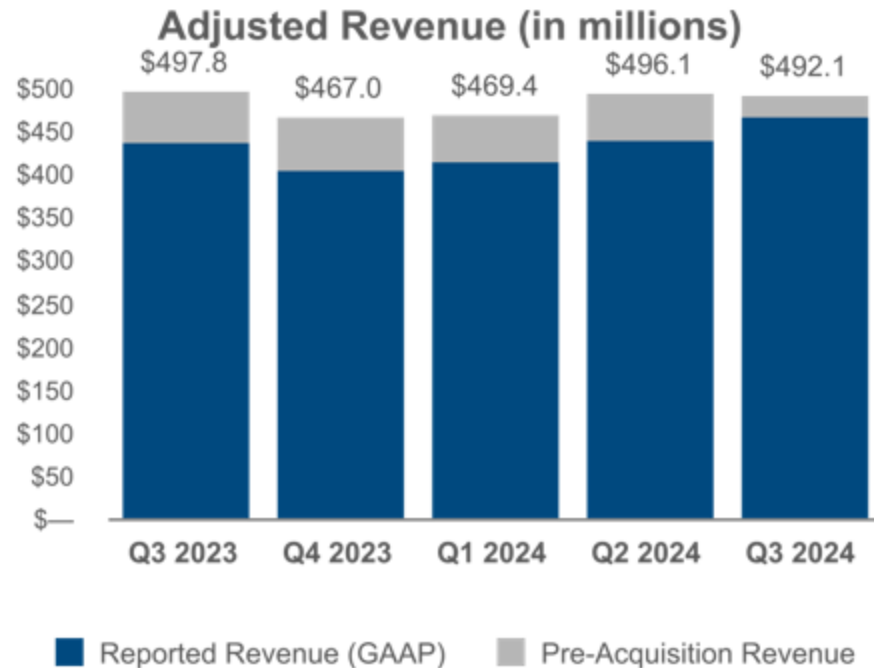
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# Q3 2024 Consolidated Financial Highlights

## Results Inclusive of Pre-Acquisition Results

- ✓ Adjusted Revenue and adjusted EBITDA below include the reported GAAP results and the pre-acquisition results of other businesses that were acquired at any time during the Q3 2023-Q3 2024 period.





# GAAP to Non-GAAP Reconciliations

## Q3 Revenue and Adjusted EBITDA Reconciliation (\$000s)

(Unaudited)

Quarter Ended	Lawson Products		Gexpro Services		TestEquity		Canada Branch Division		All Other		Eliminations		Consolidated DSG	
	Q3 2024	Q3 2023	Q3 2024	Q3 2023	Q3 2024	Q3 2023	Q3 2024	Q3 2023	Q3 2024	Q3 2023	Q3 2024	Q3 2023	Q3 2024	Q3 2023
Revenue from external customers	\$ 117,953	\$ 114,477	\$ 115,764	\$ 103,232	\$ 195,210	\$ 207,657	\$ 39,092	\$ 13,543	\$ —	\$ —	\$ —	\$ —	\$ 468,019	\$ 438,909
Intersegment revenue	4	—	377	—	34	—	—	—	—	—	(415)	—	—	—
Revenue	<u>\$ 117,957</u>	<u>\$ 114,477</u>	<u>\$ 116,141</u>	<u>\$ 103,232</u>	<u>\$ 195,244</u>	<u>\$ 207,657</u>	<u>\$ 39,092</u>	<u>\$ 13,543</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (415)</u>	<u>\$ —</u>	<u>\$ 468,019</u>	<u>\$ 438,909</u>
Operating income (loss)	\$ 726	\$ 10,643	\$ 11,543	\$ 7,332	\$ 4,329	\$ (5,027)	\$ 2,523	\$ 1,468	\$ (174)	\$ (1,633)			\$ 18,947	\$ 12,783
Depreciation and amortization	6,533	4,069	3,840	4,069	7,460	8,322	791	550	—	—			18,624	17,010
Adjustments:														
Acquisition related costs(1)	2,967	995	462	135	875	(1,535)	—	—	(1,403)	311			2,901	(94)
Stock-based compensation(2)	2,209	1,049	—	—	65	—	—	—	158	—			2,432	1,049
Severance and acquisition related retention expenses(3)	2,269	73	13	16	1,275	10,388	11	1	—	—			3,568	10,478
Inventory step-up(4)	432	—	—	—	—	2,150	694	—	—	—			1,126	2,150
Other non-recurring(5)	337	(108)	538	—	380	—	—	(9)	257	444			1,512	327
Non-GAAP adjusted EBITDA	<u>\$ 15,473</u>	<u>\$ 16,721</u>	<u>\$ 16,396</u>	<u>\$ 11,552</u>	<u>\$ 14,384</u>	<u>\$ 14,298</u>	<u>\$ 4,019</u>	<u>\$ 2,010</u>	<u>\$ (1,162)</u>	<u>\$ (878)</u>			<u>\$ 49,110</u>	<u>\$ 43,703</u>
Operating income (loss) as a percent of revenue	0.6%	9.3%	9.9%	7.1%	2.2%	(2.4)%	6.5%	10.8%	N/M	N/M			4.0%	2.9%
Adjusted EBITDA as a percent of revenue	13.1%	14.6%	14.1%	11.2%	7.4%	6.9%	10.3%	14.8%	N/M	N/M			10.5%	10.0%

1. Transaction and integration costs related to acquisitions

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

3. Includes severance expense for actions taken in 2024 and 2023 not related to a formal restructuring plan and acquisition related retention expenses for the Hisco and S&S Automotive acquisitions

4. Inventory fair value step-up adjustment for acquisition accounting related to acquisitions completed by Lawson Products and TestEquity

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

N/M Not meaningful

# GAAP to Non-GAAP Reconciliations

## Adjusted Revenue and Adjusted EBITDA Reconciliation (\$000s)

Results Inclusive of Other Acquisitions – Pre-Acquisition Date

(Unaudited)

Quarter Ended	Consolidated DSG				
	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024
Revenue	\$ 438,909	\$ 405,239	\$ 416,086	\$ 439,536	\$ 468,019
Pre-acquisition revenue(1)	58,929	61,793	53,335	56,563	24,125
Adjusted revenue	<u>\$ 497,838</u>	<u>\$ 467,032</u>	<u>\$ 469,421</u>	<u>\$ 496,099</u>	<u>\$ 492,144</u>
Operating income (loss)	\$ 12,783	\$ (289)	\$ 2,783	\$ 14,158	\$ 18,947
Pre-acquisition operating Income (loss) (1)	2,153	3,043	1,405	(696)	593
Adjusted Operating Income (loss)	<u>14,936</u>	<u>2,754</u>	<u>4,188</u>	<u>13,462</u>	<u>19,540</u>
Depreciation and amortization	17,010	16,272	17,052	18,535	18,624
Adjustments:					
Acquisition related costs(2)	(94)	2,498	1,954	3,598	2,901
Stock-based compensation(3)	1,049	2,499	2,198	(307)	2,432
Severance and acquisition related retention expenses(4)	10,478	11,400	10,716	8,313	3,568
Inventory step-up(5)	2,150	716	—	634	1,126
Other non-recurring(6)	327	784	1,364	250	1,512
Pre-Acquisition add-backs(7)	603	452	351	5,028	205
Adjusted EBITDA	<u>\$ 46,459</u>	<u>\$ 37,375</u>	<u>\$ 37,823</u>	<u>\$ 49,513</u>	<u>\$ 49,908</u>
Operating income (loss) as a percent of revenue	2.9%	(0.1)%	0.7%	3.2%	4.0%
Adjusted EBITDA as a percent of revenue	10.6%	9.2%	9.1%	11.3%	10.7%
Adjusted EBITDA as a percent of pro forma revenue	9.3%	8.0%	8.1%	10.0%	10.1%

References to table footnotes on slide 27

# GAAP to Non-GAAP Reconciliations

## Adjusted Revenue and EBITDA Reconciliation – Table Footnotes

1. Represents additional revenue and operating income of acquisitions prior to their acquisition dates not in reported GAAP results
2. Transaction and integration costs related to acquisitions
3. Expense (benefit) primarily for stock-based compensation, of which a portion varies with the Company's stock price
4. Includes severance expense for actions taken in 2024 and 2023, not related to a formal restructuring plan and acquisition related retention expenses for the Hisco and S&S Automotive acquisitions
5. Inventory fair value step-up adjustments resulting from the acquisition accounting related to acquisitions completed by Lawson Products and TestEquity
6. Other non-recurring costs consist of certain non-recurring strategic projects and other non-recurring items
7. Represents additional EBITDA adjustments of other acquisitions prior to the respective acquisition dates

# GAAP to Non-GAAP Reconciliations

## GAAP Net Income (Loss) and GAAP Diluted EPS to Non-GAAP Adjusted Net Income and Non-GAAP Adjusted Diluted EPS Reconciliation (\$000s, except per share data)

(Unaudited)

	Consolidated DSG					
	Q3 2024		Q3 2023 <sup>(3),(4)</sup>		Q2 2024	
	Amount	Diluted EPS <sup>(2)</sup>	Amount	Diluted EPS <sup>(2)</sup>	Amount	Diluted EPS <sup>(2)</sup>
Net income (loss)	\$ 21,921	\$ 0.46	\$ (1,568)	\$ (0.03)	\$ 1,896	\$ 0.04
Pretax adjustments:						
Stock-based compensation	2,432	0.05	1,049	0.02	(307)	(0.01)
Acquisition related costs	2,901	0.06	(94)	—	3,598	0.08
Amortization of intangible assets	11,972	0.25	11,308	0.24	12,206	0.26
Severance and acquisition related retention expenses	3,568	0.08	10,478	0.22	8,313	0.17
Change in fair value of earnout liabilities	858	0.02	(667)	(0.01)	8	—
Inventory step-up	1,126	0.02	2,150	0.05	634	0.01
Other non-recurring	1,512	0.03	327	0.01	250	0.01
<b>Total pretax adjustments</b>	<b>24,369</b>	<b>0.51</b>	<b>24,551</b>	<b>0.53</b>	<b>24,702</b>	<b>0.52</b>
Tax effect on adjustments <sup>(1)(3)</sup>	(11,210)	(0.23)	(6,457)	(0.14)	(7,238)	(0.15)
Deferred tax asset valuation allowance <sup>(5)</sup>	(17,425)	(0.37)	—	—	(410)	(0.01)
<b>Non-GAAP adjusted net income</b>	<b>\$ 17,655</b>	<b>\$ 0.37</b>	<b>\$ 16,526</b>	<b>\$ 0.35</b>	<b>\$ 18,950</b>	<b>\$ 0.40</b>

1. The adjustment to the income tax expense (benefit) determined by including the non-GAAP adjustments by jurisdiction
2. Pretax adjustments to diluted EPS calculated on 47.560 million, 46.737 million and 47.624 million diluted shares for the third quarter of 2024 and 2023, and the second quarter of 2024, respectively
3. In the fourth quarter of 2023, the Company changed the treatment of amortization of intangible assets and the deferred tax asset valuation allowance to be included in the calculation of Non-GAAP adjusted net income and Non-GAAP adjusted diluted EPS. The calculation of the tax effect on adjustments was revised to consider the jurisdictional rate of the originating territory of the non-GAAP adjustments. Prior periods have been adjusted to conform to current period presentation.
4. Share and per share data for all periods presented reflect two-for-one stock split
5. The estimated impact to the deferred tax asset valuation allowance from interest expense limitations under Section 163(j) determined by including the non-GAAP adjustments by jurisdiction

# Historical Acquisitions

	COMPANY	FOCUS	STRATEGIC RATIONALE	CLOSING DATE	REVENUE <sup>(1)</sup>	PURCHASE PRICE
2017		Industrial Technologies	<ul style="list-style-type: none"> <li>Expanded geographic coverage and expanded customer base with an additional ~22,000 customer locations</li> <li>Complementary value-added products / services (kitting, VMI)</li> </ul>	January 2017	\$45.1	\$25.0
		Industrial Technologies	<ul style="list-style-type: none"> <li>Adds scale to highly complementary Lab &amp; Production supplies offering</li> <li>Bolsters stocked inventory and value-add capabilities (VMI, vending, etc.)</li> </ul>	July 2017	\$77.8	\$35.0
		MRO	<ul style="list-style-type: none"> <li>Complementary products in fasteners, power tools and MRO supplies</li> <li>Provides sales/regional fulfillment expansion opportunity in W Canada</li> </ul>	October 2017	\$34.4	\$32.0
2020		MRO	<ul style="list-style-type: none"> <li>Sizeable "DNA match" acquisition for MRO segment</li> <li>Highly accretive with significant cost synergies</li> </ul>	August 2020	\$64.2	\$35.3
2021		OEM	<ul style="list-style-type: none"> <li>Complementary value-added fabrication capabilities</li> <li>Highly accretive with significant synergies</li> </ul>	June 2021	\$5.3	\$6.5
		Industrial Technologies	<ul style="list-style-type: none"> <li>European beachhead for Industrial Technologies segment</li> <li>Supplier expansion and further penetration into Telecom/5G market</li> </ul>	July 2021	\$9.7	\$14.4
		OEM	<ul style="list-style-type: none"> <li>Strategic expansion into Canada &amp; Mexico for OEM segment</li> <li>Loyal customer base with high service levels in new and existing markets</li> </ul>	November 2021	\$28.3	\$18.9
		OEM	<ul style="list-style-type: none"> <li>Highly accretive "DNA match" with diversified end markets</li> <li>Natural tuck-in with value-add product offering and strong management</li> </ul>	December 2021	\$9.6	\$11.8



# Historical Acquisitions (Continued)

	COMPANY	FOCUS	STRATEGIC RATIONALE	CLOSING DATE	REVENUE <sup>(1)</sup>	PURCHASE PRICE
2022	 Resolux	OEM	<ul style="list-style-type: none"> <li>Leading global renewables supplier within the OEM segment</li> <li>Opened new strategic markets in Europe, the Middle East, and Asia</li> </ul>	January 2022	\$31.9	\$38.0
	 Frattini Technologies	OEM	<ul style="list-style-type: none"> <li>Enhances B &amp; C-class product and service offering to Renewables market</li> <li>Significant commercial synergies and delivers manufacturing capabilities</li> </ul>	March 2022	\$21.9	\$30.0
	 TE Equipment	Industrial Technologies	<ul style="list-style-type: none"> <li>Adds complementary product lines (handhelds), brands and customers</li> <li>Digital go-to-market supplements Industrial Technology's sales model</li> </ul>	April 2022	\$113.0	\$55.0
	 National Test Equipment	Industrial Technologies	<ul style="list-style-type: none"> <li>Adds complementary product lines with reconditioned equipment</li> <li>Strong focus on rental and leasing purchase options</li> </ul>	June 2022	\$9.0	\$7.8
	 Instrumex	Industrial Technologies	<ul style="list-style-type: none"> <li>Adds complementary product lines with reconditioned equipment</li> <li>Natural tuck-in with expanded markets in Europe</li> </ul>	December 2022	\$7.0	\$3.9
2023	 Hisco	Industrial Technologies	<ul style="list-style-type: none"> <li>Adds complementary product lines, including adhesives, chemicals and tapes as well as specialty materials such as electrostatic discharge, thermal management materials and static shielding bags.</li> </ul>	June 2023	\$422.6	\$269.1
2024	 Emergent Safety Supply	MRO	<ul style="list-style-type: none"> <li>Adds complementary product lines in the safety category, which accelerates Lawson's safety product category by over four times.</li> </ul>	January 2024	\$13.0	\$10.0
	 SS	MRO	<ul style="list-style-type: none"> <li>Extends Lawson's automotive product category and expands market reach with automotive dealers</li> </ul>	May 2024	\$40.0	\$80.0
	 Source Atlantic	MRO	<ul style="list-style-type: none"> <li>Extends Lawson's MRO supplies, safety products, fasteners, and related value-add services and operating footprint in the Canadian market</li> </ul>	August 2024	\$185.0	\$105.0
	 Tech-Component Resources	OEM	<ul style="list-style-type: none"> <li>A distributor of fasteners, mechanical components, and other industrial products in Southeast Asia</li> <li>Supports our existing large OEM customers' expansion plans while providing us with a strategic foothold in this growing region</li> </ul>	October 2024		
HIGHLIGHTED TOTAL					~\$1,118	~\$778

# Who We Are



DSG is a best-in-class specialty distribution company providing high-touch, value-added distribution solutions to the MRO, OEM, and Industrial Technologies verticals in a diversified set of end markets.

We take a solutions-based approach to serving our customers the way they want to be served.

DSG operates under three distinct verticals with many benefits of a scaled, integrated platform.