

DSG

DISTRIBUTION
SOLUTIONS GROUP

Powerful Solutions. Proven Results.

NASDAQ: DSGR

Q4 2022 Financial Results

March 9, 2023



Cautionary Note Regarding Forward-Looking Statements

This investor deck contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that involve risks and uncertainties. The terms “aim,” “anticipate,” “believe,” “contemplates,” “continues,” “could,” “ensure,” “estimate,” “expect,” “forecasts,” “if,” “intend,” “likely,” “may,” “might,” “objective,” “outlook,” “plan,” “positioned,” “potential,” “predict,” “probable,” “project,” “shall,” “should,” “strategy,” “will,” “would,” and other words and terms of similar meaning and expression are intended to identify forward-looking statements. Forward-looking statements 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. Distribution Solutions Group (“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, which speak only as of the date made. DSG undertakes no obligation to release publicly any revisions to forward-looking statements as a result of new information, future events or otherwise. Actual results may differ materially from those projected as a result of certain risks and uncertainties. Certain risks associated with DSG’s business are also discussed from time to time in the reports DSG files with the SEC, including DSG’s Annual Report on Form 10-K, DSG’s Quarterly Reports on Form 10-Q and DSG’s Current Reports on Form 8-K. In addition, the following factors, among others, could cause actual outcomes and results to differ materially from those discussed in the forward-looking statements: (i) whether or not the terms of the earnout provisions in either of the merger agreements will be satisfied such that DSG would be required to issue additional shares of common stock in connection with the mergers; (ii) unanticipated difficulties or expenditures relating to the mergers; (iii) the risk that stockholder litigation in connection with the mergers results in significant costs of defense, indemnification and liability; and (iv) any problems arising in combining the businesses of Lawson Products, TestEquity and Gexpro Services, which may result in the combined company not operating as effectively and efficiently as expected.

Today's Conference Call Will Discuss Results Primarily on an Adjusted (Non-GAAP) and Comparable Operations Basis. The complexities of Reverse Merger Accounting treatment makes GAAP comparisons difficult.

Agenda

- Q4 2022 Consolidated Highlights & Financial Results
- Segment Highlights & Financial Results
- Q&A

GAAP results reported under Reverse Merger Accounting. Combined Gexpro Services/TestEquity is accounting acquiror of Lawson Products given common control of entities and thus, include Lawson Products results commencing on the Merger date of April 1, 2022.

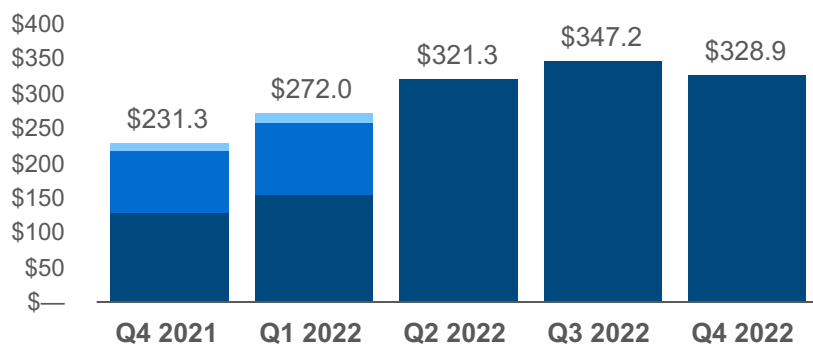
See appendix for Reconciliations.

- Fiscal year GAAP Revenue of \$1.15B, Operating Income of \$42M and Adjusted EBITDA of \$123M
- Q4 GAAP Revenue of \$329M, Operating Income of \$13M and Adjusted EBITDA of \$34M, on strong top-line and bottom-line growth with 4 fewer sales days than Q3
- Q4 comparable organic revenue growth of 16.7% and total Q4 comparable revenue growth of 42.2%, which includes the results of Lawson Products for the Pre-Merger period
- Teams experienced good wins on cross-selling among operating companies and product demand remains strong
- We continue to closely monitor the macro-economic environment and our customer demand trends
- In 2022, we successfully completed and integrated 5 acquisitions producing annual run-rate revenues and Adjusted EBITDA of approximately \$204M and \$21M, respectively

Results Adjusted to Reflect Comparable Results Including Pre-Merger Lawson Products

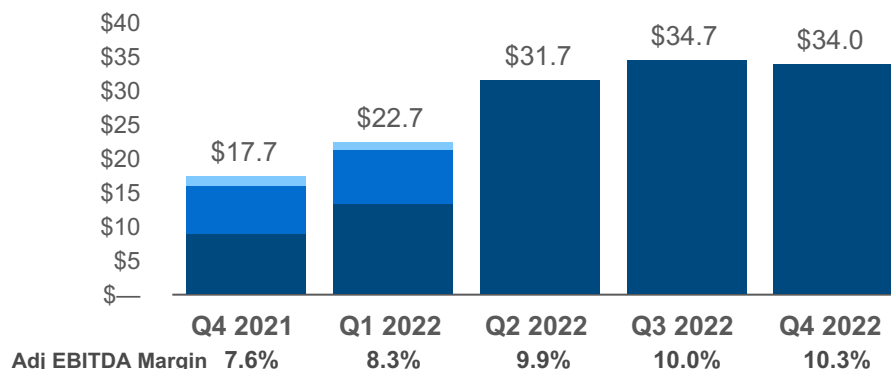
- Adjusted Revenue of \$328.9M, an increase of \$97.6M or +42.2% over year ago quarter; organic growth of +16.7%
- Adjusted EBITDA of \$34.0M with 10.3% margin; up 92.6% from \$17.7M with 7.6% margin
- Q4'22 has 4 fewer selling days than Q3'22

Adjusted Revenue (in millions)



■ Reported Revenue (GAAP)
■ Pre-Merger Lawson Revenue
■ Pre-Merger Other Revenue

Adjusted EBITDA (in millions)



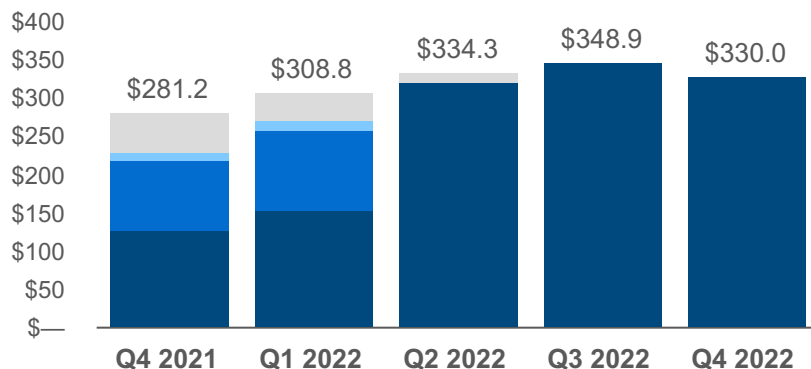
■ Adjusted EBITDA
■ Pre-Merger Lawson Adjusted EBITDA
■ Pre-Merger Other Adjusted EBITDA

Sequentially strong daily revenue and Adjusted EBITDA growth

Results Inclusive of Lawson Products and Other Acquisitions Pre-Merger Results

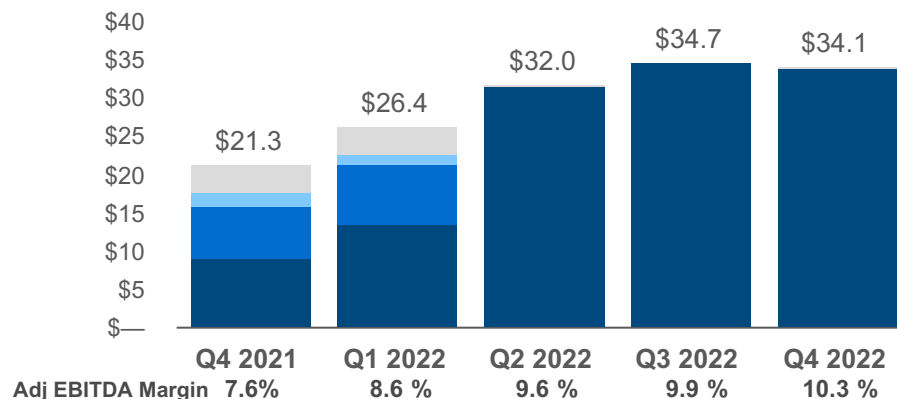
- Adjusted Revenue and Adjusted EBITDA below include the reported GAAP results and (1) pre-Merger results of the Lawson and Other segment and (2) the pre-acquisition results of other businesses that were acquired at any time during the Q4 2021-Q4 2022 period.
- Positive quarterly trends in Adjusted Revenue and Adjusted EBITDA as acquisitions become integrated
- Q4'22 has 4 fewer selling days than Q3'22

Adjusted Revenue (in millions)



- Reported Revenue (GAAP)
- Pre-Merger Lawson Revenue
- Pre-Merger Other Revenue
- Other Acquisitions Pre-Acquisition Revenue

Adjusted EBITDA (in millions)



- Adjusted EBITDA
- Pre-Merger Lawson Adjusted EBITDA
- Pre-Merger Other Adjusted EBITDA
- Other Acquisitions Pre-Acquisition Adjusted EBITDA

Operating Companies Discussion



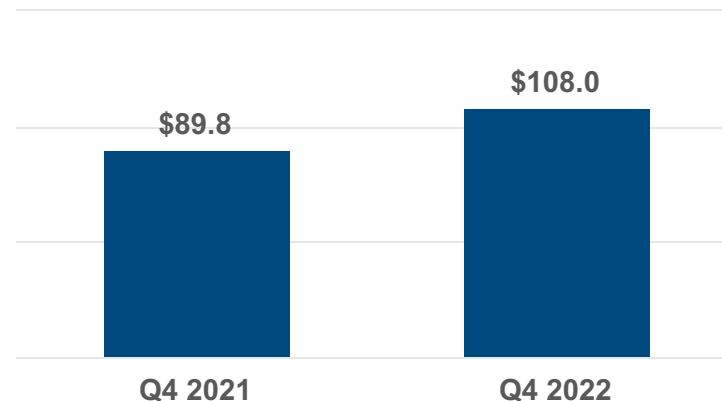
LAWSON Products



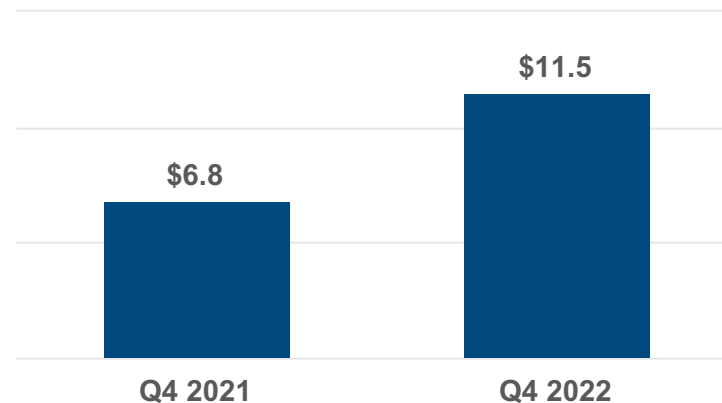
Q4 2022 Highlights:

- Prior year Q4 2021 results are pre 4/1/2022 Merger
- Adjusted Revenue +20.3%; all organic growth- both price and volume
- Price increases throughout 2022 being realized
- Ended December 31, 2022 with ~1,000 field sales reps. Sales per rep per day productivity improved 25.1% vs. Q4 2021
- Adjusted EBITDA of \$11.5M or 10.7% of Adjusted Revenue
- Strong growth in strategic business, Kent Automotive and core business; new customer wins within strategic business

Adjusted Revenue (in millions)



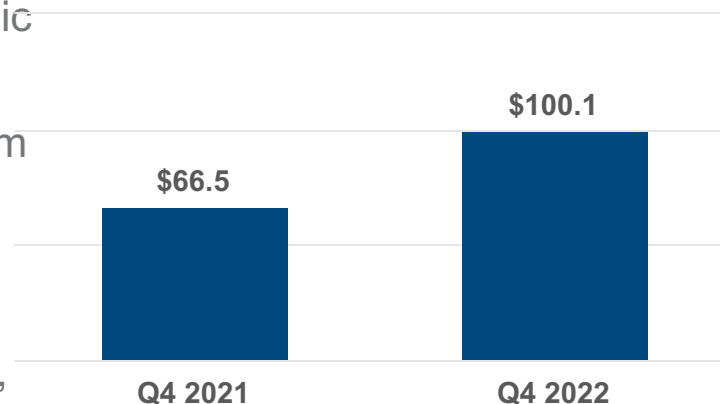
Adjusted EBITDA (in millions)



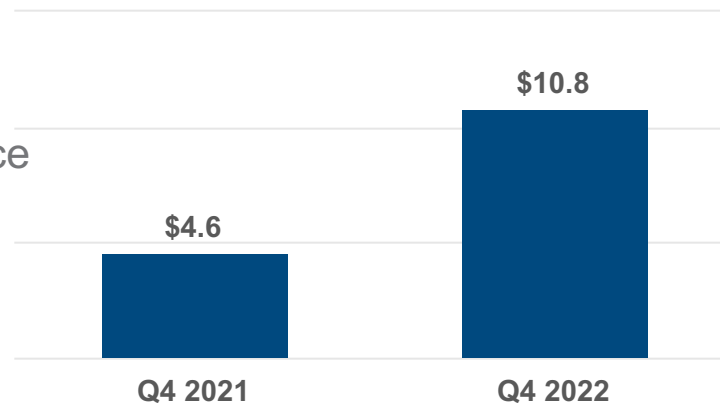
Q4 2022 Highlights:

- Revenue of \$100.1M; up \$33.6M or 50.5%; organic growth of 11.9%
- Q4 2022 revenue includes \$26.3M of revenue from 2021 and 2022 acquisitions (Omni, NEF, SIS, Resolux, and Frontier). Integrations continuing strong
- Value creation initiatives including DSG cross sell, acquisition synergies and expanded kitting offerings
- Strong demand continues across all end markets partially offset by renewables headwinds; wallet share and new business development remains strong
- Continued expansion in gross margin through price increases associated with raw material, freight, labor, tariff & duty and exchange rate fluctuation
- Adjusted EBITDA of \$10.8M or 10.8% of revenue up from 6.9% a year ago; incremental EBITDA of \$3.9M from acquisitions

Revenue (in millions)



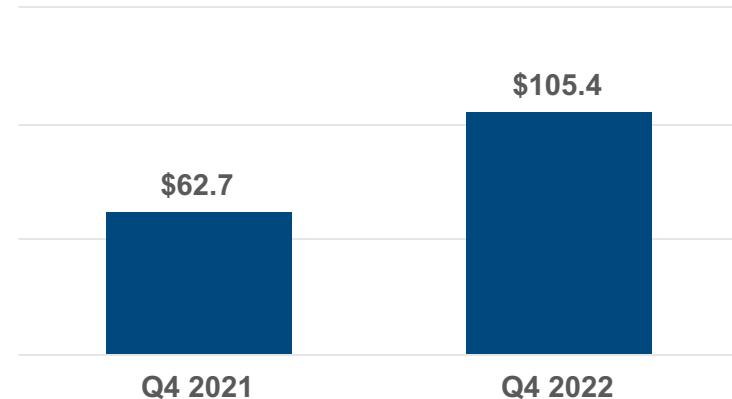
Adjusted EBITDA (in millions)



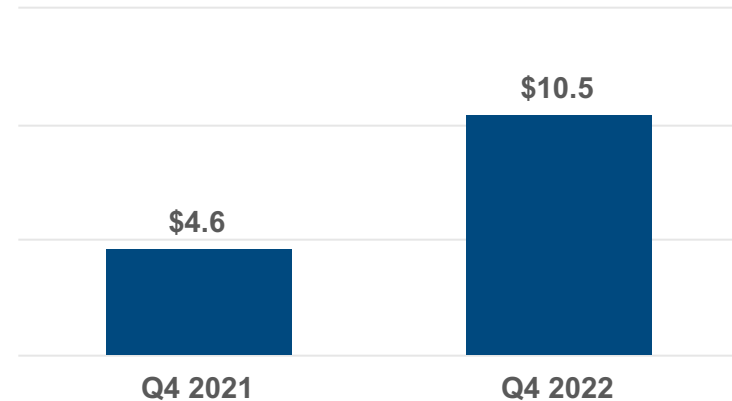
Q4 2022 Highlights:

- Revenue of \$105.4M; up \$42.7M or 68.0%; organic growth of 14.5%
- Q4 2022 revenue includes \$33.9M of revenue from 2021 and 2022 acquisitions (MCS, TEquipment, National Test Equipment and Instrumex). Integrations well underway
- Continue SKU expansion; > 96,000 added YTD primarily in Electronic Production Supplies business
- Key operating initiatives focused on acquisition integration, pricing disciplines, sales force optimization and digital channel expansion
- Adjusted EBITDA of \$10.5M or 9.9% of revenue, up from 7.4% a year ago; incremental EBITDA of \$3.8M from acquisitions

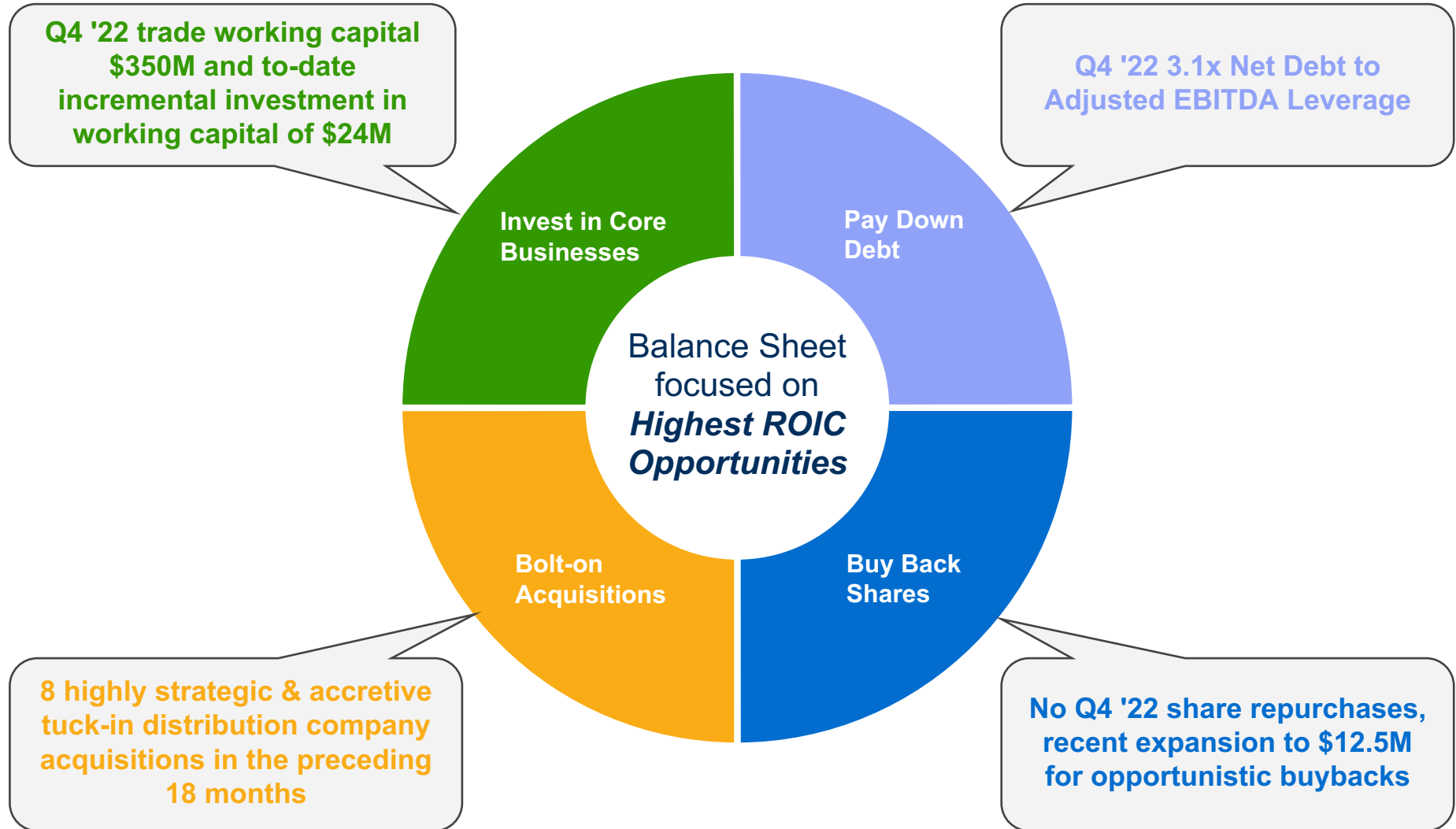
Revenue (in millions)



Adjusted EBITDA (in millions)



Disciplined Capital Allocation Framework



Financial Position and Capitalization Table

Strong Balance Sheet and Capital Allocation Framework

- Prudent leverage target of 3 - 4x Net Debt to Adjusted EBITDA
- Trailing net debt to 2022 adjusted EBITDA leverage ratio of 3.1x, due partially to \$67M in acquisitions closed since the Merger date
- Cash of \$24.6M and \$77.0M of availability under existing credit facility, ability to access \$200M accordion for M&A
- Disciplined approach to capital allocation, focused on balance sheet strength and investment in highest ROIC opportunities
- Total debt of \$417.1M; maturities of debt over the next 12 months nominal (\$15M)

Capitalization Table as of 12/31

<i>\$000s</i>	Q4 2022
Cash	\$ 24,554
Current Assets	453,634
Long-term Assets	737,422
Total Assets	\$ 1,215,610
Current Liabilities	\$ 169,479
Long-term Debt	395,825
Other Long-term Liabilities	87,311
Total Liabilities	652,615
Total Stockholders' Equity	562,995
Total Liabilities & Stockholders' Equity	\$ 1,215,610

- **Sequential margin improvement** during 2022; expected **continuing strong path** on a combined basis
- Q4 results driven by both organic growth and acquired revenue – aligns with growth strategy; **combined 42.2% adjusted revenue growth**
- Improvement in Adjusted EBITDA margin to **10.3%**
- All three operating companies **at or exceeding expected performance levels**
- Companies **collaborating well together** to identify growth and cost saving opportunities
- Given macro economic environment, **conservative financial management** and prudent capital allocation to continue
- **Disciplined M&A strategy** to capture accretive, bolt-on acquisitions; **5 closed in 2022 (1 in Q4); pipeline** for add-on acquisitions **remains robust**

Appendix

GAAP to Non-GAAP Reconciliations

Q4 Adjusted Revenue and EBITDA Reconciliation (\$000s)

Results Inclusive of Lawson Products Pre-Merger Results

Quarter Ended	Lawson Products		Gexpro Services		TestEquity		Other		Consolidated DSG	
	Q4 2022	Q4 2021	Q4 2022	Q4 2021	Q4 2022	Q4 2021	Q4 2022	Q4 2021	Q4 2022	Q4 2021
GAAP Revenue	\$ 108,029	\$ —	\$ 100,103	\$ 66,516	\$ 105,374	\$ 62,705	\$ 15,344	\$ —	\$ 328,850	\$ 129,221
Pre-Merger Revenue(1)	—	89,791	—	—	—	—	—	12,276	—	102,067
Adjusted Revenue	\$ 108,029	\$ 89,791	\$ 100,103	\$ 66,516	\$ 105,374	\$ 62,705	\$ 15,344	\$ 12,276	\$ 328,850	\$ 231,288
GAAP Operating Income	\$ 3,746	\$ —	\$ 4,317	\$ (2,428)	\$ 3,932	\$ 637	\$ 663	\$ —	\$ 12,658	\$ (1,791)
Pre-Merger Operating Income(1)	—	(1,995)	—	—	—	—	—	1,170	—	(825)
Adjusted Operating Income	3,746	(1,995)	4,317	(2,428)	3,932	637	663	1,170	12,658	(2,616)
Depreciation and amortization	4,063	1,942	4,196	1,486	5,055	3,548	558	409	13,872	7,385
Adjustments:										
Merger/integration costs(2)	1,324	3,741	1,274	1,264	465	13	—	—	3,063	5,018
Stock-based compensation(3)	2,003	3,435	—	—	—	—	—	—	2,003	3,435
Severance costs(4)	217	98	221	—	3	16	2	7	443	121
Acquisition related costs(5)	—	(382)	549	4,145	1,021	431	—	—	1,570	4,194
Inventory net realizable value adjustment(6)	—	—	—	—	—	—	—	—	—	—
Inventory step-up(7)	—	—	—	94	—	—	—	—	—	94
Other non-recurring(8)	156	—	238	26	—	—	—	—	394	26
Adjusted EBITDA	\$ 11,509	\$ 6,839	\$ 10,795	\$ 4,587	\$ 10,476	\$ 4,645	\$ 1,223	\$ 1,586	\$ 34,003	\$ 17,657
GAAP Operating income as a percent of GAAP Revenue	3.5%	—%	4.3%	(3.7)%	3.7%	1.0%	4.3%	—%	3.8%	(1.4)%
Adjusted EBITDA as a percent of Adjusted Revenue	10.7%	7.6%	10.8%	6.9%	9.9%	7.4%	8.0%	12.9%	10.3%	7.6%

References to table footnotes on slide 16

GAAP to Non-GAAP Reconciliations

Fiscal Year Adjusted Revenue and EBITDA Reconciliation (\$000s)

Results Inclusive of Lawson Products Pre-Merger Results

Year Ended	Lawson Products		Gexpro Services		TestEquity		Other		Consolidated DSG	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
GAAP Revenue	\$ 324,783	\$ —	\$ 385,326	\$ 256,129	\$ 392,358	\$ 264,161	\$ 48,955	\$ —	\$ 1,151,422	\$ 520,290
Pre-Merger Revenue(1)	104,902	371,668	—	—	—	—	12,975	46,065	117,877	417,733
Adjusted Revenue	\$ 429,685	\$ 371,668	\$ 385,326	\$ 256,129	\$ 392,358	\$ 264,161	\$ 61,930	\$ 46,065	\$ 1,269,299	\$ 938,023
GAAP Operating Income	\$ 6,536	\$ —	\$ 21,291	\$ 11,092	\$ 11,375	\$ 329	\$ 2,584	\$ —	\$ 41,786	\$ 11,421
Pre-Merger Operating Income(1)	11,096	8,192	—	—	—	—	980	3,795	12,076	11,987
Adjusted Operating Income	17,632	8,192	21,291	11,092	11,375	329	3,564	3,795	53,862	23,408
Depreciation and amortization	12,540	6,736	15,175	4,899	17,480	13,784	2,080	1,605	47,275	27,024
Adjustments:										
Merger/integration costs(2)	7,672	8,317	4,940	2,177	3,021	258	—	—	15,633	10,752
Stock-based compensation(3)	(6,147)	4,838	—	—	—	—	—	—	(6,147)	4,838
Severance costs(4)	2,050	939	266	18	1,095	32	11	12	3,422	1,001
Acquisition related costs(5)	—	—	1,017	4,669	1,765	1,704	—	—	2,782	6,373
Inventory net realizable value adjustment(6)	1,737	1,368	—	—	—	—	—	—	1,737	1,368
Inventory step-up(7)	1,943	—	163	212	—	—	761	—	2,867	212
Other non-recurring(8)	1,199	—	354	243	—	—	44	—	1,597	243
Adjusted EBITDA	\$ 38,626	\$ 30,390	\$ 43,206	\$ 23,310	\$ 34,736	\$ 16,107	\$ 6,460	\$ 5,412	\$ 123,028	\$ 75,219
GAAP Operating income as a percent of GAAP Revenue	2.0%	—%	5.5%	4.3%	2.9%	0.1%	5.3%	—%	3.6%	2.2%
Adjusted EBITDA as a percent of Adjusted Revenue	9.0%	8.2%	11.2%	9.1%	8.9%	6.1%	10.4%	11.7%	9.7%	8.0%

(1) Represents Lawson Products pre-merger revenue and operating income

(2) Merger transaction costs related to the negotiation, review and execution of the merger agreements relating to the business combination of Lawson Products, TestEquity and Gexpro Services and subsequent integration costs

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

(4) Includes severance expense for actions taken in 2022 and 2021, not related to a formal restructuring plan

(5) Expense for acquisition related costs, unrelated to the business combination of Lawson Products, TestEquity and Gexpro Services

(6) Inventory net realizable value adjustment recorded to reduce inventory related to discontinued products where the anticipated net realizable value was lower than the cost reflected in the Company's records

(7) Inventory fair value step-up adjustments resulting from the reverse merger acquisition accounting for Lawson Products and acquisition accounting for additional acquisitions completed by Gexpro Services

(8) Other non-recurring costs consists of sales force optimization and other non-recurring items

GAAP to Non-GAAP Reconciliations

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

Results Inclusive of Lawson Products Pre-Merger Results and Other Acquisitions – Pre-Acquisition Date

Consolidated DSG

	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
GAAP Revenue	\$ 129,221	\$ 154,085	\$ 321,336	\$ 347,151	\$ 328,850
Pre-Merger Lawson Revenue(1)	89,791	104,902	—	—	—
Pre-Merger Other Revenue(1)	12,276	12,975	—	—	—
Pre-Acquisition Revenue(1)	49,865	36,828	12,931	1,730	1,192
Adjusted Revenue	<u>\$ 281,153</u>	<u>\$ 308,790</u>	<u>\$ 334,267</u>	<u>\$ 348,881</u>	<u>\$ 330,042</u>
GAAP Operating Income	\$ (1,791)	\$ 2,988	\$ 4,113	\$ 22,027	\$ 12,658
Pre-Merger Lawson Operating Income(1)	(1,995)	11,096	—	—	—
Pre-Merger Other Operating Income(1)	1,170	980	—	—	—
Pre-Acquisition Operating Income(1)	3,556	3,673	294	8	134
Adjusted Operating Income	<u>940</u>	<u>18,737</u>	<u>4,407</u>	<u>22,035</u>	<u>12,792</u>
Depreciation and amortization	7,385	9,678	14,746	8,979	13,872
Adjustments:					
Merger/integration costs(2)	5,018	4,416	5,790	2,364	3,063
Stock-based compensation(3)	3,435	(8,595)	4,013	(3,568)	2,003
Severance costs(4)	121	1,082	953	944	443
Acquisition related costs(5)	4,194	840	334	38	1,570
Inventory net realizable value adjustment(6)	—	—	—	1,737	—
Inventory step-up(7)	94	163	1,622	1,082	—
Other non-recurring(8)	26	24	82	1,097	394
Pre-Acquisition add-backs(9)	104	64	61	3	2
Adjusted EBITDA	<u>\$ 21,317</u>	<u>\$ 26,409</u>	<u>\$ 32,008</u>	<u>\$ 34,711</u>	<u>\$ 34,139</u>
GAAP Operating income as a percent of GAAP Revenue	(1.4)%	1.9%	1.3%	6.3%	3.8%
Adjusted EBITDA as a percent of Adjusted Revenue	7.6%	8.6%	9.6%	9.9%	10.3%

References to table footnotes on slide 18

Adjusted Revenue and EBITDA Reconciliation – Table Footnotes

- (1) Represents additional revenue and operating income of Lawson pre-Merger and Other Acquisitions prior to their acquisition dates not in reported GAAP results
- (2) Merger transaction costs related to the negotiation, review and execution of the merger agreements relating to the business combination of Lawson Products, TestEquity and Gexpro Services and subsequent integration costs
- (3) Expense (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 2022 and 2021, not related to a formal restructuring plan.
- (5) Expense for acquisition related costs, unrelated to the business combination of Lawson Products, TestEquity and Gexpro Services
- (6) Inventory net realizable value adjustment recorded to reduce inventory related to discontinued products where the anticipated net realizable value was lower than the cost reflected in the Company's records
- (7) Inventory fair value step-up adjustments resulting from the reverse merger acquisition accounting for Lawson Products and acquisition accounting for additional acquisitions completed by Gexpro Services
- (8) Other non-recurring costs consists of sales force optimization and other non-recurring items
- (9) Represents additional EBITDA adjustments of Other Acquisitions prior to the respective acquisition dates