

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported):

November 9, 2017

**LAWSON PRODUCTS, INC.**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation)

0-10546

(Commission File Number)

36-2229304

(I.R.S. Employer Identification No.)

8770 W. Bryn Mawr Ave., Suite 900, Chicago, Illinois

(Address of principal executive offices)

60631

(Zip Code)

(Registrant's telephone number, including area code)

(773) 304-5050

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

**Item 7.01 Regulation FD Disclosure.**

Lawson Products, Inc. (the "Company") has updated its Investor Presentation (the "Presentation") which is furnished as Exhibit 99.1 to this Report on Form 8-K. A copy of the Presentation is also available on the Company's website at [www.lawsonproducts.com](http://www.lawsonproducts.com).

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits:

99.1 Investor Presentation Third Quarter 2017

## SIGNATURES

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

**LAWSON PRODUCTS, INC.**

(Registrant)

Date: November 9, 2017

By: /s/ Ronald J. Knutson

Name: Ronald J. Knutson

Title: Executive Vice President, Chief Financial Officer, Treasurer and Controller

EXHIBIT INDEX

**Exhibit Number**

**Description**

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[99.1](#)

[Investor Presentation Third Quarter 2017](#)



**LAWSON** Products



# Investor Presentation

Third Quarter 2017



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# Lawson Products, Inc.

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## "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, 2016.

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.

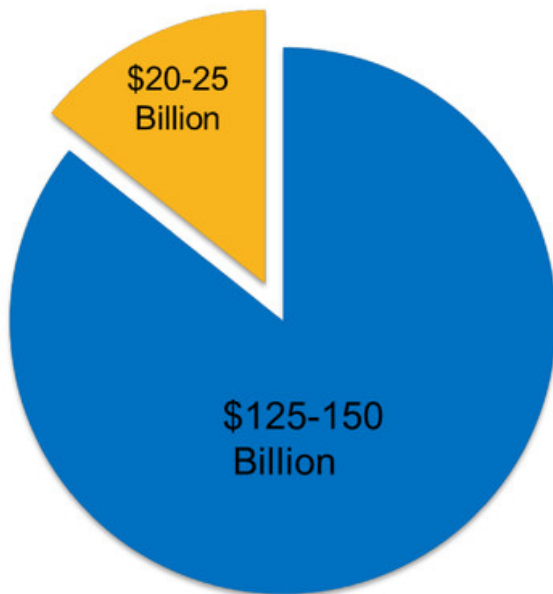
# Lawson Products: At a Glance

- **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**



# Competitive Advantages and Differentiators

## “Not the Typical MRO Distributor”



■ Broad Based MRO Market ■ Service Based VMI Market

### ***What differentiates Lawson:***

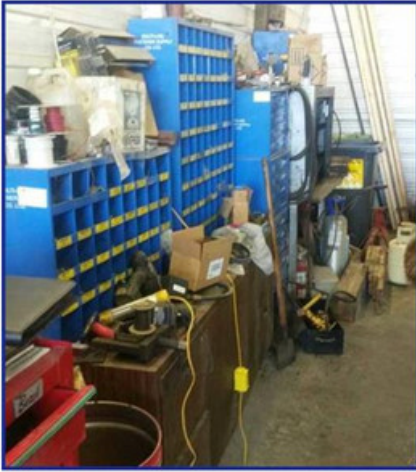
- Service intensive “high touch” value proposition
- Vendor managed inventory or “keep fill”
- Deep product knowledge
- Broad geographic sales and service coverage throughout the US and Canada
- Leverage investments in sales team, facilities and technology to enable outstanding customer service
- Lowest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



# Our Commitment to our 70,000 Customers

High touch service and technical expertise drives customer relationships

**Before**



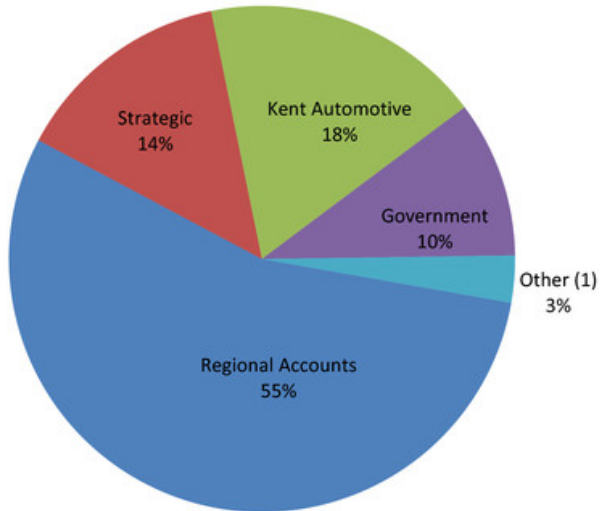
**After**



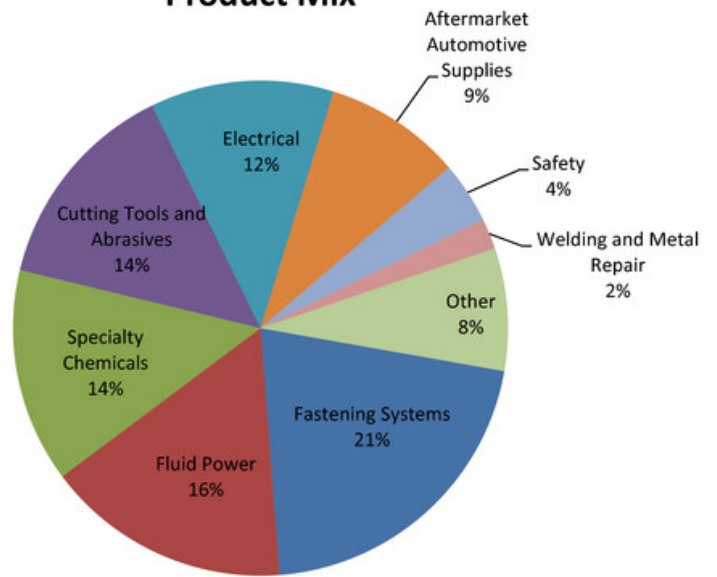
One Company, Zero Headaches	Inventory Management Options	Access to Industry Knowledge & Expertise
<ul style="list-style-type: none"> <li>• Comprehensive line of products</li> </ul>	<ul style="list-style-type: none"> <li>• Lawson Managed Inventory</li> </ul>	<ul style="list-style-type: none"> <li>• Product recommendations from your Lawson Representative</li> </ul>
<ul style="list-style-type: none"> <li>• Hundreds of pre-built assortments</li> </ul>	<ul style="list-style-type: none"> <li>• Industrial vending</li> </ul>	<ul style="list-style-type: none"> <li>• Application advice from our test and application engineers</li> </ul>
<ul style="list-style-type: none"> <li>• Unlimited sourcing of hard-to-find items</li> </ul>	<ul style="list-style-type: none"> <li>• Self-service inventory management</li> </ul>	<ul style="list-style-type: none"> <li>• Complimentary on-site safety &amp; product usage training</li> </ul>

# Customer and Product Profile

## Customer Mix



## Product Mix



(1) Other consists primarily of freight revenue offset by rebates

# 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

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ANNIVERSARY

**65 YEARS**

ESTABLISHED 1952

# 2017 Focus: Actions Across the Value Chain Driving Growth

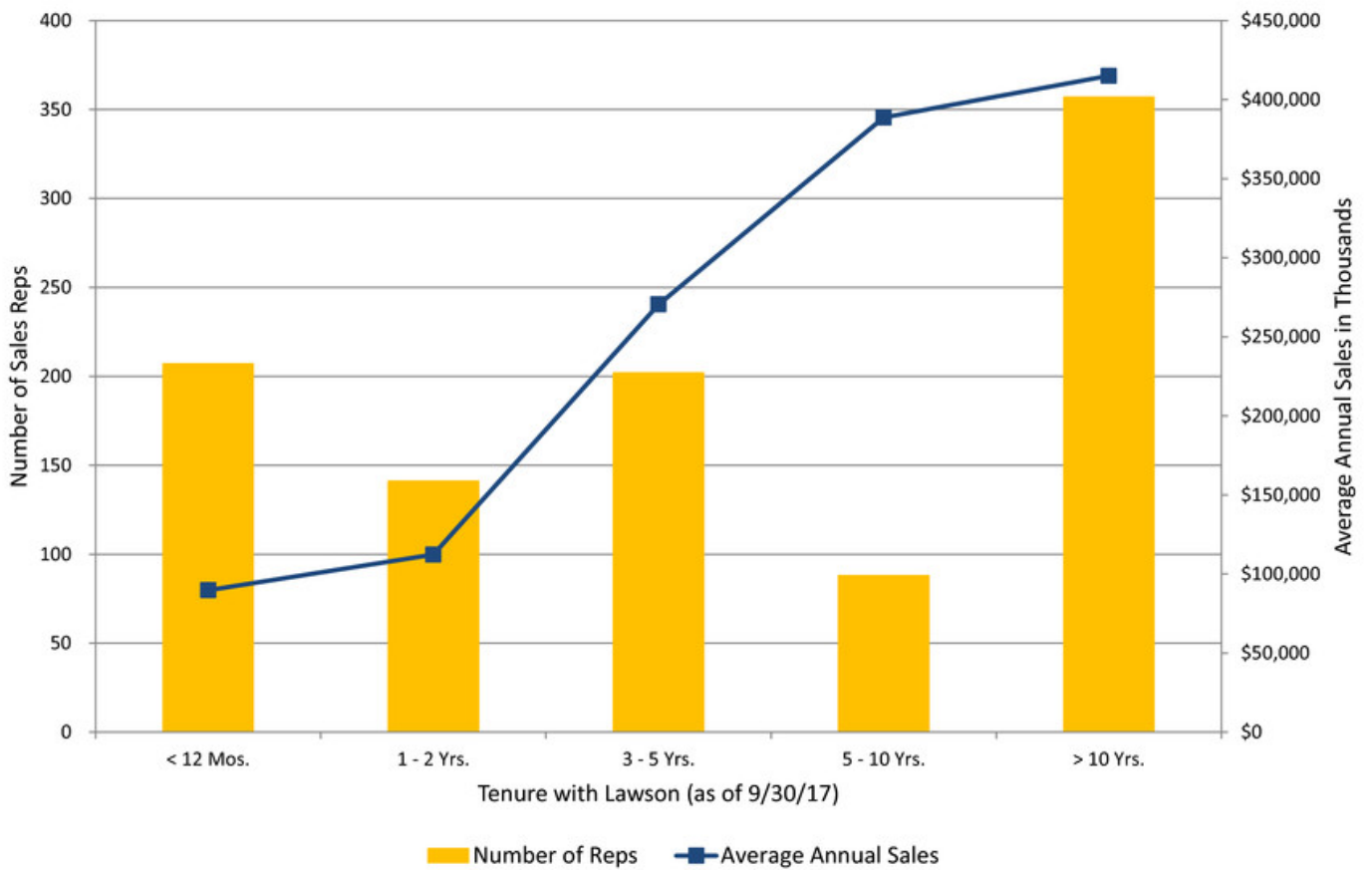
## Add New Sales Reps and Drive Rep Productivity



Sales Process / Sales Reps	Customer Service / Order Entry	Product Management / Pricing	DC Operations	Sourcing / Purchasing
<ul style="list-style-type: none"> <li>• Increase sales rep count</li> <li>• Onboarding process/training</li> <li>• Sales Management dashboard</li> <li>• EDI with customers</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction of cycle times</li> <li>• Order pad</li> <li>• Consolidation of shipments</li> <li>• Sales service reps</li> </ul>	<ul style="list-style-type: none"> <li>• Leverage vendor drop-ship programs</li> <li>• Fleet maintenance focus</li> <li>• Pricing enhancements</li> <li>• Website</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce cycle time</li> <li>• Refine "Pull" strategy</li> <li>• Freight enhancements</li> <li>• Minimize backorders</li> <li>• Improve service levels</li> <li>• Forecasting tool</li> </ul>	<ul style="list-style-type: none"> <li>• Supplier negotiation process</li> <li>• Vendor metrics</li> <li>• Electronic communication</li> </ul>

Information Technology – Integration of Web and SAP  
Lean Six Sigma

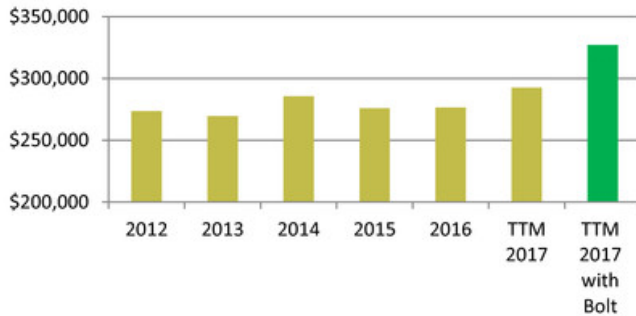
# Longer Sales Rep Tenure Drives Rep Productivity



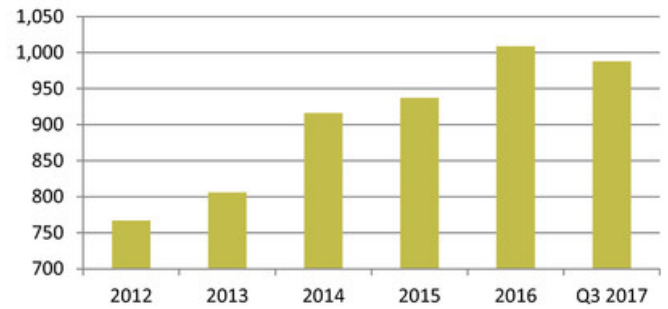
# Historical Financial Performance

*Recent sales growth and earnings expansion providing financial flexibility*

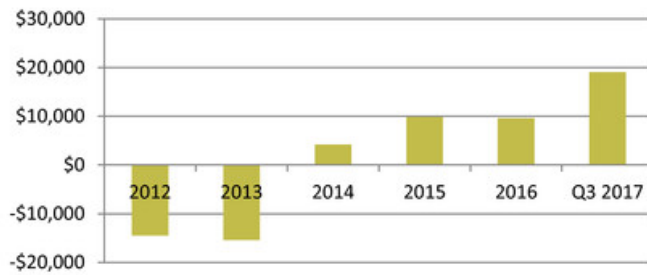
**MRO Revenues**



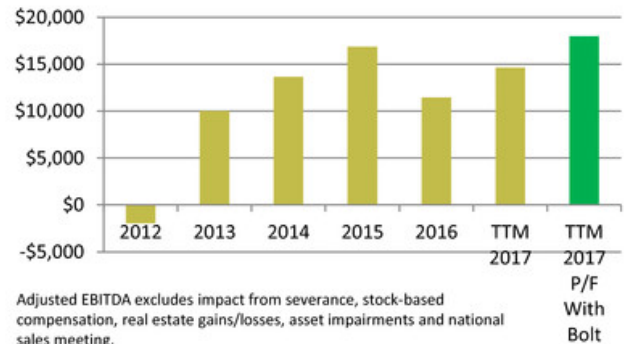
**Rep Count**



**Net Cash/(Debt)**



**Adjusted EBITDA**



# Financial Highlights for Third Quarter 2017

- **Average daily sales increased 9.5% YOY**
- **Strong gross margins** – Consistently over 60%
- **Adjusted EBITDA margin improving**
  - ✓ 6.8% in Q3 2017 v. 5.8% in Q3 2016 and 6.0% in Q2 2017
  - ✓ Continued investment in new sales reps
  - ✓ Cost control measures in place
- **Continued expansion through acquisitions**
  - ✓ Acquired Bolt Supply House in October 2017
  - ✓ Completed three acquisitions in 2016
- **Strong balance sheet**
  - ✓ Available cash of \$19 million at the end of Q3
  - ✓ Significant capital investments completed to support growth
  - ✓ \$40 million credit facility in place

# Lawson Products: Poised for Growth

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



# For More Information

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**Contact:**

**Ronald J. Knutson**

**EVP, CFO**

**Investor Relations**

**(773) 304-5665**

**[ron.knutson@lawsonproducts.com](mailto: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 facility 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

# Regulation G – GAAP Reconciliation Appendix P-2

## 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 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017
Net Sales	\$ 70,243	\$ 64,961	\$ 69,711	\$ 69,348	\$ 70,199	\$ 67,315	\$ 74,617	\$ 75,006	\$ 75,651
Operating Income (Loss)	2,810	(2,985)	1,169	29	2,389	(5,044)	712	7,891	1,090
Depreciation & Amortization	2,119	2,202	2,187	2,226	1,973	1,680	1,705	1,644	1,591
EBITDA	4,929	(783)	3,356	2,255	4,362	(3,364)	2,417	9,535	2,681
<u>Excluded Costs</u>									
Severance	372	280	204	143	367	1,662	465	(9)	139
Stock Based Compensation (Benefit)	(30)	1,693	(1,217)	515	(630)	3,801	(30)	415	2,337
Loss/(Gain) on Disposal of Property	(2)	9	-	-	-	-	-	(5,422)	-
Remediation expense	-	931	-	-	-	-	-	-	-
Adjusted EBITDA	\$ 5,269	\$ 2,130	\$ 2,343	\$ 2,913	\$ 4,099	\$ 2,099	\$ 2,852	\$ 4,519	\$ 5,157
<i>Adjusted EBITDA % of Sales</i>	7.5%	3.3%	3.4%	4.2%	5.8%	3.1%	3.8%	6.0%	6.8%

# Quarterly Results

Appendix P-3

	Three Months Ended				
	Sep. 30 2017	Jun. 30 2017	Mar. 31 2017	Dec. 31 2016	Sep. 30 2016
Number of business days	63	64	64	60	64
Average daily net sales	\$ 1,201	\$ 1,172	\$ 1,166	\$ 1,122	\$ 1,097
Sequential quarter increase	2.5%	0.5%	3.9%	2.3%	1.2%
Average active sales rep. count	991	981	990	1,007	1,007
Period-end active sales rep. count	988	987	979	1,009	1,006
Sales per rep. per day	\$ 1.212	\$ 1.195	\$ 1.178	\$ 1.114	\$ 1.089
Sequential quarter increase (decrease)	1.4%	1.4%	5.7%	2.3%	(1.4)%
Net sales	\$ 75,651	\$ 75,006	\$ 74,617	\$ 67,315	\$ 70,199
Gross profit	46,005	45,141	44,879	40,504	42,573
Gross profit percentage	60.8%	60.2%	60.1%	60.2%	60.6%
Selling, general & administrative expenses	\$ 44,915	\$ 42,672	\$ 44,167	\$ 45,548	\$ 40,184
Gain on sale of property	—	(5,422)	—	—	—
	44,915	37,250	44,167	45,548	40,184
Operating income (loss)	\$ 1,090	\$ 7,891	\$ 712	\$ (5,044)	\$ 2,389

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ANNIVERSARY **65 YEARS** ESTABLISHED 1952

# Consolidated Balance Sheet

Appendix P-4

	September 30, 2017	December 31, 2016
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 19,043	\$ 10,421
Restricted cash	800	800
Accounts receivable, less allowance for doubtful accounts	37,290	30,200
Inventories, net	43,341	42,561
Miscellaneous receivables and prepaid expenses	3,755	3,788
<b>Total current assets</b>	<b>104,229</b>	<b>87,770</b>
Property, plant and equipment, net	26,844	30,907
Cash value of life insurance	11,623	10,051
Goodwill	5,789	5,520
Deferred income taxes	20	20
Other assets	905	1,039
<b>Total assets</b>	<b>\$ 149,410</b>	<b>\$ 135,307</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Revolving line of credit	\$ —	\$ 841
Accounts payable	12,207	11,307
Accrued expenses and other liabilities	30,831	27,289
<b>Total current liabilities</b>	<b>43,038</b>	<b>39,437</b>
Security bonus plan	13,347	14,216
Financing lease obligation	6,710	7,543
Deferred compensation	5,108	4,830
Deferred rent liability	3,473	3,676
Other liabilities	5,071	4,472
<b>Total liabilities</b>	<b>76,747</b>	<b>74,174</b>
<b>Stockholders' equity:</b>		
Preferred stock, \$1 par value:		
Authorized - 500,000 shares, issued and outstanding — None	—	—
Common stock, \$1 par value:		
Authorized - 35,000,000 shares		
Issued - 8,921,302 and 8,864,929 shares, respectively		
Outstanding - 8,888,028 and 8,832,623 shares, respectively	8,921	8,865
Capital in excess of par value	12,335	11,055
Retained earnings	51,216	41,943
Treasury stock - 33,274 and 32,306 shares, respectively	(711)	(691)
Accumulated other comprehensive income (loss)	902	(39)
<b>Total stockholders' equity</b>	<b>72,663</b>	<b>61,133</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 149,410</b>	<b>\$ 135,307</b>

