LAWSON Products

Investor Presentation

Third Quarter 2020

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

"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, 2019 and in the Form 10-Q for the quarter ended September 30, 2020.

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

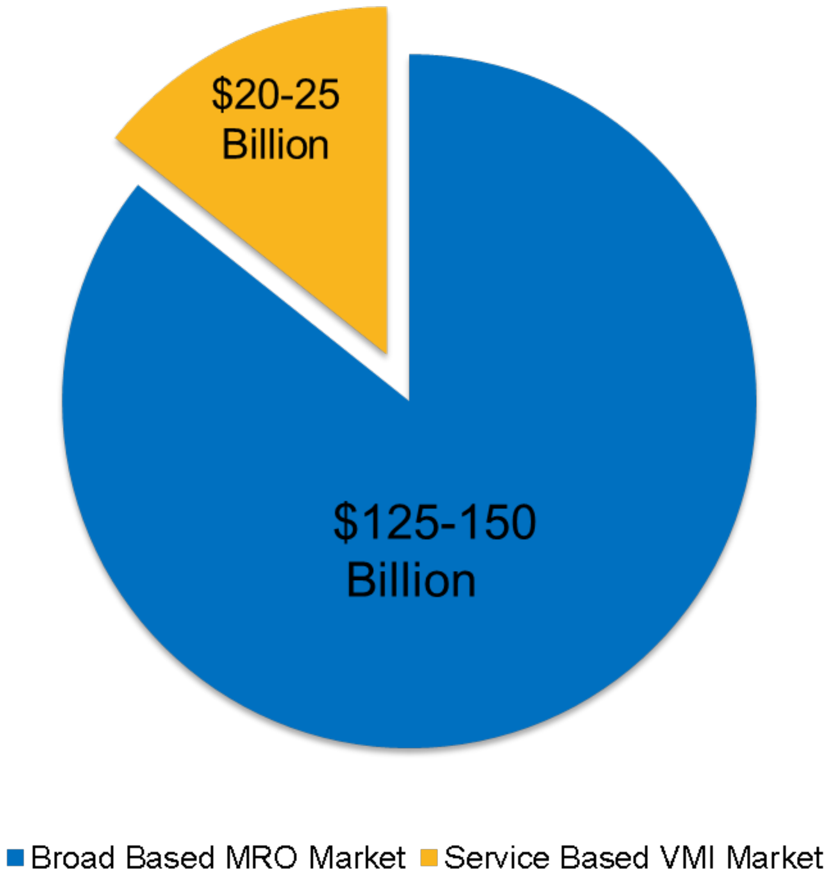
- **Leading service based provider of consumables in MRO market**
- **Serves industrial, commercial, institutional and government markets in all 50 states, Canada, Mexico, Puerto Rico and the Caribbean**
- **Headquartered in Chicago, IL**
  - Strategically located distribution centers
  - Workforce ~1,900 (~ 1,100 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
				

LAWSON Products

Competitive Advantages and Differentiators

"Not the Typical MRO Distributor"



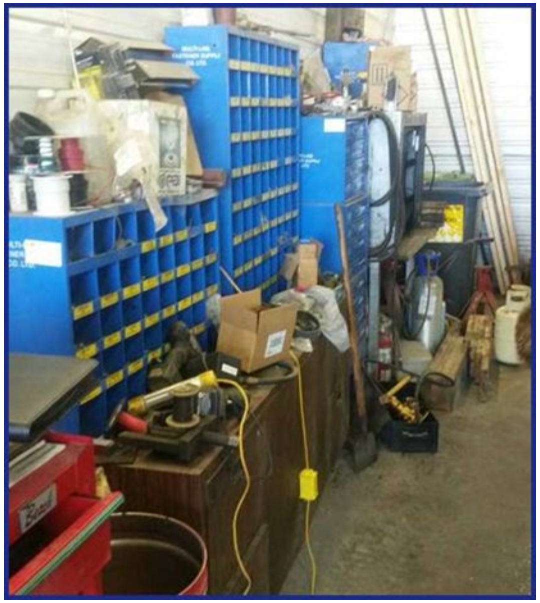
<u>What differentiates Lawson:</u>

- 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

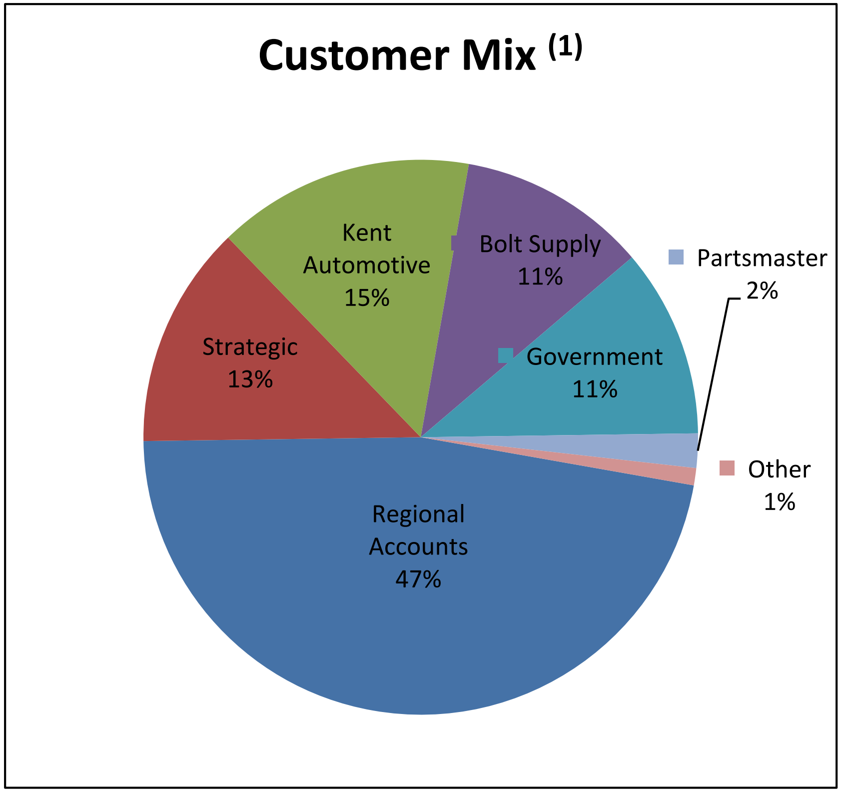
Before

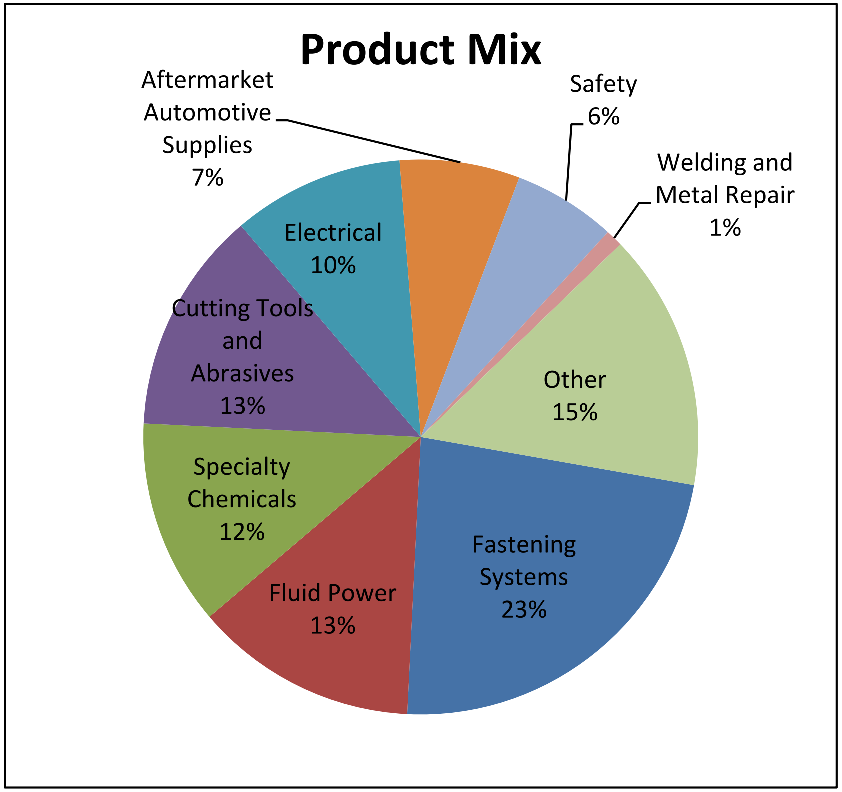


After

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





Retain over 90% of customer revenues from year to year

(1) Partsmaster contributed 2% of total YTD sales as they were acquired in August. Partsmaster YTD sales including those prior to acquisition would account for approximately 15% of Lawson's total YTD sales on a pro forma basis.

Partsmaster Acquisition

What PARTSMASTER adds to LAWSON Products

- **Very good strategic fit**
  - ✓ Similar high touch, consumable MRO provider
  - ✓ High quality VMI service to customers
  - ✓ Diverse, complimentary product portfolio
  - ✓ Private label products

- **Key statistics**
  - $63 million annual sales
  - 16,000 customers
  - 200 sales reps in US and Canada
  - 40,000 SKUs
  - DC located in Greenville, TX

- **Acquisition details**
  - Acquired in August 2020
  - Purchase price of $35.3 million cash and additional assumed liabilities
  - $2.3 million paid at closing; additional $33.0 million to be paid in May 2021

PARTSMASTER

COVID-19 Impact

Ever-Changing Environment
Limited Bright-Lines
Flexibility
Nimble Decision-Making

Current Environment:

- Lawson deemed an essential business
- Distribution network operating
- Sales team proactively reaching out to customers
- Corporate team working remotely

- ***Safety of our team members***
- ***Significant cost reductions to protect earnings and cash position***
- ***Support and retention of team members***
- ***Strong leadership-commitment to coming out and ongoing communication***
- ***Continuation of customer relationships***
- ***Service to our customers through supply chain***

Coming Out:

- Customer loyalty
- Strong financial position
- Engaged team members-company trust
- Confidence of suppliers
- Stronger supply chain
- Enhanced business continuity
- Stronger-more agile

Financial Highlights for Third Quarter 2020

- **Sales increased 25.1% compared to Q2 2020**
  - Includes $5.4 million from Partsmaster acquisition
  - MRO at 93% of pre-COVID run rates
  - Sequential growth achieved each month of the quarter

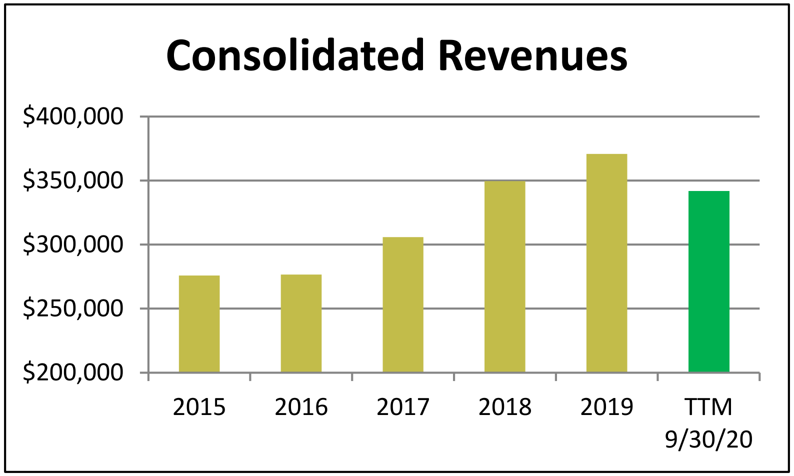
- **Adjusted EBITDA of $9.3 million**
  - Improvement of $3.1 million over Q2
  - 10.4% of sales
  - Controlled costs

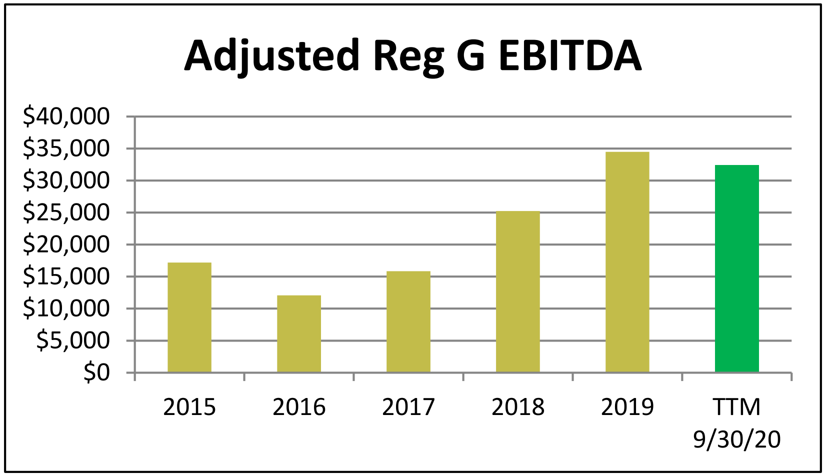
- **Key trends**
  - ✓ Ended quarter with $17.2 million in cash on hand
  - ✓ Ended quarter with $66.0 million in available borrowing capacity

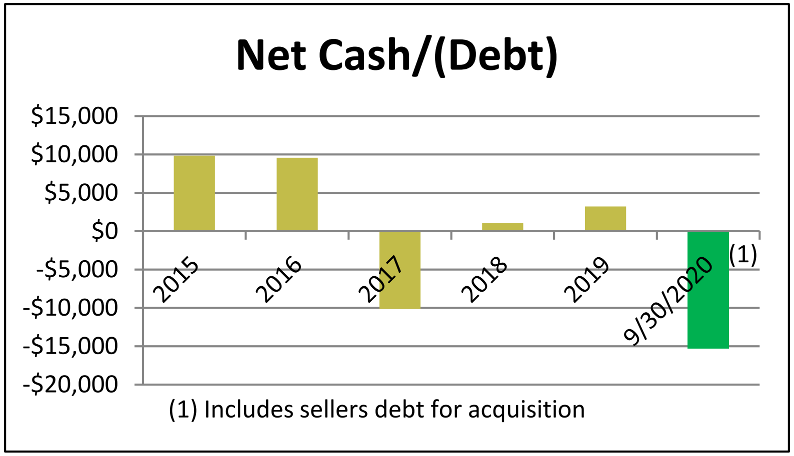
- **Significant Actions in Response to COVID-19**
  - ✓ Provided team members with PPE to ensure safety
  - ✓ Eliminated non-critical travel
  - ✓ Temporarily consolidated Suwanee DC into McCook’s capacity
  - ✓ Salary actions taken
  - ✓ Furloughed employees
  - ✓ Eliminated various performance incentive plans
  - ✓ Eliminated non-critical capital
  - ✓ Extension of vendor terms
  - ✓ Bring back costs as business conditions warrant

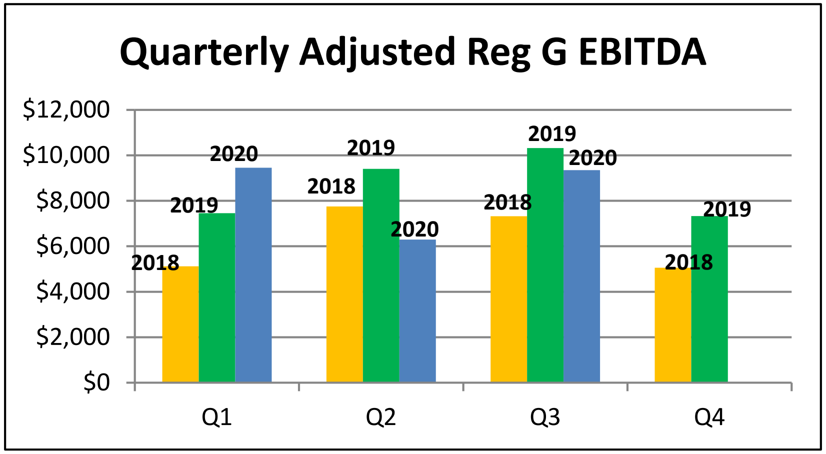
Historical Financial Performance

Recent sales growth and earnings expansion providing financial flexibility









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Capital Allocation Priorities

Maintain Strong Balance Sheet	• $17.2 million cash on hand and no outstanding borrowings under our credit agreement at the end of Q3 • Outstanding debt of $32.5 million at end of Q3 related to Partsmaster acquisition; scheduled to be paid in May 2021
Reinvest for Growth	• Increased our borrowing capacity to $100.0 million (additional $50.0 million accordion) with our new borrowing agreement in late 2019 • Capital expenditures expected to be approximately $2.0 - $3.0 million in 2020 • Growth initiatives: add new reps and increase sales rep productivity
Pursue Disciplined M&A	• Closed Partsmaster acquisition in August 2020 • Closed Screw Products Inc. acquisition in October 2018 • Closed Bolt Supply House acquisition in October 2017
Return Capital	• Share repurchase to offset award dilution; opportunistic purchases • $7.5 million stock repurchase program announced on May 16, 2019; $4.5 million remaining

Lawson Growth Strategy

Sales Growth Driven By

New Sales Reps

Sales Rep Productivity

Acquisitions

Foundational Support

ERP	Network Optimization	Sales Transformation	Lean Six Sigma	Website

2020 Focus: Actions Across the Value Chain Driving Growth

Add New Sales Reps and Drive Rep Productivity

Sales Process / Sales Reps

- Increase sales rep count
- Onboarding process/training
- Sales Management dashboard
- EDI with customers

Customer Service / Order Entry

- Reduction of cycle times
- Order pad
- Consolidation of shipments
- Sales service reps

Product Management / Pricing

- Leverage vendor drop-ship programs
- Fleet maintenance focus
- Pricing enhancements
- Website

DC Operations

- Reduce cycle time
- Refine "Pull" strategy
- Freight enhancements
- Minimize backorders
- Improve service levels
- Forecasting tool

Sourcing / Purchasing

- Supplier negotiation process
- Vendor metrics
- Electronic communication

Information Technology – Integration of Web and SAP
Lean Six Sigma

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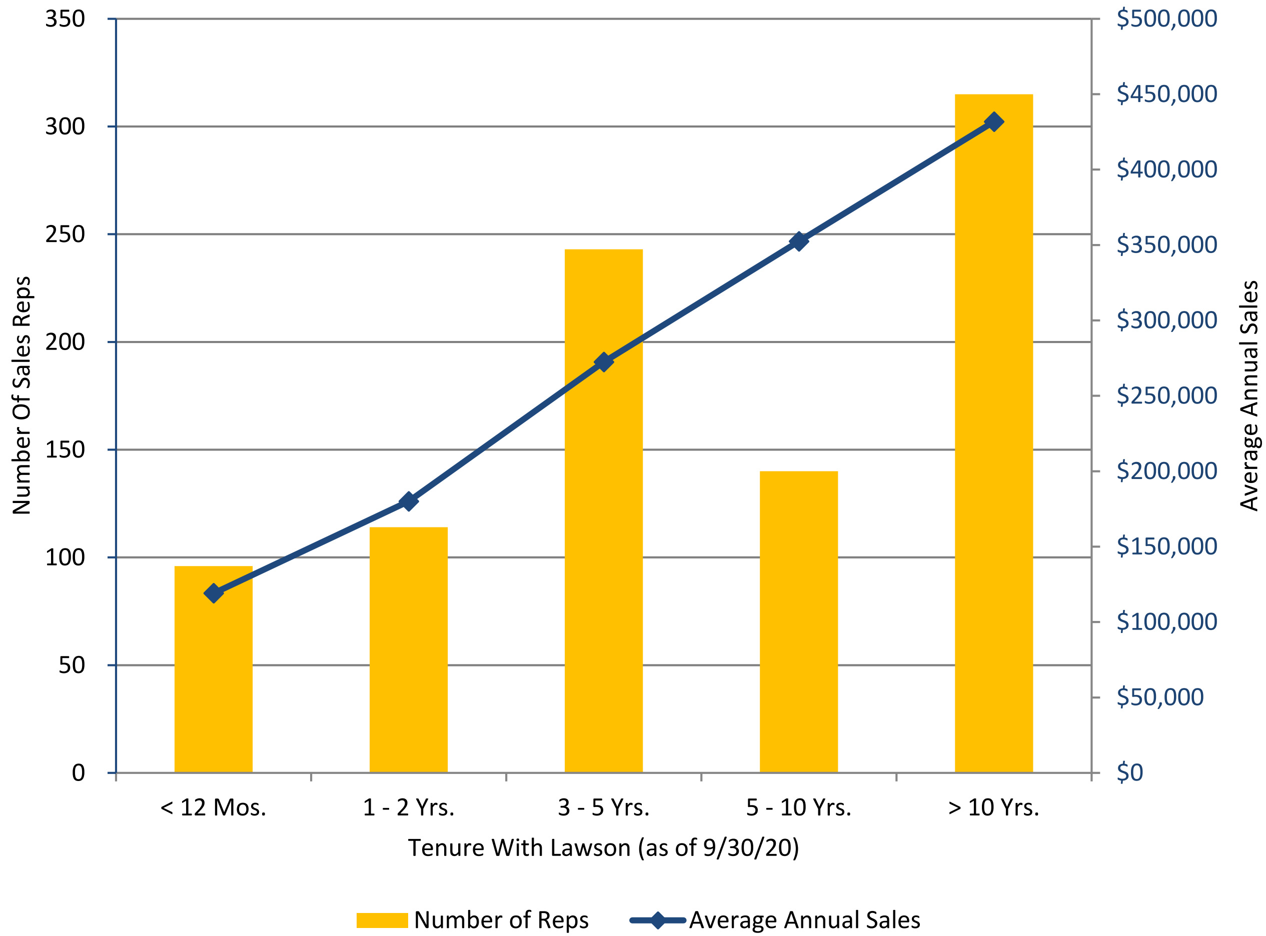
Longer Sales Rep Tenure Drives Rep Productivity



Lawson Products: Poised for Growth

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

For More Information

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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
June 2019	➢Achieved Q2 9.8% adjusted EBITDA
September 2019	➢Achieved Q3 10.9% adjusted EBITDA; hired VP, M&A
October 2019	➢Entered into new five-year $100M credit facility, with additional $50 million accordion feature
August 2020	➢Completed Partsmaster acquisition

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)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Net Sales	$ 84,459	$ 90,382	$ 88,530	$ 86,266	$ 91,343	$ 96,097	$ 94,779	$ 88,566	$ 91,035	$ 72,146	$ 90,277
Operating Income (Loss)	1,837	5,554	(2,266)	4,085	5,544	1,623	6,446	(4,547)	18,638	569	2,001
Depreciation & Amortization	1,686	1,679	1,755	1,735	1,478	1,455	1,468	1,492	1,509	1,511	1,640
EBITDA	3,523	7,233	(511)	5,820	7,022	3,078	7,914	(3,055)	20,147	2,080	3,641
Excluded Costs											
Severance	628	64	31	126	27	1,485	30	214	(10,700)	3,187	4,746
Stock Based Compensation (Benefit)	970	87	7,637	(1,186)	408	4,839	2,374	10,167	7	1,025	488
Acquisition Related Costs	-	-	168	62	-	-	-	-	-	-	473
Loss/(Gain) on Disposal of Property	-	-	-	-	-	-	-	-	-	-	-
Lease termination gain	-	(164)	-	-	-	-	-	-	-	-	-
Discontinued operation accrual	-	529	-	-	-	-	-	-	-	-	-
Building Impairment	-	-	-	231	-	-	-	-	-	-	-
Reg G Adjusted EBITDA	$ 5,121	$ 7,749	$ 7,325	$ 5,053	$ 7,457	$ 9,402	$ 10,318	$ 7,326	$ 9,454	$ 6,292	$ 9,348
Adjusted EBITDA % of Sales	*6.1%*	*8.6%*	*8.3%*	*5.9%*	*8.2%*	*9.8%*	*10.9%*	*8.3%*	*10.4%*	*8.7%*	*10.4%*

Consolidated Balance Sheet

	September 30, 2020 (Unaudited)	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 17,193	$ 5,495
Restricted cash	802	802
Accounts receivable, less allowance for doubtful accounts of $680 and $593, respectively	47,902	38,843
Inventories, net	62,218	55,905
Miscellaneous receivables and prepaid expenses	5,943	5,377
Total current assets	134,058	106,422
Property, plant and equipment, net	16,596	16,546
Goodwill	36,428	20,923
Deferred income taxes	20,289	21,711
Intangible assets, net	18,727	12,335
Cash value of life insurance	15,400	14,969
Right of use assets	9,513	11,246
Other assets	258	277
Total assets	$ 251,269	$ 204,429
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accrued acquisition liability	$ 32,476	$ —
Accounts payable	22,466	13,789
Lease obligation	4,509	3,830
Accrued expenses and other liabilities	30,808	39,311
Total current liabilities	90,259	56,930
Revolving line of credit	—	2,271
Security bonus plan	11,540	11,840
Deferred compensation	9,847	6,370
Lease obligation	6,693	9,504
Deferred tax liability	6,154	6,188
Other liabilities	5,522	3,325
Total liabilities	130,015	96,428
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 - 9,231,598 and 9,190,171 shares, respectively Outstanding - 9,025,617 and 9,043,771 shares, respectively	9,232	9,190
Capital in excess of par value	19,508	18,077
Retained earnings	101,386	86,496
Treasury stock – 205,981 and 146,400 shares, respectively	(7,953)	(5,761)
Accumulated other comprehensive loss	(919)	(1)
Total stockholders' equity	121,254	108,001
Total liabilities and stockholders' equity	$ 251,269	$ 204,429