DSG

DISTRIBUTION SOLUTIONS GROUP

Powerful Solutions. Proven Results.

NASDAQ: DSGR

Q2 2024 Financial Results

August 1, 2024

Safe Harbor Statement

Cautionary Note Regarding Forward-Looking Statements

This presentation contains certain "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. Terms such as "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. 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, which should be reviewed carefully. 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) unanticipated difficulties, expenditures or any problems arising in connection with or after the combination of the businesses of Lawson Products, TestEquity and Gexpro Services (the "merger"), which may result in DSG not operating as effectively and efficiently as expected; (ii) the risk that stockholder litigation in connection with the merger or any other acquisition or business combination completed by DSG or any of its subsidiaries results in significant costs of defense, indemnification and liability; and (iii) the risks that DSG may encounter difficulties integrating the business of DSG with the business of other companies that DSG has acquired or may acquire or has otherwise combined with or may otherwise combine with, that DSG may not achieve the anticipated synergies contemplated with respect to any such business or transactions and that certain assumptions with respect to such business or transactions could prove to be inaccurate.

Earnings Call Agenda

Today's Conference Call Will Discuss Results Primarily on an Adjusted (Non-GAAP) and Comparable Operations Basis.

Agenda

- 2024 Q2 Consolidated Highlights & Financial Results
- Source Atlantic Acquisition Discussion
- Segment Highlights & Financial Results
- Q&A

See appendix for GAAP to Non-GAAP reconciliations.

Q2 2024 Commentary

- Q2 revenue of $440M and adjusted EBITDA of $45M or 10.3%.

- Q2 revenue up $61.6M or 16.3% including acquired revenue of $81.4M. While organic sales declined 5.7% on comparable days, organic sales grew 3.8% over the first quarter of 2024. The sequential sales increase was driven by improving sales in many end markets including Test & Measurement, Renewables, Technology and project related business.

- Q2 adjusted EBITDA of $45.2M, or 10.3% of sales, compared to $40.1M or 10.6% in the prior year quarter. Sequentially, adjusted EBITDA grew $9.1M or 160bps from the first quarter of 2024.

- Diluted income per share was $0.04 for the quarter, compared to diluted income per share of $0.07 in the year-ago quarter on higher depreciation and amortization expenses and non-recurring severance and acquisition-related retention costs. Non-GAAP adjusted diluted earnings per share was $0.40, compared to $0.42 EPS for the same period a year ago and $0.25 EPS from the first quarter of 2024.

- Ended the second quarter with net debt leverage of 3.2x which includes impact of the acquisitions of ESS and S&S Automotive in H1; ended the quarter with $57M of cash and approx. $153M of availability under revolving credit facility.

- Completed the acquisition of S&S Automotive ("S&S") in Q2 with annual revenues of approximately $40.0M. Subsequent to quarter end, announced agreement to acquire Source Atlantic Limited ("Source Atlantic") with annual revenues of approximately CAD $250.0M to expand our operating footprint in the Canadian market.The transaction is expected to close in the third quarter of 2024, subject to regulatory approval and customary closing conditions.

Results are presented on an Adjusted (Non-GAAP) and continuing operations basis. See appendix of this presentation and press release for reconciliations.
DSG's Board of Directors approved and declared a two-for-one stock split in Q3 2023. Accordingly, all share and per share amounts presented herein have been retroactively adjusted to reflect the impact of the Stock Split.

Source Atlantic Acquisition

- **Source Atlantic is a leading Canadian wholesale distributor** providing product and service solutions for the industrial, government, commercial and residential contractor markets
- **Creates high-touch, specialty distribution platform,** around one Lawson / DSG Canadian region / business
  - Three businesses complementing each other across geography, product offering, value-added services, with less than 5% customer overlap
  - Unified management team to drive top line and bottom-line growth
- **Expands Lawson's Canadian addressable market** (~$41B) expected to grow +4-5% through 2028
  - Through scale, complementary products and new value-added services, Bolt, Lawson Canada and Source Atlantic together could expand deeper into Ontario and Quebec
- **Targeting double-digit EBITDA margins run-rate** by end of 2025E for Source Atlantic, driven by anticipated growth and realization of synergies
- **Originally began in the 1860's.** Source Atlantic acquired a number of independent and long-standing companies to expand its footprint across Canada. The Company now has >500 employees across 24 locations

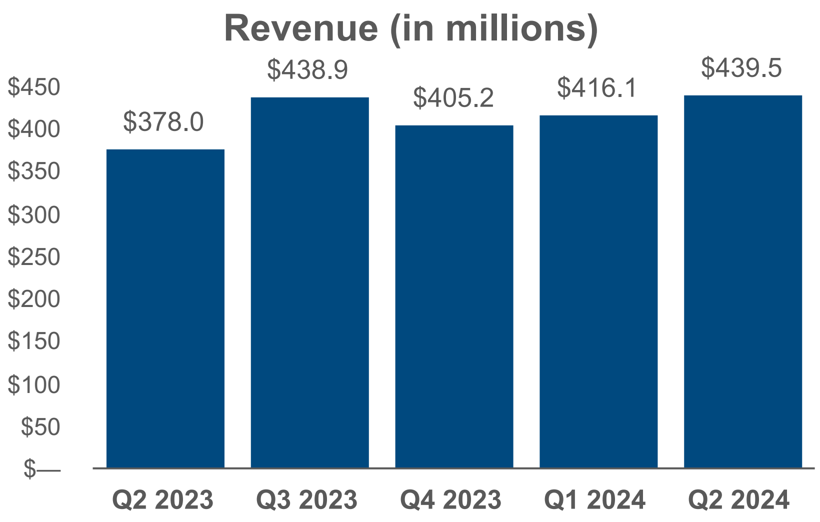
2024 Consolidated Financial Highlights

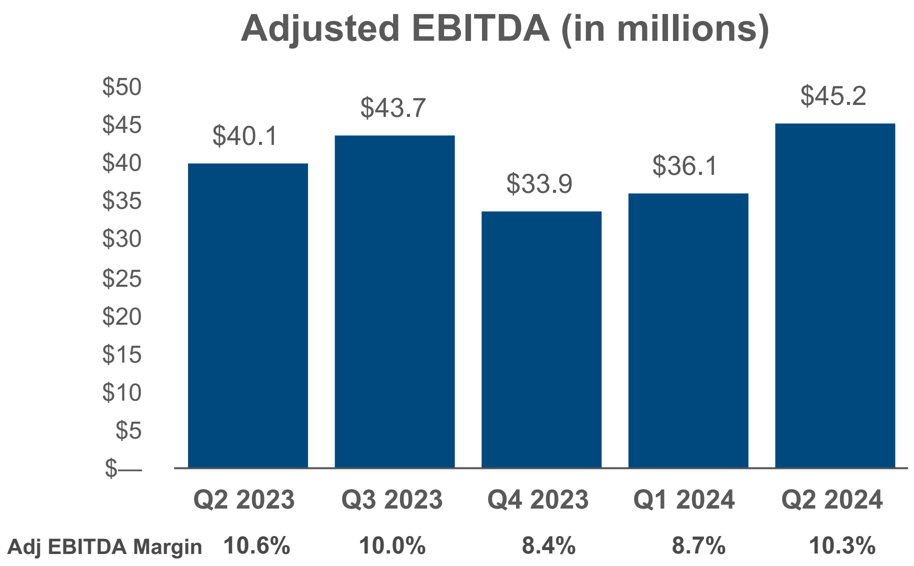
Reported Revenue and Adjusted EBITDA

- Q2 revenue of $439.5M; up $61.6M or 16.3% due to 2023 and 2024 acquisitions. While organic sales declined 5.7% on comparable days, organic sales grew 3.8% over the first quarter of 2024.The sequential sales increase was driven by improving sales in many end markets including Test & Measurement, Renewables, Technology and project related business.

- Q2 adjusted EBITDA of $45.2M or 10.3% of sales; up $9.1M or 160bps from 8.7% of sales in the first quarter of 2024.

- Margin expansion in all 3 verticals.



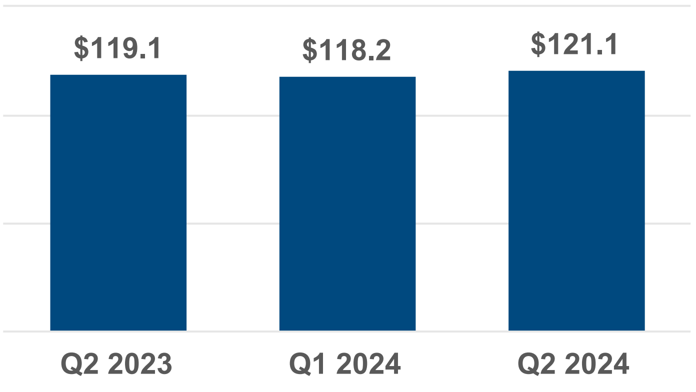


Lawson Products – MRO Focus

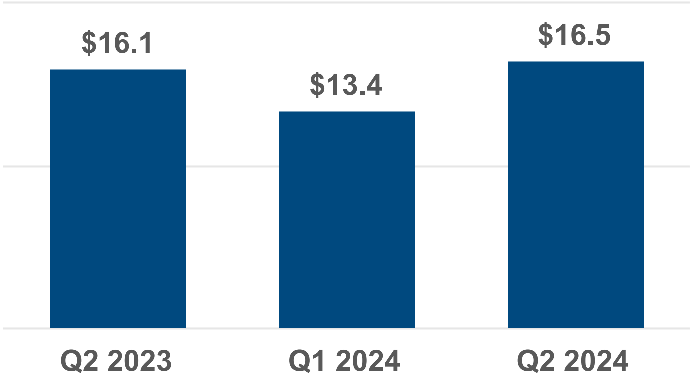
Q2 2024 Highlights:

- Q2 revenue up over prior year and sequentially driven by the S&S and ESS acquisitions; organic revenue soft
- Ended June 30, 2024 with ~840 sales reps. Q2 sales per rep per day productivity continued its improved trend, up ~ 9.0% vs. Q2 2023
- Q2 adjusted EBITDA of $16.5M or 13.6% of revenue up sequentially from 11.4% in Q1 2024 on organic gross margin improvement and operating leverage
- Completed the acquisition of S&S Automotive to further expand its presence in the automotive dealership and collision repair end markets. Subsequent to quarter end, announced agreement to acquire Source Atlantic to expand our operating footprint in the Canadian market
- 2024 to be a year of continued evolution of sales rep enhancements and customer/channel expansion

Revenue (in millions)



Adjusted EBITDA (in millions)



Adj EBITDA Margin	**13.5%**	**11.4%**	**13.6%**

Results are presented on an Adjusted (Non-GAAP) and continuing operations basis. See appendix of this presentation and press release for reconciliations.
Bolt Supply no longer included in Lawson Products reporting segment.

Gexpro Services – OEM Focus

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Q2 2024 Highlights:

- Q2 organic revenue up $8.4M or 8.6% sequentially from Q1 2024. Strong Aerospace & Defense and Renewables end markets drove sequential sales growth. Technology recovery continues.

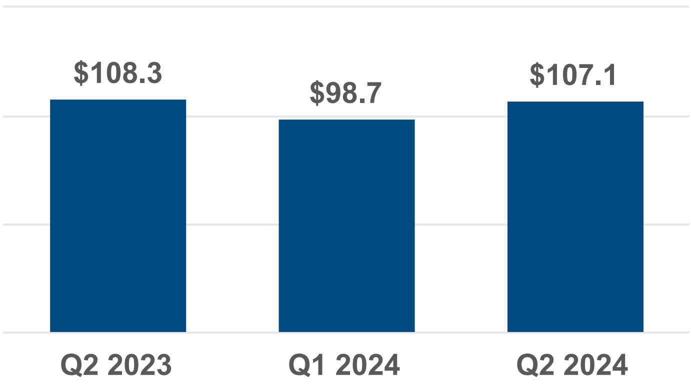
- Continued expansion in gross margin through strategic sourcing initiatives and supply chain improvements

- Value creation initiatives including DSG cross sell, acquisition synergies and expanded kitting offerings and E-commerce. Book to billing increasing over 2nd half of 2023

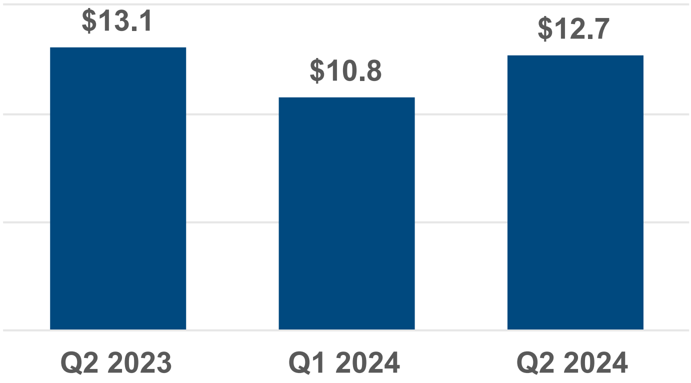
- Q2 adjusted EBITDA of $12.7M or 11.9% of revenue, up sequentially from 11.0% in Q1 2024 on sales increase, improved gross profit margins and operating leverage

- Flat opex on normalized sales levels to drive net margin expansion in 2024 as outstanding bids/quotes remain strong

Revenue (in millions)



Adjusted EBITDA (in millions)



Adj EBITDA Margin	12.1%	11.0%	11.9%

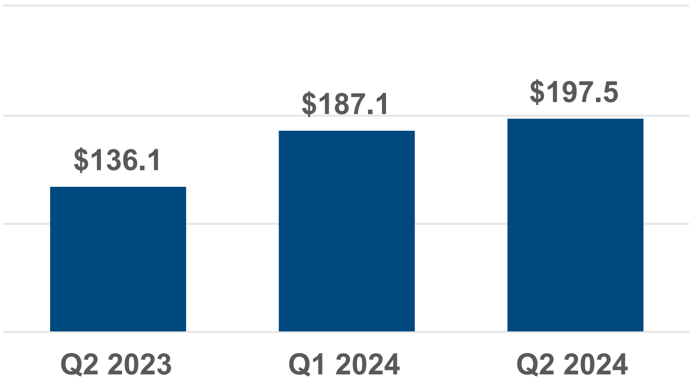
Results are presented on an Adjusted (Non-GAAP) and continuing operations basis. See appendix of this presentation and press release for reconciliations.

TestEquity – Industrial Technologies Focus

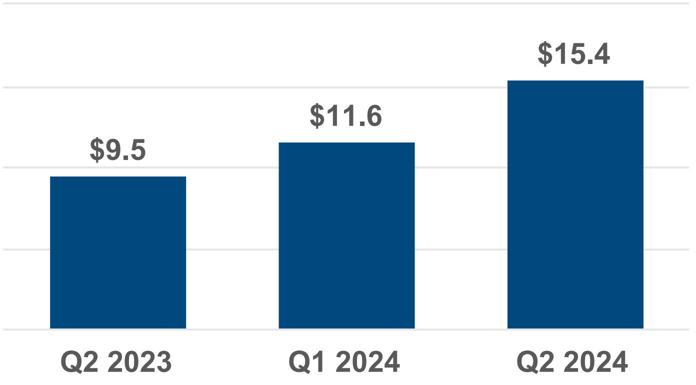
Q2 2024 Highlights:

- Q2 Revenue +45.1% or $61.4M YoY primarily driven by Hisco acquisition offset by organic revenue decline of 9.2% or $9.9M. Sequential sales up $10.4M or 5.5% over Q1 on continued Test & Measurement and chambers sales
- Key operating initiatives focused on acquisition integration, pricing disciplines, sales force optimization, digital channel expansion and cost containment
- Proactively taking actions to align operating costs - annualized cost impact to exceed $15M from merger synergies and cost rationalization
- Q2 adjusted EBITDA of $15.4M or 7.8% of revenue, up sequentially from 6.2% in Q1 2024. ~60bps of 160bps driven by gross margin improvements with remainder from cost controls and operating leverage

Revenue (in millions)



Adjusted EBITDA (in millions)



Adj EBITDA Margin	**7.0%**	**6.2%**	**7.8%**

Results are presented on an Adjusted (Non-GAAP) and continuing operations basis. See appendix of this presentation and press release for reconciliations.

Other Financial Highlights

Robust Net Working Capital Investment

$448.3M

6/30/2024 Trade NWC

High returns realized on working capital investments

Focus on Deleveraging via Earnings Growth and Free Cash Flow Generation

3.6x

Leverage(1) at April 1, 2022 Merger Close

3.2x

Leverage(1) as of June 30, 2024

Inclusive of 6 acquisitions post-April 2022 merger

Total Liquidity

(1) As defined under DSG's credit agreement.
(2) Inclusive of restricted & unrestricted cash position and availability under credit facility.

Disciplined Capital Allocation Framework

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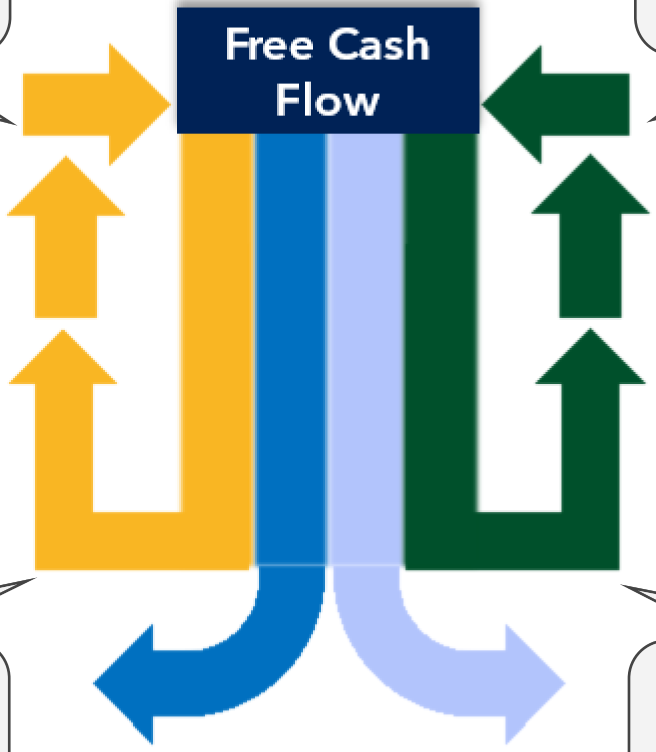
Q2'24 trade working capital $448M

TTM cash flows from operating activities of $103M

Q2 '24 3.2x(2) Net Debt Leverage

TTM Free Cash Flow(1) Conversion of ~110%

TTM ROIC of ~12%(3)



6 highly commercially strategic & accretive, high ROIC tuck-in distribution company acquisitions in the preceding 24 months

47.6M shares outstanding

$27.3M available for opportunistic buybacks

($1.7M executed in Q2)

(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.
(2) As defined under DSG's credit agreement
(3) 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). Excludes recent S&S Automotive acquisition.

Leading Specialty Industrial Distribution Platform

DSG

LAWSON

MRO Focus

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

~32% of Revenue (2)

Gexpro Services

OEM Focus

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

~23% of Revenue (2)

TestEquity

Industrial Technologies Focus

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

~45% of Revenue (2)

TTM Financial Highlights	**$1.74Bn** Adjusted Revenue	**~9.3%** Adjusted EBITDA %	**$170M+** Adj. Free Cash Flow (1)	**Fly-by Operating Stats**	**40+** Countries Served	**180k+** Customers	**500k+** Unique SKU's

Results are presented on an Adjusted (Non-GAAP) and continuing operations basis. See appendix of this presentation and press release for reconciliations.
Information inclusive of Other Acquisition results prior to the acquisition date.
(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.
(2) TTM revenue by segment inclusive of Other Acquisition results prior to the acquisition date.

Summary

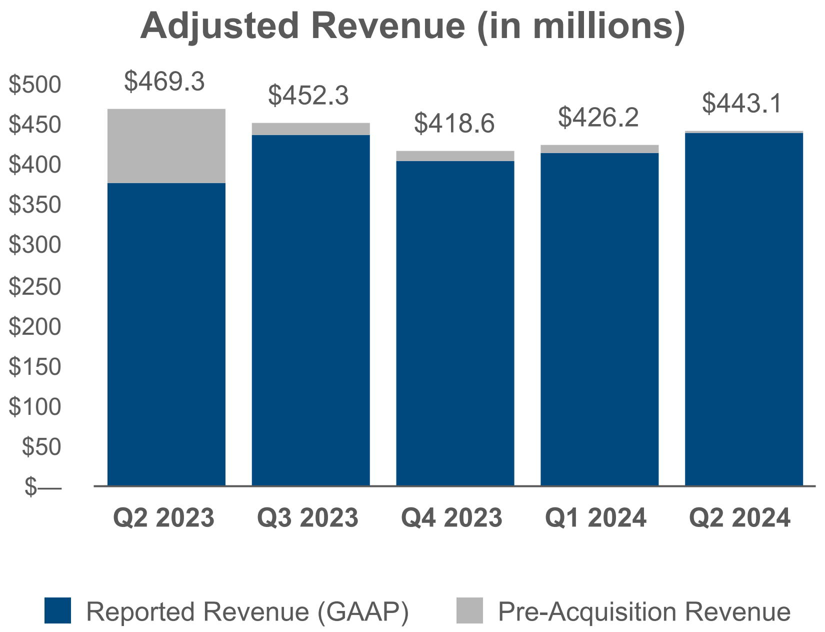
- ***Strong sequential progress*** *despite tough sales comps; improved sales in many end markets including Test & Measurement, Renewables, Technology and project related business.*
- ***Process and structural optimization initiatives*** *for each business unit* ***well underway****.*
- *Q2 results driven primarily by acquired revenue – aligns with growth strategy.* ***Organic revenue up 3.8% from the first quarter of 2024.***
- ***Sequential improvement*** *in adjusted EBITDA of* ***$9.1M*** *to* ***10.3%; up 160bps*** *from the first quarter of 2024.*
- ***Conservative financial management*** *and prudent capital allocation to continue. Leverage of* ***3.2x*** *which includes impact of ESS and S&S acquisitions in H1.*
- ***Team collaboration and M&A playbook*** *bridging to a structurally higher margin in 2024.*
- ***Disciplined M&A strategy*** *to capture commercially strategic with high ROIC, bolt-on acquisitions;* ***pipeline*** *for add-on acquisitions* ***remains encouraging. Completed the acquisitions of ESS and S&S in H1. Subsequent to quarter end, announced agreement to acquire Source Atlantic.***

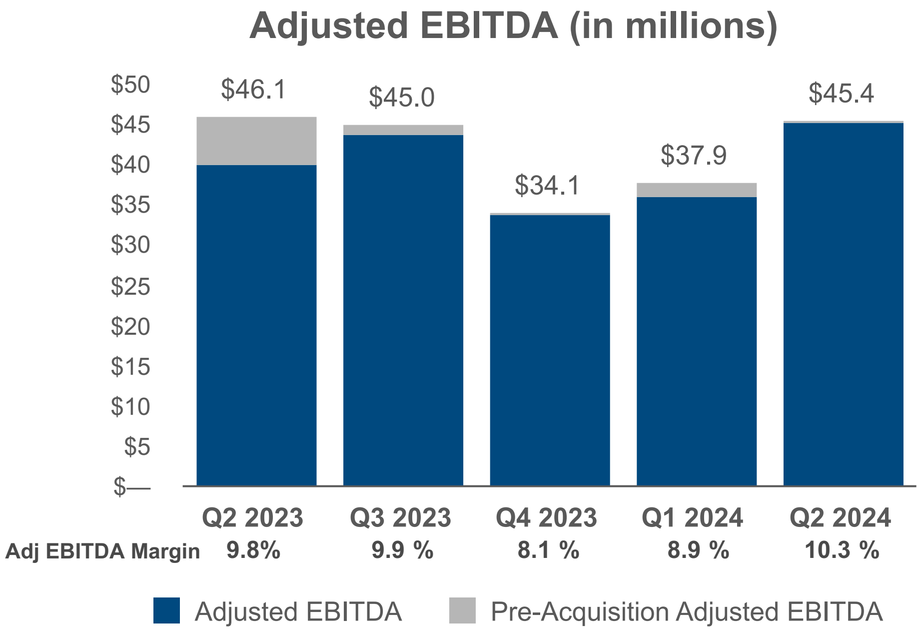
Appendix

Q2 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 Q1 2023-Q2 2024 period.





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.

GAAP to Non-GAAP Reconciliations

Q2 Revenue and Adjusted EBITDA Reconciliation ($000s)

(Unaudited)

	Lawson Products		Gexpro Services		TestEquity		All Other		Eliminations		Consolidated DSG	
Quarter Ended	Q2 2024	Q2 2023	Q2 2024	Q2 2023	Q2 2024	Q2 2023	Q2 2024	Q2 2023	Q2 2024	Q2 2023	Q2 2024	Q2 2023
Revenue from external customers	$ 121,089	$ 119,147	$ 106,530	$108,274	$ 197,446	$ 136,067	$ 14,471	$ 14,496	$ —	$ —	$ 439,536	$ 377,984
Intersegment revenue	29	—	604	—	35	—	—	—	(668)	—	—	—
Revenue	$ 121,118	$ 119,147	$ 107,134	$108,274	$ 197,481	$ 136,067	$ 14,471	$ 14,496	$ (668)	$ —	$ 439,536	$ 377,984
Operating income (loss)	$ 6,129	$ 8,470	$ 8,091	$ 8,778	$ 703	$ (3,182)	$ (765)	$ (290)			$ 14,158	$ 13,776
Depreciation and amortization	6,390	4,498	3,825	4,026	7,795	5,560	525	500			18,535	14,584
Adjustments:												
Acquisition related costs(1)	2,400	651	382	303	282	4,104	534	—			3,598	5,058
Stock-based compensation(2)	(633)	2,188	—	—	160	—	166	—			(307)	2,188
Severance and acquisition related retention expenses(3)	1,583	119	192	23	6,508	2,295	30	—			8,313	2,437
Inventory step-up(4)	634	—	—	—	—	716	—	—			634	716
Other non-recurring(5)	—	144	250	12	—	—	—	1,185			250	1,341
Non-GAAP adjusted EBITDA	$ 16,503	$ 16,070	$ 12,740	$ 13,142	$ 15,448	$ 9,493	$ 490	$ 1,395			$ 45,181	$ 40,100
Operating income (loss) as a percent of revenue	5.1%	7.1%	7.6%	8.1%	0.4%	(2.3)%	(5.3)%	(2.0)%			3.2%	3.6%
Adjusted EBITDA as a percent of revenue	13.6%	13.5%	11.9%	12.1%	7.8%	7.0%	3.4%	9.6%			10.3%	10.6%

(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

GAAP to Non-GAAP Reconciliations

Adjusted Revenue and Adjusted EBITDA Reconciliation ($000s)
Results Inclusive of Acquisitions – Pre-Acquisition Date
(Unaudited)

	Consolidated DSG				
Quarter Ended	**Q2 2023**	**Q3 2023**	**Q4 2023**	**Q1 2024**	**Q2 2024**
Revenue	$ 377,984	$ 438,909	$ 405,239	$ 416,086	$ 439,536
Pre-acquisition revenue(1)	91,285	13,395	13,395	10,064	3,531
Adjusted revenue	$ 469,269	$ 452,304	$ 418,634	$ 426,150	$ 443,067
Operating income (loss)	$ 13,776	$ 12,783	$ (289)	$ 2,783	$ 14,158
Pre-acquisition operating Income (loss) (1)	7,395	979	83	1,791	(4,408)
Adjusted Operating Income (loss)	21,171	13,762	(206)	4,574	9,750
Depreciation and amortization	14,584	17,010	16,272	17,052	18,535
Adjustments:					
Acquisition related costs(2)	5,058	(94)	2,498	1,954	3,598
Stock-based compensation(3)	2,188	1,049	2,499	2,198	(307)
Severance and acquisition related retention expenses(4)	2,437	10,478	11,400	10,716	8,313
Inventory step-up(5)	716	2,150	716	—	634
Other non-recurring(6)	1,341	327	784	1,364	250
Pre-Acquisition add-backs(7)	(1,353)	302	116	—	4,664
Adjusted EBITDA	$ 46,142	$ 44,984	$ 34,079	$ 37,858	$ 45,437
Operating income (loss) as a percent of revenue	3.6%	2.9%	(0.1)%	0.7%	3.2%
Adjusted EBITDA as a percent of revenue	12.2%	10.2%	8.4%	9.1%	10.3%
Adjusted EBITDA as a percent of pro forma revenue	9.8%	9.9%	8.1%	8.9%	10.3%

References to table footnotes are on slide 18

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

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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					
	Q2 2024		Q2 2023[(3),(4)]		Q4 2023	
	Amount	Diluted EPS[(2)]	Amount	Diluted EPS[(2)]	Amount	Diluted EPS[(2)]
Net income (loss)	$ 1,896	$ 0.04	$ 3,024	$ 0.07	$ (5,224)	$ (0.11)
Pretax adjustments:						
Stock-based compensation	(307)	(0.01)	2,188	0.05	2,198	0.05
Acquisition related costs	3,598	0.08	5,058	0.11	1,954	0.04
Amortization of intangible assets	12,206	0.26	9,406	0.21	10,746	0.23
Severance and acquisition related retention expenses	8,313	0.17	2,437	0.06	10,716	0.23
Change in fair value of earnout liabilities	8	—	(36)	—	(5)	—
Inventory step-up	634	0.01	716	0.02	—	—
Other non-recurring	250	0.01	1,341	0.03	1,364	0.03
Total pretax adjustments	24,702	0.52	21,110	0.48	26,973	0.58
Tax effect on adjustments(1)(3)	(7,238)	(0.15)	(5,552)	(0.13)	(7,334)	(0.16)
Deferred tax asset valuation allowance(5)	(410)	(0.01)	—	—	(2,696)	(0.06)
Non-GAAP adjusted net income	$ 18,950	$ 0.40	$ 18,582	$ 0.42	$ 11,719	$ 0.25

(1) The estimated tax effect on the adjustments is determined by applying the jurisdictional rate of the originating territory of the non-GAAP adjustments
(2) Pretax adjustments to diluted EPS calculated on 47.624 million, 43.995 million and 46.777 million diluted shares for the second quarter of 2024 and 2023,and the first 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) Represents expense related to the deferred tax asset valuation allowance from interest expense limitations under Section 163(j)