

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):

March 16, 2016

**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))

**Item 7.01 Regulation FD Disclosure.**

Lawson Products, Inc. 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 March 2016

## 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: March 16, 2016

By: /s/ Ronald J. Knutson

Name: Ronald J. Knutson

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

EXHIBIT INDEX

**Exhibit Number**

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99.1

**Description**

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Investor Presentation March 2016



**LAWSON** Products



# Investor Presentation

March 2016

USA: 866.LAWSON4U (866.529.7664) | Canada: 800.563.1717 | [lawsonproducts.com](http://lawsonproducts.com)

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# Lawson Products, Inc.

## "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, 2015.

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

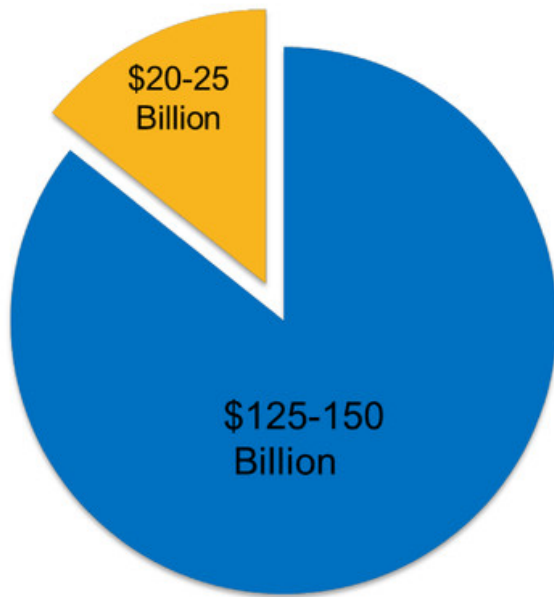
- **Leading service based provider of consumables in MRO market**
- **Serves industrial, commercial, institutional and government markets in all 50 states, Canada, Mexico, Puerto Rico and the Caribbean**
- **Headquartered in Chicago, IL**
  - 5 strategically located distribution centers
  - Workforce ~1,500 (over 900 sales reps)
- **Supplies a comprehensive line of products to the MRO marketplace**
- **VMI and private label drives high gross margins**



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# Competitive Advantages and Differentiators

“Not the Typical MRO Distributor”



■ Broad Based MRO Market ■ Service Based VMI Market

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

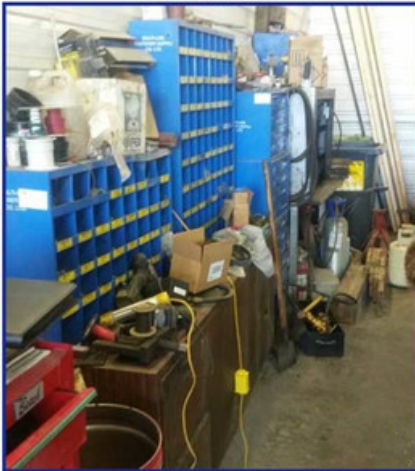
- Service intensive “high touch” value proposition
- Vendor managed inventory or “keep fill”
- Deep product knowledge
- Broad geographic sales and service coverage throughout the US and Canada
- Leverage investments in sales team, facilities and technology to enable outstanding customer service
- Lowest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



# Our Commitment to our 70,000 Customers

High touch service and technical expertise drives customer relationships

**Before**



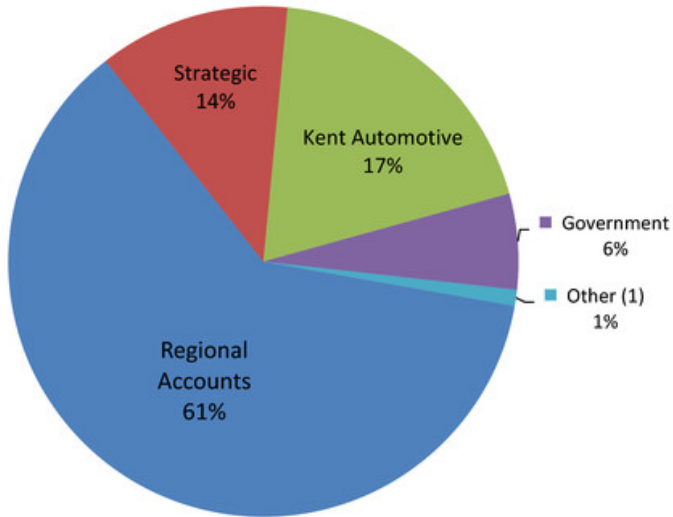
**After**



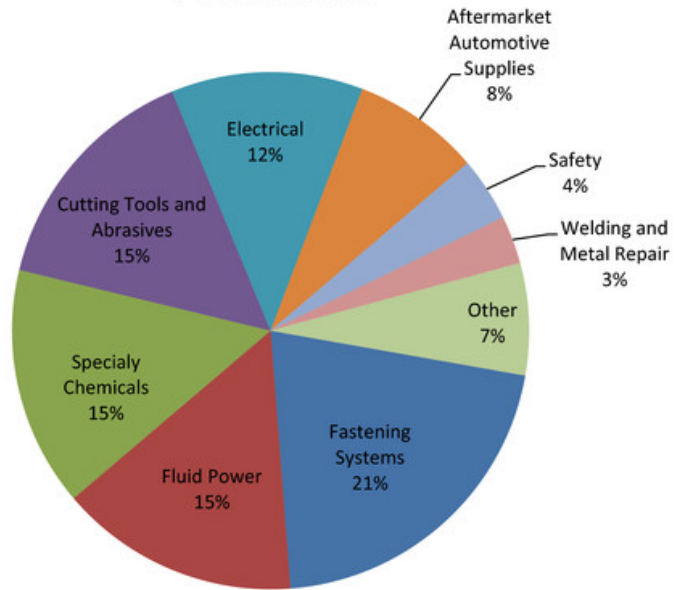
One Company, Zero Headaches	Inventory Management Options	Access to Industry Knowledge & Expertise
<ul style="list-style-type: none"> <li>• Comprehensive line of products</li> </ul>	<ul style="list-style-type: none"> <li>• Lawson Managed Inventory</li> </ul>	<ul style="list-style-type: none"> <li>• Product 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

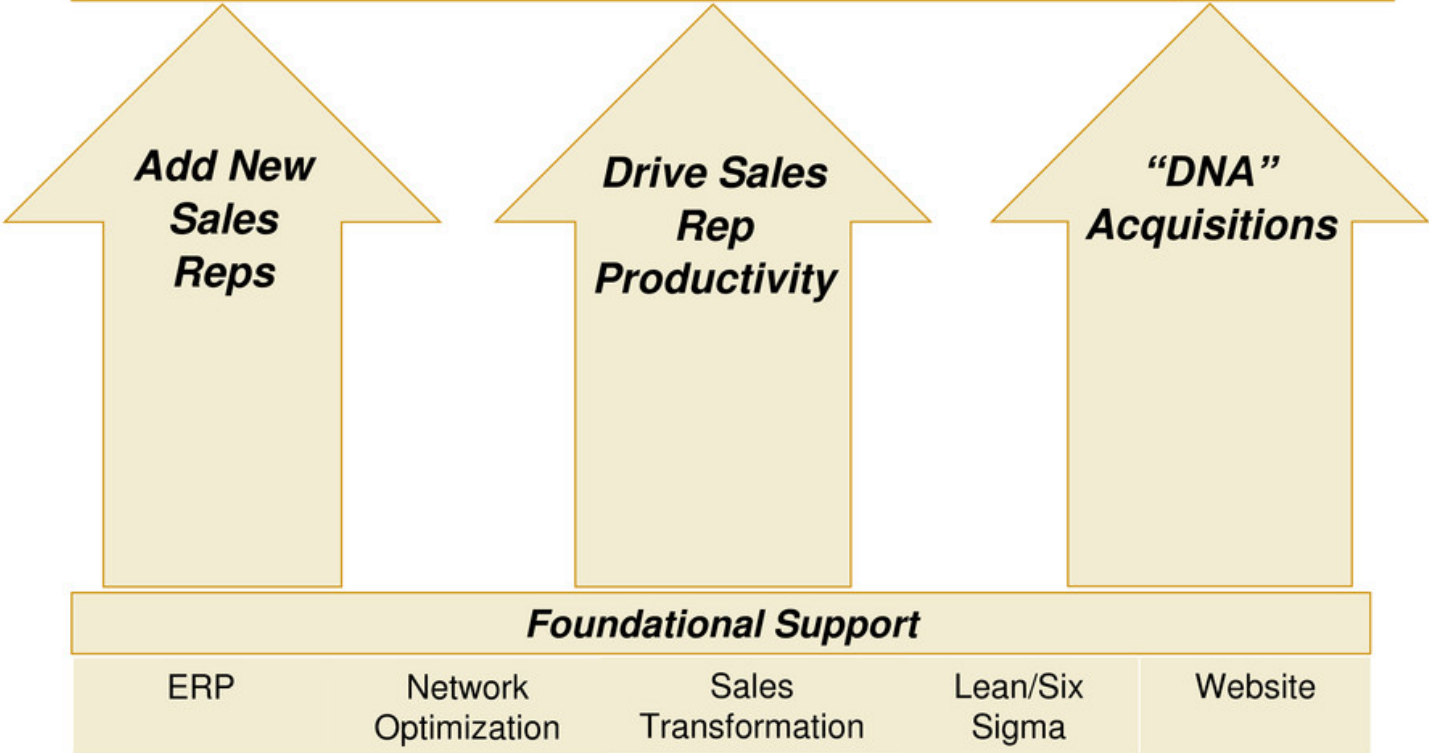


(1) Other consists primarily of freight revenue offset by rebates



# Lawson Growth Strategy

## Sales Growth Driven By



## 2016 Focus: Actions Across the Value Chain Driving Growth

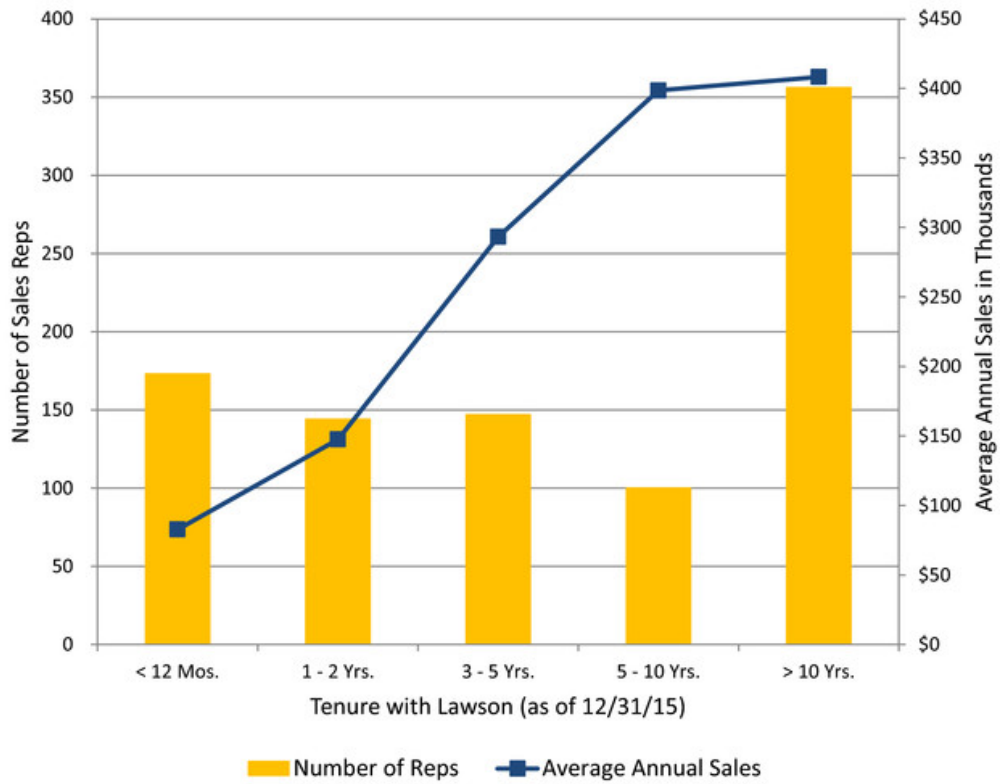
### Add New Sales Reps and Drive Rep Productivity



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



# Financial Highlights for Full Year 2015

- **Ended 2015 with 937 sales reps, up net 21 from 2014**
- **Strong gross margins** – 61.3% in 2015 v. 60.4% in 2014
- **Adjusted EBITDA margin improving**
  - ✓ 6.1% in 2015 v. 4.8% in 2014
  - ✓ Continued investment in new sales reps
  - ✓ Cost control measures in place
- **Significant improvement in cash generated from operations**
  - ✓ \$9.3 million in 2015 vs. \$2.3 million in 2014
- **Strong balance sheet**
  - ✓ Net cash position of \$9.8 million
  - ✓ 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>**





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# Appendices



# Significant Foundational Activities

August 2011	➤ Implemented SAP
October 2011	➤ Commenced construction of new McCook, Ill distribution center
May 2012	➤ Relocated corporate headquarters
June 2012	➤ Announced \$20M in annual costs savings ➤ Restructured senior team
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	➤ Completed planned staff reduction ➤ 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 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 2013	➤ Closed on Automatic Screw Machine Products sale for net proceeds of \$12.1M
June 2014	➤ Closed on sale of Reno distribution facility for net proceeds of \$8.3M; began 10 year lease for currently used portion of facility
December 2014	➤ Ended year with over 900 sales reps
February 2015	➤ Held North American sales meeting
September 2015	➤ Completed Western Canada acquisition
March 2016	➤ Completed Perfect Products of Michigan 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)	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Full Year	
									2014	2015
Net Sales	\$69,204	\$72,080	\$74,128	\$70,281	\$69,904	\$ 70,726	\$ 70,243	\$ 64,961	\$ 285,693	\$ 275,834
Operating Income (Loss)	(4,713)	1,241	678	(2,169)	(947)	3,243	2,810	(2,985)	(4,963)	2,121
Depreciation & Amortization	2,295	2,163	2,160	2,133	2,096	2,126	2,119	2,202	8,751	8,543
EBITDA	(2,418)	3,404	2,838	(36)	1,149	5,369	4,929	(783)	3,788	10,664
<u>Excluded Costs</u>										
Severance	728	290	(328)	(59)	571	50	372	280	631	1,273
Stock Based Compensation (Benefit)	1,102	408	2,423	2,443	(541)	971	(30)	1,693	6,376	2,093
Loss/(Gain) on Disposal of Property	-	-	97	45	-	-	(2)	9	142	7
Legal Settlement	-	-	(688)	-	-	-	-	-	(688)	-
Remediation expense	-	-	-	340	-	-	-	931	340	931
North American sales meeting	-	-	-	-	1,889	-	-	-	-	1,889
Property Impairment Loss	2,914	132	-	-	-	-	-	-	3,046	-
Adjusted EBITDA	\$ 2,326	\$ 4,234	\$ 4,342	\$ 2,733	\$ 3,068	\$ 6,390	\$ 5,269	\$ 2,130	\$ 13,635	\$ 16,857
Adjusted EBITDA % of Sales	3.4%	5.9%	5.9%	3.9%	4.4%	9.0%	7.5%	3.3%	4.8%	6.1%

# Quarterly Results

(Dollars in thousands)  
Three Months Ended

	Dec. 31, 2015	Sep. 30, 2015	Jun. 30, 2015	Mar. 31, 2015	Dec. 31, 2014
Number of business days	61	64	64	63	61
Average daily net sales	\$ 1,065	\$ 1,098	\$ 1,105	\$ 1,110	\$ 1,152
Sequential quarter decrease	(3.0)%	(0.6)%	(0.5)%	(3.6)%	(0.5)%
Average active sales rep count	931	917	912	911	908
Period-end active sales rep count	937	925	920	917	916
Sales per rep per day	\$ 1.144	\$ 1.197	\$ 1.212	\$ 1.218	\$ 1.269
Sequential quarter decrease	(4.4)%	(1.2)%	(0.5)%	(4.0)%	(3.4)%
Net sales	\$ 64,961	\$ 70,243	\$ 70,726	\$ 69,904	\$ 70,281
Gross profit	39,091	43,342	43,808	42,883	42,935
Gross profit percentage	60.2%	61.7%	61.9%	61.3%	61.1%
<b>Operating expenses</b>					
Selling, general & administrative expenses	\$ 41,145	\$ 40,532	\$ 40,565	\$ 43,830	\$ 44,764
Other operating expenses	931	—	—	—	340
	<u>42,076</u>	<u>40,532</u>	<u>40,565</u>	<u>43,830</u>	<u>45,104</u>
Operating income (loss)	<u>\$ (2,985)</u>	<u>\$ 2,810</u>	<u>\$ 3,243</u>	<u>\$ (947)</u>	<u>\$ (2,169)</u>

# Consolidated Balance Sheet

Appendix P-4

	December 31, 2015	December 31, 2014
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 10,765	\$ 4,207
Restricted cash	800	800
Accounts receivable, less allowance for doubtful accounts	27,231	31,546
Inventories, net	44,095	44,517
Miscellaneous receivables and prepaid expenses	3,667	5,433
<b>Total current assets</b>	<b>86,558</b>	<b>86,503</b>
Property, plant and equipment, net	35,487	41,588
Cash value of life insurance	10,245	9,188
Deferred income taxes	51	51
Other assets	753	510
<b>Total assets</b>	<b>\$ 133,094</b>	<b>\$ 137,840</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Revolving line of credit	\$ 925	\$ —
Accounts payable	9,370	7,867
Accrued expenses and other liabilities	26,048	30,861
<b>Total current liabilities</b>	<b>36,343</b>	<b>38,728</b>
Security bonus plan	14,641	15,857
Financing lease obligation	8,539	9,414
Deferred compensation	4,626	5,102
Deferred rent liability	3,912	4,361
Other liabilities	3,769	2,523
<b>Total liabilities</b>	<b>71,830</b>	<b>75,985</b>
<b>Stockholders' equity:</b>		
<b>Preferred stock, \$1 par value:</b>		
Authorized - 500,000 shares, issued and outstanding — None	—	—
<b>Common stock, \$1 par value:</b>		
Authorized - 35,000,000 shares		
Issued - 8,796,264 and 8,720,350 shares, respectively	8,796	8,720
Outstanding - 8,771,120 and 8,706,467 shares, respectively		
Capital in excess of par value	9,877	8,701
Retained earnings	43,572	43,275
Treasury stock - 25,144 and 13,883 shares held, respectively	(515)	(267)
Accumulated other comprehensive income	(466)	1,426
<b>Total stockholders' equity</b>	<b>61,264</b>	<b>61,855</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 133,094</b>	<b>\$ 137,840</b>

