
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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): October 6, 2009

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

(IRS Employer Identification No.)

1666 E. Touhy Avenue, Des Plaines, Illinois

(Address of Principal Executive Offices)

60018

(Zip Code)

Registrant's telephone number, including area code: **(847) 827-9666**

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))
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Item 7.01 Regulation FD Disclosure.

On October 6, 2009, Thomas J. Neri, Chief Executive Officer of Lawson Products, Inc. will present at the William Blair 3rd Annual Emerging Growth Stock Conference. The visual presentation is attached as an exhibit to this Form 8-K.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

99.1 October 6, 2009 Investor Presentation

SIGNATURES

Pursuant to the requirements of the Securities 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.

October 6, 2009

By: /s/ F. Terrence Blanchard

Name: F. Terrence Blanchard

Title: Chief Financial Officer

Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
99.1	October 6, 2009 Investor Presentation



LAWSON Products

William Blair

**3rd Annual Emerging
Growth Stock Conference**

October 2009





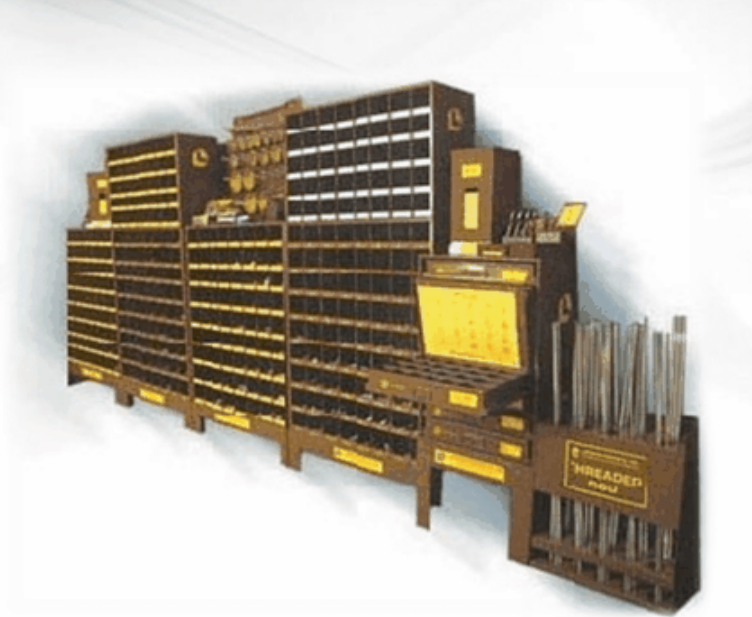
- **“Safe Harbor” Statement under the Securities Litigation Reform Act of 1995:**
- This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. The terms “may,” “should,” “could,” “anticipate,” “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 or contribute to such differences or that might otherwise impact the business include the risk factors set forth in Item 1A of the December 31, 2008 Form 10-K filed on March 11, 2009. The Company undertakes no obligation to update any such factor or to publicly announce the results of any revisions to any forward-looking statements whether as a result of new information, future events or otherwise.





Agenda

- I. Industry Overview
- II. Company Overview
- III. Business Strategy
- IV. Financial Summary
- V. Appendix





Industrial Distribution Market Dynamics

- The industrial distribution industry is characterized by its large scale, extreme fragmentation and many channels of distribution
- The North American industrial distribution market was estimated at \$340 billion for 2007 made up of ~38,400 companies with an average revenue of ~\$8.5 million ⁽¹⁾
- Of these companies in the Industrial Distribution Market, Lawson ranked 21st by sales revenue in 2008⁽²⁾

Rank	Company	Rev (m)	Rank	Company	Rev (m)
1	Wolseley	\$33,100	12	MSC Direct	\$1,780
2	Wurth	\$12,400	13	Edgen Murray	\$1,270
2	HD Supply	\$9,800	14	Interline Brands	\$1,200
4	Grainger	\$6,900	15	Kaman Industrial Tech	\$777
5	McJunkin Redman	\$5,200	16	DXPE	\$737
6	Airgas	\$4,300	17	F.W. Webb	\$700
7	Motion Industries	\$3,500	18	Barnes Distribution	\$540
8	Wilson Industries	\$2,700	19	Bossard	\$536
9	Fastenal	\$2,300	20	BDI	\$523
10	Applied Industrial Tech	\$2,100	21	Lawson Products	\$485
11	Winwholesale	\$2,100	22	Industrial Distribution Group	\$485

(1) Source: Pembroke Consulting, Inc.
(2) Source: Industrial Distribution Magazine

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Lawson's place in distribution

Planned Purchases



Customer can shop around.
Suppliers need a low cost delivery model

Lawson Provides

"Just in Case" Supplies for the "Do it for Me" customer



Customers know they will have a need for products and want to outsource the replenishment, and inventory management

Emergency Purchases



Customers need it now.
Suppliers must have a local presence





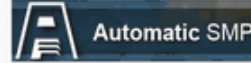
- Founded in 1952, Lawson is an international distributor of maintenance, repair and operations (“MRO”) products and specialty components to the industrial, commercial, institutional and government markets
- Supplies over 180,000 consumable products in a vast number of categories including fasteners, cutting tools, chemicals, abrasives, safety, welding, hydraulic and automotive products
- Serves diverse customer segments including manufacturing, government, education, mining, healthcare, agriculture, transportation and automotive repair
- High service, high margin private label offering that is greatly valued by customers
 - Value-added services such as vendor managed inventory and extensive product application expertise are supplemented by long standing customer relationships through our established sales channel with strong private label brand loyalty
- 32 facilities with 8 distribution centers and approximately ~1,500 selling agents
- Over 140,000 customers with top 20 MRO customers constituting less than 5% of total 2008 MRO revenue





Lawson Overview – Business Segments

Lawson Products



- | | | | |
|---|--|--|--|
| <ul style="list-style-type: none"> • 2008 sales \$353.2 million • 976 Employees • Lawson's largest division • Markets a broad range of MRO products including fasteners, cutting tools, chemicals and abrasives, hydraulics and automotive products • Selling Agents ~1500 | <ul style="list-style-type: none"> • 2008 sales \$50.4 million • 110 Employees • Direct, Web, Catalog and Wholesale plus six retail locations • Offers cutting tools abrasives, welding, machine tooling, precision tools, shop supplies, hand & power tools, safety | <ul style="list-style-type: none"> • 2008 sales \$62.1 million • 113 Employees • Sells directly to OEM's • Specializes in fasteners and class "C" components • Provides customers with just-in-time inventories of commodity and customized component parts | <ul style="list-style-type: none"> • 2008 sales \$19.5 million • 132 Employees • Sells directly to Fortune 500 client base • Manufactures specialized screw machine parts for the OEM and MRO marketplaces |
|---|--|--|--|

Employee and agent count at 12/31/08

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Management is Executing on a Plan to Strengthen the Platform and Improve Financial Performance

Historical Challenges

- Multiple independent business units w/ separate supply chains, selling organizations & management teams
- Disparate operating & selling practices
- Business model costs (2007)
 - 51.8% SG&A at enterprise level
 - 60.1% SG&A for Lawson Products *
 - 38.0% Lawson Products cost of sales
- Few inter-business synergies
- High sales force turnover
- Low sales force productivity
- Growth difficult to achieve
- Lack of bench in senior & mid level management team

Business strategy

Close the gap - Build scalability - Unlock value and future opportunities

*2007 adjusted SG&A before incentive comp.

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Implemented Cost Savings Initiatives

Fixed Cost Reductions – 2008 and 2009

\$'s in millions

	<u>2008/2009 Combined</u>
Headcount	\$ 9.6
Sales and Marketing	6.4
T&E	4.6
DC Closings (Dallas/Charlotte)	2.6
Other	<u>3.1</u>
Total Fixed Cost Reductions	<u>\$ 26.3</u>

- Total FTE's have decreased by approximately 250 (or 18%) from December 2007 to August 2009
- Approximately \$3.0 million of additional savings will be realized in 2010 from the annualization of the reduction in force and distribution center closings bringing the total fixed cost reductions to over \$29.0 million.





Implemented Working Capital Management

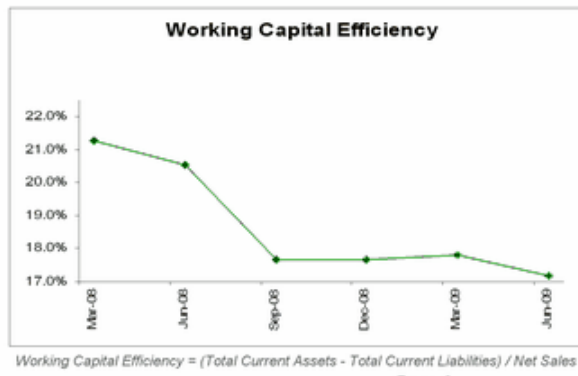
- Lawson made key hires in the areas of finance and supply chain management to focus on working capital efficiency
- Teams were formed to drive improvement in product and distribution costs and inventory management
 - Correlating inventory levels to sales projections
 - Reducing inventory of slow-moving items

Inventory Management

- Targeted a \$22.6 million inventory reduction from April 2008 to December 2009
- Currently ahead of plan \$1.7 million
- Achieved \$20.8 million reduction by August 2009

Working Capital

- In addition to a \$20.8 million inventory reduction, significant progress has been made with Accounts Receivable and Accounts Payable. Since March 2008:
 - Average AR days have decreased by 1.7 days
 - Average AP days have increased by 22.9 days



Working Capital Efficiency = (Total Current Assets - Total Current Liabilities) / Net Sales

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Other accomplishments, results and initiatives

Accomplishments

- ✓ Integrate MRO businesses – completed 2008
- ✓ Exploit inter-business synergies – completed 2008
- ✓ Unify selling organization – completed 2008
- ✓ Single high quality management organization – over 50 new hires at manager level and above
- ✓ Outsource computer operations – complete 2009

In Process

- ↻ Transform sales model – In process
- ↻ Optimize distribution network – In process
- ↻ ERP selection implementation – In process
- ↻ Implement "Lean / Six Sigma" initiative – In process
- ↻ Rationalize businesses – in process
- ↻ Segment-focused sales execution – 2010

Planned Outcome

Deliver sales, operational & financial leverage in the business





“Smarter Maintenance”

Inventory Management

- Onsite management of MRO inventory to keep customers operations running
- Regular inventory analysis and replenishment to prevent unnecessary purchases or unplanned downtime
- Customized storage systems for improved inventory organization and more efficient workflow

Technical Expertise

- Local agents to analyze your application and recommend solutions that meet your performance requirements
- Industry-leading product technical support delivered from a team of in-house engineers
- Application engineering specialists to provide on-site problem solving and safety training

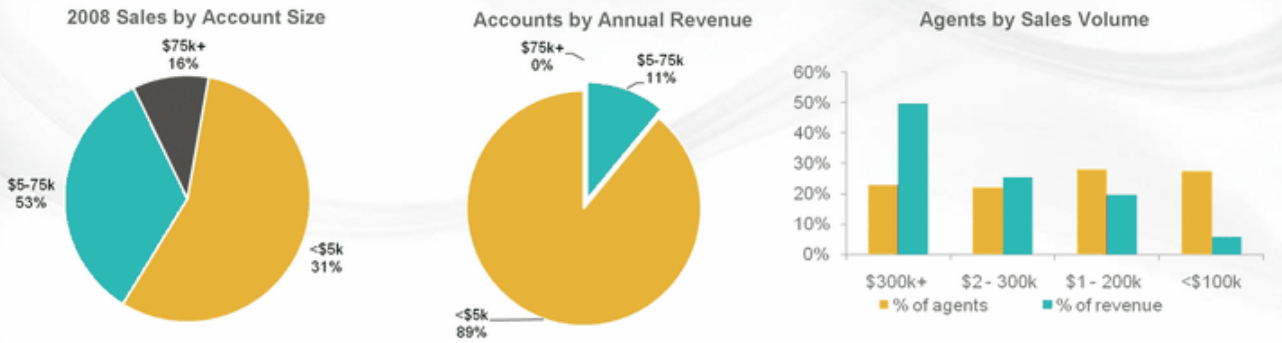
Quality engineered products

- Comprehensive line of more than 80,000 products, for critical applications to everyday maintenance
- High value private label products
- Lot control traceability and certification
- ISO 9000 registered; guaranteed product satisfaction





% of Sales Based on Ranges of Annual Customer Purchases



1. **Phase 1:**
 - a. Transition Front Line Management role from Player Manager to Manager Coach
 - b. Implement new compensation programs to drive revenues
2. **Phase 2:**
 - a. Develop "Key Account" selling capability
 - b. Implement segment specific strategies
 - c. Develop greater tactical finesse around pricing management
3. **Phase 3:**
 - a. Develop alternative channel solutions for low volume accounts

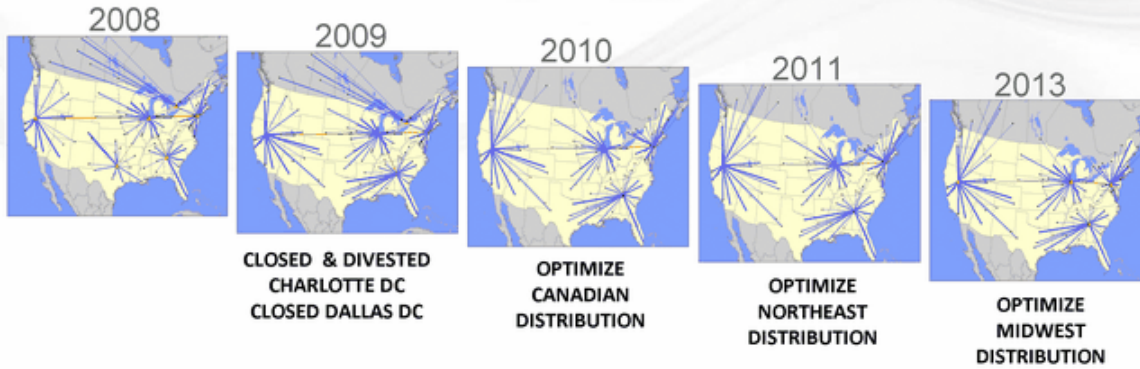
Projected Benefits: Sales force productivity gains ~28%:





Network Optimization

Scenarios have been developed creating an incremental progression to move from the current distribution network to a more optimal design balancing cost and service.



- ***Deliverables:***
- ***~\$10 million inventory reduction opportunity***
- ***~ \$5 million operating cost reduction***
- ***Maintain or improve customer service levels***





- Current IT costs \$16 million annually for Lawson Products compared to \$8 - 10 million as an industry average
- Legacy systems
 - Drive non IT operational costs up
 - Limit agility to quickly respond to changing market conditions
- Vendor selection process
 - Two tier one and three tier two vendors being considered

Estimated Benefits

\$10M - \$15M

50%	Productivity Improvement
20%	Sales Increase
20%	Margin Improvement
10%	One time Gain & Other

Estimated Timeline

Q 3 2009	Complete High Level Business Case
Q 4 2009	Complete ERP selection
Q1 2010	Planning / Analysis / Design
Q 1 2011	Start Go-Live





Why Buy Lawson now....

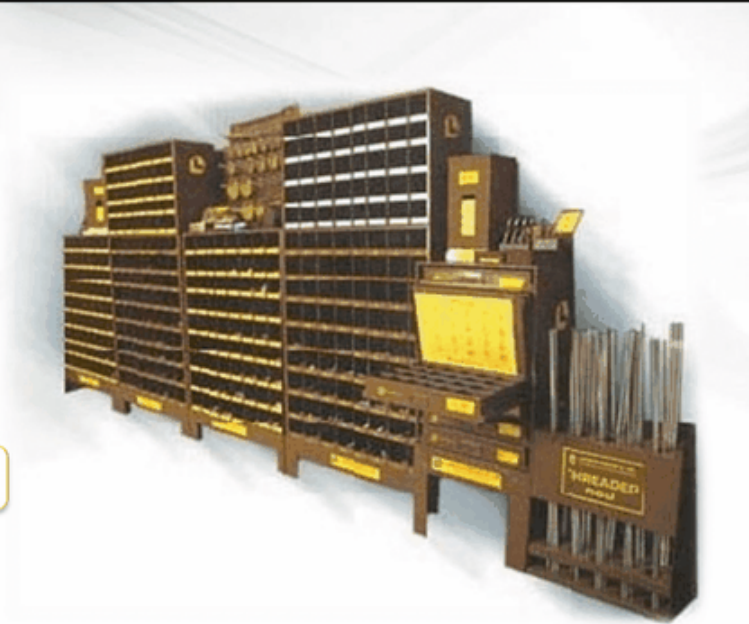
- Resilient business model well positioned to navigate through the current economic conditions and produce operational leverage from any future market uptick
- **Experienced management team with the capability in managing our business through significant adversity .**
- Diversified customer base and a broad range of consumable products result in a recurring revenue model
- **Operational initiatives under way with expected significant future EPS impact**
- Solid cash and liquidity position.
- **Outstanding gross margins**
- Low level of debt
- **Track record of generating strong free cash flows**





Agenda

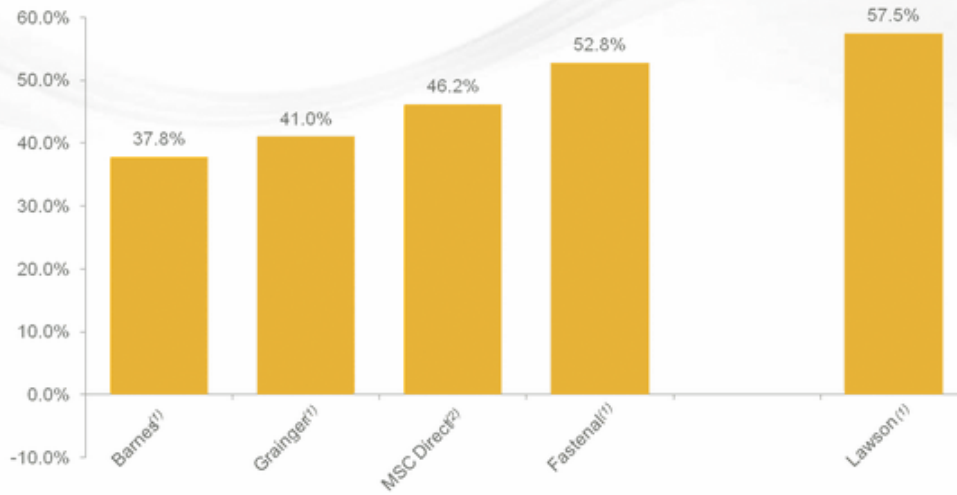
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Lawson possesses strong gross margins compared to its competitors...

Gross Margin⁽¹⁾



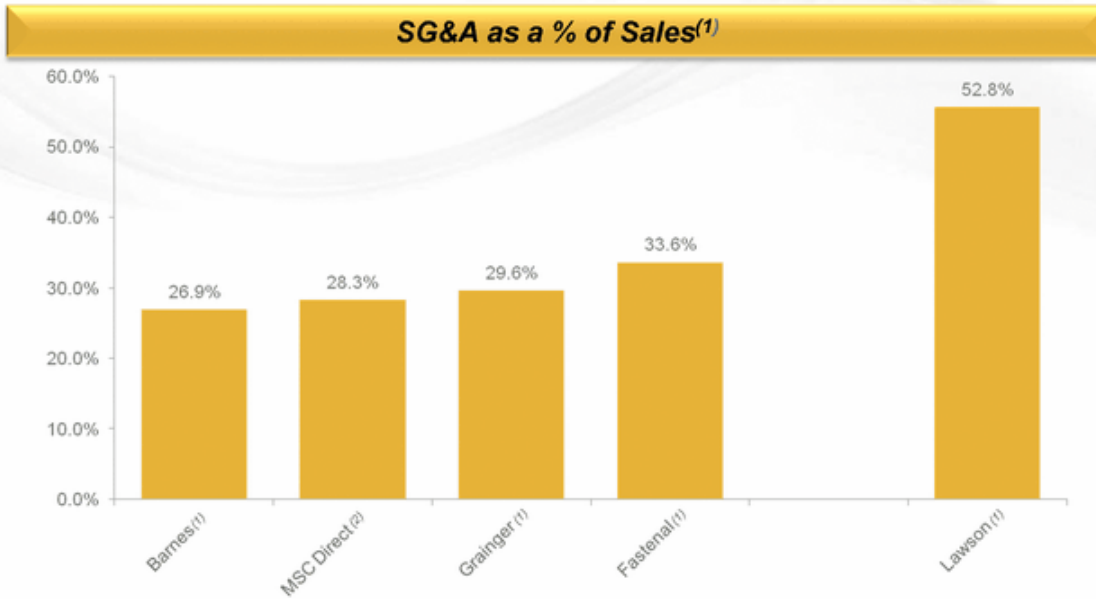
⁽¹⁾ Period ending December 31, 2008.

⁽²⁾ Period ended August 31, 2008.





...but notably high SG&A costs leave substantial opportunity for cost improvements which could translate into higher EBITDA margins



(1) Period ending December 31, 2008.

(2) Period ended August 31, 2008.





Condensed Consolidated Statements of Operations (Unaudited)

(Amounts in thousands, except per share data)

	Three Months Ended		
	Dec. 31, 2008	March 31, 2009	June 30, 2009
Net sales	\$ 106,825	\$ 99,381	\$ 95,033
Cost of goods sold	46,488	45,214	39,164
Gross profit	60,337	54,167	55,869
<i>Gross profit %</i>	<i>56.5%</i>	<i>54.5%</i>	<i>58.8%</i>
Selling, general and administrative	61,131	56,632	52,890
Severance and other	1,654	6,452	(489)
Settlement and related costs	104	49	42
Impairment of goodwill	2,251	-	-
Operating income (loss)	(4,803)	(8,966)	3,426
Other income	(8)	725	51
Interest expense	(99)	(74)	(268)
Income (loss) from continuing operations before income taxes	(4,910)	(8,315)	3,209
Income tax expense (benefit)	507	(2,396)	1,313
Income (loss) from continuing operations	(5,417)	(5,919)	1,896
Loss from discontinued operations, net of income taxes	(8)	(29)	(49)
Net income (loss)	\$ (5,425)	\$ (5,948)	\$ 1,847
Basic and diluted weighted average shares outstanding	8,522	8,522	8,522
Basic and diluted income (loss) per share of common stock	\$ (0.64)	\$ (0.70)	\$ 0.22





Condensed Consolidated Balance Sheets

(Amounts in thousands)

	Dec. 31, 2008	June 30, 2009 (Unaudited)
ASSETS		
Cash and cash equivalents	\$ 4,300	\$ 10,968
Accounts receivable, less allowance for doubtful accounts	48,634	41,145
Inventories	86,435	79,792
Miscellaneous receivables and prepaid expenses	11,812	12,245
Deferred income taxes	6,127	5,972
Property held for sale	-	352
Discontinued assets	296	385
Total Current Assets	157,604	150,859
Property, plant and equipment, less accumulated depreciation and amortization	47,783	43,806
Cash value of life insurance	17,970	15,938
Deferred income taxes	18,159	15,625
Goodwill	25,748	27,331
Other assets	3,732	3,784
Total Assets	\$ 270,996	\$ 257,343
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$ 16,334	\$ 20,161
Settlement payable - current	10,000	10,000
Accrued expenses and other liabilities	41,205	33,533
Discontinued current liabilities	53	-
Total Current Liabilities	67,592	63,694
Revolving line of credit	7,700	-
Security bonus plan	26,218	25,654
Deferred compensation	11,301	13,081
Settlement payable - noncurrent	10,000	10,000
Other	9,441	9,593
	64,660	58,328
Stockholders' equity	138,744	135,321
Total liabilities and stockholders' equity	\$ 270,996	\$ 257,343





Condensed Consolidated Statements of Cash Flows (Unaudited)

	Six Months Ended June 30, 2009
<i>(Amounts in thousands)</i>	
Operating activities:	
Net loss	\$ (4,101)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization	3,679
Changes in operating assets and liabilities	15,072
Other	1,725
Net cash provided by operating activities	16,375
Investing activities:	
Additions to property, plant and equipment	(1,996)
Sale of property, plant and equipment	2,179
Net cash provided by investing activities	183
Financing activities:	
Payments to revolving line of credit	(7,700)
Dividends paid	(1,960)
Other	(238)
Net cash used for financing activities	(9,898)
Increase in cash and cash equivalents	6,660
Cash and cash equivalents at beginning of period	4,581
Cash and cash equivalents at end of period	11,241
Cash held by discontinued operations	(273)
Cash and cash equivalents held by continuing operations at end of period	\$ 10,968

