

DSG

DISTRIBUTION
SOLUTIONS GROUP

Powerful Solutions. Proven Results.

NASDAQ: DSGR

DSG Investor Day

September 28, 2023



Disclaimers

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This presentation contains 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. The terms “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 other words and terms of similar meaning and expression 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 or expenditures relating to the mergers; (ii) the risk that stockholder litigation in connection with the mergers results in significant costs of defense, indemnification and liability; (iii) any problems arising in combining the businesses of Lawson Products, TestEquity and Gexpro Services, which may result in the combined company not operating as effectively and efficiently as expected; and (iv) the risks that DSG may encounter difficulties integrating the business of DSG with the business of other companies that DSG has acquired or has otherwise combined 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.

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Non-GAAP Financial Measures, SEC Regulation G GAAP Reconciliations

Some of the financial information and data contained in this presentation, such as Adjusted Revenue, Pre-Acquisition Revenue and Adjusted EBITDA, have not been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”). The Company believes that these non-GAAP financial measures provide useful information to management and investors regarding certain financial and business trends relating to DSG’s financial condition and results of operations. DSG does not consider non-GAAP measures an alternative to financial measures determined in accordance with GAAP. The principal limitation of these non-GAAP financial measures is they may exclude significant expense and income items that are required by GAAP to be recognized in our consolidated financial statements. In addition, they reflect the exercise of management’s judgment about which expense and income items are excluded or included in determining these non-GAAP financial measures. Non-GAAP financial measures should not be relied upon, in whole or part, in evaluating the financial condition, results of operations or future prospects of DSG. A reconciliation of the non-GAAP financial measures to the nearest comparable GAAP financial measures is contained in the appendix.

Agenda

I. DSG Overview and Investment Highlights (*J. Bryan King*)

II. Key Accomplishments and Performance Update (*Ron Knutson*)

III. M&A Playbook (*Matt Boyce*)

Break

IV. Business Unit CEO Panel (*Moderator: Brad Wallace*)

V. Conclusion / Q&A

Key Takeaways for Today



DSG is a compelling specialty distributor at an inflection point

DSG's attractive value proposition to its customers

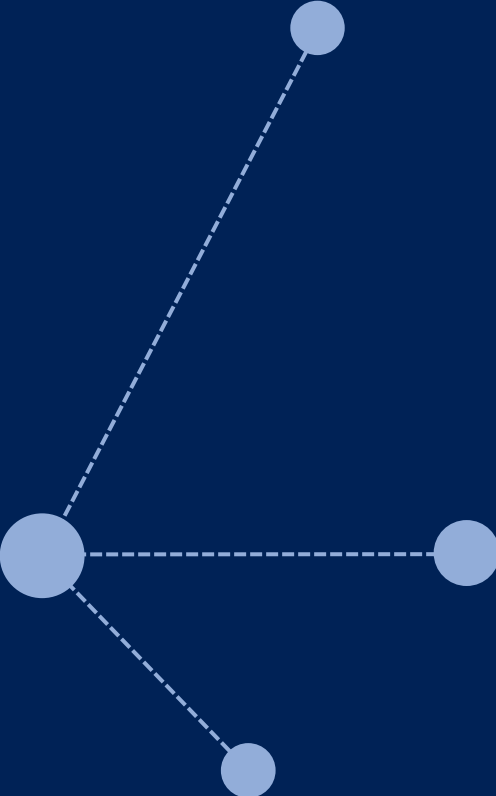
Actions implemented and initiatives underway aiming to achieve repeatable and compounding results

Overview and Investment Highlights

J. Bryan King

Chairman and CEO, DSG

Building a Premier Specialty Distributor

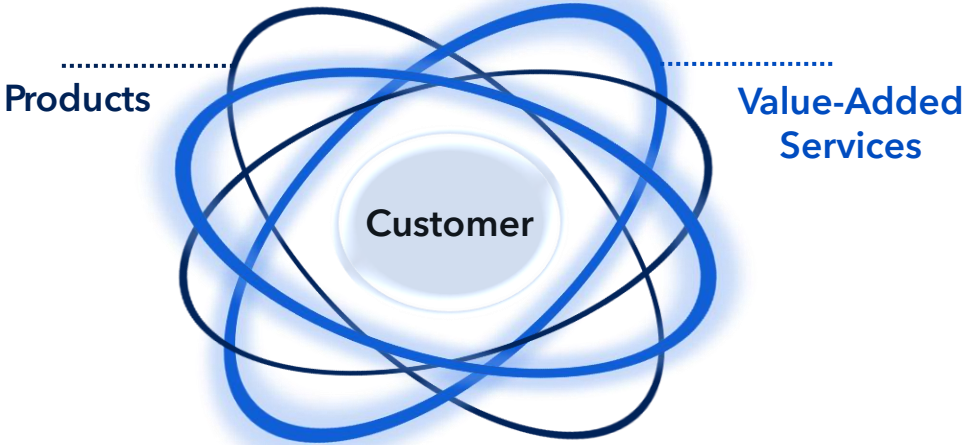
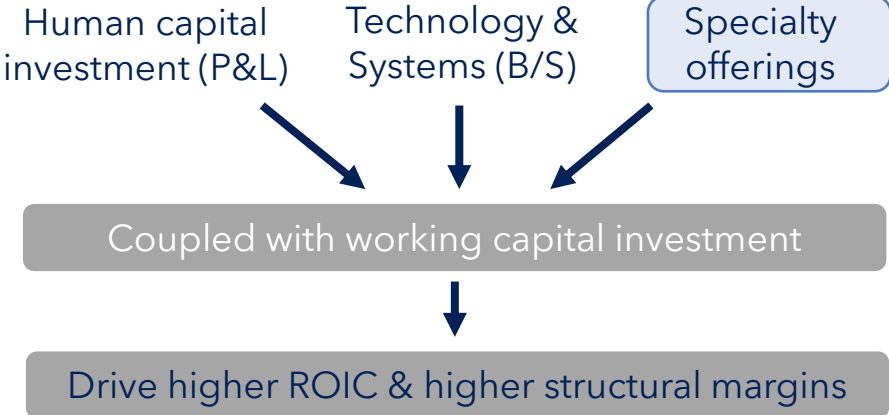


Attractive Attributes of *Specialty* Distributors

- ✓ Business model that extends beyond conventional distribution - **repeatedly demonstrating a clear, differentiated value proposition for customers**
- ✓ **Fortified competitive moat** created by robust technical knowledge, extensive service capabilities, and/or sourcing of complex, scarce products
- ✓ Ability to **rapidly and consistently scale** through organic and inorganic investments
- ✓ Large **consolidation opportunity** driven by **fragmentation** of niche product & service offerings
- ✓ **Diversification** across various dimensions, including customers, suppliers, end markets, and geographies in a **large multi-trillion dollar marketplace**
- ✓ **Resilient through business cycles** via asset light model and working capital rationalization

Value-Added Capabilities Drive Returns

Specialty Distribution Model



Value-Added Offerings...Create High Customer Retention



Vendor Managed Inventory ("VMI")



Customized Supply Chain Solutions



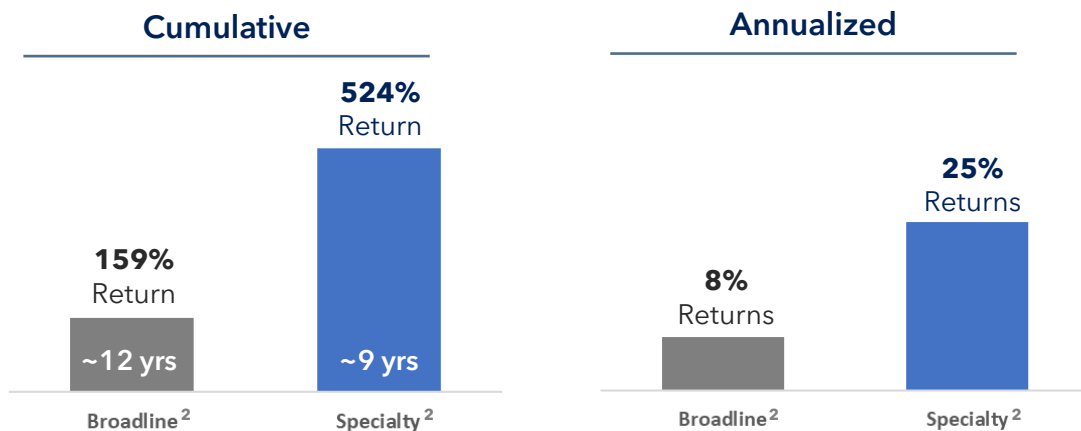
Kitting / Labeling / Packaging



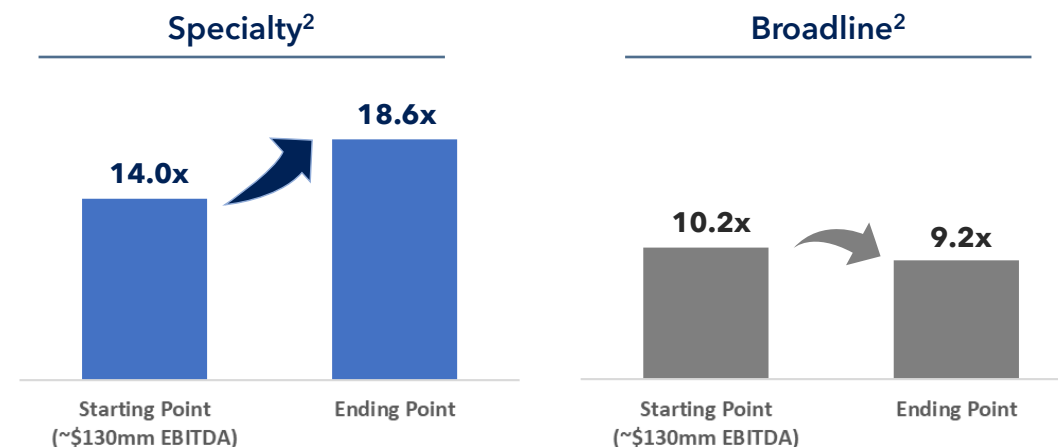
Fabrication / Repair / Service

Track Record of Specialty vs. Broadline Distributors

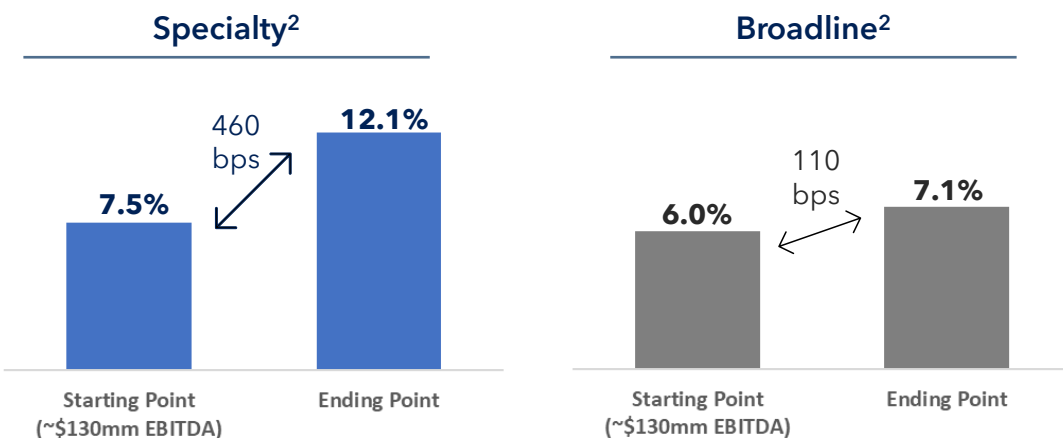
Annualized Returns over EBITDA-tripling Period¹



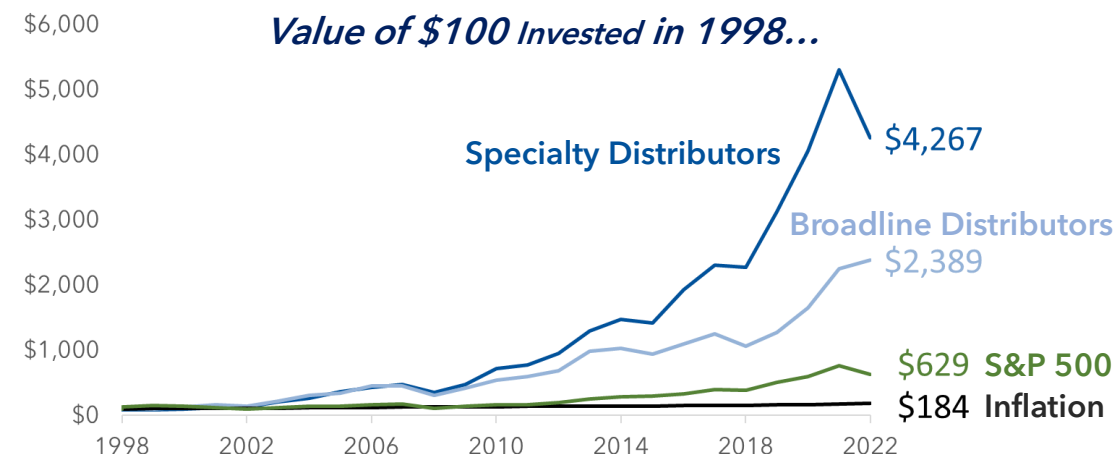
EV / LTM EBITDA Δ over EBITDA-Tripling Period¹



EBITDA Margin Δ over EBITDA-Tripling Period¹

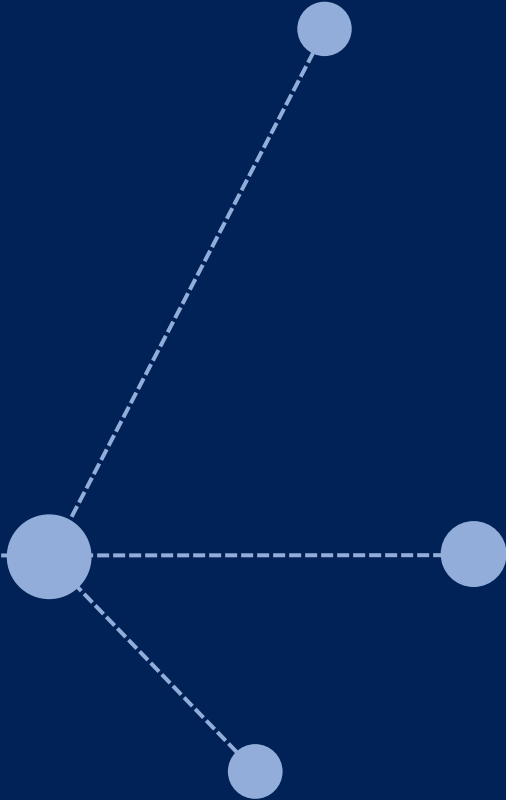


Returns Over Time (1998 - 2022)³

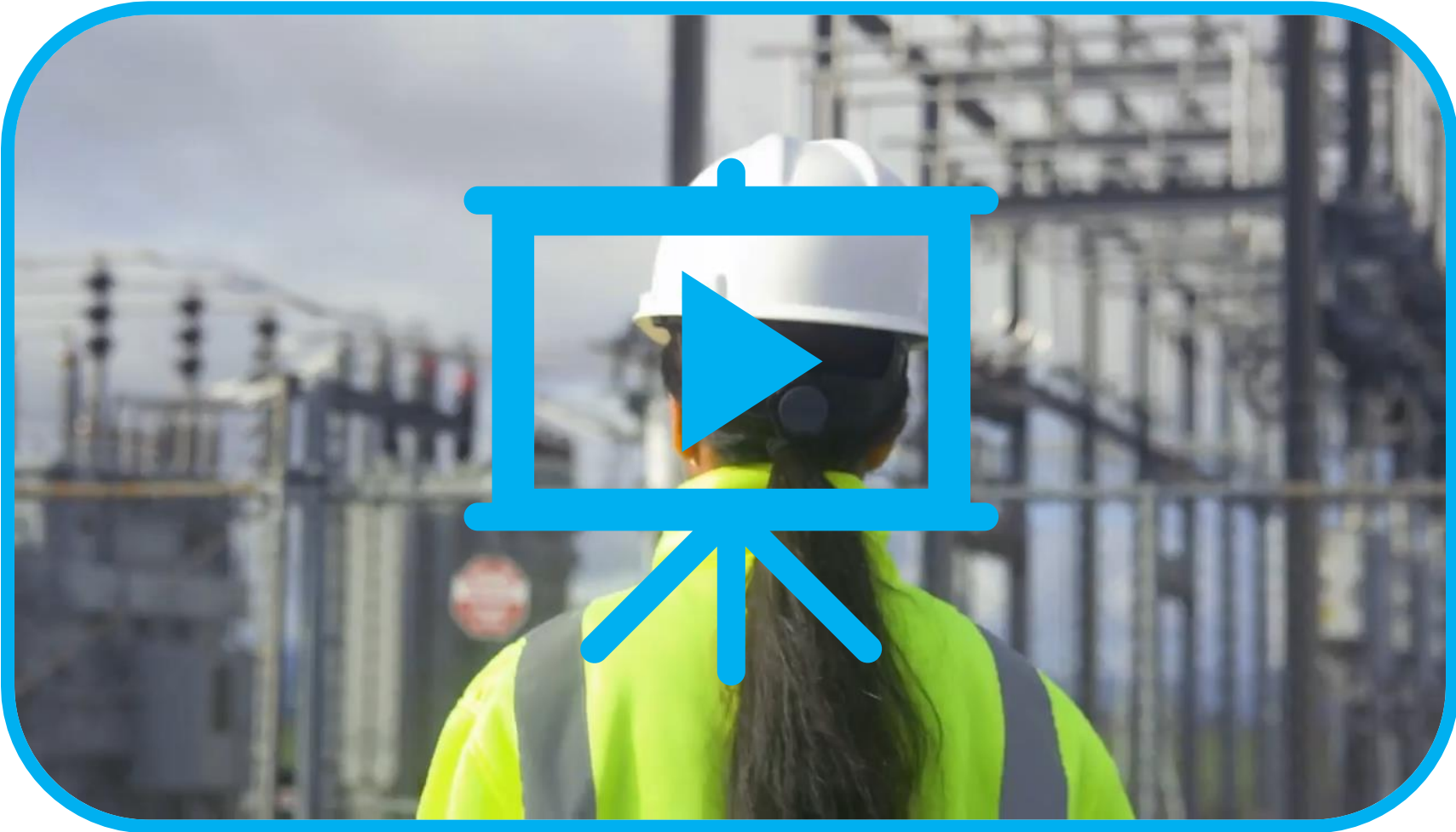


1) Average of Peers Historical Metrics from each year when EBITDA was ~\$130mm to when EBITDA approximately tripled (reached ~\$390mm).
 2) For EBITDA-tripling Analysis: Specialty distributor comp set comprised of FAST, WSO, AIT and POOL. Broadline distributor comp set comprised of GWW, MSM, GPC and WCC.
 3) For \$100 Invested Analysis: Specialty distributor comp set comprised of POOL, AIT, WSO, FAST, ARG, SIAL, HWKN, DSGR, LFUS, KWR, HLMN, RS. Broadline distributor comp set comprised of GWW, GPC, MSM, GWW, WCC, UNVR, PDCO, ABS, USFD, GIC, MRC, DNOW, HSIC, CAH, MCK, CHEF, SYY, OMI, ARW, CNXN, UNFI, HDS, BECN.

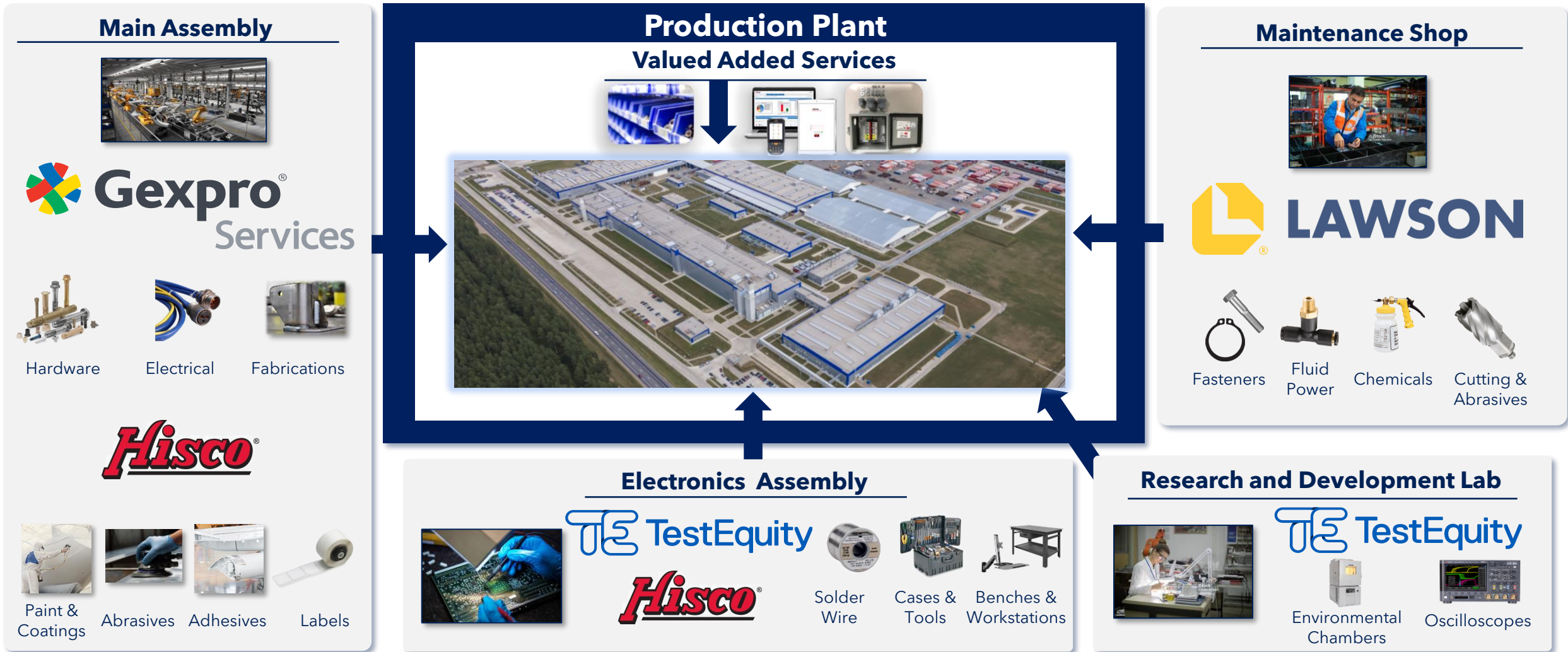
Why DSG?



DSG Video



The Power of Three



500,000+ SKUs

170,000 Customers

Comprehensive, Value-added Solutions

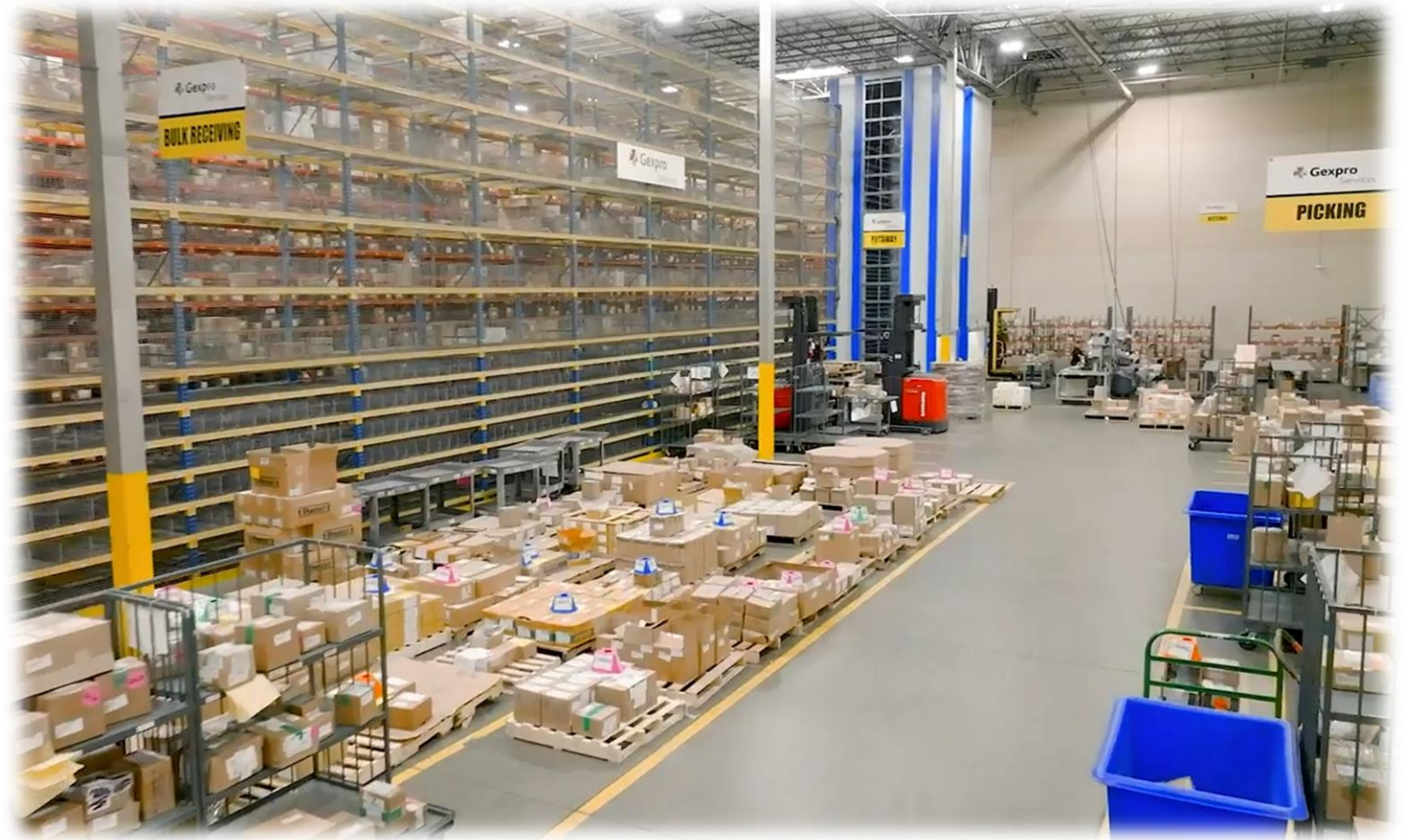
DSG's Identity



DSG is a best-in-class specialty distribution company providing high-touch, value-added distribution solutions to the MRO, OEM, and Industrial Technologies verticals in a diversified set of end markets.

We take a solutions-based approach to serving our customers the way they want to be served.

DSG operates under three distinct verticals with many benefits of a scaled, integrated platform.



DSG Delivers a Unique & Attractive Specialty Distribution Platform



Strong, Sticky Role in the Value Chain

Customer-Embedded

Via value-added, best-in-class services

>92% Revenue Retention¹

Providing long-term stability



Significant Customer, Supplier & End Market Diversity

Serve 10+ Industries

Catering to 170,000+ customers up and down the value chain

7,000+ Suppliers

None >9% of Purchases



Attractive, Accretive Returns on Incremental Capital

250+ bps Adjusted EBITDA % ↑

8.0%² pre-merger (2021) to 10.6% in Q2 2023

36% Current RONWC³

Targeting 50+% with margin expansion and increased NWC efficiency



Dual Pronged Growth Strategy

>10% YoY Organic Sales Growth⁴

In end markets with strong tailwinds

5 Strategic Acquisitions⁵

Completed in 2022; Post-acquisition multiple reduction from 7.7x to 6.3x

1) Revenue decrease from lost customers over the trailing twelve-month period over revenue at the beginning of the same period.

2) Inclusive of Lawson Products results Pre-April 1, 2022 Merger Date.

3) RONWC calculated as Adjusted EBITDA divided by current trade Net Working Capital (Accounts Receivable plus Inventory less Accounts Payable).

4) Adjusted Revenue results are presented on an Adjusted (Non-GAAP) and continuing operations basis. Information inclusive of Other Acquisition results prior to the acquisition date.

5) Includes 2 acquisitions completed in Q1 2022 post merger announcement but pre-close. Includes acquisitions with at least 1 year of ownership within DSG (excludes Hisco).

Leading Industrial Distribution Platform



MRO Focus

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

~29% of Sales¹



OEM Focus

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

~23% of Sales¹



Industrial Technologies Focus

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

~48% of Sales¹

TTM Financial Highlights

\$1.8Bn¹
Adjusted Revenue

~10%¹
Adjusted EBITDA %

\$120+mm
Adj. Free Cash Flow²

Fly-by Operating Stats

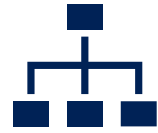
40+
Countries Served

170k
Customers

500k+
Unique SKU's

(1) TTM as of June 2023. 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. See appendix for reconciliations of all GAAP to Non-GAAP measures.
 (2) Defined as Reg G EBITDA less Reg G cash items, less capex, plus/minus change in inventory, accounts receivable & accounts payable.

DSG's Operating Structure



Decentralized Operations



Integrated Platform

Benefits:

- ✓ Brand integrity maintained
- ✓ Customer experience goes undisrupted vs. full integration
- ✓ Free cash flow evaluated regularly for highest & best use


DSG


1 Specialty Distribution Company
Serving **3** Discrete Verticals

Benefits:

- ✓ Broader customer access to value added products
- ✓ Sourcing advantages around products and services
- ✓ Leveraging best practices

Highly Aligned Leadership / Governance

DSG  **J. Bryan King**
DSG Chairman & CEO
LKCM HW Managing Partner

 **Ron Knutson**
EVP and CFO
Lawson and DSG

LKCM HEADWATER INVESTMENTS +
Dedicated LKCM Headwater team investing significant time, resources and well aligned capital

LAWSON PRODUCTS

GEXPRO SERVICES

TESTEQUITY GROUP



Cesar Lanuza
CEO



Bob Connors
CEO



Russ Frazee
CEO

M&A playbook led by a first-class, in-house corporate development team

Independent & diverse Board of Directors providing strategic direction

Supported by a base of over 3,800 employees

LKCM Headwater's Role within DSG



Drive accountability across the operating companies



Align management teams through incentive structures and value creation



Project-manage organizational initiatives



Provide capital allocation decision-making support



Offer M&A sourcing and execution support



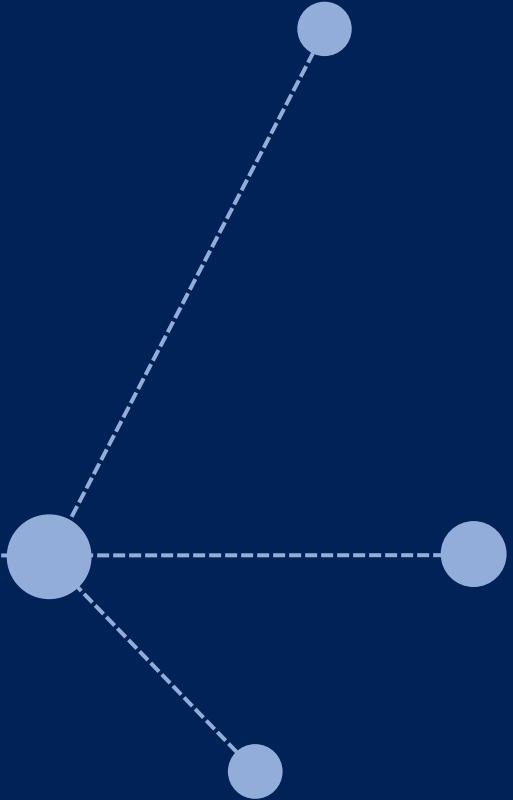
Draw on deep relationships to support capital market activities



Leverage LKCM Headwater's franchise for the benefit of the platform

J. Bryan King does not receive any compensation nor does LKCM take management fees for support of the platform

Investment Highlights



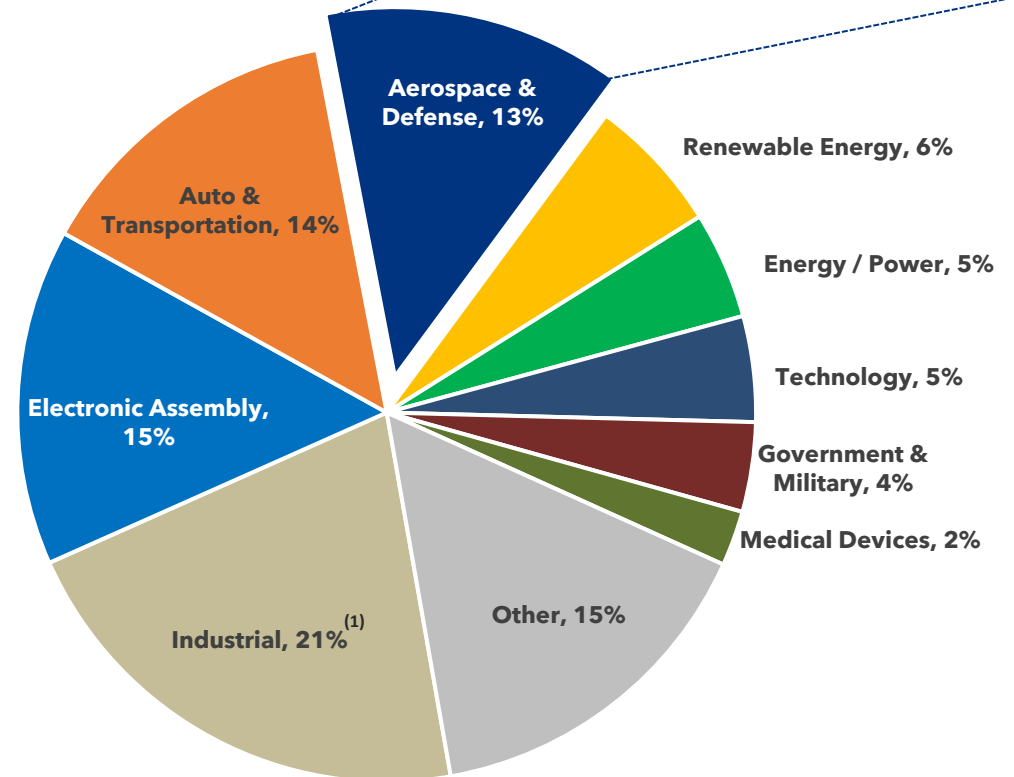
Value Creation Themes

Spotlight: Revenue and End Market Diversification

**>170,000 customers
in a robust set of end markets**

- ✓ Sticky customer relationships
- ✓ Diverse demand drivers
- ✓ World class global supply chain capabilities across the platform
- ✓ Servicing the full life cycle of customers within various end markets

A&D Industry - example of how **DSG** serves customers up and down the value chain within various end markets:
R&D - TE | OEM - GS/TE/Hisco | MRO - Lawson/Hisco



Value Creation Themes

Spotlight: Embedded Growth Opportunities

Leverage Platform Across Customer Base

Unique total customer value proposition



Monetize distinct capabilities across the platform



Collaborative selling across customer base



Expand digital capabilities across the platform

Strong Secular Tailwinds



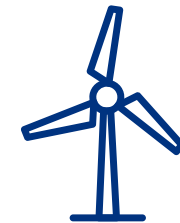
Onshoring /
Nearshoring



Infrastructure
(CHIPS Act)



Tech /
Digitalization (IoT)

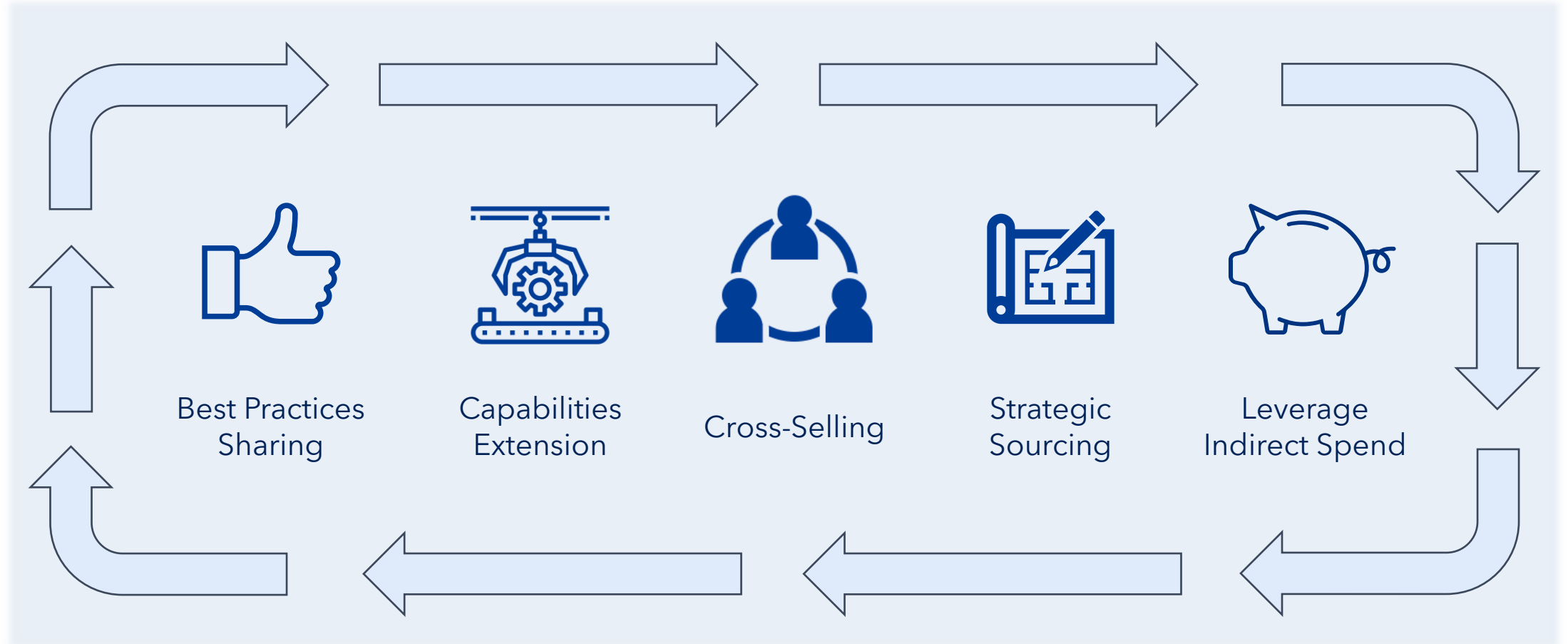


Renewables

...and increasing supply chain complexity across many sectors

Value Creation Themes

Spotlight: Cross-Company Collaboration



Compounding Value

Compounding Outcomes of DSG

Value-Added Services Driving Margins

Disciplined Capital Allocation Philosophy

Strong Free Cash Flow Conversion

Layering on Accretive M&A

Compelling Business Model and Strategic Approach

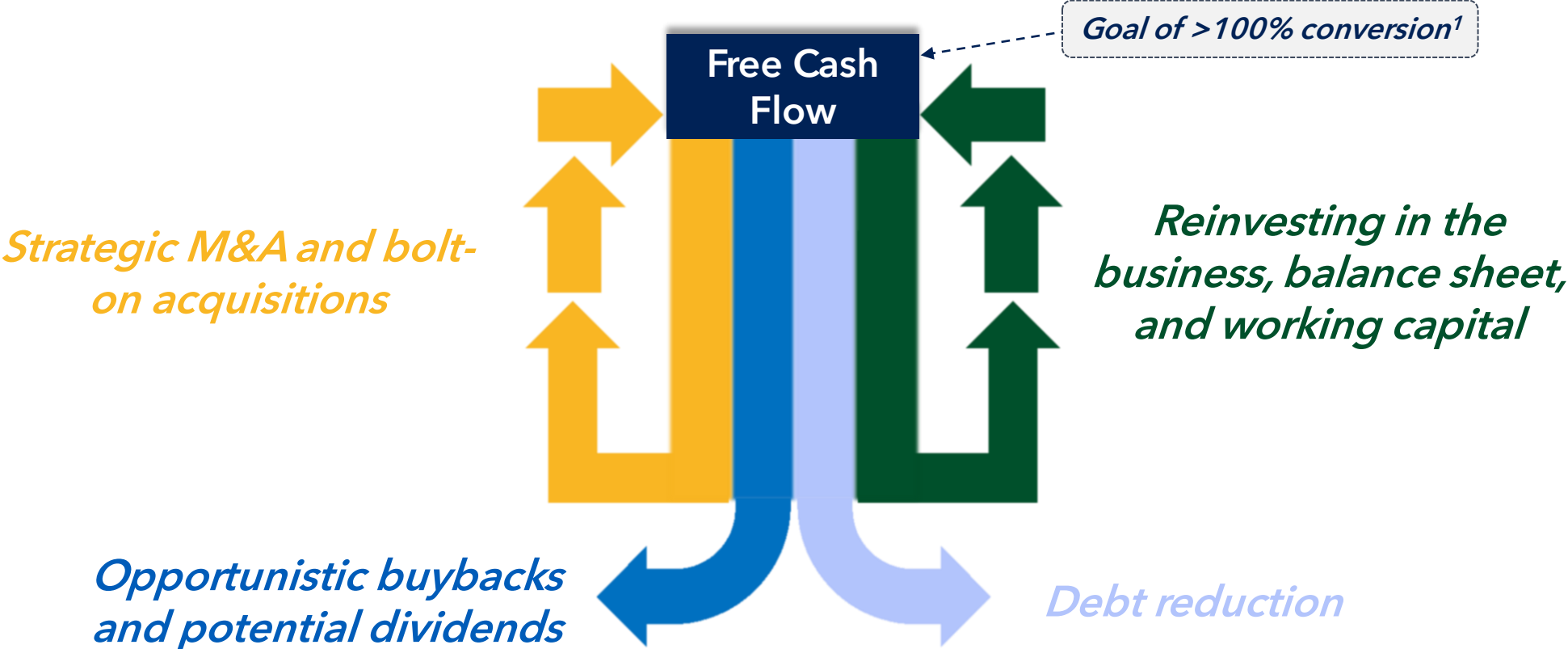
*Embedded with customers
Strong, sticky role in the value chain*

Attractive financial profile with strong balance sheet

*Attractive returns on incremental capital
Low capex*

*Proven acquisition playbook for follow-on investments
Vast opportunity set*

Compounding Effect of Cash Flow Reinvestment

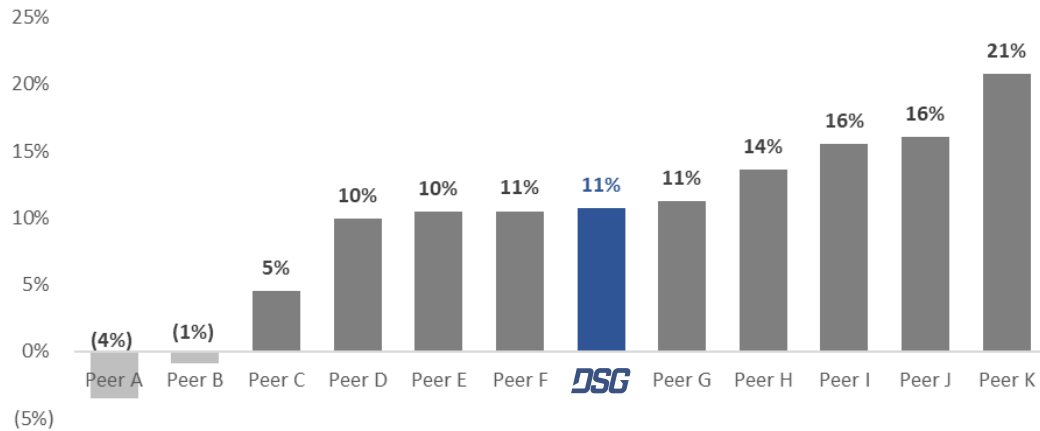


Disciplined Capital Allocation Framework with a Healthy Competition for Capital

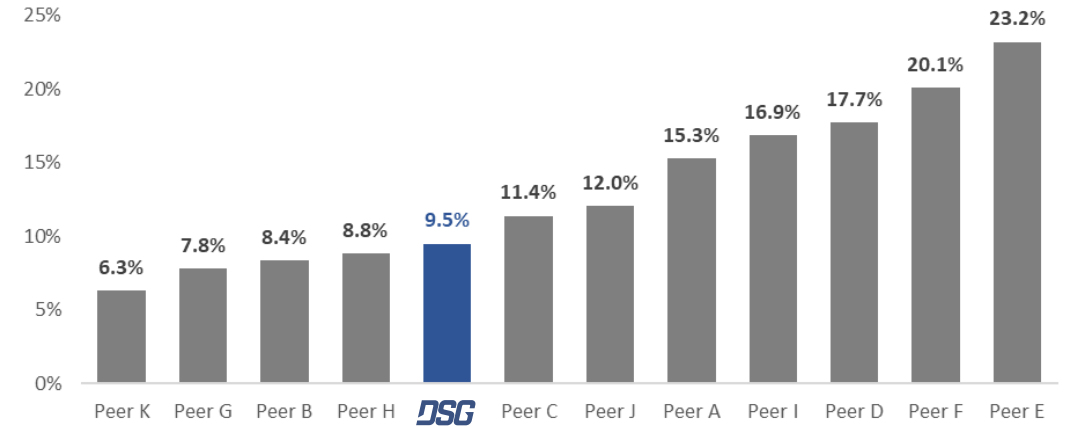
(1) Defined as adjusted free cash flow (operating cash flow less maintenance capex) divided by Adjusted Net Income.

Where DSG is Currently

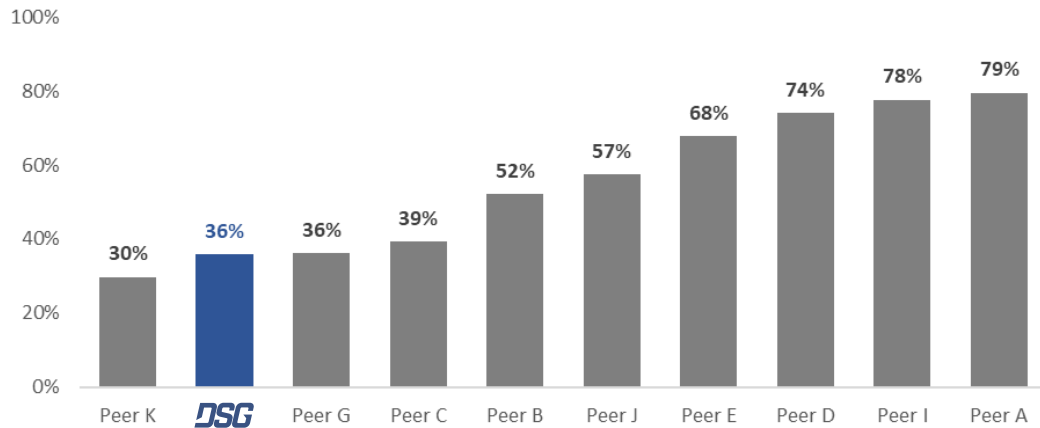
Trailing 4Q's Average YoY Organic Revenue Growth (%)^{1,3}



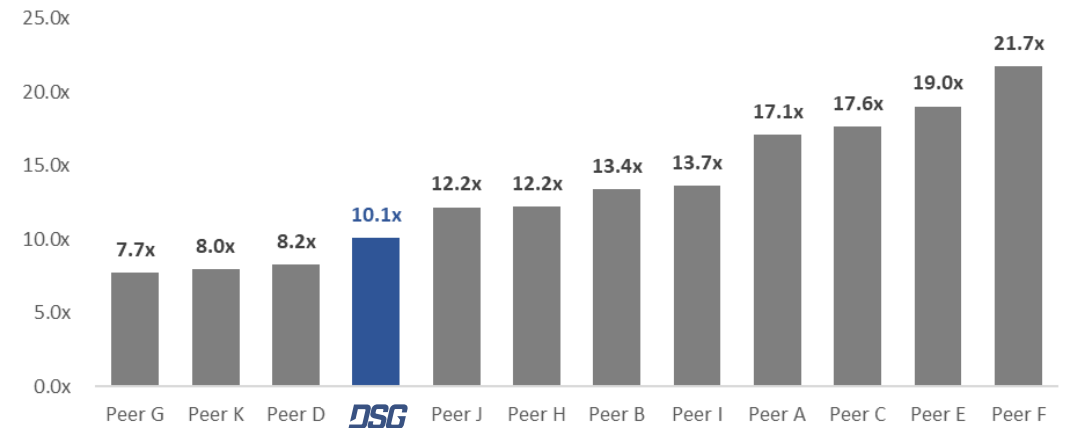
LTM EBITDA Margins (%)¹



Return on Net Working Capital (%)²



EV / LTM EBITDA¹



Note: DSG represents June 2023 TTM Adjusted EBITDA margins from continuing operations plus results prior to acquisition dates. See appendix for reconciliation of all GAAP to Non-GAAP measures.

(1) Market data per FactSet as of 9/15/2023. Peers include: AIT, DPLM, FAST, GIC, GPC, GWW, MRC, MSM, POOL, WCC and WSO.
 (2) RONWC calculated as Adjusted EBITDA divided by current Net Working Capital (Accounts Receivable plus Inventory less Accounts Payable).
 (3) Per publicly disclosed filings and internal database.

Where DSG is Headed

5 Year Goals

❑ Mid-to-high single-digit Annual Organic Revenue Growth

❑ 25 - 50 bps Annual GM % Expansion

\$3.3+Bn

Revenue

❑ 50+ bps Annual SG&A as % of Sales Improvement

❑ 20%+ EBITDA CAGR

\$450+mm

Adjusted EBITDA

❑ \$5+ per share earnings power potential¹

❑ 50%+ RONWC²

≤ 3.0x

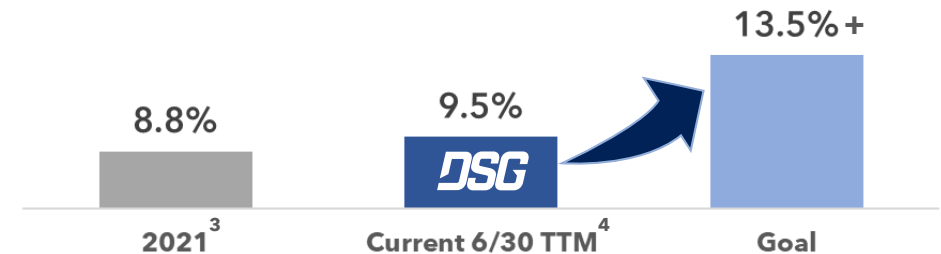
Leverage

❑ + Continued acquisitions

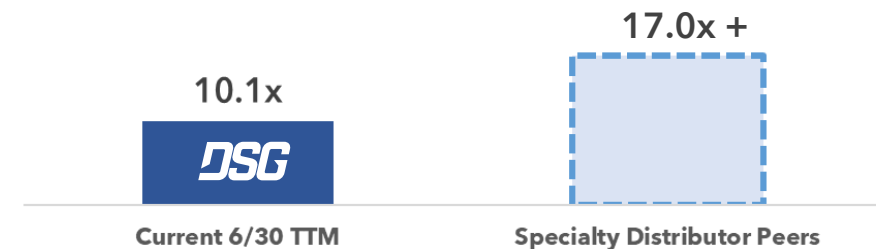
Adjusted Revenue (\$Bn)



Adjusted EBITDA Margin



Dislocation in Trading Multiples vs Peer Group



(1) Assumes no material change in shares outstanding or guided capital structure range.

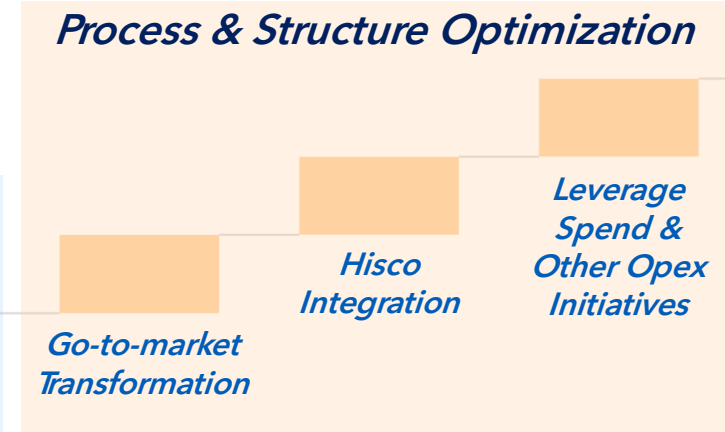
(2) RONWC calculated as Adjusted EBITDA divided by current Net Working Capital (Accounts Receivable plus Inventory less Accounts Payable).

(3) Represents combined revenue of all companies inclusive of revenues generated pre and post acquisition dates through 3/31/22 and TEquipment that closed 4/29/22.

(4) TTM as of June 2023. 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. See appendix for reconciliations of all GAAP to Non-GAAP measures.

Bridging to a Structurally Higher Margin

Significant "Margin-driving Levers" being Pulled...



Leveraging high returns on capital to accelerate the structural margin profile

9.5%

13.5+%

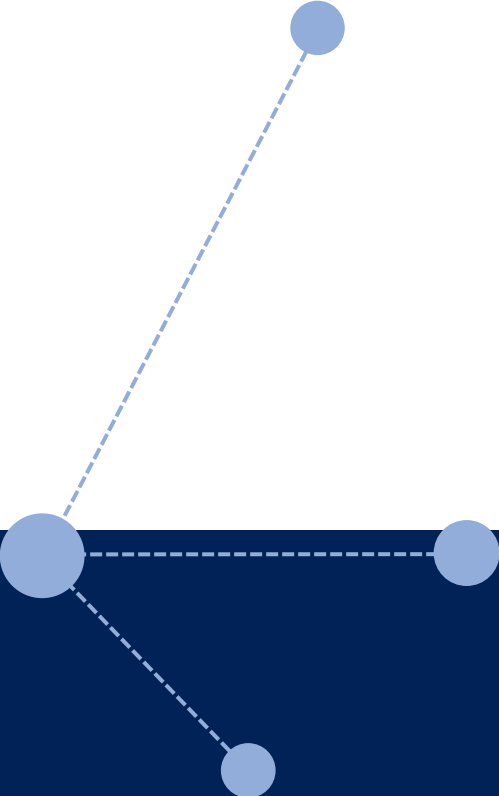
CURRENT
Adj. EBITDA %

...and Working in Concert to Build a More Valuable Enterprise

GOAL
Adj. EBITDA %

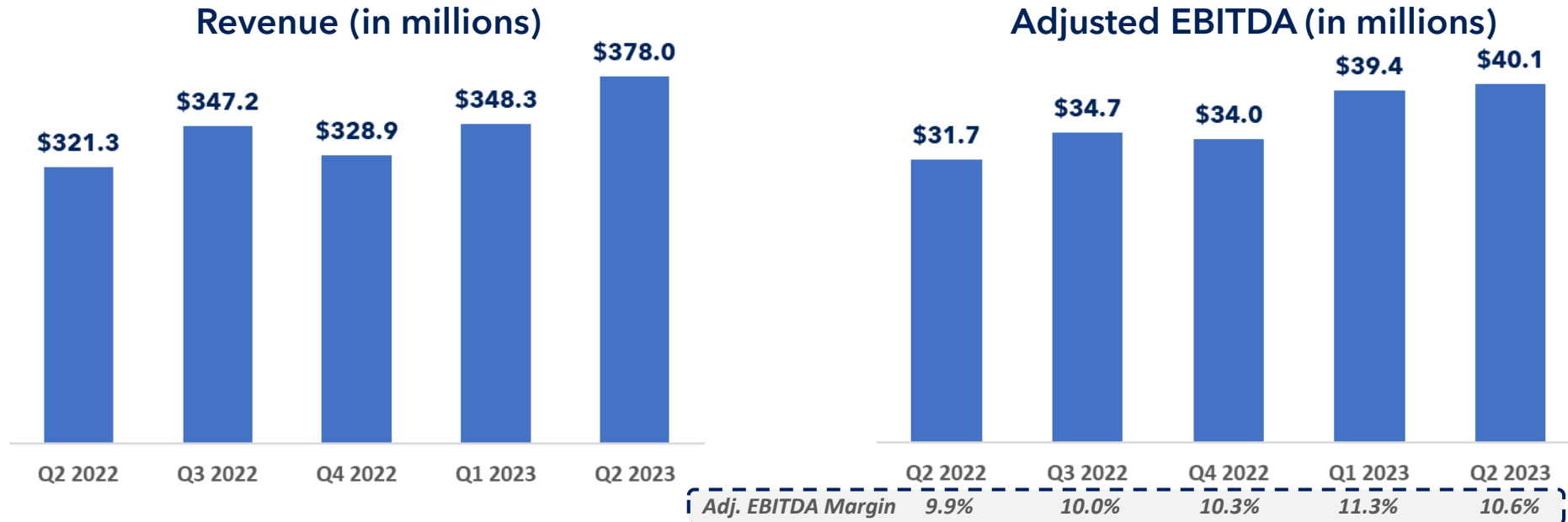
DSG Performance

Ron Knutson
CFO, DSG



Recent Financial Highlights - Q2 2023

- ✓ Revenue of \$378.0mm at June 30, 2023, an increase of \$56.6mm or +17.6% over year ago quarter; organic growth of +4.8%
- ✓ Adjusted EBITDA of \$40.1mm with 10.6% margin; up 26.7% from Adjusted EBITDA of \$31.7mm with 9.9% margin a year ago quarter
- ✓ Adjusted EPS of \$0.52 in Q2 2023, improving YoY from \$0.36 in Q2 2022
- ✓ Sequential daily sales growth and profit expansion; Q2 impacted by Hisco results and Lawson investments
- ✓ Q4 2022 reflects fewer selling days



Sequentially strong revenue and Adjusted EBITDA growth

DSG Post-Merger Year in Review

Significant Progress Made Since April 1, 2022 Merger forming DSG



Execution of M&A Playbook

4 acquisitions closed since merger close, representing **\$39mm** of annualized adjusted EBITDA



Strong Commercial Collaboration

Early wins achieved and continuous coordination among operating verticals



Indirect Spend Consolidation

\$5mm+ in annual realized synergies in Sourcing, HR / Insurance, Technology, etc.

Undergoing analysis of large indirect spend bucket for additional synergy opportunity



DSG Post-Merger Year in Review

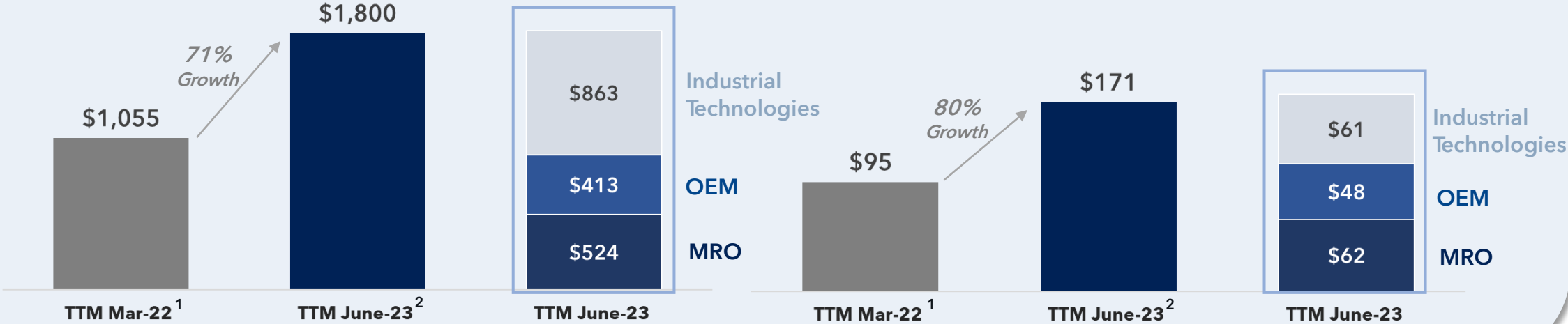
Financial Progress Made Since April 1, 2022 Merger

\$ in mm



Adjusted Revenue

Adjusted EBITDA



(1) Represents March 2022 TTM Adjusted Revenue and Adjusted EBITDA from continuing operations, including results for acquisitions completed prior to April 1, 2022.
 (2) Represents June 2023 TTM Adjusted Revenue and Adjusted EBITDA from continuing operations plus results prior to the acquisition dates. See appendix for reconciliation of all GAAP to Non-GAAP measures.

Other Financial Highlights

Robust Net Working Capital Investment



High returns realized on working capital investments

Rapid Deleveraging via Earnings Growth and Free Cash Flow Generation

3.6x¹

Leverage at April 1, 2022 Merger Close

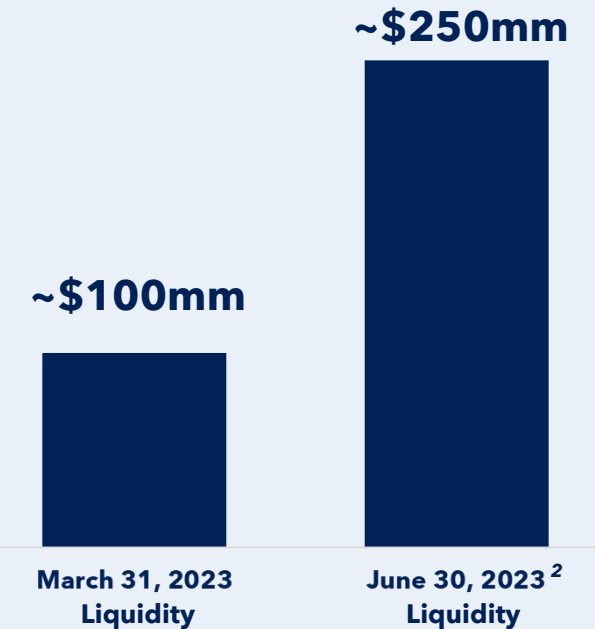


3.1x¹

Leverage as of June 30, 2023

Inclusive of 4 acquisitions post-April 2022 merger

Amended Credit Agreement: \$805mm Total Facility



Key Highlights Revisited

Leading Value-Added Distributor

- Unique customer value proposition and best-in-class service models
- Proven, aligned management team with clear vision of value creation

Diversified End Markets

- Attractive mix of end markets and customer types (MRO vs. OEM)
- Substantial addressable market with significant benefits of scale

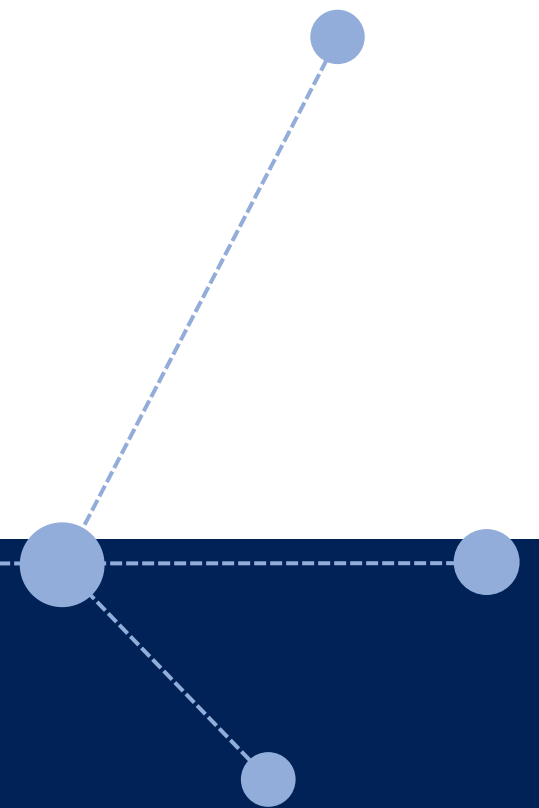
Attractive Growth Opportunity

- Above average organic growth profile and strong FCF conversion
- Proven acquisition platform

Pursuit of Accretive M&A

Matt Boyce

SVP of Corporate Development, DSG



Corporate Development at DSG

Invested in corporate DSG team to create and implement a standardized, repeatable M&A process

Team Overview



Matt Boyce
SVP
16+ years



Melanie Nix
Director
9+ years



Brent Pearlstein
Director
8+ years



33+ years collective M&A leadership and experience across premier industrial manufacturing / distribution platforms and financial firms

Track record of successful acquisitions & integrations

Roles & Responsibilities



Develop and manage a robust acquisition pipeline



Lead full-scope acquisition due diligence process



Prepare deal thesis and valuation model



Support capital allocation decisions



Facilitate execution of the integration plan

Historical Acquisitions - Track Record

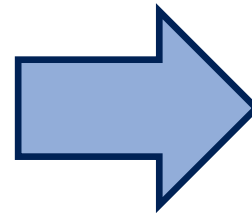
14 Acquisitions Since 2017:



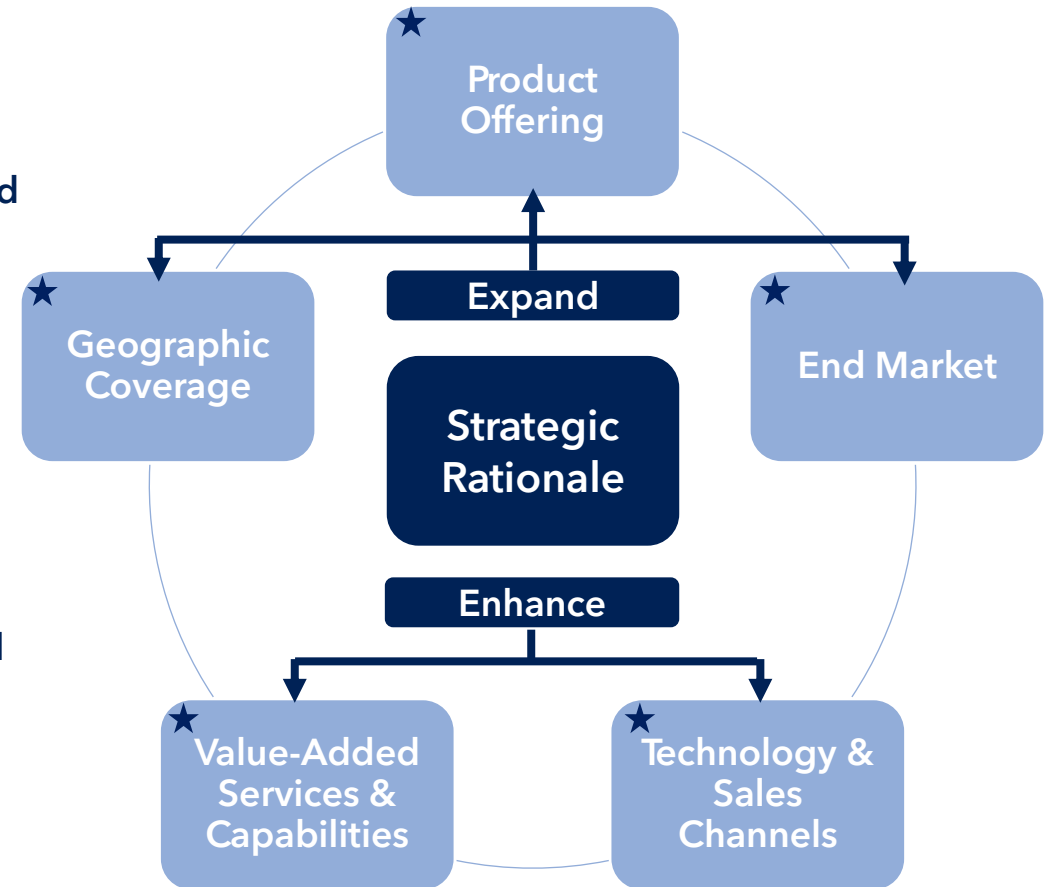
~\$900M
Acquired Revenue

~\$600M
Purchase Price

★
Targeting
alignment around
5 key attributes
for acquisition
criteria...



...that drive
accretion to and
enhance the
overall DSG
platform



Aggregate purchase price multiple of five acquisitions closed in 2022 decreased from 7.7x to 6.3x within first year of ownership

Acquisition Discipline

DSG targets acquisitions that strengthen the demand drivers and financial profile across the platform



Markets

- ✓ Highly fragmented
- ✓ Strong secular tailwinds
- ✓ Unique customer value proposition
- ✓ Technology differentiation



Targets

- ✓ Complementary offerings
- ✓ Sales channel expansion
- ✓ Strong talent base
- ✓ Cultural fit / alignment



Value Creation

- ✓ Financially accretive
- ✓ Synergy opportunities
- ✓ Benefits of scale
- ✓ Drive higher structural margin

100+ Opportunities

Reviewed since 2022 merger

~15%

Moved into in-depth diligence

~5%

Closed in selective evaluation process

Approach to Integration

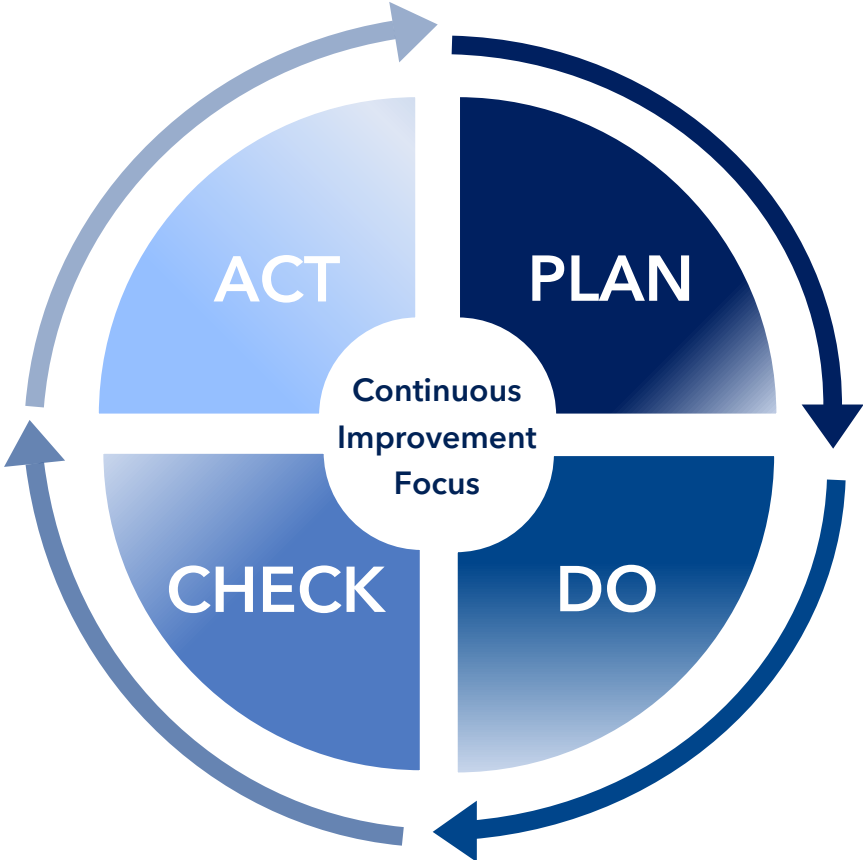
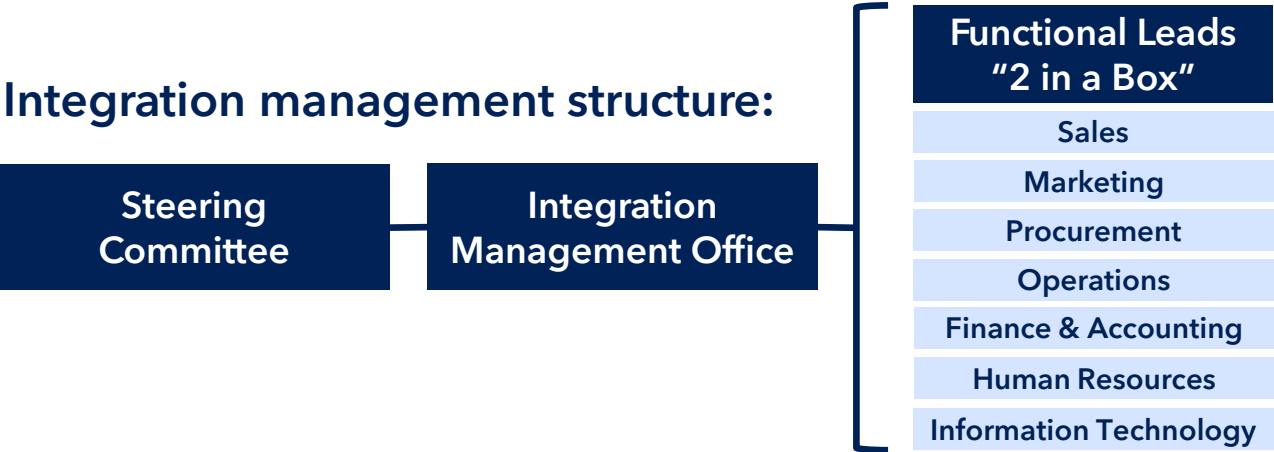
Unlock opportunities to accelerate growth and aggressively target value-enhancement levers

 **Approach & Structure**

- Execute core strategic rationale elements of deal thesis and model
- Support target company management team
- Provide resources (human & capital) to accelerate strategic initiatives
- Best-of-both: People, processes, technology

 **Measuring Success**

Integration management structure:



Recent Acquisition Success Stories

Acquired: Q2 2022



TEquipment (Industrial Technologies)

Strategic ✓ Product Expansion ✓ Digital Extension ✓ Shared Services
Rationale ✓ Margin Uplift Opportunity ✓ Access to SME customer base

@ Close

\$7.7mm **6.8%**
 Adj. EBITDA Adj. EBITDA %
7.2x
 Adj. EBITDA Multiple

Run-rate¹

\$12.7mm **9.5%**
 Adj. EBITDA Adj. EBITDA %
4.3x
 Adj. EBITDA Multiple

Value-driving Initiatives



- ✓ Stocked inventory
- ✓ Warehouse consolidation
- ✓ Pricing initiatives
- ✓ Cross-selling

Acquired: Q1 2022



Resolux Group (OEM)

Strategic ✓ Expansion into Europe, Asia, & South America
Rationale ✓ Increased wallet share with top OEMs in Renewables

@ Close

\$3.8mm **12.0%**
 Adj. EBITDA Adj. EBITDA %
9.4x
 Adj. EBITDA Multiple

Run-rate¹

\$6.6mm **14.0%**
 Adj. EBITDA Adj. EBITDA %
5.5x
 Adj. EBITDA Multiple

Value-driving Initiatives



- ✓ Cross-sell products & value-added services to Resolux and Gexpro Services customers
- ✓ Working Capital optimization
- ✓ Profitability improvement

Ongoing Value-driving Initiatives are Accelerating Revenue Growth and Expanding Adj. EBITDA Margins
 Resulting in Further **Post-Acquisition Multiple Reduction**

[] = Benefits applicable to broader DSG platform

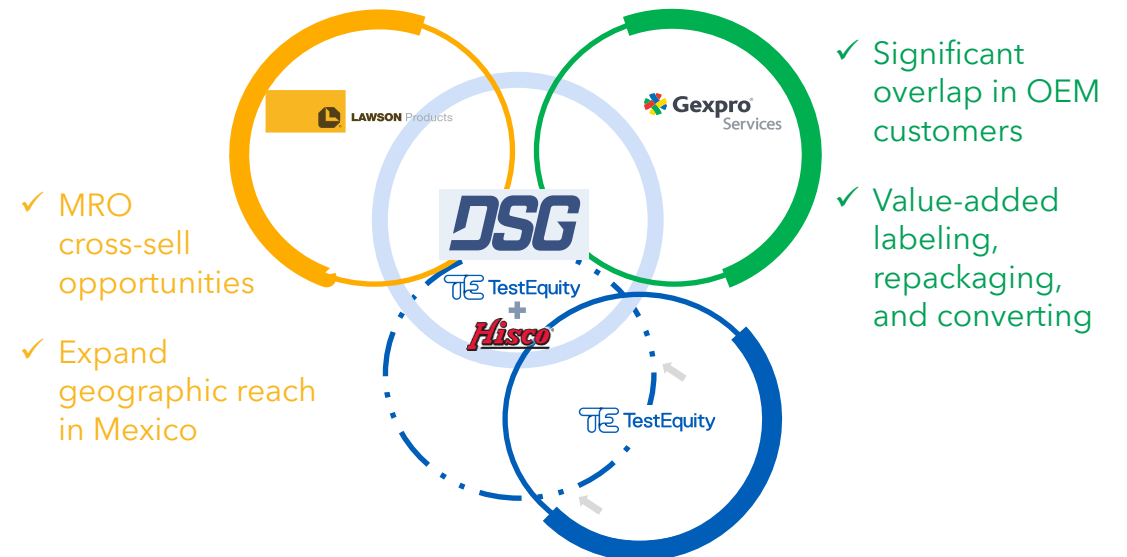
Hisco Acquisition Update

Transaction accelerates the growth trajectory of the DSG platform, bolstering its world-class industrial distribution business

Hisco Strategic Rationale & Acquisition Benefits

- ✓ Meaningfully enhances DSG's scale and footprint in North America
- ✓ Complementary offerings, supplier & customer bases and end markets
- ✓ Strategic fit with TestEquity, enhancing its value proposition
- ✓ Best-in-class, combined management team with strong track record
- ✓ Expected to be highly accretive beyond 2023

Growing Appreciation for Broader Benefits



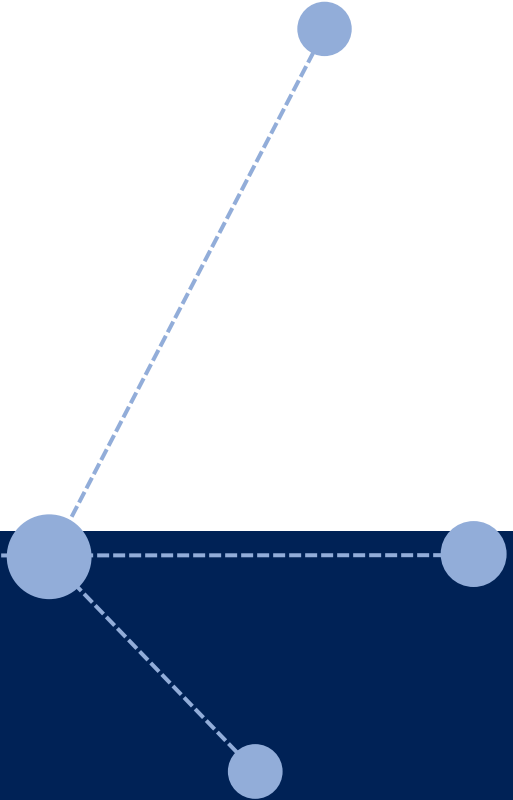
Building a Higher Structural Margin

Integration Update

- "Best-of-both" consolidation with TestEquity seeing meaningful combination benefits in early innings
- Integration Management Office and Steering Committee facilitating activities, progress, and synergy capture
- Accountability for execution on strategic rationale and value creation opportunities from deal thesis

Opportunity to leverage the combination to drive value across the platform is larger than initially underwritten

Business Unit CEO Panel



Panel: DSG Operating Company CEOs

MODERATOR



Brad Wallace
*Partner, LKCM Headwater
& Board Member, DSG*

PANELISTS

MRO FOCUS



Cesar Lanuza
*CEO
Lawson Products*



OEM FOCUS



Bob Connors
*CEO
Gexpro Services*



INDUSTRIAL TECHNOLOGIES FOCUS



Russ Frazee
*CEO
TestEquity Group*



MRO Focus: Overview

Business Unit Snapshot

MRO Focus

29% of Total Revenue

OEM Focus

Industrial Technologies Focus



MRO - Lawson Products

- **History:** 71 years in business (Founded 1952)
- **Office HQ:** Chicago, IL
- **TTM 6/30 Revenue:** \$524mm
- **Focus:** Vendor managed inventory approach providing high-touch, MRO

Products



- Fasteners
- Chemicals
- Cutting tools
- Hydraulics
- Other broad offerings and C-Parts

Services



- Managed inventory
- Industrial vending
- Self-service inventory management
- Product recommendations
- Application advice

Value to Customer



- "One-stop shop"
- Deep product knowledge
- Reducing supply chain costs
- Purchasing leverage / private label offering with consistent delivery

End Markets



- Manufacturing
- Automotive
- Government / Military
- Construction
- Equipment rental
- Other industrial-related sectors

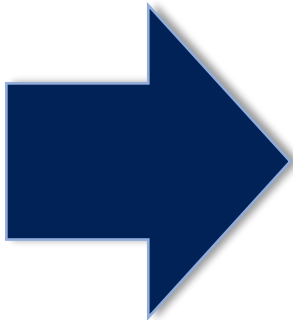
Geography



- United States
- Canada

MRO Focus: Overview

How We Serve Our Customer



Value-added, High-touch, Vendor Managed Inventory...Solving Customers' MRO Needs

MRO Focus: Overview

How We Serve Our Customer

MRO Products



Fasteners



Chemicals



Cutting tools



Hydraulics



Others



Value-added Services



Managed Inventory



On-site safety & product usage training



Self-service inventory management



Product recommendations



Application advice



Industrial vending

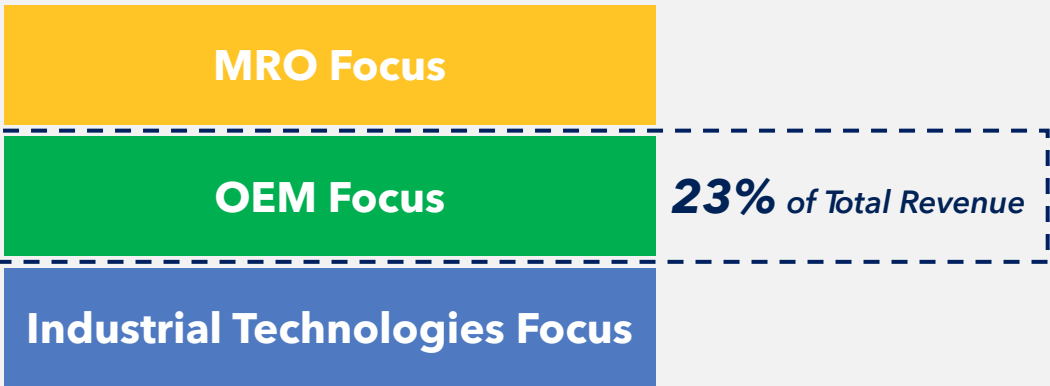


High Touch - VMI Service



OEM Focus: Overview

Business Unit Snapshot



OEM - Gexpro Services

- **History:** 27+ years in business (carved out of Rexel in '20)
- **Office HQ:** Irving, Texas
- **TTM 6/30 Revenue:** \$413mm
- **Focus:** Global supply chain solutions and manufacturing services

Comprehensive Supply Chain Solutions



Vendor Managed Inventory (VMI)



Kitting & Assembly



Aftermarket / Installation



Technology

Diverse End Markets



Renewables



Technology



Aerospace & Defense



Industrial Power



Consumer & Industrial



Transportation

Serving Customers in 40 Countries and 6 Continents

USA
Canada
Mexico

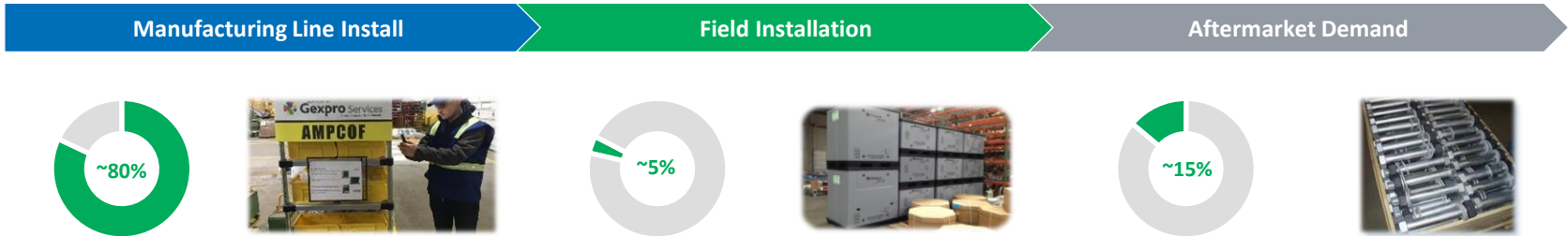
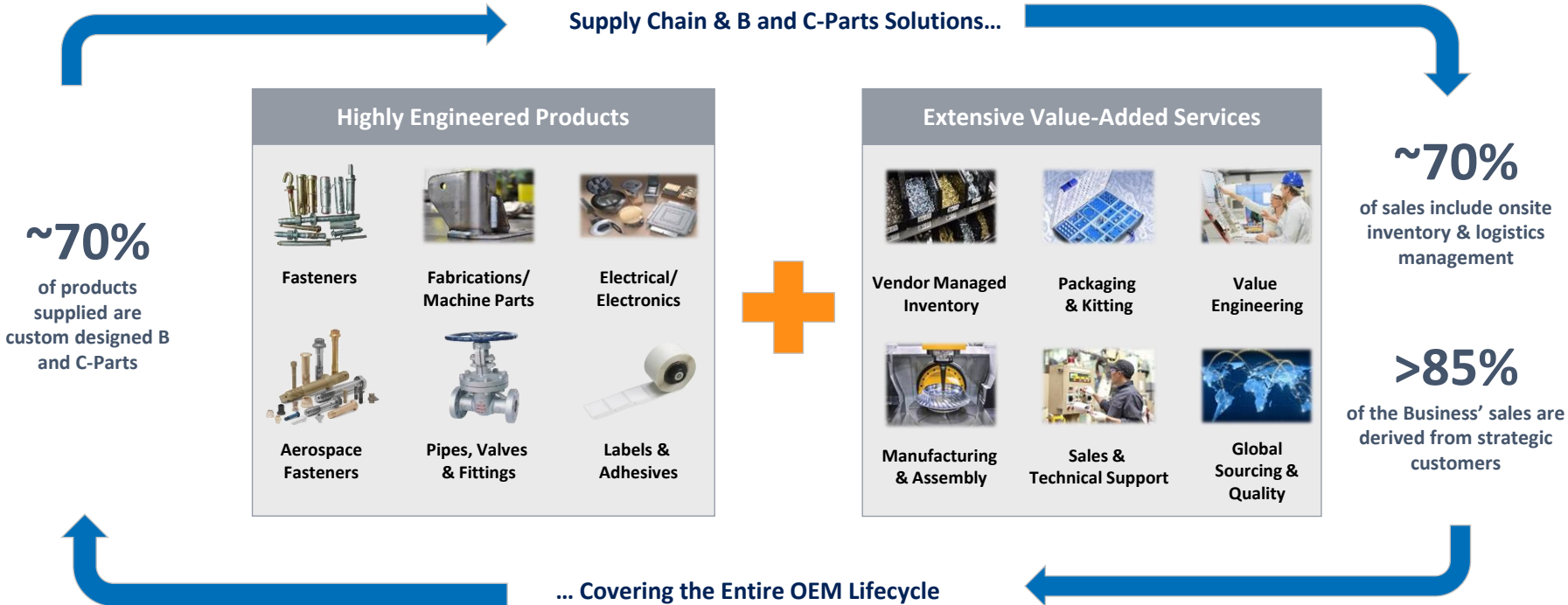
Denmark
Hungary
Germany

Turkey
China
Brazil

...and Many Others

OEM Focus: Overview

How We Serve Our Customer

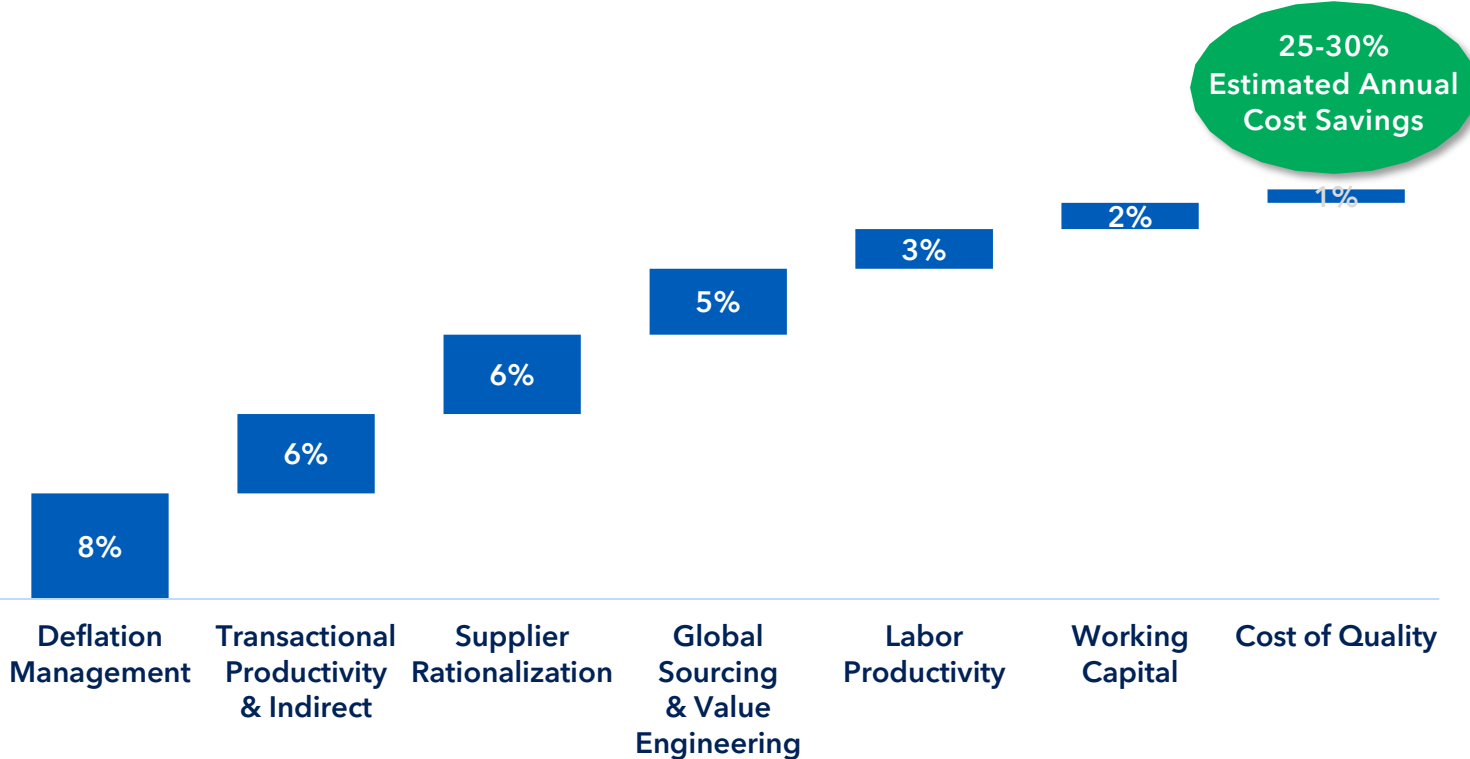


OEM Focus: Overview

How We Serve Our Customer

Improving Customers' Total Cost of Ownership

Quantifiable Average New Program Cost Savings Opportunities...



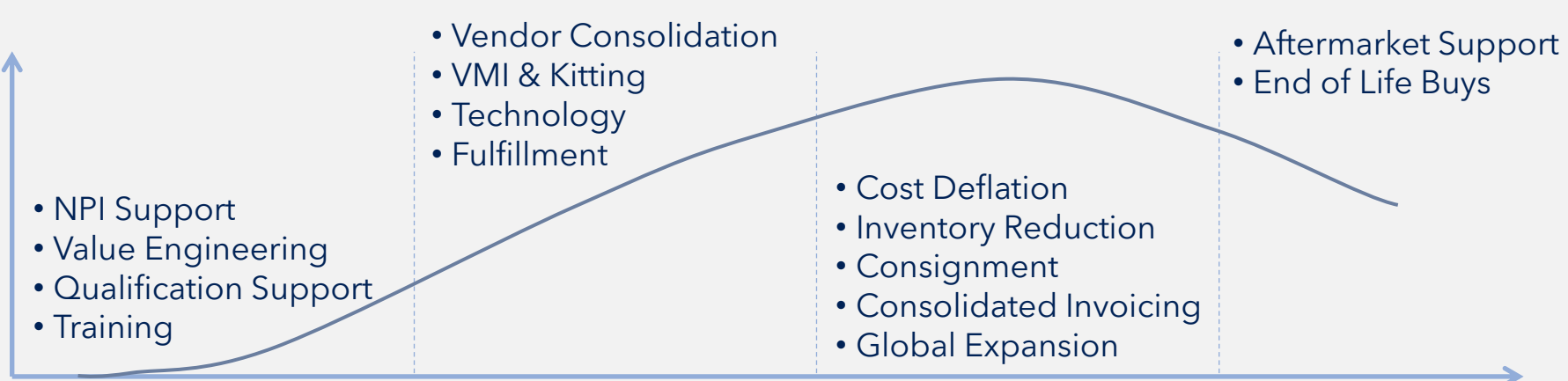
...Coupled with Manufacturing Efficiency & Uptime Opportunities

- Program Management**
 - SKU management
 - Reporting
 - Scorecards
 - Supplier portal
- Lean Principles**
 - Facility space
 - Cycle / lead time
 - POU / material flow
 - Process productivity
- Integrated Technology**
 - Barcode scanning system
 - Warehouse management system
 - QC Inspection systems
 - Smart bins
 - Real Time data analytics
 - Electronic data interchange

OEM Focus: Overview

How We Serve Our Customer

Serving the OEM Product Life Cycle



Introduction

Growth

Maturity

Decline



Product Offering



Engineering Solutions



Quality



Services



Technology

Industrial Technologies Focus: Overview

Business Unit Snapshot

MRO Focus

OEM Focus

Industrial Technologies Focus **48%** of Total Revenue

TestEquity

- **History:** 52+ years in business (Founded 1971)
- **Office HQ:** North Richland Hills, Texas
- **TTM 6/30 Adj. Revenue:** \$863mm
- **Focus:** T&M equipment and electronic production supplies serving OEM customers



Hisco (Acquisition)

- **History:** 53+ years in business (Founded 1970)
- **Office HQ:** Houston, Texas
- **Focus:** Specialty (adhesives, chemicals, electronic) industrial supplies distribution & manufacturing



Products



- Electronic Production Supplies
- Test & Measurement Instrumentation
- Environmental Test Chambers
- Chemicals & Adhesives
- Labels and Printing

Services



- VMI
- Calibration
- Chemical Management
- Asset Management
- Rentals

Value to Customer



- Highly technical knowledge
- "Total Lifecycle Support" T&M offering
- Omni-channel availability for customer
- Private label & branded offerings
- VMI & value-add mfg

End Markets



- Aerospace & Defense
- Automotive
- EDU
- Technology
- OEM
- Medical

Geography



- United States
- Canada
- Mexico & Central America
- UK
- Western Europe

Industrial Technologies Focus: Overview

How We Serve Our Customer

Supporting the Full Electronics Cycle

VOLUME



TestEquity

- ✓ High Margin
- ✓ Recurring and Sticky
- ✓ Massive Pull-through Potential

Hisco

TECHNI-TOOL

TE Equipment

JENSEN

Electronics Research & Design

Electronics Assembly

Electronics Maintenance & Repair

Personas

- Design Engineer
- Test Engineer
- Lab Manager
- Production Manager
- Buyer
- Maintenance Technician
- Field Engineer

Majority of Product Portfolio Sold Across Electronics Cycle - i.e., Solder & Solder Equipment, Adhesives & Chemicals, Etc.

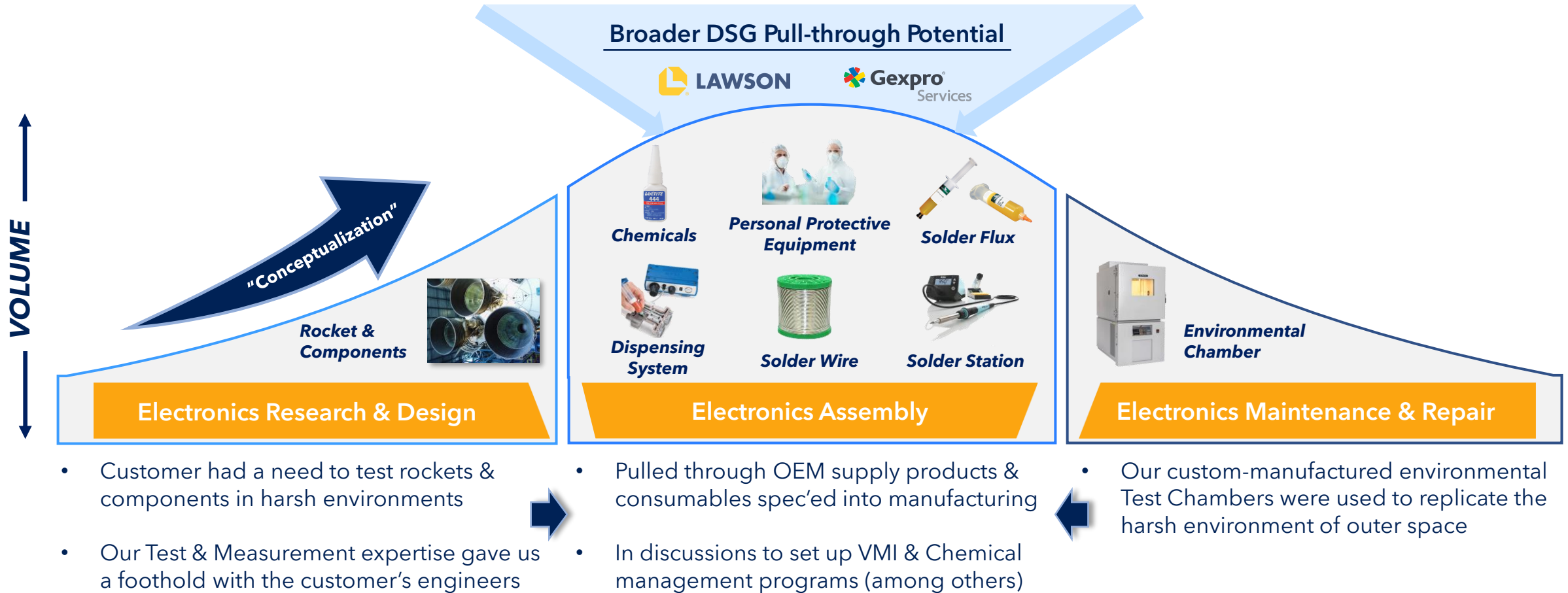
...Across a Blue-Chip Customer Base



Industrial Technologies Focus: Overview

How We Serve Our Customer

Case Study: Rocket Propulsion Solutions for Large Customer



Initiatives Spotlight

MRO FOCUS

Key Initiative:

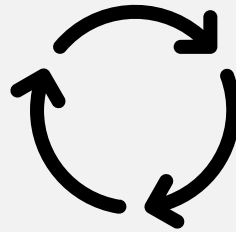
Salesforce Transformation:
Project Evolve



OEM FOCUS

Key Initiative:

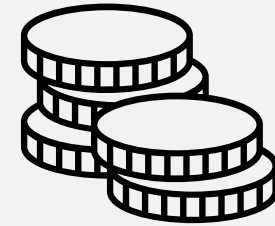
Upstream & Downstream
Synergies



INDUSTRIAL TECHNOLOGIES FOCUS

Key Initiative:

Driving towards
Double-digit
EBITDA Margins



Initiatives Spotlight

MRO FOCUS

Key Initiative:

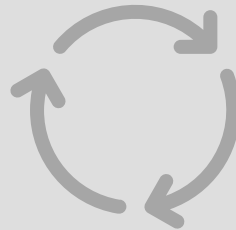
Salesforce Transformation:
Project Evolve



OEM FOCUS

Key Initiative:

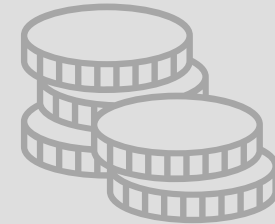
Upstream & Downstream
Synergies



INDUSTRIAL TECHNOLOGIES FOCUS

Key Initiative:

Driving towards
Double-digit
EBITDA Margins



Initiatives Spotlight

MRO Focus

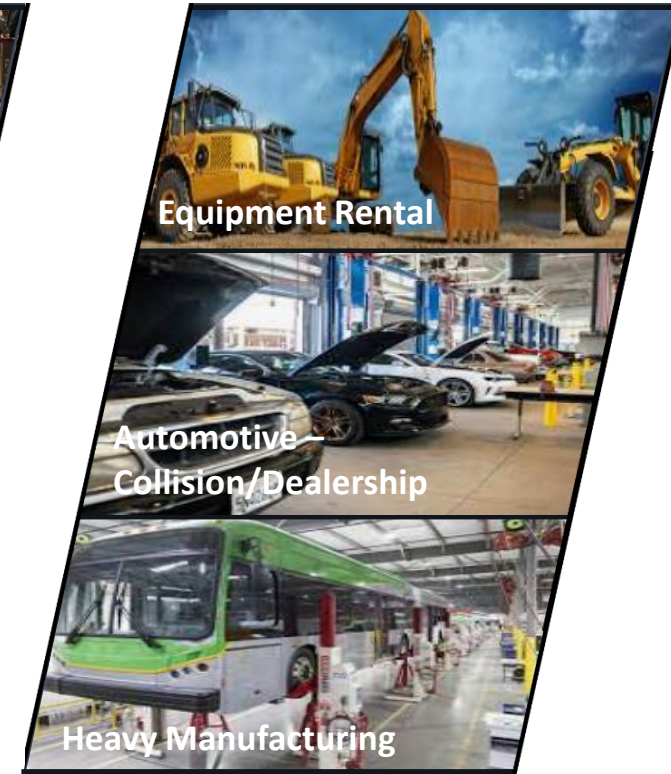
Small job sites
...low complexity



Large **Single-Site**



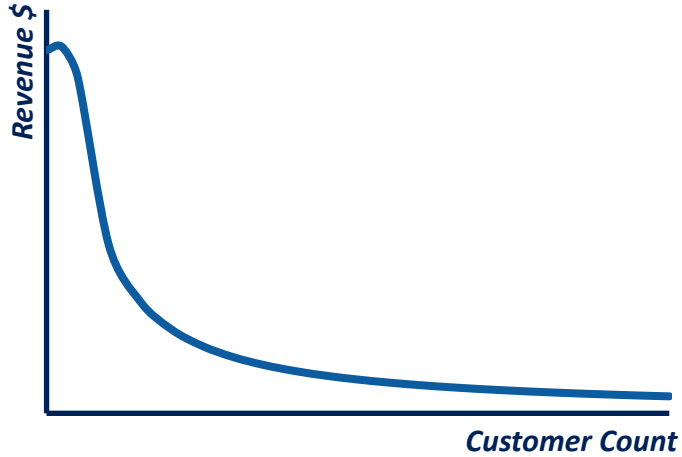
Large Multi-Site
...higher complexity



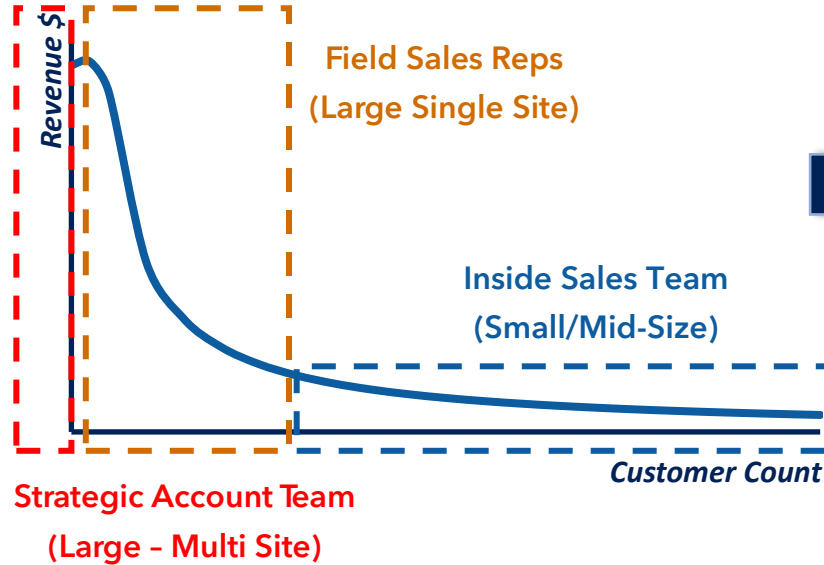
Initiatives Spotlight

MRO Focus

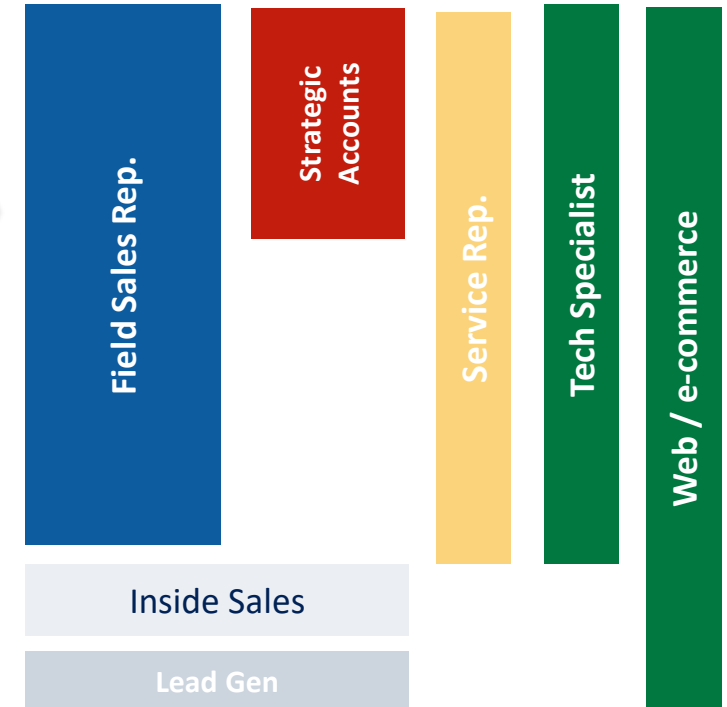
Current Go-to-market



Evolving Go-to-market



Future Go-to-market



High-touch, Multi-channel, Adapting to Diverse Customer Needs

Initiatives Spotlight

MRO FOCUS

Key Initiative:

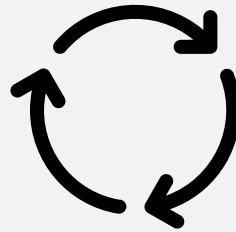
Salesforce Transformation:
Project Evolve



OEM FOCUS

Key Initiative:

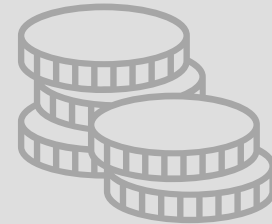
Upstream & Downstream
Synergies



INDUSTRIAL TECHNOLOGIES FOCUS

Key Initiative:

Driving towards
Double-digit
EBITDA Margins



Initiatives Spotlight

OEM Focus

Large and Diverse End Market Growth Strengthened via Organic and Inorganic Initiatives

ORGANIZATIONAL COMMERCIAL VERTICALS							
	RENEWABLES	TRANSPORTATION	INDUSTRIAL POWER	CONSUMER & INDUSTRIAL	TECHNOLOGY	AEROSPACE & DEFENSE	More...
SUB-VERTICAL MARKETS							Customers
	Wind Turbines	Automotive	Gas Turbines	Electrical Equipment	Semiconductors / Capital Equipment	Combat Vehicles	Suppliers
							Products
ADDRESSABLE MARKET SIZE	Solar Energy ~\$2B	Locomotive / Rail Signaling ~\$8B	Steam Turbines ~\$4B	Household Appliances ~\$7B	Telecom ~\$3B	Aircraft ~\$6B	Services
ACQUISITION PARTNERS							Technology
							Expanded Footprint
							
ACQUISITIONS EXPAND GEOGRAPHIC FOOTPRINT IN NORTH AMERICA, SOUTH AMERICA, EUROPE, MIDDLE EAST AND ASIA							

Initiatives Spotlight

MRO FOCUS

Key Initiative:

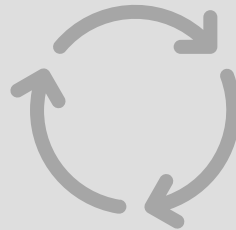
Salesforce Transformation:
Project Evolve



OEM FOCUS

Key Initiative:

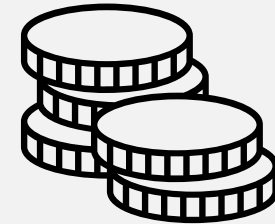
Upstream & Downstream
Synergies



INDUSTRIAL TECHNOLOGIES FOCUS

Key Initiative:

Driving towards
Double-digit
EBITDA Margins



Initiative Spotlight

Industrial Technologies Focus

Clear Path to Double-Digit EBITDA Margins and Beyond with Ongoing Initiatives



Margin Improvement

- VMI pricing Improvement
- Cross-selling
- Digital & "Own Brand" expansion
- Supplier consolidation



Strategic Cost Outs

- Offshoring of non-customer facing roles where appropriate
- Evaluating duplicative headcount
- Streamlining sales coverage

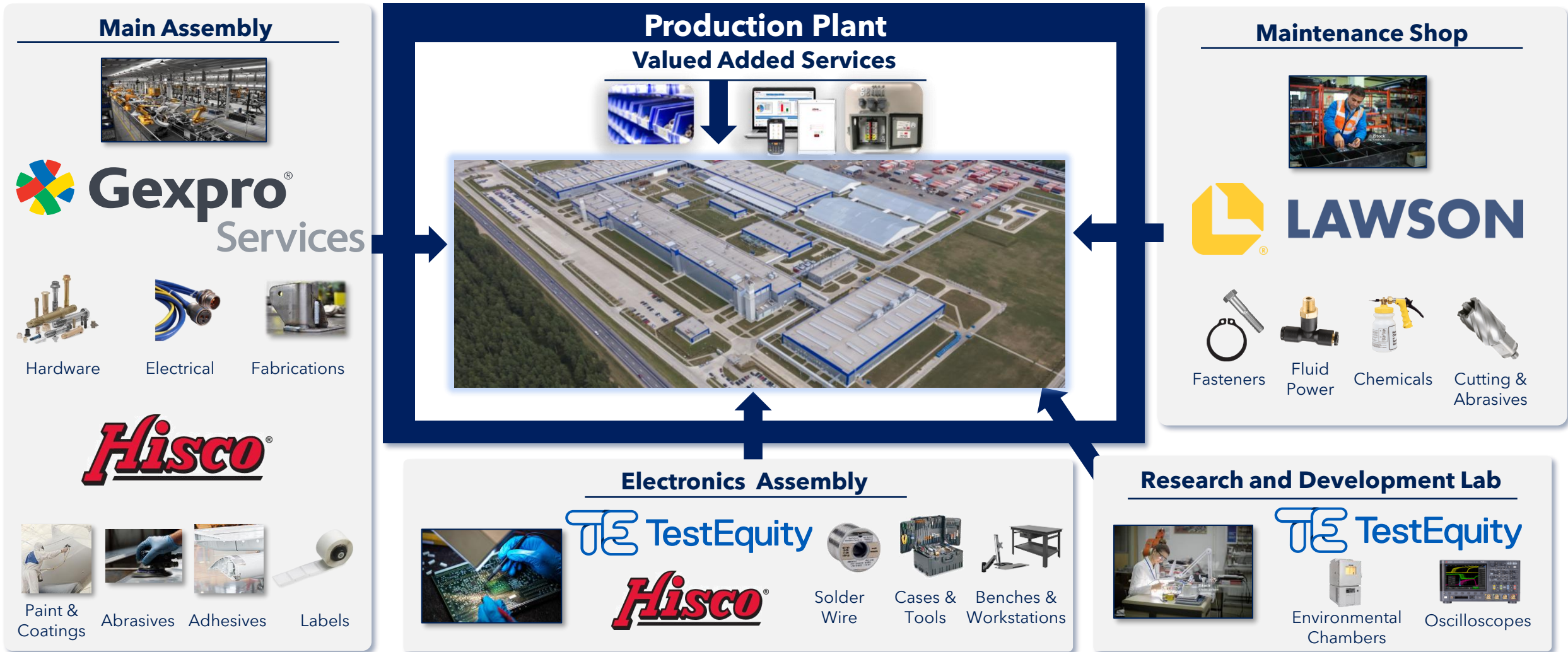


ERP Consolidation

- Integrate ERP systems across Business Unit
- Create one digital platform
- Streamline distribution network

Cross-company Collaboration

The Power of Three



Cross-company Collaboration

Cross-selling Benefit

DSG Amplifies Sales Opportunity



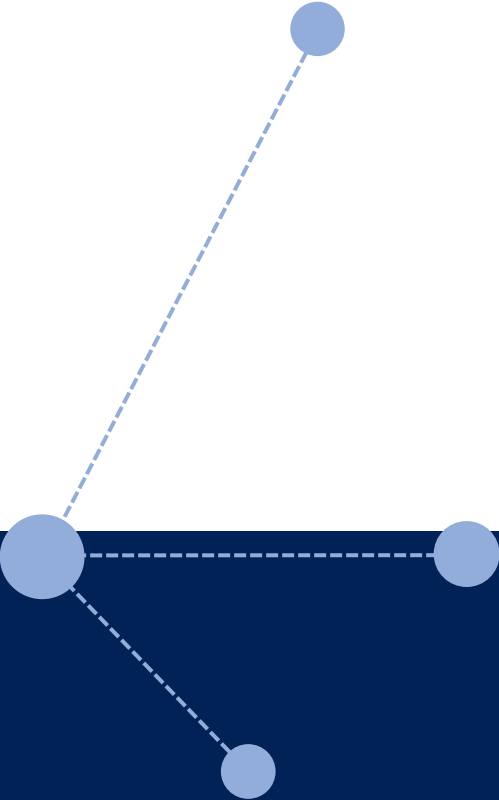
DSG DISTRIBUTION
SOLUTIONS GROUP

- Cross-selling
- Expand value proposition
- Share best practices
- Leverage key suppliers
- Maximize field resources
- Drive revenue & EBITDA growth

How we are executing...

- Built cross-functional teams
- Cross-sell incentive program
- Identified customer targets by focusing on Top 50
- Regional field training aligned by customer & vertical
- Joint sales calls
- Bi-monthly pulse calls, dashboard, and KPIs

Conclusion



DSG is Focused on Driving Results

-  **We have a results-oriented culture and collaboration**
-  **We are focused on long-term value creation**
-  **We generate significant FCF re-investing in high ROIC opportunities**

DSG stands primed to amplify and accelerate value for stakeholders

Questions & Answers



Investor Contacts



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Appendix



GAAP to Non-GAAP Reconciliations

Revenue and Adjusted EBITDA Reconciliation (\$000s)

(Unaudited)

	Quarter Ended	Consolidated DSG				
		Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023
GAAP Revenue		\$ 321,336	\$ 347,151	\$ 328,850	\$ 348,270	\$ 377,984
GAAP Operating Income		\$ 4,113	\$ 22,027	\$ 12,658	\$ 16,721	\$ 13,776
Depreciation and amortization		14,746	8,979	13,872	15,722	14,584
Adjustments:						
Merger/integration costs(2)		5,790	2,364	3,063	1,223	150
Stock-based compensation(3)		4,013	(3,568)	2,003	2,204	2,188
Severance and acquisition related retention expenses(4)		953	944	443	351	2,437
Acquisition related costs(5)		334	38	1,570	2,876	4,908
Inventory net realizable value adjustment(6)		—	1,737	—	—	—
Inventory step-up(7)		1,622	1,082	—	—	716
Other non-recurring costs(8)		82	1,097	394	256	1,341
Adjusted EBITDA (10)		\$ 31,653	\$ 34,700	\$ 34,003	\$ 39,353	\$ 40,100
GAAP Operating income as a percent of GAAP Revenue		1.3%	6.3%	3.8%	4.8%	3.6%
Adjusted EBITDA as a percent of GAAP Revenue		9.9%	10.0%	10.3%	11.3%	10.6%

References to table footnotes on slide 70

GAAP to Non-GAAP Reconciliations

Adjusted Revenue and Adjusted EBITDA Reconciliation (\$000s)

Results inclusive of other acquisitions – Pre-Acquisition Date

(Unaudited)

Consolidated DSG

Quarter Ended	Consolidated DSG					
	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	TTM Q2 2023
GAAP Revenue	\$ 321,336	\$ 347,151	\$ 328,850	\$ 348,270	\$ 377,984	\$ 1,402,255
Pre-Acquisition Revenue(1)	124,790	110,807	104,677	104,616	77,447	397,547
Adjusted Revenue	<u>\$ 446,126</u>	<u>\$ 457,958</u>	<u>\$ 433,527</u>	<u>\$ 452,886</u>	<u>\$ 455,431</u>	<u>\$ 1,799,802</u>
GAAP Operating Income	\$ 4,113	\$ 22,027	\$ 12,658	\$ 16,721	\$ 13,776	\$ 65,182
Pre-Acquisition Operating Income(1)	3,723	2,193	(577)	3,345	6,014	10,975
Adjusted Operating Income	7,836	24,220	12,081	20,066	19,790	76,157
Depreciation and amortization	14,746	8,979	13,872	15,722	14,584	53,157
Adjustments:						
Merger/integration costs(2)	5,790	2,364	3,063	1,223	150	6,800
Stock-based compensation(3)	4,013	(3,568)	2,003	2,204	2,188	2,827
Severance and acquisition related retention expenses(4)	953	944	443	351	2,437	4,175
Acquisition related costs(5)	334	38	1,570	2,876	4,908	9,392
Inventory net realizable value adjustment(6)	—	1,737	—	—	—	1,737
Inventory step-up(7)	1,622	1,082	—	—	716	1,798
Other non-recurring costs(8)	82	1,097	394	256	1,341	3,088
Pre-Acquisition add-backs(9)	4,701	3,568	4,571	5,056	(1,375)	11,820
Adjusted EBITDA (10)	<u>\$ 40,077</u>	<u>\$ 40,461</u>	<u>\$ 37,997</u>	<u>\$ 47,754</u>	<u>\$ 44,739</u>	<u>\$ 170,951</u>
GAAP Operating income as a percent of GAAP Revenue	1.3%	6.3%	3.8%	4.8%	3.6%	4.6%
Adjusted EBITDA as a percent of GAAP Revenue	12.5%	11.7%	11.6%	13.7%	11.8%	12.2%
Adjusted EBITDA as a percent of Adjusted Revenue	9.0%	8.8%	8.8%	10.5%	9.8%	9.5%

References to table footnotes on slide 70

GAAP to Non-GAAP Reconciliations

Adjusted Revenue and EBITDA Reconciliation – Table Footnotes

1. Represents additional revenue and operating income of other acquisitions prior to their acquisition dates not in reported GAAP results
2. Merger transaction costs related to the negotiation, review and execution of the merger agreements relating to the business combination of Lawson Products, TestEquity and Gexpro Services and subsequent integration costs
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 2022 and 2023, not related to a formal restructuring plan and acquisition related retention expenses for the Hisco acquisition
5. Expense for acquisition related costs, unrelated to the business combination of Lawson Products, TestEquity and Gexpro Services
6. Inventory net realizable value adjustment recorded to reduce inventory related to discontinued products where the anticipated net realizable value was lower than the cost reflected in the Company's records
7. Inventory fair value step-up adjustments resulting from the reverse merger acquisition accounting for Lawson Products and acquisition accounting for additional acquisitions completed by Gexpro Services
8. Other non-recurring costs consist of non-capitalized deferred financing costs incurred in conjunction with the 2023 Credit Agreement, certain non-recurring strategic projects and other non-recurring items
9. Represents additional EBITDA adjustments of other acquisitions prior to the respective acquisition dates
10. Adjusted EBITDA is defined as operating income plus depreciation and amortization, costs related to the execution and integration of the Mergers stock-based compensation, severance and acquisition related retention expenses, acquisition related costs (unrelated to the Mergers), inventory net realizable value adjustments, amortization of fair value step-up of inventory, and other non-recurring items.

GAAP to Non-GAAP Reconciliations

Reconciliation of GAAP Net Income (Loss) and GAAP Diluted EPS to Non-GAAP Adjusted Net Income and Non-GAAP Adjusted Diluted EPS

(Dollars in thousands, except per share data - Unaudited)

	Three Months Ended			
	June 30, 2023		June 30, 2022	
	Amount	Diluted EPS ⁽²⁾	Amount	Diluted EPS ⁽²⁾
Net income (loss) as reported per GAAP	\$ 3,024	\$ 0.14	\$ (4,715)	\$ (0.23)
Pretax adjustments:				
Acquisition related costs	4,908	0.22	334	0.02
Stock-based compensation	2,188	0.10	4,013	0.20
Merger/integration costs	150	0.01	5,790	0.28
Severance and acquisition related retention expenses	2,437	0.11	953	0.05
Change in fair value of earnout liabilities	(36)	—	5,693	0.28
Loss on extinguishment of debt	—	—	2,814	0.14
Inventory step-up	716	0.03	1,622	0.08
Other non-recurring costs	1,341	0.06	82	—
Total pretax adjustments	11,704	0.53	21,301	1.05
Tax effect on adjustments ⁽¹⁾	(3,394)	(0.15)	(9,245)	(0.46)
Total adjustments, net of tax	8,310	0.38	12,056	0.59
Non-GAAP adjusted net income	\$ 11,334	\$ 0.52	\$ 7,341	\$ 0.36

(1) Tax effected at quarterly tax rate of 29.0% and 43.4% for the three months ended June 30, 2023 and 2022, respectively, excluding discrete items.

(2) Pretax adjustments to diluted EPS calculated on 21.998 million and 20.343 million diluted shares for the second quarter of 2023 and 2022, respectively.