DSG

DISTRIBUTION SOLUTIONS GROUP

Powerful Solutions. Proven Results.

NASDAQ: DSGR

Q3 2023 Financial Results

November 2, 2023

Safe Harbor Statement

Cautionary Note Regarding Forward-Looking Statements

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.

Earnings Call Agenda

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

Agenda

- Q3 2023 Consolidated Highlights & Financial Results
- Segment Highlights & Financial Results
- Q&A

DSG's Board of Directors approved and declared a two-for-one stock split in Q3. Accordingly, all share and per share amounts presented herein have been retroactively adjusted to reflect the impact of the Stock Split.

See appendix for GAAP to Non-GAAP reconciliations.

Q3 Commentary

- Q3 Revenue of $439M, Operating Income of $13M and Adjusted EBITDA of $44M up from $35M over the prior year.
- Q3 Revenue growth of 26.4%, primarily from acquisitions. Organic sales down 4.2% driven by softness in Industrial Technologies (TestEquity) vertical. On a two-year comparative basis (2022 and 2023), organic sales up 11% based on price and volume.
- Strong Adjusted EBITDA margin of 10.0%, with an increase in Adjusted EBITDA of $9.0M over the prior year. Hisco acquisition impacted margins by 70bps - expansion to 10.7% excluding Hisco.
- Generated $47 million of cash flows from operations in Q3 ($74 million for the nine months) from improved profitability and working capital efficiencies.
- GAAP loss of $0.03 per diluted share. Adjusted EPS of $0.17 compared to $0.32 a year ago. GAAP impacted by severance and acquisition-related retention expenses and both GAAP & Non-GAAP impacted by higher depreciation and amortization related to acquisitions and increased share count.
- Teams continue to work closely - experiencing wins on cross-selling among operating companies and cost take-outs.

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

Leading Industrial Distribution Platform

DSG DISTRIBUTION SOLUTIONS GROUP

DSG

LAWSON	Gexpro Services	TestEquity
MRO Focus	**OEM Focus**	**Industrial Technologies Focus**
Leading vendor managed inventory provider of C-parts to the MRO market	*Leading global supply chain services and C-parts provider to OEM and aftermarket applications*	*Leading supplier of electronic and specialty production supplies and T&M equipment across OEM and MRO markets*
~30% of Sales	***~23% of Sales***	***~47% of Sales***

TTM Financial Highlights	**$1.8Bn** Adjusted Revenue	**~10%** Adjusted EBITDA %	**$160+mm** Adj. Free Cash Flow (1)	**Fly-by Operating Stats**	**40+** Countries Served	**170k** Customers	**500k+** Unique SKU's

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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.

Operating Companies Update and Value Drivers

LAWSON

Gexpro Services

TestEquity

Q3 2023 Consolidated Financial Highlights

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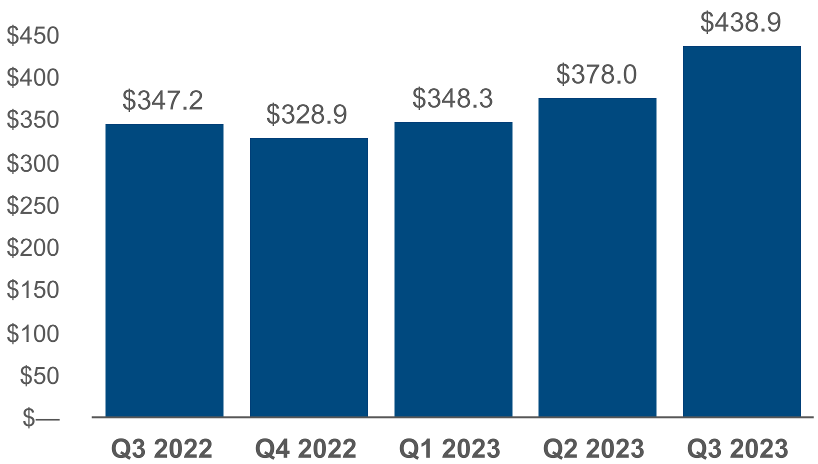
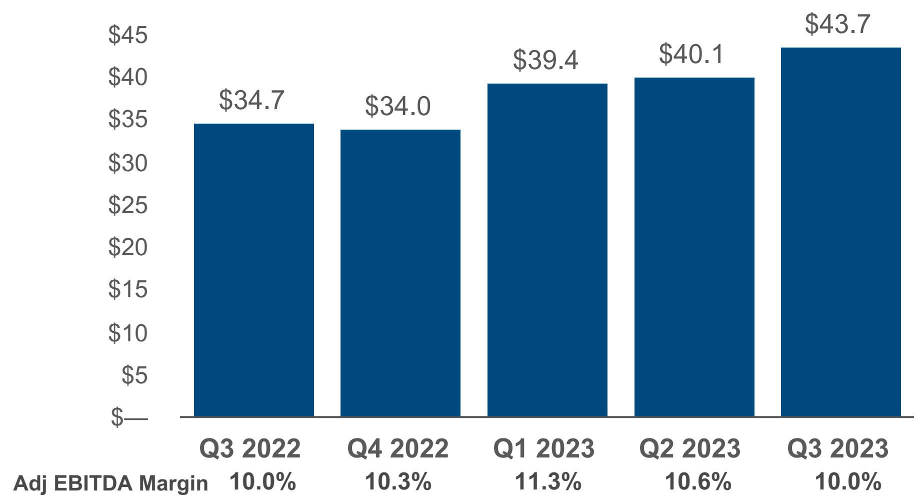
Reported Revenue and Adjusted EBITDA

- Revenue of $438.9M, an increase of $91.8M or +26.4% over year ago quarter, primarily from acquisitions. Organic revenue down 4.2% from prior year quarter. On a two-year basis, organic growth up 11%.
- Adjusted EBITDA of $43.7M with 10.0% margin; up 25.9% from Adjusted EBITDA of $34.7M. Expansion to10.7% excluding Hisco acquisition.
- Sequential daily sales growth and profit expansion; Q2 and Q3 impacted by Hisco results and Lawson investments

Revenue (in millions)



Adjusted EBITDA (in millions)

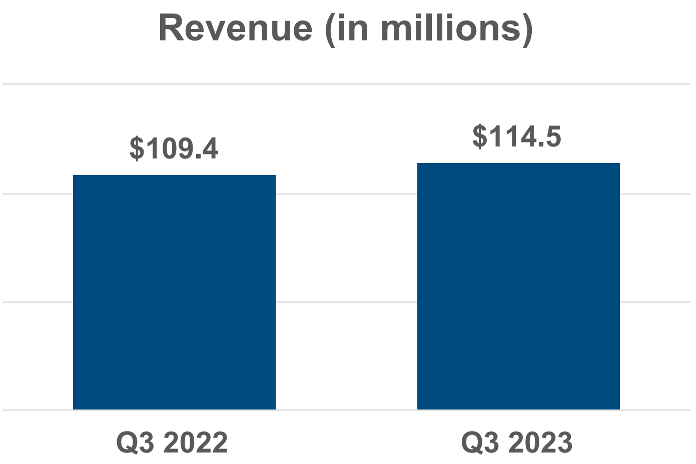


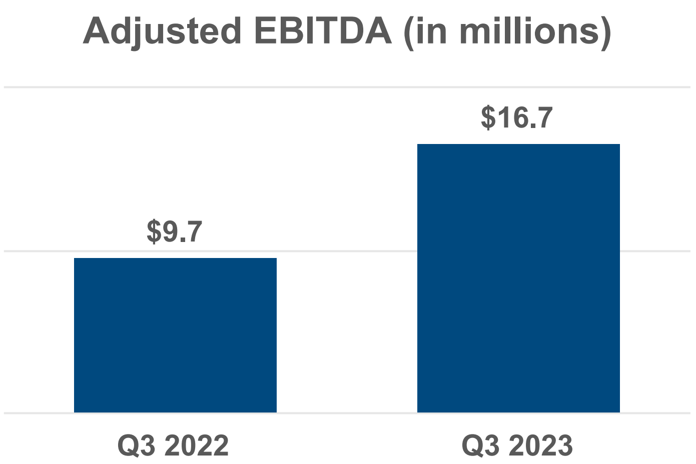
Sequentially strong revenue and Adjusted EBITDA growth

Revenue and Adjusted EBITDA results are presented on an Adjusted (Non-GAAP) and continuing operations basis.

Q3 2023 Highlights:

- Revenue +4.6%; (+6.3% on same day basis) all organic growth-driven by expanding and new customer relationships
- Price increases throughout 2022 and 2023 continue to be realized
- Ended September 30, 2023 with ~900 sales reps. Sales per rep per day productivity improved >18% vs. Q3 2022
- Adjusted EBITDA of $16.7M or 14.6% of Revenue up from 8.8% of Revenue over year ago quarter on revenue growth and improved gross margins
- Investments in business during Q2 and Q3 to build infrastructure for long-term channel growth





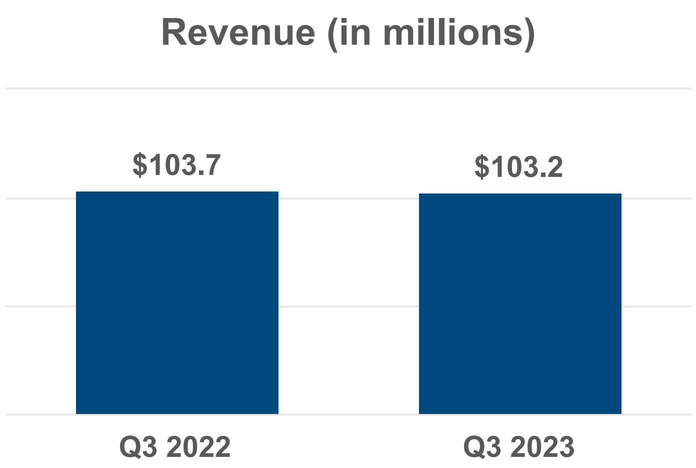
Adj EBITDA Margin	8.8%	14.6%

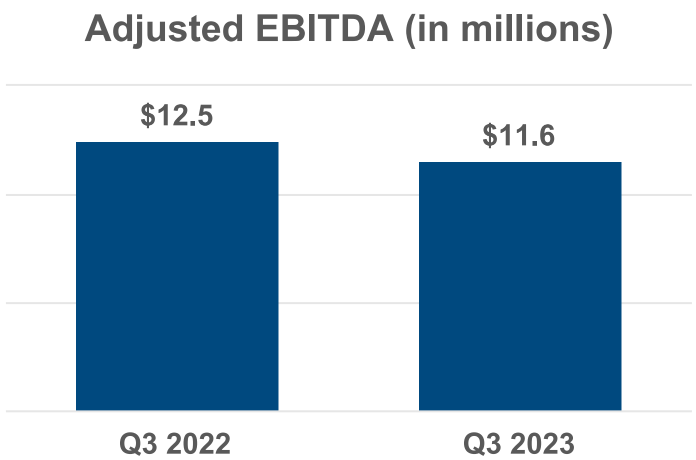
Results are presented on an Adjusted (Non-GAAP) and continuing operations basis. See appendix of this presentation and press release for reconciliations.
Bolt Supply no longer included in Lawson Products reporting segment.

Gexpro Services – OEM Focus

Q3 2023 Highlights:

- Revenue of $103.2M; flat with year ago quarter primarily due to softness in technology vertical market
- Integrations of prior acquisitions continuing strong
- Value creation initiatives including DSG cross sell, acquisition synergies and expanded kitting offerings and E-commerce
- Solid demand continues across most end markets with tailwinds in aerospace & defense and industrial power partially offset by higher margin technology headwinds
- Continued expansion in gross margin through strategic sourcing initiatives and supply chain improvements
- Adjusted EBITDA of $11.6M or 11.2% of Revenue down from 12.0% over year ago quarter impacted by end market sales shift mix
- Plans in place to re-baseline operating costs by end market





Adj EBITDA Margin	12.0%	11.2%

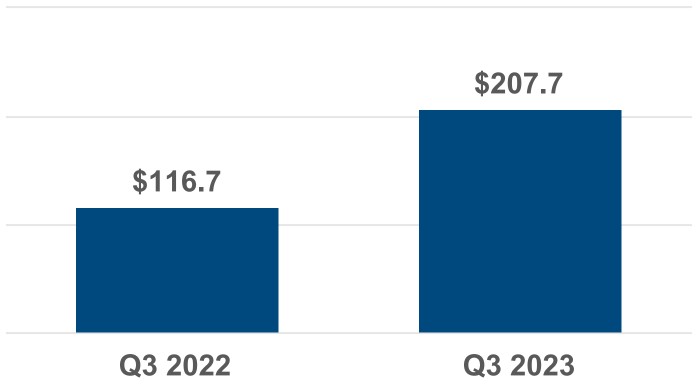
Results are presented on an Adjusted (Non-GAAP) and continuing operations basis. See appendix of this presentation and press release for reconciliations.

TestEquity – Industrial Technologies Focus

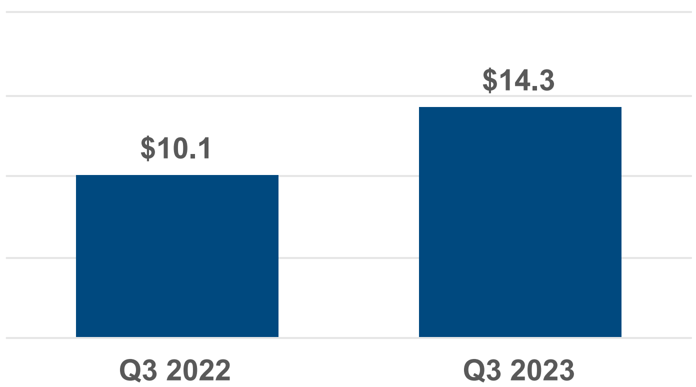
Q3 2023 Highlights:

- Revenue of $207.7M; up $91M or 77.9%; primarily driven by acquisitions; organic sales down 13.2%
- Revenue from 2022 and 2023 acquisitions (Hisco and Instrumex) up $106.3M from a year ago. Integrations well underway
- Sales softness in core legacy business as "capital" type projects delayed
- Key operating initiatives focused on acquisition integration, pricing disciplines, sales force optimization and digital channel expansion
- Proactively taking actions to align operating costs - annualized cost savings expected to exceed $10M
- Adjusted EBITDA of $14.3M or 6.9% of Revenue, up from $10.1M a year ago; incremental EBITDA of $8.3M from acquisitions

Revenue (in millions)



Adjusted EBITDA (in millions)

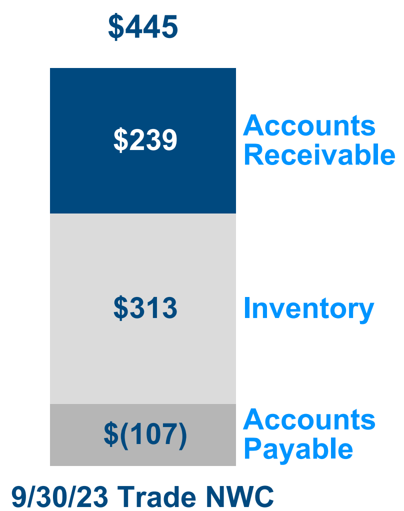


Adj EBITDA Margin	8.7%	6.9%

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



High returns realized on working capital investments

Rapid Deleveraging via Earnings Growth and Free Cash Flow Generation

3.6x

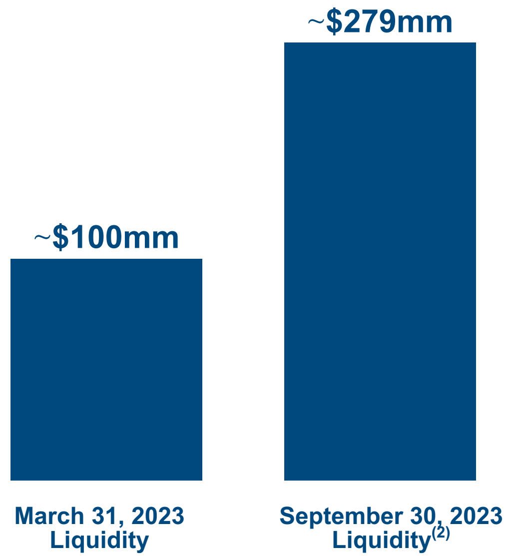
Leverage[(1)] at April 1, 2022 Merger Close

2.9x

Leverage[(1)] as of September 30, 2023

Inclusive of 4 acquisitions post-April 2022 merger

Amended Credit Agreement: $805mm Total Facility



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

Disciplined Capital Allocation Framework

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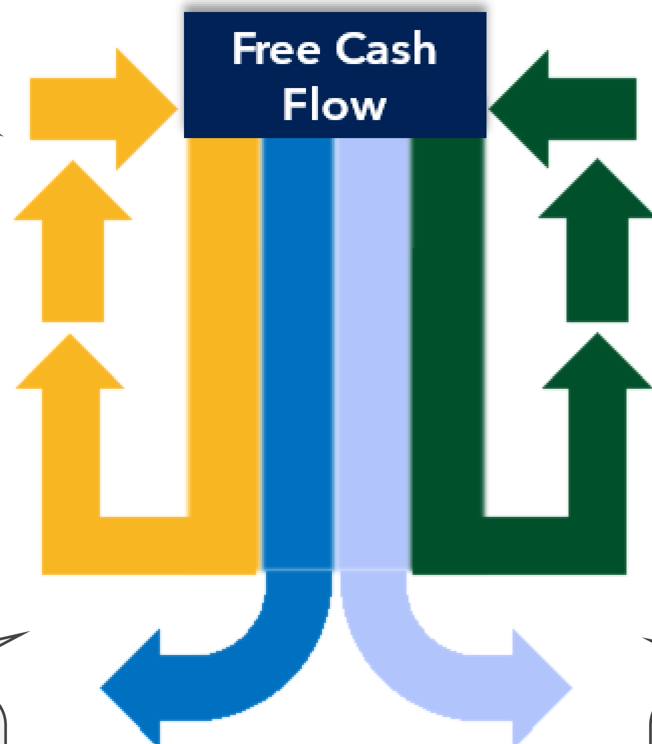
Q3 '23 trade working capital $445M
Cash flows from operating activities of $47M in Q3 '23

Q3 '23 2.9x(2) Net Debt to Adjusted EBITDA Leverage

Free Cash Flow(1) Conversion of 149% realized in Q3



10 highly strategic & accretive tuck-in distribution company acquisitions in the preceding 24 months

$7.6M available for opportunistic buybacks

(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

Summary

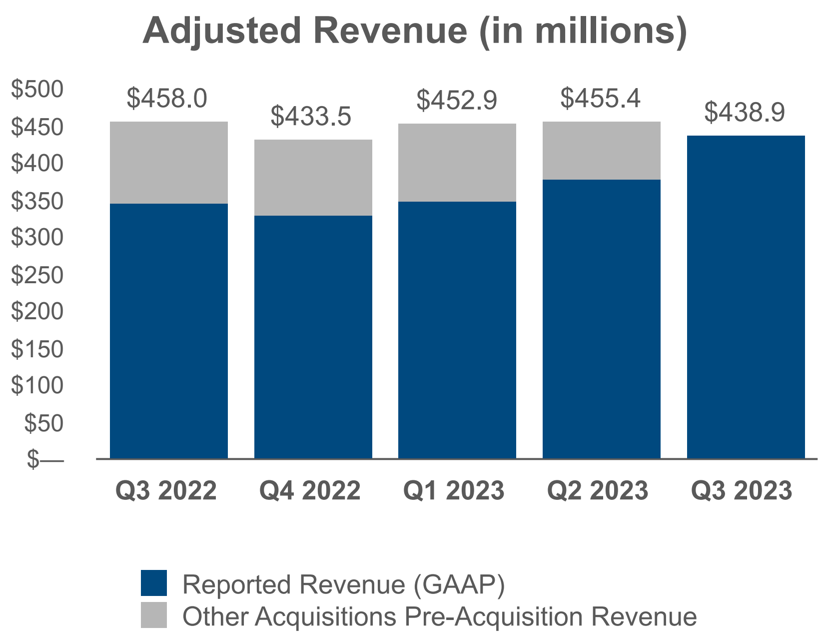
- ***Strong Q3 results*** *despite tougher sales comps; softening of certain end markets experienced.*
- ***Proactively re-baselining cost structure*** *where appropriate.*
- *Q3 results driven primarily by acquired revenue – aligns with growth strategy;* ***combined 26.4% revenue growth*** *and* ***two-year organic growth of 11%****.*
- ***Year-over-year improvement*** *in Adjusted EBITDA by* ***$9.0 million*** *and comparative margin excluding Hisco of* ***10.7%*** vs. 10.0% a year ago*.*
- ***Conservative financial management*** *and prudent capital allocation to continue.* ***$47 million of cash flows from operations in Q3*** ($74 million for the nine months).
- *Companies* ***collaborating well together*** *to identify growth and cost saving opportunities.*
- ***Disciplined M&A strategy*** *to capture accretive, bolt-on acquisitions;* ***pipeline*** *for add-on acquisitions* ***remains encouraging****.*

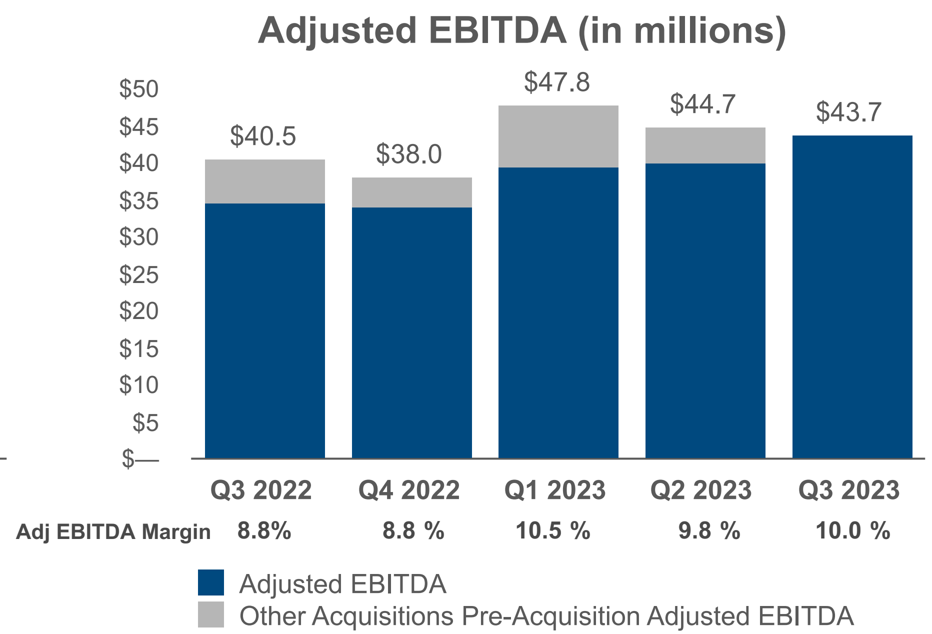
Appendix

Q3 2023 Consolidated Financial Highlights

Results Inclusive of Other Acquisitions 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 Q3 2022-Q3 2023 period.
- Positive quarterly trends in Adjusted Revenue and Adjusted EBITDA as acquisitions become integrated. Q2/Q3 up against tougher comps





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

Q3 Revenue and Adjusted EBITDA Reconciliation ($000s)

(Unaudited)

	Lawson Products		Gexpro Services		TestEquity		All Other		Consolidated DSG	
Quarter Ended	**Q3 2023**	**Q3 2022**	**Q3 2023**	**Q3 2022**	**Q3 2023**	**Q3 2022**	**Q3 2023**	**Q3 2022**	**Q3 2023**	**Q3 2022**
GAAP Revenue	$ 114,477	$ 109,418	$ 103,232	$ 103,749	$ 207,657	$ 116,709	$ 13,543	$ 17,275	$ 438,909	$ 347,151
GAAP Operating income	$ 10,643	$ 5,352	$ 7,332	$ 7,992	$ (5,027)	$ 7,576	$ (165)	$ 1,107	$ 12,783	$ 22,027
Depreciation and amortization	4,069	2,009	4,069	4,065	8,322	1,896	550	1,009	17,010	8,979
Adjustments:										
Merger and acquisition related costs(1)	995	1,556	135	374	(1,535)	472	311	—	(94)	2,402
Stock-based compensation(2)	1,049	(3,568)	—	—	—	—	—	—	1,049	(3,568)
Severance and acquisition related retention expenses(3)	73	763	16	—	10,388	178	1	3	10,478	944
Inventory net realizable value adjustment(4)	—	1,737	—	—	—	—	—	—	—	1,737
Inventory step-up(5)	—	778	—	—	2,150	—	—	304	2,150	1,082
Other non-recurring(6)	(108)	1,043	—	54	—	—	435	—	327	1,097
Adjusted EBITDA	$ 16,721	$ 9,670	$ 11,552	$ 12,485	$ 14,298	$ 10,122	$ 1,132	$ 2,423	$ 43,703	$ 34,700
GAAP Operating income as a percent of GAAP Revenue	9.3%	4.9%	7.1%	7.7%	(2.4)%	6.5%	(1.2)%	6.4%	2.9%	6.3%
Adjusted EBITDA as a percent of GAAP Revenue	14.6%	8.8%	11.2%	12.0%	6.9%	8.7%	8.4%	14.0%	10.0%	10.0%

(1) Transaction and integration costs related to the Mergers and other 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 2023 and 2022 not related to a formal restructuring plan and acquisition related retention expenses for the Hisco acquisition
(4) 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 our records
(5) Inventory fair value step-up adjustment for Lawson resulting from the reverse merger acquisition accounting and acquisition accounting for additional acquisitions completed by Gexpro Services or TestEquity
(6) Other non-recurring costs consist of non-capitalized deferred financing costs incurred in conjunction with the 2023 credit agreement amendment, certain non-recurring strategic projects and other non-recurring items

Adjusted Revenue and Adjusted EBITDA Reconciliation ($000s)

Results Inclusive of Other Acquisitions – Pre-Acquisition Date

(Unaudited)

	Consolidated DSG				
Quarter Ended	**Q3 2022**	**Q4 2022**	**Q1 2023**	**Q2 2023**	**Q3 2023**
GAAP Revenue	$ 347,151	$ 328,850	$ 348,270	$ 377,984	$ 438,909
Pre-Acquisition Revenue(1)	110,807	104,677	104,616	77,447	—
Adjusted Revenue	$ 457,958	$ 433,527	$ 452,886	$ 455,431	$ 438,909
GAAP Operating income	$ 22,027	$ 12,658	$ 16,721	$ 13,776	$ 12,783
Pre-Acquisition Operating Income(1)	2,193	(577)	3,345	6,014	—
Adjusted Operating Income	24,220	12,081	20,066	19,790	12,783
Depreciation and amortization	8,979	13,872	15,722	14,584	17,010
Adjustments:					
Merger and acquisition related costs(2)	2,402	4,633	4,099	5,058	(94)
Stock-based compensation(3)	(3,568)	2,003	2,204	2,188	1,049
Severance and acquisition related retention expenses(4)	944	443	351	2,437	10,478
Inventory net realizable value adjustment(5)	1,737	—	—	—	—
Inventory step-up(6)	1,082	—	—	716	2,150
Other non-recurring(7)	1,097	394	256	1,341	327
Pre-Acquisition add-backs(8)	3,568	4,571	5,056	(1,375)	—
Adjusted EBITDA	$ 40,461	$ 37,997	$ 47,754	$ 44,739	$ 43,703
GAAP Operating income as a percent of GAAP Revenue	6.3%	3.8%	4.8%	3.6%	2.9%
Adjusted EBITDA as a percent of Adjusted Revenue	8.8%	8.8%	10.5%	9.8%	10.0%

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 other acquisitions prior to their acquisition dates not in reported GAAP results

(2) Transaction and integration costs related to the mergers and other 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 2023 and 2022, not related to a formal restructuring plan and acquisition related retention expenses for the Hisco acquisition

(5) 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 our records

(6) 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 or TestEquity

(7) Other non-recurring costs consist of non-capitalized deferred financing costs incurred in conjunction with the 2023 credit agreement amendment, certain non-recurring strategic projects and other non-recurring items

(8) Represents additional EBITDA adjustments of other acquisitions prior to the respective acquisition dates

GAAP to Non-GAAP Reconciliations

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			
Quarter Ended	**Q3 2023**		**Q3 2022**	
	Amount	**Diluted EPS(2)**	**Amount**	**Diluted EPS(2)**
Net income (loss) as reported per GAAP	$ (1,568)	$ (0.03)	$ 16,541	$ 0.42
Pretax adjustments:				
Stock-based compensation	1,049	0.02	(3,568)	(0.09)
Merger and acquisition related costs	(94)	—	2,402	0.06
Severance and acquisition related retention expenses	10,478	0.22	944	0.02
Change in fair value of earnout liabilities	(667)	(0.01)	(9,641)	(0.25)
Inventory net realizable value adjustment	—	—	1,737	0.04
Inventory step-up	2,150	0.05	1,082	0.03
Other non-recurring	327	0.01	1,097	0.03
Total pretax adjustments	13,243	0.28	(5,947)	(0.15)
Tax effect on adjustments(1)	(3,867)	(0.08)	2,016	0.05
Total adjustments, net of tax	9,376	0.20	(3,931)	(0.10)
Non-GAAP adjusted net income	$ 7,808	$ 0.17	$ 12,610	$ 0.32

(1) Tax effected at the estimated full year tax rate of 29.2% considering the pretax adjustments and the quarterly tax rate of 33.9% for the three months ended September 30, 2023 and 2022, respectively.

(2) Pretax adjustments to diluted EPS calculated on 46.737 million and 39.307 million diluted shares for the third quarter of 2023 and 2022, respectively.