

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):

May 21, 2020

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))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Common stock, \$1.00 par value

Trading Symbol

LAWS

Name of each exchange on which registered

NASDAQ Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 7.01 Regulation FD Disclosure.

Lawson Products, Inc. (the "Company") 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.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits:

99.1 Investor Presentation First Quarter 2020

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: May 21, 2020

By: /s/ Ronald J. Knutson

Name: Ronald J. Knutson

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

EXHIBIT INDEX

| <u>Exhibit Number</u> | <u>Description</u> |
|-----------------------|--|
| 99.1 | Investor Presentation First Quarter 2020 |



Investor Presentation

First Quarter 2020

Presenters: Michael DeCata, President & CEO
 Ronald Knutson, EVP & CFO

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, 2019 and in the Form 10-Q for the quarter ended March 31, 2020

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.

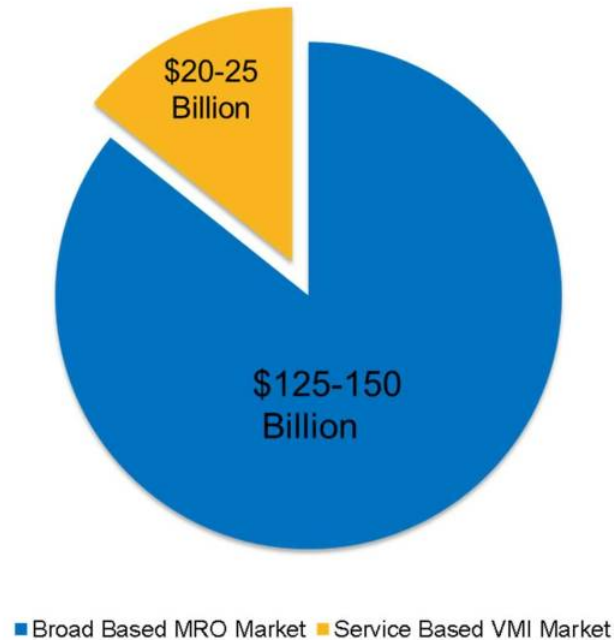
Lawson Products: At a Glance

- 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
 - Strategically located distribution centers
 - Workforce ~1,600 (~ 1,000 sales reps)
- Supplies a comprehensive line of products to the MRO marketplace
- VMI and private label drives high gross margins



Competitive Advantages and Differentiators

“Not the Typical MRO Distributor”



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

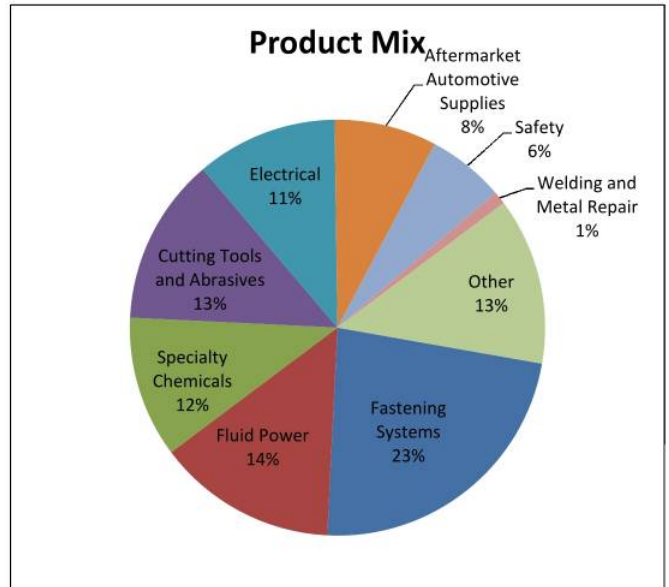
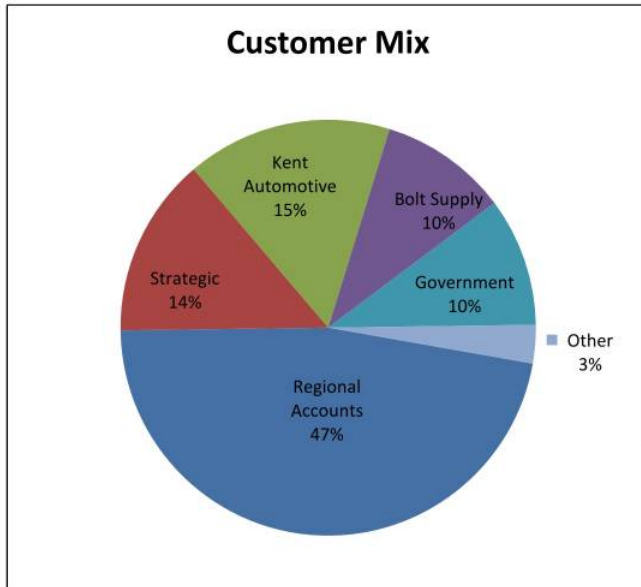
Our Commitment to our 70,000+ Customers

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"> • Comprehensive line of products | <ul style="list-style-type: none"> • Lawson Managed Inventory | <ul style="list-style-type: none"> • Product recommendations from your Lawson Representative |
| <ul style="list-style-type: none"> • Hundreds of pre-built assortments | <ul style="list-style-type: none"> • Industrial vending | <ul style="list-style-type: none"> • Application advice from our test and application engineers |
| <ul style="list-style-type: none"> • Unlimited sourcing of hard-to-find items | <ul style="list-style-type: none"> • Self-service inventory management | <ul style="list-style-type: none"> • Complimentary on-site safety & product usage training |

Customer and Product Profile



Retain over 90% of customer revenues from year to year

COVID-19 Impact

Current Environment:

- Lawson deemed an essential business
- Distribution network operating
- Sales team proactively reaching out to customers
- Corporate team working remotely

Ever-Changing Environment
Limited Bright-Lines
Flexibility
Nimble Decision-Making

- *Safety of our team members*
- *Significant cost reductions to protect earnings and cash position*
- *Support and retention of team members*
- *Strong leadership-commitment to coming out and ongoing communication*
- *Continuation of customer relationships*
- *Service to our customers through supply chain*

Coming Out:

- Customer loyalty
- Strong financial position
- Engaged team members-company trust
- Confidence of suppliers
- Stronger supply chain
- Enhanced business continuity
- Stronger-more agile

Financial Highlights for First Quarter 2020

- Adjusted Reg G EBITDA margin improving; 10.2% in Q1 2020 v. 8.2% in Q1 2019

- Sales decreased 0.3% compared to Q1 2019; primarily driven by second half of March

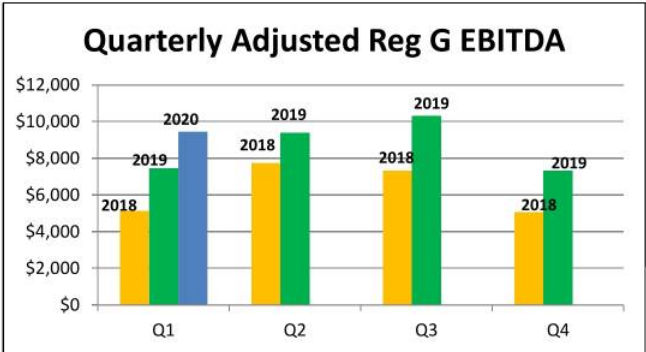
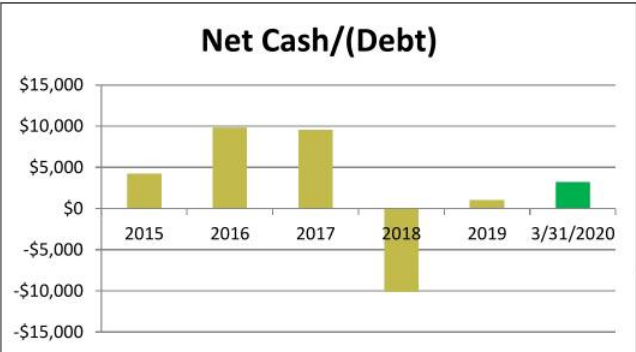
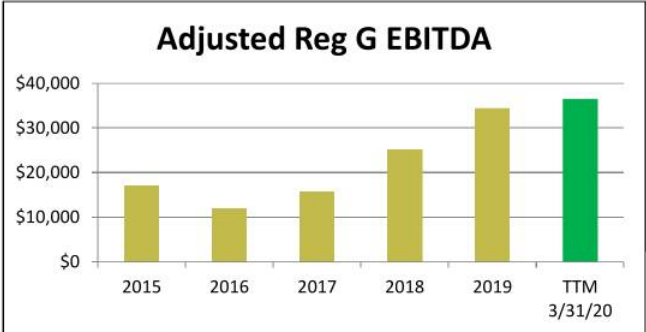
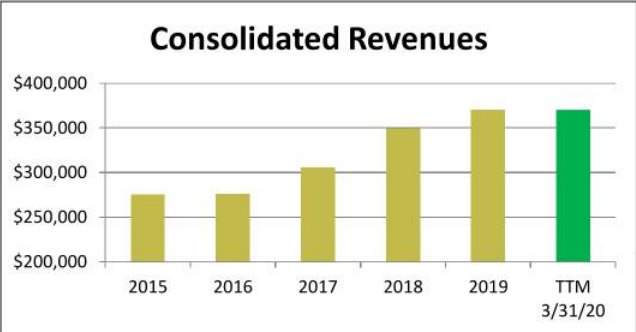
- MRO Lawson/Kent gross margins flat at 60.8% compared to prior year quarter

- Key trends
 - ✓ Ended quarter with \$4.1 million in cash on hand
 - ✓ Ended quarter with \$87.5 million in available borrowing capacity

- Significant Actions in Response to COVID-19; Eliminated \$4.0-\$4.5M of monthly expenses
 - ✓ Provided team members with PPE to ensure safety
 - ✓ Eliminated non-critical travel
 - ✓ Consolidated Suwanee DC into McCook's capacity
 - ✓ Salary reductions throughout organization, including Board
 - ✓ Furloughed employees at corporate, Suwanee, sales team and DCs
 - ✓ Eliminated various performance incentive plans
 - ✓ Eliminated non-critical capital
 - ✓ Requested extension of vendor terms

Historical Financial Performance

Recent sales growth and earnings expansion providing financial flexibility



Capital Allocation Priorities

Maintain Strong Balance Sheet

- \$4.1 million cash on hand outstanding borrowings of \$10.5 million at the end of Q1

Reinvest for Growth

- Increased our borrowing capacity to \$100.0 million (additional \$50.0 million accordion) with our new borrowing agreement in 2019
- Capital expenditures expected to be approximately \$2.0 million in 2020
- Growth initiatives: add new reps and increase sales rep productivity

Pursue Disciplined M&A

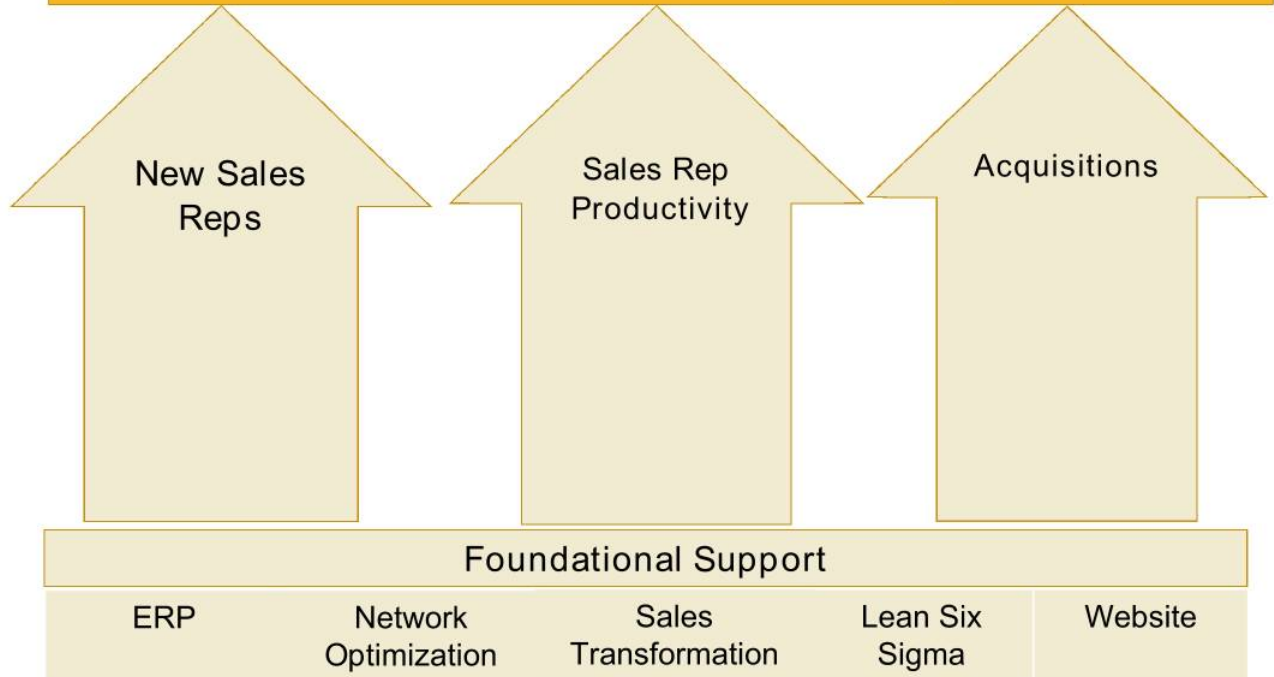
- Bolt-on acquisitions to enhance core growth strategies
- Closed Screw Products Inc. acquisition on 10/1/18

Return Capital

- Share repurchase to offset award dilution; opportunistic purchases
- \$7.5 million stock repurchase program announced on May 16, 2019; \$4.5 million remaining






Lawson Growth Strategy

Sales Growth Driven By



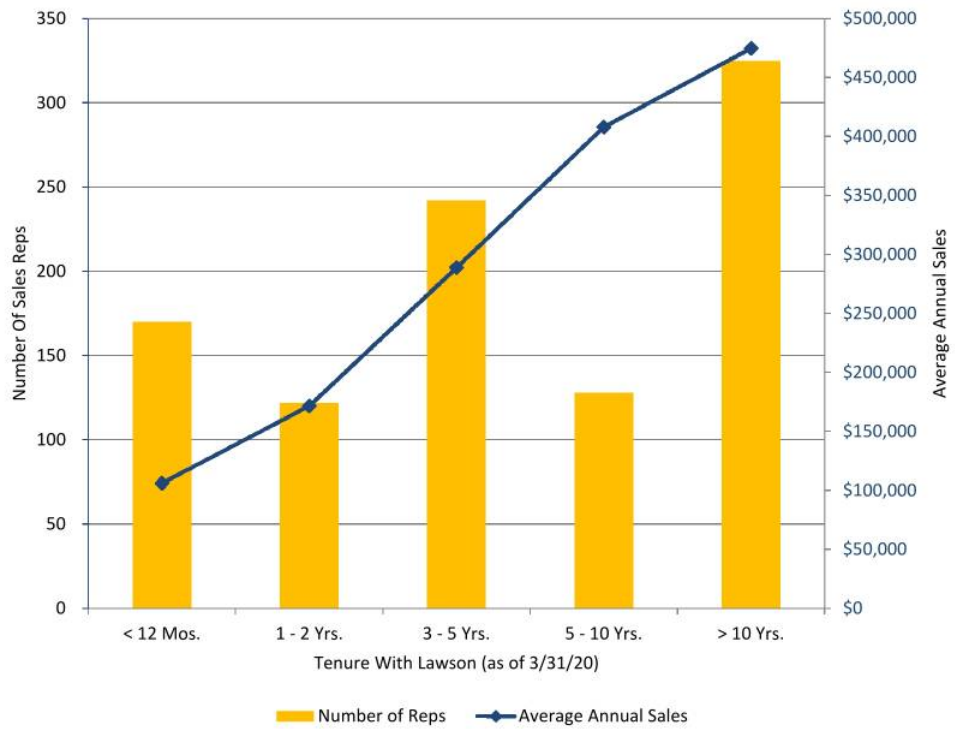
2020 Focus: Actions Across the Value Chain Driving Growth

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"> • Increase sales rep count • Onboarding process/training • Sales Management dashboard • EDI with customers | <ul style="list-style-type: none"> • Reduction of cycle times • Order pad • Consolidation of shipments • Sales service reps | <ul style="list-style-type: none"> • Leverage vendor drop-ship programs • Fleet maintenance focus • Pricing enhancements • Website | <ul style="list-style-type: none"> • Reduce cycle time • Refine "Pull" strategy • Freight enhancements • Minimize backorders • Improve service levels • Forecasting tool | <ul style="list-style-type: none"> • Supplier negotiation process • Vendor metrics • Electronic communication |

Information Technology – Integration of Web and SAP
Lean Six Sigma

Longer Sales Rep Tenure Drives Rep Productivity



Lawson Products: Poised for Growth

- Leverage Current Infrastructure
- Continued Sales Growth
- Foundational Investments Completed
- Operational Excellence
- Large Fragmented Market

For More Information

Contact:

Ronald J. Knutson

EVP, CFO

Investor Relations

(773) 304-5665

ron.knutson@lawsonproducts.com

And see our Website at

<http://www.lawsonproducts.com/company-info/investor-relations.jsp>

Appendices



Significant Activities

| | |
|----------------|--|
| August 2011 | ➤ Implemented SAP |
| October 2011 | ➤ Commenced construction of new McCook, Ill distribution center |
| May 2012 | ➤ Relocated corporate headquarters |
| June 2012 | ➤ Restructured senior team. Announced \$20M cost savings plan |
| 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 | ➤ 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 web 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 2014 | ➤ Closed on Automatic Screw Machine Products sale for net proceeds of \$12.1M |
| June 2014 | ➤ Entered into sale-leaseback of Reno distribution facility for net proceeds of \$8.3M |
| December 2014 | ➤ Ended year with over 900 sales reps |
| February 2015 | ➤ Held North American sales meeting |
| September 2015 | ➤ Completed West Coast Fasteners acquisition |
| March 2016 | ➤ Completed Perfect Products of Michigan acquisition |
| May 2016 | ➤ Completed F. B. Feeney acquisition |
| June 2016 | ➤ Expanded sales team to over 1,000 sales reps |
| September 2016 | ➤ Extended credit facility to August, 2020 |
| November 2016 | ➤ Completed Mattic Industries acquisition |
| March 2017 | ➤ Consolidated Fairfield, NJ distribution operations into McCook, Ill and Suwanee, GA |
| May 2017 | ➤ Sold Fairfield, NJ distribution center for a gain of \$5.4M |
| October 2017 | ➤ Completed Bolt Supply House acquisition |
| April 2018 | ➤ Opened MRO distribution center in Calgary, Canada |
| October 2018 | ➤ Completed Screw Products acquisition and added Bolt Supply branch |
| June 2019 | ➤ Achieved Q2 9.8% adjusted EBITDA, net of ASC 842 impact of 0.3% |
| September 2019 | ➤ Achieved Q3 10.9% adjusted EBITDA; hired VP, M&A |
| October 2019 | ➤ Entered into new five-year \$100M credit facility, with additional \$50 million accordion feature |

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 2018 | Q2 2018 | Q3 2018 | Q4 2018 | Q1 2019 | Q2 2019 | Q3 2019 | Q4 2019 | Q1 2020 |
|-------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Net Sales | \$ 84,459 | \$ 90,382 | \$ 88,530 | \$ 86,266 | \$ 91,343 | \$ 96,097 | \$ 94,779 | \$ 88,566 | \$ 91,035 |
| Operating Income (Loss) | 1,837 | 5,554 | (2,266) | 4,085 | 5,544 | 1,623 | 6,446 | (4,547) | 18,638 |
| Depreciation & Amortization | 1,686 | 1,679 | 1,755 | 1,735 | 1,478 | 1,455 | 1,468 | 1,492 | 1,509 |
| EBITDA | 3,523 | 7,233 | (511) | 5,820 | 7,022 | 3,078 | 7,914 | (3,055) | 20,147 |
| Excluded Costs | | | | | | | | | |
| Severance | 628 | 64 | 31 | 126 | 27 | 1,485 | 30 | 214 | (10,700) |
| Stock Based Compensation (Benefit) | 970 | 87 | 7,637 | (1,186) | 408 | 4,839 | 2,374 | 10,167 | 7 |
| Acquisition Related Costs | - | - | 168 | 62 | - | - | - | - | - |
| Loss/(Gain) on Disposal of Property | - | - | - | - | - | - | - | - | - |
| Lease termination gain | - | (164) | - | - | - | - | - | - | - |
| Discontinued operation accrual | - | 529 | - | - | - | - | - | - | - |
| Building Impairment | - | - | - | 231 | - | - | - | - | - |
| Reg G Adjusted EBITDA | \$ 5,121 | \$ 7,749 | \$ 7,325 | \$ 5,053 | \$ 7,457 | \$ 9,402 | \$ 10,318 | \$ 7,326 | \$ 9,454 |
| Adjusted EBITDA % of Sales | 6.1% | 8.6% | 8.3% | 5.9% | 8.2% | 9.8% | 10.9% | 8.3% | 10.4% |

Consolidated Balance Sheet

Appendix P-4

| ASSETS | March 31, 2020 (Unaudited) | December 31, 2019 |
|--|----------------------------------|----------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 4,095 | \$ 5,495 |
| Restricted cash | 802 | 802 |
| Accounts receivable, less allowance for doubtful accounts of \$793 and \$593, respectively | 41,406 | 38,843 |
| Inventories, net | 56,182 | 55,905 |
| Miscellaneous receivables and prepaid expenses | 8,674 | 5,377 |
| Total current assets | 109,159 | 106,422 |
| Property, plant and equipment, net | 15,662 | 16,546 |
| Deferred income taxes | 18,525 | 21,711 |
| Goodwill | 19,555 | 20,923 |
| Cash value of life insurance | 13,808 | 14,969 |
| Intangible assets, net | 11,276 | 12,335 |
| Lease assets | 10,178 | 11,246 |
| Other assets | 252 | 277 |
| Total assets | \$ 198,415 | \$ 204,429 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 13,730 | \$ 13,789 |
| Lease obligation | 3,825 | 3,830 |
| Accrued expenses and other liabilities | 18,960 | 39,311 |
| Total current liabilities | 36,515 | 56,930 |
| Revolving lines of credit | 10,460 | 2,271 |
| Security bonus plan | 11,677 | 11,840 |
| Lease obligation | 8,331 | 9,504 |
| Deferred compensation | 5,327 | 6,370 |
| Deferred tax liability | 5,994 | 6,188 |
| Other liabilities | 3,376 | 3,325 |
| Total liabilities | 81,680 | 96,428 |
| Stockholders' equity: | | |
| Preferred stock, \$1 par value: | | |
| Authorized - 500,000 shares, issued and outstanding — None | — | — |
| Common stock, \$1 par value: | | |
| Authorized - 35,000,000 shares | | |
| Issued - 9,190,171 shares | 9,190 | 9,190 |
| Outstanding - 8,598,267 and 9,043,771 shares, respectively | | |
| Capital in excess of par value | 18,528 | 18,077 |
| Retained earnings | 99,029 | 88,496 |
| Treasury stock - 193,904 and 146,400 shares, respectively | (7,157) | (5,761) |
| Accumulated other comprehensive loss | (2,495) | (1) |
| Total stockholders' equity | 116,735 | 108,001 |
| Total liabilities and stockholders' equity | \$ 198,415 | \$ 204,429 |

