UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2026
or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file Number: 0-10546

DISTRIBUTION SOLUTIONS GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware	**36-2229304**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
301 Commerce Street, Suite 1700, Fort Worth, Texas	**76102**
(Address of principal executive offices)	**(Zip Code)**

(888) 611-9888
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, $1.00 par value	DSGR	NASDAQ Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of July 31, 2026, 46,255,422 shares of common stock, $1.00 par value, were outstanding.

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CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains certain “forward-looking statements” within the meaning of the federal securities laws that involve risks and uncertainties. Terms such as “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 variations of them and other words and terms of similar meaning and expression (and the negatives of such words and terms) 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. 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 as of the date they are made 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 our business, financial condition and results of operations include:

- risk that we may not complete the proposed Merger (as defined in Note 16 – Subsequent Events in Part I, Item 1, Financial Statements) on the anticipated terms and timing or at all, including as a result of any failure to obtain the required stockholder and regulatory approvals and satisfy the other closing conditions;
- any adverse effects of the announcement and pendency of the proposed Merger on our business, operating results, employees, customers, suppliers, financing sources and other business relationships, including from the diversion of management’s attention and the costs and expenses associated with proposed Merger;
- the restrictions imposed by the Merger Agreement (as defined in Note 16 – Subsequent Events in Part I, Item 1 Financial Statements) on the conduct of our business and our ability to pursue acquisitions, financing transactions and other strategic opportunities while the Merger is pending;
- the provisions of the Merger Agreement, and the provisions of a Voting and Support Agreement between the Company and Luther King Capital Management Corporation (“LKCM”), that could discourage a third party from making an alternative acquisition proposal;
- the possibility that competing acquisition proposals may be made, the occurrence of events that could result in termination of the Merger Agreement and the circumstances under which we may be required to pay the termination fee;
- the risk that borrowings under the Credit Agreement Amendment (as defined in Note 16 – Subsequent Events in Part I, Item 1. Financial Statements) or other financing for the proposed Merger may not be available, notwithstanding that the Merger is not subject to a financing condition;
- any litigation in connection with the Merger;
- the interests that certain of our directors and executive officers have in the Merger that may differ from the interest of our stockholders generally;
- inventory obsolescence;
- work stoppages and other disruptions at transportation centers or shipping ports;
- changes in our customers, product mix and pricing strategy;
- disruptions of our information and communication systems;
- cyber-attacks, other information security incidents or IT system outages;
- failure to develop, manage or implement new technology initiatives or business strategies in an effective and compliant manner, including with respect to artificial intelligence (“AI”);
- the inability to successfully recruit, integrate and retain productive sales representatives;
- failure to retain talented employees, managers and executives;
- difficulties in integrating the business operations of businesses we acquire with our other operations, and/or the failure to successfully combine those operations within our expected timetable;
- the inability of management to successfully implement changes in operating processes;
- competition in the markets in which we operate;
- potential impairment charges for goodwill and other intangible assets;
- changes that affect governmental and other tax-supported entities;
- failure to maintain effective internal control over financial reporting;
- our significant amount of indebtedness;
- failure to adequately fund our operating and working capital needs through cash generated from operations and borrowings available under our credit facility;
- failure to meet the covenant requirements of our credit facility or an increase in interest rates under our credit facility;
- government efforts to combat inflation, or other interest rate pressures, could lead to higher financing costs;
- declines in the market price of our common stock (the “DSG common stock”);
- the significant influence of LKCM over the Company in light of its ownership percentage;
- any sales of shares of DSG common stock held by entities affiliated with LKCM or the possibility of any such sales;

- violations of environmental protection regulations;
- changes in tax matters;
- results of income tax audits, sales tax audits or similar proceedings;
- risks arising from our international operations;
- potential limitations on our ability to use our net operating losses and certain other tax attributes;
- public health emergencies;
- a downturn in the economy or in certain sectors of the economy;
- changes in energy costs, tariffs, transportation costs and the cost of raw materials used in our products, and other inflationary pressures;
- enhanced tariffs, changes in trade policies and changes in import and export regulations of U.S. and foreign governments;
- supply chain constraints, inflationary pressure and labor shortages;
- foreign currency exchange rate changes; and
- the other factors discussed in the "Risk Factors" section of our Annual Report on Form 10-K for the fiscal year ended December 31, 2025.

We undertake no obligation to update or revise any forward-looking statement contained herein, whether to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events or otherwise, except as may be required under applicable law.

See Note 16 – Subsequent Events in Part I, Item 1, Financial Statements for additional details regarding the Merger Agreement.

PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

Distribution Solutions Group, Inc.
Condensed Consolidated Balance Sheets
(Dollars in thousands, except share data)
(Unaudited)

	June 30, 2026	December 31, 2025
ASSETS		
Current assets:		
Cash and cash equivalents	$ 66,938	$ 61,753
Restricted cash	8,542	13,573
Accounts receivable, less allowances of $8,027 and $6,472, respectively	331,649	271,331
Inventories	378,734	353,374
Prepaid expenses and other current assets	45,938	46,893
Total current assets	831,801	746,924
Property, plant and equipment, net	124,376	126,605
Rental equipment, net	42,123	38,956
Goodwill	473,663	467,905
Deferred tax asset, net	1,132	1,196
Customer relationships intangibles, net	131,403	143,503
Trade names and other intangibles, net	75,000	82,552
Cash value of life insurance	22,738	21,567
Right of use operating lease assets	107,605	111,117
Other assets	7,450	8,296
Total assets	$ 1,817,291	$ 1,748,621
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 188,115	$ 151,234
Current portion of long-term debt	35,840	35,470
Current portion of lease liabilities	21,334	20,624
Accrued expenses and other current liabilities	81,564	84,137
Total current liabilities	326,853	291,465
Long-term debt, less current portion, net	693,658	664,196
Lease liabilities	94,641	98,821
Deferred tax liability, net	20,890	20,147
Other liabilities	26,534	24,645
Total liabilities	1,162,576	1,099,274
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Preferred stock, $1 par value:		
Authorized - 500,000 shares, issued and outstanding — None	—	—
Common stock, $1 par value:		
Authorized - 70,000,000 shares Issued - 47,924,087 and 47,860,312 shares, respectively Outstanding - 46,238,315 and 46,180,700 shares, respectively	46,238	46,180
Capital in excess of par value	690,706	686,183
Retained deficit	(24,818)	(33,694)
Treasury stock – 1,685,772 and 1,679,612 shares, respectively	(44,159)	(43,998)
Accumulated other comprehensive income (loss)	(13,252)	(5,324)
Total stockholders' equity	654,715	649,347
Total liabilities and stockholders' equity	$ 1,817,291	$ 1,748,621

See notes to Condensed Consolidated Financial Statements (Unaudited)

Distribution Solutions Group, Inc.
Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
(Dollars in thousands, except per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	**2025**	**2026**	**2025**
Revenue	$ 557,734	$ 502,437	$ 1,053,729	$ 980,466
Cost of goods sold	377,598	332,353	710,254	646,402
Gross profit	180,136	170,084	343,475	334,064
Selling, general and administrative expenses	152,268	143,258	301,977	287,141
Operating income (loss)	27,868	26,826	41,498	46,923
Interest expense	(12,991)	(14,238)	(25,162)	(28,453)
Change in fair value of earnout liabilities	—	—	—	(1,000)
Other income (expense), net	(486)	(726)	(1,188)	(94)
Income (loss) before income taxes	14,391	11,862	15,148	17,376
Income tax expense (benefit)	5,897	6,859	6,272	9,112
Net income (loss)	$ 8,494	$ 5,003	$ 8,876	$ 8,264
Basic income (loss) per share of common stock	$ 0.18	$ 0.11	$ 0.19	$ 0.18
Diluted income (loss) per share of common stock	$ 0.18	$ 0.11	$ 0.19	$ 0.17
Comprehensive income (loss)				
Net income (loss)	$ 8,494	$ 5,003	$ 8,876	$ 8,264
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	(3,923)	15,451	(7,928)	17,115
Other	—	—	—	—
Comprehensive income (loss)	$ 4,571	$ 20,454	$ 948	$ 25,379

See notes to Condensed Consolidated Financial Statements (Unaudited)

Distribution Solutions Group, Inc.
Condensed Consolidated Statements of Changes in Stockholders' Equity
(Dollars in thousands, except share data)
(Unaudited)

	Common Stock		Capital in Excess of Par Value	Retained Deficit	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Outstanding Shares	$1 Par Value					
Balance at January 1, 2026	46,180,700	$ 46,180	$ 686,183	$ (33,694)	$ (43,998)	$ (5,324)	$ 649,347
Net income (loss)	—	—	—	382	—	—	382
Foreign currency translation adjustment	—	—	—	—	—	(4,005)	(4,005)
Stock-based compensation	—	—	2,448	—	—	—	2,448
Tax withholdings related to net share settlements of stock-based compensation awards	11,757	12	(12)	—	(70)	—	(70)
Repurchases of common stock[1]	—	—	—	—	3	—	3
Other[2]	—	—	—	—	2	—	2
Balance at March 31, 2026	46,192,457	$ 46,192	$ 688,619	$ (33,312)	$ (44,063)	$ (9,329)	$ 648,107
Net income (loss)	—	—	—	8,494	—	—	8,494
Foreign currency translation adjustment	—	—	—	—	—	(3,923)	(3,923)
Stock-based compensation	—	—	2,133	—	—	—	2,133
Shares issued	47,150	47	(47)	—	—	—	—
Repurchases of common stock[1]	—	—	—	—	12	—	12
Tax withholdings related to net share settlements of stock-based compensation awards	(1,292)	(1)	1	—	(108)	—	(108)
Balance at June 30, 2026	46,238,315	$ 46,238	$ 690,706	$ (24,818)	$ (44,159)	$ (13,252)	$ 654,715

[1] Includes adjustments for net excise tax liability

[2] Adjustments for rounding

See notes to Condensed Consolidated Financial Statements (Unaudited)

Distribution Solutions Group, Inc.
Condensed Consolidated Statements of Changes in Stockholders' Equity
(Dollars in thousands, except share data)
(Unaudited)

	Common Stock		Capital in Excess of Par Value	Retained Deficit	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Outstanding Shares	$1 Par Value					
Balance at January 1, 2025	46,856,757	$ 46,856	$ 677,473	$ (42,039)	$ (19,631)	$ (22,116)	$ 640,543
Net income (loss)	—	—	—	3,261	—	—	3,261
Foreign currency translation adjustment	—	—	—	—	—	1,664	1,664
Stock-based compensation	—	—	1,571	—	—	—	1,571
Shares issued	31,810	32	845	—	—	—	877
Repurchases of common stock(1)	(320,638)	(321)	321	—	(11,203)	—	(11,203)
Balance at March 31, 2025	46,567,929	$ 46,567	$ 680,210	$ (38,778)	$ (30,834)	$ (20,452)	$ 636,713
Net income (loss)	—	—	—	5,003	—	—	5,003
Foreign currency translation adjustment	—	—	—	—	—	15,451	15,451
Stock-based compensation	—	—	1,306	—	—	—	1,306
Shares issued	41,325	41	(41)	—	—	—	—
Repurchases of common stock(1)	(332,575)	(333)	333	—	(9,053)	—	(9,053)
Tax withholdings related to net share settlements of stock-based compensation awards	(1,586)	(2)	2	—	(45)	—	(45)
Other(2)	—	2	(2)	—	—	—	—
Balance at June 30, 2025	46,275,093	$ 46,275	$ 681,808	$ (33,775)	$ (39,932)	$ (5,001)	$ 649,375

(1) Includes adjustments for net excise tax liability

(2) Adjustments for rounding

See notes to Condensed Consolidated Financial Statements (Unaudited)

Distribution Solutions Group, Inc.
Condensed Consolidated Statements of Cash Flows
(Dollars in thousands)
(Unaudited)

	Six Months Ended June 30,	
	2026	**2025**
Operating activities		
Net income (loss)	$ 8,876	$ 8,264
Adjustments to reconcile to net cash used in operating activities:		
Depreciation and amortization	39,589	40,317
Amortization of debt issuance costs	879	1,752
Stock-based compensation	4,582	2,224
Deferred income taxes	(576)	1,793
Change in fair value of earnout liabilities	—	1,000
(Gain) loss on sale of rental equipment	(3,033)	(2,129)
(Gain) loss on sale of property, plant and equipment	(626)	(543)
Charge for step-up of acquired inventory	94	—
Net realizable value adjustment and write-offs for obsolete and excess inventory	2,748	4,907
Bad debt expense	2,040	2,119
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(63,023)	(31,048)
Inventories	(29,458)	(1,470)
Prepaid expenses and other current assets	3,554	(16,364)
Accounts payable	37,231	15,552
Accrued expenses and other current liabilities	(2,018)	1,216
Other changes in operating assets and liabilities	763	946
Net cash provided by (used in) operating activities	1,622	28,536
Investing activities		
Purchases of property, plant and equipment	(8,903)	(10,289)
Proceeds from sale of property, plant and equipment	826	990
Business acquisitions, net of cash acquired	(16,536)	(1,426)
Purchases of rental equipment	(11,744)	(7,177)
Proceeds from sale of rental equipment	6,553	5,913
Net cash provided by (used in) investing activities	(29,804)	(11,989)
Financing activities		
Proceeds from revolving lines of credit	262,973	196,652
Payments on revolving lines of credit	(216,119)	(195,865)
Payments on term loans	(17,500)	(20,125)
Deferred financing costs	—	—
Repurchase of common stock	15	(20,256)
Shares repurchased held in treasury	(178)	(45)
Stock option exercises	—	877
Payment of financing lease principal	(329)	(296)
Net cash provided by (used in) financing activities	28,862	(39,058)
Effect of exchange rate changes on cash and cash equivalents	(526)	2,548
Increase (decrease) in cash, cash equivalents and restricted cash	154	(19,963)
Cash, cash equivalents and restricted cash at beginning of period	75,326	81,726
Cash, cash equivalents and restricted cash at end of period	$ 75,480	$ 61,763
Cash and cash equivalents	$ 66,938	$ 47,430
Restricted cash	8,542	14,333
Total cash, cash equivalents and restricted cash	$ 75,480	$ 61,763

See notes to Condensed Consolidated Financial Statements (Unaudited)

Distribution Solutions Group, Inc.
Condensed Consolidated Statements of Cash Flows (Continued)
(Dollars in thousands)
(Unaudited)

	Six Months Ended June 30,	
	2026	**2025**
Supplemental disclosure of cash flow information		
Net cash paid for income taxes	$ 6,481	$ 9,944
Net cash paid for interest	$ 23,701	$ 26,769
Net cash paid for interest on supply chain receivables financing	$ 1,153	$ 1,350
Non-cash activities:		
Additions of property, plant and equipment included in accounts payable	$ 595	$ 317
Right of use assets obtained in exchange for finance lease liabilities	$ 296	$ 292
Right of use assets obtained in exchange for operating lease liabilities	$ 7,325	$ 19,980

See notes to Condensed Consolidated Financial Statements (Unaudited)

Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 1 – Nature of Operations and Basis of Presentation

Organization

Distribution Solutions Group, Inc. (“DSG”), a Delaware corporation, is a global specialty distribution company providing value added distribution solutions to the maintenance, repair and operations (“MRO”), original equipment manufacturer (“OEM”) and industrial technology markets.

Unless the context requires otherwise, references in this Quarterly Report on Form 10-Q to “DSG”, the “Company”, “we”, “our” or “us” refer to Distribution Solutions Group, Inc., and all entities consolidated in the accompanying unaudited condensed consolidated financial statements.

Nature of Operations

A summary of the nature of operations for our reportable segments is presented below.

Lawson is a distributor of specialty products and services to the industrial, commercial, institutional and governmental MRO marketplace. Lawson primarily distributes MRO products to its customers through a network of sales representatives and an inside sales channel throughout the United States and Canada.

TestEquity is a distributor of test and measurement equipment and solutions, industrial and electronic production supplies, vendor managed inventory programs, and converting, fabrication and adhesive solutions from its leading manufacturer partners supporting the aerospace and defense, wireless and communication, semiconductors, industrial electronics and automotive, and electronics manufacturing industries.

Gexpro Services is a global supply chain solutions provider, specializing in the development of mission critical production line management, aftermarket and field installation programs.

Canada Branch Division is a distributor of industrial MRO supplies, safety products, fasteners, power tools and related value-add services to the Canadian MRO market through the sale of products and services via warehouse shipments and to its walk-up customers through 38 branch locations.

Recent Events

Eastern Valve Acquisition

On March 9, 2026, DSG acquired all of the issued and outstanding stock of Eastern Valve & Control Specialties Ltd. (“Eastern Valve” and the “Eastern Valve Transaction”). Eastern Valve is located in Paradise, Newfoundland, Canada and supplies and services industrial valve products throughout Atlantic Canada. The total purchase consideration exchanged was $16.5 million, net of cash acquired of $0.3 million. DSG funded the Eastern Valve Transaction with borrowings under its Amended Credit Agreement. Refer to Note 3 – Business Acquisitions for additional information about Eastern Valve and the Eastern Valve Transaction.

Basis of Presentation and Consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not contain all disclosures required by GAAP for complete consolidated financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with DSG’s audited consolidated financial statements and accompanying notes included in its Annual Report on Form 10-K for the year ended December 31, 2025, filed with the U.S. Securities and Exchange Commission (“SEC”). All normal recurring adjustments have been made that are necessary to fairly state the results of operations for the interim periods. Operating results for the three and six months ended June 30, 2026, are not necessarily indicative of the results that may be expected for the year ending December 31, 2026.

Period-end Dates: The Company and its consolidated subsidiaries, except for the subsidiaries in the Gexpro Services segment, operate on a calendar year-end. Gexpro Services operates on a calendar year-end for annual reporting purposes.

However, quarterly financial statements for Gexpro Services are prepared on financial close dates that may differ from that of the Company. For the quarter ended June 30, 2026, there was a three day difference in the period end. The consolidated financial statement impact of the three day difference arising from the different period ends for the quarter ended June 30, 2026 was not material. The Company utilizes the exchange rates in effect at Gexpro Services' reporting date and the appropriate weighted-average rate for its fiscal reporting period.

Note 2 – Summary of Significant Accounting Policies

There were no significant changes to the Company's accounting policies from those disclosed in DSG's Annual Report on Form 10-K for the year ended December 31, 2025. See Note 2 of the 2025 consolidated financial statements included in DSG's Annual Report on Form 10-K for the year ended December 31, 2025 for further details of the Company's significant accounting policies.

Recent Accounting Pronouncements - Adopted

From time to time, the Financial Accounting Standards Board (the "FASB") or other standards setting bodies issue new accounting pronouncements. The FASB issues updates to new accounting pronouncements through the issuance of an Accounting Standards Update ("ASU"). The Company does not discuss recent pronouncements that are not anticipated to have an impact on, or are unrelated to, its consolidated financial condition, results of operations, cash flows or disclosures.

In July 2025, the FASB issued ASU 2025-05, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets, which provides all entities with a practical expedient to assume that current conditions as of the balance sheet date do not change for the remaining life of the assets. The pronouncement is effective on a prospective basis for interim and annual reporting periods beginning after December 15, 2025, with early adoption permitted. The Company adopted this guidance on January 1, 2026. The adoption had no material impact on the Company's financial condition, results of operations or cash flows.

Recent Accounting Pronouncements - Not Yet Adopted

In November 2024, the FASB issued ASU 2024-03, Income Statement (Topic 220): Reporting Comprehensive Income, which requires disclosure of disaggregated information about certain income statement expense line items within the notes to the consolidated financial statements. The FASB further clarified the effective date in January 2025 with the issuance of ASU 2025-01, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date. The pronouncement is effective for annual reporting periods beginning after December 15, 2026 and interim reporting periods beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating the impact of the adoption on its financial statement disclosures.

In September 2025, the FASB issued ASU 2025-06, Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software, which modernizes the accounting for internal-use software costs by removing all references to prescriptive and sequential software development stages. The new standard requires entities to consider whether significant development uncertainty has been resolved before starting to capitalize software costs and aligns disclosure requirements with ASC 360, Property, Plant, and Equipment. The pronouncement is effective for interim and annual reporting periods beginning after December 15, 2027, and can be applied prospectively, retrospectively, or using a modified transition method, with early adoption permitted. The Company is currently evaluating the impact of the adoption on its financial statement disclosures.

In December 2025, the FASB issued ASU 2025-11, Interim Reporting (Topic 270): Narrow-Scope Improvements, which is intended to improve the navigability of the guidance in ASC 270, Interim Reporting, and clarify when it applies. Under the amendments, an entity is subject to ASC 270 if it provides interim financial statements and notes in accordance with GAAP. ASU 2025-11 also addresses the form and content of such financial statements, interim disclosures requirements, and establishes a principle under which an entity must disclose events since the end of the last annual reporting period that have a material impact on the entity. The pronouncement is effective for interim reporting periods within annual reporting periods beginning after December 15, 2027, and can be applied prospectively or retrospectively, with early adoption permitted. The Company is currently evaluating the impact of the adoption on its financial statement disclosures.

Note 3 – Business Acquisitions

DSG and its operating companies acquired one business during the six months ended June 30, 2026. The acquisition was accounted for under ASC 805, the acquisition method of accounting. The allocation of consideration exchanged to the assets acquired and liabilities assumed was based on estimated acquisition-date fair values. The final valuations will be completed within the one-year measurement period following the acquisition date, and any adjustments will be recorded in the period in which the adjustments are determined.

On March 9, 2026, DSG acquired all of the issued and outstanding stock of Eastern Valve & Control Specialties Ltd. ("Eastern Valve"), with a purchase price of approximately $16.5 million, net of cash acquired of $0.3 million. Eastern Valve is located in Paradise, Newfoundland, Canada and supplies and services industrial valve products throughout Atlantic Canada. Eastern Valve was acquired to expand DSG's operating footprint in the Canadian market. The results of operations of Eastern Valve are included within the Canada Branch Division reportable segment. The acquisition was funded with borrowings under the Company's Amended Credit Agreement. Refer to Note 9 – Debt for information about the Amended Credit Agreement.

The following table summarizes the allocation of consideration exchanged to the estimated fair values of assets acquired and liabilities assumed, including the allocation to other intangible assets acquired:

	Eastern Valve		
(in thousands)	March 9, 2026 Acquisition Date	Measurement Period Adjustments	Adjusted Total
Accounts receivable[1]	$ 3,027	$ (380)	$ 2,647
Inventory	1,515	—	1,515
Other current assets	255	—	255
Property, plant and equipment	2,946	—	2,946
Other intangible assets:			
Customer relationships	2,064	—	2,064
Trade names	1,621	—	1,621
Deferred tax liability, net of deferred tax asset	(1,406)	109	(1,297)
Accounts payable	(1,020)	—	(1,020)
Accrued expenses and other liabilities	(670)	(31)	(701)
Goodwill	7,909	597	8,506
Total purchase consideration exchanged, net of cash acquired	$ 16,241	$ 295	$ 16,536
Cash consideration	$ 16,241	$ 295	$ 16,536
Total purchase consideration exchanged, net of cash acquired	$ 16,241	$ 295	$ 16,536

[1] The fair value of accounts receivable approximated the gross contractual value.

Certain estimated values for the Eastern Valve Transaction, including working capital and other adjustments to the initial balance sheet, the valuation of intangibles and property, plant and equipment and income taxes are not yet finalized, and the preliminary purchase price allocation is subject to change as the Company completes its analysis of the fair value at the date of acquisition. During the measurement period, the Company completed its assessment of certain assets and liabilities and finalized the working capital adjustment in accordance with the purchase agreement. As a result, the preliminary purchase price allocation was revised to reflect new information about facts and circumstances that existed as of the acquisition date. The adjustments resulted in a $0.6 million increase to goodwill. Total purchase consideration, net of cash acquired increased due to working capital and other adjustments in accordance with the purchase agreement of $0.3 million.

The customer relationships and trade names intangible assets have estimated useful lives of 10 years and 8 years, respectively. Goodwill generated from Eastern Valve Transaction is not deductible for tax purposes and is primarily attributable to the benefits we expect to derive from expected synergies, including expanded product and service offerings and cross-selling opportunities.

Unaudited Pro Forma Information

The following table presents estimated unaudited pro forma consolidated financial information for DSG as if our 2026 acquisition of Eastern Valve disclosed above occurred on January 1, 2025. The unaudited pro forma information reflects adjustments including amortization on acquired intangible assets, interest expense, and the related tax effects. This information is presented for informational purposes only and is not necessarily indicative of future results or the results that would have occurred had the acquisition been completed on January 1, 2025.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2026	2025	2026	2025
Revenue	$ 577,734	$ 504,784	$ 1,056,178	$ 985,649
Net income (loss)	$ 8,421	$ 5,783	$ 8,768	$ 9,569

Actual Results of Business Acquisition

The following table presents actual results attributable to our 2026 acquisition of Eastern Valve that were included in the unaudited condensed consolidated financial statements for the three and six months ended June 30, 2026. The results for the business acquired in this acquisition are only included in the following table for the portion of the respective three-month or six-month period that is subsequent to its March 9, 2026 acquisition date.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2026	2025	2026	2025
Revenue	$ 4,099	$ —	$ 4,869	$ —
Net income (loss)	$ 791	$ —	$ 897	$ —

The Company incurred transaction and integration costs (credits) related to completed and contemplated acquisitions of $0.3 million and $1.1 million for the three and six months ended June 30, 2026 and $(0.2) million and $(0.1) million for the three and six months ended 2025, respectively, which are included in Selling, general and administrative expenses in the Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

Note 4 – Revenue Recognition

Disaggregation of Revenue

The Company's revenue is primarily comprised of product sales to customers. The Company has disaggregated revenue by geographic area and by segment as it most reasonably depicts the amount, timing and uncertainty of revenue and cash flows generated from our contracts with customers. Disaggregated consolidated revenue by geographic area (based on the location to which the product is shipped to):

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2026	2025	2026	2025
United States	$ 405,018	$ 371,138	$ 771,254	$ 728,270
Canada	83,553	74,337	152,846	141,967
Europe	19,618	16,121	37,424	29,952
Pacific Rim	12,226	7,621	21,742	15,393
Latin America	34,117	29,842	65,350	58,479
Other	3,823	3,959	6,321	7,640
Intersegment revenue elimination	(621)	(581)	(1,208)	(1,235)
Total revenue	$ 557,734	$ 502,437	$ 1,053,729	$ 980,466

See Note 13 – Segment Information for disaggregation of revenue by segment.

Rental Revenue

TestEquity rents new and used electronic test and measurement equipment to customers in multiple industries. Lawson leases parts washer machines to customers. This leased equipment is included in Rental equipment, net in the Unaudited

Condensed Consolidated Balance Sheets, and rental revenue is included in Revenue in the Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). The unearned rental revenue related to customer prepayments on equipment leases was nominal at June 30, 2026 and December 31, 2025.

Rental revenue from operating leases:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2026	2025	2026	2025
Revenue from operating leases	$ 7,141	$ 6,636	$ 14,835	$ 13,230

Note 5 – Supplemental Financial Statement Information

Restricted Cash

The Company agreed to maintain restricted cash of $8.5 million as of June 30, 2026 and $13.6 million as of December 31, 2025, under agreements with outside parties. The restricted cash balances of $8.5 million as of June 30, 2026 and December 31, 2025 represent deposits placed with certain lenders under the Amended Credit Agreement, and the Company is restricted from withdrawing these balances without the prior consent of the respective lenders. The remaining restricted cash balance of $5.1 million as of December 31, 2025 represents escrow accounts that were established in conjunction with certain business acquisitions, which were released during the six months ended June 30, 2026, after meeting certain working capital and other post-closing requirements as of the contractual post-acquisition dates.

Property, Plant and Equipment, net

Components of property, plant and equipment, net were as follows:

(in thousands)	June 30, 2026	December 31, 2025
Land	$ 16,928	$ 16,566
Buildings and improvements	74,434	67,508
Machinery and equipment	64,196	62,750
Capitalized software	24,027	21,492
Furniture and fixtures	12,357	12,275
Vehicles	6,894	6,720
Construction in progress[1]	3,494	8,112
Total	202,330	195,423
Accumulated depreciation and amortization	(77,954)	(68,818)
Property, plant and equipment, net	$ 124,376	$ 126,605

[1] Construction in progress primarily relates to upgrades to certain of the Company's information technology systems and distribution facilities that we expect to place in service in the next twelve months.

Depreciation expense for property, plant and equipment and amortization expense for capitalized software, which are included in Selling, general and administrative expenses in the Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2026	2025	2026	2025
Depreciation expense for property, plant and equipment	$ 4,329	$ 4,691	$ 8,709	$ 9,463
Amortization expense for capitalized software	$ 1,189	$ 1,062	$ 2,315	$ 1,929

Rental Equipment, net

Rental equipment, net consisted of the following:

(in thousands)	June 30, 2026	December 31, 2025
Rental equipment	$ 74,045	$ 68,401
Accumulated depreciation	(31,922)	(29,445)
Rental equipment, net	$ 42,123	$ 38,956

Depreciation expense for rental equipment, which is included in Cost of goods sold in the Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2026	2025	2026	2025
Depreciation expense for rental equipment	$ 3,199	$ 2,935	$ 6,413	$ 5,690

Refer to Note 4 – Revenue Recognition for a discussion on the Company's activities as lessor.

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

(in thousands)	June 30, 2026	December 31, 2025
Accrued compensation	$ 26,852	$ 29,267
Contract liabilities	8,902	5,207
Accrued and withheld taxes, other than income taxes	7,951	10,263
Accrued customer rebates	7,537	7,847
Accrued severance and acquisition related retention bonus	2,649	1,966
Accrued interest	2,219	1,647
Accrued health benefits	1,496	1,615
Deferred acquisition payments and accrued earnout liabilities	982	6,021
Accrued income taxes	709	793
Accrued stock-based compensation	326	326
Other	21,941	19,185
Total accrued expenses and other current liabilities	$ 81,564	$ 84,137

Other Liabilities

Other liabilities consisted of the following:

(in thousands)	June 30, 2026	December 31, 2025
Security bonus plan	$ 6,927	$ 7,165
Deferred compensation	13,682	12,589
Other	5,925	4,891
Total other liabilities	$ 26,534	$ 24,645

Note 6 – Goodwill and Intangible Assets

Goodwill

Changes in the carrying amount of goodwill by segment were as follows:

(in thousands)	Lawson	TestEquity	Gexpro Services	Canada Branch Division	Total
Balance at December 31, 2025	$ 192,875	$ 164,880	$ 57,974	$ 52,176	$ 467,905
Acquisitions[1]	—	—	—	8,506	8,506
Impact of foreign exchange rates	(201)	—	(430)	(2,117)	(2,748)
Balance at June 30, 2026	$ 192,674	$ 164,880	$ 57,544	$ 58,565	$ 473,663

(1) Refer to Note 3 – Business Acquisitions for information related to measurement period adjustments.

Intangible Assets

The gross carrying amount and accumulated amortization for definite-lived intangible assets were as follows:

	June 30, 2026			December 31, 2025		
(in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Trade names	$ 142,428	$ (68,692)	$ 73,736	$ 141,637	$ (60,640)	$ 80,997
Customer relationships	275,610	(144,207)	131,403	274,844	(131,341)	143,503
Other [1]	8,244	(6,980)	1,264	7,894	(6,339)	1,555
Total	$ 426,282	$ (219,879)	$ 206,403	$ 424,375	$ (198,320)	$ 226,055

(1) Other primarily consists of non-compete agreements.

Amortization expense for definite-lived intangible assets is included in Selling, general and administrative expenses in the Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2026	2025	2026	2025
Amortization expense for intangible assets	$ 11,148	$ 11,650	$ 22,152	$ 23,235

The estimated aggregate amortization expense for the remaining year 2026 and each of the next four years and thereafter are as follows:

(in thousands)	Amortization
Remaining 2026	$ 22,015
2027	38,970
2028	34,572
2029	30,972
2030	21,186
Thereafter	58,688
Total	$ 206,403

Note 7 – Leases

The Company leases property used for warehousing, distribution centers, office space, branch locations, equipment and vehicles. The components of lease cost were as follows (in thousands):

		Three Months Ended June 30,		Six Months Ended June 30,	
Lease Type	**Classification**	**2026**	**2025**	**2026**	**2025**
Operating lease expense[1]	Operating expenses	$ 7,310	$ 6,991	$ 14,633	$ 13,818
Financing lease amortization	Operating expenses	143	149	281	299
Financing lease interest	Interest expense	23	26	46	52
Financing lease expense		166	175	327	351
Sublease income[2]		(150)	(160)	(343)	(319)
Net lease cost		$ 7,326	$ 7,006	$ 14,617	$ 13,850

(1) Includes short-term lease expense, which is immaterial.

(2) The Company subleases excess property to third-party tenants. Sublease income is recognized on a straight-line basis over the sublease agreement and is recorded as an offset to operating lease expense.

The value of net assets and liabilities related to our operating and finance leases as of June 30, 2026 and December 31, 2025 was as follows (in thousands):

Lease Type	**June 30, 2026**	**December 31, 2025**
Total right of use operating lease assets	$ 107,605	$ 111,117
Total right of use financing lease assets	1,633	1,573
Total lease assets	$ 109,238	$ 112,690
Total current operating lease obligation	$ 20,731	$ 20,030
Total current financing lease obligation	603	594
Total current lease obligation	$ 21,334	$ 20,624
Total long-term operating lease obligation	$ 93,866	$ 98,022
Total long-term financing lease obligation	775	799
Total long-term lease obligation	$ 94,641	$ 98,821

The value of lease liabilities related to our operating and finance leases and sublease income as of June 30, 2026 was as follows (in thousands):

Maturity Date of Lease Liabilities	**Operating Leases**	**Financing Leases**	**Total**	**Sublease Income**
Remaining 2026	$ 13,804	$ 357	$ 14,161	$ 183
2027	27,621	516	28,137	41
2028	25,233	375	25,608	42
2029	21,405	184	21,589	43
2030	14,160	70	14,230	29
Thereafter	42,927	8	42,935	—
Total lease payments	145,150	1,510	146,660	338
Less: Interest	(30,553)	(132)	(30,685)	—
Present value of lease liabilities	$ 114,597	$ 1,378	$ 115,975	$ 338

The weighted average lease terms and interest rates of leases held as of June 30, 2026 and December 31, 2025 were as follows:

	June 30, 2026		December 31, 2025	
	Operating Leases	**Finance Leases**	**Operating Leases**	**Finance Leases**
Weighted average remaining lease term	6.2 years	3.0 years	6.0 years	3.2 years
Weighted average interest rate	7.4%	6.9%	7.5%	7.1%

The cash outflows of leasing activity for the six months ended June 30, 2026 and 2025 were as follows (in thousands):

		Six Months Ended June 30,	
Cash Flow Source	**Classification**	**2026**	**2025**
Operating cash flows from operating leases	Operating activities	$ (13,940)	$ (13,111)
Operating cash flows from financing leases	Operating activities	$ (48)	$ (54)
Financing cash flows from financing leases	Financing activities	$ (329)	$ (296)

Refer to Note 4 – Revenue Recognition for a discussion on the Company's activities as lessor.

Note 8 – Debt

The Company's outstanding long-term debt was comprised of the following:

(in thousands)	June 30, 2026	December 31, 2025
Senior secured revolving credit facility	$ 50,431	$ 3,948
Senior secured term loan	682,500	700,000
Other revolving line of credit	841	470
Total debt	733,772	704,418
Less: current portion of long-term debt	(35,840)	(35,470)
Less: deferred financing costs	(4,274)	(4,752)
Total long-term debt	$ 693,658	$ 664,196

On December 18, 2025, the Company entered into the Second Amended and Restated Credit Agreement (the "Amended Credit Agreement"), which amended and restated the Amended and Restated Credit Agreement, dated as of April 1, 2022 (as it had been amended from time to time prior to the date of the Amended Credit Agreement, the "Original Credit Agreement"), by and among the Company, certain subsidiaries of the Company as borrowers or guarantors, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent.

As amended, the Amended Credit Agreement provides for (i) a $400 million senior secured revolving credit facility, with a $25 million letter of credit sub-facility and a $10 million swingline loan sub-facility, (ii) a $700 million senior secured initial term loan facility and (iii) the Company to increase the commitments thereunder from time to time by up to $500 million in the aggregate, subject to, among other things, the receipt of additional commitments from existing and/or new lenders and pro forma compliance with certain financial covenants.

The Amended Credit Agreement requires that the proceeds of any revolving credit facility loans be used for working capital and general corporate purposes (including, without limitation, permitted acquisitions).

The Company has unused outstanding letters of credit of $4.8 million as of June 30, 2026. Net of these letters of credit, there was $344.7 million of borrowing availability under the revolving credit facility as of June 30, 2026.

The loans under the Amended Credit Agreement bear interest, at the Company's option, at a rate equal to (i) the Alternate Base Rate or the Canadian Prime Rate (each as defined in the Amended Credit Agreement), plus, in each case, an additional margin ranging from 0.00% to 1.75% per annum, depending on the total net leverage ratio of the Company and its restricted subsidiaries as of the most recent determination date under the Amended Credit Agreement or (ii) the Adjusted Term SOFR Rate or Adjusted Daily Simple SOFR (as defined in the Amended Credit Agreement), plus an additional margin ranging from 1.00% to 2.75% per annum, depending on the total net leverage ratio of the Company and its restricted subsidiaries as of the most recent determination date under the Amended Credit Agreement. The Amended Credit Agreement further provides that the additional margin for the period from the Effective Date (as defined in the Amended Credit Agreement) until delivery of the Company's financial statements and compliance certificate for the first full quarter ending after the Effective Date shall be 1.50% per annum for Alternate Base Rate or Canadian Prime Rate loans and 2.50% per annum for all other loans.

The Amended Credit Agreement requires the Company to pay certain closing fees, arrangement fees, administration fees, commitment fees and letter of credit fees, including a commitment fee on the daily unused amount of the revolving credit facility that will accrue at a rate ranging from 0.15% to 0.35% per annum, depending on the total net leverage ratio of the Company. These fees are reported as a component of Interest expense in the Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) and vary depending on the total net leverage ratio as defined in the Amended Credit Agreement. Fees were nominal in 2026 and 2025.

Deferred financing costs are amortized over the life of the debt instrument and reported as a component of Interest expense in the Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). Amortization of deferred financing costs was $0.4 million and $0.9 million for the three and six months ended June 30, 2026 and $0.9 million and $1.8 million for the three and six months ended June 30, 2025, respectively. As of June 30, 2026, total deferred financing costs net of accumulated amortization were $7.8 million of which $4.3 million are included in Long-term debt, less current portion, net (related to the senior secured term loan) and $3.5 million are included in Other assets (related to the senior secured revolving credit facility) in the Unaudited Condensed Consolidated Balance Sheets.

Each of the loans under the Amended Credit Agreement mature on December 18, 2030, at which time all outstanding loans, together with all accrued and unpaid interest, must be repaid and the revolving credit facility commitments will terminate. Future maturities of long-term debt are $35.0 million per year payable in equal quarterly installments during 2026, 2027, 2028 and 2029, with the remaining balance of $610.4 million due in 2030 upon maturity. The Company is also required to prepay the term loans with the net cash proceeds from any disposition of certain assets (subject to reinvestment rights) or from the incurrence of any unpermitted debt. The Company may borrow, repay and reborrow the revolving loans until December 18, 2030, prepay any of the term loans, and terminate any of the commitments, in whole or in part, at any time without premium or penalty, subject to certain conditions and the reimbursement of certain lender costs in the case of prepayments of certain types of loans.

Subject to certain exceptions as set forth in the Amended Credit Agreement, the obligations of the Company and its U.S. subsidiaries under the Amended Credit Agreement are guaranteed by the Company and certain of the Company's U.S. subsidiaries and the obligations of each of the Company's Canadian subsidiaries under the Amended Credit Agreement are guaranteed by the Company and certain of its U.S. and Canadian subsidiaries.

Subject to certain exceptions as set forth in the Amended Credit Agreement, the obligations under the Amended Credit Agreement are secured by a first priority security interest in and lien on substantially all assets of the Company, each other borrower and each guarantor.

The Amended Credit Agreement contains various covenants, including financial maintenance covenants requiring the Company to maintain compliance with a consolidated minimum interest coverage ratio and a maximum total net leverage ratio, each determined in accordance with the terms of the Amended Credit Agreement. The Amended Credit Agreement contains various events of default (subject to exceptions, thresholds and grace periods as set forth in the Amended Credit Agreement). Under certain circumstances, a default interest rate will apply on all obligations at a rate equal to 2.0% per annum above the applicable interest rate. The Company was in compliance with all financial covenants as of June 30, 2026.

On July 15, 2026, the Company entered into the Credit Agreement Amendment (as defined in Note 16 – Subsequent Events) in connection with the proposed Merger (as defined in Note 16 – Subsequent Events). See Note 16 – Subsequent Events for additional information.

Note 9 – Stock-Based Compensation

The Company recorded stock-based compensation expense of $2.2 million and $4.6 million for the three and six months ended June 30, 2026 and $1.3 million and $2.2 million for the three and six months ended 2025, respectively, in Selling, general and administrative expenses in the Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). A portion of the Company's stock-based awards are liability-classified. Accordingly, changes in the market value of DSG common stock may result in stock-based compensation expense or benefit in certain periods. A stock-based compensation liability of $0.3 million as of June 30, 2026 and $0.3 million as of December 31, 2025 was included in Accrued expenses and other current liabilities in the Unaudited Condensed Consolidated Balance Sheets.

Note 10 – Stockholders' Equity

Stock Repurchase Program

Under an existing stock repurchase program authorized by the Board of Directors, the Company may repurchase its common stock from time to time in open market transactions, privately negotiated transactions or by other methods. During the first six months of 2026, no repurchases were made. During the first six months of 2025, the Company repurchased 653,213 shares of DSG common stock under the repurchase program at an average cost of $30.69 per share for a total cost of $20.0 million. The remaining availability for stock repurchases under the program was $32.9 million at June 30, 2026.

On July 15, 2026, the Company entered into the Merger Agreement (as defined in Note 16 – Subsequent Events), which generally prohibits the Company from repurchasing shares of DSG common stock during the pendency of the Merger, subject to specified exceptions. See Note 16 – Subsequent Events for additional information.

Note 11 – Earnings Per Share

The following table provides the computation of basic and diluted earnings per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands, except share and per share data)	2026	2025	2026	2025
Basic income per share:				
Net income (loss)	$ 8,494	$ 5,003	$ 8,876	$ 8,264
Basic weighted average shares outstanding	46,210,991	46,381,194	46,200,851	46,490,702
Basic income (loss) per share of common stock	$ 0.18	$ 0.11	$ 0.19	$ 0.18
Diluted income per share:				
Net income (loss)	$ 8,494	$ 5,003	$ 8,876	$ 8,264
Basic weighted average shares outstanding	46,210,991	46,381,194	46,200,851	46,490,702
Effect of dilutive securities	221,549	181,496	861,365	804,845
Diluted weighted average shares outstanding	46,432,540	46,562,690	47,062,216	47,295,547
Diluted income (loss) per share of common stock	$ 0.18	$ 0.11	$ 0.19	$ 0.17

The securities that were excluded from the calculation of diluted earnings per share because their inclusion would be anti-dilutive were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Stock options	2,258,864	2,167,209	1,568,210	1,370,066
Other stock-based awards	—	960	—	799

Note 12 – Income Taxes

The Company recorded income tax expense of $5.9 million, a 41.0% effective tax rate for the three months ended June 30, 2026. An income tax expense of $6.9 million, a 57.8% effective tax rate was recorded for the three months ended June 30, 2025. The effective tax rate for the three months ended June 30, 2026 differs from the U.S. statutory rate primarily due to state taxes, foreign income, a change in valuation allowances related to interest expense limitation deferred tax assets and other discrete items. The change in the valuation allowances includes updated U.S. deferred tax projections, particularly related to future taxable income generated by the Company's deferred tax liabilities. The effective tax rate for the three months ended June 30, 2025 differs from the U.S. statutory rate primarily due to state taxes, foreign income and a change in valuation allowances related to interest expense limitation deferred tax assets.

The Company recorded income tax expense of $6.3 million, a 41.4% effective tax rate for the six months ended June 30, 2026. An income tax expense of $9.1 million, a 52.4% effective rate was recorded for the six months ended June 30, 2025. The effective tax rate for the six months ended June 30, 2026 differs from the U.S. statutory rate primarily due to state taxes, foreign income and a change in valuation allowances related to interest expense limitation deferred tax assets. The change in the valuation allowances includes updated U.S. deferred tax projections particularly related to future taxable income generated by the Company's deferred tax liabilities. The effective tax rate for the six months ended June 30, 2025 differs from the U.S. statutory rate primarily due to state taxes, foreign income and a change in valuation allowances related to interest expense limitation deferred tax assets.

The Company and its subsidiaries are subject to U.S. federal income tax, as well as income tax of multiple state and foreign jurisdictions. As of June 30, 2026, the Company is subject to U.S. federal income tax examinations for the years 2022 through 2024 and income tax examinations from various other jurisdictions for the years 2018 through 2025.

Earnings from the Company's foreign subsidiaries are considered to be indefinitely reinvested. A distribution of these non-U.S. earnings in the form of dividends or otherwise would subject the company to foreign withholding taxes and may subject the Company to U.S. federal and state taxes. Determination of the amount of unrecognized deferred tax liability related to indefinitely reinvested profits is not feasible primarily due to the Company's legal entity structure and the complexity of U.S. tax laws.

Note 13 – Segment Information

The Company's chief operating decision maker ("CODM") is the Chief Executive Officer of DSG. For each reportable segment, the CODM uses segment operating income (loss) to allocate resources (including employees and financial resources) in a way to manage and grow margins.

The Company has four reporting segments: Lawson, TestEquity, Gexpro Services and Canada Branch Division. A description of our reportable segments is as follows:

Lawson is a distributor of specialty products and services to the industrial, commercial, institutional and governmental MRO marketplace. Lawson primarily distributes MRO products to its customers through a network of sales representatives and an inside sales channel throughout the United States and Canada.

TestEquity is a distributor of test and measurement equipment and solutions, industrial and electronic production supplies, vendor managed inventory programs, and converting, fabrication and adhesive solutions from its leading manufacturer partners supporting the aerospace and defense, wireless and communication, semiconductors, industrial electronics and automotive, and electronics manufacturing industries.

Gexpro Services is a global supply chain solutions provider, specializing in the development of mission critical production line management, aftermarket and field installation programs.

Canada Branch Division is a distributor of industrial MRO supplies, safety products, fasteners, power tools and related value-add services to the Canadian MRO market through the sale of products and services via warehouse shipments and to its walk-up customers through 38 branch locations.

The Company also has an "All Other" category which includes unallocated DSG holding company costs that are not directly attributable to the ongoing operating activities of our reportable segments. There is no revenue associated with the All Other category.

Financial information for the Company's segments and reconciliations of that information to the unaudited condensed consolidated financial statements is presented below.

(in thousands)	Three Months Ended June 30, 2026	Three Months Ended June 30, 2025	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
Revenue				
Lawson	$ 125,498	$ 124,313	$ 249,234	$ 244,775
TestEquity	228,994	195,046	433,170	383,819
Gexpro Services	140,146	127,807	257,794	246,712
Canada Branch Division	63,717	55,852	114,739	106,395
Intersegment revenue elimination	(621)	(581)	(1,208)	(1,235)
Total revenue	$ 557,734	$ 502,437	$ 1,053,729	$ 980,466
Cost of goods sold				
Lawson	$ 61,100	$ 55,739	$ 119,849	$ 107,967
TestEquity	178,068	152,473	336,650	299,489
Gexpro Services	96,615	87,847	178,506	169,646
Canada Branch Division	42,671	36,895	76,483	70,541
Intersegment cost of goods sold elimination	(856)	(601)	(1,234)	(1,241)
Total cost of goods sold	$ 377,598	$ 332,353	$ 710,254	$ 646,402
Selling, general and administrative expenses				
Lawson	$ 61,856	$ 60,599	$ 123,787	$ 122,517
TestEquity	40,158	37,760	81,705	75,387
Gexpro Services	28,999	26,058	56,355	51,923
Canada Branch Division	17,217	17,206	34,041	33,452
All Other	4,038	1,635	6,089	3,862
Total operating expenses	$ 152,268	$ 143,258	$ 301,977	$ 287,141
Operating income (loss)				
Lawson	$ 2,542	$ 7,975	$ 5,598	$ 14,291
TestEquity	10,768	4,813	14,815	8,943
Gexpro Services	14,532	13,902	22,933	25,143
Canada Branch Division	3,829	1,751	4,215	2,402
All Other	(3,803)	(1,615)	(6,063)	(3,856)
Total operating income (loss)	$ 27,868	$ 26,826	$ 41,498	$ 46,923
Reconciliation to income (loss) before income taxes				
Interest expense	$ (12,991)	$ (14,238)	$ (25,162)	$ (28,453)
Change in fair value of earnout liabilities	—	—	—	(1,000)
Other income (expense), net	(486)	(726)	(1,188)	(94)
Income (loss) before income taxes	$ 14,391	$ 11,862	$ 15,148	$ 17,376

Segment revenue includes revenue from sales to external customers and intersegment revenue from sales transactions between segments. The Company accounts for intersegment sales similar to third party transactions that are conducted on an arm's-length basis and reflect current market prices. Intersegment revenue is eliminated in consolidation. Segment revenue and the elimination of intersegment revenue was as follows:

(in thousands)	Lawson	TestEquity	Gexpro Services	Canada Branch Division	Elimination	Total
Three Months Ended June 30, 2026						
Revenue from external customers	$ 125,403	$ 228,921	$ 139,727	$ 63,683	$ —	$ 557,734
Intersegment revenue	95	73	419	34	(621)	—
Revenue	$ 125,498	$ 228,994	$ 140,146	$ 63,717	$ (621)	$ 557,734
Three Months Ended June 30, 2025						
Revenue from external customers	$ 124,287	$ 194,830	$ 127,474	$ 55,846	$ —	$ 502,437
Intersegment revenue	26	216	333	6	(581)	—
Revenue	$ 124,313	$ 195,046	$ 127,807	$ 55,852	$ (581)	$ 502,437
Six Months Ended June 30, 2026						
Revenue from external customers	$ 249,092	$ 432,685	$ 257,270	$ 114,682	$ —	$ 1,053,729
Intersegment revenue	142	485	524	57	(1,208)	—
Revenue	$ 249,234	$ 433,170	$ 257,794	$ 114,739	$ (1,208)	$ 1,053,729
Six Months Ended June 30, 2025						
Revenue from external customers	$ 244,727	$ 383,286	$ 246,067	$ 106,386	$ —	$ 980,466
Intersegment revenue	48	533	645	9	(1,235)	—
Revenue	$ 244,775	$ 383,819	$ 246,712	$ 106,395	$ (1,235)	$ 980,466

Total assets by segment and long-lived assets by geographic area were as follows:

(in thousands)	June 30, 2026	December 31, 2025
Total assets by segment		
Lawson	$ 525,552	$ 548,169
TestEquity	668,795	624,829
Gexpro Services	384,458	351,552
Canada Branch Division	227,817	210,625
All Other	10,669	13,446
Total	$ 1,817,291	$ 1,748,621
Long-lived assets by geographic area[1]		
United States	$ 773,223	$ 796,554
Canada	150,055	142,183
Europe	29,865	31,006
Pacific Rim	5,550	5,967
Latin America	2,927	3,224
Other	—	—
Total	$ 961,620	$ 978,934

[1] Long-lived assets include property, plant and equipment, rental equipment, goodwill, intangibles, right of use operating lease assets, and other assets.

Refer to Note 4 – Revenue Recognition for disaggregated revenue by geographic area.

Capital expenditures and depreciation and amortization by segment were as follows:

(in thousands)	Three Months Ended June 30, 2026	Three Months Ended June 30, 2025	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
Capital expenditures				
Lawson	$ 1,726	$ 852	$ 3,093	$ 4,828
TestEquity	7,146	6,101	13,607	9,289
Gexpro Services	747	1,399	1,463	2,386
Canada Branch Division	2,116	607	2,484	963
All Other	—	—	—	—
Total	$ 11,735	$ 8,959	$ 20,647	$ 17,466
Depreciation and amortization				
Lawson	$ 6,744	$ 6,808	$ 13,458	$ 13,360
TestEquity	8,246	8,280	16,526	16,408
Gexpro Services	3,041	3,532	6,170	6,985
Canada Branch Division	1,834	1,718	3,435	3,564
All Other	—	—	—	—
Total	$ 19,865	$ 20,338	$ 39,589	$ 40,317

Note 14 – Commitments and Contingencies

The Company is a party to various legal proceedings that have arisen in the ordinary course of business. The Company records accruals for loss contingencies when losses are probable and reasonably estimable. The Company is not currently aware of any litigation matters or loss contingencies that would reasonably be expected to have a material adverse effect on our business, financial position, results of operations or cash flows.

Note 15 – Related Party Transactions

Consulting Services

Individuals employed by LKCM Headwater Operations, LLC, a related party of LKCM, have provided the Company with certain consulting services for interim executive management in addition to assisting in identifying cost savings, revenue enhancements and operational synergies of the combined companies. Expense of $0.1 million and $0.3 million for the three and six months ended June 30, 2026, respectively, and $0.4 million and $0.6 million for the three and six months ended June 30, 2025 was recorded within Selling, general and administrative expenses in the Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), reflecting expenses incurred for these consulting services.

Significant Shareholder

LKCM, entities affiliated with LKCM and J. Bryan King (President and Chief Executive Officer of DSG and Chairman of the DSG Board of Directors), including private investment partnerships for which LKCM serves as investment manager, beneficially owned in the aggregate approximately 36.4 million shares of DSG common stock as of June 30, 2026 representing approximately 78.6% of the outstanding shares of DSG common stock as of June 30, 2026.

Merger Agreement

On July 15, 2026, the Company entered into the Merger Agreement with entities affiliated with LKCM Headwater (as defined in Note 16 – Subsequent Events) and J. Bryan King. See Note 16 – Subsequent Events for additional information.

Principal Executive Office Lease

In connection with the Company's headquarters move to Fort Worth, Texas in 2023, the Company has been utilizing office space in a building that is leased by LKCM. The Company is not charged any rent or other amounts for the use of the office space.

Note 16 – Subsequent Events

Merger Agreement

On July 15, 2026, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Eclipse Parent Acquisitions, LLC ("Parent"), Eclipse Intermediate Acquisitions, LLC, a wholly owned subsidiary of Parent ("Intermediate"), and Eclipse Acquisitions Merger Sub, Inc., a wholly owned subsidiary of Intermediate ("Merger Sub"). Parent, Intermediate and Merger Sub are affiliated with LKCM Headwater Investments, LLC ("LKCM Headwater"), J. Bryan King and their respective affiliates. Mr. King is the Company's Chief Executive Officer and Chairman of the Company's Board of Directors and is also the Managing Partner of LKCM Headwater. LKCM Headwater and its affiliates beneficially owned, in the aggregate, approximately 78.6% of the outstanding shares of DSG common stock as of June 30, 2026.

The Merger Agreement provides that, upon the terms and subject to the conditions set forth in the Merger Agreement, Merger Sub will merge with and into the Company (the "Merger" and, together with the other transactions contemplated by the Merger Agreement, the "Transactions"), with the Company continuing as the surviving corporation and becoming a wholly owned subsidiary of Intermediate and an indirect wholly owned subsidiary of Parent. At the effective time of the Merger, each outstanding share of DSG common stock, other than shares owned by Parent and certain affiliated stockholders, treasury shares and shares for which appraisal rights are properly exercised and not withdrawn, will be converted into the right to receive $35.00 in cash, without interest. If the Merger is completed, the Company will become privately held and DSG common stock will cease to be listed on Nasdaq.

The Merger Agreement and the Transactions were unanimously recommended by a special committee of the Company's Board of Directors comprised solely of disinterested directors (the "Special Committee") and were approved by the Company's Board of Directors, with certain directors recusing themselves from the vote. Completion of the Merger is subject to specified closing conditions, including (i) adoption of the Merger Agreement by the affirmative vote of the holders of a majority of the outstanding shares of DSG common stock entitled to vote thereon, (ii) approval of the Transactions by the affirmative vote of a majority of the votes cast by the Company's disinterested stockholders (as such term is defined in Section 144 of the Delaware General Corporation Law) in respect of the Transactions, (iii) expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR Act") and (iv) the absence of any law or order that enjoins, restrains, makes illegal or otherwise prevents or prohibits the Merger.

The Company has made various representations, warranties and covenants in the Merger Agreement, including covenants to conduct its business in the ordinary course and to refrain from taking certain actions without Parent's consent, subject to specified exceptions. In addition, under the terms of the Merger Agreement, revolving loans under our credit facility, other than borrowings to finance certain contemplated acquisitions, may not exceed $100.0 million outstanding at any time between the signing of the Merger Agreement and the closing of the Merger.

The Merger Agreement contains various termination rights for the Company and Parent, including the right of either party to terminate the Merger Agreement if the Merger has not been consummated on or before December 31, 2026 (the "Outside Date"), subject to certain limitations and as such date may be extended pursuant to the terms of the Merger Agreement. If the Merger Agreement is terminated by the Company in connection with the Company's entry into a definitive agreement providing for a Superior Proposal (as defined in the Merger Agreement) in accordance with the Merger Agreement or by Parent in connection with an Adverse Recommendation Change (as defined in the Merger Agreement), the Company would be required to pay Parent a termination fee of approximately $9.3 million in cash. If the Merger Agreement is terminated by the Company under specified circumstances relating to (i) the failure of Parent, Intermediate or Merger Sub to consummate the Merger when required to do so under the Merger Agreement or (ii) Parent's, Intermediate's or Merger Sub's breach of its representations, warranties, covenants or agreements in the Merger Agreement that resulted from a Willful Breach (as defined in the Merger Agreement), Parent would be required to pay the Company a reverse termination fee of approximately $22.2 million in cash.

Concurrently with the execution of the Merger Agreement, the Company and certain of its subsidiaries entered into an amendment to the Company's existing credit agreement (the "Credit Agreement Amendment") that permits, subject to its terms and conditions, proceeds of revolving loans to be used to finance the Merger and related transactions. The Merger Agreement and the Credit Agreement Amendment were entered into after June 30, 2026, and no effects of the proposed Merger or related financing have been reflected in the accompanying condensed consolidated financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of DSG's financial condition and results of operations should be read in conjunction with the unaudited condensed consolidated financial statements and related notes included in this Quarterly Report on Form 10-Q and the audited consolidated financial statements, accompanying notes and other information included in DSG's Annual Report on Form 10-K filed for the year ended December 31, 2025.

References to "DSG", the "Company", "we", "our" or "us" refer to Distribution Solutions Group, Inc. and all entities consolidated in the accompanying unaudited condensed consolidated financial statements.

Overview

Organization and Structure

DSG is a multi-platform specialty distribution company providing high touch, value-added distribution solutions to the maintenance, repair and operations ("MRO"), the original equipment manufacturer ("OEM") and the industrial technologies markets.

We manage and report our operating results through four reportable segments: Lawson, TestEquity, Gexpro Services and Canada Branch Division. A summary of our reportable segments is presented below. For additional details about our segments see Note 1 – Nature of Operations and Basis of Presentation and Note 13 – Segment Information, in Part I, Item 1. Financial Statements.

Lawson is a distributor of specialty products and services to the industrial, commercial, institutional and governmental MRO marketplace. Lawson primarily distributes MRO products to its customers through a network of sales representatives and an inside sales channel throughout the United States and Canada.

TestEquity is a distributor of test and measurement equipment and solutions, industrial and electronic production supplies, vendor managed inventory programs, and converting, fabrication and adhesive solutions from its leading manufacturer partners supporting the aerospace and defense, wireless and communication, semiconductors, industrial electronics and automotive, and electronics manufacturing industries.

Gexpro Services is a global supply chain solutions provider, specializing in the development of mission critical production line management, aftermarket and field installation programs.

Canada Branch Division is a distributor of industrial MRO supplies, safety products, fasteners, power tools and related value-add services to the Canadian MRO market through the sale of products and services via warehouse shipments and to its walk-up customers through 38 branch locations.

In addition to these four reportable segments, we have an "All Other" category which includes unallocated DSG holding company costs that are not directly attributable to the ongoing operating activities of our reportable segments.

Recent Events

Pending Merger

On July 15, 2026, we entered into the Merger Agreement with Parent, Intermediate and Merger Sub, each of which is affiliated with LKCM Headwater, J. Bryan King and their respective affiliates. The Merger Agreement provides that, upon the terms and subject to the conditions set forth in the Merger Agreement, Merger Sub will merge with and into DSG, with DSG continuing as the surviving corporation and becoming an indirect wholly owned subsidiary of Parent. At the effective time of the Merger, each outstanding share of DSG common stock, other than specified excluded shares and shares subject to validly exercised appraisal rights, will be converted into the right to receive $35.00 in cash, without interest.

Completion of the Merger is subject to specified closing conditions, including receipt of specified stockholder approvals and expiration or termination of the applicable waiting period under the HSR Act, and is not subject to a financing condition. If ther Merger is completed, DSG will become privately held and DSG common stock will be delisted from Nasdaq. In connection with the execution of the Merger Agreement, we amended our existing credit agreement to permit, subject to its terms and conditions, revolving loans to be used to finance the Merger and related transactions. For additional information, see

Note 16 – Subsequent Events in Part I, Item 1, Financial Statements and our Current Report on Form 8-K filed with the SEC on July 16, 2026.

Eastern Valve Acquisition

On March 9, 2026, DSG completed the acquisition of Eastern Valve & Control Specialties Ltd. ("Eastern Valve" and the "Eastern Valve Transaction"). Eastern Valve is located in Paradise, Newfoundland, Canada, and supplies and services industrial valve products throughout Atlantic Canada. Eastern Valve was acquired to expand DSG's operating footprint in the Canadian market.

Organic Growth Strategy

We intend to grow our businesses organically by exploring growth opportunities that provide different channels to reach customers, increase revenue and generate positive results. We plan to utilize our Company structure to grow organic revenue through collaborative selling across our customer bases and expanding the digital capabilities across our platform.

Acquisition Strategy

In addition to organic growth, we plan to actively pursue acquisition opportunities complementary to our businesses and that we believe will be financially accretive to our organization. During the pendency of the Merger, our ability to pursue acquisitions and other strategic transactions is subject to the interim operating covenants contained in the Merger Agreement.

Sales Drivers

DSG believes that the Purchasing Managers Index ("PMI") published by the Institute for Supply Management is an indicative measure of the relative strength of the economic environment of the industry in which it operates. The PMI is a composite index of economic activity in the U.S. manufacturing sector. A measure of the PMI index above 50 is generally viewed as indicating an expansion of the manufacturing sector while a measure below 50 is generally viewed as representing a contraction. The average monthly PMI was 53.0 in the six months ended June 30, 2026, compared to 49.4 in the six months ended June 30, 2025.

Lawson Sales Drivers

The North American MRO market is highly fragmented. Lawson competes for business with several national distributors as well as a large number of regional and local distributors. The MRO business is impacted by the overall strength of the manufacturing sector of the U.S. economy.

Lawson's revenue is also influenced by the number of sales representatives and their productivity. Lawson plans to continue concentrating its efforts on increasing the productivity and size of its sales team. Additionally, Lawson drives revenue through the expansion of products sold to existing customers as well as attracting new customers and additional ship-to locations. Lawson also utilizes an inside sales team to help drive field sales representative productivity and also utilizes an e-commerce site to generate sales.

TestEquity Sales Drivers

The North American market for test and measurement, industrial, and electronic production supplies is highly fragmented, with competition ranging from global to regional distributors. We believe TestEquity stands out through its portfolio of specialized brands, technical knowledge, and digital platforms, each tailored to serve specific needs across the electronics lifecycle. These brands maintain unique identities and address every stage of the electronics process—from R&D to assembly and ongoing maintenance. This multi-brand approach enables TestEquity to offer an extensive product range, expert support, and tailored technical solutions, positioning it as a trusted partner across diverse customer requirements.

Revenue growth is fueled by TestEquity's comprehensive catalog of test and measurement equipment, electronic production supplies, and industrial tools, supported by a high-touch, consultative sales model. Strategic acquisitions have expanded its customer base and strengthened recurring rental revenue. We believe that continued investments in e-commerce, rising demand from high-growth sectors like aerospace and telecommunications, and TestEquity's strong positioning as a preferred vendor amid supplier consolidation will contribute to sustained momentum and long-term value creation.

Gexpro Services Sales Drivers

The global supply chain solutions market is highly fragmented across Gexpro Services' key vertical segments. Gexpro Services' competitors range from large global distributors and manufacturers to small regional domestic distributors and manufacturers. Gexpro Services' revenue is influenced by our OEMs' production schedules, new product introduction launches, and service project needs.

Gexpro Services' strategy is to increase revenue through increasing wallet share with existing customers, customer-led geographic expansion, new customer development in its six key vertical markets and leveraging its portfolio of recent acquisitions to expand its installation and aftermarket services.

Canada Branch Division Sales Drivers

Canada Branch Division is a distributor of industrial MRO supplies, safety products, fasteners, power tools and related value-add services to the Canadian MRO market through the sale of products and services via warehouse shipments and to its walk-up customers through 38 branch locations.

Canada Branch Division's strategy is to grow revenue through increasing wallet share with existing customers, via introduction of new product lines and services in geographic areas that were underserviced previously. Additionally, Canada Branch Division will engage new customers and additional ship-to locations with its national sales team.

Supply Chain Disruptions and Tariffs

We continue to be affected by rising supplier costs caused by inflation, and increased tariffs, transportation and labor costs. We have instituted various price increases during 2025 and 2026 in response to rising supplier costs and increased tariffs, transportation and labor costs in order to attempt to manage our gross profit margins.

Factors Affecting Comparability to Prior Periods

Our results of operations are not directly comparable on a year-over-year basis due to acquisition activity. We account for acquisitions under Accounting Standards Codification 805, Business Combinations ("ASC 805"). Accordingly, the results of acquisitions are only included subsequent to their respective acquisition dates. Refer to Note 3 – Business Acquisitions in Part I, Item 1. Financial Statements for a description of the acquisition completed in 2026 and the reportable segment in which the acquisition's results of operations are included.

Non-GAAP Financial Measures

The Company's management believes that certain non-GAAP financial measures may provide users of this financial information with 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 infrequently occurring, seasonal or non-operational items that impact the overall comparability. These 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.

Non-GAAP Adjusted EBITDA

Management believes Adjusted EBITDA is an important measure of the Company's operating performance and may provide investors with additional meaningful comparisons between current results and results in prior operating periods because Adjusted EBITDA excludes certain non-operational or non-cash items whose fluctuations from period to period do not necessarily correspond to changes in the operating performance of our business and consequently may impact the overall comparability from period to period. We define Adjusted EBITDA as operating income plus depreciation and amortization, stock-based compensation, severance and acquisition related retention costs, costs related to the execution and integration of acquisitions, amortization of fair value step-up resulting from acquisitions and other non-recurring items. Management uses operating income and Adjusted EBITDA to evaluate the performance of its reportable segments. See Note 13 – Segment Information in Part I, Item 1. Financial Statements for additional information about our reportable segments.

The following table provides a reconciliation of Net income (loss) to Adjusted EBITDA on a consolidated basis and Operating income (loss) to Adjusted EBITDA by segment for the three and six months ended June 30, 2026 and 2025. A reconciliation of Net income (loss) to Adjusted EBITDA by segment is not provided because management does not determine or review net income at the segment level and does not allocate non-operating costs and expenses to its segments, such as income taxes, interest expense, and various other non-operating income and expense.

Reconciliation of Net Income (Loss) to Non-GAAP Adjusted EBITDA (Unaudited)

	Three Months Ended June 30, 2026					
(in thousands)	Lawson	TestEquity	Gexpro Services	Canada Branch Division	All Other	Consolidated
Net income (loss)						$ 8,494
Income tax expense (benefit)						5,897
Other income (expense), net						486
Interest expense						12,991
Operating income (loss)	$ 2,542	$ 10,768	$ 14,532	$ 3,829	$ (3,803)	$ 27,868
Depreciation and amortization	6,744	8,246	3,041	1,834	—	19,865
Stock-based compensation(1)	777	507	404	—	470	2,158
Severance and acquisition related retention expenses(2)	1,399	382	319	20	84	2,204
Acquisition related costs(3)	357	61	4	(87)	—	335
Inventory step-up(4)	—	—	—	70	—	70
Other non-recurring(5)	91	27	—	40	1,275	1,433
Adjusted EBITDA	$ 11,910	$ 19,991	$ 18,300	$ 5,706	$ (1,974)	$ 53,933

	Three Months Ended June 30, 2025					
(in thousands)	Lawson	TestEquity	Gexpro Services	Canada Branch Division	All Other	Consolidated
Net income (loss)						$ 5,003
Income tax expense (benefit)						6,859
Other income (expense), net						726
Interest expense						14,238
Operating income (loss)	$ 7,975	$ 4,813	$ 13,902	$ 1,751	$ (1,615)	$ 26,826
Depreciation and amortization	6,808	8,280	3,532	1,718	—	20,338
Stock-based compensation(1)	775	168	18	—	289	1,250
Severance and acquisition related retention expenses(2)	139	187	27	3	(1)	355
Acquisition related costs(3)	12	29	(397)	148	—	(208)
Adjusted EBITDA	$ 15,709	$ 13,477	$ 17,082	$ 3,620	$ (1,327)	$ 48,561

(in thousands)	Six Months Ended June 30, 2026 Lawson	TestEquity	Gexpro Services	Canada Branch Division	All Other	Consolidated
Net income (loss)						$ 8,876
Income tax expense (benefit)						6,272
Other income (expense), net						1,188
Interest expense						25,162
Operating income (loss)	$ 5,598	$ 14,815	$ 22,933	$ 4,215	$ (6,063)	$ 41,498
Depreciation and amortization	13,458	16,526	6,170	3,435	—	39,589
Stock-based compensation[1]	1,715	1,195	769	—	903	4,582
Severance and acquisition related retention expenses[2]	2,144	563	415	139	84	3,345
Acquisition related costs[3]	381	111	40	556	—	1,088
Inventory step-up[4]	—	—	—	94	—	94
Other non-recurring[5]	183	27	—	85	1,275	1,570
Adjusted EBITDA	$ 23,479	$ 33,237	$ 30,327	$ 8,524	$ (3,801)	$ 91,766

(in thousands)	Six Months Ended June 30, 2025 Lawson	TestEquity	Gexpro Services	Canada Branch Division	All Other	Consolidated
Net income (loss)						$ 8,264
Income tax expense (benefit)						9,112
Other income (expense), net						94
Change in fair value of earnout liabilities						1,000
Interest expense						28,453
Operating income (loss)	$ 14,291	$ 8,943	$ 25,143	$ 2,402	$ (3,856)	$ 46,923
Depreciation and amortization	13,360	16,408	6,985	3,564	—	40,317
Stock-based compensation[1]	1,298	336	18	—	572	2,224
Severance and acquisition related retention expenses[2]	953	865	43	122	—	1,983
Acquisition related costs[3]	114	(264)	(132)	148	34	(100)
Adjusted EBITDA	$ 30,016	$ 26,288	$ 32,057	$ 6,236	$ (3,250)	$ 91,347

(1) Expense (benefit) primarily for stock-based compensation, of which a portion varies with the Company's stock price.

(2) Includes severance expense from actions taken not related to a formal restructuring plan and acquisition related retention expenses.

(3) Transaction and integration costs related to acquisitions.

(4) Inventory fair value step-up adjustment for acquisition accounting related to acquisitions completed.

(5) Other non-recurring costs consist of certain non-recurring strategic projects, costs related to the proposed Merger (as described in Note 16 – Subsequent Events in Part I, Item 1. Financial Statements) and other non-recurring items.

Intersegment Transactions

Segment revenue and Operating income (loss) by reportable segment includes sales to external customers and sales transactions between our segments, referred to as intersegment revenue, and the impact of those intersegment revenue transactions on operating activities. Reconciliations of segment revenue and Operating income (loss) to our consolidated results of operations in the unaudited condensed consolidated financial statements are provided in Note 13 – Segment Information in Part I, Item 1. Financial Statements.

RESULTS OF OPERATIONS

Three Months Ended June 30, 2026 Compared to Three Months Ended June 30, 2025

Consolidated Results of Operations

	Three Months Ended June 30,			
	2026		2025	
(Dollars in thousands)	Amount	% of Revenue	Amount	% of Revenue
Revenue				
Lawson	$ 125,498	22.5%	$ 124,313	24.7%
TestEquity	228,994	41.1%	195,046	38.8%
Gexpro Services	140,146	25.1%	127,807	25.4%
Canada Branch Division	63,717	11.4%	55,852	11.1%
Intersegment revenue elimination	(621)	(0.1)%	(581)	—%
Total Revenue	557,734	100.0%	502,437	100.0%
Cost of goods sold				
Lawson	61,100	11.0%	55,739	11.1%
TestEquity	178,068	31.9%	152,473	30.3%
Gexpro Services	96,615	17.3%	87,847	17.5%
Canada Branch Division	42,671	7.7%	36,895	7.3%
Intersegment cost of goods sold elimination	(856)	(0.2)%	(601)	(0.1)%
Total Cost of goods sold	377,598	67.7%	332,353	66.1%
Gross profit	180,136	32.3%	170,084	33.9%
Selling, general and administrative expenses				
Lawson	61,856	11.1%	60,599	12.1%
TestEquity	40,158	7.2%	37,760	7.5%
Gexpro Services	28,999	5.2%	26,058	5.2%
Canada Branch Division	17,217	3.1%	17,206	3.4%
All Other	4,038	0.7%	1,635	0.3%
Total Selling, general and administrative expenses	152,268	27.3 %	143,258	28.5%
Operating income (loss)	27,868	5.0%	26,826	5.3%
Interest expense	(12,991)	(2.3)%	(14,238)	(2.8)%
Other income (expense), net	(486)	(0.1)%	(726)	(0.1)%
Income (loss) before income taxes	14,391	2.6%	11,862	2.4%
Income tax expense (benefit)	5,897	1.1%	6,859	1.4%
Net income (loss)	$ 8,494	1.5%	$ 5,003	1.0%

<u>Overview of Consolidated Results of Operations</u>

Consolidated revenue increased $55.3 million in the second quarter of 2026 compared to the second quarter of 2025 primarily driven by an increase in organic revenue of $51.2 million or 10.2% and $4.1 million of additional revenue generated by the 2026 acquisition of Eastern Valve. Consolidated gross profit increased and Selling, general and administrative expenses increased in the second quarter of 2026 compared to the prior year quarter, primarily to support the increase in revenue.

Refer to Results by Reportable Segment below for a complete discussion of our results of operations.

Results by Reportable Segment

Lawson Segment

	Three Months Ended June 30,		Change	
(Dollars in thousands)	2026	2025	Amount	%
Revenue from external customers	$ 125,403	$ 124,287	$ 1,116	0.9 %
Intersegment revenue	95	26	69	N/M
Revenue	125,498	124,313	1,185	1.0 %
Cost of goods sold	61,100	55,739	5,361	9.6 %
Gross profit	64,398	68,574	(4,176)	(6.1)%
Selling, general and administrative expenses	61,856	60,599	1,257	2.1 %
Operating income (loss)	$ 2,542	$ 7,975	$ (5,433)	(68.1)%
Gross profit margin	51.3 %	55.2 %		
Adjusted EBITDA[1]	$ 11,910	$ 15,709	$ (3,799)	(24.2)%

[1] Refer to the Non-GAAP Adjusted EBITDA section in Overview for a reconciliation of Adjusted EBITDA to operating income.

N/M Not meaningful

Revenue and Gross Profit

Revenue increased approximately $1.2 million, or 1.0%, to $125.5 million in the second quarter of 2026 compared to $124.3 million in the second quarter of 2025. The increase was primarily driven by increased sales to Lawson's strategic and government customers, partially offset by a decline in sales to Lawson's core customers.

Gross profit decreased $4.2 million, or 6.1%, to $64.4 million in the second quarter of 2026 compared to gross profit of $68.6 million in the prior year quarter primarily as a result of a sales mix shift toward lower margin customers, increased vendor costs and higher tariff rates on inbound freight partially offset by customer price increases. Lawson gross profit as a percentage of revenue was 51.3% in the second quarter of 2026 compared to 55.2% in the prior year quarter. The gross profit margin percentage decrease was primarily due to a sales mix shift toward lower margin customers, increased vendor costs and higher tariff rates on inbound freight partially offset by customer price increases.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of compensation and support for Lawson sales representatives and expenses to operate Lawson's distribution network and overhead expenses.

Selling, general and administrative expenses increased $1.3 million to $61.9 million in the second quarter of 2026 compared to $60.6 million in the prior year quarter. The increase was primarily driven by higher severance expense of $1.3 million and higher medical claims costs.

Adjusted EBITDA

During the three months ended June 30, 2026, Lawson generated Adjusted EBITDA of $11.9 million, or 9.5% of sales. This is a decrease of $3.8 million from the same period a year ago primarily driven by the lower gross profit margin percentage partially offset by increased revenue.

TestEquity Segment

(Dollars in thousands)	Three Months Ended June 30, 2026	Three Months Ended June 30, 2025	Change Amount	Change %
Revenue from external customers	$ 228,921	$ 194,830	$ 34,091	17.5 %
Intersegment revenue	73	216	(143)	(66.2)%
Revenue	228,994	195,046	33,948	17.4 %
Cost of goods sold	178,068	152,473	25,595	16.8 %
Gross profit	50,926	42,573	8,353	19.6 %
Selling, general and administrative expenses	40,158	37,760	2,398	6.4 %
Operating income (loss)	$ 10,768	$ 4,813	$ 5,955	N/M
Gross profit margin	22.2 %	21.8 %		
Adjusted EBITDA[1]	$ 19,991	$ 13,477	$ 6,514	48.3 %

[1] Refer to the Non-GAAP Adjusted EBITDA section in Overview for a reconciliation of Adjusted EBITDA to operating income.

N/M Not meaningful

Revenue and Gross Profit

Revenue increased $33.9 million, or 17.4%, to $229.0 million in the second quarter of 2026 compared to $195.0 million in the second quarter of 2025. The increase was primarily driven by a $15.0 million increase in revenue from test and measurement, a $16.8 million increase in revenue from direct and indirect electronics production supplies, and a $3.8 million increase in revenue from rentals, chambers and refurbished, along with an increase in revenue from the European region, partially offset by a $1.7 million decrease in revenue from fabrication and value added services.

Gross profit increased $8.4 million to $50.9 million in the second quarter of 2026 compared to gross profit of $42.6 million in the prior year quarter. The increase was primarily driven by the increase in revenue. TestEquity gross profit as a percentage of revenue increased to 22.2% in the second quarter of 2026 compared to 21.8% in the prior year quarter primarily due to higher supplier rebates.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of compensation and support for TestEquity's sales representatives and expenses to operate TestEquity's distribution network and overhead expenses.

Selling, general and administrative expenses increased $2.4 million to $40.2 million in the second quarter of 2026 compared to $37.8 million in the prior year quarter. The increase was primarily driven by an increase in stock-based compensation of $0.3 million, higher salaries, commissions and bonuses as part of strategic leadership investments in 2026 and higher incentive compensation driven by the increase in revenue. These were partially offset by a higher gain on the sale of rental assets of $0.5 million and lower bad debt expense of $1.0 million.

Adjusted EBITDA

During the three months ended June 30, 2026, TestEquity generated Adjusted EBITDA of $20.0 million or 8.7% of sales. This is an increase of $6.5 million from the same period a year ago, which was primarily driven by the increase in revenue and gross profit margin while leveraging Selling, general, and administrative expenses over a higher sales base.

Gexpro Services Segment

(Dollars in thousands)	Three Months Ended June 30, 2026	Three Months Ended June 30, 2025	Change Amount	Change %
Revenue from external customers	$ 139,727	$ 127,474	$ 12,253	9.6 %
Intersegment revenue	419	333	86	25.8 %
Revenue	140,146	127,807	12,339	9.7 %
Cost of goods sold	96,615	87,847	8,768	10.0 %
Gross profit	43,531	39,960	3,571	8.9 %
Selling, general and administrative expenses	28,999	26,058	2,941	11.3 %
Operating income (loss)	$ 14,532	$ 13,902	$ 630	4.5 %
Gross profit margin	31.1 %	31.3 %		
Adjusted EBITDA[1]	$ 18,300	$ 17,082	$ 1,218	7.1 %

[1] Refer to the Non-GAAP Adjusted EBITDA section in Overview for a reconciliation of Adjusted EBITDA to operating income.

Revenue and Gross Profit

Revenue increased $12.3 million, or 9.7%, to $140.1 million in the second quarter of 2026 compared to $127.8 million in the second quarter of 2025. The increase in revenue was primarily driven by increases in the industrial power, technology, transportation, and consumer industrial vertical markets of $8.0 million, $3.2 million, $1.6 million and $1.5 million, respectively, partially offset by a decline of $2.2 million in the aerospace and defense vertical market.

Gross profit increased $3.6 million to $43.5 million in the second quarter of 2026 compared to gross profit of $40.0 million in the prior year quarter, primarily due to the increase in revenue. Gexpro Services gross profit as a percentage of revenue decreased to 31.1% in the second quarter of 2026 compared to 31.3% in the prior year quarter primarily as a result of additional tariff charges passed through to customers of approximately $1.7 million which negatively impacted the gross margin percentage.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of sales and marketing expenses primarily relating to compensation, costs associated with supporting Gexpro Services’ service facilities, overhead expenses within finance, legal, human resources and information technology, and other costs required to operate Gexpro Services’ business.

Selling, general, and administrative expenses increased $2.9 million to $29.0 million in the second quarter of 2026 compared to $26.1 million in the prior year quarter primarily driven by higher medical claim costs and stock-based compensation of $0.4 million.

Adjusted EBITDA

During the three months ended June 30, 2026, Gexpro Services generated Adjusted EBITDA of $18.3 million or 13.1% of sales, an increase of $1.2 million from the same period a year ago primarily driven by the increase in revenue.

Canada Branch Division Segment

	Three Months Ended June 30,		Change	
(Dollars in thousands)	2026	2025	Amount	%
Revenue from external customers	$ 63,683	$ 55,846	$ 7,837	14.0 %
Intersegment revenue	34	6	28	N/M
Revenue	63,717	55,852	7,865	14.1 %
Cost of goods sold	42,671	36,895	5,776	15.7 %
Gross profit	21,046	18,957	2,089	11.0 %
Selling, general and administrative expenses	17,217	17,206	11	0.1 %
Operating income (loss)	$ 3,829	$ 1,751	$ 2,078	N/M
Gross profit margin	33.0 %	33.9 %		
Adjusted EBITDA[1]	$ 5,706	$ 3,620	$ 2,086	57.6 %

[1] Refer to the Non-GAAP Adjusted EBITDA section in Overview for a reconciliation of Adjusted EBITDA to operating income.

N/M Not meaningful

Revenue and Gross Profit

Revenue increased $7.9 million to $63.7 million in the second quarter of 2026 compared to $55.9 million in the second quarter of 2025 driven by $4.1 million of additional revenue generated by the 2026 acquisition of Eastern Valve and an increase in organic revenue of $3.8 million primarily from increased sales volume in Eastern and Western Canada.

Gross profit increased $2.1 million to $21.0 million in the second quarter of 2026 compared to gross profit of $19.0 million in the prior year quarter primarily from the inclusion of additional gross profit of $1.3 million from the acquisition of Eastern Valve. Gross profit as a percentage of revenue decreased to 33.0% in the second quarter of 2026 compared to 33.9% in the prior year quarter primarily due to a sales mix shift toward lower margin customers.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for Canada Branch Division consist of compensation, expenses to operate its distribution network and branch locations and overhead expenses.

Selling, general and administrative expenses were flat at $17.2 million in the second quarter of 2026 compared to $17.2 million in the prior year quarter. There were approximately $0.5 million of additional expenses driven by the 2026 acquisition of Eastern Valve which were offset by lower facility costs of $0.4 million.

Adjusted EBITDA

During the three months ended June 30, 2026, Canada Branch Division generated Adjusted EBITDA of $5.7 million, or 9.0% of sales. This is an increase of $2.1 million from the same period a year ago, primarily driven by approximately $0.9 million of adjusted EBITDA generated by the 2026 acquisition of Eastern Valve.

Consolidated Non-operating Income and Expense

	Three Months Ended June 30,		Change	
(Dollars in thousands)	2026	2025	Amount	%
Interest expense	$ (12,991)	$ (14,238)	$ 1,247	(8.8)%
Other income (expense), net	$ (486)	$ (726)	$ 240	(33.1)%
Income tax expense (benefit)	$ 5,897	$ 6,859	$ (962)	(14.0)%

Interest Expense

Interest expense decreased $1.2 million in the second quarter of 2026 compared to the prior year quarter primarily due to lower average interest rates in 2026.

Other Income (Expense), Net

Other income (expense), net consists of effects of changes in foreign currency exchange rates, interest income, net and other non-operating income and expenditures. The $0.2 million change in the second quarter of 2026 compared to the same period of 2025 is primarily due to an increase in the gain on the sale of property, plant and equipment.

Income Tax Expense (Benefit)

Income tax expense was $5.9 million, a 41.0% effective tax rate for the three months ended June 30, 2026 compared to an income tax expense of $6.9 million and a 57.8% effective tax rate for the three months ended June 30, 2025. The change in the year-over-year effective tax rate was primarily due to a change in valuation allowances related to interest expense limitation on deferred tax assets, state taxes and foreign income. The change in the valuation allowances includes updated U.S. deferred tax projections, particularly related to future taxable income generated by the Company’s deferred tax liabilities. The income tax expense recorded in the second quarter of 2026 is based on the estimated year-end effective tax rate.

Six Months Ended June 30, 2026 Compared to Six Months Ended June 30, 2025

Consolidated Results of Operations

	Six Months Ended June 30,			
	2026		2025	
(Dollars in thousands)	**Amount**	**% of Net Sales**	**Amount**	**% of Net Sales**
Revenue				
Lawson	$ 249,234	23.7 %	$ 244,775	25.0 %
TestEquity	433,170	41.1 %	383,819	39.1 %
Gexpro Services	257,794	24.5 %	246,712	25.2 %
Canada Branch Division	114,739	10.9 %	106,395	10.9 %
Intersegment revenue elimination	(1,208)	(0.2)%	(1,235)	(0.1)%
Total Revenue	1,053,729	100.0 %	980,466	100.0 %
Cost of goods sold				
Lawson	119,849	11.4 %	107,967	11.0 %
TestEquity	336,650	31.9 %	299,489	30.5 %
Gexpro Services	178,506	16.9 %	169,646	17.3 %
Canada Branch Division	76,483	7.3 %	70,541	7.2 %
Intersegment cost of goods sold elimination	(1,234)	(0.1)%	(1,241)	(0.1)%
Total Cost of goods sold	710,254	67.4 %	646,402	65.9 %
Gross profit	343,475	32.6 %	334,064	34.1 %
Selling, general and administrative expenses				
Lawson	123,787	11.7 %	122,517	12.5 %
TestEquity	81,705	7.8 %	75,387	7.7 %
Gexpro Services	56,355	5.3 %	51,923	5.3 %
Canada Branch Division	34,041	3.2 %	33,452	3.4 %
All Other	6,089	0.7 %	3,862	0.4 %
Total Selling, general and administrative expenses	301,977	28.7 %	287,141	29.3 %
Operating income (loss)	41,498	3.9 %	46,923	4.8 %
Interest expense	(25,162)	(2.4)%	(28,453)	(2.9)%
Change in fair value of earnout liabilities	—	— %	(1,000)	(0.1)%
Other income (expense), net	(1,188)	(0.1)%	(94)	— %
Income (loss) before income taxes	15,148	1.4 %	17,376	1.8 %
Income tax expense (benefit)	6,272	0.6 %	9,112	0.9 %
Net income (loss)	$ 8,876	0.8 %	$ 8,264	0.8 %

Overview of Consolidated Results of Operations

Our consolidated revenue increased $73.3 million in the first six months of 2026 compared to the first six months of 2025 primarily driven by an increase in organic revenue of 7.0% and $4.9 million of additional revenue generated by the 2026 acquisition of Eastern Valve. Consolidated Gross profit and Selling, general and administrative expenses also increased over the prior year primarily to support the increase in revenue.

Refer to Results by Reportable Segment below for a complete discussion of our results of operations.

Results by Reportable Segment

Lawson Segment

(Dollars in thousands)	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025	Change Amount	Change %
Revenue from external customers	$ 249,092	$ 244,727	$ 4,365	1.8 %
Intersegment revenue	142	48	94	195.8 %
Revenue	249,234	244,775	4,459	1.8 %
Cost of goods sold	119,849	107,967	11,882	11.0 %
Gross profit	129,385	136,808	(7,423)	(5.4)%
Selling, general and administrative expenses	123,787	122,517	1,270	1.0 %
Operating income (loss)	$ 5,598	$ 14,291	$ (8,693)	(60.8)%
Gross profit margin	51.9 %	55.9 %		
Adjusted EBITDA[(1)]	$ 23,479	$ 30,016	$ (6,537)	(21.8)%

(1) Refer to the Non-GAAP Adjusted EBITDA section in Overview for a reconciliation of Adjusted EBITDA to operating income.

Revenue and Gross Profit

Revenue increased $4.5 million, or 1.8%, to $249.2 million in the first six months of 2026 compared to revenue of $244.8 million in the same period of 2025. The increase was primarily driven by increased sales to Lawson’s strategic and government customers, partially offset by a decline in sales to Lawson’s core customers.

Gross profit decreased $7.4 million to $129.4 million in the first six months of 2026 compared to gross profit of $136.8 million in the same period of 2025 primarily as a result of a sales mix shift toward lower margin customers, increased vendor costs and higher tariff rates on inbound freight partially offset by customer price increases. Lawson gross profit as a percentage of revenue was 51.9% in the first six months of 2026 compared to 55.9% in the prior year period. The gross profit margin percentage decrease was primarily due to a sales mix shift toward lower margin customers, increased vendor costs and higher tariff rates on inbound freight partially offset by customer price increases.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of compensation and support for Lawson sales representatives as well as expenses to operate Lawson’s distribution network and overhead expenses.

Selling, general and administrative expenses increased $1.3 million to $123.8 million in the first six months of 2026 compared to $122.5 million in the same period of 2025. The increase was primarily driven by higher severance expense of $1.2 million and higher medical claims costs.

Adjusted EBITDA

During the six months ended June 30, 2026, Lawson generated Adjusted EBITDA of $23.5 million, a decrease of $6.5 million, or 21.8% from the same period a year ago primarily driven by the lower gross profit margin percentage partially offset by increased revenue.

TestEquity Segment

(Dollars in thousands)	Six Months Ended June 30, 2026	2025	Change Amount	%
Revenue from external customers	$ 432,685	$ 383,286	$ 49,399	12.9 %
Intersegment revenue	485	533	(48)	(9.0)%
Revenue	433,170	383,819	49,351	12.9 %
Cost of goods sold	336,650	299,489	37,161	12.4 %
Gross profit	96,520	84,330	12,190	14.5 %
Selling, general and administrative expenses	81,705	75,387	6,318	8.4 %
Operating income (loss)	$ 14,815	$ 8,943	$ 5,872	65.7 %
Gross profit margin	22.3 %	22.0 %		
Adjusted EBITDA[1]	$ 33,237	$ 26,288	$ 6,949	26.4 %

[1] Refer to the Non-GAAP Adjusted EBITDA section in Overview for a reconciliation of Adjusted EBITDA to operating income.

Revenue and Gross Profit

Revenue increased $49.4 million, or 12.9%, to $433.2 million in the first six months of 2026 compared to $383.8 million in the same period in 2025. The increase was primarily driven by a $24.7 million increase in revenue from test and measurement, a $25.0 million increase in revenue from electronic production supplies and a $4.4 million increase in revenue from rental and refurbished, partially offset by a $4.7 million decrease in revenue from value added services.

Gross profit increased $12.2 million to $96.5 million in the first six months of 2026 compared to $84.3 million in the same period of 2025. The increase was primarily driven by the increase in revenue. TestEquity gross profit as a percentage of revenue increased to 22.3% in the first six months of 2026 compared to 22.0% in the prior year primarily due to higher supplier rebates.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of compensation and support for TestEquity's sales representatives and expenses to operate TestEquity's distribution network and overhead expenses.

Selling, general and administrative expenses increased $6.3 million to $81.7 million in the first six months of 2026 compared to $75.4 million in the same period of 2025. The increase was primarily driven by an increase in stock-based compensation of $0.9 million, an increase in merger and acquisition expenses of $0.4 million, and higher salaries, commissions and bonuses as part of strategic leadership investments in 2026. These were partially offset by a higher gain on the sale of rental assets and lower bad debt expense.

Adjusted EBITDA

During the six months ended June 30, 2026, TestEquity generated Adjusted EBITDA of $33.2 million, an increase of $6.9 million, or 26.4%, from the same period a year ago which was primarily driven by the increase in revenue and gross profit margin while leveraging Selling, general, and administrative expenses over a higher sales base.

Gexpro Services Segment

(Dollars in thousands)	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025	Change Amount	Change %
Revenue from external customers	$ 257,270	$ 246,067	$ 11,203	4.6 %
Intersegment revenue	524	645	(121)	(18.8)%
Revenue	257,794	246,712	11,082	4.5 %
Cost of goods sold	178,506	169,646	8,860	5.2 %
Gross profit	79,288	77,066	2,222	2.9 %
Selling, general and administrative expenses	56,355	51,923	4,432	8.5 %
Operating income (loss)	$ 22,933	$ 25,143	$ (2,210)	(8.8)%
Gross profit margin	30.8 %	31.2 %		
Adjusted EBITDA[(1)]	$ 30,327	$ 32,057	$ (1,730)	(5.4)%

(1) Refer to the Non-GAAP Adjusted EBITDA section in Overview for a reconciliation of Adjusted EBITDA to operating income.

Revenue and Gross Profit

Revenue increased $11.1 million, or 4.5%, to $257.8 million in the first six months of 2026 compared to $246.7 million in the same period of 2025. The increase in revenue was primarily driven by increased sales in the industrial power, technology, and consumer and industrial vertical markets of $11.6 million, $4.0 million, and $3.0 million, respectively, partially offset by decreased sales within the renewables and aerospace and defense vertical markets of $4.2 million and $3.6 million, respectively.

Gross profit increased $2.2 million to $79.3 million in the first six months of 2026 compared to $77.1 million in the same period of 2025 primarily due to the increase in revenue. Gexpro Services' gross profit as a percentage of revenue decreased to 30.8% in the first six months of 2026 compared to 31.2% in the prior year period primarily as a result of additional tariff charges passed through to customers of approximately $4.6 million which negatively impacted the gross margin percentage.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of sales and marketing expenses primarily relating to compensation, costs associated with supporting Gexpro Services' service facilities, overhead expenses within finance, legal, human resources and information technology, and other costs required to operate Gexpro Services' business.

Selling, general, and administrative expenses increased $4.4 million to $56.4 million in the first six months of 2026 compared to $51.9 million in the same period of 2025. The increase was primarily driven by investments to support sales growth, higher stock-based compensation expense of $0.8 million and higher severance expense of $0.4 million.

Adjusted EBITDA

During the six months ended June 30, 2026, Gexpro Services generated Adjusted EBITDA of $30.3 million, a decrease of $1.7 million, or 5.4% from the same period a year ago primarily driven by a lower gross margin percentage and an increase in selling, general, and administrative expenses.

Canada Branch Division Segment

(Dollars in thousands)	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025	Change Amount	Change %
Revenue from external customers	$ 114,682	$ 106,386	$ 8,296	7.8 %
Intersegment revenue	57	9	48	533.3 %
Revenue	114,739	106,395	8,344	7.8 %
Cost of goods sold	76,483	70,541	5,942	8.4 %
Gross profit	38,256	35,854	2,402	6.7 %
Selling, general and administrative expenses	34,041	33,452	589	1.8 %
Operating income (loss)	$ 4,215	$ 2,402	$ 1,813	75.5 %
Gross profit margin	33.3 %	33.7 %		
Adjusted EBITDA[1]	$ 8,524	$ 6,236	$ 2,288	36.7 %

(1) Refer to the Non-GAAP Adjusted EBITDA section in Overview for a reconciliation of Adjusted EBITDA to operating income.

Revenue and Gross Profit

Revenue increased $8.3 million, or 7.8%, to $114.7 million in the first six months of 2026 compared to $106.4 million in the same period of 2025 driven by $4.9 million of additional revenue generated by the 2026 acquisition of Eastern Valve and an increase in organic revenue of $3.4 million. Favorable foreign currency exchange rate changes positively impacted sales by $2.7 million.

Gross profit increased $2.4 million to $38.3 million in the first six months of 2026 compared to gross profit of $35.9 million in the same period of 2025 primarily from the inclusion of additional gross profit of $1.6 million generated by the 2026 acquisition of Eastern Valve. Gross profit as a percentage of revenue decreased to 33.3% in the first six months of 2026 compared to 33.7% in the prior year primarily due to a sales mix shift toward lower margin customers.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for Canada Branch Division consist of compensation, expenses to operate its distribution network and branch locations and overhead expenses.

Selling, general and administrative expenses increased $0.6 million to $34.0 million in the first six months of 2026 compared to $33.5 million in the prior year quarter. The increase was primarily due to approximately $0.7 million of additional expenses driven by the 2026 acquisition of Eastern Valve.

Adjusted EBITDA

During the first six months of 2026, Canada Branch Division generated Adjusted EBITDA of $8.5 million, an increase of $2.3 million from the same period a year ago with an increase of approximately $1.1 million driven by the acquisition of Eastern Valve.

Consolidated Non-operating Income and Expense

(Dollars in thousands)	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025	Change Amount	Change %
Interest expense	$ (25,162)	$ (28,453)	$ 3,291	(11.6)%
Change in fair value of earnout liabilities	$ —	$ (1,000)	$ 1,000	(100.0)%
Other income (expense), net	$ (1,188)	$ (94)	$ (1,094)	N/M
Income tax expense (benefit)	$ 6,272	$ 9,112	$ (2,840)	(31.2)%

N/M Not meaningful

Interest Expense

Interest expense decreased $3.3 million in the first six months of 2026 compared to the same period of 2025 primarily due to lower average interest rates in 2026.

Change in Fair Value of Earnout Liabilities

The $1.0 million in expense in the first six months of 2025 related to the change in fair value of the earnout liabilities associated with the Frontier acquisition.

Other Income (Expense), Net

Other income (expense), net consists of effects of changes in foreign currency exchange rates, interest income, net and other non-operating income and expenditures. The $1.1 million change in the first six months of 2026 compared to the same period of 2025 is primarily due to unfavorable changes in foreign currency exchange rates and lower interest income.

Income Tax Expense (Benefit)

Income tax expense was $6.3 million, a 41.4% effective tax rate for the first six months of 2026 compared to an income tax expense of $9.1 million and a 52.4% effective tax rate for the first six months of 2025. The change in the year-over-year effective tax rate was primarily due to a change in valuation allowances related to interest expense limitation on deferred tax assets, state taxes and foreign income. The change in the valuation allowances includes updated U.S. deferred tax projections, particularly related to future taxable income generated by the Company's deferred tax liabilities. The income tax expense recorded in the second quarter of 2026 is based on the estimated year-end effective tax rate.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were $66.9 million on June 30, 2026 compared to $61.8 million on December 31, 2025.

The Company believes its current balances of cash and cash equivalents, availability under its revolving credit facility and cash flows from operations will be sufficient to meet its liquidity needs for the next twelve months. As of June 30, 2026, the Company had $66.9 million of cash and cash equivalents and $344.7 million of borrowing availability remaining, net of outstanding letters of credit, under its revolving credit facility. However, as discussed in more detail below under "—Financing and Capital Requirements—Credit Agreement Amendment and Merger Financing," the Merger Agreement now caps at $100.0 million the amount of revolving borrowings that may be outstanding under its revolving credit facility while the Merger is pending, subject to limited exceptions for certain contemplated acquisitions.

Our primary short-term and long-term liquidity and capital resource needs are to finance operating expenses, working capital, capital expenditures, potential business acquisitions, strategic initiatives and general corporate purposes. Our current debt obligations under the Amended Credit Agreement (as amended by the Credit Agreement Amendment executed on July 15, 2026) mature in December 2030. Required principal payments on the Amended Credit Agreement (as amended by the Credit Agreement Amendment executed on July 15, 2026) for the next twelve months are $35.0 million. Refer to Note 8 – Debt in Part I, Item 1. Financial Statements for additional information related to our debt obligations. Access to debt capital markets has historically provided the Company with sources of liquidity, beyond normal operating cash flows. We do not currently anticipate having difficulty in obtaining financing from those markets in the future, however, we cannot provide assurance that unforeseen events or events beyond our control (such as a potential tightening of debt capital markets, including in response to the implementation of new tariffs as part of the U.S. trade policy and any reciprocal or retaliatory tariffs thereto) will not have a material adverse impact on our liquidity.

Sources and Uses of Cash

The following table presents a summary of our cash flows:

	Six Months Ended June 30,		
(in thousands)	2026	2025	Change
Net cash provided by (used in) operating activities	$ 1,622	$ 28,536	$ (26,914)
Net cash provided by (used in) investing activities	$ (29,804)	$ (11,989)	$ (17,815)
Net cash provided by (used in) financing activities	$ 28,862	$ (39,058)	$ 67,920

Cash Provided by (Used in) Operating Activities

Net cash provided by operating activities for the six months ended June 30, 2026 was $1.6 million primarily due to net income including non-cash items, partially offset by investments in trade working capital and other net cash flow items.

Net cash provided by operating activities for the six months ended June 30, 2025 was $28.5 million, primarily due to net income including non-cash items partially offset by investments in trade working capital and other net cash flow items.

Cash Provided by (Used in) Investing Activities

Net used in investing activities for the six months ended June 30, 2026 was $29.8 million, primarily due to the purchase of Eastern Valve, as well as purchases of property, plant and equipment and rental equipment, partially offset by the sale of property, plant and equipment and rental equipment.

Net cash used in investing activities for the six months ended June 30, 2025 was $12.0 million, primarily due to purchases of property, plant and equipment and rental equipment which was partially offset by the sale of property, plant and equipment and rental equipment.

Cash Provided by (Used in) Financing Activities

Net cash provided by financing activities for the six months ended June 30, 2026 was $28.9 million primarily due to net borrowings on the revolving credit facility partially offset by principal payments on the term loans.

Net cash used in financing activities for the six months ended June 30, 2025 was $39.1 million primarily due to principal payments on the term loans and repurchases of DSG common stock under the repurchase program, partially offset by net borrowings on the revolving credit facility.

Financing and Capital Requirements

Credit Facility

The Amended Credit Agreement includes $700 million of term debt and a revolving credit arrangement of $400 million and permits the Company to increase the commitments under the credit facility from time to time by up to $500 million in the aggregate, subject to, among other things, receipt of additional commitments from existing and/or new lenders and pro forma compliance with certain financial covenants. Refer to Note 8 – Debt in Part I, Item 1. Financial Statements for a description of the Amended Credit Agreement.

On June 30, 2026, we had $733.8 million in outstanding borrowings under the Amended Credit Agreement and $344.7 million of borrowing availability remaining, net of outstanding letters of credit, under the senior secured revolving credit facility component.

As of June 30, 2026, we were in compliance with all financial covenants under our Amended Credit Agreement. While we were in compliance with our financial covenants as of June 30, 2026, failure to meet the covenant requirements of the Amended Credit Agreement in future quarters could lead to higher financing costs and increased restrictions, reduce or eliminate our ability to borrow funds, or accelerate the payment of our indebtedness and could have a material adverse effect on our business, financial condition and results of operations.

Credit Agreement Amendment and Merger Financing

On July 15, 2026, in connection with the Merger Agreement, the Company entered into the Credit Agreement Amendment. The Credit Agreement Amendment permits, subject to its terms and conditions, revolving loans under the credit facility to be used to finance the Merger and related transactions and establishes a “certain funds” framework applicable to such borrowings. The Merger Agreement requires the Company to provide customary financing cooperation, including using commercially reasonable efforts to maintain the credit agreement financing or pursue specified alternative debt financing. The availability of financing is not a condition to the obligations of Parent, Intermediate and Merger Sub to complete the Merger.

The Credit Agreement Amendment was entered into after June 30, 2026 and therefore did not affect the Company's outstanding borrowings or borrowing availability as of that date. Under the terms of the Merger agreement, during the period between execution of the Merger Agreement and completion of the Merger, revolving loans under the credit facility, other than borrowings to finance certain contemplated acquisitions, may not exceed $100.0 million outstanding at any time. Accordingly, although the credit facility provided $344.7 million of unused additional borrowing capacity at June 30, 2026, the Merger Agreement now caps at $100.0 million the amount of revolving borrowings that may be outstanding under the credit facility while the Merger is pending, subject to limited exceptions for certain contemplated acquisitions. For additional information, see Note 16 – Subsequent Events in Part I, Item 1, Financial Statements and our Current Report on Form 8-K filed with the SEC on July 16, 2026.

Purchase Commitments

As of June 30, 2026, we had contractual commitments to purchase approximately $284.0 million of products from our suppliers and contractors over the next twelve months.

Capital Expenditures

During the six months ended June 30, 2026, total net capital expenditures for property, plant and equipment and rental equipment were $13.3 million including proceeds from the sale of property, plant and equipment and rental equipment. The Company expects to spend approximately $25.0 million to $30.0 million for net capital expenditures during the full fiscal 2026 year to support ongoing operations.

Stock Repurchase Program

The Company's Board of Directors previously authorized a stock repurchase program that permits the Company to repurchase DSG common stock. The timing and the amount of any repurchases will be determined by management under parameters established by the Board of Directors and depend on various factors including an evaluation of our stock price, corporate and regulatory requirements, capital availability and other market conditions.

During the six months ended June 30, 2026, no repurchases were made. During the six months ended June 30, 2025, the Company repurchased 653,213 shares of DSG common stock under the repurchase program at an average cost of $30.69 per share for a total cost of $20.0 million. The remaining availability for stock repurchases under the program was $32.9 million as of June 30, 2026. See Note 10 – Stockholders' Equity in Part I, Item 1. Financial Statements for further information.

On July 15, 2026, the Company entered into the Merger Agreement, which generally prohibits the Company from repurchasing shares of DSG common stock during the pendency of the Merger, subject to specified exceptions. See Note 16 – Subsequent Events in Part I, Item 1 for additional information.

Critical Accounting Policies and Use of Estimates

The unaudited condensed consolidated financial statements were prepared in accordance with GAAP. A discussion of our critical accounting policies and estimates is contained within Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in DSG's Annual Report on Form 10-K for the year ended December 31, 2025. There have been no significant changes to our previously disclosed critical accounting policies and use of estimates. The following provides information on the accounts requiring more significant estimates.

Income Taxes - Deferred tax assets or liabilities reflect temporary differences between amounts of assets and liabilities for financial and tax reporting. Such amounts are adjusted, as appropriate, to reflect changes in enacted tax rates expected to be in effect when the temporary differences reverse. Significant judgment is required in determining income tax provisions as well as deferred tax asset and liability balances, including the estimation of valuation allowances and the evaluation of uncertain tax positions.

Goodwill Impairment - Goodwill represents the cost of business acquisitions in excess of the fair value of identifiable net tangible and intangible assets acquired. The Company reviews goodwill for potential impairment annually on October 1st, or when an event or other circumstances change that would more likely than not reduce the fair value of the asset below its carrying value.

The first step in the multi-step process to determine if goodwill has been impaired and to what degree is to review the relevant qualitative factors that could cause the fair value of the reporting unit to decrease below the carrying value of the reporting unit. The Company considers factors such as macroeconomic, industry and market conditions, cost factors, overall financial performance and other relevant factors that would affect the individual reporting units. If the Company determines that it is more likely than not that the fair value of the reporting unit is greater than the carrying value of the reporting unit, then no further impairment testing is needed. If the Company determines that it is more likely than not that the carrying value of the reporting unit is greater than the fair value of the reporting unit, the Company will move to the next step in the process. The Company will estimate the fair value of the reporting unit and compare it to the reporting unit's carrying value. If the carrying value of the reporting unit exceeds its fair value, the Company will record an impairment of goodwill equal to the amount the carrying value of the reporting unit exceeds its fair value, up to the total amount of goodwill previously recognized.

Business Combinations - We allocate the purchase price paid for assets acquired and liabilities assumed in connection with our acquisitions based on their estimated fair values at the time of acquisition. This allocation involves a number of assumptions, estimates, and judgments in determining the fair value, as of the acquisition date, of the following:

- intangible assets, including the valuation methodology (the relief of royalty method for trade names and multi-period excess earnings method for customer relationships), estimations of future cash flows, discount rates, royalty rates, recurring revenue attributed to customer relationships, and our assumed market segment share, as well as the estimated useful life of intangible assets;
- deferred tax assets and liabilities, uncertain tax positions, and tax-related valuation allowances;
- inventory;
- property, plant and equipment;
- pre-existing liabilities or legal claims;
- contingent consideration, including estimating the likelihood and timing of achieving the relevant thresholds; and
- goodwill as measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed.

Our assumptions and estimates are based upon comparable market data and information obtained from our management and the management of the acquired companies. We allocate goodwill to the reporting units of the business that are expected to benefit from the business combination.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Our exposure to market risk for changes in interest rates relate primarily to our floating rate long-term debt obligations. Interest rate risk is the exposure to loss resulting from changes in the level of interest rates and the spread between different interest rates. These risks are highly sensitive to many factors, including U.S. monetary and tax policies, U.S. and international economic factors and other factors beyond our control.

The loans under the Amended Credit Agreement bear interest, at the Company's option, at a rate equal to (i) the Alternate Base Rate or the Canadian Prime Rate (each as defined in the Amended Credit Agreement), plus, in each case, an additional margin ranging from 0.00% to 1.75% per annum, depending on the total net leverage ratio of the Company and its restricted subsidiaries as of the most recent determination date under the Amended Credit Agreement or (ii) the Adjusted Term SOFR Rate or the Adjusted Daily Simple SOFR (each as defined in the Amended Credit Agreement), plus, in each case, an additional margin ranging from 1.00% to 2.75% per annum, depending on the total net leverage ratio of the Company and its restricted subsidiaries as of the most recent determination date under the Amended Credit Agreement. Refer to Note 8 – Debt in Part I, Item 1. Financial Statements for information about the Amended Credit Agreement.

As of June 30, 2026, 100% of our debt was floating rate debt. A hypothetical increase/decrease in interest rates of 100 basis points would increase/decrease our annual interest expense by approximately $7.3 million. We have not entered into, and currently do not intend to enter into, interest rate swaps or other derivative financial instruments to mitigate the impact of fluctuations in interest rates.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our senior management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the

“Exchange Act”), as of the end of the period covered by this report (the “Evaluation Date”). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded as of the Evaluation Date that our disclosure controls and procedures were effective as of the Evaluation Date.

Changes in Internal Control over Financial Reporting

Given the timing of the Eastern Valve Transaction and the complexity of systems and business processes, we intend to exclude Eastern Valve from our assessment and report on internal control over financial reporting for the year ending December 31, 2026. Other than the Eastern Valve Transaction, there were no changes in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act, during the quarter ended June 30, 2026 that materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II
OTHER INFORMATION

ITEMS 3 and 4 of Part II are not applicable and have been omitted from this report.

ITEM 1. LEGAL PROCEEDINGS

The Company is a party to various legal proceedings that have arisen in the ordinary course of business. While the Company is unable to predict the outcome of these lawsuits with certainty, it currently believes that the ultimate resolution will not have, either individually or in the aggregate, a material adverse effect on the Company’s business, consolidated financial position, cash flows, or results of operations.

ITEM 1A. RISK FACTORS

In addition to the information set forth in this Quarterly Report on Form 10-Q, stockholders should carefully consider the factors discussed in the “Risk Factors” section of our Annual Report on Form 10-K for the year ended December 31, 2025. Except for the risk factors set forth below, there have been no material changes from the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2025.

Risks Related to the Merger

The Merger may not be completed on the terms or timeline contemplated, or at all, and failure to complete the Merger could adversely affect our business, financial condition, results of operations and stock price.

Completion of the Merger is subject to a number of conditions, including (i) adoption of the Merger Agreement by the affirmative vote of the holders of a majority of the outstanding shares of DSG common stock entitled to vote thereon, (ii) approval of the Transactions by the affirmative vote of a majority of the votes cast by our disinterested stockholders (as such term is defined in Section 144 of the Delaware General Corporation Law) in respect of the Transactions, (iii) expiration or termination of the applicable waiting period under the HSR Act, (iv) the absence of any law or order that enjoins, restrains, makes illegal or otherwise prevents or prohibits the Merger, (v) the accuracy of the parties’ respective representations and warranties, (vi) our and the other parties’ material compliance with their respective covenants, (vii) the absence of any Material Adverse Effect (as defined in the Merger Agreement) since the date of the Merger Agreement, and (viii) other customary conditions. There can be no assurance that these conditions will be satisfied or waived, that the Merger will be completed by the Outside Date or that the Merger will be completed at all.

If the Merger is not completed, our stock price may decline to the extent that the current market price reflects an assumption that the Merger will be completed. In addition, if the Merger is not completed our business, financial condition and results of operations may be adversely affected, including as a result of the following: (i) we may experience negative reactions from the financial markets and financing sources, (ii) the manner in which our customers, suppliers and other business partners perceive us may be negative impacted, which in turn could adversely affect our ability to compete for or retain business, (iii) we may experience negative reactions from key personnel and other employees or prospective new candidates for employment, which could make it difficult to retain and motivate, or could otherwise adversely affect our relationship with, key personnel or employees or make it difficult to attract new or additional personnel or employees, and (iv) we would remain liable for significant transaction-related costs, In addition, in specified circumstances, including if we terminate the Merger Agreement to enter into a definitive agreement for a Superior Proposal or Parent terminates the Merger Agreement following an Adverse Recommendation Change, we may be required to pay Parent a termination fee of approximately $9.3 million in cash, which would adversely affect our financial condition and results of operations.

The announcement and pendency of the Merger could adversely affect our business and results of operations.

Uncertainty regarding the completion and timing of the Merger may adversely affect our ability to attract, retain and motivate employees and attract and maintain relationships with customers, suppliers and other business partners. Parties with which we do business may delay or defer decisions, seek to change existing business arrangements or consider relationships with our competitors. In addition, our management and employees may be required to devote substantial time and attention to matters relating to the Merger, which could divert attention away from our ongoing operations and other strategic priorities. We have incurred and expect to continue to incur significant legal, financial advisory and other professional fees in connection with the Merger, whether or not the Merger is completed.

The Merger Agreement restricts the conduct of our business while the Merger is pending, which may adversely affect our ability to pursue business opportunities or respond to changing circumstances.

The Merger Agreement requires us to conduct our business in the ordinary course and contains various interim operating covenants that restrict us from taking specified actions without Parent's consent, subject to specified exceptions. These restrictions include limitations on dividends and stock repurchases, issuances of securities, acquisitions and dispositions, indebtedness, capital expenditures, employee compensation and benefits, material contracts and other matters. In addition, under the terms of the Merger Agreement, revolving loans under our credit facility, other than borrowings to finance certain contemplated acquisitions, may not exceed $100.0 million outstanding at any time between the signing of the Merger Agreement and the closing of the Merger. These restrictions may prevent or delay us from pursuing financing, acquisition, investment, operational or other opportunities that may arise or from responding to changing business or market conditions, even if we believe such actions would be beneficial.

The Merger Agreement, the Voting and Support Agreement and LKCM Headwater's controlling ownership may discourage competing acquisition proposals.

The Merger Agreement contains "no-shop" restrictions that, subject to various fiduciary-out provisions, limit our ability to solicit alternative acquisition proposals or provide certain information to or engage in discussions or negotiations with third parties with respect to alternative acquisition proposals or inquiries that would reasonably be expected to lead to alternative acquisition proposals. It also provides Parent with notice and matching rights and requires us to pay a termination fee of approximately $9.3 million in specified circumstances. In addition, LKCM and the Company have entered into a Voting and Support Agreement pursuant to which LKCM has agreed, among other things, and subject to the terms and conditions set forth in that agreement, to vote or cause to be voted all shares of DSG common stock beneficially owned by it and its controlled affiliates in favor of the Merger Agreement and against alternative acquisition proposals. LKCM Headwater and its affiliates beneficially owned, in the aggregate, approximately 78.6% of our outstanding common stock as of June 30, 2026. These provisions and circumstances could discourage a third party from making an alternative acquisition proposal or could affect the terms of any such proposal. Although completion of the Merger requires approval by the affirmative vote of a majority of the votes cast by our disinterested stockholders, LKCM Headwater's ownership position may limit the practical availability of certain alternative transactions.

The financing contemplated for the Merger may not be available when required, which could delay or prevent completion of the Merger.

Although Parent's obligation to complete the Merger is not subject to a financing condition, the contemplated financing is subject to conditions. The lenders' obligations to provide the credit agreement financing are subject to the conditions set forth in the Credit Agreement Amendment. In addition, although LKCM Headwater Investment IV, L.P. (an affiliate of LKCM Headwater) entered into an equity commitment letter with Parent, Intermediate and Merger Sub pursuant to which LKCM Headwater Investment IV, L.P. has committed to make or cause to be made an equity investment of up to $125 million in Parent to fund a portion of the amounts payable in connection with the Merger, the obligation of LKCM Headwater IV, L.P. to fund the commitment is subject to the conditions set forth in the equity commitment letter, including the satisfaction or waiver of the conditions to Parent's, Intermediate's and Merger Sub's obligations to complete the Merger, the substantially concurrent completion of the Merger and the funding of the debt financing for the Merger under the Credit Agreement Amendment or alternative debt financing. If the contemplated financing is unavailable or insufficient, Parent may be unable to complete the Merger when required, and we may be required to pursue contractual remedies, which may involve delay, expense and litigation and may not result in timely completion of the Merger. If the Merger is completed and borrowings under the amended credit facility are used to finance the Merger, the surviving corporation's indebtedness and interest expense will increase.

Litigation relating to the Merger could delay or prevent completion of the Merger and result in substantial costs.

Transactions such as the Merger frequently result in litigation or demands from stockholders. Lawsuits may be filed against us, our Board of Directors, the Special Committee, our officers, Parent, LKCM Headwater or other parties in connection with the proposed Merger alleging, among other things, breaches of fiduciary duties or disclosure deficiencies. Any such litigation could seek to enjoin or delay the Merger, require supplemental disclosures, result in monetary liability or settlement payments and cause us to incur substantial defense and indemnification costs. Even if claims are without merit, defending them may divert management's attention and resources and result if substantial defense costs. An adverse judgment or settlement in any such litigation could delay or prevent the Merger or otherwise adversely affect our business and financial condition.

Certain of our directors and executive officers have interests in the Merger that may differ from, or be in addition to, the interests of our stockholders generally.

Mr. King is our Chief Executive Officer and Chairman of our Board of Directors and is also the Managing Partner of LKCM Headwater. The Merger Agreement also provides for specified treatment of outstanding equity awards and continued indemnification and insurance for our directors and officers. These interests may differ from, or be in addition to, the interests of our unaffiliated stockholders.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Unregistered Sales of Equity Securities

The Company did not make any unregistered sales of its equity securities during the three months ended June 30, 2026.

Issuer Purchases of Equity Securities

The Board of Directors previously authorized a stock repurchase program that permits the Company to repurchase DSG common stock from time to time in open market transactions, privately negotiated transactions or by other methods. The stock repurchase program does not have an expiration date. There were no repurchases of any shares of DSG common stock during the three months ended June 30, 2026.

On July 15, 2026, the Company entered into the Merger Agreement, which generally prohibits the Company from repurchasing shares of DSG common stock during the pendency of the Merger, subject to specified exceptions. For additional information, see Note 16 – Subsequent Events in Part I, Item 1, Financial Statements and our Current Report on Form 8-K filed with the SEC on July 16, 2026.

ITEM 5. OTHER INFORMATION

During the quarter ended June 30, 2026, none of our directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement" (as such terms are defined under Item 408 of Regulation S-K).

ITEM 6. EXHIBITS

Exhibit #	Description of Exhibit
2.1†	Agreement and Plan of Merger, dated as of July 15, 2026, by and among Distribution Solutions Group, Inc., Eclipse Parent Acquisitions, LLC, Eclipse Intermediate Acquisitions, LLC and Eclipse Acquisitions Merger Sub, Inc., incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K (File No. 000-10546) filed on July 16, 2026.
3.1	Third Amended and Restated Certificate of Incorporation of the Company, effective as of August 31, 2023, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 000-10546) filed on September 1, 2023.
3.2	Amended and Restated By-Laws of the Company effective as of May 5, 2022, incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K (File No. 000-10546) filed on May 5, 2022.
10.1	Voting and Support Agreement, dated as of July 15, 2026, by and between Distribution Solutions Group, Inc. and Luther King Capital Management Corporation, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 000-10546) filed on July 16, 2026.
10.2	Limited Guarantee, dated as of July 15, 2026, by LKCM Headwater Investments IV, L.P. in favor of Distribution Solutions Group, Inc., incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 000-10546) filed on July 16, 2026.
10.3	First Amendment to Second Amended and Restated Credit Agreement, dated as of July 15, 2026, by and among Distribution Solutions Group, Inc., the subsidiary guarantors party thereto, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (File No. 000-10546) filed on July 16, 2026.
10.4*,**	Distribution Solutions Group, Inc. Amended and Restated 2026 Equity Compensation Plan.
31.1**	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2**	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32***	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following financial statements from the Quarterly Report on Form 10-Q for the quarter ended June 30, 2026, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statement of Operations and Comprehensive Income (Loss), (iii) Condensed Consolidated Statements of Stockholders' Equity, (iv) Condensed Consolidated Statements of Cash Flows, and (v) Notes to Condensed Consolidated Financial Statements.
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	The cover page from the Quarterly Report on Form 10-Q for the quarter ended June 30, 2026, formatted in Inline XBRL and contained in Exhibit 101

† Certain schedules and exhibits to this agreement have been omitted pursuant to Item 601(a)(5) or Item 601(b)(2) of Regulation S-K, as applicable. The Company will furnish supplementally a copy of any omitted schedule or exhibit to the SEC upon request.

* Indicates management employment contracts or compensatory arrangements.

** Filed herewith.

*** Furnished herewith.

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 thereunto duly authorized.

DISTRIBUTION SOLUTIONS GROUP, INC.
(Registrant)

Dated: August 6, 2026	/s/ J. Bryan King J. Bryan King Chairman, President and Chief Executive Officer (principal executive officer)
Dated: August 6, 2026	/s/ Ronald J. Knutson Ronald J. Knutson Executive Vice President, Chief Financial Officer and Treasurer (principal financial officer)
Dated: August 6, 2026	/s/ David S. Lambert David S. Lambert Vice President, Controller and Chief Accounting Officer (principal accounting officer)

EXHIBIT 10.4

DISTRIBUTION SOLUTIONS GROUP, INC. AMENDED AND RESTATED 2026 EQUITY COMPENSATION PLAN

As approved by the Board of Directors on March 31, 2026
As approved by the Stockholders on May 14, 2026

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DISTRIBUTION SOLUTIONS GROUP, INC.
AMENDED & RESTATED 2026 EQUITY COMPENSATION PLAN

1. Definitions

The following terms shall have the following meanings unless the context indicates otherwise:

1.1 *"Annual Incentive Award"* shall mean a cash-denominated compensation award based on the achievement of performance goals, subject to the requirements of Section 13.0 and awarded by the Committee in accordance with the terms of the Plan.

1.2 *"Award"* shall mean a Stock Option, Stock Appreciation Right, Stock Award, Stock Unit, Annual Incentive Award, or Performance-Based Award, awarded by the Committee in accordance with the terms of the Plan.

1.3 *"Award Agreement"* shall mean a written agreement between the Company and the Participant that establishes the terms, conditions, restrictions and/or limitations applicable to an Award in addition to those established by the Plan and by the Committee's exercise of its administrative powers.

1.4 *"Board"* shall mean the Board of Directors of the Company.

1.5 *"Cause"* shall have the meaning set forth in an employment or consulting agreement between a Participant and the applicable Employer, or, if no such agreement exists, or if such agreement does not define "Cause," "Cause" shall mean (a) the Participant's willful or intentional failure to perform the duties of his or her Service in any material respect, (b) malfeasance or negligence in the performance of the Participant's duties of Service in any material respect, (c) the Participant's commission of a felony under the laws of the United States or any state thereof or any other jurisdiction in which the Participant resides (whether or not in connection with his or her Service), (d) the Participant's disclosure of material confidential information about the business of the Company or any of its Subsidiaries to any individual or entity, other than in the performance of the duties of his or her Service, (e) the Participant's material violation of any formal written policy adopted by the Company or any of its Subsidiaries, (f) the Participant's knowing certification of any misrepresentation or false information in any fling by the Company or any of its Subsidiaries with a government agency, (g) the Participant's commission of an act or acts that result in the imposition of criminal or civil penalties against the Company or any of its Subsidiaries by a government agency, or (h) any other act or omission by the Participant (other than an act or omission resulting from the exercise by the Participant of good faith business judgment) which is materially injurious to the financial condition or the business reputation of the Company or any of its Subsidiaries. In addition, the Participant's Service will be deemed to have terminated for Cause if within six (6) months before or after the Participant's Service is terminated, the Board learns of facts and circumstances that would have justified a termination for Cause.

1.6 *"Change in Control"* shall mean the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events: (a) the acquisition (in one transaction or a series of transactions) by one or more related or affiliated (within the meaning of the Exchange Act) entities or persons (other than related or affiliated entities or persons who as of the effective date of this Plan own more than fifty percent (50%) of the outstanding Voting Stock of the Company) of fifty percent (50%) or more of the outstanding Voting Stock of the Company, (b) the sale or other disposition of all or substantially all of the assets of the Company, (c) the merger or consolidation of the Company with or into another entity, as a result of which merger or consolidation the holders of the outstanding Voting Stock of the Company immediately prior to such transaction hold fifty percent (50%) or less of the outstanding Voting Stock of the surviving entity immediately after such transaction, and (d) a majority of members of the Board is replaced during any consecutive 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election (excluding the purpose of determining a "majority of the members of the Board," any member whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board (including without limitation any settlement thereof)). Notwithstanding any other provision in this Section 1.6, in no event will a Change in Control occur if, following the consummation of any event described in subsections (a) through (d) above, Luther King Capital Management Corporation or any of its affiliates remain the majority holder of the equity interests of the Company (or the successor entity to the Company in such transaction).

Notwithstanding the foregoing, a “Change in Control”, to the extent necessary to comply with Section 409A, shall mean a “change in control event” as defined for purposes of Section 409A.Notwithstanding the foregoing definition or any other provision of this Plan, (A) the term Change in Control will not include a sale of assets, merger or other transaction effected exclusively for the purpose of changing the domicile of the Company, and (B) the term Change in Control will not include a sale, lease, exclusive license or other disposition of all or substantially all of the consolidated assets of the Company and its Subsidiaries if all or substantially all of the proceeds from any such sale, lease, exclusive license or other disposition will be, in the discretion of the Board, retained by the Company and/or its Subsidiaries for the purpose of reinvestment into a new or existing line of business, expansion of the Company’s business activities, or for any other purpose deemed advisable by the Board.

The Committee, as administrator of the Plan, shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Change in Control has occurred pursuant to the above definition, the date of the occurrence of such Change in Control and any incidental matters relating thereto; *provided* that any exercise of authority in conjunction with a determination of whether a Change in Control is a “change in control event” as defined in Treasury Regulation Section 1.409A-3(i)(5) shall be consistent with such regulation.

1.7 *“Code”* shall mean the Internal Revenue Code of 1986, as amended from time to time.

1.8 *“Committee”* shall mean (a) the Board or (b) a committee or subcommittee of the Board appointed by the Board from among its members. The Committee may be the Board’s Compensation Committee or such committee that performs the functions generally associated with those functions performed by the compensation committees of publicly traded corporations. Unless the Board determines otherwise, and such determination is reduced to a writing articulating the reasons for such determination, the Committee shall be comprised solely of not less than two (2) members, each of whom shall qualify as:

a. a “Non-Employee Director” within the meaning of Rule 16b-3(b)(3) (or any successor rule) under the Exchange Act, and

b. if the Common Stock is readily tradable on a national securities exchange or other market system, an “independent director” as such term is defined or used by the rules of the exchange or system on which the Company’s Common Stock is listed.

1.1 *“Common Stock”* shall mean the common stock, $1.00 par value per share, of the Company.

1.2 *“Company”* shall mean Distribution Solutions Group, Inc., a Delaware corporation.

1.3 *“Disability”* shall be determined by the Committee in its reasonable discretion. Notwithstanding the foregoing, “Disability”, to the extent necessary to comply with Section 409A, shall mean a “disability” as defined for purposes of Section 409A.

1.4 *“Effective Date”* shall mean March 31, 2026, the date the Board approved and adopted this amendment and restatement of the Plan (which was originally effective March 17, 2009), subject to the approval of the Plan by the Company’s stockholders at the Company’s 2026 Annual Meeting.

1.5 *“Employee”* shall mean an employee of an Employer as described in Treasury Regulation Section 1.421-7(h).

1.6 *“Employer”* shall mean the Company or applicable Subsidiary for which the Participant performs Service.

1.7 *“Exchange Act”* shall mean the Securities Exchange Act of 1934 and all regulatory and interpretative guidance issued thereunder, as amended from time to time, and any successor provisions or regulations.

1.8 *"Fair Market Value"* shall mean, with respect to share of Common Stock:

a. if the Common Stock is readily tradable on a national securities exchange or other market system, the closing price of the Common Stock on the date of calculation (or on the last preceding trading date if Common Stock was not traded on such date), or

b. if the Common Stock is not readily tradable on a national securities exchange or other market system:

i. the book value of a share of Common Stock as of the last day of the last completed fiscal quarter preceding the date of calculation; or

ii. any other value as otherwise determined in good faith by the Board through the reasonable application of a reasonable valuation method within the meaning of Section 409A.

1.9 *"ISO"* shall mean an "incentive stock option" as such term is defined in Code Section 422.

1.10 *"Nonemployee Director"* shall mean a member of the Board who is not an Employee.

1.11 *"Nonqualified Stock Option"* shall mean a Stock Option that does not qualify as an ISO.

1.12 *"Participant"* shall mean any Employee or Nonemployee Director to whom an Award has been granted by the Committee under the Plan.

1.13 *"Performance-Based Award"* shall mean an Award granted to a Participant is subject to Performance Measures.

1.14 *"Performance Goals"* shall mean the level(s) of achievement relating to the Performance Measures selected by the Committee for a Performance-Based Award. The Performance Goals may be applied on an absolute basis or relative to an identified index, peer group, or one or more competitors or other companies (including particular business segments or divisions or such companies), as specified by the Committee. The Performance Goals need not be the same for all Participants.

1.15 *"Plan"* shall mean the Distribution Solutions Group, Inc. Equity Compensation Plan, as amended and restated as set forth herein, and as further amended from time to time.

1.16 *"Section 409A"* shall mean Section 409A of the Code and all regulatory and interpretative guidance issued thereunder, as amended from time to time, and any successor provisions or regulations.

1.17 *"Service"* means the provision of personal services to an Employer, including, without limitation, in the capacity of an Employee or a Nonemployee Director.

1.18 *"Stock Award"* shall mean an award of Common Stock, subject to the requirements of Section 11.0 and awarded by the Committee in accordance with the terms of the Plan.

1.19 *"Stock Option"* shall mean an award of an option to purchase a share of Common Stock, subject to the requirements of Section 10.0 and awarded by the Committee in accordance with the terms of the Plan.

1.20 *"Stock Unit"* shall mean an award of a notional right to receive a share of Common Stock, subject to the requirements of Section 11.0 and awarded by the Committee in accordance with the terms of the Plan.

1.21 *"Subsidiary"* shall mean a corporation of which the Company directly or indirectly owns more than fifty percent (50%) of the Voting Stock or any other business entity in which the Company directly or indirectly has an ownership interest of more than fifty percent (50%).

1.22 *"Treasury Regulation"* shall mean the regulations promulgated under the Code by the United States Department of the Treasury, as amended from time to time.

1.23 *"Unvested"* shall mean an Award (or portion of an Award) that has not yet Vested.

1.24 *"Vest"* shall mean:

a. with respect to Stock Options, when the Stock Option (or a portion thereof) first becomes exercisable and remains exercisable subject to the terms and conditions of such Stock Option, such that the Participant has an unrestricted right, title and interest (but subject to any expiration date) to obtain the compensation (if any) attributable to such Stock Option (or a portion thereof) or to otherwise enjoy the benefits underlying such Stock Option; or

b. with respect to Awards other than Stock Options, when the Participant has:

   i. an unrestricted right, title and interest to receive the compensation (whether payable in cash or Common Stock or a combination of both) attributable to an Award (or a portion of such Award) or to otherwise enjoy the benefits underlying such Award; and

   ii. a right to transfer an Award subject to no Company-imposed restrictions or limitations other than restrictions and/or limitations imposed by the Plan and/or by the Committee in accordance with the Plan.

1.25 *"Vesting Date"* shall mean the date or dates on which an Award Vests.

1.26 *"Voting Stock"* shall mean the capital stock of any class or classes having general voting power under ordinary circumstances, in the absence of contingencies, to elect the directors of a corporation.

2. **Purpose of Plan**

2.1 **Purpose**. The purpose of the Plan is to motivate certain Employees and Nonemployee Directors to put forth maximum efforts toward the growth, profitability, and success of the Company and its Subsidiaries by providing incentives to such Employees and Nonemployee Directors through cash payments and/or through the ownership and performance of the Common Stock. In addition, the Plan is intended to provide incentives that will attract and retain highly qualified individuals as Employees and Nonemployee Directors, and to assist in aligning the interests of such Employees and Nonemployee Directors with the interests of the stockholders of the Company.

3. Term of Plan

3.1 **Term**. The Plan shall be effective as of the Effective Date and shall terminate on the tenth (10th) anniversary of the Effective Date (unless sooner terminated by the Board in accordance with Section 17.0).

4. Stockholder Approval

4.1 **Stockholder Approval**. The Plan shall be approved by the Company's stockholders at the 2026 Annual Meeting. Prior to such approval, the Committee may grant Awards to Participants pursuant to the terms of the Plan as in effect prior to its amendment and restatement. The Committee may also grant Awards to Participants pursuant to the terms of this amended and restated Plan, which Awards shall be conditioned upon the approval of the Plan by the Company's stockholders at the 2026 Annual Meeting, provided that any Award granted under the amended and restated Plan prior to the approval by the Company's stockholders shall be effective as of the date of grant (unless the Committee specifies otherwise at the time of grant), but no such Award may Vest, be paid out, or otherwise be disposed of prior to such stockholder approval. If the stockholders of the Company fail to approve the Plan in accordance with this Section 4.1, any Award granted under the terms of this amended and restated Plan shall be cancelled.

4.2 **Plan Amendment.** Any amendment to the Plan that is determined to be a "material amendment" or a "material revision" or a "material modification" (or word(s) of similar effect) under the rules of the exchange or system on which the Company's Common Stock is listed must be approved by the stockholders of the Company before such amendment shall be effective.

4.3 **Repricings**. Any amendment, revision, replacement, cancellation and regrant, or other change to an outstanding Award that is determined to be a "repricing" (or word(s) of similar effect) under the rules of the exchange or system on which the Company's Common Stock is listed (including any reduction in the exercise price of a Stock Option or the cancellation of an underwater Stock Option in exchange for cash or another Award) must be approved by the stockholders of the Company before such "repriced" Award shall be effective.

5. Administration

5.1 **Responsibility**. The Committee shall have the responsibility, in its sole discretion, to control, operate, manage, interpret, and administer the Plan and any Award Agreement issued thereunder in accordance with its terms, and to make all other determinations that it deems necessary or advisable for the administration of the Plan or any Award Agreement.

5.2 **Award Agreement**. Each Award granted under the Plan shall be evidenced by an Award Agreement that shall be signed by the Committee and the Participant; provided, however, that in the event of any conflict between a provision of the Plan and any provision of an Award Agreement, the provision of the Plan shall prevail.

5.3 **Authority of the Committee**. The Committee shall have all the discretionary authority that may be necessary or helpful to enable it to discharge its responsibilities with respect to the Plan, including but not limited to the following:

a. to determine eligibility for participation in the Plan;

b. to determine eligibility for, and the type and size of, an Award granted under the Plan;

c. to grant Awards to, and to enter into Award Agreements with, Participants;

d. to supply any omission, correct any defect, or reconcile any inconsistency in the Plan in such manner and to such extent as it shall deem appropriate in its sole discretion to carry the same into effect;

e. to issue administrative guidelines as an aid to administer the Plan and make changes in such guidelines as it from time to time deems proper;

f. to make rules for carrying out and administering the Plan and make changes in such rules as it from time to time deems proper;

g. to the extent permitted under the Plan, grant waivers of Plan terms, conditions, restrictions, and limitations;

h. subject to Section 4.3, to grant Awards in replacement of Awards previously granted under this Plan or any other incentive compensation plan of an Employer;

i. to take any and all other actions it deems necessary or advisable for the proper operation or administration of the Plan; and

j. to amend, modify, extend cancel or renew any Award, and authorize the exchange, substitution, or replacement of Awards; provided, that (i) no such amendment, modification, extension, cancellation, renewal, exchange, substitution or replacement will be to the detriment of a Participant with respect to any Award previously granted, without the affected Participant's written consent (ii), any such amendment, modification, extension, cancellation, renewal exchange, substitution, or replacement must satisfy the requirements for exemption under Section 409A, and (iii) in no event will the Committee be permitted to (A) reduce the exercise Price of any outstanding Stock Option, (B) exchange or replace an outstanding Stock Option with a new Stock Option with a lower exercise price, (C) cancel a Stock Option in exchange for cash or other Awards, or (D) increase the number or percentage of shares of Common Stock authorized for Awards under the Plan, without stockholder approval, except as provided in Section 7.2.

5.4 **Action by the Committee**. The Committee may act only by a majority of its members. Any determination of the Committee may be made, without a meeting, by a writing or writings signed by all of the members of the Committee. In addition, the Committee may authorize any one or more of its members to execute and deliver documents on behalf of the Committee.

5.5 **Delegation of Authority.** The Committee may delegate to one or more of its members, or to one or more agents, such administrative duties as it may deem advisable; provided, however, that any such delegation shall be in writing. In addition, the Committee, or any person to whom it has delegated duties under this Section 5.5, may employ one or more persons to render advice with respect to any responsibility the Committee or such person may have under the Plan. The Committee may employ such legal or other counsel, consultants and agents as it may deem desirable for the administration of the Plan and may rely upon any opinion or computation received from any such counsel, consultant or agent. Expenses incurred by the Committee in the engagement of such counsel, consultant or agent shall be paid by the applicable Employer, as determined by the Committee.

5.6 **Determinations and Interpretations by the Committee**. All determinations and interpretations made by the Committee shall be binding and conclusive on all Participants and their heirs, successors, and legal representatives.

5.7 **Liability**. No member of the Board, no member of the Committee and no employee of the Employers shall be liable for any act or failure to act hereunder, except in circumstances involving his or her bad faith, gross negligence or willful misconduct, or for any act or failure to act hereunder by any other member or employee or by any agent to whom duties in connection with the administration of the Plan have been delegated.

5.8 **Indemnification**. The Company shall indemnify members of the Committee and any agent of the Committee who is an employee of the Company, against any and all liabilities or expenses to which they may be subjected by reason of any act or failure to act with respect to their duties on behalf of the Plan, except in circumstances involving such person's bad faith, gross negligence or willful misconduct.

6. Eligibility and Participation

6.1 **Eligibility**. All Employees and Nonemployee Directors shall be eligible to participate in the Plan and to receive Awards.

6.2 **Participation**. The Committee in its sole discretion shall designate who shall be a Participant and receive Awards under the Plan. Designation of a Participant in any year shall not require the Committee to designate such person or entity to receive an Award in any other year or, once designated, to receive the same type or amount of Award as granted to the Participant in any other year. The Committee shall consider such factors as it deems pertinent in selecting Participants and in determining the type and amount of their respective Awards.

7. Shares Subject to Plan

7.1 **Available Shares**. The aggregate number of shares of Common Stock that shall be available for issuance pursuant to Awards under the Plan during its term shall be equal to 3,146,117, which includes 146,117 shares previously authorized under the Plan before this amendment and restatement, and an additional 3,000,000 shares authorized under the Plan in connection with this amendment and restatement. Such shares of Common Stock available for issuance under the Plan may be either authorized but unissued shares, shares of issued stock held in the Company's treasury, or both, at the discretion of the Company, and subject to any adjustments made in accordance with Section 7.2. To the extent that an Award granted under this Plan is canceled, expired, forfeited, surrendered, or otherwise terminated without delivery of the shares to the Participant, the shares of Common Stock retained by or returned to the Company shall (a) not be deemed to have been delivered under the Plan, and (b) be available for future Awards under the Plan, and (c) increase the shares of Common Stock available for issuance by one share for each share that is retained by or returned to the Company. Shares of Common Stock surrendered by Participants or withheld by the Company to pay all or a portion of the exercise price, purchase price, and/or withholding taxes with respect to any Awards shall not be subject to new Awards under the Plan. Awards granted pursuant to a preceding version of this Plan shall be subject to this version of the Plan except to the extent that applying the terms of this version of the Plan would create an amendment for accounting purposes or to the extent that treatment under the prior version would be more favorable for the Participant. All of the shares available for issuance pursuant to this Section 7.1 shall, without limitation, be available to be granted as ISOs.

7.2 **Adjustment to Shares**. If there is any change in the Common Stock of the Company, through merger, consolidation, reorganization, recapitalization, stock dividend, stock split, reverse stock split, split-up, split-up, spin-off, combination of shares, exchange of shares, dividend in kind or other similar change in capital structure, or distribution (other than normal cash dividends) to stockholders of the Company, an adjustment shall be made to each outstanding Award so that the value of each such Award immediately after such change shall not be significantly diluted or enhanced relative to its value immediately prior to such change. Such adjustment shall be made successively each time any such change shall occur. In order to prevent such dilution or enhancement of Participants' rights under the Plan, the Committee shall have the authority to adjust, in an equitable manner, the number and kind of shares that may be issued under the Plan, the number and kind of shares subject to outstanding Awards, the exercise price applicable to outstanding Stock Options, and the Fair Market Value of a share of Common Stock and other value determinations applicable to outstanding Awards. Appropriate adjustments may also be made by the Committee in the terms of any Awards granted under the Plan to reflect such changes and to modify any other terms of outstanding Awards on an equitable basis, including modifications of Performance Goals and changes in the length of performance periods. In addition, the Committee is authorized to make adjustments to the terms and conditions of and the criteria included in, Awards in recognition of unusual or nonrecurring events affecting the Company or the financial statements of the Company, or in response to changes in applicable laws, regulations, or accounting principles. Notwithstanding anything contained in the Plan, any adjustment:

a. with respect to an ISO due to a change described in this Section 7.2 shall comply with the rules of Code Section 424(a), and in no event shall any adjustment be made which would render any ISO granted hereunder other than an incentive stock option for purposes of Code Section 422, and

b. with respect to an Award that qualifies as "nonqualified deferred compensation" under Section 409A shall fully comply with the rules under Section 409A, and in no event shall any adjustment be made which would render any Award granted hereunder to be subject to tax under Section 409A.

8. Maximum Individual Awards

The maximum aggregate number of shares of Common Stock that may be granted in any calendar year with respect to Awards under the Plan to any single Participant (the "Grant Limitation") shall be: (a) 500,000 to any Participant other than a Nonemployee Director, and (b) 60,000 to any Participant who is a Nonemployee Director; provided that, in no event may any number of shares of Common Stock be granted during any one Directors' Compensation Year to any single Nonemployee Director with a grant date fair value that, when aggregated with all cash compensation for service as a Nonemployee Director of the Company during such period, exceeds $900,000 . For purposes of the Plan, "Nonemployee

Directors' Compensation Year" shall mean the approximately one-year period beginning on each regular annual meeting of the Company's stockholders and ending on the next regular annual meeting of the Company's stockholders. In the event of any adjustment under Section 7.2 to the number of shares that may be issued under the Plan, the Grant Limitation shall be proportionately adjusted.

9. Awards

9.1 **Type of Awards**. The Committee may, in its sole discretion, grant the following Awards of Stock Options, Stock Appreciation Rights, Stock Awards, Stock Units, Annual Incentive Awards, and Performance-Based Awards to Employees and/or Nonemployee Directors.

9.2 **Award Terms and Conditions**. Subject to any terms and/or conditions explicitly required by the Plan, the Committee, in its sole discretion, shall determine all of the terms and conditions of each Award, including but not limited to the following:

- method of exercise;
- vesting;
- expiration term of Award;
- effects of termination of Participant's Service;
- Change-in-Control Vesting and other effects of a Change in Control;
- qualification of a Stock Option as an ISO;
- payout in cash, in property, or any combination of cash and property;
- restrictive covenants;
- transferability;
- tax withholding;
- tax deferral arrangements;
- tandem or combination Awards; and
- any other term or condition that is not inconsistent with the Plan.

9.3 **Performance Measures**. The Committee may select one or any combination of the following Performance Measures with respect to the Company or any Subsidiary or any business unit or combination thereof:

- revenue;
- sales;
- pretax income before allocation of corporate overhead and bonus;
- budget;
- cash flow;

- earnings per share;
- net income;
- division, group or corporate financial goals;
- appreciation in and/or maintenance of the price of the Common Stock or any other publicly traded securities of the Company;
- dividends paid;
- total stockholder return;
- return on stockholders’ equity;
- return on assets;
- return on investment;
- internal rate of return;
- attainment of strategic and operational initiatives;
- market share;
- operating margin;
- profit margin;
- gross profits;
- earnings before interest and taxes;
- economic value added models;
- comparisons with various stock market indices;
- earnings before interest, taxes, depreciation and amortization;
- increase in number of customers;
- reductions in costs;
- resolution of administrative or judicial proceedings or disputes; or
- funds from operations.

The Committee, in its discretion, may elect to exclude, in calculating performance under any of the above criteria, (a) unusual gains, unusual losses and other nonrecurring items (including, without limitation, the impact from any foreign currency devaluations and acquisition termination fees (net of related costs)), (b) the amount of all charges and expenses incurred or income earned in connection with any refinancing, restructuring, rationalization, recapitalization or reorganization involving the Company and its Subsidiaries, (c) the cumulative effects of accounting changes, (d) discontinued operations, and (e) any business units, divisions, Subsidiaries or other entities sold or acquired.

9.4 **Vesting of Awards**. Awards granted under the Plan shall vest no earlier than the first anniversary of the date the Award is granted and no Award may provide for partial or graduated vesting beginning before the first anniversary of the date it is granted; provided that, notwithstanding the foregoing, Awards that result in the issuance of an aggregate of up to five percent (5%) of the shares of Common Stock available pursuant to Section 7 may be granted to any one or more Participants without respect to the minimum vesting period requirements of this sentence.

10. Stock Options

10.1**In General**. The Committee may, in its sole discretion, grant Stock Options to Employees and/or Nonemployee Directors on or after the Effective Date. The Committee shall, in its sole discretion, determine the Employees and Nonemployee Directors who will receive Stock Options and the number of shares of Common Stock underlying each Stock Option. With respect to Employees who become Participants, the Committee may grant such Participants ISOs or Nonqualified Stock Options or a combination of both. With respect to Nonemployee Directors who become Participants, the Committee may grant such Participants only Nonqualified Stock Options. Each Stock Option shall be subject to such terms and conditions consistent with the Plan as the Committee may impose from time to time. In addition, each Stock Option shall be subject to the terms and conditions set forth in Sections 10.2 through 10.9 below.

10.2**Exercise Price.** The Committee shall specify the exercise price of each Stock Option in the Award Agreement; provided, however, that (a) the exercise price of any ISO shall not be less than one hundred percent (100%) of the Fair Market Value of a share of Common Stock on the date of grant, and (b) the exercise price of any Nonqualified Stock Option shall not be less than one hundred percent (100%) of the Fair Market Value of a share of Common Stock on the date of grant, unless the Committee in its sole discretion determines otherwise.

10.3**Term of Stock Option**. The Committee shall specify the term of each Stock Option in the Award Agreement; provided, however, that (a) no ISO shall be exercised after the tenth (10th) anniversary of the date of grant of such ISO and (b) no Nonqualified Stock Option shall be exercised after the twentieth (20th) anniversary of the date of grant of such Nonqualified Stock Option. Each Stock Option shall terminate at such earlier times and upon such conditions or circumstances as the Committee shall, in its sole discretion, set forth in the Award Agreement on the date of grant.

10.4**Vesting Date**. The Committee shall specify the Vesting Date with respect to each Stock Option in the Award Agreement, subject to the minimum vesting requirements of Section 9.4. The Committee may grant Stock Options that are Vested, either in whole or in part, on the date of grant. If the Committee fails to specify a Vesting Date in the Award Agreement, one-third (1/3) of such Stock Option shall Vest and become exercisable on each of the first three (3) anniversaries of the date of grant and shall remain exercisable following such anniversary date until the Stock Option expires in accorda0 with its terms under the Award Agreement or under the terms of the Plan. The Vesting of a Stock Option may be subject to such other terms and conditions as shall be determined by the Committee, including, without limitation, accelerating the Vesting if certain Performance Goals are achieved.

10.5**Exercise of Stock Options**. The Stock Option exercise price may be paid in cash or, in the sole discretion of the Committee, by the delivery of shares of Common Stock then owned by the Participant, by the withholding of shares of Common Stock for which a Stock Option is exercisable, or by a combination of these methods. In the sole discretion of the Committee, payment may also be made by delivering a properly executed exercise notice to the Company together with a copy of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds to pay the exercise price. To facilitate the foregoing, the Company may enter into agreements for coordinated procedures with one or more brokerage firms. The Committee may prescribe any other method of paying the exercise price that it determines to be consistent with applicable law and the purpose of the Plan, including, without limitation, in lieu of the exercise of a Stock Option by delivery of shares of Common Stock then owned by a Participant, providing the Company with a notarized statement attesting to the number of shares owned by the Participant, where upon verification by the Company, the Company would issue to the Participant only the number of incremental shares to which the Participant is entitled upon exercise of the Stock Option. In determining which methods a Participant may utilize to pay the exercise price, the Committee may consider such factors as it determines are appropriate; provided, however, that with respect to ISOs, all such discretionary determinations by the Committee shall be made at the time of grant and specified in the Award Agreement.

10.6**Rights as a Stockholder**. A Participant shall have no rights as a stockholder with respect to the shares of Common Stock covered by a Stock Option until that Participant has become the holder of record of any such shares, and no adjustment shall be made with respect to any such shares of Common Stock for dividends in cash or other property or distributions of other rights on the Common Stock for which the record date is prior to the date on which that Participant has become the holder of record of any shares covered by such Stock Option; provided, however, that Participants are entitled to the adjustments set forth in Section 7.2. No dividends or dividend equivalents shall be paid in connection with Stock Options.

10.7**Restrictions Relating to ISOs**. In addition to being subject to the terms and conditions of this Section 10.0, ISOs shall comply with all other requirements under Code Section 422. Accordingly, ISOs may be granted only to Participants who are employees (as described in Treasury Regulation Section 1.421-7(h)) of the Company or of any "Parent Corporation" (as defined in Code Section 424(e)) or of any "Subsidiary Corporation" (as defined in Code Section 424(f) on the date of grant. The aggregate Fair Market Value (determined as of the time the ISO is granted) of the Common Stock with respect to which ISOs (under all option plans of the Company and of any Parent Corporation and of any Subsidiary Corporation) are exercisable for the first time by a Participant during any calendar year shall not exceed $100,000. The maximum number of shares of Common Stock that may be delivered to Participants with respect to ISOs under the Plan shall be 200,000. For purposes of the preceding sentence, ISOs shall be taken into account in the order in which they are granted. ISOs shall not be transferable by the Participant otherwise than by will or the laws of descent and distribution and shall be exercisable, during the Participant's lifetime, only by such Participant. The Committee shall not grant ISOs to any Employee who, at the time the ISO is granted, owns stock possessing (after the application of the attribution rules of Code Section 424(d)) more than ten percent (10%) of the total combined Voting Stock of the Company or of any Parent Corporation or of any Subsidiary Corporation, unless the exercise price of the ISO is fixed at not less than one hundred and ten percent (110%) of the Fair Market Value of a share of Common Stock on the date of grant and the exercise of such ISO is prohibited by its terms after the fifth (5th) anniversary of the ISO's date of grant. In addition, no ISO shall be issued to a Participant in tandem with a Nonqualified Stock Option issued to such Participant in accordance with Treasury Regulation Section 14a.422A-1, Q/A-39.

10.8**Additional Terms and Conditions**. The Committee may, by way of the Award Agreements or otherwise, establish such other terms, conditions, restrictions and/or limitations, if any, of any Stock Option, provided they are not inconsistent with the Plan, including, without limitation, the requirement that the Participant not engage in competition with the Employers.

10.9**Conversion Stock Options**. The Committee may, in its sole discretion, grant a Stock Option to any holder of an option (hereinafter referred to as an "Original Option") to purchase shares of the stock of any corporation:

a. the stock or assets of which were acquired, directly or indirectly, by the Company or any Subsidiary, or

b. which was merged with and into the Company or a Subsidiary;

so that the Original Option is converted into a Stock Option (hereinafter referred to as a "Conversion Stock Option"); provided, however, that such Conversion Stock Option as of the date of its grant (the "Conversion Stock Option Grant Date") shall have the same economic value as the Original Option as of the Conversion Stock Option Grant Date. In addition, unless the Committee, in its sole discretion determines otherwise, a Conversion Stock Option which is converting an Original Option intended to qualify as an ISO shall have the same terms and conditions as applicable to the Original Option in accordance with Code Section 424 and the Treasury Regulations thereunder so that the conversion (i) is treated as the issuance or assumption of a stock option under Code Section 424(a), and (ii) is not treated as a modification, extension or renewal of a stock option under Code Section 424(h).

10.10 **Stock Appreciation Rights.** The Committee may, in its sole discretion, grant Stock Appreciation Rights ("SARs") to Employees and/or Nonemployee Directors on or after the Effective Date. An SAR is the award of the contingent right to receive Common Stock or cash, as specified in the Award Agreement, in the future, based on the value or the appreciation in the value, of Stock. The Committee shall, in its sole discretion, determine the Employees and Nonemployee Directors who will receive SARs and the number of shares of Common Stock underlying each SAR. Each SAR shall be subject to all of the same terms and conditions applicable to Stock Options, including, but not limited to Sections 1.34, 4.3, 5.3(j), and 10.2 through 10.6, and such other terms and conditions consistent with the Plan as the Committee may impose from time to time.

11. Stock Awards and Stock Units

11.1 **Stock Awards**. The Committee may, in its sole discretion, grant Stock Awards to Employees and/or Nonemployee Directors as additional compensation or in lieu of other compensation for Service to an Employer. A Stock Award shall consist of shares of Common Stock which shall be subject to such terms and conditions as the Committee in its sole discretion determines appropriate, including, without limitation, restrictions on the sale or other disposition of such shares, the Vesting Date with respect to such shares, subject to the minimum vesting requirements of Section 9.4, and the right of the Company to reacquire such shares for no consideration upon termination of the Participant's Service within specified periods.

11.2 **Delivery of Shares**. Upon the Vesting of a Stock Award, the restrictions applicable to the shares of Common Stock underlying a Stock Award shall lapse. The Committee may require (a) the Participant to deliver a duly signed stock power, endorsed in blank, relating to the Common Stock covered by such Stock Award and/or (b) that the stock certificates evidencing such shares be held in custody or bear restrictive legends until the restrictions thereon shall have lapsed. With respect to the shares of Common Stock subject to a Stock Award, the Participant may have all of the rights of a holder of shares of Common Stock, including the right to receive dividends and to vote the shares, to the extent that the Committee so determines on the date of grant and provides in the Award Agreement; provided, however, that any shares of Common Stock distributed as a dividend or otherwise with respect to any Stock Award as to which the restrictions have not yet lapsed, shall be subject to the same restrictions as such Stock Awards and held or restricted as provided in this Section.

11.3 **In General**. The Committee may, in its sole discretion, grant to Employees and/or Nonemployee Directors Stock Units as additional compensation or in lieu of other compensation for Service to an Employer. A Stock Unit is a hypothetical right to receive a share of Common Stock and is represented by a notional account established and maintained (or caused to be established or maintained) by the Company for a Participant who receives a grant of Stock Units. Stock Units shall be subject to such terms and conditions as the Committee, in its sole discretion, determines appropriate including, without limitation, determinations of the Vesting Date with respect to such Stock Units and the criteria for the Vesting of such Stock Units, subject to the minimum vesting requirements of Section 9.4. A Stock Unit granted by the Committee shall provide for payment in shares of Common Stock at such time or times as the Award Agreement shall specify.

11.4 **Payout of Stock Units**. Upon the Vesting of a Stock Unit, the share of Common Stock corresponding to the Stock Unit shall be distributed to the Participant, unless the Committee, in its sole discretion, provides for the payment of the Stock Unit in cash (or partly in cash and partly in shares of Common Stock) equal to the value of the shares of Common Stock which would otherwise be distributed to the Participant.

12. Performance-Based Awards

12.1 **In General**. The Committee, in its sole discretion, may designate Awards granted under the Plan as Performance-Based Awards.

12.2 **Annual Incentive Awards**. The Committee may, in its sole discretion, may make Annual Incentive Awards to Employees, which may be based on the achievement of specified performance goals as determined by the Committee. A Participant must remain continuously in Service with an Employer through the last day of the calendar year to be eligible to receive a payout of the Annual Incentive Award with respect to such calendar year. Unless the Committee specifies otherwise in the Award Agreement, payout of the Annual Incentive Award will be made in cash. A Participant who terminates Service before the end of the calendar year will forfeit his or her Annual

Incentive Award; provided that, if the Participant's Service terminated due to the Participant's death or Disability, the Committee may approve, in its sole discretion, a pro rata payout to such Participant.

Notwithstanding the foregoing, if there is a Change in Control of the Company, the Committee, in its sole discretion, may provide for immediate payout of the Annual Incentive Award otherwise payable to a Participant pursuant to this Section.

13. Change in Control

13.1**Accelerated Vesting.** Notwithstanding any other provision of this Plan to the contrary, if there is a Change in Control of the Company, the Committee, in its sole discretion, may take such actions as it deems appropriate with respect to outstanding Awards, including, without limitation, accelerating the Vesting Date and/or payout of such Awards; provided, however, that such action shall not conflict with any provision contained in an Award Agreement unless such provision is amended in accordance with Section 17.0.

13.2**Cashout**. The Committee, in its sole discretion, may determine that, upon the occurrence of a Change in Control of the Company, (i) all or a portion of certain outstanding Awards shall terminate within a specified number of days after notice to the holders, (ii) each holder of an Award shall receive an amount equal to the value of such Award on the date of the Change in Control, which with respect to each share of Common Stock subject to a Stock Option shall be an amount equal to the excess of the Fair Market Value of a share of Common Stock immediately prior to the occurrence of such Change in Control over the exercise price per share of such Stock Option, and/or (iii) underwater Stock Options may be cancelled for no consideration. Such amount shall be payable in cash, in one or more kinds of property (including the property, if any, payable to stockholders of the Company in the Change in Control transaction) or in a combination thereof, as the Committee, in its sole discretion, shall determine.

13.3**Assumption or Substitution of Awards**. In the event of a Change in Control in which outstanding Awards are assumed, continued, or substituted by the surviving corporation or its parent (such assumed, continued, or substituted awards, "Replacement Awards"), such Replacement Awards shall continue in accordance with their terms. To constitute Replacement Awards, the assumed, continued, or substituted awards must: (a) be of the same type as the Award being replaced; (b) have a value at least equal to the value of the Award being replaced, as determined by the Committee in its sole discretion; (c) have terms and conditions no less favorable to the Participant than the original Award (including vesting terms); and (d) if the underlying Award was an equity-based award, relate to publicly traded equity securities of the Company or its successor or its parent in the Change in Control. Without limiting the generality of the foregoing, a Replacement Award may take the form of a continuation of the applicable Award if the Company is the surviving corporation in the Change in Control and such Award otherwise meets the requirements of this Section 13.3.

13.4Non-pro-rata Consideration. In the event of a Change of Control transaction in which the consideration for the Common Stock is not allocated to all stockholders on a pro-rata basis based solely on their stockholdings, such as payments for non-compete agreements to particular non-employee stockholders, because of structuring of the transaction or otherwise, the Committee shall make such equitable adjustments in the amount to be received by each holder of an Award to take into account such additional consideration that is not otherwise reflected in the price per share of Common Stock that would otherwise be considered with respect to such Award.

14. Termination of Service

14.1**Termination of Service**. Due to Death or Disability. Unless otherwise provided pursuant to any written agreement between an Employer and a Participant, if a Participant's Service is terminated due to death or Disability:

a. all Unvested portions of Awards held by the Participant on the date of the Participant's death or the date of the termination of his or her Service, as the case may be, shall immediately be forfeited by such Participant as of such date;

b. all Vested portions of Awards (other than Vested portions of Stock Options) held by the Participant on the date of the Participant's death or the date of the termination of his or her Service, as the case may be, shall be paid in accordance with the payout schedule applicable to Vested Awards; and

c. all Vested portions of Stock Options held by the Participant on the date of the Participant's death or the date of the termination of his or her Service, as the case may be, shall remain exercisable until the earlier of:

    i. the end of the twelve (12) month period following the date of the Participant's death or the date of the termination of his or her Service, as the case may be, or

    ii. the date the Stock Option would otherwise expire.

14.2 **Termination of Service for Cause**. Unless otherwise provided pursuant to any written agreement between an Employer and a Participant, if a Participant's Service is terminated by the Company for Cause, all Awards held by a Participant on the date of the termination of his or her Service for Cause, whether Vested or Unvested, shall immediately be forfeited by such Participant as of such date. In the event that Stock, cash or other property comprising a Vested Award has been distributed to a Participant prior to a termination of Service for Cause, the Participant shall be obligated to return to the Company within thirty (30) days after such termination of Service (a) the Stock, cash or other property comprising that Award or (b) if such Stock or other property has been disposed of by the Participant, cash equal in amount to the greater of (i) the Fair Market Value of such Stock or other property at the time of its disposition or (ii) the amount received in exchange for such Stock or other property.

14.3 **Other Terminations of Service**. Unless otherwise provided pursuant to any written agreement between an Employer and a Participant, if a Participant's Service is terminated for any reason other than for Cause, death or Disability:

a. all Unvested portions of Awards held by the Participant on the date of the termination of his or her Service shall immediately be forfeited by such Participant as of such date;

b. all Vested portions of Awards (other than Vested portions of Stock Options) held by the Participant on the date of the termination of his or her Service shall be paid in accordance with the payout schedule applicable to Vested Awards; and

c. all Vested portions of Stock Options held by the Participant on the date of the termination of his or her Service shall remain exercisable until the earlier of:

    i. the end of the ninety (90) day period following the date of the termination of his or her Service, or

    ii. the date the Stock Option would otherwise expire.

14.4 **Committee Discretion**. Notwithstanding anything contained in the Plan to the contrary, the Committee may, in its sole discretion, provide that:

a. any or all Unvested portions of Stock Options held by the Participant on the date of the Participant's death and/or the date of the termination of his or her Service, as the case may be, shall immediately become exercisable as of such date and, except with respect to ISOs, shall remain exercisable until a date that occurs on or prior to the date the Stock Option is scheduled to expire;

b. any or all Vested portions of Nonqualified Stock Options held by the Participant on the date of the Participant's death and/or the date of the termination of his or her Service, as the case may be, shall remain exercisable until a date that occurs on or prior to the date the Stock Option is scheduled to expire;

c. any or all Unvested portions of Stock Awards and/or Stock Units held by the Participant on the date of the Participant's death and/or the date of the termination of his or her Service shall immediately Vest or shall become Vested on a date that occurs on or prior to the date the Award is scheduled to vest; and/or

d. all Vested portions of Awards (other than Vested portions of Stock Options) held by the Participant on the date of the Participant's death or the date of the termination of his or her Service, as the case may be, shall be paid on a date that occurs prior than the Vested Award is schedules to be paid.

14.5 **ISOs**. Notwithstanding anything contained in the Plan to the contrary, (a) the provisions contained in this Section 14.0 shall be applied to an ISO only if the application of such provision maintains the treatment of such ISO as an ISO, and (b) the exercise period of an ISO in the event of a termination of the Participant's Service due to Disability provided in Section 14.1, shall be applied only if the Participant is "permanently and totally disabled" (as such term is defined in Code Section 22(e)(3)).

15. Taxes

15.1 **Withholding Taxes**. With respect to Employees, an Employer may require a Participant who has become Vested in an Award granted hereunder, or who exercises a Stock Option granted hereunder, to reimburse the corporation which employs such Participant for any taxes required by any governmental regulatory authority to be withheld or otherwise deducted and paid by such corporation or entity in respect of the issuance or disposition of such shares or the payment of any amounts. In lieu thereof, the corporation or entity that employs such Participant shall have the right to withhold the amount of such taxes from any other sums due or to become due from such corporation or entity to the Participant upon such terms and conditions as the Committee shall prescribe. The Employer may, in its discretion, hold the stock certificate to which such Participant is entitled upon the Vesting of an Award or the exercise of a Stock Option as security for the payment of such withholding tax liability, until cash sufficient to pay that liability has been accumulated.

15.2 **Use of Common Stock to Satisfy Withholding Obligation.** With respect to Employees, at any time that an Employer becomes subject to a withholding obligation under applicable law with respect to the Vesting of a Stock Award or Stock Unit or the exercise of a Nonqualified Stock Option (the "Tax Date"), except as set forth below, a holder of such Award may elect to satisfy, in whole or in part, the holder's related personal tax liabilities (an "Election") by (a) directing the Employer to withhold from shares issuable in the related vesting or exercise either a specified number of shares or shares of Common Stock having a specified value not greater than the maximum individual statutory tax rate in a given jurisdiction (or such lower mount as may be necessary to avoid liability award accounting, or any other accounting consequence or cost, as determined by the Committees and in any event in accordance with Company policies), (b) tendering shares of Common Stock previously issued pursuant to the exercise of a Stock Option or other shares of the Common Stock owned by the holder, or (c) combining any or all of the foregoing Elections in any fashion. An Election shall be irrevocable. Any withheld shares and any other shares of Common Stock tendered in payment shall be valued based on the Fair Market Value of a share of Common Stock on the Tax Date. The Committee may disapprove of any Election, suspend or terminate the right to make Elections or provide that the right to make Elections shall not apply to particular shares or exercises. The Committee may impose any additional conditions or restrictions on the right to make an Election as it shall deem appropriate, including conditions or restrictions with respect to Section 16 of the Exchange Act.

15.3 **No Guarantee of Tax Consequences**. No person connected with the Plan in any capacity, including, but not limited to, the Company and any Subsidiary and their directors, officers, agents and employees makes any representation, commitment, or guarantee that any tax treatment, including, but not limited to, federal, state and local income, estate and gift tax treatment, will be applicable with respect to amounts deferred under the Plan, or paid to or for the benefit of a Participant under the Plan, or that such tax treatment will apply to or be available to a Participant on account of participation in the Plan.

15.4 **Section 409A Deferred Compensation**. Awards under the Plan are intended to be exempt from, or otherwise comply with, the requirements of Section 409A, and the Plan and each Award shall be interpreted and construed consistent with such intent. Notwithstanding anything in the Plan to the contrary, the Committee, in its sole discretion, may permit Participants to elect to defer receipt of all or any portion of an Award otherwise payable to the Participant, pursuant to procedures established by the Committee and in compliance with the requirements of Section 409A. References in this Plan to “termination of Service” and similar terms shall mean a “separation from service” within the meaning of that term under Section 409A to the extent necessary or advisable to comply with Section 409A. Any payment or distribution of an Award that is subject to Section 409A that is to be made to a Participant who is a “specified employee” of the Company within the meaning of that term under Section 409A and as determined by the Committee, on account of a “separation from service” under Section 409A, may not be made before the date that is six (6) months after the date of such “separation from service.” The Company cannot guarantee that the Awards, payments, and benefits that may be made or provided under the Plan will satisfy all applicable provisions of Section 409A.

15.5 **Golden Parachutes**. Subject to any written agreement between an Employer and a Participant, if any payment to be made under the Plan would be treated by the Internal Revenue Service as an “excess parachute payment” as such term is defined in Code Section 280G, then the Employer may reduce the amount of such payment so that such payment will not be treated as an “excess parachute payment”; provided, however, that such reduction must take into account all “parachute payments” as such term is defined in Code Section 280G, so that such reduction results in the aggregate of all “parachute payments” to the Participant being equal to $1.00 less than the Participant’s applicable “base amount” as such term is defined in Code Section 280G.

16. Miscellaneous

16.1 **Listing of Shares and Related Matters**. If at any time the Committee shall determine that the listing, registration or qualification of the shares of Common Stock subject to any Award on any securities exchange or under any applicable law, or the consent or approval of any governmental regulatory authority, is necessary or desirable as a condition of, or in connection with, the granting of an Award or the issuance of shares of Common Stock thereunder, such Award may not be exercised, distributed or paid out, as the case may be, in whole or in part, unless such listing, registration, gratification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

16.2 **No Right, Title, or Interest in Company Assets**. Participants shall have no right, title, or interest whatsoever in or to any investments that the Company may make to aid it in meeting its obligations under the Plan. Nothing contained in the Plan, and no action taken pursuant to its provisions, chill create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any Participant, beneficiary, legal representative or any other person. To the extent that any person acquires a right to receive payments from the Company under the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company. All payments to be made hereunder shall be paid from the general funds of the Company and no special or separate fund shall be required to be established and no segregation of assets shall be required to be made to assure payment of such amounts except as expressly set forth in the Plan. The Plan is not intended to be subject to the Employee Retirement Income Security Act of 1974, as amended.

16.3 **No Right to Continued Employment or Service or to Grants**. The Participant’s rights, if any, to continue to provide Service to an Employer (in any capacity) shall not be enlarged or otherwise affected by his or her designation as a Participant under the Plan, and the Employer reserves the right to terminate the Service of any Employee at any time. The adoption of the Plan shall not be deemed to give any Employee or Nonemployee Director or any other individual or entity any right to be selected as a Participant or to be granted an Award.

16.4 **Employment Agreement**. Notwithstanding any provision of the Plan or an Award Agreement to the contrary, to the extent an employment agreement between a Participant and the Company or a Subsidiary provides vesting terms with respect to an Award that are more favorable to the Participant than those set forth in the Plan or an Award Agreement, the vesting terms in such employment agreement shall control.

16.5 **Awards Subject to Foreign Laws**. The Committee may grant Awards to individual Participants who are subject to the tax laws of nations other than the United States, and such Awards may have terms and conditions as determined by the Committee as necessary to comply with applicable foreign laws. The Committee may take any action that it deems advisable to obtain approval of such Awards by the appropriate foreign governmental entity; provided, however, that no action may be taken which would result in a violation of the Exchange Act or any other applicable law.

16.6 **Governing Law**. The Plan, all Awards granted hereunder, and all actions taken in connection herewith shall be governed by and construed in accordance with the laws of the State of Illinois without reference to principles of conflict of laws, except as superseded by applicable federal law. The jurisdiction and venue for any disputes arising under, or any action brought to enforce (or otherwise relating to), the Plan will be exclusively in the courts in the State of Illinois, County of Cook, including the Federal Courts located therein (should Federal jurisdiction exist).

16.7 **No Fractional Shares**. No fractional shares of Common Stock shall be issued or delivered pursuant to the Plan or any Award. The Committee shall determine whether cash or other property shall be issued or paid in lieu of fractional shares, or whether such fractional shares or any rights relating thereto shall be forfeited or otherwise eliminated.

16.8 **Transferability**. Except as otherwise set forth in an Award Agreement, Awards under the Plan are not transferable except to the Participant's beneficiary upon the death of the Participant. To the extent that the Participant who receives an Award under the Plan has the right to exercise such Award, the Award may be exercised during the lifetime of the Participant only by the Participant. Notwithstanding the foregoing provisions, the Committee may permit Awards under the Plan to be transferred to or for the benefit of the Participant's family (including, without limitation, to a trust or partnership for the benefit of a Participant's family), subject to such procedures as the Committee may establish. In no event will an ISO be transferable to the extent that such transferability would violate the requirements applicable to such option under Code Section 422.

16.9 **Electronic Delivery of Plan Information and Electronic Signatures**. To the extent permitted by applicable law, the Company may deliver by email or other electronic means (including posting on a web site maintained by the Company or by a third party under contact with the Company) all documents relating to the Plan or any Award thereunder (including without limitation, prospectuses required by applicable securities law) and all other documents that the Company is required to deliver to its security holders (including without limitation, annual reports and proxy statements). To the extent permitted by applicable law, the Participant's execution of an Award Agreement may be made by electronic facsimile or other method of recording of the Participant's signature in a manner that is acceptable to the Committee.

17. Amendment or Termination of Plan or Awards

17.1 **Amendment of Plan**. The Board may amend the Plan at any time with or without prior notice; provided, however, that no such action shall reduce the amount of any outstanding Award or otherwise adversely change the terms and conditions thereof without the Participant's consent, unless such amendment is required to conform the terms of an outstanding Award or the Plan to the requirements of applicable Law.

17.2 **Termination of Plan**. The Board may suspend or terminate the Plan at any time with or without prior notice; provided, however, that no such action shall reduce the amount of any outstanding Award or otherwise adversely change the terms and conditions thereof without the Participant's consent.

17.3 **Amendment or Cancellation of Award Agreements**. The Committee may amend or modify any Award Agreement at any time, provided that if the amendment or modification adversely affects the Participant, such amendment or modification shall be by mutual agreement between the Committee and the Participant, or such other persons as may then have an interest therein. In addition, and subject to stockholder approval in accordance with Section 4.0, by mutual agreement between the committee and a Participant or such other persons as may then have an interest therein, Awards may be granted to a Participant in substitution and exchange for, and in cancellation of, any Awards previously granted to such Participant under the Plan, or any award previously granted to such Participant under any other present or future plan of the Company or any present or future plan of an entity which (a) is purchased by the Company, (b) purchases the Company, or (c) merges into or with the Company.

17.4 **Compensation Recovery Policy**. Notwithstanding any provision in the Plan or in any Award Agreement to the contrary, Awards granted or paid under the Plan will be subject to recovery under the Company's Compensation Recovery Policy as may be in effect from time to time, including, without limitation, the provisions of any such policy required by Section 10D of the Exchange Act and any applicable rules or regulations issued by the U.S. Securities and Exchange Commission or any national securities exchange or national securities association on which the Common Stock may be traded.

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, J. Bryan King, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Distribution Solutions Group, Inc. (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 6, 2026

/s/ J. Bryan King
J. Bryan King
Chairman, President and Chief Executive Officer
(principal executive officer)

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Ronald J. Knutson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Distribution Solutions Group, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal three months (the registrant's fourth fiscal three months in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2026

/s/ Ronald J. Knutson

Ronald J. Knutson

Executive Vice President, Chief Financial Officer and Treasurer

(principal financial officer)

EXHIBIT 32

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Distribution Solutions Group, Inc. (the “Company”) on Form 10-Q for the period ending June 30, 2026 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned Chief Executive Officer and Chief Financial Officer of the Company hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002 that based on their knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered in the Report.

August 6, 2026

/s/ J. Bryan King
J. Bryan King
Distribution Solutions Group, Inc.
Chairman, President and Chief Executive Officer
(principal executive officer)

/s/ Ronald J. Knutson
Ronald J. Knutson
Distribution Solutions Group, Inc.
Executive Vice President, Chief Financial Officer and Treasurer
(principal financial officer)