

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

Quarterly Report under Section 13 or 15(d) of  
The Securities Exchange Act of 1934

For Quarter Ended March 31, 1995 Commission file no. 0-10546

LAWSON PRODUCTS, 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.)

1666 East Touhy Avenue, Des Plaines, Illinois

60018

(Address of principal executive offices)

(Zip Code)

Registrant's telephone no., including area code: (708) 827-9666

Not applicable

Former name, former address and former fiscal year, if changed  
since last report.

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 X No

Indicate the number of shares outstanding of each of the  
issuer's classes of common stock, as of the latest practicable  
date.

12,337,314 Shares, \$1 par value, as of April 24, 1995.

LAWSON PRODUCTS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands) March 31, 1995 December 31, 1994

(UNAUDITED)

ASSETS

Current Assets:

Cash and cash equivalents	\$ 8,069	\$ 9,853
Marketable securities	26235	21798
Accounts receivable, less allowance for doubtful accounts	27903	27319
Inventories (Note B)	28143	26839
Miscellaneous receivables and prepaid expenses	6131	5625
Deferred income taxes	676	815
	-----	-----
Total Current Assets	97157	92249

Marketable securities	18748	26102
Property, plant and equipment, less		

allowances for depreciation and amortization	36143	35858
Investments in real estate	3033	3084
Deferred income taxes	2502	2461
Other assets	8214	8376
	-----	-----
Total Assets	165797	168130
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

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Current Liabilities:		
Accounts payable	\$ 3,127	\$ 3,274
Accrued expenses and other liabilities	13022	14524
Income taxes	3937	2017
	-----	-----
Total Current Liabilities	20086	19815
	-----	-----
Accrued liability under security bonus plans	10349	10163
Other	6795	6922
	-----	-----
	17144	17085
	-----	-----
Stockholders' Equity:		
Preferred Stock, \$1 par value:		
Authorized - 500,000 shares		
Issued and outstanding - None		
Common Stock, \$1 par value:		
Authorized - 35,000,000 shares		
Issued - (1995 - 17,097,490 shares; 1994 - 17,097,490 shares)		
	17097	17097
Capital in excess of par value	716	716
Retained earnings	199152	195609
Cost of common stock in treasury (1995 - 4,746,176 shares; 1994 - 4,493,676 shares)	-87298	-80884
	-----	-----
	129667	132538
Other	-1100	-1308
	-----	-----
Total Stockholders' Equity	128567	131230
	-----	-----
Total Liabilities and Stockholders' Equity	165797	168130
	=====	=====

See notes to condensed consolidated financial statements.

LAWSON PRODUCTS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

(UNAUDITED)

(Amounts in thousands, except per share data)

	For the Three Months Ended March 31,	
	1995	1994
	-----	-----
Net Sales	\$ 54,845	\$ 49,772
Investment and other income	1026	253
	-----	-----
	55871	50025
	-----	-----
Cost of goods sold (Note B)	15421	14252
Selling, general and administrative expenses	32211	29223
	-----	-----
	47632	43475
	-----	-----
Income before income taxes	8239	6550
Provision for income taxes	3214	2482
	-----	-----
Net income	5025	4068
Retained earnings at beginning of period	195609	181381
Deduct:		
Cash dividends declared	1482	1628
	-----	-----
Retained earnings at end of period	199152	183821
	=====	=====
Net income per share of common stock	0.40	0.30
	=====	=====
Cash dividends declared per share of common stock	0.12	0.12
	=====	=====
Weighted average shares outstanding	12454	13562
	=====	=====

See notes to condensed consolidated financial statements.

LAWSON PRODUCTS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(Amounts in thousands)

	For the Three months ended March 31,	
	1995	1994
	-----	-----
Operating activities:		
Net income	\$ 5,025	\$ 4,068
Adjustments to reconcile net income to net cash provided by oper. activities:		
Depreciation and amortization	842	854
Changes in oper. assets and liab	-2835	469
Other	499	400
	-----	-----
Net Cash Provided by Operating Activities	3531	5791
	-----	-----
Investing activities:		
Additions to property, plant and equipment	-1120	-1829
Purchases of marketable securities	-60404	-60422
Proceeds from sale of mkt securities	63491	59817
Other	644	25
	-----	-----
Net Cash Provided by/ (Used in) Investing Activities	2611	-2409
	-----	-----
Financing activities:		
Purchases of treasury stock	-6414	---
Dividends paid	-1512	-1628
	-----	-----
Net Cash Used in Financing Activities	-7926	-1628
	-----	-----
Increase/(Decrease) in Cash and Cash Equivalents	-1784	1754
Cash and Cash Equivalents at Beginning of Period	9853	17952
	-----	-----
Cash and Cash Equivalents at End of Period	\$ 8,069	\$ 19,706
	=====	=====

See notes to condensed consolidated financial statements.

## Part I

### NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

A) As contemplated by the Securities and Exchange Commission, the accompanying consolidated financial statements and footnotes have been condensed and therefore, do not contain all disclosures required by generally accepted accounting principles. Reference should be made to the Company's Annual Report to Stockholders for the year ended December 31, 1994. The Condensed Consolidated Balance Sheet as of March 31, 1995 and the Condensed Consolidated Statements of Income and Retained Earnings for the three month periods ended March 31, 1995 and 1994 and the Condensed Consolidated Statements of Cash Flows for the three month periods ended March 31, 1995 and 1994 are unaudited. In the opinion of the Company, all adjustments (consisting only of normal recurring accruals) have been made, which are necessary to present fairly the results of operations for the interim periods.

B) Inventories (consisting of finished goods) at March 31, 1995 and cost of goods sold for the three month periods ended March 31, 1995 and 1994 were determined through the use of estimated gross profit rates.

The following exhibits are attached to Part I:

1. Letter from independent accountants furnished pursuant to Rule 10.01 (d) of regulation S-X.
2. Letter from independent accountants furnished pursuant to Item 601, #15 of regulation S-K.

## Part I

### Independent Accountant's Review Report

Board of Directors  
Lawson Products, Inc.

We have reviewed the accompanying condensed consolidated balance sheet of Lawson Products, Inc. and subsidiaries as of March 31, 1995 and the related condensed consolidated statements of income and retained earnings and cash flows for the three month periods ended March 31, 1995 and 1994. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, which will be performed for the full year with the objective of expressing an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying condensed consolidated financial

statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of Lawson Products, Inc. as of December 31, 1994, and the related consolidated statements of income and retained earnings and cash flows for the year then ended, not presented herein, and in our report dated February 23, 1995, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 1994, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

ERNST & YOUNG LLP

April 21, 1995

Part I

April 21, 1995

Board of Directors  
Lawson Products, Inc.

We are aware of the incorporation by reference in the Registration Statement (Form S-8 No. 33-17912 dated November 4, 1987) of Lawson Products, Inc. of our report dated April 21, 1995 relating to the unaudited condensed consolidated interim financial statements of Lawson Products, Inc. which are included in its Form 10-Q for the quarter ended March 31, 1995.

Pursuant to Rule 436(c) of the Securities Act of 1933 our report is not part of the registration statement prepared or certified by accountants within the meaning of Section 7 or 11 of the Securities Act of 1933.

ERNST & YOUNG LLP

## Part I

### ITEM 2

#### MANAGEMENT'S DISCUSSION AND ANALYSIS

Cash flows provided by operations for the three months ended March 31, 1995 decreased to \$3,531,000 from \$5,791,000 in the comparable period of the prior year. This decline was due primarily to an increase in operating assets and a decrease in operating liabilities. In addition to satisfying operating requirements, current investments and cash flows from operations are expected to finance the Company's future growth, cash dividends and capital expenditures. Additions to property, plant and equipment were \$1,120,000 and \$1,829,000, respectively, for the three months ended March 31, 1995 and 1994. Capital expenditures during 1995 and 1994 include the construction of a Lawson outbound facility in Addison, Illinois, which was substantially completed by the end of 1994, at a cost of approximately of \$5,600,000. This facility opened during the first quarter of 1995.

At December 31, 1994, the Company was authorized to purchase up to 1,000,000 shares of its common stock. During the first three months of 1995, the Company expended \$6,414,000 to acquire 252,500 shares.

Net sales for the three month period ended March 31, 1995, advanced 10.2% to \$54,845,000 relative to the similar period of 1994. The gains are principally the result of increases in both the average order size and number of orders processed.

Net income increased 23.5% to \$5,025,000 (\$.40 per share) for the three months ended March 31, 1995 from \$4,068,000 (\$.30 per share) for the comparable period of 1994. This increase is attributable to the gain in net sales noted above, a slight improvement in gross margins, net life insurance proceeds, and cost containment efforts, which more than offset a higher effective income tax rate. The income per share increase was positively impacted by the Company's share repurchase program.

## Part II

#### OTHER INFORMATION

Items 1, 2, 3, 4, and 5 are inapplicable and have been omitted from this report.

Item 6. Exhibits and Reports on Form 8-K.

- (a) Not applicable.
- (b) The registrant was not required to file Form 8-K for the most recently completed quarter.

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.

LAWSON PRODUCTS, INC.  
(Registrant)

Dated April 24, 1995

/s/ Bernard Kalish  
Bernard Kalish

Chairman of the Board

Dated April 24, 1995

/s/ Joseph L. Pawlick  
Joseph L. Pawlick  
Vice President and Controller

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