

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):

November 7, 2019

**LAWSON PRODUCTS, INC.**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

0-10546

(Commission File Number)

36-2229304

(I.R.S. Employer Identification No.)

8770 W. Bryn Mawr Ave., Suite 900, Chicago, Illinois

(Address of principal executive offices)

60631

(Zip Code)

(Registrant's telephone number, including area code)

(773) 304-5050

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class

Common stock, \$1.00 par value

Trading Symbol

LAWS

Name of each exchange on which registered

NASDAQ Global Select Market

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

Emerging growth company

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

**Item 7.01 Regulation FD Disclosure.**

Lawson Products, Inc. (the "Company") has updated its Investor Presentation (the "Presentation") which is furnished as Exhibit 99.1 to this Report on Form 8-K. A copy of the Presentation is also available on the Company's website at [www.lawsonproducts.com](http://www.lawsonproducts.com).

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits:

99.1 Investor Presentation Third Quarter 2019

**SIGNATURES**

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**LAWSON PRODUCTS, INC.**

(Registrant)

Date: November 7, 2019

By: /s/ Ronald J. Knutson

Name: Ronald J. Knutson

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

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
<a href="#">99.1</a>	<a href="#">Investor Presentation Third Quarter 2019</a>



**LAWSON** Products



# Investor Presentation

## Third Quarter 2019

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

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# Lawson Products, Inc.

"Safe Harbor" Statement under the Securities Litigation Reform Act of 1995:

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. The terms "may," "should," "could," "anticipate," "believe," "continues," "estimate," "expect," "intend," "objective," "plan," "potential," "project" and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. These statements are based on management's current expectations, intentions or beliefs and are subject to a number of factors, assumptions and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Factors that could cause or contribute to such differences or that might otherwise impact the business include: failure to retain a talented workforce including productive sales representatives; the inability of management to successfully implement strategic initiatives; failure to manage change; the ability to adequately fund our operating and working capital needs through cash generated from operations; the ability to meet the covenant requirements of our line of credit; disruptions of the Company's information and communication systems; the effect of general economic and market conditions; inventory obsolescence; work stoppages and other disruptions at transportation centers or shipping ports; changing customer demand and product mixes; increases in commodity prices; violations of environmental protection regulations; a negative outcome related to tax matters; and, all other factors discussed in the Company's "Risk Factors" set forth in its Annual Report on Form 10-K for the year ended December 31, 2018.

The Company undertakes no obligation to update any such factors or to publicly announce the results of any revisions to any forward-looking statements contained herein whether as a result of new information, future events or otherwise.

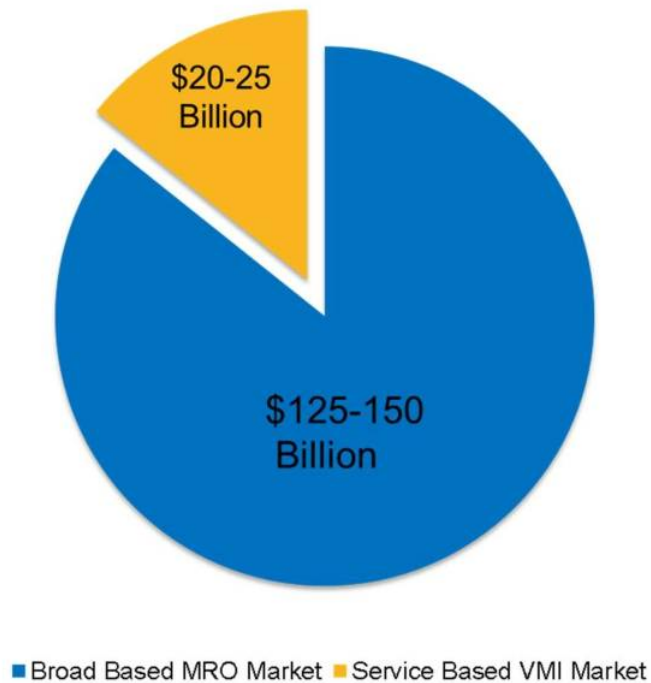
# Lawson Products: At a Glance

- Leading service based provider of consumables in MRO market
- Serves industrial, commercial, institutional and government markets in all 50 states, Canada, Mexico, Puerto Rico and the Caribbean
- Headquartered in Chicago, IL
  - Strategically located distribution centers
  - Workforce ~1,600 (~ 1,000 sales reps)
- Supplies a comprehensive line of products to the MRO marketplace
- VMI and private label drives high gross margins



# Competitive Advantages and Differentiators

## “Not the Typical MRO Distributor”



### What differentiates Lawson:

- Service intensive “high touch” value proposition
- Vendor managed inventory or “keep fill”
- Deep product knowledge
- Broad geographic sales and service coverage throughout the US and Canada
- Leverage investments in sales team, facilities and technology to enable outstanding customer service
- Lowest total cost



# Our Commitment to our 70,000+ Customers

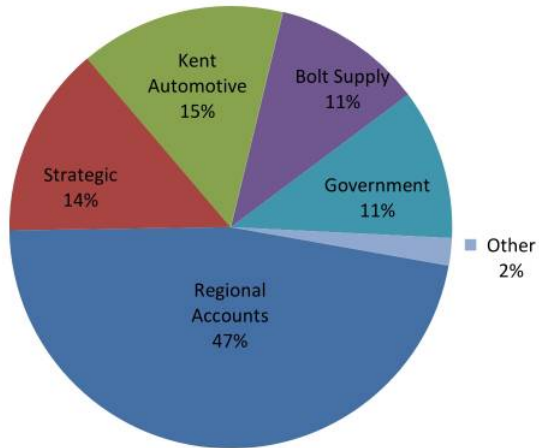
High touch service and technical expertise drives customer relationships  
**Before** **After**



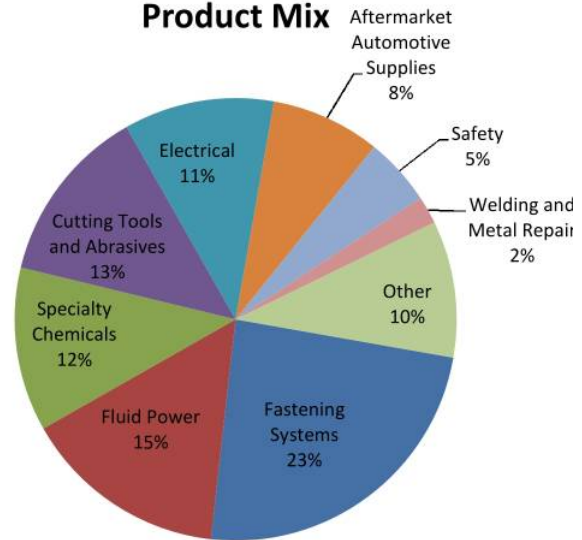
One Company, Zero Headaches	Inventory Management Options	Access to Industry Knowledge & Expertise
<ul style="list-style-type: none"> <li>• Comprehensive line of products</li> </ul>	<ul style="list-style-type: none"> <li>• Lawson Managed Inventory</li> </ul>	<ul style="list-style-type: none"> <li>• Product recommendations from your Lawson Representative</li> </ul>
<ul style="list-style-type: none"> <li>• Hundreds of pre-built assortments</li> </ul>	<ul style="list-style-type: none"> <li>• Industrial vending</li> </ul>	<ul style="list-style-type: none"> <li>• Application advice from our test and application engineers</li> </ul>
<ul style="list-style-type: none"> <li>• Unlimited sourcing of hard-to-find items</li> </ul>	<ul style="list-style-type: none"> <li>• Self-service inventory management</li> </ul>	<ul style="list-style-type: none"> <li>• Complimentary on-site safety &amp; product usage training</li> </ul>

# Customer and Product Profile

### Customer Mix



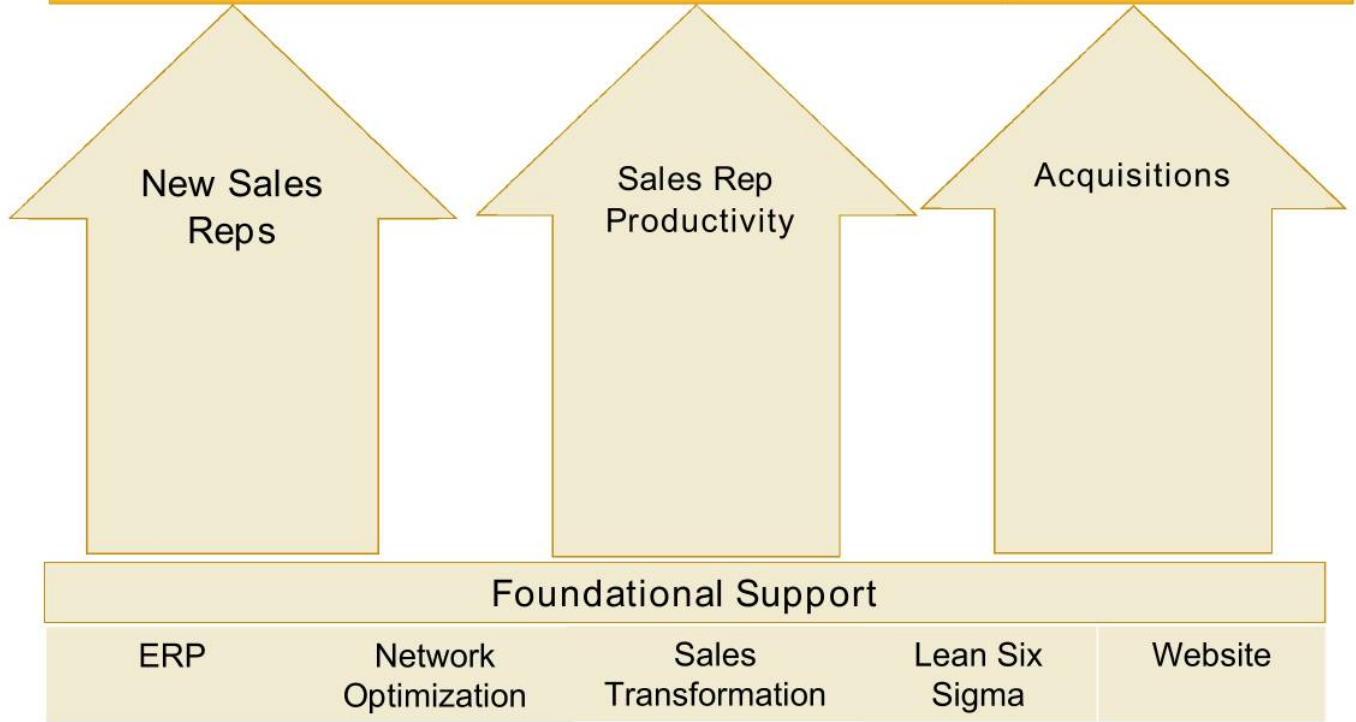
### Product Mix



***Retain over 90% of customer revenues from year to year***

# Lawson Growth Strategy

## Sales Growth Driven By



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# 2019 Focus: Actions Across the Value Chain Driving Growth

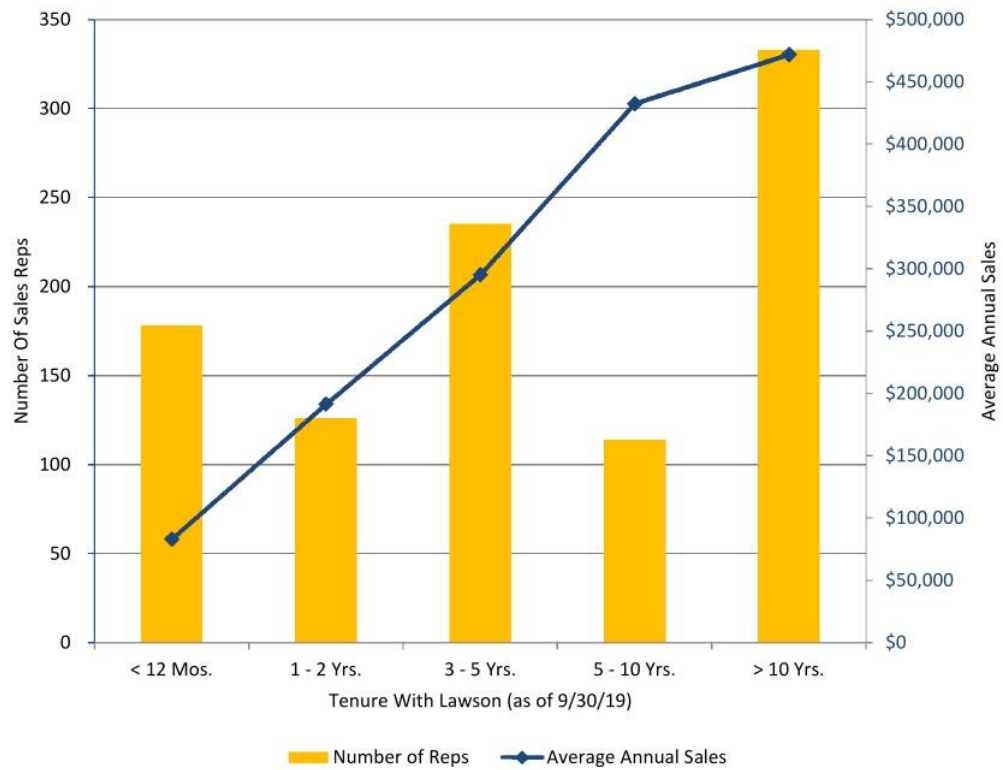
## Add New Sales Reps and Drive Rep Productivity



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

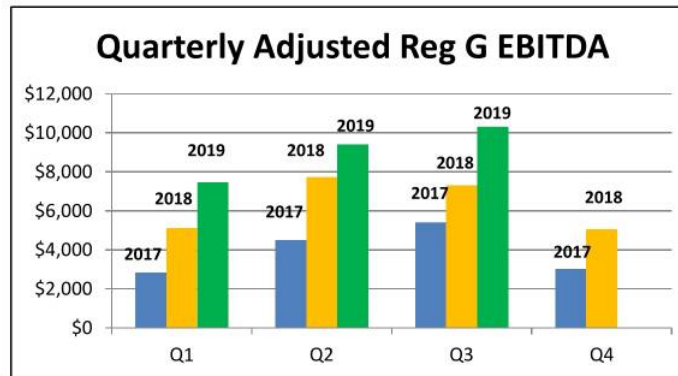
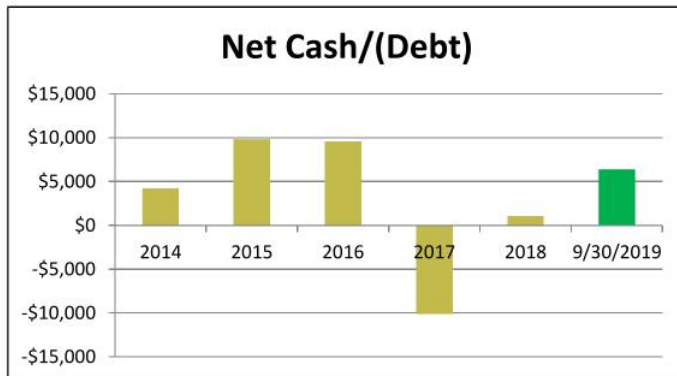
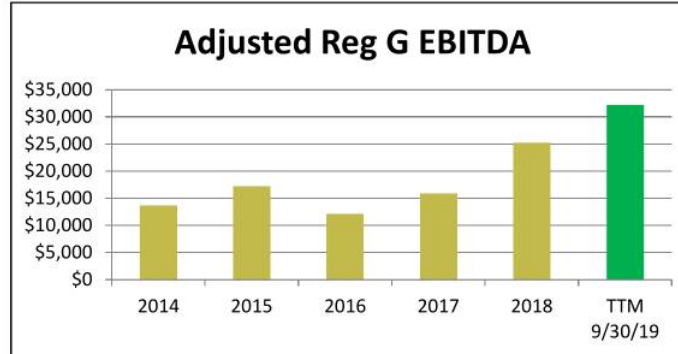
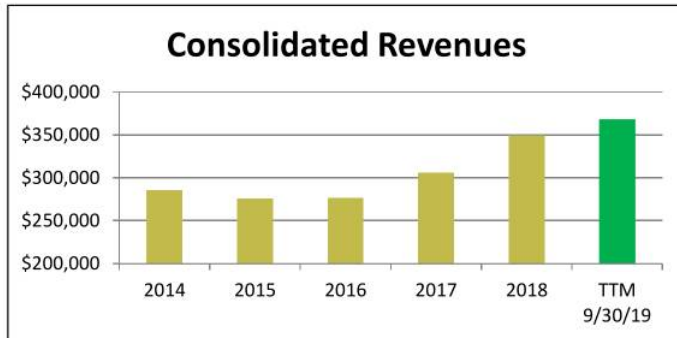
Information Technology – Integration of Web and SAP  
Lean Six Sigma

# Longer Sales Rep Tenure Drives Rep Productivity



# Historical Financial Performance

*Recent sales growth and earnings expansion providing financial flexibility*



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# Financial Highlights for Third Quarter 2019

- Adjusted Reg G EBITDA margin improving
  - ✓ 10.9% in Q3 2019 v. 8.3% in Q3 2018
  - ✓ Continued investment in new sales reps and rep productivity
- Sales increased 7.1% YOY (7.4% excluding currency fluctuation)
- MRO Lawson/Kent gross margins consistent at 60.9%
- Key trends
  - ✓ MRO operating leverage of 54%; 1.3% increase in sales rep productivity
  - ✓ Continued government strength; +30% YOY
  - ✓ Growth across multiple segments and product categories
  - ✓ Cash flow from operations of \$10.3 million in Q3

# Capital Allocation Priorities

## Maintain Strong Balance Sheet

- \$8.6 million cash on hand and positive cash position of \$6.4 million at the end of Q3
- Consistent free cash flow generation

## Reinvest for Growth

- Increased our borrowing capacity to \$100.0 million (additional \$50.0 million accordion) with our new borrowing agreement
- Capital expenditures expected to be \$2.0 - \$3.0 million in 2019
- Growth initiatives: add new reps and increase sales rep productivity

## Pursue Disciplined M&A

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

## Return Capital

- Share repurchase to offset award dilution; opportunistic purchases
- \$7.5 million stock repurchase program announced on May 16, 2019; \$6.3 million remaining after repurchase of shares worth \$1.2 million in August 2019



## Lawson Products: Poised for Growth

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

# For More Information

Contact:

Ronald J. Knutson

EVP, CFO

Investor Relations

(773) 304-5665

[ron.knutson@lawsonproducts.com](mailto:ron.knutson@lawsonproducts.com)

And see our Website at

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



# Appendices

# Significant Activities

August 2011	➤ Implemented SAP
October 2011	➤ Commenced construction of new McCook, Ill distribution center
May 2012	➤ Relocated corporate headquarters
June 2012	➤ Restructured senior team. Announced \$20M cost savings plan
August 2012	➤ Transitioned packaging facility to McCook, Ill distribution center ➤ Entered into new five-year \$40M credit facility
October 2012	➤ Announced new CEO and President, Michael G. DeCata ➤ Consolidated Vernon Hills distribution center into McCook, Ill
November 2012	➤ Rolled out new website to existing web customers
December 2012	➤ Completed transition of U.S. independent agents to employees
April 2013	➤ Roll-out of new website to new web customers
April/May 2013	➤ McCook DC begins to ship customer orders
November 2013	➤ Entered into sub-lease of headquarters space to generate \$2.9M of future cash savings
December 2013	➤ Ended year with over 800 sales reps – First increase in 8 years
February 2014	➤ Closed on Automatic Screw Machine Products sale for net proceeds of \$12.1M
June 2014	➤ Entered into sale-leaseback of Reno distribution facility for net proceeds of \$8.3M
December 2014	➤ Ended year with over 900 sales reps
February 2015	➤ Held North American sales meeting
September 2015	➤ Completed West Coast Fasteners acquisition
March 2016	➤ Completed Perfect Products of Michigan acquisition
May 2016	➤ Completed F. B. Feeney acquisition
June 2016	➤ Expanded sales team to over 1,000 sales reps
September 2016	➤ Extended credit facility to August, 2020
November 2016	➤ Completed Mattic Industries acquisition
March 2017	➤ Consolidated Fairfield, NJ distribution operations into McCook, Ill and Suwanee, GA
May 2017	➤ Sold Fairfield, NJ distribution center for a gain of \$5.4M
October 2017	➤ Completed Bolt Supply House acquisition
April 2018	➤ Opened MRO distribution center in Calgary, Canada
October 2018	➤ Completed Screw Products acquisition and added Bolt Supply branch
June 2019	➤ Achieved Q2 9.8% adjusted EBITDA, net of ASC 842 impact of 0.3%
September 2019	➤ Achieved Q3 10.9% adjusted EBITDA; hired VP, M&A
October 2019	➤ Entered into new five-year \$100M credit facility, with additional \$50 million accordion feature

# Regulation G – GAAP Reconciliation

## Non GAAP Reconciliation of Adjusted EBITDA to Sales Percentage

The Company reports its financial results in accordance with U.S. generally accepted accounting principles (GAAP). However, the Company's management believes that certain non-GAAP financial measures may provide users of this financial information additional meaningful comparisons between current results and results in prior operating periods. Management believes that these non-GAAP financial measures can provide additional meaningful reflection of underlying trends of the business because they provide a comparison of historical information that excludes certain non-operational, non-recurring or intermittently recurring items that impact the overall comparability. See the table below for supplemental financial data and corresponding reconciliations to GAAP financial measures for quarterly adjusted EBITDA as a percentage of net sales. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, the Company's reported results prepared in accordance with GAAP.

(\$ in thousands)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
Net Sales	\$ 74,617	\$ 75,006	\$ 75,651	\$ 80,633	\$ 84,459	\$ 90,382	\$ 88,530	\$ 86,266	\$ 91,343	\$ 96,097	\$ 94,7
Operating Income (Loss)	712	7,891	1,090	243	1,837	5,554	(2,266)	4,085	5,544	1,623	6,4
Depreciation & Amortization	1,705	1,644	1,591	1,830	1,686	1,679	1,755	1,735	1,478	1,455	1,4
EBITDA	2,417	9,535	2,681	2,073	3,523	7,233	(511)	5,820	7,022	3,078	7,9
<b>Excluded Costs</b>											
Severance	465	(9)	139	144	628	64	31	126	27	1,485	
Stock Based Compensation (Benefit)	(30)	415	2,337	384	970	87	7,637	(1,186)	408	4,839	2,3
Acquisition Related Costs	-	-	286	425	-	-	168	62	-	-	-
Loss/(Gain) on Disposal of Property	-	(5,422)	-	-	-	-	-	-	-	-	-
Lease termination gain	-	-	-	-	-	(164)	-	-	-	-	-
Discontinued operation accrual	-	-	-	-	-	529	-	-	-	-	-
Building Impairment	-	-	-	-	-	-	-	231	-	-	-
Reg G Adjusted EBITDA	\$ 2,852	\$ 4,519	\$ 5,443	\$ 3,026	\$ 5,121	\$ 7,749	\$ 7,325	\$ 5,053	\$ 7,457	\$ 9,402	\$ 10,3
Adjusted EBITDA % of Sales	3.8%	6.0%	7.2%	3.8%	6.1%	8.6%	8.3%	5.9%	8.2%	9.8%	10.9

# Consolidated Balance Sheet

Appendix P-4

	September 30, 2019 (Unaudited)	December 31, 2018
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 8,626	\$ 11,883
Restricted cash	800	800
Accounts receivable, less allowance for doubtful accounts of \$614 and \$549, respectively	45,162	37,682
Inventories, net	54,894	52,887
Miscellaneous receivables and prepaid expenses	4,270	3,653
Total current assets	113,752	106,905
Property, plant and equipment, net	16,932	23,548
Deferred income taxes	17,372	20,692
Goodwill	20,582	20,079
Cash value of life insurance	14,440	12,599
Intangible assets, net	12,468	13,112
Lease assets	11,917	—
Other assets	275	307
Total assets	\$ 207,738	\$ 197,142
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Revolving lines of credit	\$ 2,195	\$ 10,823
Accounts payable	16,325	15,207
Lease obligation	3,781	—
Accrued expenses and other liabilities	37,873	40,179
Total current liabilities	60,174	66,209
Security bonus plan	11,969	12,413
Lease obligation	10,360	5,213
Deferred compensation	5,915	5,304
Deferred tax liability	2,879	2,761
Other liabilities	3,460	6,069
Total liabilities	94,757	97,969
Stockholders' equity:		
Preferred stock, \$1 par value:		
Authorized - 500,000 shares, Issued and outstanding — None	—	—
Common stock, \$1 par value:		
Authorized - 35,000,000 shares		
Issued - 9,042,597 and 9,005,716 shares, respectively	9,043	9,006
Outstanding - 8,956,981 and 8,955,930 shares, respectively		
Capital in excess of par value	17,626	15,623
Retained earnings	89,502	77,338
Treasury stock — 85,616 and 49,786 shares, respectively	(2,595)	(1,234)
Accumulated other comprehensive loss	(595)	(1,560)
Total stockholders' equity	112,981	99,173
Total liabilities and stockholders' equity	\$ 207,738	\$ 197,142

