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DELTA REPORT

10-K

DSGR - DISTRIBUTION SOLUTIONS GR

10-K - DECEMBER 31, 2023 COMPARED TO 10-K - DECEMBER 31, 2022

The following comparison report has been automatically generated

TOTAL DELTAS	3958
CHANGES	376
DELETIONS	1481
ADDITIONS	2101

REFINITIV

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

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2022 December 31, 2023

or

o **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 name of Registrant registrant as Specified specified in Charter) its charter)

Delaware	**36-2229304**
(State or other jurisdiction of incorporation or organization)	***(I.R.S. Employer Identification No.)***

8770 W. Bryn Mawr Avenue, 301 Commerce Street, Suite 900, Chicago, Illinois 60631 1700, Fort Worth, Texas 76102
(Address of principal executive offices)
Registrant's telephone number, including area code:
(773) 304-5050 (888) 611-9888
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class each class	Trading Symbol	Name of Each Exchange each exchange on Which Registered which registered
Common Stock, $1.00 par value	DSGR	The NASDAQ Stock Market LLC (NASDAQ Global Select Market)

Securities registered pursuant to Section 12(g) of the Act:
None
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes o No þ

Indicate by check mark whether the registrant (l) 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 þ No o

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 þ No o

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 o	Accelerated filer þ
Non-accelerated filer o	Smaller reporting Company company þ
	Emerging Growth Company growth company o

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 o

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. þ

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. o

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). o

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

The aggregate market value of the registrant's voting stock held by non-affiliates on June 30, 2022 June 30, 2023, based upon the closing price of the registrant's Common Stock on that date, was approximately $229,634,000. $254,225,483.

As of February 28, 2023 February 29, 2024, 19,421,570 46,783,333 shares of Common Stock common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Annual Report on Form 10-K incorporates by reference some portions of the registrant's definitive proxy statement related to its 2023 2024 Annual Stockholders' Meeting, to be filed with the Securities and Exchange Commission within 120 days after the close of the fiscal year. Except as expressly incorporated by reference, the registrant's definitive proxy statement shall not be deemed to be part of this report.

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CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K contains certain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the "safe harbor" provisions under the Private Securities Litigation Reform Act of 1995 federal securities laws that involve risks and uncertainties. Forward-looking statements generally are accompanied by words 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” or the negatives of these terms or “would,” and variations of them or and other words and terms of similar meaning and expression. 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 and are only predictions and reflect our views as of the date they are made with respect to future events and financial performance. 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:

- inventory obsolescence;
- work stoppages and other disruptions at transportation centers or shipping ports;
- the reliance of TestEquity Acquisition, LLC's LLC ("TestEquity's" TestEquity") reliance on a significant supplier for a significant amount of its product inventory;
- changes in our customers, product mix and pricing strategy;
- disruptions of our information and communication systems;
- cyber-attacks or other information security incidents;
- the inability to successfully recruit, integrate and retain productive sales representatives;
- any difficulties in integrating the business operations of TestEquity and 301 HW Opus Holdings, Inc., which conducts business as Gexpro Services ("Gexpro Services"), with our legacy operations as Lawson Products Inc., operations, and/or the failure to successfully combine those operations within our expected timetable;
- failure to retain talented employees, managers and executives;
- the inability of management to successfully implement changes in operating processes;
- the inability to successfully integrate various risks involved in any pursuit or completion by us of additional acquisitions into our organization; acquisitions;
- 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 controls 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;
- government efforts to combat inflation, along with other interest rate pressures, could lead to higher financing costs;
- declines in the market price of our common stock; stock (the "DSG common stock");
- the significant influence of Luther King Capital Management Corporation’s significant influence Corporation ("LKCM") over the Company in light of its ownership percentage;
- the issuance any sales of additional shares of our DSG common stock in accordance with the earnout provisions of the Merger Agreements (as defined herein) to held by entities affiliated with Luther King Capital Management Corporation in connection with LKCM or the Mergers (as defined herein); possibility of any such sales;
- violations of environmental protection regulations;
- changes in tax matters;
- risks arising from the our international operations of TestEquity and Gexpro Services, subjecting us to new and additional legal and regulatory regimes; operations;
- potential limitations on our ability to use our net operating losses and certain other tax attributes generated prior to the Mergers; Mergers (as defined below);
- public health emergencies, such as the COVID-19 pandemic; emergencies;
- business uncertainties as a result of the Mergers;
- stockholder litigation relating to the Mergers;
- TestEquity and/or Gexpro Services may not have in place the financial organization, reporting and internal controls necessary for a public company;
- 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;

- supply chain constraints, inflationary pressure and labor shortages; and
- foreign currency exchange rate changes.

A detailed discussion of various factors that could cause actual results to differ materially from those described in the forward-looking statements is set forth in Part 1, Item 1A, "Risk Factors" of this Annual Report on Form 10-K. The Company undertakes We undertake no obligation to update or revise nor do we have a policy of updating or revising, 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.

PART I

ITEM 1. BUSINESS.

Overview

Distribution Solutions Group, Inc., a Delaware corporation ("DSG"), formerly Lawson Products, Inc., was incorporated in Illinois in 1952, and reincorporated in Delaware in 1982. DSG changed its corporate name from “Lawson Products, Inc.” to “Distribution Solutions Group, Inc.” on May 5, 2022.

DSG is a global specialty distribution company providing value added value-added distribution solutions to the maintenance, repair and operations ("MRO"), original equipment manufacturer ("OEM") and industrial technology markets. DSG has three principal operating companies: Lawson Products, Inc., an Illinois corporation ("Lawson"), TestEquity Acquisition, LLC, a Delaware limited liability company ("TestEquity"), and 301 HW Opus Holdings, Inc., a Delaware corporation conducting business as Gexpro Services ("Gexpro Services"). The complementary distribution operations of Lawson, TestEquity and Gexpro Services were combined on April 1, 2022 to create a global specialty distribution company. A summary of the Mergers (as defined below), including the legal entities party to the transactions and the stock consideration, is presented below.

Through its collective businesses, DSG is dedicated to helping customers lower their total cost of operation by increasing productivity and efficiency with the right products, expert technical support, and fast, reliable delivery to be a one-stop solution provider. DSG serves approximately 110,000 180,000 distinct customers in several diverse end markets supported by approximately 3,100 3,700 dedicated employees and strong vendor partnerships. DSG ships from strategically located distribution and service centers to customers in North America, Europe, Asia, South America and the Middle East. DSG was originally incorporated in Illinois in 1952 and was reincorporated in Delaware in 1982.

Unless the context requires otherwise, references in this Annual Report on Form 10-K to “DSG”, the “Company”, "we", "our" or "us" refer to the holding company, Distribution Solutions Group, Inc., and all entities consolidated with Distribution Solutions Group, Inc. in the accompanying consolidated financial statements.

Combination with TestEquity and Gexpro Services

Business Combination Background

On December 29, 2021, DSG entered into an: into:

• an Agreement and Plan of Merger (the “TestEquity Merger Agreement”) by and among (i) LKCM TE Investors, LLC, a Delaware limited liability company (the “TestEquity Equityholder”), (ii) TestEquity, Acquisition, LLC, a Delaware limited liability company and which was a wholly-owned subsidiary of the TestEquity Equityholder, (“TestEquity”), (iii) DSG and (iv) Tide Sub, LLC, a Delaware limited liability company and a wholly-owned subsidiary of DSG (“Merger Sub 1”), pursuant to the terms and subject to the conditions of which the parties agreed, among other things, that Merger Sub 1 would merge with and into TestEquity, with TestEquity surviving the merger as a wholly-owned subsidiary of DSG (the “TestEquity Merger”); and

• an Agreement and Plan of Merger (the “Gexpro Services Merger Agreement” and, together with the TestEquity Merger Agreement, the “Merger Agreements”) by and among (i) 301 HW Opus Investors, LLC, a Delaware limited liability company (the “Gexpro Services Stockholder”), (ii) 301 HW Opus Holdings, Inc., a Delaware corporation and Gexpro Services, which was a wholly-owned subsidiary of the Gexpro Services Stockholder, (“Gexpro Services”), (iii) DSG and (iv) Gulf Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of DSG (“Merger Sub 2”), pursuant to the terms and subject to the conditions of which the parties agreed, among other things, that Merger Sub 2 would merge with and into Gexpro Services, with Gexpro Services surviving the merger as a wholly-owned subsidiary of DSG (the “Gexpro Services Merger” and, together with the TestEquity Merger, the “Mergers”).

Completion of the TestEquity Merger

On April 1, 2022, (the "Merger Date"), the TestEquity Merger was consummated pursuant to the TestEquity Merger Agreement. In accordance with the TestEquity Merger Agreement, Merger Sub 1 merged with and into TestEquity, with TestEquity surviving as a wholly-owned subsidiary of DSG.

In accordance with and under the terms of the TestEquity Merger Agreement, at in connection with the closing of the TestEquity Merger on the Merger Date, DSG: (i) issued to the TestEquity Equityholder 3,300,000 6,600,000 shares of DSG common stock, (ii) on behalf of TestEquity, paid certain indebtedness of TestEquity and (iii) on behalf of TestEquity, paid certain transaction expenses of TestEquity.

The TestEquity Merger Agreement provides provided that up to an additional 700,000 1,400,000 shares of DSG common stock (the "TestEquity Holdback Shares") may would be issued potentially issuable to the TestEquity Equityholder or forfeited in accordance with, two and subject to the terms and conditions of, the earnout provisions of the TestEquity Merger Agreement. On March 20, 2023, DSG issued 1,400,000 shares of DSG common stock to the TestEquity Equityholder (the "TestEquity Holdback Shares") pursuant to the terms of the earnout provisions of the TestEquity Merger Agreement. The amount of TestEquity Holdback Shares issuable under issued represented the first earnout opportunity is based on, among other factors, the consummation maximum number of a certain additional acquisition by TestEquity during the period beginning after December 29, 2021 and ending 90 days after the Merger Date. If any TestEquity Holdback Shares remain after the calculation of the first earnout opportunity, there is a second earnout opportunity based on, among other factors, the increase in TestEquity EBITDA (as defined in the TestEquity Merger Agreement) in calendar year 2022 over calendar year 2021 subject to the calculations within the TestEquity Merger Agreement. As of December 31, 2022, 700,000 TestEquity Holdback Shares are expected to shares that could be issued under the first earnout opportunity due to the consummation of the certain additional acquisition as referenced in the TestEquity Merger Agreement, and were remeasured at fair value immediately prior to no further shares are available for issuance, and reclassified to equity at April 29, 2022 when no additional shares will be issued, in connection with the additional acquisition was consummated. Final issuance of the Test Equity Holdback Shares under the earnout opportunity is subject to customary terms and conditions as specified in the Test Equity TestEquity Merger Agreement. Refer to Note 8 – Earnout Derivative Liability in Item 8. Financial Statements, Liabilities for information about the earnout derivative liability related to the TestEquity Holdback Shares.

Completion of the Gexpro Services Merger

On the Merger Date, the Gexpro Services Merger was consummated pursuant to the Gexpro Services Merger Agreement. In accordance with the Gexpro Services Merger Agreement, Merger Sub 2 merged with and into Gexpro Services, with Gexpro Services surviving as a wholly-owned subsidiary of DSG.

In accordance with and under the terms of the Gexpro Services Merger Agreement, at in connection with the closing of the Gexpro Services Merger on the Merger Date, DSG: (i) issued to the Gexpro Services Stockholder 7,000,000 14,000,000 shares of DSG common stock, (ii) on behalf of Gexpro Services, paid certain indebtedness of Gexpro Services and (iii) on behalf of Gexpro Services, paid certain specified transaction expenses of Gexpro Services.

The Gexpro Services Merger Agreement provides provided that up to an additional 1,000,000 2,000,000 shares of DSG common stock would be potentially issuable to the Gexpro Services Stockholder in accordance with, and subject to the terms and conditions of, the earnout provisions of the Gexpro Services Merger Agreement. On March 20, 2023, DSG issued 2,000,000 shares of DSG common stock to the Gexpro Services Stockholder (the "Gexpro Services Holdback Shares") may be issued pursuant to the Gexpro Services Stockholder or forfeited in accordance with two terms of the earnout provisions of the Gexpro Services Merger Agreement. The amount of Gexpro Services Holdback Shares issuable issued represented the maximum number of additional shares that could be issued under the first earnout opportunity is based on, among other factors, the consummation of one or more of three certain additional acquisitions by Gexpro Services during the period beginning after December 29, 2021 and ending 90 days after the Merger Date. If any Gexpro Services Holdback Shares remain after the calculation of the first earnout opportunity, there is a second earnout opportunity based on, among other factors, the increase in Gexpro Services EBITDA (as defined in the Gexpro Services Merger Agreement) Agreement, and no further shares are available for issuance, and no additional shares will be issued, in calendar year 2022 over calendar year 2021 subject to the calculations within connection with the Gexpro Services Merger Agreement.

As of April 1, 2022, approximately 538,000 1,076,000 of the Gexpro Services Holdback Shares were had been expected to be issued under the first earnout opportunity due in the Gexpro Services Merger Agreement based on certain earnout metrics related to the consummation of the certain additional acquisitions which were completed prior to the Merger Date. As of December 31, 2022, an additional 462,000 Gexpro Services Holdback Shares are expected to be issued under the second earnout opportunity based on certain performance metrics as specified in Under the Gexpro Services Merger Agreement, and such additional shares if any Gexpro Services Holdback Shares remained after the calculation of the first earnout opportunity, there was a second earnout opportunity under the Gexpro Services Merger Agreement based on certain earnout performance metrics. On March 20, 2023, all 2,000,000 Gexpro Services Holdback Shares were issued under the earnout opportunities. The incremental 924,000 Gexpro Services Holdback Shares that were issued in excess of the 1,076,000 Gexpro Services Holdback Shares that were originally expected to be issued had been remeasured at fair value immediately prior to and reclassified to equity at December 31, 2022. Final issuance of the Gexpro Services Holdback Shares under the earnout opportunities is subject to customary terms and conditions as specified in the Gexpro Services Merger Agreement. Refer to Note 8 – Earnout Derivative Liability in Item 8. Financial Statements, Liabilities for information about the earnout derivative liability related to the Gexpro Services Holdback Shares.

Accounting for the Mergers

TestEquity and Gexpro Services were treated as a combined entity as the accounting acquirer for financial reporting purposes, and DSG was identified as the accounting acquiree. Accordingly, periods prior to the April 1, 2022 Merger Date reflect the results of operations and financial position of TestEquity and Gexpro Services on a consolidated basis, and the results of operations of DSG's legacy Lawson business are only included subsequent to the April 1, 2022 Merger Date.

For more information about the Mergers, refer to Note 3 – Business Acquisitions in Item 8. Financial Statements. Statements and Supplementary Data.

Recent Events

Stock Split

On August 15, 2023, DSG announced that its Board of Directors approved and declared a two-for-one stock split (the “Stock Split”) which entitled each stockholder of record as of the close of business on August 25, 2023 to receive one additional share of DSG common stock for each share of DSG common stock then-held. The additional shares were

distributed after the close of trading on August 31, 2023, and shares of DSG common stock began trading at the split-adjusted basis on September 1, 2023. Accordingly, all share and per share amounts have been retroactively adjusted to reflect the impact of the Stock Split for all periods presented herein.

In order to implement the Stock Split, on August 31, 2023, DSG filed a Third Amended and Restated Certificate of Incorporation of DSG with the Secretary of State of the State of Delaware to increase the number of authorized shares of DSG common stock from 35,000,000 to 70,000,000, which became effective on that date.

HIS Company, Inc. Acquisition

On March 30, 2023, DSG entered into a Stock Purchase Agreement (the “Purchase Agreement”), with various parties for the acquisition of all of the issued and outstanding capital stock of HIS Company, Inc., a Texas corporation (“Hisco,” and the "Hisco Transaction"), a distributor of specialty products serving industrial technology applications. DSG completed the Hisco Transaction on June 8, 2023. The total purchase consideration exchanged for the Hisco Transaction was $267.3 million, net of cash acquired of $12.2 million, at closing, with a potential additional earn-out payment subject to Hisco achieving certain performance targets. DSG will also pay $37.5 million in cash or DSG common stock in retention bonuses to certain Hisco employees that remain employed with Hisco or its affiliates for at least twelve months after the closing of the Hisco Transaction.

In connection with the Hisco Transaction, DSG combined the operations of TestEquity and Hisco, creating one of the largest suppliers serving the electronics design, production, and repair industries. DSG funded the Hisco Transaction with borrowings under its amended and restated credit facility and proceeds raised from the Rights Offering with existing stockholders, discussed below. Refer to Note 3 – Business Acquisitions for further details about Hisco and the Hisco Transaction.

The Purchase Agreement allowed certain eligible Hisco employees to invest all or a portion of their respective closing payment in DSG common stock at $22.50 per share, up to an aggregate value of DSG common stock issued to such eligible Hisco employees of $25.0 million. During 2023, the Company issued 144,608 shares of DSG common stock to the eligible Hisco employees and received approximately $3.3 million.

Debt Amendment

On June 8, 2023, the Company and certain of its subsidiaries entered into the First Amendment to Amended and Restated Credit Agreement (the “First Amendment”), which amended the Amended and Restated Credit Agreement, dated as of April 1, 2022 (as amended by the First Amendment, the “2023 Amended 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. The First Amendment provides for a $305 million incremental term loan and for the Company to increase the commitments from time to time by up to $200 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 9 – Debt for additional information about the 2023 Amended Credit Agreement.

Rights Offering

On May 30, 2023, the Company issued 4,444,444 shares of DSG common stock for net proceeds of approximately $98.5 million pursuant to a subscription rights offering (the "Rights Offering"). The Rights Offering provided one transferable subscription right for each share of DSG common stock held by holders of DSG common stock on record as of the close of business on May 1, 2023. Each subscription right entitled the holder to purchase 0.0525 shares of DSG common stock at a subscription price of $22.50 per share. The subscription rights were transferable but were not listed for trading on any stock exchange or market. In addition, holders of subscription rights who fully exercised their subscription rights were entitled to oversubscribe for additional shares of DSG common stock, subject to proration. Refer to Note 11 – Stockholders' Equity for additional information about the Rights Offering.

DSG Vision and Strategic Focus

The complementary distribution operations of Lawson, TestEquity and Gexpro Services were combined in 2022 for the purpose of creating a global specialty distribution company enabling each of Lawson, TestEquity and Gexpro Services to maintain their respective high-touch, value-added service delivery models and customer relationships in their specialty distribution businesses under the leadership of their separate business unit management. management teams. The DSG leadership team provides oversight to the these separate leadership teams of each of the operating companies. teams. This structure enables helps the combined company to leverage best practices, back-office resources and technologies across the three operating companies to help drive cost synergies and efficiencies. The combined company has the ability to utilize its combined financial resources to accelerate a strategy of expansion through both business acquisitions and organic growth.

Organic Growth Strategy

We intend to grow our revenue businesses organically and further improve our operations by exploring growth opportunities that provide different channels to reach customers, increase revenue and generate positive results. We plan to utilize our company Company structure to grow organic revenue by 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.

Recent Other Acquisitions — During 2022, other businesses were acquired as part of the growth strategy. TestEquity acquired Interworld Highway, LLC for $54.7 million, National Test Equipment for $7.2 million, and Instrumex for $3.9 million. Gexpro Services acquired Resolux ApS ("Resolux") for $30.8 million and Frontier Technologies Brewton, LLC and Frontier Engineering and Manufacturing Technologies, Inc. ("Frontier") for $25.7 million. The consideration exchanged for these acquired businesses included various combinations of cash, sellers notes, and forms of share based payments.For more information about these acquisitions, refer to the "Other Acquisitions" section of Note 3 – Business Acquisitions in Item 8. Financial Statements.

Human Capital Resources - **General Employee Information**

Our organization supports a culture of continuous improvement and emphasizes the importance of addressing the needs of our customers. We require our employees to act with integrity in every aspect of our business while encouraging them to be results driven, team oriented and progressive.

As of December 31, 2022 2023, our combined workforce included approximately 3,100 3,700 individuals, comprised of approximately 1,646 1,662 in sales and marketing, approximately 1,189 1,465 in operation and distribution and approximately 298 585 in management and administration. Approximately 1,720 1,685 individuals are within Lawson, 554 1,160 are within TestEquity, 684 712 are within Gexpro Services, with the remaining in corporate or other non-reportable segments.

Segments

The Company's three reportable segments are (i) Lawson, (ii) Gexpro Services and (iii) TestEquity, which align with our principle principal operating businesses. The following is a discussion of these reportable segments. For more information about our segments, please refer to Note 14 – Segment Information in Item 8. Financial Statements which is incorporated herein by reference. and Supplementary Data.

Lawson

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 throughout the United States and Canada.

Background and Operations — Lawson delivers quality products to customers and offers them extensive product knowledge, product application expertise and Vendor Managed Inventory ("VMI") services. Lawson competes for business

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primarily by offering a value-added service approach wherein highly trained sales representatives manage the product inventory for customers. The VMI model makes it less likely that customers will run out of a product while optimizing their inventory levels. Lawson ships products to its customers in all 50 states, Puerto Rico, Canada, Mexico and the Caribbean.

Strategic Focus — Lawson's vision is to be its customers' first choice for MRO solutions that improve their operating performance. Lawson plans to achieve its vision by working closely with customers to maintain and enhance their operations by providing them with quality products, superior service and innovative solutions and to grow both organically and through acquisitions.

Industry and Competition — The MRO market is comprised of companies that buy and stock products in bulk and supply these products to customers on an as needed basis. The customer benefits from our knowledge and the convenience of ordering smaller quantities maintained by us.

There is a significant amount of competitive fragmentation by geography and product within the industry. We encounter competition from several national distributors and manufacturers and a large number of regional and local distributors. Some

competitors have greater financial and personnel resources, handle more extensive lines of merchandise, operate larger facilities and price some merchandise more competitively than we do.

Customers — During 2022, 2023, the Lawson segment sold products to over 67,000 59,000 distinct customers. Lawson's largest customer accounted for approximately 3% of consolidated revenue. In 2022 2023, approximately 91% of Lawson's revenue was generated in the United States and approximately 9% in Canada. Although seasonality is not significant, due to fewer selling days and less activity during the holiday season, revenue in the fourth quarter is historically lower than the first three quarters of the year.

Lawson's customers operate in a variety of industries. Lawson's revenue percentages by customer end markets in 2022 2023 were as follows:

Industry CategoryEnd Markets	**Percentage of Lawson Revenue**
Manufacturing	22%
Automotive	18% 21%
Government and Military	14% 12%
Construction	8%
Equipment rental	6%
Transportation	4% 6%
Agriculture	3% 4%
Mining	3%
Other	22% 18%
	100%

Lawson's customers include a wide range of purchasers of industrial supply products from small repair shops to large national and governmental accounts.

Products — Lawson's revenue percentages by product categories in 2022 2023 were as follows:

Product Category	**Percentage of Lawson Revenue**
Fastening systems	18% 19%
Fluid power	15%
Electrical	12%
Aftermarket automotive supplies	12%
Specialty chemicals	12%
Cutting tools and abrasives	13%
Specialty chemicals	11%
Electrical	11%
Aftermarket automotive supplies	10% 8%
Safety	4%
Welding and metal repair	1% 2%
Other	17% 16%
	100%

Lawson offers over 117,000 110,000 different products of which over 93,000 78,000 products are maintained in distribution centers. Lawson strives to carry sufficient inventory to ensure product availability and rapid processing of customer orders. Accurate forecasting of customer demand is essential to establish the proper level of inventory for each product. Inventory levels need to be sufficient to meet customer demand while avoiding the costs of stocking excess items.

During 2022, 2023, Lawson purchased products from approximately 2,400 2,100 suppliers and no single supplier accounted for more than 6% 5% of these purchases. The loss of one core supplier could affect operations by hindering the ability to provide full service to customers.

Lawson's quality control department tests its product offerings to help ensure they meet our customers' specifications. Lawson recommends solutions to help customers maximize product performance and avoid costly product failures. Lawson's

9

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engineering department provides technical support for products and offers on-site problem solutions. It also develops and presents product safety and technical training seminars tailored to meet customers' needs.

Human Capital Resources — As of December 31, 2022 2023, Lawson's workforce was estimated to have 1,720 had 1,685 individuals: approximately 1,218 1,153 in sales and marketing of whom 1,000 870 are field sales representatives, 386 406 in operation and distribution and 116 126 in management and administration. Approximately 11% 12% of the Lawson workforce is covered by two collective bargaining agreements. We believe that our relationships with our employees and their collective bargaining organizations are good. satisfactory.

Sales force growth is a strategic driver of the Lawson business, and increased sales coverage throughout the United States and Canada directly impacts Lawson's success as an organization. Lawson is focused on identifying and recruiting individuals who are a good fit with its sales organization and providing them with the tools needed to succeed, such as training about Lawson's products and on the successful and effective ways to call potential customers and maintain relationships with existing customers. Lawson's product training educates its sales team on the optimal uses of products, enabling them to provide the proper products and customized solutions to address customers' needs, including technical expertise and on-site problem resolution. During 2023 Lawson expanded its team of inside sales representatives to support customer demand.

Lawson's leadership team is also focused on reducing sales force turn-over and on offering growth opportunities for our its sales representatives.

TestEquity

TestEquity is a leading distributor of test and measurement equipment and solutions, industrial and electronic production supplies, vendor managed inventory programs, and tool kits converting, fabrication and adhesive solutions from its leading manufacturing partners. TestEquity operates primarily through its five six distribution brands, namely TestEquity, Hisco, TEquipment, Techni-Tool, Jensen Tools and Instrumex, and is focused primarily in North America with a network of sales representatives throughout the United States, Canada, Mexico, Germany and the United Kingdom.

Background and Operations — Based out of Moorpark, California, TestEquity is a large, comprehensive provider of electronic test solutions in the United States supporting the aerospace and defense, wireless and communication,

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semiconductors, industrial electronics and automotive, and electronics manufacturing industries. TestEquity designs, rents and sells a full line of high-quality environmental test chambers. In addition to a large array of test and measurement products, TestEquity also offers calibration, refurbishment and rental solutions and a wide range of refurbished products. TestEquity continues to benefit from electronification of products across a range of industries including the internet of things ("IOT"), electric vehicles ("EV") and the 5th generation mobile network ("5G"). TestEquity offers over 250,000 300,000 products and 700 800 manufacturer brands with overlap across the following brands.

Hisco is a specialty distribution company serving the electronic assembly, aerospace and defense, medical and other industrial markets. Hisco also offers specialized warehousing for cold storage and vendor managed inventory services.

TEquipment (acquired as Interworld Highway, LLC) is one of the top distributors for both test and measurement and electronic production supplies in the United States with its e-commerce focused strategy, broad product range, amplified by access to core TestEquity products, and strong technical support for their customers.

Techni-Tool is one of the industry's largest solder, soldering equipment and electronic production distributors. Techni-Tool offers a wide range of products to support electronic production as well as compliance testing. In addition to the brand specific products offered, Techni-Tool also provides VMI solutions and dedicated technical support.

Jensen Tools is a top distributor for the electronics MRO customer base. In addition to being a distributor of handheld tools from leading brands, Jensen Tools offers private label Jensen branded hand tools that have been developed over years of customer usage and manufactured to a specified and demanding tolerance level. Jensen Tools employs a dedicated team of engineering, operational and sales professionals who focus on designing and building quality tool kits for its customers.

Instrumex is a small refurbished test and measurement distributor, based in Munich Germany, with a global reach.

During the third quarter of 2022, the final stage of moving Techni-Tool and Jensen Tools to the TestEquity platform was completed. Customers for each of these brands now have full access to the 250,000 active products across TestEquity group.

Strategic Focus — TestEquity intends to grow revenue both organically and through acquisitions and continuing to expand and improve its service offerings to its customers. In particular, TestEquity strives to improve its digital experience,

with a consistent approach for all of its brands. TestEquity intends to seek to increase its market share through continued expansion of product lines and greater penetration of the e-commerce market, enabled through investment in key digital talent and leverage of the existing TestEquity and TEquipment platforms.

Industry and Competition — Across both the test and measurement and electronic production supplies businesses, the North American market is fragmented with competitors ranging from large global distributors to national and regional distributors. Some competitors have greater financial and personnel resources, handle more extensive lines of merchandise, operate larger facilities and price some merchandise more competitively than TestEquity.

Customers — TestEquity serves over 30,000 100,000 customers at 100,000 125,000 locations across the United States and abroad, primarily in Canada, Europe and Europe, Mexico with approximately 92% 85% of TestEquity's revenue in 2022 2023 derived from customers in the United States. TestEquity has expanded its business operations in the United Kingdom and Germany through its recent acquisitions of MCS Test equipment in July 2021 and Instrumex in December 2022. There is not significant seasonality in TestEquity's business across its fiscal quarters. However, the number of business days in a quarter has an impact on TestEquity's revenue and profitability.

TestEquity's revenue percentages by customer end markets in 2022 2023 were as follows:

Industry CategoryEnd Markets	**Percentage of TestEquity Revenue**
Aerospace and defense	30%
Industrial electronics and electronics manufacturing	26% 46%
Semi-conductor production Aerospace and defense	17%
Education	8% 4%
Wireless and communications technology	6% 4%
Education Semi-conductor production	5% 3%
Other	25% 26%
	100%

Products — Approximately 15,000 30,000 fast-moving products are typically held in inventory across six forty-eight distribution centers available for next day delivery. TestEquity's revenue percentages by product categories in 2022 2023 were as follows:

Product Category	Percentage of TestEquity Revenue
Electronic production supplies	54%
Test & measurement	65%
Electronic production supplies	32% 43%
Proprietary products	3%
	100%

TestEquity has five 34 key suppliers that made up approximately 50% 48% of TestEquity's purchases in 2022. 2023. In total, TestEquity purchases from approximately 1,050 1,000 suppliers across the marketplace.

Human Capital Resources — TestEquity supports a culture of continuous improvement, integrity and diversity. TestEquity prides itself on its ability to meet its customers' needs in a driven and progressive manner. As of December 31, 2022 2023, TestEquity's workforce was estimated to have 554 had 1,160 individuals, comprised of approximately 178 253 in sales and marketing, 285 544 in operation and distribution and 91 363 in administration and support.

Gexpro Services

Gexpro Services is a world-class global supply chain solutions provider, specializing in the development of mission critical production line management, aftermarket and field installation programs. Gexpro Services provides comprehensive supply chain management solutions, including a full technology suite offering of VMI, kitting, global logistics management, manufacturing localization and import expertise, value engineering and quality assurance. Gexpro Services' end-to-end project management is designed to support manufacturing OEMs with their engineered material specifications, fulfillment, and quality requirements to improve their total cost of ownership. Gexpro Services has manufacturing and supply chain operations in over 31 Service Center service center sites across nine ten countries including key geographies in North America, South America, Asia, Europe, and the Middle East. Gexpro Services serves customers in six vertical markets, including renewables, industrial power, consumer and industrial, technology, transportation, and aerospace and defense.

Background and Operations — Gexpro Services was formed in November 2019 and, in February 2020, acquired the "Gexpro Services" business from French distributor Rexel S.A. via a carve-out acquisition.

As a top distributor and service provider to the OEM market, Gexpro Services has approximately 2,700 2,800 suppliers offering approximately 60,000 47,000 products. These products are inventoried and sourced through 31 locations in North America, South America, Asia, Europe and the Middle East.

Strategic Focus — Gexpro Services intends to grow organically through market share expansion primarily through new product introduction, increased sales of products and services to existing customers and expansion of its customer base. Gexpro Services believes that its services benefit its customers by helping them reduce their direct and indirect procurement costs and total cost of ownership for high volume, low value Class C parts, and that its services can help drive substantial cost savings for its customers. Additionally, Gexpro Services intends to grow its business through strategic, accretive acquisitions, and through continued improvement in service and product offerings to its customers.

Industry and Competition — Gexpro Services operates in a large, fragmented market with many competitors servicing OEMs as well as the MRO segment of the Class C product line. Competitors of Gexpro Services include large global distributors as well as national, regional and local distributors.

Customers — Gexpro Services serves almost 1,800 over 1,900 customers in over 38 countries through its 30 facilities. In 2022 2023, approximately 71% 69% of Gexpro Services' revenues were generated in the United States. Through its customer base, Gexpro Services provides VMI services with over 100,000 installed bins which allow its customers to maintain the necessary on-hand inventory levels to support their production cycles. Gexpro Services' value-added processes for its customers include VMI, packaging and kitting, engineering, product standardization when appropriate, sales and technical support, global sourcing and quality assurance.

Approximately 65% 67% of Gexpro Services' revenue in 2022 were 2023 was from customers under long-term agreements. Gexpro Services' largest customer represented approximately 19% 21% of Gexpro Services' 2022 2023 total revenue while the top 20 customers represented approximately 63% 75% of Gexpro Services' 2022 2023 total revenue.

Gexpro Services has existing customers in many different industry end markets. Gexpro Services' revenue percentages by customer end markets in 2022 2023 were as follows:

Industry CategoryEnd Markets	Percentage of Gexpro Services Revenue
Renewable energy	27%
Transportation	19% 29%
Industrial power	17% 22%
Technology Transportation	14% 19%
Consumer and industrial	14% 15%
Aerospace and defense	9% 10%
Technology	5%
	100%

Products — Gexpro Services' revenue percentages by product categories in 2022 2023 were as follows:

Product Category	Percentage of Gexpro Services Revenue
Hardware	46%
Electrical	41% 26%
Mechanical	16%
Fabrications	22% 12%
Electrical	21%
Mechanical	16%
	100%

Approximately 71% 55% of Gexpro Services' suppliers are based in the United States, which helps limit the risk of increased freight and logistics costs; however, many of these suppliers source their products from overseas. Gexpro Services maintains

favorable and long-tenured relationships with approximately 2,700 2,800 suppliers, with the largest supplier representing approximately 2% 3% of Gexpro Services' total product purchases in 2022 2023 while the top 10 suppliers represented approximately 15% 19% of total product purchases in 2022. 2023.

Human Capital Resources — Gexpro Services supports a culture of continuous improvement, integrity and diversity. Gexpro Services prides itself on being a full value provider to its customers supported with a team committed to providing world-class customer service. As of December 31, 2022 2023, Gexpro Services' workforce was estimated to have 684 had 712 individuals, comprised of approximately 219 225 in sales and marketing, 401 417 in operation and distribution and 64 70 in management and administration.

Available Information

We file with, or furnish to, the Securities and Exchange Commission ("SEC") annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and, as applicable, amendments to those reports pursuant to Section 13(a) or 15(d) of the Exchange Act. The public can obtain copies of these materials by accessing the SEC's website at *http://www.sec.gov*. In addition, as soon as reasonably practicable after such materials are filed with, or furnished to, the SEC, we make copies of such materials available to the public free of charge through our website at *www.distributionsolutionsgroup.com*or by calling (773) 304-5050. . Information on our website is not incorporated by reference into this report. We also make available on our website our Code of Ethics, Corporate Governance Principles and the charters of the committees of our Board of Directors.

Information About Our Executive Officers

The executive officers of DSG as of February 1, 2023 February 1, 2024 were as follows:

Name	Name	Age	Year First Named to Present Office	Position	Name	Age	Year First Named to Present Office	Position
J. Bryan King	J. Bryan King	51	2022	Chairman, President and Chief Executive Officer	J. Bryan King	52	2022	Chairman, President and Chief Executive Officer
Ronald J. Knutson	Ronald J. Knutson	59	2014	Executive Vice President, Chief Financial Officer and Treasurer	Ronald J. Knutson	60	2014	Executive Vice President, Chief Financial Officer and Treasurer
David S. Lambert	David S. Lambert	49	2021	Vice President, Controller and Chief Accounting Officer	David S. Lambert	50	2021	Vice President, Controller and Chief Accounting Officer

Biographical information for the past five years relating to each of our executive officers is set forth below.

Mr. King was elected President and Chief Executive Officer in May 2022. Mr. King has also served as a member of the Board of Directors of the Company since 2017, and has served as Chairman of the Board of Directors of the Company since March 2019. Mr. King has a career in investment management spanning over three decades and has served as Chairman or managing partner of several industrial distribution companies. Mr. King is a Principal of Luther King Capital Management Corporation ("LKCM"), an SEC-registered investment adviser, and Founder and Managing Partner of LKCM Capital Group and LKCM Headwater Investments, the private capital investment group of LKCM.

Mr. Knutson has served as Executive Vice President, Chief Financial Officer and Treasurer since April 2014 and has served as Executive Vice President and Chief Financial Officer of the Company since July 2012.

Mr. Lambert has served as Vice President, Controller and Chief Accounting Officer of the Company since June 2021. Prior to joining the Company, Mr. Lambert served as the Corporate Controller, and previously the Assistant Controller, of Univar Solutions, a chemical distribution company, publicly traded on the NYSE from June 2017 through June 2021. Prior to that, Mr. Lambert served as the Director of Corporate Accounting and Reporting of Donnelley Financial Solutions, a financial compliance company, publicly traded on the NYSE from September 2016 through June 2017. Prior to these roles, Mr. Lambert held progressive roles within finance and accounting at several other publicly traded companies.

ITEM 1A. RISK FACTORS.

Our operating results depend upon many factors and are subject to various risks and uncertainties, including those discussed below. The material risks and uncertainties known to us and described below may negatively affect our business, financial condition and results of operations. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair or otherwise adversely affect our business, financial condition and results of operations, and may give rise to or amplify many of the risks discussed below.

Business Risks

A significant portion of our inventory may become obsolete.

Our business strategy requires us to carry a significant amount of inventory to meet rapid processing of customer orders. If our inventory forecasting and production planning processes result in inventory levels exceeding the levels demanded by customers or should our customers decrease their orders with us, our operating results could be adversely affected due to costs of carrying the inventory and additional inventory write-downs for excess and obsolete inventory, which could materially adversely affect our business, financial condition and results of operations. For example, in 2022, our adjusted gross profit was negatively impacted by an inventory charge of $1.7 million to reduce inventory related to discontinued products where the anticipated net realizable value was lower than the cost reflected in our records.

Work stoppages and other disruptions at transportation centers or shipping ports, along with other supply chain disruptions, may adversely affect our ability to obtain inventory and make deliveries to our customers.

Our ability to rapidly process customer orders is an integral component of our overall business strategy. Interruptions at our company-operated facilities or disruptions at a major transportation center or shipping port, due to events such as severe weather, labor interruptions, natural disasters, acts of terrorism, trade restrictions, government-imposed quotas or other events, could adversely affect our ability to maintain core products in inventory or deliver products to our customers on a timely basis or adversely affect demand for our products, which may in turn adversely affect our business, financial condition and results of operations. Similarly, other supply chain disruptions have impacted our ability to maintain certain core products in inventory and deliver products to customers on a timely basis, and may continue to impact our ability to do so. Such supply chain disruptions may adversely affect our business, financial condition and results of operations.

TestEquity relies on a single supplier for a significant amount of its product inventory, and any disruptions in such supplier's business, operations or financial condition, or TestEquity's relationship with such supplier, could have a material adverse effect on our business, financial condition and results of operations.

TestEquity relies on a single supplier for a significant amount of its product inventory, including electronic test and measurement equipment. During 2022 2023 and 2021, 2022, the aggregate dollar amount of TestEquity's purchases from that supplier represented approximately 25% 11% and 41% 25%, respectively, of the aggregate dollar amount of TestEquity's purchases of product inventory from all of TestEquity's suppliers during such periods. Any disruptions in that supplier's business, operations or financial condition, or TestEquity's relationship with this supplier, could have a material adverse effect on our business, financial condition and results of operations.

Changes in our customers, product mix and pricing strategy could cause our gross profit margin percentage to decline in the future.

From time to time, our businesses have experienced overall changes in the product mix demand of customers. When customers or product mix changes, there can be no assurance that we will be able to maintain our gross profit margins. Changes in our customers, product mix, volume of orders or prices charged, along with additional freight costs or lower productivity levels, could cause our gross profit margin percentage to decline. Our gross profit margin percentage may also come under pressure in the future if we increase the percentage of national accounts in our customer base, as sales to these customers are generally at lower margins.

Disruptions of our information and communication systems could adversely affect the Company.

We depend on our information and communication systems to process orders, purchase and manage inventory, maintain cost-effective operations, sell and ship products, manage accounts receivable collections and serve our customers. Disruptions in the operation of information and communication systems can occur due to a variety of factors including power

outages, hardware failure, programming faults and human error. Disruptions in the operation of our information and

communication systems, whether over a short or an extended period of time or affecting one or multiple distribution centers, could have a material adverse effect on our business, financial condition and results of operations.

Cyber-attacks or other information security incidents could have a material adverse effect on our business operating strategy, results and of operations or financial condition and subject us to additional legal costs and damage our reputation in the marketplace. costs.

We are increasingly dependent on digital technology to process and record financial and operating data and communicate with our employees and business partners. During the normal course of business we receive, retain and transmit certain confidential information that our customers provide to purchase products or services or to otherwise communicate with us, as well as certain potentially sensitive information about our employees and other persons and entities.

Our technologies, systems, networks and data and information processes (and those of our business partners) have been, and may in the future be, the target of cyber-attacks and/or information security incidents that may have resulted in, or may in the future result in, the unauthorized release, misuse, loss or destruction of proprietary, personal and other information, or other disruption of our business operations, including compromise of our email systems. For example, in February 2022, DSG Lawson became aware that its computer network was the subject of a cyber incident potentially involving unlawful access. access (the "Cyber Incident"). Because of the nature of the information that may have been potentially compromised, which may have included personal identifiable information and protected health information, we were required to notify the parties whose information was potentially compromised of the incident as well as various governmental agencies and have taken other actions, such as offering credit monitoring services. After this incident, we also reviewed our overall systems and processes, and implemented certain changes, including employee training, designed to improve our overall cybersecurity program, but we cannot assure you that these changes will be effective to prevent future incidents. In addition, from time to time our email systems (and those of our business partners communicating with us) have been subjected to malicious attacks, including phishing attacks.

Such attacks or incidents could have a material adverse effect on our operating business strategy, results and of operations or financial condition and subject us to additional legal costs costs. For example, a putative class action lawsuit was filed against DSG in April 2023 asserting a variety of claims seeking monetary damages, injunctive relief and damage our reputation other related relief in connection with the marketplace. Cyber Incident, which could result in additional legal and other costs.

The techniques used by criminals to obtain unauthorized access to sensitive data change frequently and often are not recognizable until launched against a target or until a breach has already occurred. Accordingly, we may be unable to anticipate these techniques or implement adequate preventative measures. In addition, we are exposed to growing and evolving risks arising from the use of Artificial Intelligence technologies by bad actors to commit fraud, misappropriate funds and facilitate cyberattacks. As cyber threats continue to evolve, we may be required to expend additional resources to continue to modify or enhance our protective measures or to investigate and fix any information security vulnerabilities.

We maintain and have access to data and information that is subject to privacy and security laws, data protection laws and applicable regulations. The interpretation and application of such laws, including federal, state and international laws, relating to the collection, use, retention, disclosure, security and transfer of personally identifiable data in the United States (including but not limited to the California Consumer Privacy Act and the California Privacy Rights Act), Europe (including but not limited to the European Union's General Data Protection Regulation) and elsewhere, are uncertain and evolving. Despite our efforts to protect such information, cyber, privacy or security incidents, or misplaced or lost data could have a materially adverse impact on our business strategy, results of operations or financial condition and may divert management and employee attention from other business and growth initiatives. Further, an information privacy or security incident could result in legal or reputational risks and could have a materially adverse impact on our business, financial condition and results of operations.

The inability to successfully recruit, integrate and retain productive sales representatives could adversely affect our business, financial condition and operating results.

We have committed to a plan to increase the size of our sales force. A successful expansion in our sales force requires us to identify under-served territories that offer the greatest potential growth opportunity, locate and recruit talented sales representatives, provide them with the proper training, and successfully integrate them into our organization. This expansion will require significant investment in capital and resources. The failure to identify the optimal sales territories, recruit and retain quality sales representatives and provide them with sufficient support could adversely affect our business, financial condition and results of operations.

It is also critical to retain the experienced and productive sales representatives that have historically contributed to the successes of our businesses. Failure to retain a sufficient number of talented, experienced and productive sales representatives could adversely affect our business, financial condition and results of operations.

There may be difficulties in integrating certain operations of TestEquity’s and Gexpro Services’ respective businesses with our legacy operations, and the failure to successfully combine those operations within our expected timetable could adversely affect our future results and the market price of our common stock.

The Mergers involve the combination of businesses that previously operated as independent businesses. Management has devoted and will continue to devote, significant attention and resources to combine certain business operations of TestEquity and Gexpro Services with our legacy business operations. This may divert the time and attention of our management team and diminish their time to manage our businesses, service existing customers, attract new customers, develop new products, services and strategies and identify other beneficial opportunities.

If our management is not able to effectively manage the process following the closing of the Mergers, or if any significant business activities are interrupted as a result of this process, our businesses could suffer.

Furthermore, it is possible that the Mergers could result in the loss of key employees. If we are not able to fully realize the anticipated savings and synergies from the Mergers in a timely manner, or the cost to achieve these synergies is greater than expected, we may not fully realize the anticipated benefits (or any benefits) of the Mergers, or it may take longer than expected to realize any benefits. The failure to fully or timely realize the anticipated benefits could have a negative effect on the market price of DSG common stock.

Failure to retain talented employees, managers and executives could negatively impact our business and operating results.

Our success depends on, among other things, our ability to attract, develop and retain talented employees, including executives and other key managers. The loss of certain key executives and managers or the failure to attract and develop talented employees could have a material adverse effect on our business, financial condition and results of operations.

The inability of management to successfully implement changes in operating processes could lead to disruptions in our operations.

We strive to improve operational efficiencies throughout our organization and to identify and initiate changes intended to improve our internal operations. The implementation of changes to our current operations involves a risk that the changes may not work as intended, may disrupt related processes, may not be properly applied or may not result in accomplishing the intended efficiencies. Failure to successfully manage the implementation of these changes could lead to disruptions in our operations.

The inability to successfully integrate Any pursuit or completion by DSG of additional acquisitions into our organization acquisition opportunities would involve risks that could adversely affect our operations business, financial condition and operating results. results of operations.

One of our growth strategies is to actively pursue additional acquisition opportunities which complement our business model. However, there are risks associated with pursuing acquisitions, which include the incurrence of significant transaction costs without the guarantee that such transactions will be completed and the risk that we may not realize the anticipated benefits of the acquisition once it is completed. We may fail to successfully identify the right opportunities and/or to successfully integrate the acquired businesses, operations, technologies, systems and/or personnel with those of DSG, which could adversely affect our business, financial condition and results of operations. See also the section entitled “Item 1A. Risk Factors – TestEquity Merger and Gexpro Services Merger Risks” for a discussion of various additional risk factors relating to our completed business combination with TestEquity and Gexpro Services.

We operate in highly competitive markets.

The marketplaces in which we operate are highly competitive. Our competitors include large and small companies with similar or greater market presence, name recognition, and financial, marketing, and other resources. We believe the competition will continue to challenge our business with their product selection, financial resources and services.

We may be required to recognize impairment charges for goodwill and other intangible assets.

As a result of the closing of the Mergers on April 1, 2022 and other acquisitions completed during 2023 and 2022, we have an a significant amount of goodwill and other intangible assets on our consolidated balance sheet that is significantly greater than the amount as of goodwill and other intangible assets on our December 31, 2021 consolidated balance sheet. December 31, 2023. In accordance with GAAP, generally accepted accounting principles in the United States ("GAAP"), our management periodically assesses our goodwill and other intangible assets to determine if they are impaired. Significant negative industry or economic trends, disruptions to our business, an inability to effectively integrate acquired businesses, unexpected significant changes, planned changes in use of the assets, divestitures and market capitalization declines may impair goodwill and other intangible assets. Any charges

relating to such impairments could materially and adversely affect our results of operations in the periods recognized, which could result in an adverse effect on the market price of DSG common stock.

Changes that affect governmental and other tax-supported entities, including but not limited to changes arising from the ongoing conflict in Ukraine, geopolitical instability and military hostilities, could negatively impact our revenue and earnings.

A portion of our revenue is derived from the United States military and other governmental and tax-supported entities. These entities are largely dependent upon government budgets and require adherence to certain laws and regulations, including sanctions. In February 2022, armed conflict escalated between Russia and Ukraine and resulted in sanctions against Russia and Belarus by the U.S. and other countries. Such sanctions to date could include restrictions on selling or importing goods, services, or technology in or from affected regions and travel bans and asset freezes impacting connected individuals and political, military, business, and financial organizations in Russia organizations. In addition, geopolitical instability and Belarus. military hostilities, such as the current Hamas-Israel military conflict and the Russia-Ukraine military conflict, could negatively impact our business Although we have not, do not currently and do not plan to conduct business operations in Gaza, Israel, Russia, Belarus, or Ukraine, it is not possible to predict the broader consequences of this these ongoing conflict, conflicts, which could include further sanctions, embargoes, increases or decreases in military spending or other geopolitical instability. Any decrease in the levels of defense and other governmental spending or the introduction of more stringent governmental regulations and oversight, arising from the these ongoing conflict in Ukraine conflicts or otherwise, could lead to reduced revenue or an increase in compliance costs which would adversely affect our business, financial condition and results of operations.

We are required to evaluate our internal controls over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002 and any adverse results from such evaluation, and any failure to maintain effective internal controls over financial reporting, could result in a loss of investor confidence in our financial reports and could have an adverse effect on our stock price.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 and applicable SEC rules, we are required to include in each Annual Report on Form 10-K a report by our management on our internal control over financial reporting. This assessment must include disclosure of any material weaknesses in our internal control over financial reporting identified by management. Each year, we must prepare or update the process documentation and perform the evaluation needed to comply with Section 404 of the Sarbanes-Oxley Act of 2002 and applicable SEC rules in providing this report. During this process, if our management identifies one or more material weaknesses in our internal control over financial reporting, we will be unable to assert such internal control is effective. For example, management's report on our internal controls over financial reporting contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, identified a material weakness and concluded that we did not maintain effective internal controls over financial reporting as of December 31, 2022. Ensuring that we have adequate internal financial and accounting controls and procedures in place is a costly and time-consuming exercise that needs to be re-evaluated frequently. We and our independent auditors may in the future discover areas of our internal controls that need further attention and improvement, particularly with respect to any other businesses that we decide to acquire in the future.

One of our growth strategies is to actively pursue additional acquisition opportunities which complement our business model. These acquired businesses are typically private companies and may not have in place the financial organization, reporting and controls which are required for a U.S. public company. The cost of implementing this type of financial organization, reporting and controls in respect of the acquired business and integrating their financial reporting processes with our financial reporting processes may be significant. If there are limitations in the acquired businesses' financial organization, reporting and controls, or if we are unable to effectively integrate their financial reporting processes with our financial reporting processes, we could have, among other things, material weaknesses in our internal controls, violate our indebtedness covenants, miss an SEC reporting deadline or otherwise fail to comply with an applicable law or regulation.

Implementing any appropriate changes to our internal controls may require specific compliance training, entail substantial costs in order to modify our existing accounting systems or those of the companies that we acquire, and take a material period of time to complete. However, such changes may not be effective in maintaining the adequacy of our internal controls, and any failure to maintain that adequacy, or consequent inability to produce accurate financial statements on a timely basis, could increase our operating costs and could harm our ability to operate our business. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations. Any failure to maintain effective internal controls over financial reporting, or any investor perception that our internal controls are inadequate or that we are unable to produce accurate financial statements on a timely, consistent basis, may result in a loss of investor confidence in our financial reports and may adversely affect our stock price. Any failure to maintain effective internal controls over financial reporting or to comply with Section 404 of the Sarbanes-Oxley Act of 2002 and applicable SEC rules could also potentially subject us to sanctions or investigations by the SEC, Nasdaq or other regulatory authorities.

Debt Financing Risks

We have a significant amount of indebtedness, and our significant indebtedness could adversely affect our business, financial condition and results of operations.

We have $417.1 million $574.7 million of indebtedness as of December 31, 2022, 2023, which includes a significant amount of indebtedness under our 2023 Amended and Restated Credit Agreement (as defined herein). In addition, we may be able to incur a significant amount of additional indebtedness, subject to the terms and restrictions of our 2023 Amended and Restated Credit Agreement. Our indebtedness could have significant consequences on our future operations, including:

- events of default if we fail to comply with the financial and other covenants contained in the 2023 Amended and Restated Credit Agreement and/or other agreements governing our debt instruments, which could result in all of the debt becoming immediately due and payable or require us to negotiate an amendment to financial or other covenants that could cause us to incur additional fees and expenses;
- reducing the availability of our cash flow to fund working capital, capital expenditures, investments, acquisitions and other general corporate purposes, and limiting our ability to obtain additional financing for these purposes;
- limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industries in which we operate, and the overall economy;
- limiting our ability to buy back common stock or pay dividends;
- placing us at a competitive disadvantage compared to any of our competitors that have less debt or are less leveraged; and
- increasing our vulnerability to the impact of adverse economic and industry conditions.

Our ability to meet our payment and other obligations under our debt instruments will depend on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. We cannot assure that we will generate cash flow from operations, or that future borrowings will be available to us, in an amount sufficient to enable us to meet our indebtedness obligations and to fund other liquidity needs.

Failure to adequately fund our operating and working capital needs through cash generated from operations and borrowings available under our 2023 Amended and Restated Credit Agreement could negatively impact our ability to invest in our business and maintain our capital structure.

Our business requires investment in working capital and fixed assets. We expect to fund these investments from cash generated from operations and borrowings available under our 2023 Amended and Restated Credit Agreement. Failure to generate sufficient cash flow from operations or from our 2023 Amended and Restated Credit Agreement could cause us to have insufficient funds to operate our business. Adequate funds may not be available when needed or may not be available on favorable terms.

Our business, financial condition and operating results could be materially adversely affected if we failed to meet the covenant requirements of our 2023 Amended and Restated Credit Agreement.

Our 2023 Amended and Restated Credit Agreement contains financial and other restrictive covenants. These covenants could

adversely affect us by limiting our financial and operating flexibility as well as our ability to plan for and react to market conditions and to meet our capital needs. Failure to meet these covenant requirements could lead to higher financing costs and increased restrictions, reduce or eliminate our ability to borrow funds, result in events of default and accelerate the date on which our indebtedness must be repaid.

If we require more liquidity than is available to us under our 2023 Amended and Restated Credit Agreement, we may need to raise additional funds through debt or equity offerings which may not be available when needed or may not be available on terms favorable to us. Should funding be insufficient at any time in the future, we may be unable to develop or enhance our products or services, take advantage of business opportunities or respond to competitive pressures, any of which could have a material adverse effect on our business, financial condition and results of operations.

Government efforts to combat inflation, along with other interest rate pressures, could lead to higher financing costs.

Inflation has risen on a global basis, the United States has been experiencing historically high levels of inflation, and government entities have taken various actions to combat inflation, such as raising interest rate benchmarks. Government entities may continue their efforts, or implement additional efforts, to combat inflation, which could include among other things continuing to raise interest rate benchmarks and/or maintaining interest rate benchmarks at elevated levels. Such government efforts, along with other interest rate pressures, could lead to higher financing costs and have material adverse effect on our business, financial condition and results of operations.

Common Stock Risks

The market price of our common stock may decline.

The price of our common stock could decrease if our financial performance is inadequate or does not meet investors' expectations, if there is deterioration in the overall market for equities, if large amounts of shares are sold in the market, if there is index trading, or if investors have concerns that our business, financial condition, results of operations and capital requirements are negatively impacted by an economic downturn or any other adverse development.

Entities affiliated with LKCM and J. Bryan King beneficially own a significant majority of the outstanding DSG common stock and, therefore, have significant influence over our Company, which could delay or deter a change in control or other business combination or otherwise cause us to take actions with which you may disagree.

Based on a Schedule 13D filed with the SEC by LKCM and various other persons and entities (as amended through June 17, 2022 December 27, 2023), entities affiliated with LKCM beneficially owned in the aggregate approximately 14.6 million 36.4 million shares of DSG common stock as of June 15, 2022 December 26, 2023, representing representing approximately 75% 77.8% of the outstanding shares of DSG common stock as of February 28, 2023 December 31, 2023.J. Bryan King, Chairman and Chief Executive Officer of the Company, is a Principal of LKCM. In addition, M. Bradley Wallace, who became a director of the Company upon his election at the Company's 2023 annual stockholders meeting on May 19, 2023, is a Founding Partner of LKCM Headwater Investments, the private capital investment group of LKCM As a result, LKCM has significant influence over the outcome of matters requiring a stockholder vote, including the election of directors and the approval of other significant matters, and LKCM's interests may not align with the interests of other stockholders. This concentration of ownership could also have the effect of delaying or preventing a change of control or other business combination that might be beneficial to our stockholders.

In addition, as a result of this concentrated ownership interest of DSG common stock, DSG believes that it qualifies as a “controlled company.” Under NASDAQ Nasdaq Listing Rules, a listed company of which more than 50% of the voting power is held by an individual, group or another company is a “controlled company” and, accordingly, DSG believes that, if it so desired, it would be generally exempt from the requirements of Rule 5605(b), (d) and (e) of the Nasdaq Listing Rules that among other things would otherwise require DSG to have:

- a majority of the DSG board Board of directors Directors comprised of independent directors;
- a compensation committee comprised solely of independent directors; and
- director nominees be selected or recommended to the DSG board Board of directors Directors for selection, either by (1) DSG's independent directors constituting a majority of the DSG board Board of directors' Directors' independent directors in a vote in which only independent directors participate or (2) a nominating committee comprised solely of independent directors.

Completion of the Mergers resulted in the issuance of Entities affiliated with LKCM beneficially own a significant number of shares of DSG common stock, and may result in any sales of any such shares or the issuance possibility of a significant number of additional shares of DSG common stock, which any such sales could have a negative effect on the price of DSG common stock.

We issued an aggregate of 10.3 million shares of DSG common stock on April 1, 2022 in connection with the closing of the Mergers. In addition, we could be obligated to issue up to an aggregate of 1.7 million additional shares of DSG common stock in accordance with the earnout provisions of the Merger Agreements.As of February 28, 2023, approximately 1.7 million additional shares of DSG common stock are expected to be issued to entities Entities affiliated with LKCM in accordance with, and subject to customary terms and conditions of, theearnout provisions of the Merger Agreements. The issuance of such beneficially own a significant number of shares of DSG common stock could have a negative effect on the market price of DSG common stock.

In addition, in accordance with the Merger Agreements, DSG granted to certain entities affiliated with LKCM certain registration rights with respect to the shares of DSG common stock that DSG has issued and would be required to issue, those entities in connection with the Mergers. Any sales of any of the shares of DSG common stock held by any entities affiliated with LKCM (whether those shares were acquired by those entities in connection with the Mergers or in other transactions), or the anticipation of the possibility of any such sales, could create downward pressure on the market price of DSG common stock.

Legal and Regulatory Risks

A violation of federal, state or local environmental protection regulations could lead to significant penalties and fines or other remediation costs.

Our product offerings include a wide variety of industrial chemicals and other products which are subject to a multitude of federal, state and local regulations. These environmental protection laws change frequently and affect the composition, handling, transportation, storage and disposal of these products. Failure to comply with these regulations could lead to severe penalties and fines for each violation.

Additionally, a facility we own in Decatur, Alabama, was found to contain hazardous substances in the soil and groundwater as a result of historical operations prior to our ownership. We retained an environmental consulting firm to further investigate the contamination, including measurement and monitoring of the site. The Company concluded that further remediation was required, and accordingly, has made an accrual for the estimated cost of this environmental matter. A remediation plan was approved by the Alabama Department of Environmental Management and the remediation of the affected area is ongoing. Additional procedures may be required that could negatively impact our business, financial condition and results of operations.

Our results of operations could be affected by changes in taxation.

We are subject to income taxation at federal and state levels in the United States and to income taxation in numerous non-U.S. jurisdictions. Our results of operations could be adversely affected by changes in the Company’s effective tax rate as a result of changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets, audits by taxing authorities or changes in tax laws, regulations and their interpretation. From time-to-time changes in tax laws or regulations may be proposed or enacted that could adversely affect our overall tax liability. In addition, the Organization for Economic Co-operation and Development (“OECD”), which represents a coalition of member countries, has recommended fundamental tax reform affecting the taxation of multinational corporations, including the Base Erosion and Profit Shifting (“BEPS”) project, which in part aims to address international corporate tax avoidance. On December 20, 2021, the OECD released Pillar Two Model Rules defining the global minimum tax rules, which contemplate a 15% minimum tax rate. The OECD continues to release additional guidance on these rules and the framework calls for law enactment by OECD and G20 members to take effect in 2024 or 2025. However, the detail of the proposals is subject to change and the impact on the Company will need to be determined by reference to the final rules. The Company is continuing to monitor the potential impact of the Pillar Two proposals and developments on our consolidated financial statements and related disclosures, including eligibility for any transitional safe harbor rules. As of December 31, 2023, among the jurisdictions where the Company operates, only the U.K. has enacted legislation adopting the Pillar Two Rules, effective in fiscal 2025. Changes in applicable tax laws and regulations could affect our ability to realize our deferred tax assets, which could adversely affect our results of operations.

TestEquity's and Gexpro Services' Our international operations subject us to new and additional legal and regulatory regimes.

TestEquity has business operations and/or sales in a number of foreign countries, including Canada, Mexico, Germany and the United Kingdom. Gexpro Services has business operations and/or sales in a number of foreign countries, including Hungary and China. Lawson has business operations in Canada. As a result of the completion of the Mergers, we are subject to a wider array of foreign legal and regulatory regimes (including tax regimes) than what we were subject to prior to the completion of the Mergers. Compliance with diverse legal and regulatory requirements, including in connection with the movement or repatriation of cash, may be costly and time-consuming and require significant resources. Violations could result in significant fines or monetary damages, sanctions, prohibitions or restrictions on doing business and damage to our reputation. In addition, operating in foreign countries requires us to manage the potential conflicts between locally accepted business practices in any given jurisdiction and our obligations to comply with laws and

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regulations with respect to such jurisdictions, including anti-corruption laws or regulations applicable to DSG, such as the U.S. Foreign Corrupt Practices Act (the "FCPA") and the UK Bribery Act 2010 (the "UKBA"). The U.S., U.K. and other foreign agencies and authorities have a broad range of civil and criminal penalties they may seek to impose against companies for violations of export controls, the

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FCPA, the UKBA, and other laws, rules, sanctions, embargoes and regulations, including those established by the Office of Foreign Assets Control. Any violation of these legal requirements, even if prohibited by our policies, procedures and controls, could subject us to criminal or civil enforcement actions or penalties for non-compliance or otherwise have an adverse effect on our business and reputation.

As a result of the Mergers, DSG's ability to use its net operating losses and certain other tax attributes generated prior to the Mergers may be subject to limitations.

At December 31, 2022 2023, the Company had $24.2 million $21.4 million of U.S. federal net operating loss carryforwards which are subject to expiration beginning in 2026 2027 and $28.7 million $53.5 million of various state net operating loss carryforwards which expire at varying dates between 2023 2024 and 2034. 2035. As a result of the Mergers, DSG's ability to use its net operating losses and certain other tax attributes generated prior to the Mergers may be subject to limitations, which may adversely impact on our future tax liability and cash flows.

Public Health Emergencies Risks

Public health emergencies, whether domestic or international, such as the COVID-19 pandemic, may materially adversely affect our business strategy, financial condition and or results of operations.

Pandemics, epidemics or disease outbreaks in the U.S. or globally, including new variants of COVID-19, may have a material adverse effect on our business strategy, financial condition or results of operations, as well as on our employees, suppliers, customers, and the general economy. The full effect and estimated length of these disruptions could be difficult to predict by the Company given such an event is affected by a number of factors, many of which could be outside of our control. For example, the COVID-19 pandemic resulted in lost revenue to our Company, limited our ability to source high demand product, limited our sales force to perform certain functions due to state or federal stay-at-home orders, resulted in a slow-down of customer demand for our products and limited the ability of some customers to pay us on a timely basis.

TestEquity Merger and Gexpro Services Merger Risks

We are subject to business uncertainties as a result of the Mergers that could materially and adversely affect our businesses.

Uncertainty about the effect of the Mergers on employees, customers, suppliers and others having business relationships with us may have a material and adverse effect on our businesses. These uncertainties may impair our ability to attract, retain and motivate key personnel for a period of time after the closing of the Mergers. These uncertainties could also cause our customers, suppliers and other contractors to change or sever existing business relationships with us. Employee retention and recruitment may be challenging for the combined company as existing employees and prospective employees may experience uncertainty about their future roles with the combined company. Furthermore, no assurance can be given that after the Mergers we will be able to attract or retain key management personnel or other key employees to the same extent that legacy Lawson, TestEquity and Gexpro Services had been able to attract or retain their own employees. The departure of existing key employees or the failure of potential key employees to accept employment with the combined company, despite our retention and recruiting efforts, could have a material adverse impact on our business, financial condition and operating results.

Litigation relating to the Mergers could result in the payment of damages following the closing of the Mergers.

DSG and members of the DSG board Board of directors Directors currently are, and may in the future be, parties, among others, to litigation related to the Merger Agreements and the Mergers. Among other remedies, the stockholders in the pending litigation seek, and other stockholders could seek, monetary damages. The outcome of any legal proceedings are difficult to predict and any such lawsuits could result in substantial costs to us. The existence of litigation relating to the Mergers may also be costly and distracting to management. Further, the resources and costs to defend or settle any lawsuit or claim may adversely affect our business, financial condition, results of operations and cash flows. See Note 15 – Commitments and Contingencies to our consolidated financial statements, included in Item 8. Financial Statements and Supplementary Data, for a description of certain of our pending legal proceedings relating to the Mergers, which are incorporated herein by reference.

TestEquity and Gexpro Services were private companies before the Mergers and may not have had in place the financial organization, reporting and internal controls necessary for a public company. We are required to evaluate our internal controls over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002 and any adverse results

from such evaluation could result in a loss of investor confidence in our financial reports and could have an adverse effect on our stock price.

TestEquity and Gexpro Services were private companies before the Mergers and may not have had in place the financial organization, reporting and controls which are required for a U.S. public company. The cost of implementing this type of financial organization, reporting and controls in respect of TestEquity and Gexpro Services and integrating their financial reporting processes with our financial reporting processes may be significant. If there are limitations in TestEquity's or Gexpro Services' financial organization, reporting and controls, or if we are unable to effectively integrate their financial reporting processes with our financial reporting processes, we could have, among other things, material weaknesses in our internal controls, violate our indebtedness covenants, miss an SEC reporting deadline or otherwise fail to comply with an applicable law or regulation.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. As a result of our expanding business operations, primarily related to our merger in April 2022, we have experienced an increase in complex and non-routine accounting transactions and control activities necessary to properly present consolidated results. Specifically, in our TestEquity operating segment, we did not have sufficient technical accounting resources and personnel (i) to help ensure proper application of U.S. GAAP in the accounting for certain areas primarily related to accounting for business acquisitions and the disposal of rental equipment, or (ii) to effectively design and execute our process level controls around (a) revenue recognition, (b) account reconciliations, (c) accounting policies, and (d) proper segregation of duties. Although these control deficiencies did not result in any material misstatement of our consolidated financial statements, it could lead to a material misstatement of account balances or disclosures. Accordingly, management has concluded that these control deficiencies constitute a material weakness at December 31, 2022. Management has identified the steps necessary to remediate the material weakness, however, the material weakness has not been remediated as of December 31, 2022.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we are required to furnish a report by our management on our internal control over financial reporting. This assessment must include disclosure of any material weaknesses in our internal control over financial reporting identified by management. Each year, we must prepare or update the process documentation and perform the evaluation needed to comply with Section 404 of the Sarbanes-Oxley Act of 2002. During this process, if our management identifies one or more material weaknesses in our internal control over financial reporting, we will be unable to assert such internal control is effective. Ensuring that we have adequate internal financial and accounting controls and procedures in place is a costly and time-consuming exercise that needs to be re-evaluated frequently. We and our independent auditors may in the future discover areas of our internal controls that need further attention and improvement, particularly with respect to any other businesses that we decide to acquire in the future.

Implementing any appropriate changes to our internal controls may require specific compliance training, entail substantial costs in order to modify our existing accounting systems or those of the companies that we acquire, and take a material period of time to complete. However, such changes may not be effective in maintaining the adequacy of our internal controls, and any failure to maintain that adequacy, or consequent inability to produce accurate financial statements on a timely basis, could increase our operating costs and could harm our ability to operate our business. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations. Investor perception that our internal controls are inadequate or that we are unable to produce accurate financial statements on a timely, consistent basis may adversely affect our stock price. Failure to comply with Section 404 of the Sarbanes-Oxley Act of 2002 could also potentially subject us to sanctions or investigations by the SEC, NASDAQ or other regulatory authorities.

General Risks

Our results of operations may be adversely impacted by a downturn in the economy or in certain sectors of the economy.

Any decline or uncertainty in the strength of the economy may lead to a decrease in customer spending and may cause certain customers to cancel or delay placing orders. Some of our customers may file for bankruptcy protection, preventing us from collecting on accounts receivable and may result in our stocking excess inventory. Contractions in the credit markets may also cause some of our customers to experience difficulties in obtaining financing, leading to lower sales, delays in the collection of receivables and result in an increase in bad debt expense.

Adverse economic conditions could also affect our key suppliers and contractors. This could lead us to incur additional expenses or result in delays in shipping products to our customers. Economic uncertainty can make it difficult to accurately predict future order activity and affect our ability to effectively manage inventory levels. There are no assurances that we would be able to establish alternative financing or obtain financing with terms similar to our existing financing arrangements, including our credit agreement.

Changes in energy costs, tariffs, transportation costs and the cost of raw materials used in our products, and other inflationary pressures, could impact our cost of goods and distribution and occupancy expenses, which may result in lower operating margins.

Increases in the cost of raw materials used in our products (e.g., steel, brass, copper), quotas imposed on any cross border supplies within our businesses, increases in tariffs, increases in natural gas, electricity and other energy costs and increases in freight and other costs necessary to produce and transport our products, as well as other inflationary pressures, will raise the production costs of our vendors. Those vendors have typically looked to pass the higher costs along to us through price increases. If we are unable to fully pass such increased prices and costs through to our customers or to modify our activities, the impact would have an adverse effect on our operating profit margins and financial condition. On the other hand, a decrease in oil prices may result in weaker demand from oil and gas customers in the future, resulting in lower net sales. Changes in trade policies could affect our sourcing of product and ability to secure sufficient product and/or impact the cost or price of our products, with potentially negative impacts on our reported gross profits and results of operations.

Supply chain constraints, inflationary pressure and labor shortages could impact our cost of goods and other costs and expenses, which may result in lower gross profit margins and/or otherwise materially adversely affect our business, financial condition and results of operations.

Our businesses have been and may continue to be impacted by supply chain constraints, resulting in inflationary pressure on material costs, longer lead times, port congestion, and increased freight costs. This could result in challenges in acquiring and receiving inventory in a timely fashion and fulfilling customer orders. In addition, we have been and may continue to be impacted by labor shortages. This could result in challenges in fulfilling customer orders and can have a negative impact on our operating results as we may be required to utilize higher-cost temporary labor. We have also experienced and continue to experience inflationary pressure in other areas that adversely impact our cost of goods sold and other costs and expenses. While we have instituted various price increases during 2022 and 2023 in response to rising supplier costs, as well as increased transportation and labor costs, there can be no assurance that future cost increases can be partially or fully passed on to customers, or that the timing of such sales price increases will match our supplier cost increases. As a result, we are unable to predict the impact of these constraints on our business, financial condition and results of operations.

The Company is exposed to the risk of foreign currency changes.

A number of our subsidiaries are located and operate outside the United States, and each uses the currency in such foreign country as its functional currency. Operating results denominated in foreign currencies are translated into U.S. dollars when consolidated into our financial statements. Therefore, we are exposed to market risk relating to the fluctuation of value of such foreign currencies (including the Canadian dollar, Mexican peso, British pound sterling, the Euro, Danish krone, Brazilian real, Chinese renminbi, and Turkish lira) relative to the U.S. dollar that could adversely affect our financial condition and operating results.

In addition, the revolving credit facility under our 2023 Amended and Restated Credit Agreement is available to be drawn in U.S. dollars, Canadian dollars and any other additional currencies that may be agreed between us and our lenders. Any borrowings in Canadian dollars or any other foreign currency would expose us to market risk relating to the change in the value of such foreign currency in relation to the U.S. dollar.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 1C. CYBERSECURITY.

Risk Management & Strategy

We are focused on addressing the growing threat of cybersecurity risks that we face in today's global business environment and have identified cybersecurity as an important enterprise risk. Our cybersecurity risk management program is part of our overall enterprise risk management program, and is focused on identifying, assessing, managing, and remediating material risks from cybersecurity incidents. We rely on risk-based security controls, including access limitations and contractual requirements on third-party service providers, as part of our overall approach of protecting the integrity, availability and confidentiality of our important systems and information. We have an established cyber incident response plan to respond to cyber incidents.

We continue to improve our cybersecurity program and processes by investing in preventative measures. We engage consultants and third-party service providers in connection with our cybersecurity risk testing and assessment. These third-party service providers assist us in evaluating our cybersecurity program, provide support for threat monitoring and detection, and scan for vulnerabilities and other cybersecurity events which may pose a significant risk to the Company. We also engage in cybersecurity training, with the employees of certain of our operating companies undergoing compulsory training that enables them to detect and report malware, ransomware and other malicious software or social engineering attempts that may compromise the Company's information technology systems, and those employees are routinely assessed on this training. Employees are also generally required to complete compulsory training covering the handling of sensitive data. As the cyber landscape evolves, both in our technology systems and in the broader context of the internet and expanding connectivity, management continually updates its cybersecurity approach as part of its effort to safeguard the Company's sensitive information and assets.

We have not experienced any cybersecurity incidents in the last two years, including as a result of the Cyber Incident, that have materially affected the business strategy, results of operations, or financial condition of the Company. For more information regarding how cybersecurity threats could materially affect our business strategy, results of operations or financial condition, see "Cyber-attacks or other information security incidents could have a material adverse effect on our business strategy, results of operations or financial condition and subject us to additional legal costs." in Item 1A. Risk Factors.

Corporate Governance

Our Board of Directors has overall responsibility for risk oversight and has delegated the oversight of risks associated with cybersecurity to the Audit Committee. The Audit Committee reports to the Board on our cybersecurity risk management practices and performance, generally on a quarterly basis. The Audit Committee receives reports from senior members of management, including from each of our Chief Information Officers ("CIOs") (which include the CIO of each of our principal operating companies: Lawson, TestEquity and Gexpro Services), and the internal audit department regarding the cybersecurity risk management program. Among other things, these reports have focused on the following:

- recent cyber risk and cybersecurity developments;
- cyber risk governance and oversight;
- assessments by third-party experts;
- key cyber risk metrics and activities; and
- major projects and initiatives.

We have also established a governance structure under each of the CIOs that oversee investments in systems, resources, and processes as part of the continued maturity of our cybersecurity posture. Our CIOs have collectively over seventy years of service in various roles in the cybersecurity and information technology areas, including over forty years in their current roles or within the industry.

ITEM 2. PROPERTIES.

Our principal executive office is located in Chicago, Illinois under a lease expiring in March 2026. Fort Worth, Texas. As of December 31, 2022, 2023, we owned or leased multiple properties in the United States and abroad, including office spaces, distribution centers, warehouses and branch retail locations.

Owned and leased properties by reportable segment as of December 31, 2022 2023 are summarized below.

	Number of Properties			
	Lawson	TestEquity	Gexpro Services	All Other(1)
Offices	2	4	3	—
Distribution centers/warehouses	6	8	28	—
Branch locations	—	—	—	14
Other (2)	1	—	—	—

Total	Total	9	12	31	14

(1) Properties Includes our principal executive office and properties used by the Bolt Supply House ("Bolt"), a non-reportable segment.

(2) In connection with the sale of a discontinued business, we have agreed to lease the facility prior to the sale of the property.

While we believe that our facilities are adequate to meet our current needs, we will continue to assess the location and operation of our facilities to determine whether they meet the strategic needs of our business.

ITEM 3. LEGAL PROCEEDINGS.

See Note 15 – Commitments and Contingencies to our consolidated financial statements, included in Item 8. Financial Statements and Supplementary Data, which is incorporated herein by reference, for a description of certain of our pending legal proceedings, which are incorporated herein by reference. In addition, the Company is involved in legal actions that arise in the ordinary course of business.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Stock Price Data

The Company’s DSG common stock is traded on the Nasdaq Global Select Market under the symbol of “DSGR”. DSGR. On February 28, 2023 February 29, 2024, the closing sales price of our common stock was $44.41 $31.41 and the number of stockholders of record was 275. 281. We did not declare or pay dividends in either 2022 2023 or 2021 2022 and the Company currently has no plans to declare or pay dividends in the foreseeable future. Dividends are subject to certain restrictions based on terms detailed in our 2023 Amended and Restated Credit Agreement. Information about our equity compensation plans may be found in Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters, of this report which is hereby incorporated by reference.

Repurchases of Equity Securities

In the second quarter of 2019, the The Board of Directors previously authorized a stock repurchase program pursuant to which that permits the Company was authorized to repurchase up to $7.5 million of DSG common stock from time to time in open market transactions, privately negotiated transactions or by other methods. IOn November 2, 2022, n December 2023 the Board of Directors increased the repurchase program from $7.5 million by $25.0 million, bringing the total authorized to $12.5 million $37.5 million. We had $7.6 million $29.0 million of remaining availability under the stock repurchase program as of December 31, 2022 December 31, 2023. The stock repurchase program does not have an expiration date.

The following table summarizes repurchases of DSG common stock for the three months ended December 31, 2022 December 31, 2023 under the repurchase program described above and excludes shares withheld from employees to satisfy tax withholding requirements on option exercises and other equity-based transactions.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs
October 1 through October 31, 2022	—	$ —	—	$ 7,572,000
November 1 through November 30, 2022	—	—	—	7,572,000
December 1 through December 31, 2022	—	—	—	7,572,000
Total	—		—	

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs
October 1 through October 31, 2023	—	$ —	—	$ 7,572,000

November 1 through November 30, 2023	116,430	26.03	116,430	4,541,000
December 1 through December 31, 2023	22,295	26.37	22,295	28,953,000
Total	138,725		138,725	

ITEM 6. [RESERVED]

ITEM 7. 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 consolidated financial statements and related notes included in this Annual Report on Form 10-K, the Lawson Products, Inc. audited consolidated financial statements and accompanying notes included in DSG's Annual Report on Form 10-K filed for the year ended December 31, 2021 December 31, 2022 and the Lawson Products, Inc. unaudited condensed consolidated financial statements and accompanying notes included in DSG's our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2022.

References to "DSG", the "Company", "we", "our" or "us" refer to Distribution Solutions Group, Inc. and all entities consolidated in the accompanying 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. The Mergers that were consummated in April 2022 on April 1, 2022 resulted in the combination of Lawson, Products, Inc. ("Lawson"), TestEquity Acquisition, LLC ("TestEquity") and 301 HW Opus Holdings, Inc., conducting business as Gexpro Services ("Gexpro Services"). Services. For a description of the business combination, Mergers, refer to Item 1. Business and Note 1 – Nature of Operations and Basis of Presentation in Item 8. Financial Statements. Statements and Supplementary Data.

We manage and report our operating results through three reportable segments: Lawson, TestEquity and Gexpro Services. A summary of our segments is presented below. For additional details about our segments, see Item 1. Business and Note 14 – Segment Information in Item 8. Financial Statements. Statements and Supplementary Data.

Lawson is a distributor of specialty products and services to the industrial, commercial, institutional and government MRO market.

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

Gexpro Services is a global supply chain solutions provider, specializing in developing the development of mission critical production line management, aftermarket and implementing VMI and kitting programs to high-specification manufacturing customers. field installation programs.

In addition to these three 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 and the inconsequential results of a non-reportable segment.

Recent Events

HIS Company, Inc. Acquisition

On June 8, 2023, DSG acquired all of the issued and outstanding capital stock of Hisco, a distributor of specialty products serving industrial technology applications, pursuant to the Purchase Agreement dated March 30, 2023. The total purchase consideration exchanged for the Hisco Transaction was $267.3 million, net of cash acquired of $12.2 million, with a potential additional earn-out payment subject to Hisco achieving certain performance targets. DSG will also pay $37.5 million in cash or DSG common stock in retention bonuses to certain Hisco employees that remain employed with Hisco or its affiliates for at least twelve months after the closing of the Hisco Transaction.

In connection with the Hisco Transaction, DSG combined the operations of TestEquity and Hisco, creating one of the largest suppliers serving the electronics design, production, and repair industries. Accordingly, Hisco results are included in the TestEquity reportable segment after the date of acquisition.

DSG funded the Hisco Transaction with borrowings under its 2023 Amended Credit Agreement and proceeds raised from the Rights Offering, both discussed below. Refer to Note 3 – Business Acquisitions for further details about the Hisco Transaction.

Debt Amendment

On June 8, 2023, the Company entered into the First Amendment to Amended and Restated Credit Agreement (the “First Amendment”), which amended the Amended and Restated Credit Agreement, dated as of April 1, 2022 (as amended by the First Amendment, the “2023 Amended 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. The First Amendment provides for a $305 million incremental term loan. Refer to Note 9 – Debt for additional information about the 2023 Amended Credit Agreement.

Rights Offering

On May 30, 2023, the Company raised gross proceeds of approximately $100 million pursuant to a Rights Offering of transferable subscription rights to holders of DSG common stock as of the close of business on May 1, 2023. Refer to Note 11 – Stockholders' Equity for additional information about the Rights Offering. The Company incurred transaction costs related to the issuance of DSG common stock for the Rights Offering of $1.5 million, which were recorded against Capital in excess of par value in the Consolidated Balance Sheets.

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 we operate. it operates. The PMI is a composite index of economic activity in the U.S. manufacturing sector. We believe that a A measure of that the PMI index above 50 is generally indicates viewed as indicating an expansion of the manufacturing sector while a measure below 50 is generally represents viewed as representing a contraction. The average monthly PMI was 53.5 47.1 in the year ended December 31, 2022 December 31, 2023 compared to 60.7 53.5 in the year ended December 31, 2021 December 31, 2022.

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 uses an is expanding its inside sales team to help drive field sales representative productivity and also utilizes an e-commerce site to generate sales.

TestEquity Sales Drivers

Across both the test and measurement, industrial and electronic production supplies businesses, the North American market is highly fragmented with competitors ranging from large global distributors to national and regional distributors.

Through the Hisco Transaction, TestEquity expanded its product offerings, including adhesives, chemicals and tapes as well as specialty materials such as electrostatic discharge, thermal management focuses on the internal metric materials and static shielding bags. Hisco operates in 38 locations across North America, including its Precision Converting facilities that provide value-added fabrication and its Adhesive Materials Group that provides an array of Sales per Day (“SPD” custom repackaging solutions. Hisco also offers vendor-managed inventory and Radio Frequency Identification ("RFID") programs with specialized warehousing for chemical management, logistics services and Day Adjust Growth (“DAG”). The SPD calculates and compares TestEquity’s total sales divided by the number of selling days, adjusted for weekends and holidays. A selling day generally represents a business day in which TestEquity ships products to its customers. The DAG represents the percentage increase or decrease in the SPD for a defined period of time.

Specifically in respect of its electronic production supplies business, the current semi-conductor chip shortage, primarily due to the COVID-19 pandemic, is negatively impacting TestEquity’s business as such chips are key elements to the electronic production process. TestEquity anticipates that recovery of this important part of its customers’ supply chain will occur in 2023. cold storage.

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 Services' revenue is influenced by our OEMs' production schedules, new product introduction launches, and service project needs.

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

Key Factors Affecting our Results of Operations acquisitions to expand its installation and Financial Condition aftermarket services.

Supply Chain Disruptions

Along with the broader economy, we We continue to be affected by rising supplier costs caused by inflation and increased transportation and labor costs. This results in challenges in acquiring and receiving inventory in a timely fashion and fulfilling customer orders, which offset some of the sales gains we recorded in 2022 compared to 2021. The supply chain disruptions have also led to higher product costs which have contributed to lower gross profit margins as a percentage of sales in certain pieces of our business. We have instituted various price increases during 2021 2022 and 2022 2023 in response to rising supplier costs, as well as increased transportation and labor costs. costs in order to manage our gross profit margins.

Cyber Incident Litigation

On February 10, 2022, DSG disclosed that Lawson Products' computer network was the subject of a cyber incident potentially involving unauthorized access to certain confidential information (the "Cyber Incident"). DSG engaged a cybersecurity forensics firm to assist in the investigation of the incident and to assist in securing its computer network.

Because of the nature of the information that may have been compromised, DSG was required to notify the parties whose information was potentially compromised of the incident as well as various governmental agencies and has taken other actions, such as offering credit monitoring services. At December 31, 2023, DSG had not incurred material costs as a result of the Cyber Incident. On April 4, 2023, a putative class action lawsuit was filed against DSG related to the Cyber Incident (the "Cyber Incident Suit"). For more information about the Cyber Incident Suit, refer to Note 15 – Commitments and Contingencies within Item 8. Financial Statements and Supplementary Data.

Factors Affecting Comparability to Prior Periods

Our results of operations for the year ended December 31, 2023 are not directly comparable to prior results for the periods presented year ended December 31, 2022 due to the Mergers that were completed on April 1, 2022. The Mergers were accounted for as a reverse merger under the acquisition method of accounting in accordance with the accounting guidance for reverse acquisitions as provided in Accounting Standards Codification 805, Business Combinations ("ASC 805"). Under this guidance, TestEquity and Gexpro Services were treated as a combined entity as the accounting acquirer for financial reporting purposes, and DSG was identified as the accounting acquiree. This determination was primarily made as TestEquity and Gexpro Services were under the common control of an entity that owns owned a majority of the voting rights of the combined entity, and therefore, only DSG experienced a change in control. Accordingly, the consolidated financial statements as of December 31, 2022 and December 31, 2021 and for the years year ended December 31, 2022 and 2021 reflect the results of operations and financial position of TestEquity and Gexpro Services on a consolidated basis for the full year, and the results of operations of DSG's legacy Lawson business are only included only subsequent and not prior, to the April 1, 2022 Merger Date. The combined operations of all three entities are included in the consolidated financial statements for the full year ended December 31, 2023.

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. 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 the Mergers adjustments recorded to reduce and other acquisitions, inventory related to certain discontinued products, net realizable value adjustments, amortization of fair value step-up resulting from the Mergers acquisition related costs (unrelated to the Mergers), and other acquisitions and other non-recurring items. Management uses operating income and Adjusted EBITDA to evaluate the performance of its reportable segments. See Note 14 – Segment Information of our consolidated financial statements within Item 8. Financial Statements and Supplementary Data for additional information about our reportable segments.

The following table provides our calculation a reconciliation of Net income to Adjusted EBITDA on a consolidated basis and Operating income to Adjusted EBITDA by segment for the year years ended December 31, 2022 December 31, 2023 and 2022. A reconciliation of Net income to Adjusted EBITDA by segment is not provided because management does not determine or review net income at the segment level and 2021: 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 Operating Net Income (Loss) to Non-GAAP Adjusted EBITDA (Unaudited)

	Year Ended December 31, 2023	
	Year Ended December 31, 2023	
	Year Ended December 31, 2023	
(in thousands)		
Net income (loss)		
Net income (loss)		
Net income (loss)		
Income tax expense (benefit)		
Income tax expense (benefit)		
Income tax expense (benefit)		
Other income (expense), net		
Other income (expense), net		
Other income (expense), net		
Change in fair value of earnout liabilities		
Change in fair value of earnout liabilities		
Change in fair value of earnout liabilities		
Interest expense		
	Year Ended December 31	
(in thousands)	**2022(8)**	**2021**
Interest expense		
Interest expense		
Operating income (loss)		
Operating income (loss)		

Operating income (loss)	Operating income (loss)	$ 41,786	$11,421
Depreciation and amortization	Depreciation and amortization	45,186	18,683
Depreciation and amortization			
Depreciation and amortization			
Stock-based compensation(1)			
Stock-based compensation(1)			
Stock-based compensation(1)			
Severance and acquisition related retention expenses(2)			
Severance and acquisition related retention expenses(2)			
Severance and acquisition related retention expenses(2)			
Merger and acquisition related costs(3)			
Merger and acquisition related costs(3)			
Merger and acquisition related costs(3)			
Inventory step-up(5)			
Stock-based compensation(1)		2,448	—
Severance costs(2)		2,796	50
Merger/integration costs(3)		12,659	2,435
Inventory net realizable value adjustment(4)		1,737	—
Inventory step-up(5)	Inventory step-up(5)	2,867	212
Acquisition related costs(6)		2,782	6,373
Other non-recurring(7)		1,597	243
Inventory step-up(5)			
Other non-recurring(6)			
Other non-recurring(6)			
Other non-recurring(6)			
Adjusted EBITDA	Adjusted EBITDA	$113,858	$39,417
Adjusted EBITDA			
Adjusted EBITDA			

	Year Ended December 31, 2022				
(in thousands)	Lawson(7)	TestEquity	Gexpro Services	All Other(7)	Consolidated
Net income (loss)					$ 7,406
Income tax expense (benefit)					5,531
Other income (expense), net					670

Change in fair value of earnout liabilities					483
Loss on extinguishment of debt					3,395
Interest expense					24,301
Operating income (loss)	$ 6,536	$ 11,375	$ 21,291	$ 2,584	$ 41,786
Depreciation and amortization	10,594	17,480	15,175	1,937	45,186
Stock-based compensation(1)	2,448	—	—	—	2,448
Severance and acquisition related retention expenses(2)	1,429	1,095	266	6	2,796
Merger and acquisition related costs(3)	4,698	4,786	5,957	—	15,441
Inventory net realizable value adjustment(4)	1,737	—	—	—	1,737
Inventory step-up(5)	1,943	—	163	761	2,867
Other non-recurring(6)	1,199	—	354	44	1,597
Adjusted EBITDA	$ 30,584	$ 34,736	$ 43,206	$ 5,332	$ 113,858

(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 in 2022 2023 and 2021, 2022 not related to a formal restructuring plan. plan and acquisition related retention expenses for the Hisco Transaction.

(3) Merger transaction Transaction and integration costs related to the negotiation, review and execution of the Merger Agreements relating to the Mergers and subsequent integration costs. other acquisitions.

(4) Inventory net realizable value adjustment recorded to reduce inventory related to discontinued products where the anticipated net realizable value was lower than the cost reflected in our records.

(5) Inventory fair value step-up adjustments adjustment for Lawson resulting from the reverse merger acquisition accounting for Lawson and acquisition accounting for additional acquisitions completed by Gexpro Services. Services or TestEquity.

(6) Expense for acquisition related costs, unrelated to the Mergers.

(7) Other non-recurring costs consists consist of sales force optimization non-capitalized deferred financing costs incurred in conjunction with the 2023 Amended Credit Agreement, certain non-recurring strategic projects and other non-recurring items.

(8) (7) Includes the operating results of Lawson and All Other subsequent, but not prior, to the April 1, 2022 Merger Date in accordance with GAAP accounting guidance for reverse acquisitions.

Management uses operating income and Adjusted EBITDA to evaluate the performance of its reportable segments. See Note 14 – Segment Information of our consolidated financial statements within Item 8. Financial Statements for additional information about our reportable segments. The following table provides Adjusted EBITDA by reportable segment:

(in thousands)	Year Ended December 31 2022	2021
Adjusted EBITDA		
Lawson(1)	$ 30,584	$ —
TestEquity	34,736	16,107
Gexpro Services	43,206	23,310
All Other(2)	5,332	—
Consolidated Adjusted EBITDA	$ 113,858	$ 39,417

(1) Includes the operating results of Lawson subsequent, but not prior, to the April 1, 2022 Merger Date in accordance with GAAP accounting guidance for reverse acquisitions.

(2) Includes the operating results of All Other subsequent, but not prior, to the April 1, 2022 Merger Date in accordance with GAAP accounting guidance for reverse acquisitions.

Supplemental Information - Lawson Non-GAAP Adjusted Pro Forma Operating Income and Non-GAAP Adjusted EBITDA

For management to discuss Lawson's operating results on a comparable basis, Lawson's historical, pre-merger components of operating income have been provided separately in the table below. In addition, Lawson's GAAP results of operations were adjusted to include the results Lawson's historical pre-merger components of operating income, prior to the April 1, 2022 Merger Date, along with pre-merger pro forma adjustments prepared under SEC Regulation S-X Article 11, in order to reflect the total operating activities attributable to Lawson for each period presented. Management believes this historical supplemental information provides the most meaningful basis of comparison for Lawson's operations, is more useful in identifying current business trends, and is important for the user users of our financial statements in understanding Lawson's business. Refer to Note 1 – Nature of Operations and Basis of Presentation and Note 3 – Business Acquisitions within Item 8. Financial Statements and Supplementary Data for information about the Mergers.

These non-GAAP amounts are not considered to be prepared in accordance with GAAP, have not been prepared as pro forma results under applicable regulations, This supplemental information may not reflect the actual results we would have achieved had the Mergers occurred at the beginning of 2021, 2022, and should not be viewed as a substitute for the results of operations presented in accordance with GAAP. Lawson's historical operating results prior to the Mergers were obtained from the consolidated financial statements included in DSG's Annual Report on Form 10-K filed for the year ended December 31, 2021 and the unaudited condensed consolidated financial statements included in DSG's the Lawson Products, Inc. Quarterly Report on Form 10-Q filed for the quarterly period ended March 31, 2022. The pro forma adjustments were obtained from the unaudited pro forma condensed combined financial information included in DSG's Current Report on Form 8-K/A filed on August 24, 2023.

(in thousands)	Year Ended December 31, 2022			Year Ended December 31, 2021		
Lawson Operating Income	**GAAP Results(1)**	**Pre-Merger Results(2)**	**Adjusted Results(3)**	**GAAP Results(1)**	**Pre-Merger Results(4)**	**Adjusted Results(3)**
Revenue	$ 324,783	$ 104,902	$ 429,685	$ —	$ 371,668	$ 371,668
Cost of goods sold	154,030	49,371	203,401	—	171,193	171,193
Gross profit	170,753	55,531	226,284	—	200,475	200,475
Selling, general and administrative expenses	164,217	44,435	208,652	—	192,283	192,283
Operating income (loss)	$ 6,536	$ 11,096	$ 17,632	$ —	$ 8,192	$ 8,192
Lawson Adjusted EBITDA(5)	$ 30,584	$ 8,042	$ 38,626	$ —	$ 30,390	$ 30,390

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Lawson Pro Forma Results - Calculation of Supplemental Information (Unaudited)

(in thousands)	Year Ended December 31, 2023	Year Ended December 31, 2022			
Lawson Operating Income	**GAAP Results(1)**	**GAAP Results(2)**	**Pre-Merger Results(3)**	**Pro-Forma Adjustments(4)**	**Pro Forma Results(5)**
Revenue from external customers	$ 468,379	$ 324,783	$ 104,902	$ —	$ 429,685
Intersegment revenue	332	—	—	—	—
Revenue	468,711	324,783	104,902	—	429,685
Cost of goods sold	203,251	154,030	49,371	—	203,401
Gross profit	265,460	170,753	55,531	—	226,284
Selling, general and administrative expenses	232,962	164,217	44,435	4,086	212,738
Operating income (loss)	$ 32,498	$ 6,536	$ 11,096	$ (4,086)	$ 13,546
Lawson Adjusted EBITDA(6)	$ 63,663	$ 30,584	$ 8,042		$ 38,626

(1) Operating income prepared in accordance with GAAP. No pre-merger or pro-forma adjustments were necessary because these results represent Lawson's total operating activities for the full year ended December 31, 2023.

(2) Operating income prepared in accordance with GAAP, which includes Lawson's results of operations subsequent, but not prior, to the April 1, 2022 Merger Date. For the year ended December 31, 2021, the operating results of Lawson were not included in the Company's GAAP results.See Note 1 – Nature of Operations and Basis of Presentation and Note 3 – Business Acquisitions within Item 8. Financial Statements. Statements and Supplementary Data.

(2) (3) Lawson's results of operations for the three months ended March 31, 2022, which occurred prior to the April 1, 2022 Merger Date and were not included in the Company's GAAP operating results under reverse merger acquisition accounting.

(3) (4) Pro-forma adjustments include the incremental expense related to the fair value adjustment of share-based compensation awards of $1.9 million and the net impact of $2.2 million from the elimination of historical depreciation and amortization expense and recognition of new depreciation expense on the fair value of property, plant and equipment and amortization expense related to identifiable intangible assets.

(5) Lawson's pro forma results of operations adjusted for comparability on a period-over-period basis. These non-GAAP results represent Lawson's total operating activities for the year ended December 31, 2022 and 2021 2022, regardless of the Mergers Merger Date (that is, they reflect both pre- and post-Merger results of Lawson) Lawson, including the pro forma adjustments related to the pre-Merger period).

(4) Lawson's results of operations for the year ended December 31, 2021, which occurred prior to the April 1, 2022 Merger Date, were not included in the Company's GAAP operating results under reverse merger acquisition accounting. See Note 1 – Nature of Operations and Basis of Presentation and Note 3 – Business Acquisitions within Item 8. Financial Statements.

(5) (6) Refer to the Non-GAAP Adjusted EBITDA section above for a reconciliation of operating income to Adjusted EBITDA to operating income. EBITDA.

Composition of Results of Operations

The following results of operations for the years year ended December 31, 2022 December 31, 2023 and 2021 include the combined operations of DSG. The following results of operations for the year ended December 31, 2022 include the accounts of the TestEquity and Gexpro Services combined entity, as the accounting acquirer, for the full year, and include the results of DSG's legacy Lawson business have only been included for activity subsequent, and not prior, to the April 1, 2022 Merger Date.

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 consolidated financial statements are provided in Note 14 – Segment Informationwithin Item 8. Financial Statements and Supplementary Data.

RESULTS OF OPERATIONS FOR 2022 2023 AS COMPARED TO 2021 2022

Consolidated Results of Operations

	Year Ended December 31,			
	2022		2021	
(Dollars in thousands)	Amount	% of Revenue	Amount	% of Revenue
Revenue				
Lawson(1)	$ 324,783	28.2 %	$ —	— %
TestEquity	392,358	34.1 %	264,161	50.8 %
Gexpro Services	385,326	33.5 %	256,129	49.2 %
All Other(2)	48,955	4.3 %	—	— %
Total Revenue	1,151,422	100.0 %	520,290	100.0 %
Cost of goods sold				
Lawson(1)	154,030	13.4 %	—	— %
TestEquity	302,980	26.3 %	206,971	39.8 %
Gexpro Services	272,462	23.7 %	183,041	35.2 %
All Other(2)	31,052	2.7 %	—	— %
Total Cost of goods sold	760,524	66.1 %	390,012	75.0 %

	Year Ended December 31,					
	2023			2022		
(Dollars in thousands)	Amount		% of Revenue	Amount		% of Revenue
Revenue						
Lawson(1)	$ 468,711	29.8	29.8 %	$324,783	28.2	28.2
TestEquity	641,768	40.9	40.9 %	392,358	34.1	
Gexpro Services	405,733	25.8	25.8 %	385,326	33.5	
All Other(2)	55,890	3.6	3.6 %	48,955	4.3	
Intersegment revenue elimination	(1,700)		(0.1) %	—		—
Total Revenue	1,570,402	100.0	100.0 %	1,151,422	100.0	1
Cost of goods sold						
Lawson(1)	203,251	12.9	12.9 %	154,030	13.4	13.4
TestEquity	499,916	31.8	31.8 %	302,980	26.3	
Gexpro Services	284,664	18.1	18.1 %	272,462	23.7	
All Other(2)	32,396	2.1	2.1 %	31,052	2.7	
Intersegment cost of goods sold elimination	(1,700)		(0.1) %	—		—
Total Cost of goods sold	1,018,527	64.9	64.9 %	760,524	66.1	

Gross profit	Gross profit	390,898	33.9 %	130,278	25.0 %	Gross profit	551,875	35.1	35.1 %	390,898	33.9	
Selling, general and administrative expenses	Selling, general and administrative expenses											
Selling, general and administrative expenses												
Selling, general and administrative expenses												
Lawson(1)												
Lawson(1)												
Lawson(1)	Lawson(1)	164,217	14.3 %	—	— %		232,962	14.8	14.8 %	164,217	14.3	14.3
TestEquity	TestEquity	78,003	6.8 %	56,861	10.9 %	TestEquity	158,317	10.1	10.1 %	78,003	6.8	
Gexpro Services	Gexpro Services	91,573	8.0 %	61,996	11.9 %	Gexpro Services	94,069	6.0	6.0 %	91,573	8.0	
All Other(2)	All Other(2)	15,319	1.3 %	—	— %	All Other(2)	23,536	1.5	1.5 %	15,319	1.3	
Total Selling, general and administrative expenses	Total Selling, general and administrative expenses	349,112	30.3 %	118,857	22.8 %	Total Selling, general and administrative expenses	508,884	32.4	32.4 %	349,112	30.3	
Operating income (loss)	Operating income (loss)	41,786	3.6 %	11,421	2.2 %							
Operating income (loss)												
Operating income (loss)							42,991		2.7 %	41,786		3.6
Interest expense												
Interest expense												
Interest expense	Interest expense	(24,301)	(2.1) %	(16,737)	(3.2) %		(42,774)	(2.7)	(2.7) %	(24,301)	(2.1)	(2.1)
Loss on extinguishment of debt	Loss on extinguishment of debt	(3,395)	(0.3) %	—	— %	Loss on extinguishment of debt	—	—	— %	(3,395)	(0.3)	
Change in fair value of earnout liabilities	Change in fair value of earnout liabilities	(483)	— %	—	— %	Change in fair value of earnout liabilities	758	—	— %	(483)	—	
Other income (expense), net	Other income (expense), net	(670)	(0.1) %	577	0.1 %	Other income (expense), net	(2,982)	(0.2)	(0.2)%	(670)	(0.1)	
Income (loss) before income taxes	Income (loss) before income taxes	12,937	1.1 %	(4,739)	(0.9) %							
Income (loss) before income taxes												
Income (loss) before income taxes							(2,007)		(0.1) %	12,937		1.1
Income tax expense (benefit)												
Income tax expense (benefit)												
Income tax expense (benefit)	Income tax expense (benefit)	5,531	0.5 %	313	0.1 %		6,960	0.4	0.4 %	5,531	0.5	0.5
Net income (loss)	Net income (loss)	$ 7,406	0.6 %	$ (5,052)	(1.0) %							
Net income (loss)												
Net income (loss)							$ (8,967)		(0.6) %	$ 7,406		0.6

(1) Includes the operating results of Lawson subsequent, but not prior, to the April 1, 2022 Merger Date of April 1, 2022. Date.

(2) Includes the operating results of All Other subsequent, but not prior, to the April 1, 2022 Merger Date.

Overview of Consolidated Results of Operations

Our consolidated results of operations include the financial impact of the Mergers that were completed on April 1, 2022. and the other acquisitions completed in 2023 and 2022. The increase in gross profit fofor r 2022 2023 compared to 2021 was 2022 was primarily due to the inclusion of Lawson operations only subsequent, and not prior, to the Merger

Date. Date and the Hisco and other acquisitions completed in 2023 and 2022. Expenses for 20222023 were impacted by the inclusion of Lawson operations only subsequent, other acquisitions completed in 2023 and not prior, to the Merger Date, the 2021 and 2022 acquisitions, and Merger related costs. 2022.

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

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Results by Reportable Segment

Lawson Segment

(Dollars in thousands)	Year Ended December 31, 2022	2021	Change Amount	%
Revenue	$324,783	$—	$324,783	— %
Cost of goods sold	154,030	—	154,030	— %
Gross profit	170,753	—	170,753	— %
Selling, general and administrative expenses	164,217	—	164,217	— %
Operating income (loss)	$ 6,536	$—	$ 6,536	— %
Gross profit margin	52.6 %	— %		
Adjusted EBITDA(1)	$ 30,584	$—	$ 30,584	— %

(Dollars in thousands)	Year Ended December 31, 2023	2022	Change Amount	%
Revenue from external customers	$468,379	$324,783	$143,596	44.2 %
Intersegment revenue	332	—	332	— %
Revenue	$468,711	$324,783	$143,928	44.3 %
Cost of goods sold	203,251	154,030	49,221	32.0 %
Gross profit	265,460	170,753	94,707	55.5 %
Selling, general and administrative expenses	232,962	164,217	68,745	41.9 %
Operating income (loss)	$ 32,498	$ 6,536	$ 25,962	397.2 %
Gross profit margin				
Adjusted EBITDA(1)	$ 63,663	$ 30,584	$ 33,079	108.2 %

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

Revenue and Gross Profit

Revenue increased $143.6 million, or 44.2%, to operating income.$468.7 million in 2023 compared to revenue of $324.8 million in the same period of 2022 primarily due to $125.3 million of revenue in the first quarter of 2023 with no comparable amount in 2022 due to the inclusion of Lawson operations beginning on the Merger Date and not including any Lawson operations prior to the Merger Date. The remaining increase was primarily driven by strengthening sales to Lawson's strategic and governmental customers and automotive end market customers from a combination of organic growth and the realization of price increases enacted throughout 2022 and 2023 to offset rising supplier costs.

The increase Gross profit increased $94.7 million, or 55.5%, to $265.5 million in revenue, gross profit and operating income for 2022 2023 compared to gross profit of 2021 $170.8 million was in the same period of 2022 primarily due to $70.9 million of gross profit in the first quarter of 2023 with no comparable amount in 2022 due to the inclusion of Lawson operations beginning on the Merger Date and not including any Lawson operations prior to the Merger Date. The remaining increase was primarily the

Supplemental Information

For management result of increased sales volume, price increases and lower net freight expense and spreading operating expenses over a higher sales level. Lawson gross profit as a percent of revenue was 56.6% in 2023 compared to discuss Lawson's operating results on gross profit as a comparable basis, Lawson's GAAP results percent of operations were adjusted to include its results prior to the April 1, 2022 Merger Date in order to reflect the total operating activities attributable to Lawson for each period presented. These non-GAAP Adjusted Results presented revenue of 52.6% in the table below are referred to within this results prior year period. The gross profit margin percentage improvement for 2023 was primarily the result of operations discussion as "Adjusted".

	Year Ended December 31,		Adjusted Change	
(Dollars in thousands)	Adjusted 2022(1)	Adjusted 2021(1)	Amount	%
Revenue	$ 429,685	$ 371,668	$ 58,017	15.6%
Cost of goods sold	203,401	171,193	32,208	18.8%
Gross profit	226,284	200,475	25,809	12.9%
Selling, general and administrative expenses	208,652	192,283	16,369	8.5%
Operating income (loss)	$ 17,632	$ 8,192	$ 9,440	115.2%
Gross profit margin	52.7 %	53.9 %		
Adjusted EBITDA(2)	$ 38,626	$ 30,390	$ 8,236	27.1%

(1) For comparability purposes, Lawson's GAAP results of operations were adjusted to include the historical results of Lawson prior to the Merger Date. Refer to the section *Factors Affecting Comparability to Prior Periods price increases, lower net freight expense and leveraging operating expenses over a higher sales base. The* and the non-GAAP measures section Supplemental Information - *Lawson Non-GAAP Adjusted Operating Income and Non-GAAP Adjusted EBITDA* for more information related to the calculation of adjusted amounts.

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

Revenue and Gross Profit

Adjusted revenue increased 15.6% to $429.7 million for 2022 compared to adjusted revenue of $371.7 milliongross profit margin percentage for the same period a year ago. The increase in adjusted revenue compared to the prior year was primarily driven by the realization of price increases enacted throughout 2021 and 2022 to offset rising supplier costs, increased quantity volumes and strengthening sales to our strategic customers and automotive end market.

Adjusted gross profit increased $25.8 million to $226.3 million for the year ended December 31, 2022 compared to $200.5 million in the prior year primarily as a result of increased sales and the related price increases put in place. Lawson adjusted gross profit as a percent of adjusted revenue was 52.7% for 2022 compared to 53.9% in the prior year. The adjusted

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gross margin percentage for 2022 was impacted by increased supplier costs from inflation and supply chain disruptions and a sales shift toward lower margin customers. Adjusted gross Gross profit margin for 2022 was also impacted by an inventory charge of $1.7 million to reduce inventory related to discontinued products where the anticipated net realizable value was lower than the cost reflected in our records and the amortization of the fair value step-up of inventory of $1.9 million related to the Mergers. Price increases enacted throughout 2021 and 2022 have generally offset the negative impacts of these higher costs.

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. Adjusted selling,

Selling, general and administrative expenses increased $68.7 million to $208.7 $233.0 million for the year ended December 31, 2022 in 2023 compared to the adjusted amount Selling, general and administrative expenses of $192.3 $164.2 million in the same period a year ago. Higher expense on a year-to-date basis versus a year ago were of 2022 primarily driven by compensation expense due to support increased sales, higher severance $62.7 million of Selling, general and higher amortization expense related administrative expenses in the first quarter of 2023 with no comparable amount in 2022 due to the reverse merger accounting, partially offset by lower costs related inclusion of Lawson operations beginning on the Merger Date and not including any Lawson operations prior to the Mergers and stock-based compensation. Merger Date.

Adjusted EBITDA

During the year ended December 31, 2022 2023, Lawson generated Adjusted EBITDA of $38.6 63.7 million, an increase of 27.1% 108.2% or $8.2 33.1 million from the same period a year ago primarily due to $18.5 million of Adjusted EBITDA in the first quarter of 2023 with no comparable amount in 2022 due to the inclusion of Lawson operations beginning on the Merger Date and not including any Lawson operations prior to the Merger Date and increased revenue and gross profit margin partially offset by an increase in Selling, general and administrative expenses.

Supplemental Information

For management to discuss Lawson's operating results on a comparable basis, Lawson's GAAP results of operations were adjusted to include Lawson's historical pre-merger components of operating income, prior to the April 1, 2022 Merger Date, along with pre-merger pro forma adjustments prepared under SEC Regulation S-X Article 11, in order to reflect the total operating activities attributable to Lawson for each period presented. These pro forma results presented in the table below are referred to within this supplemental results of operations discussion as "pro forma".

	Year Ended December 31,		Change	
(Dollars in thousands)	2023	Pro Forma 2022(1)	Amount	%
Revenue from external customers	$ 468,379	$ 429,685	$ 38,694	9.1%
Intersegment revenue	332	—	332	—%
Revenue	$ 468,711	$ 429,685	$ 39,026	9.1%
Cost of goods sold	203,251	203,401	(150)	(0.1)%
Gross profit	265,460	226,284	39,176	17.3%
Selling, general and administrative expenses	232,962	212,738	20,224	9.7%
Operating income (loss)	$ 32,498	$ 13,546	$ 18,952	107.5%
Gross profit margin	56.6 %	52.7 %		
Adjusted EBITDA(2)	$ 63,663	$ 38,626	$ 25,037	64.8%

(1) For comparability purposes, Lawson's GAAP results of operations were adjusted to include the historical unaudited results of Lawson prior to the Merger Date and certain pro-forma adjustments including the incremental expense related to the fair value adjustment of share-based compensation awards and incremental depreciation and amortization expense related to the fair value adjustments of property, plant and equipment and identifiable intangible assets. Refer to the section *Factors Affecting Comparability to Prior Periods* and the section *Supplemental Information - Lawson Pro Forma Operating Income and Non-GAAP Adjusted EBITDA* for more information related to the calculation of adjusted amounts.

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

Revenue and Gross Profit

Revenue increased $39.0 million, or 9.1%, to $468.7 million in 2023 compared to pro forma revenue of $429.7 million in the same period of 2022. The increase was primarily driven by strengthening sales to Lawson's strategic and governmental customers of $25.2 million and automotive end market customers of $13.5 million from a combination of organic growth and the realization of price increases enacted throughout 2022 and 2023 to offset rising supplier costs.

Gross profit increased $39.2 million to $265.5 million in 2023 compared to pro forma gross profit of $226.3 million in the same period of 2022 primarily as a result of increased sales volume and price increases, which contributed to an increase in gross profit of $29.4 million, lower net freight expense of $2.9 million, lower expense for write-offs of obsolete and excess inventory of $3.2 million and spreading operating expenses over a higher sales level. Lawson gross profit as a percent of revenue was 56.6% in 2023 compared to pro forma gross profit as a percent of pro forma revenue of 52.7% in the prior year period. The gross profit margin percentage improvement for 2023 was primarily the result of price increases, lower net freight costs, lower expense for write-offs of obsolete and excess inventory and leveraging operating costs over a higher sales base. The pro forma gross profit margin percentage for the same period of 2022 was impacted by increased supplier costs from inflation and supply chain disruptions and a sales shift toward lower margin customers. Pro forma gross profit margin for 2022 was also impacted by an inventory charge of $1.7 million to reduce inventory related to discontinued products where the anticipated net realizable value was lower than the cost reflected in our records and the amortization of the fair value step-up of inventory of $1.9 million related to the Mergers.

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 $20.2 million to $233.0 million in 2023 compared to pro forma Selling, general and administrative expenses of $212.7 million in the same period of 2022. The increase was primarily driven by additional depreciation and amortization of $9.2 million as a result of the fair value step-up adjustments related to the reverse merger acquisition accounting and higher stock-based compensation of $12.2 million due to expense of $7.9 million in 2023 and a benefit of $4.2 million realized in 2022, partially offset by lower acquisition related costs of $4.7 million in 2023 compared to the same period of 2022.

Adjusted EBITDA

During 2023, Lawson generated Adjusted EBITDA of $63.7 million, an increase of 64.8% or $25.0 million from the same period a year ago primarily driven by increased revenue and margins. gross profit margin partially offset by an increase in Selling, general and administrative expenses.

TestEquity Segment

	Year Ended December 31,		Change	
(Dollars in thousands)	**2022**	**2021**	**Amount**	**%**
Revenue	$392,358	$264,161	$128,197	48.5 %
Cost of goods sold	302,980	206,971	96,009	46.4 %
Gross profit	89,378	57,190	32,188	56.3 %
Selling, general and administrative expenses	78,003	56,861	21,142	37.2 %
Operating income (loss)	$ 11,375	$ 329	$ 11,046	N/M
Gross profit margin	22.8 %	21.6 %		
Adjusted EBITDA(1)	$ 34,736	$ 16,107	$ 18,629	115.7 %

	Year Ended December 31,					Change	
(Dollars in thousands)	**2023**		**2022**		**Amount**		**%**
Revenue from external customers	$641,643		$392,358		$249,285		63.5 %
Intersegment revenue	125		—		125		— %
Revenue	641,768	392,358	392,358	249,410	249,410	63.6	6
Cost of goods sold	499,916	302,980	302,980	196,936	196,936	65.0	6
Gross profit	141,852	89,378	89,378	52,474	52,474	58.7	5
Selling, general and administrative expenses	158,317	78,003	78,003	80,314	80,314	103.0	10
Operating income (loss)	$ (16,465)	$	$ 11,375	$	$ (27,840)	(244.7)	(244.7)
Gross profit margin							
Adjusted EBITDA(1)	$ 43,283		$ 34,736		$ 8,547		24.6 %

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

Revenue and Gross Profit

Revenue increased $249.4 million, or 63.6%, to $392.4 641.8 million for the in year 2023 compared to $392.4 million ended December 31, 2022 from $264.2 million during in the same period in 2021 2022. This The increase was primarily driven by the TEquipment and National Test Equipment acquisitions during the second quarter of 2022 and the acquisition of MCS in 2021, which generated aggregate revenue of $96.6 273.4 million for the post-acquisition periods, as well as organic growth of 12.1% revenue generated from acquisitions completed in 2023 and 2022 offset by a $24.0 million decline in legacy TestEquity revenue due to a slowdown in the existing test and measurement market, primarily caused by tightening of capital budgets in TestEquity's customer base business. and softening in the EPS end markets.

Gross profit increased $32.2 52.5 million to $89.4 141.9 million in 2022 2023 compared to $57.2 89.4 million in the same period of 2021 2022 primarily as a result of the inclusion of the acquisitions completed in 2023 and 2022, primarily due to acquisitions and increased sales which generated $57.9 million of additional gross profit during 2023 offset by a decline in the base business. As legacy TestEquity revenue. TestEquity gross profit as a percent of revenue gross profit improved decreased to 22.1% in 2023 compared to 22.8% in 2022 the prior year primarily due to the as compared amortization of the fair value step-up of inventory of $3.6 million related to 21.6% in the Hisco Transaction 2021 driven by an expansion of margins within the existing base business and a shift in sales mix toward higher from the lower gross margin electronic production supplies. rates from the 2022 and 2023 acquisitions.

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 $21.1 80.3 million to $158.3 millionin 2023 compared to $78.0 million in the same period of 2022 from $56.9 million in 2021. Approximately $14.8 $68.8 million of the increased costs were expenses, including depreciation, was driven by the acquisitions completed in 2023 and 2022 of which $22.8 million was related to the Hisco retention bonuses. The remaining increase in Selling, general and administrative expenses of $11.5 million is primarily due to $4.6 million of additional amortization of intangible assets acquired through the acquisitions made in 2021 and 2022. The remainder Hisco acquisition, $1.4 million of the increase was driven primarily by an increase in merger and higher acquisition related costs expenses and $5.5 million of $2.8 million higher expenses for health insurance, allowance for doubtful accounts and additional compensation and distribution costs to support the organic revenue growth in the base business. other professional services.

Adjusted EBITDA

During the year ended December 31, 2022 2023, TestEquity generated Adjusted EBITDA of $34.7 43.3 million, an increase of $18.6 8.5 million from the same period a year ago with approximately $8.5 19.7 million of the Adjusted EBITDA increase driven by the acquisitions closed during 2021 completed in 2023 and 2022 and increases in partially offset by $7.3 million due to lower gross profit margin on lower legacy TestEquity revenue and margins on the base business. $3.9 million primarily due to higher expenses for health insurance, allowance for doubtful accounts and other professional services.

<u>Gexpro Services Segment</u>

		Year Ended December 31,		Change			Year Ended December 31,		Change	
	Year Ended December 31,									
(Dollars in thousands)	(Dollars in thousands)	2022	2021	Amount	%	(Dollars in thousands)	2023	2022	Amount	%
Revenue from external customers										

Revenue from external customers															
Revenue from external customers							$404,490		$385,326		$19,164			5.0 %	
Intersegment revenue						Intersegment revenue	1,243		—		1,243			— %	
Revenue	Revenue	$385,326	$256,129	$129,197	50.4 %	Revenue	405,733	385,326	385,326	20,407		20,407	5.3		5.3 %
Cost of goods sold	Cost of goods sold	272,462	183,041	89,421	48.9 %	Cost of goods sold	284,664	272,462	272,462	12,202		12,202	4.5		4.5 %
Gross profit	Gross profit	112,864	73,088	39,776	54.4 %	Gross profit	121,069	112,864	112,864	8,205		8,205	7.3		7.3 %
Selling, general and administrative expenses	Selling, general and administrative expenses	91,573	61,996	29,577	47.7 %	Selling, general and administrative expenses	94,069	91,573	91,573	2,496		2,496	2.7		2.7 %
Operating income (loss)	Operating income (loss)	$ 21,291	$ 11,092	$ 10,199	91.9 %	Operating income (loss)	$ 27,000	$	$ 21,291	$	$ 5,709		26.8	26.8	%
Gross profit margin	Gross profit margin	29.3 %	28.5 %												
Gross profit margin															
Gross profit margin															
Adjusted EBITDA(1)	Adjusted EBITDA(1)	$ 43,206	$ 23,310	$ 19,896	85.4 %										
Adjusted EBITDA(1)															
Adjusted EBITDA(1)							$ 45,191		$ 43,206		$ 1,985			4.6 %	

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

Revenue and Gross Profit

Revenue for the year ended December 31, 2022 was $385.3 million. This compares increased $20.4 million, or 5.3%, to revenue of $256.1 million for $405.7 million in 2023 compared to $385.3 million in the same period of 2022. The increase was primarily driven by strengthening sales within Gexpro Services' Aerospace & Defense, Industrial Power, and Transportation end markets of $7.3 million, $17.7 million and $4.9 million, respectively, partially offset by continued softness in the Technology/Semiconductor end markets of $24.5 million. The increase also came from a year ago, or a 50.4% increase. A selling day generally represents a business day combination of organic growth and the realization of price increases enacted throughout 2022 and 2023 to offset rising supplier costs.

Gross profit increased $8.2 million to $121.1 million in which Gexpro Services ships products 2023 compared to its customers. Average daily sales increased 51.1% over $112.9 million in the same period a year ago, of 2022 primarily as a result of revenue generated from the 2021 increased sales volume and 2022 acquisitions price increases and lower net freight expense of $6.1 million partially offset by an increase in expense for $107.0 million write-offs for the post-acquisition periods obsolete and organic growth excess inventory of $3.6 million and higher freight capitalization of $0.5 million. Gexpro Services gross profit as a percent of revenue was 29.8% in 2023 compared to 29.3% in the base business prior year period. The gross profit margin percentage improvement for 2023 was primarily the result of 8.9% through an expansion price increases and lower net freight costs partially offset by higher expense for write-offs of products obsolete and services to existing customers as well as the addition of new customers. excess inventory.

Gross profit was $112.9 million or 29.3% of revenue for the year ended December 31, 2022 compared to gross profit of $73.1 million or 28.5% for the same period a year ago. The gross profit increase was driven by the 2021 and 2022 acquisitions, an improvement in the global supply chain over 2021 activities and price increases put in place.

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Selling, General and Administrative Expenses

Selling, general and administrative expenses consists 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 the Gexpro Services' business and service customers.

Selling, general, and administrative expenses for the increased year $2.5 million ended to December 31, 2022 was $91.6 94.1 million in 2023 compared to $62.0 91.6 million for in the same period a year ago. of 2022. The increase of $29.6 million over a year ago was primarily driven by $1.7 million of additional expenses from the inclusion Frontier acquisition completed at the end of the 2021 and 2022 acquisitions of approximately $24.5 million. The remainder of the increase was driven primarily by an increase in merger related costs first quarter of $2.8 million 2022 and and additional compensation and product fulfillment costs to support the organic growth of the existing base business. sales growth.

Adjusted EBITDA

During the year ended December 31, 2022 2023, Gexpro Services generated Adjusted EBITDA of $43.2 45.2 million, an increase of $19.9 million $2.0 million, or 4.6% from the same period a year ago with approximately $16.7 million primarily driven by the acquisitions closed during 2021 and 2022 and increases in increased revenue and margins on the organic base business. gross profit margin, partially offset by an increase in Selling, general, and administrative expenses.

Consolidated Non-operating Income and Expense

		Year Ended December 31,		Change				Year Ended December 31,		Change
	Year Ended December 31,									
(Dollars in thousands)	(Dollars in thousands)	2022	2021	Amount	%	(Dollars in thousands)	2023	2022	Amount	%
Interest expense										
Interest expense										
Interest expense	Interest expense	$(24,301)	$(16,737)	$(7,564)	45.2 %	$	(42,774)	$ $(24,301)	$ $(18,473)	76.0 76.0 %
Loss on extinguishment of debt	Loss on extinguishment of debt	$ (3,395)	$ —	$(3,395)	— %	Loss on extinguishment of debt	$ —	$ $(3,395)	$ $ 3,395	N/M N/M
Change in fair value of earnout liabilities	Change in fair value of earnout liabilities	$ (483)	$ —	$ (483)	— %	Change in fair value of earnout liabilities	$ 758	$ $ (483)	$ $ 1,241	N/M N/M
Other income (expense), net	Other income (expense), net	$ (670)	$ 577	$(1,247)	(216.1)%	Other income (expense), net	$(2,982)	$ $ (670)	$ $(2,312)	N/M N/M
Income tax expense (benefit)	Income tax expense (benefit)	$ 5,531	$ 313	$ 5,218	N/M	Income tax expense (benefit)	$ 6,960	$ $ 5,531	$ $ 1,429	25.8 25.8 %

N/M Not meaningful

Interest Expense

Interest expense increased $7.6 million $18.5 million in 2023 compared to the year ended December 31, same period of 2022 primarily due to an increase in interest rates and higher borrowings offset by a lower interest rate with the debt refinancing related to the Mergers. Hisco and other 2023 and 2022 acquisitions.

Loss on Extinguishment of Debt

The $3.4 million loss on extinguishment of debt for the in 2022 year ended December 31, 2022 was primarily due to the write-off of previously capitalized financing costs as a result of the debt refinancing related to the Mergers.

Change in Fair Value of Earnout Liability Liabilities

The $0.5 million expense $0.8 million benefit in the year ended December 31, 2022 2023 related to the change in fair value of the earnout liabilities associated with the Frontier acquisition and the Hisco Transaction. The $0.5 million expense in 2022 primarily related to the change in fair value of the earnout derivative liability associated with the earnout provisions of the Merger Agreements and the Frontier earnout. Refer to Note 8 – Earnout Derivative Liability Liabilities and Note 3 – Business Acquisitions respectively, within Item 8. Financial Statement Statements and Supplementary Data for information about the earnout liability. liabilities.

Other Income (Expense), Net

Other expense, income (expense), net increased $1.2 million consists of effects of changes in the year foreign currency exchange rates, interest income, net and other non-operating income and expenditures. The ended $2.3 million change in 2023December 31, 2022 compared to the prior year primarily same period of 2022 was partly due to the inclusion of Lawson operations subsequent to the April 1, 2022 Merger Date. unfavorable changes in foreign currency exchange rates and other insignificant changes in other non-operating income and expenditures.

Income Tax Expense (Benefit)

Income tax expense was $5.5 million $7.0 million, a 42.8% (346.8)% effective tax rate for the year ended December 31, 2022 2023 compared to income tax expense of $0.3 million $5.5 million and a (6.6)% 42.8% effective tax rate for the prior year. The change in the year over year year-over-year effective tax rate was primarily due to changes an increase in the partial valuation allowance against our excess interest expense carryforward balance, state taxes, foreign income and merger costs incurred during a pre-tax loss in the current year. The 2022 and income tax was also impacted by the creation of a consolidated group for federal income tax purposes as a result of the completion of the Mergers referenced in Note 3 – Business Acquisitions within Item 8. Financial Statements. Relative to the U.S. statutory rate, the effective tax rate for the year ended December 31, 2022 was impacted by state taxes, foreign operations and liabilities and transaction expenses related to the Mergers.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were $83.9 million on December 31, 2023 compared to $24.6 million on December 31, 2022 compared to $14.7 million on December 31, 2021.

The Company believes its current balances of cash and cash equivalents, availability under its 2023 Amended and Restated Credit Agreement and cash flows from operations will be sufficient to meet its liquidity needs for the next twelve months. As of December 31, 2022, liquidity for 2023, the Company was $101.6 million comprised of $24.6 million had $83.9 million of cash and cash equivalents and $77.0 million $198.3 million of borrowing availability remaining, net of outstanding letters of credit, under the 2023Amended and Restated Credit Agreement.

On June 2, 2023, the Company raised net proceeds of approximately $98.5 million from the Rights Offering, in which 4,444,444 shares of DSG common stock were sold at a purchase price of $22.50 per share. On June 8, 2023, the Company borrowed $305 million under the incremental term loan of the 2023 Amended Credit Agreement. The Company used these combined proceeds primarily to fund the Hisco Transaction and to pay down its revolving credit facility.

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 2023 Amended and Restated Credit Agreement mature in April 2027. Principal Required principal payments on the

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2023 Amended and Restated Credit Agreement for the next twelve months are $15.0 million.$30.3 million. Refer to Note 9 – Debt within Item 8. Financial Statements and Supplementary Data 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 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) 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:

(in thousands)
(in thousands)

(in thousands)	(in thousands)	December 31, 2022	December 31, 2021	Change	December 31, 2023	December 31, 2022	Change
Net cash provided by (used in) operating activities	Net cash provided by (used in) operating activities	$ (11,029)	$ 10,320	$ (21,349)			
Net cash provided by (used in) investing activities	Net cash provided by (used in) investing activities	$ (126,688)	$ (41,376)	$ (85,312)			
Net cash provided by (used in) financing activities	Net cash provided by (used in) financing activities	$ 148,461	$ 34,668	$ 113,793			

Cash Provided by (Used in) Operating Activities

Net cash provided by operations for the year ended December 31, 2023 was $102.3 million primarily due to non-cash items, partially offset by a net loss and improvements in working capital.

Net cash used in operations for the year ended December 31, 2022 was $11.0 million, excluding non-cash items, primarily due to increased accounts receivables and inventories driven by higher sales and increased inventories due to increased supplier costs driven by inflation and global supply chain disruptions.

Net cash provided by operations for the year ended December 31, 2021 was $10.3 million, excluding non-cash items, primarily due to decreased accounts receivable and increased accrued expenses partially offset by increased inventories.

Cash Provided by (Used in) Investing Activities

Net cash used in investing activities for the year ended December 31, 2022 December 31, 2023 was $126.7 million $278.5 million, primarily due to the Hisco Transaction, as a result well as purchases of property, plant and equipment and rental equipment which was partially offset by the other acquisitions completed during the year by TestEquity and Gexpro Services as described in Note 3 – Business Acquisitions within Item 8. Financial Statements. sale of rental equipment.

Net cash used in investing activities for the year ended December 31, 2021was $41.4 million December 31, 2022 was $126.7 million, primarily due to business acquisitions completed by TestEquity and Gexpro Services, as well as purchases of property, plant and equipment and rental equipment which was partially offset by the sale of rental equipment.

Cash Provided by (Used in) Financing Activities

Net cash provided by financing activities was $148.5 million for the year ended December 31, 2022, primarily December 31, 2023 was $250.4 million due to proceeds under from the April 1, 2022 2023 Amended and Restated Credit Agreement and the Rights Offering partially offset by repayment of previous indebtedness. On April 29, 2022, indebtedness and principal payments on the term loans. In conjunction with the Hisco Transaction, the Company borrowed the $50 $305.0 million available under the delayed draw incremental term loan facility on June 8, 2023 and raised approximately $98.5 million, net of offering costs, through the Rights Offering which closed during the second quarter of 2023. During 2023, deferred financing costs of $3.4 million were incurred related to the 2023 Amended Credit Agreement.

Net cash provided by financing activities for the year ended December 31, 2022 was $148.5 million, primarily due to proceeds from term loans and revolving credit facilities to finance the acquisition Mergers and other acquisitions, partly offset by repayment of Interworld Highway, LLC made by TestEquity. previous indebtedness. Deferred financing costs of $12.0 million were incurred during the year in connection with the April 1, 2022 Amended and Restated Credit Agreement and January 3, 2022 Gexpro Services Credit Agreement.

Net cash provided by 2022 related to these financing activities for the year ended December 31, 2021 was $34.7 million, primarily due to increased borrowings on the Company's revolving lines of credit partially offset by payments on the Company's term loans and a capital contribution to finance the MCS acquisition.activities.

Financing and Capital Requirements

Credit Facility

On April 1, 2022 June 8, 2023, in connection with the closing of the Mergers, Hisco Transaction, DSG entered into an the First Amendment, which amended and replaced the Amended and Restated Credit Agreement which dated April 1, 2022 with the 2023 Amended Credit Agreement, and provided for a $305 million incremental term loan facility. The 2023 Amended Credit Agreement also provides for the Company to increase the commitments from time to time by up to $200 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.

The 2023 Amended Credit Agreement includes a $200 million senior secured revolving credit facility, a $250 million senior secured initial term loan facility, a $305 million incremental term loan and a $50 million senior secured delayed draw term loan facility. Refer to Note 9 – Debt within Item 8. Financial Statements and Supplementary Data for a description of the agreement. 2023 Amended Credit Agreement.

On December 31, 2022 December 31, 2023, we had $417.1 million $574.7 million in outstanding borrowings under the 2023 Amended Credit Agreement and $77.0 million $198.3 million of borrowing availability remaining, net of outstanding letters of credit, under the senior secured revolving credit facility. facility component.

As of December 31, 2022 December 31, 2023, we were in compliance with all financial covenants under our 2023 Amended and Restated Credit Agreement.

While we were in compliance with our financial covenants as of December 31, 2022 December 31, 2023, failure to meet the covenant requirements of the 2023 Amended and Restated 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.

Purchase Commitments

As of December 31, 2022 December 31, 2023, we had contractual commitments to purchase approximately $168 $146 million of product products from our suppliers and contractors which is expected to be paid in over the next twelve months.

Capital Expenditures

During the year endedDecember 31, 2023, total capital expenditures for property, plant and equipment and rental equipment were $24.7 million excluding proceeds from the sale of rental equipment. The Company expects to spend approximately $16 million to $20 million for capital expenditures during 2024 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 its 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.

On November 2, 2022, In December 2023, the Board of Directors increased the existing repurchase program from $7.5 million by $25.0 million bringing the total authorized to $12.5 million, and as a result, $37.5 million.

During 2023, the Company had $7.6 million repurchased 138,725 shares of DSG common stock at an average cost of $26.09 per share for a total cost of $3.6 million. During 2022, the Company repurchased 108,178 shares of DSG common stock at an average cost of $17.93 per share for a total cost of $1.9 million. The remaining availability for stock repurchases under the program as of December 31, 2022 was $29.0 million at December 31, 2023. See Note 11 – Stock Repurchase Program Stockholders' Equity within Item 8. Financial Statements and Supplementary Data for further information.

Retention Bonuses

As part of the Purchase Agreement, DSG will also pay $37.5 million in cash or DSG common stock in retention bonuses to certain Hisco employees that remain employed with Hisco or its affiliates for at least twelve months after the closing of the Hisco Transaction. Pursuant to the Purchase Agreement, the Company paid $1.8 million of the retention bonuses during 2023 and will pay $34.6 million during 2024, with the remaining balance of $1.1 million to be paid in 2025.

CRITICAL ACCOUNTING POLICIES AND USE OF ESTIMATES

We have disclosed our significant accounting policies in Note 2 – Summary of Significant Accounting Policies within Item 8. Financial Statements. Statements and Supplementary Data. The following provides information on the accounts requiring more significant estimates.

Inventory Reserves - Inventories principally consist of finished goods stated at the lower of cost or net realizable value using the first-in-first-out method for the Lawson segment and primarily the weighted average method for the TestEquity and Gexpro Services segments. Most of our products are not exposed to the risk of obsolescence due to technology changes. However, some of our products do have a limited shelf life, and from time to time we add and remove items from our catalogs, brochures or website for marketing and other purposes.

To reduce the cost basis of inventory to a lower of cost or net realizable value, a reserve is recorded for slow-moving and obsolete inventory based on historical experience and monitoring of current inventory activity. Estimates are used to determine the necessity of recording these reserves based on periodic detailed analysis using both qualitative and quantitative factors. As part of this analysis, the Company considers several factors including the inventories length of time on hand, historical sales, product shelf life, product life cycle, product category and product obsolescence. In general, depending on the product category, we reserve inventory with low turnover at higher rates than inventory with higher turnover.

At December 31, 2022, our inventory reserve was $10.7 million, equal to approximately 3.9% of our gross inventory. A hypothetical change of one hundred basis points to our reserve as a percent of total inventory would have affected our cost of goods sold by $2.8 million.

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.

Valuation of Earnout Derivative Liability - The Company's earnout derivative liability is classified as a Level 3 instrument and is measured at fair value on a recurring basis. The fair value of the earnout derivative liability is measured using the Monte Carlo simulation valuation model using a distribution of potential outcomes on a monthly basis for the year ended December 31, 2022. Inputs to that model include the expected time to liquidity, the risk-free interest rate over the term, expected volatility based on representative peer companies and the estimated fair value of the underlying class of common stock. The significant unobservable inputs used in the fair value measurement of the earnout derivative liability are the fair value of the underlying stock at the valuation date and the estimated term of the earnout arrangement periods. Generally, increases (decreases) in the fair value of the underlying stock and estimated term would result in a directionally similar impact to the fair value measurement.

Other Information Regarding DSG's Independent Registered Public Accounting Firms

While Lawson Products, Inc. was the legal acquirer of TestEquity and Gexpro Services in the April 1, 2022 Mergers, TestEquity and Gexpro Services were treated as the combined accounting acquirer of Lawson Products, Inc. (now DSG following the name change of the registrant on May 5, 2022) for financial reporting purposes. As TestEquity and Gexpro Services were under common control for the historical periods presented prior to the Mergers in this Form 10-K, they are presented on a consolidated basis following consummation of the Mergers for all periods presented herein. The Mergers were accounted for as a reverse merger under the acquisition method of accounting in accordance with the accounting guidance for reverse acquisitions as provided in Accounting Standards Codification ("ASC") 805, Business Combinations ("ASC 805"). Under this guidance, TestEquity and Gexpro Services were treated as a combined entity as the accounting acquirer for financial reporting purposes, and DSG was identified as the accounting acquiree. Accordingly, the consolidated financial statements as of December 31, 2022 and December 31, 2021 and for the year ended December 31, 2022 and 2021 reflect the results of operations and financial position of TestEquity and Gexpro Services on a consolidated basis, and the results of operations of DSG's legacy Lawson business are only included subsequent to the April 1, 2022 Merger Date.

BDO USA, LLP (BDO) was the principal auditor of Lawson Products, Inc., prior to consummation of the Mergers, and audited the 2021 financial statements of Lawson Products, Inc., which were included in Lawson Products, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2021. Grant Thornton, LLP (GT) was the auditor of TestEquity prior to consummation of the Mergers. The historical consolidated financial statements of Test Equity and Gexpro Services (and including, the legacy Lawson Products, Inc. business since April 1, 2022) had not been audited prior to their inclusion in this Form 10-K. In connection with and following consummation of the Mergers, the Company engaged BDO to audit the 2022 consolidated financial statements (and BDO's engagement was ratified by the stockholders of DSG at the 2022 Annual Meeting of Stockholders, held on November 15, 2022), and engaged GT to audit the 2021 consolidated financial statements of DSG. Under the applicable SEC rules and interpretations, a registrant may only have one principal auditor at any one time, and the auditor engaged to conduct the audit of the most recently to be completed fiscal year end period is considered to be the principal auditor. As DSG had not been previously audited and BDO is both the principal auditor of DSG following the Mergers (as auditor of the most recently completed fiscal year included in this Form 10-K) and prior to the Mergers (as auditor of the registrant), the Company concluded that DSG did not experience a change in its principal auditor in 2022. GT's engagement as auditor of the 2021 financial statements was completed upon filing this Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The following information is presented in this item:

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Consolidated Balance Sheets as of December 31, 2022 December 31, 2023and 2021 2022	43 47
Consolidated Statements of Operations and Comprehensive Income (Loss) for Income (Loss) for the Years ended December 31, 2022 December 31, 2023and 2021 2022	44 48
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Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
Distribution Solutions Group, Inc.

Opinion on the financial statements

We have audited the accompanying consolidated balance sheet of Distribution Solutions Group, Inc., (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2023, and the related consolidated statements of operations and comprehensive income (loss), changes in stockholders' equity, and cash flows for the year ended December 31, 2023, and the related notes(collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Companyas of December 31, 2023, and the results of itsoperations and itscash flows for the year ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated March 7, 2024 expressed an unqualified opinion.

Basis for opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical audit matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Business Acquisition – HIS Company, Inc. – Valuation of acquired Intangible Assets

As described further in Note 3 to the financial statements, the Company acquired HIS Company, Inc. on June 8, 2023, for a total purchase price of approximately $267.3 million, net of cash acquired. The Company allocated the purchase price, on a preliminary basis, to the assets acquired and liabilities assumed based on their respective fair values, including identified intangible assets of $65.3 million.

The principal considerations for our determination that the valuation of acquired customer relationships and trade names is a critical audit matter are (i) the significant judgment by management when determining assumptions used in the fair value measurement of acquired intangible assets and (ii) the high degree of auditor judgment and subjectivity in performing procedures and evaluating management's significant assumptions relating to the projected forecasted information including revenue growth rate, weighted average cost of capital (WACC), royalty rate, and customer attrition rate.

Our audit procedures related to the valuation of the acquired intangible assets included the following, among others:

(i) we tested the design and operating effectiveness of the controls over the Company's acquisition and valuation process, including review of the valuation model, significant assumptions used, and the completeness and accuracy of the underlying data used

(ii) we reviewed the projected forecasted information including forecasted revenue growth rate by assessing the reasonableness of management's forecasts compared to historical results and forecasted industry trends

(iii) with the assistance of our valuation specialists, we assessed the assumptions and methodologies used in developing the WACC, royalty rates, and customer attrition rates by developing a range of independent estimates and comparing those to the rates selected by management. We also involved our valuation specialists to validate the assumptions and methodologies used in valuing the intangible assets.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2023.

Los Angeles, California
March 7, 2024

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
Distribution Solutions Group, Inc.
Chicago, Illinois

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Distribution Solutions Group, Inc. (the "Company") as of December 31, 2022, the related consolidated statements of operations and comprehensive income (loss), stockholders' equity, and cash flows for the year then ended, December 31, 2022, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022, and the results of its operations and its cash flows for the year then ended, December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and our report dated March 14, 2023 expressed an adverse opinion thereon.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which they relate.

Classification and Presentation of the Holdback Shares

As described in Notes 1 and 3 to the consolidated financial statements, the Company consummated mergers with TestEquity and Gexpro Services on April 1, 2022 (the "Merger Date"). The related merger agreements contained earnout provisions for the issuance of an additional 0.7 million shares to the former owners of TestEquity and 1.0 million shares to the former owners of Gexpro Services (collectively, the “Holdback Shares”), upon the consummation of certain additional acquisitions or achievement of certain financial metrics in the future, among other factors. As of April 1, 2022, the Company determined that the earnout targets for 0.5 million Holdback Shares issuable to the former owners of Gexpro Services had been met while the remaining 1.2 million Holdback Shares were recorded as an earnout derivative liability.

We identified the classification and presentation of the Holdback Shares as of the Merger Date as a critical audit matter due to the complexities of the earnout provisions within the merger agreements and the determination of when those earnout provisions were or will be satisfied. Auditing these elements involved especially challenging, subjective or complex auditor judgment due to the nature and extent of audit effort required to address these matters, including the extent of specialized skills or knowledge needed.

The primary procedures we performed to address this critical audit matter included:

- Reading the merger related agreements and management’s technical accounting memo to understand the facts and circumstances within the agreements and other assumptions impacting the accounting for the Holdback Shares, including the classification and presentation of the earnout derivative liability.

- Utilizing personnel with specialized knowledge and skill in derivatives and business combinations to evaluate the appropriateness of management’s conclusions about how to apply the relevant accounting guidance.

Valuation of certain trade names

As described in Note 3 to the consolidated financial statements, the Company acquired $43.0 million of intangible assets related to trade names in connection with the mergers consummated on April 1, 2022. The fair value of these trade names was determined using the relief from royalty method.

We identified the valuation of the intangible assets related to trade names in the April 1, 2022 mergers as a critical audit matter due to the judgmental nature of the valuation methodology and the significant assumptions used to estimate the fair value of trade names, specifically the royalty rate. Auditing these elements involved especially subjective and complex auditor judgment due to the nature and extent of audit effort required to address these matters, including the extent of specialized skills or knowledge needed.

The primary procedures we performed to address this critical audit matter included:

- Evaluating the reasonableness of management’s assumptions to determine the royalty rate used, including consideration of the comparable trade name licensing transactions utilized.

- Utilizing personnel with specialized knowledge and skill to assist in evaluating the appropriateness of the relief from royalty method and the reasonableness of the royalty rate assumption.

/s/BDO USA, LLP

We have served as the Company's auditor since 2022.

Chicago, Illinois
March 14, 2023

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
Distribution Solutions Group, Inc.

Opinion on the financial statements

We have audited the accompanying consolidated balance sheet of Distribution Solutions Group, Inc. and subsidiaries (the “Company”) as of December 31, 2021, and the related consolidated statements of operations and comprehensive income (loss), changes in stockholders’ equity, and cash flows for the year then ended, and the related notes(collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Companyas of December 31, 2021, and the results of itsoperations and itscash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/Grant Thornton, LLP P.C.

We served as the Company's auditor of one or more of the entities comprising Distribution Solutions Group, Inc. from 2015 2022 to 2023.

Los Angeles, California Chicago, Illinois

March 14, 2023,

except for effects of the Stock Split described in Notes 1 and 11, as to which the date is March 7, 2024

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

	December 31,	
	2022	2021
	December 31,	
	2023	**2022**
ASSETS		
Current assets:		

ASSETS
Current assets:

Current assets:			
Current assets:			
Cash and cash equivalents			
Cash and cash equivalents			
Cash and cash equivalents	Cash and cash equivalents	$ 24,554	$ 14,671
Restricted cash	Restricted cash	186	—
Accounts receivable, less allowance for doubtful accounts of $1,513 and $2,473, respectively		166,301	80,574
Inventories, net		264,374	132,717
Accounts receivable, less allowances of $2,120 and $1,513, respectively			
Inventories			
Prepaid expenses and other current assets	Prepaid expenses and other current assets	22,773	8,098
Total current assets	**Total current assets**	478,188	236,060
Property, plant and equipment, net	Property, plant and equipment, net	64,395	9,079
Rental equipment, net	Rental equipment, net	27,139	24,727
Goodwill	Goodwill	348,048	104,211
Deferred tax asset		189	266
Deferred tax asset, net			
Intangible assets, net	Intangible assets, net	227,994	96,608
Cash value of life insurance	Cash value of life insurance	17,166	—
Right of use operating lease assets	Right of use operating lease assets	46,755	19,662
Other assets	Other assets	5,736	747
Total assets	**Total assets**	$1,215,610	$491,360
LIABILITIES AND STOCKHOLDERS' EQUITY	**LIABILITIES AND STOCKHOLDERS' EQUITY**		
Current liabilities:	**Current liabilities:**		
Current liabilities:			
Current liabilities:			
Accounts payable			
Accounts payable			
Accounts payable	Accounts payable	$ 80,486	$ 47,958
Current portion of long-term debt	Current portion of long-term debt	16,352	134,405
Current portion of lease obligation		9,964	4,641
Current portion of lease liabilities			
Related party payables		—	4,813
Accrued expenses and other current liabilities			

Accrued expenses and other current liabilities				
Accrued expenses and other current liabilities	Accrued expenses and other current liabilities	62,677	23,126	
Total current liabilities	**Total current liabilities**	169,479	214,943	
Long-term debt, less current portion, net	Long-term debt, less current portion, net	395,825	93,134	
Security bonus plan		9,651	—	
Deferred compensation		9,962	—	
Lease obligation		39,828	16,132	
Deferred tax liability		23,834	808	
Lease liabilities				
Lease liabilities				
Lease liabilities				
Deferred tax liability, net				
Other liabilities	Other liabilities	4,036	574	
Total liabilities	**Total liabilities**	652,615	325,591	
Commitments and contingencies (Note 15)	Commitments and contingencies (Note 15)			Commitments and contingencies (Note 15)
Stockholders' equity:				
Stockholders' equity(1):				
Preferred stock, $1 par value:	Preferred stock, $1 par value:			
Authorized - 500,000 shares, issued and outstanding — None		—	—	
Preferred stock, $1 par value:				
Preferred stock, $1 par value:				
Authorized - 500,000 shares, issued and outstanding - None				
Authorized - 500,000 shares, issued and outstanding - None				
Authorized - 500,000 shares, issued and outstanding - None				
Common stock, $1 par value:	Common stock, $1 par value:			
Authorized - 35,000,000 shares Issued - 19,730,362 and 10,542,333 shares, respectively Outstanding - 19,416,784 and 10,294,824 shares, respectively		19,417	10,318	
Authorized - 70,000,000 shares Issued - 47,535,618 and 39,460,724 shares, respectively Outstanding - 46,758,359 and 38,833,568 shares, respectively				
Authorized - 70,000,000 shares Issued - 47,535,618 and 39,460,724 shares, respectively Outstanding - 46,758,359 and 38,833,568 shares, respectively				
Authorized - 70,000,000 shares Issued - 47,535,618 and 39,460,724 shares, respectively Outstanding - 46,758,359 and 38,833,568 shares, respectively				
Capital in excess of par value	Capital in excess of par value	591,796	197,057	

Retained deficit	Retained deficit	(25,736)	(33,142)
Treasury stock – 313,578 and 247,509 shares, respectively		(12,526)	(10,033)
Accumulated other comprehensive (loss) income		(9,956)	1,569
Treasury stock - 777,259 and 627,156 shares, respectively			
Accumulated other comprehensive income (loss)			
Total stockholders' equity	**Total stockholders' equity**	562,995	165,769
Total liabilities and stockholders' equity	**Total liabilities and stockholders' equity**	$1,215,610	$491,360

(1) The accompanying Consolidated Financial Statements and notes thereto have been retroactively adjusted to reflect the two-for-one stock split completed in August 2023. See Note 1 – Nature of Operations and Basis of Presentation for details.

See notes to Consolidated Financial Statements

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

		Year Ended December 31,	
		2022	**2021**
	Year Ended December 31,		**Year Ended December 31,**
	2023	**2023**	**2022**
Revenue	Revenue	$1,151,422	$520,290
Cost of goods sold	Cost of goods sold	760,524	390,012
Gross profit	**Gross profit**	390,898	130,278
Selling, general and administrative expenses	Selling, general and administrative expenses	349,112	118,857
Selling, general and administrative expenses			
Selling, general and administrative expenses			
Operating income (loss)	**Operating income (loss)**	41,786	11,421
Interest expense			
Interest expense			
Interest expense	Interest expense	(24,301)	(16,737)
Loss on extinguishment of debt	Loss on extinguishment of debt	(3,395)	—

Change in fair value of earnout liabilities	Change in fair value of earnout liabilities		(483)		—
Other income (expense), net	Other income (expense), net		(670)		577
Income (loss) before income taxes	**Income (loss) before income taxes**		12,937		(4,739)
Income (loss) before income taxes					
Income (loss) before income taxes					
Income tax expense (benefit)	Income tax expense (benefit)		5,531		313
Net income (loss)	**Net income (loss)**	$	7,406	$	(5,052)
Net income (loss)					
Net income (loss)					
Basic income (loss) per share of common stock		$	0.43	$	(0.49)
Basic income (loss) per share of common stock(1)					
Basic income (loss) per share of common stock(1)					
Basic income (loss) per share of common stock(1)					
Diluted income (loss) per share of common stock		$	0.42	$	(0.49)
Diluted income (loss) per share of common stock(1)					
Diluted income (loss) per share of common stock(1)					
Diluted income (loss) per share of common stock(1)					
Comprehensive income (loss)	**Comprehensive income (loss)**				
Comprehensive income (loss)					
Comprehensive income (loss)					
Net income (loss)					
Net income (loss)					
Net income (loss)	Net income (loss)	$	7,406	$	(5,052)
Other comprehensive income (loss), net of tax:	Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment					
Foreign currency translation adjustment					
Foreign currency translation adjustment	Foreign currency translation adjustment		(11,525)		16
Other	Other		—		42
Comprehensive income (loss)	Comprehensive income (loss)	$	(4,119)	$	(4,994)

(1) The accompanying Consolidated Financial Statements and notes thereto have been retroactively adjusted to reflect the two-for-one stock split completed in August 2023. See Note 1 – Nature of Operations and Basis of Presentation for details.

See notes to Consolidated Financial Statements

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

	Common Stock						
	Outstanding Shares	td Par Value	Capital in Excess of Par Value	Retained Deficit	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at January 1, 2021	10,233,223	$ 10,233	$ 180,609	$ (28,090)	$ (9,015)	$ 1,511	$ 155,248
Net income (loss)	—	—	—	(5,052)	—	—	(5,052)
Foreign currency translation adjustment	—	—	—	—	—	16	16
Shares issued	85,230	85	(85)	—	—	—	—
Equity consideration for purchase of business	—	—	6,282	—	—	—	6,282
Capital contribution	—	—	9,233	—	—	—	9,233
Tax withholdings related to net share settlements of stock-based compensation awards	(23,629)	—	1,018	—	(1,018)	—	—
Other	—	—	—	—	—	42	42
Balance at December 31, 2021	10,294,824	$ 10,318	$ 197,057	$ (33,142)	$ (10,033)	$ 1,569	$ 165,769
	Common Stock(1) Outstanding Shares	Common Stock(1)	Capital in Excess of Par Value(1)			Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at January 1, 2022							
Balance at January 1, 2022							
Balance at January 1, 2022							
Net income (loss)	—	—	—	7,406	—	—	7,406
Foreign currency translation adjustment	—	—	—	—	—	(11,525)	(11,525)
Stock-based compensation	—	—	1,505	—	—	—	1,505
Shares issued	67,964	66	(66)	—	—	—	—
Deemed consideration for reverse acquisition	9,120,167	9,120	342,371	—	—	—	351,491
Reclassification of issuable shares from earnout derivative liability	—	—	43,624	—	—	—	43,624
Fair value adjustment of stock-based compensation awards	—	—	1,910	—	—	—	1,910
Repurchase of common stock	(54,089)	(54)	54	—	(1,940)	—	(1,940)

Repurchases of common stock								
Tax withholdings related to net share settlements of stock-based compensation awards	Tax withholdings related to net share settlements of stock-based compensation awards	(12,082)	(10)	43	—	(553)	—	(520)
Settlement of related party liability	Settlement of related party liability	—	—	5,276	—	—	—	5,276
Other	Other	—	(23)	22	—	—	—	(1)
Balance at December 31, 2022	**Balance at December 31, 2022**	19,416,784	$ 19,417	$ 591,796	$ (25,736)	$ (12,526)	$ (9,956)	$ 562,995
Net income (loss)								
Foreign currency translation adjustment								
Stock-based compensation								
Stock-based compensation liability paid in shares								
Shares issued								
Shares issued - earnout								
Issuance of common stock in rights offering								
Shares issued through employee share purchase plan								
Shares issued through employee share purchase plan								
Shares issued through employee share purchase plan								
Compensation expense related to employee share purchase plan								
Repurchases of common stock								
Tax withholdings related to net share settlements of stock-based compensation awards								

Other
Other
Other
Balance at December 31, 2023

(1) The accompanying Consolidated Financial Statements and notes thereto have been retroactively adjusted to reflect the two-for-one stock split completed in August 2023. See Note 1 – Nature of Operations and Basis of Presentation for details.

See notes to Consolidated Financial Statements

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

		Year Ended December 31,	
		2022	**2021**
	Year Ended December 31, 2023	**2023**	**2022**
Operating activities	**Operating activities**		
Net income (loss)			
Net income (loss)			
Net income (loss)	Net income (loss)	$ 7,406	$ (5,052)
Adjustments to reconcile to net cash used in operating activities:	Adjustments to reconcile to net cash used in operating activities:		
Depreciation and amortization	Depreciation and amortization	45,186	18,683
Amortization of debt issue costs		1,888	1,297
Depreciation and amortization			
Depreciation and amortization			
Amortization of debt issuance costs			
Extinguishment of debt	Extinguishment of debt	3,395	—
Stock-based compensation	Stock-based compensation	2,448	—
Compensation expense related to employee share purchases			
Deferred income taxes	Deferred income taxes	(2,406)	(3,999)
Change in fair value of earnout liability		483	—

Change in fair value of earnout liabilities			
Gain on sale of rental equipment	Gain on sale of rental equipment	(3,632)	(2,055)
Bargain purchase option		—	(1,363)
Loss on sale of property, plant and equipment			
Charge for step-up of acquired inventory	Charge for step-up of acquired inventory	2,866	—
Net realizable value and reserve adjustment for obsolete and excess inventory		4,608	1,104
Charge for step-up of acquired inventory			
Charge for step-up of acquired inventory			
Net realizable value adjustment and write-offs for obsolete and excess inventory			
Bad debt expense	Bad debt expense	795	939
Bad debt expense			
Bad debt expense			
Changes in operating assets and liabilities, net of acquisitions:	Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable			
Accounts receivable			
Accounts receivable	Accounts receivable	(21,771)	6,936
Inventories	Inventories	(42,404)	(5,059)
Prepaid expenses and other current assets	Prepaid expenses and other current assets	(1,874)	1,732
Accounts payable	Accounts payable	(8,839)	(2,241)
Accrued expenses and other current liabilities	Accrued expenses and other current liabilities	4,492	2,894
Other changes in operating assets and liabilities	Other changes in operating assets and liabilities	(3,670)	(3,496)

Net cash provided by (used in) operating activities	Net cash provided by (used in) operating activities	(11,029)	10,320
Investing activities	**Investing activities**		
Purchases of property, plant and equipment	Purchases of property, plant and equipment	(8,307)	(3,026)
Purchases of property, plant and equipment			
Purchases of property, plant and equipment			
Business acquisitions, net of cash acquired	Business acquisitions, net of cash acquired	(115,343)	(33,936)
Purchases of rental equipment	Purchases of rental equipment	(11,794)	(10,755)
Proceeds from sale of rental equipment	Proceeds from sale of rental equipment	8,756	6,341
Net cash provided by (used in) investing activities	Net cash provided by (used in) investing activities	(126,688)	(41,376)
Net cash provided by (used in) investing activities			
Net cash provided by (used in) investing activities			
Financing activities	**Financing activities**		
Proceeds from revolving lines of credit			
Proceeds from revolving lines of credit			
Proceeds from revolving lines of credit	Proceeds from revolving lines of credit	383,489	38,121
Payments on revolving lines of credit	Payments on revolving lines of credit	(320,751)	(11,200)
Proceeds from term loans	Proceeds from term loans	445,630	6,000
Payments on term loans	Payments on term loans	(335,305)	(7,486)
Deferred financing costs	Deferred financing costs	(11,956)	—
Capital contribution		—	9,233
Proceeds from rights offering, net of offering costs of $1,531			
Proceeds from rights offering, net of offering costs of $1,531			
Proceeds from rights offering, net of offering costs of $1,531			
Repurchase of common stock	Repurchase of common stock	(1,940)	—
Shares repurchased held in treasury	Shares repurchased held in treasury	(520)	—

Proceeds from employees for share purchases			
Payment of financing lease principal	Payment of financing lease principal	(429)	—
Payment of earnout			
Payment on seller's note	Payment on seller's note	(9,757)	—
Net cash provided by (used in) financing activities	Net cash provided by (used in) financing activities	148,461	34,668
Effect of exchange rate changes on cash and cash equivalents	Effect of exchange rate changes on cash and cash equivalents	(675)	660
Increase (decrease) in cash, cash equivalents and restricted cash	**Increase (decrease) in cash, cash equivalents and restricted cash**	10,069	4,272
Cash, cash equivalents and restricted cash at beginning of period	Cash, cash equivalents and restricted cash at beginning of period	14,671	10,399
Cash, cash equivalents and restricted cash at end of period	**Cash, cash equivalents and restricted cash at end of period**	$ 24,740	$ 14,671
Cash and cash equivalents	Cash and cash equivalents	$ 24,554	$ 14,671
Restricted cash	Restricted cash	186	—
Total cash, cash equivalents and restricted cash	Total cash, cash equivalents and restricted cash	$ 24,740	$ 14,671

See notes to Consolidated Financial Statements

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

		Year Ended December 31,			
Year Ended December 31,				**Year Ended December 31,**	
		2022	**2021**	**2023**	**2022**
Supplemental disclosure of cash flow information	**Supplemental disclosure of cash flow information**				

Supplemental disclosure of cash flow information

Supplemental disclosure of cash flow information

Net cash paid for income taxes

Net cash paid for income taxes

Net cash paid for income taxes	Net cash paid for income taxes	$ 13,813	$ 2,998
Net cash paid for interest	Net cash paid for interest	$ 22,153	$ 15,395
Net cash paid for interest on supply chain financing			
Non-cash activities:	Non-cash activities:		

Non-cash activities:

Non-cash activities:

Fair value of common stock exchanged for reverse acquisition

Fair value of common stock exchanged for reverse acquisition

Fair value of common stock exchanged for reverse acquisition	Fair value of common stock exchanged for reverse acquisition	$ 351,491	$ —
Settlement of related party obligations	Settlement of related party obligations	$ 5,276	$ —
Equity consideration in relation to business acquisitions		$ —	$ 6,946

Right of use assets obtained in exchange for finance lease liabilities

Right of use assets obtained in exchange for finance lease liabilities

Right of use assets obtained in exchange for finance lease liabilities

Right of use assets obtained in exchange for operating lease liabilities

Seller's note issued as purchase consideration	Seller's note issued as purchase consideration	$ 1,169	$ 8,357

Seller's note issued as purchase consideration

Seller's note issued as purchase consideration

See notes to Consolidated Financial Statements

Distribution Solutions Group, Inc.
Notes to Consolidated Financial Statements

Note 1 – Nature of Operations and Basis of Presentation

Organization

Effective May 5, 2022, Distribution Solutions Group, Inc. ("DSG"), a Delaware corporation, changed its corporate name from "Lawson Products, Inc." to "Distribution Solutions Group, Inc." DSG 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. DSG has three principal operating companies: Lawson Products, Inc. ("Lawson"), TestEquity Acquisition, LLC ("TestEquity") and 301 HW Opus Holdings, Inc., conducting business as Gexpro Services ("Gexpro Services"). The complementary distribution operations of Lawson, TestEquity and Gexpro Services were combined on April 1, 2022 to create a global specialty distribution company. A summary of the Mergers (as defined below), including the legal entities party to the transactions and the stock consideration, is presented below.

Unless the context requires otherwise, references in this Annual Report on Form 10-K to "DSG", the "Company", "we", "our" or "us" refer to the holding company, Distribution Solutions Group, Inc., and all entities consolidated in the accompanying consolidated financial statements.

Combination with TestEquity and Gexpro Services

On December 29, 2021, DSG entered into an: into:

• an Agreement and Plan of Merger (the "TestEquity Merger Agreement") by and among (i) LKCM TE Investors, LLC, a Delaware limited liability company (the "TestEquity Equityholder"), (ii) TestEquity, Acquisition, LLC, a Delaware limited liability company and which was a wholly-owned subsidiary of the TestEquity Equityholder, ("TestEquity"), (iii) DSG and (iv) Tide Sub, LLC, a Delaware limited liability company and a wholly-owned subsidiary of DSG ("Merger Sub 1"), pursuant to the terms and subject to the conditions of which the parties agreed, among other things, that Merger Sub 1 would merge with and into TestEquity, with TestEquity surviving the merger as a wholly-owned subsidiary of DSG (the "TestEquity Merger"); and

• an Agreement and Plan of Merger (the "Gexpro Services Merger Agreement" and, together with the TestEquity Merger Agreement, the "Merger Agreements") by and among (i) 301 HW Opus Investors, LLC, a Delaware limited liability company (the "Gexpro Services Stockholder"), (ii) 301 HW Opus Holdings, Inc., a Delaware corporation and Gexpro Services, which was a wholly-owned subsidiary of the Gexpro Services Stockholder, ("Gexpro Services"), (iii) DSG and (iv) Gulf Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of DSG ("Merger Sub 2"), pursuant to the terms and subject to the conditions of which the parties agreed, among other things, that Merger Sub 2 would merge with and into Gexpro Services, with Gexpro Services surviving the merger as a wholly-owned subsidiary of DSG (the "Gexpro Services Merger" and, together with the TestEquity Merger, the "Mergers").

Each At the closing of the Mergers, each outstanding share of TestEquity and Gexpro Services common stock outstanding immediately prior to the closing of the Mergers was converted into approximately 0.3618 0.1809 shares and 0.7675 0.3838 shares, respectively, of DSG common stock, based on the ratio of outstanding shares of each entity immediately prior to the Mergers to the number of shares of DSG common stock acquired in the Mergers.

Completion of the TestEquity Merger

On April 1, 2022, (the "Merger Date"), the TestEquity Merger was consummated pursuant to the TestEquity Merger Agreement. In accordance with the TestEquity Merger Agreement, Merger Sub 1 merged with and into TestEquity, with TestEquity surviving as a wholly-owned subsidiary of DSG.

In accordance with and under the terms of the TestEquity Merger Agreement, at in connection with the closing of the TestEquity Merger on the Merger Date, DSG: (i) issued to the TestEquity Equityholder 3,300,000 6,600,000 shares of DSG common stock, (ii) on behalf of TestEquity, paid certain indebtedness of TestEquity and (iii) on behalf of TestEquity, paid certain transaction expenses of TestEquity.

The TestEquity Merger Agreement provides provided that up to an additional 700,000 1,400,000 shares of DSG common stock (the "TestEquity Holdback Shares") may would be issued potentially issuable to the TestEquity Equityholder or forfeited in accordance with, two and subject to the terms and conditions of, the earnout provisions of the TestEquity Merger Agreement. On March 20, 2023, DSG issued 1,400,000 shares of DSG common stock to the TestEquity Equityholder (the "TestEquity Holdback Shares") pursuant to the terms of the earnout provisions of the TestEquity Merger Agreement. The amount of TestEquity Holdback Shares issuable issued represented the maximum number of additional shares that could be issued under the first earnout opportunity is based on, among other factors, the consummation of a certain additional acquisition by TestEquity during the period beginning after December 29, 2021 Merger Agreement, and ending 90 days after the Merger Date. If any TestEquity Holdback Shares remain after the calculation of the first earnout opportunity, there is a second earnout opportunity based on, among other factors, the no further shares are available for issuance, and no increase in TestEquity EBITDA (as defined in the TestEquity Merger Agreement) in calendar year 2022 over calendar year 2021 subject to the calculations within the TestEquity Merger Agreement. As of December 31, 2022, 700,000 TestEquity Holdback Shares are expected to additional shares will be issued, under in connection with the first earnout opportunity due to the consummation of the certain additional acquisition as referenced in the TestEquity Merger Agreement and were remeasured at fair value immediately prior to and reclassified to equity at April 29, 2022 when the additional acquisition was consummated. Final issuance of the Test Equity Holdback Shares under the earnout opportunity is subject to customary terms and conditions as specified in the Test Equity Merger Agreement. Refer to Note 8 – Earnout Derivative Liability Liabilities for information about the earnout derivative liability related to the TestEquity Holdback Shares.

Completion of the Gexpro Services Merger

On the Merger Date, the Gexpro Services Merger was consummated pursuant to the Gexpro Services Merger Agreement. In accordance with the Gexpro Services Merger Agreement, Merger Sub 2 merged with and into Gexpro Services, with Gexpro Services surviving as a wholly-owned subsidiary of DSG.

In accordance with and under the terms of the Gexpro Services Merger Agreement, at in connection with the closing of the Gexpro Services Merger on the Merger Date, DSG: (i) issued to the Gexpro Services Stockholder 7,000,000 14,000,000 shares of DSG common stock, (ii) on behalf of Gexpro Services, paid certain indebtedness of Gexpro Services and (iii) on behalf of Gexpro Services, paid certain specified transaction expenses of Gexpro Services.

The Gexpro Services Merger Agreement provides provided that up to an additional 1,000,000 2,000,000 shares of DSG common stock would be potentially issuable to the Gexpro Services Stockholder in accordance with, and subject to the terms and conditions of, the earnout provisions of the Gexpro Services Merger Agreement. On March 20, 2023, DSG issued 2,000,000 shares of DSG common stock to the Gexpro Services Stockholder (the “Gexpro Services Holdback Shares”) may be issued pursuant to the Gexpro Services Stockholder or forfeited in accordance with two terms of the earnout provisions of the Gexpro Services Merger Agreement. The amount of Gexpro Services Holdback Shares issuable issued represented the maximum number of additional shares that could be issued under the first earnout opportunity is based on, among other factors, the consummation of one or more of three certain additional acquisitions by Gexpro Services during the period beginning after December 29, 2021 and ending 90 days after the Merger Date. If any Gexpro Services Holdback Shares remain after the calculation of the first earnout opportunity, there is a second earnout opportunity based on, among other factors, the increase in Gexpro Services EBITDA (as defined in the Gexpro Services Merger Agreement) Agreement, and no further shares are available for issuance, and no additional shares will be issued, in calendar year 2022 over calendar year 2021 subject to the calculations within connection with the Gexpro Services Merger Agreement.

As of April 1, 2022, approximately 538,000 1,076,000 of the Gexpro Services Holdback Shares were had been expected to be issued under the first earnout opportunity due in the Gexpro Services Merger Agreement based on certain earnout metrics related to the consummation of the certain additional acquisitions which were completed prior to the Merger Date. As of December 31, 2022, an additional 462,000 Gexpro Services Holdback Shares are expected to be issued under the second earnout opportunity based on certain performance metrics as specified in Under the Gexpro Services Merger Agreement, and such additional shares if any Gexpro Services Holdback Shares remained after the calculation of the first earnout opportunity, there was a second earnout opportunity under the Gexpro Services Merger Agreement based on certain earnout performance metrics. On March 20, 2023, all 2,000,000 Gexpro Services Holdback Shares were issued under the earnout opportunities. The incremental 924,000 Gexpro Services Holdback Shares that were issued in excess of the 1,076,000 Gexpro Services Holdback Shares that were originally expected to be issued had been remeasured at fair value immediately prior to and reclassified to equity at December 31, 2022. Final issuance of the Gexpro Services Holdback Shares under the earnout opportunities is subject to customary terms and conditions as specified in the Gexpro Services Merger Agreement. Refer to Note 8 – Earnout Derivative Liability Liabilities for information about the earnout derivative liability related to the Gexpro Services Holdback Shares.

Accounting for the Mergers

TestEquity and Gexpro Services were treated as a combined entity as the accounting acquirer for financial reporting purposes, and DSG was identified as the accounting acquiree. Accordingly, periods prior to the April 1, 2022 Merger Date reflect the results of operations and financial position of TestEquity and Gexpro Services on a consolidated basis, and the results of operations of DSG's legacy Lawson business are only included subsequent to the April 1, 2022 Merger Date.

Nature of Operations

A summary of the nature of operations for each of DSG's operating companies is presented below. Information regarding DSG's reportable segments is presented in Note 14 – Segment Information.

Lawson is a distributor of specialty products and services to the industrial, commercial, institutional and government maintenance, repair and operations market.

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

Gexpro Services is a global supply chain solutions provider, specializing in developing the development of mission critical production line management, aftermarket and implementing vendor managed inventory and kitting programs to high-specification manufacturing customers. field installation programs.

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Basis of Presentation and Consolidation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and include the accounts and transactions of the Company and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

2023 Stock Split

On August 15, 2023, DSG announced that its Board of Directors approved and declared a two-for-one stock split (the “Stock Split”) which entitled each stockholder of record as of the close of business on August 25, 2023 to receive one additional share of DSG common stock for each share of DSG common stock then-held. The additional shares were distributed after the close of trading on August 31, 2023, and shares of DSG common stock began trading at the split-adjusted basis on September 1, 2023. Accordingly, all share and per share amounts have been retroactively adjusted to reflect the impact of the Stock Split for all periods presented herein. Refer to Note 11 – Stockholders' Equity for additional information about the Stock Split.

2022 Mergers

The Mergers were accounted for as a reverse merger under the acquisition method of accounting in accordance with the accounting guidance for reverse acquisitions as provided in Accounting Standards Codification ("ASC") 805, *Business Combinations* ("ASC 805"). Under this guidance, TestEquity and Gexpro Services were treated as a combined entity as the accounting acquirer for financial reporting purposes, and DSG was identified as the accounting acquiree. This determination was primarily made as TestEquity and Gexpro Services were under the common control of an entity that owns a majority of the voting rights of the combined entity, and therefore, only DSG experienced a change in control. Accordingly, the consolidated financial statements as of December 31, 2022 and December 31, 2021 and for the year ended December 31, 2022 and 2021 reflect the results of operations and financial position of TestEquity and Gexpro Services on a consolidated basis, and the results of operations of DSG's legacy Lawson business are only included subsequent to the April 1, 2022 Merger Date. The combined operations of all three entities are included in the consolidated financial statements for the year ended December 31, 2023. The financial statements as of December 31, 2023 and 2022 reflect the financial position of TestEquity, Gexpro Services and DSG's legacy Lawson business on a consolidated basis.

Note 2 – Summary of Significant Accounting Policies

Revenue Recognition — The

Revenue from Contracts with Customers: Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring a product or providing a service. A majority of the Company’s revenue is generated through short cycle in nature with shipments within one year of the sale order. A small portion of a broad the Company’s revenue derives from contracts extending over one year and in some cases may have optional renewal terms if both parties agree to renew. The Company’s payment terms generally range between 10 to 120 days and vary by contract, the types of specialized products sold and components, with revenue recognized upon transfer the volume of control, title and risk of loss, which is generally upon shipment. Vendor Managed Inventory ("VMI") service revenue represents less than 5.0% of total revenue and is recognized as the services are performed. The Company offers VMI services only in conjunction with product sales. The Company does not bill products sold, among other factors. Revenue includes product sales, services and services separately. A portion billings for shipping charges, net of selling expenses discounts, expected returns, rebates and sales tax. Estimates for rebates and expected returns is allocated to cost of sales for reporting purposes based upon the estimated time spent on such services. A portion of service revenue and cost of service is deferred, as not all services are performed in the same period as billed. historical experience. The Company includes shipping costs billed to customers in revenue Revenue and the related shipping costs in cost Cost of goods sold in the Consolidated Statements of Operations and services. Comprehensive Income (Loss).

Performance Obligations: A majority of the Company’s contracts have a performance obligation which represents, in most cases, the product being sold to the customer. Some contracts include a second performance obligation to provide additional Vendor Managed Inventory ("VMI") services primarily related to monitoring and stocking. Although the Company has identified that it offers some customers both a product and a service obligation, the customer only receives one invoice per transaction with no price allocation between these obligations. The Company accrues for returns does not price its offerings based on any allocation between these obligations.

A portion of the Company’s contracts offer assurance-type warranties in connection with the sale of a product to the customer. Assurance-type warranties provide a customer with assurance that the related product will function as parties intended because it complies with the agreed-upon specifications. Such warranties are not significant and do not represent a separate performance obligation.

Select contracts with customers include variable consideration primarily related to volume rebates if predetermined thresholds are met. The Company estimates variable consideration using the expected-value method considering all reasonably available information, including experience, current, historical, evidence and forecasted. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of return rates. cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved.

Over 95% of the Company's performance obligations are recognized at a point in time, rather than over time, as the Company completes its performance obligations. Specifically, revenue is recognized when control transfers to the customer, typically upon shipment or receipt by the customer. Less than 5% of the Company's revenue is recognized over time and relates to services, in which the Company transfers control of a good or service over time and the customer simultaneously receives and consumes the benefits. That portion of expected consideration is deferred until the time that those services have been provided and the related performance obligations have been satisfied. At December 31, 2023 and 2022, the deferred consideration for the service performance obligations that have not been satisfied was insignificant and will be recognized within twelve months of the respective balance sheet date.

For revenue recognized over time, the input method is utilized and is based on costs incurred relative to estimated total costs.

Contract Costs: The Company has adopted the practical expedient within ASC 340, *Other Assets and Deferred Costs* ("ASC 340"), to recognize incremental costs to obtain a contract, primarily employee related costs, as expense when incurred since the amortization period of the asset that the Company otherwise would have recognized is one year or less.

Rental Revenue: The Company also operates determines if a contract contains a lease at inception. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Lawson and TestEquity segments operate as a lessor and recognizes lease rent certain equipment to customers through leases classified as operating leases under ASC 842, *Leases* ("ASC 842"). Lease revenue is recognized on a straight-line basis over the life of each lease. The As there are trivial non-lease components, the Company has adopted the practical expedient not to separate the non-lease components that would be within the scope of ASC 606, *Revenue from Contracts with Customers* ("ASC 606") from the associated lease component as the relevant criteria under ASC 842 *Leases* ("ASC 842") are met.

Cash, Cash Equivalents, and Restricted Cash — The Company considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents. The carrying amount of the Company's cash equivalents at December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022 approximates fair value. Cash balances at individual banks may exceed the federally insured limit by the Federal Deposit Insurance Corporation (the "FDIC"). The Company has not experienced any material losses in such accounts.

Allowance for Doubtful Accounts — The Company evaluates the collectability of accounts receivable based on a combination of factors. In circumstances where the Company is aware of a specific customer's inability to meet its financial obligations (e.g., bankruptcy filings, substantial down-grading of credit ratings), a specific reserve for bad debts is recorded against amounts due to reduce the receivable to the amount the Company reasonably believes will be collected. For all other customers, the Company recognizes reserves for bad debts based on the Company's current and forecasted probability of collection, economic conditions, historical experience of bad debt write-offs as a percent of accounts receivable outstanding. If circumstances change (e.g., higher than expected defaults or an unexpected material adverse change in a major customer's ability outstanding, and other significant events that may impact the collectibility of accounts receivable. Uncollected trade receivables are written off when identified to meet its financial obligations), the estimates of the recoverability of amounts due the Company could be revised. unrecoverable.

Inventories — Inventories principally consist of purchased finished goods products and manufactured electronic equipment offered for resale stated at the lower of cost or net realizable value using the first-in-first-out method for the Lawson segment and primarily the weighted average method for the TestEquity and Gexpro Services segments. Most of our products are not exposed to the risk of obsolescence due to technology changes. However, some of our products do have a limited shelf life, and from time to time we add and remove items from our catalogs, brochures or website for marketing and other purposes.

To reduce the cost basis of inventory to a lower of cost or net realizable value, a reserve write-down is recorded for slow-moving and obsolete inventory based on historical experience and monitoring of current inventory activity. Estimates are used to determine the necessity of recording these reserves write-downs based on periodic detailed analysis using both qualitative and quantitative factors. As part of this analysis, the Company considers several factors including the inventories length of time on hand, historical sales, product shelf life, product life cycle, product category and product obsolescence. In general,

depending on the product category, we write-down inventory with low turnover at higher rates than inventory with higher turnover.

Property, Plant and Equipment — Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Depreciation expense is computed primarily by the straight-line method for buildings, machinery and equipment, furniture and fixtures and vehicles. The Company estimates useful lives of 10 to 40 years for buildings and improvements, the shorter of the useful life of the assets or term of the underlying leases for leasehold improvements, and 2 to 10 years for machinery and equipment, furniture and fixtures and vehicles. Capitalized software is amortized over estimated useful lives of 3 to 5 years using the straight-line method. The costs of repairs, maintenance and minor renewals are charged to expense as incurred. Amortization of financing and capital leases is included in depreciation expense. When property, plant and equipment are retired, sold, or otherwise disposed of, the asset's carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in the income from operations.

Rental Equipment — Rental equipment is stated at cost less accumulated depreciation and amortization. Expense is computed primarily by the straight-line method over an estimated useful life of 3 to 7 years. Upon sale or retirement of such assets, the related cost and accumulated depreciation are removed from the Consolidated Balance Sheet, Sheets, and gains or losses are reflected in operating income (loss) within the Consolidated Statements of Operations and Comprehensive Income (Loss). The costs of repairs, maintenance and minor renewals are charged to expense as incurred.

Cash Value of Life Insurance — The Company invests funds in life insurance policies for certain current and former employees. The cash surrender value of the policies is invested in various investment instruments and is recorded as an asset in the Consolidated Balance Sheets. The Company records these policies at their contractual value. The change in the cash surrender value of the life insurance policies, which is recorded as a component of Other income (expense) in the Consolidated Statements of Operations and Comprehensive Income (Loss), is the change in the policies' contractual values.

Deferred Compensation — The Company's Executive Deferral Plan ("Deferral Plan") allows certain executives to defer payment of a portion of their earned compensation. The deferred compensation is recorded in an account balance, which is a bookkeeping entry made by the Company to measure the amount due to the participant. The account balance is equal to the participant's deferred compensation, adjusted for increases and/or decreases in the amount that the participant has designated to one or more bookkeeping portfolios that track the performance of certain mutual funds. The Company adjusts the deferred compensation liability to equal the contractual value of the participants' account balances. These adjustments are the changes in contractual value of the individual plans and are recorded as a component of Other income (expense) in the Consolidated Statements of Operations and Comprehensive Income (Loss).

Stock-Based Compensation — Compensation based on the share value of the Company's DSG common stock is valued at its fair value at the grant date and the expense is recognized over the vesting period. Fair value is re-measured each reporting period for liability-classified awards that may be redeemable in cash. The Company accounts for forfeitures of stock-based compensation in the period in which they occur.

Goodwill — The Company had $399.9 million of goodwill at December 31, 2023 and $348.0 million of goodwill at December 31, 2022 and $104.2 million of goodwill at December 31, 2021. 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.

Intangible Assets — The Company's intangible assets primarily consist of trade names and customer relationships. Intangible assets are amortized over a weighted average of 8 to 15 year and 9 to 20 year estimated useful lives for trade names and customer relationships, respectively. The Company amortizes trade name intangible assets on a straight-line basis and customer relationship intangible assets on a basis consistent with their estimated economic benefit.

Impairment of Long-Lived Assets — The Company reviews its long-lived assets, including property, plant and equipment, right of use assets and definite life intangibles, for impairment whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable. Recoverability is measured by a comparison of the assets carrying amount to their expected future undiscounted net cash flows. If such assets are considered to be impaired, the impairment to be recognized is measured based on the amount by which the carrying amount of the asset exceeds its fair value. No impairments occurred in 2022 2023 or 2021. 2022.

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. A valuation allowance is established to offset any deferred tax assets if, based upon the available evidence, it is more likely than not (i.e. greater than 50% likely) that some or all of the deferred tax assets will not be realized. The determination of the amount of a valuation allowance to be provided on recorded deferred tax assets involves estimates regarding (1) the timing and amount of the reversal of taxable temporary differences, (2) expected future taxable income, (3) the impact of tax planning strategies and (4) the ability to carry back deferred tax assets to offset prior taxable income. In assessing the need for a valuation allowance, we consider the Company considers all available positive and negative evidence, including past operating results, projections of future taxable income and the feasibility of ongoing tax planning strategies. The projections of future taxable income include a number of estimates and assumptions regarding our volume, pricing and costs. Additionally, valuation allowances related to deferred tax assets can be impacted by changes to tax laws. 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.

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.

The Company recognizes the benefit of tax positions when a benefit is more likely than not (i.e., greater than 50% likely) to be sustained on its technical merits. Recognized tax benefits are measured at the largest amount that is more likely than not to be sustained, based on cumulative probability, in final settlement of the position. The Company recognizes interest and penalties related to unrecognized tax benefits as a component of Income tax expense (benefit) in the Consolidated Statements of Operations and Comprehensive Income (Loss).

Leases — The Company determines if a contract contains a lease at inception. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At the commencement date of a lease, the Company recognizes a liability to make lease payments and a Right Of Use ("ROU") asset representing the right to use the underlying asset during the lease term. The Company includes options to extend or terminate a lease within the lease term when it is reasonably certain the option will be exercised. Leases are categorized as either operating or financing leases at commencement of the lease. For both classes of leases, a Right Of Use ("ROU") asset and corresponding lease liability are recognized at commencement of the lease. Operating leases consist of the Company headquarters, office space, distribution and service centers, and Bolt branches. Financing leases primarily consist of equipment such as forklifts and copiers. The value of the lease assets and liabilities are liability is measured at the present value of fixed lease payments over the total cash lease term. The lease liability includes payments allocated to lease components, while payments allocated to non-lease components are expensed as incurred for each lease. all asset classes. The Company uses its incremental borrowing rate to discount the total cash payments to present value for each lease. The Company reviews each lease to determine if there is a more appropriate discount rate to apply. The initial measurement of the ROU asset includes the initial measurement of the lease liability, fixed lease payments made in advance of the lease commencement date and initial direct costs incurred by the Company and excludes lease incentives. Variable lease payments, such as payments based on an index rate or usage, are expensed as incurred and excluded from lease liabilities and ROU assets. Upon commencement of the lease, rent expense is recognized on a straight line straight-line basis for each operating lease. Each financing lease ROU asset is amortized on a straight line straight-line basis over the lease period. TestEquity and The Company has elected the Lawson Partsmaster business have equipment leasing programs for customers. These practical expedient to exclude any short-term lease, defined as a lease with an initial term of 12 months or less, from the provisions of ASC 842. The short-term leases are not recorded in the consolidated balance sheets. The lease expense for short-term leases is recognized on a straight-line basis over the lease term.

The Lawson and TestEquity segments operate as a lessor and rent certain equipment to customers through leases classified as operating leases. The leased equipment is recognized in Rental equipment, net in the Consolidated Balance Sheets and the leasing revenue is recognized on a straight line straight-line basis.

Earnings per Share — Basic earnings per share ("EPS") is computed by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted-average number of shares of common stock and, if dilutive, common stock equivalents outstanding during the period. Diluted earnings per share reflect the potential dilution from the exercise or conversion of outstanding performance awards, stock options, market stock units and restricted stock awards into common stock. The dilutive effect of these common stock equivalents is reflected in diluted earnings per share by application of the treasury stock method. Contingently issuable shares are considered outstanding common shares and included in basic EPS as of the date that all necessary conditions have been satisfied (i.e., when issuance of the shares is no longer contingent). For diluted EPS, the contingently issuable shares should be included in the denominator of the diluted EPS calculation as of the beginning of the interim period in which the conditions are satisfied and the earnout arrangements have been resolved.

In accordance with ASC 260, *Earnings per Share* ("ASC 260"), the historical EPS was retrospectively adjusted to reflect the impact of the two-for-one stock split that occurred during 2023.

For the reverse acquisition period prior to April 1, 2022, the Company calculates the basic EPS for each comparative period before the acquisition date presented in the consolidated financial statements by dividing the income of the accounting acquirer attributable to common shareholders in each of those periods by the accounting acquirer's historical weighted-average number of common shares outstanding. The Company calculates the weighted-average number of common shares outstanding (the denominator of the EPS calculation), including the equity interests issued by the legal acquirer to effect the reverse acquisition, as the number of common shares outstanding from the beginning of that period to the acquisition date computed on the basis of the weighted-average number of common shares of the accounting acquirer outstanding during the period multiplied by an exchange ratio derived from the shares exchanged at the Merger Date.

Foreign Currency — The accounts of foreign subsidiaries are measured using the local currency as the functional currency. All balance sheet amounts are translated into U.S. dollars using the exchange rates in effect at the applicable period end. Components of income or loss are translated using the average exchange rate for each reporting period.

Gains and losses resulting from changes in the exchange rates from translation of the subsidiary accounts in local currency to U.S. dollars are reported as a component of Accumulated other comprehensive income or loss in the Consolidated Balance Sheets. Gains and losses resulting from the effect of exchange rate changes on transactions denominated in currencies other than the functional currency are included as a component of net income or loss upon settlement of the transaction.

Gains and losses resulting from foreign intercompany transactions are included as a component of net income or loss each reporting period unless the transactions are of a long-term-investment nature and settlement is not planned or anticipated in the foreseeable future, in which case the gains and losses are recorded as a component of Accumulated other comprehensive income or loss in the Consolidated Balance Sheets. Foreign currency transaction losses of $0.9 million $1.5 million and $0.6 $0.9 million were recorded for 2022 2023 and 2021, 2022, respectively, as a component of Other income (expense) in the Consolidated Statements of Operations and Comprehensive Income (Loss).

Treasury Stock — The Company repurchased 54,089 138,725 shares of its common stock in 2022 during 2023 and no 108,178 shares of its common stock in 2021 during 2022 through its previously announced stock repurchase plan. The Company repurchased 12,082 11,378 shares of its common stock in 2023 and 24,163 shares of its common stock in 2022 from employees upon the vesting of restricted stock to offset the income taxes owed by those employees. The Company accounts for treasury stock using the cost method and includes treasury stock as a component of stockholders' equity. The cost of the common stock repurchased during 2023 and held in treasury was $2.5 million $3.9 million in 2022. .

Segment Information — ASC 280, *Segment Reporting*, establishes standards for reporting information about operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance.

The Company's chief operating decision-maker ("CODM") is the Chief Executive Officer of DSG. The CODM reviews the financial performance and the results of operations of the segments when making decisions about allocating resources and assessing performance of the Company.

The Company has determined it has four operating segments: (i) Lawson, (ii) Gexpro Services, (iii) TestEquity and (iv) All Other. The Company's three reportable segments include (i) Lawson, (ii) Gexpro Services and (iii) TestEquity. The Company's CODM reviews the operating results of these reportable the segments for the purpose of allocating resources and evaluating financial performance.

There was no intersegment revenue. The reporting segments follow the same accounting policies used in the preparation of the Company's consolidated financial statements. See Note 14 – Segment Information for further details.

Acquisitions — The Company recognizes identifiable assets acquired and liabilities assumed at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. While the Company uses its best estimates and assumptions for the purchase price allocation process to value assets acquired and liabilities assumed at the acquisition date, the estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill.

Fair Value Measurements — The Company applies the guidance in ASC 820, *Fair Value Measurements* to account for financial assets and liabilities measured on a recurring basis. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described below:

Level 1 - Unadjusted quoted prices for identical assets and liabilities in active markets.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Unobservable inputs that are supported by little or no market activity, may be derived from internally developed methodologies based on management's best estimate of fair value and that are significant to the fair value of the asset or liability liability.

The carrying amount of accounts receivable, accounts payable, accrued expenses and other working capital balances are considered a reasonable estimate of their fair value due to the short-term maturity of these instruments. The carrying amount of debt is also considered to be a reasonable estimate of the fair value based on the nature of the debt and that the debt bears interest at the prevailing market rate for instruments with similar characteristics. The Company's earnout derivative liability and debt are recorded at fair value on a recurring basis and were estimated using Level 3 inputs.

Earnout Derivative Liability — The Company recorded an earnout derivative liability for the future contingent equity shares related to the TestEquity Holdback Shares and the Gexpro Services Holdback Shares provisions within the Merger Agreements. The contingently issuable shares are not indexed to Company DSG common stock and, therefore, are accounted for as liability classified instruments in accordance with ASC 815-40*, Contracts in Entity's Own Equity*, as the events that determine the number of contingently issuable shares required to be released or issued, as the case may be, include events that are not solely indexed to the fair value of Company DSG common stock. The contingently issuable shares were initially measured at the Merger Date and were subsequently measured at each reporting date until settled, or when they met the criteria for equity classification. Changes in the fair value of the earnout derivative liability are recorded as a component of Change in fair value of earnout liability in the Consolidated Statements of Operations and Comprehensive Income (Loss).

The Company reassesses the classification of these derivative liabilities for earnout arrangements each balance sheet date. If the contingencies are resolved for the issuable shares, the earnout derivative liability is reclassified from the liability to equity as of the date of the event that caused the contingencies to be met. The earnout derivative liability is measured at fair value immediately prior to the reclassification to equity. If the earnout derivative liability is reclassified from a liability to equity, gains or losses recorded to account for the liability at fair value during the period that the contract was classified as a liability are not reversed.

The contingently issuable shares are included in the denominator of the basic earnings per share calculation as of the date that all necessary conditions have been satisfied (i.e., when issuance of the shares is no longer contingent). For diluted

earnings per share, the contingently issuable shares are included in the denominator of the diluted earnings per share calculation as of the beginning of the interim period in which the conditions are satisfied and the earnout arrangements have been resolved. See Note 12 – Earnings Per Share for further information.

Use of Estimates — Preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported for service revenue, service cost, allowance for doubtful accounts, inventory reserves, write-offs, goodwill and intangible assets valuation, stock-based compensation and income taxes in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

Supplier Concentrations — During 2022 2023 and 2021, 2022, TestEquity purchases of inventory from one unrelated supplier accounted for 10.3% 5.4% and 20.1% 10.3% of the Company's total inventory purchases, respectively.

54*Reclassifications*— Certain prior period amounts have been reclassified to conform to the current period presentation, primarily relating to the presentation of accrued expenses and other liabilities. These reclassifications did not result in any changes to previously reported total assets, stockholder's equity, and net income.

Recent Accounting Pronouncements - Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,*, which revises the requirements for how an entity should measure credit losses on financial instruments. The pronouncement is was effective for smaller reporting companies in fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, and the new guidance will be applied on a prospective basis. The Company is currently evaluating the effect of adopting adopted this new standard and the guidance January 1, 2023. The adoption had no material impact on its the Company's financial position or condition, results of operations. operations or cash flows.

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers,*, which requires an entity to apply Topic 606 to recognize and measure contract assets and contract liabilities in a business combination. The pronouncement is effective in fiscal years beginning after December 15, 2022 and early adoption is permitted. The Company adopted this guidance on January 1, 2023. The adoption had no impact on the Company's financial condition, results of operations or cash flows and will be applied to business combinations on or after the adoption date.

Recent Accounting Pronouncements - Not Yet Adopted

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which expands annual and interim disclosure requirements for reportable segments, primarily through enhanced disclosures about significant segment expenses. The pronouncement is effective for annual periods beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The adoption of ASU 2023-07 should be applied retrospectively to all prior periods presented in the financial statements. The Company is currently evaluating the effect of adopting this new standard and does not expect impact that the adoption to will have a material impact on its financial position or results of operations.
statement disclosures.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures to require greater disaggregation of income tax disclosures related to the income tax rate reconciliation and income taxes paid. The pronouncement is effective on a prospective basis for annual periods beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of the adoption on its financial statement disclosures.

Note 3 – Business Acquisitions

Completion of Mergers Combination with TestEquity and Gexpro Services

On April 1, 2022, the Mergers were completed via all-stock merger transactions. Pursuant to the Merger Agreements, DSG issued an aggregate of 10.3 20.6 million shares of DSG common stock to the former owners of TestEquity and Gexpro Services. An On March 20, 2023, an additional 1.7 3.4 million shares of DSG common stock remain potentially issuable upon meeting the conditions of certain earnout provisions. were issued. Refer to Note 1 – Nature of Operations and Basis of Presentation for further information regarding the Mergers.

The business combination of Lawson, TestEquity and Gexpro Services combines three value added complementary distribution businesses. Lawson is a distributor of specialty products and services to the industrial, commercial, institutional, and governmental MRO marketplace. TestEquity is a distributor of parts and services to the industrial, commercial, institutional and governmental electronics manufacturing and test and measurement market. Gexpro Services is a provider of supply chain solutions, specializing in developing and implementing VMI and kitting programs to high-specification manufacturing customers. Gexpro Services provides critical products and services to customers throughout the lifecycle of highly technical OEM products. Refer to Note 1 – Nature of Operations and Basis of Presentation for more information on the nature of operations for these businesses.

The Mergers were accounted for as a reverse merger under the acquisition method of accounting for business combinations, whereby TestEquity and Gexpro Services were identified as the accounting acquirers and were treated as a combined entity for financial reporting purposes, and DSG was identified as the accounting acquiree. Accordingly, under the acquisition method of accounting, the purchase price was allocated to DSG's tangible and identifiable intangible assets acquired and liabilities assumed, based on their estimated acquisition-date fair values. These estimates were determined through established and generally accepted valuation techniques.

Allocation of Consideration Exchanged

Under the acquisition method of accounting, the consideration exchanged was calculated as follows:

(in thousands, except share data)		April 1, 2022
Number of DSG common shares		9,120,167 18,240,334
DSG common stock closing price per common stock share on March 31, 2022	$	38.54 19.27
Fair value of shares exchanged	$	351,491
Other consideration(1)		1,910
Total consideration exchanged	$	353,401

(1) Fair value adjustment of stock-based compensation awards.

Due to the publicly traded nature of shares of DSG common stock, the equity issuance of shares of DSG common stock based on this value was considered to be a more reliable measurement of the fair market value of the transaction compared to the equity interests of the accounting acquirer.

The allocation of consideration exchanged to the tangible and identifiable intangible assets acquired and liabilities assumed was based on estimated fair values as of the Merger Date. The accounting for the Mergers was complete as of December 31, 2022. Goodwill generated from the Mergers is not deductible for tax purposes.

During 2022, the Company recorded measurement period adjustments that resulted in a $8.4 million net decrease to goodwill. The measurement period adjustments were associated with adjustments to the fair value of certain property, plant and equipment, changes in estimates related to leases and changes in the deferred tax liability related to intangible assets.

The following table summarizes the allocation of consideration exchanged to the estimated fair values of assets acquired and liabilities assumed at the Merger Date and after applying measurement period adjustments:

(in thousands)	Merger Date	Measurement Period Adjustments	Final Purchase Price Allocation
Current assets	$ 148,308	$ —	$ 148,308
Property, plant and equipment	57,053	361	57,414
Right of use assets	17,571	687	18,258
Other intangible assets	119,060	—	119,060
Deferred tax liability, net of deferred tax asset	(26,237)	6,843	(19,394)
Other assets	18,373	—	18,373
Current liabilities	(71,097)	(68)	(71,165)
Long-term obligations	(25,722)	(24)	(25,746)
Lease and financing obligations	(29,474)	647	(28,827)
Derivative earnout liability	(43,900)	—	(43,900)
Goodwill	189,466	(8,446)	181,020
Total consideration exchanged	$ 353,401	$ —	$ 353,401

(in thousands)		Final Purchase Price Allocation
Current assets	$	148,308
Property, plant and equipment		57,414
Right of use assets		18,258
Other intangible assets		119,060
Deferred tax liability, net of deferred tax asset		(19,394)
Other assets		18,373
Current liabilities		(71,165)
Long-term obligations		(25,746)
Lease and financing obligations		(28,827)
Derivative earnout liability		(43,900)
Goodwill		181,020
Total consideration exchanged	$	353,401

The allocation of consideration exchanged to other intangible assets acquired is as follows:

(in thousands)		Fair Value	Estimated Life (in years)
Customer relationships	$	76,050	19
Trade names		43,010	8
Total other intangible assets	$	119,060	

Other Acquisitions

DSG and its operating companies acquired other businesses during the years ended December 31, 2023 and 2022. The Company incurred transaction costs related acquisitions were accounted for under ASC 805, the acquisition method of accounting. For each acquisition, the allocation of consideration exchanged to the Mergers assets acquired and liabilities assumed was based on estimated acquisition-date fair values.

Purchase of $12.7 HIS Company, Inc.

On June 8, 2023, DSG acquired all of the issued and outstanding capital stock of HIS Company, Inc., a Texas corporation ("Hisco" and the "Hisco Transaction"), a distributor of specialty products serving industrial technology applications, pursuant to a Stock Purchase Agreement dated March 30, 2023 (the "Purchase Agreement"). In connection with this transaction, DSG combined the operations of TestEquity and Hisco, further expanding the product and service offerings at TestEquity, as well as all of our operating businesses under DSG.

Hisco operates in 38 locations across North America, including its Precision Converting facilities that provide value-added fabrication and its Adhesive Materials Group that provides an array of custom repackaging solutions. Hisco offers customers a broad range of products, including adhesives, chemicals and tapes, as well as specialty materials such as electrostatic discharge, thermal management materials and static shielding bags. Hisco also offers vendor-managed inventory and Radio Frequency Identification ("RFID") programs with specialized warehousing for chemical management, logistics services and cold storage.

The total purchase consideration exchanged for the Hisco Transaction was $267.3 million, net of cash acquired of $12.2 million, with a potential additional earn-out payment subject to Hisco achieving certain performance targets. Refer to Note 8 – Earnout Liabilities for 2022 and $2.4 additional information on the earn-out. DSG will also pay $37.5 million in cash or DSG common stock in retention bonuses to certain Hisco employees that remain employed with Hisco or its affiliates for 2021 which are included in at least twelve months after the closing of the Hisco Transaction. For the year ended December 31, 2023, $22.8 million was recorded as compensation expense over the service period for the retention bonuses as a component of Selling, general and administrative expenses in the Consolidated Statements of Operations and Comprehensive Income (Loss).

DSG funded the Hisco Transaction with borrowings under its 2023 Amended Credit Agreement (as defined below) and proceeds raised from the Rights Offering (as defined below). Refer to Note 9 – Debtfor information about the 2023 Amended Credit Agreement and Note 11 – Stockholders' Equity for details on the Rights Offering.

The Purchase Agreement allowed certain eligible Hisco employees to invest all or a portion of their respective closing payment in DSG common stock at $22.50 per share, up to an aggregate value of DSG common stock issued to such eligible Hisco employees of $25.0 million. During 2023, the Company issued 144,608 shares of DSG common stock to the eligible Hisco employees and received approximately $3.3 million. During 2023, approximately $0.4 million was recorded as compensation expense for the discount between the prevailing market price of the DSG common stock on the date of purchase and the purchase price of $22.50 per share as a component of Selling, general and administrative expenses in the Consolidated Statements of Operations and Comprehensive Income (Loss).

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:

	Hisco		
(in thousands)	June 8, 2023 Acquisition Date	Measurement Period Adjustments	Adjusted Total
Accounts Receivable(1)	$ 66,792	$ (2,269)	$ 64,523
Inventory	61,300	(645)	60,655
Other current assets	3,858	350	4,208
Property, plant and equipment	48,326	—	48,326
Right of use assets	21,102	1,188	22,290
Other intangible assets:			
Customer relationships	41,800	(1,800)	40,000
Trade names	25,600	(300)	25,300
Deferred tax liability, net of deferred tax asset	(2,544)	81	(2,463)
Other assets	2,495	—	2,495
Accounts payable	(16,689)	—	(16,689)
Lease liabilities	(22,372)	293	(22,079)
Accrued expenses and other liabilities	(8,961)	(289)	(9,250)
Goodwill	49,718	232	49,950
Total purchase consideration exchanged, net of cash acquired	$ 270,425	$ (3,159)	$ 267,266
Cash consideration	$ 252,007	$ —	$ 252,007
Deferred consideration(2)	12,418	2,741	15,159
Contingent consideration	6,000	(5,900)	100
Total purchase consideration exchanged, net of cash acquired	$ 270,425	$ (3,159)	$ 267,266

(1) Accounts receivable had an estimated fair value of $64.5 million and a gross contractual value of $66.8 million. The difference represents the Company's best estimate of the contractual cash flows that will not be collected.

(2) The Company paid $7.8 million of the Hisco deferred consideration during 2023.

Certain estimated values for the Hisco Transaction, including the valuation of intangibles, property, plant and equipment, contingent consideration, and income taxes (including deferred taxes and associated valuation allowances), 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. The final valuation 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.

Following the initial fair value measurement, the Company updated the purchase price allocation for Hisco primarily related to the ongoing review of the opening balance sheets and contractual working capital adjustments and revised certain assumptions used in estimating the fair value of the contingent consideration. The adjustments to these balances resulted in a $0.2 million increase to goodwill and a $3.2 million decrease to the total purchase consideration, net of cash acquired.

The customer relationships and trade names intangibles assets have estimated useful lives of 12 years and 8 years, respectively. As a result of the Hisco Transaction, the Company recorded tax deductible goodwill of $41.4 million in 2023 that may result in a tax benefit in future periods and is primarily attributable to the benefits we expect to derive from expected synergies including expanded product and service offerings and cross-selling opportunities.

Purchases of Other Companies in 2022

During the year ended December 31, 2022, TestEquity acquired Interworld Highway, LLC, National Test Equipment, and Instrumex, and Gexpro Services acquired Resolux ApS ("Resolux") and Frontier Technologies Brewton, LLC and Frontier Engineering and Manufacturing Technologies, Inc. ("Frontier"). The consideration exchanged for these acquired businesses included various combinations of cash and sellers' notes. The accounting for each acquisition was completed within the one-year measurement periods following the respective acquisition dates and any adjustments were recorded in the period in which the adjustments were determined. The purchase consideration for each business acquired and the allocation of the consideration exchanged to the estimated fair values of assets acquired and liabilities assumed is summarized below:

(in thousands)	Interworld Highway, LLC	Resolux	Frontier	National Test Equipment	Instrumex	Total
Acquisition date	April 29, 2022	January 3, 2022	March 31, 2022	June 1, 2022	December 1, 2022	
Current assets	$ 15,018	$ 10,210	$ 2,881	$ 2,187	$ 3,495	$ 33,791
Property, plant and equipment	313	459	1,189	642	30	2,633
Right of use assets	—	1,125	9,313	—	—	10,438
Other intangible assets:						
Customer relationships	6,369	11,400	9,300	2,100	800	29,969
Trade names	4,600	6,100	3,000	—	—	13,700
Other assets	10	86	—	—	14	110
Accounts payable	(8,856)	(3,058)	(778)	(196)	(1,305)	(14,193)
Current portion of long-term debt	—	—	—	(2,073)	—	(2,073)
Accrued expenses and other liabilities	—	(4,747)	(1,462)	(1,171)	(626)	(8,006)
Lease liabilities	—	(1,125)	(9,313)	—	—	(10,438)
Long-term debt	—	—	—	—	(2,105)	(2,105)
Goodwill	37,236	10,305	11,544	5,703	1,989	66,777
Total purchase consideration exchanged, net of cash acquired	$ 54,690	$ 30,755	$ 25,674	$ 7,192	$ 2,292	$ 120,603
Cash consideration	$ 54,690	$ 30,755	$ 25,674	$ 6,023	$ 1,818	$ 118,960
Seller's notes	—	—	—	1,169	—	1,169
Deferred consideration	—	—	—	—	474	474
Total purchase consideration exchanged, net of cash acquired	$ 54,690	$ 30,755	$ 25,674	$ 7,192	$ 2,292	$ 120,603

The consideration for the Frontier acquisition includes a potential earn-out payment of up to $3.0 million based upon the achievement of certain milestones and relative thresholds during the earn out measurement period which ends on December 31, 2024. Refer to Note 8 – Earnout Liabilities for additional information on the earn-out.

During 2023, the Company completed the purchase price allocation for Instrumex with adjustments to accrued expenses and other liabilities and long-term debt based on the final fair value measurements. The adjustments to these balances resulted in a $0.9 million increase to goodwill and a $1.6 million decrease to the total purchase consideration, net of cash acquired.

As a result of acquisitions completed in 2022, the Company recorded tax deductible goodwill of $53.6 million in 2022 that may result in a tax benefit in future periods.

Unaudited Pro Forma Information

The following table presents estimated unaudited pro forma consolidated financial information for DSG as if the Mergers and other acquisitions disclosed below above occurred on January 1, 2022 for the acquisition completed during 2023 and January 1, 2021 for the 2022 acquisitions and January 1, 2020 for the 2021 acquisitions. completed during 2022. 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 Mergers and other acquisitions been completed on the date indicated.

	Year Ended December 31,

(in thousands)		2022		2021
Revenue	$	1,321,978	$	1,158,798
Net income		20,943		369

Other Acquisitions

TestEquity and Gexpro Services acquired other businesses during 2022 and 2021. The consideration exchanged for the acquired businesses included various combinations of cash, sellers notes, and forms of share based payments. The acquisitions were accounted for under ASC 805, the acquisition method of accounting. For each acquisition, the allocation of consideration exchanged to the assets acquired and liabilities assumed was based on estimated acquisition-date fair values. Certain estimated values for the acquisitions, including the valuation of intangibles, contingent consideration, and income taxes (including deferred taxes and associated valuation allowances), are not yet finalized, and the preliminary purchase price allocations are subject to change as the Company completes its analysis of the fair value at the date of acquisition. The final valuations will be completed within the one-year measurement periods following the respective acquisition dates, and any adjustments will be recorded in the period in which the adjustments are determined.

During 2022, TestEquity acquired Interworld Highway, LLC, National Test Equipment, and Instrumex, and Gexpro Services acquired Resolux ApS ("Resolux") and Frontier Technologies Brewton, LLC and Frontier Engineering and Manufacturing Technologies, Inc. ("Frontier"). The accounting for the Interworld Highway, LLC, Resolux and Frontier acquisitions was complete as of December 31, 2022. The purchase consideration for each business acquired and the allocation of the consideration exchanged to the estimated fair values of assets acquired and liabilities assumed is summarized below:

(in thousands)		Interworld Highway, LLC		Resolux		Frontier		National Test Equipment		Instrumex		Total
Acquisition date		April 29, 2022		January 3, 2022		March 31, 2022		June 1, 2022		December 1, 2022		
Current assets	$	15,018	$	10,210	$	2,881	$	2,187	$	3,495	$	33,791
Property, plant and equipment		313		459		1,189		642		30		2,633
Right of use assets		—		1,125		9,313		—		—		10,438
Other intangible assets:												
Customer relationships		6,369		11,400		9,300		2,100		800		29,969
Trade names		4,600		6,100		3,000		—		—		13,700
Other assets		10		86		—		—		14		110
Accounts payable		(8,856)		(3,058)		(778)		(196)		(1,305)		(14,193)
Current portion of long term debt		—		—		—		(2,073)		—		(2,073)
Accrued expenses and other liabilities		—		(4,747)		(1,462)		(1,171)		(153)		(7,533)
Lease obligation		—		(1,125)		(9,313)		—		—		(10,438)
Goodwill		37,236		10,305		11,544		5,703		1,053		65,841
Total purchase consideration exchanged, net of cash acquired	$	54,690	$	30,755	$	25,674	$	7,192	$	3,934	$	122,245
Cash consideration	$	54,690	$	30,755	$	25,674	$	6,023	$	3,934	$	121,076
Seller's notes		—		—		—		1,169		—		1,169
Total purchase consideration exchanged, net of cash acquired	$	54,690	$	30,755	$	25,674	$	7,192	$	3,934	$	122,245

Following the initial fair value measurement, the Company updated the purchase price allocations as follows:

- Resolux was adjusted for changes in the deferred tax liability related to intangible assets. The adjustments to these balances resulted in a $3.8 million increase to goodwill.
- Frontier was adjusted for the valuation of intangible assets, working capital, accrued expenses and other liabilities. The adjustments to these balances resulted in a $1.2 million increase to goodwill and $0.5 million increase to the total purchase consideration, net of cash acquired.

- National Test Equipment was adjusted to reflect changes in working capital, accrued expenses and other liabilities. The adjustments to these balances resulted in a $0.3 million decrease to goodwill.

The consideration for the Frontier acquisition includes a potential earn-out payment up to $3.0 million based upon the achievement of certain milestones and relative thresholds during the earn out measurement period which ends on December 31, 2024. The fair value of the contingent consideration arrangement was classified within Level 3 and was determined using a probability-based scenario analysis approach. As of March 31, 2022 and December 31, 2022, the fair value of the earn-out was $0.9 million and $1.7 million, respectively, with amounts recorded in Accrued expenses and other current liabilities and Other liabilities in the Consolidated Balance Sheets. Changes in the fair value of the earn-out are recorded as a component of Change in fair value of earnout liability in the Consolidated Statements of Operations and Comprehensive Income (Loss).

During 2021, TestEquity acquired MCS Test Group Limited ("MCS"), and Gexpro Services acquired Omni Fasteners Inc. ("Omni"), National Engineered Fasteners ("NEF") and State Industrial Supply ("SIS"). These acquisitions were provisionally accounted for as of December 31, 2021. The accounting was completed during the year ended December 31, 2022.

The purchase consideration for each business acquired during 2021 and the allocation of the consideration exchanged to the estimated fair values of assets acquired and liabilities assumed is summarized below:

(in thousands)	Omni	NEF	SIS	MCS	
Acquisition date	June 8, 2021	November 1, 2021	December 31, 2021	July 31, 2021	Total
Current assets	$ 2,259	$ 19,118	$ 3,551	$ 2,819	$ 27,747
Property, plant and equipment	600	589	125	3,702	5,016
Right of use assets	—	1,774	799	—	2,573
Other intangible assets:					
Customer relationships	2,530	5,007	4,800	2,621	14,958
Trade names	200	2,503	1,500	41	4,244
Other intangible assets	9	—	380	—	389
Accounts payable	(50)	(3,506)	(1,464)	(2,523)	(7,543)
Accrued expenses and other liabilities	—	(3,332)	—	(685)	(4,017)
Lease obligation	—	(1,774)	(799)		(2,573)
Goodwill	953	—	3,010	7,245	11,208
Gain on bargain purchase	—	(1,363)	—	—	(1,363)
Total purchase consideration exchanged, net of cash acquired	$ 6,501	$ 19,016	$ 11,902	$ 13,220	$ 50,639
Cash consideration	$ 6,501	$ 16,264	$ 3,545	$ 7,626	$ 33,936
Seller's notes	—	—	8,357	1,400	9,757
Shared based payments	—	2,752	—	4,194	6,946
Total purchase consideration exchanged, net of cash acquired	$ 6,501	$ 19,016	$ 11,902	$ 13,220	$ 50,639

A gain on bargain purchase related to the acquisition of NEF was recognized within Other income (expense), net in the Consolidated Statements of Operations and Comprehensive Income (Loss) in the fourth quarter of 2021. The gain of $1.4 million was calculated as the excess of net assets recognized over the consideration transferred. The bargain purchase was primarily attributable to owners that were highly motivated to sell.

The Company incurred transaction costs related to the other closed acquisitions listed above and other potential future acquisitions of $2.8 million for 2022 and $6.4 million for 2021.

As a result of acquisitions completed, the Company recorded tax deductible goodwill of $53.6 million in 2022 and $5.6 million in 2021 that may result in a tax benefit in future periods.

Other Acquisitions Pro Forma Information - The pro forma information for other acquisitions was included in the estimated unaudited pro forma consolidated financial information for DSG, which is presented above under *Pro Forma Information*.

	Year Ended December 31,	
(in thousands)	**2023**	**2022**
Revenue	$ 1,752,465	$ 1,753,939
Net income	(37,114)	(6,264)

Actual Results of Business Acquisitions

The following table presents actual results attributable to our business combinations that were included in the consolidated financial statements for the years ended December 31, 2022 December 31, 2023 and 2021. 2022. The 2022 2023 and 2021 2022 results only reflect the results attributable to the acquisitions completed in those respective years. The results of DSG's legacy Lawson business are included only subsequent to the April 1, 2022 Merger Date, and the results for other acquisitions are only included subsequent to their respective acquisition dates provided above.

		Year Ended December 31, 2023												
		Year Ended December 31, 2022			**Year Ended December 31, 2021**									
		Year Ended December 31, 2023												
		Year Ended December 31, 2023										**Year Ended December 31, 2022**		
(in thousands)	(in thousands)	Lawson	Other Acquisitions	Total	Lawson	Other Acquisitions	Total	(in thousands)	Lawson	Other Acquisitions	Total	Lawson	Other Acquisitions	Total
Revenue	Revenue	$373,738	$ 151,217	$524,955	$ —	$ 10,847	$10,847							
Net Income	Net Income	$ 15,283	$ 8,670	$ 23,953	$ —	$ (391)	$ (391)							

The Company incurred transaction and integration costs related to the Mergers and other completed and contemplated acquisitions of $11.6 million for the year ended December 31, 2023 and $15.4 million for the year ended December 31, 2022, which are included in Selling, general and administrative expenses in the Consolidated Statements of Operations and Comprehensive Income (Loss).

Note 4 – Revenue Recognition

Under the definition Disaggregation of a contract as defined by ASC 606, the Company considers contracts Revenue

The Company's revenue is primarily comprised of product sales to be created at the time an order to purchase product and services is agreed upon regardless of whether there is a written contract. Revenue from customers is recognized when obligations under the terms of a contract are satisfied; this generally occurs with the delivery of products or services. Revenue from customers is measured as the amount of consideration the Company expects to receive in exchange for the delivery of goods or services. Contracts may last from one month to one year or more and may have renewal terms that extend indefinitely at the option of either party. Price is typically based on market conditions, competition, changes in the industry and product availability. Volumes fluctuate primarily as a result of customer demand and product availability. Consistent with the way the Company manages its businesses, the Company refers to sales under service agreements, which includes both goods (such as parts, equipment and equipment upgrades) and related services (such as monitoring, maintenance and repairs) as sales of "services," which is an important part of the Company's operations. customers. The Company has no significant financing components in its 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. The Company records revenue net of certain taxes, such as sales taxes, that are assessed by governmental authorities on the Company's customers.

The Company also operates as a lessor and recognizes lease revenue on a straight-line basis over the life of each lease. The Company has adopted the practical expedient not to separate the non-lease components that would be within the scope of ASC 606 from the associated lease component as the relevant criteria under ASC 842 are met.

The Company does not incur significant costs to obtain contracts. Incidental items that are immaterial in the context of the contract are recognized as expenses. Sales of products and services to customers are invoiced and settled on a monthly basis. ASC 606 requires an entity to present a contract liability in instances where the customer is entitled to a volume rebate based on purchases made during the period. The Company is not usually subject to obligations for warranties, rebates, returns or refunds except in the case of rebates for select customers if predetermined purchase thresholds are met as discussed for the TestEquity segment below. The Company does not typically receive payment in advance of satisfying its obligations under the terms of its sales contracts with customers; therefore, liabilities related to such payment are not significant to the Company. Accounts receivable represents the Company's unconditional right to receive consideration from its customers.

Lawson Segment

The Lawson segment has two distinct performance obligations offered to its customers: a product performance obligation and a service performance obligation, and accordingly, two separate revenue streams. Although Lawson has identified that it offers its customers both a product and a service obligation, the customer only receives one invoice per transaction with no price allocation between these obligations. Lawson does not price its offerings based on any allocation between these obligations.

Lawson generates revenue primarily from the sale of MRO products to its customers. Revenue related to product sales is recognized at the time that control of the product has been transferred to the customer; either at the time the product is shipped or the time the product has been received by the customer. Lawson does not commit to long-term contracts to sell customers a certain minimum quantity of products.

Lawson offers a VMI service proposition to its customers. A portion of these services, primarily related to stocking of product and maintenance of the MRO inventory, is provided over a short period of time after control of the purchased product has been transferred to the customer. Since certain obligations pursuant to the VMI service agreement have not been provided at the time the control of the product transfers to the customer, that portion of expected consideration is deferred until the time that those services have been provided and the related performance obligations have been satisfied.

TestEquity Segment

TestEquity's contracts with customers generally represent a single performance obligation to sell its products. Revenue from contracts with customers reflects the transaction prices for contracts reduced by variable consideration. TestEquity provides a rebate to select customers if predetermined purchase thresholds are met. The rebate consideration is not in exchange for a distinct good or service. Variable consideration is estimated using the expected-value method considering all reasonably available information, including TestEquity's historical experience and current expectations, and is reflected in the transaction price when sales are recorded. Sales returns are generally accepted by TestEquity, however, sales returns are not material to the Company's operations. TestEquity provides an assurance type warranty which is not sold separately and does not represent a separate performance obligation.

TestEquity generates revenue from contracts with customers through the sale of new and used electronic test and measurement products. Typically, TestEquity has a purchase order or master service agreement with the customer that specifies the goods and/or services to be provided. TestEquity generally invoices customers as goods are shipped. Fees are typically due and payable 30 days after date of shipment. Generally, customers gain control of the goods upon providing the product to the carrier, or when services are completed. For the majority of transactions, TestEquity recognizes revenue at the time of shipment, when control passes to the customer. For consigned inventory, revenue is recognized when inventory is removed from TestEquity's stock location and control passes to the customer.

Gexpro Services Segment

Gexpro Services' contracts with customers generally represent a single performance obligation to sell its products. Revenue from sales of Gexpro Services' products are recognized upon transfer of control to the customer, which is typically when the product has been shipped from its distribution facilities. The transaction price is the amount of consideration to which Gexpro Services expects to be entitled in exchange for transferring goods to the customer. Revenue is recorded based on the transaction price, which includes fixed consideration and an estimate of variable consideration such as, early payment/volume discounts and rebates. The amount of variable consideration included in the transaction price is constrained and is included only to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Gexpro Services' products are marketed and sold primarily to original equipment manufacturers globally. Sales of products are subject to economic conditions and may fluctuate based on changes in the industry, trade policies and financial markets. Payment terms on invoiced amounts range from 10 to 120 days. In instances where the timing of revenue recognition differs from the timing of the right to invoice, the Company has determined that a significant financing component does not exist.

Disaggregated consolidated revenue by geographic area (based on the location to which the product is shipped to):

		Year Ended December 31,				
	Year Ended December 31,				Year Ended December 31,	
(in thousands)	(in thousands)	2022	2021	(in thousands)	2023	2022
United States	United States	$ 932,418	$457,094			
Canada	Canada	118,722	14,706			
Europe	Europe	51,631	25,257			
Pacific Rim	Pacific Rim	10,768	15,155			
Latin America	Latin America	34,202	6,150			
Other	Other	3,681	1,928			
Intersegment revenue elimination						
Total revenue	Total revenue	$1,151,422	$520,290			

60See Note 14 – Segment Informationfor disaggregation of revenue by segment.

Rental Revenue

TestEquity rents new and used electronic test and measurement equipment to customers in many multiple industries. These Lawson leases are classified as operating leases under ASC 842. Rental parts washer machines to customers. This leased equipment is included in Rental equipment, net in the Consolidated Balance Sheet, Sheets, and rental revenue is included in Revenue in the Consolidated Statements of Operations and Comprehensive Income (Loss). The TestEquity rental program generated revenue of $13.8 million and $13.7 million during 2022 and 2021, respectively. The unearned rental revenue related to customer prepayments on equipment leases of $0.3 million at December 31, 2022 and $0.5 million at December 31, 2021 was included in Accrued expenses and other current liabilities in the Consolidated Balance Sheet and is expected to be earned in its entirety during the next twelve months.

Lawson leases parts washer machines to customers through its Torrents leasing program. These leases are classified as operating leases under ASC 842. The leased machines are included in Rental equipment, net, in the Consolidated Balance Sheet, and the leasing revenue is recognized on a straight-line basis. The Torrents machine leasing program generated $3.9 million of revenue during 2022. The unearned rental revenue, which was included as a component of Accrued expenses and other current liabilities in the Consolidated Balance Sheet, was nominal at December 31, 2022 2023 and December 31, 2022and is expected to be earned during the next twelve months. .

Rental revenue from operating leases:

	Year Ended December 31,	
(in thousands)	2023	2022
Revenue from operating leases	$ 17,186	$ 17,675

Note 5 – Supplemental Financial Statement Information

Inventories, net Restricted Cash

Inventories, net, consisting The Company has agreed to maintain restricted cash of purchased goods $15.7 million under agreements with outside parties. An escrow account of $12.5 million was established in conjunction with the Hisco Transaction, to be released upon Hisco meeting certain working capital and manufactured electronic equipment offered other post-closing requirements as of the one year post-acquisition date with a balance of $7.3 million at December 31, 2023. The Company is restricted from withdrawing this balance without the prior consent of the sellers. The remaining restricted cash balance of $8.4 million represents collateral for resale, were as follows:

	December 31,	
(in thousands)	2022	2021
Inventories, gross	$ 275,072	$ 140,544
Reserve for obsolete and excess inventory	(10,698)	(7,827)
Inventories, net	$ 264,374	$ 132,717

certain borrowings under the 2023 Amended Credit Agreement, and the Company is restricted from withdrawing this balance without the prior consent of the respective lenders.

Changes in the reserve for obsolete and excess inventory were as follows:

	December 31,	
(in thousands)	2022	2021
Balance at beginning of period	$ (7,827)	$ (7,895)
Provision charged to expense (net)	(6,547)	(1,224)
Write-offs	3,676	1,292
Balance at end of period	$ (10,698)	$ (7,827)

Property, Plant and Equipment, net

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

		December 31,				
					December 31,	
(in thousands)	(in thousands)	2022	2021	(in thousands)	2023	2022
Land	Land	$ 9,578	$1,700			
Buildings and improvements	Buildings and improvements	27,199	2,930			
Machinery and equipment	Machinery and equipment	26,948	4,389			
Capitalized software	Capitalized software	7,889	3,407			
Furniture and fixtures	Furniture and fixtures	6,346	2,700			
Vehicles	Vehicles	1,713	798			
Construction in progress(1)	Construction in progress(1)	3,140	12			
Total	Total	82,813	15,936			
Accumulated depreciation and amortization	Accumulated depreciation and amortization	(18,418)	(6,857)			
Property, plant and equipment, net	Property, plant and equipment, net	$64,395	$9,079			

(1) Construction in progress primarily relates to upgrades to certain of the Company's distribution facilities information technology systems that we expect to place in service in the next 12 months.

Depreciation expense for property, plant and equipment was $13.1 million in 2023 and $6.5 million in 2022 and $1.2 million in 2021. 2022. Amortization expense for capitalized software was $2.6 million in 2023 and $1.6 million in 2022 and $0.7 million in 2021. 2022.

Rental Equipment, net

Rental equipment, net consisted of the following:

		December 31,				
					December 31,	
(in thousands)	(in thousands)	2022	2021	(in thousands)	2023	2022
Rental equipment	Rental equipment	$63,184	$45,774			
Accumulated depreciation	Accumulated depreciation	(36,045)	(21,047)			
Rental equipment, net	Rental equipment, net	$27,139	$24,727			

Depreciation expense included in cost of sales for rental equipment was $7.6 million and $8.0 million for 2023 and $6.3 million for 2022, and 2021, respectively. 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:

		December 31,				
	December 31,					December 31,
(in thousands)	(in thousands)	2022	2021	(in thousands)	2023	2022
Accrued compensation	Accrued compensation	$24,169	$ 5,997			
Accrued severance and acquisition related retention bonus						
Accrued and withheld taxes, other than income taxes						
Deferred acquisition payments and accrued earnout liabilities						
Accrued stock-based compensation						
Accrued customer rebates	Accrued customer rebates	5,053	2,657			
Accrued and withheld taxes, other than income taxes		4,885	880			
Accrued stock-based compensation		3,340	—			
Accrued interest						
Accrued income taxes						
Accrued health benefits						
Deferred revenue	Deferred revenue	2,313	485			
Accrued interest		1,775	1,515			
Accrued health benefits		1,306	59			
Accrued severance		852	—			
Accrued income taxes		731	4,170			
Other	Other	18,253	7,363			
Total accrued expenses and other current liabilities	Total accrued expenses and other current liabilities	$62,677	$23,126			

Other Liabilities

Other liabilities consisted of the following:

(in thousands)	December 31, 2023	December 31, 2022
Security bonus plan	$ 8,666	$ 9,651
Deferred compensation	11,041	9,962
Other	5,736	4,036
Total other liabilities	$ 25,443	$ 23,649

Security Bonus Plan

The Company has a security bonus plan which was previously created for the benefit of its Lawson independent sales representatives, under the terms of which participants are credited with a percentage of their annual net commissions. The aggregate amounts credited to participants' accounts vest 25% after five years, and an additional 5% vests each year thereafter upon qualification for the plan. On January 1, 2013, the Company converted all of its Lawson U.S. independent sales representatives to employees. The security bonuses for those converted employees continue to vest, but their accounts are no longer credited with a percentage of net commissions. For financial reporting purposes, amounts are charged to operations over the vesting period. Expenses incurred for the security bonus plan were $0.1 0.2 million for the year ended December 31, 2022 2023. The security bonus plan is partially funded by an $8.0 8.2 million investment in the cash surrender value in life insurance of certain employees which is included as a component of Cash value of life insurance in the Consolidated Balance Sheet Sheets. As of December 31, 2022, 2023, the $9.7 8.9 million liability is primarily included in the Security bonus plan in the Consolidated Balance Sheet. Sheets with the remaining portion included in Accrued expenses and other current liabilities in the Consolidated Balance Sheets.

Note 6 – Goodwill and Intangible Assets

Goodwill

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

(in thousands)	(in thousands)	Lawson	TestEquity	Gexpro Services	All Other	Total
Balance at December 31, 2020		$ —	$ 62,867	$ 30,136	$ —	$ 93,003
Acquisitions(1)		—	7,245	3,963	—	11,208
(in thousands)						
(in thousands)		Lawson	TestEquity	Gexpro Services	All Other	Total
Balance at December 31, 2021	Balance at December 31, 2021	—	70,112	34,099	—	104,211
Acquisitions						
Impact of foreign exchange rates						
Balance at December 31, 2022						
Acquisitions(1)	Acquisitions(1)	156,133	43,992	21,849	24,887	246,861
Impact of foreign exchange rates	Impact of foreign exchange rates	(360)	—	(527)	(2,137)	(3,024)
Balance at December 31, 2022		$155,773	$ 114,104	$ 55,421	$ 22,750	$348,048

Impact of foreign exchange rates

Impact of foreign exchange rates

Balance at December 31, 2023

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

Intangible Assets

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

		December 31, 2022			December 31, 2021									
		December 31, 2023							December 31, 2023			December 31, 2022		
(in thousands)	(in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	(in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Trade names	Trade names	$ 92,286	$ (17,401)	$ 74,885	$ 36,345	$ (8,356)	$27,989							
Customer relationships	Customer relationships	192,934	(44,481)	148,453	89,062	(25,423)	63,639							
Other (1)	Other (1)	7,961	(3,305)	4,656	7,370	(2,390)	4,980							
Total	Total	$293,181	$ (65,187)	$227,994	$132,777	$ (36,169)	$96,608							

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

Amortization expense for definite-lived intangible assets was $40.3 million in 2023 and $29.1 million in 2022 and $10.4 million in 2021. 2022. Amortization expense related to intangible assets was recorded in Selling, general and administrative expenses. The remaining weighted-average useful lives of intangible assets as of December 31, 2022 December 31, 2023 was 4.2 3.9 years for trade names and 4.9 4.8 years for customer relationships.

The estimated aggregate amortization expense for each of the next five years and thereafter are as follows:

(in thousands)	(in thousands)	Amortization	(in thousands)	Amortization
2023		$ 35,061		
2024	2024	34,560		
2025	2025	31,173		
2026	2026	28,487		
2027	2027	24,031		
2028				
Thereafter	Thereafter	74,682		
Total	Total	$ 227,994		

Note 7 – Leases

The Company leases property used for warehousing, distribution centers, office space, branch locations, equipment and vehicles. The expenses generated by related to our leasing activity for the years ended December 31, 2022 December 31, 2023 and 2021 2022 were was as follows (in thousands):

Lease Type	Lease Type	Classification	Year Ended December 31, 2022	Year Ended December 31, 2021	Lease Type	Classification	Year Ended December 31, 2023	Year Ended December 31, 2022
Operating Lease Expense (1)	Operating Lease Expense (1)	Operating expenses	$15,151	$6,157				
Financing Lease Amortization	Financing Lease Amortization	Operating expenses	466	197				
Financing Lease Interest	Financing Lease Interest	Interest expense	41	11				
Financing Lease Expense	Financing Lease Expense		507	208				
Net Lease Cost	Net Lease Cost		$15,658	$6,365				

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

The value of net assets and liabilities generated by leasing activity related to our operating and finance leases as of December 31, 2022 December 31, 2023 and December 31, 2021 2022 were was as follows (in thousands):

Lease Type	December 31, 2022	December 31, 2021
Total ROU operating lease assets (1)	$ 46,755	$ 19,662
Total ROU financing lease assets (2)	1,519	—
Total lease assets	$ 48,274	$ 19,662
Total current operating lease obligation	$ 9,480	$ 4,641
Total current financing lease obligation	484	—
Total current lease obligations	$ 9,964	$ 4,641
Total long term operating lease obligation	$ 38,898	$ 16,132
Total long term financing lease obligation	930	—
Total long term lease obligation	$ 39,828	$ 16,132

(1) Operating lease assets were recorded net of accumulated amortization of $14.8 millionas of December 31, 2022 and $4.3 million as of December 31, 2021.

(2) Financing lease assets were recorded net of accumulated amortization as a component of Other assetsin the Consolidated Balance Sheet of $0.9 million as of December 31, 2022 and $0.0 million as of December 31, 2021.

Lease Type	December 31, 2023	December 31, 2022
Total ROU operating lease assets	$ 76,340	$ 46,755
Total ROU financing lease assets	1,560	1,519

Total lease assets	$ 77,900	$ 48,274
Total current operating lease obligation	$ 13,010	$ 9,480
Total current financing lease obligation	539	484
Total current lease obligations	$ 13,549	$ 9,964
Total long term operating lease obligation	$ 66,234	$ 38,898
Total long term financing lease obligation	831	930
Total long term lease obligation	$ 67,065	$ 39,828

The value of lease liabilities generated by leasing activities related to our operating and finance leases as of December 31, 2022 were December 31, 2023 was as follows (in thousands):

Maturity Date of Lease Liabilities	Operating Leases	Financing Leases	Total
Year one	$ 13,063	$ 605	$ 13,668
Year two	11,220	434	11,654
Year three	10,316	271	10,587
Year four	6,977	196	7,173
Year five	5,261	71	5,332
Subsequent years	12,355	—	12,355
Total lease payments	59,192	1,577	60,769
Less: Interest	(10,814)	(163)	(10,977)
Present value of lease liabilities	$ 48,378	$ 1,414	$ 49,792

Maturity Date of Lease Liabilities	Operating Leases	Financing Leases	Total
2024	$ 18,555	$ 615	$ 19,170
2025	18,299	435	18,734
2026	14,488	344	14,832
2027	12,371	117	12,488
2028	10,440	4	10,444
Thereafter	29,841	1	29,842
Total lease payments	103,994	1,516	105,510
Less: Interest	(24,750)	(146)	(24,896)
Present value of lease liabilities	$ 79,244	$ 1,370	$ 80,614

The weighted average lease terms and interest rates of leases held as of December 31, 2022 December 31, 2023 and 2022 were as follows:

Lease Type	Weighted Average Term in Years	Weighted Average Interest Rate
Operating Leases	5.6	7.1%
Financing Leases	3.1	6.6%

	Year Ended December 31,			
	2023		2022	
	Operating Leases	Finance Leases	Operating Leases	Finance Leases

Weighted average remaining lease term	6.6 years	2.8 years	5.6 years	3.1 years
Weighted average interest rate	7.8%	7.1%	7.1%	6.6%

The cash outflows of leasing activity for the years ended December 31, 2022 December 31, 2023 and 2021 2022 were as follows (in thousands):

			Year Ended December 31,					
			Year Ended December 31,				Year Ended December 31,	
Cash Flow Source	Cash Flow Source	Classification	2022	2021	Cash Flow Source	Classification	2023	2022
Operating cash flows from operating leases	Operating cash flows from operating leases	Operating activities	$(12,149)	$(6,381)				
Operating cash flows from financing leases	Operating cash flows from financing leases	Operating activities	(184)	—				
Financing cash flows from financing leases	Financing cash flows from financing leases	Financing activities	(429)	—				

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

Note 8 – Earnout Derivative Liability Liabilities

Combination with TestEquity and Gexpro Services

On the Merger Date, the Company recorded an earnout derivative liability for the two earnout provisions within the Merger Agreements. The Company estimated the initial fair value of the earnout derivative liability based on an aggregate of 1,162,000 2,324,000 additional shares available to be issued under the two earnout provisions of the Merger Agreements. The aggregate of 1,162,000 2,324,000 shares is was comprised of 700,000 1,400,000 shares of DSG common stock that are were contingently issuable to (or forfeitable by) the TestEquity Equityholder and 462,000 924,000 shares of DSG common stock that are were contingently issuable to (or forfeitable by) the Gexpro Services Stockholder. Stockholder, in each case as of the Merger Date. The additional 538,000 1,076,000 shares that were potentially issuable as of the remaining potential shares of Merger Date under the earnout earnouts were not recorded as an earnout derivative liability as the acquisition contingency for these shares was determined to have been met at the Merger Date.

The Company's earnout derivative liability is was classified as a Level 3 instrument and is was measured at fair value on a recurring basis. The fair value of the earnout derivative liability was measured using the Monte Carlo simulation valuation model using a distribution of potential outcomes on a monthly basis for the year ended December 31, 2022. Inputs to that model include included the expected time to liquidity, the risk-free interest rate over the term, expected volatility based on representative peer companies and the estimated fair value of the underlying class of common stock. The significant unobservable inputs used in the fair value measurement of the earnout derivative liability are were the fair value of the underlying stock at the valuation date and the estimated term of the earnout arrangement periods. Generally, increases (decreases) in the fair value of the underlying stock and estimated term would result in a directionally similar impact to the fair value measurement.

The estimated aggregate fair value of the earnout derivative liability recorded on the April 1, 2022 Merger Date was $43.9 million, with an offsetting entry to additional paid-in capital. As of April 29, 2022 and December 31, 2022, 700,000 1,400,000 and 462,000 924,000 of the 1,162,000 2,324,000 shares, respectively, were reclassified to equity, as the contingencies had been determined to have been met. There was no remaining earnout derivative liability at December 31, 2022. Immediately prior to the reclassifications, the respective shares were remeasured to fair value. For the year ended December 31, 2022, the Company recorded income of $0.3 million as a component of Change in fair value of earnout liability liabilities in the Consolidated Statements of Operations and Comprehensive Income (Loss) due to changes in the fair value of the earnout derivative liability. As the remaining additional shares had been reclassified to equity as of December 31, 2022, there was no change in fair value for the year ended December 31, 2023. See Fair Value Measurements in Note 2 – Summary of Significant Accounting Policies for further information.

On March 20, 2023, all of the 3.4 million shares of DSG common stock available to be issued under the earnout provisions within the Merger Agreements were issued in accordance with the two earnout provisions within the Merger Agreements.

Hisco Acquisition

The change Hisco Transaction includes a potential earn-out payment of up to $12.6 million, subject to Hisco achieving certain performance targets. The earn-out payment is calculated based on the gross profit of Hisco and its affiliates for the twelve months ending October 31, 2023, subject to certain adjustments and exclusions set forth in the Purchase Agreement. The fair value of the contingent consideration arrangement was classified as a Level 3 instrument and was determined using a probability-based scenario analysis approach. As of June 8, 2023 (the Hisco Transaction date) and December 31, 2023, the fair value of the earn-out was $0.1 million and $0.0 million, respectively, with amounts recorded in Accrued expenses and other current liabilities in the Consolidated Balance Sheets.

Frontier Acquisition

The consideration for the Frontier acquisition includes a potential earn-out payment of up to $3.0 million based upon the achievement of certain milestones and relative thresholds during the earn out measurement period which ends on December 31, 2024, with payments made annually beginning in 2023 and ending in 2025. During the first quarter of 2023, a $1.0 million earn-out payment was made based on the achievement of certain milestones in 2022. The fair value of the contingent consideration arrangement was classified as a Level 3 instrument and was determined using a probability-based scenario analysis approach. As of March 31, 2022 (the Frontier acquisition date), December 31, 2022 and December 31, 2023, the fair value of the earn-out was $0.9 million, $1.7 million and $0.0 million, respectively, with amounts recorded in Accrued expenses and other current liabilities and Other liabilities in the Consolidated Balance Sheets. The Company recorded income of $0.7 million for changes in the fair value of the earn-out liability for the year ended December 31, 2023 as a component of Change in fair value of earnout derivative liability was as follows:

(in thousands) liabilities in the Consolidated Statements of Operations and Comprehensive Income (Loss).		Amount
Balance at December 31, 2021	$	—
Initial recognition on Merger Date		43,900
Change in fair value		(276)
Reclassifications to equity at fair value		(43,624)
Balance at December 31, 2022	$	—

Note 9 – Debt

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

	December 31,			
(in thousands)		2022		2021
Senior secured revolving credit facility	$	122,000	$	—
Senior secured term loan		243,750		—
Senior secured delayed draw term loan		50,000		—
Other revolving line of credit		1,352		—
Previous revolving credit facilities		—		38,707
Previous term loans		—		190,337
Total debt		417,102		229,044
Less current portion of long-term debt		(16,352)		(134,405)
Less deferred financing costs		(4,925)		(1,505)
Total long-term debt	$	395,825	$	93,134

(in thousands)	December 31, 2023	December 31, 2022
Senior secured revolving credit facility	$ —	$ 122,000
Senior secured term loan	228,125	243,750
Senior secured delayed draw term loan	46,875	50,000
Incremental term loan	297,375	—
Other revolving line of credit	2,301	1,352
Total debt	574,676	417,102
Less: current portion of long-term debt	(32,551)	(16,352)
Less: deferred financing costs	(6,244)	(4,925)
Total long-term debt	$ 535,881	$ 395,825

2023 Amended and Restated Credit Agreement - April 1, 2022

On April 1, 2022 (the "Closing Date") June 8, 2023, DSG the Company and certain of its subsidiaries entered into an the First Amendment to Amended and Restated Credit Agreement (the "Amended "First Amendment" and Restated as amended, the "2023 Amended Credit Agreement" Agreement") by, which amended and among DSG, certain subsidiaries of DSG as borrowers or guarantors, replaced the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent. Pursuant to the Amended and Restated Credit Agreement, the Company's previous credit agreement, was amended and restated in its entirety. dated as of April 1, 2022.

The 2023 Amended and Restated Credit Agreement provides for (i) a $200 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 $250 million senior secured initial term loan facility, and (iii) a $305 million incremental term loan, (iv) a $50 million senior secured delayed draw term loan facility. In addition, the Amended facility and Restated Credit Agreement permits (v) the Company to increase the commitments under the Amended and Restated Credit Agreement thereunder from time to time by up to $200 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 the financial covenants in the 2023 Amended and Restated Credit Agreement. The revolving credit facility is available to be drawn in U.S. dollars, Canadian dollars and any other additional currencies that may be agreed.

On April 1, 2022 June 8, 2023, in connection with the Mergers, Hisco Transaction, the Company borrowed $250.0 the $305 million of initial under the

incremental term loan facility loans and approximately $86.0 million of revolving credit facility loans under the Amended and Restated Credit Agreement. loan. These borrowings were used, among other things, to 1) repay all obligations and refinance partially fund the Company's previous credit agreement, 2) Hisco Transaction, to repay certain existing indebtedness of TestEquity Hisco and Gexpro Services and their respective subsidiaries, 3) to pay fees and expenses incurred in connection with the Mergers, Hisco Transaction and 4) finance the working capital needs and general corporate purposes of First Amendment. Refer to Note 3 – Business Acquisitions for further details about the Company. Hisco Transaction.

A $2.8 million loss on Net of outstanding letters of credit, there was $198.3 million of borrowing availability under the extinguishment revolving credit facility as of debt for remaining unamortized deferred financing costs associated with the previous indebtedness was recorded in the second quarter of 2022 in connection with the payoff. The extinguishment is recorded in Loss on extinguishment of debt in the Consolidated Statements of Operations and Comprehensive Income (Loss) December 31, 2023.

The 2023 Amended and Restated 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), and requires that the proceeds of any delayed draw term loan facility be used solely to finance the payment of consideration for (i) the potential acquisition by TestEquity of a certain business that had been previously identified to DSG as a potential acquisition candidate by TestEquity prior to the date of the TestEquity Merger Agreement and (ii) other acquisitions permitted under the 2023 Amended and Restated Credit Agreement, and for any fees, costs and expenses incurred in connection therewith. On April 29, 2022, the Company borrowed the $50.0 million available under the delayed draw term loan facility to finance the acquisition of Interworld Highway, LLC.

As of December 31, 2022, there were $243.8 million of term loan facility loans outstanding, $50.0 million of delayed draw term loans outstanding and approximately $122.0 million of revolving credit facility loans outstanding under the Amended and Restated Credit Agreement. Net of outstanding letters of credit, there was $77.0 million of borrowing availability under the revolving credit facility as of December 31, 2022. The weighted average interest rate on the outstanding facilities from April 1, 2022 through December 31, 2022 was 5.1%.

The loans under the 2023 Amended and Restated 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 2023 Amended and Restated Credit Agreement), plus, in each case, an additional margin ranging from 0.0% 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 2023 Amended and Restated Credit Agreement or (ii) the Adjusted Term SOFR Rate or the CDOR Rate (each as defined in the 2023 Amended and Restated Credit Agreement), plus, in each case, an additional margin ranging from 1.0% 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 2023 Amended and Restated Credit Agreement.

Certain The 2023 Amended Credit Agreement requires the Company to pay certain closing fees, arrangement fees, administration fees, commitment fees, ticking fees and letter of credit fees. These fees are payable to the lenders and the agents under the Amended and Restated Credit Agreement, 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 and its restricted subsidiaries as of the most recent determination date under the Amended and Restated Credit Agreement.

In addition, the Amended and Restated Credit Agreement provides that the delayed draw term loan facility shall accrue a ticking fee at a rate ranging from 0.15% to 0.35% 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 and Restated Credit Agreement, and that such ticking fee shall be payable during the period from the Closing Date to the date on which the lenders' delayed draw term loan facility commitments terminate. The fees outlined above are reported as interest a component of Interest expense in the Consolidated Statements of Operations and Comprehensive Income (Loss) and vary depending on the total net leverage ratio as defined in the 2023 Amended and Restated Credit Agreement. Fees from the Closing Date through December 31, 2022 were $0.4 million. nominal in both 2023 and 2022.

In On June 8, 2023, deferred financing costs of $3.4 million were incurred in connection with the 2023 Amended and Restated Credit Agreement, and deferred financing costs of $4.0 million were incurred. incurred during 2022 in connection with the previous credit agreement. Deferred financing costs are amortized over the life of the debt instrument and reported as interest expense. a component of Interest expense in the Consolidated Statements of Operations and Comprehensive Income (Loss). Amortization of deferred financing costs was $2.4 million and $1.9 million for 2023 and 2022, respectively. As of December 31, 2022 December 31, 2023, deferred financing costs net of accumulated amortization were $8.0 million $8.6 million of which $4.9 million were $6.2 million are included in Long-term debt, less current portion, net (related to the senior secured term loan, and senior secured delayed draw term loan and incremental term loan) and $3.1 million were $2.3 million are included in Other assets (related to the senior secured revolving credit facility) in the Consolidated Balance Sheets.

Each of the loans under the 2023 Amended and Restated Credit Agreement matures on April 1, 2027, at which time all outstanding loans, together with all accrued and unpaid interest, must be repaid and the revolving credit facility commitments will terminate. The Company is required to repay principal on Future maturities of long-term debt are $30.3 million per year payable in equal quarterly installments in 2024, 2025 and 2026, with the term loans each quarter remaining balance of $481.6 million due in the following amounts (subject to potential adjustment): (i) $3,125,000, in the case of the initial term loan facility, and (ii) an amount equal to 1.25% of the funded delayed draw term loan facility, in the case of the delayed draw term loan facility. 2027 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 April 1, 2027, 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 2023 Amended and Restated Credit Agreement, the obligations of the Company and its U.S. subsidiaries under the 2023 Amended and Restated 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 2023 Amended and Restated 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 2023 Amended and Restated Credit Agreement, the obligations under the 2023 Amended and Restated 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 2023 Amended and Restated Credit Agreement contains various affirmative 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 2023 Amended and Restated Credit Agreement. The 2023 Amended Credit

The Company was in compliance with all affirmative and financial covenants as of December 31, 2022.

The Amended and Restated Credit Agreement contains various events of default (subject to exceptions, thresholds and grace periods as set forth in the 2023 Amended and Restated 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 December 31, 2023.

Previous Credit Agreements

2022 Amended and Restated Credit Agreement

On April 1, 2022, DSG and certain of its subsidiaries entered into an Amended and Restated Credit Agreement (the “2022 Credit Agreement”) by and among DSG, certain subsidiaries of DSG as borrowers or guarantors, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent. The 2022 Credit Agreement provided for (i) a $200 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 $250 million senior secured initial term loan facility and (iii) a $50 million senior secured delayed draw term loan facility. In addition, the 2022 Credit Agreement permitted the Company to increase the commitments from time to time by up to $200 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 the financial covenants in the Amended and Restated Credit Agreement.

On April 1, 2022, in connection with the Mergers, the Company borrowed the $250.0 million under the initial term loan facility and approximately $86.0 million of the revolving credit facility loans. These borrowings were used to 1) repay all obligations and refinance the Company’s previous credit agreement, 2) repay certain existing indebtedness of TestEquity and Gexpro Services and their respective subsidiaries, 3) pay fees and expenses in connection with the Mergers, and 4) finance the working capital needs and general corporate purposes of the Company. On April 29, 2022, the Company borrowed the $50.0 million available under the delayed draw term loan facility to finance the acquisition of Interworld Highway, LLC.

A $2.8 million loss on the extinguishment of debt for unamortized deferred financing costs was recorded in 2022 in connection with the payoff of previous indebtedness. The extinguishment is recorded in Loss on extinguishment of debt in the Consolidated Statements of Operations and Comprehensive Income (Loss).

On June 8, 2023, the 2022 Credit Agreement was replaced entirely with the 2023 Amended Credit Agreement discussed above.

Gexpro Services - January 3, 2022 Gexpro Services Credit Agreement

On January 3, 2022, Gexpro Services entered into a credit agreement ("2022 Gexpro Services Credit Agreement") with a financial institution under which Gexpro Services obtained an initial $137 million term loan ("2022 Gexpro Services Term Loan"), a $25 million revolving line of credit ("2022 Gexpro Services Revolver") and a delayed $83 million term loan ("2022 Gexpro Services Delayed Term Loan"). The proceeds of the 2022 Gexpro Services Term Loan and 2022 Gexpro Services Delayed Term Loan were used to fund the Resolux acquisition, repay all borrowings under the 2020 Gexpro Services Credit Agreements (as defined below) and seller’s promissory note from SIS acquisition (refer to Note 3 – Business Acquisitions for

further details of these acquisitions). In connection with the 2022 Gexpro Services Credit Agreement, deferred financing costs of $7.4 million were incurred.

Gexpro Services - February 24, 2020 2020 Gexpro Services Term Loan Credit Agreement Agreements

On February 24, 2020, Gexpro Services entered into a credit agreement ("2020 Gexpro Services Term Loan Credit Agreement") agreements under which Gexpro Services obtained a $60 million term loan ("2020 Gexpro Services Term Loan"). Also on February 24, 2020, Gexpro Services entered into a credit agreement ("2020 Gexpro Services Revolver Credit Agreement" and together with the 2020 Gexpro Services Term Loan Credit Agreement, "2020 Gexpro Services Credit Agreements") under which Gexpro Services obtained a $15 million revolving line of credit ("2020 Gexpro Services Revolver"). Availability of the 2020 Gexpro Services Revolver was reduced by issued and outstanding letters of credit, which were limited to $38.5 million. As of December 31, 2021, there were $0.7 million outstanding letters of credit and $37.7 million outstanding on the 2020 Gexpro Services Revolver. credit. A loss on debt extinguishment of $0.6 million was recorded on January 3, 2022 in connection with the January 3, 2022 Gexpro Services Credit Agreements. Agreement.

TestEquity - 2017 TestEquity Credit Agreement

On April 28, 2017, TestEquity entered into a credit agreement ("2017 TestEquity Credit Agreement") with a financial institution under which TestEquity obtained a $101 million term loan ("2017 TestEquity Term Loan") and a $15.0 million revolving line of credit ("2017 TestEquity Revolver"). Availability of the 2017 TestEquity Revolver was reduced by issued and outstanding letters of credit, which were limited to $2.0 million. There were no outstanding letters of credit as of December 31, 2021 and $1.0 million outstanding on the revolving line of credit. A loss on debt extinguishment of $0.2 million was recorded on April 1, 2022 in connection with the April 1, 2022 Amended and Restated 2022 Credit Agreement executed in connection with the consummation of the Mergers.

Note 10 – Stock-Based Compensation

The Company recorded stock-based compensation expense of $2.4 7.9 million for the year ended December 31, 2022 December 31, 2023 and $2.4 million for the year ended December 31, 2022 in Selling, general and administrative expenses in the Consolidated Statements of Operations and Comprehensive Income (Loss) and recognized a net tax benefit relating to stock-based compensation of $0.9 million and $2.1 million, respectively. A portion of the Company's stock-based awards are liability-classified. Accordingly, changes in the market value of the Company's DSG common stock may result in a stock-based compensation expense or benefit in certain periods. A stock-based compensation liability of $3.3 million $5.6 million as of December 31, 2023 and $3.3 million as of December 31, 2022 was included in Accrued expenses and other current liabilities in the Consolidated Balance Sheets.

All Lawson stock-based Impact of Stock Split

The equity compensation plans contain anti-dilution provisions whereby in the event of any change in the capitalization of the Company (including in the event of a stock split), the number and type of awards that were issued and underlying outstanding stock-based compensation awards must be adjusted, as appropriate, in order to prevent dilution or enhancement of rights. The impact of these provisions resulted in a modification of all outstanding stock-based compensation awards upon the Stock Split. As the fair value of the awards immediately after the Stock Split did not change when compared to the fair value of such awards immediately prior to the Merger Date Stock Split, no incremental compensation costs were treated like they were acquired concurrent with recognized as a result of such modifications. In addition, there was no change to the Mergers in accordance with vesting conditions or classification of each of the acquisition method of accounting for reverse acquisitions. Refer to Note 1 – Nature of Operations and Basis of Presentation for additional information about the Mergers. No outstanding stock-based compensation expense was recorded during 2021 and there was no stock-based compensation liability as of December 31, 2021. There were no shares related to stock-based compensation outstanding prior to the Merger Date. awards.

Equity Compensation Plans

On October 17, 2022, the Board of Directors approved and adopted the Distribution Solutions Group, Inc. Equity Compensation Plan, as amended and restated, effective October 17, 2022, and as amended November 10, 2022 (the “Amended and Restated Equity Plan”). The Amended and Restated Equity Plan provides for the grant of nonqualified and incentive stock options, stock awards and stock units to officers and employees of the Company. The Amended and Restated Equity Plan also provides for the grant of option rights and restricted stock to non-employee directors. Non-employee directors are limited to grants of no more than 30,000 60,000 shares of common stock in any calendar year and other than non-employee directors are limited to grants of no more than 250,000 500,000 shares of common stock in any calendar year. The Amended and Restated Equity Plan is administered by the Compensation Committee of the Board of Directors, or its designee, which as administrator of the plan, has the authority to select plan participants, grant awards, and determine the terms and conditions of the awards. As of December 31, 2022 December 31, 2023, the Company had approximately 1,222,773 1,161,687 shares of common stock still available under the Amended and Restated Equity Plan.

The Company also has a Stock Performance Rights Plan (“SPR Plan”) that provides for the issuance of Stock Performance Rights (“SPRs”) that allow non-employee directors, officers and key employees to receive cash awards, subject

to certain restrictions, equal to the appreciation of the Company's DSG common stock. The SPR Plan is administered by the Compensation Committee of the Board of Directors.

Stock Performance Rights

SPRs entitle the recipient to receive a cash payment equal to the excess of the market value of Company DSG common stock over the SPR exercise price when the SPRs are surrendered. Expense, equal to the fair market value of the SPR at the date of grant and remeasured each reporting period, is recorded ratably over the vesting period. Compensation expense is included in Selling, general and administrative expense in the Consolidated Statements of Operations and Comprehensive Income (Loss). The outstanding SPRs were granted with approximately a seven year life and vest over one to three years beginning on the first anniversary of the date of the grant. The SPRs are liability classified and included in Accrued expenses and other current liabilities in the Consolidated Balance Sheets.

On December 31, 2022 December 31, 2023 and 2022, the SPRs outstanding were re-measured at fair value using the Black-Scholes valuation model. This model requires the input of subjective assumptions that may have a significant impact on the fair value estimate. The weighted-average fair value of SPRs outstanding as of December 31, 2022 December 31, 2023 and December 31, 2022 was $15.30 $18.37 and $7.65 per SPR, respectively, using the following assumptions:

Expected volatility	43.4% to 52.2%
Risk-free rate of return	4.4% to 4.7%
Expected term (in years)	0.5 to 2
Expected annual dividend	$0

	December 31,	
	2023	2022
Expected volatility	41.1% to 45.9%	43.4% to 52.2%
Risk-free rate of return	4.5% to 5.3%	4.4% to 4.7%
Expected term (in years)	0.3 to 1.5	0.5 to 2.0
Expected annual dividend	$0	$0

The expected volatility was based on the historic volatility of the Company's stock price commensurate with the expected life of the SPR. The risk-free rate of return reflects the interest rate offered for zero coupon treasury bonds over the expected life of the SPR. The expected life represents the period of time that options granted are expected to be outstanding and was calculated using the simplified method allowed by the SEC, which approximates our historical experience. The estimated annual dividend was based on the recent dividend payout trend.

Compensation expense of $0.8 million was recorded in Selling, general and administrative expense for the year ended December 31, 2022. Cash in the amount of $5.2 million was paid for SPR exercises in 2022. A liability of $2.7 $4.9 million reflecting the estimated fair value of future pay-outs is included as a component of Accrued expenses and other liabilities in the Consolidated Balance Sheets.

Activity related to the Company's SPRs during the year ended December 31, 2022 December 31, 2023 was as follows:

	Number of SPRs	Weighted Average Exercise Price
Outstanding on December 31, 2021	—	$ —
Shares acquired concurrent with Mergers	575,536	26.66
Exercised	(399,352)	28.75
Outstanding on December 31, 2022	176,184	15.30
Exercisable on December 31, 2022	176,184	15.30

	Number of SPRs	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Outstanding on December 31, 2022	352,368	$ 7.65		
Granted	—	—		
Exercised	(93,350)	28.16		
Cancelled	—	—		
Outstanding on December 31, 2023	259,018	18.37	1.5	$ 4.6
Exercisable on December 31, 2023	259,018	$ 18.37	1.5	$ 4.6

The SPRs outstanding had an intrinsic value of $2.2 SPRs exercised was $1.7 million as of December 31, 2022. for 2023 and $5.2 million for 2022. All SPRs for plan participants were fully vested prior to the Mergers, as such, there is no unrecognized compensation associated with any SPRs.

At December 31, 2022, the weighted average remaining contractual term was 2.1 years for all outstanding SPRs.

Restricted Stock Awards

Restricted stock awards ("RSAs") generally vest over a one to three year period beginning on the first anniversary of the date of the grant. Upon vesting, the vested restricted stock awards RSAs are exchanged for an equal number of the Company's shares of DSG common stock. The participants have no voting or dividend rights with the restricted stock awards. RSAs. The restricted stock awards RSAs are valued at the closing price of the DSG common stock on the date of grant and the expense is recorded ratably over the vesting period.

Compensation expense of $0.8 million related to the RSAs was recorded in Selling, general and administrative expenses in the Consolidated Statements of Operations and Comprehensive Income (Loss) for 2022. Activity related to the Company's RSAs during the year ended December 31, 2022 December 31, 2023 was as follows:

	Restricted Stock Awards
Outstanding on December 31, 2021	—
Shares acquired concurrent with Mergers	63,429
Granted	14,504
Exchanged for common shares	(21,346)
Outstanding on December 31, 2022	56,587

	Restricted Stock Awards	Weighted Average Grant Date Fair Value
Outstanding on December 31, 2022	113,174	$ 24.35
Granted	53,054	21.86
Cancelled	(13,810)	25.89
Exchanged for common shares	(54,202)	22.86
Outstanding on December 31, 2023	98,216	$ 23.57

As of December 31, 2022 December 31, 2023, there was $1.1 0.7 million of total unrecognized compensation cost related to RSAs that will be recognized over a weighted average period of 1.2 1.6 years. The awards granted in 2022 had a weighted average grant date fair value per share of awards granted during the year was $37.49 21.86 per share. in 2023 and $18.75 in 2022. The fair value of RSAs exchanged for shares of DSG common stock during 2023 was $1.5 million and $0.5 million during 2022.

Market Stock Units

Market Stock Units ("MSUs") are exchangeable for between 0% to 150% of the Company's DSG common shares at the end of the vesting period based on the trailing 60-day average closing price of the Company's DSG common stock. The value of the MSUs was determined using a geometric brownian motion model that, based on certain variables, generates a large number of random trials simulating the price of the Company DSG common stock over the measurement period. Expense As of $0.3 million December 31, 2023 all MSUs are fully vested. The fair value of MSUs exchanged for shares of DSG common stock during 2023 was related to MSUs was recorded in Selling, general $0.6 million and administrative expenses in the Consolidated Statements of Operations and Comprehensive Income (Loss) $0.9 million during the year ended December 31, 2022. 2022.

Activity related to the Company's MSUs during 2022 2023 was as follows:

Number of Market Stock Units	Number of Market Stock Units	Maximum Shares Potentially Issuable	Weighted Average Grant Date Fair Value
Outstanding on December 31, 2022			

	Number of Market Stock Units	Maximum Shares Potentially Issuable
Outstanding on December 31, 2021	—	—
Shares acquired concurrent with Mergers	118,057	168,156
Granted		

Granted			
Granted			
Cancelled	Cancelled	(17,109)	(25,664)
Exchanged for common shares	Exchanged for common shares	(19,480)	(25,199)
Outstanding on December 31, 2022		81,468	117,293
Outstanding on December 31, 2023			

Stock Options

Stock options vest through the fifth anniversary from the grant date. Each stock option can be exchanged for one share of the Company's DSG common stock at the stated exercise price. Upon vesting, stock options are recognized as a component of equity. Activity related to the Company's stock options during the year ended December 31, 2022 December 31, 2023 was as follows:

Number of Stock Options	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Outstanding on December 31, 2022				

		Number of Stock Options	Weighted Average Exercise Price
Outstanding on December 31, 2021		—	$ —
Shares acquired concurrent with Mergers		80,000	27.70
Granted	Granted	248,000	85.75
Granted			
Granted			
Exercised	Exercised	(40,000)	41.38
Outstanding on December 31, 2022		288,000	77.59
Exercisable on December 31, 2022		40,000	27.01
Exercised			
Exercised			
Cancelled			
Cancelled			
Cancelled			
Outstanding on December 31, 2023			

Outstanding on December 31, 2023
Outstanding on December 31, 2023
Exercisable on December 31, 2023

Compensation expense of The weighted average exercise price per stock option granted was $37.03 for 2023 and $42.88 for $0.3 million 2022. was recorded in Selling, general and administrative expense for the year ended December 31, 2022. Unrecognized compensation cost related to stock options as of December 31, 2022 December 31, 2023 was $2.0 $9.3 million, which is expected to be recognized over a weighted-average period of 2.7 2.3 years. There were 248,000 1,699,267 unvested and 40,000 180,800 fully vested stock options outstanding on December 31, 2022 December 31, 2023 with a weighted average exercise price of $27.01. $29.74. The intrinsic value of stock options exercised was $0.0 million during 2023 and $0.6 million during 2022.

The grant date fair value of the stock options issued for the year ended December 31, 2022 December 31, 2023 and 2022 was estimated using a Black-Scholes valuation model. The weighted average fair value assumptions used in the model were as follows:

Expected volatility	43.7% to 44.6%
Risk-free rate of return	2.7% to 3.1%
Expected term (in years)	6.5 years
Expected annual dividend	$0

	December 31,	
	2023	2022
Expected volatility	45.2% to 45.6%	43.7% to 44.6%
Risk-free rate of return	3.6% to 4.5%	2.7% to 3.1%
Expected term (in years)	6.2 years	6.5 years
Expected annual dividend	$0	$0

The expected volatility was based on the historic volatility of the Company's stock price commensurate with the expected life of the stock options. The risk-free rate of return reflects the interest rate offered for zero coupon treasury bonds over the expected life of the stock options. The expected life represents the period of time that options granted are expected to be outstanding and was calculated using the simplified method allowed by the SEC, which approximates our historical experience. The estimated annual dividend was based on the recent dividend payout trend.

Performance Awards

Performance Awards ("PAs") are exchangeable for between 0% to 150% of the Company's DSG common shares, or the equivalent amount in cash, based upon the achievement of certain financial performance metrics at the end of the vesting period. The PAs are liability classified and included in Accrued expenses and other current liabilities in the Consolidated Balance Sheets. Expense The intrinsic value of PAs exercised was $0.2 million related to the PAs during 2023 and $0.1 million during 2022. There was recorded in Selling, general and administrative expenses in the Consolidated Statements of Operations and Comprehensive Income (Loss) for 2022. Unrecognized no unrecognized compensation cost related to PAs as of December 31, 2022 was $0.2 million, which is expected to be recognized over a weighted-average period of 1.0 year. December 31, 2023.

Activity related to the Company’s PAs during the year ended December 31, 2022 December 31, 2023 was as follows:

Number of Performance Awards	Number of Performance Awards	Maximum Shares Potentially Issuable	Weighted Average Grant Date Fair Value

	Number of Performance Awards	Maximum Shares Potentially Issuable
Outstanding on December 31, 2022		
Outstanding on December 31, 2021	—	—
Shares acquired concurrent with Mergers	23,341	35,012
Granted		
Granted		
Granted		
Exercised Exercised	(1,428)	(2,142)
Outstanding on December 31, 2022	21,913	32,870
Cancelled		
Outstanding on December 31, 2023		

Note 11 – Stockholders' Equity

Stock Split

On August 15, 2023, DSG announced that its Board of Directors approved and declared the Stock Split which entitled each stockholder of record as of the close of business on August 25, 2023 to receive one additional share of DSG common stock for each share of DSG common stock then-held. The additional shares were distributed after the close of trading on August 31, 2023, and shares of DSG common stock began trading at the split-adjusted basis on September 1, 2023. Accordingly, all share and per share amounts presented herein have been retroactively adjusted to reflect the impact of the Stock Split. Stockholders' equity has been retroactively adjusted, where applicable, to give effect to the Stock Split for all periods presented by reclassifying the par value of the additional shares issued in connection with the Stock Split to Common stock from Capital in excess of par value in the Consolidated Balance Sheets.

In order to implement the Stock Split, on August 31, 2023, DSG filed a Third Amended and Restated Certificate of Incorporation of DSG with the Secretary of State of the State of Delaware to increase the number of authorized shares of DSG common stock from 35,000,000 to 70,000,000, which became effective on that date. The Stock Split did not change the $1.00 par value of DSG common stock.

Rights Offering

On May 9, 2023, the Company commenced a subscription rights offering to raise gross proceeds of up to approximately $100 million (the "Rights Offering"). The Rights Offering provided one transferable subscription right for each share of DSG common stock held by holders of DSG common stock on record as of the close of business on May 1, 2023. Each

subscription right entitled the holder to purchase 0.0525 shares of DSG common stock at a subscription price of $22.50 per share. The subscription rights were transferable, but were not listed for trading on any stock exchange or market. In addition, holders of subscription rights who fully exercised their subscription rights were entitled to oversubscribe for additional shares of DSG common stock, subject to proration.

The Rights Offering closed on May 30, 2023 and was fully subscribed (taking into account the exercise of over-subscription rights) and raised net proceeds of approximately $98.5 million and resulted in the issuance of 4,444,444 shares of DSG common stock, at a purchase price of $22.50 per share. The Company incurred transaction costs related to the issuance of DSG common stock for the Rights Offering of $1.5 million, which were recorded against Capital in excess of par value in the Consolidated Balance Sheets.

DSG used the proceeds from the Rights Offering, in combination with borrowings under the 2023 Amended Credit Agreement, to fund the Hisco Transaction.

Stock Repurchase Program

In 2019, the Board of Directors authorized a program pursuant to which the Company was authorized to repurchase up to $7.5 million of Company DSG common stock from time to time in open market transactions, privately negotiated transactions or by other methods. TOn November 2, 2022, the he Board of Directors increased the existing repurchase program from $7.5 million by $5.0 million in November 2022, and $25.0 million in December 2023, bringing the total authorized to $12.5 million $37.5 million.

During 2022, 2023, the Company repurchased 54,089 138,725 shares of Company DSG common stock at an average cost of 35.86 26.09 per share for a total cost of $1.9 million $3.6 million. During No 2022, the Company repurchased 108,178 shares were repurchased of DSG common stock at an average cost of $17.93 per share for a total cost of $1.9 million during the year ended December 31, 2021.. The remaining availability for stock repurchases under the program was $7.6 million $29.0 million at December 31, 2022 December 31, 2023.

Note 12 – Earnings Per Share

As a result of the Stock Split and Mergers discussed in Note 1 – Nature of Operations and Basis of Presentation, all historical per share data and number of shares and numbers of equity awards were retroactively adjusted. The following table provides the computation of basic and diluted earnings per share:

		December 31,				
	December 31,					**December 31,**
(in thousands, except share and per share data)	(in thousands, except share and per share data)	**2022**	**2021**	(in thousands, except share and per share data)	**2023**	**2022**
Basic income per share:	**Basic income per share:**					
Net income (loss)						
Net income (loss)						
Net income (loss)	Net income (loss)	$ 7,406	$ (5,052)			
Basic weighted average shares outstanding	Basic weighted average shares outstanding	17,145,935	10,246,294			
Basic income (loss) per share of common stock	Basic income (loss) per share of common stock	$ 0.43	$ (0.49)			
Diluted income per share:	**Diluted income per share:**					
Diluted income per share:						
Diluted income per share:						
Net income (loss)						
Net income (loss)						
Net income (loss)	Net income (loss)	$ 7,406	$ (5,052)			

Basic weighted average shares outstanding	Basic weighted average shares outstanding	17,145,935	10,246,294
Effect of dilutive securities	Effect of dilutive securities	397,361	—
Diluted weighted average shares outstanding	Diluted weighted average shares outstanding	17,543,296	10,246,294
Diluted weighted average shares outstanding			
Diluted weighted average shares outstanding			
Diluted income (loss) per share of common stock	Diluted income (loss) per share of common stock	$ 0.42	$ (0.49)
Anti-dilutive securities excluded from the calculation of diluted income per share	Anti-dilutive securities excluded from the calculation of diluted income per share	248,000	313,355

Note 13 – Income Taxes

Income from operations before income taxes consisted of the following:

		Year Ended December 31,				
		Year Ended December 31,			Year Ended December 31,	
(in thousands)	(in thousands)	2022	2021	(in thousands)	2023	2022
United States	United States	$ 910	$(6,548)			
Foreign	Foreign	12,027	1,809			
Total	Total	$12,937	$(4,739)			

Provision (benefit) for income taxes from operations consisted of the following:

		Year Ended December 31,				
	Year Ended December 31,				Year Ended December 31,	
(in thousands)	(in thousands)	2022	2021	(in thousands)	2023	2022
Current income tax expense:	Current income tax expense:					
U.S. federal						
U.S. federal						
U.S. federal	U.S. federal	$ 4,011	$ 3,106			
U.S. state	U.S. state	869	806			
Foreign	Foreign	3,057	400			
Total	Total	$ 7,937	$ 4,312			
Deferred income tax expense (benefit):	Deferred income tax expense (benefit):					
U.S. federal	U.S. federal	$ (947)	$(3,324)			
U.S. federal						
U.S. federal						
U.S. state	U.S. state	(73)	(529)			
Foreign	Foreign	(1,386)	(146)			
Total	Total	$(2,406)	$(3,999)			
Total income tax expense (benefit):	Total income tax expense (benefit):					
U.S. federal	U.S. federal	$ 3,063	$ (218)			
U.S. federal						
U.S. federal						
U.S. state	U.S. state	796	277			
Foreign	Foreign	1,672	254			
Total	Total	$ 5,531	$ 313			

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The reconciliation between the effective income tax rates and the statutory federal rates for operations are as follows:

		Year Ended December 31,			Year Ended December 31,	
		2022	2021			
	Year Ended December 31, 2023				2023	2022
Statutory Federal rate	Statutory Federal rate	21.0 %	21.0 %	Statutory Federal rate	21.0 %	21.0 %
Increase (decrease) resulting from:	Increase (decrease) resulting from:					
Change in valuation allowance - current period activity	Change in valuation allowance - current period activity	1.3	(5.5)			
Change in valuation allowance - current period activity						
Change in valuation allowance - current period activity						
Foreign rate differential	Foreign rate differential	4.0	3.8			
Foreign rate differential						
Foreign rate differential						
Stock compensation	Stock compensation	(0.5)	—			
Compensation deduction limitation						
State and local taxes, net	State and local taxes, net	4.5	(4.6)			
Life insurance						
Meals & entertainment	Meals & entertainment	1.4	(0.7)			
Change in uncertain tax positions	Change in uncertain tax positions	(2.9)	—			
Provision to return differences						
GILTI, Section 78, FDII, and Section 250	GILTI, Section 78, FDII, and Section 250	3.2	(3.3)			
Transaction costs	Transaction costs	8.3	(16.1)			
Branch income						
Branch income						
Branch income						
Earn Out Revaluation	Earn Out Revaluation	0.8	—			
Earn Out Revaluation						
Earn Out Revaluation						
Change in deferred balances						

Change in deferred balances						
Change in deferred balances						
Other items, net	Other items, net	1.7	(1.2)			
Provision for income taxes	Provision for income taxes	42.8 %	(6.6)%	Provision for income taxes	(346.8) %	42.8 %

The effective tax rate for the year ended December 31, 2022 2023 was 42.8% (346.8)% compared to a (6.6)% 42.8% effective tax rate for the year ended December 31, 2021. 2022. The change in the year over year year-over-year effective tax rate was primarily due to changes an increase in the partial valuation allowance against the Company's excess interest expense carryforward balance, state taxes, foreign income and merger costs incurred during 2022, and a pre-tax loss in the creation of a consolidated group for federal income tax purposes as a result of the completion of the Mergers referenced in Note 3 – Business Acquisitions. current year. Relative to the U.S. statutory rate, the effective tax rate for the year ended December 31, 2022 2023 was impacted by state taxes, foreign operations and liabilities and transaction expenses related to the Mergers.

At December 31, 2022, the Company had $24.2 million of U.S. federal net operating loss carryforwards which are subject to expiration beginning in 2026 and $28.7 million of various state net operating loss carryforwards which expire at varying dates between 2023 and 2034. items listed above.

Deferred income tax assets and liabilities contain the following temporary differences:

		December 31,			December 31,	
		December 31,				
(in thousands)	(in thousands)	2022	2021	(in thousands)	2023	2022
Deferred tax assets:	**Deferred tax assets:**					
Federal & state NOL carryforward	Federal & state NOL carryforward	$ 8,218	$8,646			
Research & other credits		—	281			
Federal & state NOL carryforward						
Federal & state NOL carryforward						
Inventory reserve						
Inventory reserve						
Inventory reserve	Inventory reserve	6,990	4,059			
Transaction costs	Transaction costs	1,620	1,179			
Reserves and accruals		—	464			
Stock based compensation						
Stock based compensation						
Stock based compensation	Stock based compensation	2,531	510			
Accrued benefits & bonuses	Accrued benefits & bonuses	7,074	1,218			
Bad debt reserve	Bad debt reserve	496	726			
Section 163(j) limitation carryforward	Section 163(j) limitation carryforward	7,692	5,232			

ROU liabilities	ROU liabilities	11,947	5,410
Deferred state income tax	Deferred state income tax	745	93
Deferred revenue	Deferred revenue	86	124
Investment in Foreign Subsidiaries			
Other	Other	2,822	81
Total deferred tax assets	Total deferred tax assets	50,221	28,023
Deferred tax liabilities:	**Deferred tax liabilities:**		
Deferred tax liabilities:			
Deferred tax liabilities:			
Intangible assets and goodwill			
Intangible assets and goodwill			
Intangible assets and goodwill	Intangible assets and goodwill	45,951	16,006
ROU asset	ROU asset	11,295	5,117
Fixed assets	Fixed assets	15,617	6,685
Deferred state income tax	Deferred state income tax	—	119
Other	Other	188	—
Total deferred liabilities	Total deferred liabilities	73,051	27,927
Net deferred tax liabilities before valuation allowance	**Net deferred tax liabilities before valuation allowance**	(22,830)	96
Net deferred tax liabilities before valuation allowance			
Net deferred tax liabilities before valuation allowance			
Valuation allowance	Valuation allowance	(815)	(638)
Net deferred tax liabilities	**Net deferred tax liabilities**	$(23,645)	$ (542)

At December 31, 2023, the Company had $21.4 million of U.S. federal net operating loss carryforwards ("NOLs") which are subject to expiration beginning in 2027 and $53.5 million of various state net operating loss carryforwards which expire at varying dates between 2024 and 2035. At December 31, 2023 the Company had a total valuation allowance of $8.5 million. The change in the valuation allowance during 2023 was primarily related to a valuation allowance established against its Section 163(j) interest expense limitation deferred tax asset as the Company does not expect that its future taxable income will be sufficient to realize existing deferred tax assets. At December 31, 2022, a valuation allowance of $0.8 million was established against state NOLs.

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 the Company's legal entity structure and the complexity of U.S. tax laws.

Global Intangible Low Taxed Income (GILTI) is a deemed amount of income derived from controlled foreign corporations (CFCs) in which a U.S. person is a 10% direct or indirect shareholder. The Company owns numerous CFCs, which are subject to GILTI inclusion. However, because several of the CFCs operate in countries with a high tax rate, notably Canada, Denmark and Mexico, it was determined that a Section 954 High Tax Exception to GILTI inclusions is appropriate.

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A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

		December 31,				
December 31,					December 31,	
(in thousands)	(in thousands)	2022	2021	(in thousands)	2023	2022
Balance at beginning of year	Balance at beginning of year	$ —	$ —			
Additions for tax positions of current year	Additions for tax positions of current year	191	—			
Additions for tax positions of prior years	Additions for tax positions of prior years	3,741	—			
Reductions for tax positions of prior year	Reductions for tax positions of prior year	(238)	—			
Lapse of statute of limitations	Lapse of statute of limitations	(667)	—			
Balance at end of year	Balance at end of year	$3,027	$ —			

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The recognition of the unrecognized tax benefits would have a favorable effect on the effective tax rate. The unrecognized tax benefits as of December 31, 2022 include $2.4 million December 31, 2023 included $1.1 million of tax benefits that, if recognized, would result in adjustments to other tax accounts, primarily deferred taxes. It is reasonably possible that an additional reduction of up to $0.8 million of unrecognized tax benefits may occur within impact the next twelve months, a portion of which would impact our effective tax rate. rate in future periods. The actual amount could vary due Company recognizes interest and penalties related to the uncertainty of both timing and resolution uncertain tax positions as a component of income tax examinations. expense. The unrecognized tax benefits are recorded as a component of Other liabilities Liabilities in the Consolidated Balance Sheets. Interest The total amount accrued for interest and penalties related to in the liability for uncertain tax positions was $0.8 million and $0.9 million as of December 31, 2023 and December 31, 2022, respectively. It is reasonably possible that the amount of unrecognized tax benefits are recorded as will change in the next twelve months; however, the Company does not expect the change to have a component of Income tax expense in material impact on the Consolidated Statements of Operations and Comprehensive Income (Loss). Including the impact of interest and the impact of net operating losses, the unrecognized tax benefit was $3.0 million and $0.0 million as of December 31, 2022 and December 31, 2021, respectively, which is recorded in Other liabilities on or the Consolidated Balance Sheets. Interest and penalties are recognized over uncertain tax positions that arose from income tax matters in Canada. The Company has substantially concluded all Canadian income tax matters through the year ended December 31, 2015. Years 2016 through present are open and subject to examination.

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 December 31, 2022 December 31, 2023, the Company was subject to U.S. federal income tax examinations for the years 2019 2020 through 2021 2022 and income tax examinations from various other jurisdictions for the years 2015 2016 through 2021. 2022.

Note 14 – Segment Information

As a result of the Mergers described in Note 1 – Nature of Operations and Basis of Presentation, the Company evaluated its Based on operational, reporting and management structures, and the Company has identified three reportable segments based on the nature of the products and services and type of customer for those products and services. A description of our reportable segments is as follows:

- *Lawson* is a distributor of specialty products and services to the industrial, commercial, institutional and government maintenance, repair and operations market.
-

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

-

Gexpro Services is a global supply chain solutions provider, specializing in developing the development of mission critical production line management, aftermarket and implementing vendor managed inventory and kitting programs to high-specification manufacturing customers. field installation programs.

The Company also identified 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 and includes the inconsequential results of the Bolt Supply House ("Bolt") non-reportable segment. Revenue within the All Other category represent represents the results of Bolt. Bolt generates revenue primarily from the sale of MRO products to its walk-up customers and service to its customers through their its 14 branch locations. Bolt does not provide VMI services for its customers or provide services in addition to product sales to customers. Revenue is recognized at the time that control of the product has been transferred to the customer which is either upon delivery or shipment depending on the terms of the contract.

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

		Year Ended December 31,				
	Year Ended December 31,				Year Ended December 31,	
(in thousands)	(in thousands)	2022	2021	(in thousands)	2023	2022
Revenue	Revenue					
Lawson[1]						
Lawson[1]						
Lawson[1]	Lawson[1]	$ 324,783	$ —			
TestEquity	TestEquity	392,358	264,161			
Gexpro Services	Gexpro Services	385,326	256,129			
All Other[2]	All Other[2]	48,955	—			
Intersegment revenue elimination						
Total revenue	Total revenue	$1,151,422	$520,290			
Operating income (loss)	Operating income (loss)					
Operating income (loss)						
Operating income (loss)						
Lawson[1]						
Lawson[1]						
Lawson[1]	Lawson[1]	$ 6,536	$ —			
TestEquity	TestEquity	11,375	329			
Gexpro Services	Gexpro Services	21,291	11,092			

All Other(2)	All Other(2)	2,584	—
Total operating income (loss)	Total operating income (loss)	$ 41,786	$ 11,421

(1) Includes the operating results of Lawson only subsequent to the Merger Date of April 1, 2022 and not Lawson operating results prior to the Mergers.

(2) Includes the operating results of All Other only subsequent to the Merger Date of April 1, 2022 and not All Other operating results prior to the Mergers.

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 and is not included in consolidated revenue on the financial statements. Segment revenue and the elimination of intersegment revenue was as follows:

(in thousands)	Lawson	TestEquity	Gexpro Services	All Other	Elimination	Total
Year Ended December 31, 2023						
Revenue from external customers	$ 468,379	$ 641,643	$ 404,490	$ 55,890	$ —	$ 1,570,402
Intersegment revenue	332	125	1,243	—	(1,700)	—
Revenue	$ 468,711	$ 641,768	$ 405,733	$ 55,890	$ (1,700)	$ 1,570,402
Year Ended December 31, 2022						
Revenue from external customers	$ 324,783	$ 392,358	$ 385,326	$ 48,955	$ —	$ 1,151,422
Intersegment revenue	—	—	—	—	—	—
Revenue	$ 324,783	$ 392,358	$ 385,326	$ 48,955	$ —	$ 1,151,422

Long-lived assets, which includes property, plant and equipment, rental equipment, goodwill, intangibles, right of use operating lease assets, and other assets, were as follows:

		December 31,			December 31,	
(in thousands)	(in thousands)	2022	2021	(in thousands)	2023	2022
Long-lived assets by segment	Long-lived assets by segment					
Lawson						
Lawson						
Lawson	Lawson	$324,732	$ —			
TestEquity	TestEquity	201,919	152,144			
Gexpro Services	Gexpro Services	152,720	102,890			
All Other	All Other	40,696	—			
Total	Total	$720,067	$255,034			
Long-lived assets by geographic area	Long-lived assets by geographic area					
Long-lived assets by geographic area						
Long-lived assets by geographic area						
United States						
United States						

United States	United States	$580,870	$236,933
Canada	Canada	70,561	7,582
Europe	Europe	67,957	9,863
Pacific Rim	Pacific Rim	—	—
Latin America	Latin America	679	656
Other		—	—
Total	Total	$720,067	$255,034
Total			
Total			

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

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

		Year Ended December 31,				
	Year Ended December 31,				Year Ended December 31,	
(in thousands)	(in thousands)	2022	2021	(in thousands)	2023	2022
Capital expenditures	Capital expenditures					
Lawson(1)						
Lawson(1)						
Lawson(1)	Lawson(1)	$ 3,737	$ —			
TestEquity	TestEquity	250	169			
Gexpro Services	Gexpro Services	3,809	2,857			
All Other(2)	All Other(2)	511	—			
Total	Total	$ 8,307	$ 3,026			
Depreciation and amortization	Depreciation and amortization					
Depreciation and amortization						
Depreciation and amortization						
Lawson(1)						
Lawson(1)						
Lawson(1)	Lawson(1)	$10,594	$ —			
TestEquity	TestEquity	17,480	13,784			
Gexpro Services	Gexpro Services	15,175	4,899			
All Other(2)	All Other(2)	1,937	—			
Total	Total	$45,186	$18,683			

(1) Includes Lawson's activities only subsequent to the Merger Date of April 1, 2022 and not prior to the Mergers.

(2) Includes the activities of All Other only subsequent to the Merger Date of April 1, 2022 and not prior to the Mergers.

Note 15 – Commitments and Contingencies

Shareholder Lawsuits Merger Litigation

In February 2022, three purported DSG stockholders made demands pursuant to Section 220 of the Delaware General Corporation Law to inspect certain books and records of DSG (collectively, the "Books and Records Demands"). One stated purpose of the Books and Records Demands was to investigate questions of director disinterestedness and independence and the alleged possibility of wrongdoing, mismanagement and/or material non-disclosure related to the Special Committee's and the DSG board Board of directors' Directors' approval of the Mergers. On March 16, 2022, one of the purported DSG stockholders who previously made a Books and Records Demand filed a lawsuit entitled Robert Garfield v. Lawson Products, Inc., Case No. 2022-0252, in the Court of Chancery of the State of Delaware against DSG (the "Garfield Action"). On March 22, 2022, another of the purported DSG stockholders who previously made a Books and Records Demand filed a lawsuit entitled Jeffrey Edelman v. Lawson Products, Inc., Case No. 2022-0270, in the Court of Chancery of the State of Delaware against

DSG (the "Edelman Action"). The Garfield Action and the Edelman Action, which were consolidated and re-captioned as Lawson Products, Inc. Section 220 Litigation, Case No. 2022-0270, are collectively referred to as the "Books and Records Actions." The Books and Records Actions sought to compel inspection of certain books and records of DSG to investigate questions of director disinterestedness and independence and the alleged possibility of wrongdoing, mismanagement and/or material non-disclosure related to the Special Committee's and the DSG board Board of directors' Directors' approval of the Mergers. Following briefing, the Delaware Court of Chancery held a trial on July 14, 2022 to adjudicate the Books and Records Actions. At the conclusion of the trial, the Court ruled orally that the stockholders' demands would be granted only in one respect (production of documents sufficient to show the identities of any guarantors of debt of the acquired companies) and the Court denied the remainder of the stockholders' requests. The Court's ruling was memorialized in an order issued on July 20, 2022. Thereafter, DSG produced excerpts of certain documents as required by the Court's ruling and subsequent order.

On October 3, 2022, the plaintiffs in the Books and Records Actions filed a shareholder derivative action (the "Derivative Action") entitled Jeffrey Edelman and Robert Garfield v. John Bryan King et al., Case No. 2022-0886, in the Court of Chancery of the State of Delaware. Delaware (the "Delaware Chancery Court"). The Derivative Action names as defendants J. Bryan King, Lee S. Hillman, Bianca A. Rhodes, Mark F. Moon, Andrew B. Albert, I. Steven Edelson and Ronald J. Knutson (collectively, "Director and Officer Defendants"), and LKCM Headwater Investments II, L.P., LKCM Headwater II Sidecar Partnership, L.P., Headwater Lawson Investors, LLC, PDLP Lawson, LLC, LKCM Investment Partnership, L.P., LKCM Micro-Cap Partnership, L.P., LKCM Core Discipline, L.P. and Luther King Capital Management Corporation (collectively, the "LKCM Defendants"). Purporting to act on behalf of DSG, in the Derivative Action the plaintiffs allege, among other things, various claims of alleged breach of fiduciary duty against the Director and Officer Defendants and the LKCM Defendants in connection with the Mergers. The Derivative Action seeks, among other things, money damages, equitable relief and the costs of the Derivative Action, including reasonable attorneys', accountants' and experts' fees. On October 24, 2022, the plaintiffs

voluntarily dismissed PDLP Lawson, LLC and LKCM Investment Partnership, L.P. from the Derivative Action without prejudice.

The Delaware Chancery Court held a hearing on September 13, 2023, to hear arguments on the defendants' motions to dismiss. At the conclusion of the hearing, in rulings issued on September 13, 2023, and September 19, 2023, the entire complaint was dismissed with prejudice for failure to state a claim. On October 16, 2023, the plaintiffs filed a notice of appeal from the dismissal of their claims with respect to all defendants other than the members of the Special Committee (Messrs. Hillman, Albert and Edelson) and Mr. Moon. On October 25, 2023, Plaintiff Garfield voluntarily dismissed his appeal. The voluntary dismissal did not impact the appeal by Plaintiff Edelman, who continued to advance his appeal. Plaintiff's opening brief on appeal was filed on November 30, 2023. Defendants' joint answering brief was filed on January 5, 2024. Plaintiff's optional reply brief was filed on January 25, 2024. The Delaware Supreme Court has scheduled oral argument in the appeal to occur on May 22, 2024.

DSG disagrees with and intends to vigorously defend against the Derivative Action. The Derivative Action could result in additional costs to DSG, including costs associated with the indemnification of directors and officers. At this time, DSG is unable to predict the ultimate outcome of the Derivative Action or, if the outcome is adverse, to reasonably estimate an amount or range of reasonably possible loss, if any, associated with the Derivative Action. Accordingly, no amounts have been recorded in the consolidated financial statements for these matters. No assurance can be given that additional lawsuits will not be filed against DSG and/or its directors and officers and/or other persons or entities in connection with the Mergers.

Cyber Incident Litigation

On February 10, 2022, DSG disclosed that its computer network was the subject of a cyber incident potentially involving unauthorized access to certain confidential information (the "Cyber Incident"). On April 4, 2023, a putative class action lawsuit (the "Cyber Incident Suit") was filed against DSG entitled Lardone Davis, on behalf of himself and all others similarly situated, v. Lawson Products, Inc., Case No. 1:23-cv-02118, in the United States District Court for the Northern District of Illinois, Eastern Division. The plaintiff in this case, who purports to represent the class of individuals harmed by alleged actions and/or omissions by DSG in connection with the Cyber Incident, asserts a variety of common law and statutory claims seeking monetary damages, injunctive relief and other related relief related to the potential unauthorized access by third parties to personal identifiable information and protected health information.

DSG disagrees with and intends to vigorously defend against the Cyber Incident Suit. The Cyber Incident Suit could result in additional costs and losses to DSG, although, at this time, DSG is unable to reasonably estimate the amount or range of reasonably possible losses, if any, that might result from adverse judgments, settlements, fines, penalties or other resolution of these proceedings based on the early stage of this proceeding, the absence of specific allegations as to alleged

damages, the uncertainty as to the certification of a class or classes and the size of any certified class, if applicable, and the lack of resolution of significant factual and legal issues. Accordingly, no amounts have been recorded in the consolidated financial statements for the Cyber Incident Suit. No assurance can be given that additional lawsuits will not be filed against DSG and/or its directors and officers and/or other persons or entities in connection with the Cyber Incident.

Environmental Matter

In 2012, it was determined that a Company owned site in Decatur, Alabama, contained hazardous substances in the soil and groundwater as a result of historical operations prior to the Company's ownership. The Company retained an environmental consulting firm to further investigate the contamination, prepare a remediation plan, and enroll the site in the Alabama Department of Environmental Management (“ADEM”) voluntary cleanup program.

A remediation plan was approved by ADEM in 2018. The plan consists of chemical injections throughout the affected area, as well as subsequent monitoring of the area. The injection process was completed in the first quarter of 2019 and the environmental consulting firm is monitoring the affected area. At December 31, 2022 2023 the Company had less than approximately $0.1 million accrued for potential monitoring costs included in Accrued expenses and other current liabilities in the Consolidated Balance Sheets. The costs for future monitoring are not significant and have been fully accrued. The Company does not expect to capitalize any amounts related to the remediation plan.

Defined Contribution Plan

The Company provides a 401(k) defined contribution plan to allow employees a pre-tax investment vehicle to save for retirement. The Company made contributions to the 401(k) plan of $5.5 $7.2 million and $1.7 $5.5 million for the years ended December 31, 2022 2023 and 2021, 2022, respectively.

Purchase Commitments

The Company enters into inventory purchase commitments with third parties in the ordinary course of business. As of December 31, 2022, we had contractual commitments to purchase approximately $168 million of product from our suppliers and contractors which is expected to be paid in the next twelve months.

Note 16 – Related Party Transactions

Management Services Agreements

Prior to the Mergers, a subsidiary of TestEquity was party to a management agreement with Luther King Capital Management Corporation (“LKCM”) for certain advisory and consulting services (the “TestEquity Management Agreement”), and a subsidiary of Gexpro Services was party to a management agreement with LKCM for certain advisory and consulting services (the “Gexpro Services Management Agreement”). In connection with the closing of the Mergers on April 1, 2022, (i) all of the TestEquity subsidiary’s rights, liabilities and obligations under the TestEquity Management Agreement were novated to, transferred to and assumed by the TestEquity Equityholder, and LKCM released the TestEquity subsidiary from all obligations and claims under the TestEquity Management Agreement, and (ii) all of the Gexpro Services subsidiary’s rights, liabilities and obligations under the Gexpro Services Management Agreement were novated to, transferred to and assumed by the Gexpro Services Stockholder, and LKCM released the Gexpro Services subsidiary from all obligations and claims under the Gexpro Services Management Agreement (collectively, the “Novations”). During the first three months of 2022, expense of $0.5 million was recorded within Selling, general and administrative expenses within the Consolidated Statements of Operations and Comprehensive Income (Loss), reflecting expenses accrued under these management agreements from January 1, 2022 through the April 1, 2022 Merger Date. As of December 31, 2021, $4.8 million was included in Accrued expenses and other current liabilities in the Consolidated Balance Sheets in connection with these management agreements. As of April 1, 2022, the prior obligation of $5.3 million was effectively settled in connection with the Mergers and considered to be a deemed equity contribution by LKCM recorded to additional paid in

capital. As a result of the Novations, no additional expense under these management agreements has been incurred subsequent to the Mergers.

Consulting Services

Subsequent to the Mergers, individuals employed by LKCM Headwater Operations, LLC, a related party of Luther King Capital Management Corporation (“LKCM”), LKCM, have provided the Company with certain consulting services for interim executive management in order addition to identify assisting in identifying cost savings, revenue enhancements and operational synergies of the combined companies. As of December 31, 2022 For the year ended 2023 and 2022, expense of $0.6 million and $0.2 million, respectively, was recorded within in Selling, general and administrative expenses within in the Consolidated Statements of Operations and Comprehensive Income (Loss), reflecting expenses accrued for these consulting services.

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.

TestEquity and Gexpro Services Mergers

Immediately prior to the Mergers, entities affiliated with Luther King Capital Management Corporation (“LKCM”) LKCM and J. Bryan King (the (President and Chief Executive Officer of DSG and Chairman of the DSG board Board of directors) Directors), including private investment partnerships for which LKCM serves as investment manager, owned a majority of the ownership interests in the TestEquity Equityholder (which in turn owned all of the outstanding equity interests of TestEquity as of immediately prior to the completion of the TestEquity Merger). As of the Merger Date, Mr. King was a director of the TestEquity Equityholder. In addition, as of the Merger Date, Mark F. Moon (a member of the DSG board Board of directors) Directors) was a director of, and held a direct or indirect equity interest in, the TestEquity Equityholder.

Immediately prior to the Mergers, entities affiliated with LKCM and Mr. King, including private investment partnerships for which LKCM serves as investment manager, owned a majority of the ownership interests in the Gexpro Services Stockholder (which in turn owned all of the then outstanding stock of Gexpro Services).

Immediately prior to the Mergers, entities affiliated with LKCM and Mr. King beneficially owned approximately 48% of the then-outstanding shares of DSG common stock then outstanding.

stock. As a result of and after the consummation issuance of 20.6 million shares at the closing of the Mergers entities affiliated with LKCM and J. Bryan King (the Chairman of the DSG board of directors) owned in the aggregate approximately 14,640,000 shares of DSG common stock as of the Merger Date, which shares represented approximately 75% of the shares of DSG common stock then outstanding after giving effect to the issuance of shares as of the Merger Date in connection with the consummation of the Mergers. Such aggregate share amount does not include any of the up to 700,000 additional 3.4 million shares of DSG common stock or any of the up to 1,000,000 additional shares of DSG common stock potentially issuable to the TestEquity Equityholder and the Gexpro Services Stockholder, respectively, in accordance with the earnout provisions of the TestEquity Merger Agreement and the Gexpro Services Merger Agreement respectively, summarized on March 20, 2023, entities affiliated with LKCM and Mr. King beneficially owned in the aggregate approximately 32.6 million shares of DSG common stock representing approximately 77.4% of the outstanding shares of DSG common stock as of March 31, 2023.

Rights Offering

Certain entities affiliated with LKCM and J. Bryan King exercised their basic subscription rights and over-subscription rights in the Rights Offering and purchased approximately 3.6 million additional shares of DSG common stock at a purchase price of $22.50 per share. Following the completion of the Rights Offering on May 30, 2023, entities affiliated with LKCM and Mr. King beneficially owned in the aggregate approximately 36.4 million shares of DSG common stock as of June 1, 2023, representing approximately 77.8% of the outstanding shares of DSG common stock as of December 31, 2023.

Board of Directors

M. Bradley Wallace, who became a director of the Company upon his election at the Company's 2023 annual stockholders meeting on May 19, 2023, is a Founding Partner of LKCM Headwater Investments, the private capital investment group of LKCM.

Note 1 17 – Nature Subsequent Event

On January 22, 2024, DSG completed the acquisition of Operations Safety Supply Illinois LLC, conducting business as Emergent Safety Supply ("ESS"), with a preliminary purchase price of $9.9 million. ESS is a national distributor of safety products based near Chicago in Batavia, Illinois that generates annual sales of approximately $13 million. ESS was acquired to expand Lawson's safety product category. The acquisition was funded through DSG's cash on hand.

Due to the recent acquisition date, the purchase accounting for ESS was not final at the time of this filing, and Basis a preliminary allocation of Presentation. consideration exchanged to the estimated fair values of assets acquired and liabilities assumed was not complete. The final valuation will be completed within the one-year measurement period following the acquisition date.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. 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 annual 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 not effective as of December 31, 2022, because of the identified material weakness in internal control over financial reporting described below.

On April 1, 2022, Lawson merged with TestEquity and Gexpro Services, thereby expanding our business operations and geographic scope as the newly formed Distribution Solutions Group. We have experienced several complex and non-routine accounting transactions. As indicated below, in Management’s Annual Report on Internal Control over Financial Reporting, management’s assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of TestEquity and Gexpro Services due to the timing of the reverse mergersDecember 31, 2023.

Management’s Report on Internal Control over Financial Reporting

Company management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company as defined in Rule 13a-15(f) under the Exchange Act. This system, which management has chosen to base on the framework set forth in the 2013 Internal Control-Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), is under the supervision of our Chief Executive Officer and Chief Financial Officer, is effected by the Company’s board Board of directors, Directors, management and other personnel, and is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

The Company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and the directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Further, because of changes in conditions, effectiveness of internal controls over financial reporting may vary over time.

The Company has excluded TestEquity and Gexpro Services HIS Company, Inc., a wholly-owned subsidiary, from the scope of management’s report on internal control over financial reporting, representing approximately 56% and 28% 14% of total assets (excluding goodwill and net intangible assets, respectively, which were integrated into the Company's control environment) as of December 31, 2022 December 31, 2023 and 68% and 37% 15% of revenue and net income, respectively, for the year then ended.

In connection with Changes in Internal Control over Financial Reporting

As previously disclosed under “Item 9A – Controls and Procedures” in the preparation of our consolidated financial statements as of Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2022, we identified a material weakness in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in management concluded that its internal control over financial reporting such that there is a reasonable possibility that a was not effective based on the material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. weakness identified.

As a result of our expanding business operations, primarily related to our merger in April 2022, we have experienced an increase in complex and non-routine accounting transactions and control activities necessary to properly present consolidated results. Specifically, in our TestEquity operating segment, we did not have sufficient technical accounting resources and personnel (i) to help ensure proper application of U.S. GAAP in the accounting for certain areas primarily related to accounting for business acquisitions and the disposal of rental equipment, or (ii) to effectively design and execute our process level controls around (a) revenue recognition, (b) account reconciliations, (c) accounting policies, and (d) proper segregation of duties. Although these control deficiencies did not result in any material misstatement of our consolidated financial statements, it could lead to a material misstatement of account balances or disclosures. Accordingly, management

As of December 31, 2023, the Company has concluded that these control deficiencies constitute a completed remediation of the following previously reported material weakness at December 31, 2022.

Management has further concluded that, in light of the material weakness described above, we did not maintain effective internal control over financial reporting as of December 31, 2022, and based on the criteria set forth in "Internal Control—Integrated Framework" issued by COSO.

Our independent registered public accounting firm, BDO USA, LLP, which has audited and reported on our financial statements, issued an attestation report regarding results of its internal control evaluation, management concluded that our internal control over financial reporting is effective as of December 31, 2022 December 31, 2023. As a result of the material weakness

The Company's remediation efforts are described above, such report includes an adverse audit report on the effectiveness of below. Except as otherwise described herein, there was no change in our internal control over financial reporting as that occurred during the fourth quarter of December 31, 2022. 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management's Plan for Remediation of Material Weakness in Internal Control over Financial Reporting

Management has identified performed and implemented the steps necessary actions and controls to remediate the material weakness:

Accounting Expertise and Personnel

- Management is assessing Hired experienced professionals to enhance the depth and competence of our accounting function and is planning finance team.
- Reassigned responsibilities between operating segments to hire additional increase the number of critical accounting personnel oversight roles, which strengthened the oversight and review procedures over segregation of duties, financial reporting, and internal controls.
- Centralized technical accounting expertise at the corporate level to oversee complex accounting transactions and review operating segment financial statements.
- Expanded training to include internal control workshops designed to improve control awareness and educate all applicable personnel, in addition to one-on-one training sessions on account reconciliations and other critical review procedures, including the accounting capabilities completeness and capacity, and to ensure internal control activities are maintained and performed. accuracy over information produced by the Company.

Accounting Policies and Controls

- Management has expanded our training Established and communicated the financial reporting "Vision, Mission and Values", which defines expectations related to strong internal controls to include workshops designed to improve control awareness governance, and educate all applicable personnel at the business unit level on internal control topics. reliable and accurate financial reporting.
- Management has designed Strengthened and implemented controls over the review of the accuracy and completeness of inputs provided to and outputs provided by third-party specialists, including the memorialization of accounting treatment conclusions for acquisitions.
- Management will strengthen drafted critical accounting policies, specifically within complex, non-routine transactions, revenue recognition and accounting for business acquisitions, and developed processes and controls to verify procedures against U.S. GAAP. accounting procedures.
- Management will design Implemented delegation of authority procedures to assign appropriate authorized reviewers.
- Designed and implement entity level implemented entity-level monitoring controls to support improve corporate oversight over the review and preparation of complete and accurate financial information.
- Designed and implemented review controls over the completeness and accuracy of key inputs provided to and outputs provided by third-party specialists who provide expertise on business combinations
- Performed thorough accounts reconciliations, including thorough review of noted differences.

Segregation of Duties

- Management has evaluated Evaluated logical access and eliminated known high-risk segregation of duties conflicts.
- Management has designed Established a standard framework governing the segregation of incompatible duties across the Company.

- Designed various processes and is in the process of implementing controls to adequately segregate job responsibilities and system access and implemented applicable mitigating internal controls.
- Designed and implemented periodic logical access review controls to monitor user access and proper identify segregation of duties. duties conflict issues.

We believe that a remediation plan incorporating the measures described above will remediate the material weakness identified and strengthen our internal control over financial reporting. We will continue to review our financial reporting controls and procedures. As we finalize and implement the remediation plan outlined above, we may also identify additional measures to address the material weakness or modify certain of the remediation procedures described above. We also may implement additional changes to our internal control over financial reporting as may be appropriate in the course of remediating the material weakness. Management will continue to take steps to remedy the material weakness to reinforce the overall design and capability of our control environment.

Inherent Limitations on Effectiveness of Controls

A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Because of its inherent limitations, internal control over financial reporting may

not prevent or detect all control issues or misstatements, accordingly, our controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of our control system are met. Projections of any evaluation of

effectiveness to future periods are subject to the risk that controls may become adequate inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors and Shareholders
Distribution Solutions Group, Inc.
Chicago, Illinois

Opinion on Internal Control internal control over Financial Reporting

financial reporting

We have audited Distribution Solutions Group, Inc.'s (the "Company's") the internal control over financial reporting of Distribution Solutions Group, Inc., (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2022 December 31, 2023, based on criteria established in the 2013 *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria" ("COSO"). In our opinion, the Company did not maintain, maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022 December 31, 2023, based on criteria established in the COSO criteria. 2013

We do not express an opinion or any other form of assurance on management's statements referring to any corrective actions taken *Internal Control – Integrated Framework* issued by the Company after the date of management's assessment. COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheet financial statements of the Company as of December 31, 2022, the related consolidated statements of operations and comprehensive income (loss), stockholders' equity, and cash flows for the year ended December 31, 2022 December 31, 2023, and the related notes and our report dated March 14, 2023 March 7, 2024 expressed an unqualified opinion thereon. on those financial statements.

Basis for Opinion

opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

As indicated in the accompanying Item 9A, Management's Report on Internal Control over Financial Reporting, as a result of the mergers between Lawson Products, Inc. ("Lawson"), TestEquity Acquisition, LLC ("TestEquity") and 301 HW Opus Holdings, Inc. ('Gexpro Services") on April 1, 2022, management's assessment Our audit of, and conclusion opinion on, the effectiveness of Company's internal control over financial reporting did does not include the internal controls of TestEquity and Gexpro Services, which are included in the consolidated balance sheet of the Company as of December 31, 2022, and the related consolidated statements of operations and comprehensive income (loss), stockholders' equity, and cash flows for the year then ended. Combined, TestEquity and Gexpro Services constituted 56% and 28% of total assets and net assets, respectively, as of December 31, 2022, and 68% and 37% of revenue and net income, respectively, for the year then ended. Management did not assess the effectiveness of internal control over financial reporting of TestEquity and Gexpro Services because of the timing of the merger which was completed on April 1, 2022. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of TestEquity HIS Company, Inc., a wholly-owned subsidiary, whose financial statements reflect total assets and Gexpro Services.

A material weakness is a deficiency, or a combination revenues constituting 14 and 15 percent, respectively, of deficiencies, the related consolidated financial statement amounts as of and for the year ended December 31, 2023. As indicated in Management's Report, HIS Company, Inc., was acquired during 2023. Management's assertion on the effectiveness of the Company's internal control over financial reporting such that there is a reasonable possibility that a material misstatement excluded internal control over financial reporting of the company's annual or interim financial statements will not be prevented or detected on a timely basis. A material weakness regarding management's failure to have sufficient technical accounting resources and personnel at TestEquity to design and maintain controls over i) business combinations, ii) disposal of rental equipment, iii) revenue recognition, iv) account reconciliations, v) accounting policies and vi) segregation of duties has been identified and described in management's assessment. This material weakness was considered in determining the

nature, timing, and extent of audit tests applied in our audit of the 2022 financial statements, and this report does not affect our report dated March 14, 2023 on those financial statements. HIS Company, Inc.

Definition and Limitations limitations of Internal Control internal control over Financial Reporting

financial reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/BDO USA, GRANT THORNTON LLP

Chicago, Illinois Los Angeles, California
March 14, 2023 7, 2024

Changes in Internal Controls

The Mergers that were completed on April 1, 2022, had a material impact on the financial position, results of operations, and cash flows of the combined company. We have implemented new processes and internal controls as a result of the Mergers to assist us in the preparation and disclosure of financial information. Other than as discussed above, 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 our most recently completed fiscal quarter that materially affected or are reasonably likely to materially affect our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.During the quarter ended December 31, 2023, none of our directors or officers 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 9C. DISCLOSURES REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

a. Directors

The information required by this Item is set forth in the Company’s Proxy Statement for the Annual Meeting of Stockholders to be held on May 19, 2023 May 23, 2024, under the caption “Election of Directors” and “Section 16(a) Beneficial Ownership Reporting Compliance,” which information is incorporated herein by reference.

b. Executive Officers

The information required by this Item is set forth under the caption Item 1 — *Business* under “Information About Our Executive Officers.”

c. Audit Committee

Information on the Company’s Audit Committee is contained under the caption “Board of Directors Meetings and Committees” in the Company’s Proxy Statement for the Annual Meeting of Stockholders to be held on May 19, 2023 May 23, 2024, which is incorporated herein by reference.

The Board of Directors has determined that Lee Hillman, member of the Audit Committee of the Board of Directors, qualifies as an “audit committee financial expert” as defined in Item 407(d)(5)(ii) of Regulation S-K, and that Mr. Hillman is “independent” as the term is defined in the listing standards of the Nasdaq Global Select Market.

d. Code of Business Conduct

The Company has adopted a Code of Business Conduct applicable to all employees and sales representatives. The Company’s Code of Business Conduct is applicable to senior financial executives including the principal executive officer, principal financial officer and principal accounting officer of the Company. The Company’s Code of Business Conduct is available on the Corporate Governance page in the Investor Relations section of the Company’s website at *http://www.distributionsolutionsgroup.com*. The Company intends to post on its website any amendments to, or waivers from its Code of Business Conduct applicable to senior financial executives. The Company will provide any persons with a copy of its Code of Business Conduct without charge upon written request directed to the Company’s Secretary at the Company’s address.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this Item is set forth in the Company’s Proxy Statement for the Annual Meeting of Stockholders to be held on May 19, 2023 May 23, 2024, under the caption “Remuneration of Executive Officers,” which information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The Additional information required by this Item is set forth in the Company's Proxy Statement for the Annual Meeting of Stockholders to be held on May 19, 2023 May 23, 2024 under the caption "Securities Beneficially Owned by Principal Stockholders and Management" which information is incorporated herein by reference.

Equity Compensation Plan Information

The following table provides information as of December 31, 2022 December 31, 2023 regarding the number of shares of DSG common stock that were available for issuance under the Company's equity compensation plans which are described in greater detail in Note 10 – Stock-Based Compensation in Item 8. Financial Statements. Statements and Supplementary Data.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by stockholders			
Stock options	288,000	77.59	
Other stock units (1)	206,750	N/A	
Equity compensation plans not approved by stockholders	—	—	—
Total	494,750	$77.59	1,222,773

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Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by stockholders			
Stock options	1,880,067	$ 37.53	
Other stock units (1)	300,891	N/A	
Equity compensation plans not approved by stockholders	—	—	—
Total	2,180,958	$ 37.53	1,161,687

(1) Includes potential DSG common stock issuance of 56,587 98,216 from restricted stock awards, 117,293 163,555 from market stock units and 32,870 39,120 from performance awards.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information required by this Item is set forth in the Company's Proxy Statement for the Annual Meeting of Stockholders to be held on May 19, 2023 May 23, 2024 under the caption "Election of Directors" and "Certain Relationships and Related Transactions" which information is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The information required under this Item is set forth in the Company's Proxy Statement for the Annual Meeting of Stockholders to be held on May 19, 2023 May 23, 2024 under the caption "Fees Paid to Independent Auditors" which information is incorporated herein by reference.

PART IV

ITEM 15. EXHIBIT AND FINANCIAL STATEMENT SCHEDULES.

(a) (1) See Index to Financial Statements and Supplementary Data in Item 8 on page 39 43.

(2) All other financial statement schedules are omitted because they are inapplicable, not required under the instructions, or the information is reflected in the financial statements or notes thereto.

(3) Exhibits:

Exhibit Number	Description of Exhibit
2.1†	Agreement and Plan of Merger, dated as of December 29, 2021,December 29, 2021, by and among LKCM TE Investors, LLC, TestEquity Acquisition, LLC, Lawson Products, Inc. and Tide Sub, LLC, incorporated by reference to Exhibit 2.1 to the Company's Company's Current Report on Form 8-K (File No. 000-10546) filed January 4, 2022.January 4, 2022.
2.2† 2.2†	Agreement and Plan of Merger, dated as of December 29, 2021, by and among 301 HW Opus Investors, LLC, 301 HW Opus Holdings, Inc., Lawson Products, Inc. and Gulf Sub, Inc., incorporated by reference to Exhibit 2.2 to the Company's Company's Current Report on Form 8-K (File No. 000-10546) filed January 4, 2022.
2.3†	Stock Purchase Agreement, dated as of March 30, 2023, by and among HIS Company, Inc., Distribution Solutions Group, Inc., HIS Company, Inc. Employee Stock Ownership Trust, which is maintained pursuant to and in connection with the HIS Company, Inc. Employee Stock Ownership Plan, acting through GreatBanc Trust Company, not in its corporate capacity, but solely in its capacity as trustee of HIS Company, Inc. Employee Stock Ownership Trust, and Ellis Moseley, solely in his capacity as the representative of HIS Company, Inc. Employee Stock Ownership Trust, incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K (File No. 000-10546) filed March 31, 2023.
3.1	Amended Third Amended and Restated Certificate of Incorporation of the Company, as amended by the Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Company effective as of May 5, 2022 August 31, 2023, incorporated by reference to Exhibit 3.1 to the Company's QuarterlyCurrent Report on Form 10-Q8-K (File No. 000-10546) for the quarter ended June 30, 2022.filed onSeptember 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 May 5, 2022.
4.1**	Description of common stock
10.1* 10.1*	Lawson Products, Inc. Executive Deferral Plan (as Amended and Restated Effective November 1, 2015), incorporated by reference to Exhibit 10.4 to the Company's Company's Quarterly Report on Form 10-Q (File No. 000-10546) for the quarter ended September 30, 2021.
10.2* 10.2*	Lawson Products, Inc. Amended Stock Performance Plan (as Amended and Restated Effective January 24, 2017), incorporated by reference to Exhibit 10.5 to the Company's Company's Quarterly Report on Form 10-Q (File No. 000-10546) for the quarter ended September 30, 2021.
10.3* 10.3*	Amendment of the Lawson Products, Inc. Amended Stock Performance Plan (as Amended and Restated Effective January 24, 2017), dated December 23, 2020, incorporated by reference to Exhibit 10.23 to the Company's Company's Annual Report on Form 10-K (File No. 000-10546) for the fiscal year ended December 31, 2020.
10.4* 10.4*	Form Letter regarding Stock Performance Rights, incorporated by reference to Exhibit 10(c)(16) to the Company's Company's Annual Report on Form 10-K (File No. 000-10546) for the fiscal year ended December 31, 2004.
10.5* 10.5*	Distribution Solutions Group, Inc. Equity Compensation Plan (amended and restated effective October 17, 2022, as amended November 10, 2022), incorporated by reference to Exhibit 10.1 to the Company's Company's Current Report on Form 8-K (File No. 000-10546) filed November 18, 2022.
10. 16* 0.6*	Form of Award Agreement under the 2009 Equity Compensation Plan (now (now known as the Distribution Solutions Group, Inc. Equity Compensation Plan) (Target (Target Units, SPRs and Restricted Units), incorporated by reference to Exhibit 10.11 to the Company's Company's Quarterly Report on Form 10-Q (File No. 000-10546) for the quarter ended September 30, 2021.
10. 17* 0.7*	Form of Award Agreement under the 2009 Equity Compensation Plan (now (now known as the Distribution Solutions Group, Inc. Equity Compensation Plan) (MSU (MSU Target Units, ROIC Target Units and Restricted Units), incorporated by reference to Exhibit 10.12 to the Company's Company's Quarterly Report on Form 10-Q (File No. 000-10546) for the quarter ended September 30, 2021.
10. 18* 0.8*	Form of Award Agreement under the 2009 Equity Compensation Plan (now (now known as the Distribution Solutions Group, Inc. Equity Compensation Plan) (MSU (MSU Target Units, ROIC Target Units and Restricted Units), incorporated by reference to Exhibit 10.13 to the Company's Company's Quarterly Report on Form 10-Q (File No. 000-10546) for the quarter ended September 30, 2021.
10. 10.9*,**	Form of Option Award Agreement 9 dated as of August 22, 2023 under the Distribution Solutions Group, Inc.Equity Compensation Plan, as amended on November 10, 2022.

10.10*,**	Form of Option Award Agreement dated as of January 27, 2023 under the Distribution Solutions Group, Inc. Equity Compensation Plan, as amended on November 10, 2022.
10.11*	Lawson Products, Inc. 2021 Annual Incentive Plan Summary, incorporated by reference to Exhibit 10.14 to the Company's Company's Quarterly Report on Form 10-Q (File No. 000-10546) for the quarter ended September 30, 2021.
10.10 2*	Form of Indemnification Agreement for Directors and Officers, incorporated by reference to Exhibit 10.1 to the Company's Company's Current Report on Form 8-K (File No. 000-10546) filed September 19, 2008.
10.11 3*	Form of Change in Control Agreement for Officers, incorporated by reference to Exhibit 10.16 to the Company's Company's Quarterly Report on Form 10-Q (File No. 000-10546) for the quarter ended September 30, 2021.

10.12*	Employment Agreement dated as of August 14, 2017 by and between Lawson Products, Inc., an Illinois corporation, and Michael G. DeCata, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 000-10546) filed August 17, 2017.
10.13*	Amendment No.1 to the Employment Agreement entered into on April 11, 2018 between Lawson Products, Inc., an Illinois corporation, and Michael G. DeCata, incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K (File No. 000-10546) filed April 11, 2018.
10.14*	Retirement and Consulting Agreement, dated as of March 2, 2021, by and between Lawson Products, Inc., an Illinois corporation, and Neil Jenkins, incorporated by reference to Exhibit 10.1 to the Company's Company's Current Report on Form 8-K (File No. 000-10546) filed March 5, 2021.
10.15 10.15	Voting Agreement, dated as of December 29, 2021, by and among Lawson Products, Inc. and Luther King Capital Management Corporation, incorporated by reference to Exhibit 10.1 to the Company's Company's Current Report on Form 8-K (File No. 000-10546) filed January 4, 2022.
10.16†	Amended and Restated Credit Agreement, dated as of April 1, 2022, by and among Lawson Products, Inc., the subsidiaries of Lawson Products, Inc. party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 000-10546) filed April 4, 2022.
10.17 10.17	Registration Rights Agreement, dated as of April 1, 2022, by and among Lawson Products, Inc., 301 HW Opus Investors, LLC and LKCM TE Investors, LLC, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 000-10546) filed April 4, 2022.
10.18*	Retirement and Consulting Agreement, dated as of April 4, 2022, by and between Lawson Products, Inc., an Illinois corporation, and Michael G. DeCata, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 000-10546) filed April 8, 2022.
10.19*	Employment Agreement, dated as of April 4, 2022, by and between Lawson Products, Inc., an Illinois corporation, and Cesar A. Lanuza, incorporated by reference to Exhibit 10.22 to the Company's Quarterly Report on Form 10-Q (File No. 000-10546) for the quarter ended June 30, 2022.
10.20* 10.20*	Employment Agreement, dated as of January 27, 2023, by and between Lawson Products, Inc., an Illinois corporation, and Ronald J. Knutson, incorporate by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 000-10546) filed January 31, 2023.
10.21	Subscription Agent Agreement, dated as of May 8, 2023, by and among Distribution Solutions Group, Inc., Computershare Inc. and Computershare Trust Company, N.A., incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 000-10546) filed May 9, 2023.
10.22†	Amended and Restated Credit Agreement, dated as of June 8, 2023, by and among Distribution Solutions Group, Inc., the subsidiaries of Distribution Solutions Group, Inc. party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent, incorporated by reference to the Company's Current Report on Form 8-K (File No. 000-10546) filed January 31, 2023 June 9, 2023.
21**	Subsidiaries of the Company.
23 23.1**	.1 Consent of Grant Thornton, LLP.
* 23.2**	Consent of BDO USA, LLP.
23.2**	Consent of Grant Thornton, LLP. P.C.
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.
97**	Distribution Solutions Group, Inc. Incentive Based Compensation Recoupment Policy, dated as of November 28, 2023.
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	Cover Page Interactive File (embedded within the Inline XBRL document and contained in Exhibit 101)

† Certain schedules and/or similar attachments omitted pursuant to Item 601(a)(5) of Regulation S-K promulgated by the U.S. Securities and Exchange Commission. The Company agrees to furnish supplementally a copy of any omitted schedule or similar attachment to the SEC upon request.

***** Indicates management employment contracts or compensatory plans or arrangements.

** Filed herewith.

*** Furnished herewith.

ITEM 16. FORM 10-K SUMMARY.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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:	March 14, 2023 7, 2024	/s/ J. Bryan King
		J. Bryan King Chairman, President and Chief Executive Officer (principal executive officer)
Dated:	March 14, 2023 7, 2024	/s/ Ronald J. Knutson
		Ronald J. Knutson Executive Vice President, Chief Financial Officer and Treasurer (principal financial officer)
Dated:	March 14, 2023 7, 2024	/s/ David S. Lambert
		David S. Lambert Vice President, Controller and Chief Accounting Officer (principal accounting officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature	Title	Date
/s/ J. Bryan King J. Bryan King	Chairman, President and Chief Executive Officer (principal executive officer)	March 14, 2023 7, 2024
/s/ Ronald J. Knutson Ronald J. Knutson	Executive Vice President, Chief Financial Officer and Treasurer (principal financial officer)	March 14, 2023 7, 2024
/s/ David S. Lambert David S. Lambert	Vice President, Controller and Chief Accounting Officer (principal accounting officer)	March 14, 2023 7, 2024
/s/ Andrew B. Albert Andrew B. Albert	Director	March 14, 2023 7, 2024
/s/ I. Steven Edelson I. Steven Edelson	Director	March 14, 2023 7, 2024
/s/ Lee S. Hillman Lee S. Hillman	Director	March 14, 2023 7, 2024
/s/ Mark F. Moon Mark F. Moon	Director	March 14, 2023 7, 2024
/s/ Bianca A. Rhodes Bianca A. Rhodes	Director	March 14, 2023 7, 2024
/s/ Bradley Wallace Bradley Wallace	Director	March 7, 2024
/s/ Robert S. Zamarripa Robert S. Zamarripa	Director	March 14, 2023 7, 2024

EXHIBIT 4.1

DESCRIPTION OF COMMON STOCK

The following summary is a description of the material terms of the common stock ("common stock") of Distribution Solutions Group, Inc. (referred to herein as "we", "us" or "our"). This summary is not meant to be complete and is qualified by reference to the applicable provisions of the Delaware General Corporation Law ("DGCL") and our certificate of incorporation and bylaws, each as amended. You are urged to read those documents carefully. Copies of our certificate of incorporation and bylaws are filed as Exhibits 3.1 and 3.2 to our Annual Report on Form 10-K.

Authorized Capitalization

We are currently authorized to issue 35,000,000 70,000,000 shares of common stock, $1.00 par value per share and 500,000 shares of preferred stock, $1.00 par value per share. On February 28, 2023 February 29, 2024, there were 19,421,570 46,783,333 shares of our common stock outstanding. There are no shares of preferred stock outstanding.

Common Stock

Issuance of Common Stock. Shares of common stock may be issued from time to time as our board shall determine and, on such terms, and for such consideration, as shall be fixed by the board.

Dividends and Rights Upon Liquidation. After the requirements with respect to preferential dividends on preferred stock, if any, are met, the holders of our outstanding common stock are entitled to receive dividends out of assets legally available at the time and in such amounts as the board may from time to time determine. Our common stock is not convertible or exchangeable into other securities. Upon our liquidation, dissolution or winding up, the holders of our common stock are entitled to receive the assets that are legally available for distribution on a pro rata basis, after payment of all of our debts and other liabilities and subject to the prior rights of holders of any preferred stock then outstanding. The Company does not currently pay a dividend on its common stock.

Voting Rights. The holders of the common stock are entitled to vote at all meetings of the stockholders and are entitled to cast one vote for each share of common stock held by them respectively and standing in their respective names on the books of the Company. Each stockholder is entitled to cumulative voting with respect to the election of directors which entitles stockholders to add all of the votes they have for directors and cast such votes for any single director or distribute them among directors.

Preemptive Rights. Holders of our common stock do not have preemptive rights with respect to any shares that may be issued. Shares of our common stock are not subject to redemption.

Business Combinations. The Company's certificate of incorporation requires (i) the affirmative vote of holders of not less than 75% of the voting power of the Company to approve any merger, any sale of the Company or substantially all of its assets or the issuance of any securities in exchange for assets having a value equal or greater to 5% of the assets of the Company in a transaction with a stockholder holding 10% or more of our common stock (the "10% stockholder") and (ii) the approval of such transaction by holders of a majority of the voting power not owned by the 10% stockholder. The above requirements do not apply to

(x) a transaction with respect to which the board has approved a memorandum of understanding prior to the time such other entity becomes a 10% stockholder or (y) transactions approved by two-thirds of the directors who are not representatives or affiliates of the 10% stockholder.

Relevant Provisions of the Delaware Business Corporation Law

We are governed by the provisions of Section 203 of the Delaware General Corporation Law. In general, Section 203 prohibits a public Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. A "business combination" includes mergers, asset sales or other transactions resulting in a financial benefit to the stockholder. An "interested stockholder" is a person who, together with affiliates and associates, owns, or within three years of the date on which it is sought to be determined whether such person is an "interested stockholder," did own, 15% or more of the corporation's outstanding voting stock. These provisions may have the effect of delaying, deferring or preventing a change in control.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Computershare. The transfer agent and registrar for any preferred stock we issue will be set forth in the applicable prospectus supplement.

Listing

Our common stock is listed on The Nasdaq Global Select Market under the symbol "DSGR".

EXHIBIT 10.09

DISTRIBUTION SOLUTIONS GROUP, INC. AWARD AGREEMENT

This award agreement (this "Agreement") is entered into this August 22, 2023, by and between Distribution Solutions Group, Inc. (the "Company") and Participant (the "Participant").

WHEREAS, the Compensation Committee of the Board of Directors of the Company (the "Committee") has selected the Participant to receive awards under the Distribution Solutions Group, Inc. Equity Compensation Plan, as amended and restated effective Grant Date (as amended on November 10, 2022, and as the same may be further amended from time to time, the "Equity Plan"); and

WHEREAS, the Participant wishes to accept those awards, subject to the terms and conditions of the Equity Plan and this Agreement;

NOW, THEREFORE, the Company and the Participant hereby agree as follows:

1. The awards evidenced by this Agreement (the "Award") are effective as of Month _Day_, 2023 (the "Grant Date") and consist of Option Award Total (Option Award Total #) Nonqualified Stock Options ("Options") under the Equity Plan, with:

(a) Option Tranche 1 (Option Tranche 1 #) of the Options having an exercise price equal to $ Option Tranche 1 Exercise ("Option Tranche 1");

(b) Option Tranche 2 (Option Tranche 2 #) of the Options having an exercise price equal to $ Option Tranche 2 Exercise ("Option Tranche 2"); and

(c) Option Tranche 3 (Option Tranche 3 #) of the Options having an exercise price equal to $ Option Tranche 3 Exercise ("Option Tranche 3).

Subject to Sections 2 – 4 of this Agreement, one-fifth (1/5) of each of Option Tranche 1, Option Tranche 2, and Option Tranche 3 shall vest and become exercisable on Month _Day_, 2024, ("Initial Vest Date"), and thereafter one-fifth (1/5) of each such Option Tranche shall vest and become exercisable on each of Month _Day_, 2025, Month _Day_, 2026, Month _Day_, 2027 and Month _Day_, 2028 (collectively referred to as "Vesting Dates"); provided, that the Participant remains continuously employed by the Company through such respective dates; provided further, that to the extent a Tranche of Options vests and as a result of such vesting, a fractional share would otherwise be required to be issued, any such fractional share shall not be issued but shall be carried forward and added to the remaining outstanding Tranche of Options with the same exercise price until the next Vesting Date when a whole share can be issued.

2. In the event of the termination of the Participant's employment with the Company and all of its affiliates for any reason (including by voluntary resignation), other than by the Company without Cause (as defined in Section 1.5 of the Equity Plan), or upon the Participant's death or Disability (as defined in Section 1.11 of the Equity Plan), the unvested portions of the Award evidenced by this Agreement shall be immediately cancelled and neither the Company nor any Subsidiary shall have any further obligations to the Participant under this Agreement with respect to such cancelled Options.

3. In the event of the termination of the Participant's employment with the Company and all of its affiliates by the Company upon the Participant's death or Disability:

(a) Any unvested portion of the Award shall be cancelled as of the effective date of the termination of Service and neither the Company nor any Subsidiary shall have any further obligations to the Participant under this Agreement with respect to such cancelled Options; and

(b) The vested portion of the Options evidenced by this Agreement shall remain outstanding and exercisable until the earlier of (i) 12 months from date of Participant's death or Disability or (ii) the date the Option would otherwise expire, and may be exercised in whole or in part by the Participant (or a permitted successor in interest) by giving written notice to the Company of such exercise in accordance with the terms of the Equity Plan, as applicable. With respect to each exercise of Options under this Agreement, the Participant shall specify the applicable number of Options that are the subject of such exercise.

4. In the event of the termination of the Participant's employment with the Company and all of its affiliates by the Company for any other reason, other than for Cause or upon the Participant's death or Disability as provided above:

(a) Any unvested portion of the Award shall be cancelled as of the effective date of the termination of Service and neither the Company nor any Subsidiary shall have any further obligations to the Participant under this Agreement with respect to such cancelled Options; and

(b) The vested portion of the Options evidenced by this Agreement shall remain outstanding and exercisable until the earlier of (i) 90 days from the date of the termination of Participant's service or (ii) the date the Option would otherwise expire, and may be exercised in whole or in part by the Participant (or a permitted successor in interest) by giving written notice to the Company of such exercise in accordance with the terms of the Equity Plan, as applicable. With respect to each exercise of Options under this Agreement, the Participant shall specify the applicable number of Options that are the subject of such exercise.

1. In the event of the termination of the Participant's employment with the Company and all of its affiliates for Cause (as defined in Section 1.5 of the Equity Plan), then all vested and unvested portions of the Award shall be immediately cancelled and neither the Company nor any Subsidiary shall have any further obligations to the Participant under this Agreement with respect to such cancelled Options.

2. In the event of a Change in Control (as such term is defined in the Equity Plan), then (i) all outstanding unvested Options shall vest 10 days prior to such Change in Control, (ii) all vested Options (including those specified in clause (i) of this Section 5) shall become fully exercisable 10 days prior to such Change in Control, and (iii) if at the time of a Change in Control there are unexercised vested Options, and the exercise price of the vested Option is less than the price paid for a share of Common Stock in connection with the Change in Control, such Options shall be cancelled, and Participant will receive the value of such Option between the exercise price and the per-share price received by other shareholders at the time of forfeiture. If at the time of a Change in Control the exercise price of a vested Option equals or exceeds the price paid for a share of Common Stock in connection with the Change in Control, and the Participant has not exercised such vested Option on or prior to the date of the Change in Control, such Option shall be cancelled without the payment of consideration therefor.

3. Each exercise, as applicable, of Options evidenced by this Agreement shall be subject to compliance with all applicable tax withholding requirements, in accordance with Article 15 of the Equity Plan, as applicable.

4. The Options under this Agreement are intended to be exempt from or comply with Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations issued

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thereunder ("Section 409A"); and the terms and conditions of this Agreement shall be deemed automatically amended to the extent necessary to produce such compliance (in the manner determined by the Committee in its discretion), so that, to the extent practicable, neither the Company nor the Participant (nor any successor in interest) shall have at any time a right or power that would cause the compensation in question to become subject to the special tax consequences provided for by Section 409A. References in this Agreement to "termination of employment" and similar terms shall mean a "separation from service" within the meaning of Section 409A. Any payment subject to Section 409A that is to be made upon a "separation from service" on any date when the Participant is a "specified employee" as defined under Section 409A shall not be paid before the date that is six (6) months following the Participant's "separation from service" or, if earlier, the Participant's death.

5. All aspects of the Awards evidenced by this Agreement (including but not limited to vesting, valuation, payment and possible forfeiture) shall be governed by this Agreement and by the Equity Plan (each as interpreted by the Committee in its discretion), as applicable, copies of which plans have been provided to the Participant and are hereby acknowledged by the Participant, and the terms and conditions of which are incorporated

into this Agreement by reference. In the event of any inconsistency between this Agreement and the Equity Plan, the terms of the Equity Plan shall control.

6. Without limiting the scope of the other provisions of this Agreement, the Participant acknowledges and agrees that:

(a) If any cash payment or vesting of rights with respect to an Award evidenced by this Agreement would constitute an “excess parachute payment” for the purposes of Section 280G of the Internal Revenue Code then such payment or vesting shall be subject to reduction or other adjustment in accordance with the terms of the Employment Agreement (or any successor employment agreement between the Participant and the Company), or of any other agreement between the Participant and the Company, which address the tax treatment of such a payment.

(b) The Committee may amend or terminate any or all of the provisions of the Equity Plan and any or all of the provisions this Agreement in accordance with Article 17 of the Equity Plan. The Committee shall make adjustments to the Options in accordance with Section 7.2 of the Equity Plan. No course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement.

(c) Any notices required or permitted under this Agreement, or the Equity Plan will be delivered in accordance with the requirements of the applicable plan.

(d) The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any party.

(e) This Agreement supersedes and replaces any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way, including any offer letter or other documents showing potential values of the Options in certain assumed circumstances given to the Participant.

(f) Notwithstanding anything in this Agreement to the contrary, the Options covered by this Agreement shall be subject to the Company’s Recovery of Funds Policy, as it may be in effect from time to time, including, without limitation, the provisions of any such policy required by Section 10D of the Securities Exchange Act of 1934 and any

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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.

(g) This Agreement shall be governed by and construed in accordance with the laws of the State of Texas without regard to its conflict of laws rules. Any action or proceeding relating in any way to this Agreement must be brought and enforced in the federal or state courts in the State of Texas and the parties irrevocably submit to the jurisdiction of such courts in respect of any such action or proceeding.

(h) Participant acknowledges and agrees that the grant of the Options subject to this Agreement are granted subject to the Participant’s agreement contained in the loyalty and confidentiality agreement to refrain from certain activities with respect to the Company under the circumstances and subject to the limitations set forth therein.

(i) The parties may execute this Agreement in one or more counterparts, all of which together shall constitute but one Agreement.

(j) Participant acknowledges and consents to the collection, use, processing and transfer of personal Data (defined below) as described in this subsection. The Company and its affiliates hold certain personal information about the Participant, including Participant’s name, home address, personal telephone number, email address, date of birth, social security number or other employee identification number, salary, nationality, job title, information regarding shares of Common Stock held or equivalent benefits awarded, canceled, purchased, vested, unvested or outstanding in your favor, for the purpose of managing and administering the Equity Plan (“Data”). The Company and its affiliates may transfer Data amongst themselves as necessary for the purpose of implementation, administration, and management of Participant’s participation in the Equity Plan, and the Company and its affiliates may each further transfer Data to any third parties assisting the Company or any such related entity in the implementation, administration, and management of the Equity Plan. Participant acknowledges that the transferors and transferees of such Data may be located anywhere in the world and hereby authorizes each of them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering, and managing your participation in the Equity Plan.

IN WITNESS WHEREOF, the Participant and the Company have executed this Agreement as of the date set forth above.

DISTRIBUTION SOLUTIONS GROUP, INC.

By

Participant Name

Its:

EXHIBIT 10.10

DISTRIBUTION SOLUTIONS GROUP, INC. AWARD AGREEMENT

This award agreement (this "Agreement") is entered into this January 27, 2023, by and between Distribution Solutions Group, Inc. (the "Company") and Name (the "Participant").

WHEREAS, the Compensation Committee of the Board of Directors of the Company (the "Committee") has selected the Participant to receive awards under the Distribution Solutions Group, Inc. Equity Compensation Plan, as amended and restated effective October 17, 2022 (as amended on November 10, 2022, and as the same may be further amended from time to time, the "Equity Plan"); and

WHEREAS, the Participant wishes to accept those awards, subject to the terms and conditions of the Equity Plan and this Agreement;

NOW, THEREFORE, the Company and the Participant hereby agree as follows:

1. The awards evidenced by this Agreement (the "Award") are effective as of January 27, 2023 (the "Grant Date") and consist of X Thousand (X,000) Nonqualified Stock Options ("Options") under the Equity Plan, with:

(a) Number (#) of the Options having an exercise price equal to $55.00 ("Option Tranche 1");

(b) Number (#) of the Options having an exercise price equal to $80.00 ("Option Tranche 2");

(c) Number (#) of the Options having an exercise price equal to $110.00 ("Option Tranche 3"); and

(d) Number (#) of the Options having an exercise price equal to $140.00 ("Option Tranche 4").

Subject to Sections 2 – 4 of this Agreement, one-fifth (1/5) of each of Option Tranche 1, Option Tranche 2, Option Tranche 3 and Option Tranche 4 shall vest and become exercisable on January 27, 2024, ("Initial Vest Date"), and thereafter one-fifth (1/5) of each such Option Tranche shall vest and become exercisable on each of April 1, 2024, April 1, 2025, April 1, 2026 and April 1, 2027 (collectively referred to as "Vesting Dates"); provided, that the Participant remains continuously employed by the Company through such respective dates.

2. In the event of the termination of the Participant's employment with the Company and all of its affiliates for any reason (including by voluntary resignation without Good Reason (as defined in Section 4(b) of the Participant's Employment Agreement with the Company entered into on the date hereof and meeting all of the requirements for such a termination contained therein)), other than by the Company without Cause (as defined in Section 1.5 of the Equity Plan), by the Participant for Good Reason, or upon the Participant's death or Disability (as defined in Section 1.11 of the Equity Plan), the unvested portions of the Award evidenced by this Agreement shall be immediately cancelled and neither the Company nor any Subsidiary shall have any further obligations to the Participant under this Agreement with respect to such cancelled Options.

3. In the event of the termination of the Participant's employment with the Company and all of its affiliates by the Company without Cause, by the Participant for Good Reason or upon the Participant's death or Disability:

(a) The Participant shall vest in the number of Options which would have vested had the Participant continued to provide Services to the Company through the next Vesting Date multiplied by a fraction, the numerator of which shall be the number of days between the Award Date (or the most recent Vesting Date, if the termination date occurs after the first Vesting Date) and the date the Participant's Service was terminated and the denominator of which shall be 365.

(b) Any unvested portion of the Award shall be cancelled as of the effective date of the termination of Service and neither the Company nor any Subsidiary shall have any further obligations to the Participant under this Agreement with respect to such cancelled Options.

(c) The vested portion of the Options evidenced by this Agreement shall remain outstanding and exercisable until ten years from Award Date and may be exercised in whole or in part by the Participant (or a permitted successor in interest) by giving written notice to the Company of such exercise in accordance with the terms of the Equity Plan, as applicable. With respect to each exercise of Options under this Agreement, the Participant shall specify the applicable number of Options that are the subject of such exercise.

1. In the event of the termination of the Participant's employment with the Company and all of its affiliates for Cause (as defined in Section 1.5 of the Equity Plan), then all vested and unvested portions of the Award shall be immediately cancelled and neither the Company nor any Subsidiary shall have any further obligations to the Participant under this Agreement with respect to such cancelled Options.

2. In the event of a Change in Control (as such term is defined in the Equity Plan), then (i) all outstanding unvested Options shall vest 10 days prior to such Change in Control, (ii) all vested Options (including those specified in clause (i) of this Section 5) shall become fully exercisable 10 days prior to such Change in Control, and (iii) if at the time of a Change in Control there are unexercised vested Options, and the exercise price of the vested Option is less than the price paid for a share of Common Stock in connection with the Change in Control, such Options shall be cancelled, and Participant will receive the value of such Option between the exercise price and the per-share price received by other shareholders at the time of forfeiture. If at the time of a Change in Control the exercise price of a vested Option equals or exceeds the price paid for a share of Common Stock in connection with the Change in Control, and the Participant has not exercised such vested Option on or prior to the date of the Change in Control, such Option shall be cancelled without the payment of consideration therefor.

3. The grant of the Award described herein shall be contingent upon stockholder approval of sufficient additional available shares pursuant to the Equity Plan at the next annual meeting of stockholders.

4. Each exercise, as applicable, of Options evidenced by this Agreement shall be subject to compliance with all applicable tax withholding requirements, in accordance with Article 15 of the Equity Plan, as applicable.

5. The Options under this Agreement are intended to be exempt from or comply with Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations issued thereunder ("Section 409A"); and the terms and conditions of this Agreement shall be deemed automatically amended to the extent necessary to produce such compliance (in the manner determined by the Committee in its discretion), so that, to the extent practicable, neither the Company nor the Participant (nor any successor in interest) shall have at any time a right or power that would cause the compensation in question to become subject to the special tax

consequences provided for by Section 409A. References in this Agreement to "termination of employment" and similar terms shall mean a "separation from service" within the meaning of Section 409A. Any payment subject to Section 409A that is to be made upon a "separation from service" on any date when the Participant is a "specified employee" as defined under Section 409A shall not be paid before the date that is six (6) months following the Participant's "separation from service" or, if earlier, the Participant's death.

6. All aspects of the Awards evidenced by this Agreement (including but not limited to vesting, valuation, payment and possible forfeiture) shall be governed by this Agreement and by the Equity Plan (each as interpreted by the Committee in its discretion), as applicable, copies of which plans have been provided to the Participant and are hereby acknowledged by the Participant, and the terms and conditions of which are incorporated into this Agreement by reference. In the event of any inconsistency between this Agreement and the Equity Plan, the terms of the Equity Plan shall control.

7. Without limiting the scope of the other provisions of this Agreement, the Participant acknowledges and agrees that:

(a) If any cash payment or vesting of rights with respect to an Award evidenced by this Agreement would constitute an "excess parachute payment" for the purposes of Section 280G of the Internal Revenue Code then such payment or vesting shall be subject to reduction or other adjustment in accordance with the terms of the Employment Agreement (or any successor employment agreement between the Participant and the Company), or of any other agreement between the Participant and the Company, which address the tax treatment of such a payment.

(b) The Committee may amend or terminate any or all of the provisions of the Equity Plan and any or all of the provisions this Agreement in accordance with Article 17 of the Equity Plan. The Committee shall make adjustments to the Options in accordance with Section 7.2 of the Equity Plan. No course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement.

(c) Any notices required or permitted under this Agreement or the Equity Plan will be delivered in accordance with the requirements of the applicable plan.

(d) The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any party.

(e) This Agreement supersedes and replaces any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way, except for the Employment Agreement.

(f) Notwithstanding anything in this Agreement to the contrary, the Options covered by this Agreement shall be subject to the Company's Recovery of Funds Policy, as it may be in effect from time to time, including, without limitation, the provisions of any such policy required by Section 10D of the Securities Exchange Act of 1934 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.

(g) This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois without regard to its conflict of laws rules. Any action or proceeding relating in any way to this Agreement must be brought and enforced in the

federal or state courts in the State of Illinois, County of Cook, and the parties irrevocably submit to the jurisdiction of such courts in respect of any such action or proceeding.

(h) Participant acknowledges and agrees that the grant of the Options subject to this Agreement are granted subject to the Participant's agreement contained in his Employment Agreement dated as of January 27, 2023, to refrain from certain competitive activities with respect to the Company under the circumstances and subject to the limitations set forth therein.

(i) The parties may execute this Agreement in one or more counterparts, all of which together shall constitute but one Agreement.

(j) Participant acknowledges and consents to the collection, use, processing and transfer of personal Data (defined below) as described in this subsection. The Company and its affiliates hold certain personal information about the Participant, including Participant's name, home address, personal telephone number, email address, date of birth, social security number or other employee identification number, salary, nationality, job title, information regarding shares of Common Stock held or equivalent benefits awarded, canceled, purchased, vested, unvested or outstanding in your favor, for the purpose of managing and administering the Equity Plan ("Data"). The Company and its affiliates may transfer Data amongst themselves as necessary for the purpose of implementation, administration, and management of Participant's participation in the Equity Plan, and the Company and its affiliates may each further transfer Data to any third parties assisting the Company or any such related entity in the implementation, administration and management of the Equity Plan. Participant acknowledges that the transferors and transferees of such Data may be located anywhere in the world and hereby authorizes each of them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing your participation in the Equity Plan.

IN WITNESS WHEREOF, the Participant and the Company have executed this Agreement as of the date set forth above.

DISTRIBUTION SOLUTIONS GROUP, INC.

By

Its:

EXHIBIT 21

SUBSIDIARIES OF THE COMPANY

Name	Jurisdiction of Incorporation
301 HW Opus Holdings, Inc. (conducting business as Gexpro Services)	Delaware
Gexpro Services Supply Chain Management (Shanghai) Co. Ltd.	China
GS Holdings Canada Inc.	Canada
GS Holdings Denmark ApS	Denmark
GS Holdings RE LLC	Delaware
GS Operating, LLC	Delaware
GS Operating Holding Hungary Kft. - Voluntary dissolution effective 1/1/2024	Hungary
GS Operating Magyarország Általános Kereskedelmi és Szolgáltató Kft	Hungary
GX Pro Opus, S. de R.L. de C.V.	Mexico
Heads and Threads, Inc.	Illinois
HIS Company, Inc.	Texas
Hisco Acquisition Subsidiary I, Inc.	Texas
Hisco International, Inc.	Delaware
HiscoCan Inc.	Ontario, Canada
HiscoMex, S.A. de C.V.	Mexico
Convertidora HiscoMex, S.A., de C.V.	Mexico
Instrumex Vertriebsgesellschaft für elektronische GmbH	Germany
Interworld Highway, LLC	Delaware New Jersey
Lawson Products, Inc.	Illinois
Lawson Products Canada Inc.	Canada
MCS Rentals Holdings Limited	United Kingdom
MCS Test Group Limited	United Kingdom
MCS Test Holding Limited	United Kingdom
MCS Test Equipment Limited	United Kingdom
MCS Rentals Limited	United Kingdom
National Engineered Fasteners Inc.	Canada
Resolux ApS	Denmark
Resolux do Brazil Industria e Comercio Especializado em Energia Eolica Ltd.	Brazil
Resolux GmbH	Germany
Resolux Inc.	Iowa
Resolux India Private Limited	India
Resolux Turkey Ruzgar Turbinleri Elektrik Aksamlari Sanayi ve Ticaret Anonim Sirketi	Turkey
Resolux Windpower Technology (Tianjin) Co. Ltd.	China
TestEquity Acquisition LLC	Delaware
TestEquity Acquisition Holdings, LLC	Delaware
TestEquity de Mexico S. de R.L. de C.V.	Mexico
TestEquity Inc.	Canada
TestEquity LLC	Delaware
The Bolt Supply House Ltd.	Canada

Subsidiaries that in the aggregate are not considered significant to the consolidated results of the Company at the end of December 31, 2022 2023, have been omitted.

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated March 7, 2024, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of Distribution Solutions Group, Inc. on Form 10-K for the year ended December 31, 2023. We consent to the incorporation by reference of the said reports in the Registration Statements of Distribution Solutions Group, Inc. on Forms S-3 (File No. 333-231671 and 333-270678) and Forms S-8 (File Nos. 333-199243 and 333-231672).

/s/ GRANT THORNTON LLP

Los Angeles, California
March 7, 2024

EXHIBIT 23.1 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Distribution Solutions Group, Inc.
Chicago, Illinois

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-231671) 333-231671 and 333-270678) and Form S-8 (No. 333-199243 and 333-231672) of Distribution Solutions Group, Inc. of our reports report dated March 14, 2023, except for effects of the Stock Split described in Notes 1 and 11, as to which the date is March 7, 2024, relating to the consolidated financial statements, and the effectiveness of Distribution Solutions Group, Inc.'s internal control over financial reporting, which appear appears in this Form 10-K. Our report on the effectiveness of internal control over financial reporting expresses an adverse opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2022.

/s/BDO USA, LLP

Chicago, Illinois
March 14, 2023

EXHIBIT 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated March 14, 2023, with respect to the consolidated financial statements included in the Annual Report of Distribution Solutions Group, Inc. on Form 10-K for the year ended December 31, 2022. We consent to the incorporation by reference of the said report in the Registration Statements of Distribution Solutions Group, Inc. on Form S-3 (File No. 333-231671) and Forms S-8 (File Nos. 333-199243 and 333-231672). 10-K.

/s/ GRANT THORNTON LLP BDO USA, P.C.
Chicago, Illinois

Los Angeles, California
March 14, 2023

7, 2024

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 Annual Report on Form 10-K 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: March 14, 2023

Date: March 7, 2024 /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 Annual Report on Form 10-K 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: March 14, 2023

March 7, 2024 /s/ Ronald J. Knutson

Ronald J. Knutson
Executive Vice President, and 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 Annual Report of Distribution Solutions Group, Inc. (the "Company") on Form 10-K for the period ending December 31, 2022 December 31, 2023 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.

March 14, 2023 7, 2024

/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, and Chief Financial Officer and Treasurer
(principal financial officer)

EXHIBIT 97

DISTRIBUTION SOLUTIONS GROUP, INC.
INCENTIVE BASED COMPENSATION RECOUPMENT POLICY

1. **Purpose.** The purpose of the Distribution Solutions Group, Inc.Incentive Based Compensation Recoupment Policy (the "***Policy***") is to set forth the circumstances in Distribution Solutions Group, Inc. (the "***Company***") will recover the amount of Erroneously Awarded Compensation (as defined below) received by a current or former Executive Officer (as defined below) in the event that the Company is required to prepare an Accounting Restatement (as defined below).

2. **Definitions.** For purposes of this Policy, the following terms have the definitions set forth below:

   A. "***Accounting Restatement***" shall mean the required revision of a previously issued financial statement for correction of an error in such financial statement that is (i) due to the material noncompliance of the Company with any applicable financial reporting requirement under the U.S. federal securities laws, including any required accounting restatement to correct an error in a previously issued financial statement that is material to such previously issued financial statement, or (ii) not material to a previously issued financial statement, but would result in a material misstatement if the error were corrected in the current period (i.e., as of the time of the Accounting Restatement) financial statements or left uncorrected in the current period financial statements.

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

   C. "***Committee***" shall mean the Compensation Committee of the Board, or in the absence of such committee, a group constituting the majority of the Board's independent directors.

   D. "***Effective Date***" shall mean October 2, 2023.

   E. "***Erroneously Awarded Compensation***" shall mean, with respect to each Executive Officer and in connection with any Accounting Restatement, the amount of Incentive Based Compensation received by such Executive Officer that exceeds the amount of Incentive Based Compensation that would have been received by such Executive Officer had it been determined based on the restated amounts set forth in the Accounting Restatement.

   F. "***Executive Officer***" shall mean each individual designated as an "officer" of the Company in accordance with 17 C.F.R. 240.16a-1(f). Identification of an executive officer for purposes of this Policy would include, at a minimum, executive officers identified pursuant to 17 C.F.R. 229.401(b).

   G. "***Financial Reporting Measures***" means financial measures that are used for evaluating the attainment of Incentive Based Compensation and that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, as well as any financial measures that are derived wholly or in part from such measures. For purposes of this Policy, the Company's stock price and total shareholder return are also Financial Reporting Measures. A Financial Reporting Measure need not be presented within the financial statements or included in a filing with the SEC.

H. "***Incentive Based Compensation***" means compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure, including any earnings, proceeds or other economic benefit received at any time related thereto. Incentive Based Compensation is deemed received by an Executive Officer in the Company's fiscal year during which the Financial Reporting Measure specified in the Incentive Based Compensation award is attained, even if the payment or grant of the Incentive Based Compensation occurs after the end of that period.

I. "***Nasdaq***" shall mean the Nasdaq Stock Market.

J. "***Required Restatement Date***" shall mean the earlier to occur of (i) the date upon which the Board, the Committee or the officers of the Company authorized to take such action, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement, or (ii) the date upon which a court, regulator or other legally authorized body directs the issuer to prepare an Accounting Restatement in a final, non-appealable order or judgment.

K. "***SEC***" shall mean the U.S. Securities and Exchange Commission.

3. Application.

A. This Policy applies to all Incentive Based Compensation received by a current and former Executive Officer: (i) on or after the Effective Date; (ii) after beginning service as an Executive Officer; (iii) who served as an Executive Officer at any time during the performance period for which Incentive Based Compensation was received; (iv) while the Company has a class of securities listed on a national securities exchange or a national securities association; and (v) during the three completed fiscal years immediately preceding the Required Restatement Date.

B. NotwithstandingParagraph A of this Section 3, this Policy applies during any transition period that results from a change in the Company's fiscal year within or immediately following the three completed fiscal year period. For the avoidance of doubt any transition period between the last day of the Company's previous fiscal-year end and the first day of its new fiscal year that comprises a period of nine to 12 months would be deemed a completed fiscal year.

C. For the avoidance of doubt, references to Executive Officer throughout this Policy shall be read to refer to current or former Executive Officers in accordance with this Section 3, unless otherwise noted.

4. Recovery of Erroneously Awarded Incentive Based Compensation.

A. In the event of an Accounting Restatement, the Company shall promptly determine the amount of any Erroneously Awarded Compensation for each Executive Officer in connection with such Accounting Restatement and shall provide written notice to each Executive Officer of (i) the Required Restatement Date, (ii) the amount of Erroneously Awarded Compensation received, and (iii) the method, manner, and time for repayment or return or such Erroneously Awarded Compensation, as applicable. The amount of Incentive Based Compensation that is subject to recovery will be computed without regard to any taxes paid.

B. The Committee shall have the discretion to reasonably determine the appropriate means of recovery of such Erroneously Awarded Compensation based on applicable facts and circumstances. If an Executive Officer fails to repay Erroneously Awarded Compensation to the Company by the time and in the manner set forth in writing by the Committee, the Company shall take all actions reasonable and appropriate to recover the Erroneously Awarded Compensation from the Executive Officer. The Executive Officer shall be required to reimburse the Company for all expenses and attorney's fees reasonably incurred by the Company in recovering Erroneously Awarded Compensation to the extent permitted under applicable law.

C. For Incentive Based Compensation based on the Company's stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in an Accounting Restatement:

i. the amount will be based on a reasonable estimate of the effect of the Accounting Restatement on the Company's stock price or total shareholder return upon which the Incentive Based Compensation was received; and

ii. the Company will maintain documentation of the determination of that reasonable estimate and provide such documentation to Nasdaq.

5. **Recovery Exceptions.** The Company will recover Erroneously Awarded Compensation in accordance with this Policy, except to the extent that any of the following conditions are met and applicable, and the Committee has determined that recovery would be impracticable:

A. the direct expense reasonably expected to be paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered; *provided* that before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on the expense of enforcement, the Company will make a reasonable attempt to recover such Erroneously Awarded Compensation without incurring any third party expense, document such reasonable attempt(s) to recover and provide such documentation to Nasdaq;

B. recovery would violate home country law, applicable where the Company is incorporated outside of the United States, and that law was adopted prior to November 28, 2022; *provided* that before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on violation of home country law, the Company will obtain an opinion of home country counsel, acceptable to Nasdaq, that recovery would result in such a violation and provide such opinion to Nasdaq; or

C. recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

6. **Reporting and Disclosure Requirements.** The Company shall file all disclosures with respect to this Policy in accordance with the requirements of the federal securities laws, including the disclosure required by the applicable SEC filings.

7. **Indemnification Prohibition.** The Company will not indemnify any current or former Executive Officer against any losses stemming from the application of this Policy to Erroneously Awarded Compensation.

8. **Other Recoupment Rights.** This Policy is not intended to limit the Company's ability to pursue equitable relief or other means to recover monetary damages resulting from an Executive Officer's wrongdoing. The Company retains all rights it may have under applicable law.

9. **Administration.** The Committee shall have sole discretion in making all determinations under this Policy. Any determinations of the Committee shall be binding on the Executive Officer.

10. **Amendment.** This Policy may be amended from time to time in the Committee's sole discretion.

11. **Compliance with the Exchange Act.** Notwithstanding the foregoing, this Policy shall be interpreted and administered consistent with the applicable securities laws, including the requirements of (i) Section 10D of the Securities Exchange Act of 1934, as amended (the "***Exchange Act***"), as added by Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, (ii) Rule 10D-1 under the Exchange Act, and (iii) the listing standards adopted by Nasdaq pursuant to Rule 10D-1, and, to the extent this Policy is in any manner deemed inconsistent with such requirements, this Policy shall be treated as retroactively amended to be compliant with such requirements.

12. **Acknowledgement.** Each Executive Officer shall sign and return to the Company, within 15 calendar days following the later of (i) the Effective Date or (ii) the date the individual becomes an Executive Officer, the Acknowledgment Form attached as **Exhibit A.**

13. **Savings Clause.** To the extent that any of the provisions of this Policy are found by a court of competent jurisdiction to be illegal, invalid, or unenforceable for any reason, such provision shall be deleted, and the balance of this Policy shall not be affected.

Approved and Adopted: November 28, 2023

Exhibit A

DISTRIBUTION SOLUTIONS GROUP, INC.

INCENTIVE BASED COMPENSATION RECOVERY POLICY

ACKNOWLEDGEMENT AND ACCEPTANCE FORM

By signing this Acknowledgement and Acceptance Form below, the undersigned (the "***Executive Officer***") acknowledges and confirms that the Executive Officer has received and reviewed a copy of the Incentive Based Compensation Recovery Policy (the "***Policy***") of Distribution Solutions Group, Inc. (the "***Company***").

In consideration of the Executive Officer's eligibility to receive future Incentive Based Compensation (as defined in the Policy) and to participate in Incentive Based Compensation plans, as well as other good and valuable consideration, the receipt and sufficiency of which are acknowledged by the Executive Officer signing this Acknowledgement and Acceptance Form below, the Executive Officer acknowledges and agrees that:

1. the Executive Officer is and will continue to be fully bound by, and subject to, the Policy;
2. in the event of any inconsistency between the Policy and the terms of any employment or separation agreement to which the Executive Officer is a party, or the terms of any compensation plan, program or arrangement under which any Incentive Based Compensation is granted, awarded, earned or paid, **the terms of the Policy shall govern**;
3. the Policy will apply **both during and after the Executive Officer's employment with the Company**;
4. the Policy will apply **to past and future Incentive Based Compensation as provided in the Policy**; and
5. the Executive Officer is required to comply with the terms and conditions of the Policy, including, without limitation, the requirement to return any Erroneously Awarded Compensation (as defined in the Policy) to the Company to the extent required by, and in a manner consistent with, the Policy.

ACKNOWLEDGED AND ACCEPTED:

EXECUTIVE OFFICER

Signature

Print Name: ______________________

Date: ___________________________

DISCLAIMER