

Item 2.02 Results of Operations and Financial Condition.

On March 20, 2019, The Hillman Companies, Inc. (the "Company") issued a press release, furnished as Exhibit 99.1 and incorporated herein by reference, announcing the Company's financial results for its fourth quarter and year ended December 29, 2018.

The information provided pursuant to Item 2.02, including the exhibit attached hereto, is being furnished and shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be deemed to be incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in any such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

99.1 Press Release, dated March 20, 2019, announcing the financial results of The Hillman Companies, Inc. for its fourth quarter ended December 29, 2018.

SIGNATURES

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

THE HILLMAN COMPANIES, INC.

Dated: March 20, 2019

By: /s/ Robert O. Kraft
Robert O. Kraft
Title: Chief Financial Officer

INDEX TO EXHIBITS

Exhibit Number

Description of Exhibit

[99.1](#)

Press Release of The Hillman Companies, Inc., dated March 20, 2019.

The Hillman Companies, Inc. Reports Fourth Quarter and Full Year 2018 Financial Results

CINCINNATI, March 20, 2019 -- The Hillman Companies, Inc. (NYSE-AMEX: HLM.PR) (the “Company” or “Hillman”) reported today financial results for its fourth quarter and year ended December 29, 2018.

Fourth Quarter Highlights:

- Net sales increased 34.0% to \$276.6 million compared to prior year net sales of \$206.4 million
- Loss from operations was \$2.6 million compared to the prior year income from operations of \$1.4 million
- Loss before income taxes was \$35.2 million compared to the prior year loss before taxes of \$14.7 million
- Adjusted EBITDA¹ increased 46.6% to \$43.1 million compared to the prior year Adjusted EBITDA¹ of \$29.4 million

Year-to-Date Results

- Net sales increased 16.2% to \$974.2 million compared to prior year net sales of \$838.4 million
- Income from operations was \$26.8 million compared to the prior year income from operations of \$37.0 million
- Loss before income taxes was \$67.6 million compared to the prior year loss before taxes of \$26.3 million
- Adjusted EBITDA¹ increased 10.1% to \$146.0 million compared to the prior year Adjusted EBITDA¹ of \$132.6 million
- Net working capital (current assets minus current liabilities) was \$280.0 million at December 29, 2018 compared to \$191.0 million at December 30, 2017

“We completed the acquisition of Big Time Products in the fourth quarter of 2018 and are thrilled that Hillman will now provide the most comprehensive selection of personal protection and work gear products in addition to our vast selection of innovative hardware solutions and merchandising systems,” commented Greg Gluchowski, President and CEO. “We are confident that the integration of the recent strategic acquisitions will benefit our customers and position Hillman well for future success.”

Conference Call Information

Date/Time: 10:00 a.m. EDT, Thursday, March 21, 2019
Dial-In for U.S. and Canada: 1-866-673-2033
Audience Passcode: 1545579

Replay

Date/Time: Available until 10:00 a.m. EDT, March 21, 2020
Webcast link: <http://www.hillmangroup.com>

¹ Adjusted EBITDA is a non-GAAP financial measure. Refer to the “Reconciliation of Adjusted EBITDA” section of this press release for additional information as well as reconciliations between the company’s GAAP and non-GAAP financial results.

Forward-Looking Statements

This press release includes certain statements related to acquisitions, refinancing, capital expenditures, resolution of pending litigation, and realization of deferred tax assets that involve substantial risks and uncertainties and may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. Forward-looking statements include statements regarding our future financial position, business strategy, budgets, projected costs, plans and objectives of management for future operations. In some cases, forward-looking statements can be identified by terminology such as “may,” “will,” “should,” “could,” “would,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “continue,” “project,” or the negative of such terms or other similar expressions.

These forward-looking statements are not historical facts, but rather are based on our current expectations, assumptions, and projections about future events. Although we believe that the expectations, assumptions, and projections on which these forward-looking statements are based are reasonable, they nonetheless could prove to be inaccurate, and as a result, the forward-looking statements based on those expectations, assumptions, and projections also could be inaccurate. Forward-looking statements are not guarantees of future performance. Instead, forward-looking statements are subject to known and unknown risks, uncertainties, and assumptions that may cause our strategy, planning, actual results, levels of activity, performance, or achievements to be materially different from any strategy, planning, future results, levels of activity, performance, or achievements expressed or implied by such forward-looking statements. Actual results could differ materially from those currently anticipated as a result of a number of factors, including the risks and uncertainties discussed under the caption “Risk Factors” set forth in Item 1A of our annual report filed on Form 10-K. Given these uncertainties, current or prospective investors are cautioned not to place undue reliance on any such forward-looking statements.

All forward-looking statements attributable to the Company or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements included in this press release; they should not be regarded as a representation by the Company or any other individual. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. In light of these risks, uncertainties, and assumptions, the forward-looking events discussed in this press release might not occur or might be materially different from those discussed.

The Hillman Companies, Inc.

Founded in 1964 and headquartered in Cincinnati, Ohio, Hillman is a leading North American provider of complete hardware solutions, delivered with industry best customer service to over 26,000 customers. Hillman designs innovative product and merchandising solutions for complex categories that deliver an outstanding customer experience to home improvement centers, mass merchants, national and regional hardware stores, pet supply stores, and OEM & Industrial customers. Leveraging a world-class distribution and sales network, Hillman delivers a “small business” experience with “big business” efficiency.

For more information on the Company, please visit our website at <http://www.hillmangroup.com> or call Investor Relations at (513) 851-4900, ext. 68284.

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
Consolidated Statement of Comprehensive Income (Loss), GAAP Basis
(dollars in thousands)
Unaudited

| | Thirteen Weeks Ended December 29, 2018 | Thirteen Weeks Ended December 30, 2017 | Year Ended December 29, 2018 | Year Ended December 30, 2017 |
|---|---|---|------------------------------------|------------------------------------|
| Net sales | \$ 276,587 | \$ 206,374 | \$ 974,175 | \$ 838,368 |
| Cost of sales (exclusive of depreciation and amortization shown separately below) | 163,947 | 114,402 | 537,885 | 455,717 |
| Selling, general and administrative expenses | 87,096 | 70,953 | 320,543 | 274,044 |
| Depreciation | 15,580 | 8,543 | 46,060 | 34,016 |
| Amortization | 14,700 | 9,667 | 44,572 | 38,109 |
| Management fees to related party | 150 | 129 | 546 | 519 |
| Other (income) expense | (2,328) | 1,281 | (2,267) | (1,022) |
| Income (loss) from operations | (2,558) | 1,399 | 26,836 | 36,985 |
| Interest expense, net | 26,491 | 13,058 | 70,545 | 51,018 |
| Interest expense on junior subordinated debentures | 3,152 | 3,152 | 12,608 | 12,608 |
| Investment income on trust common securities | (94) | (94) | (378) | (378) |
| Refinancing costs | 3,090 | — | 11,632 | — |
| Loss before income taxes | (35,197) | (14,717) | (67,571) | (26,263) |
| Income tax (benefit) expense | (112) | (80,152) | 2,070 | (84,911) |
| Net (loss) income | \$ (35,085) | \$ 65,435 | \$ (69,641) | \$ 58,648 |
| Net (loss) income from above | \$ (35,085) | \$ 65,435 | \$ (69,641) | \$ 58,648 |
| Other comprehensive income: | | | | |
| Foreign currency translation adjustments | (7,161) | (2,189) | (11,053) | 7,845 |
| Total other comprehensive (loss) income | (7,161) | (2,189) | (11,053) | 7,845 |
| Comprehensive (loss) income | \$ (42,246) | \$ 63,246 | \$ (80,694) | \$ 66,493 |

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(dollars in thousands)
Unaudited

| | <u>December 29, 2018</u> | <u>December 30, 2017</u> |
|---|--------------------------|--------------------------|
| <u>ASSETS</u> | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 28,234 | \$ 9,937 |
| Accounts receivable, net of allowances of \$846 (\$1,121 - 2017) | 110,799 | 78,994 |
| Inventories, net | 320,281 | 219,479 |
| Other current assets | 18,727 | 11,850 |
| Total current assets | 478,041 | 320,260 |
| Property and equipment, net of accumulated depreciation of \$131,169 (\$98,674 - 2017) | 208,279 | 153,143 |
| Goodwill | 803,847 | 620,503 |
| Other intangibles, net of accumulated amortization of \$176,677 (\$132,659 - 2017) | 930,525 | 693,195 |
| Other assets | 10,778 | 12,116 |
| Total assets | <u>\$ 2,431,470</u> | <u>\$ 1,799,217</u> |
| <u>LIABILITIES AND STOCKHOLDER'S EQUITY</u> | | |
| Current liabilities: | | |
| Accounts payable | \$ 135,059 | \$ 74,051 |
| Current portion of debt and capital lease obligations | 10,985 | 5,706 |
| Accrued expenses: | | |
| Salaries and wages | 9,881 | 9,784 |
| Pricing allowances | 5,404 | 5,908 |
| Income and other taxes | 3,325 | 4,146 |
| Interest | 15,423 | 9,717 |
| Other accrued expenses | 17,941 | 19,911 |
| Total current liabilities | 198,018 | 129,223 |
| Long-term debt | 1,586,084 | 989,674 |
| Deferred income taxes, net | 200,696 | 145,728 |
| Other non-current liabilities | 7,565 | 7,189 |
| Total liabilities | 1,992,363 | 1,271,814 |
| Commitments and Contingencies (Note 15) | — | — |
| Stockholder's Equity: | | |
| Preferred stock, \$.01 par, 5,000 shares authorized, none issued and outstanding at December 29, 2018 and December 30, 2017 | — | — |
| Common stock, \$.01 par, 5,000 shares authorized, issued and outstanding at December 29, 2018 and December 30, 2017 | — | — |
| Additional paid-in capital | 549,528 | 551,518 |
| Retained earnings (accumulated deficit) | (72,831) | 2,422 |
| Accumulated other comprehensive loss | (37,590) | (26,537) |
| Total stockholder's equity | 439,107 | 527,403 |
| Total liabilities and stockholder's equity | <u>\$ 2,431,470</u> | <u>\$ 1,799,217</u> |

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
Consolidated Statement of Cash Flows
(dollars in thousands)
Unaudited

| | Year Ended December 29, 2018 | Year Ended December 30, 2017 |
|--|---------------------------------|---------------------------------|
| Cash flows from operating activities: | | |
| Net income (loss) | \$ (69,641) | \$ 58,648 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 90,632 | 72,125 |
| (Gain) loss on dispositions of property and equipment | (5,988) | 1,140 |
| Impairment of long lived assets | 837 | 1,569 |
| Deferred income taxes | 394 | (85,874) |
| Deferred financing and original issue discount amortization | 2,455 | 2,530 |
| Loss on debt restructuring | 11,632 | — |
| Stock-based compensation expense | 1,590 | 2,484 |
| Gain on disposition of Australia assets | — | (638) |
| Other non-cash interest and change in value of interest rate swap | 607 | (1,481) |
| Changes in operating items: | | |
| Accounts receivable | 7,934 | (2,777) |
| Inventories | (68,978) | 13,800 |
| Other assets | (1,496) | 517 |
| Accounts payable | 41,092 | 9,305 |
| Other accrued liabilities | (3,523) | 11,562 |
| Net cash provided by operating activities | <u>7,547</u> | <u>82,910</u> |
| Cash flows from investing activities: | | |
| Acquisitions of businesses, net of cash acquired | (500,989) | (47,188) |
| Capital expenditures | (71,621) | (51,410) |
| Other investing activities | — | (1,500) |
| Net cash used for investing activities | <u>(572,610)</u> | <u>(100,098)</u> |
| Cash flows from financing activities: | | |
| Borrowings on senior term loans, net of discount | 1,050,050 | — |
| Repayments of senior term loans | (532,488) | (5,500) |
| Borrowings of revolving credit loans | 165,550 | 35,500 |
| Repayments of revolving credit loans | (76,850) | (16,000) |
| Financing fees | (20,520) | — |
| Principal payments under capitalized lease obligations | (235) | (124) |
| Dividend to Holdco | (3,780) | — |
| Proceeds from exercise of stock options | 200 | — |
| Proceeds from sale of Holdco stock | — | 500 |
| Net cash provided by financing activities | <u>581,927</u> | <u>14,376</u> |
| Effect of exchange rate changes on cash | 1,433 | (1,357) |
| Net increase (decrease) in cash and cash equivalents | 18,297 | (4,169) |
| Cash and cash equivalents at beginning of period | 9,937 | 14,106 |
| Cash and cash equivalents at end of period | <u>\$ 28,234</u> | <u>\$ 9,937</u> |

THE HILLMAN COMPANIES, INC. AND SUBSIDIARIES
RECONCILIATION OF ADJUSTED EBITDA (Unaudited)
(dollars in thousands)

EBITDA and Adjusted EBITDA are not measures made in accordance with U.S. generally accepted accounting principles (“GAAP”), and as such, should not be considered a measure of financial performance or condition, liquidity, or profitability. It should not be considered an alternative to GAAP-based net income or income from operations or operating cash flows. Further, because not all companies use identical calculations, amounts reflected by Hillman as EBITDA and Adjusted EBITDA may not be comparable to similarly titled measures of other companies. Adjusted EBITDA is included to satisfy a reporting obligation under our indenture. Adjusted EBITDA as presented herein does not include certain adjustments and pro forma run rate measures contemplated by our senior secured credit facilities and our indenture and may also include additional adjustments that were not applicable at the time of the offering of the senior notes governed by our indenture. Adjusted EBITDA is also one of the performance criteria for the Company’s annual performance-based bonus plan. The reconciliation of Net income (loss) to Adjusted EBITDA is presented below.

| | Thirteen Weeks Ended | | Year Ended | |
|--|----------------------|--------------|--------------|--------------|
| | December 29, | December 30, | December 29, | December 30, |
| | 2018 | 2017 | 2018 | 2017 |
| Net income (loss) | \$ (35,085) | \$ 65,435 | \$ (69,641) | \$ 58,648 |
| Income tax provision (benefit) | (112) | (80,152) | 2,070 | (84,911) |
| Interest expense, net | 26,491 | 13,058 | 70,545 | 51,018 |
| Interest expense on junior subordinated debentures | 3,152 | 3,152 | 12,608 | 12,608 |
| Investment income on trust common securities | (94) | (94) | (378) | (378) |
| Depreciation | 15,580 | 8,543 | 46,060 | 34,016 |
| Amortization | 14,700 | 9,667 | 44,572 | 38,109 |
| EBITDA | 24,632 | 19,609 | 105,836 | 109,110 |
| Stock compensation expense | 371 | 459 | 1,590 | 2,484 |
| Management fees | 150 | 129 | 546 | 519 |
| Acquisition and integration expense | 5,180 | 881 | 12,358 | 934 |
| Canada Restructuring ⁽¹⁾ | 5,587 | — | 8,261 | — |
| Restructuring and other costs ⁽²⁾ | 1,528 | 8,833 | 9,016 | 14,794 |
| Refinancing costs | 3,090 | — | 11,632 | — |
| Anti-dumping duties | 300 | — | (3,829) | 6,274 |
| Mark-to-market adjustment on interest rate swaps | 2,284 | (497) | 607 | (1,481) |
| Adjusted EBITDA | \$ 43,122 | \$ 29,414 | \$ 146,017 | \$ 132,634 |

1. Includes charges related to a restructuring plan announced in our Canada segment in 2018, including facility consolidation, stock keeping unit rationalization, severance, sale of property and equipment, and charges relating to exiting certain lines of business.
2. Includes restructuring and other costs associated with the implementation of a new pricing program, cost associated with implementing our ERP system in Canada, costs to relocate our distribution center in Edmonton, Canada, costs associated with relocating our distribution center in Dallas, Texas, and start up costs for the hub facility located on the U.S. West Coast.