

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

FORM 8-K

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

Date of Report (Date of earliest event reported): July 30, 2019

The Hillman Companies, Inc.

(Exact name of registrant as specified in its charter)

Delaware **001-13293** **23-2874736**
(State or other jurisdiction of incorporation) (Commission File No.) (I.R.S. Employer Identification No.)

**10590 Hamilton Avenue
Cincinnati, Ohio 45231**
(Address of principal executive offices)
Registrant's telephone number, including area code: **(513) 851-4900**

Not Applicable
(Former name or former address,
if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

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

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

Emerging growth company ☐

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

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

| Title of each class | Trading Symbols | Name of each exchange on which registered |
|--------------------------------------|-----------------|---|
| 11.6% Junior Subordinated Debentures | | None |
| Preferred Securities Guaranty | | None |

Item 2.02 Results of Operations and Financial Condition.

On July 30, 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 thirteen and twenty-six weeks ended June 29, 2019.

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 July 30, 2019, announcing the financial results of The Hillman Companies, Inc. for its thirteen and twenty-six weeks ended June 29, 2019.

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: | July 30, 2019 | By: | <u>/s/ Robert O. Kraft</u> |
| | | | Robert O. Kraft |
| | | Title: | Chief Financial Officer |

INDEX TO EXHIBITS

| <u>Exhibit Number</u> | <u>Description of Exhibit</u> |
|-----------------------|-------------------------------|
|-----------------------|-------------------------------|

| | |
|-----------------------------|--|
| <u>99.1</u> | Press Release of The Hillman Companies, Inc., dated July 30, 2019. |
|-----------------------------|--|

The Hillman Companies, Inc. Reports Second Quarter and Year-to-Date 2019 Financial Results

CINCINNATI, July 30, 2019 -- The Hillman Companies, Inc. (NYSE-AMEX: HLM.PR) (the “Company” or “Hillman”) reported today financial results for its thirteen and twenty-six weeks ended June 29, 2019.

Second Quarter Highlights:

- Net sales increased 31.9% to \$324.6 million compared to prior year net sales of \$246.2 million
- Income from operations was \$6.8 million compared to the prior year income from operations of \$13.4 million
- Net loss was \$19.5 million compared to the prior year net loss of \$13.5 million
- Adjusted EBITDA¹ increased 46.9% to \$57.2 million compared to the prior year Adjusted EBITDA¹ of \$38.9 million

Year-to-Date Results

- Net sales increased 34.9% to \$612.3 million compared to prior year net sales of \$453.7 million
- Income from operations was \$5.9 million compared to the prior year income from operations of \$22.5 million
- Net loss was \$54.8 million compared to the prior year net loss of \$23.8 million
- Adjusted EBITDA¹ increased 48.0% to \$96.3 million compared to the prior year Adjusted EBITDA¹ of \$65.1 million
- Net working capital (current assets minus current liabilities) was \$248.5 at June 29, 2019 compared to \$280.0 at December 29, 2018

“We are pleased with the performance of the legacy Hillman business as well as the recent acquisitions that together produced strong cash flows from operations in the second quarter,” said Greg Gluchowski, President and CEO. “We are optimistic that the positive momentum that we generated in the first half will continue to produce profitable growth and healthy operating cash flows as we look to the future.”

Conference Call Information

Date/Time: 9:00 a.m. EDT, Wednesday, July 31, 2019
Dial-In for U.S. and Canada: 1-866-673-2033
Audience Passcode: 8669035

Replay

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 38,000 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 Loss, GAAP Basis
(dollars in thousands)
Unaudited

| | Thirteen Weeks Ended June 29, 2019 | Thirteen Weeks Ended June 30, 2018 | Twenty-six Weeks Ended June 29, 2019 | Twenty-six Weeks Ended June 30, 2018 |
|---|---|---|---|---|
| Net sales | \$ 324,628 | \$ 246,154 | \$ 612,287 | \$ 453,749 |
| Cost of sales (exclusive of depreciation and amortization shown separately below) | 181,309 | 134,027 | 347,230 | 243,617 |
| Selling, general and administrative expenses | 96,883 | 78,797 | 188,718 | 149,873 |
| Depreciation | 16,655 | 9,535 | 32,471 | 18,477 |
| Amortization | 14,684 | 9,712 | 29,449 | 19,435 |
| Management fees to related party | 125 | 134 | 256 | 262 |
| Other expense (income) | 8,215 | 578 | 8,254 | (403) |
| Income from operations | 6,757 | 13,371 | 5,909 | 22,488 |
| Interest expense, net | 26,064 | 14,361 | 52,627 | 27,932 |
| Interest expense on junior subordinated debentures | 3,152 | 3,152 | 6,304 | 6,304 |
| Investment income on trust common securities | (94) | (94) | (189) | (189) |
| Refinancing costs | — | 8,542 | — | 8,542 |
| Loss before income taxes | (22,365) | (12,590) | (52,833) | (20,101) |
| Income tax (benefit) expense | (2,869) | 941 | 1,931 | 3,747 |
| Net loss | \$ (19,496) | \$ (13,531) | \$ (54,764) | \$ (23,848) |
| Net loss from above | \$ (19,496) | \$ (13,531) | \$ (54,764) | \$ (23,848) |
| Other comprehensive income: | | | | |
| Foreign currency translation adjustments | 2,547 | (3,643) | 5,326 | (6,682) |
| Total other comprehensive (loss) income | 2,547 | (3,643) | 5,326 | (6,682) |
| Comprehensive loss | \$ (16,949) | \$ (17,174) | \$ (49,438) | \$ (30,530) |

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

| | June 29, 2019 | December 29, 2018 |
|--|--------------------------|------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 16,953 | \$ 28,234 |
| Accounts receivable, net of allowances of \$1,097 (\$846 - 2018) | 125,056 | 110,799 |
| Inventories, net | 324,585 | 320,281 |
| Other current assets | 7,299 | 18,727 |
| Total current assets | 473,893 | 478,041 |
| Property and equipment, net of accumulated depreciation of \$149,434 (\$131,169 - 2018) | 203,037 | 208,279 |
| Goodwill | 806,031 | 803,847 |
| Other intangibles, net of accumulated amortization of \$202,561 (\$176,677 - 2018) | 900,273 | 930,525 |
| Operating lease right of use assets | 70,854 | — |
| Other assets | 10,498 | 10,778 |
| Total assets | <u>\$ 2,464,586</u> | <u>\$ 2,431,470</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 143,397 | \$ 135,059 |
| Current portion of debt and capital leases | 11,235 | 10,985 |
| Accrued expenses: | | |
| Salaries and wages | 15,969 | 9,881 |
| Pricing allowances | 6,959 | 5,404 |
| Income and other taxes | 5,079 | 3,325 |
| Interest | 10,217 | 15,423 |
| Current portion of operating lease liabilities | 11,600 | — |
| Other accrued expenses | 20,970 | 17,941 |
| Total current liabilities | 225,426 | 198,018 |
| Long term debt | 1,572,775 | 1,586,084 |
| Deferred income taxes, net | 202,739 | 200,696 |
| Other non-current liabilities | 11,422 | 7,565 |
| Operating lease liabilities | 61,893 | — |
| Total liabilities | <u>\$ 2,074,255</u> | <u>\$ 1,992,363</u> |
| Commitments and contingencies (Note 5) | | |
| Stockholder's Equity: | | |
| Preferred stock, \$.01 par, 5,000 shares authorized, none issued or outstanding at June 29, 2019 and December 29, 2018 | — | — |
| Common stock, \$.01 par, 5,000 shares authorized, issued and outstanding at June 29, 2019 and December 29, 2018 | — | — |
| Additional paid-in capital | 550,190 | 549,528 |
| (Accumulated deficit) retained earnings | (127,595) | (72,831) |
| Accumulated other comprehensive loss | (32,264) | (37,590) |
| Total stockholder's equity | 390,331 | 439,107 |
| Total liabilities and stockholder's equity | <u>\$ 2,464,586</u> | <u>\$ 2,431,470</u> |

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

| | Twenty-six Weeks Ended June 29, 2019 | Twenty-six Weeks Ended June 30, 2018 |
|---|--|--|
| Cash flows from operating activities: | | |
| Net loss | \$ (54,764) | \$ (23,848) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 61,920 | 37,912 |
| Deferred income taxes | 1,326 | 3,847 |
| Deferred financing and original issue discount amortization | 1,859 | 1,142 |
| Stock-based compensation expense | 662 | 992 |
| Loss on debt restructuring | — | 8,542 |
| Asset impairment | 6,800 | — |
| (Gain) loss on disposal of property and equipment | (121) | 53 |
| Other non-cash interest and change in value of interest rate swap | 2,902 | (1,418) |
| Changes in operating items: | | |
| Accounts receivable | (13,394) | (17,687) |
| Inventories | (2,000) | (33,069) |
| Other assets | 9,485 | (5) |
| Accounts payable | 7,540 | 46,237 |
| Other accrued liabilities | 2,558 | (6,828) |
| Net cash provided by operating activities | <u>24,773</u> | <u>15,870</u> |
| Cash flows from investing activities: | | |
| Capital expenditures | (27,771) | (40,065) |
| Proceeds from sale of property and equipment | 7,612 | — |
| Net cash used for investing activities | <u>(20,159)</u> | <u>(40,065)</u> |
| Cash flows from financing activities: | | |
| Repayments of senior term loans | (7,956) | (530,750) |
| Borrowings on senior term loans | — | 530,000 |
| Financing fees | — | (11,752) |
| Borrowings on revolving credit loans | 12,500 | 92,000 |
| Repayments of revolving credit loans | (20,200) | (54,500) |
| Principal payments under finance and capitalized lease obligations | (283) | (73) |
| Proceeds from exercise of stock options | — | 200 |
| Net cash (used for) provided by financing activities | <u>(15,939)</u> | <u>25,125</u> |
| Effect of exchange rate changes on cash | 44 | (208) |
| Net (decrease) increase in cash and cash equivalents | (11,281) | 722 |
| Cash and cash equivalents at beginning of period | 28,234 | 9,937 |
| Cash and cash equivalents at end of period | <u>\$ 16,953</u> | <u>\$ 10,659</u> |
| Supplemental disclosure of cash flow information: | | |
| Interest paid on junior subordinated debentures, net | \$ 6,115 | \$ 6,115 |
| Interest paid | 54,072 | 24,364 |
| Income taxes paid | 400 | 632 |

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 loss to Adjusted EBITDA is presented below.

| | Thirteen Weeks Ended | | Twenty-six Weeks Ended | |
|--|----------------------|------------------|------------------------|------------------|
| | June 29, 2019 | June 30, 2018 | June 29, 2019 | June 30, 2018 |
| Net loss | \$ (19,496) | \$ (13,531) | \$ (54,764) | \$ (23,848) |
| Income tax provision (benefit) | (2,869) | 941 | 1,931 | 3,747 |
| Interest expense, net | 26,064 | 14,361 | 52,627 | 27,932 |
| Interest expense on junior subordinated debentures | 3,152 | 3,152 | 6,304 | 6,304 |
| Investment income on trust common securities | (94) | (94) | (189) | (189) |
| Depreciation | 16,655 | 9,535 | 32,471 | 18,477 |
| Amortization | 14,684 | 9,712 | 29,449 | 19,435 |
| EBITDA | 38,096 | 24,076 | 67,829 | 51,858 |
| Stock compensation expense | 301 | 505 | 662 | 992 |
| Management fees | 125 | 134 | 256 | 262 |
| Acquisition and integration expense | 1,370 | 2,368 | 2,468 | 2,462 |
| Retention and long term incentive bonuses | 2,030 | — | 4,059 | — |
| Canada Restructuring ⁽¹⁾ | 1,301 | — | 1,237 | — |
| Restructuring and other costs ⁽²⁾ | 5,396 | 3,667 | 10,122 | 6,513 |
| Asset impairment costs ⁽³⁾ | 6,800 | — | 6,800 | — |
| Refinancing costs | — | 8,542 | — | 8,542 |
| Anti-dumping duties | — | — | — | (4,128) |
| Mark-to-market adjustment on interest rate swaps | 1,789 | (361) | 2,902 | (1,418) |
| Adjusted EBITDA | <u>\$ 57,208</u> | <u>\$ 38,931</u> | <u>\$ 96,335</u> | <u>\$ 65,083</u> |

1. Includes charges related to a restructuring plan announced in our Canada segment in 2018, including facility consolidation 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 one time charges associated with new business wins.
3. Impairment losses for the disposal of FastKey self-service key duplicating kiosks and related assets.