

**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): November 3, 2022

Hillman Solutions Corp.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-39609
(Commission File No.)

85-2096734
(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))

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

Title of each class	Trading Symbols	Name of each exchange on which registered
Common Stock, par value \$0.0001 per share	HLMN	The Nasdaq Stock Market LLC

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

Emerging growth company ☐

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

Item 2.02 Results of Operations and Financial Condition.

On November 3, 2022, Hillman Solutions Corp. (the “Company”) issued a press release, furnished as Exhibit 99.1 and incorporated herein by reference, announcing the Company's selected summary financial results for its thirteen and thirty-nine weeks ended September 24, 2022.

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 November 3, 2022, announcing the financial results of Hillman Solutions Corp. for its thirteen and thirty-nine weeks ended September 24, 2022.
- [99.2](#) Supplemental slides provided in connection with the third quarter 2022 earnings call of Hillman Solutions Corp.
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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.

Date: November 3, 2022

Hillman Solutions Corp.

By:	<u>/s/ Robert O. Kraft</u>
Name:	Robert O. Kraft
Title:	Chief Financial Officer



Hillman Reports Third Quarter 2022 Results

CINCINNATI, November 3, 2022 -- Hillman Solutions Corp. (Nasdaq: HLMN) (the "Company" or "Hillman"), a leading provider of hardware products and merchandising solutions, reported financial results for the thirteen and thirty-nine weeks ended September 24, 2022.

Third Quarter 2022 Highlights (Thirteen Weeks Ended September 24, 2022)

- Net sales increased 3.9% to \$378.5 million compared to \$364.5 million in the prior year quarter
- Net loss totaled \$(9.5) million, or \$(0.05) per diluted share, compared to a loss of \$(32.5) million, or \$(0.19) per diluted share, in the prior year quarter
- Adjusted diluted EPS¹ was \$0.14 per diluted share compared to \$0.13 per diluted share in the prior year quarter
- Adjusted EBITDA¹ totaled \$59.0 million compared to \$56.5 million in the prior year quarter

Third Quarter YTD 2022 Highlights (Thirty-Nine Weeks Ended September 24, 2022)

- Net sales increased 5.0% to \$1.14 billion as compared to \$1.08 billion in the prior year period
- Net loss totaled \$(2.5) million, or \$(0.01) per diluted share, compared to a loss of \$(44.9) million, or \$(0.38) per diluted share, in the prior year period
- Adjusted diluted EPS¹ was \$0.38 per diluted share compared to \$0.49 per diluted share in the prior year period
- Adjusted EBITDA¹ totaled \$165.3 million compared to \$168.8 million in the prior year period

"Our best-in-class field sales and service team continue to solve complex labor and supply chain issues for our blue chip customer base," commented Doug Cahill, chairman, president and chief executive officer of Hillman. "With our fill rates for the year at 96%, we are gaining market share and strengthening customer relationships by keeping the shelves stocked at over 40,000 locations. Third quarter net sales increased and Adjusted EBITDA improved year-over-year as we realized the benefit of several price increases to offset higher costs."

"Looking forward, we see several catalysts that reinforce our competitive moat and our expectation for further growth. Near record homeowner's equity in homes and an aging U.S. housing stock provide a meaningful driver of home improvement projects for years to come, which bodes well for our estimated 90% exposure to repair, remodel and maintenance activity. Our direct-to-store model is minimizing the impact of customer de-stocking while sourcing lead times have continued to improve since the beginning of the year. Further, our multiple price actions offset increased costs for the full year 2022 on a dollar-for-dollar basis. As we look toward 2023, we are positioned well to continue delivering unmatched performance to our customers while working down inventory and generating solid returns in our business."

1. Adjusted EBITDA, Adjusted Diluted EPS, Net Debt, and Free Cash Flow are non-GAAP financial measures. Refer to the "Reconciliation of Adjusted EBITDA", "Reconciliation of Adjusted Earnings per Share", "Reconciliation of Net Debt" and "Reconciliation of Free Cash Flow" sections of this press release for additional information as well as reconciliations between the company's GAAP and non-GAAP financial results.

Balance Sheet and Liquidity at Quarter-End

- Total long-term debt was \$914 million, compared to \$907 million at the end of 2021. Net debt¹ outstanding was \$922 million, compared to \$931 million at the end of 2021
- Liquidity available totaled approximately \$225 million, consisting of \$195 million of available borrowing under the revolving credit facility and \$29 million of cash and equivalents
- Net debt¹ to trailing twelve month Adjusted EBITDA was 4.5 times, unchanged from the end of 2021, and improved from 4.7 times at the end of the second quarter of 2022

Full Year 2022 Guidance - Update

Based on year-to-date performance and improved visibility on the remainder of the year, management is providing additional information on its full year 2022 guidance originally provided on March 2, 2022 with Hillman's fourth quarter 2021 results.

	<u>Original</u> Full Year 2022 Guidance	<u>Updated</u> Full Year 2022 Guidance
Net Sales	\$1.5 billion - \$1.6 billion	\$1.46 billion - \$1.50 billion
Adjusted EBITDA ¹	\$207 million - \$227 million	\$207 million - \$211 million
Free Cash Flow ^{1, 2}	\$120 million - \$130 million	\$75 million - \$85 million

2. Note that the Free Cash Flow guidance excludes \$16 million of royalty fee litigation judgement related to the Hy-Ko case as the payment timing is still to be determined.

Rocky Kraft, Hillman's chief financial officer, added: "Our team continues to serve our customers well, implement price increases, and control costs in this dynamic environment. Sales growth and solid margin performance were in part made possible by securing inventory in early 2022. That strategy has been successful and resulted in continuity of service to our customers and new business wins."

"However, sales volume has been softer than expectations, which ultimately impacted the timing of our planned inventory reductions. Additionally, we incurred one-time cash expenses related to patent litigation. In consideration of these factors, we have adjusted our net sales and free cash flow expectations for 2022 - while refining our Adjusted EBITDA guidance within our original range.

"With supply chains and lead times returning to more manageable levels, we are poised to generate stronger cash flow and further reduce leverage in 2023 as we continue to grow our business and bring working capital back in line with historical levels."

Third Quarter 2022 Results Presentation

Hillman plans to host a conference call and webcast presentation today, November 3, 2022, at 8:30 a.m. Eastern Time to discuss its results. Chairman, President, and Chief Executive Officer Doug Cahill and Chief Financial Officer Rocky Kraft will host the results presentation.

Date: November 3, 2022

Time: 8:30 am Eastern Time

Listen-only Webcast: <https://edge.media-server.com/mmc/p/ot8hfiec>

A webcast replay will be available approximately one hour after the conclusion of the call using the link above.

Hillman's earnings release, quarterly presentation, and Form 10-Q were filed with the SEC and are accessible on its Investor Relations website, <https://ir.hillmangroup.com>.

About Hillman Solutions Corp.

Founded in 1964 and headquartered in Cincinnati, Ohio, Hillman Solutions Corp. ("Hillman") and its subsidiaries are leading North American providers of complete hardware solutions, delivered with outstanding customer service to over 40,000 locations. 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 its leading distribution and sales network, Hillman delivers a "small business" experience with "big business" efficiency. For more information on Hillman, visit www.hillmangroup.com.

Forward-Looking Statements

This communication contains certain forward-looking statements, including, but not limited to, certain plans, expectations, goals, projections, and statements, which are not historical facts and are subject to numerous assumptions, risks, and uncertainties. Statements that do not describe historical or current facts, including statements about beliefs and expectations, are forward-looking statements. All forward-looking statements are made in good faith by the company and are intended to qualify for the safe harbor from liability established by Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934, and the Private Securities Litigation Reform Act of 1995. You should not rely on these forward-looking statements as predictions of future events. Words such as "expect," "estimate," "project," "budget," "forecast," "anticipate," "intend," "plan," "target," "goal," "may," "will," "could," "should," "believes," "predicts," "potential," "continue," and similar expressions are intended to identify such forward-looking statements. These forward-looking statements include, without limitation, the Company's expectations with respect to future performance. These forward-looking statements involve significant risks and uncertainties that could cause the actual results to differ materially from the expected results. Most of these factors are outside the Company's control and are difficult to predict. Factors that may cause such differences include, but are not limited to: (1) unfavorable economic conditions that may affect operations, financial condition and cash flows including spending on home renovation or construction projects, inflation, recessions, instability in the financial markets or credit markets; (2) increased supply chain costs, including raw materials, sourcing, transportation and energy; (3) the highly competitive nature of the markets that we serve (4) ability to continue to innovate with new products and services; (5) seasonality; (6) large customer concentration; (7) ability to recruit and retain qualified employees; (8) the outcome of any legal proceedings that may be instituted against the Company (9) adverse changes in currency exchange rates; (10) the impact of COVID-19 on the Company's business; or (11) regulatory changes and potential legislation that could adversely impact financial results. The foregoing list of factors is not exclusive, and readers should also refer to those risks that are included in the Company's filings with the Securities and Exchange Commission ("SEC"), including the Annual Report on Form 10-K filed on March 16, 2022. Given these uncertainties, current or prospective investors are cautioned not to place undue reliance on any such forward looking statements.

Except as required by applicable law, the Company does not undertake or accept any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements in this communication to reflect any change in its expectations or any change in events, conditions or circumstances on which any such statement is based.

Contact:

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HILLMAN SOLUTIONS CORP.
Condensed Consolidated Statement of Net Income, GAAP Basis
(dollars in thousands)
Unaudited

	Thirteen Weeks Ended September 24, 2022	Thirteen Weeks Ended September 25, 2021	Thirty-nine Weeks Ended September 24, 2022	Thirty-nine Weeks Ended September 25, 2021
Net sales	\$ 378,538	\$ 364,480	\$ 1,135,665	\$ 1,081,476
Cost of sales (exclusive of depreciation and amortization shown separately below)	214,802	236,999	648,221	654,264
Selling, general and administrative expenses	133,246	110,447	366,013	325,288
Depreciation	14,312	14,454	41,738	46,065
Amortization	15,557	15,504	46,644	45,827
Management fees to related party	—	56	—	270
Other (income) expense, net	1,070	315	(3,124)	(2,232)
Income (loss) from operations	(449)	(13,295)	36,173	11,994
Loss on change in fair value of warrant liability	—	3,990	—	3,990
Interest expense, net	14,696	11,801	38,857	49,979
Interest expense on junior subordinated debentures	—	1,471	—	7,775
(Gain) loss on mark-to-market adjustments	—	(261)	—	(1,685)
Refinancing charges	—	8,070	—	8,070
Investment income on trust common securities	—	(44)	—	(233)
Income (loss) before income taxes	(15,145)	(38,322)	(2,684)	(55,902)
Income tax provision (benefit)	(5,679)	(5,798)	(147)	(11,023)
Net income (loss)	<u>\$ (9,466)</u>	<u>\$ (32,524)</u>	<u>\$ (2,537)</u>	<u>\$ (44,879)</u>
Basic and diluted income (loss) per share	\$ (0.05)	\$ (0.19)	\$ (0.01)	\$ (0.38)
Weighted average basic shares outstanding	194,370	168,440	194,171	116,945

HILLMAN SOLUTIONS CORP.
Condensed Consolidated Balance Sheets
(dollars in thousands)
Unaudited

	September 24, 2022	December 25, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 29,228	\$ 14,605
Accounts receivable, net of allowances of \$2,446 (\$2,891 - 2021)	126,138	107,212
Inventories, net	534,970	533,530
Other current assets	25,852	12,962
Total current assets	716,188	668,309
Property and equipment, net of accumulated depreciation of \$320,767 (\$284,069 - 2021)	181,260	174,312
Goodwill	823,626	825,371
Other intangibles, net of accumulated amortization of \$398,638 (\$352,695 - 2021)	749,126	794,700
Operating lease right of use assets	78,220	82,269
Deferred tax assets	—	1,323
Other assets	26,698	16,638
Total assets	<u>\$ 2,575,118</u>	<u>\$ 2,562,922</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 150,620	\$ 186,126
Current portion of debt and finance lease liabilities	12,805	11,404
Current portion of operating lease liabilities	12,868	13,088
Accrued expenses:		
Salaries and wages	16,496	8,606
Pricing allowances	9,861	10,672
Income and other taxes	3,726	4,829
Interest	5,236	1,519
Other accrued liabilities	57,210	41,052
Total current liabilities	268,822	277,296
Long-term debt	913,815	906,531
Deferred tax liabilities	141,471	137,764
Operating lease liabilities	72,880	74,476
Other non-current liabilities	11,310	16,760
Total liabilities	<u>\$ 1,408,298</u>	<u>\$ 1,412,827</u>
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.0001 par, 500,000,000 shares authorized, 194,394,767 issued and outstanding at September 24, 2022 and 194,083,625 issued and 193,995,320 outstanding at December 25, 2021	20	20
Additional paid-in capital	1,400,084	1,387,410
Accumulated deficit	(212,718)	(210,181)
Accumulated other comprehensive income (loss)	(20,566)	(27,154)
Total stockholders' equity	<u>1,166,820</u>	<u>1,150,095</u>
Total liabilities and stockholders' equity	<u>\$ 2,575,118</u>	<u>\$ 2,562,922</u>

HILLMAN SOLUTIONS CORP.
Condensed Consolidated Statement of Cash Flows
(dollars in thousands)
Unaudited

	Thirty-nine Weeks Ended September 24, 2022	Thirty-nine Weeks Ended September 25, 2021
Cash flows from operating activities:		
Net income (loss)	\$ (2,537)	\$ (44,879)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	88,382	91,892
Deferred income taxes	5,670	(21,538)
Deferred financing and original issue discount amortization	2,251	3,036
Stock-based compensation expense	10,789	8,817
Increase in fair value of warrant liabilities	—	3,990
Write off of deferred financing fees, premiums and discounts associated with debt refinancing	—	(8,372)
Change in fair value of contingent consideration	(2,926)	(1,110)
Other non-cash interest and change in fair value of interest rate swap	—	(1,685)
Changes in operating items:		
Accounts receivable, net	(19,482)	(17,097)
Inventories, net	(6,004)	(110,065)
Other assets	(5,549)	3,003
Accounts payable	(34,648)	12,896
Other accrued liabilities	27,171	(24,193)
Net cash provided by (used for) operating activities	63,117	(105,305)
Cash flows from investing activities:		
Acquisition of business, net of cash received	(2,500)	(39,102)
Capital expenditures	(46,431)	(36,955)
Net cash used for investing activities	(48,931)	(76,057)
Cash flows from financing activities:		
Repayments of senior term loans	(6,384)	(1,072,042)
Borrowings on senior term loans	—	883,872
Proceeds from recapitalization of Landcadia, net of transaction costs	—	455,161
Proceeds from sale of common stock in PIPE, net of issuance costs	—	363,301
Repayments of senior notes	—	(330,000)
Repayment of Junior Subordinated Debentures	—	(108,707)
Financing fees	—	(20,988)
Borrowings on revolving credit loans	161,000	246,000
Repayments of revolving credit loans	(154,000)	(244,000)
Principal payments under finance lease obligations	(998)	(697)
Proceeds from exercise of stock options	1,885	1,761
Cash payments related to hedging activities	(1,421)	—
Other financing activities	1,809	—
Net cash provided by financing activities	1,891	173,661
Effect of exchange rate changes on cash	(1,454)	610
Net increase (decrease) in cash and cash equivalents	14,623	(7,091)
Cash and cash equivalents at beginning of period	14,605	21,520
Cash and cash equivalents at end of period	\$ 29,228	\$ 14,429

HILLMAN SOLUTIONS CORP.**Reconciliations of Non-GAAP Financial Measures to the Most Directly Comparable GAAP Financial Measures**

The Company uses non-GAAP financial measures to analyze underlying business performance and trends. The Company believes that providing these non-GAAP financial measures enhances the Company's and investors' ability to compare the Company's past financial performance with its current performance. These non-GAAP financial measures are provided as supplemental information to the financial measures presented in this press release that are calculated and presented in accordance with GAAP. Non-GAAP financial measures should not be considered a substitute for, or superior to, financial measures determined or calculated in accordance with GAAP. The Company's definitions of its non-GAAP financial measures may not be comparable to similarly titled measures reported by other companies. Because GAAP financial measures on a forward-looking basis are not accessible, and reconciling information is not available without unreasonable effort, reconciliations to GAAP financial measures are not provided for forward-looking non-GAAP measures. For the same reasons, the Company is unable to address the probable significance of the unavailable information, which could be material to future results.

Non-GAAP financial measures such as consolidated adjusted EBITDA and Adjusted Diluted Earnings per Share (EPS) exclude from the relevant GAAP metrics items that neither relate to the ordinary course of the Company's business, nor reflect the Company's underlying business performance.

Reconciliation of Adjusted EBITDA (Unaudited)**(dollars in thousands)**

Adjusted EBITDA is a non-GAAP financial measure and is the primary basis used to measure the operational strength and performance of our businesses as well as to assist in the evaluation of underlying trends in our businesses. This measure eliminates the significant level of noncash depreciation and amortization expense that results from the capital-intensive nature of our businesses and from intangible assets recognized in business combinations. It is also unaffected by our capital and tax structures, as our management excludes these results when evaluating our operating performance. Our management and Board of Directors use this financial measure to evaluate our consolidated operating performance and the operating performance of our operating segments and to allocate resources and capital to our operating segments. Additionally, we believe that Adjusted EBITDA is useful to investors because it is one of the bases for comparing our operating performance with that of other companies in our industries, although our measure of Adjusted EBITDA may not be directly comparable to similar measures used by other companies.

	Thirteen Weeks Ended September 24, 2022	Thirteen Weeks Ended September 25, 2021	Thirty-nine Weeks Ended September 24, 2022	Thirty-nine Weeks Ended September 25, 2021
Net income (loss)	\$ (9,466)	\$ (32,524)	\$ (2,537)	\$ (44,879)
Income tax provision (benefit)	(5,679)	(5,798)	(147)	(11,023)
Interest expense, net	14,696	11,801	38,857	49,979
Interest expense on junior subordinated debentures	—	1,471	—	7,775
Investment income on trust common securities	—	(44)	—	(233)
Depreciation	14,312	14,454	41,738	46,065
Amortization	15,557	15,504	46,644	45,827
Mark-to-market adjustment of interest rate swap	—	(261)	—	(1,685)
EBITDA	\$ 29,420	\$ 4,603	\$ 124,555	\$ 91,826
Stock compensation expense	2,485	5,280	10,789	8,817
Management fees	—	56	—	270
Restructuring ⁽¹⁾	916	462	1,481	571
Litigation expense ⁽²⁾	25,255	487	28,968	10,769
Acquisition and integration expense ⁽³⁾	178	802	2,393	8,941
Change in fair value of contingent consideration	719	102	(2,926)	(1,110)
Buy-back expense ⁽⁴⁾	—	650	—	2,000
Anti-dumping duties ⁽⁵⁾	—	—	—	2,636
Loss on change in fair value of warrant liability	—	3,990	—	3,990
Refinancing charges ⁽⁶⁾	—	8,070	—	8,070
Inventory valuation related charges ⁽⁷⁾	—	32,026	—	32,026
Total adjusting items	\$ 29,553	\$ 51,925	\$ 40,705	\$ 76,980
Adjusted EBITDA	\$ 58,973	\$ 56,528	\$ 165,260	\$ 168,806

(1) Restructuring includes severance, consulting, and other costs associated with streamlining our operations.

(2) Litigation expense includes legal fees associated with our litigation with KeyMe, Inc. and Hy-Ko Products Company LLC.

(3) Acquisition and integration expense includes professional fees, non-recurring bonuses, and other costs related to the merger with Landcadia III and the secondary offering of shares in 2022.

(4) Infrequent buy backs associated with new business wins.

(5) Anti-dumping duties assessed related to the nail business for prior year purchases.

(6) In connection with the merger, we refinanced our Term Credit Agreement and ABL Revolver. Proceeds from the refinancing were used to redeem in full senior notes due July 15, 2022 (the “6.375% Senior Notes”) and the 11.6% Junior Subordinated Debentures.

(7) In the third quarter of 2021, we recorded an inventory valuation adjustment in our Hardware and Protective Solutions segment of \$32.0 million primarily related to strategic review of our COVID-19 related product offerings. We evaluated our customers' needs and the market conditions and ultimately decided to exit the following protective product categories related to COVID-19; cleaning wipes, disinfecting sprays, face masks, and certain disposable gloves.

Reconciliation of Adjusted Diluted EPS (Unaudited)
(in thousands, except per share data)

We define Adjusted Diluted EPS as reported diluted EPS excluding the effect of one-time, non-recurring activity and volatility associated with our income tax expense. The Company believes that Adjusted Diluted EPS provides further insight and comparability in operating performance as it eliminates the effects of certain items that are not comparable from one period to the next. The following is a reconciliation of reported diluted EPS from continuing operations to Adjusted Diluted EPS from continuing operations:

	Thirteen Weeks Ended September 24, 2022	Thirteen Weeks Ended September 25, 2021	Thirty-nine Weeks Ended September 24, 2022	Thirty-nine Weeks Ended September 25, 2021
Reconciliation to Adjusted Net Income				
Net Income	\$ (9,466)	\$ (32,524)	\$ (2,537)	\$ (44,879)
Remove adjusting items ⁽¹⁾	29,553	51,925	40,705	76,980
Mark-to-Market adjustment on interest rate swaps ⁽²⁾	—	(261)	—	(1,685)
Remove amortization expense	15,557	15,504	46,644	45,827
Remove tax benefit on adjusting items and amortization expense ⁽³⁾	(7,685)	(12,142)	(10,720)	(17,803)
Adjusted Net Income	<u>\$ 27,959</u>	<u>\$ 22,502</u>	<u>\$ 74,092</u>	<u>\$ 58,440</u>
Reconciliation to Adjusted Diluted Earnings per Share				
Diluted Earnings per Share	\$ (0.05)	\$ (0.19)	\$ (0.01)	\$ (0.38)
Remove adjusting items ⁽¹⁾	0.15	0.30	0.21	0.65
Impact of adjusted diluted shares	0.00	0.00	0.00	0.01
Mark-to-Market adjustment on interest rate swaps ⁽²⁾	—	0.00	—	(0.01)
Remove amortization expense	0.08	0.09	0.24	0.39
Remove tax benefit on adjusting items and amortization expense ⁽³⁾	(0.04)	(0.07)	(0.05)	(0.15)
Adjusted Diluted Earnings per Share	<u>\$ 0.14</u>	<u>\$ 0.13</u>	<u>\$ 0.38</u>	<u>\$ 0.49</u>
Reconciliation to Adjusted Diluted Shares Outstanding				
Diluted Shares, as reported	194,370	168,440	194,171	116,945
Non-GAAP dilution adjustments				
Dilutive effect of stock options and awards	655	2,446	1,456	1,433
Dilutive effect of warrants	—	539	—	180
Adjusted Diluted Shares	<u>195,025</u>	<u>171,425</u>	<u>195,627</u>	<u>118,558</u>

Note: Adjusted EPS may not add due to rounding.

- (1) Please refer to "Reconciliation of Adjusted EBTIDA" table above for additional information on adjusting items. See "Per share impact of Adjusting Items" table below for the per share impact of each adjustment.

Per Share Impact of Adjusting Items

	Thirteen Weeks Ended September 24, 2022	Thirteen Weeks Ended September 25, 2021	Thirty- nine Weeks Ended September 24, 2022	Thirty- nine Weeks Ended September 25, 2021
Stock compensation expense	\$0.01	\$0.03	\$0.06	\$0.07
Management fees	—	0.00	—	0.00
Restructuring	0.00	0.00	0.01	0.00
Litigation expense	0.13	0.00	0.15	0.09
Acquisition and integration expense	0.00	0.00	0.01	0.08
Change in fair value of contingent consideration	0.00	0.00	(0.01)	(0.01)
Buy-back expense	—	0.00	—	0.02
Anti-dumping duties	—	—	—	0.02
Loss on change in fair value of warrant liability	—	0.02	—	0.03
Refinancing charges ⁽⁶⁾	—	0.05	—	0.07
Inventory valuation related charges ⁽⁷⁾	—	0.19	—	0.27
Total adjusting items	<u>\$0.15</u>	<u>\$0.30</u>	<u>\$0.21</u>	<u>\$0.65</u>

Note: Adjusting items may not add due to rounding.

- (2) Reflects the mark to market adjustment on the interest rate swaps. Subsequent to the merger in 2021, the Company qualifies for hedge accounting on the swaps, which eliminates the mark to market adjustment.
- (3) We have calculated the income tax effect of the non-GAAP adjustments shown above at the applicable statutory rate of 25.2% for the U.S. and 26.5% for Canada except for the following items:
 - a. The tax impact of stock compensation expense was calculated using the statutory rate of 25.2%, excluding certain awards that are non-deductible.
 - b. The tax impact of acquisition and integration expense included in "Other" was calculated using the statutory rate of 25.2%, excluding certain charges that were non-deductible.
 - c. Amortization expense for financial accounting purposes was offset by the tax benefit of deductible amortization expense using the statutory rate of 25.2%.

Reconciliation of Net Debt (Unaudited)

We define Net Debt as reported gross debt less cash on hand. Net debt is not defined under U.S. GAAP and may not be computed the same as similarly titled measures used by other companies. The Company believes that Net Debt provides further insight and comparability into liquidity and capital structure. The following is a the calculation of Net Debt:

	September 24, 2022	December 25, 2021
Revolving loans	\$ 100,000	\$ 93,000
Senior term loan, due 2028	844,618	851,000
Finance leases	4,826	1,782
Other financing	1,809	—
Gross debt	<u>\$ 951,253</u>	<u>\$ 945,782</u>
Less cash	<u>29,228</u>	<u>14,605</u>
Net debt	<u>\$ 922,025</u>	<u>\$ 931,177</u>

Reconciliation of Free Cash Flow (Unaudited)

We calculate free cash flow as cash flows from operating activities less capital expenditures. Free cash flow is not defined under U.S. GAAP and may not be computed the same as similarly titled measures used by other companies. We believe free cash flow is an important indicator of how much cash is generated by our business operations and is a measure of incremental cash available to invest in our business and meet our debt obligations.

	Thirty-nine Weeks Ended September 24, 2022	Thirty-nine Weeks Ended September 25, 2021
Net cash provided by (used for) operating activities	\$ 63,117	\$ (105,305)
Capital expenditures	(46,431)	(36,955)
Free cash flow	\$ 16,686	\$ (142,260)

Source: Hillman Solutions Corp.

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HILLMAN™

Quarterly Earnings Presentation Q3 2022

Forward Looking Statements

This presentation contains certain forward-looking statements, including, but not limited to, certain plans, expectations, goals, projections, and statements, which are not historical facts and are subject to numerous assumptions, risks, and uncertainties. Statements that do not describe historical or current facts, including statements about beliefs and expectations, are forward-looking statements. All forward-looking statements are made in good faith by the company and are intended to qualify for the safe harbor from liability established by Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934, and the Private Securities Litigation Reform Act of 1995. You should not rely on these forward-looking statements as predictions of future events. Words such as "expect," "estimate," "project," "budget," "forecast," "anticipate," "intend," "plan," "target," "goal," "may," "will," "could," "should," "believes," "predicts," "potential," "continue," and similar expressions are intended to identify such forward-looking statements. These forward-looking statements include, without limitation, the Company's expectations with respect to future performance. These forward-looking statements involve significant risks and uncertainties that could cause the actual results to differ materially from the expected results. Most of these factors are outside the Company's control and are difficult to predict. Factors that may cause such differences include, but are not limited to: (1) unfavorable economic conditions that may affect operations, financial condition and cash flows including spending on home renovation or construction projects, inflation, recessions, instability in the financial markets or credit markets; (2) increased supply chain costs, including raw materials, sourcing, transportation and energy; (3) the highly competitive nature of the markets that we serve (4) ability to continue to innovate with new products and services; (5) seasonality; (6) large customer concentration; (7) ability to recruit and retain qualified employees; (8) the outcome of any legal proceedings that may be instituted against the Company (9) adverse changes in currency exchange rates; (10) the impact of COVID-19 on the Company's business; or (11) regulatory changes and potential legislation that could adversely impact financial results. The foregoing list of factors is not exclusive, and readers should also refer to those risks that are included in the Company's filings with the Securities and Exchange Commission ("SEC"), including the Annual Report on Form 10-K filed on March 16, 2022. Given these uncertainties, current or prospective investors are cautioned not to place undue reliance on any such forward looking statements.

Except as required by applicable law, the Company does not undertake or accept any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements in this communication to reflect any change in its expectations or any change in events, conditions or circumstances on which any such statement is based.

Presentation of Non-GAAP Financial Measures

In addition to the results provided in accordance with U.S. generally accepted accounting principles ("GAAP") throughout this presentation the company has provided non-GAAP financial measures, which present results on a basis adjusted for certain items. The company uses these non-GAAP financial measures for business planning purposes and in measuring its performance relative to that of its competitors. The company believes that these non-GAAP financial measures are useful financial metrics to assess its operating performance from period-to-period by excluding certain items that the company believes are not representative of its core business. These non-GAAP financial measures are not intended to replace, and should not be considered superior to, the presentation of the company's financial results in accordance with GAAP. The use of the non-GAAP financial measures terms may differ from similar measures reported by other companies and may not be comparable to other similarly titled measures. These non-GAAP financial measures are reconciled from the respective measures under GAAP in the appendix below.

The company is not able to provide a reconciliation of the company's non-GAAP financial guidance to the corresponding GAAP measures without unreasonable effort because of the inherent difficulty in forecasting and quantifying certain amounts necessary for such a reconciliation such as certain non-cash, nonrecurring or other items that are included in net income and EBITDA as well as the related tax impacts of these items and asset dispositions / acquisitions and changes in foreign currency exchange rates that are included in cash flow, due to the uncertainty and variability of the nature and amount of these future charges and costs.

Financial Highlights for the 13 Weeks Ended September 24, 2022

- Net sales increased 3.9% to \$378.5 million versus Q3 2021
 - Hardware Solutions +11.0%
 - Robotics and Digital Solutions ("RDS") (2.8)%
 - Canada +15.6%
 - Protective Solutions +5.7% (excl. COVID-related PPE sales)
- GAAP net loss improved to \$(9.5) million, or \$(0.05) per diluted share, compared to a net loss of \$(32.5) million, or \$(0.19) per diluted share, in Q3 2021
- Adjusted EBITDA increased to \$59.0 million from \$56.5 million in Q3 2021
- Adjusted EBITDA (ttm) / Net Debt: 4.5x at quarter end
- Compared to Pre-COVID (Q3 2022 vs Q3 2019):
 - Net sales increased +19.3%
 - Adjusted EBITDA +16.1%

Please see reconciliation of Adjusted EBITDA to Net Income and Net Debt in the Appendix of this presentation.

Operational Highlights for the 13 Weeks Ended September 24, 2022

- Successfully implemented price increase (fourth increase in past 18 months)
- Maintained average fill rates of nearly 96% for the year
- Positioned for continued new business momentum
 - Examples of quarterly wins:
 - Picture hanging, builders' hardware, deck screws, solid wall anchors (including new concrete screws)
- Expects to see inventory to continue to come down and cash flows increase in the fourth quarter of 2022 and into 2023

Financial Highlights for the 39 Weeks Ended September 24, 2022

- Net sales increased 5.0% to \$1.14 billion versus the 39 weeks ended September 25, 2021
 - Hardware Solutions +12.2%
 - Robotics and Digital Solutions ("RDS") +1.3%
 - Canada +7.8%
 - Protective Solutions +1.5% (excl. COVID-related PPE sales)
- GAAP net loss improved to \$(2.5) million, or \$(0.01) per diluted share, compared to a net loss of \$(44.9) million, or \$(0.38) per diluted share, versus the 39 weeks ended September 25, 2021
- Adjusted EBITDA totaled \$165.3 million versus \$168.8 million in the 39 weeks ended September 25, 2021

Please see reconciliation of Adjusted EBITDA to Net Income in the Appendix of this presentation.

Quarterly Financial Performance

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Top & Bottom Line Performance

Net Sales

(millions \$)

\$364.5 \$378.5

Q3 2021

Q3 2022

Adjusted Gross Margin

(millions \$ and % of Net Sales)

\$160.2 \$163.7

43.9%

43.3%

Q3 2021

Q3 2022

Adjusted EBITDA

(millions \$ and % of Net Sales)

\$56.5 \$59.0

15.5%

15.6%

Q3 2021

Q3 2022

Please see reconciliation of Adjusted EBITDA to Net Income in the Appendix of this presentation. Not to scale.

Performance by Product Category (Q3)

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Hardware & Protective	Q3 2021	Q3 2022	Δ	
<i>Thirteen weeks ended</i>	<i>9/25/2021</i>	<i>9/24/2022</i>		<i>Comments</i>
Revenues	\$261,456	\$271,853	4.0%	Price increases + lighter volume (HS & PS)
Adjusted EBITDA	\$30,634	\$28,693	(6.3)%	Margin pressure from timing & dollar-for-dollar price increases
Margin (Rev/Adj. EBITDA)	11.7%	10.6%	(110) bps	

Robotics & Digital	Q3 2021	Q3 2022	Δ	
<i>Thirteen weeks ended</i>	<i>9/25/2021</i>	<i>9/24/2022</i>		<i>Comments</i>
Revenues	\$67,499	\$65,632	(2.8)%	Lighter volumes in engraving and smart auto key fobs
Adjusted EBITDA	\$23,483	\$22,446	(4.4)%	Lighter volumes in engraving and smart auto key fobs
Margin (Rev/Adj. EBITDA)	34.8%	34.2%	(60) bps	

Canada	Q3 2021	Q3 2022	Δ	
<i>Thirteen weeks ended</i>	<i>9/25/2021</i>	<i>9/24/2022</i>		<i>Comments</i>
Revenues	\$35,525	\$41,053	15.6%	Price increases + softer demand
Adjusted EBITDA	\$2,411	\$7,834	224.9%	Improved operations + price increases
Margin (Rev/Adj. EBITDA)	6.8%	19.1%	1,230 bps	

Consolidated	Q3 2021	Q3 2022	Δ	
<i>Thirteen weeks ended</i>	<i>9/25/2021</i>	<i>9/24/2022</i>		
Revenues	\$364,480	\$378,538	3.9%	
Adjusted EBITDA	\$56,528	\$58,973	4.3%	
Margin (Rev/Adj. EBITDA)	15.5%	15.6%	10 bps	

Please see reconciliation of Adjusted EBITDA to Net Income in the Appendix of this presentation. Figures in Thousands of USD unless otherwise noted..

Performance by Product Category (YTD)

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Hardware & Protective	YTD 2021	YTD 2022	Δ	
Thirty-nine weeks ended	9/25/2021	9/24/2022		Comments
Revenues	\$775,514	\$818,110	5.5%	Price increases + flat demand (HS) and lower PPE sales (PS)
Adjusted EBITDA	\$95,780	\$80,569	(15.9)%	Timing of price increase; lower PPE sales; inflation
Margin (Rev/Adj. EBITDA)	12.4%	9.8%	(260) bps	

Robotics & Digital	YTD 2021	YTD 2022	Δ	
Thirty-nine weeks ended	9/25/2021	9/24/2022		Comments
Revenues	\$189,729	\$192,216	1.3%	Installed base + COVID comps
Adjusted EBITDA	\$64,596	\$63,654	(1.5)%	Sales growth offset by inflation
Margin (Rev/Adj. EBITDA)	34.0%	33.1%	(90) bps	

Canada	YTD 2021	YTD 2022	Δ	
Thirty-nine weeks ended	9/25/2021	9/24/2022		Comments
Revenues	\$116,233	\$125,339	7.8%	Price increases + soft demand
Adjusted EBITDA	\$8,430	\$21,037	149.5%	Improved operations + price increases
Margin (Rev/Adj. EBITDA)	7.3%	16.8%	950 bps	

Consolidated	YTD 2021	YTD 2022	Δ	
Thirty-nine weeks ended	9/25/2021	9/24/2022		
Revenues	\$1,081,476	\$1,135,665	5.0%	
Adjusted EBITDA	\$168,806	\$165,260	(2.1)%	
Margin (Rev/Adj. EBITDA)	15.6%	14.6%	(100) bps	

Please see reconciliation of Adjusted EBITDA to Net Income in the Appendix of this presentation. Figures in Thousands of USD unless otherwise noted..

Revenue by Business Segment (Q3)

	Hardware & Protective	Robotics & Digital	Canada	Revenue
<i>Thirteen weeks ended September 24, 2022</i>				
Fastening and Hardware	\$210,853	\$—	\$39,578	\$250,431
Personal protective	61,000	—	322	61,322
Keys and key accessories	—	51,688	1,145	52,833
Engraving and Resharp	—	13,944	8	13,952
Consolidated	\$271,853	\$65,632	\$41,053	\$378,538

	Hardware & Protective	Robotics & Digital	Canada	Revenue
<i>Thirteen weeks ended September 25, 2021</i>				
Fastening and Hardware	\$189,935	\$—	\$34,648	\$224,583
Personal protective	71,521	—	79	71,600
Keys and key accessories	—	52,586	778	53,364
Engraving and Resharp	—	14,913	20	14,933
Consolidated	\$261,456	\$67,499	\$35,525	\$364,480

Figures in Thousands of USD unless otherwise noted..

Revenue by Business Segment (YTD)

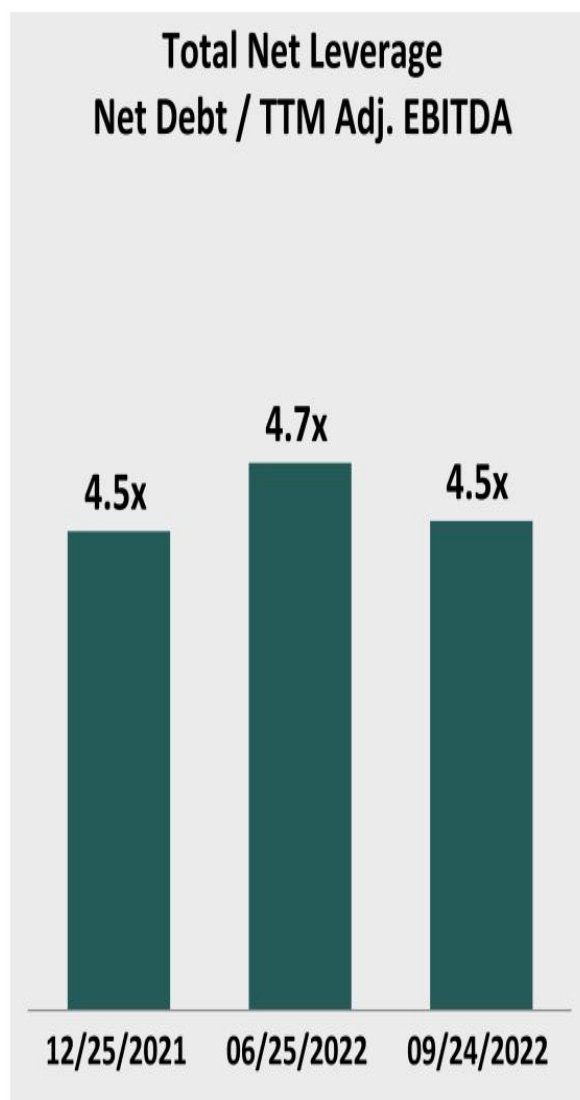
	Hardware & Protective	Robotics & Digital	Canada	Revenue
<i>Thirty-nine weeks ended September 24, 2022</i>				
Fastening and Hardware	\$625,537	\$—	\$121,710	\$747,247
Personal protective	192,573	—	984	193,557
Keys and key accessories	—	149,901	2,611	152,512
Engraving and Resharp	—	42,315	34	42,349
Consolidated	\$818,110	\$192,216	\$125,339	\$1,135,665

	Hardware & Protective	Robotics & Digital	Canada	Revenue
<i>Thirty-nine weeks ended September 24, 2021</i>				
Fastening and Hardware	\$557,745	\$—	\$114,565	\$672,310
Personal protective	217,769	—	270	218,039
Keys and key accessories	—	144,969	1,345	146,314
Engraving and Resharp	—	44,760	53	44,813
Consolidated	\$775,514	\$189,729	\$116,233	\$1,081,476

Figures in Thousands of USD unless otherwise noted..

Supports Growth & Enables Healthy Fill Rates

	September 24, 2022
ABL Revolver (\$328 million capacity)	\$100.0
Term Note	\$844.6
Finance Leases	\$4.8
Other Financing	\$1.8
Total Debt	\$951.3
Cash	\$29.2
Net Debt	\$922.0
TTM Adjusted EBITDA	\$203.9
Net Debt/ TTM Adjusted EBITDA	4.5 x



Please see reconciliation of Adjusted EBITDA to Net Income and Net Debt in the Appendix of this presentation.
Figures in Millions of USD unless otherwise noted.

2022 Full Year Guidance - Update

On November 3, 2022, Hillman provided an update on its full year guidance, originally provided on March 2, 2022 with Hillman's fourth quarter 2021 results.

<i>(in millions USD)</i>	Original Full Year 2022 Guidance Range (millions)	Updated Full Year 2022 Guidance Range (millions)
Revenues	\$1,500 to \$1,600	\$1,460 to \$1,500
Adjusted EBITDA	\$207 to \$227	\$207 to \$211
Free Cash Flow	\$120 to \$130	\$75 to \$85

2022 Assumptions

- Free Cash Flow guidance excludes any royalty fee litigation judgement related to the Hy-Ko case as the payment timing is still to be determined (updated)
- Interest Expense: \$50-\$55 million (up from original range of \$45-\$50 million)
- Cash Interest: \$45-\$50 million (up from original range of \$35-\$45 million)
- Income Tax: Modest cash taxpayer in 2022; ~25% cash taxpayer in 2023 (no change)
- Capital expenditures: \$60-\$65 million (down from original range of \$60-\$70 million)
- Fully diluted shares outstanding: ~196 million (no change)

Please see reconciliation of Adjusted EBITDA to Net Income in the Appendix of this presentation. Figures in Millions of USD unless otherwise noted..

Price offsets lighter foot traffic; Focused on delevering

- Finalized the implemented of fourth pricing increase
- 1,100-member distribution (sales and service) team and direct-to-store fulfillment continue to provide competitive advantages and strengthen competitive moat
- Commodity and shipping costs have softened; expected to flow through balance sheet in 2H 2023
- Repair, Remodel and Maintenance industry has meaningful long-term tailwinds; business not tied to new housing - record level of U.S. home equity driving investment in the home¹
- Expect to reduce inventory by approx. \$25 to \$35 million during Q4; reduce Net Debt / TTM Adj. EBITDA ratio to "low four times" by year end; see working capital improve during Q1 2023 versus years past.

Long-term Annual Growth Targets (Organic):

Revenue Growth: +6% & Adj. EBITDA Growth: +10%

Long-term Annual Growth Targets (incl. Acquisitions):

Revenue Growth: +10% & Adj. EBITDA Growth: +15%

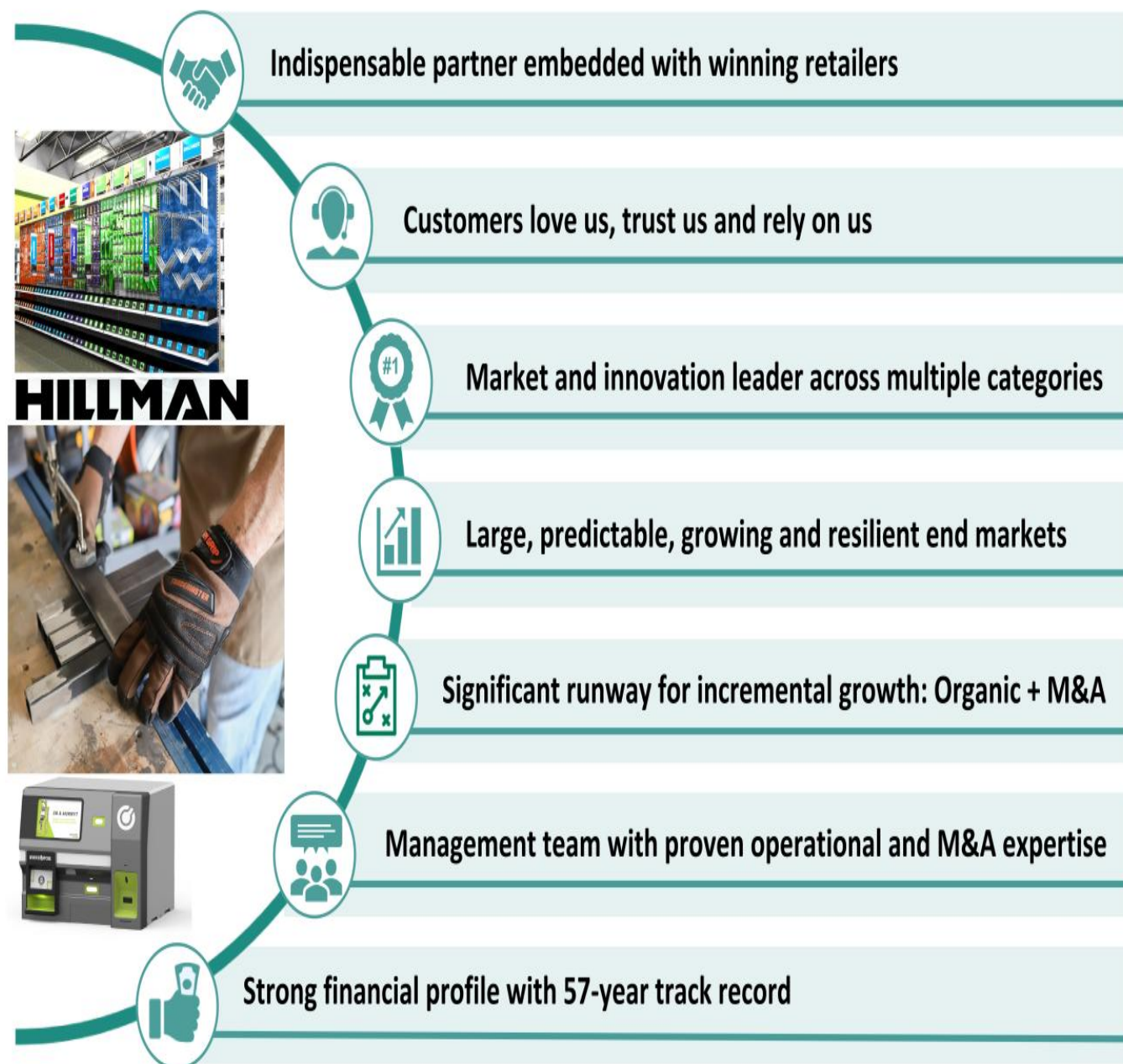
1) [U.S. Home Equity Hits Highest Level on Record—\\$27.8 Trillion.](#)

HILLMAN

Appendix

Investment Highlights

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Hillman: Overview

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Who We Are

- The leading distributor of hardware and home improvement products, personal protective equipment and robotic kiosk technologies
- Long-standing strategic partnerships with winning retailers across North America: Home Depot, Lowes, Walmart, Tractor Supply, ACE Hardware, etc.
- Hillman's 1,100 person field sales and service team provide complex logistics, inventory, category management and differentiated in-store merchandising
- The predominance of sales come from Hillman-owned brands, and are shipped store-direct
- Highly attractive ~\$6 billion direct addressable market with strong secular tailwinds
- ~4,000 non-union employees across corporate HQ, 22 North American distribution centers, and Taiwan sourcing office
- Founded in 1964; HQ in Cincinnati, Ohio

2021: By The Numbers

~20 billion Fasteners Sold	~400 million Pairs of Gloves Sold	~125 million Keys Duplicated
~112,000 SKUs Managed	~40,000 Store Direct Locations	~35,000 Kiosks in Retail Locations
#1 Position Across Core Categories	10% Long-Term Historical Sales CAGR	56 Years Sales Growth in 57-Year History
\$1.4 billion 2021 Sales	14.4% CAGR 2017-2021 Adj. EBITDA Growth	14.5% 2021 Adj. EBITDA Margin

Notes:

Figures may not tie due to rounding and corporate eliminations.

Adjusted EBITDA is a non-GAAP measure. Please see page 17 for a reconciliation of Adjusted EBITDA to Net Income.

Operational metrics based on 2020 management estimates.

Primary Product Categories

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Hardware Solutions

#1 in Segment

Fasteners
& Specialty

HILLMAN

DECK PLUS
LIFETIME GUARANTEE



Picture
Hanging

OOK

HILLMAN



Construction
Fasteners

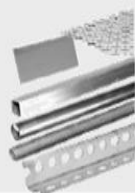
POWERPRO



Builders Hardware
& Metal Shapes

THE STEELWORKS
BY HILLMAN

HILLMAN

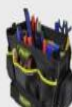


Protective Solutions

#1 in Segment

Work Gear

AWP



McGuire-Nicholas
EST. 1932



Gloves

GREASE MONKEY

GORILLA GRIP

FIRM GRIP

TRUE GRIP



Safety / PPE

FIRM GRIP

AWP



PREMIUM DEFENSE

Robotics & Digital Solutions

#1 in Segment

Key and Fob Duplication

HILLMAN

minuteKey



Personalized
Tags



QUICK TAG

TagWorks



Knife
Sharpening



resharp

Representative
Top Customers

ACE Hardware



TSC TRACTOR SUPPLY CO

Walmart

Source: Third party industry report.

Earnings Presentation Q3 2022

17

Adjusted EBITDA Reconciliation

Thirteen weeks ended	September 25, 2021	September 24, 2022
Net loss	\$(32,524)	\$(9,466)
Income tax benefit	(5,798)	(5,679)
Interest expense, net	11,801	14,696
Interest expense on junior subordinated debentures	1,471	—
Investment income on trust common securities	(44)	—
Depreciation	14,454	14,312
Amortization	15,504	15,557
Mark-to-market adjustment on interest rate swaps	(261)	—
EBITDA	\$4,603	\$29,420
Stock compensation expense	5,280	2,485
Management fees	56	—
Restructuring ⁽¹⁾	462	916
Litigation expense ⁽²⁾	487	25,255
Acquisition and integration expense ⁽³⁾	802	178
Change in fair value of contingent consideration	102	719
Buy-back expense ⁽⁴⁾	650	—
Loss on change in fair value of warrant liability	3,990	—
Refinancing charges ⁽⁵⁾	8,070	—
Inventory valuation ⁽⁶⁾	32,026	—
Adjusted EBITDA	\$56,528	\$58,973

1. Restructuring includes severance, consulting, and other costs associated with streamlining our operations.
2. Litigation expense includes legal fees associated with our litigation with KeyMe, Inc. and Hy-Ko Products Company LLC.
3. Acquisition and integration expense includes professional fees, non-recurring bonuses, and other costs related to the merger with Landcadia III and the secondary offering of shares in 2022.
4. Infrequent buy backs associated with new business wins.
5. In connection with the merger, we refinanced our Term Credit Agreement and ABL Revolver. Proceeds from the refinancing were used to redeem in full senior notes due July 15, 2022 (the "6.375% Senior Notes") and the 11.6% Junior Subordinated Debentures
6. In the third quarter of 2021, we recorded an inventory valuation adjustment in our Hardware and Protective Solutions segment of \$32.0 million primarily related to strategic review of our COVID-19 related product offerings. We evaluated our customers' needs and the market conditions and ultimately decided to exit the following protective product categories related to COVID-19; cleaning wipes, disinfecting sprays, face masks, and certain disposable gloves.

Adjusted EBITDA Reconciliation

Thirty-nine weeks ended	September 25, 2021	September 24, 2022
Net loss	\$(44,879)	\$(2,537)
Income tax benefit	(11,023)	(147)
Interest expense, net	49,979	38,857
Interest expense on junior subordinated debentures	7,775	—
Investment income on trust common securities	(233)	—
Depreciation	46,065	41,738
Amortization	45,827	46,644
Mark-to-market adjustment on interest rate swaps	(1,685)	—
EBITDA	\$91,826	\$124,555
Stock compensation expense	8,817	10,789
Management fees	270	—
Restructuring ⁽¹⁾	571	1,481
Litigation expense ⁽²⁾	10,769	28,968
Acquisition and integration expense ⁽³⁾	8,941	2,393
Change in fair value of contingent consideration	(1,110)	(2,926)
Buy-back expense ⁽⁴⁾	2,000	—
Anti-dumping duties ⁽⁵⁾	2,636	—
Loss on change in fair value of warrant liability	3,990	—
Refinancing charges ⁽⁶⁾	8,070	—
Inventory valuation ⁽⁷⁾	32,026	—
Adjusted EBITDA	\$168,806	\$165,260

1. Restructuring includes severance, consulting, and other costs associated with streamlining our operations.
2. Litigation expense includes legal fees associated with our litigation with KeyMe, Inc. and Hy-Ko Products Company LLC.
3. Acquisition and integration expense includes professional fees, non-recurring bonuses, and other costs related to the merger with Landcadia III and the secondary offering of shares in 2022.
4. Infrequent buy backs associated with new business wins.
5. Anti-dumping duties assessed related to the nail business for prior year purchases.
6. In connection with the merger, we refinanced our Term Credit Agreement and ABL Revolver. Proceeds from the refinancing were used to redeem in full senior notes due July 15, 2022 (the "6.375% Senior Notes") and the 11.6% Junior Subordinated Debentures
7. In the third quarter of 2021, we recorded an inventory valuation adjustment in our Hardware and Protective Solutions segment of \$32.0 million primarily related to strategic review of our COVID-19 related product offerings. We evaluated our customers' needs and the market conditions and ultimately decided to exit the following protective product categories related to COVID-19; cleaning wipes, disinfecting sprays, face masks, and certain disposable gloves.

Adjusted Gross Profit Margin Reconciliation

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<i>Thirteen weeks ended</i>	September 25, 2021	September 24, 2022
Net Sales	\$364,480	\$378,538
Cost of sales (exclusive of depreciation and amortization)	236,999	214,802
Gross margin exclusive of depreciation and amortization	\$127,481	\$163,736
Gross margin exclusive of depreciation and amortization %	35.0 %	43.3 %
Adjusting Items ⁽¹⁾:		
Buy-back expense	650	—
Inventory valuation	32,026	—
Adjusted Gross Profit	\$160,157	\$163,736
Adjusted Gross Margin %	43.9 %	43.3 %

<i>Thirty-nine weeks ended</i>	September 25, 2021	September 24, 2022
Net Sales	\$1,081,476	\$1,135,665
Cost of sales (exclusive of depreciation and amortization)	654,264	648,221
Gross margin exclusive of depreciation and amortization	\$427,212	\$487,444
Gross margin exclusive of depreciation and amortization %	39.5 %	42.9 %
Adjusting Items ⁽¹⁾:		
Buy-back expense	2,000	—
Anti-dumping duties	2,636	—
Inventory valuation	32,026	—
Adjusted Gross Profit	\$463,874	\$487,444
Adjusted Gross Margin %	42.9 %	42.9 %

1. See adjusted EBITDA Reconciliation for details of adjusting items

Adjusted S&A Expense Reconciliation

<i>Thirteen weeks ended</i>	September 25, 2021	September 24, 2022
Selling, general and administrative expenses	\$110,447	\$133,246
Adjusting Items ⁽¹⁾:		
Stock compensation expense	5,280	2,485
Restructuring	462	916
Litigation expense	487	25,255
Acquisition and integration expense	802	178
Adjusted SG&A	\$103,416	\$104,412
Adjusted SG&A as a % of Net Sales	28.4 %	27.6 %

<i>Thirty-nine weeks ended</i>	September 25, 2021	September 24, 2022
Selling, general and administrative expenses	\$325,288	\$366,013
Adjusting Items ⁽¹⁾:		
Stock compensation expense	8,817	10,789
Restructuring	571	1,481
Litigation expense	10,769	28,968
Acquisition and integration expense	8,941	2,393
Adjusted SG&A	\$296,190	\$322,382
Adjusted SG&A as a % of Net Sales	27.4 %	28.4 %

1. See adjusted EBITDA Reconciliation for details of adjusting items

Net Debt & Free Cash Flow Reconciliations

HILLMAN
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Reconciliation of Net Debt

<i>As of</i>	September 25, 2021	December 25, 2021	September 24, 2022
Revolving loans	\$74,000	\$93,000	\$100,000
Senior term loan	851,000	851,000	844,618
Finance leases	1,715	1,782	4,826
Other financing	—	—	1,809
Gross debt	\$926,715	\$945,782	\$951,253
Less cash	14,429	14,605	29,228
Net debt	\$912,286	\$931,177	\$922,025

Reconciliation of Free Cash Flow

<i>For the Thirty-nine Weeks Ended</i>	September 25, 2021	September 24, 2022
Net cash provided by (used for) operating activities	\$(105,305)	\$63,117
Capital expenditures	(36,955)	(46,431)
Free cash flow	\$(142,260)	\$16,686

Segment Adjusted EBITDA Reconciliations

<i>Thirteen Weeks Ended September 25, 2021</i>	HPS	RDS	Canada	Consolidated
Operating Income (Loss)	\$(24,901)	\$11,158	\$448	\$(13,295)
Depreciation & Amortization	17,615	10,842	1,501	29,958
Stock Compensation Expense	4,535	745	—	5,280
Management fees	47	9	—	56
Restructuring	—	—	462	462
Litigation expense	—	487	—	487
Acquisition and integration expense	662	140	—	802
Change in fair value of contingent consideration	—	102	—	102
Buy-back expense	650	—	—	650
Inventory valuation	32,026	—	—	32,026
Adjusted EBITDA	\$30,634	\$23,483	\$2,411	\$56,528

<i>Thirteen Weeks Ended September 24, 2022</i>	HPS	RDS	Canada	Consolidated
Operating Income (Loss)	\$7,113	\$(14,094)	\$6,532	\$(449)
Depreciation & Amortization	18,440	10,284	1,145	29,869
Stock compensation expense	2,131	197	157	2,485
Restructuring	831	85	—	916
Litigation expense	—	25,255	—	25,255
Acquisition and integration expense	178	—	—	178
Change in fair value of contingent consideration	—	719	—	719
Adjusted EBITDA	\$28,693	\$22,446	\$7,834	\$58,973

1. See adjusted EBITDA Reconciliation for details of adjusting items

Segment Adjusted EBITDA Reconciliations

<i>Thirty-nine weeks ended September 25, 2021</i>	HPS	RDS	Canada	Consolidated
Operating Income (Loss)	\$(8,856)	\$17,858	\$2,992	\$11,994
Depreciation & Amortization	52,135	34,816	4,941	91,892
Stock Compensation Expense	7,591	1,226	—	8,817
Management fees	232	38	—	270
Restructuring	64	10	497	571
Litigation expense	—	10,769	—	10,769
Acquisition and integration expense	7,952	989	—	8,941
Change in fair value of contingent consideration	—	(1,110)	—	(1,110)
Buy-back expense	2,000	—	—	2,000
Anti-dumping duties	2,636	—	—	2,636
Inventory valuation	32,026	—	—	32,026
Adjusted EBITDA	\$95,780	\$64,596	\$8,430	\$168,806

<i>Thirty-nine weeks ended September 24, 2022</i>	HPS	RDS	Canada	Consolidated
Operating Income (Loss)	\$15,255	\$4,198	\$16,720	\$36,173
Depreciation & Amortization	53,159	31,754	3,469	88,382
Stock Compensation Expense	8,693	1,248	848	10,789
Restructuring	1,357	124	—	1,481
Litigation expense	—	28,968	—	28,968
Acquisition and integration expense	2,105	288	—	2,393
Change in fair value of contingent consideration	—	(2,926)	—	(2,926)
Adjusted EBITDA	\$80,569	\$63,654	\$21,037	\$165,260

1. See adjusted EBITDA Reconciliation for details of adjusting items

