8K 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 8, 2023

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

Delaware	001-39609	85-2096734
(State or other jurisdiction of incorporation)	(Commission File No.)	(I.R.S. Employer Identification No.)

1280 Kemper Meadows Drive
Cincinnati, Ohio 45240
(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 8, 2023, 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 30, 2023.

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 8, 2023, announcing the financial results of Hillman Solutions Corp. for its thirteen and thirty-nine weeks ended September 30, 2023.
99.2 Supplemental slides provided in connection with the third quarter 2023 earnings call of Hillman Solutions Corp.

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 8, 2023	**Hillman Solutions Corp.**	
	By:	/s/ Robert O. Kraft
	Name:	Robert O. Kraft
	Title:	Chief Financial Officer

Hillman Reports Third Quarter 2023 Results

CINCINNATI, November 8, 2023 -- 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 30, 2023.

Third Quarter 2023 Highlights (Thirteen weeks ended September 30, 2023)

- Net sales increased 5.4% to $398.9 million compared to $378.5 million in the prior year quarter
- Net income totaled $5.1 million, or $0.03 per diluted share, compared to net loss of $(9.5) million, or $(0.05) per diluted share, in the prior year quarter
- Adjusted diluted EPS[1] was $0.11 per diluted share compared to $0.14 per diluted share in the prior year quarter
- Adjusted EBITDA[1] totaled $66.8 million compared to $59.0 million in the prior year quarter

Third Quarter YTD 2023 Highlights (Thirty-nine weeks ended September 30, 2023)

- Net sales decreased (0.6)% to $1,128.7 million compared to $1,135.7 million in the prior year period
- Net income totaled $0.5 million, or $0.00 per diluted share, compared to net loss of $(2.5) million, or $(0.01) per diluted share, in the prior year period
- Adjusted diluted EPS[1] was $0.30 per diluted share compared to $0.38 per diluted share in the prior year period
- Adjusted EBITDA[1] totaled $165.0 million compared to $165.3 million in the prior year period
- Net cash provided by operating activities totaled $171.5 million compared to $63.2 million in the prior year period
- Free Cash Flow[1] totaled $119.3 million compared to $16.8 million in the prior year period

1) Denotes Non-GAAP metric. For additional information, including our definitions, use of, and reconciliations of these metrics to the most directly comparable financial measures under GAAP, please see the reconciliations toward the end of the press release.

Balance Sheet and Liquidity at September 30, 2023

- Gross debt was $811.1 million, compared to $918.8 million on December 31, 2022; net debt[1] outstanding was $771.8 million, compared to $887.7 million on December 31, 2022
- Liquidity available totaled approximately $291.2 million, consisting of $251.9 million of available borrowing under the revolving credit facility and $39.3 million of cash and equivalents

Management Commentary

Doug Cahill, Chairman, President and Chief Executive Officer of Hillman, commented: "During the quarter our team successfully navigated the challenging macroeconomic environment to produce mid-single-digit top line growth and double-digit Adjusted EBITDA growth. Margins improved to historical norms, driven by strength in our Hardware and Protective Solutions segment, lower priced inventory being sold, and the resilience of Hillman's competitive moat. Additionally, we continued to reduce inventory which, together with our improved bottom line, has driven robust year to date free cash flow of $119.3 million. We used this free cash flow to pay down debt, allowing us to improve our net debt to adjusted EBITDA ratio to 3.7 times continuing the downward trend for the fifth straight quarter."

"Hillman has proven resilient throughout multiple economic cycles. Despite lower foot traffic at our customers, our business remains partially insulated because of our focus on small ticket items used for necessary repair and maintenance projects. We expect gross margins to expand sequentially into the fourth quarter as we derive the benefits of new business wins, our prior pricing actions, and prudent cost controls. We have narrowed our top and bottom line guidance within our original range to reflect the macro environment. We continue to see our business produce free cash flow at healthy levels, which gives us confidence to increase our free cash flow outlook for the year. We look forward to entering 2024 on solid footing to capture market share and with a much stronger balance sheet to build additional value in our Company."

Full Year 2023 Guidance - Update

Based on year-to-date performance and improved visibility on the remainder of the year, management is updating its full year 2023 guidance originally provided on February 27, 2023.

	Original 2023 Guidance	**Updated 2023 Guidance**
Net Sales	$1.45 to $1.55 billion	$1.455 to $1.485 billion
Adjusted EBITDA[1]	$215 to $235 million	$215 to $220 million
Free Cash Flow[1]	$125 to $145 million	$135 to $155 million

1) Denotes Non-GAAP metric. For additional information, including our definitions, use of, and reconciliations of these metrics to the most directly comparable financial measures under GAAP, please see the reconciliations toward the end of the press release.

Third Quarter 2023 Results Presentation

Hillman plans to host a conference call and webcast presentation today, November 8, 2023, at 8:30 a.m. Eastern Time to discuss its results. Chairman, President, and Chief Executive Officer Doug Cahill, Chief Financial Officer Rocky Kraft, and Chief Operating Officer Jon Michael Adinolfi will host the results presentation.

Date: Wednesday, November 8, 2023

Time: 8:30 a.m. Eastern Time

Listen-Only Webcast: https://edge.media-server.com/mmc/p/vrzpqs3k

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

Hillman's quarterly presentation and Form 10-Q are expected to be filed with the SEC and posted to its Investor Relations website, https://ir.hillmangroup.com, before the webcast presentation begins.

About Hillman Solutions Corp.

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 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 a world-class 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

All statements made in this press release that are consider to be forward-looking 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

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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) the ability to continue to innovate with new products and services; (5) direct and indirect costs associated with the May 2023 ransomware attack, and our receipt of expected insurance receivables associated with that cybersecurity incident; (6) seasonality; (7) large customer concentration; (8) the ability to recruit and retain qualified employees; (9) the outcome of any legal proceedings that may be instituted against the Company; (10) adverse changes in currency exchange rates; (11) the impact of COVID-19 on the Company's business; or (12) 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 this Annual Report on Form 10-K filed on February 27, 2023. 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:

Michael Koehler
Vice President of Investor Relations & Treasury
513-826-5495
IR@hillmangroup.com

1) Denotes Non-GAAP metric. For additional information, including our definitions, use of, and reconciliations of these metrics to the most directly comparable financial measures under GAAP, please see the reconciliations toward the end of the press release.

HILLMAN SOLUTIONS CORP.

Condensed Consolidated Statement of Net Income, GAAP Basis
(dollars in thousands) Unaudited

	Thirteen Weeks Ended September 30, 2023	Thirteen Weeks Ended September 24, 2022	Thirty-nine Weeks Ended September 30, 2023	Thirty-nine Weeks Ended September 24, 2022
Net sales	$ 398,943	$ 378,538	$ 1,128,669	$ 1,135,665
Cost of sales (exclusive of depreciation and amortization shown separately below)	222,644	214,802	643,652	648,221
Selling, warehouse, general and administrative expenses	113,359	133,246	335,876	366,013
Depreciation	14,434	14,312	44,939	41,738
Amortization	15,583	15,557	46,733	46,644
Other (income) expense, net	(1,819)	1,070	841	(3,124)
Income (loss) from operations	34,742	(449)	56,628	36,173
Interest expense, net	16,728	14,696	52,880	38,857
Income (loss) before income taxes	18,014	(15,145)	3,748	(2,684)
Income tax expense (benefit)	12,957	(5,679)	3,278	(147)
Net income (loss)	$ 5,057	$ (9,466)	$ 470	$ (2,537)
Basic income (loss) per share	$ 0.03	$ (0.05)	$0.00	$ (0.01)
Weighted average basic shares outstanding	194,794	194,370	194,662	194,171
Diluted income (loss) per share	$ 0.03	$ (0.05)	$0.00	$ (0.01)
Weighted average diluted shares outstanding	196,575	194,370	195,832	194,171

HILLMAN SOLUTIONS CORP.

Condensed Consolidated Balance Sheets
(dollars in thousands)
Unaudited

	September 30, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 39,262	$ 31,081
Accounts receivable, net of allowances of $2,312 ($2,405 - 2022)	129,709	86,985
Inventories, net	397,077	489,326
Other current assets	29,778	24,227
Total current assets	595,826	631,619
Property and equipment, net of accumulated depreciation of $362,422 ($333,452 - 2022)	200,121	190,258
Goodwill	824,305	823,812
Other intangibles, net of accumulated amortization of $461,240 ($414,275 - 2022)	688,451	734,460
Operating lease right of use assets	88,578	66,955
Other assets	14,633	23,586
Total assets	$ 2,411,914	$ 2,470,690
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 159,332	$ 131,751
Current portion of debt and financing lease liabilities	10,697	10,570
Current portion of operating lease liabilities	13,814	12,285
Accrued expenses:		
Salaries and wages	9,188	15,709
Pricing allowances	10,917	9,246
Income and other taxes	5,786	5,300
Interest	352	697
Other accrued liabilities	23,390	29,854
Total current liabilities	233,476	215,412
Long-term debt	780,043	884,636
Deferred tax liabilities	142,103	140,091
Operating lease liabilities	81,795	61,356
Other non-current liabilities	14,897	12,456
Total liabilities	$ 1,252,314	$ 1,313,951
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Common stock, $0.0001 par, 500,000,000 shares authorized, 194,827,369 issued and outstanding at September 30, 2023 and 194,548,411 issued and outstanding at December 31, 2022	20	20
Additional paid-in capital	1,415,059	1,404,360
Accumulated deficit	(226,147)	(226,617)
Accumulated other comprehensive loss	(29,332)	(21,024)
Total stockholders' equity	1,159,600	1,156,739
Total liabilities and stockholders' equity	$ 2,411,914	$ 2,470,690

HILLMAN SOLUTIONS CORP.

Condensed Consolidated Statement of Cash Flows
(dollars in thousands)
Unaudited

	Thirty-nine Weeks Ended September 30, 2023	Thirty-nine Weeks Ended September 24, 2022
Cash flows from operating activities:		
Net income (loss)	$ 470	$ (2,537)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	91,672	88,382
Deferred income taxes	1,835	5,670
Deferred financing and original issue discount amortization	3,993	2,251
Stock-based compensation expense	9,111	10,789
Change in fair value of contingent consideration	2,614	(2,926)
Changes in operating items:		
Accounts receivable, net	(42,883)	(19,482)
Inventories, net	92,833	(6,004)
Other assets	(5,697)	(5,549)
Accounts payable	27,220	(34,648)
Other accrued liabilities	(9,691)	27,286
Net cash provided by operating activities	171,477	63,232
Net cash from investing activities		
Acquisition of business, net of cash received	(300)	(2,500)
Capital expenditures	(52,145)	(46,431)
Other investing activities	(318)	—
Net cash used for investing activities	(52,763)	(48,931)
Cash flows from financing activities:		
Repayments of senior term loans	(86,383)	(6,384)
Borrowings on revolving credit loans	172,000	161,000
Repayments of revolving credit loans	(197,000)	(154,000)
Principal payments under finance lease obligations	(1,687)	(998)
Proceeds from exercise of stock options	1,600	1,885
Payments of contingent consideration	(1,175)	(115)
Other financing activities	883	1,809
Cash payments related to hedging activities	—	(1,421)
Net cash (used for) provided by financing activities	(111,762)	1,776
Effect of exchange rate changes on cash	1,229	(1,454)
Net increase in cash and cash equivalents	8,181	14,623
Cash and cash equivalents at beginning of period	31,081	14,605
Cash and cash equivalents at end of period	$ 39,262	$ 29,228

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 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 30, 2023	Thirteen Weeks Ended September 24, 2022	Thirty-nine Weeks Ended September 30, 2023	Thirty-nine Weeks Ended September 24, 2022
Net income (loss)	$ 5,057	$ (9,466)	$ 470	$ (2,537)
Income tax expense (benefit)	12,957	(5,679)	3,278	(147)
Interest expense, net	16,728	14,696	52,880	38,857
Depreciation	14,434	14,312	44,939	41,738
Amortization	15,583	15,557	46,733	46,644
EBITDA	$ 64,759	$ 29,420	$ 148,300	$ 124,555
Stock compensation expense	3,069	2,485	9,111	10,789
Restructuring and other (1)	179	916	3,027	1,481
Litigation expense (2)	79	25,255	339	28,968
Transaction and integration expense (3)	289	178	1,599	2,393
Change in fair value of contingent consideration	(1,553)	719	2,614	(2,926)
Total adjusting items	2,063	29,553	16,690	40,705
Adjusted EBITDA	$ 66,822	$ 58,973	$ 164,990	$ 165,260

(1) Includes consulting and other costs associated with distribution center relocations and corporate restructuring activities. 2023 includes costs associated with the cybersecurity event that occurred in May 2023.

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

(3) Transaction and integration expense includes professional fees and other costs related to the CCMP secondary offerings in 2022 and 2023.

Reconciliation of Adjusted Diluted Earnings Per Share

(in thousands, except per share data)

Unaudited

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 30, 2023	Thirteen Weeks Ended September 24, 2022	Thirty-nine Weeks Ended September 30, 2023	Thirty-nine Weeks Ended September 24, 2022
Reconciliation to Adjusted Net Income				
Net income (loss)	$ 5,057	$ (9,466)	$ 470	$ (2,537)
Remove adjusting items [1]	2,063	29,553	16,690	40,705
Remove amortization expense	15,583	15,557	46,733	46,644
Remove tax benefit on adjusting items and amortization expense [2]	(1,055)	(7,685)	(4,907)	(10,720)
Adjusted Net Income	$ 21,648	$ 27,959	$ 58,986	$ 74,092
Reconciliation to Adjusted Diluted Earnings per Share				
Diluted Earnings per Share	$ 0.03	$ (0.05)	$ 0.00	$ (0.01)
Remove adjusting items [1]	0.01	0.15	0.09	0.21
Remove amortization expense	0.08	0.08	0.24	0.24
Remove tax benefit on adjusting items and amortization expense [2]	(0.01)	(0.04)	(0.03)	(0.05)
Adjusted Diluted Earnings per Share	$ 0.11	$ 0.14	$ 0.30	$ 0.38
Reconciliation to Adjusted Diluted Shares Outstanding [3]				
Diluted Shares, as reported	196,575	194,370	195,832	194,171
Non-GAAP dilution adjustments:				
Dilutive effect of stock options and awards	—	655	—	1,456
Adjusted Diluted Shares	196,575	195,025	195,832	195,627

Note: Adjusted EPS may not add due to rounding.

(1) Please refer to "Reconciliation of Adjusted EBITDA" 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.

(2) We have calculated the income tax effect of the non-GAAP adjustments shown above at the applicable statutory rate of 25.1% for the U.S. and 26.2% for Canada except for the following items:

a. The tax impact of stock compensation expense was calculated using the statutory rate of 25.1%, excluding certain awards that are non-deductible.

b. The tax impact of acquisition and integration expense was calculated using the statutory rate of 25.1%, 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 25.1%.

(3) Diluted shares on a GAAP basis for the thirteen and thirty-nine weeks ended September 30, 2023 include the dilutive impact of 1,781 and 1,170 options and awards, respectfully.

Per Share Impact of Adjusting Items

	Thirteen Weeks Ended September 30, 2023	Thirteen Weeks Ended September 24, 2022	Thirty-nine Weeks Ended September 30, 2023	Thirty-nine Weeks Ended September 24, 2022
Stock compensation expense	$ 0.02	$ 0.01	$ 0.05	$ 0.06
Restructuring and other costs	0.00	0.00	0.02	0.01
Litigation expense	0.00	0.13	0.00	0.15
Transaction and integration expense	0.00	0.00	0.01	0.01
Change in fair value of contingent consideration	(0.01)	0.00	0.01	(0.01)
Total adjusting items	$ 0.01	$ 0.15	$ 0.09	$ 0.21

Note: Adjusting items may not add due to rounding.

Reconciliation of Net Debt

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 30, 2023	December 31, 2022
Revolving loans	$ 47,000	$ 72,000
Senior term loan, due 2028	753,980	840,363
Finance leases and other obligations	10,118	6,406
Gross debt	$ 811,098	$ 918,769
Less cash	39,262	31,081
Net debt	$ 771,836	$ 887,688

Reconciliation of Free Cash Flow

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 30, 2023	Thirty-nine Weeks Ended September 24, 2022
Net cash provided by operating activities	$ 171,477	$ 63,232
Capital expenditures	(52,145)	(46,431)
Free cash flow	$ 119,332	$ 16,801

Source: Hillman Solutions Corp

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HILLMAN
HLMN | Nasdaq Listed
Quarterly Earnings Presentation
Q3 2023
November 8, 2023
POWERPRO
ONE
Multi-Material
EXTERIOR
1/4 x 3-1/2"
FIRM GRIP
minute key
COPY KEYS
IN 1 MINUTE

Forward Looking Statements

HILLMAN
HLMN | Nasdaq Listed

All statements made in this presentation that are consider to be forward-looking 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) the ability to continue to innovate with new products and services; (5) direct and indirect costs associated with the May 2023 ransomware attack, and our receipt of expected insurance receivables associated with that cybersecurity incident; (6) seasonality; (7) large customer concentration; (8) the ability to recruit and retain qualified employees; (9) the outcome of any legal proceedings that may be instituted against the Company; (10) adverse changes in currency exchange rates; (11) the impact of COVID-19 on the Company’s business; or (12) 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 February 27, 2023. 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.

Q3 2023 Financial Review

HILLMAN
HLMN | Nasdaq Listed

Highlights for the 13 Weeks Ended September 30, 2023

- Net sales increased 5.4% to $398.9 million versus Q3 2022
  - Hardware Solutions increased 8.3%
  - Robotics and Digital Solutions ("RDS") down (1.4)%
  - Canada down (9.4)%
  - Protective Solution increased 13.5%
- GAAP net income totaled $5.1 million, or $0.03 per diluted share, compared to net loss of $(9.5) million, or $(0.05) per diluted share, in Q3 2022
- Adjusted EBITDA totaled $66.8 million compared to $59.0 million in Q3 2022
- Adjusted EBITDA (ttm) / Net Debt: 3.7x at quarter end, improved from 4.2x from December 31, 2022

Please see reconciliation tables in the Appendix of this presentation for non-GAAP metrics.

Q3 2023 Operational Review

HILLMAN
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Highlights for the 13 Weeks Ended September 30, 2023

- Updated full year 2023 guidance
- Inventory reduced by $33 million during the quarter; bringing year-to-date total to $92 million; expects to reduce by another $5 - $10 million during Q4 2023
- Fill rates averaged approximately 94% year to date
- Rolled out new business win in HS and launched nationwide off-shelf promotion in PS - expect to launch PS new business win at top-five customer in Q4 2023
- Cost of goods peaked in May 2023 (driven by high container costs during the Summer of 2022) - resulting margins returned to historical averages during quarter
- Named Vendor of the Year by Tractor Supply and Mid-States Distributing

Q3 2023 Financial Review

HILLMAN
HLMN | Nasdaq Listed

Highlights for the 39 Weeks Ended September 30, 2023

- Net sales decreased (0.6)% to $1,128.7 million versus the 39 weeks ended September 24, 2022
    - Hardware Solutions +5.2%
    - Robotics and Digital Solutions ("RDS") (1.1)%
    - Canada (7.6)%
    - Protective Solutions (6.2)% (excl. COVID sales)
- GAAP net income totaled $0.5 million, or $0.00 per diluted share, compared to net loss of $(2.5) million, or $(0.01) per diluted share, during the 39 weeks ended September 24, 2022
- Adjusted EBITDA totaled $165.0 million compared to $165.3 million during the the 39 weeks ended September 24, 2022
- Free Cash Flow totaled $119.3 million compared to $16.8 million during the 39 weeks ended September 24, 2022

Please see reconciliation tables in the Appendix of this presentation for non-GAAP metrics.

Quarterly Financial Performance

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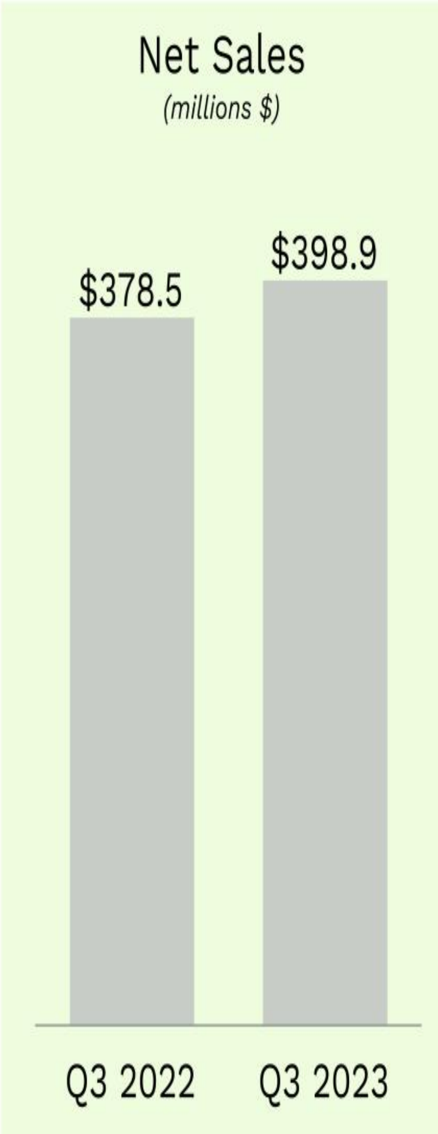
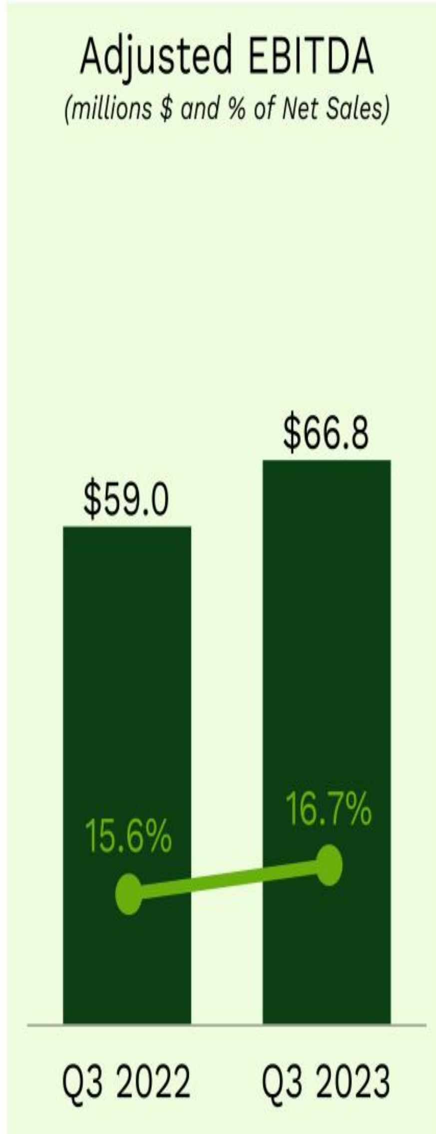
Top & Bottom Line (vs Q3 2022)





Please see reconciliation of Non-GAAP metrics Adjusted EBITDA and Adjusted Gross Margin in the Appendix of this presentation. Not to scale.

Performance by Segment (Q3)

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Hardware & Protective	Q3 2022	Q3 2023	Δ	
Thirteen Weeks Ended	9/24/2022	9/30/2023		Comments
Revenues	$270,116	$295,553	9.4%	Driven by new business and increase in volumes
Adjusted EBITDA	$28,838	$40,659	41.0%	Improved price coverage for inflation
Margin (Adj. EBITDA/Net Sales)	10.7%	13.8%	*310 bps*	Margins improved toward historical norms

Robotics & Digital	Q3 2022	Q3 2023	Δ	
Thirteen Weeks Ended	9/24/2022	9/30/2023		Comments
Revenues	$64,373	$63,468	(1.4)%	Soft volumes across RDS with MinuteKey the exception
Adjusted EBITDA	$22,418	$21,347	(4.8)%	Margins down on lighter volumes and higher costs
Margin (Adj. EBITDA/Net Sales)	*34.8%*	*33.6%*	*(120) bps*	Margins returned to historical norms of 32-33%

Canada	Q3 2022	Q3 2023	Δ	
Thirteen Weeks Ended	9/24/2022	9/30/2023		Comments
Revenues	$44,049	$39,922	(9.4)%	Market softness across Canada
Adjusted EBITDA	$7,717	$4,816	(37.6)%	Margins down + higher cost inventory
Margin (Adj. EBITDA/Net Sales)	*17.5%*	*12.1%*	*(540) bps*	Margins returned to long-term expectation of 12%

Consolidated	Q3 2022	Q3 2023	Δ
Thirteen Weeks Ended	9/24/2022	9/30/2023	
Revenues	$378,538	$398,943	5.4%
Adjusted EBITDA	$58,973	$66,822	13.3%
Margin (Adj. EBITDA/Net Sales)	*15.6%*	*16.7%*	*110 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 Segment (YTD)

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Hardware & Protective	YTD '22	YTD '23	Δ	
Thirty-nine weeks ended	*9/24/2022*	*9/30/2023*		*Comments*
Revenues	$812,931	$818,198	0.6%	New business and price offset soft volumes in PS
Adjusted EBITDA	$80,705	$87,385	8.3%	Improved price coverage for inflation
Margin (Adj. EBITDA/Net Sales)	9.9%	10.7%	*80 bps*	

Robotics & Digital	YTD '22	YTD '23	Δ	
Thirty-nine weeks ended	*9/24/2022*	*9/30/2023*		*Comments*
Revenues	$189,066	$186,990	(1.1)%	Soft volumes across RDS with MinuteKey the exception
Adjusted EBITDA	$62,899	$63,388	0.8%	Shift to higher margin MinuteKey
Margin (Adj. EBITDA/Net Sales)	*33.3%*	*33.9%*	*60 bps*	

Canada	YTD '22	YTD '23	Δ	
Thirty-nine weeks ended	*9/24/2022*	*9/30/2023*		*Comments*
Revenues	$133,668	$123,481	(7.6)%	Market softness across Canada
Adjusted EBITDA	$21,656	$14,217	(34.4)%	Margins down + higher cost inventory
Margin (Adj. EBITDA/Net Sales)	*16.2%*	*11.5%*	*(470) bps*	

Consolidated	YTD '22	YTD '23	Δ
Thirty-nine weeks ended	*9/24/2022*	*9/30/2023*	
Revenues	$1,135,665	$1,128,669	(0.6)%
Adjusted EBITDA	$165,260	$164,990	(0.2)%
Margin (Adj. EBITDA/Net Sales)	*14.6%*	*14.6%*	*0 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 Product Category (Q3)

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	Hardware & Protective	Robotics & Digital	Canada	Revenue
Thirteen Weeks Ended September 30, 2023				
Fastening and Hardware	$228,515	$—	$35,497	$264,012
Personal Protective	67,038	—	1,933	68,971
Keys and Key Accessories	—	50,408	2,477	52,885
Engraving and Resharp	—	13,060	15	13,075
Total Revenue	**$295,553**	**$63,468**	**$39,922**	**$398,943**

	Hardware & Protective	Robotics & Digital	Canada	Revenue
Thirteen Weeks Ended September 24, 2022				
Fastening and Hardware	$211,064	$—	$39,356	$250,420
Personal Protective	59,052	—	2,263	61,315
Keys and Key Accessories	—	50,445	2,422	52,867
Engraving and Resharp	—	13,928	8	13,936
Total Revenue	**$270,116**	**$64,373**	**$44,049**	**$378,538**

Figures in Thousands of USD unless otherwise noted.

Revenue by Product Category (YTD)

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	Hardware & Protective	Robotics & Digital	Canada	Revenue
Thirty-nine weeks ended September 30, 2023				
Fastening and Hardware	$658,629	$—	$111,462	$770,091
Personal Protective	159,569	—	5,474	165,043
Keys and Key Accessories	—	147,976	6,510	154,486
Engraving and Resharp	—	39,014	35	39,049
Total Revenue	**$818,198**	**$186,990**	**$123,481**	**$1,128,669**

	Hardware & Protective	Robotics & Digital	Canada	Revenue
Thirty-nine weeks ended September 24, 2022				
Fastening and Hardware	$626,174	$—	$121,078	$747,252
Personal Protective	186,757	—	6,778	193,535
Keys and Key Accessories	—	146,750	5,778	152,528
Engraving and Resharp	—	42,316	34	42,350
Total Revenue	**$812,931**	**$189,066**	**$133,668**	**$1,135,665**

Figures in Thousands of USD unless otherwise noted.

Capital Structure

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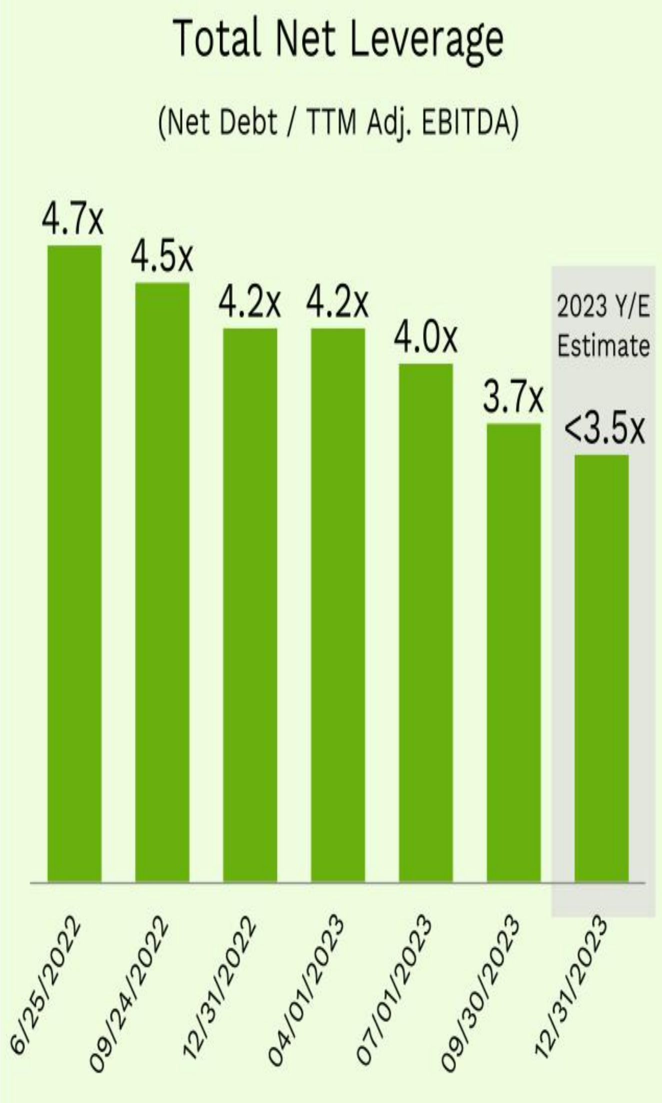
Leverage Continues to Improve

	September 30, 2023
ABL Revolver ($252 million capacity)	$47.0
Term Note	$754.0
Finance Leases and Other Obligations	$10.1
Total Debt	$811.1
Cash	$39.3
Net Debt	**$771.8**
TTM Adjusted EBITDA	**$210.0**
Net Debt/ TTM Adjusted EBITDA	**3.7x**
Current Effective Interest Rate*	4.7%



Please see reconciliation of Non-GAAP metrics Adjusted EBITDA and Net Debt in the Appendix of this presentation. Figures in Millions of USD unless otherwise noted.
**Current Effective Interest Rate as of October 30, 2023.*

2023 Outlook & Guidance

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2023 Full Year Guidance - Update

On November 8, 2023, Hillman provided an update to its full year guidance, originally provided on February 23, 2023.

(in millions USD)	Original FY 2023 Guidance	Updated FY 2023 Guidance
Revenues	\$1.45 to \$1.55 billion	\$1.455 to \$1.485 billion
Adjusted EBITDA	\$215 to \$235 million	\$215 to \$220 million
Free Cash Flow	\$125 to \$145 million	\$135 to \$155 million

Assumptions

- Net Debt / Adj. EBITDA leverage ratio expected to be below 3.5x at the end of 2023
- Interest expense: \$65 - \$75 million (no change from last quarter)
- Cash interest: \$60 - \$70 million (no change from last quarter)
- Cash tax expense: Approx. \$5 million (no change from last quarter)
- Capital expenditures: \$65 - \$75 million (unchanged)
- Fully diluted shares outstanding: ~198 million (unchanged)

Please see reconciliation of Non-GAAP metrics Adjusted EBITDA and Free Cash Flow in the Appendix of this presentation.

Key Takeaways

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Inventory Turning to Cash; Delivering Well Underway; Margins Returning to Historical Norms

- Business has 59-year track record of success; proven to be resilient through multiple economic cycles
- Repair, Remodel and Maintenance industry has meaningful long-term tailwinds; expected increase in future home spending as 90% of homes pass 20 years of age during 2024 and 2025.[1]
- 1,100-member distribution (sales and service) team and direct-to-store fulfillment continue to provide competitive advantages and strengthen competitive moat - drives new business wins
- Cost of goods peaked in May 2023, margins expanding to normal rates, should expand and hold during remainder of the year and through 2024
- Inventory reduced by $178 million since mid-2022 peak; will continue to improve and reduce debt with free cash flow

Historical Long-term Annual Growth Targets (Organic):

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

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

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

1) Jefferies Research Services: July 10, 2023

Appendix

Investment Highlights

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- Indispensable partner embedded with winning retailers
- Customers love us, trust us and rely on us
- Market and innovation leader across multiple categories
- Large, predictable, growing and resilient end markets
- Significant runway for incremental growth: Organic + M&A
- Management team with proven operational and M&A expertise
- Strong financial profile with 59-year track record

Hillman: Overview

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Who We Are

- We are a leading North American provider of hardware products and solutions, including;
  - Hardware and home improvement products
  - Protective and job site gear – including work gloves and job site storage
  - Robotic kiosk technologies ("RDS"): Key duplication, engraving & knife sharpening
- Our differentiated service model provides direct to-store shipping, in-store service, and category management solutions
- We have long-standing strategic partnerships with leading retailers across North America:
  - Home Depot, Lowes, Walmart, Tractor Supply, and ACE Hardware
- Founded in 1964; HQ in Cincinnati, Ohio

2022: By The Numbers

~20 billion Fasteners Sold	**~400 million** Pairs of Gloves Sold	**~120 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	**58 Years** of Sales Growth in 59-Year History
$1.5 billion 2022 Sales	**11.6% CAGR** 2017-2022 Adj. EBITDA Growth	**14.1%** 2022 Adj. EBITDA Margin

**Third-party market study - 2019*
Adjusted EBITDA is a non-GAAP measure. Please see Appendix for a reconciliation of Adjusted EBITDA to Net Income

Primary Product Categories

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Hardware Solutions	Protective Solutions	Robotics & Digital Solutions
#1 in Segment	#1 in Segment	#1 in Segment

Hardware Solutions

#1 in Segment

Fasteners & Specialty

HILLMAN

DECK PLUS LIFETIME GUARANTEE

Construction Fasteners

POWERPRO

Picture Hanging

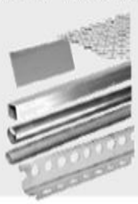
OOK

HILLMAN

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

TRUEGRIP

Safety / PPE

FIRM GRIP

AWP

PREMIUM DEFENSE

Robotics & Digital Solutions

#1 in Segment

Key and Fob Duplication

HILLMAN

minute KEY

Personalized Tags

TagWorks

i.d. SPOT

Knife Sharpening

resharp

Representative Top Customers

ACE Hardware | The Home Depot | Lowe's | TSC Tractor Supply Co | Walmart

Source: Third party industry report.

Adjusted EBITDA Reconciliation

HILLMAN
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Thirteen weeks ended	September 24, 2022	September 30, 2023
Net (loss) income	**$(9,466)**	**$5,057**
Income tax (benefit) expense	(5,679)	12,957
Interest expense, net	14,696	16,728
Depreciation	14,312	14,434
Amortization	15,557	15,583
EBITDA	**$29,420**	**$64,759**
Stock compensation expense	2,485	3,069
Restructuring and other (1)	916	179
Litigation expense (2)	25,255	79
Transaction and integration expense (3)	178	289
Change in fair value of contingent consideration	719	(1,553)
Adjusted EBITDA	**$58,973**	**$66,822**

Footnotes:

1. Includes consulting and other costs associated with severance related to our distribution center relocations and corporate restructuring activities.
2. Litigation expense includes legal fees associated with our litigation with Hy-Ko Products Company LLC.
3. Transaction and integration expense includes professional fees and other costs related to the CCMP secondary offerings in 2022 and 2023.

Adjusted EBITDA Reconciliation

HILLMAN
HLMN | Nasdaq Listed

Thirty-nine weeks ended	September 24, 2022	September 30, 2023
Net (loss) income	**$(2,537)**	**$470**
Income tax (benefit) expense	(147)	3,278
Interest expense, net	38,857	52,880
Depreciation	41,738	44,939
Amortization	46,644	46,733
EBITDA	**$124,555**	**$148,300**
Stock compensation expense	10,789	9,111
Restructuring and other[1]	1,481	3,027
Litigation expense [2]	28,968	339
Transaction and integration expense [3]	2,393	1,599
Change in fair value of contingent consideration	(2,926)	2,614
Adjusted EBITDA	**$165,260**	**$164,990**

Footnotes:

1. Includes consulting and other costs associated with severance related to our distribution center relocations and corporate restructuring activities. 2023 includes costs associated with the cybersecurity event that occurred in May 2023.
2. Litigation expense includes legal fees associated with our litigation with Hy-Ko Products Company LLC.
3. Transaction and integration expense includes professional fees and other costs related to the CCMP secondary offerings in 2022 and 2023.

Adjusted Gross Margin Reconciliation

HILLMAN
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Thirteen weeks ended	September 24, 2022	September 30, 2023
Net Sales	**$378,538**	**$398,943**
Cost of sales (exclusive of depreciation and amortization)	**214,802**	**222,644**
Gross margin exclusive of depreciation and amortization	**$163,736**	**$176,299**
Gross margin exclusive of depreciation and amortization %	**43.3 %**	**44.2 %**

Thirty-nine weeks ended	September 24, 2022	September 30, 2023
Net Sales	**$1,135,665**	**$1,128,669**
Cost of sales (exclusive of depreciation and amortization)	**648,221**	**643,652**
Gross margin exclusive of depreciation and amortization	**$487,444**	**$485,017**
Gross margin exclusive of depreciation and amortization %	**42.9 %**	**43.0 %**

Adjusted SG&A Expense Reconciliation

HILLMAN
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Thirteen weeks ended	*September 24, 2022*	*September 30, 2023*
Selling, general and administrative expenses	$133,246	$113,359
SG&A Adjusting Items [1]:		
Stock compensation expense	2,485	3,069
Restructuring	916	179
Litigation expense	25,255	79
Acquisition and integration expense	178	289
Adjusted SG&A	$104,412	$109,743
Adjusted SG&A as a % of Net Sales	27.6 %	27.5 %

Thirty-nine weeks ended	*September 24, 2022*	*September 30, 2023*
Selling, general and administrative expenses	$366,013	$335,876
SG&A Adjusting Items [1]:		
Stock compensation expense	10,789	9,111
Restructuring	1,481	3,027
Litigation expense	28,968	339
Acquisition and integration expense	2,393	1,599
Adjusted SG&A	$322,382	$321,800
Adjusted SG&A as a % of Net Sales	28.4 %	28.5 %

1. See adjusted EBITDA Reconciliation for details of adjusting items

Net Debt & Free Cash Flow Reconciliations

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Reconciliation of Net Debt

As of	December 31, 2022	September 30, 2023
Revolving loans	$72,000	$47,000
Senior term loan	840,363	753,980
Finance leases and other obligations	6,406	10,118
Gross debt	**$918,769**	**$811,098**
Less cash	31,081	39,262
Net debt	**$887,688**	**$771,836**

Reconciliation of Free Cash Flow

Thirty-nine Weeks Ended	September 24, 2022	September 30, 2023
Net cash provided by operating activities	$63,232	$171,477
Capital expenditures	(46,431)	(52,145)
Free cash flow	**$16,801**	**$119,332**

Segment Adjusted EBITDA Reconciliations

HILLMAN
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Thirteen weeks ended September 24, 2022	HPS	RDS	Canada	Consolidated
Operating income (loss)	$7,259	$(14,052)	$6,344	$(449)
Depreciation & amortization	18,440	10,214	1,215	29,869
Stock compensation expense	2,130	197	158	2,485
Restructuring	831	85	—	916
Litigation expense	—	25,255	—	25,255
Transaction and integration expense	178	—	—	178
Change in fair value of contingent consideration	—	719	—	719
Adjusted EBITDA	**$28,838**	**$22,418**	**$7,717**	**$58,973**

Thirteen weeks ended September 30, 2023	HPS	RDS	Canada	Consolidated
Operating income	$18,556	$12,772	$3,414	$34,742
Depreciation & amortization	19,149	9,674	1,194	30,017
Stock compensation expense	2,536	325	208	3,069
Restructuring and other	163	16	—	179
Litigation expense	—	79	—	79
Transaction and integration expense	255	34	—	289
Change in fair value of contingent consideration	—	(1,553)	—	(1,553)
Adjusted EBITDA	**$40,659**	**$21,347**	**$4,816**	**$66,822**

Segment Adjusted EBITDA Reconciliations

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Thirty-nine weeks ended September 24, 2022	HPS	RDS	Canada	Consolidated
Operating income	$15,391	$3,655	$17,127	$36,173
Depreciation & amortization	53,159	31,542	3,681	88,382
Stock compensation expense	8,693	1,248	848	10,789
Restructuring	1,357	124	—	1,481
Litigation expense	—	28,968	—	28,968
Transaction and integration expense	2,105	288	—	2,393
Change in fair value of contingent consideration	—	(2,926)	—	(2,926)
Adjusted EBITDA	**$80,705**	**$62,899**	**$21,656**	**$165,260**

Thirty-nine weeks ended September 30, 2023	HPS	RDS	Canada	Consolidated
Operating income	$19,087	$27,608	$9,933	$56,628
Depreciation & amortization	56,720	31,349	3,603	91,672
Stock compensation expense	7,606	935	570	9,111
Restructuring and other	2,548	368	111	3,027
Litigation expense	—	339	—	339
Transaction and integration expense	1,424	175	—	1,599
Change in fair value of contingent consideration	—	2,614	—	2,614
Adjusted EBITDA	**$87,385**	**$63,388**	**$14,217**	**$164,990**