UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 30, 2024
OR
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ______ to ______
Commission file number 001-39609

HILLMAN™

Hillman Solutions Corp.

(Exact name of registrant as specified in its charter)

Delaware	85-2096734
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1280 Kemper Meadow Drive	
Cincinnati, Ohio	45240
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (513) 851-4900

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

Title of Each Class	Trading Symbol(s)	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 (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐
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. ☐

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

On May 6, 2024, 196,040,729 shares of common stock, par value $0.0001 per share, were outstanding.

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PART II. OTHER INFORMATION

HILLMAN SOLUTIONS CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(dollars in thousands)

	As of March 30, 2024	As of December 30, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 30,672	$ 38,553
Accounts receivable, net of allowances of $2,433 ($2,770 - 2023)	127,332	103,482
Inventories, net	404,060	382,710
Other current assets	25,130	23,235
Total current assets	587,194	547,980
Property and equipment, net of accumulated depreciation of $345,363 ($333,875 - 2023)	205,025	200,553
Goodwill	828,279	825,042
Other intangibles, net of accumulated amortization of $485,751 ($470,791 - 2023)	643,359	655,293
Operating lease right of use assets	87,334	87,479
Other assets	15,155	14,754
Total assets	$ 2,366,346	$ 2,331,101
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 156,827	$ 140,290
Current portion of debt and finance lease liabilities	10,061	9,952
Current portion of operating lease liabilities	15,288	14,407
Accrued expenses:		
Salaries and wages	16,083	22,548
Pricing allowances	8,002	8,145
Income and other taxes	5,981	6,469
Interest	864	343
Other accrued liabilities	23,059	20,966
Total current liabilities	236,165	223,120
Long-term debt	751,315	731,708
Deferred tax liabilities	131,636	131,552
Operating lease liabilities	78,852	79,994
Other non-current liabilities	7,086	10,198
Total liabilities	$ 1,205,054	$ 1,176,572
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Common stock, $0.0001 par, 500,000,000 shares authorized, 195,942,200 issued and outstanding at March 30, 2024 and 194,913,124 issued and outstanding at December 30, 2023	20	20
Additional paid-in capital	1,427,120	1,418,535
Accumulated deficit	(237,698)	(236,206)
Accumulated other comprehensive loss	(28,150)	(27,820)
Total stockholders' equity	1,161,292	1,154,529
Total liabilities and stockholders' equity	$ 2,366,346	$ 2,331,101

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

HILLMAN SOLUTIONS CORP. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(dollars in thousands, except per share amounts)

HILLMAN SOLUTIONS CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

(dollars in thousands, except for per share amounts)

	Thirteen Weeks Ended March 30, 2024	Thirteen Weeks Ended April 1, 2023
Net sales	$ 350,305	$ 349,707
Cost of sales (exclusive of depreciation and amortization shown separately below)	183,434	204,509
Selling, warehouse, general and administrative expenses	118,565	111,065
Depreciation	16,338	16,705
Amortization	15,254	15,572
Other expense, net	410	767
Income from operations	16,304	1,089
Interest expense, net	15,271	18,077
Refinancing costs	3,008	—
Loss before income taxes	(1,975)	(16,988)
Income tax benefit	(483)	(7,856)
Net loss	$ (1,492)	$ (9,132)
Basic loss per share	$ (0.01)	$ (0.05)
Weighted average basic shares outstanding	195,365	194,548
Net loss from above	$ (1,492)	$ (9,132)
Other comprehensive loss:		
Foreign currency translation adjustments	1,487	959
Hedging activity	(1,817)	(5,142)
Total other comprehensive loss	(330)	(4,183)
Comprehensive loss	$ (1,822)	$ (13,315)

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

HILLMAN SOLUTIONS CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(dollars in thousands)

	Thirteen Weeks Ended March 30, 2024	Thirteen Weeks Ended April 1, 2023
Cash flows from operating activities:		
Net loss	$ (1,492)	$ (9,132)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	31,592	32,277
Deferred income taxes	(386)	(2,594)
Deferred financing and original issue discount amortization	1,330	1,332
Stock-based compensation expense	2,829	2,637
Loss on debt restructuring	3,008	—
Cash paid to third parties in connection with debt restructuring	(1,554)	—
Loss on disposal of property and equipment	56	82
Change in fair value of contingent consideration	332	1,715
Changes in operating items:		
Accounts receivable, net	(25,095)	(33,963)
Inventories, net	(2,341)	38,871
Other assets	(4,014)	(5,934)
Accounts payable	14,632	11,406
Other accrued liabilities	(7,221)	(5,190)
Net cash provided by operating activities	11,676	31,507
Cash flows from investing activities:		
Acquisition of business, net of cash received	(23,956)	(300)
Capital expenditures	(17,759)	(18,111)
Other investing activities	(67)	(113)
Net cash used for investing activities	(41,782)	(18,524)
Cash flows from financing activities:		
Repayments of senior term loans	(2,128)	(2,128)
Financing fees	(33)	—
Borrowings on revolving credit loans	45,000	39,000
Repayments of revolving credit loans	(27,000)	(44,000)
Principal payments under finance lease obligations	(875)	(494)
Proceeds from exercise of stock options	5,899	—
Payments of contingent consideration	(72)	(1,079)
Other financing activities	(380)	(58)
Net cash provided by (used for) financing activities	20,411	(8,759)
Effect of exchange rate changes on cash	1,814	(555)
Net (decrease) increase in cash and cash equivalents	(7,881)	3,669
Cash and cash equivalents at beginning of period	38,553	31,081
Cash and cash equivalents at end of period	$ 30,672	$ 34,750
Supplemental disclosure of cash flow information:		
Interest paid	$ 11,213	$ 15,059
Income taxes paid	871	472
Capital expenditures in accounts payable	3,093	2,818

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

HILLMAN SOLUTIONS CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Unaudited)

(dollars in thousands)

	Common Stock						
	Shares	Amount	Additional Paid-in-Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Thirteen weeks ended March 30, 2024						
Balance at December 30, 2023	194,913	$ 20	$ 1,418,535	$ (236,206)	$ (27,820)	$ 1,154,529
Net loss	—	—	—	(1,492)	—	(1,492)
Stock option activity, stock awards and employee stock purchase plan	1,029	—	8,585	—	—	8,585
Hedging activity	—	—	—	—	(1,817)	(1,817)
Change in cumulative foreign currency translation adjustment	—	—	—	—	1,487	1,487
Balance at March 30, 2024	195,942	$ 20	$ 1,427,120	$ (237,698)	$ (28,150)	$ 1,161,292
Thirteen weeks ended April 1, 2023						
Balance at December 31, 2022	194,548	$ 20	$ 1,404,360	$ (226,617)	$ (21,024)	$ 1,156,739
Net loss	—	—	—	(9,132)	—	(9,132)
Stock option activity, stock awards and employee stock purchase plan	—	—	2,708	—	—	2,708
Hedging activity	—	—	—	—	(5,142)	(5,142)
Change in cumulative foreign currency translation adjustment	—	—	—	—	959	959
Balance at April 1, 2023	194,548	$ 20	$ 1,407,068	$ (235,749)	$ (25,207)	$ 1,146,132

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

1. BASIS OF PRESENTATION

The accompanying condensed financial statements include the consolidated accounts of Hillman Solutions Corp. and its wholly-owned subsidiaries (collectively “Hillman” or the “Company”). The accompanying unaudited financial statements include the condensed consolidated accounts of the Company for the thirteen weeks ended March 30, 2024. Unless the context requires otherwise, references to "Hillman," "we," "us," "our," or "our Company" refer to Hillman Solutions Corp. and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

The accompanying unaudited Condensed Consolidated Financial Statements present information in accordance with accounting principles generally accepted in the United States for interim financial information and the instructions to Form 10-Q and applicable rules of Regulation S-X. Accordingly, they do not include all information or footnotes required by U.S. generally accepted accounting principles for complete financial statements. Operating results for the thirteen weeks ended March 30, 2024 do not necessarily indicate the results that may be expected for the full year. For further information, refer to the Consolidated Financial Statements for the year ended December 30, 2023 and notes thereto included in the Form 10-K filed on February 22, 2024 with the Securities and Exchange Commission (“SEC”).

“Hillman Solutions Corp.," "HMAN Group Holdings Inc.," and "The Hillman Companies, Inc." are holding companies with no other operations, cash flows, material assets or liabilities other than the equity interests in "The Hillman Group, Inc.,", which is the borrower under the credit facility.

Nature of Operations:

The Company is comprised of three separate operating business segments: (1) Hardware and Protective Solutions, (2) Robotics and Digital Solutions, and (3) Canada.

Hillman provides and, on a limited basis, produces products such as fasteners and related hardware items; threaded rod and metal shapes; keys, key duplication systems, and accessories; personal protective equipment such as gloves and eyewear; builder's hardware; and identification items, such as tags and letters, numbers, and signs, to retail outlets, primarily hardware stores, home improvement centers and mass merchants, pet supply stores, grocery stores, and drug stores. The Canada segment also produces fasteners, stampings, fittings, and processes threaded parts for automotive suppliers, industrial Original Equipment Manufacturers (“OEMs”), and industrial distributors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies should be read in conjunction with the significant accounting policies included in the Form 10-K filed on February 22, 2024 with the SEC.

Use of Estimates in the Preparation of Financial Statements:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses for the reporting periods. Actual results may differ from these estimates.

Revenue Recognition:

Revenue is recognized when control of goods or services is transferred to our customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. Sales and other taxes the Company collects concurrent with revenue-producing activities are excluded from revenue.

The Company offers a variety of sales incentives to its customers primarily in the form of discounts and rebates. Discounts are recognized in the Condensed Consolidated Financial Statements at the date of the related sale. Rebates are based on the revenue to date and the contractual rebate percentage to be paid. A portion of the cost of the rebate is allocated to each underlying sales transaction. Discounts and rebates are included in the determination of net sales.

The Company also establishes reserves for customer returns and allowances. The reserve is established based on historical rates of returns and allowances. The reserve is adjusted quarterly based on actual experience. Returns and allowances are included in the determination of net sales.

The following tables display our disaggregated revenue by product category.

	Thirteen weeks ended March 30, 2024			
	Hardware and Protective Solutions	Robotics and Digital Solutions	Canada	Total Revenue
Fastening and Hardware	$ 214,390	$ —	$ 31,589	$ 245,979
Personal Protective	45,484	—	1,408	46,892
Keys and Key Accessories	—	43,637	1,952	45,589
Engraving and Resharp	—	11,835	10	11,845
Total Revenue	$ 259,874	$ 55,472	$ 34,959	$ 350,305

	Thirteen weeks ended April 1, 2023			
	Hardware and Protective Solutions	Robotics and Digital Solutions	Canada	Total Revenue
Fastening and Hardware	$ 204,974	$ —	$ 31,221	$ 236,195
Personal Protective	48,877	—	1,613	50,490
Keys and Key Accessories	—	48,548	1,941	50,489
Engraving and Resharp	—	12,518	15	12,533
Total Revenue	$ 253,851	$ 61,066	$ 34,790	$ 349,707

The following tables disaggregate our revenue by geographic location.

	Thirteen weeks ended March 30, 2024			
	Hardware and Protective Solutions	Robotics and Digital Solutions	Canada	Total Revenue
United States	$ 255,492	$ 55,472	$ —	$ 310,964
Canada	—	—	34,959	34,959
Mexico	4,382	—	—	4,382
Consolidated	$ 259,874	$ 55,472	$ 34,959	$ 350,305

	Thirteen weeks ended April 1, 2023			
	Hardware and Protective Solutions	Robotics and Digital Solutions	Canada	Total Revenue
United States	$ 249,468	$ 61,066	$ —	$ 310,534
Canada	—	—	34,790	34,790
Mexico	4,383	—	—	4,383
Consolidated	$ 253,851	$ 61,066	$ 34,790	$ 349,707

The Company's revenue by geography is allocated based on the location of its sales operations.
Hardware and Protective Solutions revenues consist primarily of the delivery of fasteners, anchors, specialty fastening products, and personal protective equipment such as gloves and eyewear, as well as in-store merchandising services for the related product category.

Robotics and Digital Solutions revenues consist primarily of sales of keys and identification tags through self-service key duplication and engraving kiosks. It also includes our associate-assisted key duplication systems and key accessories.

Canada revenues consist primarily of the delivery to Canadian customers of fasteners and related hardware items, threaded rod, keys, key duplicating systems, accessories, personal protective equipment, and identification items as well as in-store merchandising services for the related product category.

The Company’s performance obligations under its arrangements with customers are providing products, in-store merchandising services, and access to key duplicating and engraving equipment. Generally, the price of the merchandising services and the access to the key duplicating and engraving equipment is included in the price of the related products. Control of products is transferred at the point in time when the customer accepts the goods, which occurs upon delivery of the products. Judgment is required in determining the time at which to recognize revenue for the in-store services and the access to key duplicating and engraving equipment. Revenue is recognized for in-store service and access to key duplicating and engraving equipment as the related products are delivered, which approximates a time-based recognition pattern. Therefore, the entire amount of consideration related to the sale of products, in-store merchandising services, and access to key duplicating and engraving equipment is recognized upon the delivery of the products.

The costs to obtain a contract are insignificant, and generally contract terms do not extend beyond one year. Therefore, these costs are expensed as incurred. Freight and shipping costs and the cost of our in-store merchandising services teams are recognized in selling, warehouse, general, and administrative expense when control over products is transferred to the customer.

The Company used the practical expedient regarding the existence of a significant financing component as payments are due in less than one year after delivery of the products.

3. RECENT ACCOUNTING PRONOUNCEMENTS

On November 27, 2023, the FASB ("Financial Accounting Standards Board") issued ASU ("Accounting Standards Update") 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. The amendments in this update improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. In addition, the amendments enhance interim disclosure requirements, clarify circumstances in which an entity can disclose multiple segment measures of profit or loss, provide new segment disclosure requirements for entities with a single reportable segment, and contain other disclosure requirements. The purpose of the amendments is to enable investors to better understand an entity’s overall performance and assists in assessing potential future cash flows. The amendments in this Update are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024 and should be applied retrospectively to all prior periods presented. The Company is currently evaluating the impact provided by the new standard.

On December 14, 2023, the FASB issued ASU 2023-09, Improvements to Income Tax Disclosures. The amendments in this update require that public business entities on an annual basis (1) disclose specific categories in the rate reconciliation and (2) provide additional information for reconciling items that meet a quantitative threshold. The standard requires disaggregated information about a reporting entity’s effective tax rate reconciliation as well as information on income taxes paid. The standard is intended to benefit investors by providing more detailed income tax disclosures that would be useful in making capital allocation decisions. The amendments on Income Tax Disclosures are effective for fiscal years beginning after December 15, 2024, and should be applied retrospectively to all prior periods presented. The Company is currently evaluating the impact provided by the new standard.

4. ACQUISITIONS

On December 5, 2023, the Company completed its acquisition of Ajustlock, an innovative adjustable barrel bolt lock used on gates, doors or windows which self-adjusts vertically to eliminate door shift issues, for a total purchase price of $1,400, which includes a $100 hold-back payable to the seller due one year after closing. Ajustlock sells its products throughout North America and its financial results reside in the Company's Hardware and Protective Solutions reportable segment and have been determined to be immaterial for purposes of additional disclosure.

On January 11, 2024, the Company completed the acquisition of Koch Industries, Inc ("Koch"), a premier provider and merchandiser of rope and twine, chain and wire rope, and related hardware products for a total purchase price of $23,956. Koch has business operations throughout North America and its financial results will reside in the Company's Hardware and Protective Solutions reportable segment.

The following table reconciles the fair value of the acquired assets and assumed liabilities to the total purchase price of Koch.

Inventory	$	20,194
Other current assets		275
Property and equipment		586
Goodwill		3,821
Customer relationships		3,400
Trade names		300
Total assets acquired	$	28,576
Less:		
Liabilities assumed		(4,620)
Total purchase price	$	23,956

Net sales and operating income from Koch included in the Company's Condensed Consolidated Statement of Comprehensive Income (Loss) for the period ended March 30, 2024 was approximately $9,164 and $836, respectively. Pro forma financial information has not been presented for Koch as the financial results of Koch were insignificant to the financial results of the Company on a standalone basis.

5. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill amounts by reportable segment are summarized as follows:

	Goodwill at December 30, 2023	Acquisitions	Dispositions	Other [1]	Goodwill at March 30, 2024
Hardware and Protective Solutions	$ 575,298	$ 3,821	$ —	$ 105	$ 579,224
Robotics and Digital Solutions	220,936	—	—	—	220,936
Canada	28,808	—	—	(689)	28,119
Total	$ 825,042	$ 3,821	$ —	$ (584)	$ 828,279

(1) The "Other" change to goodwill relates to adjustments resulting from fluctuations in foreign currency exchange rates for the Canada and Hardware Solutions reporting units.

Other intangibles, net, as of March 30, 2024 and December 30, 2023 consist of the following:

	Estimated Useful Life (Years)	March 30, 2024	December 30, 2023
Customer relationships	13 - 20	$ 947,517	$ 944,713
Trademarks - indefinite	Indefinite	85,387	85,520
Trademarks - other	7 - 15	29,449	31,665
Technology and patents	5 - 12	66,757	64,186
Intangible assets, gross		1,129,110	1,126,084
Less: Accumulated amortization		485,751	470,791
Other intangibles, net		$ 643,359	$ 655,293

The amortization expense for intangible assets, including the adjustments resulting from fluctuations in foreign currency exchange rates for the thirteen weeks ended March 30, 2024 was $15,254. Amortization expense for the thirteen weeks ended April 1, 2023 was $15,572.

The Company tests goodwill and indefinite-lived intangible assets for impairment annually in the fourth quarter. Impairment is also tested when events or changes in circumstances indicate that the carrying values of the assets may be greater than their fair values. During the thirteen weeks ended March 30, 2024 and the thirteen weeks ended April 1, 2023, the Company did not identify any triggering events that would result in an impairment analysis outside of the annual assessment.

6. COMMITMENTS AND CONTINGENCIES

Insurance Coverage

The Company self-insures its general liability including product liability, automotive and workers' compensation losses up to $500 per occurrence. Catastrophic coverage has been purchased from third party insurers for occurrences up to $60,000. The two risk areas involving the most significant accounting estimates are workers' compensation and automotive liability. Actuarial valuations performed by the Company's outside risk insurance expert were used by the Company's management to form the basis for workers' compensation and automotive liability loss reserves. The actuary contemplated the Company's specific loss history, actual claims reported, and industry trends among statistical and other factors to estimate the range of reserves required. Risk insurance reserves are comprised of specific reserves for individual claims and additional amounts expected for development of these claims, as well as for incurred but not yet reported claims. The Company believes that the liability of approximately $2,593 recorded for such risks is adequate as of March 30, 2024.

As of March 30, 2024, the Company has provided certain vendors and insurers letters of credit aggregating to $40,890 related to our product purchases and insurance coverage for product liability, workers’ compensation, and general liability.

The Company self-insures group health claims up to an annual stop loss limit of $300 per participant. Historical group insurance loss experience forms the basis for the recognition of group health insurance reserves. Provisions for losses expected under these programs are recorded based on an analysis of historical insurance claim data and certain actuarial assumptions. The Company believes that the liability of approximately $3,001 recorded for such risks is adequate as of March 30, 2024.

Import Duties

The Company imports large quantities of fastener products which are subject to customs requirements and to tariffs and quotas set by governments through mutual agreements and bilateral actions. The Company could be subject to the assessment of additional duties and interest if it or its suppliers fail to comply with customs regulations or similar laws. The U.S. Department of Commerce (the "Department”) has received requests from petitioners to conduct administrative reviews of compliance with anti-dumping duty and countervailing duty laws for certain nail products sourced from Asian countries. The Company sourced products under review from vendors in China and Taiwan during the periods selected for review. The Company accrues for the duty expense once it is determined to be probable and the amount can be reasonably estimated.

Litigation

We are involved in litigation arising in the normal course of business. In management’s opinion, any such litigation is not expected to have a material adverse effect on our consolidated financial condition, results of operations, or cash flows.

7. RELATED PARTY TRANSACTIONS

Hillman, Jefferies Financial Group Inc., certain other financial sponsors, CCMP Investors and the Oak Hill Investors entered into the Amended and Restated Registration Rights Agreement (the “A&R Registration Rights Agreement”), pursuant to which, among other things, the parties to the A&R Registration Rights Agreement agreed not to effect any sale or distribution of any equity securities of Hillman held by any of them during the lock-up period described therein and were granted certain registration rights with respect to their respective shares of Hillman common stock, in each case, on the terms and subject to the conditions therein. Richard Zannino and Joe Scharfenberger, both partners at CCMP, were members of our Board at the time Hillman entered into the A&R Registration Rights Agreement. Mr. Zannino and Mr. Scharfenberger each resigned from the Hillman Board in May 2023 following CCMP's complete exit of its investment in Hillman during the second quarter of 2023. Another director, Teresa Gendron, was the CFO of Jefferies Financial Group until March 2023.

Sales to related parties, which are included in net sales, consist of the sale of excess inventory to Ollie's Bargain Outlet Holdings, Inc. ("Ollie's"). John Swygert, President and Chief Executive Officer of Ollie's, is a member of our Board of Directors. Sales to related parties were $18 and $265 in the thirteen weeks ended March 30, 2024 and in the thirteen weeks ended April 1, 2023, respectfully.

8. INCOME TAXES

ASC 740 requires companies to apply their estimated annual effective tax rate on a year-to-date basis in each interim period. These rates are derived, in part, from expected annual pre-tax income or loss. In the thirteen weeks ended March 30, 2024 and the thirteen weeks ended April 1, 2023, the Company applied an estimated annual effective tax rate based on expected annual pre-tax income to the interim period pre-tax loss to calculate the income tax benefit. Given that the Company is forecasting positive income for the full fiscal year, the Company anticipates that the income tax benefit recorded as of March 30, 2024 will reverse to an income tax provision by the end of the fiscal year.

For the thirteen weeks ended March 30, 2024, the effective income tax rate was24.5%. The Company recorded an income tax benefit for the thirteen weeks ended March 30, 2024 of $483. The effective tax rate for the thirteen weeks ended March 30, 2024 was the result of certain non-deductible expenses and state and foreign income taxes.

For the thirteen weeks ended April 1, 2023, the effective income tax rate was46.2%. The Company recorded an income tax benefit for the thirteen weeks ended April 1, 2023 of $7,856. The effective tax rate for the thirteen weeks ended April 1, 2023 was the result of GILTI from the Company's Canadian operations, certain non-deductible expenses, and state and foreign income taxes.

9. LONG-TERM DEBT

The following table summarizes the Company’s debt:

	March 30, 2024	December 30, 2023
Revolving loans	$ 18,000	$ —
Senior Term Loan, due 2028	749,725	751,852
Finance lease & other obligations	10,453	9,097
	778,178	760,949
Unamortized discount on Senior Term Loan	(3,549)	(4,087)
Current portion of long-term debt and finance leases	(10,061)	(9,952)
Deferred financing fees	(13,253)	(15,202)
Total long-term debt, net	$ 751,315	$ 731,708

As of March 30, 2024, the Asset-Backed Loan ("ABL") Revolver had an outstanding amount of $18,000 and outstanding letters of credit of $40,890. The Company has $211,619 of available borrowings under the revolving credit facility as a source of liquidity as of March 30, 2024 based on the customary ABL borrowing base and availability provisions.

2024 Repricing

On March 26, 2024, the Company entered into a Repricing Amendment (2024 Repricing Amendment) on its existing Senior Term Loan due July 14, 2028. The 2024 Repricing Amendment (i) reduces the interest rate per annum applicable to the Term Loan outstanding from SOFR plus a margin varying from 2.50% to 2.75% plus a Credit Spread Adjustment ("CSA") varying between 0.11% to 0.43% to SOFR plus a margin varying from 2.25% to 2.50%, without the CSA and (ii) implements a 1% prepayment premium for the existing Term Loan to apply to Repricing Transactions that occur within six months after the effective date of the 2024 Repricing Amendment. In connection with the closing of the 2024 Repricing Amendment, the Company expensed $3,008 consisting of $1,554 of existing fees written off and $1,454 in new fees expensed. The Company capitalized an additional $33 primarily for the payment of upfront lender fees (original issue discount).

10. LEASES

Lessee

The Company determines if a contract is or contains a lease at inception or modification of a contract. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. Control over the use of the identified asset means the lessee has both 1) the right to obtain substantially all of the economic benefits from the use of the asset and 2) the right to direct the use of the asset. The Company leases certain distribution center locations, vehicles, forklifts, computer equipment, and its corporate headquarters with expiration dates through 2033. Certain lease arrangements include escalating rent payments and options to extend the lease term. Expected lease terms include these options to extend or terminate the lease when it is reasonably certain the Company will exercise the option. The Company's leasing arrangements do not contain material residual value guarantees, nor material restrictive covenants.

The components of operating and finance lease costs for the thirteen weeks ended March 30, 2024 and thirteen weeks ended April 1, 2023 were as follows:

	Thirteen Weeks Ended March 30, 2024	Thirteen Weeks Ended April 1, 2023
Operating lease costs	$ 5,214	$ 5,447
Short term lease costs	1,231	1,349
Variable lease costs	517	335
Finance lease costs:		
Amortization of right of use assets	939	505
Interest on lease liabilities	128	36

Rent expense is recognized on a straight-line basis over the expected lease term. Rent expense totaled $6,962 in the thirteen weeks ended March 30, 2024 and $7,131 in the thirteen weeks ended April 1, 2023. Rent expense includes operating lease costs as well as expenses for non-lease components such as common area maintenance, real estate taxes, real estate insurance, variable costs related to our leased vehicles and also short-term rental expenses.

The implicit rate is not determinable in most of the Company's leases, as such management uses the Company's incremental borrowing rate based on the information available at commencement date in determining the present value of future payments.

The weighted average remaining lease terms and discount rates for all of our operating leases were as follows as of March 30, 2024 and December 30, 2023:

	March 30, 2024		December 30, 2023	
	Operating Leases	Finance Leases	Operating Leases	Finance Leases
Weighted average remaining lease term	6.07	3.06	6.33	2.95
Weighted average discount rate	6.95 %	5.64 %	7.04 %	5.38 %

Supplemental balance sheet information related to the Company's finance leases was as follows as of March 30, 2024 and December 30, 2023:

	March 30, 2024		December 30, 2023	
Finance lease assets, net, included in property plant and equipment	$	8,835	$	7,166
Current portion of long-term debt		3,288		2,800
Long-term debt, less current portion		5,759		4,512
Total principal payable on finance leases	$	9,047	$	7,312

Supplemental cash flow information related to the Company's operating and finance leases was as follows for the thirteen weeks ended March 30, 2024 and thirteen weeks ended April 1, 2023:

	Thirteen Weeks Ended March 30, 2024		Thirteen Weeks Ended April 1, 2023	
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash outflow from operating leases	$	5,270	$	4,872
Operating cash outflow from finance leases		124		34
Financing cash outflow from finance leases		875		494

As of March 30, 2024, our future minimum rental commitments are immaterial for lease agreements beginning after the current reporting periodMaturities of our lease liabilities for all operating and finance leases are as follows as of March 30, 2024:

	Operating Leases		Finance Leases	
Less than one year	$	21,134	$	3,717
1 to 2 years		20,312		3,053
2 to 3 years		19,475		1,962
3 to 4 years		17,079		876
4 to 5 years		14,482		272
After 5 years		22,363		11
Total future minimum rental commitments		114,845		9,891
Less - amounts representing interest		(20,705)		(844)
Present value of lease liabilities	$	94,140	$	9,047

Lessor

The Company has certain arrangements for key duplication equipment under which we are the lessor. These leases meet the criteria for operating lease classification. Lease income associated with these leases is not material.

11. EQUITY AND ACCUMULATED OTHER COMPREHENSIVE INCOME

Common Stock

Hillman Solutions Corp. has one class of common stock.

Accumulated Other Comprehensive Income (Loss)

The following is detail of the changes in the Company's accumulated other comprehensive income (loss) from December 31, 2022 to March 30, 2024, including the effect of significant reclassifications out of accumulated other comprehensive income (loss) (net of tax):

		Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2022	$	(21,024)
Other comprehensive income before reclassifications		8,812
Amounts reclassified from other comprehensive income		(15,608)
Net current period other comprehensive income [(1)]		(6,796)
Balance at December 30, 2023		(27,820)
Other comprehensive income before reclassifications		(4,517)
Amounts reclassified from other comprehensive income		4,187
Net current period other comprehensive loss [(2)]		(330)
Balance at March 30, 2024	$	(28,150)

1. During the year ended December 30, 2023, the Company deferred a gain of $125, reclassified a gain of $15,608 net of tax of $3,886 into other comprehensive loss due to hedging activities. The amounts reclassified out of other comprehensive loss were recorded as interest expense. See Note 14 - Derivatives and Hedging for additional information on the interest rate swaps.
2. During the thirteen weeks ended March 30, 2024, the Company deferred a loss of $5,613, reclassified a loss of $4,187 net of tax of $609 into other comprehensive loss due to hedging activities. The amounts reclassified out of other comprehensive loss were recorded as interest expense. See Note 14 - Derivatives and Hedging for additional information on the interest rate swaps.

12. STOCK-BASED COMPENSATION

2014 Equity Incentive Plan

The 2014 Equity Incentive Plan may grant options, stock appreciation rights, restricted stock, and other stock-based awards for up to an aggregate of 14,523,510 shares of its common stock.

The 2014 Equity Incentive Plan had stock compensation expense of $407 recognized in the accompanying Condensed Consolidated Statements of Comprehensive Income (Loss) for the thirteen weeks ended March 30, 2024 and $1,291 for the thirteen weeks ended April 1, 2023.

Stock Options

The fair value of stock options is determined at the grant date using the Black-Scholes option pricing model. The time-based stock option awards generally vest evenly over four years from the grant date and performance-based options vest based Company stock price hurdles.

Restricted Stock

The Company granted restricted stock at the grant date fair value of the underlying common stock securities. The restrictions lapse in one quarter increments on each of the three anniversaries of the award date, and one quarter on the completion of the relocation of the recipient to the Cincinnati area or earlier in the event of a change in control. The associated expense is recognized over the service period.

Restricted Stock Units

The Restricted Stock Units ("RSUs") granted to employees for service generally vest after three years, subject to continued employment.

Exercise of Stock Options

During the thirteen weeks ended March 30, 2024, 847,779 outstanding options under the 2014 were exercised providing aggregate proceeds to the Company of approximately $5,899. There were not any options exercised in the thirteen weeks ended April 1, 2023.

2021 Equity Incentive Plan

Effective July 14, 2021, the Company established the 2021 Equity Incentive Plan. Under the 2021 Equity Incentive Plan (the "2021 Plan"), the maximum number of shares of common stock that may be delivered in satisfaction of awards under the 2021 Plan as of the Effective Date is (i) 7,150,814 shares, plus (ii) the number of shares of stock underlying awards under the 2014 Equity Incentive Plan that on or after the Effective Date expire or become unexercisable, or are forfeited, cancelled or otherwise terminated, in each case, without delivery of shares or cash therefore, and would have become available again for grant under the Prior Plan in accordance with its terms (not to exceed 14,523,510 shares of common stock in the aggregate).

The 2021 Equity Incentive Plan had stock compensation expense of $2,303 and $1,266 recognized in the accompanying Condensed Consolidated Statements of Comprehensive Income (Loss) for the thirteen weeks ended March 30, 2024 and for the thirteen weeks ended April 1, 2023, respectfully.

Stock Options

The fair value of stock options is determined at the grant date using the Black-Scholes option pricing model. The time-based stock option awards generally vest evenly over four years from the grant date and performance-based options vest based on specified targets such as Company performance and Company stock price hurdles.

Restricted Stock Units

The RSUs granted to employees for service generally vest after three years, subject to continued employment. The RSUs granted to non-employee directors generally vest in full on sooner of the first anniversary of the grant date or the Company's next annual meeting of stockholders.

2021 Employee Stock Purchase Plan

Our Employee Stock Purchase Plan ("ESPP") became effective on July 14, 2021, in which 1,140,754 shares of common stock were available for issuance under the ESPP. Under the ESPP, eligible employees are granted options to purchase shares of common stock at 85% of the fair market value at the time of exercise. Options to purchase shares are granted four times a year on the first payroll date in January, April, July, and October of each year and ending approximately three months later on the last business day in March, June, September or December. No employee may be granted an option under the Plan if, immediately after the option is granted, the employee would own stock possessing five percent or more of the total combined voting power or value of all classes of stock of the Company.

Compensation expense associated with ESPP purchase rights is recognized on a straight-line basis over the vesting period. As of the thirteen weeks ended March 30, 2024, there was approximately $119, and as of thirteen weeks ended April 1, 2023, there was approximately $0 of compensation expense related to the ESPP, respectfully.

13. EARNINGS PER SHARE

Basic earnings per share is computed based on the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share include the dilutive effect of stock options and restricted stock awards and units. The following is a reconciliation of the basic and diluted earnings per share ("EPS") computations for both the numerator and denominator (in thousands, except per share data):

	Thirteen weeks ended March 30, 2024		
	Earnings (Numerator)	Shares (Denominator)	Per Share Amount
Net loss	$ (1,492)	195,365	$ (0.01)
Dilutive effect of stock options and awards	—	—	—
Net loss per diluted common share	$ (1,492)	195,365	$ (0.01)

HILLMAN

	Thirteen weeks ended April 1, 2023		
	Earnings (Numerator)	Shares (Denominator)	Per Share Amount
Net loss	$ (9,132)	194,548	(0.05)
Dilutive effect of stock options and awards	—	—	—
Net loss per diluted common share	$ (9,132)	194,548	(0.05)

Stock options and awards outstanding totaling 2,976 were excluded from the computation for the thirteen weeks ended March 30, 2024 and 9,618 for the thirteen weeks ended April 1, 2023, as they would have had an antidilutive effect under the treasury stock method.

14. DERIVATIVES AND HEDGING

FASB ASC 815, Derivatives and Hedging ("ASC 815"), provides the disclosure requirements for derivatives and hedging activities with the intent to provide users of financial statements with an enhanced understanding of: (a) how and why an entity uses derivative instruments, (b) how the entity accounts for derivative instruments and related hedged items, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. Further, qualitative disclosures are required that explain the Company's objectives and strategies for using derivatives, as well as quantitative disclosures about the fair value of and gains and losses on derivative instruments.

The Company uses derivative financial instruments to manage its exposures to (1) interest rate fluctuations on its floating rate senior term loan and (2) fluctuations in foreign currency exchange rates. The Company measures those instruments at fair value and recognizes changes in the fair value of derivatives in earnings in the period of change, unless the derivative qualifies as an effective hedge that offsets certain exposures.

The Company does not enter into derivative transactions for speculative purposes and, therefore, holds no derivative instruments for trading purposes.

Interest Rate Swap Agreements

On July 9, 2021, the Company entered into an interest swap agreement ("2021 Swap 1") for a notional amount of $144,000. The forward start date of the 2021 Swap 1 was July 30, 2021 and the termination date is July 31, 2024. Originally, the 2021 Swap 1 had a determined pay fixed interest rate of 0.75%. As of June 30, 2023 the Company modified the terms of the swaps to replace the LIBOR-based reference rates with SOFR-based reference rates, in accordance with the respective swap agreements and market conventions. This modification resulted in a determined pay fixed interest rate of 0.74%. In accordance with ASC 815, the Company determined the 2021 Swap 1 constituted an effective cash flow hedge and therefore changes in fair value are recorded within other comprehensive loss within the Company's Statement of Comprehensive Income (Loss) and the deferred gains or losses are reclassified out of other comprehensive loss into interest expense in the same period during which the hedged transactions affect earnings.

On July 9, 2021, the Company entered into an interest swap agreement ("2021 Swap 2") for a notional amount of $216,000. The forward start date of the 2021 Swap 2 was July 30, 2021 and the termination date is July 31, 2024. Originally, the 2021 Swap 2 had a determined pay fixed interest rate of 0.76%. As of June 30, 2023 the Company modified the terms of the swaps to replace the LIBOR-based reference rates with SOFR-based reference rates, in accordance with the respective swap agreements and market conventions. This modification resulted in a determined pay fixed interest rate of 0.74%. In accordance with ASC 815, the Company determined the 2021 Swap 2 constituted an effective cash flow hedge and therefore changes in fair value are recorded within other comprehensive loss within the Company's Statement of Comprehensive Income (Loss) and the deferred gains or losses are reclassified out of other comprehensive loss into interest expense in the same period during which the hedged transactions affect earnings.

On December 19, 2023, the Company entered into an interest swap agreement ("2024 Swap 1") for a notional amount of $144,000. The forward start date of the 2024 Swap 1 is July 21, 2024 and the termination date is January 31, 2027. The 2024 Swap 1 has a determined pay fixed interest rate of 3.8%. In accordance with ASC 815, the Company determined the 2024 Swap 1 constituted an effective cash flow hedge and therefore changes in fair value are recorded within other comprehensive loss within the Company's Statement of Comprehensive Income

(Loss) and the deferred gains or losses are reclassified out of other comprehensive loss into interest expense in the same period during which the hedged transactions affect earnings.

On December 19, 2023, the Company entered into an interest swap agreement ("2024 Swap 2") for a notional amount of $116,000. The forward start date of the 2024 Swap 2 is July 21, 2024 and the termination date is January 31, 2027. The 2024 Swap 2 has a determined pay fixed interest rate of 3.62%. In accordance with ASC 815, the Company determined the 2024 Swap 2 constituted an effective cash flow hedge and therefore changes in fair value are recorded within other comprehensive loss within the Company's Statement of Comprehensive Income (Loss) and the deferred gains or losses are reclassified out of other comprehensive loss into interest expense in the same period during which the hedged transactions affect earnings.

As of March 30, 2024 the Company did not hold any derivative liabilities.The following table summarizes the Company's derivative financial instruments:

	Asset Derivatives			Liability Derivatives		
		As of March 30, 2024	As of December 30, 2023		As of March 30, 2024	As of December 30, 2023
	Balance Sheet Location	Fair Value	Fair Value	Balance Sheet Location	Fair Value	Fair Value
Derivatives designated as hedging instruments:						
2021 Swap 1	Other current/other non-current assets	$ 2,179	$ 3,560	Other accrued expenses	$ —	$ —
2021 Swap 2	Other current/other non-current assets	3,266	5,336	Other accrued expenses	—	—
2024 Swap 1	Other current/other non-current assets	938	207	Other non-current liabilities	—	(1,613)
2024 Swap 2	Other current/other non-current assets	2,307	436	Other non-current liabilities	—	(1,660)
Total hedging instruments:		$ 8,690	$ 9,539		$ —	$ (3,273)

Additional information with respect to the fair value of derivative instruments is included in Note 15 - Fair Value Measurements.

15. FAIR VALUE MEASUREMENTS

The Company uses the accounting guidance that applies to all assets and liabilities that are being measured and reported on a fair value basis. The guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.
Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
Level 3: Unobservable inputs reflecting the reporting entity's own assumptions.

The accounting guidance establishes a hierarchy which requires an entity to maximize the use of quoted market prices and minimize the use of unobservable inputs. An asset or liability's level is based on the lowest level of input that is significant to the fair value measurement.

The following tables set forth the Company's financial assets and liabilities that were measured at fair value on a recurring basis during the period, by level, within the fair value hierarchy:

	As of March 30, 2024			
	Level 1	Level 2	Level 3	Total
Trading securities	$ 875	$ —	$ —	$ 875
Interest rate swaps	—	8,690	—	8,690
Contingent consideration payable	—	—	5,155	5,155

	As of December 30, 2023			
	Level 1	Level 2	Level 3	Total
Trading securities	$ 818	$ —	$ —	$ 818
Interest rate swaps	—	6,266	—	6,266
Contingent consideration payable	—	—	4,895	4,895

Trading securities are valued using quoted prices on an active exchange. Trading securities represent assets held in a Rabbi Trust to fund deferred compensation liabilities and are included as Other assets on the accompanying Condensed Consolidated Balance Sheets.

The Company utilizes interest rate swap contracts to manage our targeted mix of fixed and floating rate debt, and these contracts are valued using observable benchmark rates at commonly quoted intervals for the full term of the swap contracts. As of March 30, 2024 and December 30, 2023, the Company's interest rate swaps were recorded on the accompanying Condensed Consolidated Balance Sheets in accordance with ASC 815.

The contingent consideration represents future potential earn-out payments related to the Resharp acquisition in fiscal 2019 and the Instafob acquisition in the first quarter of 2020. The estimated fair value of the contingent earn-outs was determined using a Monte Carlo analysis examining the frequency and mean value of the resulting earn-out payments. The resulting value captures the risk associated with the form of the payout structure. The risk neutral method is applied, resulting in a value that captures the risk associated with the form of the payout structure and the projection risk. The carrying amount of the liability may fluctuate significantly and actual amounts paid may be materially different from the estimated value of the liability. The current and non-current portions of these obligations are reported separately on the Condensed Consolidated Balance Sheets as other accrued expense and other non-current liabilities, respectively. Subsequent changes in the fair value of the contingent consideration liabilities, as determined by using a simulation model of the Monte Carlo analysis that includes updated projections applicable to the liability, are recorded within other income (expense) in the Condensed Consolidated Statements of Comprehensive Income (Loss).

The table below provides a summary of the changes in fair value of the Company’s contingent consideration (Level 3) for Resharp and Instafob as of March 30, 2024.

	Resharp		Instafob		
	Other accrued expense	Other non-current liabilities	Other accrued expense	Other non-current liabilities	Total
Fair value as of December 30, 2023	$ 200	$ 4,600	$ 16	$ 79	$ 4,895
Fair value of cash consideration paid	(69)	—	(3)	—	(72)
Change in fair value of contingent consideration	70	300	(3)	(35)	332
Fair value as of March 30, 2024	$ 201	$ 4,900	$ 10	$ 44	$ 5,155

Cash, accounts receivable, short-term borrowings and accounts payable are reflected in the Condensed Consolidated Balance Sheets at book value, which approximates fair value, due to the short-term nature of these instruments. The carrying amounts of the long-term debt under the revolving credit facility and term loan approximate the fair value at March 30, 2024 and December 30, 2023 as the interest rate is variable and approximates current market rates of debt based on observable market transactions with similar terms and comparable credit risk.

Additional information with respect to the derivative instruments is included in Note 14 - Derivatives and Hedging.

16. SEGMENT REPORTING

The Company's segment reporting structure uses the Company's management reporting structure as the foundation for how the Company manages its business. The Company periodically evaluates its segment reporting structure in accordance with ASC 350-20-55 and has concluded that it has three reportable segments as of March 30, 2024: Hardware and Protective Solutions, Robotics and Digital Solutions, and Canada. The Company evaluates the performance of its segments based on revenue and income from operations, and does not include segment assets nor non-operating income/expense items for management reporting purposes.

The table below presents revenues and income from operations for our reportable segments for the thirteen weeks ended March 30, 2024 and thirteen weeks ended April 1, 2023.

	Thirteen Weeks Ended March 30, 2024	Thirteen Weeks Ended April 1, 2023
Revenues		
Hardware and Protective Solutions	$ 259,874	$ 253,851
Robotics and Digital Solutions	55,472	61,066
Canada	34,959	34,790
Total revenues	$ 350,305	$ 349,707
Segment Income from Operations		
Hardware and Protective Solutions	$ 9,248	$ (3,836)
Robotics and Digital Solutions	5,757	4,462
Canada	1,299	463
Total segment income from operations	$ 16,304	$ 1,089

ITEM 2 - MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion provides information which the Company’s management believes is relevant to an assessment and understanding of the Company’s operations and financial condition. This discussion should be read in conjunction with the Condensed Consolidated Financial Statements and accompanying notes in addition to the Consolidated Financial Statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 30, 2023.

FORWARD-LOOKING STATEMENTS

This quarterly report contains certain forward-looking statements, including, but not limited to, certain disclosures related to acquisitions, refinancing, capital expenditures, resolution of pending litigation, and realization of deferred tax assets, 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) 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 cyber security 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; 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 February 22, 2024. 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.

GENERAL

Hillman Solutions Corp. and its wholly-owned subsidiaries (collectively, “Hillman” or “Company”) are one of the largest providers of hardware-related products and related merchandising services to retail markets in North America. Our principal business is operated through our wholly-owned subsidiary, Hillman Solutions Corp. and its wholly-owned subsidiaries (collectively, “Hillman Group”), which had net sales of $350.3 million in the thirteen weeks ended March 30, 2024. Hillman sells its products to hardware stores, home improvement centers, mass merchants, pet supply stores, and other retail outlets principally in the United States, Canada, and Mexico. Product lines include thousands of small hardware parts such as fasteners and related items; threaded rod and metal shapes; keys and accessories; builder's hardware; personal protective equipment, such as gloves and eyewear; and identification items, such as tags and letters, numbers, and signs. We support product sales with services that include design and installation of merchandising systems, maintenance of appropriate in-store inventory levels, and break-fix for our robotics kiosks.

RECENT DEVELOPMENTS

On January 11, 2024, we completed the acquisition of Koch Industries, Inc ("Koch"), a premier provider and merchandiser of rope and twine, chain and wire rope, and related hardware products for a total purchase price of $24.0 million. Koch has business operations throughout North America and its financial results reside in our Hardware and Protective Solutions reportable segment.

On March 26, 2024, we entered into a Repricing Amendment (2024 Repricing Amendment) on our existing Senior Term Loan due July 14, 2028. The 2024 Repricing Amendment (i) reduces the interest rate per annum and (ii) implements a 1% prepayment premium for the existing Term Loan to apply to Repricing Transactions that occur within six months after the effective date of the 2024 Repricing Amendment. In connection with the closing of the 2024 Repricing Amendment, we expensed $3.0 million consisting of $1.6 million of existing fees written off and $1.5 million in new fees expensed. We capitalized an additional $33.0 thousand primarily for the payment of upfront lender fees (original issue discount).

IMPACT OF GLOBAL ECONOMIC CONDITIONS ON OUR RESULTS OF OPERATIONS

Our business is impacted by general economic conditions in the North American markets, particularly the U.S. and Canadian retail markets including hardware stores, home improvement centers, mass merchants, and other retailers. Changes in current economic conditions, including inflationary pressures in the cost of inventory, transportation, and employee compensation, foreign currency volatility, housing market trends, and concerns of a potential recession, have impacted consumer discretionary income levels and spending. Consumer discretionary income levels and spending impact the purchasing trends of our products by our retail customers. Any adverse trends in discretionary income and consumer spending could have a material adverse effect on our business or operating results.

We are exposed to the risk of unfavorable changes in foreign currency exchange rates for the U.S. dollar versus local currency of our suppliers located primarily in China and Taiwan. We purchase a majority of our products for resale from multiple vendors located in China and Taiwan. The purchase price of these products is routinely negotiated in U.S. dollar amounts rather than the local currency of the vendors and our suppliers' profit margins decrease when the U.S. dollar declines in value relative to the local currency. This puts pressure on our suppliers to increase prices to us. The U.S. dollar increased in value relative to the CNY by approximately 1.7% in the thirteen weeks ended March 30, 2024, increased by 2.9% in 2023, and increased by 8.3% during 2022. The U.S. dollar increased in value relative to the Taiwan dollar by approximately 4.3% in the thirteen weeks ended March 30, 2024, declined by 0.4% in 2023, and increased by 10.8% in 2022.

We are also exposed to risk of unfavorable changes in the Canadian dollar exchange rate versus the U.S. dollar. Our sales in Canada are denominated in Canadian dollars, while a majority of the products are sourced in U.S. dollars. A weakening of the Canadian dollar versus the U.S. dollar results in lower sales in terms of U.S. dollars while the cost of sales remains unchanged. We have a practice of hedging some of our Canadian subsidiary's purchases denominated in U.S. dollars. The U.S. dollar increased in value relative to the Canadian dollar by approximately 2.5% in the thirteen weeks ended March 30, 2024, declined by 2.4% in 2023, and increased by 5.7% in 2022.

In addition, the negotiated purchase price of our products may be dependent upon market fluctuations in the cost of raw materials (i.e. steel, zinc, and nickel) used by our vendors in their manufacturing processes. The final purchase cost of our products may also be dependent upon inflation or deflation in the local economies of vendors in China and Taiwan that could impact the cost of labor and materials used in the manufacturing of our products. We identify the directional impact of changes in our product cost, but the quantification of each of these variable impacts cannot be measured as to the individual impact on our product cost with a sufficient level of precision. We may take pricing action, when warranted, in an attempt to offset a portion of product cost increases. The ability of our operating divisions to implement price increases and seek price concessions, as appropriate, is dependent on competitive market conditions.

We import products which are subject to customs requirements and to tariffs and quotas set by governments through mutual agreements and bilateral actions. The U.S. tariffs on steel and aluminum and other imported goods have increased our product costs and required us to increase prices on the affected products.

Thirteen weeks ended March 30, 2024 vs the Thirteen weeks ended April 1, 2023

FINANCIAL SUMMARY AND OTHER KEY METRICS

- Net sales for the thirteen weeks ended March 30, 2024 were $350.3 million compared to net sales of $349.7 million for the thirteen weeks ended April 1, 2023, an increase of approximately $0.6 million or 0.2%.
- Net loss for the thirteen weeks ended March 30, 2024 was $1.5 million, or $(0.01) per diluted share, compared to a net loss of $9.1 million, or $(0.05) per diluted share for the thirteen weeks ended April 1, 2023.
- Adjusted EBITDA[1] totaled $52.3 million versus $40.2 million in the thirteen weeks ended March 30, 2024 and in the thirteen weeks ended April 1, 2023, respectively.

RESULTS OF OPERATIONS

The following analysis of results of operations includes a brief discussion of the factors that affected our operating results and a comparative analysis of the thirteen weeks ended March 30, 2024 and the thirteen weeks ended April 1, 2023.

	Thirteen Weeks Ended March 30, 2024		Thirteen Weeks Ended April 1, 2023	
(dollars in thousands)	Amount	% of Net Sales	Amount	% of Net Sales
Net sales	$ 350,305	100.0 %	$ 349,707	100.0 %
Cost of sales (exclusive of depreciation and amortization shown separately below)	183,434	52.4 %	204,509	58.5 %
Selling, warehouse, general and administrative expenses	118,565	33.8 %	111,065	31.8 %
Depreciation	16,338	4.7 %	16,705	4.8 %
Amortization	15,254	4.4 %	15,572	4.5 %
Other expense, net	410	0.1 %	767	0.2 %
Income from operations	16,304	4.7 %	1,089	0.3 %
Interest expense, net	15,271	4.4 %	18,077	5.2 %
Refinancing charges	3,008	0.9 %	—	— %
Loss before income taxes	(1,975)	(0.6)%	(16,988)	(4.9)%
Income tax benefit	(483)	(0.1)%	(7,856)	(2.2)%
Net loss	$ (1,492)	(0.4)%	$ (9,132)	(2.6)%
Adjusted EBITDA(1)	$ 52,322	14.9 %	$ 40,186	11.5 %

(1) Adjusted EBITDA is a non-GAAP financial measure. Refer to the “Non-GAAP Financial Measures” section for additional information, including our definition and our use of Adjusted EBITDA, and for a reconciliation from net loss to Adjusted EBITDA.

Net Sales by Segment

	Thirteen weeks ended March 30, 2024	% of Net Sales	Thirteen weeks ended April 1, 2023	% of Net Sales	$ Change	% Change
Hardware and Protective Solutions	$ 259,874	74.2 %	$ 253,851	72.6 %	$ 6,023	2.4 %
Robotics and Digital Solutions	55,472	15.8 %	61,066	17.5 %	(5,594)	(9.2)%
Canada	34,959	10.0 %	34,790	9.9 %	169	0.5 %
Consolidated	$ 350,305		$ 349,707		$ 598	

The increase in total net sales during the first quarter of 2024 was driven primarily driven by the factors described below:

Hardware and Protective Solutions net sales increased by $6.0 million in the thirteen weeks ended March 30, 2024 due to the following:

- Hardware net sales increased by $9.4 million primarily driven by $9.2 million in additional sales related to the Koch acquisition as well as $2.4 million of volume increases driven by new business wins offset by $2.0 million in price decreases and product mix.
- Protective equipment net sales decreased by $3.4 million primarily due to a $3.5 million decrease in volume driven by the timing of promotional and seasonal sales along with lower demand.

Robotics and Digital Solutions net sales in the thirteen weeks ended March 30, 2024 decreased by $5.6 million primarily driven by decreased volume of full-service key and engraving sales.

Canada net sales increased by $0.2 million primarily due to volume increases of $1.2 million offset by the unfavorable impact of the exchange rate from Canadian dollars to U.S. dollars along with price decreases of $0.9 million.

Cost of Sales (excluding depreciation and amortization)

The following table summarizes cost of sales by segment:

	Thirteen weeks ended March 30, 2024	% of Segment Net Sales	Thirteen weeks ended April 1, 2023	% of Segment Net Sales	$ Change	% Change
Hardware and Protective Solutions	$ 147,255	56.7 %	$ 163,831	64.5 %	$ (16,576)	(10.1)%
Robotics and Digital Solutions	15,735	28.4 %	18,387	30.1 %	(2,652)	(14.4)%
Canada	20,444	58.5 %	22,291	64.1 %	(1,847)	(8.3)%
Consolidated	$ 183,434	52.4 %	$ 204,509	58.5 %	$ (21,075)	(10.3)%

Hardware and Protective Solutions cost of sales as a percentage of net sales decreased primarily due to decreased product and shipping costs.

Robotics and Digital Solutions cost of sales as a percentage of net sales decreased primarily due to decreased product and shipping costs as well as a shift in product mix from full-service to self-service keys.

Canada cost of sales as a percentage of net sales decreased primarily due to decreased shipping and product costs.

Selling, Warehouse, and General and Administrative Expenses

The following table summarizes selling, warehouse, and general and administrative expense ("SG&A") by segment:

	Thirteen weeks ended March 30, 2024	% of Segment Net Sales	Thirteen weeks ended April 1, 2023	% of Segment Net Sales	$ Change	% Change
Hardware and Protective Solutions	$ 83,770	32.2 %	$ 76,261	30.0 %	$ 7,509	9.8 %
Robotics and Digital Solutions	23,214	41.8 %	23,938	39.2 %	(724)	(3.0)%
Canada	11,581	33.1 %	10,866	31.2 %	715	6.6 %
Consolidated	$ 118,565	33.8 %	$ 111,065	31.8 %	$ 7,500	6.8 %

Hardware and Protective Solutions SG&A increased due to the following:

- Selling expense increased by $3.1 million primarily due to increased variable compensation and benefit expense in relation to the increased sales in the quarter.
- General and administrative ("G&A") increased by $2.6 million. The increase was primarily driven by increased variable compensation along with increased investment into information technology.
- Warehouse expense increased $1.8 million due to inflation in labor and shipping costs.

Robotics and Digital Solutions SG&A decreased due to the following:

- Selling expense decreased by $0.8 million primarily due to reduced variable selling expenses.
- G&A increased by $0.3 million. The increase was primarily driven by increased variable compensation.
- Warehouse expense decreased by $0.2 million primarily due to the shift from full-service keys, which have a higher warehousing cost, to self-service keys.

Canada SG&A increased due to the following:

- Selling expense increased by $0.5 million primarily due to increased variable selling expenses.
- Warehouse expense increased by $0.2 million primarily due to higher sales volumes.

Other Operating Expenses

Depreciation expense decreased $0.4 million due to certain assets becoming fully depreciated.

Amortization expense in the thirteen weeks ended March 30, 2024 decreased by $0.3 million primarily due to the write down of the carrying values of intangible assets to their fair value as a result of exiting a specific product line that occurred in the fourth quarter of 2023.

In the thirteen weeks ended March 30, 2024, other income (expense) consisted primarily of a $0.3 million loss on the revaluation of the contingent consideration associated with the acquisition of Resharp and Instafob (see Note 15 - Fair Value Measurements of the Notes to Condensed Consolidated Financial Statements for additional information). We also recorded exchange rate gains of $0.2 million in the thirteen weeks ended March 30, 2024.

In the thirteen weeks ended April 1, 2023, other income (expense) consisted primarily of a $1.7 million loss on the revaluation of the contingent consideration associated with the acquisition of Resharp and Instafob. We also received $0.5 million in benefits from the state and local governments associated with our new facilities in the thirteen weeks ended April 1, 2023. In addition, we recorded exchange rate losses of $0.1 million in the thirteen weeks ended April 1, 2023.

Income from Operations

	Thirteen weeks ended March 30, 2024	Thirteen weeks ended April 1, 2023	$ Change	% Change
Hardware and Protective Solutions	$ 9,248	$ (3,836)	$ 13,084	341.1 %
Robotics and Digital Solutions	5,757	4,462	1,295	29.0 %
Canada	1,299	463	836	180.6 %
Total segment income from operations	$ 16,304	$ 1,089	$ 15,215	1397.2 %

Income from operations in our Hardware and Protective Solutions segment increased $13.1 million due to the changes in sales, cost of sales, and SG&A expenses described above.

Income from operations in our Robotics and Digital Solutions segment increased $1.3 million. The $1.3 million increase is primarily due to the changes in sales, cost of sales, and SG&A expenses described above, offset by a decrease in depreciation expense of $2.1 million due to certain assets becoming fully depreciated and a decrease of $1.4 million in other expense driven by the changes in revaluation of the contingent consideration described above.

Canada's income from operations increased by $0.8 million primarily due to the changes in sales and offsetting changes in cost of sales and SG&A expenses described above in addition to exchange rate losses of $0.1 million. In the thirteen weeks ended April 1, 2023 Canada recorded exchange rate gains of $0.1 million.

Interest expense, net, decreased $2.8 million in the thirteen weeks ended March 30, 2024 primarily due to a reduction in outstanding debt.

Income Taxes

For the thirteen weeks ended March 30, 2024 and thirteen weeks ended April 1, 2023, the effective income tax rate was 24.5% and 46.2%, respectively. The Company recorded an income tax benefit for the thirteen weeks ended March 30, 2024 of $0.5 million based on a pre-tax loss of $2.0 million, and an income tax benefit for the thirteen weeks ended April 1, 2023 of $7.9 million based on a pre-tax loss of $17.0 million.

In 2024, the effective tax rate differed from the U.S. federal statutory tax rate due to state and foreign income taxes and certain non-deductible expenses. See Note 8 - Income Taxes of the Notes to Condensed Consolidated Financial Statements for additional information.

In 2023, the Company's effective tax rate differed from the U.S. federal statutory tax rate primarily due to Global Intangible Low-Taxed Income ("GILTI") from the Canadian subsidiary. In addition, the effective tax rate differed from the U.S. federal statutory tax rate for 2023 due to state and foreign income taxes and certain non-deductible expenses.

NON-GAAP FINANCIAL MEASURES

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 uses 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.

The following table presents a reconciliation of net loss, the most directly comparable financial measure under GAAP, to Adjusted EBITDA for the periods presented:

(dollars in thousands)	Thirteen Weeks Ended March 30, 2024	Thirteen Weeks Ended April 1, 2023
Net loss	$ (1,492)	$ (9,132)
Income tax benefit	(483)	(7,856)
Interest expense, net	15,271	18,077
Depreciation	16,338	16,705
Amortization	15,254	15,572
EBITDA	$ 44,888	$ 33,366
Stock compensation expense	2,829	2,637
Restructuring and other[1]	991	1,408
Litigation expense [2]	—	260
Transaction and integration expense [3]	274	800
Change in fair value of contingent consideration	332	1,715
Refinancing costs [4]	3,008	—
Adjusted EBITDA	$ 52,322	$ 40,186

(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 Koch Industries, Inc acquisition and the CCMP secondary offerings in 2023.

(4) In the first quarter of 2024, we entered into a Repricing Amendment (2024 Repricing Amendment) on our existing Senior Term Loan due July 14, 2028 (see Note 9 - Long-term Debt of the Notes to Condensed Consolidated Financial Statements for additional information).

The following tables presents a reconciliation of segment operating income (loss), the most directly comparable financial measure under GAAP, to segment Adjusted EBITDA for the periods presented.

Thirteen weeks ended March 30, 2024	Hardware and Protective Solutions	Robotics and Digital Solutions	Canada	Consolidated
Operating income	$ 9,248	$ 5,757	$ 1,299	$ 16,304
Depreciation and amortization	19,869	10,376	1,347	31,592
Stock compensation expense	2,337	280	212	2,829
Restructuring and other	549	257	185	991
Transaction and integration expense	263	11	—	274
Change in fair value of contingent consideration	—	332	—	332
Adjusted EBITDA	$ 32,266	$ 17,013	$ 3,043	$ 52,322

Thirteen weeks ended April 1, 2023	Hardware and Protective Solutions	Robotics and Digital Solutions	Canada	Consolidated
Operating loss (income)	$ (3,836)	$ 4,462	$ 463	$ 1,089
Depreciation and amortization	18,543	12,564	1,170	32,277
Stock compensation expense	2,205	282	150	2,637
Restructuring and other	1,257	151	—	1,408
Litigation expense	—	260	—	260
Transaction and integration expense	710	90	—	800
Change in fair value of contingent consideration	—	1,715	—	1,715
Adjusted EBITDA	$ 18,879	$ 19,524	$ 1,783	$ 40,186

LIQUIDITY AND CAPITAL RESOURCES

Our working capital (current assets minus current liabilities) position of $351.0 million as of March 30, 2024 represents an increase of $26.1 million from the December 30, 2023 level of $324.9 million. $16.3 million of the increase is related the acquisition of Koch Industries that occurred in January 2024. We expect to generate sufficient operating cash flows to meet our short-term liquidity needs, and we expect to maintain access to the capital markets, although there can be no assurance of our ability to do so. However, disruption and volatility in the global capital markets, could impact our capital resources and liquidity in the future.

The following table presents the key categories of our consolidated statements of cash flows:

	Thirteen weeks ended March 30, 2024	Thirteen weeks ended April 1, 2023	$ Change
Net cash provided by operating activities	$ 11,676	$ 31,507	$ (19,831)
Net cash used for investing activities	(41,782)	(18,524)	(23,258)
Net cash provided by (used for) financing activities	20,411	(8,759)	29,170
Net (decrease) increase in cash and cash equivalents	(7,881)	3,669	(11,550)

Operating Cash Flows:

Net Cash provided by operating activities for the thirteen weeks ended March 30, 2024 was unfavorably impacted by an increase in accounts receivable due to higher sales.

Net cash provided by operating activities for the thirteen weeks ended April 1, 2023 was favorably impacted by reduced inventory as part of the Company's strategic initiative to lower inventory on hand during 2023 following the build up of inventory in prior years due to inflation and recent supply chain challenges. This was partially offset by reduced accounts payable resulting from lower inventory purchases.

Investing Cash Flows:

Capital Expenditures:

Cash of $17.8 million and $18.1 million was used in the thirteen weeks ended March 30, 2024 and thirteen weeks ended April 1, 2023, respectively, to invest in new key duplicating and engraving kiosks, machines and merchandising racks in the Hardware and Protective Solutions segment.

Acquisitions:

On January 11, 2024, we completed the acquisition of Koch Industries, Inc. ("Koch"), a premier provider and merchandiser of rope and twine, chain and wire rope, and related hardware products for a total purchase price of $24.0 million. See Note 4 - Acquisitions of the Notes to Condensed Consolidated Financial Statements for additional information.

Financing Cash Flows:

Term Loan:

The Company used $2.1 million of cash for principal payments on the senior term loan. As of March 30, 2024, we have outstanding borrowings of $749.7 million on the term loan. See Note 9 - Long-term Debt of the Notes to Condensed Consolidated Financial Statements for additional information.

ABL Revolver:

Our revolver repayments, net of draws, used cash of $18.0 million in the thirteen weeks ended March 30, 2024 primarily to fund the acquisition of Koch Industries, Inc, referenced above. In the thirteen weeks ended April 1, 2023, revolver draws, net of repayments, used $5.0 million of cash.

Stock Option Exercises:

In the thirteen weeks ended March 30, 2024 the Company received $5.9 million from the exercise of stock options. There were no stock options exercised in the thirteen weeks ended April 1, 2023.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K under the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Significant accounting policies and estimates are summarized in the Notes to the Condensed Consolidated Financial Statements. Some accounting policies require management to exercise significant judgment in selecting the appropriate assumptions for calculating financial estimates. Such judgments are subject to an inherent degree of uncertainty. These judgments are based on our historical experience, known trends in our industry, terms of existing contracts, and other information from outside sources, as appropriate. Management believes that these estimates and assumptions are reasonable based on the facts and circumstances as of March 30, 2024, however, actual results may differ from these estimates under different assumptions and circumstances.

There have been no material changes to our critical accounting policies and estimates which are discussed in the “Critical Accounting Policies and Estimates” section of “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of the Annual Report on Form 10-K for the year ended December 30, 2023, as filed with the Securities and Exchange Commission on February 22, 2024.

Recent Accounting Pronouncements

See “Note 3 - Recent Accounting Pronouncements” of the Notes to Condensed Consolidated Financial Statements.

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE EXPOSURE

We are exposed to the impact of interest rate changes as borrowings under the Senior Facilities bear interest at variable interest rates. It is our policy to enter into interest rate swaps only to the extent considered necessary to meet our objectives.

Based on our exposure to variable rate borrowings at March 30, 2024, after consideration of our SOFR floor rate and interest rate swap agreements, a one percent (1%) change in the weighted average interest rate for a period of one year would change the annual interest expense by approximately $4.1 million.

FOREIGN CURRENCY EXCHANGE

We are exposed to foreign exchange rate changes of the Canadian and Mexican currencies as they impact the $145.0 million tangible and intangible net asset value of our Canadian and Mexican subsidiaries as of March 30, 2024. The foreign subsidiaries net tangible assets were $88.0 million and the net intangible assets were $57.0 million as of March 30, 2024.

We utilize foreign exchange forward contracts to manage the exposure to currency fluctuations in the Canadian dollar versus the U.S. Dollar. See Note 14 - Derivatives and Hedging of the Condensed Notes to the accompanying Condensed Consolidated Financial Statements.

COMMODITY PRICE RISK

Our transportation costs are exposed to fluctuations in the price of fuel and some of our products contain commodity-priced materials. The Company regularly monitors commodity trends and works to mitigate any material exposure to commodity price risk by having alternative sourcing plans in place, limiting supplier concentrations, passing commodity-related inflation to customers, and continuing to scale its distribution networks.

ITEM 4 - CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

We carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective, as of March 30, 2024, in ensuring that material information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the thirteen weeks ended March 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

On January 11, 2024, the Company completed the acquisition of Koch Industries, Inc ("Koch"). SEC guidance permits management to omit an assessment of an acquired business' internal control over financial reporting from management's assessment of internal control over financial reporting for a period not to exceed one year from the date of the acquisition. Accordingly, management has not assessed Koch's internal control over financial reporting as of March 30, 2024.

PART II - OTHER INFORMATION

ITEM 1. – LEGAL PROCEEDINGS

The Information required by this Item is set forth in Note 6 - Commitments and Contingencies, to the accompanying Condensed Consolidated Financial Statements included in this Form 10-Q and is incorporated into this Item by reference.

ITEM 1A – RISK FACTORS

There have been no material changes to the risks from those disclosed in the Form 10-K filed on February 22, 2024 with the Securities and Exchange Commission ("SEC").

ITEM 2. – UNREGISTERED SALES OF EQUITY SECURITIES, USE OF PROCEEDS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Not applicable.

ITEM 3. – DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. – MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. – OTHER INFORMATION

Insider Adoption or Termination of Trading Arrangements

During the fiscal quarter ended March 30, 2024, none of our directors or officers adopted, modified or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as those terms are defined in Regulation S-K, Item 408.

Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangement of Certain Officers

On May 2, 2024, Randall Fagundo, Divisional President, Robotics and Digital Solutions of the Company, decided to retire effective August 31, 2024. Mr. Fagundo's decision to retire was not the result of a disagreement with the Company on any matter relating to the Company's operations, policies or practices.

On May 2, 2024, the Company also determined that Scott K. Moore, age 53, the Company's Chief Technology Officer, would replace Mr. Fagundo as Divisional President, Robotics and Digital Solutions, effective June 3, 2024. Mr. Moore has served as the Company's Chief Technology Officer since August 2022, and from August 2018 to August 2022, Mr. Moore served as Senior Vice President, IT, of the Company's Robotics and Digital Solutions division, and in the same role at MinuteKey from 2011 to August 2018 when MinuteKey was acquired by the Company.

The Company and Mr. Fagundo have agreed to prepare and negotiate in good faith a Separation Agreement (the “Separation Agreement”) and a consulting agreement with a three-year term from his retirement date (the “Consulting Agreement”). Under the Separation Agreement and Consulting Agreement, Mr. Fagundo will receive certain benefits in exchange for agreeing to provide transition services to the Company as needed, as well as certain non-compete, non-solicitation, and restrictive covenants and a waiver and general release of all claims in favor of the Company and its affiliates. Mr. Fagundo will receive the following benefits, among others, under the Separation Agreement and Consulting Agreement:

- Continuation of his annual base salary of $350,000 for a period of twelve months;
- Monthly payment of COBRA Medical, dental and vision insurance benefits premiums for a period of twelve months;
- Payment of Mr. Fagundo’s 2024 performance-based bonus, pro-rated for Mr. Fagundo’s service up to and including his date of retirement and based on actual performance for the year, payable concurrently with bonus payments to other employees under the bonus plan;
- Modification of Mr. Fagundo’s unvested restricted stock units to allow for continued vesting of the same, notwithstanding the cessation of employment, through the duration of the Consulting Agreement;
- Modification of Mr. Fagundo’s unvested time based stock options to allow for continued vesting of the same, notwithstanding the cessation of employment, through the duration of the Consulting Agreement; provided that such options must be exercised within a time period following their applicable vesting dates that is (i) twelve months in the case of the stock options issued under the 2014 Equity Incentive Plan; and (ii) three months in the case of the stock options issued under the 2021 Equity Incentive Plan;
- Modification of Mr. Fagundo’s unvested performance-based stock options to allow for the same to remain outstanding and eligible to vest through the expiration of each such option notwithstanding the cessation of employment; provided that such options must be exercised within twelve months of the vesting date should the options vest.

The foregoing separation pay and benefits are contingent upon Mr. Fagundo’s satisfactory performance of certain transition services through his final date of employment and abiding by the covenants in the Separation Agreement and Consulting Agreement.

ITEM 6. – EXHIBITS

a) Exhibits, including those incorporated by reference.

10.1	Amendment No. 2 to the Term Loan Credit Agreement, dated as of March 26, 2024, by and among The Hillman Companies, Inc., The Hillman Group, Inc., and Jefferies Finance LLC, as administrative agent (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K, filed with the SEC on March 26, 2024).
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) under the Exchange Act (filed herewith).
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) under the Exchange Act (filed herewith).
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
101	The following financial information from the Company's Quarterly Report on Form 10-Q for the quarter ended March 30, 2024 filed with the Securities and Exchange Commission on May 7, 2024, formatted in eXtensible Business Reporting Language: (i) Condensed Consolidated Balance Sheets as of March 30, 2024 and December 30, 2023, (ii) Condensed Consolidated Statements of Comprehensive Income (Loss) for the thirteen weeks ended March 30, 2024 and the thirteen weeks ended April 1, 2023, (iii) Condensed Consolidated Statements of Cash Flows for the thirteen weeks ended March 30, 2024 and the thirteen weeks ended April 1, 2023, (iv) Condensed Consolidated Statements of Stockholders' Equity for the thirteen weeks ended March 30, 2024 and the thirteen weeks ended April 1, 2023, and (v) Notes to Condensed Consolidated Financial Statements.

* Indicates management contract or any compensatory plan, contract or arrangement.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HILLMAN SOLUTIONS CORP.

/s/ Robert O. Kraft	/s/ Anne S. McCalla
Robert O. Kraft	Anne S. McCalla
Chief Financial Officer	Controller
(Principal Financial Officer}	(Chief Accounting Officer)

DATE: May 7, 2024

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Douglas J. Cahill, certify that:

1. I have reviewed this annual report on Form 10-Q of Hillman Solutions Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2024

/s/ Douglas J. Cahill
Douglas J. Cahill
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Robert O. Kraft, certify that:

1. I have reviewed this annual report on Form 10-Q of Hillman Solutions Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2024

/s/ Robert O. Kraft

Robert O. Kraft
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the thirteen weeks ended March 30, 2024 (the "Report") of Hillman Solutions Corp. (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof; I, Douglas J. Cahill, the President and Chief Executive Officer of the Registrant, certify, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Douglas J. Cahill

Name: Douglas J. Cahill
Date: May 7, 2024

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-Q for the thirteen weeks ended March 30, 2024 (the "Report") of Hillman Solutions Corp. (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof; I, Robert O. Kraft, the Chief Financial Officer of the Registrant, certify, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Robert O. Kraft

Name: Robert O. Kraft
Date: May 7, 2024