

# 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 September 28, 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 November 1, 2024, 196,591,013 shares of common stock, par value \$0.0001 per share, were outstanding.

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# HILLMAN SOLUTIONS CORP. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(dollars in thousands)

	As of September 28, 2024	As of December 30, 2023
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 59,820	\$ 38,553
Accounts receivable, net of allowances of \$10,365 (\$2,770 - 2023)	129,633	103,482
Inventories, net	419,385	382,710
Other current assets	15,566	23,235
Total current assets	<u>624,404</u>	<u>547,980</u>
Property and equipment, net of accumulated depreciation of \$374,289 (\$333,875 - 2023)	221,769	200,553
Goodwill	829,246	825,042
Other intangibles, net of accumulated amortization of \$516,026 (\$470,791 - 2023)	622,562	655,293
Operating lease right of use assets	85,254	87,479
Other assets	14,332	14,754
Total assets	<u>\$ 2,397,567</u>	<u>\$ 2,331,101</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 165,809	\$ 140,290
Current portion of debt and finance lease liabilities	13,039	9,952
Current portion of operating lease liabilities	16,331	14,407
Accrued expenses:		
Salaries and wages	29,645	22,548
Pricing allowances	6,693	8,145
Income and other taxes	7,700	6,469
Other accrued liabilities	29,895	21,309
Total current liabilities	<u>269,112</u>	<u>223,120</u>
Long-term debt	730,666	731,708
Deferred tax liabilities	130,403	131,552
Operating lease liabilities	75,585	79,994
Other non-current liabilities	10,577	10,198
Total liabilities	<u>\$ 1,216,343</u>	<u>\$ 1,176,572</u>
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Common stock: \$0.0001 par value, 500,000,000 shares authorized, 196,514,508 and 194,913,124 shares issued and outstanding in 2024 and 2023, respectively	20	20
Additional paid-in capital	1,438,074	1,418,535
Accumulated deficit	(217,729)	(236,206)
Accumulated other comprehensive loss	(39,141)	(27,820)
Total stockholders' equity	<u>1,181,224</u>	<u>1,154,529</u>
Total liabilities and stockholders' equity	<u>\$ 2,397,567</u>	<u>\$ 2,331,101</u>

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

# HILLMAN SOLUTIONS CORP. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

### (Unaudited)

(dollars in thousands, except for per share amounts)

	Thirteen Weeks Ended September 28, 2024	Thirteen Weeks Ended September 30, 2023	Thirty-nine Weeks Ended September 28, 2024	Thirty-nine Weeks Ended September 30, 2023
Net sales	\$ 393,296	\$ 398,943	\$ 1,123,033	\$ 1,128,669
Cost of sales (exclusive of depreciation and amortization shown separately below)	203,700	222,644	581,806	643,652
Selling, warehouse, general and administrative expenses	130,261	113,359	369,980	335,876
Depreciation	17,948	14,434	50,583	44,939
Amortization	15,354	15,583	45,857	46,733
Other (income) expense, net	(881)	(1,819)	3	841
Income from operations	26,914	34,742	74,804	56,628
Interest expense, net	15,108	16,728	44,316	52,880
Refinancing costs	—	—	3,008	—
Income before income taxes	11,806	18,014	27,480	3,748
Income tax expense	4,372	12,957	9,003	3,278
Net income	<u>\$ 7,434</u>	<u>\$ 5,057</u>	<u>\$ 18,477</u>	<u>\$ 470</u>
Basic income per share	\$ 0.04	\$ 0.03	\$ 0.09	\$ 0.00
Weighted average basic shares outstanding	196,297	194,794	195,914	194,662
Diluted income per share	\$ 0.04	\$ 0.03	\$ 0.09	\$ 0.00
Weighted average diluted shares outstanding	199,034	196,575	198,370	195,832
Net income from above	\$ 7,434	\$ 5,057	\$ 18,477	\$ 470
Other comprehensive loss:				
Foreign currency translation adjustments	(14,350)	(2,994)	(18,570)	1,851
Hedging activity	7,486	(4,257)	7,249	(10,159)
Total other comprehensive loss	(6,864)	(7,251)	(11,321)	(8,308)
Comprehensive income (loss)	<u>\$ 570</u>	<u>\$ (2,194)</u>	<u>\$ 7,156</u>	<u>\$ (7,838)</u>

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)

	Thirty-nine Weeks Ended September 28, 2024	Thirty-nine Weeks Ended September 30, 2023
Cash flows from operating activities:		
Net income	\$ 18,477	\$ 470
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	96,440	91,672
Deferred income taxes	(1,326)	1,835
Deferred financing and original issue discount amortization	3,807	3,993
Stock-based compensation expense	9,742	9,111
Customer bankruptcy reserve	7,757	—
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	—
Change in fair value of contingent consideration	313	2,614
Changes in operating items:		
Accounts receivable, net	(22,906)	(42,883)
Inventories, net	(2,036)	92,833
Other assets	(142)	(5,697)
Accounts payable	17,822	27,220
Other accrued liabilities	10,729	(9,691)
Net cash provided by operating activities	140,187	171,477
Cash flows from investing activities:		
Acquisition of business, net of cash received	(57,762)	(300)
Capital expenditures	(64,196)	(52,145)
Other investing activities	(211)	(318)
Net cash used for investing activities	(122,169)	(52,763)
Cash flows from financing activities:		
Repayments of senior term loans	(4,255)	(86,383)
Financing fees	(33)	—
Borrowings on revolving credit loans	77,000	172,000
Repayments of revolving credit loans	(77,000)	(197,000)
Principal payments under finance lease obligations	(2,698)	(1,687)
Proceeds from exercise of stock options	8,938	1,600
Payments of contingent consideration	(196)	(1,175)
Other financing activities	(103)	883
Net cash provided by (used for) financing activities	1,653	(111,762)
Effect of exchange rate changes on cash	1,596	1,229
Net increase in cash and cash equivalents	21,267	8,181
Cash and cash equivalents at beginning of period	38,553	31,081
Cash and cash equivalents at end of period	\$ 59,820	\$ 39,262
Supplemental disclosure of cash flow information:		
Interest paid	\$ 30,348	\$ 43,843
Income taxes paid	7,967	3,999
Capital expenditures in accounts payable	2,200	1,518

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
<b>Thirty-nine weeks ended September 28, 2024</b>						
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
Net Income	—	—	—	12,535	—	12,535
Stock option activity, stock awards and employee stock purchase plan	214	—	4,742	—	—	4,742
Hedging activity	—	—	—	—	1,580	1,580
Change in cumulative foreign currency translation adjustment	—	—	—	—	(5,707)	(5,707)
Balance at June 29, 2024	196,156	\$ 20	\$ 1,431,862	\$ (225,163)	\$ (32,277)	\$ 1,174,442
Net Income	—	—	—	7,434	—	7,434
Stock option activity, stock awards and employee stock purchase plan	358	—	6,212	—	—	6,212
Hedging activity	—	—	—	—	7,486	7,486
Change in cumulative foreign currency translation adjustment	—	—	—	—	(14,350)	(14,350)
Balance at September 28, 2024	196,514	\$ 20	\$ 1,438,074	\$ (217,729)	\$ (39,141)	\$ 1,181,224
<b>Thirty-nine weeks ended September 30, 2023</b>						
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
Net Income	—	—	—	4,545	—	4,545
Stock option activity, stock awards and employee stock purchase plan	159	—	4,012	—	—	4,012
Hedging activity	—	—	—	—	(760)	(760)
Change in cumulative foreign currency translation adjustment	—	—	—	—	3,886	3,886
Balance at July 1, 2023	194,707	\$ 20	\$ 1,411,080	\$ (231,204)	\$ (22,081)	\$ 1,157,815
Net Income	—	—	—	5,057	—	5,057
Stock option activity, stock awards and employee stock purchase plan	120	—	3,979	—	—	3,979
Hedging activity	—	—	—	—	(4,257)	(4,257)
Change in cumulative foreign currency translation adjustment	—	—	—	—	(2,994)	(2,994)
Balance at September 30, 2023	194,827	\$ 20	\$ 1,415,059	\$ (226,147)	\$ (29,332)	\$ 1,159,600

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 and thirty-nine weeks ended September 28, 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 and thirty-nine weeks ended September 28, 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 September 28, 2024				
	Hardware and Protective Solutions	Robotics and Digital Solutions	Canada	Total Revenue
Fastening and Hardware	\$ 224,850	\$ —	\$ 33,918	\$ 258,768
Personal Protective	70,993	—	724	71,717
Keys and Key Accessories	—	48,593	2,674	51,267
Engraving and Resharp	—	11,538	6	11,544
Total Revenue	<u>\$ 295,843</u>	<u>\$ 60,131</u>	<u>\$ 37,322</u>	<u>\$ 393,296</u>

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

Thirty-nine weeks ended September 28, 2024				
	Hardware and Protective Solutions	Robotics and Digital Solutions	Canada	Total Revenue
Fastening and Hardware	\$ 670,369	\$ —	\$ 106,109	\$ 776,478
Personal Protective	163,478	—	3,327	166,805
Keys and Key Accessories	—	137,395	6,634	144,029
Engraving and Resharp	—	35,691	30	35,721
Total Revenue	<u>\$ 833,847</u>	<u>\$ 173,086</u>	<u>\$ 116,100</u>	<u>\$ 1,123,033</u>

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

The following tables disaggregate our revenue by geographic location.



Thirteen weeks ended September 28, 2024				
	Hardware and Protective Solutions	Robotics and Digital Solutions	Canada	Total Revenue
United States	\$ 291,750	\$ 60,131	\$ —	\$ 351,881
Canada	—	—	37,322	37,322
Mexico	4,093	—	—	4,093
Consolidated	<u>\$ 295,843</u>	<u>\$ 60,131</u>	<u>\$ 37,322</u>	<u>\$ 393,296</u>

Thirteen weeks ended September 30, 2023				
	Hardware and Protective Solutions	Robotics and Digital Solutions	Canada	Total Revenue
United States	\$ 292,580	\$ 63,468	\$ —	\$ 356,048
Canada	—	—	39,922	39,922
Mexico	2,973	—	—	2,973
Consolidated	<u>\$ 295,553</u>	<u>\$ 63,468</u>	<u>\$ 39,922</u>	<u>\$ 398,943</u>

Thirty-nine weeks ended September 28, 2024				
	Hardware and Protective Solutions	Robotics and Digital Solutions	Canada	Total Revenue
United States	\$ 820,706	\$ 173,086	\$ —	\$ 993,792
Canada	—	—	116,100	116,100
Mexico	13,141	—	—	13,141
Consolidated	<u>\$ 833,847</u>	<u>\$ 173,086</u>	<u>\$ 116,100</u>	<u>\$ 1,123,033</u>

Thirty-nine weeks ended September 30, 2023				
	Hardware and Protective Solutions	Robotics and Digital Solutions	Canada	Total Revenue
United States	\$ 809,250	\$ 186,990	\$ —	\$ 996,240
Canada	—	—	123,481	123,481
Mexico	8,948	—	—	8,948
Consolidated	<u>\$ 818,198</u>	<u>\$ 186,990</u>	<u>\$ 123,481</u>	<u>\$ 1,128,669</u>

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

#### Ajustlock

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 \$75 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.

#### Koch Industries, Inc.

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 \$23,783. In the second quarter of 2024, the Company had a final net working capital adjustment of \$173, which reduced goodwill and the purchase price of the acquisition from an estimated \$23,956 at closing in the first quarter of 2024 to \$23,783. 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 preliminary 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		3,048
Customer relationships		4,000
Trade names		300
Total assets acquired	\$	28,403
Less:		
Liabilities assumed		(4,620)
Total purchase price	\$	23,783

Net sales and operating income from Koch included in the Company's Condensed Consolidated Statement of Comprehensive Income (Loss) for the thirteen and thirty-nine weeks ended September 28, 2024 were as follows:

	Thirteen weeks ended September 28, 2024	Thirty-nine weeks ended September 28, 2024
Net sales	\$10,261	\$31,716
Operating income	1,268	3,899

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.

### Intex DIY, Inc.

On August 23, 2024, the Company completed the acquisition of Intex DIY, Inc. ("Intex"), a leading supplier of wiping cloths, consumable rags, and cleaning textiles for a total purchase price of \$33,979. This acquisition expands Hillman's offerings in the cleaning products category. Intex 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 preliminary fair value of the acquired assets and assumed liabilities to the total purchase price of Intex.

Accounts receivable	\$	11,981
Inventory		15,897
Other current assets		26
Property and equipment		2,846
Goodwill		2,333
Customer relationships		9,400
Trade names		104
Total assets acquired	\$	42,587
Less:		
Liabilities assumed		(8,608)
Total purchase price	\$	33,979

Net sales and operating income from Intex included in the Company's Condensed Consolidated Statement of Comprehensive Income (Loss) from the date of acquisition through September 28, 2024 were as follows:

	Thirteen weeks ended September 28, 2024
Net sales	\$ 6,573
Operating income	820

Pro forma financial information has not been presented for Intex as the financial results of Intex 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				Goodwill at
	December 30, 2023	Acquisitions <sup>(1)</sup>	Dispositions	Other <sup>(2)</sup>	September 28, 2024
Hardware and Protective Solutions	\$ 575,298	\$ 5,381	\$ —	\$ (594)	\$ 580,085
Robotics and Digital Solutions	220,936	—	—	—	220,936
Canada	28,808	—	—	(583)	28,225
Total	<u>\$ 825,042</u>	<u>\$ 5,381</u>	<u>\$ —</u>	<u>\$ (1,177)</u>	<u>\$ 829,246</u>

(1) The amount relates to the Koch and Intex acquisitions, see Note 4 - Acquisitions for additional information.

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

Other intangibles, net, as of September 28, 2024 and December 30, 2023 consist of the following:

	Estimated Useful Life (Years)		September 28, 2024	December 30, 2023
Customer relationships	13	- 20	\$ 956,843	\$ 944,713
Trademarks - indefinite	Indefinite		85,290	85,520
Trademarks - other	2	- 15	29,549	31,665
Technology and patents	5	- 12	66,906	64,186
Intangible assets, gross			<u>1,138,588</u>	<u>1,126,084</u>
Less: Accumulated amortization			<u>516,026</u>	<u>470,791</u>
Other intangibles, net			<u>\$ 622,562</u>	<u>\$ 655,293</u>

The amortization expense for intangible assets, including the adjustments resulting from fluctuations in foreign currency exchange rates for the thirteen and thirty-nine weeks ended September 28, 2024 was \$15,354 and \$45,857, respectively. Amortization expense for the thirteen and thirty-nine weeks ended September 30, 2023 was \$15,583 and \$46,733, respectively.

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 and thirty-nine weeks ended September 28, 2024 and the thirteen and thirty-nine weeks ended September 30, 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 \$980 recorded for such risks is adequate as of September 28, 2024.

As of September 28, 2024, the Company has provided certain vendors and insurers letters of credit aggregating to \$0,868 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 \$00 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 \$3,637 recorded for such risks is adequate as of September 28, 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 Swygart, President and Chief Executive Officer of Ollie's, is a member of our Board of Directors. Sales to related parties were \$204 and \$469 in the thirteen and thirty-nine weeks ended September 28, 2024, respectively. Sales to related parties were \$519 and \$1,167 in the thirteen and thirty-nine weeks ended September 30, 2023, respectively.

## 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 and thirty-nine weeks ended September 28, 2024, and for the thirteen and thirty-nine weeks ended September 30, 2023, the Company applied an estimated annual effective tax rate based on expected annual pre-tax income to the interim period pre-tax income to calculate the income tax expense.

For the thirteen and thirty-nine weeks ended September 28, 2024, the effective income tax rate was 37.0% and 32.8%, respectively. The Company recorded an income tax provision for the thirteen and thirty-nine weeks ended

September 28, 2024 of \$4,372 and \$9,003, respectively. The effective tax rate for the thirteen and thirty-nine weeks ended September 28, 2024 was the result of certain non-deductible expenses and state and foreign income taxes.

For the thirteen and thirty-nine weeks ended September 30, 2023, the effective income tax rate was 71.9% and 87.5%. The Company recorded an income tax provision for the thirteen and thirty-nine weeks ended September 30, 2023 of \$12,957 and \$3,278, respectively. The effective tax rate for the thirteen and thirty-nine weeks ended September 30, 2023 was the result of certain non-deductible expenses and state and foreign income taxes.

## 9. LONG-TERM DEBT

The following table summarizes the Company's debt:

	September 28, 2024	December 30, 2023
Revolving loans	\$ —	\$ —
Senior Term Loan, due 2028	747,597	751,852
Finance lease & other obligations	10,956	9,097
	<u>758,553</u>	<u>760,949</u>
Unamortized discount on Senior Term Loan	(3,154)	(4,087)
Current portion of long-term debt and finance leases	(13,039)	(9,952)
Deferred financing fees	(11,694)	(15,202)
Total long-term debt, net	<u>\$ 730,666</u>	<u>\$ 731,708</u>

As of September 28, 2024, the Asset-Backed Loan ("ABL") Revolver did not have an outstanding balance, and had outstanding letters of credit of \$0,868. The Company has \$264,819 of available borrowings under the revolving credit facility as a source of liquidity as of September 28, 2024 based on the customary ABL borrowing base and availability provisions.

Though the Company currently does not have any Canadian obligations outstanding on the ABL Revolver, the Company entered into Amendment No. 5 to the ABL Revolver on June 27, 2024 to transition its benchmark interest rate for Canadian borrowings from the Canadian Dollar Offered Rate ("CDOR") to the Term Canadian Overnight Repo Rate Average ("CORRA"). The amendment and transition was due to the discontinuation of CDOR on June 30, 2024. The foregoing descriptions of Amendment No. 5 to the ABL Revolver do not purport to be complete and is qualified in its entirety by the terms and conditions of Amendment No. 5 to the ABL Revolver and the Amended and Restated ABL Credit Agreement.

### 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 and thirty-nine weeks ended September 28, 2024 and thirteen and thirty-nine weeks ended September 30, 2023 were as follows:

	Thirteen Weeks Ended September 28, 2024		Thirteen Weeks Ended September 30, 2023		Thirty-nine Weeks Ended September 28, 2024		Thirty-nine Weeks Ended September 30, 2023	
Operating lease costs	\$	5,335	\$	5,011	\$	15,778	\$	16,055
Short term lease costs		689		1,003		2,996		4,095
Variable lease costs		657		229		1,821		1,204
Finance lease costs:								
Amortization of right of use assets		989		714		2,875		1,808
Interest on lease liabilities		142		92		405		188

Rent expense is recognized on a straight-line basis over the expected lease term. Rent expense totaled \$,681 and \$20,595 in the thirteen and thirty-nine weeks ended September 28, 2024 and \$6,243 and \$21,354 in the thirteen and thirty-nine weeks ended September 30, 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 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 September 28, 2024 and December 30, 2023:

	September 28, 2024		December 30, 2023	
	Operating Leases	Finance Leases	Operating Leases	Finance Leases
Weighted average remaining lease term	5.63	2.94	6.33	2.95
Weighted average discount rate	6.74 %	5.85 %	7.04 %	5.38 %

Supplemental balance sheet information related to the Company's finance leases was as follows as of September 28, 2024 and December 30, 2023:

	September 28, 2024		December 30, 2023	
Finance lease assets, net, included in property plant and equipment	\$	8,980	\$	7,166
Current portion of long-term debt		3,547		2,800
Long-term debt, less current portion		5,727		4,512
Total principal payable on finance leases	\$	9,274	\$	7,312

Supplemental cash flow information related to the Company's operating and finance leases was as follows for the thirty-nine weeks ended September 28, 2024 and thirty-nine weeks ended September 30, 2023:

	Thirty-nine Weeks Ended September 28, 2024		Thirty-nine Weeks Ended September 30, 2023	
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash outflow from operating leases	\$	15,980	\$	15,119
Operating cash outflow from finance leases		402		170
Financing cash outflow from finance leases		2,698		1,687

As of September 28, 2024, our future minimum rental commitments are immaterial for lease agreements beginning after the current reporting period. Maturities of our lease liabilities for all operating and finance leases are as follows as of September 28, 2024:

	Operating Leases		Finance Leases	
Less than one year	\$	21,818	\$	3,997
1 to 2 years		21,229		3,143
2 to 3 years		19,612		1,926
3 to 4 years		16,988		832
4 to 5 years		12,708		219
After 5 years		17,701		1
Total future minimum rental commitments		110,056		10,118
Less - amounts representing interest		(18,140)		(844)
Present value of lease liabilities	\$	91,916	\$	9,274

## 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 September 28, 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 loss <sup>(1)</sup>	(6,796)
Balance at December 30, 2023	(27,820)
Other comprehensive income before reclassifications	(22,073)
Amounts reclassified from other comprehensive income	10,752
Net current period other comprehensive loss <sup>(2)</sup>	(11,321)
Balance at September 28, 2024	\$ (39,141)

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 thirty-nine weeks ended September 28, 2024, the Company deferred a loss of \$1,074, reclassified a loss of \$10,752 net of tax of \$2,429 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 \$337 and \$1,335 recognized in the accompanying Condensed Consolidated Statements of Comprehensive Income (Loss) for the thirteen and thirty-nine weeks ended September 28, 2024, respectfully, and \$876 and \$3,502 for the thirteen and thirty-nine weeks ended September 30, 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 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

As of September 28, 2024, 1,216,450 outstanding options under the 2014 were exercised providing aggregate proceeds to the Company of approximately \$938.

## 2021 Equity Incentive Plan

Effective July 14, 2021, the Company established the 2021 Equity Incentive Plan. On June 7, 2024, the 2021 Equity Incentive Plan was amended to increase the share reserve by 2,000,000 shares of common stock (the 2021 Equity Incentive Plan as amended is referred to as the "2021 Plan"). Under 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) 9,150,814 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 (in the case of this subclause (ii), not to exceed 16,523,510 shares of common stock in the aggregate).

The 2021 Equity Incentive Plan had stock compensation expense of \$2,826 and \$8,111 recognized in the accompanying Condensed Consolidated Statements of Comprehensive Income (Loss) for the thirteen and thirty-nine weeks ended September 28, 2024, respectively, and \$2,103 and \$5,335 were recorded for the thirteen and thirty-nine weeks ended September 30, 2023, respectively.

### 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 the 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 and thirty-nine weeks ended September 28, 2024, there was approximately \$94 and \$296, respectively, and as of the thirteen and thirty-nine weeks ended September 30, 2023, there was approximately \$90 and \$274 of compensation expense related to the ESPP, respectively.

## 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 September 28, 2024			Thirty-nine Weeks Ended September 28, 2024		
	Earnings (Numerator)	Shares (Denominator)	Per Share Amount	Earnings (Numerator)	Shares (Denominator)	Per Share Amount
Net income	\$ 7,434	196,297	\$ 0.04	\$ 18,477	195,914	\$ 0.09
Dilutive effect of stock options and awards	—	2,737	—	—	2,456	—
Net income per diluted common share	\$ 7,434	199,034	\$ 0.04	\$ 18,477	198,370	\$ 0.09

	Thirteen Weeks Ended September 30, 2023			Thirty-nine Weeks Ended September 30, 2023		
	Earnings (Numerator)	Shares (Denominator)	Per Share Amount	Earnings (Numerator)	Shares (Denominator)	Per Share Amount
Net income	\$ 5,057	194,794	0.03	\$ 470	194,662	\$ 0.00
Dilutive effect of stock options and awards	—	1,781	—	—	1,170	—
Net income per diluted common share	\$ 5,057	196,575	0.03	\$ 470	195,832	\$ 0.00

Stock options and awards outstanding totaling 2,671 and 2,779 were excluded from the computation for the thirteen and thirty-nine weeks ended September 28, 2024, respectively, and 2,794 and 4,324 for the thirteen and thirty-nine weeks ended September 30, 2023, respectively, 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 \$44,000. The forward start date of the 2021 Swap 1 was July 30, 2021 and the termination date was 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 \$16,000. The forward start date of the 2021 Swap 2 was July 30, 2021 and the termination date was 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 \$44,000. The forward start date of the 2024 Swap 1 was 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 \$16,000. The forward start date of the 2024 Swap 2 was 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 September 28, 2024, 2021 Swap 1 and 2021 Swap 2 expired, and as such have no remaining value. The following table summarizes the Company's derivative financial instruments:

		Asset Derivatives		Liability Derivatives	
		As of September 28, 2024	As of December 30, 2023	As of September 28, 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	\$ —	\$ 3,560	Other accrued expenses	\$ —
2021 Swap 2	Other current/other non-current assets	—	5,336	Other accrued expenses	—
2024 Swap 1	Other current/other non-current assets	—	207	Other non-current liabilities	(1,713)
2024 Swap 2	Other current/other non-current assets	276	436	Other non-current liabilities	(1,975)
Total hedging instruments:		\$ 276	\$ 9,539	\$ (3,688)	\$ (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 September 28, 2024				
	Level 1	Level 2	Level 3	Total
Trading securities	\$ 936	\$ —	\$ —	\$ 936
Interest rate swaps	—	(3,412)	—	(3,412)
Contingent consideration payable	—	—	5,012	5,012

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 September 28, 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 September 28, 2024.

	Resharp		Instafob		Total
	Other accrued expense	Other non-current liabilities	Other accrued expense	Other non-current liabilities	
Fair value as of December 30, 2023	\$ 200	\$ 4,600	\$ 16	\$ 79	\$ 4,895
Fair value of cash consideration paid	(188)	—	(8)	—	(196)
Change in fair value of contingent consideration	224	65	7	17	313
Fair value as of September 28, 2024	<u>\$ 236</u>	<u>\$ 4,665</u>	<u>\$ 15</u>	<u>\$ 96</u>	<u>\$ 5,012</u>

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 September 28, 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 September 28, 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 and thirty-nine weeks ended September 28, 2024 and thirteen and thirty-nine weeks ended September 30, 2023.

	Thirteen Weeks Ended September 28, 2024	Thirteen Weeks Ended September 30, 2023	Thirty-nine Weeks Ended September 28, 2024	Thirty-nine Weeks Ended September 30, 2023
Revenues				
Hardware and Protective Solutions	\$ 295,843	\$ 295,553	\$ 833,847	\$ 818,198
Robotics and Digital Solutions	60,131	63,468	173,086	186,990
Canada	37,322	39,922	116,100	123,481
Total revenues	<u>\$ 393,296</u>	<u>\$ 398,943</u>	<u>\$ 1,123,033</u>	<u>\$ 1,128,669</u>
Segment Income from Operations				
Hardware and Protective Solutions	\$ 17,210	\$ 18,556	\$ 46,501	\$ 19,087
Robotics and Digital Solutions	7,342	12,772	20,409	27,608
Canada	2,362	3,414	7,894	9,933
Total segment income from operations	<u>\$ 26,914</u>	<u>\$ 34,742</u>	<u>\$ 74,804</u>	<u>\$ 56,628</u>

## 17. SUBSEQUENT EVENTS

### Term Loan Prepayment

On October 3, 2024, the Company drew \$100.0 million from the ABL Revolver and made a discretionary \$100.0 million prepayment against the outstanding term loan balance without payment of a premium or penalty.

## True Value Bankruptcy

On October 14, 2024, True Value Company, LLC and certain of its affiliates (collectively, "True Value"), a hardware brand and wholesaler selling to 4,500 independently operated locations, filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code with the United States Bankruptcy Court for the District of Delaware. True Value accounted for \$9,689 and \$29,386 of the Company's net sales for the thirteen and thirty-nine weeks ended September 28, 2024, equating to approximately 3% of the Company's net sales in each period. Of the Company's net sales to True Value, approximately 77% are sales made directly to independently owned True Value locations and approximately 23% are made to True Value's wholesale warehouse.

Additionally, True Value accounted for approximately \$8,812 of the Company's accounts receivable, net of rebates and discounts, as of the October 14, 2024 Chapter 11 bankruptcy filing date. True Value accounted for approximately \$7,910 of the Company's accounts receivable, net of rebates and discounts, as of September 28, 2024.

Concurrent with the announcement of the Chapter 11 bankruptcy filing, True Value also announced that it had entered into an agreement to sell substantially all of its business operations to another home improvement industry peer as a "stalking horse", or lead, bidder and would initiate a competitive bidding process under Section 363 of the bankruptcy code designed to achieve the highest or otherwise best value for True Value.

The Company is currently assessing the impacts of True Value's Chapter 11 reorganization and proposed sale on the Company's future net sales to True Value and on the collectibility of the Company's outstanding accounts receivable. The Company believes the Chapter 11 reorganization will negatively impact future net sales; however, such impact could be partially offset by the ability of the independently owned locations, which are not debtors subject to the Chapter 11 filing, to purchase our products through other hardware wholesalers that are also our customers. With respect to collectibility of our accounts receivable outstanding as of September 28, 2024, the Company recorded a charge of \$7,757 representing the net receivable balances less the amount we expect to recover as an administrative claim pursuant to Section 503(b)(9) of the bankruptcy code. The loss was recorded in selling, warehouse, general and administrative expenses. We recorded an additional \$884 in reserve in the fourth quarter for receivables generated in the fourth quarter through the bankruptcy date.

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

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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 our and our customers', suppliers' and other business partners' 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 \$393.3 million in the thirteen weeks ended September 28, 2024 and \$1,123.0 million in the thirty-nine weeks ended September 28, 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

### Acquisition of Koch Industries, Inc.

On January 11, 2024, we completed the acquisition of Koch Industries, Inc. ("Koch"), a provider and merchandiser of rope and twine, chain and wire rope, and related hardware products for a total purchase price of \$23.8 million. Koch has business operations throughout North America and its financial results reside in our Hardware and Protective Solutions reportable segment.

### Term Loan Repricing

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).

### Acquisition of Intex DIY, Inc.

On August 23, 2024, the Company completed the acquisition of Intex DIY, Inc. ("Intex"), a leading supplier of wiping cloths, consumable rags, and cleaning textiles for a total purchase price of \$34.0 million. This acquisition expands Hillman's offerings in the cleaning products category. Intex is based in Georgia and sells to customers located throughout North America and its financial results will reside in the Company's Hardware and Protective Solutions reportable segment.

### True Value Bankruptcy

On October 14, 2024, True Value Company, LLC and certain of its affiliates (collectively, "True Value"), a hardware brand and wholesaler selling to 4,500 independently operated locations, filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code with the United States Bankruptcy Court for the District of Delaware. True Value accounted for \$9.7 million and \$29.4 million of our net sales for the thirteen and thirty-nine weeks ended September 28, 2024, equating to approximately 3% of our net sales in each period. Of our net sales to True Value, approximately 77% are sales made directly to independently owned True Value locations and approximately 23% are made to True Value's wholesale warehouse.

Additionally, True Value accounted for approximately \$8.8 million of our accounts receivable, net of rebates and discounts, as of the October 14, 2024 Chapter 11 bankruptcy filing date. True Value accounted for approximately \$7.9 million of our accounts receivable, net of rebates and discounts, as of September 28, 2024.

Concurrent with the announcement of the Chapter 11 bankruptcy filing, True Value also announced that it had entered into an agreement to sell substantially all of its business operations to another home improvement industry peer as a "stalking horse", or lead, bidder and would initiate a competitive bidding process under Section 363 of the bankruptcy code designed to achieve the highest or otherwise best value for True Value.

We are currently assessing the impacts of True Value's Chapter 11 reorganization and proposed sale on our future net sales to True Value and on the collectibility of our outstanding accounts receivable. We believe the Chapter 11 reorganization will negatively impact future net sales; however, such impact could be partially offset by the ability of the independently owned locations, which are not debtors subject to the Chapter 11 filing, to purchase our products through other hardware wholesalers that are also our customers. With respect to collectibility of our accounts receivable outstanding as of September 28, 2024, we recorded a charge of \$7.8 million representing the net receivable balances less the amount we expect to recover as an administrative claim pursuant to Section 503(b)(9) of the bankruptcy code. The loss was recorded in selling, warehouse, general and administrative expenses. We recorded an additional \$0.9 million in reserve in the fourth quarter for receivables generated in the fourth quarter through the bankruptcy date.

If True Value were unsuccessful with their Chapter 11 reorganization, and instead the business were liquidated, the potential adverse effects due to the loss of sales to the True Value warehouse, on our business, financial condition and results of operations would be more significant.

## 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, particularly those located in China and Taiwan, because we purchase a majority of our products for resale from multiple vendors located in these countries. 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 declined in value relative to the CNY by approximately 1.3% in the thirty-nine weeks ended September 28, 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 3.0% in the thirty-nine weeks ended September 28, 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 2.1% in the thirty-nine weeks ended September 28, 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 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 or maintain 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 September 28, 2024 vs the Thirteen weeks ended September 30, 2023

### FINANCIAL SUMMARY AND OTHER KEY METRICS

- Net sales for the thirteen weeks ended September 28, 2024 were \$393.3 million compared to net sales of \$398.9 million for the thirteen weeks ended September 30, 2023, a decrease of approximately \$5.6 million or 1.4%.
- Net income for the thirteen weeks ended September 28, 2024 was \$7.4 million, or \$0.04 per diluted share, compared to net income of \$5.1 million, or \$0.03 per diluted share for the thirteen weeks ended September 30, 2023.

- Adjusted EBITDA<sup>(1)</sup> totaled \$72.6 million versus \$66.8 million in the thirteen weeks ended September 28, 2024 and in the thirteen weeks ended September 30, 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 September 28, 2024 and the thirteen weeks ended September 30, 2023.

<i>(dollars in thousands)</i>	Thirteen weeks ended September 28, 2024		Thirteen weeks ended September 30, 2023	
	Amount	% of Net Sales	Amount	% of Net Sales
Net sales	\$ 393,296	100.0 %	\$ 398,943	100.0 %
Cost of sales (exclusive of depreciation and amortization shown separately below)	203,700	51.8	222,644	55.8
Selling, warehouse, general and administrative expenses	130,261	33.1	113,359	28.4
Depreciation	17,948	4.6	14,434	3.6
Amortization	15,354	3.9	15,583	3.9
Other expense, net	(881)	(0.2)	(1,819)	(0.5)
Income from operations	26,914	6.8	34,742	8.7
Interest expense, net	15,108	3.8	16,728	4.2
Income before income taxes	11,806	3.0	18,014	4.5
Income tax expense	4,372	1.1	12,957	3.2
Net income	\$ 7,434	1.9 %	\$ 5,057	1.3 %
Adjusted EBITDA <sup>(1)</sup>	\$ 72,562	18.4 %	\$ 66,822	16.7 %

- (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 income to Adjusted EBITDA.

### Net Sales by Segment

	Thirteen weeks ended September 28, 2024		Thirteen weeks ended September 30, 2023		\$ Change	% Change
	Amount	% of Net Sales	Amount	% of Net Sales		
Hardware and Protective Solutions	\$ 295,843	75.2 %	\$ 295,553	74.1 %	\$ 290	0.1 %
Robotics and Digital Solutions	60,131	15.3	63,468	15.9	(3,337)	(5.3)
Canada	37,322	9.5	39,922	10.0	(2,600)	(6.5)
Consolidated	\$ 393,296		\$ 398,943		\$ (5,647)	(1.4)%

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

Hardware and Protective Solutions' net sales increased by \$0.3 million in the thirteen weeks ended September 28, 2024 due to the following:

- Hardware net sales decreased by \$3.7 million primarily due to decreased volume driven by market softness, partially offset by \$10.3 million in additional sales related to the Koch acquisition.
- Protective equipment net sales increased by \$4.0 million primarily driven by \$6.6 million in additional sales related to the Intex acquisition, partially offset by decreased volume.

Robotics and Digital Solutions net sales in the thirteen weeks ended September 28, 2024 decreased by \$3.3 million primarily driven by decreased volume of key and engraving sales.

Canada net sales decreased by \$2.6 million primarily due to price decreases of \$1.6 million and an unfavorable impact of the exchange rate from Canadian dollars to U.S. dollars.

## Cost of Sales (excluding depreciation and amortization)

The following table summarizes cost of sales by segment:

	Thirteen weeks ended September 28, 2024	% of Segment Net Sales	Thirteen weeks ended September 30, 2023	% of Segment Net Sales	\$ Change	% Change
Hardware and Protective Solutions	\$ 165,145	55.8 %	\$ 179,422	60.7 %	\$ (14,277)	(8.0)%
Robotics and Digital Solutions	16,673	27.7	18,776	29.6	(2,103)	(11.2)
Canada	21,882	58.6	24,446	61.2	(2,564)	(10.5)
Consolidated	\$ 203,700	51.8 %	\$ 222,644	55.8 %	\$ (18,944)	(8.5)%

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 due to lower 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 September 28, 2024	% of Segment Net Sales	Thirteen weeks ended September 30, 2023	% of Segment Net Sales	\$ Change	% Change
Hardware and Protective Solutions	\$ 93,038	31.4 %	\$ 78,551	26.6 %	\$ 14,487	18.4 %
Robotics and Digital Solutions	25,096	41.7	23,797	37.5	1,299	5.5
Canada	12,127	32.5	11,011	27.6	1,116	10.1
Consolidated	\$ 130,261	33.1 %	\$ 113,359	28.4 %	\$ 16,902	14.9 %

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

- General and administrative ("G&A") increased \$11.8 million. The increase was primarily due to a write off of \$7.5 million of accounts receivable, net, due to True Value declaring bankruptcy. See Note 17 - Subsequent Events of the Notes to Condensed Consolidated Financial Statements for additional information. The remaining increase was driven by an increase in compensation and benefit expense and an increased investment into information technology.
- Selling expense increased by \$3.3 million primarily due to increased compensation and benefit expense.
- Warehouse expense decreased \$0.5 million primarily due to lower sales volumes along with improved operational efficiencies.

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

- Selling expense increased \$0.7 million primarily due to increased variable selling expenses due to the shift from full-service keys to self-service keys, which have a higher variable selling cost.
- G&A increased by \$0.9 million primarily driven by increased compensation expense along with a \$0.3 million write off of accounts receivable, net, due to True Value declaring bankruptcy. See Note 17 -

Subsequent Events of the Notes to Condensed Consolidated Financial Statements for additional information.

- Warehouse expense decreased by \$0.4 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 compensation expenses.
- Warehouse expense increased by \$0.4 million primarily due to costs associated with our distribution center relocation.
- G&A increased by \$0.2 million primarily due to severance costs associated with restructuring and increased compensation and benefit expense.

## Other Operating Expenses

Depreciation expense increased \$3.5 million due to capital spend on key duplicating kiosks and merchandising racks.

Amortization expense in the thirteen weeks ended September 28, 2024 decreased by \$0.2 million primarily due to lower intangible asset balances following 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 September 28, 2024, other income (expense) consisted primarily of a \$0.5 million gain 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). In addition, we recorded income related to certain rebates received of \$0.3 million along with exchange rate gains of \$0.1 million in the thirteen weeks ended September 28, 2024.

In the thirteen weeks ended September 30, 2023, other income (expense) consisted primarily of a \$1.6 million gain on the revaluation of the contingent consideration associated with the acquisition of Resharp and Instafob.

## Income from Operations

	Thirteen weeks ended September 28, 2024	Thirteen weeks ended September 30, 2023	\$ Change	% Change
Hardware and Protective Solutions	\$ 17,210	\$ 18,556	\$ (1,346)	(7.3)%
Robotics and Digital Solutions	7,342	12,772	(5,430)	(42.5)
Canada	2,362	3,414	(1,052)	(30.8)
<b>Total segment income from operations</b>	<b>\$ 26,914</b>	<b>\$ 34,742</b>	<b>\$ (7,828)</b>	<b>(22.5)%</b>

Income from operations in our Hardware and Protective Solutions segment decreased \$1.3 million due to the changes in net sales, cost of sales, and SG&A expenses described above.

Income from operations in our Robotics and Digital Solutions segment decreased \$5.4 million. The \$5.4 million decrease is primarily due to the changes in net sales, cost of sales, and SG&A expenses described above, in addition to an increase in depreciation expense of \$1.8 million due to capital spend on engraving and key duplication kiosks and machines and a decrease of \$1.1 million in other income driven by the changes in revaluation of the contingent consideration described above.

Canada's income from operations decreased by \$1.1 million primarily due to the changes in net sales, cost of sales and SG&A expenses described above. In the thirteen weeks ended September 28, 2024, Canada recorded exchange rate gains of \$0.2 million and in the thirteen weeks ended September 30, 2023, Canada recorded exchange rate gains of \$0.1 million.

Interest expense, net, decreased \$1.6 million in the thirteen weeks ended September 28, 2024, primarily due to a reduction in outstanding debt and a reduction in interest rate spreads driven by the debt repricing in the first quarter of 2024 (see Note 9 - Long-term Debt of the Notes to Condensed Consolidated Financial Statements for additional information).

## Income Taxes

For the thirteen weeks ended September 28, 2024 and thirteen weeks ended September 30, 2023, the effective income tax rate was 37.0% and 71.9%, respectively. The Company recorded an income tax provision for the thirteen weeks ended September 28, 2024 of \$4.4 million based on a pre-tax income of \$11.8 million, and an income tax provision for the thirteen weeks ended September 30, 2023 of \$13.0 million based on a pre-tax income of \$18.0 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 effective tax rate differed from the U.S. federal statutory tax rate due to state and foreign income taxes and certain non-deductible expenses.

## Thirty-nine weeks ended September 28, 2024 vs the Thirty-nine Weeks Ended September 30, 2023

### FINANCIAL SUMMARY AND OTHER KEY METRICS

- Net sales for the thirty-nine weeks ended September 28, 2024 were \$1,123.0 million compared to net sales of \$1,128.7 million in the thirty-nine weeks ended September 30, 2023, a decrease of approximately \$5.6 million or 0.5%.
- Net income for the thirty-nine weeks ended September 28, 2024 was \$18.5 million, or \$0.09 per diluted share, compared to \$0.5 million, or \$0.00 per diluted share for the thirty-nine weeks ended September 30, 2023.
- Adjusted EBITDA<sup>(1)</sup> totaled \$193.2 million versus \$165.0 million in the thirty-nine weeks ended September 28, 2024 and in the thirty-nine weeks ended September 30, 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 thirty-nine weeks ended September 28, 2024 and the thirty-nine weeks ended September 30, 2023.

	Thirty-nine weeks ended September 28, 2024		Thirty-nine weeks ended September 30, 2023	
<i>(dollars in thousands)</i>	Amount	% of Net Sales	Amount	% of Net Sales
Net sales	\$ 1,123,033	100.0 %	\$ 1,128,669	100.0 %
Cost of sales (exclusive of depreciation and amortization shown separately below)	581,806	51.8	643,652	57.0
Selling, warehouse, general and administrative expenses	369,980	32.9	335,876	29.8
Depreciation	50,583	4.5	44,939	4.0
Amortization	45,857	4.1	46,733	4.1
Other expense, net	3	—	841	0.1
Income from operations	74,804	6.7	56,628	5.0
Interest expense, net	44,316	3.9	52,880	4.7
Refinancing charges	3,008	0.3	—	—
Income before income taxes	27,480	2.4	3,748	0.3
Income tax expense	9,003	0.8	3,278	0.3
Net income	\$ 18,477	1.6 %	\$ 470	— %
Adjusted EBITDA <sup>(1)</sup>	\$ 193,241	17.2 %	\$ 164,990	14.6 %

(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 income to Adjusted EBITDA.

## Net Sales by Segment

	Thirty-nine weeks ended September 28, 2024		Thirty-nine weeks ended September 30, 2023		\$ Change	% Change
	Amount	% of Net Sales	Amount	% of Net Sales		
Hardware and Protective Solutions	\$ 833,847	74.2 %	\$ 818,198	72.5 %	\$ 15,649	1.9 %
Robotics and Digital Solutions	173,086	15.4	186,990	16.6	(13,904)	(7.4)
Canada	116,100	10.3	123,481	10.9	(7,381)	(6.0)
Consolidated	\$ 1,123,033		\$ 1,128,669		\$ (5,636)	(0.5)

The decrease in total net sales during the thirty-nine weeks ended September 28, 2024 was primarily driven by the factors described below:

Hardware and Protective Solutions' net sales increased by \$15.6 million in the thirty-nine weeks ended September 28, 2024 due to the following:

- Hardware net sales increased by \$11.7 million primarily driven by \$31.7 million in additional sales related to the Koch acquisition offset by \$13.0 million and \$6.7 million in decreased volume and price, respectively.
- Protective equipment net sales increased by \$3.9 million primarily driven by \$6.6 million in additional sales related to the Intex acquisition offset by \$2.3 million in decreased volume.

Robotics and Digital Solutions net sales in the thirty-nine weeks ended September 28, 2024 decreased by \$13.9 million primarily driven by decreased volume of key and engraving sales.

Canada net sales decreased by \$7.4 million primarily due to price decreases of \$4.5 million, volume decreases of \$1.5 million, and an unfavorable impact of the exchange rate from Canadian dollars to U.S. dollars.

## Cost of Sales (excluding depreciation and amortization)

The following table summarizes cost of sales by segment:

	Thirty-nine weeks ended September 28, 2024	% of Segment Net Sales	Thirty-nine weeks ended September 30, 2023	% of Segment Net Sales	\$ Change	% Change
Hardware and Protective Solutions	\$ 464,614	55.7 %	\$ 511,743	62.5 %	\$ (47,129)	(9.2)%
Robotics and Digital Solutions	49,298	28.5	54,822	29.3	(5,524)	(10.1)
Canada	67,894	58.5	77,087	62.4	(9,193)	(11.9)
Consolidated	\$ 581,806	51.8 %	\$ 643,652	57.0 %	\$ (61,846)	(9.6)%

Hardware and Protective Solutions' cost of sales as a percentage of net sales decreased primarily due to decreased product and inbound 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 inbound 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:

	Thirty-nine weeks ended September 28, 2024	% of Segment Net Sales	Thirty-nine weeks ended September 30, 2023	% of Segment Net Sales	\$ Change	% Change
Hardware and Protective Solutions	\$ 262,714	31.5 %	\$ 232,107	28.4 %	\$ 30,607	13.2 %
Robotics and Digital Solutions	71,016	41.0	70,597	37.8	419	0.6
Canada	36,250	31.2	33,172	26.9	3,078	9.3
Consolidated	\$ 369,980	32.9 %	\$ 335,876	29.8 %	\$ 34,104	10.2 %

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

- General and administrative ("G&A") increased \$19.2 million. The increase was due to a write off of \$7.5 million of accounts receivable, net, due to True Value declaring bankruptcy. See Note 17 - Subsequent Events of the Notes to Condensed Consolidated Financial Statements for additional information. The remaining increase was driven by an increase in stock-based compensation expense, compensation and benefit expense, and an increased investment into information technology.
- Selling expense increased by \$10.6 million primarily due to increased compensation and benefit expense.
- Warehouse expense increased \$0.8 million due to inflation in labor and shipping costs.

Robotics and Digital Solutions SG&A was comparable to prior year.

Canada SG&A increased due to the following:

- Selling expense increased by \$1.5 million primarily due to increased compensation and benefit expense.
- G&A increased by \$1.0 million primarily driven by severance costs associated with restructuring and increased compensation and benefit expense.
- Warehouse expense increased \$0.6 million primarily due to inflation in labor and shipping costs along with costs associated with our distribution center relocation.

## Other Operating Expenses

Depreciation expense increased \$5.6 million due to capital spend on merchandising racks.



Amortization expense in the thirty-nine weeks ended September 28, 2024 decreased by \$0.9 million primarily due to lower intangible asset balances following 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 thirty-nine weeks ended September 28, 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). In addition, we recorded exchange rate losses of \$0.3 million in the thirty-nine weeks ended September 28, 2024. Offsetting the loss was income from certain rebates received.

In the thirty-nine weeks ended September 30, 2023, other income (expense) consisted primarily of a \$2.6 million loss on the revaluation of the contingent consideration associated with the acquisition of Resharp and Instafob. We also received \$0.6 million in benefits from the state and local governments associated with our new facilities in the thirty-nine weeks ended September 30, 2023. In addition, we recorded exchange rate gains of \$0.4 million in the thirty-nine weeks ended September 30, 2023.

## Income from Operations

	Thirty-nine weeks ended September 28, 2024	Thirty-nine weeks ended September 30, 2023	\$ Change	% Change
Hardware and Protective Solutions	\$ 46,501	\$ 19,087	\$ 27,414	143.6 %
Robotics and Digital Solutions	20,409	27,608	(7,199)	(26.1)
Canada	7,894	9,933	(2,039)	(20.5)
Total segment income from operations	\$ 74,804	\$ 56,628	\$ 18,176	32.1 %

Income from operations in our Hardware and Protective Solutions segment increased \$27.4 million due to the changes in net sales, cost of sales, and SG&A expenses described above.

Income from operations in our Robotics and Digital Solutions segment decreased \$7.2 million. The \$7.2 million decrease is primarily due to the changes in net sales, cost of sales, and SG&A expenses described above, including a decrease of \$2.2 million in other expense driven by the changes in revaluation of the contingent consideration described above.

Canada's income from operations decreased by \$2.0 million primarily due to the changes in net sales, cost of sales and SG&A expenses described above, in addition to exchange rate losses of \$0.3 million in the thirty-nine weeks ended September 28, 2024 and exchange rate gains of \$0.3 million in the thirty-nine weeks ended September 30, 2023.

Interest expense, net, decreased \$8.6 million in the thirty-nine weeks ended September 28, 2024, primarily due to a reduction in outstanding debt and a reduction in interest rate spreads driven by the debt repricing in the first quarter of 2024 (see Note 9 - Long-term Debt of the Notes to Condensed Consolidated Financial Statements for additional information).

## Income Taxes

For the thirty-nine weeks ended September 28, 2024 and thirty-nine weeks ended September 30, 2023, the effective income tax rate was 32.8% and 87.5%, respectively. The Company recorded an income tax provision for the thirty-nine weeks ended September 28, 2024 of \$9.0 million based on a pre-tax income of \$27.5 million, and an income tax provision for the thirty-nine weeks ended September 30, 2023 of \$3.3 million based on a pre-tax income of \$3.7 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 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 as well as 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 income, the most directly comparable financial measure under GAAP, to Adjusted EBITDA for the periods presented:

<i>(dollars in thousands)</i>	Thirteen Weeks Ended September 28, 2024	Thirteen Weeks Ended September 30, 2023	Thirty-nine Weeks Ended September 28, 2024	Thirty-nine Weeks Ended September 30, 2023
Net income	\$ 7,434	\$ 5,057	\$ 18,477	\$ 470
Income tax expense	4,372	12,957	9,003	3,278
Interest expense, net	15,108	16,728	44,316	52,880
Depreciation	17,948	14,434	50,583	44,939
Amortization	15,354	15,583	45,857	46,733
EBITDA	<u>\$ 60,216</u>	<u>\$ 64,759</u>	<u>\$ 168,236</u>	<u>\$ 148,300</u>
Stock compensation expense	3,257	3,069	9,742	9,111
Restructuring and other <sup>(1)</sup>	1,322	179	3,192	3,027
Litigation expense <sup>(2)</sup>	—	79	—	339
Transaction and integration expense <sup>(3)</sup>	477	289	993	1,599
Change in fair value of contingent consideration	(467)	(1,553)	313	2,614
Refinancing costs <sup>(4)</sup>	—	—	3,008	—
Customer bankruptcy reserve <sup>(5)</sup>	\$ 7,757	\$ —	\$ 7,757	\$ —
Adjusted EBITDA	<u>\$ 72,562</u>	<u>\$ 66,822</u>	<u>\$ 193,241</u>	<u>\$ 164,990</u>

(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. and Intex DIY, Inc acquisitions 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).

(5) Bankruptcy related reserves includes amounts written off in connection with the True Value Chapter 11 bankruptcy filing on October 14, 2024 (see Note 17 - Subsequent Events of the Notes to Condensed Consolidated Financial Statements for additional information).

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

Thirteen weeks ended September 28, 2024	Hardware and Protective Solutions	Robotics and Digital Solutions	Canada	Consolidated
Operating income	\$ 17,210	\$ 7,342	\$ 2,362	\$ 26,914
Depreciation and amortization	20,673	11,472	1,157	33,302
Stock compensation expense	2,850	333	74	3,257
Restructuring and other	19	390	913	1,322
Transaction and integration expense	463	14	—	477
Change in fair value of contingent consideration	—	(467)	—	(467)
Customer bankruptcy reserve	7,495	262	—	7,757
Adjusted EBITDA	\$ 48,710	\$ 19,346	\$ 4,506	\$ 72,562

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

Thirty-nine weeks ended September 28, 2024	Hardware and Protective Solutions	Robotics and Digital Solutions	Canada	Consolidated
Operating income	\$ 46,501	\$ 20,409	\$ 7,894	\$ 74,804
Depreciation and amortization	60,786	31,914	3,740	96,440
Stock compensation expense	8,239	946	557	9,742
Restructuring and other	631	747	1,814	3,192
Transaction and integration expense	959	34	—	993
Change in fair value of contingent consideration	—	313	—	313
Customer bankruptcy reserve	7,495	262	—	7,757
Adjusted EBITDA	\$ 124,611	\$ 54,625	\$ 14,005	\$ 193,241

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

## LIQUIDITY AND CAPITAL RESOURCES

Our working capital position, which we define as current assets minus current liabilities, of \$355.3 million as of September 28, 2024 represents an increase of \$30.4 million from the December 30, 2023 level of \$324.9 million. \$19.6 million of the increase is related the acquisition of Koch Industries Inc that occurred in January 2024 and \$21.5 million of the increase is related to the Intex DIY acquisition that occurred in August 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 condensed consolidated statements of cash flows:

	Thirty-nine weeks ended September 28, 2024	Thirty-nine weeks ended September 30, 2023	\$ Change
Net cash provided by operating activities	\$ 140,187	\$ 171,477	\$ (31,290)
Net cash used for investing activities	(122,169)	(52,763)	(69,406)
Net cash provided by (used for) financing activities	1,653	(111,762)	113,415
Net increase in cash and cash equivalents	21,267	8,181	13,086

### Operating Cash Flows:

Net cash provided by operating activities for the thirty-nine weeks ended September 28, 2024 was unfavorably impacted by increases in accounts receivable due to the seasonality of our business as well as accounts receivable generated by the Koch business post acquisition. Additionally, we saw increased accounts payable due to the timing of inventory purchases and payments.

Net cash provided by operating activities for the thirty-nine weeks ended September 30, 2023 was favorably impacted by reduced inventory as part of the company's ongoing strategic initiative to lower inventory on hand during 2023 following the build up of inventory in prior years due to inflation and supply chain challenges. Additionally, we saw increased accounts payable due to the timing of inventory purchases and payments.

### Investing Cash Flows:

#### Capital Expenditures:

Cash of \$64.2 million and \$52.1 million was used in the thirty-nine weeks ended September 28, 2024 and thirty-nine weeks ended September 30, 2023, respectively, to invest in new key duplicating and engraving kiosks and merchandising racks.

## Acquisitions:

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 \$23.8 million. See Note 4 - Acquisitions of the Notes to Condensed Consolidated Financial Statements for additional information.

On August 23, 2024, the Company completed the acquisition of Intex DIY, Inc. ("Intex"), a leading supplier of wiping cloths, consumable rags, and cleaning textiles for a total purchase price of \$34.0 million. See Note 4 - Acquisitions of the Notes to Condensed Consolidated Financial Statements for additional information.

## Financing Cash Flows:

### Term Loan:

The Company used \$4.3 million of cash for principal payments on the senior term loan. As of September 28, 2024, we have outstanding borrowings of \$747.6 million on the term loan. In August 2023, the Company made a \$80.0 million prepayment against the outstanding term loan balance without payment of a premium or penalty. See Note 9 - Long-term Debt of the Notes to Condensed Consolidated Financial Statements for additional information.

### ABL Revolver:

We drew approximately \$77.0 million on our revolver in the thirty-nine weeks ended September 28, 2024, primarily to fund seasonal inventory purchases along with the acquisitions of Koch and Intex referenced above. We were able to fully repay the draws during the thirty-nine weeks ended September 28, 2024 using cash generated from our operations. On a net basis, the activity on the revolver had no impact to our cash flows used for financing activities in the thirty-nine weeks ended September 28, 2024.

In the thirty-nine weeks ended September 30, 2023, revolver repayments, net of draws, used \$25.0 million of cash as part of our plan to pay down debt.

### Stock Option Exercises:

In the thirty-nine weeks ended September 28, 2024 and thirty-nine weeks ended September 30, 2023 the Company received \$8.9 million and \$1.6 million from the exercise of stock options, respectively.

## 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 September 28, 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

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## 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 September 28, 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 \$3.9 million.

## FOREIGN CURRENCY EXCHANGE

We are exposed to foreign exchange rate changes of the Canadian and Mexican currencies as they impact the \$143.4 million tangible and intangible net asset value of our Canadian and Mexican subsidiaries as of September 28, 2024. The foreign subsidiaries' net tangible assets were \$88.3 million and the net intangible assets were \$55.1 million as of September 28, 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

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## 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 September 28, 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 September 28, 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") and on August 23, 2024, the Company completed its acquisition of Intex DIY, Inc. ("Intex"). 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 or Intex's internal control over financial reporting as of September 28, 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 September 28, 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

The retirement of Randall Fagundo, Divisional President, Robotics and Digital Solutions of the Company, effective August 31, 2024 was previously disclosed in our Form 10-Q for the thirteen weeks ended March 30, 2024 filed with the SEC on May 7, 2024. On September 1, 2024, the Company and Mr. Fagundo entered into a Separation Agreement (the “Separation Agreement”) and a Consulting Agreement with a three-year term from his retirement date (the “Consulting Agreement”) consistent with the terms previously agreed upon and previously disclosed in our Form 10-Q for the thirteen weeks ended March 30, 2024 filed with the SEC on May 7, 2024. The Separation Agreement is filed as Exhibit 10.1 to this Quarterly Report and the Consulting Agreement is filed as Exhibit 10.2 to this Quarterly Report.



# ITEM 6. – EXHIBITS

- a) Exhibits, including those incorporated by reference.
- 10.1\* [Hillman - Randall Fagundo - Separation Agreement - Signed](#) (filed herewith).
- 10.2\* [Hillman - Randall Fagundo - Consulting Agreement - Signed](#) (filed herewith).
- 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 September 28, 2024 filed with the Securities and Exchange Commission on November 5, 2024, formatted in eXtensible Business Reporting Language: (i) Condensed Consolidated Balance Sheets as of September 28, 2024 and December 30, 2023, (ii) Condensed Consolidated Statements of Comprehensive Income (Loss) for the thirteen and thirty-nine weeks ended September 28, 2024 and the thirteen and thirty-nine weeks ended September 30, 2023, (iii) Condensed Consolidated Statements of Cash Flows for the thirty-nine weeks ended September 28, 2024 and the thirty-nine weeks ended September 30, 2023, (iv) Condensed Consolidated Statements of Stockholders' Equity for the thirteen and thirty-nine weeks ended September 28, 2024 and the thirteen and thirty-nine weeks ended September 30, 2023, and (v) Notes to Condensed Consolidated Financial Statements.

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



# HILLMAN™

## CONFIDENTIAL SEPARATION AGREEMENT

This Confidential Separation Agreement (“Agreement”) is entered into by The Hillman Group, Inc., and its predecessors, subsidiaries, successors, assigns, affiliates, shareholders, officers, directors, agents, legal representatives, employees, benefit plans, and their administrators and trustees (collectively, “Company”) and Randall Fagundo (“Employee”) (together, the “Parties”).

In consideration of the mutual promises and conditions contained in this Agreement, Company and Employee agree as follows:

1. **Termination.** Employee’s employment with Company terminated or will terminate effective August 31, 2024 (the “Separation Date”). All Company-provided benefits ceased to accrue on the Separation Date, excepting those explicitly stated in Paragraph 2 below. Employee may be eligible to elect continuation coverage under COBRA. Additional information will be provided under separate cover. Employee acknowledges that Employee has been fully-compensated for all work performed on behalf of Company. Employee also acknowledges that Employee is not entitled to any other payments of wages, bonus, PTO, vacation, sick pay or employee benefits, except what Employee receives under this Agreement.

2. **Severance Package.** In exchange for Employee’s execution of this Agreement, Company agrees to provide to Employee, on or after the Effective Date (as determined in Section 5(d) of this Agreement), the Severance Package attached hereto as Exhibit 1.

3. **Employee’s Obligations.** Employee agrees to the following terms, which Employee acknowledges are material conditions to Company’s obligations under Section 2 above:

a. Employee agrees, subject to any obligations Employee may have under applicable law, that Employee will not make or cause to be made any statements that disparage, are harmful to, or damage the reputation of Company or any of its affiliates, agents, representatives, officers, directors or employees. However, nothing in this Agreement prohibits Employee from discussing terms and conditions of employment or otherwise engaging in activity protected by Section 7 of the National Labor Relations Act.

b. Employee agrees that Employee will keep confidential the terms of this Agreement and that Employee will not disclose any of those terms to anyone other than Employee’s attorney, tax advisors, and spouse (who must agree to keep those terms confidential), except as required by law or legal process or as necessary to enforce the terms of this Agreement.

c. Employee agrees that, for a period of two years after the Separation Date, Employee will not, without prior written approval from the General Counsel and Secretary of Company, directly or indirectly solicit any person who is an employee of Company to terminate their employment with Company.

d. Employee agrees that, for a period of one year after the Separation Date, Employee will not, without prior written approval from the General Counsel and Secretary of Company, engage directly or indirectly, whether as an employee, officer, director, shareholder, partner, consultant, representative, or in any other capacity, in any business or activity that are the same or substantially similar to the services Employee provided to Company at any time during the last two (2) years before the Separation Date. The geographic scope of the restriction is limited to those state or territories where Employee provided services to Company or engaged in business on behalf of Company.

e. Employee agrees that, for a period of one month after the Separation Date, Employee will voluntarily and promptly respond to any and all Company requests for information regarding Employee's job functions prior to the Separation Date.

f. Employee agrees that Employee will voluntarily and fully support and cooperate with Company and its legal counsel in any and all pending and future administrative and judicial matters as to which Employee has or had any knowledge, information, or involvement. Company will reimburse Employee for Employee's reasonable pre-approved travel expenses incurred as a result of such litigation support and cooperation.

g. No later than the Effective Date, Employee will return to Company all of Company's trade secret, confidential, and proprietary information and also will return Company's other property, in good working order, normal wear and tear excepted, including but not limited to, all of Company's cell phones, credit cards, telephone cards, computers, electronic or other equipment, building or equipment keys, and all trade secret, confidential, and proprietary material and any copies thereof. Employee agrees that failure to return such property shall entitle Company to delay any or all payments to be made under this Agreement until such property is returned.

h. As an employee of Company, Employee has had access to information which Company regards as confidential. The confidential information includes, but is not limited to, all information, regardless of the form in which it is transmitted or stored, including information which is in Employee's memory, relating to Company's past, present, or future: trade secrets; customer and supplier lists and contact information; pricing information; profit margins; research; financial information; operating and business plans; marketing plans; technical data or know-how; assets; liabilities; and proposals to provide services; as well as all confidential materials provided to Company by third parties (cumulatively, the "Confidential Information"). The Confidential Information does not include information that is in the public domain through no fault of Employee. Employee shall keep all of the Confidential Information in strict confidence and shall not directly or indirectly reveal or disclose to any third party nor make use of for Employee's own benefit or for the benefit of any third party, all or any portion of the Confidential Information. Employee shall also take all reasonable measures to prevent the Confidential Information from falling into the public domain or the possession of third parties. The restrictions and obligations set forth in this paragraph shall apply forever following termination of Employee's employment, or for the maximum time period permitted by law, whichever is longer.

i. Notwithstanding any other provision of this Agreement, Employee will not be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that is made (A)(1) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and (2) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If Employee files a lawsuit for retaliation by Company for reporting a suspected violation of law, Employee may disclose Company's trade secrets to Employee's attorney and use the trade secret information in the court proceeding if Employee (y) files any document containing the trade secret under seal, and (z) does not disclose the trade secret, except pursuant to court order.

4. **Release and Waiver.** Employee, for and on behalf of Employee and Employee's representatives, agents, next of kin, heirs, successors, and assigns, hereby releases and forever discharges Company and its affiliated companies and their respective current and former officers, directors, shareholders, employees, agents, representatives, attorneys, successors, and assigns (the "Released Parties") from any and all claims, causes of action, expenses including attorney fees, interest (statutory or common law), and liabilities of any kind whatsoever, whether known or unknown, or foreseen or unforeseen, which Employee had, now has, or may ever have against the Released Parties, or any of them, arising from any act, omission, or thing that occurred before the Effective Date, including, but not limited to: claims based on or arising out of Employee's employment with Company or the termination of that employment; claims in tort, including without limitation, claims of libel, slander, defamation, or invasion of privacy; claims based on contract, express or implied; claims of promissory estoppel; claims of wrongful discharge or wrongful retaliation; claims for violation of federal, state, or local laws or regulations which prohibit discrimination; claims arising under the Age Discrimination in Employment Act of 1967, as amended, and the Older Workers Benefit Protection Act; Title VII of the Civil Rights Act of 1964, as amended, 42 U.S.C. §2000e et seq.; the Americans with Disabilities Act; the Employee Retirement Income Security Act; the civil rights laws of any state; and claims based on any other laws or court decisions affecting relations between employers and employees.

Employee further agrees that Employee will not initiate or pursue any claims, actions, complaints, charges, or litigation against any of the Released Parties based on or arising out of any claim released herein. If Employee institutes any claim, charge, or action that has been released herein, or is a party to any such proceeding, Employee's claims shall be dismissed, with prejudice.

Nothing in this Agreement shall be construed to prohibit, prevent, or otherwise restrict Employee from: (A) reporting any allegations of unlawful conduct to federal, State, or local officials for investigation, including, but not limited to, alleged criminal conduct or unlawful employment practices; (B) disclosing Confidential Information pursuant to the valid order of a court of competent jurisdiction or an authorized government agency, provided that the disclosure does not exceed the extent of disclosure required by such law, regulation, or order; (C) making other disclosures that are protected under the whistleblower provisions of federal, state or local laws or regulations; or (D) initiating communications directly with, responding to an inquiry from, or providing testimony before the Securities and Exchange Commission (SEC), any other self-regulatory organization, or any other federal or state regulatory authority regarding this

Agreement or its underlying facts or circumstances or a possible securities law violation. In situations described in this subsection, Employee does not need prior authorization of any kind to make any such reports or disclosures and Employee is not required to notify the Company that Employee has made such reports or disclosures. Employee agrees, however, that by virtue of Employee's execution of this Agreement, Employee waives and releases any right to receive any monetary award from any such proceeding before the Equal Employment Opportunity Commission or parallel state agency responsible for enforcement of fair employment laws.

Employee agrees that Employee will forfeit all amounts payable by Company pursuant to this Agreement and will return all payments received by Employee pursuant to this Agreement if Employee challenges the validity of the release provisions of this Section 4 or the validity of any other term or condition of this Agreement.

Employee understands that this Agreement resolves any and all claims, disputes, and causes of action that Employee may have against the Released Parties, or any of them, arising out of or in any way related to Employee's employment with Company or the termination of that employment.

5. **OWBPA Requirements.** Employee acknowledges and agrees that the following Subsections a through d are included in this Agreement in accordance with the ADEA and the Older Workers Benefit Protection Act ("OWBPA") and that this Agreement shall not become effective or enforceable until the revocation period in Subsection b has expired, provided that Employee does not revoke this Agreement during such period:

a. Twenty-One (21) Days to Accept. Employee acknowledges that Employee has been given a period of at least twenty-one (21) days after receipt of this Agreement to consider whether or not to sign and accept this Agreement. Employee hereby expressly waives Employee's right to such period if Employee voluntarily signs this Agreement prior to the expiration of such period.

b. Seven (7) Day Revocation. Employee understands that Employee may revoke this Agreement at any time within seven (7) days after the date of Employee's signing indicated below. Employee understands further that this Agreement shall not become effective or enforceable until the revocation period has expired. To revoke this Agreement, Employee must give written notice which is received by the General Counsel and Secretary of Company prior to the expiration of the revocation period.

c. Acknowledgments. Employee acknowledges that Company has hereby advised Employee in writing to consult with an attorney of Employee's own choosing prior to executing this Agreement. Employee also acknowledges in accordance with the OWBPA that the payments and other consideration set forth in Section 2 above are in addition to anything of value to which Employee is already entitled.

d. "Effective Date". The "Effective Date" of this Agreement shall be the eighth (8th) day following its signing by Employee (after the expiration of the seven (7) day revocation period), provided that Employee does not revoke this Agreement during such period.

6. **Choice of Law and Forum.** Company and Employee agree that this Agreement shall be governed by and construed in accordance with the substantive laws of the State of Ohio. In the

event of any dispute between the parties relating in any way to the inducement, performance, breach, validity, interpretation, or enforcement of this Agreement or of any of the obligations hereunder, the parties agree that the exclusive jurisdiction and forum for any court action as to any such dispute shall be in the state or federal courts for Hamilton County, Ohio; and the parties further agree that such courts shall have personal jurisdiction over the parties and that the parties hereby waive any objections to such personal jurisdiction.

7. **No Admission.** Employee understands and acknowledges that this Agreement constitutes a compromise and settlement of any and all actual or potential disputed claims by Employee. No action taken by Company hereto, either previously or in connection with this Agreement, shall be deemed or construed to be (a) an admission of the truth or falsity of any actual or potential claims or (b) an acknowledgment or admission by Company of any fault or liability whatsoever to Employee or to any third party.

8. **Entire Agreement.** This Agreement expresses the entire agreement and understanding of the Parties regarding the terms and conditions of Employee's separation from employment, and supersedes any prior agreements, written or oral, between the Parties regarding the subjects described herein, with the exception of any restrictive covenant agreements or obligations you previously undertook to preserve and protect the trade secrets, proprietary information, or intellectual property rights of Company, which obligations shall remain in full force and effect hereinafter.

9. **Acknowledgment of Understanding.** Employee acknowledges that Employee has read this Agreement in its entirety, that Employee understands the terms of this Agreement, and that Employee is executing this Agreement voluntarily and of Employee's own free will.

THE HILLMAN GROUP, INC.

By:   /s/ Aaron Parker     8/31/24     /s/ Randall Fagundo     9/1/24    
Aaron Parker           Date           Employee Signature           Date  
Chief People Officer

CONFIDENTIAL SEPARATION AGREEMENT EXHIBIT 1

Randall Fagundo

Reference Section 2, Severance Package

1. Randall Fagundo was a participant in the Hillman Executive Severance Plan. The Company and Mr. Fagundo have mutually agreed to terminate Mr. Fagundo's rights under the Executive Severance Plan and Mr. Fagundo's Participation Notice thereunder.
2. Instead, Mr. Fagundo will receive:
  - a. Continuation of his annual base salary of \$350,000 for a period of twelve months;
  - b. Monthly payment of COBRA Medical, dental and vision insurance benefits premiums for a period of twelve months; and
  - c. Payment of Mr. Fagundo's 2024 performance-based bonus (Target Bonus Amount of 50% of Annual Base salary of \$350,000), 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 (Generally, a March-April 2025 payment date).



**CONSULTING AGREEMENT**

THIS CONSULTING AGREEMENT (“Agreement”) is entered into as of September 1, 2024, between The Hillman Group, Inc., a Delaware corporation (the “Company”), and Randall Fagundo (“Consultant”).

**RECITALS**

WHEREAS, the Company desires to retain Consultant to provide to the Company certain consulting services as described herein; and  
WHEREAS, Consultant desires to render such consulting services.

NOW, THEREFORE, in consideration of the payment of the Consulting Fees (as defined in Section 4 below) and of the foregoing promises, and the mutual agreements and covenants set forth herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties, intending to be legally bound, agree as follows:

1. Consulting Period; Termination.

(a) Subject to Section 1

(b) hereof, this Agreement shall continue for a period of three (3) years from the date hereof, unless further extended pursuant to mutual written agreement between the Company and Consultant (the “Consulting Period”). (b) This Agreement shall terminate automatically upon the death or incapacitation of Consultant.

2. Consulting Services. During the Consulting Period, Consultant shall provide consulting services to the Company (collectively, the “Consulting Services”) as reasonably requested by the Company, which may include without limitation, those Consulting Services set forth on Exhibit A hereto. Consultant shall provide such Consulting Services at such times and at such locations as the Company may reasonably request, which shall not exceed ten hours per month.

3. Independent Contractor. Consultant acknowledges and agrees that Consultant’s status at all times shall be that of an independent contractor, and that Consultant may not, at any time, act as an employee, agent or representative for or on behalf of the Company, for any purpose or transaction, and may not bind or otherwise obligate the Company in any manner whatsoever. Consultant acknowledges that Consultant shall have no authority to terminate the employment of any employee of the Company. In recognition of Consultant’s status as an independent contractor, Consultant hereby waives any rights as an employee or deemed employee of the Company or any of its affiliates. In furtherance of the foregoing, in the course of performing the Consulting Services, Consultant shall disclose that Consultant (and any persons acting on behalf of Consultant) is acting as an independent contractor, not as an agent of the Company, and that Consultant has no authority to bind the Company to any contractual agreement. In addition, while performing the Consulting Services pursuant to this Agreement, Consultant shall be responsible for complying with all applicable federal, state, and local laws, ordinances and regulations related to such services performed hereunder.

#### 4. Consulting Fees; Expenses.

(a) Consulting Fees. In consideration of Consultant's retention hereunder to perform the Consulting Services, the Company will pay Consultant the consideration set forth on Exhibit B during the Consulting Period (collectively, the "Consulting Fees").

(b) Expenses. Consultant shall receive reimbursement for business expenses incurred by Consultant during the Consulting Period in the performance of the Consulting Services hereunder and consistent with the Company's travel and reimbursement policies; provided, that (i) all such expenses are approved in advance and in writing by the Company; (ii) Consultant furnishes appropriate documentation as required by the Internal Revenue Code of 1986, as amended (and such other documentation concerning such expenses as the Company may, from time to time, reasonably request) no later than thirty (30) days following the date the expense was incurred; and (iii) all such expenses shall be set forth on a single monthly invoice along with the Consulting Fees for the month that the expenses were incurred.

5. Taxes. Consultant shall pay directly all taxes associated with the compensation Consultant receives under this Agreement. With respect to any payments to Consultant pursuant to this Agreement, the Company shall not withhold or pay any FICA or other federal, state or local income or other taxes, or comply with or contribute to state workers' compensation, unemployment or other funds or programs. Consultant acknowledges the separate responsibility for the payment of all such taxes, and agrees to indemnify the Company and hold the Company and its respective officers, employees, directors, managers, shareholders and affiliated entities harmless from and against any and all liability, claims, costs and expenses which any of them may suffer or incur arising out of any failure by Consultant to pay promptly any such tax as required by any applicable law.

6. Return of Materials. Upon the termination of Consultant's engagement hereunder, Consultant will surrender immediately to the Company in good condition, any merchandise, books, accounts, memoranda, records, keys and other property of whatsoever nature, whether tangible or intangible, which are in Consultant's possession and which belong to the Company or which reasonably may be considered to be related to or, in any way, be connected with the business of the Company. In the event that such items are not so returned, the Company shall have the right to recover such property and to deduct from any earned but unpaid Consulting Fees or expense reimbursement payable to Consultant the reasonable value of such items plus all reasonable costs, attorneys' fees and expenses incurred in searching for, taking, removing and recovering said property.

7. Confidential Information. Consultant acknowledges and agrees that in providing the Consulting Services, Consultant may acquire Confidential Information (as defined below) and that such Confidential Information constitutes valuable property of the Company. Accordingly, Consultant shall not at any time during the term of this Agreement or following its expiration or termination, disclose to anyone outside the Company or use in any manner, other than in performing the Consulting Services to the Company hereunder, any Confidential Information of the Company or its affiliates. Notwithstanding the foregoing, Consultant shall not be liable for the disclosure of information which may otherwise be deemed Confidential Information hereunder, if (i) the information is in, or becomes part of, the public domain, other than by

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Consultant's unauthorized disclosure of the information; (ii) the information is disclosed with the Company's prior written approval; or (iii) the information is required to be disclosed by law pursuant to a subpoena, interrogatory, civil investigative demand or similar process (provided that Consultant shall provide the Company with as much notice of such required disclosure as is reasonably possible). For purposes of this Agreement, "Confidential Information" shall include all information of the Company which is not readily available to the public, including, but not limited to, information relating to customers, processes, products, formulae, data, business and contracting plans, business procedures, finances, prices and all related information, and any of the foregoing received by the Company from any other person or entity.

#### 8. Ownership of Work Product.

(a) Consultant acknowledges that any work created by Consultant in connection with the performance of the Consulting Services ("Work Product") is being created at the request of the Company. Consultant agrees to grant, assign and convey and hereby grants, assigns and conveys to the Company all right, title and interest in and to all Work Product, including, without limitation, all inventions, works of authorship, trade secrets and other proprietary data, programs, specifications, documentation, technical information, and all other materials (as well as the copyrights, patents, trade secrets and similar rights attendant hereto), including any improvements made to any intellectual property or technology of the Company or any derivative work based upon any work or material of the Company, conceived, reduced to practice, authored or developed by Consultant, either solely or jointly with others, including employees of the Company, during and in connection with the performance of the Consulting Services. To the fullest extent permissible under applicable law, any work of authorship included in the Work Product shall be deemed a "work made for hire" as defined under the United States copyright laws. To the extent any work of authorship is not a work for hire, Consultant agrees to grant, assign and convey and hereby grants, assigns and conveys to the Company all right, title and interest in and to any such work of authorship. The Company shall have the right to use the whole of any Work Product, any part or parts thereof, or none of the Work Product, as it sees fit. The Company may alter the Work Product, add to it, or combine it with any other work or works, at its sole discretion. Notwithstanding the foregoing, all material submitted by Consultant as part of the Work Product or as part of the process of creating the Work Product, including but not limited to programs, listings, printouts, documentation, notes, flow charts, and programming aids, shall be the property of the Company whether or not the Company uses such material. No rights are reserved by Consultant. Whenever an invention or discovery is made by the Consultant either solely or in collaboration with others, including employees of the Company, under or relating to this Agreement, Consultant shall promptly give the Company written notice thereof and shall furnish the Company with complete information thereon including, as a minimum, (1) a complete written disclosure of each such invention and (2) information concerning the date and identity of any public use, sale or publication of such invention made by or known to Consultant or of any contemplated publication by Consultant. As used herein, the terms (1) "invention" or "invention or discovery" includes any art, machine, manufacture, design or composition of matter or any new and useful improvement thereof where it is or may be patentable under the patent laws of the United States or of any foreign country; and (2) "made," when used in relation to any invention or discovery, means the conception of the first actual or constructive reduction

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to practice of such invention. Consultant agrees that it will not seek patent, copyright, trademark, registered design or other protection for any rights in any Work Product. Consultant shall not have the right to disclose or use any Work Product for any purpose whatsoever and shall not communicate to any third party the nature of or details relating to any Work Product.

(b) Consultant agrees that, at the Company's expense, but without any additional consideration, Consultant shall do all things and execute all documents as the Company may reasonably require, to vest in the Company or its nominees the rights referred to herein and to secure for the Company or its nominees all patent, trademark, copyright and trade secret protection or to otherwise evidence, perfect, or protect any of the Company's ownership rights pursuant to this Agreement. If Consultant does not execute such documents or do such other things, Consultant hereby appoints the Company as its attorney-in-fact to do so on its behalf. The power granted to the Company in the preceding sentence is acknowledged by Consultant to be coupled with an interest and shall be irrevocable and perpetual. The obligations under this Section 8 shall survive expiration or termination of this Agreement and any amendments thereto. Furthermore, Consultant hereby irrevocably waives all rights in and to all works created or developed hereunder.

#### 9. Noncompetition and No Solicitation

(a) **For the term of this Agreement and a period of one (1) year following the termination hereof, Consultant shall not directly or indirectly, individually or for any person, firm or employee solicit, divert, interfere with, disturb or take away, or attempt to solicit, divert, interfere with, disturb or take away the patronage of (i) any customer or prospective customer of Company, (ii) any entity that was a customer of Company at any time within one (1) year prior to the termination (collectively, "Customers"). Consultant further acknowledges that to the extent Consultant engages in sales and/or dealings with Customers, Consultant developed substantial good will on behalf of Company by dealing with customers. Such customer good will is, in all instances, the property of Company. Consultant further acknowledges that any solicitation of Customers in violation of this agreement would be a misappropriation of customer good will to the substantial detriment of Company.**

(b) **For the term of this Agreement and a period of one (1) year following the termination, Consultant shall not engage in or provide any services that are substantially similar to the business of Company on behalf of any individual, business, practice, service or enterprise by directly or indirectly providing such services to any third party that has been a Customer at any time within the one (1) year period immediately preceding the termination.**

(c) **For the term of this Agreement and a period of one (1) year following the termination, Consultant shall not solicit any individual that has been an employee or consultant for the Company in the year prior to the termination for any employment opportunity.**

(d) **Consultant shall seek approval from the General Counsel of Company before accepting any employment or contractual arrangement for my services from any other**

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entity prior to accepting said employment or contract for services, and Company shall not deny said approval for any cause other than that Company has a reasonable belief that said employment or contract violates said Non-Competition and No Solicitation prohibition herein.

(e) For the sake of clarity, the consideration paid under this Agreement is consideration for this Non-Competition and No Solicitation laid forth herein, in addition to the Consulting Services, and all continued payments and vesting shall immediately cease in the event that Consultant violates said Non-Competition and Solicitation provisions.

10. Miscellaneous.

(a) Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Ohio, without regard to conflict of laws principles. Each party hereto agrees that any claim relating to this Agreement shall be brought solely in the state or federal courts of the State of Ohio located in Hamilton County, Ohio, and all objections to personal jurisdiction and venue in any action, suit or proceeding so commenced are hereby expressly waived by all parties hereto. The parties waive personal service of any and all process on each of them and consent that all such service of process shall be made in the manner, to the party and at the address set forth in Section 10(d) of this Agreement, and service so made shall be complete as stated in such section.

(b) Assignment; Binding Effect. This Agreement and the obligations of Consultant hereunder may not be assigned or delegated by Consultant to any third party without the prior written consent of the Company, and any attempted assignment or delegation shall be void and of no force or effect. Consultant shall not subcontract any part of the Consulting Services hereunder. This Agreement shall inure to the benefit of, and shall be binding upon, the parties and their respective successors, permitted assigns, affiliates, heirs and legal representatives, as applicable.

(c) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

(d) Notices. All notices, consents, waivers, and other communications under this Agreement must be in writing and will be deemed to have been duly given when (a) delivered by hand to the address(es) below, (b) sent by facsimile or electronic mail, if electronically confirmed, or (c) one business day after deposit with a nationally recognized overnight delivery service (receipt and next day delivery requested), in each case to the appropriate addresses and facsimile numbers set forth below (or to such other addresses and facsimile numbers as a party may designate by notice to the other parties):

If to the Company: The Hillman Group, Inc.  
1280 Kemper Meadow Dr.  
Forest Park, OH 45240  
Attn: Daniel M. Bauer, Asst. General Counsel  
E-mail: Daniel.bauer@hillmangroup.com

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If to Consultant: Randy Fagundo

\_\_\_\_\_ (address)

\_\_\_\_\_ (email)

\_\_\_\_\_ (phone)

(e) Headings. The headings in this Agreement are used for the convenience of reference only and shall not be used in the construction of, or otherwise impart meaning to, this Agreement.

(f) Entire Agreement; Amendments. This Agreement supersedes all previous agreements concerning the subject matter hereof, if any, among the parties and is the entire agreement between the Company and Consultant concerning the subject matter hereof. No waiver, amendment or modification hereof shall be valid unless in writing and signed by all parties.

**[Signature page follows]**

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IN WITNESS WHEREOF, the parties have caused this Consulting Agreement to be duly executed as of the day and year first written above.

**THE HILLMAN GROUP, INC.**

By: /s/ Aaron Parker

Name: Aaron Parker  
Title: Chief People Officer  
("Company")

/s/ Randall Fagundo

RANDALL FAGUNDO  
("Consultant")

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**EXHIBIT A**  
**Consulting Services**

- Assistance and support pertaining to any pertinent legal or administrative proceedings involving the RDS Business, or the Company.
  - Transition support and services relating to the business and leadership of the RDS Business.
  - Advising on industry and market trends as pertinent.
  - Other services as mutually agreed by Consultant and Company.
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## EXHIBIT B

### Consulting Fees

In consideration for the Consulting Services provided under this Agreement, and upon the terms and subject to the conditions set forth in this Consulting Agreement and the applicable equity award agreements, the Company will modify certain equity awards currently held by Mr. Fagundo as described below. Failure to provide the Consulting Services or to comply with the terms of this Consulting Agreement will result in the forfeiture of any outstanding equity awards.

- RSUs - Modification of Mr. Fagundo's unvested restricted stock units listed below to allow for continued vesting of the same, notwithstanding the cessation of employment, through the duration of the Consulting Agreement:

RSUs							
Grant Date	Client Grant ID	Award Type	Grant Price	QTY - Granted	QTY - Vested	QTY - Unvested	Vesting Date
1/11/2022	RS066	Restricted Stock Unit	\$ 9.94	22,635	-	22,635	1/11/2025
3/7/2023	RS01035	Restricted Stock Unit	\$ 8.77	22,805	-	22,805	3/7/2026
3/7/2024	FIDNPSQDNSV8A	Restricted Stock Unit	\$ 9.83	15,259	-	15,259	3/7/2027

- Time Based Options - Modification of Mr. Fagundo's unvested time based stock options listed below 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:

Grant Date	Client Grant ID	Award Type	Grant Price	QTY - Granted	QTY - Vested	QTY - Unvested	Expiration Date	Next Vesting Date
1/22/2021	TB0067	Time Based Options	\$ 10.00	105,268	78,951	26,317	1/22/2031	1/22/2025
1/11/2022	TB0132	Time Based Options	\$ 9.94	68,409	34,204	34,205	1/11/2032	1/11/2025
3/7/2023	TB01121	Time Based Options	\$ 8.77	53,530	13,382	40,148	3/7/2033	3/7/2025
3/7/2024	FIDNPSQONS1A	Time Based Options	\$ 9.83	32,985	-	32,985	3/7/2034	3/7/2025

- Performance Based Options - Modification of Mr. Fagundo's unvested performance-based stock options listed below 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:

Performance Based Options							
Grant Date	Client Grant ID	Award Type	Grant Price	QTY - Granted	QTY - Vested	QTY - Unvested	Expiration Date
8/10/2018	PB0065	Performance Based Options (\$12.50 strike price criteria)	\$ 7.29	86,533	-	86,533	8/10/2028

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

I, Douglas J. Cahill, certify that:

1. I have reviewed this quarterly 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: November 5, 2024

/s/ Douglas J. Cahill

\_\_\_\_\_  
Douglas J. Cahill

President and Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, Robert O. Kraft, certify that:

1. I have reviewed this quarterly 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: November 5, 2024

/s/ Robert O. Kraft

Robert O. Kraft  
Chief Financial Officer

**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 thirty-nine weeks ended September 28, 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: November 5, 2024

**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 Quarterly Report on Form 10-Q for the thirty-nine weeks ended September 28, 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

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Name: Robert O. Kraft

Date: November 5, 2024