

Section 1: 8-K (8-K)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 8-K

CURRENT REPORT

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

Date of report (Date of earliest event reported): November 1, 2018

FOUNDATION BUILDING MATERIALS, INC.

(Exact Name of the Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction of
Incorporation)

001-38009
(Commission File Number)

81-4259606
(IRS Employer Identification No.)

2741 Walnut Avenue, Suite 200, Tustin, California
(Address of Principal Executive Offices)

92780
(Zip Code)

(714) 380-3127
Registrant's telephone number, including area code

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

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

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

Emerging growth company

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

Item 2.01. Completion of Acquisition or Disposition of Assets

On November 1, 2018, Foundation Building Materials, LLC and FBM Logistics, LLC, wholly owned subsidiaries of Foundation Building Materials, Inc. (the "Company") closed the previously announced disposition of the assets of the mechanical insulation segment of the Company (the "MI Business") to SPI LLC, an unrelated third party controlled by Dunes Point Capital and its associated funds, (the "Purchaser") pursuant to a Stock and Asset Purchase Agreement, dated September 26, 2018 ("Purchase Agreement"). In connection with the disposition of the MI Business, the Purchaser paid \$122.5 million in cash at closing, which remains subject to certain adjustments, and the Purchaser assumed certain liabilities.

The foregoing description of the Purchase Agreement and the transactions contemplated thereby does not purport to be complete and is qualified in its entirety by reference to the complete text of such agreement. The Company will file the Purchase Agreement as an exhibit to its Annual Report on Form 10-K for the year ending December 31, 2018.

Item 2.05. Costs Associated with Exit or Disposal Activities.

In connection with the matters described under Item 2.01, which description is incorporated herein by reference, and as previously reported by the Company in the Periodic Report on Form 8-K filed September 27, 2018 (the "Prior Report"), the Company estimates certain material costs associated with management's plan to exit the Company's MI Business including, but not limited to, legal and other transaction advisory fees, and other transaction related costs. As a result of work performed by the Company and its advisors following the date of the Prior Report, the Company now expects that the known costs associated with the sale of the MI Business will be approximately \$5.1 million in aggregate (including previously disclosed known costs), consisting of \$3.2 million in third-party advisor costs and \$1.9 million for one-time employee payments. However, certain other costs associated with selling or exiting the MI Business are not currently reasonably estimable.

All of the above charges, the nature of such charges and the effect of such charges are estimates and are subject to change.

Item 7.01. Regulation FD Disclosure.

On November 1, 2018, the Company issued a press release announcing the consummation of the sale of the MI Business. A copy of the press release is attached as Exhibit 99.1 to this Current Report on Form 8-K and incorporated by reference herein.

The information in this Item 7.01 of this Current Report on Form 8-K, including Exhibit 99.1 attached hereto, is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of such section. Such information shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended, except as expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

[99.1 Pro Forma Financial Information of Foundation Building Materials, Inc.](#)

[99.2 Press Release issued by Foundation Building Materials, Inc. on November 1, 2018](#)

Forward-Looking Statements

This filing contains "forward-looking statements," as that term is defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements may include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain words such as "believe," "anticipate," "expect," "estimate," "intend," "project," "plan," or words or phrases with similar meaning. Forward-looking statements made in this filing relate to, among other things, estimated costs from the divestiture of the MI Business. Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. The Company does not undertake any obligation to update any forward-looking statement to conform the statement to actual results or changes in expectations.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

FOUNDATION BUILDING MATERIALS, INC.

Date: November 1, 2018

By: /s/ Richard Tilley

Name: Richard Tilley

Title: Vice President, General Counsel and Secretary

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Section 2: EX-99.1 (EXHIBIT 99.1 PRO FORMA)

Unaudited Pro Forma Condensed Consolidated Financial Statements

The following unaudited pro forma condensed consolidated financial statements are based on the historical consolidated financial statements of Foundation Building Materials, Inc. (the “Company”), as adjusted to give effect to the November 1, 2018, sale of the Company’s mechanical insulation segment (“MI Business”), to SPI, LLC (the “Buyer”). The MI Business sale was a disposition that qualified as discontinued operations under Accounting Standards Codification No. 205, Presentation of Financial Statements. Therefore, the Company’s Form 10-Q for the quarterly period ended September 30, 2018, filed on November 1, 2018, reflects the MI Business as discontinued operations in its condensed consolidated balance sheets as of September 30, 2018, and December 31, 2017, and statements of operations for the three and nine months ended September 30, 2018 and 2017, respectively.

The following unaudited pro forma condensed consolidated financial statements are presented to comply with Article 11 of Regulation S-X and follow prescribed U.S. Securities and Exchange Commission regulations. The unaudited pro forma condensed consolidated financial statements do not purport to present what the Company’s results would have been had the disposition actually occurred on the dates indicated or to project what the Company’s results of operations or financial position would have been for any future period. The prescribed regulations limit pro forma adjustments to those that are directly attributable to the disposition on a factually supported basis. Consequently, the Company was not permitted within the unaudited pro forma condensed consolidated financial statements to allocate to the disposed operations any indirect corporate overhead or costs, such as administrative corporate functions or any other costs that were shared with the retained business of the Company. As a result, such costs are not reflected in the pro forma adjustments and are included in the retained business of the Company.

The unaudited pro forma condensed consolidated financial statements have been prepared for informational purposes and to assist in the analysis of the Company’s sale of the MI Business to the Buyer. This information should be read together with the historical consolidated financial statements and related notes of the Company included in its Annual Report on Form 10-K for the year ended December 31, 2017 and its Quarterly Report on Form 10-Q for the quarter ended September 30, 2018.

The unaudited pro forma condensed consolidated statements of operations for the years ended December 31, 2017 and 2016, give effect to the MI Business sale as if it had occurred on January 1, 2016.

The unaudited pro forma condensed consolidated financial statements are derived from the historical consolidated financial statements of the Company and are based on assumptions that management believes are reasonable in the circumstances.

Foundation Building Materials, Inc.
Unaudited Pro Forma Condensed Consolidated Statement Of Operations
Year Ended December 31, 2017

(in thousands, except share and per share amounts)

	Adjustments To Reflect MI		
	Historical - As Reported	Business Sale	Pro Forma
Net sales	\$ 2,060,902	\$ 270,788	\$ 1,790,114
Cost of goods sold	1,463,041	195,116	1,267,925
Gross profit	597,861	75,672	522,189
Operating expenses:			
Selling, general and administrative	461,564	61,700	399,864
Depreciation and amortization	76,850	5,989	70,861
Total operating expenses	538,414	67,689	470,725
Income from operations	59,447	7,983	51,464
Interest expense	(61,071)	(60)	(61,011)
Other income, net	81,502	14	81,488
Income before income taxes	79,878	7,937	71,941
Income tax benefit	(2,602)	3,363	(5,965)
Net income	\$ 82,480	\$ 4,574	\$ 77,906

Earnings per share data:			
Earnings per share - basic	\$ 1.99	\$	1.88
Earnings per share - diluted	\$ 1.99	\$	1.88

Weighted average shares outstanding:			
Basic	41,486,496		41,486,496
Diluted	41,490,653		41,490,653

Foundation Building Materials, Inc.
Unaudited Pro Forma Condensed Consolidated Statement Of Operations
Year Ended December 31, 2016
(in thousands, except share and per share amounts)

	Historical - As Reported	Adjustments To Reflect MI Business Sale	Pro Forma
Net sales	\$ 1,392,509	\$ 99,013	\$ 1,293,496
Cost of goods sold	995,704	73,923	921,781
Gross profit	396,805	25,090	371,715
Operating expenses:			
Selling, general and administrative	328,847	23,556	305,291
Depreciation and amortization	51,378	1,888	49,490
Total operating expenses	380,225	25,444	354,781
Income from operations	16,580	(354)	16,934
Interest expense	(52,511)	(29)	(52,482)
Other expense, net	(7,172)	(16)	(7,156)
Loss before income taxes	(43,103)	(399)	(42,704)
Income tax benefit	(14,733)	10	(14,743)
Net loss	\$ (28,370)	\$ (409)	\$ (27,961)

Loss per share data:			
Loss per share - basic	\$ (0.95)	\$	(0.93)
Loss per share - diluted	\$ (0.95)	\$	(0.93)

Weighted average shares outstanding:			
Basic	29,974,239		29,974,239
Diluted	29,974,239		29,974,239

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Section 3: EX-99.2 (EXHIBIT 99.2)



Foundation Building Materials

FOUNDATION BUILDING MATERIALS COMPLETES THE SALE OF THE MECHANICAL INSULATION BUSINESS

TUSTIN, CALIFORNIA, November 1, 2018 - Foundation Building Materials, Inc. ("FBM" or the "Company") (NYSE:FBM), one of the largest specialty distributors of wallboard, suspended ceilings, and metal framing in North America, announced today that it has completed the sale of its mechanical insulation segment (the "MI Business"). As consideration for the MI Business, the Company received \$122.5 million, which remains subject to certain adjustments, and plans to use the net proceeds to pay down its revolving credit facility.

[About Foundation Building Materials](#)

Foundation Building Materials is a specialty distributor of wallboard, suspended ceiling systems, and metal framing throughout North America. Based in Tustin, California, the Company employs more than 3,400 people and operates more than 170 branches across the U.S. and Canada.

Forward-Looking Statements

This press release contains forward-looking statements, which are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, without limitation, any statements regarding the expected benefits to FBM and its shareholders from completing the divestiture of its MI Business and the expected benefits of the completed transaction and the debt reduction strategy, and may contain words such as “believe,” “anticipate,” “expect,” “estimate,” “intend,” “project,” “plan,” or words or phrases with similar meaning. Forward-looking statements should not be read as a guarantee of future performance or results and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on current expectations, forecasts and assumptions that involve risks and uncertainties, including, without limitation, economic, competitive, governmental and technological factors outside of FBM’s control, which may cause the business, strategy or actual results to differ materially from the forward-looking statements. We do not intend, and undertake no obligation, to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable law. Investors are referred to our filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q for additional information regarding the risks and uncertainties that may cause actual results to differ materially from those expressed in any forward-looking statement.

Investor Relations

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