

FOX FACTORY HOLDING CORP

Form 10-K/A

March 07, 2018

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K/A  
Amendment No. 1

(Mark One)

✓ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 29, 2017

OR

..TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934

Commission File Number: 001-36040

Fox Factory Holding Corp.  
(Exact name of registrant as specified in its charter)

Delaware 26-1647258  
(State or Other Jurisdiction of Incorporation or Organization) (I.R.S. Employer Identification No.)

915 Disc Drive 95066  
Scotts Valley, CA  
(Address of Principal Executive Offices) (Zip Code)  
(831) 274-6500  
(Registrant's Telephone Number, Including Area Code)

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

Title of Each Class	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	The NASDAQ Stock Market LLC (NASDAQ Global Select Market)

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

Emerging growth company

If any 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

Based upon the closing price of the registrant's common stock on the NASDAQ Global Select Market on June 30, 2017 (the last business day of the registrant's most recently completed second fiscal quarter), the approximate aggregate market value of the common stock held by non-affiliates of the registrant was approximately \$1,245,969,518. As of February 21, 2018, there were 37,608,532 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

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Portions of the registrant's Definitive Proxy Statement for the 2018 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K are incorporated by reference in Part III, Items 10-14 of this Annual Report on Form 10-K.

#### EXPLANATORY NOTE

Fox Factory Holding Corp. (the "Company") is filing this Amendment No. 1 on Form 10-K/A ("Amendment 1") to its Annual Report on Form 10-K for the year ended December 29, 2017, as filed with the Securities and Exchange Commission on February 27, 2018 (the "Original Filing") solely to file an amended Item 8 to fix a typographical error by correcting the office location in the "Report of Independent Registered Public Accounting Firm" issued by Grant Thornton LLP ("Grant Thornton") with respect to the Company's financial statements (the "Grant Thornton Financial Statements Opinion").

The change to the filed copy of the Grant Thornton Financial Statements Opinion does not affect Grant Thornton's unqualified opinion on the Company's consolidated financial statements included in the Original Filing and this Amendment 1, or Grant Thornton's unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 29, 2017.

Item 15 has been included herein to reflect new Section 302 and Section 906 certifications. No other changes were made to the Original Filing. This Amendment 1 does not affect the XBRL data in the Original Filing. This Amendment 1 speaks as of the date of the Original Filing, and does not reflect events that may have occurred subsequent to the date of the Original Filing.

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Fox Factory Holding Corp.  
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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our financial statements and the report of our independent registered public accounting firm are included in Part IV. "Report of Independent Registered Public Accounting Firm" of this Annual Report on Form 10-K. The index to these reports and our financial statements is included in Item 15. "Exhibits, Financial Statement Schedules" below.

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## ITEM 9A. CONTROLS AND PROCEDURES

### Evaluation of Disclosure Controls and Procedures

We maintain "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Our management, under the direction and with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of December 29, 2017. Based on the evaluation of our disclosure controls and procedures as of December 29, 2017, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

### Management's Report on Internal Control Over Financial Reporting

The Management's Report on Internal Control Over Financial Reporting is contained in Part IV. "Management's Report on Internal Control Over Financial Reporting" of this Annual Report on Form 10-K and is incorporated herein by reference.

### Attestation Report of Independent Registered Public Accounting Firm

Grant Thornton, LLP, the independent registered public accounting firm who audited the Company's consolidated financial statements, has issued an attestation report on the Company's internal control over financial reporting. A report of independent registered public accounting firm is contained in Part IV. "Report of Independent Registered Public Accounting Firm" of this Annual Report on Form 10-K.

### Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the three months ended December 29, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

### Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include, but are not limited to, the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.



ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements

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See " <u>Index to Exhibits</u> "	<u>8</u>



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Index to Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	File No.	Filing Date	
<u>3.1</u>	Amended and Restated Certificate of Incorporation	10-Q	001-36040	September 19, 2013	
<u>3.2</u>	Amended and Restated Bylaws	10-Q	001-36040	September 19, 2013	
<u>4.1</u>	Form of Common Stock Certificate.	S-1	333-189841	July 8, 2013	
<u>4.3</u>	Form of Indenture dated March 31, 2015	S-3	333-203146	March 31, 2015	
<u>10.1</u> †	Employment Agreement, dated July 22, 2013, by and between Fox Factory Holding Corp. and Larry L. Enterline.	S-1	333-189841	July 25, 2013	
<u>10.2</u> †	Employment Agreement, dated July 22, 2013, by and between Fox Factory Holding Corp. and Zvi Glasman.	S-1	333-189841	July 25, 2013	
<u>10.3</u> †	Employment Agreement, dated February 20, 2014, by and between Fox Factory Holding Corp. and Bill Katherman.	8-K/A	001-36040	June 17, 2014	
<u>10.4</u> †	Employment Agreement, dated January 26, 2015, by and between Fox Factory Holding Corp. and Tom Wittenschlaeger.	10-Q	001-36040	May 4, 2016	
<u>10.5</u> †	Employment Agreement, dated August 29, 2013, by and between Fox Factory Holding Corp. and Wes Allinger.	10-Q	001-36040	May 4, 2016	
<u>10.6</u> †	Amendment, dated May 2, 2016, to the Employment Agreement, dated July 22, 2013, by and between Fox Factory Holding Corp. and Larry Enterline.	10-Q	001-36040	August 3, 2016	
<u>10.7</u> †	Amendment, dated May 2, 2016, to the Employment Agreement, dated July 22, 2013, by and between Fox Factory Holding Corp. and Zvi Glasman.	10-Q	001-36040	August 3, 2016	
<u>10.8</u> †	Amendment, dated May 2, 2016, to the Employment Agreement, dated February 20, 2014, by and between Fox Factory Holding Corp. and Bill Katherman.	10-Q	001-36040	August 3, 2016	
<u>10.9</u> †	Amendment, dated May 2, 2016, to the Employment Agreement, dated August 29, 2013, by and between Fox Factory Holding Corp. and Wes Allinger.	10-Q	001-36040	August 3, 2016	
<u>10.10</u> †	Amendment, dated May 2, 2016, to the Employment Agreement, dated January 26, 2015, by and between Fox Factory Holding Corp. and Tom Wittenschlaeger.	10-Q	001-36040	August 3, 2016	
<u>10.11</u> †	Amendment, dated October 19, 2016, to the Employment Agreement, dated February 20, 2014, by and between Fox Factory Holding Corp. and Bill Katherman.	8-K	001-36040	October 25, 2016	
<u>10.12</u> †	Information Sharing and Cooperation Agreement, dated August 13, 2013, by and between Compass Diversified Holdings, on its behalf and on behalf of its wholly-owned subsidiary, Compass Group Diversified Holdings LLC, and Fox Factory Holding Corp., on its behalf and on behalf of its	10-Q	001-36040	November 6, 2013	

wholly-owned subsidiary, Fox Factory, Inc.

10.13† Non-Employee Director Compensation Policy.

S-1 333-189841 July 25, 2013

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<u>10.14</u> †	Form of Indemnification Agreement between Fox Factory Holding Corp. and certain of its directors and officers.	S-1	333-189841	July 8, 2013
<u>10.15</u> †	Form of Indemnification Agreement between Fox Factory Holding Corp. and Elias Sabo and certain advisors.	S-1	333-189841	July 8, 2013
<u>10.16</u> †	2008 Stock Option Plan, as amended.	S-1	333-189841	July 8, 2013
<u>10.17</u> †	2008 Non-Statutory Stock Option Plan, as amended.	S-1	333-189841	August 2, 2013
<u>10.18</u> †	2013 Omnibus Plan as amended by the First Amendment, approved by stockholders on May 4, 2017.	8-K	001-36040	May 8, 2017
<u>10.19</u> †	Form of Restricted Stock Unit Award Agreement under 2013 Omnibus Plan.	S-1	333-189841	July 25, 2013
<u>10.19.1</u> †	Amendment to Restricted Stock Unit Award Agreement, by and between Fox Factory Holding Corp. and Joseph Hagin, dated January 11, 2017.	10-Q	001-36040	May 3, 2017
<u>10.19.2</u> †	Amendment to Restricted Stock Unit Award Agreement, by and between Fox Factory Holding Corp. and Carl Nichols, dated January 4, 2018.	10-K	001-36040	February 27, 2018
<u>10.20</u>	Air Commercial Real Estate Association Standard Industrial / Commercial Single-Tenant Lease – Gross, dated October 31, 2011, by and between Fox Factory, Inc. and Sammie Rae Abitbol, LLC.	S-1	333-189841	July 8, 2013
<u>10.21</u>	Air Commercial Real Estate Association Standard Industrial / Commercial Single-Tenant-Gross, dated March 24, 2010, by and between Fox Factory, Inc. and Scarborough Gilbert Partners, and related addenda.	S-1	333-189841	July 8, 2013
<u>10.22</u>	Lease Agreement, dated July 1, 2003, by and between Fox Factory, Inc. and Robert C. Fox, Jr.	S-1	333-189841	July 8, 2013
<u>10.23</u>	Amendment dated May 2, 2016 to the Lease Agreement, dated July 1, 2003, by and between Fox Factory, Inc. and Robert C. Fox, Jr.	10-Q	001-36040	May 4, 2016
<u>10.24</u>	Sublease, dated January 1, 2012, by and between Fox Factory, Inc. and Robert C. Fox, Jr., and related addendum.	S-1	333-189841	July 8, 2013
<u>10.25</u>	Air Commercial Real Estate Association Standard Industrial/Commercial Multi-Tenant Lease - Net, dated April 19, 2012, by and between Fox Factory, Inc. and North Johnson Vernon Property, LLC, and related addendum.	S-1	333-189841	July 8, 2013
<u>10.26</u>	Asset Purchase Agreement, by and between ST USA Holding Corp. and Sport Truck USA, Inc., dated March 5, 2014.	8-K	001-36040	March 6, 2014
<u>10.27</u>	Asset Purchase Agreement, by and between Fox Factory, Inc., RFE Holding (US) Corp., RFE Holding (Canada) Corp., Fox Factory IP Holding Corp., 1021039 B.C. Ltd. and Easton Cycling (USA), Inc. dated December 5, 2014.	8-K	001-36040	December 8, 2014
<u>10.27.1</u>	Side Letter Agreement to the Asset Purchase Agreement, by and between Fox Factory, Inc., RFE Holding (US) Corp., RFE Holding (Canada) Corp., Fox Factory IP Holding Corp., 1021039 B.C. Ltd. and Easton Cycling (USA), Inc., dated December 12, 2014.	8-K	001-36040	December 15, 2014

<u>10.27.2</u>	Second Amendment to Asset Purchase Agreement by and between Fox Factory, Inc., RFE Holding (US) Corp., RFE Holding (Canada) Corp., Fox Factory IP Holding Corp., 1021039 B.C. Ltd. and Easton Cycling (USA), Inc., dated November 13, 2015.	10-Q001-36040	November 16, 2015	
<u>10.28</u>	Asset Purchase and Contribution Agreement by and among FF US Acquisition Corp., FF US Holding Corp., Flagship, Inc. d/b/a Tuscany, and Michael Graber and Jeff Burttschell dated November 30, 2017.	8-K 001-36040	December 4, 2017	
<u>10.29</u>	Stock Repurchase Agreement, by and between Fox Factory Holding Corp. and Compass Group Diversified Holdings, LLC, dated March 9, 2016.	8-K 001-36040	March 15, 2016	
<u>10.30</u>	Second Amended and Restated Revolving Credit and Term Loan Agreement, dated May 11, 2016.	8-K 001-36040	May 16, 2016	
<u>10.30.1</u>	First Amendment to Second Amended and Restated Revolving Credit and Term Loan Agreement, dated August 11, 2016.	10-Q001-36040	November 2, 2016	
<u>10.30.2</u>	Second Amendment to Second Amended and Restated Revolving Credit and Term Loan Agreement dated June 12, 2017.	10-Q001-36040	August 3, 2017	
<u>10.30.3</u>	Third Amendment to Second Amended and Restated Revolving Credit and Term Loan Agreement dated November 30, 2017.	8-K 001-36040	December 4, 2017	
<u>21.1</u>	List of Subsidiaries.	10-K001-36040	February 27, 2018	
<u>23.1</u>	Consent of Independent Registered Public Accounting Firm.	10-K001-36040	February 27, 2018	
<u>24.1</u>	Power of Attorney (contained in signature page to this Annual Report on Form 10-K).	10-K001-36040	February 27, 2018	
<u>31.1</u>	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as amended.			X
<u>31.2</u>	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as amended.			X
<u>32.1*</u>	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as amended.			X
<u>32.2*</u>	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as amended.			X
101.INS	XBRL Instance Document.			X
101.SCH	XBRL Taxonomy Extension Schema.			X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.			X
101.DEF	XBRL Taxonomy Extension Definition Linkbase.			X
101.LAB	XBRL Taxonomy Extension Label Linkbase.			X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.			X

† Management contract or compensatory plan.

In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release Nos. 33-8238 and 34-47986, Final Rule: \* Management's Reports on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports, the certifications furnished in Exhibit 32.1 hereto are deemed to accompany this Annual Report on

Form 10-K and will not be deemed "filed" for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

**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, thereunto duly authorized.

FOX FACTORY HOLDING CORP.

By: /s/ Zvi Glasman

March 7, 2018      Zvi Glasman, Chief Financial Officer and Treasurer  
(Principal Financial and Accounting Officer & Duly Authorized Signatory)

## Management's Report on Internal Control Over Financial Reporting

The management of Fox is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Fox's internal control over financial reporting is a process designed to provide reasonable assurances regarding the reliability of financial reporting and the preparation and fair presentation of financial statements issued for external purposes in accordance with accounting principles generally accepted in the United States of America (GAAP). Under the supervision of our management, including our Chief Executive Officer and Chief Financial Officer, Fox conducted an evaluation of the effectiveness of our internal control over financial reporting.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In making its assessment of internal control over financial reporting as of December 29, 2017, management has excluded FF US Acquisition Corp. and FF US Holding Corp. ("Tuscany") which were formed in November 2017 to acquire the business of Flagship Inc.. The Company is currently assessing the control environment of the acquired business. The acquired business represented 2% of the Company's consolidated total assets as of December 29, 2017 and less than 1% of the Company's consolidated net sales for the year ended December 29, 2017.

In making its assessment of internal control over financial reporting, management used criteria issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013). Based on the evaluation, our management concluded that its internal control over financial reporting was effective as of December 29, 2017.

Grant Thornton LLP, the independent registered public accounting firm who audited the Company's consolidated financial statements, has issued an attestation report on the Company's internal control over financial reporting, which is included elsewhere in this Annual Report on Form 10-K.

February 27, 2018

/s/ Larry L. Enterline  
Larry L. Enterline

/s/ Zvi Glasman  
Zvi Glasman

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of  
Fox Factory Holding Corp.  
Scotts Valley, California

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of Fox Factory Holding Corp. (a Delaware corporation) and subsidiaries (the “Company”) as of December 29, 2017 and December 30, 2016, the related consolidated statements of income, comprehensive income, changes in stockholders’ equity, and cash flows for each of the three years in the period ended December 29, 2017, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 29, 2017 and December 30, 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 29, 2017, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 29, 2017, based on criteria established in the 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), and our report dated February 27, 2018 expressed an unqualified opinion.

Basis for opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2008.

San Jose, California  
February 27, 2018



Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of  
Fox Factory Holding Corp.  
Scotts Valley, California

Opinion on internal control over financial reporting

We have audited the internal control over financial reporting of Fox Factory Holding Corp. (a Delaware corporation) and subsidiaries (the "Company") as of December 29, 2017, based on criteria established in the 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 29, 2017, based on criteria established in the 2013 Internal Control-Integrated Framework issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Company as of and for the year ended December 29, 2017, and our report dated February 27, 2018 expressed an unqualified opinion on those financial statements.

Basis for opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting ("Management's Report"). Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Our audit of, and opinion on, the Company's internal control over financial reporting does not include the internal control over financial reporting of FF US Acquisition Corp. and FF US Holding Corp. (collectively, "Tuscany") whose financial statements reflect total assets and sales constituting 2 percent and less than 1 percent, respectively, of the related consolidated financial statement amounts as of and for the year ended December 29, 2017. As indicated in Management's Report, certain assets and liabilities of Tuscany were acquired during 2017. Management's assertion on the effectiveness of the Company's internal control over financial reporting excluded internal control over financial reporting of Tuscany.

Definition and limitations of internal control over financial reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those

policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ GRANT THORNTON LLP  
San Jose, California  
February 27, 2018

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## FOX FACTORY HOLDING CORP.

## Consolidated Balance Sheets

(in thousands, except par value)

	December 29, 2017	December 30, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$35,947	\$35,280
Accounts receivable (net of allowances of \$676 and \$397 at December 29, 2017 and December 30, 2016, respectively)	61,060	61,617
Inventory	84,841	71,243
Prepays and other current assets	21,100	14,772
Total current assets	202,948	182,912
Property, plant and equipment, net	43,636	32,262
Deferred tax assets	2,669	4,082
Goodwill	88,438	57,781
Intangibles, net	90,044	57,855
Other assets	551	708
Total assets	\$428,286	\$335,600
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$40,813	\$36,240
Accrued expenses	32,608	34,435
Reserve for uncertain tax positions	7,787	7,204
Current portion of long-term debt	5,038	3,625
Current portion of contingent consideration	—	5,532
Total current liabilities	86,246	87,036
Line of credit	35,585	—
Long-term debt, less current portion	58,020	63,058
Deferred rent	645	569
Total liabilities	180,496	150,663
Commitments and contingencies (Refer to <a href="#">Note 8 - Commitments and Contingencies</a> )		
Redeemable non-controlling interest	12,955	—
Stockholders' equity		
Preferred stock, \$0.001 par value — 10,000 authorized and no shares issued or outstanding as of December 29, 2017 and December 30, 2016	—	—
Common stock, \$0.001 par value — 90,000 authorized; 38,497 shares issued and 37,607 outstanding as of December 29, 2017; 37,781 shares issued and 36,891 outstanding as of December 30, 2016	38	37
Additional paid-in capital	112,793	108,049
Treasury stock, at cost; 890 common shares as of December 29, 2017 and December 30, 2016	(13,754 )	(13,754 )
Accumulated other comprehensive loss	(168 )	(2,193 )
Retained earnings	135,926	92,798
Total stockholders' equity	234,835	184,937
Total liabilities, redeemable non-controlling interest and stockholders' equity	\$428,286	\$335,600

The accompanying notes are an integral part of these consolidated financial statements.



FOX FACTORY HOLDING CORP.  
Consolidated Statements of Income  
(in thousands, except per share data)

	For the years ended		
	December 29, 2017	December 30, 2016	December 31, 2015
Sales	\$475,633	\$403,077	\$366,798
Cost of sales	321,143	276,689	254,756
Gross profit	154,490	126,388	112,042
Operating expenses:			
Sales and marketing	27,905	25,796	23,182
Research and development	20,178	18,459	17,001
General and administrative	34,933	27,693	21,053
Amortization of purchased intangibles	2,986	2,988	8,525
Fair value adjustment of contingent consideration and acquisition related compensation	1,447	5,911	6,937
Total operating expenses	87,449	80,847	76,698
Income from operations	67,041	45,541	35,344
Other expense, net:			
Interest expense	2,396	2,088	1,549
Other expense (income), net	360	363	(449 )
Other expense, net	2,756	2,451	1,100
Income before income taxes	64,285	43,090	34,244
Provision for income taxes	21,102	7,415	9,290
Net income	43,183	35,675	24,954
Less: net income attributable to non-controlling interest	(55 )	—	—
Net income attributable to Fox stockholders	\$43,128	\$35,675	\$24,954
Earnings per share:			
Basic	\$1.15	\$0.97	\$0.67
Diluted	\$1.11	\$0.94	\$0.66
Weighted average shares used to compute earnings per share:			
Basic	37,373	36,799	36,989
Diluted	38,738	37,801	37,894

The accompanying notes are an integral part of these consolidated financial statements.

FOX FACTORY HOLDING CORP.  
 Consolidated Statements of Comprehensive Income  
 (in thousands)

	For the years ended		
	December 29, 2017	December 30, 2016	December 31, 2015
Net income	\$43,183	\$35,675	\$24,954
Other comprehensive loss			
Foreign currency translation adjustments, net of tax effects	2,025	(240 )	(1,547 )
Other comprehensive income (loss)	2,025	(240 )	(1,547 )
Comprehensive income	45,208	35,435	23,407
Comprehensive income attributable to non-controlling interest	55	—	—
Comprehensive income attributable to Fox stockholders	\$45,153	\$35,435	\$23,407

The accompanying notes are an integral part of these consolidated financial statements.

## FOX FACTORY HOLDING CORP.

Consolidated Statements of Stockholders' Equity and Redeemable Non-controlling Interest  
(in thousands, except per share amounts)

	Common Stock		Treasury		Additional paid-in capital	Accumulated other comprehensive (loss) income	Retained earnings	Total stockholders' equity	Redeemable non-controlling interest
	Shares	Amount	Shares	Amount					
Balance-December 31, 2014	37,117	\$ 37	39	\$(571)	\$97,577	\$ (406)	\$32,169	\$ 128,806	\$ —
Issuance of common stock under equity compensation plans, net of shares repurchased for income tax withholding	298	—	—	—	(163)	—	—	(163)	—
Excess tax benefit from exercise of stock options	—	—	—	—	539	—	—	539	—
Repurchases of common stock	—	—	351	(5,236)	—	—	—	(5,236)	—
Stock-based compensation expense	—	—	—	—	4,907	—	—	4,907	—
Foreign currency translation adjustment	—	—	—	—	—	(1,547)	—	(1,547)	—
Net Income	—	—	—	—	—	—	24,954	24,954	—
Balance- December 31, 2015	37,415	\$ 37	390	\$(5,807)	\$102,860	\$ (1,953)	\$57,123	\$ 152,260	—