

FOX FACTORY HOLDING CORP
Form 10-Q
November 02, 2016
Table of Contents

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2016

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 (I.R.S. Employer
Incorporation or Organization) 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)

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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting 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

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

As of October 28, 2016, there were 36,857,511 shares of the Registrant's common stock outstanding.

Fox Factory Holding Corp.
 FORM 10-Q
 Table of Contents

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements</u>	
Condensed Consolidated Balance Sheets as of September 30, 2016 (unaudited) and December 31, 2015	<u>1</u>
Unaudited Condensed Consolidated Statements of Income for the Three and Nine Months Ended September 30, 2016 and 2015	<u>2</u>
Unaudited Condensed Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2016 and 2015	<u>3</u>
Unaudited Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2016 and 2015	<u>4</u>
Notes to Unaudited Condensed Consolidated Financial Statements	<u>6</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>16</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>27</u>
<u>Item 4. Controls and Procedures</u>	<u>27</u>
 <u>PART II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	<u>28</u>
<u>Item 1A. Risk Factors</u>	<u>28</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>43</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>43</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>43</u>
<u>Item 5. Other Information</u>	<u>43</u>
<u>Item 6. Exhibits</u>	<u>44</u>
<u>Signatures</u>	<u>45</u>

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FOX FACTORY HOLDING CORP.

Condensed Consolidated Balance Sheets

(in thousands, except per share data)

	As of September 30, 2016 (Unaudited)	As of December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 15,693	\$ 6,944
Accounts receivable (net of allowances of \$483 and \$407 at September 30, 2016 and December 31, 2015, respectively)	58,615	43,660
Inventory	78,115	68,202
Prepays and other current assets	18,414	13,135
Total current assets	170,837	131,941
Property, plant and equipment, net	31,022	26,094
Deferred tax assets	5,483	1,065
Goodwill	57,749	57,653
Intangibles, net	58,737	60,849
Other assets	747	114
Total assets	\$ 324,575	\$ 277,716
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 41,027	\$ 32,072
Accrued expenses	22,703	23,234
Reserve for uncertain tax positions	7,442	8,924
Current portion of long-term debt	3,623	2,790
Current portion of contingent consideration	6,000	6,950
Total current liabilities	80,795	73,970
Line of credit	—	1,500
Long-term debt, less current portion	68,965	43,591
Deferred rent	597	695
Contingent consideration, less current portion	—	5,700
Total liabilities	150,357	125,456
Commitments and contingencies (Note 6)		
Stockholders' equity		
Preferred stock, \$0.001 par value — 10,000 authorized and no shares issued or outstanding as of September 30, 2016 and December 31, 2015	—	—
Common stock, \$0.001 par value — 90,000 authorized; 37,748 shares issued and 36,858 outstanding as of September 30, 2016; 37,415 shares issued and 37,025 outstanding as of December 31, 2015	37	37
Additional paid-in capital	106,298	102,860
Treasury stock, at cost; 890 common shares as of September 30, 2016 and 390 common shares as of December 31, 2015	(13,754)	(5,807)
Accumulated other comprehensive loss	(1,348)	(1,953)
Retained earnings	82,985	57,123

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Total stockholders' equity	174,218	152,260
Total liabilities and stockholders' equity	\$ 324,575	\$ 277,716

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

1

Table of Contents

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
Sales	\$109,011	\$106,171	\$291,522	\$271,130
Cost of sales	74,125	71,385	199,191	187,693
Gross profit	34,886	34,786	92,331	83,437
Operating expenses:				
Sales and marketing	6,417	5,981	19,447	17,418
Research and development	4,724	4,641	13,698	12,201
General and administrative	7,129	5,932	20,159	15,428
Amortization of purchased intangibles	712	2,756	2,289	6,435
Fair value adjustment of contingent consideration and acquisition related compensation	818	1,655	4,681	6,058
Total operating expenses	19,800	20,965	60,274	57,540
Income from operations	15,086	13,821	32,057	25,897
Other expense, net:				
Interest expense	555			