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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2021

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: 001-36040

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.)

2055 Sugarloaf Circle, Suite 300, Duluth GA 30097
(Address of Principal Executive Offices) (Zip Code)

(831) 274-6500
(Registrant's Telephone Number, Including Area Code)

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 $0.001 per share	FOXF	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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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 the 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	☐	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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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 July 2, 2021 (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 $4,958,970,000. As of February 22, 2022, there were 42,121,803 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement for the 2022 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.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K includes forward-looking statements, which are subject to the "safe harbor" created by Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We may make forward-looking statements in our United States ("U.S.") Securities and Exchange Commission ("SEC") filings, press releases, news articles, earnings presentations and when we are speaking on behalf of the Company. Forward-looking statements generally relate to future events or our future financial or operating performance that involve substantial risks and uncertainties. In some cases, you can identify forward-looking statements because they contain words such as "may," "might," "will," "would," "should," "expect," "plan," "anticipate," "could," "intend," "target," "project," "contemplate," "believe," "estimate," "predict," "likely," "potential" or "continue" or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. Forward-looking statements contained in this Annual Report on Form 10-K are subject to numerous risks and uncertainties, including but not limited to risks related to:

- *the spread of highly infectious or contagious disease, such as COVID-19, could cause severe disruptions in the U.S. and global economy, which could in turn disrupt the business activities and operations of our customers, as well as our businesses and operations;*
- *our dependency on a limited number of suppliers for materials, product parts, and vehicle chassis could lead to an increase in material costs, disruptions in our supply chain, or reputational costs;*
- *our ability to develop new and innovative products in our current end-markets;*
- *our ability to leverage our technologies and brand to expand into new categories and end-markets;*
- *our ability to increase our aftermarket penetration;*
- *our ability to accelerate international growth;*
- *our exposure to exchange rate fluctuations;*
- *the loss of key customers;*
- *our ability to improve operating and supply chain efficiencies;*
- *our ability to enforce our intellectual property rights;*
- *our future financial performance, including our sales, cost of sales, gross profit or gross margins, operating expenses, ability to generate positive cash flow and ability to maintain our profitability;*
- *our ability to maintain our premium brand image and high-performance products;*
- *our ability to maintain relationships with the professional athletes and race teams we sponsor;*
- *our ability to selectively add additional dealers and distributors in certain geographic markets;*
- *the growth of the markets in which we compete, our expectations regarding consumer preferences and our ability to respond to changes in consumer preferences;*
- *changes in demand for performance-defining products;*
- *the loss of key personnel, management and skilled engineers;*
- *our ability to successfully identify, evaluate and manage potential or completed acquisitions and to benefit from such acquisitions;*
- *the outcome of pending litigation;*
- *future disruptions in the operations of our manufacturing facilities;*
- *our ability to adapt our business model to mitigate the impact of certain changes in tax laws;*
- *changes in the relative proportion of profit earned in the numerous jurisdictions in which we do business and in tax legislation, case law and other authoritative guidance in those jurisdictions;*
- *product recalls and product liability claims; and*
- *future economic or market conditions.*

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Annual Report on Form 10-K primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations, and prospects and the outcomes of any of the events described in any forward-looking statements are subject to risks, uncertainties, and other factors. In addition to the risks, uncertainties and other factors discussed above and elsewhere in this Annual Report on Form 10-K, the risks, uncertainties and other factors expressed or implied discussed in Item 1A. "Risk Factors" of this Annual Report on Form 10-K could cause or contribute to actual results differing materially from those set forth in any forward-looking statement. Moreover, we operate in a very competitive and challenging environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Annual Report on Form 10-K. We cannot assure you that the results, events, and circumstances reflected in the forward-looking statements will be achieved or occur. Actual results, events, or circumstances could differ materially from those contemplated by, set forth in, or underlying any forward-looking statements.

For all of these forward-looking statements, we claim the protection of the safe harbor for forward-looking statements in Section 27A of the Securities Act and Section 21E of the Exchange Act.

The forward-looking statements made in this Annual Report on Form 10-K relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Annual Report on Form 10-K to reflect events or circumstances after the date of this Annual Report on Form 10-K or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make.

Fox Factory Holding Corp.
FORM 10-K
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PART I

ITEM 1. BUSINESS

Our company, Fox Factory Holding Corp., designs, engineers, manufactures and markets performance-defining products and systems for customers worldwide. Fox Factory Holding Corp. is the holding company of Fox Factory, Inc. As used herein, "Fox Factory," "FOX," the "Company," "we," "our," and similar terms refer to Fox Factory Holding Corp. and its subsidiaries, unless the context indicates otherwise. Our premium brand, performance-defining products and systems are used primarily on bicycles ("bikes"), side-by-side vehicles ("side-by-sides"), on-road vehicles with and without off-road capabilities, off-road vehicles and trucks, all-terrain vehicles ("ATVs"), snowmobiles, specialty vehicles and applications, motorcycles and commercial trucks. Some of our products are specifically designed and marketed to some of the leading cycling and powered vehicle original equipment manufacturers ("OEMs"), while others are distributed to consumers through a global network of dealers and distributors.

Fox Factory, Inc., our operating subsidiary, was incorporated in California in 1978. Fox Factory Holding Corp. was incorporated in Delaware on December 28, 2007. In October 2018, we announced the relocation of our business headquarters from Scotts Valley, California to Braselton, Georgia, which was effective on December 31, 2018. In June 2021, we established a principal executive office in Duluth, Georgia.

In August 2013, we completed an initial public offering ("IPO") of our common stock. Our common stock is traded on the NASDAQ Global Select Market (the "NASDAQ") under the symbol "FOXF."

Description of our business

We are a designer, manufacturer and marketer of performance-defining products and systems used primarily on bikes, side-by-sides, on-road vehicles with and without off-road capabilities, off-road vehicles and trucks, ATVs, snowmobiles, specialty vehicles and applications, motorcycles, and commercial trucks. We believe our products offer innovative design, performance, durability and reliability. Our brand is associated with high-performance and technologically advanced products, by which we generally mean products that provide users with improved control and comfort while riding over rough terrain in varied environments, or providing improved control and responsiveness for on-road only vehicles. We believe that the performance of our products has been demonstrated by, and our brand benefits from, the success of professional athletes who use our products in elite competitive events, such as the Union Cycliste Internationale Mountain Bike World Cup and the X Games. We believe the exposure our products receive when used by successful professional athletes positively influences the purchasing habits of enthusiasts and other consumers seeking high-performance products. We believe that our strategic focus on the performance and racing segments in our markets influences many aspiring and enthusiast consumers who we believe seek to emulate the performance of professional and other elite athletes. We believe our products are generally sold at premium prices, which to us means manufacturer suggested retail sale prices that are generally in the upper quartile of their respective product categories.

We design our products for, and market our products to, some of the world’s leading cycling and automotive OEMs and to consumers through the aftermarket channel. Many of our OEM customers, including Giant, Merida, Orbea, Kenstone Metal, Canyon Bicycles, Santa Cruz Bicycles, and Yeti Cycles in Specialty Sports and BRP, Ford, Polaris, Toyota, 4 Wheel Parts, Kawasaki, Yamaha, and Honda in Powered Vehicles, are among the market leaders in their respective product categories, and help shape, as well as respond to, consumer trends in their respective categories. We believe that OEMs often prominently display and incorporate our products to improve the marketability and consumer demand for their performance models, which reinforces our brand image. In addition, consumers select our products in the aftermarket channel where we market through a global network of dealers and distributors.

Industry

We participate in large global markets for bikes and powered vehicles used by recreational and professional users. Today, our products for bicycles are primarily for mountain bikes, road bikes, and e-bikes. Our products for powered vehicles are used primarily on side-by-sides, on-road vehicles with and without off-road capabilities, off-road vehicles and trucks, ATVs, snowmobiles, specialty vehicles and applications including military, motorcycles, and commercial trucks.

We focus on premium-priced products within each of these categories, which we consider to be the high-end segment because of their higher retail sale prices, where we believe consumers prefer well-designed, performance-oriented equipment. We believe that performance-defining products, which include suspension systems, as well as wheels, cranks, and other components, are critical to the performance of the bikes and powered vehicles in the product categories in which we focus and that technical features, component performance, product design, durability, reliability, and brand recognition strongly influence consumer-purchasing decisions.

We believe the high-end segments in which we participate are well positioned for growth due to several factors, including:

- increasing consumer appetite for performance-defining products;
- increasing average retail sales prices, which we believe are driven by differentiated and feature-rich products with advanced technologies;
- continuing product cycle innovation, which we have observed often motivates consumers to upgrade and purchase new products for enhanced performance; and
- increasing sales opportunities for high-end bikes and powered vehicles in international markets.

As vehicles in our end-markets evolve and grow more capable, performance-defining products and systems have become, and we believe will continue to be, increasingly more important for improved performance and control. Additionally, we believe there are opportunities to continue to leverage our technical know-how of suspension products to provide solutions beyond our current applications and end-markets.

Our competitive strengths

Broad offering of performance-defining products across multiple consumer markets

Our performance-defining products enhance vehicle performance across multiple consumer markets. Through the use of adjustable suspension, position sensitive damping, multiple air spring technologies, lightweight and rigid materials, and other technologies and methods, our products improve the performance and control of the vehicles used by our consumers. We believe our reputation for performance-defining products is reinforced by the successful finishes in world class competitive events by athletes incorporating our products in their vehicles.

Premium brand with strong consumer loyalty

We believe that we have developed a reputation for performance-defining products and that we own and license established trademarks, such as FOX®, FOX RACING SHOX®, and RACE FACE® which are perceived as premium brands. As such, our performance-defining products are generally sold at premium prices. We take great effort to maintain our brands in the eyes of consumers. For instance, our FOX® logo is prominently displayed on our FOX® branded products used on bikes and powered vehicles sold by our OEM customers, which helps further reinforce our brand image. We believe that our brands have achieved strong loyalty from our consumers. To support our brands, we introduce new products that we believe feature innovative technologies designed to improve vehicle performance and enhance our brand loyalty with consumers.

Track record of innovation and new product introductions

Innovation, including new product development, is a key component of our growth strategy. Due to our experience in suspension engineering and design in multiple markets and with a variety of vehicles, solutions we develop for use in one market can ultimately be deployed across multiple markets. For example, we believe that our success in the high-end ATV category led to the widespread adoption of our suspension technology in the Side-by-Side market. Our innovative product development and speed to market are supported by:

- our racing culture, including on-site technical race support of professional athletes, which provides us with unique real-time insights as to the evolving performance-defining product needs of those participating in challenging world-class events and is an integral part of our research and development efforts;
- ongoing research and development through a team of full-time engineers and numerous other technicians and employees who spend at least part of their time testing and using our products and helping develop engineering-based solutions to enhance our product offerings;
- feedback from professional athletes, race teams, enthusiasts and other consumers who use our products;
- strategic and collaborative relationships with OEM customers, which furthers our ability to extend technologies and applications across end-markets; and
- our integrated manufacturing facilities and performance testing centers, which allow us to quickly move from concept to product.

Over the past several years, we have developed multiple new products, such as:

- The first independently controlled compression and rebound, semi-active Live Valve X2 shock. On a 3.0 internal bypass platform, it is the longest rear UTV shock to date with 15.6” of stroke;
- The next generation of Live Valve combined with a 3.1-inch diameter anodized aluminum shock body, specifically designed to withstand the higher internal pressures created by the new valve’s wider dynamic range;

- Electronically adjustable rear suspension pre-load allowing a user to easily compensate for the additional weight and bring a vehicle back to optimal ride height;
- Position sensitive spiral technology uses internal grooves placed in the shock body to improve small bump comfort and bottom out control, providing the performance of position sensitive damping at a lower price point;
- Ridetech RidePro E5 Air Suspension Control System, improving comfort and performance to your vehicle;
- Ridetech 62-67 Nova Suspension System (Coil-Over & Air), bringing today's performance to your vintage vehicle;
- Market leading 3-4” Bronco suspension lift products that are custom designed to each model configuration and that utilize a combination of strut and pre-load spacers for a more balanced performance;
- LIVE Valve, our proprietary semi-active, electronic suspension that processes data from multiple vehicle sensors to adjust the suspension virtually instantaneously to the demands of changing terrain. This technology is currently in use UTVs, Trucks, and mountain bikes;
- 32, 34 and 36 Factory Series FLOAT FIT4, which reduces overall fork weight, provides external adjustability with our fourth-generation FOX Isolated Technology (FIT) closed-cartridge damper, and includes the self-adjusting negative chamber air spring for quieter operation and ease of adjustment;
- The GRIP2 fork damper, which is our next-evolution sealed cartridge FIT system, our highest performing gravity-focused damper. GRIP2 shares its roots with the original GRIP architecture, but has been enhanced with all-new technology: four-way adjustability, VVC high-speed rebound circuit, high-performance mid-valve, and overall friction-reducing treatments;
- X2 technology used in our Factory Series FLOAT and DH rear shocks, which allows the rider to independently tune high- and low-speed compression and high- and low-speed rebound;
- Rhythm series fork products developed to address a lower price point offering without compromising proven FOX performance;
- Race Face Vault Hub, a new 120-point high-engagement mountain bike hubset featuring tool-free end caps that simplify conversion among all major axle standards and is approved for e-bike applications; and
- Easton EC90 SL Crankset, a versatile road bike crankset that allows quick conversion between 1x and 2x road and gravel chainring configurations.

Strategic brand for OEMs, dealers and distributors

Through our strategic relationships, we are often sought out by our OEM customers and work closely with them to develop and design new products and product enhancements. We believe our collaborative approach and product development processes strengthen our relationships with our OEM customers. We believe consumers value our branded products when selecting performance bikes and powered vehicles, and as a result, OEMs purchase and incorporate our products in their bikes and powered vehicles in order to increase the sales of their premium-priced products. In addition, we believe the inclusion of our products on high-end bikes and powered vehicles reinforces our premium brand image which helps to drive our sales in the aftermarket channel where dealers and distributors sell our products to consumers.

Experienced management team

We have an experienced senior management team led by Michael C. Dennison, our Chief Executive Officer. Many members of our management team and many of our employees are avid users of our products, which further extends their knowledge of, and expertise in, our products and end-markets. We are able to attract and retain highly trained and specialized employees who enhance our Company culture and serve as strong brand advocates.

Our strategy

Our goal is to expand our leadership position as a designer, manufacturer and marketer of performance-defining products designed to enhance ride dynamics and performance. We intend to focus on the following key strategies in pursuit of this goal:

Continue to develop new and innovative products in current end-markets

We intend to continue to develop and introduce new and innovative products in our current end-markets to improve ride dynamics and performance for our consumers. For example, our patented position-sensitive damping systems provide terrain optimized ride characteristics across many of our product lines. We believe that performance and control are important to our consumer base, and that our frequent introduction of products with innovative and improved technologies increases both OEM and aftermarket demand as consumers seek out products for their vehicles that can deliver these characteristics. We also believe evolving market trends, such as changing bike wheel and tire sizes and increasing adoption rates of off-road capable, on-road trucks should increase demand for vehicles in our end-markets, which, in turn, should increase demand for our suspension products.

Leverage technology and brand to expand into new categories and end-markets

We believe innovation is the foundation of our company. As we continue to leverage latest technology to develop a diverse portfolio of performance-defining products, our Powered Vehicle Group facility extends our ability to not only scale to newer levels but also do it efficiently. We have great relations with our OEM and Aftermarket partners and given our key distinct strengths, we believe we have and will continue to win more applications. Leveraging our technology and scale, we have successfully expanded into commercial/RV and street car applications with a lot of room to penetrate and plan to grow those channels with more pioneering product applications. Additionally, to grow our end user base, we are now looking at ways to explore international opportunities with some of our applications.

Opportunistically expand our business platform through acquisitions

Over the past several years, we have completed acquisitions that we believe enhance our business and strategically expand our product offerings. In March 2020, we acquired substantially all the issued and outstanding capital stock of SCA Performing Holdings, Inc. ("SCA"), a leading OEM authorized specialty vehicle manufacturer for light duty trucks and sport utility vehicles. In May 2021, through our wholly owned subsidiary, SCA Performance, Inc. ("SCA"), we acquired all of the issued and outstanding stock of Manifest Joy LLC ("Outside Van), a custom van conversion company that designs and custom engineers recreational vehicles. In December 2021, through our wholly owned subsidiary, Shock Therapy Suspension, Inc., we acquired substantially all the assets of Shock Therapy LLC ("Shock Therapy"), a premier suspension tuning company in the off-road industry. The Company expects these acquisitions to expand its North American geographic manufacturing footprint and broaden its product offerings in the automotive industry. We believe there is opportunity to expand our total available market by broadening our acquisition focus to include a more diverse range of performance products that add to or increase our customers' enjoyment of their activities of choice. We also believe that our passionate customer base has a desire for other types of performance products beyond those that attach to a vehicle or bike.

Our business development group is responsible for identifying and assessing inorganic and organic potential growth opportunities of our ride dynamics platform and other specialty sports technology platforms. Specifically, our business development group: (i) identifies and assesses potential acquisition opportunities; (ii) aids the business in analyzing growth alternatives; and (iii) manages critical projects and programs as determined by senior management.

Increase our aftermarket penetration

We currently have a broad aftermarket distribution network of thousands of retail dealers and distributors worldwide. We intend to further penetrate the aftermarket channel by selectively adding dealers and distributors in certain geographic markets, increasing our internal sales force and strategically expanding aftermarket-specific products and services to existing vehicle platforms.

Accelerate international growth

We believe international expansion represents a significant opportunity for us and we have, and intend to continue to, selectively increase infrastructure investments and focus on identified geographic regions. We believe that rising consumer discretionary income in a number of developing markets and increasing consumer preferences for premium, performance bikes and powered vehicles should contribute to increasing demand for our products. In addition, we believe increasing international viewership of racing and extreme sports and other outdoor events, such as the Union Cycliste Internationale Mountain Bike World Cup and X Games, is contributing to the growth of international participation in activities in which our products are used. We intend to leverage the recognition of our brands to capitalize on these trends by globally increasing our sales to both OEMs and dealers and distributors, particularly in markets where we perceive significant opportunities.

Improve operating and supply chain efficiencies

In 2019, we completed the process of relocating our Specialty Sports Group’s U.S. aftermarket bike products distribution, sales, and service operations to Sparks, Nevada.

We recently completed the construction of an approximately 336,000 square foot state-of-the-art facility in Hall County, Georgia (the "Hall County Facility") to diversify our manufacturing platform and provide additional long-term capacity to support growth in our Powered Vehicles Group. The Hall County Facility is being used for manufacturing, warehousing, distribution and office space. We are currently transitioning out of our Watsonville, California facility and relocating our powered vehicles suspension manufacturing to the Hall County Facility.

Seasonality

Certain portions of our business are seasonal; we believe this seasonality is due to the delivery of new products. As we have diversified our product offerings and our product launch cycles, seasonal fluctuations are becoming less material.

Competition

The markets for performance-defining products, including suspension components, wheels, and cranks, are highly competitive. We compete with other companies that produce products for sale to OEMs, dealers and distributors, as well as with OEMs that produce their own line of products for their own use. Some of our competitors may have greater financial, research and development or marketing resources than we do. Competition in the high-end segment of the performance-defining market revolves around technical features, performance, product design, innovation, reliability and durability, brand, time to market, customer service and reliable order execution. While the pricing of competing products is always a factor, we believe the performance of our products helps justify our premium pricing. Within our markets, we compete with several large companies and numerous small companies that provide branded and unbranded products across many of our product lines. These competitors can be divided into the following categories:

Powered Vehicles

Within the market for powered vehicle suspension components, we compete with several companies in different submarkets. In the snowmobile market we compete with KYB (Kayaba Industry Co., Ltd.), Öhlins Racing AB (a wholly-owned subsidiary of Tenneco), Walker Evans Racing, Works Performance Products, Inc., and Penske Racing Shocks / Custom Axis, Inc. In the ATV and Side-by-Side markets, outside of vertically-integrated OEMs, we compete with ZF Sachs (ZF Friedrichshafen AG), Polaris, and Walker Evans Racing for OEM business and Elka Suspension Inc., Öhlins Racing AB, Works Performance Products, and Penske Racing Shocks / Custom Axis, Inc. for aftermarket business.

Within the market for off-road and specialty vehicle suspension components, we compete with ThyssenKrupp Bilstein Suspension GmbH (commonly known as Bilstein), and King Shock Technology, Inc. (commonly known as King Shocks), Icon Vehicle Dynamics, Sway-A-Way, Pro Comp USA Suspension, and Rancho (Tenneco). In the market for suspension systems, or lift kits, we compete with TransAmerican Wholesale/Pro Comp USA, Rough Country Suspension Systems, TeraFlex, Falcon, ReadyLIFT Suspension, Tuff Country EZ-Ride Suspension, and Rusty’s Off-Road. In the market for up-fitted vehicles, we compete with Roush Performance and DSI Custom Vehicles.

Specialty Sports

Within the market for bike suspension components, we compete with several companies that manufacture front and rear suspension products, including RockShox (a subsidiary of SRAM Corp.), X-Fusion Shox (a wholly owned subsidiary of A-Pro), Manitou (a subsidiary of HB Performance Systems), SR Suntour, DT Swiss (a subsidiary of Vereinigte Drahtwerke AG), Cane Creek Cycling, DVO Suspension, Bos-Mountain Bike Suspensions, and Öhlins Racing AB. In the market for other bike components, we compete with SRAM, Truvativ and Zipp (all subsidiaries of SRAM Corp.), DT Swiss (a subsidiary of Vereinigte Drahtwerke AG), Mavic (a subsidiary of Bourrelier), and Shimano.

Our products

We design and manufacture performance-defining products, of which a significant portion is suspension products. These suspension products dissipate the energy and force generated by bikes and powered vehicles while they are in motion. Suspension products allow wheels or skis (in the case of snowmobiles) to move up and down to absorb bumps and shocks while maintaining contact with the ground for better control. Our products use adjustable suspension, position-sensitive damping, electronically controllable damping, multiple air spring technologies, low weight and structural rigidity, all of which improve user control for greater performance.

We use high-grade materials in our products and have developed a number of sophisticated assembly processes to maintain quality across all product lines. Our suspension products are assembled according to precise specifications throughout the assembly process to create consistently high-performance levels and customer satisfaction.

Powered Vehicles

In our powered vehicle product categories, we offer premium products under the FOX, BDS Suspension, Zone Offroad, JKS Manufacturing, RT Pro UTV, 4x4 Posi-Lok, Ridetech, Tuscany, Outside Van, and SCA brands for side-by-sides, on-road vehicles with and without off-road capabilities, off-road vehicles and trucks, ATVs, snowmobiles, specialty vehicles and applications, motorcycles, and commercial trucks. In each of the years ended December 31, 2021, January 1, 2021 and January 3, 2020, approximately 55%, 59% and 60%, respectively, of our sales were attributable to sales of powered vehicles related products.

Products for these vehicles are designed for use on roads, for trail riding, in racing, and to help provide performance and comfort. Our products have also been used on limited quantities of off-road military vehicles and other small-scale select military applications. Our aftermarket truck suspension component products in the powered vehicles category range from two-inch aluminum bolt-on shocks to our patented position sensitive internal bypass shocks. We also offer lift kits and components with our shock products and aftermarket accessory packages for use in trucks. We up-fit trucks to be off-road capable, on-road vehicles with components and products such as lift kits, shock products, superchargers, interior accessories, wheel, tires, lighting, and body enhancements. Our acquisition of SCA in March 2020 has increased the portion of our sales related to upfitting. In addition, we manufacture suspension systems that enhance the handling and ride quality of muscle cars, trucks, sports cars and hot rods.

Specialty Sports

Our bike product offerings are used on a wide range of performance mountain bikes and road bikes under the FOX, Race Face, Easton Cycling and Marzocchi brands. Given this wide range of bike products and brands, as well as the potential to expand our offerings to include other types of performance-defining products, we changed the name of the group from Bike Division to Specialty Sports Group. In each of the years ended December 31, 2021, January 1, 2021 and January 3, 2020, approximately 45%, 41% and 40%, respectively, of our sales were attributable to sales of bike-related products. Primarily for the mountain bike market, we offer mid-end and high-end front fork and rear suspension products designed for cross-country, trail, all-mountain, free-ride and downhill riding. Our mountain bike suspension products are sold in five series and under the Marzocchi brand: (i) our Marzocchi BOMBER series, designed for a rider who values ease of use over adjustability; (ii) our FOX Rhythm series, designed to provide FOX performance at the entry price point of the high-end mountain bikes segment; (iii) our FOX Performance series, designed for demanding enthusiasts; (iv) our FOX Performance Elite series, designed for experienced and expert riders; and (v) our FOX Factory series, designed for maximum performance at a professional level.

We also offer mountain and road bike wheels and other performance-defining cycling components under the Race Face and Easton Cycling brands including cranks, chainrings, pedals, bars, stems, and seat posts.

Research and development

Research and development is at the core of our product innovation and market leadership strategy. We have a growing team of engineers and technicians focused on designing innovative products and developing engineering-based solutions to enhance our product offerings. In addition, a large number of our other employees, many of whom use our products in their recreational activities, contribute to our research and development and product innovation initiatives. Their involvement in the development of new products ranges from participating in initial brainstorming sessions to test riding products in development. Product development also includes collaborating with OEM customers across end-markets, field testing by professional athletes and sponsored race teams and working with enthusiasts and other users of our products. This feedback helps us to develop innovative products that meet our demanding standards as well as the evolving needs of professional and recreational end users and to quickly commercialize these products.

Our research and development activities are supported by state-of-the-art engineering software design tools, integrated manufacturing facilities and a performance-testing center equipped to enhance product safety, durability and performance. Our testing center collects data and tests products prior to and after commercial introduction. Suspension products undergo a variety of rigorous performance and accelerated life tests before they are introduced into the market. Research and development expenses totaled approximately $46.6 million, $34.3 million and $31.8 million in fiscal years 2021, 2020 and 2019, respectively.

Intellectual property

Intellectual property is an important aspect of our business. We rely upon a combination of patents, trademarks, trade names, licensing arrangements, trade secrets, know-how and proprietary technology and we secure and protect our intellectual property rights.

Our intellectual property counsel diligently protects our new technologies with patents and trademarks and defends against patent infringement allegations. We patent our proprietary technologies related to vehicle suspension and other products in the U.S. and various foreign patent offices. Our principal intellectual property also includes our registered trademarks in the U.S. and a number of international jurisdictions, including the marks FOX®, FOX RACING SHOX® and REDEFINE YOUR LIMITS®. Although our intellectual property is important to our business operations and constitutes a valuable asset in the aggregate, we do not believe that any single patent, trademark or trade secret is critical to the success of our business as a whole. We cannot be certain that our patent applications will be issued or that any issued patents will provide us with any competitive advantages or will not be challenged by third parties.

In addition to the foregoing protections, we generally control access to and use of our proprietary and other confidential information using internal and external controls, including contractual protections with employees, OEMs, distributors and others.

Customers

Our OEM customers include market leaders in their respective categories, and they help define, as well as respond to, consumer trends in their respective industries. These OEM customers include our products on a number of their performance models. We believe OEMs often use our products to improve the marketability and demand of their own products, which, in turn, strengthens our brand image. In addition, consumers select our performance-defining products in the aftermarket channel, where we market through a global network of dealers and distributors. We currently sell to approximately 150 OEMs and distribute our products to more than 5,000 retail dealers and distributors worldwide. In 2021, 55% of our sales resulted from sales to OEM customers and 45% resulted from sales to dealers and distributors for resale in the aftermarket channel. No material portion of our business is subject to renegotiation of profits or termination of contracts or subcontracts at the election of the U.S. government.

Sales attributable to our 10 largest OEM customers, which can vary from year-to-year, collectively accounted for approximately 35%, 36% and 44% of our sales in fiscal years 2021, 2020 and 2019, respectively. In 2021 and 2020 no single customer represented 10% or more of our sales. Our sales to Ford, a powered vehicles OEM, accounted for approximately 11% in 2019.

Although we refer to the branded bike OEMs that use our products throughout this document as "our customers," "our OEM customers" or "our bike OEM customers," branded bike OEMs often use contract manufacturers to manufacture and assemble their bikes. As a result, even though we typically negotiate price and volume requirements directly with our bike OEM customers, the contract manufacturer may place the purchase order and therefore assumes the payment responsibilities.

Our North American sales totaled $811.3 million, $593.3 million, and $502.3 million, or 62%, 67% and 67%, of our total sales in 2021, 2020 and 2019, respectively. Our international sales totaled $487.8 million, $297.3 million and $248.8 million or 38%, 33% and 33% of our total sales in fiscal years 2021, 2020 and 2019, respectively. Sales attributable to countries outside the U.S. are based on shipment location. Our international sales, however, do not necessarily reflect the location of the end users of our products, as many of our products are incorporated into bikes and powered vehicles that are assembled at international locations and then shipped back to the U.S. Additional information about our product revenues and certain geographical information is available in Note 2 - Revenues of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K.

Powered Vehicles

We sell our powered vehicle-suspension products to OEMs, including BRP, Ford, Polaris, Toyota, Kawasaki, Yamaha, and Honda. We also are continually nurturing and developing relationships with our existing and new OEMs, as the powered vehicles market continues to grow. After incorporating our products on their powered vehicles, OEMs typically sell their powered vehicles to independent dealers, which then sell directly to consumers.

In the aftermarket, we typically sell to dealers and distributors, both domestically and internationally. Our dealers sell directly to consumers. When we sell to our distributors, they sell to independent dealers, which then sell directly to consumers.

Specialty Sports

We sell our bike suspension and components products to a broad network of domestic and international bike OEMs, including Giant, Merida, Orbea, Kenstone Metal, Canyon Bicycles, Santa Cruz Bicycles, and Yeti Cycles. We have long-standing relationships with many of the top bike OEMs. After incorporating our products on their bikes, OEMs typically sell their bikes to independent dealers, which then sell directly to consumers.

In the aftermarket, we typically sell to U.S. dealers and through distributors internationally. Our dealers sell directly to aftermarket consumers. Our overseas distributors sell to independent dealers, which then sell directly to consumers.

Sales and marketing

We employ specialized and dedicated sales professionals. Each sales professional is fully responsible for servicing either OEM or aftermarket customers within our product categories, which ensures that our customers are in contact with capable and knowledgeable sales professionals to address their specific needs. We strongly believe that providing a high level of service to our end customers is essential to maintaining our reputational excellence in the marketplace. Our sales professionals receive training on the brands' latest products and technologies and attend trade shows and events to increase their market knowledge.

Our marketing strategy focuses on strengthening and promoting our brands in the marketplace. We strategically focus our marketing efforts on enthusiasts seeking high-end, performance-defining products and systems through promotions at destination riding locations and individual and team sponsorships. We believe the performance of our products has been demonstrated by, and our brands benefit from, the success of professional athletes who use our products in elite competitive events such as the Union Cycliste Internationale Mountain Bike World Cup and the X Games. We also believe these successes positively influence the purchasing habits of enthusiasts and other consumers seeking performance-defining products.

We believe that our strategic focus on the performance and racing segments in our markets, including our sponsorships of a number of professional athletes and race teams, influences many aspiring and enthusiast consumers and enables our products to be sold at premium price points. In order to continue to enhance our brand image, we will need to maintain our position in the suspension products industry and to continue to provide high-quality products and services.

We have also been able to develop long-term strategic relationships with leading OEMs. Our reputation for performance-defining products plays a critical role in our aftermarket sales to consumers.

In addition to our web properties and traditional marketing channels, such as print advertising and tradeshows, we maintain an active social media presence, including an Instagram feed, Facebook page, YouTube channel, Vimeo channel and Twitter feed to increase brand awareness, foster loyalty and build a community of users. As strategies and marketing plans are developed for our products, our internal marketing and communications group works to ensure brand cohesion and consistency.

Manufacturing and backlog

We manufacture and complete final assembly on most of our products. By controlling the manufacturing process of our products, we can maintain our strict quality standards, customize our machines and processes for the specific requirements of our products, and quickly respond to feedback we receive on our products in development and otherwise. Furthermore, manufacturing our own products enables us to adjust our labor and production inputs to meet seasonal demands and the customized requirements of some of our customers.

We recently completed the Hall County Facility to diversify our manufacturing platform and provide additional long-term capacity to support growth in our Powered Vehicles Group. The Hall County Facility is being used for manufacturing, warehousing, distribution and office space. We are currently transitioning out of our Watsonville, California facility and relocating our powered vehicles suspension manufacturing to the Hall County Facility.

We had approximately $223.5 million and $128.5 million in firm backlog orders at December 31, 2021 and January 1, 2021, respectively. The increase in 2021 backlog, as compared to 2020, was due to growth in sales, growing market share, and backfilling order that were delayed in prior year due to chassis shortages.

Suppliers and raw materials

The primary raw materials used in the production of our products are aluminum, magnesium, carbon and steel. We generally use multiple suppliers for our raw materials and believe that our raw materials are in adequate supply and available from many suppliers at competitive prices. We do, however, depend on a limited number of suppliers for certain of our components. If our current suppliers for such components are unable to timely fill orders, or if we are required to transition to other suppliers, we could experience significant production delays or disruption to our business. Please read Item 1A. "Risk Factors" – Risks Related to Our Business and Operations - *"We depend on a limited number of suppliers for our materials and component parts for some of our products, and the loss of any of these suppliers or an increase in cost of raw materials could harm our business."* In addition, prices for our raw materials fluctuate. While price fluctuations have not materially impacted our business historically, we are actively monitoring the current market conditions and price trends.

We also have OEM partners that supply vehicle chassis used in our upfitting operations. Our operations could be negatively impacted if we are not able to receive vehicle chassis according to our production needs, or if an OEM decides to discontinue supplying chassis for other reasons.

We work closely with our supply base, and depend upon certain suppliers to provide raw inputs, such as forgings, castings and molded polymers that have been optimized for weight, structural integrity, wear and cost. In certain circumstances, we depend upon a limited number of suppliers for such raw inputs. We typically have no firm contractual sourcing agreements with our suppliers other than purchase orders.

Miyaki is the exclusive producer of the Kashima coating for our suspension component tubes. As part of our agreement with Miyaki, or the Kashima Agreement, we have been granted the exclusive right to use the trademark "KASHIMACOAT" on products comprising the aluminum finished parts for suspension components (e.g., tubes) and on related sales and marketing material worldwide, subject to a minimum model year order and certain other exclusions. The Kashima Agreement does not contain minimum purchase obligations.

Human Capital Resources

Employee Overview

As of December 31, 2021, we had approximately 4,100 employees in the U.S., Canada, Europe, Taiwan and Australia. Our employees are primarily located in the U.S. We also use temporary employees at our manufacturing facilities to help us meet seasonal demands. None of our employees are subject to collective bargaining agreements.

Health and Safety

Employee health and safety in the workplace is one of our top priorities. In response to the COVID-19 pandemic, we have been working to keep our employees safe and healthy from this outbreak. Using guidance from the Centers for Disease Control ("CDC"), the World Health Organization ("WHO"), and the various states and counties in which we operate, we have taken a number of measures to keep employees safe. Employees are offered paid sick leave or paid time off to cover sickness and absences. We will continue to make our employees a priority.

Inclusion, Diversity and Engagement

At FOX, we believe that our people are our greatest asset. Therefore, we are committed to building and maintaining an inclusive workplace in which all employees feel they belong, are empowered to be their best, and inspired to deliver maximum performance. Our employees have diverse skills, experiences and unique perspectives that collectively contribute to greater opportunities for engagement, innovation and business growth. Our commitment to Inclusion, Diversity, and Engagement aligns with our values of Leadership, Trust, Service, Agility, Ingenuity, and Collaboration and is a critical component of being a purpose-led organization. The Inclusion, Diversity, and Engagement strategy is sponsored by the entire Executive Leadership Team and is centered on the following objectives:

- build a globally diverse, high-performing workforce that mirrors the populations around us;
- foster an inclusive workplace culture where all feel like they are heard, welcomed, valued, and empowered; and
- engage our people in making an impact in the marketplace where we live, work, and play.

Employee Benefits

Our employee benefits are designed to attract and retain our employees and include medical, health and dental insurance, short-term and long-term disability insurance, accidental death and disability insurance, voluntary supplemental coverages, discount programs, and our 401(k) Plan. As part of the 401(k) Plan, FOX matches 50 percent of the first 6 percent of compensation contributed by the employee into the 401(k) Plan.

Practices related to working capital items

The Company does not believe that it, or the industry in general, has any special practices or special conditions affecting working capital items that are material to understanding our business. Information about the Company's working capital is incorporated herein by reference to Item 7. "Management's Discussion and Analysis of Financial Condition" and "Results of Operations," and to the "Consolidated Statements of Cash Flows" within Item 8 of this Annual Report on Form 10-K.

Government regulation

Environmental

Our manufacturing operations, facilities and properties in the U.S., Europe, Canada, and Taiwan are subject to evolving foreign, international, federal, state and local environmental and occupational health and safety laws and regulations, including those governing air emissions, wastewater discharge and the storage and handling of chemicals and hazardous substances. If we fail to comply with such laws and regulations, we could be subject to significant fines, penalties, costs, liabilities or restrictions on operations, which could negatively affect our financial condition.

We believe that our operations are in compliance, in all material respects, with applicable environmental and occupational health and safety laws and regulations, and our compliance with such laws and regulations has not had, nor is it expected to have, a material impact on our earnings or competitive position. However, new requirements, more stringent application of existing requirements or the discovery of previously unknown environmental conditions could result in material environmental related expenditures in the future.

Employment

We are subject to numerous foreign, federal, state and local government laws and regulations governing our relationships with our employees, including those relating to minimum wage, overtime, working conditions, hiring and firing, non-discrimination, work permits and employee benefits. We believe that our operations are conducted in compliance, in all material respects, with such laws and regulations. We have never experienced a material work stoppage or disruption to our business relating to employee matters. We believe that our relationship with our employees is good.

Consumer safety

We are subject to the jurisdiction of the U.S. Consumer Product Safety Commission ("CPSC"), and other federal, state and foreign regulatory bodies including the National Highway Traffic Safety Administration ("NHTSA"), which enforces the Federal Motor Vehicle Safety standards. Under CPSC regulations, a manufacturer of consumer goods is obligated to notify the CPSC, if, among other things, the manufacturer becomes aware that one of its products has a defect that could create a substantial risk of injury. If the manufacturer has not already undertaken to do so, the CPSC may require a manufacturer to recall a product, which may involve product repair, replacement or refund. During the past three years, we initiated two voluntary product recalls. For additional information, see Item 1A."Risk Factors" below.

Government contracts

No material portion of our business is subject to renegotiation of profits or termination of contracts or subcontracts at the election of the U.S. government.

Financial information about segments and geographic areas

We operate in one reportable segment: manufacturing, sale and service of performance-defining products. Additional information about our product segment and certain geographic information is available in Note 2. "Revenues" and Note 5. "Property, Plant and Equipment, net" of the "Notes to Consolidated Financial Statements" in this Annual Report on Form 10-K.

Corporate and available information

Our principal executive offices are located at 2055 Sugarloaf Circle, Suite 300, Duluth, GA 30097, and our telephone number is (831) 274-6500. Our website address is www.ridefox.com.

We file reports with the SEC, including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any other filings required by the SEC. We make available through the Investor Relations section of our website, free of charge, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The information on our website is not incorporated by reference into this Annual Report on Form 10-K or in any other report or document we file with the SEC.

The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site (http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

ITEM 1A. RISK FACTORS

Our business, financial condition, operating results and prospects could be materially and adversely affected by various risks and uncertainties that are described herein. In addition to the risks and uncertainties discussed elsewhere in this Annual Report on Form 10-K, you should carefully consider the risks and uncertainties described below. If any of these risks actually occur, our business, financial condition, operating results and prospects could be materially and adversely affected. In that event, the trading price of our common stock could decline.

Summary of Risk Factors

The risks described below include, but are not limited to, the following:

Risks Related to Our Business and Operations

- our business, financial condition and results of operations have been and may continue to be adversely affected by global public health epidemics or pandemics, including the ongoing COVID-19 pandemic;
- our dependency on a limited number of suppliers for materials, product parts, and vehicle chassis could lead to an increase in material costs, disruptions in our supply chain, or reputational costs;
- failure to effectively compete against competitors, enhance existing products or develop, manufacture and market new products that respond to consumer needs and preferences and achieve market acceptance could result in a decrease in demand for our products and negatively impact our business and financial results;
- our performance-defining products, and the bike and powered vehicles into which they are incorporated, are discretionary purchases and may be adversely impacted by changes in the economy, a shrinking market for these powered vehicles, or a material decline in demand for the high-end bikes that make up a significant portion of our sales;
- changes in our customer, channel and product mix could place demands that are more rigorous on our infrastructure and cause our profitability percentages to fluctuate;
- a disruption in the operations of our facilities, such as work stoppages, or delays in our planned expansion of certain facilities, could have a negative effect on our business, financial condition or results of operations;
- our business depends substantially on our ability to attract and retain experienced and qualified talent, including our senior management team;
- we may not be able to sustain our past growth or successfully implement our growth strategy, which may have a negative effect on our business, financial condition or results of operations;
- the loss of the support of professional athletes for our products, or the inability to attract new professional athletes or disruption in relationships with dealers and distributors may harm our business;
- our business is dependent in large part on the orders we receive from our OEM customers and from their success. The loss of all or a substantial portion of our sales to any of these customers could have a material adverse impact on us and our results of operations;
- our international operations are exposed to risks associated with conducting business globally, including currency exchange rate fluctuations and policies related to global trade and tariffs;
- if we are unable to enforce our intellectual property rights, our reputation and sales could be adversely affected, while intellectual property disputes could lead to significant costs or the inability to sell products;
- if we inaccurately forecast demand for our products, we may manufacture insufficient or excess quantities or our manufacturing costs could increase, which could adversely affect our business;
- product recalls, and significant product repair and/or replacement due to product warranty costs and claims have had, and in the future, could have, a material adverse impact on our business;
- an adverse determination in any material product liability claim against us could adversely affect our operating results or financial condition;
- we are subject to certain risks in our manufacturing and in the testing of our products;
- fuel shortages, or high prices for fuel, could have a negative effect on the use of powered vehicles that use our products;
- we rely on increasingly complex information systems for management of our manufacturing, distribution, sales and other functions. If our information systems fail to perform these functions adequately, if we or our vendors or commercial partners experience an interruption in our operations, or if we are impacted by cybersecurity attacks, our business could suffer;

- we have grown and may continue to grow in the future through acquisitions, and we may not be able to effectively integrate businesses we acquire or we may not be able to identify or complete any future acquisitions on favorable terms, or at all;
- our operating results are subject to quarterly variations in our sales, which could make our operating results difficult to predict and could adversely affect the price of our common stock;
- growth in our sales and the mix of domestic versus export shipments from Taiwan could cause additional foreign tax credits to not be realizable, potentially reducing our income and adversely affecting our cash flows;

Risks Related to Our Indebtedness and Liquidity

- our Credit Facility places operating restrictions on us and creates default risks, and the variable rate makes us more vulnerable to increases in interest rates;
- we will continue to have the ability to incur debt and our levels of debt may affect our operations and our ability to pay the principal of and interest on our debt;
- we may incur losses on interest rate swap and hedging arrangements;

Risks Related to Laws and Regulations

- changes in tax laws and regulations or other factors could cause our income tax obligations to increase, potentially reducing our net income and adversely affecting our cash flows;
- we are subject to extensive U.S. federal and state, foreign and international safety, environmental, employment practices and other government regulations that may require us to incur expenses or modify product offerings in order to maintain compliance with such regulation, which could have a negative effect on our business and results of operations;
- unpredictability in increasingly stringent emission standards and increasing focus on environmental, social and governance responsibility, including climate change, may impose additional costs and new risks on us;
- we are subject to employment practice laws and regulations, and, as such, are exposed to litigation risks, and we may incur higher employee costs in the future;
- we retain certain personal information about individuals and are subject to various privacy and consumer protection laws;
- our vendors and any potential commercial partners may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements;

Risks Related to Ownership of Our Common Stock

- potential volatility in our trading price, publications by securities or industry analysts, and future issuances, sales, and the perception of such could cause our stock price and trading volume to decline;
- anti-takeover provisions in our charter documents and Delaware law could discourage, delay or prevent a change in control of our Company;
- our Amended and Restated Certificate of Incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers or other employees; and

General Risk Factors

- failure of our internal control over financial reporting could adversely affect our business and financial results.

RISKS RELATED TO OUR BUSINESS AND OPERATIONS

Our business, financial condition and results of operations have been and may continue to be adversely affected by global public health epidemics or pandemics, including the ongoing COVID-19 pandemic.

We face various risks related to public health issues, including epidemics, pandemics, and other outbreaks, including the ongoing coronavirus ("COVID-19") pandemic. The global outbreak of COVID-19 was declared a pandemic by the World Health Organization and a national emergency by the U.S. Government in March 2020 and has resulted in over five and a half million deaths worldwide, as of the date of filing this Annual Report, and it continues to spread in major markets in which we operate. The impact of the COVID-19 pandemic, including changes in consumer behavior, COVID-19 pandemic fears and market downturns, and restrictions on business and individual activities, has created significant volatility in the global economy and led to reduced economic activity. There have been extraordinary actions taken by international, federal, state, and local public health and governmental authorities to contain and combat the outbreak and spread of COVID-19 in regions throughout the world, including travel bans, quarantines, "stay-at-home" orders, and similar mandates for many individuals to substantially restrict daily activities and for many businesses to curtail or cease normal operations.

These government-mandated closures, "shelter-in-place" directives, and an outbreak among, or quarantine of, the employees in any of our facilities, have caused and could continue to cause significant interruptions to, or temporary closures of our operations. These impacts include, but are not limited to:

- significant reductions in demand or significant future volatility in demand for one or more of our products, which may be caused by, among other things: the temporary inability of consumers to purchase our products due to illness, quarantine or other travel restrictions, store closures, financial hardship, shifts in demand away from one or more of our more discretionary or higher-priced products, supply chain and shipping constraints, reduced options for marketing and promotion of products or other restrictions in connection with the COVID-19 pandemic; if prolonged, such impacts can further increase the difficulty of operating our business, including accurately planning and forecasting, planning for operations and may adversely impact our results;
- inability to meet our current or future demand due to disruptions in our manufacturing and supply arrangements caused by the loss or disruption of essential manufacturing and supply elements such as raw materials, truck chassis, or other components, transportation, workforce, or other manufacturing and distribution capability;
- failure of third parties on which we rely, including our suppliers, contract manufacturers, distributors, contractors, commercial banks, and external business partners, to meet their obligations to the Company or to timely meet those obligations, or significant disruptions in their ability to do so, which may be caused by their own financial or operational difficulties and may adversely impact our operations;
- significant changes in the political conditions in markets in which we manufacture, sell or distribute our products, including additional or expanded quarantines, governmental or regulatory actions, closures or other restrictions that further limit or close our operating and manufacturing facilities, restrict our employees' ability to travel or perform necessary business functions, restrict or prevent consumers from having access to our products, or otherwise prevent our third-party partners, dealers, suppliers, or customers from sufficiently staffing operations, including operations necessary for the production, distribution, sale, and support of our products, which could adversely impact our results; and
- increased difficulty in determining the fair value of the Company's goodwill and other assets for accounting purposes given the level of judgment and estimation that is inherently higher in the current environment considering the uncertainty created by the COVID-19 pandemic, which could result in estimates and assumptions made in valuing goodwill and other Company assets proving to be inaccurate in the future.

These impacts have had and could continue to have a negative effect on our business, financial condition, results of operations and cash flows, as well as the trading price of our securities. Furthermore, the COVID-19 pandemic has impacted and may further impact the broader economies of affected countries, including negatively impacting economic growth, the proper functioning of financial and capital markets, foreign currency exchange rates, interest rates, and liquidity.

We have modified, and might further modify, our business practices in response to the COVID-19 pandemic, related third-party responses, including from government authorities and our suppliers, customers and distributors, and the economic and social ramifications of the disease and societal responses across the markets in which the Company operates. Despite our efforts to manage and remedy these impacts to the Company, the ultimate impact and the extent to which the COVID-19 pandemic will continue to affect our business, results of operation and financial condition is difficult to predict and depends on numerous evolving factors outside our control including: the duration and scope of the COVID-19 pandemic; government, social, business and other actions that have been and will be taken in response to the COVID-19 pandemic; increases in COVID-19 case counts; any additional waves or resurgences of the virus; availability and ultimate efficacy of the vaccine on new variants of the virus, including the Omicron variant; and the effect of the COVID-19 pandemic on short- and long-term general economic conditions.

We depend on a limited number of suppliers for our materials and component parts for some of our products, and the loss of any of these suppliers or an increase in cost of raw materials could harm our business.

We depend on a limited number of suppliers for certain components. If our current suppliers, in particular the minority of those that are "single-source" suppliers, are unable to timely fulfill orders, or if we are required to transition to other suppliers, we could experience significant production delays or disruption to our business. We define a single-source supplier as a supplier from which we purchase all of a particular raw material or input used in our manufacturing operations, although other suppliers are available from which to purchase the same raw material or input or an equivalent substitute. We do not maintain long-term supply contracts with any of our suppliers and instead purchase these components on a purchase order basis. As a result, we cannot force any supplier to sell us the necessary components we use in creating our products and we could face significant supply disruptions should they refuse to do so. As the majority of our bike component manufacturing occurs in Taiwan, we could experience difficulties locating qualified suppliers geographically located closer to these facilities. Furthermore, such suppliers could experience difficulties in providing us with some or all of the materials we require, which could result in disruptions in our manufacturing operations. Our business, financial condition or results of operations could be materially and adversely impacted if we experience difficulties with our suppliers or manufacturing delays caused by our suppliers, whether in connection with our manufacturing operations in the U.S. or in Taiwan.

We also purchase various raw materials in order to manufacture our products. The main commodity items purchased for production include aluminum, magnesium, steel and carbon. Historically, price fluctuations for these components and raw materials have not had a material impact on our business. In the future, however, if we experience material increases in the price of components or raw materials and are unable to pass on those increases to our customers, or there are shortages in the availability of such component parts or raw materials, or there are rising prices due to overall inflationary pressures, it could negatively affect our business, financial condition or results of operations.

In addition to our various single-source suppliers, we also rely on one "sole-source" supplier, Miyaki Corporation, or Miyaki. We define a sole-source supplier as a supplier of a raw material or input for which there is no other supplier of the same product or an equivalent substitute. Miyaki is the exclusive producer of the Kashima coating for our suspension component tubes. As part of our agreement with Miyaki, we have been granted the exclusive right to use the trademark "KASHIMACOAT" on products comprising the aluminum finished parts for suspension components (e.g., tubes) and on related sales and marketing material worldwide, subject to certain exclusions. Although we believe we could obtain other coatings of comparable utility from other sources if necessary, we could no longer obtain this specific Kashima coating or use the trademark "KASHIMACOAT" if Miyaki were to stop supplying us with this coating. The need to replace the Kashima coating could temporarily disrupt our business and harm our business, financial condition or results of operations.

We also have OEM partners that supply vehicle chassis used in our upfitting operations. An OEM may encounter difficulties and may be unable to deliver chassis according to our production needs, or an OEM may choose to discontinue supplying chassis for other reasons. Any interruption or discontinuation in the availability of chassis may result in increased production costs, delays in the delivery of our products, and lost sales, which could have an adverse effect on our business and financial condition.

If we are unable to continue to enhance existing products and develop, manufacture and market new products that respond to consumer needs and preferences and achieve market acceptance, we may experience a decrease in demand for our products, and our business and financial results could suffer.

Our growth strategy involves the continuous development of innovative performance-defining products. We may not be able to compete as effectively with our competitors, and ultimately satisfy the needs and preferences of our customers and the end users of our products, unless we can continue to enhance existing products and develop new, innovative products in the global markets in which we compete. In addition, we must continuously compete for not only end users who purchase our products through the dealers and distributors who are our customers, but also for the OEMs, which incorporate our products into their bikes and powered vehicles. These OEMs regularly evaluate our products against those of our competitors to determine if they are allowing the OEMs to achieve higher sales and market share on a cost-effective basis. Should one or more of our OEM customers determine that they could achieve overall better financial results by incorporating a competitor’s new or existing product, they would likely do so, which could harm our business, financial condition or results of operations.

Product development requires significant financial, technological and other resources. While we expended approximately $46.6 million, $34.3 million and $31.8 million for our research and development efforts in 2021, 2020 and 2019, respectively, there can be no assurance that this level of investment in research and development will be sufficient in the future to maintain our competitive advantage in product innovation, which could cause our business, financial condition or results of operations to suffer.

Product improvements and new product introductions require significant planning, design, development and testing at the technological, product and manufacturing process levels, and we may experience unanticipated delays in our introduction of product improvements or new products. Our competitors' new products may beat our products to market, be more effective and/or less expensive than our products, obtain better market acceptance or render our products obsolete. Any new products that we develop may not receive market acceptance or otherwise generate any meaningful sales or profits for us relative to our expectations. In addition, one of our competitors could develop an unforeseen and entirely new product or technology that renders our products less desirable or obsolete, which could negatively affect our business, financial condition or results of operations.

We face intense competition in all product lines, including from some competitors that may have greater financial and marketing resources. Failure to compete effectively against competitors would negatively impact our business and operating results.

The industries in which we operate are highly competitive. We compete with a number of other manufacturers that produce and sell performance-defining products to OEMs and aftermarket dealers and distributors, including OEMs that produce their own lines of products for their own use. Our continued success depends on our ability to continue to compete effectively against our competitors, some of which have significantly greater financial, marketing and other resources than we have. In addition, several of our competitors offer broader product lines to OEMs, which they may sell in connection with suspension products as part of a package offering. In the future, our competitors may be able to maintain and grow brand strength and market share more effectively or quickly than we do by anticipating the course of market developments more accurately than we do, developing products that are superior to our products, creating manufacturing or distribution capabilities that are superior to ours, producing similar products at a lower cost than we can or adapting more quickly than we do to new technologies or evolving regulatory, industry or customer requirements, among other possibilities. In addition, we may encounter increased competition if our current competitors broaden their product offerings by beginning to produce additional types of performance-defining products or through competitor consolidations. We could also face competition from well-capitalized entrants into these product markets, as well as aggressive pricing tactics by other manufacturers trying to gain market share. As a result, our products may not be able to compete successfully with our competitors' products, which could negatively affect our business, financial condition or results of operations.

Our business is sensitive to economic conditions that impact consumer spending. Our performance-defining products, and the bike and powered vehicles into which they are incorporated, are discretionary purchases and may be adversely impacted by changes in the economy.

Our business depends substantially on global economic and market conditions. In particular, we believe that currently a significant majority of the end users of our products live in the U.S. and countries in Europe. These areas have historically experienced recessions, disruptions in banking and/or financial systems, economic weakness and uncertainty. In addition, our products are recreational in nature and are generally discretionary purchases by consumers. Consumers are usually more willing to make discretionary purchases during periods of favorable general economic conditions and high consumer confidence. Discretionary spending may also be affected by many other factors, including interest rates, the availability of consumer credit, taxes and consumer confidence in future economic conditions. During periods of unfavorable economic conditions, or periods when other negative market factors exist, consumer discretionary spending is typically reduced, which in turn could reduce our product sales and have a negative effect on our business, financial condition or results of operations.

There could also be a number of secondary effects resulting from an economic downturn, such as insolvency of our suppliers resulting in product delays, an inability of our OEM and distributor and dealer customers to obtain credit to finance purchases of our products, customers delaying payment to us for the purchase of our products due to financial hardship or an increase in bad debt expense. Any of these effects could negatively affect our business, financial condition or results of operations.

If we are unable to maintain our premium brand image, our business may suffer.

OEMs dealers and distributors select our products in part because of the premium brand reputation we hold with them and our end users. Therefore, our success depends on our ability to maintain and build the image of our brands. We have focused on building our brands through producing products or acquiring businesses that produce products that we believe are innovative, high in performance and highly reliable. In addition, our brands benefit from our strong relationships with our OEM customers and dealers and distributors and through marketing programs aimed at bike and powered vehicle enthusiasts in various media and other channels. For example, we sponsor a number of professional athletes and professional race teams. In order to continue to enhance our brand image, we will need to maintain our position in the performance-defining products industry, continue to provide high-quality products and services, and preserve our reputation. The rising popularity of social media and other consumer-oriented technologies creates new risks and challenges that could cause damage to our brands and reputation. Social media platforms make it easy for anyone to provide public feedback that can influence perceptions of our brands, and social media platforms can also accelerate and potentially amplify the scope of negative publicity.

There can be no assurance that we will be able to maintain or enhance the strength of our brands in the future. Our brands could be adversely impacted by, among other things:

- failure to develop new products that are innovative, performance-oriented, and reliable;
- internal product quality control issues;
- product quality issues on the bikes and powered vehicles on which our products are installed;
- product recalls;
- high-profile component failures (such as a component failure during a race on a mountain bike ridden by an athlete that we sponsor);
- negative publicity regarding our brand or our sponsored athletes, which could be amplified on social media;
- high-profile injury or death to one of our sponsored athletes;
- inconsistent uses of our brand and our other intellectual property assets, as well as failure to protect our intellectual property;
- changes in consumer trends and perceptions; and
- lack of investment in sponsorships, marketing and public relations.

Any adverse impact on our brand could in turn negatively affect our business, financial condition or results of operations.

Our growth in the powered vehicle category is dependent upon our continued ability to expand our product sales into powered vehicles that require performance-defining products and the continued expansion of the market for these powered vehicles.

Our growth in the powered vehicle category is in part attributable to the expansion of the market for powered vehicles that require performance-defining products. Such market growth includes the creation of new classes of vehicles that can benefit from our products, such as trucks that are up-fitted with products to enhance their off-road capability, and our ability to create products for these vehicles. Additionally, with our acquisitions of SCA Performance, Tuscany, Outside Van, and Shock Therapy, a growing portion of our sales are expected to be generated from providing up-fitting solutions. In the event these markets stop expanding or contract due to economic factors, changes in consumer preferences or other reasons, or we are unsuccessful in creating new products for these markets or other competitors successfully enter into these markets, we may fail to achieve future growth or our sales could decrease, and our business, financial condition or results of operations could be negatively affected.

A significant portion of our sales are highly dependent on the demand for high-end bikes and a material decline in the demand for these bikes or their suspension components could have a material adverse effect on our business or results of operations.

During 2021, approximately 45% of our sales were generated from the sale of bike products. Part of our success has been attributable to the growth in the high-end bike industry, including increases in average retail sales prices, as better-performing product designs and technologies have been incorporated into these products. If the popularity of high-end or premium-priced bikes does not increase or declines, the number of bike enthusiasts seeking such bikes or premium-priced suspension products, wheels, cranks and other specialty components for their bikes does not increase or declines, or the average price point of these bikes declines, we may fail to achieve future growth or our sales could decrease, and our business, financial condition or results of operations could be negatively affected. In addition, if current bike enthusiasts stop purchasing our products due to changes in preferences, we may fail to achieve future growth or our sales could be decreased, and our business, financial condition or results of operations could be negatively affected.

Changes in our customer, channel and product mix could place demands that are more rigorous on our infrastructure and cause our profitability percentages to fluctuate.

We may experience changes in our customer, channel and product mix from time to time as a result of changes in demands from existing customers due to shifts in their products and markets. Additionally, the Company may pursue new customers and markets. Such changes in customers, channel and product mix could place demands that are more rigorous on our infrastructure and supply chain and could result in changes to our profitability and profitability percentages. If customers begin to require more lower-margin products from us and fewer higher-margin products, or place demands on our performance that increase our costs, our business, results of operations and financial condition may suffer.

A disruption in the operations of our facilities, or delays in our planned expansion of certain facilities, could have a negative effect on our business, financial condition or results of operations.

We recently completed the construction of the Hall County Facility to diversify our manufacturing platform and provide additional long-term capacity to support growth in our Powered Vehicles Group. The Hall County Facility is being used for manufacturing, warehousing, distribution and office space. We are currently transitioning out of our Watsonville, California facility and relocating our powered vehicles suspension manufacturing to the Hall County Facility. As a result, we have incurred, and expect to continue to incur, costs associated with some duplication of facilities, equipment and personnel, the amount of which could vary materially from our projections. Unforeseen difficulties in our Georgia expansion project and future expansion projects, whatever the cause, could have a material adverse effect on our business, customer relationships, financial condition, operating results, cash flow, and liquidity.

Equipment failures, delays in deliveries or catastrophic loss at any of our facilities could lead to production or service disruptions, curtailments or shutdowns. In the event of a stoppage in production or a slowdown in production due to high employee turnover or a labor dispute at any of our facilities, even if only temporary, or if we experience delays as a result of events that are beyond our control, delivery times to our customers could be severely affected. If there was a manufacturing disruption in any of our manufacturing facilities, we might be unable to meet product delivery requirements and our business, financial condition or results of operations could be negatively affected, even if the disruption was covered in whole or in part by our business interruption insurance. Any significant delay in deliveries to our customers could lead to increased returns or cancellations, expose us to damage claims from our customers or damage our brand and, in turn, negatively affect our business, financial condition or results of operations.

Work stoppages or other disruptions at seaports could adversely affect our operating results.

A significant portion of our goods move through ports on the Western Coast of the U.S. We have a global supply chain and we import products from our third-party vendors as well as our Fox Taiwan facility into the U.S. largely through ports on the West Coast. Dockworkers, none of whom are our employees, must offload freight from ships arriving at West Coast ports. We do not control the activities of these employees or seaports and we could suffer supply chain disruptions due to any disputes, capacity shortages, slowdowns or shutdowns that may occur, as was experienced in February 2015, in relation to certain West Coast ports. While the West Coast ports labor agreement has been extended until July 2022, the 2015 strike lasted longer than we forecasted, and any similar labor dispute in the future could potentially have a negative effect on both our financial condition and results of operations. Furthermore, the ongoing COVID-19 pandemic has only increased uncertainty for global supply chains, as port congestion and shipping container shortages have become exacerbated, which could adversely affect our operating results.

Our business depends substantially on our ability to attract and retain experienced and qualified talent, including our senior management team.

We are dependent upon the contributions, talent and leadership of our senior management team, particularly our Chief Executive Officer, Michael C. Dennison. We do not have a "key person" life insurance policy on Mr. Dennison or any other key employees. We believe that the top nine members of our senior management team are key to establishing our focus and executing our corporate strategies as they have extensive knowledge of our systems and processes. Given our senior management team’s knowledge of our industry and the limited number of direct competitors in the industry, we believe that it could be difficult to find replacements should any of the members of our senior management team leave.

We could also be adversely affected if we fail to attract and retain talent throughout our organization. For instance, we rely on skilled and well-trained engineers for the design and production of our products, as well as in our research and development functions. Competition for such individuals is intense, particularly in California and Georgia where several of our facilities are located. Our inability to attract or retain qualified employees in our design, production or research and development functions or elsewhere in our Company could result in diminished quality of our products and delinquent production schedules or impede our ability to develop new products.

Our failure to adequately address any of these issues could have a material adverse effect on our business, operating results and financial condition.

We may not be able to sustain our past growth or successfully implement our growth strategy, which may have a negative effect on our business, financial condition or results of operations.

We grew our sales from approximately $890.6 million in 2020 to approximately $1,299.1 million in 2021. This growth rate may be unsustainable. Our future growth will depend upon various factors, including the strength of the image of our brands, our ability to continue to produce innovative performance-defining products, consumer acceptance of our products, competitive conditions in the marketplace, our ability to make strategic acquisitions, the growth in emerging markets for products requiring high-end suspension products and, in general, the continued growth of the high-end bike and powered vehicle markets into which we sell our products. Our beliefs regarding the future growth of markets for high-end suspension products are based largely on qualitative judgments and limited sources and may not be reliable. If we are unable to sustain our past growth or successfully implement our growth strategy, our business, financial condition or results of operations could be negatively affected.

The professional athletes and race teams who use our products are an important aspect of the image of our brands. The loss of the support of professional athletes for our products or the inability to attract new professional athletes may harm our business.

If current or future professional athletes and race teams do not use our products, our brands could lose value and our sales could decline. While our sponsorship agreements typically restrict our sponsored athletes and race teams from promoting, endorsing or using competitors' products that compete directly within our product categories during the term of the sponsorship agreements, we do not typically have long-term contracts with any of the athletes or race teams whom we sponsor.

If we are unable to maintain our current relationships with these professional athletes and race teams, these professional athletes and race teams are no longer popular, our sponsored athletes and race teams fail to have success or we are unable to continue to attract the endorsement of new professional athletes and race teams in the future, the value of our brands and our sales could decline.

We depend on our relationships with dealers and distributors and their ability to sell and service our products. Any disruption in these relationships could harm our sales.

We sell our aftermarket products to dealers and distributors, and we depend on their willingness and ability to market and sell our products to consumers and provide customer and product service as needed. We also rely on our dealers and distributors to be knowledgeable about our products and their features. If we are not able to educate our dealers and distributors so that they may effectively sell our products as part of a positive buying experience, or if they fail to implement effective retail sales initiatives, focus selling efforts on our competitors' products, reduce the quantity of our products that they sell or reduce their operations due to financial difficulties or otherwise, our brand and business could suffer.

We do not control our dealers or distributors, and many of our contracts allow these entities to offer our competitors' products. Our competitors may incentivize our dealers and distributors to favor their products. In addition, we do not have long-term contracts with a majority of our dealers and distributors, and our dealers and distributors are not obligated to purchase specified amounts of our products. In fact, the majority of our dealers and distributors buy from us on a purchase order basis. Consequently, with little or no notice, many of these dealers and distributors may terminate their relationships with us or materially reduce their purchases of our products. If we were to lose one or more of our dealers or distributors, we would need to obtain a new dealer or distributor to cover the particular location or product line, which may not be possible on favorable terms or at all.

Alternatively, we could use our own sales force to replace such a dealer or distributor, but expanding our sales force into new locations takes a significant amount of time and resources and may not be successful. Further, many of our international distribution contracts contain exclusivity arrangements, which may prevent us from replacing or supplementing our current distributors under certain circumstances.

We are a supplier in the high-end bike and powered vehicles markets, and our business is dependent in large part on the orders we receive from our OEM customers and from their success.

As a supplier to OEM customers, we are dependent in large part on the success of the business of our OEM customers. Model year changes by our OEM customers or production disruptions or hiatuses may adversely impact our sales or cause our sales to vary from quarter to quarter. In addition, losses in market share individually or a decline in the overall market of our OEM customers or the discontinuance by our OEM customers of their products which incorporate our products could negatively impact our business, financial condition or results of operations.

A relatively small number of customers account for a substantial portion of our sales. The loss of all or a substantial portion of our sales to any of these customers, whether through the temporary or permanent discontinuation of their products which incorporate our products or otherwise, or the loss of market share by these customers could have a material adverse impact on us and our results of operations.

Sales attributable to our five largest OEM customers, which can vary from year to year, collectively accounted for approximately 24%, 23%, and 32% of our sales in fiscal years 2021, 2020 and 2019. The loss of all or a substantial portion of our sales to any of these OEM customers, whether through the temporary or permanent discontinuation of their products which incorporate our products or otherwise, the loss of market share by these customers, manufacturing or other problems, including disruptions related to COVID-19, could have a material impact on our business, financial condition or results of operations.

Currency exchange rate fluctuations could impact gross margins and expenses.

Foreign currency fluctuations could in the future have an adverse effect on our business, financial condition or results of operations. We sell our products inside and outside of the U.S. primarily in U.S. Dollars and New Taiwan Dollars. However, some of the OEMs purchasing products from us sell their products in Europe and other foreign markets using the Euro and other foreign currencies. As a result, as the U.S. Dollar appreciates against these foreign currencies, our products will become relatively more expensive for these OEMs. Accordingly, competitive products that our OEM customers can purchase in other currencies may become more attractive, and we could lose sales as these OEMs seek to replace our products with cheaper alternatives. In addition, should the U.S. Dollar depreciate significantly, this could have the effect of decreasing our gross margins and adversely impact our business, financial condition or results of operations.

With a majority of our manufacturing operations for our bike products occurring in Taiwan, a percentage of our sales and expenses are denominated in the New Taiwan Dollar. Should the New Taiwan Dollar appreciate against the U.S. Dollar, this could have the effect of decreasing our sales, increasing our expenses, and decreasing our profitability.

Additionally, certain of our operations take place in Canada and a percentage of our sales and expenses are denominated in Canadian Dollars. Our operating profitability could be negatively impacted as a result of changes in the exchange rate between the U.S. Dollar and the Canadian Dollar.

Our international operations are exposed to risks associated with conducting business globally.

As a result of our international presence, we are exposed to increased risks inherent in conducting business outside of the U.S. In addition to foreign currency risks, these risks include:

- difficulty in transporting materials internationally, including labor disputes at West Coast ports, which handle a large amount of our products;
- increased difficulty in protecting our intellectual property rights and trade secrets;
- changes in tax laws and the interpretation of those laws;
- exposure to local economic conditions;
- unexpected government action or changes in legal or regulatory requirements;
- geopolitical regional conflicts, terrorist activity, political unrest, civil strife, acts of war and other political uncertainty;
- political, economic, or other actions from China could impact Taiwan and its economy, and may adversely affect our operations in Taiwan, our customers, and our supply chain;
- changes in tariffs, quotas, trade barriers and other similar restrictions on sales;
- the effects of any anti-American sentiments on our brands or sales of our products;
- increased difficulty in ensuring compliance by employees, agents and contractors with our policies as well as with the laws of multiple jurisdictions, including but not limited to the U.S. Foreign Corrupt Practices Act, local international environmental, health and safety laws, and increasingly complex regulations relating to the conduct of international commerce;
- increased difficulty in controlling and monitoring foreign operations from the U.S., including increased difficulty in identifying and recruiting qualified personnel for our foreign operations; and
- increased difficulty in staffing and managing foreign operations or international sales.

An adverse change in any of these conditions could have a negative effect upon our business, financial condition or results of operations.

Our sales could be adversely impacted by the disruption or cessation of sales by other bike component manufacturers or if other bike component manufacturers enter into the specialty bike component market.

Most of the bikes incorporating our suspension products also use products and components manufactured by other bike component manufacturers. If such component manufacturers were to cease selling their products and components on a standalone basis, their sales are disrupted, or their competitive market position or reputation is diminished, customers could migrate to competitors that sell complementary bike products that we do not sell. Moreover, such bike component manufacturers could begin manufacturing bike suspension products, wheels, or cranks, or bundle their bike components with suspension products, wheels or cranks manufactured by competitors. If any of the foregoing were to occur, our sales could decrease and our business, financial condition or results of operations could suffer.

We have been and may become subject to intellectual property disputes that could cause us to incur significant costs or pay significant damages or that could prohibit us from selling our products.

As we develop new products or attempt to use our brands in connection with new products, we seek to avoid infringing the valid patents and other intellectual property rights of our competitors. However, from time to time, third parties have alleged, or may allege in the future, that our products and/or trademarks infringe upon their proprietary rights. We will evaluate any such claims and, where appropriate, may obtain or seek to obtain licenses or other business arrangements. To date, there have been no significant interruptions in our business as a result of any claims of infringement, and we do not hold patent infringement insurance. Any claim, regardless of its merit, could be expensive, time consuming to defend and distract management from our business. Moreover, if our products or brands are found to infringe third-party intellectual property rights, we may be unable to obtain a license to use such technology or associated intellectual property rights on acceptable terms. A court determination that our brands, products or manufacturing processes infringe the intellectual property rights of others could result in significant liability and/or require us to make material changes to our products and/or manufacturing processes or preclude our ability to use certain brands. In most circumstances, we are not indemnified for our use of a licensor’s intellectual property, if such intellectual property is found to be infringing. Any of the foregoing results could cause us to redesign our products or defend legal actions, which could cause us to incur substantial costs that could negatively affect our business, financial condition or results of operations.

If we are unable to enforce our intellectual property rights, our reputation and sales could be adversely affected.

Intellectual property is an important component of our business. We patent our proprietary technologies related to vehicle suspension and other products in the U.S. and various foreign patent offices. Additionally, we have registered or have applied for trademarks and service marks with the U.S. Patent and Trademark Office and a number of foreign countries, including the marks FOX® and RACE FACE®, to be used with certain goods and services. When appropriate, we may from time to time assert our rights against those who infringe on our patents, trademarks, trade dress, or other intellectual property. However, we may not be successful in enforcing our patents or asserting trademark, trade name or trade dress protection with respect to our brand names and our product designs, and third parties may seek to oppose or challenge our patents or trademark registrations. Further, these legal efforts may not be successful in reducing sales of suspension products by those infringing. In addition, our pending patent applications may not result in the issuance of patents, and even issued patents may be contested, circumvented or invalidated and may not provide us with proprietary protection or competitive advantages. If our efforts to develop and enforce our intellectual property are unsuccessful, or if a third party misappropriates our rights, this may adversely affect our business, financial condition or results of operations. Additionally, intellectual property protection may be unavailable or limited in some foreign countries where laws or law enforcement practices may not protect our proprietary rights as fully as in the U.S., and it may be more difficult for us to successfully challenge the use of our proprietary rights by other parties in these countries. Furthermore, other competitors may be able to successfully produce products that imitate certain of our products without infringing upon any of our patents, trademarks or trade dress. The failure to prevent or limit infringements and imitations could have a permanent negative impact on the pricing of our products or reduce our product sales and product margins, even if we are ultimately successful in limiting the distribution of a product that infringes our rights, which in turn may affect our business, financial condition or results of operations.

Although we enter into non-disclosure agreements with employees, OEMs, distributors and others to protect our confidential information and trade secrets, we may be unable to prevent such parties from breaching these agreements with us and using our intellectual property in an unauthorized manner. If our efforts to protect our intellectual property are unsuccessful, or if a third party misappropriates our rights, our business may be adversely affected. Defending our intellectual property rights can be very expensive and time consuming, and there is no assurance that we will be successful.

If we inaccurately forecast demand for our products, we may manufacture insufficient or excess quantities or our manufacturing costs could increase, which could adversely affect our business.

We plan our manufacturing capacity based upon the forecasted demand for our products. In the OEM channel, our forecasts are based in large part on the number of our product specifications for new bikes and powered vehicles and on projections from our OEM customers. In the aftermarket channel, our forecasts are based partially on discussions with our dealers and distributors as well as our own assessment of markets. If we incorrectly forecast demand, we may incur capacity issues in our manufacturing plant and supply chain, increased material costs, increased freight costs, additional overtime, and costs associated with excess inventory, all of which in turn adversely impact our cost of sales and our gross margin. Economic weakness and uncertainty in the U.S., Europe and other countries may make accurate forecasting particularly challenging.

In the future, if actual demand for our products exceeds forecasted demand, the margins on our incremental sales in excess of anticipated sales may be lower due to temporary higher costs, which could result in a decrease in our overall margins. While we generally manufacture our products upon receipt of customer orders, if actual demand is less than the forecasted demand for our products and we have already manufactured the products or committed to purchase materials in support of forecasted demand, we could be forced to hold excess inventories. In short, either excess or insufficient production due to inaccurate forecasting could have a negative effect on our business, financial condition or results of operations.

Product recalls, and significant product repair and/or replacement due to product warranty costs and claims have had, and in the future, could have, a material adverse impact on our business.

Unless otherwise required by law, we generally provide a limited warranty for our products for a one or two-year period beginning on: (i) in the case of OEM sales, the date the bike or powered vehicle is purchased from an authorized OEM where our product is incorporated as original equipment on the purchased bike or powered vehicle; or (ii) in the case of aftermarket sales, the date the product is originally purchased from an authorized dealer. From time to time, our customers may negotiate for longer or different warranty coverage. In the ordinary course of business, we incur warranty costs and reserve against such costs in our financial statements. However, there is a risk that a product could underperform and require us to adjust our warranty reserves or incur costs in excess of these reserves, which could adversely affect our results of operations.

If any of our products are or are alleged to be defective, we may be required to participate in a recall involving such products. Our products and items where our products are incorporated as original equipment on the purchased item are frequently subject to regulation by various agencies, including, for example, the National Highway Traffic Safety Administration ("NHTSA"), the Consumer Product Safety Commission ("CPSC") and/or similar state and international regulatory authorities. We have had in the past, and may have in the future, recalls (both voluntary and involuntary) of our products or of items that incorporate our products. In the case of OEM sales, each manufacturer has its own practices regarding product recalls and other product liability actions that could involve its suppliers. Additionally, as suppliers become more integrally involved in the design process and assume a greater role in the overall system design, OEMs could potentially look to us to share in the cost if faced with recalls and product liability claims.

Although we carry product liability and product recall insurance, no assurance can be made that such insurance will provide adequate coverage against any potential claims, such insurance is available in the appropriate markets or that we will be able to obtain such insurance on acceptable terms in the future. In addition to the direct costs related to these or other recalls, our aftermarket and OEM sales could be adversely affected if we do not have a ready replacement product for such recalled products. Such recall events could also adversely affect our brand image and have a negative effect on our relationships with our OEMs, sponsored athletes and race teams, or otherwise have a negative effect on our business, financial condition or results of operations.

An adverse determination in any material product liability claim against us could adversely affect our operating results or financial condition.

The use of our products by consumers, often under extreme conditions, exposes us to risks associated with product liability claims. If our products are defective or used incorrectly by our customers, bodily injury, property damage or other injury, including death, may result in, and could give rise to product liability claims against us, which could adversely affect our brand image or reputation. We have encountered product liability claims in the past and carry product liability insurance to help protect us against the costs of such claims, although our insurance may not be sufficient to cover all losses. Any losses that we may suffer from any product liability claims, and the effect that any product liability litigation may have upon the reputation and marketability of our products, may have a negative impact on our business, financial condition or results of operations.

We are subject to certain risks in our manufacturing and in the testing of our products.

As of December 31, 2021, we employed approximately 4,100 employees worldwide, a large percentage of which work at our manufacturing facilities. Our business involves complex manufacturing processes that can be inherently dangerous. Although we employ safety procedures in the design and operation of our facilities, there is a risk that an accident or death could occur in one of our facilities. In addition, prior to the introduction of new products, our employees test the products under rigorous conditions, which involve the risk of injury or death. Any accident could result in manufacturing or product delays, which could negatively affect our business, financial condition or results of operations. The outcome of litigation is difficult to assess or quantify, and the cost to defend litigation can be significant. As a result, the costs to defend any action or the potential liability resulting from any such accident or death or arising out of any other litigation, and any negative publicity associated therewith, could have a negative effect on our business, financial condition or results of operations.

Fuel shortages, or high prices for fuel, could have a negative effect on the use of powered vehicles that use our products.

Gasoline or diesel fuel is required for the operation of the powered vehicles that use our products. There can be no assurance that the supply of these fuels will continue uninterrupted, that rationing will not be imposed or that the price of or tax on these petroleum products will not significantly increase in the future. Future shortages of gasoline and diesel fuel and substantial increases in the price of fuel could have a material adverse effect on our powered vehicle product category, which could have a negative effect on our business, financial condition or results of operations.

We do not control our suppliers, OEMs, other customers or partners, or require them to comply with a formal code of conduct, and actions that they might take could harm our reputation and sales.

We do not control our suppliers, OEMs, other customers or partners, or their labor, environmental or other practices. A violation of labor, environmental, intellectual property or other laws by our suppliers, OEMs, other customers or partners, or a failure of these parties to follow generally accepted ethical business practices, could create negative publicity and harm our reputation. In addition, we may be required to seek alternative suppliers or partners if these violations or failures were to occur. We do not inspect or audit compliance of our suppliers, OEMs, customers or partners with these laws or practices, and we do not require our suppliers, OEMs, customers or partners to comply with a formal code of conduct. Any conduct or actions that our suppliers could take could reduce demand for our products, harm our ability to meet demand or harm our reputation, brand image, business, financial condition or results of operations.

We may incur higher employee costs in the future.

We are subject to government-mandated wage and benefit laws and regulations in many varying countries and jurisdictions. For example, the State of California, where a substantial number of our employees are located, increased the statewide minimum wage to $15.00 per hour, effective as of January 1, 2022. Additionally, the U.S. Congress is considering whether to pass national minimum wage legislation. As we expand internationally, we are also subject to applicable laws in each such jurisdiction. Increases in the mandated wage in any or all of the jurisdictions in which we operate could subject us to increased costs, thereby impacting our business, financial condition, or results of operations. Further, the evolving labor market and increased ability for employees in our industry and other industries to work from home or have remote work arrangements may impact the turnover of our employees, potentially making it more difficult for us to compete.

We maintain a self-insured healthcare plan for our employees based in the U.S. We have insurance coverage in place for individual claims above a specified amount in any year. Inflation in healthcare costs, as well as additional costs we may incur as a result of current or future federal or state healthcare legislation and regulations, could significantly increase our employee healthcare costs in the future. Continued increases in our employee costs could adversely affect our earnings, financial condition and liquidity.

We rely on increasingly complex information systems for management of our manufacturing, distribution, sales and other functions. If our information systems fail to perform these functions adequately or if we experience an interruption in our operations, our business could suffer.

All of our major operations, including manufacturing, distribution, sales and accounting, are dependent upon our complex information systems. Our information systems are vulnerable to damage or interruption from, among other things:

- earthquake, fire, flood, hurricane and other natural disasters;
- power loss, computer systems failure, internet and telecommunications or data network failure; and
- hackers, computer viruses, software bugs or glitches.

Any damage or significant disruption in the operation of such systems or the failure of our information systems to perform as expected could disrupt our operations, reduce our efficiency, delay our fulfillment of customer orders or require significant unanticipated expenditures to correct, and thereby have a negative effect on our business, financial condition or results of operations.

In 2015, we began the process of implementing a global enterprise resource planning system ("ERP"). The pilot phase of the new ERP was completed in fiscal year 2016 and additional phases were completed in 2018, 2019 and 2021. ERP implementations are complex and time-consuming projects that involve substantial expenditures on system software and implementation activities. ERP implementations also require transformation of business and financial processes in order to reap the benefits of the ERP system. Any such transformation involves risks inherent in the conversion to a new computer system, including loss of information and potential disruption to our normal operations. Our business and results of operations may be adversely affected if we experience operating problems or cost overruns during the ERP implementation process, or if the ERP system and the associated process changes do not give rise to the benefits that we expect.

Additionally, if we do not effectively implement the ERP system as planned or the system does not operate as intended, the effectiveness of our internal control over financial reporting could be adversely affected.

We could be negatively impacted by cybersecurity attacks and are subject to evolving privacy laws in the U.S. and other jurisdictions that could adversely impact our business and require that we incur substantial costs.

We use a variety of information technology systems in the ordinary course of business, which are potentially vulnerable to unauthorized access, computer viruses, ransomware software viruses and other similar types of malicious activities and cyber-attacks, including cyber-attacks to our information technology infrastructure and attempts by others to gain access to our propriety or sensitive information, and ranging from individual attempts to advanced persistent threats. Further, ransomware attacks are becoming increasingly prevalent and severe. To alleviate the financial, operational, and reputational impact of a ransomware attack, it may be preferable to make extortion payments, but we may be unwilling or unable to do so, including, for example, if applicable laws or regulations prohibit such payments. The procedures and controls we use to monitor these threats and mitigate our exposure may not be sufficient to prevent cybersecurity incidents. The results of these incidents could include misstated financial data, theft of trade secrets or other intellectual property, liability for disclosure of confidential customer, supplier or employee information, increased costs arising from the implementation of additional security protective measures, litigation and reputational damage, which could materially adversely affect our financial condition, business or results of operations. Any remedial costs or other liabilities related to cybersecurity incidents may not be fully insured or indemnified by other means. Moreover, we or our third-party vendors or business partners may be more vulnerable to such attacks in remote work environments, which have increased in response to the COVID-19 pandemic.

Additionally, security breaches could result in a violation of applicable U.S. and international privacy and other laws and subject us to governmental investigations and proceedings, which could result in our exposure to material civil or criminal liability. For example, the European Union adopted a regulation that became effective in May 2018, called the General Data Protection Regulation (“GDPR”). GDPR requires companies to meet new requirements regarding the handling of personal data, including its use, protection and the ability of persons whose data is stored to correct or delete such data about themselves. Similarly, the California Consumer Privacy Act (“CCPA”), which took effect on January 1, 2020, imposes additional obligations on businesses to make new disclosures about data collection, use, and sharing practices and affords consumers new rights with respect to their data. It also provides a new private right of action for data breaches. The CCPA has been amended several times, including by the California Privacy Rights Act (the "CPRA"), a California ballot initiative that passed in November 2020, and takes effect on January 1, 2023, which, among other things, significantly modifies the CCPA, including by expanding consumers' rights with respect to certain personal information and creating a new state agency to oversee implementation and enforcement efforts. Failure to meet GDPR, CCPA and CPRA requirements could result in financial penalties. Furthermore, the CCPA and CPRA could mark the beginning of a trend toward more stringent privacy legislation in the U.S., as other states across the country are considering and proposing similar laws, and states like Virginia and Colorado have recently enacted CCPA-like laws to provide their respective residents with similar rights. Privacy laws, both domestically and internationally, are changing rapidly, including a discussion in Congress of a new federal data protection and privacy law, all of which may add additional complexity, variation in requirements, restrictions and potential legal risk, require additional investment in resources for compliance programs, and result in increased compliance costs and/or changes in business marketing practices and policies.

Our vendors’ and commercial partners’ information technology systems may fail or suffer security breaches, which could result in a material disruption of our operations.

Despite the implementation of security measures, the information technology systems of our vendors or commercial partners are vulnerable to damage from computer viruses, ransomware software viruses and other similar types of malicious activities, unauthorized access, natural disasters, and electrical failures. Such events could cause disruptions in our operations. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data, or inappropriate disclosure of confidential or propriety information, we could be subject to litigation and reputational harm, which could materially adversely affect our financial condition, business or results of operations.

We have grown and may continue to grow in the future through acquisitions. Growth by acquisitions involves risks, and we may not be able to effectively integrate businesses we acquire or we may not be able to identify or consummate any future acquisitions on favorable terms, or at all.

We have completed several acquisitions over the past several years, including our acquisition of SCA in March 2020, Outside Van and Sola Sport Pty Ltd. ("Sola Sport") in May 2021, and Shock Therapy in December 2021. Additionally, we intend to selectively evaluate additional acquisitions in the future. Any acquisitions that we have made and might make are subject to various risks and uncertainties and could have a negative impact on our business, financial condition or results of operations. These risks include the inability to integrate effectively the operations, products, technologies and personnel of the acquired companies (some of which may be spread out in different geographic regions), the inability to achieve anticipated cost savings or operating synergies, the earn-outs we may contractually obligate ourselves to pay, and the risk we may not be able to effectively manage our operations at an increased scale of operations resulting from such acquisitions. In the event we do complete acquisitions in the future, such acquisitions could affect our cash flows and net income as we expend funds, increase indebtedness and incur additional expenses in connection with pursuing acquisitions. We may also issue shares of our common stock or other securities from time to time as consideration for future acquisitions and investments. We may not be able to identify or consummate any future acquisitions on favorable terms, or at all.

Our operating results are subject to quarterly variations in our sales, which could make our operating results difficult to predict and could adversely affect the price of our common stock.

We have experienced, and expect to continue to experience, substantial quarterly variations in our sales and net income. Our quarterly results of operations fluctuate, in some cases significantly, as a result of a variety of other factors, including, among other things:

- the timing of new product releases or other significant announcements by us or our competitors;
- new advertising initiatives;
- fluctuations in raw materials and component costs; and
- changes in our practices with respect to building inventory.

As a result of these quarterly fluctuations, comparisons of our operating results between different quarters within a single year are not necessarily meaningful and may not be accurate indicators of our future performance. Any future quarterly fluctuations that we report may differ from the expectations of market analysts and investors, which could cause the price of our common stock to fluctuate significantly. We also believe that the seasonal nature of our business may have been overshadowed throughout the past few years due to the rapid growth in sales we have experienced during those periods.

Our beliefs regarding the future growth of the performance-defining product market are supported by qualitative data and limited sources and may not be reliable. A reduction or lack of continued growth in the popularity of high-end bikes, bikes or powered vehicles or in the number of consumers who are willing to pay premium prices for well-designed, performance-oriented equipment in the markets in which we sell our products could adversely affect our product sales and profits, financial condition or results of operations.

We generate virtually all of our revenues from sales of performance-defining products. Our beliefs regarding the outlook of the performance-defining product market come from qualitative data and limited sources, which may not be reliable. If our beliefs regarding the opportunities in the market for our products are incorrect or the number of consumers who we believe are willing to pay premium prices for well-designed, performance-oriented equipment in the markets in which we sell our products does not increase, or declines, we may fail to achieve future growth and our business, financial condition or results of operations could be negatively affected.

Our operations may be impaired if our information technology systems fail to perform adequately or if they are the subject of a data breach or cyber-attack.

Information technology systems are critically important to operating our business. We rely on information technology systems to manage business data, communications, supply chain, order entry and fulfillment, and other business processes. The failure of any of the information technology systems to perform as anticipated could disrupt our business and could result in transaction errors, processing inefficiencies and the loss of sales and customers, which could materially adversely affect our business, financial condition, or results of operations.

RISKS RELATED TO OUR INDEBTEDNESS AND LIQUIDITY

The Credit Facility places operating restrictions on us and creates default risks.

The Credit Facility with Bank of America and other named lenders contains covenants that place restrictions on our operating activities. These covenants, among other things, limit our ability to:

- pay dividends or make distributions to our stockholders or redeem our stock;
- incur additional indebtedness or permit additional encumbrances on our assets; and
- make acquisitions or complete mergers or sales of assets, or engage in new businesses.

These restrictions may interfere with our ability to obtain financing or to engage in other business activities, which may have a material adverse effect on our business, financial condition or results of operations.

If we are unable to comply with the covenants contained in the Credit Facility, it could constitute an event of default and our lenders could declare all borrowings outstanding, together with accrued and unpaid interest, to be immediately due and payable. If we are unable to repay or otherwise refinance these borrowings when due, our lenders could sell the collateral securing the Credit Facility, which constitutes substantially all of our assets.

We will continue to have the ability to incur debt and our levels of debt may affect our operations and our ability to pay the principal of and interest on our debt.

In the future, we and our subsidiaries may be able to incur substantial additional debt from amendments to the Credit Facility, additional lending sources subject to the restrictions contained in the Credit Facility, or because of certain debt instruments we may issue.

As of December 31, 2021, we had $378.5 million of indebtedness, net of loan fees, and $235.0 million in revolving credit available to borrow under the Credit Facility. Our ability to borrow under the Credit Facility fluctuates from time to time due to, among other factors, our borrowings under the Credit Facility.

Our indebtedness could be costly or have adverse consequences, such as:

- requiring us to dedicate a substantial portion of our cash flows from operations to payments on our debt;
- limiting our ability to obtain future financing for working capital, capital expenditures, acquisitions, debt obligations and other general corporate requirements;
- making us more vulnerable to adverse conditions in the general economy or our industry and to fluctuations in our operating results, including affecting our ability to comply with and maintain any financial tests and ratios required under our indebtedness;
- limiting our flexibility to engage in certain transactions or to plan for, or react to, changes in our business and industry;
- putting us at a disadvantage compared to competitors that have less relative and/or less restrictive debt; and
- subjecting us to additional restrictive financial and other covenants.

If we incur substantial additional indebtedness in the future, these higher levels of indebtedness may affect our ability to pay the principal of and interest on existing indebtedness and our creditworthiness generally.

Our outstanding indebtedness under the Credit Facility bears interest at a variable rate, which makes us more vulnerable to increases in interest rates and could cause our interest expense to increase and decrease cash available for operations and other purposes.

Borrowings under the Credit Facility bear interest on a variable rate, which increases and decreases based upon changes in the underlying interest rate and/or our leverage ratio. Any such increases in the interest rate or increases of our borrowings under the Credit Facility will increase our interest expense.

Recent interest rates in the U.S. have been at historically low levels, and any increase in these rates would increase our interest expense and reduce our funds available for operations and other purposes. Although from time to time we may enter into agreements to hedge a portion of our interest rate exposure, such as the interest rate swap entered into in August 2020, these agreements may be costly and may not protect against all interest rate fluctuations. Accordingly, we may experience material increases in our interest expense as a result of increases in interest rate levels generally. Refer to Note 11. "Derivatives and Hedging" for additional information regarding the interest rate swap arrangement.

As of December 31, 2021, we had $382.5 million of indebtedness outstanding under the Credit Facility. Based on the $182.5 million of variable interest rate indebtedness that was outstanding as of December 31, 2021, after giving effect to our interest rate swap, a hypothetical 100 basis point increase or decrease in the interest rate would have resulted in an approximately $1.8 million increase or decrease in interest expense for the year ended December 31, 2021, respectively.

We may incur losses on interest rate swap and hedging arrangements.

We may periodically enter into agreements to reduce the risks associated with increases in interest rates, such as our August 2020 interest rate swap agreement. Although these agreements may partially protect against rising interest rates, they also may reduce the benefits to us if interest rates decline.

RISKS RELATED TO LAWS AND REGULATIONS

Changes in tax laws and regulations or other factors could cause our income tax obligations to increase, potentially reducing our net income and adversely affecting our cash flows.

We are subject to income tax requirements in various jurisdictions in the U.S. and internationally. In preparing our financial statements, we provide for income taxes based on current tax laws and regulations and the estimated taxable income within each of these jurisdictions. Our income tax obligations may be higher due to numerous factors. Changes to tax laws or interpretations proposed by the current administration in the U.S.; modifications to the U.S. tax reform enacted in December 2017; revisions to estimates regarding our ability to utilize foreign tax credits, particularly increases in revenues generated in Taiwan or changes in the export potential from Taiwan; increases in applicable tax rates; and actions by tax authorities in jurisdictions in which we operate could have a material impact on our net income and cash flows.

We are subject to extensive U.S. federal and state, foreign and international safety, environmental, employment practices and other government regulations that may require us to incur expenses or modify product offerings in order to maintain compliance with such regulation, which could have a negative effect on our business and results of operations.

We are subject to extensive laws and regulations relating to safety, environmental, and other laws and regulations promulgated by the U.S. federal and state governments, as well as foreign and international regulatory authorities. Although we believe that our products, policies and processes comply with applicable safety, environmental, and other standards and related regulations, future regulations may require additional safety standards that would require additional expenses and/or modification of product offerings in order to maintain such compliance. Failure to comply with applicable regulations could result in fines, increased expenses to modify our products and harm to our reputation, all of which could have an adverse effect on our business, financial condition or results of operations.

Moreover, certain of our product offerings require us to comply with the rules and regulations of various standards of standard-setting organizations, such as the CPSC, the NHTSA, and the European Committee for Standardization ("CEN"). Failure to comply with the requirements of such organizations could result in the loss of certain customer contracts, fines and penalties, or both, which could have an adverse effect on our business, financial condition or results of operations.

Unpredictability in the adoption, implementation and enforcement of increasingly stringent emission standards by multiple jurisdictions could adversely affect our business.

Certain of our products are subject to extensive statutory and regulatory requirements governing emission and noise, including standards imposed by the Environmental Protection Agency, the European Union, state regulatory agencies (such as the California Air Resources Board) and other regulatory agencies around the world. We have made, and continue to make, capital and research expenditures to ensure certain of our products comply with these emission standards. Developing products to meet numerous changing government regulatory requirements, with different implementation timelines and emission requirements, makes developing products efficiently for multiple markets complicated and could result in additional costs that may be difficult to recover in certain markets. In some cases, we may be required to develop new products to comply with new regulations, particularly those relating to air emissions. The successful development and introduction of new and enhanced products in order to comply with new regulatory requirements are subject to other risks, such as delays in product development, cost over-runs and unanticipated technical and manufacturing difficulties.

In addition to these risks, the nature and timing of government implementation and enforcement of increasingly stringent emission standards is unpredictable. Any delays in implementation or enforcement could result in the products we developed or modified to comply with these standards becoming unnecessary or becoming necessary later than expected, which in turn could delay, diminish or eliminate the expected return and may adversely affect our business.

Increasing focus on environmental, social and governance responsibility may impose additional costs on us and expose us to new risks.

Regulators, stockholders and other interested constituencies have focused increasingly on the environmental, social and governance practices of companies. Our customers may require us to implement environmental, social or governance responsibility procedures or standards before they will continue to do business with us. Additionally, we may face reputational challenges in the event our environmental, social or governance responsibility procedures or standards do not meet the standards set by certain constituencies. The occurrence of any of the foregoing could have a material adverse effect on the price of our shares and our business, financial condition and results of operations.

Climate change and related regulatory responses may adversely impact our business.

There is increasing concern that a gradual increase in global average temperatures due to increased concentration of carbon dioxide and other greenhouse gases in the atmosphere will cause significant changes in weather patterns around the globe and an increase in the frequency and severity of natural disasters. Changes in weather patterns and an increased frequency, intensity and duration of extreme weather conditions could, among other things, disrupt the operation of our supply chain, since our bike suspension manufacturing is entirely located in Taiwan, which is prone to typhoons, increase our product costs and impact the types and amounts of products that consumers purchase, since the majority of our products are used in outdoor recreation. In addition, a number of our facilities are located in California, a state that frequently experiences earthquakes and wildfires. As a result, the effects of climate change could have a long-term adverse impact on our business and results of operations.

In many of the countries in which we operate, governmental bodies are increasingly enacting legislation and regulations in response to the potential impacts of climate change. For example, many nations have agreed to limit emissions of greenhouse gas pursuant to the United Nations Framework Convention on Climate Change, also known as the "Kyoto Protocol" and other initiatives. In December 2015, the U.S. and 194 other countries adopted the Paris Agreement, committing to work towards addressing climate change and agreeing to a monitoring and review process for greenhouse gas emissions. Although the U.S. withdrew from the Paris Agreement in November 2020, the U.S. officially rejoined the Paris Agreement in February 2021 following the change in Presidential administrations, and may in the future choose to join other international agreements targeting greenhouse gas emissions. In addition, in January 2021, President Biden issued an executive order directing all federal agencies to review and take action to address any federal regulations, orders, guidance documents, policies, and any similar agency actions promulgated during the prior administration that may be inconsistent with the current administration's policies and to confront the climate crisis. President Biden also issued an executive order solely targeting climate change. The adoption of legislation or regulatory programs at the federal level or other government action to reduce emissions of greenhouse gases, could have the potential to impact our operations directly or indirectly as a result of required compliance by our suppliers and us. In addition, we may choose to take voluntary steps to mitigate our impact on climate change. As a result, we may experience increases in energy, production, transportation and raw material costs, capital expenditures or insurance premiums and deductibles. Inconsistency of legislation and regulations among jurisdictions may also affect the costs of compliance with such laws and regulations. Any assessment of the potential impact of future climate change legislation, regulations or industry standards, as well as any international treaties and accords, is uncertain given the scope of potential regulatory change in the countries in which we operate.

We are subject to employment practice laws and regulations, and, as such, are exposed to litigation risks, and we may incur higher employee costs in the future.

We are subject to extensive laws and regulations relating to employment practices, including wage and hour, wrongful termination and discrimination. Complying with such laws and regulations, and defending against allegations of our failure to comply (including meritless allegations), can be expensive and time consuming. We believe that our policies and processes comply with applicable employment standards and related regulations; however, we are subject to risks of litigation by employees and others that might involve allegations of illegal, unfair or inconsistent employment practices, including wage and hour violations and employment discrimination, misclassification of independent contractors as employees, wrongful termination and other concerns, which could require additional expenditures.

We are subject to environmental laws and regulation and potential exposure for environmental costs and liabilities.

Our operations, facilities and properties are subject to a variety of foreign, federal, state and local laws and regulations relating to health, safety and the protection of the environment. These environmental laws and regulations include those relating to the use, generation, storage, handling, transportation, treatment and disposal of solid and hazardous materials and wastes, emissions to air, discharges to waters and the investigation and remediation of contamination. Many of these laws impose strict, retroactive, joint and several liability upon owners and operators of properties, including with respect to environmental matters that occurred prior to the time the party became an owner or operator. In addition, we may have liability with respect to third-party sites to which we send waste for disposal. Failure to comply with such laws and regulations can result in significant fines, penalties, costs, liabilities or restrictions on operations that could negatively affect our business, financial condition or results of operations. From time to time, we have been involved in administrative or legal proceedings relating to environmental, health or safety matters and have incurred expenditures relating to such matters in the past.

We believe that our operations are in substantial compliance with applicable environmental laws and regulations. However, additional environmental issues relating to presently known or unknown matters could give rise to currently unanticipated investigation, assessment or expenditures. Compliance with laws or regulations that are more stringent, as well as different interpretations of existing laws, more vigorous enforcement by regulators or unanticipated events, could require additional expenditures that may materially affect our business, financial condition or results of operations.

Federal, state, local, foreign and international laws and regulations relating to environmental matters, land-use, and noise and air pollution may have a negative impact on our future sales and results of operations.

The products in our powered vehicles line are used in vehicles that are subject to numerous federal, state, local, foreign and international laws and regulations relating to noise and air pollution. Powered vehicles, and even bikes, have become subject to laws and regulations prohibiting their use on certain lands and trails. For example, in San Mateo County, California, mountain bikes are not allowed on county trails, and ATV and Side-by-Side riding is not allowed in Zion National Park, among many other national and state parks. In addition, recreational snowmobiling has been restricted in some national parks and federal lands in Canada, the U.S. and other countries. If more of these laws and regulations are passed and the users of our products lose convenient locations to ride their mountain bikes and powered vehicles, our sales could decrease and our business, financial condition or results of operations could suffer.

Regulations related to conflict minerals may force us to continue to incur additional expenses and otherwise adversely impact our business.

The SEC rules regarding disclosure of the use of tin, tantalum, tungsten and gold, known as conflict minerals, in products manufactured by public companies require ongoing due diligence to determine whether such minerals originated from the Democratic Republic of Congo ("DRC"), or an adjoining country and whether such minerals helped finance the armed conflict in the DRC. As a public company, we are required to comply with the reporting obligations annually. There are costs associated with complying with these disclosure requirements, including costs to determine the origin of conflict minerals in our products. The effect of such rules on customer, supplier and/or consumer behavior could adversely affect the sourcing, supply and pricing of materials used in our products. As a result, we may also incur costs with respect to potential changes to products, processes or sources of supply. We may face disqualification as a supplier for customers and reputational challenges if our due diligence procedures do not enable us to verify the origins for all conflict minerals used in our products or to determine if such conflict minerals are conflict-free. Accordingly, these rules could have a material adverse effect on our business, results of operations or financial condition.

We retain certain personal information about individuals and are subject to various privacy and consumer protection laws.

We collect personal information for various purposes and through various methods, including from third parties and directly from consumers through our website, at events and sales, and via telephone and email. Certain individuals may object to the processing of this data, request the deletion of this data, or opt out of the sharing of this data, any of which may negatively impact our ability to provide effective customer service or otherwise impact our operations. Collection and use of personal information in conducting our business may be subject to federal and/or state laws and regulations in the U.S. and foreign jurisdictions including, in particular, various jurisdictions in Europe, and such laws and regulations may restrict our processing of such personal information and may hinder our ability to attract new customers or market to existing customers. We may incur significant expenses to comply with privacy, consumer protection, and security standards and protocols imposed by law, regulation, industry standards or contractual obligations.

Our vendors and any potential commercial partners may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements.

Our vendors and any potential commercial partners expose us to the risk of fraud or other misconduct. Misconduct by these parties could include intentional, reckless, and/or negligent conduct or disclosure of unauthorized activities to us that violate federal and/or state data privacy, security, and consumer protection laws and regulations in the U.S. and abroad. Such misconduct could result in regulatory sanctions and cause serious harm to our reputation.

U.S. policies related to global trade and tariffs could have a material adverse effect on our results of operations.

The current domestic and international political environment, including existing and potential changes to U.S. policies related to global trade and tariffs, have resulted in uncertainty surrounding the future state of the global economy. In 2018, the U.S. imposed tariffs of 25 percent on steel and 10 percent on aluminum, with only a handful of countries exempt from the increase. Throughout the Trump Administration, the U.S. and China imposed a variety of tariffs on most goods traded between the two countries. The U.S. and the European Union also imposed tariffs on each other's products stemming from a dispute at the World Trade Organization related to aircraft. The Biden Administration and U.S. Congress have created significant uncertainty about their review of tariffs and future relationships between the U.S. and other countries with respect to regulations.

While we have limited exposure to implemented tariffs at this time, any expansion in the types of tariffs implemented has the potential to negatively impact our supply chain costs as well as the operating performance of our customers, thus negatively affecting our sales, gross margin and operating performance. Additionally, there is a risk that continued U.S. tariffs on imports could be met with additional retaliatory tariffs on U.S. produced exports and that the broader trade uncertainty could intensify. This has the potential to significantly impact global trade and economic conditions in many of the regions where we do business and have a material adverse effect on our results of operations.

RISKS RELATED TO OWNERSHIP OF OUR COMMON STOCK

The trading price of our common stock may be volatile, and you might not be able to sell your shares at or above the price you pay for the shares.

The trading price of our common stock could be volatile, and you could lose all or part of your investment in our common stock. Since our IPO in 2013, our stock price has fluctuated between $190.29 and $13.35 per share and such volatility may continue in the future. Factors affecting the trading price of our common stock could include:

- variations in our operating results or those of our competitors;
- new product or other significant announcements by us or our competitors;
- changes in our product mix;
- changes in consumer preferences;
- fluctuations in currency exchange rates;
- the gain or loss of significant customers;
- recruitment or departure of key personnel;
- changes in the estimates of our operating results or changes in recommendations by any securities analysts that elect to follow our common stock;
- changes in general economic conditions as well as conditions affecting our industry in particular; and
- sales of our common stock by us, our significant stockholders or our directors or executive officers.

In addition, in recent years, the stock market has experienced significant price fluctuations. Fluctuations in the stock market generally or with respect to companies in our industry could cause the trading price of our common stock to fluctuate for reasons unrelated to our business, operating results or financial condition. Further, some companies that have had volatile market prices for their securities have had securities class actions filed against them. A lawsuit filed against us, regardless of its merits or outcome, could cause us to incur substantial costs and could divert management’s attention.

Future issuances and sales of our shares, or the perception that such sales may occur, could cause our stock price to decline.

The issuance of additional shares of our common stock, such as the follow-on offering of 2.8 million shares of common stock that we completed in June 2020, could dilute the ownership interest of our common stockholders and could depress the market price of shares of our common stock.

Our Amended and Restated Certificate of Incorporation authorizes us to issue 90,000,000 shares of common stock, 42,119,956 of which shares were outstanding as of December 31, 2021. In the future, we may issue additional shares of common stock or other equity or debt securities convertible into common stock in connection with financings, acquisitions, registration statements or otherwise.

After our IPO in 2013, we filed a registration statement under the Securities Act to register shares of our common stock that we may issue under our equity plans. As a result, all such shares can be freely sold in the public market upon issuance, subject to any vesting or contractual lock-up agreements.

We also have a number of institutional stockholders that own significant blocks of our common stock. If one or more of these stockholders were to sell large portions of their holdings in a relatively short time, for liquidity or other reasons, the prevailing price of shares of our common stock could be negatively affected.

If securities or industry analysts do not publish research or publish unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about our business or us. If one or more of the analysts who covers us downgrades our stock or publishes unfavorable research about our business or our industry, our stock price would likely decline. If one or more of these analysts ceases coverage of our Company or fails to publish reports on us regularly, demand for our stock could decrease, which could cause our stock price and trading volume to decline.

Anti-takeover provisions in our charter documents and Delaware law could discourage, delay or prevent a change in control of our Company.

Our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws (together, our "Charter Documents"), as well as Delaware law, contain provisions that may discourage, delay or prevent a change in our management or control over us that stockholders may consider favorable. Among other things, these provisions:

- authorize the issuance of "blank check" preferred stock that could be issued by our Board of Directors to discourage a takeover attempt;
- establish a classified Board of Directors, as a result of which the successors to the directors whose terms have expired will be elected to serve from the time of election and qualification until the third annual meeting following their election;
- require that directors be removed from office only for cause;
- provide that vacancies on our Board of Directors, including newly created directorships, may be filled only by a majority vote of directors then in office;
- provide that no action be taken by stockholders by written consent;
- provide that special meetings of our stockholders may be called only by our Board of Directors, our Chairperson of the Board of Directors, our Lead Director (if we do not have a Chairperson or the Chairperson is disabled), our Chief Executive Officer or our President (in the absence of a Chief Executive Officer);
- require supermajority stockholder voting for our stockholders to effect certain amendments to our Charter Documents; and
- establish advance notice requirements for nominations for elections to our Board of Directors or for proposing other matters that can be acted upon by stockholders at stockholder meetings.

In addition, we are subject to Section 203 of the General Corporation Law of the State of Delaware ("DGCL"), which generally prohibits a Delaware corporation from engaging in a broad range of business combinations with a stockholder owning 15% or more of such corporation's outstanding voting stock for a period of three years following the date on which such stockholder became an "interested" stockholder. In order for us to consummate a business combination with an interested stockholder within three years of the date on which the stockholder became interested, either: (i) the business combination or the transaction that resulted in the stockholder becoming interested must be approved by our Board of Directors prior to the date the stockholder became interested; (ii) the interested stockholder must own at least 85% of our outstanding voting stock at the time the transaction commences (excluding voting stock owned by directors who are also officers and certain employee stock plans); or (iii) the business combination must be approved by our Board of Directors and authorized by at least two-thirds of our stockholders (excluding the interested stockholder) at a special or annual meeting (not by written consent). This provision could have the effect of delaying or preventing a change in control, whether or not it is desired by or beneficial to our stockholders. Any delay or prevention of a change in control transaction or changes in our Board of Directors and management could deter potential acquirers or prevent the completion of a transaction in which our stockholders could receive a substantial premium over the then-current market price for their shares of our common stock.

Our Amended and Restated Certificate of Incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or other employees.

Our Amended and Restated Certificate of Incorporation provides that, with certain limited exceptions, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for: (i) any derivative action or proceeding brought on our behalf; (ii) any action asserting a claim of breach of fiduciary duty owed by any director, officer or other employee of our Company owed to us or our stockholders; (iii) any action asserting a claim against us arising pursuant to any provision of the DGCL or our Charter Documents; (iv) any action to interpret, apply, enforce or determine the validity of our Charter Documents; or (v) any action asserting a claim governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock is deemed to have received notice of and consented to the foregoing provisions. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and employees. Alternatively, if a court were to find this choice of forum provision inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition or results of operations.

GENERAL RISK FACTORS

Failure of our internal controls over financial reporting could adversely affect our business and financial results.

Our management is responsible for establishing and maintaining effective internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002, as amended (the "Sarbanes-Oxley Act"). Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with GAAP. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that we would prevent or detect a misstatement of our financial statements or fraud. Any failure to maintain an effective system of internal control over financial reporting could limit our ability to report our financial results accurately and timely or to detect and prevent fraud. The identification of a material weakness could indicate a lack of controls adequate to generate accurate financial statements that, in turn, could cause a loss of investor confidence and decline in the market price of our common stock. We cannot assure you that we will be able to timely remediate any material weaknesses that may be identified in future periods or maintain all of the controls necessary for continued compliance. Likewise, we cannot assure you that we will be able to retain sufficient skilled finance and accounting personnel, especially in light of the increased demand for such personnel among publicly traded companies.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

At December 31, 2021, we occupied the following square footage by location:

	U.S.	Other Countries	Total
Leased facilities	823,572	401,468	1,225,040
Owned facilities	914,327	42,900	957,227
Total	1,737,899	444,368	2,182,267

Certain administrative, research and development and manufacturing operations are located in California and Georgia. We also manufacture in the U.S. States of Michigan, Colorado, Indiana, Alabama and Oregon, and internationally in Taiwan and Canada, and maintain sales and service offices in the U.S. and Europe.

We believe that our properties are generally suitable to meet our needs for the foreseeable future. In addition, to the extent we require additional space in the future, we believe that it would be readily available on commercially reasonable terms.

ITEM 3. LEGAL PROCEEDINGS

SRAM, LLC (“SRAM”) filed (i) a lawsuit on December 17, 2015 in the U.S. District Court, Northern District of Illinois, against RFE Holding (Canada) Corp. (“RFE Canada”), a wholly-owned subsidiary of Fox Factory Holding Corp. (“Fox Factory”), alleging patent infringement of U.S. Patent number 9,182,027 (“027 Patent”) and violation of the Lanham Act, and (ii) a second lawsuit on May 16, 2016 in the same court against RFE Canada alleging patent infringement of U.S. Patent number 9,291,250 (“250 Patent” and, together with 027 Patent, the “Applicable SRAM Chainring Patents”).

In addition, Fox Factory, Inc. (a wholly owned subsidiary of Fox Factory) filed (i) a lawsuit on January 29, 2016 in the U.S. District Court, Northern District of California against SRAM alleging SRAM’s infringement of two separate Fox Factory, Inc. owned patents, specifically U.S. Patent number 6,135,434, and (ii) a second lawsuit on July 1, 2016 in the U.S. District Court, Northern District of California against SRAM alleging infringement of Fox Factory, Inc.’s U.S. Patent numbers 8,226,172 and 8,974,009 (collectively, the “Applicable Fox Axle Patents”) (which actions were later moved to U.S. District Court, District of Colorado).

As previously disclosed on December 22, 2021, Fox Factory entered into a Settlement and License Agreement with SRAM that, among other things, provides (i) all claims amongst the parties in the aforementioned complaints shall be dismissed with prejudice, without any admission of liability or fault by any party, (ii) SRAM granted Fox Factory a non-exclusive license to make and use products and services covered by the Applicable SRAM Chainring Patents under the FOX brand in exchange for specified royalty rates, (iii) Fox Factory granted SRAM a non-exclusive, royalty-free license to make and use products and services covered by the Applicable Fox Axle Patents under the SRAM brand, and (iv) the exchange of mutual releases by the parties.

From time to time, the Company is involved in other legal proceedings that arise in the ordinary course of business. Although the Company cannot assure the outcome of such legal proceedings, based on information currently available, management does not believe that the ultimate resolution of any pending matters, either individually or in the aggregate, will have a material adverse effect on the Company's financial condition, results of operations or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock has been listed on the NASDAQ Global Select Market under the symbol "FOXF" since August 8, 2013. Our IPO was priced at $15.00 per share on August 8, 2013. Prior to that date, there was no public trading market for our common stock.

The following table sets forth, for the periods indicated, the high and low sales prices per share of our common stock as reported on the NASDAQ Global Select Market.

	High	Low
Year Ending January 1, 2021		
Quarter ended April 3, 2020	$ 79.19	$ 34.58
Quarter ended July 3, 2020	91.84	37.40
Quarter ended October 2, 2020	113.41	69.95
Quarter ended January 1, 2021	108.89	78.20
Year Ending December 31, 2021		
Quarter ended April 2, 2021	$ 144.26	$ 101.82
Quarter ended July 2, 2021	166.88	128.25
Quarter ended October 1, 2021	172.25	137.43
Quarter ended December 31, 2021	190.29	142.40

On February 22, 2022, the closing price per share of our common stock as reported on the NASDAQ Global Select Market was $120.90 per share.

Stockholders

As of January 31, 2022, there were approximately 15 holders of record of our common stock. The actual number of stockholders is greater than this number of record holders, and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers and other nominees. This number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

Dividend Policy

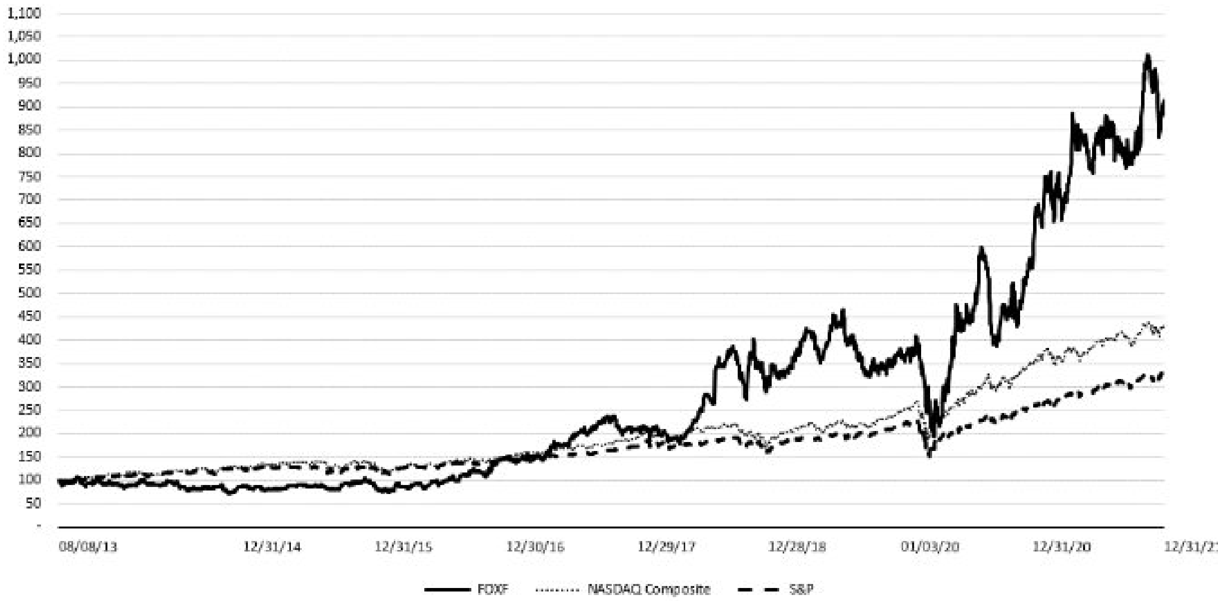
We did not declare or pay any dividends in the years ended December 31, 2021 and January 1, 2021. In addition, our Credit Facility contains covenants limiting our ability to pay dividends to our stockholders. See "Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Credit Facility" for additional information. While we currently intend to reinvest our earnings, any future determination to declare cash dividends will be made at the discretion of our Board of Directors, subject to applicable laws, and will depend on a number of factors, including our financial condition, results of operations, capital requirements, contractual restrictions, general business conditions and any other factors that our Board of Directors may deem relevant. We do not intend to pay dividends in the foreseeable future.

Equity Compensation Plan Information

For equity compensation plan information, refer to Item 12. "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" of this Annual Report on Form 10-K.

Performance Graph

The following graph shows a comparison from August 8, 2013 (the date our common stock commenced trading on the NASDAQ) through December 31, 2021 of the total cumulative return of our common stock with the total cumulative return of the NASDAQ Composite Index (the "NASDAQ Composite") and S&P 500 Index ("S&P 500"). The figures represented below assume an investment of $100 in our common stock at the closing price of $18.61 on August 8, 2013 and in the NASDAQ Composite and S&P 500. Data for the NASDAQ Composite and S&P 500 assume reinvestment of dividends. The comparisons in the graph are historical and are not intended to forecast or be indicative of possible future performance of our common stock.



This performance graph shall not be deemed to be "soliciting material" or "filed" or incorporated by reference in future filings with the SEC, or subject to the liabilities of Section 18 of the Exchange Act except as shall be expressly set forth by specific reference in such filing.

Issuer Purchases of Equity Securities

The table below sets forth information regarding repurchases of our common stock by us during the quarter ended December 31, 2021:

Period	Total Number of Shares Purchased (1)	Weighted Average Price Paid per Share
10/2-11/5	1,436	$ 161.03
11/6-12/3	435	175.35
12/4-12/31	975	158.90
Total	2,846	$ 162.49

(1) Includes shares acquired from holders of restricted stock unit awards and option exercises to satisfy tax withholding obligations.

ITEM 6. RESERVED

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and related notes thereto included elsewhere in this Annual Report in Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. You should review the "Risk Factors" and "Special Note Regarding Forward-Looking Statements" sections of this Annual Report on Form 10-K for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Overview

We design, engineer, manufacture and market performance-defining products and systems for customers worldwide. Our premium brand, performance-defining products and systems are used primarily on bikes, side-by-sides, on-road vehicles with and without off-road capabilities, off-road vehicles and trucks, ATVs, snowmobiles, specialty vehicles and applications, motorcycles and commercial trucks. Virtually all of our revenues were from our product sales; miscellaneous sources of revenue such as royalty income and service related repair work and the associated sale of parts represented less than 1% of our sales in each of the years ended December 31, 2021, January 1, 2021 and January 3, 2020.

We have determined that we operate in one reportable segment, which is the manufacturing, sale and service of performance-defining products. Our products fall into the following two categories:

- powered vehicles, including side-by-sides, certain on-road vehicles with and without off-road capabilities, off-road vehicles and trucks, ATVs, snowmobiles, specialty vehicles and applications including military, motorcycles, and commercial trucks;
- specialty sports products, which consist primarily of bike suspension and component products.

In each of the years ended December 31, 2021, January 1, 2021 and January 3, 2020, approximately 55%, 59% and 60%, respectively, of our sales were attributable to sales of products for powered vehicles and approximately 45%, 41% and 40%, respectively, of our sales were attributable to sales of specialty sports products.

Our North American sales totaled $811.3 million, $593.3 million and $502.3 million, or 62%, 67% and 67% of our total sales in fiscal years 2021, 2020 and 2019, respectively. Our international sales totaled $487.8 million, $297.3 million and $248.8 million, or 38%, 33% and 33% of our total sales in fiscal years 2021, 2020 and 2019, respectively. Sales attributable to countries outside the U.S. are based on shipment location. Our international sales, however, do not necessarily reflect the location of the end users of our products as many of our products are incorporated into bikes that are assembled at international locations and then shipped back to the U.S. We estimate, based on our internal projections, that approximately one-third of the end users of our bike products are located outside the U.S.

Opportunities, challenges and risks

We intend to focus on generating sales of our performance-defining products through OEMs and in the aftermarket channel. To do this, we intend to continue to develop and introduce new and innovative products in our current end-markets and we intend to selectively develop products for applications and end-markets in which we do not currently participate. Currently, the majority of our sales are dependent on the demand for performance-defining products.

Our aftermarket distribution network currently consists of more than 5,000 retail dealers and distributors worldwide. To further penetrate the aftermarket channel, we intend to selectively add additional dealers and distributors in certain geographic markets, expand our internal sales force and strategically increase the number of aftermarket specific products and services that we offer for existing vehicle platforms. In addition, we believe international expansion represents a significant opportunity for us and we intend to selectively increase infrastructure investments and focus on identified geographic regions.

As a supplier to OEM customers, we are largely dependent on the success of the business of our OEM customers. Model year changes by our OEM customers may adversely impact our sales or cause our sales to vary from quarter to quarter. Losses in market share or a decline in the overall market of our OEM customers or the discontinuance by our OEM customers of their products that incorporate our products could negatively impact our business and our results of operations.

We recently completed the construction of an approximately 336,000 square foot state-of-the-art facility in Hall County, Georgia (the "Hall County Facility") to diversify our manufacturing platform and provide additional long-term capacity to support growth in our Powered Vehicles Group. The Hall County Facility is being used for manufacturing, warehousing, distribution and office space. We are currently transitioning out of our Watsonville, California facility and relocating our powered vehicles suspension manufacturing to the Hall County Facility.

From time to time, we have experienced, and may continue to experience, warranty costs and claims relating to our products. In the ordinary course of business, we reserve for such costs and claims in our financial statements. There is a risk, however, that in the future we will experience higher than expected warranty costs and claims, as well as other related costs.

We intend to evaluate selective potential acquisition opportunities for performance-defining products and technologies that we believe will help us extend our performance-defining product platform. Any acquisitions that we might make are subject to various risks and uncertainties and could have a negative impact on our results of operations. In addition, we may contractually obligate ourselves to contingent consideration or acquisition related compensation payments in conjunction with such acquisitions, which could have a negative impact on our cash flow and results of operations. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Contractual obligations and commitments" for additional information.

Basis of presentation

Composition of sales

Sales from:

- *Product sales:* consist of sales of performance-defining products and systems to customers worldwide. Sales are measured based on the consideration specified in a contract with a customer. We recognize sales when a performance obligation is satisfied by transferring control of a product to a customer, generally at the time of shipment. Contracts are generally in the form of purchase orders and are governed by standard terms and conditions. For larger OEMs, we may also enter into master agreements; and
- *Shipping and handling fees:* consists of shipping and handling fees billed to customers.

Net of:

- *Rebates:* consists of incentives we provide to customers based on sales of eligible products; and
- *Sales returns allowances:* consists of an estimate of our sales returns. This allowance is based upon estimates of the projected returns in future periods based on our experience with returns recorded in previous periods. Sales returns have not been significant to date.

We attribute our past growth in sales predominantly to continued higher demand for on and off-road suspension products, acquisitions, and the success of our current product lines including new products within those lines.

Cost of sales

The cost of sales includes the cost of purchased parts and manufactured products (raw materials consumed, the cost to procure materials, labor costs, including wages, and employee benefits, and factory overhead to produce finished good products), including:

- the costs to inspect and repair products;
- shipping costs associated with inbound freight. These costs are capitalized as part of inventory and included in cost of sales as the inventory is sold;
- royalty expenses, including payments to certain parties for our use of licensed technology incorporated into our products;
- freight expenses incurred for certain shipments to customers;
- warranty costs associated with the repair or replacement of products under warranty; and
- reductions in the cost of inventory to its net realizable value, if required, for estimated excess, obsolescence or impaired balances.

Gross profit/gross margin

Our gross profit equals our sales minus cost of sales. Our gross margin measures our gross profit as a percentage of sales.

Our gross margins fluctuate based on production volumes, product, customer and channel mix and overall supply chain and manufacturing efficiencies. Generally, we earn higher gross margins on our products sold to the aftermarket channel.

Operating expenses

Our operating expenses consist of the following:

- sales and marketing;
- research and development;
- general and administrative; and
- amortization of purchased intangibles.

Our sales and marketing expenses include costs related to our sales, customer service and marketing personnel, including their wages, employee benefits and related stock-based compensation, and occupancy related expenses. Other significant sales and marketing expenses include race support and sponsorships of events and athletes, advertising and promotions related to trade shows, travel and entertainment, commissions paid to outside sales representatives, promotional materials and products and our sales office costs.

Our research and development expenses consist primarily of salaries and personnel costs, including wages, employee benefits and related stock-based compensation for our engineering, research and development teams, occupancy related expenses, fees for third party consultants, service fees, and expenses for prototype tooling and materials, travel, and supplies. We expense research and development costs as incurred and such costs are included as research and development expenses on our consolidated statements of income.

Our general and administrative expenses include costs related to our executive, finance, legal, information technology, business development, human resources and administrative personnel, including wages, employee benefits and related stock-based compensation expenses. We record professional and contract service expenses, occupancy related expenses associated with corporate locations and equipment, and legal expenses in general and administrative expenses.

Our amortization of purchased intangibles includes amortization over their respective useful lives of our purchased intangible assets, such as customer lists and our core technology. Our intangible assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be fully recoverable. No impairments of intangible assets were identified in the years ended December 31, 2021, January 1, 2021 and January 3, 2020.

Income from operations

We define income from operations as gross profit less our operating expenses. We use income from operations as an indicator of the profitability of our business and our ability to manage costs.

Interest and other expense, net

Interest expense consists of interest charged to us under our credit facility and changes related to our interest rate swap.

Other expense, net, consists of foreign currency transaction gains and losses, gains and losses on the disposal of fixed assets, and other miscellaneous items.

Income taxes

We are subject to income taxes in the U.S. (federal and state) and various other foreign jurisdictions. Our effective tax rate could be affected by numerous factors such as change in our business operations, acquisitions, investments, entry into new businesses and geographies, intercompany transactions, the relative amount of our foreign earnings, losses incurred in jurisdictions for which we are not able to realize related tax benefits, changes in our deferred tax assets and liabilities and their valuation, changes in the laws, regulations, administrative practices, principles, and interpretations related to tax, including changes to the global tax framework and other laws and accounting rules in various jurisdictions.

For the years ended December 31, 2021, January 1, 2021 and January 3, 2020, we had effective tax rates of 13.0%, 12.2% and 13%, respectively.

As of December 31, 2021, our deferred tax assets included foreign tax credits of approximately $48.3 million, which begin to expire in 2025 unless utilized.

Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. As of December 31, 2021, we recorded an additional valuation allowance of $2.1 million, as we anticipate that the Tax Cuts and Jobs Act (the "TCJA") will partially limit our ability to utilize our foreign tax credits. In the future, our effective tax rate could vary as we update our assessment of valuation allowances for our deferred tax assets, including those associated with credit carryforwards. It is reasonably possible that we could record a material adjustment to the valuation allowance in the next 12 months as we assess the progress and outcome of our plans to alter the generation and utilization of foreign tax credits.

Stock-based compensation gives rise to deferred tax assets to the extent of the compensation expense recognized on non-qualified stock options that have not been exercised or expired and restricted stock awards that have not vested. As of December 31, 2021, our deferred tax assets included $2.3 million associated with stock-based compensation expense. The difference between the deferred tax asset and the actual tax deduction for stock-based compensation is recorded as a component of our income tax expense. Our effective tax rate will vary based on such differences.

We are subject to examination of our income tax returns by the U.S. Internal Revenue Service ("IRS") and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our income tax liabilities and expense. Should actual events or results differ from our current expectations, charges or credits to our income tax expense may become necessary. Any such adjustments could have a significant impact on our effective tax rate.

Results of operations

The table below summarizes our results of operations for the fiscal years ended December 31, 2021, January 1, 2021, and January 3, 2020:

	For the fiscal years ended		
	December 31	January 1	January 3
(in thousands)	2021	2021	2020
Sales	$ 1,299,064	$ 890,554	$ 751,020
Cost of sales	866,732	601,007	508,285
Gross profit	432,332	289,547	242,735
Operating expenses:			
Sales and marketing	70,925	52,214	42,794
Research and development	46,567	34,292	31,789
General and administrative	97,241	71,309	48,999
Amortization of purchased intangibles	20,685	17,583	6,344
Total operating expenses	235,418	175,398	129,926
Income from operations	196,914	114,149	112,809
Interest and other expense, net:			
Interest expense	8,162	9,294	3,173
Other expense, net	371	325	1,067
Total interest and other expense, net	8,533	9,619	4,240
Income before income taxes	188,381	104,530	108,569
Provision for income taxes	24,563	12,784	14,099
Net income	163,818	91,746	94,470
Less: net income attributable to non-controlling interest	—	1,072	1,437
Net income attributable to FOX stockholders	$ 163,818	$ 90,674	$ 93,033

The following table sets forth statement of income data as a percentage of sales for the years indicated:

	For the fiscal years ended		
	December 31	January 1	January 3
	2021	2021	2020
Sales	100.0 %	100.0 %	100.0 %
Cost of sales	66.7	67.5	67.7
Gross profit	33.3	32.5	32.3
Operating expenses:			
Sales and marketing	5.5	5.9	5.7
Research and development	3.6	3.9	4.2
General and administrative	7.5	8.0	6.5
Amortization of purchased intangibles	1.6	2.0	0.8
Total operating expenses	18.1	19.7	17.3
Income from operations	15.2	12.8	15.0
Interest and other expense, net:			
Interest expense	0.6	1.0	0.4
Other expense, net	—	—	0.1
Interest and other expense, net	0.7	1.1	0.6
Income before income taxes	14.5	11.7	14.5
Provision for income taxes	1.9	1.4	1.9
Net income	12.6	10.3	12.6
Less: net income attributable to non-controlling interest	—	0.1	0.2
Net income attributable to FOX stockholders	12.6 %	10.2 %	12.4 %

**Percentages may not foot due to rounding.*

Fiscal year ended December 31, 2021 compared to fiscal year ended January 1, 2021

Sales

	For the fiscal years ended			
(in millions)	2021	2020	Change ($)	Change (%)
Sales	$ 1,299.1	$ 890.6	$ 408.5	45.9 %

Sales for the year ended December 31, 2021 increased approximately $408.5 million, or 45.9%, compared to the year ended January 1, 2021. The sales increase reflects a 57.8% increase in Specialty Sports products as well as a 37.5% growth in Powered Vehicle products for the year ended December 31, 2021 compared to the prior year. The increase in Specialty Sports product sales reflects higher demand primarily in the OEM channel. The increase in Powered Vehicle product sales was primarily due to strong performance from our upfitting product lines, the inclusion of a full year of SCA's results and increased demand in the aftermarket channel.

Cost of sales

	For the fiscal years ended			
(in millions)	2021	2020	Change ($)	Change (%)
Cost of sales	$ 866.7	$ 601.0	$ 265.7	44.2 %

Cost of sales for the year ended December 31, 2021 increased approximately $265.7 million, or 44.2%, compared to the year ended January 1, 2021. The increase in cost of sales was driven primarily by an increase in product sales, as well as certain business factors affecting gross margin, which are discussed below.

For the year ended December 31, 2021, our gross margin was 33.3% compared to 32.5% for the year ended January 1, 2021. The increase in gross margin for the fiscal year 2021 was primarily due to higher volume sales in our Specialty Sports Group and the strong performance of our upfitting product lines, as well as favorable product and channel mix. Additionally, our gross margin for the prior fiscal year period was negatively impacted by incremental costs related to the COVID-19 pandemic.

Operating expenses

	For the fiscal years ended			
(in millions)	2021	2020	Change ($)	Change (%)
Operating expenses:				
Sales and marketing	$ 70.9	$ 52.2	$ 18.7	35.8 %
Research and development	46.6	34.3	12.3	35.9 %
General and administrative	97.2	71.3	25.9	36.3 %
Amortization of purchased intangibles	20.7	17.6	3.1	17.6 %
Total operating expenses	$ 235.4	$ 175.4	$ 60.0	34.2 %

Total operating expenses for the year ended December 31, 2021 increased approximately $60.0 million, or 34.2%, over the comparable period in 2020. When expressed as a percentage of sales, operating expenses decreased to 18.1% of sales for the year ended December 31, 2021 compared to 19.7% of sales in 2020.

Within operating expenses, our sales and marketing expense increased by approximately $18.7 million primarily due to higher commissions of $11.8 million, higher employee related expenses of $1.5 million, and various others. Research and development expenses increased approximately $12.3 million primarily due to headcount investments to support future growth. General and administrative expenses increased approximately $25.9 million due to higher employee related costs of $18.0 million, as well as various other investments of $5.1 million as we continue to scale our administrative support functions to meet the demands of our growing business. These increases were partially offset by lower acquisition-related costs of $9.3 million, as well as lower patent litigation related expenses of $1.1 million.

Amortization of purchased intangible assets for the year ended December 31, 2021 increased by approximately $3.1 million as compared to the year ended January 1, 2021, due to the amortization of SCA and Outside Van's intangible assets.

Income from operations

(in millions)	For the fiscal years ended 2021	2020	Change ($)	Change (%)
Income from operations	$ 196.9	$ 114.1	$ 82.8	72.6 %

As a result of the factors discussed above, income from operations for the year ended December 31, 2021 increased approximately $83.0 million, or 72.6%, compared to income from operations in the same period in 2020.

Interest and other expense, net

(in millions)	For the fiscal years ended 2021	2020	Change ($)	Change (%)
Interest and other expense, net:				
Interest expense	$ 8.2	$ 9.3	$ (1.1)	(11.8)%
Other expense, net	0.3	0.3	—	— %
Interest and other expense, net	$ 8.5	$ 9.6	$ (1.1)	(11.5)%

Interest and other expense, net for the year ended December 31, 2021 decreased by approximately $1.1 million to $8.5 million compared to $9.6 million for the year ended January 1, 2021. The decrease in interest and other expense, net is primarily due to lower interest rates and the pay down of our term loan.

Income taxes

(in millions)	For the fiscal years ended 2021	2020	Change ($)	Change (%)
Provision for income taxes	$ 24.6	$ 12.8	$ 11.8	92.2 %

Income tax expense for the year ended December 31, 2021 increased by approximately $11.8 million to $24.6 million compared to income tax expense of $12.8 million in the same period in 2020. The increase in expense resulted from the increase in pre-tax profit, partially offset by the benefit of a lower tax rate on U.S. foreign derived earnings.

The effective tax rates were 13.0% and 12.2% for the years ended December 31, 2021 and January 1, 2021, respectively.

For the year ended December 31, 2021, the difference between our effective tax rate and the 21% federal statutory rate resulted from a lower tax rate on U.S. foreign derived earnings and the benefit of excess stock based compensation deductions.

For the year ended January 1, 2021, the difference between our effective tax rate and the 21% federal statutory rate resulted from the benefit of excess deductions on stock-based compensation and the benefit of a lower tax rate on U.S. foreign derived earnings.

Net income

(in millions)	For the fiscal years ended 2021	2020	Change ($)	Change (%)
Net income	$ 163.8	$ 91.7	$ 72.1	78.6 %

As a result of the factors described above, our net income increased $72.1 million, or 78.6%, to $163.8 million in the fiscal year ended December 31, 2021 from $91.7 million for the same period in 2020.

Fiscal year ended January 1, 2021 compared to fiscal year ended January 3, 2020

Sales

	For the fiscal years ended			
(in millions)	**2020**	**2019**	**Change ($)**	**Change (%)**
Sales	$ 890.6	$ 751.0	$ 139.6	18.6 %

Sales for the year ended January 1, 2021 increased approximately $139.6 million, or 18.6%, compared to the year ended January 3, 2020. The sales increase reflects a 22.4% increase in Specialty Sports products as well as a 16.1% growth in Powered Vehicle products for the year ended January 1, 2021 compared to the prior year. The increase in Specialty Sports product sales reflects higher demand in both OEM and aftermarket channels. The increase in sales of Powered Vehicle product sales was primarily due to the inclusion of SCA's results.

Cost of sales

	For the fiscal years ended			
(in millions)	**2020**	**2019**	**Change ($)**	**Change (%)**
Cost of sales	$ 601.0	$ 508.3	$ 92.7	18.2 %

Cost of sales for the year ended January 1, 2021 increased approximately $92.7 million, or 18.2%, compared to the year ended January 3, 2020. The increase in cost of sales was driven primarily by an increase in product sales, as well as certain business factors affecting gross margin, which are discussed below.

For the year ended January 1, 2021, our gross margin was 32.5% compared to 32.3% for the year ended January 3, 2020. The increase in gross margin was primarily due to the impact of the SCA acquisition and a favorable change in product and channel mix partially offset by incremental cost due to the COVID-19 pandemic as well as duplicate costs incurred as we transition our North American manufacturing operations.

Operating expenses

	For the fiscal years ended			
(in millions)	**2020**	**2019**	**Change ($)**	**Change (%)**
Operating expenses:				
Sales and marketing	$ 52.2	$ 42.8	$ 9.4	22.0 %
Research and development	34.3	31.8	2.5	7.9 %
General and administrative	71.3	49.0	22.3	45.5 %
Amortization of purchased intangibles	17.6	6.3	11.3	179.4 %
Total operating expenses	$ 175.4	$ 129.9	$ 45.5	35.0 %

Total operating expenses for the year ended January 1, 2021 increased approximately $45.5 million, or 35.0%, over the year ended January 3, 2020. When expressed as a percentage of sales, operating expenses increased to 19.7% of sales for the year ended January 1, 2021 compared to 17.3% of sales in the year ended January 3, 2020.

Within operating expenses, our sales and marketing expense increased by approximately $9.4 million primarily due to costs related to SCA of $8.5 million. Additionally, we incurred higher personnel and commission expenses of $2.8 million, which were partially offset by reduced spending on trade shows and race events. Research and development expenses increased approximately $2.5 million primarily due to headcount and facility-related expenses, partially offset by reductions in supplies, equipment, and other various expenses across our organization. General and administrative expenses increased approximately $22.3 million due to acquisition-related costs of approximately $14.1 million and the inclusion of SCA operating costs of $5.9 million, and higher headcount costs including incentive compensation, partially offset by lower patent-related legal costs.

Amortization of purchased intangible assets for the year ended January 1, 2021 increased by approximately $11.3 million as compared to the year ended January 3, 2020, due to the amortization of SCA's intangible assets.

Income from operations

(in millions)	For the fiscal years ended 2020	2019	Change ($)	Change (%)
Income from operations	$ 114.1	$ 112.8	$ 1.3	1.2 %

As a result of the factors discussed above, income from operations for the year ended January 1, 2021 increased approximately $1.3 million, or 1.2%, compared to income from operations in the same period in the year ended January 3, 2020.

Interest and other expense, net

(in millions)	For the fiscal years ended 2020	2019	Change ($)	Change (%)
Interest and other expense, net:				
Interest expense	$ 9.3	$ 3.2	$ 6.1	190.6 %
Other expense, net	0.3	1.0	(0.7)	(70.0)%
Interest and other expense, net	$ 9.6	$ 4.2	$ 5.4	128.6 %

Interest and other expense, net for the year ended January 1, 2021 increased by approximately $5.4 million to $9.6 million compared to $4.2 million for the year ended January 3, 2020. The increase in interest and other expense, net is primarily due to interest expense on additional borrowings in connection with our acquisition of SCA.

Income taxes

(in millions)	For the fiscal years ended 2020	2019	Change ($)	Change (%)
Provision for income taxes	$ 12.8	$ 14.1	$ (1.3)	(9.2) %

Income tax expense for the year ended January 1, 2021 decreased by approximately $1.3 million to $12.8 million compared to income tax expense of $14.1 million in the year ended January 3, 2020. The decrease in expense resulted from the decrease in pre-tax profit, as well as from the benefits of excess deductions on stock-based compensation and the benefit of a lower tax rate on U.S. foreign derived earnings.

The effective tax rates were 12.2% and 13.0% for the years ended January 1, 2021 and January 3, 2020, respectively.

For the year ended January 1, 2021, the difference between our effective tax rate and the 21% federal statutory rate resulted from the decrease in pre-tax profit, as well as, the benefit of excess deductions on stock-based compensation and the benefit of a lower tax rate on U.S. foreign derived earnings.

For the year ended January 3, 2020, the difference between our effective tax rate and the 21% federal statutory rate resulted primarily from the benefit of excess deductions on stock-based compensation, and the benefit of a lower tax rate on U.S. foreign derived earnings, partially offset by non-deductible executive compensation and state taxes.

Net income

(in millions)	For the fiscal years ended 2020	2019	Change ($)	Change (%)
Net income	$ 91.7	$ 94.5	$ (2.8)	(3.0) %

As a result of the factors described above, our net income decreased $2.8 million, or 3.0%, to $91.7 million in the fiscal year ended January 1, 2021 from $94.5 million for the year ended January 3, 2020.

Liquidity and Capital Resources

Our primary cash needs are to support working capital, capital expenditures, acquisitions and acquisition-related compensation, and debt repayments. We have generally financed our historical needs with operating cash flows and borrowings under our credit facilities. These sources of liquidity may be impacted by various factors, including demand for our products, investments made by us in acquired businesses, our plant and equipment and other capital expenditures, and expenditures on general infrastructure and information technology.

As of December 31, 2021, we held $44.5 million of our $179.7 million of cash and cash equivalents in accounts of our subsidiaries outside of the U.S., which we may repatriate. We manage our foreign cash, intercompany payables and intercompany debt to provide a foreign currency hedge against U.S. dollar-denominated trade receivable balances held by our Taiwan location.

A summary of our operating, investing and financing activities are shown in the following table:

	For the years ended		
	December 31	January 1	January 3
(in thousands)	2021	2021	2020
Net cash provided by operating activities	$ 65,290	$ 82,715	$ 74,830
Net cash used in investing activities	(106,727)	(388,525)	(60,330)
Net (used in) provided by financing activities	(24,100)	506,722	859
Effect of exchange rate changes on cash and cash equivalents	(541)	1,116	419
(Decrease) increase in cash and cash equivalents	$ (66,078)	$ 202,028	$ 15,778

We expect that cash on hand, cash flow from operations and availability under our credit facility will be sufficient to fund our operations during the next 12 months from the date of this Annual Report on Form 10-K and beyond.

Operating activities

Cash provided by operating activities primarily consists of net income, adjusted for certain non-cash items, primarily depreciation and amortization, stock-based compensation, and deferred income taxes, offset by net cash invested in working capital.

In the fiscal year ended December 31, 2021, cash provided by operating activities was $65.3 million and consisted of net income of $163.8 million plus non-cash items and other adjustments totaling $43.5 million less changes in operating assets and liabilities totaling $142.0 million. Non-cash items and other adjustments consisted primarily of depreciation and amortization of $45.1 million, stock-based compensation of $13.9 million, and amortization of loan fees of $1.6 million, offset by a $17.1 million change in deferred taxes. Cash invested in operating assets and liabilities is primarily the result of increases in inventory of $146.5 million, prepaids and other current assets of $34.2 million, and accounts receivable of $20.2 million, offset by increases in net income taxes payable of $26.8 million, accrued expenses of $21.8 million, and accounts payable of $10.3 million. The increase in inventory is primarily due to additional raw material purchases to mitigate risks associated with supply chain uncertainty and shortages on certain parts needed to complete a suspension kit, as well as a higher balance of finished goods due to the timing of shipments. The increase in prepaids and other current assets is the result of increased chassis deposits. The increases in net income taxes payable, accrued expenses, accounts receivable and accounts payable are the result of normal business growth and the timing of vendor and tax payments.

In the fiscal year ended January 1, 2021, cash provided by operating activities was $82.7 million and consisted of net income of $91.7 million plus non-cash items and other adjustments totaling $30.0 million less changes in operating assets and liabilities totaling $39.0 million. Non-cash items and other adjustments consisted primarily of depreciation and amortization of $33.9 million, stock-based compensation of $8.6 million, and amortization of loan fees of $1.5 million, offset by a $14.1 million change in deferred taxes. Cash invested in operating assets and liabilities is primarily the result of increases in prepaids and other current assets of $66.4 million and accounts receivable of $18.8 million, partially offset by increases in accounts payable and accrued expenses of $25.9 million and $11.2 million, respectively, and a decrease in inventory of $7.9 million. The increase in prepaids and other current assets is primarily due to deposits on chassis and acquisition-related compensation payments held in escrow, both related to our acquired SCA subsidiary. The changes in inventory, accounts receivable, accounts payable and accrued expenses reflect business growth as well as timing of vendor payments.

In the fiscal year ended January 3, 2020, cash provided by operating activities was $74.8 million and consisted of net income of $94.5 million plus non-cash items and other adjustments totaling $14.5 million less changes in operating assets and liabilities totaling $34.2 million. Non-cash items and other adjustments consisted primarily of depreciation and amortization of $17.7 million, stock-based compensation of $6.9 million, and loss on the extinguishment of debt of $0.5 million, offset by a $10.6 million change in deferred taxes. Cash invested in operating assets and liabilities is primarily the result of increases in inventory of $17.0 million, and accounts receivable of $12.1 million, decreases in net income taxes payable of $3.6 million and accrued expenses of $2.3 million, partially offset by a decrease in prepaids and other assets of $1.7 million. The changes in inventory, accounts receivable, accrued expenses and prepaids and other assets are primarily attributable to business growth and the impact of the acquisition of Air Ride Technologies, Inc., d/b/a Ridetech ("Ridetech"). The decrease in income taxes is primarily due to the timing of estimated tax payments and refunds.

Investing activities

Cash used in investing activities primarily relates to strategic acquisitions of businesses and other assets, and investments in our manufacturing and general infrastructure through the acquisition of property and equipment.

In the fiscal year ended December 31, 2021, cash used in investing activities was $106.7 million which primarily consisted of $54.8 million in property and equipment additions and $51.9 million of cash consideration for our acquisitions of Outside Van, Sola Sport and Shock Therapy.

In the fiscal year ended January 1, 2021, cash used in investing activities was $388.5 million which primarily consisted of $331.5 million of cash consideration for our acquisition of SCA and $56.7 million in property and equipment additions.

In the fiscal year ended January 3, 2020, cash used in investing activities was $60.3 million which primarily consisted of $53.5 million in property and equipment additions and $6.8 million of cash consideration for our acquisition of Ridetech.

Financing activities

Cash used in or provided by financing activities primarily relates to changes in our capital structure, including the various forms of debt and equity instruments used to finance our business.

In the fiscal year ended December 31, 2021, net cash used in financing activities was $24.1 million, which consisted primarily of $12.5 million in payments on our term debt, $7.1 million to repurchase shares of our common stock as part of our stock-based compensation program and $4.6 million in installment payments related to the purchase of the Tuscany non-controlling interest. Refer to Note 12. "Commitments and Contingencies" for additional details.

In the fiscal year ended January 1, 2021, net cash provided by financing activities was $506.7 million, which consisted primarily of $392.4 million in proceeds, net of issuance costs, from our Credit Facility, which was amended and restated in connection with our acquisition of SCA, partially offset by net payments of $68.0 million on our line of credit and payments on our term debt of $5.0 million. In addition, we received $198.2 million from our June 2020 issuance of common stock. These inflows were partially offset by $4.3 million to repurchase shares of our common stock as part of our stock-based compensation program and $6.6 million in installment payments related to the purchase of the Tuscany non-controlling interest. Refer to Note 12. "Commitments and Contingencies" for additional details.

In the fiscal year ended January 3, 2020, net cash provided by financing activities was $0.9 million, which consisted primarily of $7.7 million in net proceeds from our credit facility offset by $6.8 million in payments to repurchase shares to cover tax withholding related to the vesting of restricted stock awards, net of proceeds from the exercise of stock options.

Credit Facility

In June 2019, the Company entered into a credit facility with Bank of America and other named lenders, which has been periodically amended and restated and/or amended. The credit facility was amended and restated on March 11, 2020, and further amended on June 19, 2020, June 11, 2021 and December 16, 2021 (as amended to date, the "Credit Facility"). The Credit Facility, which matures on March 11, 2025, provides a senior secured revolving line of credit with a borrowing capacity of $250.0 million and a term loan of $400.0 million. The term loan is subject to quarterly amortization payments.

The Company paid $7.6 million in debt issuance costs, of which $6.5 million were allocated to the term debt and $1.2 million were allocated to the line of credit. Loan fees allocated to the term debt will be amortized using the interest method and loan fees allocated to the line of credit will be amortized on a straight-line basis over the term of the Credit Facility.

The Credit Facility provides for interest at a rate either based on the London Interbank Offered Rate, or LIBOR, plus a margin ranging from 1.00% to 2.25%, with a floor rate of 0.0%, or based on the base rate offered by Bank of America plus a margin ranging from 0.00% to 1.25%. At December 31, 2021, the one-month LIBOR and prime rates were 0.10% and 3.25%, respectively. The Company utilizes an interest rate swap to manage the interest rate risk exposure associated with $200.0 million of its variable rate term debt. Refer to Note 11. "Derivatives and Hedging" for further details of this agreement.

At December 31, 2021 and January 1, 2021, our weighted average interest rates on outstanding borrowing were 1.31% and 1.62%, respectively. The Credit Facility is secured by substantially all of the Company's assets, restricts the Company's ability to make certain payments and engage in certain transactions, and requires that the Company satisfy customary financial ratios. The Company was in compliance with the covenants as of December 31, 2021.

Material Cash Requirements

As of December 31, 2021, we had the following material cash requirements related to commitments or contractual obligations (in thousands):

Payments due by period	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
Long-term borrowings	$ 382,500	$ 17,500	$ 40,000	$ 325,000	$ —
Operating lease obligations	40,189	9,866	16,596	9,310	4,417
Purchase obligations and other	3,564	3,055	509	—	—
Total	$ 426,253	$ 30,421	$ 57,105	$ 334,310	$ 4,417

Seasonality

Certain portions of our business are seasonal; we believe this seasonality is due to the delivery of new products. As we have diversified our product offerings and our product launch cycles, seasonal fluctuations are becoming less material.

Inflation

Historically, inflation has not had a material effect on our results of operations. However, significant increases in inflation, particularly those related to wages and increases in the cost of raw materials could have an adverse impact on our business, financial condition and results of operations.

Critical Accounting Policies and Estimates

We have adopted various accounting policies to prepare the consolidated financial statements in accordance with U.S. GAAP. Our significant accounting policies are described in Note 1. "Description of the Business, Basis of Presentation and Summary of Significant Accounting Policies" of the Notes to Consolidated Financial Statements. Some of those significant accounting policies require us to make difficult, subjective, or complex judgments or estimates. An accounting estimate is considered to be critical if it meets both of the following criteria: (i) the estimate requires assumptions about matters that are highly uncertain at the time the accounting estimate is made, and (ii) different estimates reasonably could have been used, or changes in the estimate that are reasonably likely to occur may have a material impact on our financial condition or results of operations. The significant accounting policies that management believes are critical to the understanding and evaluating our reported financial results include the following: income taxes, inventory, warranty, goodwill and intangible assets, stock-based compensation, revenue recognition, provision for credit losses and fair value measurement. For further information see Note 1. "Description of the Business, Basis of Presentation and Summary of Significant Accounting Policies" of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K.

Critical Accounting Policies

Income taxes

We are subject to income taxes in the U.S. (federal and state) and foreign jurisdictions. We compute our provision for income taxes using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using the currently enacted tax rates that are expected to apply to taxable income for the years in which those tax assets and liabilities are expected to be realized or settled. The income tax effects of these differences are classified as long-term deferred tax assets and liabilities in our consolidated balance sheets.

Significant judgments are required in order to determine the realizability of these deferred tax assets. In assessing the need for a valuation allowance, we evaluate all significant available positive and negative evidence, including but not limited to, historical operating results, forecasted earnings, estimates of future taxable income of a character necessary to realize the deferred asset, relative proportions of revenue and pre-tax income in the various domestic and jurisdictions in which we operate, and the existence of prudent and feasible tax planning strategies. Changes in the expectations regarding the realization of deferred tax assets could materially impact income tax expense in future periods.

Additionally, our judgments, assumptions, and estimates relative to the provision for income taxes take into account enacted tax laws, regulations, administrative practices, interpretations in various jurisdictions and possible outcomes of current and future audits conducted by tax authorities. Our effective tax rates could be affected by numerous factors, such as changes in our business operations, acquisitions, investments, entry into new businesses and geographies, intercompany transactions, the relative amount of our foreign earnings, losses incurred in jurisdictions for which we are not able to realize related tax benefits, changes in our deferred tax assets and liabilities and their valuation, changes in the laws, regulations, administrative practices, principles, and interpretations related to tax, including changes to the global tax framework and other laws and accounting rules in various jurisdictions.

We utilize a two-step approach to recognizing and measuring uncertain income tax positions. The first step is to determine if the weight of available evidence indicates that it is more likely than not that the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. We consider many factors when evaluating tax positions such as the closing of a tax audit, the refinement of estimates, and the expiration of a statute of limitations that may require periodic adjustments that impact our tax provision in our consolidated statements of income. Interest and penalties associated with income taxes are recorded as income tax expense. Refer to Note 15. "Income Taxes" for further details.

Inventories

Inventories are stated at the lower of actual cost (or standard cost which generally approximates actual costs on a first-in first-out basis) or net realizable value. Cost includes raw materials and inbound freight, as well as direct labor and manufacturing overhead for products we manufacture. Net realizable value is based on current replacement cost for raw materials and on a net realizable value for finished goods. Adjustments to reduce the cost of inventory to its net realizable value are made, if required, for estimated excess, obsolete or impaired balances.

We regularly monitor inventory quantities on hand and on order and record write-downs for excess and obsolete inventories based on our estimate of the demand for our products, potential obsolescence of technology, product life cycles, and when pricing trends or forecasts indicate that the carrying value of inventory exceeds our estimated selling price. These factors are affected by market and economic conditions, technology changes, and new product introductions and require estimates that may include elements that are uncertain. Actual demand may differ from forecasted demand and may have a material effect on our gross margin. If inventory is written down, a new cost basis will be established that cannot be increased in future periods.

Warranty

Unless otherwise required by law, the Company generally offers limited warranties on its products for one to two years. We accrue estimated costs related to warranty activities as a component of cost of sales upon product shipment or when information becomes available indicating that an adjustment to the warranty reserves is appropriate. Management estimates are based upon historical and projected product failure rates and historical costs incurred in correcting product failures. The warranty reserve is assessed from time to time for adequacy and adjusted as necessary for specifically identified warranty exposures. Actual warranty expenses are charged against our estimated warranty liability when incurred. Factors that affect our liability include the number of units, historical and anticipated rates of warranty claims, and the cost per claim. An increase in warranty claims or the related costs associated with satisfying these warranty obligations could increase our cost of sales and negatively affect our operating results. Total accrued warranty liabilities were $15,510 and $9,835 as of December 31, 2021 and January 1, 2021, respectively. Refer to Note 8. "Accrued Expense" for further details.

Goodwill, intangible assets and long-lived assets

Goodwill

Goodwill represents the excess of purchase price over the fair value of the net assets of businesses acquired. On an annual basis, the Company performs a qualitative assessment to determine if it is more likely than not that the fair value of the reporting unit is less than its carrying amount, including goodwill. If the Company determines that the fair value of the reporting unit is less than its carrying amount, it will perform a quantitative analysis; otherwise, no further evaluation is necessary.

For the quantitative impairment test, the Company compares the fair value of the reporting unit to its carrying value, including goodwill. The Company determines the fair value of the reporting unit based on a weighting of income and market approaches. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not impaired and no further testing is performed. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then the Company will recognize a loss equal to the excess, limited to the total amount of goodwill allocated to that reporting unit. Impairments, if any, are charged directly to earnings. We completed our most recent annual impairment test in the third quarter of 2021 at which time we had a single reporting unit for purposes of assessing goodwill impairment. No impairment charges have been incurred to date.

Indefinite-lived intangible assets

Certain trademarks and trade names are considered to be indefinite life intangibles, and are not amortized but are subject to testing for impairment annually.

Finite-lived intangible assets

We assess the recoverability of identifiable finite-lived intangible assets whenever events or changes in circumstances indicate that an asset or asset group's carrying amount may be impaired. Impairment of certain finite-lived intangible assets, particularly customer relationships, certain trade names and core technology, is measured by comparing the carrying amount of the asset group to which the assets are assigned to the sum of the undiscounted estimated future cash flows the asset group is expected to generate. If the asset or asset group is considered to be impaired, the amount of such impairment would be measured by the difference between the carrying amount of the asset and its fair value.

Acquisition of certain identifiable definite-lived and indefinite-lived assets

In conjunction with an acquisition of a business, the Company records identifiable definite-lived and indefinite-lived intangible assets acquired at their respective fair values as of the date of acquisition. The estimates used in assessing the fair value for the assets acquired include projected future cash flows, associated discount rates used to calculate present value, asset life cycles, customer retention rates and royalty rates. The fair value calculated for indefinite-lived intangible assets such as certain trade names, in addition to intangible assets that are definite-lived such as customer relationships and other technology-based assets may change during the finalization of the purchase price allocation, due to the significant estimates used in determining their fair value. As a result, the Company may make adjustments to the provisional amounts recorded for certain items as part of the purchase price allocation subsequent to the acquisition, not to exceed one year after the acquisition date, until the purchase accounting allocation is finalized.

Stock-based compensation

The Company measures stock-based compensation for all stock-based awards, including stock options and restricted stock units ("RSUs"), based on their estimated fair values on the date of the grant and recognizes the stock-based compensation cost for time-vested awards on a straight-line basis over the requisite service period. For performance-based RSUs, the number of shares ultimately expected to vest is estimated at each reporting date based on management's expectations regarding the relevant performance criteria. To the extent shares are expected to vest, the stock-based compensation cost is recognized on a straight-line basis over the requisite service period. Stock-based compensation was $13,914, $8,618 and $6,864 for the fiscal years ended December 31, 2021, January 1, 2021 and January 3, 2020, respectively. Refer to Note 13. "Stockholders' Equity" for further details. The fair value of each stock option granted is estimated using the Black-Scholes option-pricing model. The Company does not estimate forfeitures in recognizing stock-based compensation expense.

The determination of the grant date fair value of options using an option-pricing model is affected by our common stock fair value as well as assumptions including our expected stock price volatility over the expected term of the options, stock option exercise and cancellation behaviors, risk-free interest rates and expected dividends.

Stock-based compensation expenses are classified in the statements of income based on the department to which the related employee reports. Our stock-based awards subsequent to our IPO have been comprised principally of restricted stock unit awards.

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product to a customer, generally at the time of shipment. Contracts are generally in the form of purchase orders and are governed by standard terms and conditions. For larger OEMs, the Company may also enter into master agreements.

Provisions for discounts, rebates, sales incentives, returns, and other adjustments are generally provided for in the period the related sales are recorded, based on management's assessment of historical trends and projection of future results. Accrued sales rebates were $8,568 and $4,471 as of December 31, 2021 and January 1, 2021, respectively. Sales returns allowances have historically been immaterial to the financial statements. Certain pricing provisions that provide the customer with future discounts are considered a material right. Such material rights result in the deferral of revenue that are recognized when the rights are exercised by the customer. Measuring the material rights requires judgments including forecasts of future sales and product mix.

Allowance for credit losses

We record a provision for credit losses deemed not collectible using the aging method. The provision is based on how long a receivable has been outstanding, taking into account the historical credit loss rate and adjusting for both current conditions and forecasts of economic conditions into that expected credit loss rate. If circumstances change, such as higher-than-expected defaults or an unexpected material adverse change in a major customer's ability to meet its financial obligations, we estimate if the recoverability of the amounts due could be reduced by a material amount.

Fair value measurement and financial instruments

ASC 820, *Fair Value Measurements and Disclosures*, requires the valuation of assets and liabilities required or permitted to be either recorded or disclosed at fair value based on hierarchy of available inputs as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices for similar assets and liabilities in active markets, quoted prices for identical assets and liabilities in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

We apply fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. We define fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, which are required to be recorded at fair value, we consider the principal or most advantageous market in which we would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as risks inherent in valuation techniques, transfer restrictions and credit risk.

We used Level 2 inputs to determine the fair value of our Credit Facility. The Company believes the carrying amount of its Credit Facility approximates the fair value at December 31, 2021 because the interest rate approximates current market rates of debt with similar terms and comparable credit risk.

On June 11, 2021 the Company entered into an interest rate swap agreement to mitigate the cash flow risk associated with changes in interest rates on its variable rate debt. Refer to Note 11. "Derivatives and Hedging" for additional details of the agreement. In accordance with ASC 815, Derivatives and Hedging Interest rate swap contract is recognized as an asset or liability on the consolidated balance sheets and is measured at fair value. The fair value was calculated utilizing Level 2 inputs.

On July 22, 2020, we, pursuant to a stock purchase agreement with Flagship, Inc., dated as of the same date, purchased the remaining 20% interest of FF US Holding Corp. for $24,975 payable in a combination of stock and cash. Refer to Note 12. "Commitments and Contingencies" for additional details of this agreement. Prior to the consummation of the stock purchase, the non-controlling interest was measured at fair value using Level 3 inputs.

Recent Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12, Simplifying the Accounting for Income Taxes, which helps simplify how entities account for income taxes by removing various exceptions related to the recognition of deferred tax liabilities and updating other tax computation requirements. This standard is effective for fiscal years beginning after December 15, 2020 and early adoption is permitted. The Company adopted ASU 2019-12 effective in the first quarter of fiscal year 2021. The adoption of ASU 2021-12 did not have a material impact on the Company's consolidated financial statements.

In October 2020, the FASB issued ASU 2020-10, Codification Improvements. The amendments in ASU 2020-10 contain improvements to the Codification to ensure consistency by including disclosure guidance in the appropriate Disclosure Section. This guidance includes an option for an entity to provide certain information either on the face of the financial statements or in the notes. The ASU also provides clarification to various codification topics to improve consistency in guidance application. The amendments are effective for interim and annual reporting periods in fiscal years beginning after December 15, 2020, with early adoption permitted. The Company adopted ASU 2020-10 effective in the first quarter of fiscal year 2021. The adoption of ASU 2020-10 did not have a material impact on the Company's condensed consolidated financial statements and related disclosures.

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. Under ASU 2021-08, an acquirer must recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606. The guidance is effective for interim and annual periods beginning after December 15, 2022, with early adoption permitted. The Company expects to early adopt this guidance in the first quarter of 2022. This adoption is not expected to have a material impact on our financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate sensitivity

We are exposed to market risk in the normal course of our business operations due to our ongoing investing and financing activities. The risk of loss can be assessed from the perspective of adverse changes in fair values, cash flows and future earnings. We have established policies and procedures governing our management of market risks and the use of financial instruments to manage exposure to such risks. As of December 31, 2021, we had $382.5 million of indebtedness outstanding under our Credit Facility. Based on the $182.5 million of variable interest rate indebtedness that was outstanding as of December 31, 2021, after giving effect to our interest rate swap, a hypothetical 100 basis point increase or decrease in the interest rate would have resulted in an approximately $1.8 million increase or decrease in interest expense for the year ended December 31, 2021, respectively.

Exchange rate sensitivity

As of December 31, 2021, we are exposed to changes in foreign currency exchange rates. While historically this exposure to changes in foreign currency exchange rates has not had a material effect on our financial condition or results of operations, foreign currency fluctuations could have an adverse effect on our business and results of operations in the future. Historically, our primary exposure has been related to transactions denominated in the Euro, New Taiwanese Dollar, and Canadian Dollar. The majority of our sales, both domestically and internationally, are denominated in U.S. Dollars. Historically, the majority of our expenses have also been in U.S. Dollars and we have been somewhat insulated from currency fluctuations. However, we may be exposed to greater exchange rate sensitivity in the future. Currently, we do not hedge our foreign currency exposure; however, we may consider strategies to mitigate our foreign currency exposure in the future if deemed necessary.

Credit and other risks

We are exposed to credit risk associated with cash and cash equivalents, interest rate swap agreement and trade receivables. As of December 31, 2021, the majority of our cash and cash equivalents consisted of cash balances in non-interest bearing checking accounts which significantly exceed the insurance coverage provided on such deposits. We do not believe that our cash equivalents and interest rate swap agreement present significant credit risks because the counterparties to the instruments consist of major financial institutions. Substantially all trade receivable balances of our businesses are unsecured. The credit risk with respect to trade receivables is concentrated by the number of significant customers that we have in our customer base and a prolonged economic downturn could increase our exposure to credit risk on our trade receivables. To manage our exposure to such risks, we perform ongoing credit evaluations of our customers and maintain an allowance for potential credit losses.

We do not currently hedge our exposure to increases in the prices for our primary raw materials.

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.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

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 31, 2021. Based on the evaluation of our disclosure controls and procedures as of December 31, 2021, 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 that 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 Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended December 31, 2021 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 9B. OTHER INFORMATION

Not applicable.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by this Item regarding our directors and executive officers is incorporated by reference to the sections of our proxy statement to be filed with the SEC in connection with our 2022 Annual Meeting of Stockholders (the "Proxy Statement") entitled "Election of Class III Directors" and "Corporate Governance."

Information required by this Item regarding our corporate governance, including our audit committee and code of ethics, is incorporated by reference to the sections of the Proxy Statement entitled "Corporate Governance" and "The Board of Directors."

Information required by this Item regarding compliance with Section 16(a) of the Exchange Act required by this Item is incorporated by reference to the section of the Proxy Statement entitled "Delinquent Section 16(a) Reports."

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item regarding executive compensation is incorporated by reference to the information set forth under the captions "Executive Compensation," "Director Compensation" and "Corporate Governance" in our Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information regarding security ownership of certain beneficial owners and management is incorporated by reference to the section of the Proxy Statement entitled "Security Ownership of Certain Beneficial Owners and Management."

Information required by this item regarding securities authorized for issuance under our equity compensation plans is incorporated by reference to the information set forth under the caption "Executive Compensation" in our Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this Item is incorporated by reference to the section of the Proxy Statement entitled "Certain Relationships and Related Transactions and Director Independence."

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information required by this Item is incorporated by reference to the section of the Proxy Statement entitled "Ratification of Appointment of Independent Registered Public Accounting Firm."

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements

(b) Exhibits

See "Index to Exhibits"	56

ITEM 16. FORM 10-K SUMMARY

None.

Index to Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference: Form	File No.	Filing Date	Filed or Furnished Herewith
3.1	Amended and Restated Certificate of Incorporation	10-Q	001-36040	September 19, 2013	
3.2	Amended and Restated Bylaws	10-Q	001-36040	September 19, 2013	
4.1	Form of Common Stock Certificate	S-1	333-189841	July 8, 2013	
4.2	Form of Indenture	S-3	333-203146	March 31, 2015	
4.3	Description of Securities	10-K	001-36040	March 3, 2020	
10.1†	Employment Agreement, dated May 1, 2018, by and between Fox Factory Holding Corp. and Chris Tutton	10-K	001-36040	February 26, 2019	
10.2†	Employment Agreement, dated August 29, 2018, by and between Fox Factory Holding Corp. and Michael C. Dennison	10-K	001-36040	February 26, 2019	
10.3†	Amended and Restated Employment Agreement, dated June 26, 2019, by and between Fox Factory Holding Corp. and Michael C. Dennison	8-K	001-36040	July 1, 2019	
10.4†	Employment Agreement, by and between Fox Factory Holding Corp. and Scott Humphrey, dated August 4, 2020.	8-K	001-36040	August 5, 2020	
10.5†	Employment Agreement by and between Fox Factory, Inc. and Richard T. Winters, dated June 29, 2019.	8-K	001-36040	August 10, 2020	
10.6†	Amendment to the Amended and Restated Employment Agreement, by and between Fox Factory Holding Corp. and Michael C. Dennison, dated August 5, 2020.	8-K	001-36040	August 10, 2020	
10.7†	Amendment to the Amended and Restated Employment Agreement, by and between Fox Factory, Inc. and Richard T. Winters, dated August 5, 2020.	8-K	001-36040	August 10, 2020	
10.8†	Amendment to the Amended and Restated Employment Agreement, by and between Fox Factory, Inc. and Christopher J. Tutton, dated August 5, 2020.	8-K	001-36040	August 10, 2020	
10.9†	Fourth Amended and Restated Non-Employee Director Compensation Policy, effective March 2, 2020.	10-K	001-36040	February 25, 2021	
10.10†	Fifth Amended and Restated Non-Employee Director Compensation Policy, effective January 2, 2021.	10-K	001-36040	February 25, 2021	
10.11†	Form of Indemnification Agreement, by and between Fox Factory Holding Corp. and certain of its officers, directors and/or advisors	10-Q	001-36040	October 31, 2018	
10.12†	2008 Stock Option Plan, as amended	S-1	333-189841	July 8, 2013	
10.13†	2008 Non-Statutory Stock Option Plan, as amended	S-1/A	333-189841	August 2, 2013	
10.14†	2013 Omnibus Plan	S-1/A	333-189841	July 29, 2013	
10.15†	2013 Omnibus Plan, as amended by the First Amendment, approved by stockholders on May 4, 2017	8-K	001-36040	May 8, 2017	
10.16†	Form of Restricted Stock Unit Award Agreement under 2013 Omnibus Plan (U.S.)	10-K	001-36040	February 25, 2021	
10.17†	Form of Restricted Stock Unit Award Agreement under 2013 Omnibus Plan (Canada)	10-K	001-36040	February 25, 2021	
10.18†	Form of Restricted Stock Unit Award Agreement under 2013 Omnibus Plan (Taiwan)	10-K	001-36040	February 25, 2021	
10.19†	Form of Performance Stock Unit Award Agreement under 2013 Omnibus Plan	10-K	001-36040	February 25, 2021	

10.20	Standard Form of Agreement between Owner and Design-Builder, dated July 24, 2019 (the "Standard Form of Agreement"), by and between Fox Factory, Inc. and Carroll Daniel Construction Company	8-K	001-36040	December 30, 2019	
10.21	Amendment No. 1 to the Standard Form of Agreement, dated December 23, 2019	8-K	001-36040	December 30, 2019	
10.22	Amendment No. 2 to the Standard Form of Agreement between Owner and Design-Builder, dated December 21, 2020.	8-K	001-36040	December 23, 2020	
10.23	Stock Purchase Agreement, by and among Fox Factory, Inc., Southern Rocky Holdings, LLC, and SCA Performance Holdings, Inc., dated February 11, 2019	10-K	001-36040	March 3, 2020	
10.24	Amended and Restated Credit Agreement, among Fox Factory Holding Corp., Bank of America, N.A. and other financial institutions party thereto, dated March 11, 2020	8-K	001-36040	March 16, 2020	
10.25	Pilot Agreement, between the Gainesville and Hall County Development Authority and Fox Factory, Inc., effective June 12, 2020.	8-K	001-36040	June 16, 2020	
10.26	Bond Purchase Agreement, between the Gainesville and Hall County Development Authority and Fox Factory, Inc., effective June 12, 2020.	8-K	001-36040	June 16, 2020	
10.27	Financing Agreement, between the Gainesville and Hall County Development Authority and Fox Factory, Inc., effective June 12, 2020.	8-K	001-36040	June 16, 2020	
10.28	Lease Agreement, between the Gainesville and Hall County Development Authority and Fox Factory, Inc., effective June 12, 2020.	8-K	001-36040	June 16, 2020	
10.29	Amendment No. 1 to Lease Agreement between the Gainesville and Hall County Development Authority and Fox Factory, Inc., dated December 31, 2020.				**X**
10.30	Amendment No. 2 to Lease Agreement between the Gainesville and Hall County Development Authority and Fox Factory, Inc., dated December 31, 2021.				**X**
10.31	Deed to Secure Debt and Security Agreement, between the Gainesville and Hall County Development Authority and Fox Factory, Inc., effective June 12, 2020.	8-K	001-36040	June 16, 2020	
10.32	Assignment of Lease Agreement, between the Gainesville and Hall County Development Authority and Fox Factory, Inc., effective June 12, 2020.	8-K	001-36040	June 16, 2020	
10.33	Direct Payment Agreement, between the Gainesville and Hall County Development Authority and Fox Factory, Inc., effective June 12, 2020.	8-K	001-36040	June 16, 2020	
10.34	First Amendment to the Amended and Restated Credit Agreement, among Fox Factory Holding Corp., Bank of America, N.A. and other financial institutions party thereto, dated June 19, 2020.	8-K	001-36040	June 17, 2020	
10.35	Second Amendment to the Amended and Restated Credit Agreement, among Fox Factory Holding Corp., Bank of American, N.A. and other financial institutions party thereto, dated June 11, 2021.	10-Q	001-36040	August 5, 2021	
10.36	Third Amendment to the Amended and Restated Credit Agreement, among Fox Factory Holding Corp., Bank of America, N.A. and other financial institutions party thereto, dated December 16, 2021.	8-K	001-36040	December 17, 2021	
10.37†	Deferred Compensation Plan, effective June 30, 2021	S-8	001-36040	June 29, 2021	
21.1	List of Subsidiaries				**X**
23.1	Consent of Independent Registered Public Accounting Firm				**X**
24.1	Power of Attorney (contained in signature page to this Annual Report on Form 10-K)				**X**

31.1	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**
31.2	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**
32.1*	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**
32.2*	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	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document	**X**
101.SCH	Inline XBRL Taxonomy Extension Schema Document	**X**
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	**X**
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	**X**
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	**X**
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	**X**
104	Cover page formatted as Inline XBRL and contained in Exhibit 101	**X**

† Management contract or compensatory plan.

X Filed herewith

* 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 Exhibits 32.1 and 32.2 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 Section 13 or 15(d) 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/ Scott R. Humphrey
February 24, 2022		**Scott R. Humphrey, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer & Duly Authorized Signatory)**

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Scott R. Humphrey and Michael C. Dennison, and each of them, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution for him or her, and in his or her name in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the U.S. Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and either of them, his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Michael C. Dennison Michael C. Dennison	Chief Executive Officer and Director (*Principal Executive Officer*)	February 24, 2022
/s/ Scott R. Humphrey Scott R. Humphrey	Chief Financial Officer and Treasurer *(Principal Financial and Accounting Officer)*	February 24, 2022
/s/ Dudley W. Mendenhall Dudley W. Mendenhall	Lead Independent Director	February 24, 2022
/s/ Tom Duncan Tom Duncan	Director	February 24, 2022
/s/ Elizabeth A. Fetter Elizabeth A. Fetter	Director	February 24, 2022
/s/ Jean H. Hlay Jean H. Hlay	Director	February 24, 2022
/s/ Ted D. Waitman Ted D. Waitman	Director	February 24, 2022
/s/ Sidney Johnson Sidney Johnson	Director	February 24, 2022

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, 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 31, 2021.

Grant Thornton LLP, the independent registered public accounting firm that 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 24, 2022

/s/ Michael C. Dennison

Michael C. Dennison
Chief Executive Officer

/s/ Scott R. Humphrey

Scott R. Humphrey
Chief Financial Officer and Treasurer

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Fox Factory Holding Corp.

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 31, 2021 and January 1, 2021, the related consolidated statements of income, comprehensive income, stockholders’ equity and redeemable non-controlling interest, and cash flows for each of the three years in the period ended December 31, 2021, 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 31, 2021 and January 1, 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, 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 31, 2021, 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 24, 2022 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 regarding 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.

Critical audit matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Net realizable value of inventory

As discussed in Note 1 to the consolidated financial statements, adjustments are made to reduce the cost of inventory to its net realizable value, if required, for estimated excess, obsolete or impaired balances. Management monitors inventory quantities on hand and on order and records write-downs for estimated excess or obsolescence based on estimated demand for products, obsolescence of technology, product life cycles, and when pricing trends or forecasts indicate that the carrying value of inventory exceeds estimated selling price. We identified the net realizable value of inventory for certain product categories as a critical audit matter.

The principal consideration for our determination that the net realizable value of inventory represents a critical audit matter is that the assessment of the valuation of inventory is complex and includes an estimate of forecasted demand. The demand estimate is subjective and requires the Company to consider significant assumptions such as economic conditions, consumer trends, product acceptance and competition, all of which are subject to significant uncertainty and therefore require significant auditor judgement.

Our audit procedures related to the net realizable value of inventory included the following, among others:

- We obtained management's analysis of parts in inventory and expected customer demand, recalculated inputs into the analysis and tested for completeness. This included, among other inputs, forecasted demand and general ledger balances.
- We tested selected inventory items by making inquiries of management and evaluating the appropriateness of judgments, assumptions and documentation supporting adjustments to the net realizable value of inventory.
- We compared selected 2022 estimated demand to actual customer sales orders and forecasted demand information as provided by the sales and operations team in order to test the accuracy of demand information included in the calculation.
- We performed a retrospective review by comparing previous demand forecasts to actual usage during the year for a sample of items.
- We inquired with management and various staff members outside of the finance function to obtain support for selected forecasted demand inputs as well as to understand macroeconomic and customer specific trends.
- We tested the design and operating effectiveness of controls related to the forecasted demand for the Company's products as well as management's review of the net realizable value of inventory.

Realizability of Deferred Tax Assets

As discussed in Note 1 to the consolidated financial statements, deferred tax assets and liabilities are determined based on the temporary differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are provided when necessary to reduce net deferred tax assets to an amount that is more likely than not to be realized. We identified the realizability of deferred tax assets relating to the Company's foreign tax credits as a critical audit matter.

The principal considerations for our determination that the realizability of deferred tax assets relating to the Company's foreign tax credits represent a critical audit matter are the significance of the Company's foreign tax credits and the use of forecasted profitability by jurisdiction and source. The forecasts, including future sales and expenses by jurisdiction, are subject to a high level of estimation uncertainty and subjectivity. Additionally, realizability depends on continued implementation of a tax planning strategy. As a result, significant auditor judgment is necessary to audit management's judgments and assumptions.

Our audit procedures related to the realizability of deferred tax assets relating to the Company's foreign tax credits included the following, among others:

- We considered the applicability of the Company's international transfer pricing arrangements as it relates to the Company's ability to utilize foreign tax credits.
- We tested the accuracy of the underlying data used in the forecasts by agreeing the baseline 2021 results for selected jurisdictions to general ledger balances.
- We compared the previous year's forecast of future taxable income with the 2021 actual results to assess management's ability to accurately estimate future growth.

- We evaluated the appropriateness of the assumptions supporting the future revenue growth rate by jurisdiction.
- We evaluated management's assumptions with respect to anticipated relief from withholding on intercompany charges paid by selected jurisdictions for consistency and credibility.
- We tested the design and operating effectiveness of controls related to the generation of the forecasts and assumptions that underpin the assessment of the realizability of deferred tax assets relating to the Company's foreign tax credits.

/s/ GRANT THORNTON LLP

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

San Francisco, California

February 24, 2022

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Fox Factory Holding Corp.

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 31, 2021, 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 31, 2021, 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 31, 2021, and our report dated February 24, 2022 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.

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 Francisco, California

February 24, 2022

FOX FACTORY HOLDING CORP.
Consolidated Balance Sheets
(in thousands, except par value)

	December 31, 2021	January 1, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 179,686	$ 245,764
Accounts receivable (net of allowances of $410 and $663 at December 31, 2021 and January 1, 2021, respectively)	142,040	121,194
Inventory	279,837	127,091
Prepaids and other current assets	123,107	87,920
Total current assets	724,670	581,969
Property, plant and equipment, net	192,003	163,288
Lease right-of-use assets	38,752	26,148
Deferred tax assets	34,998	19,362
Goodwill	323,299	289,349
Intangibles, net	197,021	204,491
Other assets	4,986	1,954
Total assets	$ 1,515,729	$ 1,286,561
Liabilities and stockholders’ equity		
Current liabilities:		
Accounts payable	$ 99,984	$ 92,403
Accrued expenses	112,378	59,391
Reserve for uncertain tax positions	—	1,095
Current portion of long-term debt	17,500	12,500
Total current liabilities	229,862	165,389
Long-term debt, less current portion	360,953	377,088
Other liabilities	30,832	24,913
Total liabilities	621,647	567,390
Commitments and contingencies (Refer to Note 12. "Commitments and Contingencies")		
Stockholders’ equity		
Preferred stock, $0.001 par value — 10,000 authorized and no shares issued or outstanding as of December 31, 2021 and January 1, 2021	—	—
Common stock, $0.001 par value — 90,000 authorized; 43,010 shares issued and 42,120 outstanding as of December 31, 2021; 42,692 shares issued and 41,802 outstanding as of January 1, 2021	42	42
Additional paid-in capital	344,119	336,834
Treasury stock, at cost; 890 common shares as of December 31, 2021 and January 1, 2021	(13,754)	(13,754)
Accumulated other comprehensive income	4,876	1,068
Retained earnings	558,799	394,981
Total stockholders’ equity	894,082	719,171
Total liabilities and stockholders’ equity	$ 1,515,729	$ 1,286,561

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 fiscal years ended		
	December 31 2021	January 1 2021	January 3 2020
Sales	$ 1,299,064	$ 890,554	$ 751,020
Cost of sales	866,732	601,007	508,285
Gross profit	432,332	289,547	242,735
Operating expenses:			
Sales and marketing	70,925	52,214	42,794
Research and development	46,567	34,292	31,789
General and administrative	97,241	71,309	48,999
Amortization of purchased intangibles	20,685	17,583	6,344
Total operating expenses	235,418	175,398	129,926
Income from operations	196,914	114,149	112,809
Interest and other expense, net:			
Interest expense	8,162	9,294	3,173
Other expense, net	371	325	1,067
Interest and other expense, net	8,533	9,619	4,240
Income before income taxes	188,381	104,530	108,569
Provision for income taxes	24,563	12,784	14,099
Net income	163,818	91,746	94,470
Less: net income attributable to non-controlling interest	—	1,072	1,437
Net income attributable to Fox stockholders	$ 163,818	$ 90,674	$ 93,033
Earnings per share:			
Basic	$ 3.90	$ 2.25	$ 2.43
Diluted	$ 3.87	$ 2.22	$ 2.38
Weighted-average shares used to compute earnings per share:			
Basic	42,022	40,229	38,333
Diluted	42,366	40,801	39,155

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 fiscal years ended		
	December 31, 2021	**January 1, 2021**	**January 3, 2020**
Net income	$ 163,818	$ 91,746	$ 94,470
Other comprehensive income			
Interest rate swap, net of tax effects	3,644	(699)	—
Foreign currency translation adjustments, net of tax effects	164	1,617	934
Other comprehensive income	3,808	918	934
Comprehensive income	167,626	92,664	95,404
Less: comprehensive income attributable to non-controlling interest	—	1,072	1,437
Comprehensive income attributable to Fox stockholders	$ 167,626	$ 91,592	$ 93,967

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 28, 2018	38,881	$ 38	890	$ (13,754)	$ 116,019	$ (784)	$ 219,686	$ 321,205	$ 14,282
Issuance of common stock under equity compensation plans, net of shares repurchased for income tax withholding	469	1	—	—	(6,776)	—	—	(6,775)	—
Issuance of stock for business acquisition	98	—	—	—	7,167	—	—	7,167	—
Stock-based compensation expense	—	—	—	—	6,864	—	—	6,864	—
Other comprehensive income	—	—	—	—	—	934	—	934	—
Adoption of new accounting standard, net of taxes	—	—	—	—	—	—	(228)	(228)	—
Net income	—	—	—	—	—	—	93,033	93,033	1,437
Balance - January 3, 2020	39,448	39	890	(13,754)	123,274	150	312,491	422,200	15,719
Issuance of common stock under equity compensation plans, net of shares repurchased for income tax withholding	348	$ 1	—	$ —	$ (4,342)	$ —	$ —	$ (4,341)	$ —
Issuance of common stock, net	2,760	2	—	—	198,233	—	—	198,235	—
Issuance of stock for business acquisition	—	—	—	—	322	—	—	322	—
Adjustment to the fair value of non-controlling interest	—	—	—	—	—	—	(8,184)	(8,184)	8,184
Redeemable non-controlling interest	136	—	—	—	11,169	—	—	11,169	(24,975)
Stock-based compensation expense	—	—	—	—	8,178	—	—	8,178	—
Other comprehensive income	—	—	—	—	—	918	—	918	—
Net income	—	—	—	—	—	—	90,674	90,674	1,072
Balance - January 1, 2021	42,692	$ 42	890	$ (13,754)	$ 336,834	$ 1,068	$ 394,981	$ 719,171	$ —
Issuance of common stock under equity compensation plans, net of shares repurchased for income tax withholding	318	—	—	—	(7,050)	—	—	(7,050)	—
Stock-based compensation expense	—	—	—	—	14,335	—	—	14,335	—
Other comprehensive income	—	—	—	—	—	3,808	—	3,808	—
Net income	—	—	—	—	—	—	163,818	163,818	—
Balance - December 31, 2021	43,010	$ 42	890	$ (13,754)	$ 344,119	$ 4,876	$ 558,799	$ 894,082	$ —

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

FOX FACTORY HOLDING CORP.
Consolidated Statements of Cash Flows
(in thousands)

	For the fiscal years ended		
	December 31, 2021	January 1, 2021	January 3, 2020
OPERATING ACTIVITIES:			
Net income	$ 163,818	$ 91,746	$ 94,470
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	45,111	33,927	17,565
Stock-based compensation	13,914	8,618	6,864
Deferred taxes and uncertain tax positions	(17,095)	(14,075)	(10,615)
Amortization of loan fees	1,631	1,543	171
Loss on extinguishment of debt	—	—	516
Changes in operating assets and liabilities:			
Accounts receivable	(20,230)	(18,771)	(12,061)
Inventory	(146,532)	7,877	(17,009)
Income taxes	26,789	1,192	(3,586)
Prepaids and other assets	(34,233)	(66,400)	1,709
Accounts payable	10,304	25,892	(869)
Accrued expenses and other liabilities	21,813	11,166	(2,325)
Net cash provided by operating activities	65,290	82,715	74,830
INVESTING ACTIVITIES:			
Acquisition of businesses, net of cash acquired	(51,881)	(331,531)	(6,804)
Acquisition of other assets	—	(250)	—
Purchases of property and equipment	(54,846)	(56,744)	(53,526)
Net cash used in investing activities	(106,727)	(388,525)	(60,330)
FINANCING ACTIVITIES:			
Proceeds from line of credit	37,931	225,125	67,500
Payments on line of credit	(37,931)	(293,125)	(57,053)
Proceeds from issuance of debt, net of origination fees	—	392,385	—
Repayment of debt	(12,500)	(5,000)	(2,813)
Proceeds from stock compensation program, net	(7,050)	(4,343)	(6,775)
Installment on purchase of non-controlling interest	(4,550)	(6,556)	—
Proceeds from sale of common stock, net	—	198,236	—
Net (used in) provided by financing activities	(24,100)	506,722	859
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(541)	1,116	419
CHANGE IN CASH AND CASH EQUIVALENTS	(66,078)	202,028	15,778
CASH AND CASH EQUIVALENTS—Beginning of year	245,764	43,736	27,958
CASH AND CASH EQUIVALENTS—End of year	$ 179,686	$ 245,764	$ 43,736

FOX FACTORY HOLDING CORP.
Consolidated Statements of Cash Flows
(in thousands)

	For the fiscal years ended		
	December 31,	January 1,	January 3,
SUPPLEMENTAL CASH FLOW INFORMATION:	2021	2021	2020
Cash paid during the period for:			
Income taxes	$ 14,980	$ 26,228	$ 28,293
Cash paid for interest, net of capitalized interest	$ 6,384	$ 7,171	$ 2,762
Cash paid for amounts included in the measurement of lease liabilities	$ 8,747	$ 7,095	$ 5,630
Non-cash operating activities:			
Right-of-use assets obtained in exchange for lease obligations	$ 20,289	$ 14,178	$ 8,691
Non-cash investing and financing activities:			
Acquisition of business in exchange for equity	$ —	$ —	$ 7,167
Acquisition of non-controlling interest in exchange for equity and installment payments	$ —	$ 18,419	$ —
Capital expenditures included in accounts payable	$ 3,491	$ 6,997	$ 1,718
Refinancing of the Credit Facility	$ —	$ —	$ 88,875

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

FOX FACTORY HOLDING CORP.
Notes to Consolidated Financial Statements
December 31, 2021
(in thousands, except per share amounts)

1. Description of the Business, Basis of Presentation and Summary of Significant Accounting Policies

Fox Factory Holding Corp. (the "Company") designs, engineers, manufactures and markets performance-defining products and systems for customers worldwide. Our premium brand, performance-defining products and systems are used primarily for bicycles ("bikes"), side-by-side vehicles ("side-by-sides"), on-road vehicles with and without off-road capabilities, off-road vehicles and trucks, all-terrain vehicles ("ATVs"), snowmobiles, specialty vehicles and applications, motorcycles and commercial trucks. Some of our products are specifically designed and marketed to the leading cycling and powered vehicle original equipment manufacturers ("OEMs"), while others are distributed to consumers through a global network of dealers and distributors.

Throughout this Annual Report on Form 10-K, unless stated otherwise or as the context otherwise requires, the "Company," "FOX," "Fox Factory," "we," "us," "our," and "ours" refer to Fox Factory Holding Corp. and its operating subsidiaries on a consolidated basis.

Basis of Presentation - The accompanying consolidated financial statements have been prepared in accordance with United States of America ("U.S.") generally accepted accounting principles ("GAAP").

Fiscal Year Calendar - The Company operates using a 52-53 week fiscal year calendar ending on the Friday nearest to December 31. Therefore, the financial results of certain fiscal years and quarters, which will contain 53 and 14 weeks, respectively, will not be exactly comparable to the prior and subsequent fiscal years and quarters, which contain 52 and 13 weeks, respectively. For the fiscal years 2021, 2020 and 2019, the Company's fiscal year ended on December 31, 2021, January 1, 2021 and January 3, 2020 and had 52, 52 and 53 weeks, respectively.

Principles of Consolidation - The consolidated financial statements include the Company and its subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates - The preparation of the Company's consolidated financial statements in conformity with GAAP 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 date of the financial statements and the reported amounts of income and expenses during the reporting period. These estimates are based on information available as of the date of the financial statements; therefore, actual results could differ from management's estimates.

Foreign Currency Translation and Transaction - The functional currency of the Company's non-U.S. entities is the local currency of the respective operations. The Company translates the financial statements of its non-U.S. entities into U.S. Dollars each reporting period for purposes of consolidation. Assets and liabilities of the Company's foreign subsidiaries are translated at the period-end currency exchange rates while sales and expenses are translated at the average currency exchange rates in effect for the period. The effects of these translation adjustments are a component of other comprehensive income.

Foreign currency transaction losses of $455, $396, and $881 for the years ended December 31, 2021, January 1, 2021 and January 3, 2020, respectively, are included as a component of other income or expense.

Cash and Cash Equivalents - Cash consists of cash maintained in checking or money market accounts. All highly liquid investments purchased with an original maturity date of 90 days or less at the date of purchase are considered to be cash equivalents.

Accounts Receivable - Accounts receivable are unsecured customer obligations which generally require payment within various terms from the invoice date. The receivables are stated at the invoice amount. Financing terms vary by customer. Invoices are considered past due when payment is not received within the terms stated within the contract. Payments of accounts receivable are applied to the specific invoices identified on the customer's remittance advice or if unspecified, generally to the earliest unpaid invoices.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that may not be collected. All accounts or portions thereof deemed to be uncollectible or that may require an excessive collection cost are written off to the allowance for credit losses.

(in thousands, except per share amounts)

Concentration of Credit Risk - Financial instruments, which potentially subject the Company to significant concentrations of credit risk, consist primarily of cash and accounts receivable. As of December 31, 2021 the Company held $135,142 in cash at U.S. subsidiaries and $44,544 at subsidiaries outside the U.S. The account balances may significantly exceed the insurance coverage provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions with reputable credit and therefore bear minimal credit risk. The Company has not experienced any losses in its uninsured accounts.

The Company mitigates its credit risk with respect to accounts receivable by performing ongoing credit evaluations and monitoring of its customers' accounts receivable balances. The following customers accounted for 10% or more of the Company's accounts receivable balance:

	December 31, 2021	January 1, 2021
Customer A	11%	12%
Customer B	10%	11%

No other customers were individually significant in any of these periods presented.

The Company depends on a limited number of vendors to supply component parts for its products. The Company purchased 32%, 28%, and 35% of its product components for the years ended December 31, 2021, January 1, 2021 and January 3, 2020, respectively, from ten vendors. As of December 31, 2021 and January 1, 2021, amounts due to these vendors represented 10% and 17% of accounts payable, respectively.

Allowance for Credit Losses - The Company records a provision for credit losses based on historical experience and a detailed assessment of the collectability of its accounts receivable. The provision is based on how long a receivable has been outstanding, taking into account the historical credit loss rate and adjusting for both current conditions and forecasts of economic conditions into that expected credit loss rate. If circumstances change, such as higher-than-expected defaults or an unexpected material adverse change in a major customer's ability to meet its financial obligations, the Company's estimate of the recoverability of the amounts due could be reduced by a material amount.

The following table presents the activity in the allowance for credit losses:

	For the fiscal years ended		
Allowance for credit losses:	2021	2020	2019
Balance, beginning of year	$ 663	$ 810	$ 600
Add: bad debt (benefit) expense	(14)	103	335
Less: write-offs, net of recoveries	(239)	(250)	(125)
Balance, end of year	$ 410	$ 663	$ 810

Inventories - Inventories are stated at the lower of actual cost (or standard cost which generally approximates actual costs on a first-in first-out basis) or net realizable value. Cost includes raw materials and inbound freight, as well as direct labor and manufacturing overhead for products we manufacture. Net realizable value is based on current replacement cost for raw materials and on a net realizable value for finished goods. Adjustments to reduce the cost of inventory to its net realizable value are made, if required, for estimated excess, obsolescence or impaired balances.

(in thousands, except per share amounts)

Property and Equipment - Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Maintenance and repairs are charged to expense as incurred, and improvements and betterments are capitalized. When assets are retired or otherwise disposed of, the cost and accumulated depreciation and amortization are removed from the balance sheet and any resulting gain or loss is reflected in operations in the period realized.

Leasehold improvements are amortized on a straight-line basis over the terms of the lease, or the useful lives of the assets, whichever is shorter. The value assigned to land associated with buildings we own is not amortized. Depreciation and amortization periods for the Company's property and equipment are as follows:

Asset Classification	Estimated useful life
Building and building improvements	15-39 years
Information systems, office equipment and furniture	3-7 years
Internal-use computer software	10 years
Land improvements	15 years
Machinery and manufacturing equipment	5-15 years
Transportation equipment	3-5 years

Internal-use Computer Software Costs - Costs incurred to purchase and develop computer software for internal use are capitalized during the application development and implementation stages. These software costs have been for enterprise-level business and finance software that is customized to meet the Company's operational needs. Capitalized costs are included in property and equipment and are amortized on a straight-line basis over the estimated useful life of the software beginning when the software project is substantially complete and placed in service. The Company capitalized $5,847 in internal use computer software costs during the year ended December 31, 2021. Costs incurred during the preliminary project stage and costs for training, data conversion, and maintenance are expensed as incurred.

Impairment of Long-lived Assets - The Company periodically reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset is impaired or the estimated useful lives are no longer appropriate. If indicators of impairment exist and the undiscounted projected cash flows associated with such assets are less than the carrying amount of the assets, an impairment loss is recorded to write the assets down to their estimated fair values. Fair value is estimated based on discounted future cash flows. No impairment charges were recorded during the years ended December 31, 2021, January 1, 2021 and January 3, 2020.

Business Combinations - The Company accounts for acquisitions of entities that include inputs and processes and have the ability to create outputs as business combinations. The Company allocates the purchase price of the acquisition to the tangible assets acquired, liabilities assumed and identifiable intangible assets acquired based on their estimated fair values. The excess of the purchase price over those fair values is recorded as goodwill. Acquisition-related expenses and restructuring costs are expensed as incurred. During the measurement period, the Company records adjustments to provisional amounts recorded for assets acquired and liabilities assumed with the corresponding offset to goodwill. After the measurement period, which could be up to one year after the transaction date, subsequent adjustments are recorded to the Company's consolidated statements of income.

Goodwill and Intangible Assets - Goodwill represents the excess of purchase price over the fair value of the net assets of businesses acquired. On an annual basis, the Company makes a qualitative assessment to determine if it is more likely than not that the fair value of the reporting unit is less than its carrying amount, including goodwill. If the Company determines that the fair value of the reporting unit is less than its carrying amount, it will perform a quantitative analysis; otherwise, no further evaluation is necessary. For the quantitative impairment assessment, the Company compares the fair value of the reporting unit to its carrying value, including goodwill. The Company determines the fair value of the reporting unit based on a weighting of income and market approaches. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not impaired and no further testing is performed. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then the Company will recognize a loss equal to the excess, limited to the total amount of goodwill allocated to that reporting unit. Impairments, if any, are charged directly to earnings. We completed our most recent annual impairment test in the third quarter of 2021 at which time we had a single reporting unit for purposes of assessing goodwill impairment. No impairment charges have been incurred to date.

Intangible assets including customer relationships, certain trademarks, and the Company's core technology, are subject to amortization over their respective useful lives, and are classified in intangibles, net in the accompanying consolidated balance sheet. These intangibles are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be fully recoverable. If facts and circumstances indicate that the carrying value might not be recoverable, projected undiscounted net cash flows associated with the related asset or group of assets over their estimated remaining useful lives is compared against their respective carrying amounts. If an asset is found to be impaired, the impairment charge will be measured as the amount by which the carrying amount of an entity exceeds its fair value. Certain trademarks and brands are considered to be indefinite life intangibles, and are not amortized but are subject to testing for impairment annually. No impairments of intangible assets were identified in the years ended December 31, 2021, January 1, 2021 and January 3, 2020.

Self-Insurance - The Company is partially self-insured for its U.S. employee health and welfare benefits. The Company's liability for self-insurance is based on claims filed and an estimate of claims incurred but not yet reported. The Company considers a number of factors, including historical claims information, when determining the amount of the accrual. Costs related to the administration of the plan and related claims are expensed as incurred. The Company has third-party insurance coverage to limit exposure for individually significant claims. The estimates for unpaid claims incurred as of December 31, 2021 and January 1, 2021 are $1,754 and $1,472 respectively, and are recorded within accrued expenses on the consolidated balance sheets.

Revenue Recognition - Revenues are generated from the sale of performance-defining products and systems to customers worldwide. The Company's performance-defining products and systems are solutions that improve performance of powered vehicles and bikes. Powered vehicles include side-by-sides, on-road vehicles with off-road capabilities, off-road vehicles and trucks, ATVs, snowmobiles, specialty vehicles and applications, and motorcycles.

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a product to a customer, generally at the time of shipment. Contracts are generally in the form of purchase orders and are governed by standard terms and conditions. For larger OEMs, the Company may also enter into master agreements. Sales tax and other similar taxes are excluded from revenues.

Provisions for discounts, rebates, sales incentives, returns, and other adjustments are generally provided for in the period the related sales are recorded, based on management's assessment of historical trends and projection of future results. Certain pricing provisions that provide the customer with future discounts are considered a material right. Such material rights result in the deferral of revenues that are recognized when the rights are exercised by the customer. Measuring the material rights requires judgments including forecasts of future sales and product mix.

Cost of Sales - Cost of sales primarily consists of materials and labor expense in the manufacturing of the Company's products sold to customers. Cost of sales also includes provisions for excess and obsolete inventory, warranty costs, certain allocated costs for facilities, depreciation and other manufacturing overhead. Additionally, it includes stock-based compensation for personnel directly involved with manufacturing the Company's product offerings.

Shipping and Handling Fees and Costs - The Company includes shipping and handling fees billed to customers in sales. Shipping costs associated with inbound freight are capitalized as part of inventory and included in cost of sales as products are sold.

FOX FACTORY HOLDING CORP.
Notes to Consolidated Financial Statements - Continued
December 31, 2021
(in thousands, except per share amounts)

Sales and Marketing - Sales and marketing expenses include costs related to sales, customer service and marketing personnel, including their wages, employee benefits and related stock-based compensation, and occupancy related expenses. Other significant sales and marketing expenses include race support and sponsorships of events and athletes, advertising and promotions related to trade shows, travel and entertainment, and promotional materials, products and sales offices costs.

Research and Development - Research and development expenses consist primarily of salaries and personnel costs, including wages, employee benefits and related stock-based compensation for the Company's engineering, research and development teams, occupancy related expenses, fees for third party consultants, service fees, and expenses for prototype tooling and materials, travel, and supplies. The Company expenses research and development costs as incurred.

General and Administrative - General and administrative expenses include costs related to executive, finance, information technology, human resources and administrative personnel, including wages, employee benefits and related stock-based compensation expenses. The Company records professional and contract service expenses, occupancy related expenses associated with corporate locations and equipment, and legal expenses in general and administrative expenses.

Stock-Based Compensation - The Company measures stock-based compensation for all stock-based awards, including stock options and restricted stock units ("RSUs"), based on their estimated fair values on the date of the grant and recognizes the stock-based compensation cost for time-vested awards on a straight-line basis over the requisite service period. For performance-based RSUs, the number of shares ultimately expected to vest is estimated at each reporting date based on management's expectations regarding the relevant performance criteria. To the extent shares are expected to vest, the stock-based compensation cost is recognized on a straight-line basis over the requisite service period. The fair value of each stock option granted is estimated using the Black-Scholes option-pricing model. The Company does not estimate forfeitures in recognizing stock-based compensation expense. The fair value of the RSUs is equal to the fair value of the Company's common stock on the grant date of the award.

Income Taxes - Income taxes are computed using the asset and liability method, under which deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. Operating loss and tax credit carryforwards are measured by applying currently enacted tax laws. Valuation allowances are provided when necessary to reduce net deferred tax assets to an amount that is more likely than not to be realized.

The Company has elected to account for global intangible low-taxed income ("GILTI") in the year the tax is incurred, rather than recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years. The net GILTI inclusion for the year ended December 31, 2021 was fully offset by foreign tax credits associated with the income.

The Company recognizes the tax effects of an uncertain tax position only if it is more likely than not to be sustained based solely on its technical merits as of the reporting date and then only in an amount more likely than not to be sustained upon review by the tax authorities. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and which may not accurately anticipate actual outcomes.

Advertising - Advertising costs are expensed as incurred and recorded as sales and marketing expenses on our Consolidated Statements of Income. Costs incurred for advertising totaled $2,741, $2,188, and $1,413 for the years ended December 31, 2021, January 1, 2021 and January 3, 2020, respectively.

Warranties - The Company offers limited warranties on its products generally for one to two years. The Company recognizes estimated costs related to warranty activities as a component of cost of sales upon product shipment. The estimates are based upon historical product failure rates and historical costs incurred in correcting product failures. The recorded amount is adjusted from time to time for specifically identified warranty exposures. Actual warranty expenses are charged against the Company's estimated warranty liability when incurred. Factors that affect the Company's liability include the number of units, historical and anticipated rates of warranty claims, and the cost per claim.

Segments - The Company has determined that it has a single operating and reportable segment; manufacturing, sale and service of performance-defining products. The Company considers operating segments to be components of the Company in which separate financial information is available that is evaluated regularly by the Company's chief operating decision maker in deciding how to allocate resources and in assessing performance. The chief operating decision maker for the Company is the Chief Executive Officer. The Chief Executive Officer reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance.

Fair Value Measurements and Financial Instruments - The Financial Accounting Standards Board ("FASB") has issued Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*, that requires the valuation of assets and liabilities required or permitted to be either recorded or disclosed at fair value based on hierarchy of available inputs as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices for similar assets and liabilities in active markets, quoted prices for identical assets and liabilities in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

The carrying amounts of the Company's financial instruments, including cash, receivables, accounts payable, and accrued liabilities approximate their fair values due to their short-term nature. Amounts owed under the Company's credit facility approximate fair value due to the variable interest rate features embedded in both the line of credit and term debt.

Certain Significant Risks and Uncertainties - The Company is subject to those risks common in manufacturing-driven markets, including, but not limited to, competitive forces, dependence on key personnel, customer demand for its products, the successful protection of its proprietary technologies, compliance with government regulations, and the possibility of not being able to obtain additional financing when needed. Additionally, the Company has been impacted by the coronavirus ("COVID-19") outbreak. The global outbreak of COVID-19 has negatively affected the U.S. and global economy, disrupted global supply chains, resulted in significant travel and transport restrictions, including mandated closures and orders to "shelter-in-place," and created significant disruption of the financial markets. Despite the Company's efforts to manage and remedy these impacts to the Company, the ultimate impact and the extent to which the COVID-19 pandemic will continue to affect the business, results of operation and financial condition is difficult to predict and depends on numerous evolving factors outside of the Company's control including: the duration and scope of the pandemic; government, social, business and other actions that have been and will be taken in response to the pandemic; and the effect of the pandemic on short and long-term general economic conditions.

Recent Accounting Pronouncements - In December 2019, the FASB issued ASU 2019-12, Simplifying the Accounting for Income Taxes, which helps simplify how entities account for income taxes by removing various exceptions related to the recognition of deferred tax liabilities and updating other tax computation requirements. This standard is effective for fiscal years beginning after December 15, 2020 and early adoption is permitted. The Company adopted ASU 2019-12 effective in the first quarter of fiscal year 2021. The adoption of ASU 2021-12 did not have a material impact on the Company's consolidated financial statements.

In October 2020, the FASB issued ASU 2020-10, Codification Improvements. The amendments in ASU 2020-10 contain improvements to the Codification to ensure consistency by including disclosure guidance in the appropriate Disclosure Section. This guidance includes an option for an entity to provide certain information either on the face of the financial statements or in the notes. The ASU also provides clarification to various codification topics to improve consistency in guidance application. The amendments are effective for interim and annual reporting periods in fiscal years beginning after December 15, 2020, with early adoption permitted. The Company adopted ASU 2020-10 effective in the first quarter of fiscal year 2021. The adoption of ASU 2020-10 did not have a material impact on the Company's condensed consolidated financial statements and related disclosures.

(in thousands, except per share amounts)

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In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. Under ASU 2021-08, an acquirer must recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606. The guidance is effective for interim and annual periods beginning after December 15, 2022, with early adoption permitted. The Company expects to early adopt this guidance in the first quarter of 2022. This adoption is not expected to have a material impact on our financial statements.

2. Revenues

The following table summarizes total sales by product category:

	For the fiscal years ended		
	2021	2020	2019
Powered Vehicles	$ 720,029	$ 523,694	$ 451,253
Specialty Sports	579,035	366,860	299,767
Total sales	$ 1,299,064	$ 890,554	$ 751,020

The following table summarizes total sales by sales channel:

	For the fiscal years ended		
	2021	2020	2019
OEM	$ 718,000	$ 494,068	$ 473,969
Aftermarket	581,064	396,486	277,051
Total sales	$ 1,299,064	$ 890,554	$ 751,020

The following table summarizes total sales generated by geographic location of the customer:

	For the fiscal years ended		
	2021	2020	2019
North America	$ 811,312	$ 593,267	$ 502,263
Asia	241,033	144,836	120,839
Europe	230,491	143,817	120,272
Rest of the World	16,228	8,634	7,646
Total sales	$ 1,299,064	$ 890,554	$ 751,020

Remaining performance obligations represent the transaction price of contracts, generally considered to be the customer's purchase order, for which work has not been performed or has been partially performed. The Company has elected to exclude disclosure of remaining performance obligations with an original expected duration of one year or less. Revenue expected to be recognized from remaining performance obligations as of December 31, 2021 for contracts with a duration of more than one year was approximately $1,752, all of which is expected to be recognized during fiscal year 2023. The decrease from prior quarter is due to the timing of model year releases.

(in thousands, except per share amounts)

3. Inventory

Inventory consisted of the following:

	December 31, 2021	January 1, 2021
Raw materials	$ 200,460	$ 87,503
Work-in-process	7,539	5,306
Finished goods	71,838	34,282
Total inventory	$ 279,837	$ 127,091

4. Prepaids and Other Current Assets

Prepaids and other current assets consisted of the following:

	December 31, 2021	January 1 2021
Prepaid chassis deposits	$ 98,618	$ 66,812
Advanced payments and prepaid contracts	14,024	8,683
Current portion of acquisition-related compensation held in escrow	841	4,518
Other current assets	9,624	7,907
Total	$ 123,107	$ 87,920

5. Property, Plant and Equipment, net

Property, plant and equipment consisted of the following:

	December 31, 2021	January 1, 2021
Building and building improvements	$ 72,088	$ 75,753
Information systems, office equipment and furniture	20,988	14,176
Internal-use computer software	25,700	19,853
Land and land improvements	15,663	9,698
Leasehold improvements	22,835	15,075
Machinery and manufacturing equipment	106,628	81,281
Transportation equipment	7,372	6,187
Total	271,274	222,023
Less: accumulated depreciation and amortization	(79,271)	(58,735)
Property, plant and equipment, net	$ 192,003	$ 163,288

During the year ended December 31, 2021, the Company reclassified certain assets from buildings to land and land improvements to better depict the nature of the assets.

Depreciation expense was $22,741, $16,341, and $11,261 for the years ended December 31, 2021, January 1, 2021 and January 3, 2020, respectively, including $2,492, $2,250, and $1,861 of internal-use software amortization for the years ended December 31, 2021, January 1, 2021 and January 3, 2020, respectively. The Company capitalized $5,847 in internal use computer software costs during the year ended December 31, 2021.

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The following table summarizes the allocation of depreciation expense in the accompanying consolidated statements of income:

	For the fiscal years ended		
	2021	2020	2019
Cost of sales	$ 11,656	$ 9,266	$ 6,263
Sales and marketing	$ 225	$ 163	$ 154
Research and development	$ 2,080	$ 2,044	$ 1,176
General and administrative	$ 8,780	$ 4,868	$ 3,668
Total	$ 22,741	$ 16,341	$ 11,261

The Company’s long-lived assets by geographic location are as follows:

	December 31, 2021	January 1, 2021
United States	$ 161,451	$ 144,529
International	30,552	18,759
Total long-lived assets	$ 192,003	$ 163,288

6. Leases

The Company has operating lease agreements for administrative, research and development, manufacturing, and sales and marketing facilities. These leases have remaining lease terms ranging from one to ten years, some of which include options to extend the lease term for up to five years, and some of which include options to terminate the leases within one year. Certain leases are subject to annual escalations as specified in the lease agreements. The Company considered these options in determining the lease term used to establish its right-of-use assets and lease liabilities. These lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As most of the Company's leases do not provide an interest rate, the Company used the incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The weighted-average remaining lease term for the Company's operating leases was 4.90 years and the weighted-average incremental borrowing rate was 2.30% as of December 31, 2021.

Operating lease costs consisted of the following:

	For the fiscal years ended		
	2021	2020	2019
Operating lease cost	$ 9,124	$ 7,201	$ 5,706
Other lease costs (1)	1,122	937	1,489
Total	$ 10,246	$ 8,138	$ 7,195

(1) Includes short-term leases and variable lease costs. The Company elected a policy exclusion permitting leases with an original lease term of less than one year to be excluded from the right-of-use assets and lease liabilities.

Supplemental balance sheet information related to the Company's operating leases is as follows:

	Balance Sheet Classification	December 31, 2021
Operating lease right-of-use assets	Lease right-of-use assets	$ 38,752
Current lease liabilities	Accrued expenses	$ 9,095
Non-current lease liabilities	Other liabilities	$ 28,919

(in thousands, except per share amounts)

Maturities of lease liabilities by fiscal year for the Company's operating leases are as follows:

For fiscal year	Total future payments	
2022	$	9,866
2023		8,853
2024		7,743
2025		5,553
2026		3,757
Thereafter		4,417
Total lease payments		40,189
Less: imputed interest		(2,175)
Present value of lease liabilities		38,014
Less: current portion		(9,095)
Lease liabilities less current portion	$	28,919

In January 2021, the Company signed a lease contract to expand its principal executive offices, which has not commenced as of December 31, 2021. The Company is actively involved in the design and construction of the expanded space. Based on the present value of the lease payments, the estimated right-of-use asset and lease liability related to this contract is approximately $2,676 and $2,707, respectively.

7. Goodwill and Intangible Assets

Intangible assets, excluding goodwill, are comprised of the following:

	Gross carrying amount	Accumulated amortization	Net carrying amount	Weighted average life (years)
December 31, 2021				
Customer relationships	$ 195,910	$ (66,240)	$ 129,670	10
Core technology	35,795	(33,989)	1,806	8
Trademarks and brands, subject to amortization	12,443	(2,468)	9,975	9
Total	$ 244,148	$ (102,697)	141,451	
Trademarks and brands, not subject to amortization			55,570	
Total			$ 197,021	
January 1, 2021				
Customer relationships	$ 194,950	$ (46,800)	$ 148,150	10
Core technology	34,625	(33,678)	947	8
Trademarks and brands, subject to amortization	1,859	(1,535)	324	4
Total	$ 231,434	$ (82,013)	149,421	
Trademarks and brands, not subject to amortization			55,070	
Total			$ 204,491	

	For the fiscal years ended		
	2021	2020	2019
Amortization of intangibles	$ 20,685	$ 17,583	$ 6,344

(in thousands, except per share amounts)

Future amortization expense for finite-lived intangibles as of December 31, 2021 is as follows:

For fiscal year:		Amortization Expense
2022	$	21,358
2023		20,366
2024		20,151
2025		17,516
2026		16,958
Thereafter		45,102
Total expected future amortization	$	141,451

Goodwill activity consisted of the following:		
Balance as of January 1, 2021	$	289,349
Acquisitions (Refer to Note 18. "Acquisitions")		33,483
Purchase price adjustments (Refer to Note 18. "Acquisitions")		513
Currency translation and other adjustments		(46)
Balance as of December 31, 2021	$	323,299

8. Accrued Expenses

Accrued expenses consisted of the following:

		December 31, 2021		January 1, 2021
Payroll and related expenses	$	32,968	$	22,407
Current portion of lease liabilities		9,095		6,754
Warranty		15,510		9,835
Income tax payable		34,845		7,595
Accrued sales rebate		8,568		4,471
NCI buyout liability		2,700		4,550
Other accrued expenses		8,692		3,779
Total	$	112,378	$	59,391

Activity related to warranties is as follows:

	For the fiscal years ended					
		2021		2020		2019
Beginning warranty liability	$	9,835	$	5,649	$	6,433
Charge to cost of sales		13,603		6,887		4,064
Fair value of warranty assumed in acquisition		150		3,158		100
Costs incurred		(8,078)		(5,859)		(4,948)
Ending warranty liability	$	15,510	$	9,835	$	5,649

9. Related Party Transactions

On May 3, 2019, the Company acquired substantially all the assets of Air Ride Technologies, Inc., d/b/a Ridetech ("Ridetech"). Ridetech has a building lease for its manufacturing and office facilities in Jasper, Indiana. The buildings are owned by the former owner of Ridetech, who is now an employee of the Company. The lease is effective from May 3, 2019 through April 1, 2024, with monthly rent payments of $16. Rent expense under this lease was $192 for the years ended December 31, 2021 and January 1, 2021. Rent expense under this lease was $125 for the year ended January 3, 2020.

On March 11, 2020, the Company acquired 100% of the issued and outstanding stock of SCA Performance Holdings, Inc. ("SCA"). Refer to Note 18. "Acquisitions" for further details of this acquisition. The Company has transactions with an automotive dealership owned by a former owner of SCA, who is now an employee of the Company. The Company purchased approximately $1,206 and $1,172 in parts and vehicles, and sold approximately $538 and $404 of upfit packages to the dealership during the years ended December 31, 2021 and January 1, 2021, respectively. The Company had $105 and $1,014 in accounts payable, and $50 and $404 in accounts receivable, related to this dealership for the years ended December 31, 2021 and January 1, 2021, respectively.

On July 22, 2020 the Company, pursuant to a stock purchase agreement with Flagship, Inc., purchased the remaining 20% interest of FF US Holding Corp. for $24,975 payable in a combination of stock and cash. The cash portion will be settled in quarterly installment payments through July 2022. Refer to Note 12. "Commitments and Contingencies" for additional details of this agreement.

On December 30, 2021, the Company acquired substantially all the assets of Shock Therapy LLC ("Shock Therapy"). Shock Therapy has building leases for its manufacturing, service, sales and marketing, and office facilities, which are located in Phoenix, Arizona. The buildings are owned by the former owner of Shock Therapy, who is now an employee of the Company. The leases are effective from December 30, 2021 through February 13, 2027, and December 30, 2021 through December 30, 2026, with monthly rent payments of $14 and $11, respectively. No rent expense was incurred under these lease agreements for the year ended December 31, 2021.

10. Debt

Credit Facility

In June 2019, the Company entered into a credit facility with Bank of America and other named lenders, which has been periodically amended and restated and/or amended. The credit facility was amended and restated on March 11, 2020, and further amended on June 19, 2020, June 11, 2021 and December 16, 2021 (as amended to date, the "Credit Facility"). The Credit Facility, which matures on March 11, 2025, provides a senior secured revolving line of credit with a borrowing capacity of $250,000 and a term loan of $400,000. The term loan is subject to quarterly amortization payments.

The Company paid $7,615 in debt issuance costs, of which $6,458 were allocated to the term debt and $1,157 were allocated to the line of credit. Loan fees allocated to the term debt will be amortized using the interest method and loan fees allocated to the line of credit will be amortized on a straight-line basis over the term of the Credit Facility.

The Credit Facility provides for interest at a rate either based on the London Interbank Offered Rate, or LIBOR, plus a margin ranging from 1.00% to 2.25%, with a floor rate of 0.0%, or based on the base rate offered by Bank of America plus a margin ranging from 0.00% to 1.25%. At December 31, 2021, the one-month LIBOR and prime rates were 0.10% and 3.25%, respectively. At December 31, 2021 and January 1, 2021, our weighted average interest rates on outstanding borrowing were 1.31% and 1.62%, respectively. The Credit Facility is secured by substantially all of the Company’s assets, restricts the Company's ability to make certain payments and engage in certain transactions, and requires that the Company satisfy customary financial ratios. The Company was in compliance with the covenants as of December 31, 2021.

On June 11, 2021, the Company terminated its existing swap agreement and entered into a new interest rate swap agreement to obtain a more favorable interest rate and to manage interest rate risk exposure, which was effective July 2, 2021. Through the interest rate swap agreement, the Company hedges the variability of cash flows in interest payments associated with $200,000 of its variable rate term debt. Refer to Note 11. "Derivatives and Hedging" for further details of this agreement.

The Credit Facility permits up to $25,000 of the aggregate revolving commitment to be used by the Company for issuance of letters of credit, of which $15,000 was outstanding at December 31, 2021.

(in thousands, except per share amounts)

The following table summarizes the line of credit under the Credit Facility:

	December 31, 2021	January 1, 2021
Amount outstanding	$ —	$ —
Standby letters of credit	$ 15,000	$ 15,000
Available borrowing capacity	$ 235,000	$ 235,000
Total borrowing capacity	$ 250,000	$ 250,000
Maturity date	March 11, 2025	

As of December 31, 2021, future principal payments for long-term debt, including the current portion, as summarized as follows:

	December 31, 2021
For fiscal year	
2022	$ 17,500
2023	20,000
2024	20,000
2025	325,000
Total	382,500
Debt issuance cost	(4,047)
Long-term debt, net of issuance cost	378,453
Less: current portion	(17,500)
Long-term debt less current portion	$ 360,953

11. Derivatives and Hedging

The Company is exposed to certain risks relating to its ongoing business operations. The primary risk managed by using derivative instruments is interest rate risk. The Company utilizes interest rate swaps to limit its exposure to interest rate risk by converting a portion of its floating-rate debt to a fixed-rate basis, thus reducing the impact of interest rate changes on future interest expense. Interest rate swaps involve the receipt of floating-rate amounts in exchange for fixed-rate interest payments based on the one-month LIBOR over the lives of the agreements without an exchange of the underlying principal amounts.

As of December 31, 2021 and January 1, 2021, the Company had the following interest rate swap contracts:

Effective Date	Termination Date	Notional Amount	December 31, 2021 Unrealized Gain (Loss) in AOCI	January 1, 2021 Unrealized Gain (Loss) in AOCI
September 2, 2020	June 11, 2021	$200,000	$ 276	$ (915)
July 2, 2021	March 11, 2025	$200,000	3,583	—
Total			$ 3,859	$ (915)

On June 11, 2021, the Company terminated its existing swap agreement and entered into a new interest rate swap agreement with a notional amount of $200,000. The terminated swap resulted in an unrealized gain of $324 at the termination date that will continue to be accounted for in accumulated other comprehensive income and amortized into earnings over the term of the associated debt instrument.

The new swap agreement (the "Interest Rate Swap") has a maturity date of March 11, 2025 and is indexed to a one-month LIBOR with a fixed leg of 0.50%. The Interest Rate Swap met the criteria for cash flow hedges under ASC 815, Derivatives and Hedging, and is recorded in other assets on the Consolidated Balance Sheet. Refer to Note 16. "Fair Value Measurements and Financial Instruments" for additional information on determining the fair value. The unrealized gains or losses, after tax, are recorded in Accumulated Other Comprehensive Income, a component of equity, and are expected to be reclassified into interest expense on the Consolidated Statement of Income when the forecasted transactions affect earnings. As required under ASC 815, the Interest Rate Swap's effectiveness will be assessed on a quarterly basis using a quantitative regression analysis.

The gains and losses, net of tax, related to the effective portion of derivative instruments designated as cash flow hedges recognized in Accumulated Other Comprehensive Income for the years ended December 31, 2021 and January 1, 2021 were a gain of $3,645 and a loss of $699, respectively. The gains and losses, related to the effective portion of derivative instruments designated as cash flow hedges recognized in Interest Expense for the years ended December 31, 2021 and January 1, 2021 were losses of $600 and $115, respectively.

Unrealized losses of $814 included in accumulated other comprehensive income related to the Interest Rate Swap are expected to be recognized in interest expense over the next twelve months.

12. Commitments and Contingencies

Indemnification Agreements - In the ordinary course of business, the Company may provide indemnifications of varying scope and terms to customers, vendors, lessors, business partners, and other parties with respect to certain matters, including, but not limited to, losses arising out of breach of such agreements, services to be provided by the Company or intellectual property infringement claims made by third parties. In addition, the Company has entered into indemnification agreements with directors and certain officers and employees that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers or employees. While the outcome of these matters cannot be predicted with certainty, the Company does not believe that the outcome of any claims under indemnification arrangements will have a material effect on the Company's results of operations, financial position or liquidity.

Legal Proceedings - SRAM, LLC ("SRAM") filed (i) a lawsuit on December 17, 2015 in the U.S. District Court, Northern District of Illinois, against RFE Holding (Canada) Corp. ("RFE Canada"), a wholly-owned subsidiary of Fox Factory Holding Corp. ("Fox Factory"), alleging patent infringement of U.S. Patent number 9,182,027 ("027 Patent") and violation of the Lanham Act, and (ii) a second lawsuit on May 16, 2016 in the same court against RFE Canada alleging patent infringement of U.S. Patent number 9,291,250 ("250 Patent" and, together with 027 Patent, the "Applicable SRAM Chainring Patents").

In addition, Fox Factory, Inc. (a wholly owned subsidiary of Fox Factory) filed (i) a lawsuit on January 29, 2016 in the U.S. District Court, Northern District of California against SRAM alleging SRAM's infringement of two separate Fox Factory, Inc. owned patents, specifically U.S. Patent number 6,135,434, and (ii) a second lawsuit on July 1, 2016 in the U.S. District Court, Northern District of California against SRAM alleging infringement of Fox Factory, Inc.'s U.S. Patent numbers 8,226,172 and 8,974,009 (collectively, the "Applicable Fox Axle Patents") (which actions were later moved to U.S. District Court, District of Colorado).

As previously disclosed on December 22, 2021, Fox Factory entered into a Settlement and License Agreement with SRAM that, among other things, provides (i) all claims amongst the parties in the aforementioned complaints shall be dismissed with prejudice, without any admission of liability or fault by any party, (ii) SRAM granted Fox Factory a non-exclusive license to make and use products and services covered by the Applicable SRAM Chainring Patents under the FOX brand in exchange for specified royalty rates, (iii) Fox Factory granted SRAM a non-exclusive, royalty-free license to make and use products and services covered by the Applicable Fox Axle Patents under the SRAM brand, and (iv) the exchange of mutual releases by the parties.

From time to time, the Company is involved in other legal proceedings that arise in the ordinary course of business. Although the Company cannot assure the outcome of such legal proceedings, based on information currently available, management does not believe that the ultimate resolution of any pending matters, either individually or in the aggregate, will have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Other Commitments - On November 30, 2017, the Company through FF US Holding Corp., acquired the assets of Flagship, Inc. d/b/a Tuscany and issued a 20% interest in FF US Holding Corp. to Flagship, Inc. A stockholders' agreement with Flagship, Inc. provided the Company with a call option (the "Call Option") to acquire the remaining 20% of FF US Holding Corp. at any time from November 30, 2019 through November 30, 2024 at a value that approximates fair market value. On July 22, 2020, the Company exercised the Call Option and, pursuant to a stock purchase agreement with Flagship, Inc., the Company purchased the remaining 20% interest for $24,975 payable in a combination of stock and cash. The cash portion will be settled in quarterly installment payments through July 2022, which amount to $6,556, $4,550 and $2,700 in 2020, 2021 and 2022, respectively. The Company paid $4,550 during the year ended December 31, 2021. The stock portion of 136 shares held in escrow is released quarterly as of January 2021 through July 2022. The Company released 78 during the year ended December 31, 2021. The exercise of the Call Option effectively canceled the put option held by Flagship, Inc.

Other Contingencies - On June 21, 2018, the U.S. Supreme Court (the "Court") decided *South Dakota v. Wayfair, Inc.,* et al., holding that internet retailers do not have to maintain a physical presence in a state in order to be required to collect the state's sales and use tax. As a result of the Court's decision, most states enacted legislation to require sellers who meet economic nexus thresholds to register, collect and remit sales and use taxes on transactions with out-of-state customers. The Company believes that it is possible that it will incur a liability for uncollected sales tax on some portion of its e-commerce sales through December 31, 2021. Based on information currently available, any retroactively imposed liability is not expected to be material to the Company's results of operations or financial position because direct end-user sales in states where the Company is not registered comprise a small portion of total revenues.

13. Stockholders' Equity

Secondary Stock Offering

In June 2020, the Company completed a secondary offering whereby it sold 2,760 shares of its common stock at a price of $76.00 per share for gross proceeds of $209,760. The net proceeds to the Company after underwriters' discounts and commissions of $11,015 and $511 of offering costs was $198,233. The total shares sold included 360 shares that were sold in connection with the underwriters' option to purchase additional shares. This offering was made pursuant to the Company's registration statement on Form S-3.

The Company did not incur any expenses related to secondary offerings during the fiscal years ended December 31, 2021 and January 3, 2020.

Equity Incentive Plans

The Company has outstanding awards under the following equity incentive plans: the 2008 Stock Option Plan (the "2008 Plan"), the 2008 Non-Statutory Stock Option Plan (the "2008 Non-Statutory Plan") and the 2013 Omnibus Plan (the "2013 Plan"). No further awards will be granted pursuant to the 2008 Plan or the 2008 Non-Statutory Plan. Under the 2013 Plan, the Company has the ability to issue incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock awards, RSUs, performance units and/or performance shares.

The equity incentive plans are administered by the Compensation Committee of the Board of Directors of the Company, which has the authority to determine the type of incentive award, as well as the terms and conditions of the awards. Options granted under the plans have vesting periods ranging from one to five years and expire no later than 10 years from the date of grant. RSUs generally vest over a three to four-year period with equal annual installments beginning at the end of one year and the remaining vesting annually thereafter. In addition to time-based vesting criteria, certain of our RSUs include performance-based vesting criteria. As of December 31, 2021, there were 1,712 shares reserved for issuance under the Company's equity incentive plans and 1,298 shares available for grant under the 2013 Plan. The Company generally issues new shares in connection with awards under its equity incentive plans.

(in thousands, except per share amounts)

Stock-Based Compensation

Compensation expense related to the Company's share-based awards for the fiscal years ended December 31, 2021, January 1, 2021, and January 3, 2020 was $13,914, $8,618, and $6,864, respectively, all of which related to RSUs. No compensation expense related to stock options was incurred during the fiscal years ended December 31, 2021, January 1, 2021, and January 3, 2020.

The following table summarizes the allocation of stock-based compensation in the accompanying consolidated statements of income:

	For the fiscal years ended		
	2021	2020	2019
Cost of sales	$ 710	$ 625	$ 802
Sales and marketing	803	635	506
Research and development	944	788	721
General and administrative	11,457	6,570	4,835
Total	$ 13,914	$ 8,618	$ 6,864

As of January 1, 2021, $421 of stock-based compensation expense related to our executive bonus plan was included in Accrued Expenses on the Condensed Consolidated Balance Sheets. This amount was recognized as additional paid in capital during the year ended December 31, 2021 upon the issuance of the underlying restricted stock units.

Stock-based compensation expense capitalized to inventory was not material for the years ended December 31, 2021, January 1, 2021 and January 3, 2020.

Restricted Stock Units

The Company grants both time-based and performance-based stock awards, which also include a time-based vesting feature. Compensation expense for time-based stock awards is measured at the grant date based on the closing market price of the Company's common stock, and recognized ratably over the vesting period.

For performance-based stock awards, compensation expense is measured based on estimates of the number of shares ultimately expected to vest at each reporting date based on management’s expectations regarding the relevant performance criteria. The recognition of compensation expense associated with performance-based stock awards requires defined criteria for assessing achievement and judgment in assessing the probability of meeting the performance goals.

(in thousands, except per share amounts)

The following table summarizes RSU activity:

	Unvested RSUs	
	Number of shares outstanding	Weighted-average grant date fair value
Unvested at December 28, 2018	655	$ 29.34
Granted	131	74.70
Canceled	(67)	32.29
Vested	(292)	26.06
Unvested at January 3, 2020	427	44.98
Granted	260	47.46
Canceled	(13)	48.51
Vested	(224)	37.34
Unvested at January 1, 2021	450	50.12
Granted	89	149.08
Canceled	(24)	56.21
Vested	(177)	49.17
Unvested at December 31, 2021	338	$ 76.30

The fair value of vested RSUs was $27,213, $15,625 and $21,793 for the years ended December 31, 2021, January 1, 2021 and January 3, 2020, respectively. As of December 31, 2021, the Company had approximately $17,585 of unrecognized stock-based compensation expense related to RSUs, which will be recognized over the remaining weighted-average vesting period of approximately 2.05 years.

Performance Stock Units

During the year ended December 31, 2021, the Company issued performance share units ("PSUs") to certain executives that represent shares potentially issuable in the future. Issuance is based upon the Company's performance, over a 2-3 year performance period, on certain measures including return on invested capital and free cash flow. The PSUs vest only upon the achievement of the applicable performance goals for the performance period, and, depending on the actual achievement on the performance goals, the grantee may earn between 0% and 200% of the target PSUs. The fair value of performance share units is calculated based on the stock price on the date of grant.

(in thousands, except per share amounts)

The following table summarizes the activity for the Company's unvested PSUs for the year ended December 31, 2021:

	Unvested PSUs	
	Number of shares outstanding	Weighted-average grant date fair value
Unvested at January 1, 2021	—	$ —
Granted	29	$ 141.46
Unvested at December 31, 2021	29	$ 141.46

The stock-based compensation expense recognized each period is dependent upon our estimate of the number of shares that will ultimately vest based on the achievement of certain performance conditions. Future stock-based compensation expense for unvested performance-based awards could reach a maximum of $5,528 assuming achievement at the maximum level. The unrecognized stock-based compensation expense is expected to be recognized over a weighted average period of 1.56 years.

Stock Options

The following table summarizes stock option activity:

	Number of shares outstanding	Weighted-average exercise price	Weighted-average remaining contractual life (years)	Aggregate intrinsic value
Balance at December 28, 2018	720	$ 5.17	3	$ 39,403
Options exercised	(289)	5.03		17,422
Balance at January 3, 2020	431	5.27	2	27,814
Options exercised	(206)	5.16		19,724
Balance at January 1, 2021	225	5.37	2	22,593
Options exercised	(192)	5.41		25,751
Balance at December 31, 2021	33	5.16	1	5,389
Options vested and expected to vest - December 31, 2021	33	5.16	1	5,389
Options exercisable - December 31, 2021	33	5.16	1	5,389

Aggregate intrinsic value represents the difference between the closing price of the Company's common stock on NASDAQ and the exercise price of outstanding, in-the-money options. No options vested during the year ended December 31, 2021. As of December 31, 2021, stock-based compensation expense related to stock options has been fully recognized.

During the years ended December 31, 2021, January 1, 2021 and January 3, 2020, 192, 206, and 289 shares of common stock, respectively, were issued due to the exercise of stock options, resulting in proceeds to the Company of approximately $1,042, $1,063, and $1,451, respectively. As of December 31, 2021, stock-based compensation expense related to stock options has been fully recognized.

(in thousands, except per share amounts)

14. Earnings Per Share

Basic earnings per share ("EPS") amounts are computed by dividing net income attributable to Fox Factory Holding Corp. stockholders for the period by the weighted average number of common shares outstanding during the period. Diluted EPS amounts are computed by dividing net income for the period by the weighted average number of shares of common stock and potentially dilutive common stock outstanding during the period. Potentially dilutive common shares include shares issuable upon the exercise of outstanding stock options and vesting of restricted stock units, which are reflected in diluted earnings per share by application of the treasury stock method.

The following table presents the calculation of basic and diluted earnings per share:

	For the fiscal years ended		
	2021	2020	2019
Net income attributable to FOX stockholders	$ 163,818	$ 90,674	$ 93,033
Weighted average shares used to compute basic earnings per share	42,022	40,229	38,333
Dilutive effect of employee stock plans	344	572	822
Weighted average shares used to compute diluted earnings per share	42,366	40,801	39,155
Earnings per share:			
Basic	$ 3.90	$ 2.25	$ 2.43
Diluted	$ 3.87	$ 2.22	$ 2.38

The Company excluded some potentially dilutive shares from the calculation of diluted earnings per share for the year ended December 31, 2021, as these shares would have been antidilutive. No potentially dilutive shares were excluded from the calculation of diluted earnings per share for the years ended January 1, 2021 and January 3, 2020.

15. Income Taxes

Provision for Income Taxes

The components of income tax expense are as follows:

	For the fiscal years ended		
	2021	2020	2019
Current:			
Federal	$ 30,698	$ 18,061	$ 16,670
State	(138)	1,590	256
Foreign	8,617	8,043	7,567
Total	39,177	27,694	24,493
Deferred:			
Federal	(14,447)	(14,589)	(11,158)
State	(23)	373	586
Foreign	(144)	(694)	178
Total	(14,614)	(14,910)	(10,394)
Provision for income taxes	$ 24,563	$ 12,784	$ 14,099

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The Company's income before provision for income taxes was subject to taxes in the following jurisdictions for the following periods:

	For the fiscal years ended		
	2021	2020	2019
United States	$ 149,238	$ 74,777	$ 77,810
Foreign	39,143	29,753	30,759
	$ 188,381	$ 104,530	$ 108,569

The following table presents a reconciliation of the statutory federal rate and the Company’s effective tax rate for the periods presented:

	For the fiscal years ended		
	2021	2020	2019
Tax at federal statutory rate	21.0 %	21.0 %	21.0 %
State taxes, net of federal benefit	1.9	1.8	1.8
Stock-based compensation	(5.0)	(5.9)	(6.3)
Foreign derived income benefit	(5.8)	(5.0)	(3.0)
Research and development tax credit	(1.1)	(0.9)	(0.8)
Executive compensation deduction limitation	1.2	0.8	1.2
Change in liability for unrecognized tax benefits	(1.4)	0.6	0.2
Valuation allowance on foreign tax credits	1.1	0.7	0.2
Other	1.1	(0.9)	(1.3)
Total provision	13.0 %	12.2 %	13.0 %

FOX FACTORY HOLDING CORP.
Notes to Consolidated Financial Statements - Continued
December 31, 2021
(in thousands, except per share amounts)

Deferred Income Taxes

	December 31, 2021	January 1, 2021
Deferred tax assets:		
Foreign tax credits, including amounts associated with accrued charges	$ 48,329	$ 41,187
Inventory	5,452	4,386
Accrued Liabilities	9,319	4,973
Lease Liability	3,646	5,966
Capitalized Research & Development	5,880	3,360
Stock-based compensation	2,254	1,168
Research and development tax credits	2,721	1,851
Other	625	1,419
Total deferred tax asset	78,226	64,310
Valuation allowance	(9,223)	(7,172)
Net deferred tax asset	69,003	57,138
Deferred tax liabilities:		
Intangible assets	(23,357)	(24,262)
Depreciation	(5,711)	(6,912)
Lease right-of-use asset	(3,783)	(6,024)
Accrued withholding tax on unremitted foreign dividends	(854)	(213)
Other	(300)	(365)
Total deferred tax liability	(34,005)	(37,776)
Net deferred tax asset	$ 34,998	$ 19,362

As of December 31, 2021, the Company had foreign tax credits of 48,329 that begin to expire in 2025, unless previously utilized.

As of December 31, 2021, the Company assessed the realizability of deferred tax assets and evaluated the need for a valuation allowance for deferred tax assets for each jurisdiction based on the framework of ASC 740. As a result of the TCJA, the Company believes that it is more likely than not that a portion of its foreign tax credits will not be realizable, and as such, provided an allowance of $7,172 as of January 1, 2021. For the year ended December 31, 2021, the valuation allowance increased by $2,051, due to a generation of additional foreign tax credits from the foreign derived earnings. The valuation allowance for foreign tax credits was $9,161 as of December 31, 2021. Other components of the valuation allowance were not significant. It is reasonably possible that the Company could record a material adjustment to the valuation allowance in the next twelve months as management assesses the progress and outcome of its plans to alter the generation and utilization of foreign tax credits.

(in thousands, except per share amounts)

Unrecognized Tax Benefits

	For the fiscal years ended		
	2021	2020	2019
Balance - beginning of period	$ 3,150	$ 2,300	$ 1,996
Increase related to current year tax positions	—	664	557
Increase related to prior year tax positions	—	187	313
Decrease related to prior year tax positions	(2,923)	—	—
Increase (decrease) due to expiration of statute of limitations	1	(1)	(566)
Balance - end of period	$ 228	$ 3,150	$ 2,300

As of December 31, 2021, the Company had $228 of unrecognized tax benefits. The Company regularly engages in discussions and negotiations with tax authorities regarding tax matters in various jurisdictions.

The Company's 2018 and forward federal tax returns, state tax returns from 2016 and forward, and foreign tax returns from 2018 and forward are subject to examination by tax authorities. Due to a favorable conclusion of a state audit in the first quarter of 2021, the Company released $2,923 of uncertain tax positions, of which $2,608 favorably impacts the effective tax rate.

16. Fair Value Measurement and Financial Instruments

The FASB's Accounting Standards Codification 820, "Fair Value Measurements and Disclosures" requires the valuation of assets and liabilities required or permitted to be either recorded or disclosed at fair value based on hierarchy of available inputs as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices for similar assets and liabilities in active markets, quoted prices for identical assets and liabilities in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

The following table presents the Company's hierarchy for its assets, liabilities and redeemable non-controlling interest measured at fair value on a recurring basis as of the following periods:

	December 31, 2021				January 1, 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Interest Rate Swap	—	3,583	—	3,583	—	—	—	—
Total assets measured at fair value	$ —	$ 3,583	$ —	$ 3,583	$ —	$ —	$ —	$ —
Liabilities:								
Credit Facility	$ —	$ 378,453	$ —	$ 378,453	$ —	$ 389,588	$ —	$ 389,588
Interest Rate Swap	—	—	—	—	—	915	—	915
Total liabilities measured at fair value	$ —	$ 378,453	$ —	$ 378,453	$ —	$ 390,503	$ —	$ 390,503

There were no transfers of assets or liabilities between Level 1, Level 2 and Level 3 categories of the fair value hierarchy during the years ended December 31, 2021, and January 1, 2021.

The Company used Level 2 inputs to determine the fair value of the Credit Facility. The Company believes the carrying amount of its Credit Facility approximates the fair value at December 31, 2021 because, while subject to a minimum LIBOR floor rate, the interest rate approximates current market rates of debt with similar terms and comparable credit risk.

(in thousands, except per share amounts)

On June 11, 2021 the Company entered into an interest rate swap agreement to mitigate the cash flow risk associated with changes in interest rates on its variable rate debt. Refer to Note 11. "Derivatives and Hedging" for additional details of the agreement. In accordance with ASC 815, Derivatives and Hedging Interest rate swap contract is recognized as an asset or liability on the Consolidated Balance Sheets and is measured at fair value. The fair value was calculated utilizing Level 2 inputs.

17. Retirement Plan

The Company established a 401(k) plan to provide tax deferred salary deductions for all eligible employees. Participants may make voluntary contributions to the 401(k) plan, limited by certain IRS restrictions. The Company made matching contributions of $2,655, $2,078, and $1,153 for each of the years ended December 31, 2021, January 1, 2021 and January 3, 2020, respectively.

18. Acquisitions

On March 11, 2020, the Company, through Fox Factory, Inc., acquired 100% of the issued and outstanding stock of SCA from Southern Rocky Holdings, LLC for $331,853, net of cash acquired and exclusive of vehicle inventory. SCA is a leading OEM authorized specialty vehicle manufacturer for light duty trucks and SUVs with headquarters in Trussville, Alabama. SCA operates under three aftermarket brands: SCA Performance, Rocky Ridge Trucks, and Rocky Mountain Truckworks. This transaction was accounted for as a business combination.

The Company also agreed to an additional $10,589 of contingent retention incentives for key SCA management, of which $9,283 is cash and $1,306 is stock, to be held in escrow and payable over the next two years. The Company recognized $4,680 and $4,211 in costs associated with such retention incentives during the years ended December 31, 2021 and January 1, 2021, respectively.

The Company's allocation of the purchase price to the net tangible and intangible assets acquired and liabilities assumed is as follows:

Fair market values		
Tangible assets acquired	$	28,678
Liabilities assumed		(32,479)
Intangible assets		139,900
Goodwill		195,754
Total	$	331,853

The Company incurred $10,582 of acquisition costs in conjunction with the SCA acquisition, including $1,750 of transaction compensation during the year ended January 1, 2021 and $602 of transaction costs during the year ended January 3, 2020. These costs are classified as general and administrative expenses in the accompanying condensed consolidated statements of income. Additional debt issuance costs of $6,622 were incurred in association with financing the transaction and will be amortized over the term of the Credit Facility. Refer to Note 10. "Debt" for further details.

The values assigned to the identifiable intangible assets were determined by discounting the estimated future cash flows associated with these assets to their present value. The goodwill of $195,754 reflects the strategic fit of SCA with the Company's operations. The Company will amortize the acquired customer relationships assets over their expected useful lives of 5-10 years. Trademarks, brand names and goodwill are expected to have an indefinite life, and will be subject to impairment testing. The goodwill is not deductible for income tax purposes. SCA previously purchased intangibles in asset acquisitions with a remaining net tax basis approximating $77,989, which the Company may deduct for income tax purposes.

(in thousands, except per share amounts)

On May 21, 2021, the Company, through its wholly owned subsidiary, Fox Factory Australia Pty Ltd., acquired substantially all the assets of Sola Sport Pty Ltd. for $486. The acquisition was not material to the Company's financial statements.

On May 25, 2021, the Company, through its wholly owned subsidiary, SCA Performance, Inc., acquired 100% of the issued and outstanding stock of Manifest Joy LLC, dba Outside van ("Outside Van") for $15,275, net of cash acquired. Outside Van is a custom van conversion company that designs and custom engineers recreational vehicles with headquarters in Portland, Oregon. This purchase was accounted for as a business combination. The purchase price of Outside Van is allocated to the assets acquired and liabilities assumed based on their estimated respective fair values as of May 25, 2021, with the excess purchase price allocated to goodwill.

The allocation of the purchase price to the net liabilities assumed of $1,057, $5,560 in identifiable intangible assets and goodwill acquired of $10,772, is preliminary and subject to the completion of the Company's validation of working capital and deferred taxes, with the assistance of specialists. The Company will amortize the acquired customer relationship and trade name assets over their expected useful lives of 1 and 10 years, respectively. The acquired goodwill represents the value of synergies from combining operations of Outside Van and the Company, and is expected to be deductible for tax purposes. The acquisition was not material to the Company's financial statements.

On December 30, 2021, the Company, through its wholly owned subsidiary, Shock Therapy Suspension, Inc., acquired substantially all the assets of Shock Therapy LLC ("STS"), for $36,120, net of cash acquired. STS is a premier suspension tuning company in the off-road industry, with headquarters in Phoenix, Arizona. This purchase was accounted for as a business combination. The purchase price of STS is allocated to the assets acquired and liabilities assumed based on their estimated respective fair values as of December 30, 2021, with the excess purchase price allocated to goodwill.

The allocation of the purchase price to the net assets assumed of $5,244, $7,086 in identifiable intangible assets and goodwill acquired of $23,790, is preliminary and subject to the completion of the Company's validation of working capital, valuation of intangible assets and deferred taxes, with the assistance of specialists. The Company will amortize the acquired non-compete and trade name assets over their expected useful lives of 1 and 10 years, respectively. The acquired goodwill represents the value of combining operations of STS and the company and is expected to be deductible for tax purposes. The acquisition was not material to the Company's financial statements.

19. Selected Quarterly Financial Data (Unaudited)

Selected summarized quarterly financial information for 2021 and 2020 is as follows:

	Quarter Ended							
	Dec 31, 2021	Oct 1, 2021	Jul 2, 2021	April 2, 2021	Jan 1, 2021	Oct 2 2020	Jul 3 2020	April 3, 2020
Sales	$ 342,329	$ 347,435	$ 328,164	$ 281,136	$ 262,391	$ 260,700	$ 183,102	$ 184,361
Gross profit	107,302	116,018	111,088	97,924	83,472	89,474	59,986	56,615
Income from operations	43,086	55,249	52,723	45,856	37,670	45,553	19,359	11,567
Net income attributable to Fox Stockholders	37,734	43,823	44,275	37,986	31,796	38,020	12,608	8,250
Earnings per share:								
Basic	$ 0.90	$ 1.04	$ 1.05	$ 0.91	$ 0.76	$ 0.91	$ 0.32	$ 0.21
Diluted	$ 0.89	$ 1.03	$ 1.05	$ 0.90	$ 0.75	$ 0.90	$ 0.32	$ 0.21

20. Subsequent Events

None.

AMENDMENT TO LEASE AGREEMENT

(2020 Additions to Project)

Number 1

THIS AMENDMENT TO LEASE AGREEMENT, dated as of December 31, 2020, between the **GAINESVILLE AND HALL COUNTY DEVELOPMENT AUTHORITY** (the "Authority>'), a public body corporate and politic and an instrumentality of the City of Gainesville and Hall County, Georgia, duly organized and existing under the Constitution and laws of the State of Georgia, as Lessor, and **FOX FACTORY, INC.** (the "Lessee"), a California corporation.

WITNESETH:

WHEREAS, the Authority and the Lessee have heretofore entered into a Lease Agreement, dated as of June I. 2020 (said Lease Agreement, as from time to time modified or amended, is herein called the "Lease") relating to the Project (as defined in the Lease); and

WHEREAS, the Authority and the Lessee have now determined that it is necessary to amend the Lease in certain respects to reflect the addition to the Project (as defined in the Lease) the items described in Exhibit 441" hereto; and

NOW, THEREFORE, in consideration of the premises and of the mutual covenants hereinafter contained, the Authority and the Lessee agree to and do hereby amend the Lease, effective as of the date hereof, as follows:

1. Exhibit "C" to the Lease is hereby amended by adding to the definition of the 2020 Project Equipment set forth thereon the items of equipment described on Exhibit "A" to this Amendment to Lease Agreement. All references in the Lease to the 2020 Project Equipment shall hereafter refer to the items of equipment described on Exhibit "A" attached hereto.
2. Project Facility (as defined in the Lease) shall hereafter include any and all improvements and additions to the manufacturing facility located on the Project Facility Site (as defined in the Lease) made by the date hereof.

The Lease shall be deemed to be modified and amended in accordance with the provisions of this Amendment to Lease Agreement and the respective rights, duties and obligations of the Authority and the Lessee under the Lease shall hereafter be determined, exercised and enforced under the Lease subject in all respects to this Amendment to Lease Agreement, and all the terms and conditions of this Amendment to the Lease Agreement shall be part of the terms and conditions of the Lease for any and all purposes.

This Amendment to Lease Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

This Amendment to Lease Agreement may be recorded in the office of the Superior Court of Hall County, or in such other office as may be at the time provided by law as the proper place for such recordation.

All other terms of the Lease shall continue m full force and effect subject to this Amendment to Lease Agreement as set forth herein.

IN WITNESS WHEREOF, the Authority and the Lessee have caused this Amendment to the Lease Agreement to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their duly authorized o11icers as of the 31st day of December, 2020.

GAINESVILLE AND HALL COUNTY
DEVELOPMENT AUTHORITY

By: /s/ Philip Wilheit
Chairman

(SEAL)

Attest:

/s/ T. Treadwell Syfan
Secretary

Signed, sealed and delivered
in the presence of

/s/ Whitney S. Brown
Witness

/s/ Amy C. Stewart
Notary Public

My commission expires: April 26, 2022

(NOTARY SEAL)

FOX FACTORY, INC.

By: /s/ Scott R. Humphrey
Scott R. Humphrey, CFO and Treasurer

Signed, sealed and delivered
in the presence of:

/s/ Lisa Roger
Witness

/s/ Sandra L. Dover
Notary Public

My commission expires: July 15, 2024

(NOTARY SEAL)

AMENDMENT TO LEASE AGREEMENT

(2021 Additions to Project)

Number2

THIS AMENDMENT TO LEASE AGREEMENT, dated as of December 31, 2021, between the **GAINESVILLE AND HALL COUNTY DEVELOPMENT AUTHORITY** (the "Authority"), a public body corporate and politic and an instrumentality of the City of Gainesville and Hall County, Georgia, duly organized and existing under the Constitution and laws of the State of Georgia, as Lessor, and **FOX FACTORY, INC**. (the "Lessee"), a California corporation.

WITNESETH:

WHEREAS, the Authority and the Lessee have heretofore entered into a Lease Agreement, dated as of June 1, 2020 (said Lease Agreement, as from time to time modified or amended, is herein called the "Lease") relating to the Project (as defined in the Lease); and

WHEREAS, the Authority and the Lessee have now determined that it is necessary to amend the Lease in certain respects to reflect the addition to the Project (as defined in the Lease) the items described in Exhibit "1" hereto; and

NOW, THEREFORE, in consideration of the premises and of the mutual covenants hereinafter contained, the Authority and the Lessee agree to and do hereby amend the Lease, effective as of the date hereof, as follows:

1. Exhibit "C" to the Lease is hereby amended by adding to the description of the 2021 Project Equipment set forth thereon the items of equipment described on Exhibit "A" to this Amendment to Lease Agreement. All references in the Lease to the 2021 Project Equipment shall hereafter refer to the items of equipment described on Exhibit "A" attached hereto.

2. Project Facility (as defined in the Lease) shall hereafter include any and all improvements and additions to the manufacturing facility located on the Project Facility Site (as defined in the Lease) made by the date hereof.

The Lease shall be deemed to be modified and amended in accordance with the provisions of this Amendment to Lease Agreement and the respective rights, duties and obligations of the Authority and the Lessee under the Lease shall hereafter be determined, exercised and enforced under the Lease subject in all respects to this Amendment to Lease Agreement, and all the terms and conditions of this Amendment to the Lease Agreement shall be part of the terms and conditions of the Lease for any and all purposes.

This Amendment to Lease Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

This Amendment to Lease Agreement may be recorded in the office of the Superior Court of Hall County) or in such other office as may be at the time provided by law as the proper place for such recordation.

All other terms of the Lease shall continue in full force and effect subject to this Amendment to Lease Agreement as set forth herein.

IN WITNESS WHEREOF, the Authority and the Lessee have caused this Amendment to the Lease Agreement to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their duly authorized officers as of the 31st day of December) 2021.

GAINESVILLE AND HALL COUNTY
DEVELOPMENT AUTHORITY

By: /s/ Philip Wilheit
Chairman

(SEAL)

Attest:

/s/ T. Treadwell Syfan
Secretary

Signed, sealed and delivered
in the presence of

/s/ Lisa Graham
Witness

/s/ Amy C. Stewart
Notary Public

My commission expires: April 26, 2022

(NOTARIAL SEAL)

FOX FACTORY, INC.

By: /s/ Scott R. Humphrey
Title: Chief Financial Officer

Signed, sealed and delivered
in the presence of

/s/ Melissa Reed
Witness

/s/ Sandra L. Dover
Notary Public

My commission expires: July 15, 2024

(NOTARIAL SEAL)

Exhibit 21.1

Fox Factory Holding Corp.

List of Subsidiaries as of December 31, 2021

Company Name	State or Other Jurisdiction of Incorporation or Organization	Name under which Business is Conducted
Fox Factory Australia Pty Ltd	Australia	Sola Sport/Fox Australia
Fox Factory Austria GmbH	Austria	Fox Factory Austria GmbH
RFE Holding (Canada) Corp.	British Columbia, Canada	Race Face / Easton
Fox Factory, Inc.	California	Fox Factory, Inc.
FF US Holding Corp.	Delaware	FF US Holding Corp.
FF US Acquisition Corp.	Delaware	Tuscany
ST USA Holding Corp.	Delaware	Sport Truck, USA
RT Acquisition Corp.	Delaware	Ridetech
SCA Performance Holdings, Inc.	Delaware	SCA Performance Holdings, Inc.
SCA Performance, Inc.	Delaware	SCA Performance, Inc.
Rocky Ridge Trucks, Inc.	Delaware	Rocky Ridge Trucks, Inc.
Rocky Ridge Real Estate, LLC	Delaware	Rocky Ridge Real Estate, LLC
Rocky Mountain Truckworks, Inc.	Delaware	Rocky Mountain Truckworks, Inc.
Shock Therapy Suspension, Inc.	Delaware	Shock Therapy
Rocky Ridge Transport, LLC	Georgia	Rocky Ridge Transport, LLC
FF US Holding LLC	Georgia	FF US Holding LLC
Fox Factory GmbH	Germany	Fox Factory GmbH
FF Indiana Holding LLC	Indiana	FF Indiana Acquisition Corp.
Manifest Joy LLC	Oregon	Outside Van
Outsidetruck LLC	Oregon	Outside Van
Outsidevan LLC	Oregon	Outside Van
Outsideparts LLC	Oregon	Outside Van
Fox Factory Switzerland GmbH	Switzerland	Fox Factory Switzerland GmbH LLC
Fox Factory UK Limited	United Kingdom	Fox Factory UK Limited

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated February 24, 2022, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of Fox Factory Holding Corp. on Form 10-K for the year ended December 31, 2021. We consent to the incorporation by reference of said reports in the Registration Statements of Fox Factory Holding Corp. on Forms S-8 (File No. 333-257516 and File No. 333-192238) and Form S-3ASR (File No. 333-239231).

/s/ GRANT THORNTON LLP

San Francisco, California
February 24, 2022

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Michael C. Dennison, certify that:

1. I have reviewed this Annual Report on Form 10-K of Fox Factory Holding 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(s) 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(s) 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 the 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.

/s/ Michael C. Dennison

Michael C. Dennison
Chief Executive Officer
February 24, 2022

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Scott R. Humphrey, certify that:

1. I have reviewed this Annual Report on Form 10-K of Fox Factory Holding 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(s) 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(s) 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 the 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.

/s/ Scott R. Humphrey
Scott R. Humphrey
Chief Financial Officer and Treasurer
February 24, 2022

EXHIBIT 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

In connection with the Annual Report on Form 10-K for the fiscal year ended December 31, 2021 of Fox Factory Holding Corp. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael C. Dennison, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as amended, 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 Company.

/s/ Michael C. Dennison
Michael C. Dennison
Chief Executive Officer
(Principal Executive Officer)
February 24, 2022

This certification accompanies the Report to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Fox Factory Holding Corp. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Report), irrespective of any general incorporation language contained in such filing.

EXHIBIT 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

In connection with the Annual Report on Form 10-K for the fiscal year ended December 31, 2021 of Fox Factory Holding Corp. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott R. Humphrey, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as amended, 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 Company.

/s/ Scott R. Humphrey
Scott R. Humphrey
Chief Financial Officer and Treasurer
(Principal Financial Officer and Treasurer)
February 24, 2022

This certification accompanies the Report to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Fox Factory Holding Corp. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Report), irrespective of any general incorporation language contained in such filing.