

FOX FACTORY HOLDING CORP

Form 424B7

November 16, 2016

Table of Contents

Filed Pursuant to Rule 424(b)(7)  
Registration Statement No. 333-203146

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement is not an offer to sell these securities and we are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

**SUBJECT TO COMPLETION, DATED NOVEMBER 16, 2016**

**PRELIMINARY PROSPECTUS SUPPLEMENT**

(To Prospectus dated March 31, 2015)

**3,500,000 Shares**

**FOX FACTORY HOLDING CORP.**

**COMMON STOCK**

The selling stockholder named in this prospectus supplement is selling 3,500,000 shares of our common stock. We will not receive any proceeds from the sale of the shares of common stock by the selling stockholder. See Selling Stockholder and Option Stockholder.

Our common stock is listed on the NASDAQ Global Select Market under the symbol FOXF. On November 15, 2016, the last sale price of our common stock as reported on the Nasdaq Global Select Market was \$23.30 per share.

The underwriters have agreed to purchase shares of our common stock from the selling stockholder at a price of \$ \_\_\_\_\_ per share, which will result in \$ \_\_\_\_\_ of proceeds to the selling stockholder before expenses. The underwriters propose to offer the shares of our common stock from time to time for sale in one or more transactions on the NASDAQ Global Select Market, in the over-the-counter market, through negotiated transactions or otherwise at market prices prevailing at the time of sale, at prices related to prevailing market prices or at negotiated prices. See Underwriting.

We are an **emerging growth company** under the U.S. federal securities laws and are subject to reduced public company reporting requirements. Investing in our common stock involves a high degree of risk. See **Risk Factors** beginning on page S-8 of this prospectus supplement and on page 4 of the accompanying prospectus.

Delivery of the shares of common stock is expected to be made on or about November , 2016. The option stockholder named in this prospectus supplement has granted the underwriters an option for a period of 30 days to purchase up to an additional 525,000 shares of our common stock. We will not receive any proceeds from the sale of the shares of common stock by the selling stockholder or the option stockholder. See Selling Stockholder and Option Stockholder.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

**Baird**

**William Blair**

Prospectus supplement dated November , 2016

**Table of Contents**

**TABLE OF CONTENTS**

<u>ABOUT THIS PROSPECTUS SUPPLEMENT</u>	S-ii
<u>PROSPECTUS SUPPLEMENT SUMMARY</u>	S-1
<u>THE OFFERING</u>	S-4
<u>SUMMARY CONSOLIDATED FINANCIAL DATA</u>	S-6
<u>RISK FACTORS</u>	S-8
<u>IMPORTANT INFORMATION REGARDING FORWARD LOOKING STATEMENTS</u>	S-12
<u>USE OF PROCEEDS</u>	S-14
<u>MARKET PRICE OF OUR COMMON STOCK</u>	S-15
<u>DIVIDEND POLICY</u>	S-16
<u>SELLING STOCKHOLDER AND OPTION STOCKHOLDER</u>	S-17
<u>MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS</u>	S-20
<u>UNDERWRITING</u>	S-23
<u>LEGAL MATTERS</u>	S-30
<u>EXPERTS</u>	S-31
<u>WHERE YOU CAN FIND MORE INFORMATION; INCORPORATION BY REFERENCE</u>	S-32

**Table of Contents**

**ABOUT THIS PROSPECTUS SUPPLEMENT**

This document consists of two parts. The first part, this prospectus supplement, and the second part, the accompanying prospectus, are each part of a registration statement on Form S-3 that we filed with the Securities and Exchange Commission, or the SEC, using a shelf registration process. Under this shelf registration process, we, the selling stockholder and the option stockholder may sell shares of our common stock in one or more offerings. In this prospectus supplement, we provide you with specific information about the terms of this offering and updates with respect to information contained in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The accompanying prospectus, including the documents incorporated by reference herein, provides more general information, some of which may not apply to this offering. Generally, when we refer to this prospectus, we are referring to both parts of this document combined. To the extent there is a conflict between the information contained in this prospectus supplement, on the one hand, and the information contained in the accompanying prospectus or in any document incorporated by reference that was filed with the SEC before the date of this prospectus supplement, on the other hand, you should rely on the information in this prospectus supplement. If any statement in one of these documents is inconsistent with a statement in another document having a later date for example, a document incorporated by reference in the accompanying prospectus the statement in the document having the later date modifies or supersedes the earlier statement.

We, the selling stockholder, the option stockholder and the underwriters have not authorized any other person to provide you with different or additional information other than that contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus. We, the selling stockholder, the option stockholder and the underwriters take no responsibility for, and can make no assurance as to the reliability of, any other information that others may give you. We, the selling stockholder, the option stockholder and the underwriters will not make an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement and the accompanying prospectus is accurate as of the date on its respective cover, and that any information incorporated by reference is accurate only as of the date of the document incorporated by reference, unless we indicate otherwise. Our business, financial condition, results of operations and prospects may have changed since those dates.

**Table of Contents**

**PROSPECTUS SUPPLEMENT SUMMARY**

*This prospectus supplement summary highlights certain information appearing elsewhere in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein. As this is a summary, it does not contain all of the information that you should consider in making an investment decision. This prospectus supplement summary is qualified in its entirety by the more detailed information contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein. Before investing, you should read the entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein carefully, including the information under Risk Factors beginning on page S-8 of this prospectus supplement, on page 4 of the accompanying prospectus and in our Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2016, or the 2016 Third Quarterly Report, and our consolidated financial statements and the related notes thereto incorporated by reference herein. This prospectus supplement and the accompanying prospectus contain or incorporate by reference forward-looking statements that involve risks and uncertainties. See Important Information Regarding Forward-Looking Statements beginning on page S-12 of this prospectus supplement and on page 3 of the accompanying prospectus.*

*Unless the context otherwise indicates, references in this prospectus to we, our, Fox, the Company, us and similar designations refer, collectively, to Fox Factory Holding Corp., a Delaware corporation, and its consolidated subsidiaries.*

**Our Company**

We are a designer, manufacturer and marketer of performance ride dynamics products used primarily on bicycles, Side-by-Sides, on-road vehicles with off-road capabilities, off-road vehicles and trucks, all-terrain vehicles, or ATVs, snowmobiles, specialty vehicles and applications, and motorcycles. 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 a smoother ride while riding over rough terrain in varied environments. 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 action sports OEMs and to consumers through the aftermarket channel. Many of our OEM customers, including Giant, Scott, Specialized and Trek in bikes and BRP, Ford, Yamaha and Polaris 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. We currently sell to more than 200 OEMs and distribute our products to more than 5,000 retail dealers and distributors worldwide. In 2015, 63% of our sales resulted from sales to OEM customers and 37%

S-1

## **Table of Contents**

resulted from sales to dealers and distributors for resale in the aftermarket channel. No material portion of our business is subject to renegotiation of profit or termination of contracts or subcontracts at the election of the U.S. government.

Our domestic sales totaled \$136.4 million, \$163.1 million, \$128.3 million and \$96.1 million, or 47%, 44%, 42% and 35% of our total sales, in the nine months ended September 30, 2016 and the fiscal years 2015, 2014 and 2013, respectively. Our international sales totaled \$155.1 million, \$203.7 million, \$178.4 million and \$176.6 million, or 53%, 56%, 58% and 65% of our total sales, in the nine months ended September 30, 2016 and the fiscal years 2015, 2014 and 2013, respectively. Sales attributable to countries outside the United States 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 United States.

## **Our history**

Robert C. Fox, Jr. began developing suspension products in 1974 when, having participated in motocross racing, he sought to create a racing suspension shock that performed better than existing coil spring shocks. Working in a friend's garage, Mr. Fox created the Fox AirShox. The product was successful, and went into production in 1975. The next year, in 1976, Fox AirShox was used by the rider who won the AMA 500cc National Motocross Championship.

Sales of Fox AirShox grew rapidly and, in 1978, our operating subsidiary, Fox Factory, Inc., was incorporated in California. From 1978 to 1983, FOX suspension users won numerous major races including 500cc Grand Prix races (motocross), Baja 1000 races (off-road), AMA SuperBike races (motorcycle road racing), and the Indianapolis 500 race (auto racing), generating greater market awareness of the FOX brand among enthusiasts.

As Fox grew, we applied many of the same core suspension technologies developed for motocross racing to other categories. For example, in 1987 we started selling high-performance suspension products for snowmobiles. By 1991, we began supplying the mountain bike industry with rear shocks and we entered the ATV and other off-road vehicle markets in the mid-1990s. Starting in 2001, we began offering front fork suspension products for mountain bikes.

Fox Factory Holding Corp., the registrant of this offering, is the holding company of Fox Factory, Inc. Fox Factory Holding Corp. was incorporated in Delaware on December 28, 2007 by Compass Group Diversified Holdings LLC, or Compass, who purchased a controlling interest in us on January 4, 2008.

For clarification, we are not affiliated with Fox Head, Inc., or Fox Head, an action sports apparel company, although we have entered into an agreement with Fox Head clarifying the parties' respective use of Fox tradenames and service marks.

## **Corporate information**

Our principal executive offices are located at 915 Disc Drive, Scotts Valley, CA 95066, and our telephone number is (831) 274-6500. Our website address is [www.ridefox.com](http://www.ridefox.com). In addition, we maintain a Facebook page at [www.facebook.com/fox](http://www.facebook.com/fox), a YouTube channel at [www.youtube.com/foxracingshox1](http://www.youtube.com/foxracingshox1), a Vimeo page at [www.vimeo.com/foxracingshox](http://www.vimeo.com/foxracingshox) and a Twitter feed at [www.twitter.com/foxracingshox](http://www.twitter.com/foxracingshox). Information contained on, or that can be accessed through, our website, Facebook page, YouTube channel, Vimeo page or Twitter feed does not constitute part of this prospectus supplement or the accompanying prospectus and inclusions of our website

S-2



## **Table of Contents**

address, Facebook page address, YouTube channel address, Vimeo page address and Twitter feed address in this prospectus supplement or the accompanying prospectus are inactive textual references only.

We have a number of registered marks, including, without limitation, FOX®, FOX RACING SHOXS® and REDEFINE YOUR LIMITS® in several jurisdictions, including the United States, and we have also applied to register a number of other marks in various jurisdictions. This prospectus supplement and the accompanying prospectus include trademarks and trade names of other companies. All trademarks and trade names appearing in this prospectus supplement or the accompanying prospectus are the property of their respective holders. We do not intend our use or display of other companies' trade names or trademarks to imply a relationship with, or any endorsement or sponsorship of us by, these other companies.

## **Emerging growth company status**

We are an emerging growth company, as that term is defined in Section 2(a) of the Securities Act of 1933, as amended, or the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. For as long as we qualify as an emerging growth company, we have taken, and may continue to take, advantage of certain exemptions from various reporting requirements that are applicable to other public companies that do not qualify as emerging growth companies, including, without limitation, not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act of 2002, reduced disclosure obligations relating to executive compensation and exemptions from the requirements of holding advisory say-on-pay, say-when-on-pay and golden parachute executive compensation votes.

Under the JOBS Act, we will remain an emerging growth company until the earliest of:

the last day of the fiscal year during which we have total annual gross revenues of \$1 billion or more;

the last day of the fiscal year following the fifth anniversary of our Initial Public Offering, or the IPO, in August 2013;

the date on which we have, during the previous three-year period, issued more than \$1 billion in non-convertible debt; or

the date on which we are deemed to be a large accelerated filer under the Securities Exchange Act of 1934, as amended, or the Exchange Act (i.e., the first day of the fiscal year after we have (i) more than \$700 million in outstanding common equity held by our non-affiliates, measured each year on the last day of our second fiscal quarter, and (ii) been public for at least 12 months).

The JOBS Act also provides that an emerging growth company can utilize the extended transition period provided in Section 7(a)(2)(B) of the Securities Act, for complying with new or revised accounting standards. However, we have chosen to opt out of such extended transition period, and, as a result, we have been complying, and will continue to comply, with new or revised accounting standards on the relevant dates on which adoption of such standards is required for companies that are not emerging growth companies. Section 107 of the JOBS Act provides that our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

S-3

**Table of Contents**

**THE OFFERING**

The offering	3,500,000 shares of common stock offered by the selling stockholder.
Selling stockholder	The selling stockholder in this offering is Compass Group Diversified Holdings LLC, or Compass. Compass Diversified Holdings, a Delaware statutory trust, is the parent of Compass Group Diversified Holdings LLC. Compass Group Diversified Holdings LLC, as the sponsor of Compass Diversified Holdings, beneficially owns our shares of common stock. See Selling Stockholder and Option Stockholder.
Common stock to be outstanding after this offering	36,861,204 shares. This offering will have no effect on the number of shares of our common stock outstanding.
Underwriters' option to purchase additional shares	The underwriters have an option, exercisable for 30 days after the date of this prospectus supplement, to purchase up to an additional 525,000 shares from the option stockholder.
Option stockholder	The option stockholder in this offering is Robert C. Fox, Jr., one of our directors. The option stockholder has only granted the underwriters an option to purchase up to an additional 525,000 shares of our common stock, and is not selling any stock in addition to such option. See Selling Stockholder and Option Stockholder.
Use of proceeds	We will not receive any proceeds from the sale of shares by the selling stockholder or the option stockholder. See Use of Proceeds.
Dividend policy	Currently, we do not anticipate paying cash dividends.
Concentration of ownership	Upon completion of this offering, assuming no exercise by the underwriters of their option to purchase additional shares, our executive officers and directors, and their affiliates, will beneficially own, in the aggregate, approximately 24.1% of our outstanding shares of common stock (or approximately 22.7% if the underwriters' option to purchase additional shares from the option stockholder is exercised in full), and Compass will own approximately 13.9% of our outstanding shares of common stock.

NASDAQ Global Select Market symbol      FOXF

Risk Factors

Investing in our shares of common stock involves risks. See Risk Factors beginning on page S-8 of this prospectus supplement and on page 4 of the accompanying prospectus for a discussion of factors you should carefully consider before deciding to invest in our shares of common stock.

S-4

**Table of Contents**

The number of shares of common stock that will be outstanding after this offering is based on 36,861,204 shares outstanding as of November 10, 2016, and:

excludes 1,480,256 shares of common stock reserved and issuable upon the exercise of options to purchase common stock that were outstanding as of November 10, 2016, with a weighted average exercise price of \$5.33 per share; and

excludes 3,038,651 shares of common stock issuable under our 2013 Omnibus Plan, which include (i) 3,631,709 shares initially reserved for issuance under our 2013 Omnibus Plan, (ii) an additional 62,708 shares that may be granted under our 2013 Omnibus Plan as a result of the forfeiture of options previously granted under our 2008 Stock Option Plan and 2008 Non-Statutory Stock Option Plan less (iii) 655,766 shares issued upon vesting of issued awards as of November 10, 2016. Of these shares of common stock, 818,070 shares were issuable upon the vesting of restricted stock units or exercise of options granted to our directors, officers and other employees as of November 10, 2016.

**Table of Contents****SUMMARY CONSOLIDATED FINANCIAL DATA**

The following summary consolidated financial data should be read in conjunction with, and is qualified in its entirety by, the sections entitled "Selected Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes included in our Annual Report on Form 10-K for the year ended December 31, 2015, or the 2015 Annual Report, and the 2016 Third Quarterly Report, which are incorporated by reference in this prospectus supplement. The historical results presented below are not necessarily indicative of the results to be expected for any future period.

**Consolidated Statement of Income Data**

	FOR THE YEARS ENDED DECEMBER 31,					FOR THE NINE MONTHS ENDED ENDED SEPTEMBER 30, SEPTEMBER 30,	
	2015	2014	2013	2012	2011	2016	2015
(in thousands, except per share data)							
Sales	\$ 366,798	\$ 306,734	\$ 272,746	\$ 235,869	\$ 197,739	\$ 291,522	\$ 271,130
Cost of sales <sup>(1)</sup>	254,756	212,314	192,617	173,040	140,849	199,191	187,693
Gross profit	112,042	94,420	80,129	62,829	56,890	92,331	83,437
Operating expenses:							
Sales and marketing <sup>(1)</sup>	23,182	19,192	14,153	12,570	11,748	19,447	17,418
Research and development <sup>(1)</sup>	17,001	13,642	10,409	9,727	9,750	13,698	12,201
General and administrative <sup>(1)</sup>	21,053	17,683	11,408	9,063	7,588	20,159	15,428
Amortization of purchased intangibles	8,525	6,424	5,378	5,315	5,217	2,289	6,435
Fair value adjustment of contingent consideration and acquisition related compensation	6,937	2,856				4,681	6,058
Total operating expenses	76,698	59,797	41,348	36,675	34,303	60,274	57,540
Income from operations	35,344	34,623	38,781	26,154	22,587	32,057	25,897
Other expense, net:							
Interest expense	1,549	999	4,125	3,486	1,982	1,515	1,166
Other (income) expense, net	(449)	(693)	(12)	277	13	365	(195)
Total other expense, net	1,100	306	4,113	3,763	1,995	1,880	971

Edgar Filing: FOX FACTORY HOLDING CORP - Form 424B7

Income before income taxes	34,244	34,317	34,668	22,391	20,592	30,177	24,926
Provision for income taxes	9,290	6,631	10,566	8,181	7,054	4,315	6,802
Net income	\$ 24,954	\$ 27,686	\$ 24,102	\$ 14,210	\$ 13,538	\$ 25,862	\$ 18,124

Earnings per share:

Basic