Snap One Reports Fiscal Fourth Quarter and Full Year 2023 Results

Continued Industry Leadership Marked by Launch of Control4 Connect and Control4 Assist and Numerous Achievements Across Product Suite and Growth Verticals

Company Introduces Financial Outlook for Fiscal 2024

CHARLOTTE, N.C. – March 7, 2024 – Snap One Holdings Corp. (Nasdaq: SNPO) ("Snap One," the "Company," "we," or "our"), a provider of smart-living products, services, and software to professional integrators, reported financial results for the fiscal fourth quarter and full year ended December 29, 2023.

Fiscal Full Year 2023 and Recent Operational Highlights

- Recognized by the industry for delivering an excellent **integrator partner experience**
    - Ranked a top-five brand 45 times across 62 product sub-categories in the 2023 CE Pro 100 Brand Analysis awards, approximately 5x the number of such recognitions as any other company included within the analysis
    - Awarded 14 CE Pro 'Quest for Quality' awards across the 22 categories included in CE Pro's survey of professional integrators, reflecting the Company's commitment to excellent service
- Announced innovative **Control4 Connect and Control4 Assist service offerings** in January 2024
    - Positions Snap One at the forefront of the industry's evolution towards a more responsive, service-oriented model focused on delighting the end consumer
- Delivered on new **product innovation** and enhanced **software platform capabilities**
    - Successfully introduced exciting new products across outdoor audio and lighting, linear lighting, control, surveillance, and networking
    - Introduced the Control4 CORE Lite Controller to provide an automation solution for single-room applications, making the Control4 ecosystem more affordable in smaller, simpler spaces
    - Launched a new series of Araknis switches and routers that feature a multi-Gigabit interface for high bandwidth installations including commercial deployments
- Expanded **local branch** presence to 45 North American locations
    - Opened four net new local branches in 2023, including two branches in the fourth quarter in the Jacksonville, FL and Milwaukee, WI markets
- Continued to demonstrate progress in key **growth markets**
    - Announced the ClareVision Smart Video Doorbell, providing a high-quality, self-contained solution that integrates seamlessly with other Clare offerings
    - Launched the high capacity Luma NVRs and VMS platform, representing further momentum in support of large-scale residential and commercial deployments
    - Earned four Security Sales & Integration 2023 Supplier Stellar Service Awards in categories such as Technical Support and Dealer Program/Incentives

Management Commentary
“We delivered another strong year in 2023 despite continued global uncertainty, channel inventory destocking, and rising interest rates,” said Snap One CEO John Heyman. “During the year, our team remained committed to our growth strategies, which included improving the end consumer experience with innovative service models, accelerating integrator partner platform adoption, and expanding operating margin. In support of this plan, we recently launched Control4 Connect and Control4 Assist, which we believe will enable the industry to evolve by significantly improving the end consumer’s experience while building an important source of recurring service revenue, both for our partners and Snap One. Additionally, we launched many exciting new products, continued the expansion of our local branch network, and extended our position in key growth markets.”

“With continued momentum in the fourth quarter, we closed 2023 with $1.061 billion of net sales, a $21.4 million net loss, and $117.2 million of adjusted EBITDA, which represents strong year-over-year adjusted EBITDA margin expansion to 11.0%,” Heyman continued. “We continue to believe in our long-term growth algorithm, and our 2023 achievements, such as numerous marquee industry awards and expanded profitability, give us conviction that we have developed the right strategy.”

Fiscal Fourth Quarter 2023 Financial Results
Results compare 2023 fiscal fourth quarter end (December 29, 2023) to 2022 fiscal fourth quarter end (December 30, 2022) unless otherwise indicated. The Company’s fiscal fourth quarter in both years reflects a 13-week period. Results are presented on an as-reported basis, unless otherwise indicated.

- Net sales decreased 1.4% to $264.4 million from $268.2 million in the comparable year-ago period.
- Selling, general and administrative (SG&A) expenses increased 6.2% to $88.2 million (33.4% of net sales) from $83.0 million (31.0% of net sales) in the comparable year-ago period.
- Net loss increased $1.7 million to $5.8 million (-2.2% of net sales) compared to net loss of $4.1 million (-1.5% of net sales) in the comparable year-ago period.
- Contribution margin, a non-GAAP measurement of operating performance reconciled below, increased 4.3% to $110.3 million (41.7% of net sales) from $105.8 million (39.4% of net sales) in the comparable year-ago period.
- Adjusted EBITDA, a non-GAAP measurement of operating performance reconciled below, increased 10.7% to $29.8 million (11.3% of net sales) compared to $26.9 million (10.0% of net sales) in the comparable year-ago period.
- Adjusted net income, a non-GAAP measurement of operating performance reconciled below, increased 7.4% to $11.2 million (4.3% of net sales) from $10.5 million (3.9% of net sales) in the comparable year-ago period.

Fiscal Full Year 2023 Financial Results
Results compare 2023 fiscal year end (December 29, 2023) to 2022 fiscal year end (December 30, 2022) unless otherwise indicated. The Company’s fiscal year in both years reflects a 52-week period. Results are represented on an as reported basis, unless otherwise indicated.

- Net sales decreased 5.6% to $1,061.0 million from $1,123.8 million in the comparable year-ago period.

- Selling, general and administrative (SG&A) expenses increased 1.6% to $359.8 million (33.9% of net sales) from $354.3 million (31.5% of net sales) in the comparable year-ago period.
- Net loss increased $12.7 million to $21.4 million (-2.0% of net sales) compared to net loss of $8.7 million (-0.8% of net sales) in the comparable year-ago period.
- Contribution margin, a non-GAAP measurement of operating performance reconciled below, increased 1.4% to $447.3 million (42.2% of net sales) in the fiscal year from $441.2 million (39.3% of net sales) in the comparable year-ago period.
- Adjusted EBITDA, a non-GAAP measurement of operating performance reconciled below, increased 2.7% to $117.2 million (11.0% of net sales) compared to $114.1 million (10.2% of net sales) in the comparable year-ago period.
- Adjusted net income, a non-GAAP measurement of operating performance reconciled below, decreased 23.4% to $40.3 million (3.8% of net sales) from $52.6 million (4.7% of net sales) in the comparable year-ago period.
- Net cash provided by operating activities totaled $89.3 million in the fiscal year ended December 29, 2023, compared to net cash used in operating activities of $23.1 million in the comparable year-ago period.
- Free cash flow, a non-GAAP measurement of operating performance reconciled below, totaled $66.5 million in the fiscal year ended December 29, 2023, compared to $(44.6) million in the comparable year-ago period.
- At the end of fiscal 2023, cash and cash equivalents were $61.0 million, compared to $21.1 million on December 30, 2022.

Additional Revenue Disaggregation and Key Performance Indicators ("KPIs")

In addition to the measures presented in the consolidated financial statements, the Company also presents the following key performance indicators annually on a fiscal year-end basis. These metrics are:

- Transacting Domestic Integrators
- Spend per Transacting Domestic Integrator

In fiscal year 2023, Snap One transacted with 19.7 thousand domestic integrators who each spent approximately $45.9 thousand on average. On a year-over-year basis, the number of transacting domestic integrators increased 0.5%, while spend per transacting domestic integrator decreased 4.4%, reflecting channel inventory destocking impacts and the macro environment.

For additional detail, please reference the Financial Tables section at the end of this press release and the supplemental earnings presentation, which can be found at investors.snapone.com.

Stock Repurchase Program

On November 6, 2023, the Company's Board of Directors amended the Company's previously announced $25.0 million stock repurchase program to extend its expiration date to December 31, 2024.

As of December 29, 2023, the Company had repurchased 296,467 shares of its common stock through this program for an aggregate amount of $3.1 million.

Fiscal 2024 Financial Outlook
"Looking ahead to 2024, we continue to be confident in our ability to drive growth," Heyman continued. "Still, we expect to see lingering headwinds in an uncertain macroeconomic environment, and we believe that it is prudent to continue to take a pragmatic approach to our 2024 outlook."

"With these factors in mind, we expect net sales in the fiscal year ending December 27, 2024 to range between $1.06 billion and $1.13 billion, which would represent flat year-over-year performance to an increase of 6.5% on an as-reported basis. For fiscal 2024, we expect adjusted EBITDA[1] to range between $120 million and $128 million, which would represent an increase of 2.4% to 9.2% compared to the prior fiscal year on an as-reported basis. While the macroeconomic uncertainty persists, we have a resilient business model, and we are excited to implement our strategy for 2024 and beyond."

Supplemental Earnings Presentation
The Company has posted a supplemental earnings presentation accompanying its fiscal fourth quarter and full year 2023 results to the Events & Presentations section of its Investor Relations website, which can be found at investors.snapone.com.

Conference Call
Snap One management will hold a conference call today, March 7, 2024 at 4:30 p.m. Eastern Time (1:30 p.m. Pacific Time) to discuss these results.

Company CEO John Heyman and CFO Mike Carlet will host the call, followed by a question-and-answer period.

Registration Link: Click here to register

Please register online at least 10 minutes prior to the start time. If you have any difficulty with registration or connecting to the conference call, please contact Gateway Group at 949-574-3860.

The conference call will be broadcast live and available for replay here and via the Investor Relations section of Snap One's website.

About Snap One
As a leading distributor of smart-living technology, Snap One empowers its vast network of professional integrators to deliver entertainment, connectivity, automation, and security solutions to residential and commercial end users worldwide. Snap One distributes an expansive portfolio of proprietary and third-party products through its intuitive online portal and local branch network, blending the benefits of e-commerce with the convenience of same-day pickup. The Company provides software, award-winning support, and digital workflow tools to help its integrator partners build thriving and profitable businesses. Additional information about Snap One can be found at snapone.com.

[1] We have not reconciled the forward-looking adjusted EBITDA guidance included above to the most directly comparable GAAP measure because this cannot be done without unreasonable effort due to the variability and low visibility with respect to certain costs, the most significant of which are incentive compensation (including stock-based compensation), transaction-related expenses, and certain value measurements, which are potential adjustments to future earnings. We expect the variability of these items to have a potentially unpredictable, and a potentially significant, impact on our future GAAP financial results.

Snap One intends to use its website as a means of disclosing material, non-public information and for complying with its disclosure obligations under Regulation FD. Such disclosures will be included in the Investor Relations section of the Snap One website at investors.snapone.com. Accordingly, investors should monitor such portion of the website, in addition to following the Company's press releases, Securities and Exchange Commission ("SEC") filings, and public conference calls and webcasts.

Non-GAAP Financial Measures

In addition to the financial measures prepared in accordance with generally accepted accounting principles in the United States ("GAAP"), this press release contains certain non-GAAP financial measures, including contribution margin, adjusted EBITDA, adjusted net income, and free cash flow. A non-GAAP financial measure is generally defined as a numerical measure of a company's financial or operating performance that excludes or includes amounts so as to be different than the most directly comparable measure calculated and presented in accordance with GAAP. We use the following non-GAAP measures to help us monitor the performance of our business, identify trends affecting our business and assist us in making strategic decisions:

Contribution margin, which is defined as net sales, less cost of sales, exclusive of depreciation and amortization, divided by net sales.

Adjusted EBITDA, which is defined as net loss, plus interest expense, income tax benefit, depreciation and amortization, other expense (income), net, further adjusted to exclude equity-based compensation, acquisition- and integration-related costs and certain other non-recurring, non-core, infrequent or unusual charges as set forth in the reconciliation in this section below.

Adjusted net income, which is defined as net loss, plus amortization, further adjusted to exclude equity-based compensation, acquisition- and integration-related costs, (income) expense related to the interest rate cap and certain non-recurring, non-core, infrequent or unusual charges, including the estimated tax impacts of these adjustments, as set forth in the reconciliation in this section below.

Free cash flow, which is defined as net cash provided by (used in) operating activities less capital expenditures, which consist of purchases of property and equipment as well as purchases of information technology, software development, and leasehold improvements.

Contribution margin, adjusted EBITDA, adjusted net income, and free cash flow are key measures used by management to understand and evaluate our financial performance, generate future operating plans, make strategic decisions regarding the allocation of capital, and analyze investments in initiatives that are focused on cultivating new markets for our products and services. We believe contribution margin, adjusted EBITDA, adjusted net income, and free cash flow are useful measurements for analysts, investors, and other interested parties to evaluate companies in our markets as they help identify underlying trends that could otherwise be masked by certain expenses that we do not consider indicative of our ongoing performance.

Contribution margin, adjusted EBITDA, adjusted net income, and free cash flow have limitations as analytical tools. These measures are not calculated in accordance with GAAP and should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. In addition, contribution margin, adjusted EBITDA, adjusted net income, and free cash flow may not be comparable to similarly titled metrics of other companies due to differences among the methods of calculation.

Certain prior period Adjusted EBITDA and Adjusted Net Income add-back amounts have been reclassified to conform to the current period presentation. These reclassifications had no effect on the previously reported Adjusted EBITDA and Adjusted Net Income totals.

Cautionary Statements Concerning Forward-Looking Statements

Certain statements contained in this press release constitute forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, as amended, which reflect our current views with respect to, among other things, our operations, earnings and financial performance, including our guidance for 2023, and our stock repurchase plans. You can identify these forward-looking statements by the use of words such as "outlook," "indicator," "believes," "project," "forecast," "targets," "expects," "potential," "continues," "may," "will," "should," "seeks," "approximately," "predicts," "intends," "plans," "scheduled," "estimates," "anticipates" or the negative version of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. We believe these factors include but are not limited to the risks related to our business and industry, risks related to our products, risks related to our manufacturing and supply chain, risks related to our distribution channels, risks related to laws and regulations, risks related to cybersecurity and privacy, risks related to intellectual property, risks related to our international operations, risks related to our indebtedness, risks related to interest rate and exchange rate volatility, risks related to our financial statements, risks related to our common stock, and other risks as described under the section entitled "Risk Factors" in our latest Annual Report on Form 10-K filed with the SEC, as such factors may be updated from time to time in our periodic filings with the SEC, which are accessible on the SEC's website at www.sec.gov. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report and in our other periodic filings. The forward-looking statements speak only as of the date of this report, and, except as required by law, we undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

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-Financial Tables to Follow-

Snap One Holdings Corp. and Subsidiaries
Consolidated Statements of Operations
(in thousands, except per share amounts)

	Three Months Ended		For the Years Ended	
	December 29, 2023	December 30, 2022	December 29, 2023	December 30, 2022
Net sales	$ 264,388	$ 268,238	$ 1,060,979	$ 1,123,811
Costs and expenses:				
Cost of sales, exclusive of depreciation and amortization	154,051	162,476	613,661	682,638
Selling, general, and administrative expenses	88,216	83,045	359,843	354,345
Depreciation and amortization	15,158	14,915	61,125	59,582
Total costs and expenses	257,425	260,436	1,034,629	1,096,565
Income from operations	6,963	7,802	26,350	27,246
Other expenses (income):				
Interest expense	14,533	11,152	58,263	35,839
Other expense (income), net	2,148	1,404	1,496	1,541
Total other expenses	16,681	12,556	59,759	37,380
Loss before income taxes	(9,718)	(4,754)	(33,409)	(10,134)
Income tax benefit	(3,922)	(697)	(12,041)	(1,459)
Net loss	(5,796)	(4,057)	(21,368)	(8,675)
Net loss attributable to noncontrolling interest	—	(4)	—	(49)
Net loss attributable to Company	$ (5,796)	$ (4,053)	$ (21,368)	$ (8,626)
Net loss per share, basic and diluted	$ (0.08)	$ (0.05)	$ (0.28)	$ (0.12)
Weighted average shares outstanding, basic and diluted	76,019	74,901	75,898	74,651

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Snap One Holdings Corp. and Subsidiaries
Consolidated Balance Sheets
(in thousands, except par value)

	As of	
	December 29, 2023	December 30, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 61,023	$ 21,117
Accounts receivable, net	45,879	48,174
Inventories	268,793	314,588
Prepaid expenses	21,067	22,913
Other current assets	2,678	5,930
Total current assets	399,440	412,722
Long-term assets:		
Property and equipment, net	45,560	34,958
Goodwill	592,389	592,186
Other intangible assets, net	505,077	554,419
Operating lease right-of-use assets	51,851	54,041
Other assets	8,611	4,195
Total assets	$ 1,602,928	$ 1,652,521
Liabilities and stockholders' equity		
Current liabilities:		
Current maturities of long-term debt	$ 3,900	$ 5,063
Accounts payable	67,295	77,443
Accrued liabilities	62,631	64,605
Current operating lease liability	11,456	10,574
Current tax receivable agreement liability	21,107	10,191
Total current liabilities	166,389	167,876
Long-term liabilities:		
Revolving credit facility, net	—	10,800
Long-term debt, net of current portion	495,620	496,795
Deferred income tax liabilities, net	26,975	43,515
Operating lease liability, net of current portion	52,090	50,896
Tax receivable agreement liability, net of current portion	80,929	101,262
Other liabilities	21,068	24,206
Total liabilities	843,071	895,350
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Common stock, $0.01 par value, 500,000 shares authorized; 75,944 shares issued and outstanding as of December 29, 2023 and 75,042 shares issued and outstanding at December 30, 2022	759	750
Preferred stock, $0.01 par value; 50,000 shares authorized, no shares issued and outstanding	—	—
Additional paid-in capital	872,065	848,703
Accumulated deficit	(109,414)	(88,046)
Accumulated other comprehensive loss	(3,553)	(4,236)
Total stockholders' equity	759,857	757,171
Total liabilities and stockholders' equity	$ 1,602,928	$ 1,652,521

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Snap One Holdings Corp. and Subsidiaries
Consolidated Statements of Cash Flows
(in thousands)

	For the Years Ended	
	December 29, 2023	December 30, 2022
Cash flows from operating activities:		
Net loss	$ (21,368)	$ (8,675)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation and amortization	61,125	59,582
Equity-based compensation	23,492	23,291
Amortization of debt issuance costs	3,167	2,146
Interest rate cap expense	2,034	2,563
Deferred income taxes	(16,702)	(7,652)
Non-cash operating lease expense	10,554	13,258
Bad debt expense	1,165	764
Fair value adjustment to contingent value rights	(300)	(7,200)
Valuation adjustment to TRA liability	775	(953)
Valuation adjustment to contingent liability	—	(1,750)
Loss on notes receivable	—	5,872
Other, net	(83)	83
Change in operating assets and liabilities:		
Accounts receivable	2,255	6,113
Inventories	46,963	(100,873)
Prepaid expenses and other assets	847	5,877
Accounts payable and accrued liabilities	(18,339)	(6,296)
Operating lease liabilities	(6,290)	(9,220)
Net cash provided by (used in) operating activities	89,295	(23,070)
Cash flows from investing activities:		
Purchases of property and equipment	(22,805)	(21,492)
Acquisition of business, net of cash acquired	—	(30,539)
Issuance of notes receivable	—	(600)
Other	51	75
Net cash used in investing activities	(22,754)	(52,556)
Cash flows from financing activities:		
Payments of tax receivable agreement	(10,191)	—
Proceeds from long-term debt	—	55,000
Payments on long-term debt	(5,200)	(3,488)
Payments of debt issuance costs	—	(4,239)
Proceeds from revolving credit facility	38,000	69,000
Payments on revolving credit facility	(50,000)	(57,000)
Proceeds on interest rate cap agreement	1,066	—
Payment of tax withholding obligation on settlement of equity awards	(1,578)	—
Proceeds from employee stock purchase plan	2,091	1,071
Repurchase and retirement of common stock	(293)	(2,832)
Payments of contingent consideration	(250)	—
Net cash (used in) provided by financing activities	(26,355)	57,512
Effect of exchange rate changes on cash and cash equivalents	(280)	(1,346)
Net increase (decrease) in cash and cash equivalents	39,906	(19,460)
Cash and cash equivalents at beginning of the period	21,117	40,577
Cash and cash equivalents at end of the period	$ 61,023	$ 21,117
Supplementary cash flow information:		
Cash paid for interest	$ 55,743	$ 33,639
Cash paid for taxes, net	$ 8,013	$ 5,689
Noncash investing and financing activities:		
Noncash tax receivable agreement liability	$ —	$ —
Noncash equity contribution	$ —	$ 1,100
Capital expenditure in accounts payable	$ 267	$ 738

Snap One Holdings Corp. and Subsidiaries
Reconciliation of Net Loss to Adjusted EBITDA
(in thousands)

	Three Months Ended		For the Years Ended	
	December 29, 2023	December 30, 2022	December 29, 2023	December 30, 2022
	(in thousands)			
Net loss	$ (5,796)	$ (4,057)	$ (21,368)	$ (8,675)
Interest expense	14,533	11,152	58,263	35,839
Income tax benefit	(3,922)	(697)	(12,041)	(1,459)
Depreciation and amortization	15,158	14,915	61,125	59,582
Other expense (income), net	2,148	1,404	1,496	1,541
Equity-based compensation	5,948	5,354	23,492	23,291
Severance cost[a]	1,263	117	2,539	583
Compensation expense for payouts in lieu of TRA participation[b]	204	279	642	1,116
IT system transition costs[c]	296	284	515	552
Deferred acquisition payments[d]	—	78	133	1,085
Fair value adjustment to contingent value rights[e]	(600)	(1,000)	(300)	(7,200)
Loss on notes receivable[f]	—	—	—	5,872
Acquisition and integration related costs[g]	—	755	—	1,317
Deferred revenue purchase accounting adjustment[h]	—	—	—	164
Fair value adjustment to contingent consideration[i]	—	(1,750)	—	(1,750)
Other professional services costs[j]	2	293	469	2,116
Other[k]	569	(205)	2,207	94
Adjusted EBITDA	$ 29,803	$ 26,922	$ 117,172	$ 114,068

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Snap One Holdings Corp. and Subsidiaries
Reconciliation of Net Loss to Adjusted Net Income
(in thousands)

	Three Months Ended		For the Years Ended	
	December 29, 2023	December 30, 2022	December 29, 2023	December 30, 2022
	(in thousands)			
Net loss	$ (5,796)	$ (4,057)	$ (21,368)	$ (8,675)
Amortization	12,273	12,435	49,589	50,229
Equity-based compensation	5,948	5,354	23,492	23,291
Interest rate cap expense	2,847	2,563	2,034	2,563
Foreign currency (gain) loss	(204)	(36)	(187)	88
Severance cost [a]	1,263	117	2,539	583
Compensation expense for payouts in lieu of TRA participation [b]	204	279	642	1,116
IT system transition costs [c]	296	284	515	552
Deferred acquisition payments [d]	—	78	133	1,085
Fair value adjustment to contingent value rights [e]	(600)	(1,000)	(300)	(7,200)
Loss on notes receivable [f]	—	—	—	5,872
Acquisition and integration related costs [g]	—	755	—	1,317
Deferred revenue purchase accounting adjustment [h]	—	—	—	164
Fair value adjustment to contingent consideration [i]	—	(1,750)	—	(1,750)
Other professional services costs [j]	2	293	469	2,116
Other [k]	603	(287)	2,150	275
Income tax effect of adjustments [l]	(5,596)	(4,566)	(19,453)	(19,058)
Adjusted Net Income	$ 11,240	$ 10,462	$ 40,255	$ 52,568

(a) Severance cost associated with various restructuring actions such as warehouse relocation, departmental reorganization, and focused reduction in workforce.

(b) Represents expense, net of forfeitures, related to payments to certain pre-IPO owners in lieu of their participation in the Tax Receivable Agreement entered into on July 29, 2021 ("TRA"). Management does not believe such costs are indicative of our ongoing operations as they are one-time awards specific to the establishment of the TRA.

(c) Represents costs associated with the implementation of enterprise resource planning ("ERP") systems, customer resource management systems, and business intelligence systems as part of our initiative to modernize our information technology ("IT") infrastructure.

(d) Represents expenses incurred related to deferred payments to employees associated with historical acquisitions. The deferred payments are cash retention awards for key personnel from the acquired companies and are to be paid to employees through 2023. Management does not believe such costs are indicative of our ongoing operations as they are one-time awards specific to acquisitions and are incremental to our typical compensation costs incurred and we do not expect such costs to be reflective of future increases in base compensation expense.

(e) Represents noncash gains and losses recorded from fair value adjustments related to contingent value right ("CVR") liabilities. Fair value adjustments related to CVR liabilities represent potential obligations to the prior sellers in conjunction with the acquisition of the Company by investment funds managed by Hellman & Friedman, LLC ("H&F") in August 2017.

(f) Represents provision for credit losses on notes receivable related to the Company's unsecured loan to Clare.

(g) Represents costs directly associated with acquisitions and acquisition-related integration activities. These costs also include certain restructuring costs (e.g., severance) and other third-party transaction advisory fees associated with planned and completed acquisitions.

(h) Represents an adjustment related to the fair value of deferred revenue related to the Control4 Corporation acquisition.

(i) Represents noncash adjustment to the fair value of contingent consideration related to the Access Networks acquisition.

(j) Represents professional service fees associated with managements remediation of the material weakness that was disclosed as part of our initial Registration Statement, preparation for compliance with SOX, the implementation of new accounting standards, and accounting for non-recurring transactions.

(k) Represents non-recurring expenses related to consulting, restructuring, and other expenses which management believes are not representative of our operating performance.

(l) Represents the tax impacts with respect to each adjustment noted above after considering the impact of permanent differences using the statutory tax rate related to the applicable federal and foreign jurisdictions and the blended state tax rate.

Snap One Holdings Corp. and Subsidiaries
Contribution Margin
(in thousands)

	Three Months Ended		For the Years Ended	
	December 29, 2023	December 30, 2022	December 29, 2023	December 30, 2022
	(in thousands)			
Net sales	$ 264,388	$ 268,238	$ 1,060,979	$ 1,123,811
Cost of sales, exclusive of depreciation and amortization [(a)]	154,051	162,476	613,661	682,638
Net sales less cost of sales, exclusive of depreciation and amortization	$ 110,337	$ 105,762	$ 447,318	$ 441,173
Contribution Margin	41.7 %	39.4 %	42.2 %	39.3 %

(a) Cost of sales for the three months ended December 29, 2023 and December 30, 2022 excludes depreciation and amortization of $15.2 million and $14.9 million, respectively. Cost of sales for the fiscal years ended December 29, 2023 and December 30, 2022 excludes depreciation and amortization of $61.1 million and $59.6 million, respectively.

Snap One Holdings Corp. and Subsidiaries
Free Cash Flow
(in thousands)

	For the Years Ended	
	December 29, 2023	December 30, 2022
	(in thousands)	
Net cash provided by (used in) operating activities	$ 89,295	$ (23,070)
Purchases of property and equipment	(22,805)	(21,492)
Free Cash Flow	$ 66,490	$ (44,562)

Snap One Holdings Corp. and Subsidiaries
Revenue by Geography
(in thousands)

	Three Months Ended		For the Years Ended	
	December 29, 2023	December 30, 2022[d]	December 29, 2023	December 30, 2022[d]
Domestic integrators[a]	$ 224,137	$ 225,097	$ 904,788	$ 941,676
Domestic other[b]	4,474	6,251	20,519	30,033
International[c]	35,777	36,890	135,672	152,102
Total	$ 264,388	$ 268,238	$ 1,060,979	$ 1,123,811

(a) "Domestic integrators" is defined as professional "do-it-for-me" integrators who transact with Snap One through a traditional integrator channel in the United States.

(b) "Domestic other" is defined as revenue generated through managed transactions with non-integrator customers, such as national accounts.

(c) "International" consists of all integrators and distributors who transact with Snap One outside of the United States.

(d) Certain amounts, including Access Networks net sales, have been reclassified to conform to the current period presentation.

Snap One Holdings Corp. and Subsidiaries
Revenue by Product Type
(in thousands)

	Three Months Ended		For the Years Ended	
	December 29, 2023	December 30, 2022	December 29, 2023	December 30, 2022
Proprietary products[(a)]	$ 167,842	$ 173,634	$ 699,214	$ 762,088
Third-party products[(b)]	96,546	94,604	361,765	361,723
Total	$ 264,388	$ 268,238	$ 1,060,979	$ 1,123,811

(a) Proprietary products consist of products and services internally developed by Snap One and sold under one of Snap One's proprietary brands.

(b) Third-party products consist of products that Snap One distributes but to which Snap One does not own the intellectual property.

Snap One Holdings Corp. and Subsidiaries
Key Performance Indicators
(in thousands)

	For the Years Ended	
	December 29, 2023	December 30, 2022[b]
Domestic integrator[a] net sales	$ 904,788	$ 941,676
Divided by:		
Transacting domestic integrators (in thousands)	19.7	19.6
Spend per transacting domestic integrator	$ 45.9	$ 48.0
Year over year growth %		
Transacting domestic integrators	0.5 %	— %
Spend per transacting domestic integrator	(4.4)%	10.9 %

(a) "Domestic integrators" is defined as professional "do-it-for-me" integrators who transact with Snap One through a traditional integrator channel in the United States.

(b) Certain amounts, including Access Networks net sales and transacting domestic integrators, which were excluded in our presentation of these numbers in our prior Annual Report for the year ended December 30, 2022, have been reclassified to conform to the current period presentation.